LineTrust.
South Canterbury™

FINANCIAL STATEMENTS

2022

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LineTrust South Canterbury
For the year ended 31 August 2022

Nature of Business

Consumer Trust owning 40% of Alpine Energy Ltd

Trust Formation Date

24 June 2002

Trustees

Joy Paterson (Chairperson)

Peter Binns

Karen McCrostie

Hugh Perry

Michael Downes

Trust Appointed Directors

Rick Ramsay

Karen Coutts

Kevin Winders

Beneficiaries

South Canterbury Power Consumers

Warmer Kiwi Homes

Scholarships

Secretary

Ford Simpson Ltd

Accountants

Ford Simpson Ltd
Chartered Accountants
18 Woollcombe Street
Timaru 7910

Auditor

Martin Wakefield Audit Ltd

Bankers

BNZ

CHAIRPERSON'S ANNUAL REPORT FOR LINETRUST SOUTH CANTERBURY 2022

It is my pleasure to present the 29th Annual report for the 2022 year. It has been a busy year for the Trustees. We have made appointments to the Alpine Energy Board, worked on the Memorandum of Understanding between shareholders, continued our relationship with EnergySmart to provide subsidies for insulating homes, provided scholarships to 2 young people to assist with university fees, continued updating our knowledge of the electricity industry to make us effective shareholders and worked through the process of making changes to the Trust Deed.

This year we farewelled Jessie Chan as a LineTrust South Canterbury appointment to the Board of Alpine Energy Ltd. We were extremely fortunate to attract and appoint Karen Coutts and Kevin Winders. Both people came highly recommended in specific areas that the Trustees believe will add value to the Alpine Board. They both have direct links to the district. They have been through an induction process and began their term in September this year. We have at present three people appointed to the Board.

The existing Memorandum of Understanding between the shareholders is under review to ensure that it is relevant to today's environment, meets future needs and is workable. This has been an ongoing project for the last 3 years but is nearing completion. The need for this review became apparent four years ago when Timaru District Council investigated selling their shares.

The programme of work providing subsidies to insulate homes in the three districts has continued. We contributed $50,000 to the Warmer Kiwi Homes Project. Once again partnering with the Energy Efficiency Conservation Authority allowed 60 insulation retrofits to be installed throughout our region; 13 in the Waimate District, 7 in the Mackenzie District and 61 in the Timaru District. All recipient households were "Owner Occupied" and were only eligible due to holding a Community Services card or lived in one of the SDI Zones identified by the government from the last census. Special thanks to Rowena McClintock of EnergySmart who has coordinated this project since its inception 18 years ago. Rowena's continued passion and vision has been integral to its success. For the 2022-2023 year the budget contains another $50,000.

In past years, the Trust has offered scholarships to young people who are going on to university to study in a field that will benefit the electricity industry. We are delighted that the young men previously selected have been successful in their studies. In the last financial year we awarded two scholarships and we have recently concluded the selection process for this coming year by awarding two more scholarships. We are presently working with Alpine Energy Ltd to explore the possibility of aligning our programme and their graduate programme for greater benefits and continuity.

Another document under review was our Deed of Trust. This was a complex, lengthy process and we are pleased that we received an 85% vote in favour of the proposed changes. The low turnout was disappointing. We had two setbacks. The first was an editing/printing process that was caught just before the mailout and the second was a database problem. The second is a major concern and although we are working with Alpine Energy to address this, there will always be difficulties with postal voting. LineTrust South Canterbury does not have access to the names and addresses of consumers of Alpine Energy Ltd and is two steps removed from the database. The names and addresses must be collected by Alpine from the electricity retailers. There are several issues with the data collected. Some of these are:- physical addresses out of date because consumers receive their accounts by email and don't notice; multiple addresses held in legacy systems of retailers; consumers move homes or retailers after data collection and before voting papers are mailed; duplicate addresses for organisations that have multiple ICPs. None of these have easy solutions. We may have to look at electronic voting for the election of Trustees in 2024, although we accept that there will be difficulties with this especially for folk with access problems. The total cost of the change was $110,985.

Finally, I would like to thank my fellow trustees, Mike, Karen, Peter and Hugh for their support and all their hard work during the year. As I said before, It was a very busy year. I also thank Ant Ford and Steph Fraser of Ford Simpson for their efficient and effective administration of LineTrust South Canterbury and their hard work through the year.

R. J. Paterson

Joy Paterson
Chair

Statement of Distributions

LineTrust South Canterbury
For the year ended 31 August 2022

	2022	2021	2020
Distributions			
Available Distributions			
Total Comprehensive Income	4,131,732	10,471,836	7,663,154
Equity Accounted Surplus from Associate	(3,529,600)	(7,102,800)	(8,654,800)
Other Comprehensive Income in Associate	(1,154,272)	(3,462,290)	927,310
Income Tax	230,007	(45,931)	(31,687)
Dividend Received - Alpine Energy Ltd	991,872	991,872	3,967,490
Movement in Accrued Interest	(3,174)	17,168	27,977
Net Income Available for Distribution	**666,565**	**869,855**	**3,899,444**
Percentage Distributed	90	90	90
Available to Distribute to Beneficiaries	599,909	782,870	3,509,500

Allocation of $782,870

Load Group	**Allocate by**	**Amount**
Under 14 kVA (Standard Domestic)	Fixed Amount	$23.00
3 x 60 A (Small Commercial)	Fixed Amount	$17.04
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.

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

Statement of Comprehensive Income

LineTrust South Canterbury
For the year ended 31 August 2022

	NOTES	2022	2021
Revenue			
Interest Received - BNZ		17,479	22,049
Total Revenue		**17,479**	**22,049**
Expenses			
ACC Levies		99	118
Accountancy Fees	14	15,400	15,400
Advertising		4,572	2,946
Audit Fee	1	4,500	3,910
Bank Fees		40	40
Conference & Seminar Expenses		5,885	2,762
Consultancy Fees		11,155	(4,921)
Director Appointment		23,230	-
Dividend Distribution Costs		11,151	9,346
Election Expenses		412	5,817
Energy Trusts of New Zealand		5,173	8,214
Insurance	11	9,315	8,481
Legal expenses		5,974	3,486
Legal Expenses - Trust Deed		7,700	-
Meeting Expenses		922	380
Secretarial Costs	14	31,520	17,720
Subscriptions		2,642	-
Trust Deed Consultancy		103,285	-
Trustees Reimbursements		8,537	6,982
Trustees Remuneration		88,102	80,552
Total Expenses		**339,613**	**161,233**
Operating Surplus (Deficit)		**(322,134)**	**(139,184)**
Other Income			
Equity Accounted Surplus in Alpine Energy Ltd	10	3,529,600	7,102,800
Surplus (Deficit) before Income Tax		**3,207,466**	**6,963,616**
Income Tax Expense			
Income Tax Expense	2	230,007	(45,931)
Surplus/(Deficit) after Income Tax		**2,977,459**	**7,009,546**

MARTIN WAKEFIELD AUDIT

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

	NOTES	2022	2021
Other Comprehensive Revenue and Expense			
Items that will not be reclassified to Profit or Loss			
Other Comprehensive Income in Revaluation Associate Alpine Energy Ltd		(528)	2,975,090
Gain/(Loss) on Revaluation of Land and Buildings		-	(138,000)
Items that may be subsequently reclassified to Profit or Loss			
Gain/(Loss) on Interest Rate Swap - Alpine Energy Ltd		1,154,800	625,200
Total Comprehensive Income for the Year, Net of Tax		**4,131,732**	**10,471,836**

