TO THE MAYOR AND COUNCILLORS OF THE MACKENZIE DISTRICT COUNCIL

Membership of the Finance Committee:
Cr Graham Smith (Chairman)
Claire Barlow (Mayor)
Cr Russell Armstrong
Cr Murray Cox
Cr Noel Jackson
Cr James Leslie
Cr Evan Williams

Notice is given of a meeting of the Finance Committee to be held on Tuesday, August 4, 2015, following the conclusion of the Audit and Risk Committee meeting.

VENUE: Mackenzie District Council Chambers, Fairlie

BUSINESS: As per agenda attached

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER

FINANCE COMMITTEE

Agenda for Tuesday, August 4, 2015

APOLOGIES

DECLARATIONS OF INTEREST

MINUTES:

Confirm and adopt as the correct record the minutes of Finance Committee meeting held on May 12, 2015 in Twizel.

SUB COMMITTEE MINUTES:

Receive the minutes of the Tekapo Property Group meeting held on July 14, 2015, including such parts as were taken with the public excluded.

REPORTS:

1. Financial Activity Report – May 2015
2. Alpine Energy Ltd Annual Report – March 2015

PUBLIC EXCLUDED:

Resolve that the public be excluded from the following part of the proceedings of this meeting namely:

1. Public excluded minutes of the Tekapo Property Group meeting held on July 14, 2015.

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Previous minutes Tekapo Property Group, July 14, 2015	Enable commercial negotiations Commercial sensitivity	48(1)(a)(i)

This resolution is made in reliance on Section 48(1)(a)(i) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows*: Previous minutes Tekapo Property Group under section 7(2)(b)(ii).*

RESOLUTION TO RESUME OPEN MEETING

MACKENZIE DISTRICT COUNCIL
MINUTES OF AN EXTRAORDINARY MEETING OF THE FINANCE COMMITTEE HELD IN THE TWIZEL EVENTS CENTRE, TWIZEL, ON TUESDAY, MAY 12, 2015, AT 10.33AM

PRESENT:

Cr Graham Smith (Chairman)
Cr James Leslie
Cr Murray Cox
Cr Russell Armstrong

IN ATTENDANCE:

Wayne Barnett (Chief Executive Officer)
Paul Morris (Finance and Administration Manager)
Julie Jongen (Committee Clerk)
Bernie Haar (Asset Manager)
Suzy Ratahi (Roading Manager)
Toni Morrison (Senior policy Planner)
Garth Nixon (arrived 10.38)
Pat Shuker

APOLOGIES:

Apologies were received from Cr Noel Jackson, Cr Evan Williams, Mayor Claire Barlow

DECLARATIONS OF INTEREST:

There were no declarations of interest.

MINUTES:

Resolved that the minutes of the meeting of the Finance Committee held on March 17, 2015, including such parts as were taken with the public excluded, be confirmed and adopted as the correct record of the meeting.

Noted spelling correction to the minutes. Page 5 of the agenda should read: ''instructions'' and ''investigate''.

Graham Smith/Russell Armstrong

SUB COMMITTEE MINUTES:

Resolved that the minutes of the Tekapo Property Group meeting held on April 14, 2015 including such parts as were taken with the public excluded.

Graham Smith/Russell Armstrong

Unconfirmed

REPORTS:

FINANCIAL ACTIVITY REPORT TO MARCH 2015:
Finance Manager Paul Morris took councillors through the financial report.

Resolved that the report be received.

Murray Cox/Russell Armstrong

James Leslie asked about the roll over of leave. Graham Smith thought there was a policy about roll over of leave. Wayne Barnett will look into this.

Discussion on the District Plan took place, and it was stated that staff are involved with the LTP so there hasn't been a lot of work done with the District Plan.

Graham Smith stated that Tekapo development is hitting Council funds quite hard and needs to be continually flagged.

BANCORP QUARTERLY REPORT – MARCH 2015:
Finance Manager Paul Morris took councillors through the report.
The major issue is 6.6% is the interest rate average and this will probably drop to approximately 4.8% and have budgeted for this going forward.

Resolved that the report be received.

Russell Armtsrong/James Leslie

ALPINE ENERGY LTD STATEMENT OF INTENT 2015/18:
Finance Manager Paul Morris took councillors through the financial report.
Spoke of 4 points that need considering.

1. The vision target needs to reflect the financial performance target or the vision needs to be increased to provide a more meaningful goal.

2. It may be appropriate to add a profit metric to ensure that new business contributors positively to the profitability of the group.

3. Alpine Energy talk of growth, Paul questions where is this going to come from.

4. Alpine Energy should be preparing a share valuation each year.

Resolved:

1. That the report be received

Graham Smith/Russell Armstrong

Unconfirmed

A revised copy of the report was tabled at the meeting due to the report included in the agenda not complete. A copy of the new report is attached to these minutes.

2. That the points raised in the report be forwarded to Alpine Energy Ltd for consideration for inclusion in the final Statement of Intent.

James Leslie/Russell Armstrong

THE CHAIRMAN DECLARED THE MEETING CLOSED AT 11.17AM

CHAIRMAN: ______________________________

DATE: ______________________________

Unconfirmed

MACKENZIE DISTRICT COUNCIL

MINUTES OF A MEETING OF THE TEKAPO PROPERTY GROUP HELD IN THE MACKENZIE DISTRICT COUNCIL CHAMBERS, IN FAIRLIE ON TUESDAY, JULY 14, 2015, AT 1.09PM

PRESENT:

Cr Murray Cox (Chair)
Mayor Claire Barlow (left meeting unwell at 3.02pm)
Cr Graham Smith (arrived 1.40pm)
Russell Armstrong

IN ATTENDANCE:

Julie Jongen (Committee Secretary)
Wayne Barnett (Chief Executive)
Nathan Hole (Planning & Regulations Manager)
Suzy Ratahi (Acting Roading Manager)

APOLOGIES:

Apology received from Richie Smith.

