



LineTrust.
South Canterbury

FINANCIAL STATEMENTS

2020

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For the Year Ended 31 August 2020

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Directory

As at 31 August 2020

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 Healthy Homes Project Scholarship
Secretary	Ford Simpson Ltd
Trust Appointed Directors	Rick Ramsay Jessie Chan
Registered Office	Ford Simpson Ltd Chartered Accountants 18 Woolcombe Street Timaru 7910
Accountants	Ford Simpson Ltd Chartered Accountants 18 Woolcombe Street Timaru 7910
Auditor	Martin Wakefield Audit Ltd Chartered Accountants
Bankers	BNZ

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

CHAIRMAN'S ANNUAL REPORT FOR LINETRUST SOUTH CANTERBURY 2020

It is my pleasure to present the 27th Annual report for the 2020 year which I think is a year most people will never forget Covid-19.

The Trust operated throughout Covid-19 holding meetings by Zoom. The trustees reduced their remuneration until the end of the financial year. During level two we continued to meet at the discretion of each trustee as to whether they wished to meet via zoom or in person.

This year we advertised one of our positions of Director to the Alpine Board and it was our pleasure to reappoint Rick Ramsay for a further term. I would like to acknowledge here the work and the contribution that our two directors Rick and Jessie make to the Alpine Board. Making the decision harder was the retirement of Steve Thompson from Chair of Alpine and the Board.

The Joint Shareholders Group has met a number of times, discussing reporting by Alpine to the shareholders to clarify the information that is required by the shareholders. Great progress has been made. We have communicated with the other shareholders on the appointment of directors and what skills are required around the board table.

The updating of the trust deed has been slow as it is not an easy process and also very costly. We are currently looking at the most efficient and effective way of carrying this out.

The Commerce Commission came out with the final Default Price Pathway 3 (DPP3) this year resulting in a significantly reduced maximum amount of revenue Alpine can earn. The impact of the DPP3 on the dividend we receive from Alpine is significant. The DPP is calculated every five years. We are looking at a reduction in the dividend of approximately 75%. The reduction in dividend and the reduction in interest rates have had trustees looking hard at the budget for the forthcoming year. Many of the costs are fixed and thus will mean a much reduced distribution to consumers next year. The Commerce Commission is of the opinion that the distribution costs of electricity will reduce, and consumers should reap the benefits in the form of a reduction in their power bills, but will the retailers pass on the lower transmission costs?

The funding of the Healthy Homes project has now been completed. In the light of the DPP3 mentioned above we advised EECA that this would curtail our involvement in the project. The project has been of significant benefit to the community and is disappointing that we cannot continue on the same level.

In the past two years we have been promoting our scholarship and we were pleased to award that scholarship to Bailey Lissington. Bailey has been studying at Canterbury University and working at Alpine Energy during university breaks.

My sincere thanks to all trustees for your support and work during the year. Special thanks to Ant Ford and the team at Ford Simpson for their administration of LineTrust South Canterbury.

Grant Eames

A handwritten signature in blue ink, appearing to read 'Grant Eames', with a decorative flourish at the end.

Chair

Statement of Distributions

For the Year Ended 31 August 2020

	2020	2019	2018
	\$	\$	\$
Total Comprehensive Income	7,663,154	4,603,604	5,237,508
Less Equity Accounted Surplus from Associate	8,654,800	5,500,000	5,588,800
Less Other Comprehensive Income in Associate	(927,310)	(632,510)	(300,478)
Plus Income Tax	(31,687)	(49,471)	(25,027)
Plus Dividend Received - Alpine Energy Limited	3,967,490	3,967,490	3,967,490
Less Movement in Accrued Interest	(27,977)	857	1,075
Net Income Available for Distribution	<u>3,899,444</u>	<u>3,653,276</u>	<u>3,890,574</u>
Available to Distribute to Beneficiaries	<u><u>3,509,499</u></u>	<u><u>3,287,948</u></u>	<u><u>3,501,516</u></u>
Percentage Distributed	90%	90%	90%

Allocation of \$3,287,948

Load Group	Allocate by	Amount
Under 15 kVA (Standard Domestic)	Fixed Amount	\$ 60.00
3 x 60 A (Small Commercial)	Fixed Amount	\$ 181.85
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