MARTIN WAKEFIELD AUDIT

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

Statement of Changes in Equity

LineTrust South Canterbury
For the year ended 31 August 2022

	CONTRIBUTED CAPITAL	REVALUATION RESERVE	HEDGE RESERVE	RETAINED PROFITS	TOTAL
2021					
Equity					
Balance as at 1 September 2020	16,531,207	(236,878)	(1,676,400)	46,963,611	61,581,540
Revenue					
Profit from Operations	-	-	-	7,009,546	7,009,546
Other Comprehensive Revenue/(Loss)	-	2,837,090	625,200	-	3,462,290
Total Revenue	-	**2,837,090**	**625,200**	**7,009,546**	**10,471,836**
Distributions					
Distribution to Consumer Projects -Note 5	-	-	-	(54,000)	(54,000)
Distribution to Consumers	-	-	-	(3,484,401)	(3,484,401)
Total Distributions	-	-	-	**(3,538,401)**	**(3,538,401)**
Total Equity	**16,531,207**	**2,600,212**	**(1,051,200)**	**50,434,756**	**68,514,975**

	CONTRIBUTED CAPITAL	REVALUATION RESERVE	HEDGE RESERVE	RETAINED PROFITS	TOTAL
2022					
Equity					
Balance as at 1 September 2021	16,531,207	2,600,212	(1,051,200)	50,434,756	68,514,975
Revenue					
Profit from Operations	-	-	-	2,977,459	2,977,459
Other Comprehensive Revenue/(Loss)	-	(528)	1,154,800	-	1,154,272
Total Revenue	-	**(528)**	**1,154,800**	**2,977,459**	**4,131,731**
Distributions					
Distribution to Consumer Projects -Note 5	-	-	-	(53,950)	(53,950)
Distribution to Consumers	-	-	-	(809,144)	(809,144)
Total Distributions	-	-	-	**(863,094)**	**(863,094)**
Total Equity	**16,531,207**	**2,599,684**	**103,600**	**52,549,121**	**71,783,612**

MARTIN WAKEFIELD AUDIT

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

Ford Simpson Ltd
Chartered Accountants

Statement of Financial Position

LineTrust South Canterbury
As at 31 August 2022

	NOTES	31 AUG 2022	31 AUG 2021
Assets			
Current Assets			
Cash and Cash Equivalents	3	106,875	153,581
Accounts Receivable	3	14,681	-
Accrued Income	3	6,775	3,601
Income Tax Receivable		31,940	27,456
Prepayments		4,161	-
BNZ - Short Term Deposits (Note 3 and 4)		1,574,560	1,738,530
Total Current Assets		**1,738,993**	**1,923,168**
Non-Current Assets			
Investment in Alpine Energy Ltd	10	70,074,128	66,382,128
Future Income Tax Benefit	9	-	230,007
Total Non-Current Assets		**70,074,128**	**66,612,135**
Total Assets		**71,813,121**	**68,535,302**
Liabilities			
Current Liabilities			
Accounts Payable	3	29,508	20,327
Total Current Liabilities		**29,508**	**20,327**
Total Liabilities		**29,508**	**20,327**
Net Assets		**71,783,613**	**68,514,975**
Equity			
Capital		16,531,207	16,531,207
Accumulated surpluses (deficits)		52,549,121	50,434,756
Reserves		2,703,285	1,549,012
Total Equity		**71,783,613**	**68,514,975**

R. J. Paterson ______ Trustee   Date 16 November 2022

______ Trustee   Date 16 November 2022

MARTIN WAKEFIELD AUDIT

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

Statement of Cash Flows

LineTrust South Canterbury
For the year ended 31 August 2022
Cash Basis

	2022	2021
Cash Flow		
Cash Flows from Operating Activities		
Cash was received from:		
Dividends Received	922,992	922,992
Interest Received	14,305	39,216
Tax Refund	27,456	63,523
Total	**964,753**	**1,025,731**
Cash was applied to:		
Operating Expenses	(343,271)	(162,315)
RWT Paid	(4,721)	(12,941)
Total	**(347,992)**	**(175,256)**
Net Cash Flows from Operating Activities	**616,761**	**850,475**
Cash Flows from Investing Activities		
Cash was received from:		
Withdrawal of Investments	1,938,987	3,966,057
Total	**1,938,987**	**3,966,057**
Cash was applied to:		
Increase of Investments	(1,775,017)	(2,554,586)
Total	**(1,775,017)**	**(2,554,586)**
Net Cash Flows from Investing Activities	**163,970**	**1,411,471**
Cash Flows from Financing Activities		
Cash was applied to:		
Distribution to Consumers	(767,485)	(3,430,035)
Warmer Kiwi Homes	(55,953)	(38,825)
Scholarships	(4,000)	(4,000)
Total	**(827,438)**	**(3,472,860)**
Net Cash Flows from Financing Activities	**(827,438)**	**(3,472,860)**
Net Increase/(Decrease) in Cash	(46,707)	(1,210,914)
Bank Accounts and Cash		
Opening Cash	153,581	1,364,495
Net Increase/(Decrease) in Cash Held	(46,707)	(1,210,914)
Closing Cash	**106,874**	**153,581**

MARTIN WAKEFIELD AUDIT

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

Statement of Accounting Policies

LineTrust South Canterbury
For the year ended 31 August 2022

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 Ltd 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 Comprehensive Income, 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). These financial statements have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

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.

The Trust is a Tier 2 for-profit entity and has elected to report in accordance with NZ IFRS RDR as issued by the New Zealand External Reporting Board (XRB). The Trust is eligible to report in accordance with NZ IFRS RDR on the basis that it does not have public accountability and is not a large for-profit public sector entity. In applying NZ IFRS RDR, the Trust has applied a number of 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 ahistorical 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 $.

Going Concern

The adoption of the going concern assumption is appropriate. The Trustees have considered the working capital requirements for the 2023 financial year and are satisfied that revenues to the date of signing these financial statements are sufficient.

MARTIN WAKEFIELD AUDIT

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of the Statement of Comprehensive Income and Statement of Financial Position have been applied.

Expenses

Expenses have been classified by their function to the Trust.

Trade Receivables

Accounts Receivable represents items that the trust has issued invoices for or accrued for, but has not received payment for at year end. Receivables are initially recorded at fair value and subsequently recorded at the amount the trust realistically expects to receive.

Income Tax

The income tax expense charged to the Statement of Comprehensive Income recognises the current year's provision adjusted for timing and permanent differences between taxable and accounting income. After consultation, the deferred tax from previous years has been reversed in full in the 2022 year.

Investments

Investment in Associate
Alpine Energy Ltd 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 Comprehensive Income, and its share of post acquisition increases or decreases in net assets in the Statement of Financial Position. Dividends received from Alpine Energy Ltd are eliminated from the Statement of Comprehensive Income 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.

Goods and Services Tax (GST)

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and bank balances, with original maturities of 90 days or less.

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).

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.

MARTIN WAKEFIELD AUDIT

Financial Instruments

The trust's financial assets comprise cash and cash equivalents, accounts receivable and deposits. All of these financial assets are categorised as 'loans and receivables' for accounting purposes in accordance with financial reporting standards.

The trust's financial liabilities comprise accounts payable. All of these financial liabilities are categorised as 'financial liabilities measured at amortised cost' for accounting purposes in accordance with financial reporting standards.

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 year.

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.