Russell Armstrong/Claire Barlow

DECLARATIONS OF INTEREST:

No declarations of interest.

VISITOR:

Stephen Gubb (Hughes Development)

Traffic Engineer from Aurecon – Ari Fon (arrived 2.00pm, left at 3.04pm)

Ari spoke about the traffic plans.
Murray Cox stated that one of the concerns would be whether the traffic flows are right for the town and if there is enough parking spaces in the town.
A traffic assessment was done on proposed Council subdivisions and if there is enough parking. The result was yes there is enough car parking.
However, there is a carpark shortfall for the summer breaks and the peak holiday season. This is only for a period of about 2-3 weeks.
Private motor vehicles, buses and heavy commercials were split according to their category in the study.
There is enough car parking for district plan requirements, but not enough car parks for demand in the peak season which is about 60-80 parks short.
Mr Fon suggested it would be advisable to see if there are any other areas that can be used for extra parking during the peak seasons.
Suzy Ratahi spoke about the concerns for lack of pull through parking for boats and caravans which is a major issue at present.
There are no ‘’bus shelters’’ as such for buses to stop and the passengers to load and unload out of the weather.
Mrs Ratahi questioned about the land to the western side of the town which at present has vegetation overgrowing it and whether this could be developed.
Cr Cox mentioned there is LINZ land in the town and whether some of that could be used as car parking.

Mr Fon suggested that the only way to get a true summer tally would be to do a survey in the peak summer months, but he has no doubts it will show that the town is short of car parks.
The Chief Executive suggested that a proposal be put forward to do a traffic count in the summer months. He also mentioned the provision of parking on the commercial sites, to which Stephen Gubb replied the mini golf site, and the plans for lot 7 and 4 are to show parking.
Currently there are 282 carparks, there will be 415 with the changes but this still leaves a shortfall of 60-80 carparks in the summer season.
Another issue with access to car parks is the footpaths, they need to be improved and expanded then there could be better access to grassed parking like in Wanaka and Arrowtown.
Mr Barnett suggested that Council look at getting some work done on the entrance to the existing carpark, and for Council to identify potential over flow areas that could be used as car parks.
Mrs Ratahi and Mr Fon will meet up at a later date and go over the action points.

MINUTES:

Resolved
That the minutes of the meeting of the Tekapo Property Group held on Tuesday, May 26, 2015, be confirmed and adopted as the correct record of the meeting, including those matters taken under public excluded.

Claire Barlow/Russell Armstrong

PUBLIC EXCLUDED

Resolved that the public, be excluded from the following part of the proceedings of this meeting namely:

1. Previous minutes, Tekapo Property Group, May 26, 2015.
2. Tekapo Squash Club Site
3. Hughes Report to Tekapo Property Group (attached).
4. Fulton Hogan Construction Report (to be tabled at the meeting)
5. Zermatt Holdings Sale of Lot 7 (to be tabled at meeting)

General subject of each matter to be considered	**Reason for passing this resolution in relation to each matter**	**Ground(s) under section 48(1) for the passing of this resolution**
Previous minutes Tekapo Property Group May 26, 2015.	Commercial sensitivity	48(1)(a)(i)
Hughes Report to Tekapo Property Group	Commercial sensitivity	48(1)(a)(i)
Tekapo Squash Club Site	Commercial sensitivity	48(1)(a)(i)

Fulton Hogan Construction report	Commercial sensitivity	48(1)(a)(i)
Zermatt Holdings Sale of Lot 7	Commercial sensitivity	48(1)(a)(i)

This resolution is made in reliance on Section 48(1)(a)(i) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows*: Previous minutes of the Tekapo Property Group under sections 7(2)(i) and 7(2)(b)(ii). Hughes Report to Tekapo Property Group, Tekapo Squash Club, Fulton Hogan Construction Report, Development of Lots 7.*

Claire Barlow/Russell Armstrong

Resolved to move back into Public Excluded again at 3.04pm.

Graham Smith/Russell Armstrong

THERE BEING NO FURTHER BUSINESS
THE CHAIRMAN DECLARED THE MEETING CLOSED AT 4.19pm

CHAIRMAN: ____________________________

DATE: ____________________________

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	GOVERNANCE	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Income						
291,357	General Rates	328,482	328,482	-	✓		358,358
27,679	Targeted Rates	23,364	23,364	-	✓		25,500
32,071	Other Income	22,241	33,682	(11,441)	✗	1	36,750
351,107	**Total Income**	**374,087**	**385,528**	**(11,441)**			**420,608**
	Expenses						
50,725	Employment Expenses	57,998	48,724	(9,274)	✗	2	52,708
315,638	Members Expenses	278,728	288,948	10,220	✓	3	315,250
10,581	Consultancy Expenses	720	-	(720)	✗		-
54,000	Administration Expenses	42,753	42,207	(546)	✗		46,050
-	Internal interest Expense	-	286	286	✓		308
-	Depreciation	264	264	-	✓		292
3,008	Internal Charges	4,858	5,500	642	✓		6,000
433,953	**Total Expenses**	**385,321**	**385,929**	**608**			**420,608**
(82,846)	**Operating Surplus/(Deficit)**	**(11,234)**	**(401)**	**(10,833)**			**-**

Variance Analysis:

1. Other Income variance due to budget timing. Budget is phased evenly across the 12 months but Water Zone committee income is invoiced and received quarterly. The billing for the June quarter will not be done until July to ensure all costs are recovered.
2. Employment Expenses - costs associated with support for Council were higher than anticipated.
3. Members Expenses - Conference and training expenses less than budget year to date. Election costs budgeted but not required this year.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	GOVERNANCE	YTD Actual May 2015	YTD Budget May 2015	Variance	Full year Budget June 2015
	Operating and Capital Reserves				
-	Add back Non Cash Items	264	264		292
-	Transfer Funded Depreciation to Capital Reserve	(264)	(264)		(292)
(82,846)	Operating Surplus/(Deficit)	(11,234)	(401)		-
(82,846)	**Total Operating Reserves**	**(11,234)**	**(401)**		**-**
	Equity				
(4,839)	Opening Balance	(4,771)	-		-
-	Transfer Funded Depreciation from Operating Reserves	264	264		292
(4,839)	**Total Capital Reserves**	**(4,507)**	**264**		**292**