For the Year Ended 31 August 2020

	Note	2020 \$	2019 \$
Operating Revenue			
Interest Received - Westpac Bank		-	91
Interest Received - BNZ		98,604	124,029
Total Operating Revenue		98,604	124,120
Less Expenses			
Accountancy Fees	16	15,400	15,400
ACC Levies		-	93
Advertising		4,465	11,652
Audit Fee	2	3,910	3,795
Bank Fees & Charges		86	201
Conference & Seminar Expenses		2,253	4,918
Consultancy Fees		20,619	27,393
Consultancy Fees - AEL		-	163,445
Dividend Distribution Costs		13,030	11,065
Ecobulb Distribution Costs		8	-
Election Expenses		-	45,174
Energy Trusts of New Zealand		8,214	10,879
Insurance	12	8,481	7,619
Legal Fees		4,483	624
Meeting Expenses		360	-
Printing, Postage & Stationery		-	230
Secretarial Costs	16	31,077	31,003
Subscriptions		-	197
Trustees Remuneration	15	73,750	89,081
Trustees Reimbursements		8,491	14,708
Total Expenses		194,627	437,477
Operating Surplus		(96,023)	(313,357)
Equity Accounted Surplus in Alpine Energy Ltd	11	8,654,800	5,500,000
(Deficit) Surplus before Income Tax		8,558,777	5,186,643
Income Tax Expense	3	(31,687)	(49,471)
(Deficit) Surplus after Income Tax		8,590,464	5,236,114
Other Comprehensive Income Alpine Energy Ltd			
Items that will not be reclassified to Profit or Loss			
Other Comprehensive Income in Revaluation Associate Alpine Energy Ltd		290	(976,910)
Gain/(Loss) on Revaluation of Land and Buildings		(171,600)	465,600
Items that may be subsequently reclassified to Profit or Loss			
Gain/(Loss) on Interest Rate Swap		(756,000)	(121,200)
Total Comprehensive Income for the Year, Net of Tax		7,663,154	4,603,604

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

Statement of Changes in Equity

For the Year Ended 31 August 2020

	Contributed Capital \$	Revaluation Reserve \$	Hedge Reserve \$	Retained Profits \$	Total \$
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
Balance as at 1 September 2019	16,531,207	(65,569)	(920,400)	42,107,915	57,653,153
Profit from Operations				8,590,464	8,590,464
Other Comprehensive Income/(Loss)		(171,309)	(756,000)		(927,309)
Total Income		(171,309)	(756,000)	8,590,464	7,663,155
Distributions					
Distribution to Consumer Projects				(237,023)	(237,023)
Distribution to Consumers				(3,497,745)	(3,497,745)
Total Distributions				(3,734,768)	(3,734,768)
Balance as at 31 August 2020	16,531,207	(236,878)	(1,676,400)	46,963,611	61,581,540

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 2020

	Note	2020 \$	2019 \$
Current Assets			
Cash and Cash Equivalents	5	1,364,495	16,572
Accrued Income		20,769	48,747
Income Tax Receivable		63,523	84,169
Prepayments		2,807	5,170
Stock on Hand		-	12,201
BNZ - Short Term Deposits		3,150,000	4,206,712
Total Current Assets		4,601,594	4,373,571
Non-Current Assets			
Investment in Alpine Energy Ltd	11	56,808,910	53,048,910
The Cosy Homes (South Canterbury) Charitable Trust	4	-	100,000
Future Income Tax Benefit	10	184,076	145,602
Total Non-Current Assets		56,992,986	53,294,512
Total Assets		61,594,580	57,668,083
Current Liabilities			
Sundry Creditors	5	13,040	14,930
Total Liabilities		13,040	14,930
Net Assets		61,581,540	57,653,153
Trust Funds			
Reserves		(1,913,278)	(985,969)
Trust Capital		16,531,207	16,531,207
Retained Profits		46,963,611	42,107,915
Total Trust Funds		61,581,540	57,653,153



Trustee

Date 23-11-20

Grant Eames (Chairman)