Significant Judgements in Applying Accounting Policies

Management has exercised the following critical judgements in applying accounting policies for the current financial year: No critical judgements have been made this year.

Key Sources of Estimation Uncertainty

The preparation of financial statements inconformity 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.

MARTIN WAKEFIELD AUDIT

Notes to the Financial Statements

LineTrust South Canterbury
For the year ended 31 August 2022

	2022	2021
1. Auditor's Remuneration		
The auditor of LineTrust South Canterbury is Martin Wakefield Audit Ltd		
Audit Fee	4,500	3,910
Total Auditor's Remuneration	**4,500**	**3,910**

	2022	2021
2. Tax Reconciliation		
Surplus (Deficit)		
Surplus (Deficit) before Income Tax	3,207,466	6,963,616
Added back		
Net Dividends Received - Alpine Energy Ltd	991,872	991,872
Accrued Interest	(3,174)	17,168
Imputation Credits	385,728	385,728
Trust Deed Consultancy	103,285	-
Trust Deed Legal	7,700	-
Total Added back	**1,485,411**	**1,394,768**
Deducted		
Equity Accounted Surplus in Alpine Energy Ltd	(3,529,600)	(7,102,800)
Total Deducted	**(3,529,600)**	**(7,102,800)**
Taxable Income	1,163,277	1,255,584
Less		
Distribution from Current Year Income	(599,908)	(782,870)
ICA Credits Allocated to Beneficiaries	(233,297)	(304,450)
Loss Utilised	-	-
Trustees Taxable Income	330,072	168,264
Current Tax Expense		
Tax Expense at 33%	108,924	55,527
Imputation Credits	(108,924)	(55,527)
Total Current Tax Expense	-	-
Tax Expense Comprises		
Current Tax per Taxes Payable	-	-
Deferred Income Tax	230,007	(45,931)
Total Tax Expense Recognised in Profit	**230,007**	**(45,931)**

MARTIN WAKEFIELD AUDIT

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

3. Financial Instruments

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.

	2022	2021
Loans and Receivables		
Cash and Cash Equivalents	106,875	153,581
Receivables		
Sundry Debtors	14,681	-
Accrued Income	6,775	3,601
Total Receivables	**21,457**	**3,601**
Term Deposits		
Term Deposits BNZ	1,574,560	1,738,530
Total Term Deposits	**1,574,560**	**1,738,530**
Total Loans and Receivables	**1,702,891**	**1,895,712**

	2022	2021
Financial Liabilities measured at Amortised Cost		
Payables	29,508	20,327
Total Financial Liabilities measured at Amortised Cost	**29,508**	**20,327**

	2022	2021
4. BNZ Term Deposits		
BNZ Short Term Deposits of 90 days or less		
BNZ Short Term Deposits	-	100,051
Total BNZ Short Term Deposits of 90 days or less	**-**	**100,051**
BNZ Term Deposits		
BNZ Term Deposit 9	-	650,000
BNZ Term Deposit 10	-	200,000
BNZ Term Deposit 11	-	280,000
BNZ Term Deposit 3	-	507,510
BNZ Term Deposit 5	-	101,020
BNZ Term Deposit 12 Matures 13/12/22 2%	904,461	-
BNZ Term Deposit 13 Matures 13/12/22 2%	200,099	-
BNZ Term Deposit 14 Matures 13/12/22 2.2%	150,000	-
BNZ Term Deposit 15 Matures 13/12/22 1.8%	320,000	-
Total BNZ Term Deposits	**1,574,560**	**1,738,530**
Total BNZ Term Deposits	**1,574,560**	**1,838,581**

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.

MARTIN WAKEFIELD AUDIT

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

6. Consumer Projects

	2022	2021
Warmer Kiwi Homes	49,950	50,000
Scholarships	4,000	4,000
Total Consumer Projects	**53,950**	**54,000**

7. Imputation Credits

	2022	2021
Imputation Credits Received	385,728	385,728
Applied to Consumer Distribution	(233,297)	(304,450)
Applied to Tax Expense	(108,924)	(55,527)
Converted to Loss	(43,507)	(25,751)
Total Imputation Credits	-	-

8. Dividends Received from Alpine Energy Ltd

	2022	2021
Gross Dividend 30 September	275,520	275,520
Gross Dividend 31 December	275,520	275,520
Gross Dividend 31 March	275,520	275,520
Gross Dividend 31 July	551,040	551,040
Total Dividends Received from Alpine Energy Ltd	**1,377,601**	**1,377,600**

9. Future Income Tax Benefit

	2022	2021
Opening Balance	230,007	184,076
Movement in Deferred Income Tax	(230,007)	45,931
Total Future Income Tax Benefit	-	**230,007**

Deferred tax had been calculated on the basis that Alpine Energy Ltd shares would be taxable on sale based on advice in conjunction with Martin Wakefield. After consultation, we consider that the shares are held on capital account, therefore no deferred tax implications will arise. The deferred tax from previous years has been reversed in full in the 2022 year.

MARTIN WAKEFIELD AUDIT

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

10. 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 2022 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 2022. 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 RDR 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 2022. 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 2021 under the N Z Equivalents to International Financial Reporting Standards has indicated a valuation of $5.21 per share or $86,171,600 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, Timaru Electricity Ltd, Infratec Ltd, Infratec Renewables (Rarotonga) Ltd and Power Services 2022 Ltd) and associated entities (On Metering Ltd, NETcon Clay Energy Joint Venture and Sunfra Joint Venture) also undertake asset management and contracting services.

11. Trustee Insurance

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

12. Resettlement of Trust

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

13. Guidelines for access to information from Beneficiaries

The Trust received no requests for information under the Guidelines for the year ended 31 August 2022.

MARTIN WAKEFIELD AUDIT

14. Related Parties

Ford Simpson Ltd is Secretary of the LineTrust South Canterbury and also prepares the Financial Statements for the Trust. 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.

Trust distributions are paid to Trustees at the same rates as all other beneficiaries. There have been no other related party transactions with Trustees.

LineTrust South Canterbury is a shareholder of Alpine Energy Ltd. In 2022 Alpine Energy Ltd has been invoiced for the costs of the Trust Deed Replacement Poll.

	2022	2021
Invoices		
Replacement Poll	96,761	-

At balance date, accounts receivable includes $14,681.36 of Trust Deed Replacement Poll costs.

15. Capital Management

The key objectives of the Trust when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to consumers . The Trust defines capital as its equity.

The Trust manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk. This includes the ability to adjust the timing of the dividends paid to consumers.

16. Reserves

The Reserves in the statement of financial position consists of unrealised profits on the value of Alpine Energy Ltd shares. When the shares are sold realised profit will be distributed to consumers.

17. Capital Commitments

The Trust committed $50,000 to Warmer Kiwi Homes Project in 2023. (LY: $50,000)

18. Contingent Liabilities and Guarantees

The Trust's share of its contingent liabilities of its associated company Alpine Energy Limited, at a 40% shareholding as at 31 March 2022 are as follows:-
$1,636,000 in the form of performance and import guarantees to cover ongoing project work (2021 NZD$2,844,000)

MARTIN WAKEFIELD AUDIT

Empowering our Future

FY2023-2025
Statement of Corporate Intent

Contents

Delivering secure, reliable and sustainable energy, enabling our customers to make informed energy choices.

This Statement of Corporate Intent (SCI) is submitted by the Board of Directors of Alpine Energy Limited (AEL). It sets out the Board's overall intentions and objectives for AEL and its subsidiary companies for the year commencing 1 April 2022 and the following two financial years up to 31 March 2025.