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	CORPORATE SERVICES	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Income						
1,717,068	General Rates	1,706,859	1,706,859	-	✓		1,862,112
90,772	Other Income	94,143	121,924	(27,781)	✗	1	133,000
93,283	Internal Income	100,885	119,471	(18,586)	✗	2	130,342
(379)	Internal Interest Income	(692)	60	(752)	✗		78
-	Gain on Sale - Assets	15,435	-	15,435	✓	3	-
1,900,745	**Total Income**	**1,916,630**	**1,948,314**	**(31,684)**			**2,125,532**
	Expenses						
1,005,634	Employment Expenses	1,177,614	1,210,901	33,287	✓	4	1,321,752
151,351	Consultancy Expenses	211,188	112,299	(98,889)	✗	5	122,513
245,350	Administration Expenses	300,936	230,797	(70,139)	✗	6	308,454
221,163	Operational and Maintenance	203,961	249,789	45,828	✓	7	272,506
6,654	Internal interest Expense	8,281	12,803	4,522	✓		13,854
99,075	Depreciation	112,566	112,486	(80)	✗		122,710
48,194	Internal Charges	55,866	60,621	4,755	✓		66,137
1,777,421	**Total Expenses**	**2,070,412**	**1,989,696**	**(80,716)**			**2,227,926**
123,324	**Operating Surplus/(Deficit)**	**(153,782)**	**(41,382)**	**(112,400)**			**(102,394)**

Variance Analysis:

1. Other Income - Commission income less than forecast year to date.
2. Internal Income - motor vehicle usage behind budget year to date.
3. Gain on Sale - Assets - Sale of Nissan Ute ($8,696) and Suzuki Carry Truck ($6,522).
4. Employment Expenses less than budgeted for Administration - District. Information Centre costs included under Commercial Activities.
5. Consultancy Expenses - over budget as at 31 May 2015 due to valuation fees for insurance and annual reporting purposes relating to June 2014 year plus additional unbudgeted consultant costs for monthly reporting.
6. Administration Expenses - audit fees for the LTP ahead of budget.
7. Operational and Maintenance costs less than budget due to motor vehicle costs less than forecast. There is also a favourable electricity variance in Fairlie Council buildings of $3,388 due to the new heatpumps.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	CORPORATE SERVICES	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Operating and Capital Reserves						
123,324	Operating Surplus/(Deficit)	(153,782)	(41,382)				(102,394)
123,324	**Total Operating Reserves**	**(153,782)**	**(41,382)**				**(102,394)**
	Equity						
(64,231)	Opening Balance	(112,900)	(155,000)				(155,000)
91,119	Transfer Funded Depreciation from Operating Reserves	112,431	121,946				133,019
(77,167)	Transfer Capital Expenditure from Operating Reserve	(137,122)	(160,860)				(173,118)
(50,278)	**Total Capital Reserves**	**(137,590)**	**(193,914)**				**(195,099)**
	Capital Expenditure						
	Administration - District						
1,800	0018925. Plant and Equipment	535	2,750	2,215	✓		3,000
(15,135)	0018999. Transfer to Assets	-	-	-	✓		-
(13,335)	**Total Administration - District**	**535**	**2,750**	**2,215**			**3,000**
	Council Building - Fairlie						
16,666	0088916. Building Renovations	-	-	-	✓		-
-	0088925. Plant and Equipment	-	20,000	20,000	✓	1	20,000
19,180	0088935. Furniture & Fittings - Admin	782	1,936	1,154	✓		2,118
260	0088940. Furniture & Fittings - Other	1,681	7,337	5,656	✓		8,000
(22,771)	0088999. Transfer to Assets	-	-	-	✓		-
13,335	**Total Council Building - Fairlie**	**2,463**	**29,273**	**26,810**			**30,118**
	Council Building - Twizel						
5,171	0098916. Building Renovations	13,112	3,000	(10,112)	✗		3,000
4,730	0098940. Furniture & Fittings - Other	2,731	-	(2,731)	✗		-
(9,901)	0098999. Transfer to Assets	-	-	-	✓		-
-	**Total Council Building - Twizel**	**15,843**	**3,000**	**(12,843)**		2	**3,000**

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	CORPORATE SERVICES	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Information Technology Support						
-	0788001. Records Mngt Program	2,399	7,337	4,938	✓		8,000
51,073	0788002. PC Server	-	-	-	✓		-
28,741	0788006. GIS Aerials	-	-	-	✓		-
4,766	0788010. Network Infrastructure	174	-	(174)	✗		-
6,595	0788011. Communications Equipment	1,502	-	(1,502)	✗		-
7,500	0788012. Software	25,075	26,250	1,175	✓		35,000
155	0788014. Web site development	-	5,250	5,250	✓	3	7,000
2,415	0788925. Plant and Equipment	-	-	-	✓		-
(105,986)	0788999. Transfer to Assets	-	-	-	✓		-
(4,741)	**Total Information Technology Support**	**29,151**	**38,837**	**9,686**			**50,000**
	Plant Operations						
(20,986)	2658930. Vehicles	80,821	87,000	6,179	✓	4	87,000
20,986	2658999. Transfer to assets	-	-	-	✓		-
-	**Total Plant Operations**	**80,821**	**87,000**	**6,179**			**87,000**
(4,741)	**Total Capital Expenditure**	**128,813**	**160,860**	**32,047**			**173,118**

Variance Analysis:

1. Budget phasing. No progress yet on this project
2. The overspend on the Council building in Twizel will be covered by the underspending on the Council building in Fairlie.
3. Budget phasing. No progress yet on this project
4. Final vehicles purchased in December, better prices than forecast.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	WATER	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Income						
770,259	Targeted Rates	884,330	884,422	(92)	✗		964,858
(2,236)	Other Income	(6,135)	32,549	(38,684)	✗	1	86,054
82,127	Financial Contributions	11,649	-	11,649	✓	2	158,716
2,750	Internal Income	2,750	2,771	(21)	✗		3,000
48,529	Internal Interest Income	44,441	24,204	20,237	✓	3	26,373
-	Vested Assets	-	-	-	✓		77,000
901,428	**Total Income**	**937,035**	**943,946**	**(6,911)**			**1,316,001**
	Expenses						
11,818	Consultancy Expenses	3,618	12,877	9,259	✓	4	13,678
6,565	Administration Expenses	10,428	10,910	482	✓		11,731
363,798	Operational and Maintenance	387,638	402,855	15,217	✓	5	439,647
62,688	Internal interest Expense	53,760	144,399	90,639	✓	6	164,545
351,300	Depreciation	433,026	433,026	-	✓		472,425
2,750	Internal Charges	2,750	2,750	-	✓		3,000
798,918	**Total Expenses**	**891,221**	**1,006,817**	**115,596**			**1,105,026**
102,510	**Operating Surplus/(Deficit)**	**45,814**	**(62,871)**	**108,685**			**210,975**

Variance Analysis:

1. Other Income - debit balance result of over reading water meters in 2014 - write off occurs in 2015 year. Also write off water bills arising from leaks. Budget for water meter income sitting in June 2015.
2. Financial Contributions are not budgeted for as they are dependent upon developer activity.
3. Internal Interest Income is ahead of budget due to capital expenditure not spent at the beginning of the year which has resulted in capital reserve balances earning higher interest income.
4. Consultancy Expenses - below budget due to lower than forecast costs associated with engineers. Expected to be on budget for full year.
5. Operational and Maintenance - Consent Monitoring and Quality Monitoring costs below budget year to date.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	WATER	YTD Actual May 2015	YTD Budget May 2015	Variance	Full year Budget June 2015
6.	Internal Interest expense is below budget due to capital expenditure spent at the beginning of the year which has resulted in capital reserve balances being charged lower interest expense.				

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	WATER	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Operating and Capital Reserves						
102,510	Operating Surplus/(Deficit)	45,814	(62,871)				210,975
102,510	**Total Operating Reserves**	**45,814**	**(62,871)**				**210,975**
	Equity						
788,802	Opening Balance	1,014,566	(886,000)				(886,000)
0	Transfer - Financial Contributions	11,649	0				158,716
0	Transfer - from Operating Reserve	0	0				1,023
322,745	Transfer Funded Depreciation from Operating Reserves	408,463	408,452				445,621
0	Transfer - Vested Assets	0	0				77,000
(200,538)	Transfer Capital Expenditure from Operating Reserve	(1,008,123)	(2,229,807)				(2,990,852)
0	Transfer from Operating reserves	0	649				707
911,008	**Total Capital Reserves**	**426,555**	**(2,706,706)**				**(3,193,785)**
	Capital Expenditure						
	Allandale Water Supply						
-	0158211. Treatment	-	5,400	5,400	✓		5,400
-	**Total Allandale Water Supply**	-	**5,400**	**5,400**			**5,400**
	Burkes Pass Water Supply						
6,362	0178211. Treatment Upgrade	-	-	-	✓		-
6,362	**Total Burkes Pass Water Supply**	-	-	-			-
	Fairlie Community Water Supply						
141,311	0118201. Town Reticulation - Renewal	110,000	100,826	(9,174)	✗		110,000
-	0118204. Head Works - Renewal	303	-	(303)	✗		-
810	0118206. Service Connections - Renewal	15,449	23,837	8,389	✓		26,000
26,020	0118211. Treatment - New	14,365	32,087	17,722	✓		35,000

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	WATER	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
3,518	0118215. Plant	-	-	-	✓		-
-	0118982. Water Meters	-	2,288	2,288	✓		2,500
(145,640)	0118999. Transfer to Assets	-	-	-	✓		-
26,020	**Total Fairlie Community Water Supply**	**140,116**	**159,038**	**18,922**		1	**173,500**
	Manuka Terrace Water Supply						
-	0238210. Headworks	13,860	-	(13,860)	✗	2	-
-	**Total Manuka Terrace Water Supply**	**13,860**	-	**(13,860)**			-
	Tekapo Community Water Supply						
18,709	0128211. Treatment - New	5,100	33,913	28,813	✓		37,000
-	0128212. Service Connections - Renew	-	990	990	✓		1,075
-	0128216. Vested Assets	-	-	-	✓		77,000
-	0128251. Reticulation - Renewal	2,213	4,928	2,715	✓		5,377
-	0128981. Water Meters	-	2,750	2,750	✓		3,000
(18,709)	0128999. Transfer to Assets	-	-	-	✓		-
-	**Total Tekapo Community Water Supply**	**7,313**	**42,581**	**35,268**		3	**123,452**
	Twizel Community Water Supply						
6,454	0138201. Town Reticulation - Renewal	-	-	-	✓		-
36,254	0138204. Headworks - Renewal	-	-	-	✓		-
42,388	0138206. Service Connections - Renewal	25,876	23,837	(2,039)	✗		26,000
-	0138210. HeadWorks - New	70,288	150,000	79,712	✓		200,000
69,104	0138211. Treatment - New	753,804	1,837,500	1,083,696	✓		2,450,000
-	0138212. Servie Connections - New	536	-	(536)	✗		-
2,537	0138251. Fire Hydrant Markers	303	9,163	8,860	✓		10,000
-	0138807. Resource Consent Costs	3,578	-	(3,578)	✗		-
-	0138980. Community Assets- Water Supply	3,390	-	(3,390)	✗		-
1,110	0138984. Water Meters	444	2,288	1,844	✓		2,500
(86,713)	0138999. Transfer to Assets	-	-	-	✓		-
71,134	**Total Twizel Community Water Supply**	**858,218**	**2,022,788**	**1,164,570**		4	**2,688,500**