Trustee

Date 23/11/20

Karen McCrostie

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

Statement of Cash Flows

For the Year Ended 31 August 2020

	Note	2020 \$	2019 \$
Cash Flows from Operating Activities			
Cash was provided from:			
Dividends Received		3,967,490	3,967,491
Interest Received		126,580	123,263
Tax Refund		84,169	61,760
Ecobulb Sales		-	23,271
Ecobulb Returns		12,194	-
		4,190,433	4,175,785
Cash was disbursed to:			
Other Operating Expenses		182,533	443,044
Tax Paid		314,024	312,499
		496,557	755,543
Net Cash Flows from Operating Activities		3,693,876	3,420,242
Cash Flows from Investing Activities			
Cash was provided from:			
Withdrawal of Investments		1,156,712	233,466
		1,156,712	233,466
Net Cash Flows from Investing Activities		1,156,712	233,466
Cash Flows from Financial Activities			
Cash was disbursed to:			
Distribution to Consumers		3,254,030	3,465,416
Healthy Homes Project		244,635	246,389
Scholarships		4,000	-
		3,502,665	3,711,805
Net Cash Flows from Financial Activities		(3,502,665)	(3,711,805)
Net Increase in Cash Held		1,347,923	(58,097)
Cash at the Beginning of the Year		16,572	74,669
Cash at the End of the Year		1,364,495	16,572

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

Statement of Cash Flows (continued)

For the Year Ended 31 August 2020

	Note	2020 \$	2019 \$
Reconciliation of Profit after Tax with Net Cashflow from Operations			
Profit (loss) after tax		8,590,464	5,236,114
Add (less) non cash items:			
Equity Accounted Surplus in Alpine Energy Ltd		(8,654,800)	(5,500,000)
Increase (decrease) in Accounts Payable		9,723	(3,061)
Decrease (increase) in Accrued Interest		27,977	(857)
Decrease (increase) in Prepayments		2,363	(2,505)
Equity Consolidation of Alpine Energy Ltd		3,967,490	3,967,490
Taxation Refunded (Paid)		(229,855)	(250,739)
Provision for Taxation		(31,688)	(49,471)
Ecobulbs		12,201	23,271
		(4,896,589)	(1,815,873)
Net Cash from Operating Activities		3,693,875	3,420,241

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

1 Statement of Accounting Policies

Reporting Entity

LineTrust South Canterbury is a Consumer Electricity Trust.

The Trust was formed subject to the 4 June 2002 High Court decision. Its 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 \$.

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

For the Year Ended 31 August 2020

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 were consumable items and comprised of ecobulbs. Inventories were 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).

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

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

For the Year Ended 31 August 2020

(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) 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.

(j) Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year.

(k) 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 2020: No critical judgements have been made this year.

(ii) Key Sources of Estimation Uncertainty

The preparation 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

	2020	2019
	\$	\$
The auditor of LineTrust South Canterbury is Martin Wakefield Audit Ltd		
Audit Fee	3,910	3,795
	<u>3,910</u>	<u>3,795</u>

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

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

For the Year Ended 31 August 2020

3 Tax Reconciliation	2020	2019
	\$	\$
Surplus before Income Tax	8,558,777	5,186,643
Net Dividends Received - Alpine Energy Ltd	3,967,490	3,967,490
Accrued Interest	27,977	(857)
Permanent Differences		
Consultancy Fees - AEL	-	163,444
Equity Accounted Surplus in Alpine Energy Ltd	(8,654,800)	(5,500,000)
Imputation Credits	1,542,912	1,542,913
Total Permanent Differences	<u>(7,111,888)</u>	<u>(3,793,643)</u>
Taxable Income	<u>5,442,356</u>	<u>5,359,633</u>
Less:		
Distribution from Current Year Income	3,509,499	3,287,948
ICA Credits Allocated to Beneficiaries	1,364,805	1,278,647
ICA Converted to Loss	7,768	-
Trustees' Taxable Income	<u>560,283</u>	<u>793,038</u>
Tax Expense at 33%	184,893	261,703
Imputation Credits	(178,107)	(261,703)
Tax Expense	<u>6,786</u>	<u>(0)</u>
Tax Expense Comprises		
Current Tax Expense per Taxes Payable	6,786	-
Deferred Income Tax	(38,474)	(49,471)
Total Tax Expense Recognised in Profit	<u>(31,688)</u>	<u>(49,471)</u>

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

4 Non-Current Receivables	2020	2019
	\$	\$
The Cosy Homes (South Canterbury) Charitable Trust	-	100,000
Total Non-Current Receivables	<u>-</u>	<u>100,000</u>

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. During the 2020 financial year the Trustees resolved to retain the advanced loan and this was repaid to LineTrust South Canterbury on the 27 May 2020.

5 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.