OUR
Vision

Empowering
Our Community.

OUR
Purpose

To deliver secure, reliable energy while innovating for our future.

OUR
Values

Safety, Accountability, and Integrity. Always built on a foundation of respect.

OUR
Scope

We own and operate the electricity distribution network that provides South Cantabrians with power. Our subsidiaries are primarily engaged in related electrical contract services.

We are proud to be community-owned and connect over 33,000 customers throughout our region. We are considered an essential lifeline service, playing a significant role in our community, contributing to the growth and prosperity of South Canterbury and New Zealand's transition to a low-carbon economy.

Our Strategy and Business Environment

Our Business Environment

Our core focus is to continue to operate a successful electricity distribution business (EDB). The Commerce Commission regulates our network services, which accounts for over 90% of our revenue, under Part 4 of the Commerce Act (1986). Part 4 aims to ensure we:

- Have incentives to invest in our network
- Have incentives to innovate, improve efficiency and provide services at a quality that reflects consumer demands
- Share the benefits of efficiency gains with consumers, including through lower prices; and
- Are limited in our ability to extract excessive profit

Under these requirements, our asset management strategies and our capital and operating expenditure plans are published annually.

Key Strategic Influences

In developing our strategy, we looked at the energy and electricity industry through a national and local lens. We identified key trends that will impact our business in the short, medium, and long term.

The Voice of Our Customer

We engaged an independent consultant to perform a Voice of Our Customer analysis.

The purpose of the research was to better understand the experience our retailers, large customers, and household consumers have with the services we provide to better inform, test, and evaluate our strategic direction.

Our customer core needs were identified as:

Our Strategy

Traditionally our core purpose has been to deliver electricity to South Canterbury. Over the last 18 months, our industry has seen radical change in our sector and the government's climate change goals. Our strategy has been refreshed to respond to these changes.

The following are the key themes:

- Responding to the escalating impacts of **severe weather events.** The number of extreme weather events is increasing, with three significant events occurring in our region in the last two years. We need to be agile and resilient enough to ensure our lines run properly to prevent or shorten these outages. We need to drive automation in our outage management system to do this.
- **Increasing complexity.** Customers are becoming power suppliers as we receive more and more applications to connect solar to our network. We expect these connection points to grow, as our community invests in solar for their homes and businesses. In addition, the government's incentive to purchase an electric vehicle (EV) has seen an increase in the number of registrations in our region. This is also expected to lead to increased EV usage by businesses and car rental companies. We need to prepare the network to service this growing demand. These changes make the network more complex to operate. It will lead to a change in our network investments to increase grid reliability. It will also result in increased cyber-security risk.
- Responding to these changes needs an **accelerated digital adoption** and technological change approach. We need to rethink how we work and understand the new services we need to provide, requiring a change to our current business model. We need to become a best-in-class EDB to service the new needs of our community.
- **This digital adoption and change will drive higher automation** in our business. It will require a new approach to gathering and processing data. This informs our asset management decision making, gathering information about our large power users, and building our digital engagement with our community to better understand their changing requirements. We have termed this "Modernising our Foundations."

In summary, we need to dynamically balance energy supply and demand in our region. This balance needs to consider the rapidly changing customer energy usage patterns and the introduction of new sources and types of generation.

Our goal in responding to this change is that:

We will deliver secure, reliable, sustainable energy that enables our customers and communities to make informed energy choices. Through our efforts to increase the electrification and decarbonisation of energy in South Canterbury, we will enable 70% of process and transport energy to convert to electricity by 2030. We are a "best-in-class" EDB with a strong capacity to fast follow on key trends, and our operational excellence will form a baseline from which we can identify and adopt new commercial opportunities.

We will do this with a central focus on our South Canterbury community by serving our customers well, by providing excellent core services. This will include:

- Developing and maintaining our network to deliver secure, reliable energy to our community
- Enabling distribution generation connection to our network
- Supporting the electrification conversions from fossil fuel for new and existing customers

To do this, we have developed objectives and key results reflected on the following page.

Our Objectives and Key Results

Our Objectives	We have data and technology at the heart of our business for greater operational efficiency and responsiveness	We deliver exceptional customer experiences enabling our customers to make informed and preferred energy choices	We respond effectively to decarbonisation and electrification needs amongst our customers to support NZ to carbon zero	We want to get the basics right and shed inefficiencies to enable us to invest in adjacent markets
Our Key Results	Automation of distribution and outage management to optimise the performance of the distribution network by December 2024 **80%** of recurring business processes transformed from manual to automated, delivering key data insights by March 2024 Cyber security score (VCSS[1]) from 1 to 3 by December 2022	Customer satisfaction score of **80%** achieved across each of our key customer segments by December 2023 Move from middle to upper quartile of EA pricing scorecard by September 2024	100% of new decarbonisation load growth[2] and distributed generation applications accommodated on our network to 2035, through cost effective investment decisions	All non-regulated investments deliver ROI **>8%** by March 2023 **Deliver $1M** per annum sustainable operational cost savings by March 2024

[1] Voluntary Cyber Score
[2] Excluding Grid Exit Point (GXP) upgrades

Performance Measures and Targets

	FY22 (actual)	FY23	FY24	FY25
Financial				
Revenue ($M)	68.40	73.16	80.87	75.31
- Electricity delivery revenue	52.89	57.40	67.86	62.48
- Other	15.51	15.76	13.01	12.83
Operating expenses ($M)	53.59	59.87	57.11	58.66
Operating surplus before tax ($M)	12.81	10.85	20.66	13.70
Net operating surplus after tax ($M)	8.82	9.07	16.03	10.97
Rate of return on shareholders' funds	5.10%	4.74%	7.96%	5.29%
Fully imputed dividends ($)	$0.06	$0.06	$0.06	$0.06
Earnings per share (cents per share)	21.40	21.94	38.78	26.54
Capital expenditure	23.09	25.93	23.75	20.43
- Network	21.00	22.51	22.22	18.84
- Other	1.38	3.43	1.53	1.60
Alpine Energy parent covenants:				
- Interest cover (target> 4.0 times)	10.94	6.72	8.23	6.80
- Shareholder funds to total assets (target > 45%)	57%	61%	61%	62%
Business Safety				
Number of fatalities or injuries causing permanent disability to workers	0	0	0	0
Lost Time Injury Frequency Rate (LTIFR) per 200,000 hours worked	0.71	0.71	0.71	0.71
Number of Lost Time Injuries	1	<2	<2	<2
Total Record Injury Frequency Rate (TRIFR) per 200,000 hours worked	0.71	0.71	0.71	0.71
Number of Total Recordable Injuries	1	<4	<4	<4
Public Safety				
Number of serious injury events (excluding third party contact e.g. car vs. pole) involving members of the public	0	0	0	0
Network Reliability (these are regulated limits)				
SAIDI - planned		54.99	54.99	54.99
SAIDI - unplanned		98.11	98.11	98.11
SAIFI - planned		0.699	0.699	0.699
SAIFI - unplanned		1.197	1.197	1.197

In addition to the targets above, we are passionate about enabling those who are seeking to reduce their carbon footprint through more efficient use of low carbon energy sources. In line with our aspiration to enable 70% of South Canterbury's process heat and transportation energy by 2030 through electricity, we intend to measure our progress against this on an annual basis as well as our network investment spend in enabling this transition.