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	WATER	YTD Actual May 2015	YTD Budget May 2015	Variance	Full year Budget June 2015
103,515	Total Capital Expenditure	1,019,507	2,229,807	1,210,300	2,990,852

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	WATER	YTD Actual May 2015	YTD Budget May 2015	Variance	Full year Budget June 2015

Variance Analysis:

1. Fairlie Community Water Supply - Renewal project currently behind budget due to timing of budget phasing. Project is now underway. Expected to be on budget for
2. Manuka Terrace Water Supply - unbudgeted investigation expenses.
3. Tekapo Community Water Supply - Project currently behind budget due to timing of budget phasing. Project has now started. Expected to be on budget for full year.
4. Twizel Community Water Supply - budget spread per quarter across the year. Actual spend behind budget year to date but expected to be on schedule for the full year.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	SEWER	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Income						
388,313	Targeted Rates	422,619	422,752	(133)	✘		461,198
6,076	Other Income	6,699	-	6,699	✔	1	-
116,157	Financial Contributions	9,536	-	9,536	✔	2	132,965
29,202	Internal Interest Income	35,714	34,297	1,417	✔		37,442
-	Vested Assets	-	-	-	✔		160,000
539,748	**Total Income**	**474,568**	**457,049**	**17,519**			**791,605**
	Expenses						
9,388	Consultancy Expenses	-	8,007	8,007	✔	3	10,677
6,522	Administration Expenses	6,870	9,572	2,702	✔		10,426
119,348	Operational and Maintenance	134,806	140,475	5,669	✔	4	157,898
5,454	Internal interest Expense	4,159	11,432	7,273	✔	5	13,073
231,948	Depreciation	271,689	271,689	-	✔		296,397
372,661	**Total Expenses**	**417,523**	**441,175**	**23,652**			**488,471**
167,087	**Operating Surplus/(Deficit)**	**57,044**	**15,874**	**41,170**			**303,134**

Variance Analysis:

1. Other Income - unbudgeted fees for effluent disposal received during the year.
2. Financial Contributions are not budgeted for as they are dependent upon developer activity.
3. Consultancy Expenses - budgeted allowances for Fairlie and Twizel have not been required this year to date.
4. Operational and Maintenance behind budget due to internal pipeline inspection work yet to be carried out in Fairlie and Twizel.
5. Internal Interest expense is below budget due to capital expenditure spent at the beginning of the year which has resulted in capital reserve balances being charged lower interest expense.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	SEWER	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Operating and Capital Reserves						
167,087	Operating Surplus/(Deficit)	57,044	15,874				303,134
167,087	**Total Operating Reserves**	**57,044**	**15,874**				**303,134**
977,571	Opening Balance	1,399,313	1,007,000				1,007,000
-	Transfer - Financial Contributions	9,536	-				132,965
231,948	Transfer Funded Depreciation from Operating Reserves	271,689	271,700				296,397
-	Transfer - Vested Assets	-	-				160,000
(14,989)	Transfer Capital Expenditure from Operating Reserve	(79,945)	(98,038)				(268,500)
1,194,530	**Total Capital Reserves**	**1,600,592**	**1,180,662**				**1,327,862**
	Capital Expenditure						
	Fairlie Community Sewerage						
-	0278401. Sewer Reticulation Renewal	7,648	-	(7,648)	✗	1	-
-	0278403. Sewer Pump Station Renewal	13,366	-	(13,366)	✗	2	-
-	0278410. New Reticulation - Eversley	862	-	(862)	✗		-
-	**Total Fairlie Community Sewerage**	**21,875**	**-**	**(21,875)**			**-**
	Tekapo Community Sewerage						
-	0288193. Vested Assets	-	-	-	✓		160,000
-	0288265. Pump Station - new work	5,837	-	(5,837)	✗	3	-
-	0288401. Sewer Reticulation - Renewal	5,762	4,500	(1,262)	✗		6,000
-	**Total Tekapo Community Sewerage**	**11,598**	**4,500**	**(7,098)**			**166,000**
	Twizel Community Sewerage						
-	0298410. Sewer Reticulation - New	1,073	1,875	802	✓		2,500
32,735	0298411. Sewer Treatment - New	45,399	55,000	9,602	✓	4	60,000
-	0298807. Resource Consent Costs	-	36,663	36,663	✓	5	40,000

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	SEWER	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
(32,735)	0298999. Transfer to Assets	-	-	-	✔		-
-	**Total Twizel Community Sewerage**	46,472	93,538	47,066			102,500
-	**Total Capital Expenditure**	79,945	98,038	18,093			268,500

Variance Analysis:

1. Unbudgeted works.
2. Unbudgeted works - Holiday Park.
3. Unbudgeted works.
4. Project has now commenced. Behind schedule year to date.
5. Project has now commenced. Behind schedule year to date.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	STORMWATER	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Income						
66,452	Targeted Rates	74,756	74,756	-	✔		81,546
3,860	Financial Contributions	1,062	-	1,062	✔		20,677
8,428	Internal Interest Income	8,694	12,916	(4,222)	✘	1	13,802
-	Vested Assets	-	-	-	✔		132,000
78,739	**Total Income**	**84,512**	**87,672**	**(3,160)**			**248,025**
	Expenses						
5,726	Consultancy Expenses	-	-	-	✔		-
307	Administration Expenses	291	3,010	2,719	✔	2	3,226
11,301	Operational and Maintenance	27,069	27,546	477	✔		30,179
55,756	Depreciation	56,771	56,771	-	✔		61,943
73,090	**Total Expenses**	**84,131**	**87,327**	**3,196**			**95,348**
5,649	**Operating Surplus/(Deficit)**	**381**	**345**	**36**			**152,677**

Variance Analysis:

1. Internal Interest Income is below budget due to capital expenditure spent at the beginning of the year which has resulted in capital reserve balances earning the commercial activity lower interest income and increased interest expense.