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

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

For the Year Ended 31 August 2020

Loans and Receivables	2020	2019
	\$	\$
Cash and Cash Equivalents	1,364,495	16,572
Receivables	20,769	48,747
Term Deposits	3,150,000	4,206,712
Loans	-	100,000
	<u>4,535,264</u>	<u>4,372,031</u>
Financial Liabilities measured at amortised cost	2020	2019
	\$	\$
Payables	13,041	14,930
	<u>13,041</u>	<u>14,930</u>

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

	2020	2019
	\$	\$
Healthy Homes Project	233,023	248,444
Scholarship	4,000	-
Total Consumer Projects	<u>237,023</u>	<u>248,444</u>

8 Imputation Credits

	2020	2019
	\$	\$
Imputation Credits Received	1,542,913	1,542,913
Applied to Consumer Distribution	(1,364,805)	(1,278,647)
Applied to Tax Expense	(178,108)	(261,703)
Converted to Loss	-	(2,563)
Total Imputation Credits	<u>-</u>	<u>-</u>

9 Dividends Received from Alpine Energy Ltd

	2020	2019
	\$	\$
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	<u>5,510,401</u>	<u>5,510,401</u>

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

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

For the Year Ended 31 August 2020

10 Future Income Tax Benefit	2020	2019
	\$	\$
Opening Balance	145,602	96,131
Movement in Deferred Income Tax	38,474	49,471
Total Future Income Tax Benefit	184,076	145,602

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 2020 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 2020. 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 2020. 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 2020 under the N Z Equivalents to International Financial Reporting Standards has indicated a valuation of \$4.88 per share or \$80,668,800 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 and Infratec Renewables (Rarotonga) Ltd) and associated entities (On Metering Ltd, NETcon Clay Energy Joint Venture and Sunfra Joint Venture) 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.

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

14 Guidelines for access to information from Beneficiaries

The Trust received no requests for information under the Guidelines for the year ended 31 August 2020.

15 Changes in Trustees Remuneration

The Trustees resolved to take a 20% reduction in remuneration due to Covid-19, commencing on 1 March 2020 and continuing until 31 August 2020. It will be reviewed at this date.

16 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 (2019:\$15,400)
Secretarial Costs \$31,077 (2019:\$31,002)

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

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

17 Capital Commitments

The Trust has no capital commitments as at 31 August 2020, (2019 Healthy Homes Project \$280,000).

18 Contingent Liabilities

The Trusts share of its contingent liabilities of its associated company Alpine Energy Limited, at a 40% shareholding as at 31 March 2020 are as follows:-

\$4,620,000 in the form of performance and import guarantees to cover ongoing project work (2019 NZD\$2,270,800)

19 Events Occurring After Balance Date

Due to the recent Commerce Commission price reset, the 2021 dividend will be reduced by 75%.

20 Covid-19

At this stage it is unclear what effects Covid-19 will have on future income and expenses.



SCI 2021-2023

This Statement of Corporate Intent (SCI) is submitted by the Board of Directors of Alpine Energy Limited, in accordance with section 39 of the Energy Companies Act 1992 (the Act). It sets out the Board's overall intentions and objectives for Alpine Energy Limited and its subsidiary companies (the Alpine Group) for the year commencing 1 April 2020 and the following two financial years.

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Please note, that no allowance has been made for the effects of COVID 19. This Statement of Corporate Intent assumes the pandemic will be controlled and that it will not have a significant effect on the availability of skills, equipment and material. Should this not be the case, it may be subject to change.

FY 2021/2023 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 group for the trading period of 1 April 2020 to 31 March 2021 and the two succeeding financial years, and also meets the requirements of the Energy Companies Act 1992.

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 24 Elginshire Street, Washdyke, Timaru.



Our Purpose

*“Infrastructure
providing secure
reliable
electricity supply
in South
Canterbury”*

We're a community-owned and operated business which owns and operates the electricity distribution network in South Canterbury. The network connects over 31,000 customers throughout the region.

A low-angle photograph of a utility pole with power lines and a helicopter flying in the sky. The utility pole is on the left, and the helicopter is on the right. The sky is blue with some clouds.

Our Vision

*“Empowering
our
Community”*

*We're community owned and proud of it,
working with our community for our community
in all we do.*

Our Values

Safety

We value health & safety always

Accountability

We accept responsibility

Integrity

We are honest and sincere; we mean what we say and say what we mean

We do all this on a foundation of

Respect

Strategic Objectives and Outcomes

Alpine's strategic objectives are shown in figure 1. Having considered the drivers of the business, we will develop, review and update our strategic objectives and desired outcomes prior to the commencement of each financial year.