Transportation Energy	GWh
70% electrification target	21.000
Current	0.004
Process Heat >500kW	
70% electrification target	70.000
Current	5.000

		$'000	
Network Investment for Decarbonisation (planned)	FY23	FY24	FY25
Client initiated work	1.392	-	-

Financial Performance Targets

Our financial performance targets reflect the increased investment required in achieving our strategic objectives over the next three years, leading to an increase in expected long-term financial returns as the strategy is delivered.

Revenue growth is driven by decarbonisation load growth, increased distributed generation and regional development connections. We also continue to earn our forecast allowable revenue under the Default Price Path 3, which has resulted in an increase in recoveries for the next three years.

The investment required to deliver our strategy has increased operating costs and network investment. Costs have been influenced by the effects of escalating commodity and fuel prices, extended lead times on logistics and rising inflation. These have been partially offset by a continued drive for internal operational efficiencies.

We recognise the need to deliver a sustainable return to our shareholders while delivering a secure, reliable and resilient network to meet our customers' needs, including the facilitation of exponential demand and supply. To do this in the most efficient way possible, we need to optimise our core capabilities while creating additional capabilities to deal with current and future customer demand.

Our Investments

NETcon

NETcon, a 100% wholly owned subsidiary of ours is one of our main contractors. Its experienced technicians, line mechanics, cable jointers, and electricians provide the expertise required to operate and maintain our electrical distribution infrastructure, including a variety of essential plant and equipment. NETcon's priority is to provide a safe and reliable electricity network through construction, maintenance, and vegetation management services.

Infratec

In November 2020, we sold the New Zealand arm of the Infratec business to Infratec New Zealand, a division of WEL Networks retaining the delivery of the Pacific projects. With the advance of the outbreak of COVID-19, conditions became markedly more challenging, complex, and uncertain for the timing of these projects, compounded by the volcanic activity in Tonga. Despite these challenges, Infratec has contained its overheads and hibernated the projects during this time, preserving both cash flow and expenses. Our objective remains to maximise the returns from the legacy projects consistent with our strategy and to manage the associated risks.

Metering

Our metering network delivers advanced metering technology and operational services to customers throughout Canterbury. This is done through our two investments, namely SmartCo and On Metering. The primary revenue stream is currently the lease of our metering assets to electricity retailers. The secondary return on investment, particularly in South Canterbury, has been our ability to access and diagnose power quality characteristics of our low voltage network, leading to faster identification of fault location, cause and ultimately restoration of power. It also provides data from the field that assists us with our future planning for network development, augmentation, and maintenance.

A third area of potential return is expansion of opportunities expected through the development and offering of products and services to participants trading in the highly anticipated flexibility-services market[3].

The transition to a smarter digital energy system dominated by decarbonised, decentralised, and digitalised resources demands access to new data. Our smart metering network, covering 85% of our community, plays a pivotal role in providing access to these new datasets, identifying opportunities, and providing a platform for distributed energy management into the future.

Flexibility services, outage management, and network modelling will be enabled through this investment. SmartCo is currently developing a suite of products to deal with this demand. Taking a holistic approach to data and digitisation is essential in building an optimised energy system for South Canterbury.

Fibre

Alpine Data Networks, our fibre division, has established a strong base across the South Canterbury region, with reach into Central Otago. There is an opportunity to service growing demand in the region and beyond and we will be dedicating resources to explore these growth opportunities.

"Our objective remains to maximise the returns"

[3] Flexibility services such as trading in generation derived from distribution generation and batteries as well as demand response for managing network demand and supply.

Safety Performance Targets

We strive to ensure our people are safe in the workplace and risks are appropriately managed. This is supported by our key value of health and safety always.

We aim to provide a working environment in which there are no fatalities or injuries causing permanent disability.

Our safety priorities for the period covered in this SCI and beyond are:

- Leadership/training is provided to ensure directors and staff are skilled to discharge their obligations for health and safety
- Employee/stakeholder participation is effective to secure ongoing improvements
- Risks are regularly reviewed to ensure appropriate mitigation strategies are implemented

We also benchmark our Lost Time Injury Frequency Rate (LTIFR) and Total Record Injury Frequency Rates (TRIFR) against the Electricity Engineers Associations' (EEA) yearly benchmarking Performance Indicator report for electricity distributors.

As an ongoing improvement, and to coordinate large scale emergency events more efficiently with other South Island EDBs, Civil Defence and the Canterbury Lifelines Utility Group, we have adopted the Coordinated Incident Management System for emergency responses.

Safety Performance	AEL 21/22	EEA Benchmark Average 19/20
Lost Time Injury Frequency Rate (LTIFR) per 200,000 hours worked	0.71	1.2
Number of Lost Time Injuries	1	95
Total Record Injury Frequency Rate (TRIFR) per 200,000 hours worked	0.71	2.7
Number of Total Recordable Injuries	1	218

Leading Safety metrics for 2022/23	Metric
Public Safety Management System (PSMS)	
- External PSMS assessment	Recertification
- Media comms planned vs. delivered	>90%
- Public safety observations (Safety & Culture forum members)	20
- Public harm accidents from our network (excl. car vs. pole)	0
- Public safety engagement meetings	12
Safety Conversations per year	
- Board of Directors	24
- Executive Leadership Team	60
Safety Observations per year	
Operational Business units	140
All other employees (one observation per employee)	>60%
Corrective actions	
- No corrective actions open more than 60 days	0
Safety training	
- Number of training courses planned vs. completed	>85%
- New employees attend Intro Entry Approval Certificate course (non-operational employees)	>75%
- Every employee completes as a minimum NZQA US6402 (First Aid)	>75%
Safety culture	
- Organisational Safety culture (maturity)	Complete first assessment to benchmark

Sustainability Performance Targets

Our Sustainability framework is based on a subset of the United Nations sustainable development goals and centers around the three Environmental, Sustainability and Governance (ESG) pillars. These pillars focus on our strongest areas of influence. We will collaborate with our stakeholders and industry partners in setting and achieving measurable goals in the short, medium, and long term.

Our Sustainability Framework

Environmental

AEL is committed to minimising environmental harm and preventing pollution in performing our core activities.

We are committed to:

- Supporting our local councils in their Sustainable Environment initiatives
- Reducing our carbon emission and product carbon footprint
- Maintaining full compliance with the Resource Management Act
- Engaging with iwi and local rūnanga to understand their desired sustainability outcomes

How we know we are moving in the right direction:

- Develop our action plan to reduce our scope 1 – 3 greenhouse gas emissions by 2023
- No non-compliance with the Resource Management Act during any financial year

Governance

AEL is committed to building an environment of trust, transparency and accountability necessary for fostering long-term investment, reliability, financial stability and business integrity.

We are committed to:

- Continued compliance with the law, regulation and our internal policies and standards
- Strong business ethics
- Maturing our risk management practices
- Sustaining long-term value creation for our shareholders
- Strong corporate governance through an experienced board

How we know we are moving in the right direction:

- Incorporate limited voluntary TCFD disclosure in our 2022 Annual Report and develop a clear roadmap to have full voluntary TCFD disclosures included in the 2024 Annual Report
- Approve our ESG Strategy by December 2022
- Incorporate sustainability reporting into all Board and Board sub-committee standing agendas by December 2022

Social

AEL is committed to work practices, operations and outcomes that support our staff and the wider community.