2. Administration Expenses less than forecast due to insurance expenditure budgeted but not incurred.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	STORMWATER	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Operating and Capital Reserves						
5,649	Operating Surplus/(Deficit)	381	345				152,677
5,649	**Total Operating Reserves**	**381**	**345**				**152,677**
	Equity						
338,349	Opening Balance	397,208	402,000				402,000
-	Transfer - Financial Contributions	1,062	-				20,677
55,756	Transfer Funded Depreciation from Operating Reserves	56,771	56,782				61,943
-	Transfer - Vested Assets	-	-				132,000
-	Transfer Capital Expenditure from Operating Reserve	(58,042)	(40,000)				(172,000)
394,105	**Total Capital Reserves**	**397,000**	**418,782**				**444,620**
	Capital Expenditure						
	Tekapo Stormwater						
-	0578193. Vested Assets	-	-	-	✔		132,000
-	0578456. S/Water Structure - New	58,042	40,000	(18,042)	✘	1	40,000
-	**Total Tekapo Stormwater**	**58,042**	**40,000**	**(18,042)**			**172,000**
-	**Total Capital Expenditure**	**58,042**	**40,000**	**(18,042)**			**172,000**

Variance Analysis:

1. Project dependent on Tekapo development. Currently budget overspent by $18,042.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	ROADING	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Income						
1,203,153	Targeted Rates	1,208,834	1,208,834	-	✓		1,318,781
1,727,658	Subsidies and Grants	2,017,954	1,429,256	588,698	✓	1	1,505,430
25,976	Other Income	28,411	34,188	(5,777)	✗		37,300
17,576	Upgrade Contributions	-	-	-	✓		-
7,386	Internal Interest Income	5,413	1,686	3,727	✓		373
-	Vested Assets	-	-	-	✓		290,000
2,981,749	**Total Income**	**3,260,612**	**2,673,964**	**586,648**			**3,151,884**
	Expenses						
73,704	Employment Expenses	104,094	97,779	(6,315)	✗		106,677
62,088	Consultancy Expenses	83,704	19,558	(64,146)	✗	2	21,342
2,440	Administration Expenses	1,817	5,137	3,320	✓		5,602
8,382	Internal interest Expense	2,175	866	(1,309)	✗		959
1,542,097	Roading	1,036,823	1,093,607	56,784	✓	3	1,183,185
1,504,734	Depreciation	1,729,319	1,729,277	(42)	✗		1,886,574
9,921	Internal Charges	9,084	12,188	3,104	✓		13,294
3,203,366	**Total Expenses**	**2,967,016**	**2,958,412**	**(8,604)**			**3,217,633**
(221,617)	**Operating Surplus/(Deficit)**	**293,596**	**(284,448)**	**578,044**			**(65,749)**

Variance Analysis:

1. Subsidies and Grants - NZTA subsidies received of forecast due to timing of capital works programme.
2. Consultancy Expenses - unbudgeted footbridge consultancy costs $8,845, Cass River bridge options report $12,800 and Roading Collaboration Project $22,664 year to date. Further costs expected to be incurred before year end. Unbudgeted RAMM database consultancy costs of $15,721 also incurred.
3. Roading - expenditure year to date less than forecast. Further details can be found in the Roading Expenses Report.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	ROADING	YTD Actual May 2015	YTD Budget May 2015	Variance		Full year Budget June 2015
	Operating and Capital Reserves					
(221,617)	Operating Surplus/(Deficit)	293,596	(284,448)			(65,749)
(221,617)	**Total Operating Reserves**	**293,596**	**(284,448)**			**(65,749)**
	Equity					
1,031,049	Opening Balance	580,439	45,000			45,000
708,006	Transfer Funded Depreciation from Operating Reserves	1,729,277	815,034			889,170
75,880	Transfer NZTA Capital Subsidy	-	779,119			801,398
-	Transfer Vested Assest from Op reserve	-	-			290,000
(471,304)	Transfer Capital Expenditure from Operating Reserve	(2,488,512)	(1,627,694)			(1,961,871)
1,343,632	**Total Capital Reserves**	**(178,796)**	**11,459**			**63,697**
	Capital Expenditure					
	District Roading					
-	2548193. Vested Assets	-	-	-	✓	290,000
372,083	2548211. Unsealed Road Metalling	456,995	389,565	(67,430)	✗	425,000
589,528	2548212. Sealed Road Resurfacing	526,615	520,000	(6,615)	✗	520,000
66,804	2548213. Drainage Renewal	591	44,000	43,409	✓	44,000
-	2548214. Sealed Road Pavement Rehabilitation	155,283	121,000	(34,283)	✗	121,000
4,239	2548215. Structures Component replacements bridges	40,267	15,700	(24,567)	✗	15,700
3,369	25482151. Structures Component replacements cattelstops	-	10,000	10,000	✓	10,000
38,352	2548222. Traffic Services Renewals	39,253	68,013	28,760	✓	74,200
-	2548231. Associated Improvements	3,120	4,587	1,467	✓	5,000
228,645	2548310. Footpaths - Surfacing	76,278	70,000	(6,278)	✗	70,000
80,838	2548341. Minor Improvements	415,330	250,000	(165,330)	✗	250,000
-	2548390. Streetscape Improvements	-	21,300	21,300	✓	21,300
-	2548395. Sealing Past Houses	-	10,000	10,000	✓	10,000
343,450	2548396. Manuka Terrace	80,000	80,000	-	✓	80,000
-	2548451. Walking?and?Cycling?Projects	683,630	-	(683,630)	✗	-

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	ROADING	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
(1,288,421)	2548999. Transfer to Assets	-	-	-	✓		-
438,888	**Total District Roading**	2,477,362	1,604,165	(873,197)	✗		1,936,200