Reporting against our strategic objectives and outcomes, in addition to the reporting obligations referenced throughout, will be by way of regular monthly reporting to our shareholders and shareholder meetings.

Figure 1 – Strategic Objectives



Nature and scope of activities to be undertaken

Our business will primarily be that of quality energy delivery and infrastructure asset ownership and management.

We are, through our subsidiary companies, NETcon Limited and Infratec Limited, also involved in activities which support and develop our business.

Consistent with our objectives we will pursue activities designed to ensure the efficient utilisation of our capital assets and human resources.

Opportunities for investment in activities, consistent with our purpose, will be investigated.

We will consult with our shareholders on any proposed investment which has a value greater than 5% of the value of the total assets of the group, as disclosed in the statement of financial position published in our preceding annual report.

We 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 support of the majority of our shareholders.

Proprietorship Ratio

Our ratio of shareholders' funds to total assets will be maintained at not less than 45 percent.

Total assets will comprise all the recorded tangible assets of the group at their value as defined in the group's statement of accounting policies.

Consolidated shareholders' funds of the group will comprise the total issued capital, the balance of undistributed profits and all revenue and capital reserves.

Accounting Policies

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.

Financial Performance Targets

We have developed financial performance targets and associated key performance indicators to achieve productivity improvements in each of our main business units.

The following performance measures have been established for the group; it should be noted the reduction in revenue in 2020/21 reflects the impact from the regulatory reset period from 1 April 2020 i.e. DPP3.

Please note, that no allowance has been made for the effects of COVID 19. The financial performance targets assume that the pandemic will be controlled and that it will not have a significant effect on the availability of skills, equipment and material. Should this not be the case, the targets will be subject to change.

**Statement of Corporate Intent Financials - Alpine Group
For the years ended 31 March 2021 - 2023**

	Alpine Group		
	2020/21	2021/22	2022/23
(i) Ratio of shareholders funds to total assets	54%	55%	56%
(ii) Rate of return on shareholders' funds:	7.34%	6.12%	6.04%
(iii) Net Tangible Assets per share \$	7.45	7.68	7.90
(iv) Earnings per share (cents per share)	28.76	25.84	26.75
(v) Ordinary Dividend per share (cents per share)	6.00	6.00	6.00

Financial Projections

	\$M	\$M	\$M
Revenue	84.3	86.5	88.7
Operating Expenses	68.6	71.5	72.8
Operating Surplus Before Tax	15.7	15.0	15.8
Net Operating Surplus After Tax	11.9	10.7	11.1
Shareholder Funds	166.6	174.7	183.7
Current assets	13.2	15.0	16.6
Non-current Assets	294.6	302.3	309.9
Total Assets	307.8	317.2	326.5
Current Liabilities	14.0	14.7	14.9
Non-current liabilities	127.2	127.8	127.9
<i>Term debt included in above</i>	89.7	91.9	92.9
Total Liabilities	141.20	142.49	142.80
Net assets	166.6	174.7	183.70
Customer Capital Contributions	2.1	2.1	2.1
Capital Expenditure	20.4	19.0	18.5
- Asset Management Plan (Network)	16.6	16.9	17.4
- Other (Non-network)	3.8	2.1	1.1
Interest Cover - Parent (not to be less than 3.0 times)	5.09	4.82	4.85
Interest Cover - Group	5.11	5.26	5.23
Shareholder Funds to total assets (Parent) to be 45% or greater	55%	56%	57%
Shareholder Funds to total assets (Group)	54%	55%	56%

Operating Performance Targets

We have developed annual operating performance targets to show how our quality of service to customers and consumers is focused. Apart from the consequences of extreme weather events, it is our intention to remain within the cap imposed under DPP3 for interruptions. Our annual operating targets below are based on these criteria.

- i. Electricity Line Losses < 6% per year
- ii. Average Interruption Duration (SAIDI¹):
 - a) Planned: 55 interruptions² on the network
 - b) Unplanned: 91.9 interruptions² on the network
- iii. Average Interruption Frequency (SAIFI)
 - a) Planned: 0.70 interruptions on the network
 - b) Unplanned: 1.20 interruptions on the network

Dividend Distribution Policy

We intend, subject to a solvency certificate being signed by Directors, to distribute to our shareholders in cash, a total of 6.0 cents per share with respect to FY 2021 and the following two years.