We are committed to:

- Promoting a high level of safety, taking all practicable steps to provide safe working conditions
- Maintaining a well-qualified and motivated workforce that we treat fairly in all aspects of recruitment, retention and employment
- Continuation of our support of community events and projects which contribute to the growth and promotion of South Canterbury

How we will know we are moving in the right direction:

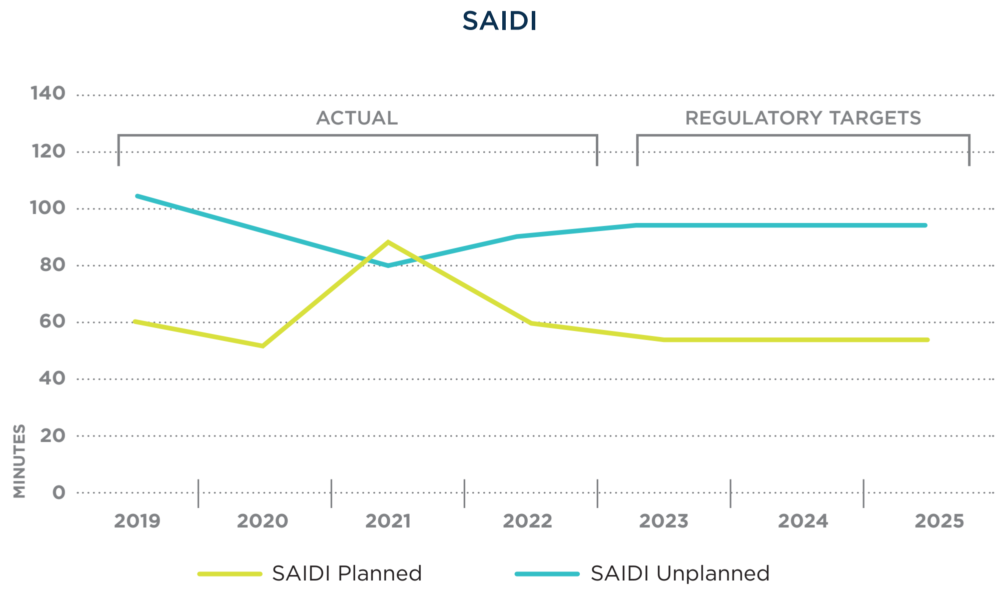
- Invest at least $200,000 in community events and projects on an annual basis

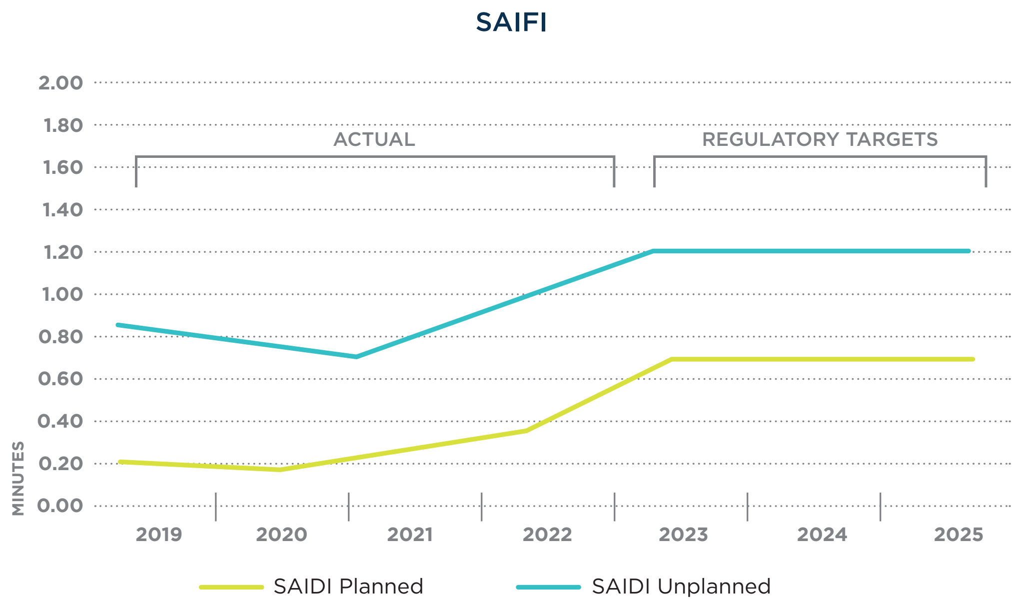
Network Performance Targets

System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) are standard industry measures for network reliability. SAIDI refers to our system average interruption duration: the minutes of supply interruptions per customer. SAIFI refers to our system average interruption frequency: the number of supply interruptions per customer. Both measures exclude interruptions that are caused by electricity generators, Transpower, low voltage (400V) network or interruptions that last for less than one minute.

SAIDI and SAIFI performance measures are calculated in accordance with the Commerce Commissions' Default Price-Quality Path (DPP) methodology. The Commission assess our actual network reliability (both planned and unplanned outages) against our targets each year after 'normalising' for the impacts of major events by 'capping' the measured impact of each major event. We will report our annual performance against our network reliability targets, after normalising for 'major events' using the Commerce Commission's methodology.

The targets are set and fixed during each five-year regulatory period. The third and current regulatory period, DPP3, applies from 1 April 2020 until 31 March 2025. The charts below show our actual SAIDI and SAIFI performances for the years ended 2019, 2020[4], 2021 and 2022[5] as well as the regulatory targets covered by this SCI.





[4] During 2019 and 2020 the previous regulatory period (DPP2) applied, and the performance measure criteria were different to the current DPP3.
[5] 2022 performance measures are of nine months of actual data and three months of reliability forecast.

Large Projects Planned

Investment in Assets

Our Asset Management Plan (AMP) is comprised of a three-year investment plan and a 10-year forecast for our network. This includes the associated infrastructure, such as poles, conductors, cables, switchgear, transformers, and distribution boards that connect electricity consumers to our network. In addition to investing in our assets, our annual maintenance inspection program checks and upholds the condition of our assets. We base our asset health assessment on the condition of our assets rather than the age of the assets. Our inspection-based asset health assessments will then improve our AMP and identify future capital projects.

Overhead Line Activities

Our overhead network utilises 45,000 poles to support 3,500km of overhead conductors. Our decisions to invest in overhead lines are based on assessing the risk, security of supply, economic impact and safety associated with the lines. We expect overhead conductor replacements to remain reasonably constant over the next ten years. We will run projects to specifically replace, and renew, 200km of overhead lines during the next three years. These include refurbishing:

- 42km of overhead infrastructure in Simons Pass
- 27km on Te Moana Road
- 37km on Lilybank Road 2,100 overhead poles in Timaru
- A further 180km on the remaining network

Underground Cable Activities

We operate 815km of underground cables to connect our substations, switching stations, distribution substations and low voltage distribution boxes. We will install 2km of cable to remove a part of our overhead lines from Tekapo and Waimate and upgrade a further 2.5km of cable to accommodate system growth.

Substation Activities

Our zone substations connect our network to Transpower's electricity grid. Our Twizel substation is undergoing an upgrade to improve its reliability. Work planned will replace a 60-year-old switchboard, upgrade the electrical protection, and improve the security of supply at the substation.

Distribution Activities

We operate just over 1060 ground mounted distribution transformers and approximately 5000 pole mounted transformers, where we connect low voltage consumers to our high voltage network. We operate 29 underground distribution substations in the broader Timaru area, which are classified as confined spaces. In the interest of safety, we are replacing these underground substations with above-ground substations at a rate of three substations per year. We also consider the condition of pole-mounted substations and replace these substations at a rate of ten substations per year. The 457 high voltage switchgear units used at these distribution substations are upgraded at a rate of five (5) per year based on their condition.