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	ROADING	YTD Actual May 2015	YTD Budget May 2015	Variance		Full year Budget June 2015
	Roading Professional Services					
4,469	0868001. Computers	17,511	23,529	6,018	✓	25,671
-	0868925. Plant and Equipment	532	-	(532)	✗	-
(4,469)	0868999. Transfer to Assets	-	-	-	✓	-
-	**Total Roading Professional Services**	**18,043**	**23,529**	**5,486**	✓	**25,671**
438,888	**Total Capital Expenditure**	**2,495,405**	**1,627,694**	**(867,711)**		**1,961,871**

Variance Analysis:

1. Expenditure exceeds full year forecast. This overspend will be covered by reduced spend in other roading areas, including operational expenditure.
2. Expenditure exceeds full year forecast. This overspend will be covered by reduced spend in other roading areas, including operational expenditure.
3. Expenditure exceeds full year forecast. This overspend will be covered by reduced spend in other roading areas, including operational expenditure.
4. Timing of budget spend for the first eleven months does not match actual expenditure. This underspend will be offset by increased spend in other roading areas.
5. Timing of budget spend for the first eleven months does not match actual expenditure. This underspend will be offset by increased spend in other roading areas.
6. Expenditure exceeds full year forecast. This overspend will be covered by reduced spend in other roading areas, including operational expenditure.
7. Unbudgeted project approved by Council. Expenditure funded 63% by NZTA.

Mackenzie District Council
Detailed Roading Activity
For The Period Ended May 2015

LYTD Actual May 2014		YTD Actual May 2015	YTD Budget May 2015	Variance		Full Year Budget June 2015
	Roading Expenses					
155,110	2546111. Sealed Pavement Mtce	184,730	167,000	(17,730)	✗	172,300
338,727	2546112. Unsealed Pavement Mtce	301,899	323,565	21,666	✓	353,000
55,146	2546113. Routine Drainage Mtce	96,344	65,263	(31,081)	✗	71,200
22,798	25461131. Drainage Mtce - St Cleaning	22,198	48,576	26,378	✓	53,000
27,677	2546114. Structures Maintenance Bridges	52,249	69,850	17,601	✓	76,200
3,483	25461141. Structures Maintenance Cattlestops	9,902	23,463	13,561	✓	25,600
126,912	2546121. Environmental Mtce	157,074	137,500	(19,574)	✗	150,000
29,179	2546122. Traffic Services Mtce	58,407	56,276	(2,131)	✗	61,400
28,920	25461221. Street Lighting - Maintenanc	33,023	44,550	11,527	✓	48,600
37,559	25461222. Street Lighting - Electricit	38,726	42,075	3,349	✓	45,900
653,605	2546288. Emergency Reinstatement	-	-	0	✓	-
5,312	2546301. Street Lights - Mtce - Trans	10,052	16,687	6,635	✓	18,200
8,375	2546302. Street Lights-Elect - Transi	8,821	10,725	1,904	✓	11,700
21,149	2546303. Drainage Mtce - St Cleaning Transit	21,229	22,462	1,233	✓	24,500
27,704	2546304. Footpaths	24,634	65,032	40,398	✓	70,945
-	2546305. New Year Road Sweep	-	583	583	✓	640
441	2546306. Alps2ocean	17,535	-	(17,535)	✗	-
1,542,097		**1,036,823**	**1,093,607**	**56,784**		**1,183,185**

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	PLANNING	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Income						
144,066	General Rates	216,249	216,249	-	✔		235,913
92,581	Other Income	96,131	88,264	7,867	✔	1	96,300
155,355	Reserve Contributions	16,440	-	16,440	✔	2	120,000
13	Internal Interest Income	11	22	(11)	✘		24
392,015	**Total Income**	**328,831**	**304,535**	**24,296**			**452,237**
	Expenses						
251,056	Employment Expenses	235,093	321,266	86,173	✔	3	350,488
186,430	Consultancy Expenses	199,212	261,250	62,038	✔	4	285,000
7,441	Administration Expenses	10,110	23,529	13,419	✔	5	25,672
2,273	Operational and Maintenance	753	8,008	7,255	✔	6	8,728
151	Depreciation	22	22	-	✔		30
6,851	Internal Charges	4,576	5,962	1,386	✔		6,500
454,202	**Total Expenses**	**449,765**	**620,037**	**170,272**			**676,418**
(62,188)	**Operating Surplus/(Deficit)**	**(120,934)**	**(315,502)**	**194,568**			**(224,181)**

Variance Analysis:

1. Other Income favourable variance due to a higher number of LIMs processed compared to forecast.
2. Reserve Contributions are not budgeted for as they are dependent upon developer activity.
3. Employment Expenses - behind budget year to date due to senior planner not yet replaced for District Plan review.
4. Consultancy Expenses overall behind budget year to date. Legal expenses are currently $16,495 behind budget. Plan Change 13 costs behind budget $11,253 and District Plan review costs behind budget $21,647.
5. Administration Expenses - expenditure on publications and legislation behind budget year to date due to timing of annual subscription renewals. Expected to be on budget for full year.
6. Operational and Maintenance - Noise control costs less than forecast due to decrease in number of incidents. Heritage fund behind budget year to date due to timing of payments, expected to be on budget for full year.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	PLANNING	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Operating and Capital Reserves						
(62,188)	Operating Surplus/(Deficit)	(120,934)	(315,502)				(224,181)
(62,188)	**Total Operating Reserves**	**(120,934)**	**(315,502)**				**(224,181)**
	Equity						
473	Opening Balance	631	(1,000)				(1,000)
151	Transfer Funded Depreciation from Operating Reserves	22	22				30
-	Transfer From Operating Reserves	-	-				1,030
624	**Total Capital Reserves**	**653**	**(978)**				**60**