The Board of Directors will include within its report on the operations of the group (prepared after the end of each financial year) a statement recommending the maximum amount of dividend (if any) payable by the group 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 Please note that under DPP3, the calculation of SAIDI interruptions has changed. Our planned SAIDI outages limit has increased to allow for planned work to be effectively delivered. In addition, the compliance is now measured over the five-year reset period as opposed to the annual assessment under DPP2. Unplanned outages remain assessed annually.

² Please note we have used the term 'interruptions' which is derived from the Commerce Commission's use of the term in the information disclosure schedules that accompany the AMP. The more commonly used term is 'minutes'.

Sponsorship

In addition to the above, we are proud to sponsor an extensive range of personal endeavours, activities and events throughout the region which help make a difference in the community.

The sponsorship advisory committee considers a range of applications across sporting, cultural and community areas of personal development. It is the intention for this sponsorship to continue under the period covered by this Statement of Corporate Intent, subject to the availability of funding to do so.

Information to be provided to shareholders

We will provide information which complies with all relevant statutes and regulation. The following information will be available:

Annual reporting

Half yearly reports will be delivered to our shareholders within two 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 group and its subsidiaries; and
- ii. financial statements, including a statement of financial position and a statement of profit and loss.

Annual reports will be delivered to our 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 group in regard to our subsidiaries;
- ii. audited consolidated financial statements for the financial year in respect of the group 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 group has been judged in relation to our objectives).

The group audited consolidated financial statements will comprise the following:

- i. Income Statement
- ii. Balance Sheet
- iii. Statement of cash flows
- iv. Statement of changes in equity
- v. Details of all transactions entered into during the financial year by the Company or any of our subsidiaries and certain other bodies
- vi. Such other statements as may be necessary to fairly reflect the financial position of the Company and our subsidiaries (if any), the resources available to it or them and the financial results of the operations.

Statement of Corporate Intent

A draft Statements of Corporate Intent will be delivered to our shareholders one month before the end of each financial year. The Board of Directors shall consider any comments on the draft statement of corporate intent that are made to it, within two months of the commencement of the financial year. We shall deliver the completed Statement of Corporate Intent to shareholders within three months of the commencement of the financial year.

Letter of expectation

From time to time shareholders may provide the board with a Letter of Expectation which may set out additional matters relevant to the engagement of the shareholders with the group.

Monthly reporting

We will agree with shareholders on the form and content of monthly reporting.

Monthly dashboard reports will be provided to shareholders covering the following information:

- i. Health & safety
- ii. Alpine Group Overview;
- iii. Risk Summary;
- iv. Alpine Group Financial Performance (YTD)/YTD results against budget for each of Alpine Energy, NETcon and Infratec;
- v. Financial Commentary
- vi. Operational Performance
- vii. Any other matters agreed with shareholders.

Shareholders may request further information or reports from the Directors, and we shall supply this information to all shareholders in such manner as shall from time to time be agreed with shareholders.

Procedures for Acquisition of interests in Other Companies or Organisations

As a general policy, any proposed investment by the group in other companies or organisations will be required to exceed the Regulatory weighted average cost of capital (WACC) for the current pricing period.

All investment proposals will be considered by the 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 group, as disclosed in the statement of financial position published in the preceding annual report, recommendations will be made for shareholders' approval.

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.
 - Leasing of vacated gas reticulation pipe works for the conveyance of fibre and/or electrical infrastructure i.e. ducting and cable.
- Transactions with related parties include:
 - Master services agreement for the provision of network contracting services.
 - Advisory services relating to renewables and future technologies.
 - Financing arrangements.
 - Rentals received on commercial property leases.
 - Rental received for smart meters and associated management fee transactions
 - Interest levied to joint venture partners.

All transactions with our shareholders will be conducted on a commercial basis. Charges between the parties made for services provided as part of the normal trading activities, are incorporated into our operating costs and revenues.

Further Matters

From time to time, we will investigate opportunities in our industry. For significant opportunities, we will seek the necessary shareholder support.

The maintenance and development of our network is our primary responsibility. Our pricing methodology will be based on a fair and reasonable allocation across the consumer base.

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

- Health and safety leadership
- Tariff reform to reflect cost reflective pricing
- Technology development strategies to keep abreast of change
- Disaster recovery strategies
- Capturing economies of scale



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 2020, 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 2020, 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.

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 NZ 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 regard to this departure from NZ IFRS RDR.

Other Information

The Trustees are responsible for 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 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/.

Restriction on Responsibility

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
23 November 2020