Customer Initiated Activities

We are seeing a major shift from local primary industry to replace coal process heating to either electrified boilers or wood biomass as our industry adapts to New Zealand's decarbonisation targets. Local businesses have been incentivised by government to make the switch from coal to renewable energy and work is underway to install, replace or upgrade to electric process heating equipment with our primary industry businesses, landowners, consumers, schools, and the health sector.

Simultaneously, the move to distributed generation (DG) is also on the rise. Multiple solar applications for grid-sized generations have been received and we are consulting with external engineers and Transpower about these.

Key Assumptions and Risks

Business Risk

Our new enterprise risk management framework will help identify operational risks and the resources necessary to mitigate these risks before they occur. Our framework will assist us in improving performance, encouraging innovation, and achieving our strategic objectives.

The following critical success factors have been identified to ensure sustained and effective risk management:

- Governance and management commitment and involvement
- Communication and training
- Documentation
- Review and continuous improvement

Our risk reporting cycle to the Board, Audit and Risk Committee, and the Executive Leadership Team (ELT) requires strategic and operational updates to be submitted quarterly and annually.

The key strategic enterprise risks facing AEL for the period of this SCI, are outlined in the table below:

Risk Area	Description
Cyber security	Attempted or actual security breach of AEL's information, technology systems and network from unauthorised activity by an external or internal threat actor
Climate change	AEL is impacted or suffers loss from the adverse consequences of climate change (actual or perceived)
Decarbonisation	Unable to meet customer expectations on decarbonisation and future energy enablement
Strategic execution	The business is impacted or suffers loss due to the inability of the Executive Leadership to execute the strategic plan
Government & Regulatory	Non-compliance with regulatory requirements
Heat conversion	Minimal process heat conversion to electricity
Major projects	Failure to successfully complete a major project
Shareholder return	Cost of delivering the strategy significantly impacts shareholder return
Change management	Culture resistance to change
Key person loss	AEL is impacted or suffers loss due to the resignation or departure of a key person, or a small number of key personnel in a short period of time

Mitigation measures have been developed for each of the above risks and are updated to the Board on a quarterly basis. Various good practice risk registers are maintained by management for example Health and Safety, Cyber Security, Finance.

Financial Assumptions

Our financial targets are for the consolidated group and are in nominal terms. They include the following key assumptions:

- Regulatory allowances are adjusted for the latest Consumer Price Index (CPI) information.
- CPI and interest rates have been forecasted in consultation with our primary lenders economic outlook
- Our lines revenue, opex and capex will be in line with our Asset Management Plan, effective from 1 April 2022
- No currently planned future major investments or divestments requiring shareholder approval
- No major weather events
- No further material COVID-19 impacts, including increased commodity prices and supply chain disruptions above levels experienced as at the date of this SCI.

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

Capital Structure and Dividend Policy

We manage our financial performance and policies to support long term financial resilience. This allows the continuous investment required to support our electricity distribution network and the necessary funding to implement its strategy effectively.

Utilising debt to the level that we do requires that interest rate risk be managed. Our Treasury Management Policy clearly dictates a hedging profile over multiple years that must be adhered to. This prescribed proportion of fixed interest rate cover is held to reduce the concentration of risk at any one point in time and to ensure the overall interest cost is not materially increased due to adverse interest rate movements.

In determining the level of funds available for distribution, our Board will consider our financial position, earnings, cash flows, capital expenditure, funding facility provided, future investment requirements and market and regulatory conditions.

We will distribute funds to our shareholders subject to meeting the solvency requirements of the Companies Act 1993. Any dividend declared will be at a level that allows us to execute business strategy and maintain a sustainable capital structure.

For the period known as DPP3[6] and subject to a satisfactory review, the Directors intend to declare a fully imputed dividend payment from normalised Net Profit After Tax (NPAT) of 6 cents per ordinary share each financial year. The annual dividend will be paid in four instalments in September, December, March, and July each year.

The level of dividend was established prior to the commencement of DPP3, utilising robust financial modelling to account for:

- The reduction in regulated revenue for DPP3 as a result of a decreased weighted average cost of capital;
- Maintaining a constant dollar level of borrowings;
- Providing sufficient available cashflow for the network capital and reliability programmes.

We will consult with shareholders on a ‘no surprises’ basis in the event of any substantial investment whereby the value is greater than 5% of Group total assets as disclosed in the preceding published Annual Report, and/or has a subsequent material impact on dividends.

> “We manage our financial performance and policies to support long term financial resilience”

[6] Default Price Path Period 3 - the third default price-quality path (DPP) for the 17 electricity distributors in New Zealand subject to price-quality regulation. The period runs from 1st April 2020 – 31st March 2025.

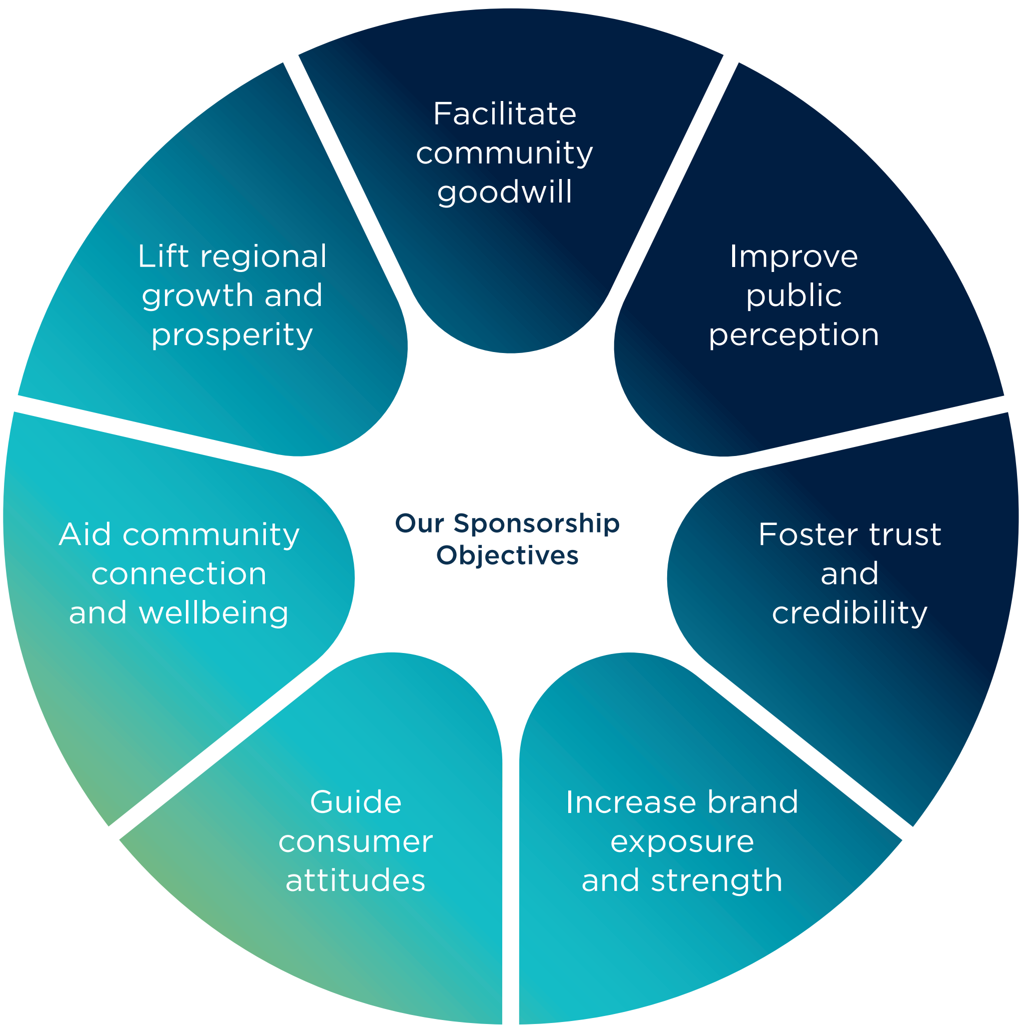
Sponsorship

Our Sponsorship and Personal Grants Programme intends to continue for the period covered by this SCI.

We are a committed and willing community empowerment sponsor. We sponsor an extensive scope of individual development requests, events, projects, and facility infrastructure. We invest in enabling our communities to grow and develop and our region to unite and prosper. Our Sponsorship Committee assesses applications across various disciplines while considering every town and city in our region. With an average of fifty causes sponsored per year, our sponsorship is often pivotal to their success.

Our aim is to continue developing our sponsorship and personal grants programme as we step into a new energy future, aligned with the core business strategy and deliverables in decarbonisation and sustainability for our current and future generations.

Our sponsorship portfolio/criteria funds sporting, recreational or educational events throughout the region. In considering the total allocation of funds, best endeavours are followed by the Sponsorship Committee to fund equitably across the region.



Governance and Reporting

Our Governance

The Board of Directors

Our shareholders appoint the directors to govern and direct AEL. The Board has overall responsibility for the direction and control of AEL's activities, decision making, risk management, overall strategy, objectives, performance, and reporting of the business and relevant entities.

The Board recognises the importance of the appropriate mix of skills and experience of directors on the Board. The capability/diversity matrix is used in annual self-reviews and in shareholder briefings to identify any current or anticipated gaps in the overall mix of skills and diversity on the Board.

Key Governance Outcomes

- Health and Safety: A robust health and safety ethos within AEL
- Decision Making: Ethical and responsible decision making within AEL
- Financial Integrity: The integrity of AEL's financial reporting
- Regulatory Obligations: Compliance with the regulatory frameworks applicable to AEL
- Shareholders: Providing timely information to the Shareholders, to enable them to monitor their investment in AEL, and protecting shareholder value
- Risk Management: The effective recognition and management of risk within AEL
- Holding to Account: Oversight of performance of management

Statement of Corporate Intent

The SCI is delivered to Shareholders within one month of the start of the new financial year. The SCI sets out the matters specified in relation to sections 39(2)(a) – (j) of the Energy Companies Act 1992 (in respect of each company in the Group and covering that financial year and the following two financial years).

The completed SCI is delivered to shareholders within three months after the start of the financial year. It is also published on the company's website within one month of being delivered to the shareholders.

Board Operation, Meetings and Committees

The Board adheres to the board charter which sets out the Board and committees' responsibilities and how they are to be achieved. The Board maintains a rolling annual work plan for AEL.

The Chair maintains the relationship with the shareholders along with the Chief Executive Officer (CEO) and the ELT.

The Board meets at least six times per year and will convene for additional meetings if required. The annual work programme for the Board is agreed at the start of each year. Formal reports and agendas are distributed to the Board a week before meetings, and the ELT attend meetings to discuss items of interest and strategic direction.

There are four committees that meet throughout the year to undertake business on behalf of the Board:

- **Audit and Risk Committee** – meets with the companies' auditor, oversee financial reporting, tax planning, regulatory compliance, risk management and manages treasury requirements
- **Board Health & Safety Committee** – assists the board to provide leadership and policy in discharging its health and safety responsibilities within AEL
- **People Performance and Culture Committee** – to oversee the people, performance, remuneration and culture related policies, frameworks, and practices
- **Sponsorship Committee** – manages the applications and distribution of a sponsorship fund to our community

Our Shareholders

Our interaction with Shareholders

The Shareholders are briefed at least three times annually, including the Annual General Meeting (AGM), by the Chair and CEO on the performance and strategic plans for the company.

Shareholders are also kept updated about any matters that arise such as emergency events throughout the year.

We provide the Shareholders with monthly and half yearly reports which cover the operations and financial results for the period and includes any significant activities of AEL and its subsidiaries. Annual reports are provided within three months of the end of the financial year.

In the development of the SCI any letters of expectations from Shareholders are used to set out additional matters required.

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:

- The development, installation, and maintenance of community lighting facilities
- Road and footpath sealing after work is completed
- Leasing of vacant gas reticulation pipe works for the conveyance of fibre and electrical infrastructure
- Leasing of land from council for distribution substations

All transactions with our shareholders will be conducted on a commercial basis. Transactions with related parties include:

- The provision of network contracting services
- Financing arrangements
- Rental received on commercial property and smart meters

The above transactions are provided as part of our normal trade activities and incorporated into our operating costs and revenues.

"Always acting in the best interests of our stakeholders"

Network Ownership

LineTrust South Canterbury	Timaru District Holdings Limited	Waimate District Council	Mackenzie District Council
40%	47.5%	7.54%	4.96%

The community owns 100% of Alpine Energy

Alpine Energy has ownership in

SmartCo*	NETcon Ltd	On Metering	Timaru Electricity Ltd	Infratec Ltd
21.43%	100%	50%	100%	100%

NETcon Ltd:

Power Services 2022 Ltd
100%

*14.29% shareholding directly through Alpine Energy; 7.14% shareholding through On Metering.


bnz

24 Elginshire Street, Washdyke, Timaru 7940 **P.** 03 687 4300 **www.alpineenergy.co.nz**

INDEPENDENT AUDITOR'S REPORT

To the Members of LineTrust South Canterbury

Qualified Opinion

We have audited the financial statements of LineTrust South Canterbury on pages 7 to 19, which comprise the statement of financial position as at 31 August 2022, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements, present fairly, in all material respects, the financial position of Line Trust South Canterbury as at 31 August 2022, 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 Qualified Opinion

LineTrust South Canterbury has a 40% shareholding in Alpine Energy Limited and the results and position for both Alpine Energy Limited's 2021 and 2022 years have been recorded in the financial statements on an equity accounting basis using the Alpine Energy Limited 31 March 2022 financial statements. As the balance date of the Trust is 5 months after the date of the associate the Trust has not complied with paragraph 34 of NZ IAS 28, Investments in Associates and Joint Ventures. This allows for adjustments to be made for significant transactions within 3 months of balance date. Given there is a five-month difference between the two balance dates, there has been a departure from the requirements of paragraph 34 of NZ IAS 28, Investments in Associates and joint Ventures.

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 LineTrust 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, LineTrust South Canterbury.

Other Information

The Trustees are responsible for other information. The other information comprises the information in the Chairman's Annual Report and the Statement of Distributions. 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 4 to 6 and consider whether it is materially inconsistent with the financial statements of our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report on that fact. We have nothing to report in this regard.

Trustees' Responsibility for the Financial Statements

The Trustees are responsible on behalf of Line Trust South Canterbury for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR), 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 Line Trust South Canterbury for assessing Line Trust South Canterbury'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 Line Trust South Canterbury 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/.

Who We Report to

This report is made solely to the Members, as a body, in accordance with sections 99 to 104 of the Electricity Act 2010 and section 8 of the Financial Reporting Act 2013. 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.

The engagement director on the audit resulting in this independent auditor's report is Craig Haymes

Martin Wakefield Audit Limited

Martin Wakefield Audit Limited
Timaru
16 November 2022