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	REGULATORY	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Income						
86,325	General Rates	36,553	36,553	-	✔		39,882
135,353	Targeted Rates	141,966	141,966	-	✔		154,882
397,764	Other Income	369,475	354,740	14,735	✔	1	435,373
782	Internal Interest Income	487	565	(78)	✘		624
20,986	Gain on Sale - Assets	-	-	-	✔		-
641,210	**Total Income**	**548,481**	**533,824**	**14,657**			**630,761**
	Expenses						
198,383	Employment Expenses	275,924	260,337	(15,587)	✘	2	284,015
16,864	Consultancy Expenses	30,537	43,087	12,550	✔	3	47,000
42,753	Administration Expenses	49,135	55,404	6,269	✔	4	60,432
123,265	Operational and Maintenance	114,095	106,744	(7,351)	✘	5	180,447
5,735	Internal interest Expense	4,503	5,536	1,033	✔		5,957
35,394	Depreciation	41,591	41,591	-	✔		45,375
20,435	Internal Charges	23,706	37,389	13,683	✔	6	40,789
442,829	**Total Expenses**	539,491	550,088	10,597			664,015
198,381	**Operating Surplus/(Deficit)**	**8,990**	**(16,264)**	**25,254**			**(33,254)**

Variance Analysis:

1. Other Income ahead of budget due to increased level of building consent fees compared to forecast.
2. Employment Expenses ahead of budget year to date due to additional resource employed for Building Control.
3. Consultancy Expenses - legal fees for Building Control activity less than forecast year to date.
4. Administration Expenses less than forecast due to Animal Control - tools & equipment expenditure less than forecast and Rural Fire insurance less than budgeted.
5. Operational and Maintenance - slightly ahead of budgeted spend in all areas. Expected to be on budget for full year.
6. Internal Charges for motor vehicle costs less than forecast.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	REGULATORY	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Operating and Capital Reserves						
198,381	Operating Surplus/(Deficit)	8,990	(16,264)				(33,254)
198,381	**Total Operating Reserves**	**8,990**	**(16,264)**				**(33,254)**
(49,280)	Opening Balance	(86,294)	(96,000)				(96,000)
35,394	Transfer Funded Depreciation from Operating Reserves	41,591	41,591				45,375
(55,500)	Transfer Capital Expenditure from Operating Reserve	(9,246)	(26,600)				(26,600)
(69,386)	**Total Capital Reserves**	**(53,949)**	**(81,009)**				**(77,225)**
	Capital Expenditure						
	Civil Defence						
10,963	0108925. Plant and Equipment	9,246	1,600	(7,646)	✗	1	1,600
(10,963)	0108999. Transfer to Assets	-	-	-	✓		-
-	**Total Civil Defence**	**9,246**	**1,600**	**(7,646)**			**1,600**
	Rural Fires						
8,000	0838925. Plant and Equipment	-	-	-	✓		-
47,500	0838930. Vehicles	-	20,000	20,000	✓	2	20,000
(55,500)	0838999. Transfer to Assets	-	-	-	✓		-
-	**Total Rural Fires**	-	**20,000**	**20,000**			**20,000**
-	**Total Capital Expenditure**	**9,246**	**21,600**	**12,354**			**21,600**

Variance Analysis:

1. Plant & Equipment - purchase of generator and fire station fitout that were budgeted in 2014.
2. Motor Vehicle purchased in 2014 financial year. Budget in 2015 year.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	SOLID WASTE	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Income						
306,896	General Rates	121,055	121,055	-	✓		132,074
257,110	Targeted Rates	464,555	460,713	3,842	✓		502,608
130,600	Other Income	133,818	128,414	5,404	✓	1	140,100
-	Gain on Sale - Assets	500	-	500	✓		-
694,607	**Total Income**	**719,928**	**710,182**	**9,746**			**774,782**
	Expenses						
21,018	Employment Expenses	32,171	23,936	(8,235)	✗	2	26,118
11,869	Consultancy Expenses	17,244	28,783	11,539	✓	3	31,143
8,458	Administration Expenses	8,290	4,818	(3,472)	✗		5,266
632,632	Operational and Maintenance	641,040	630,518	(10,522)	✗	4	687,200
15,925	Internal interest Expense	10,993	24,361	13,368	✓	5	26,532
18,416	Depreciation	18,755	18,755	-	✓		20,479
3,441	Internal Charges	2,973	10,010	7,037	✓	6	10,916
711,759	**Total Expenses**	**731,465**	**741,181**	**9,716**			**807,654**
(17,152)	**Operating Surplus/(Deficit)**	**(11,537)**	**(30,999)**	**19,462**			**(32,872)**

Variance Analysis:

1. Other Income - higher than forecast levels of income received from Resource Recovery Park gate sales.
2. Employment Expenses are higher than forecast due to increased hours.
3. Consultancy Expenses - variance to budget is a result of timing issues - legal fees and hazardous waste contribution costs not yet incurred.
4. Operational and Maintenance - higher volumes has resulted in waste cartage costs ahead of budget year to date.
5. Internal Interest expense is below budget due to capital expenditure spent at the beginning of the year which has resulted in capital reserve balances being charged lower interest expense.
6. Internal Charges - motor vehicle charges less than forecast.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	SOLID WASTE	YTD Actual May 2015	YTD Budget May 2015	Variance	Full year Budget June 2015
	Operating and Capital Reserves				
(17,152)	Operating Surplus/(Deficit)	(11,537)	(30,999)		(32,872)
(17,152)	**Total Operating Reserves**	**(11,537)**	**(30,999)**		**(32,872)**
	Equity				
(464,156)	Opening Balance	(448,033)	(444,000)		(444,000)
18,416	Transfer Funded Depreciation from Operating Reserves	14,553	14,564		15,890
(445,740)	**Total Capital Reserves**	**(433,480)**	**(429,436)**		**(428,110)**

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	COMMUNITY FACILITIES	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Income						
258,078	General Rates	300,850	300,850	-	✔		328,208
435	Subsidies and Grants	757	693	64	✔		757
108,192	Other Income	112,552	108,075	4,477	✔	1	117,893
2,349	Internal Interest Income	2,592	3,496	(904)	✘		3,833
369,054	**Total Income**	**416,750**	**413,114**	**3,636**			**450,691**

LYTD Actual May 2014	COMMUNITY FACILITIES	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Expenses						
5,079	Consultancy Expenses	-	-	-	✔		-
25,808	Administration Expenses	26,735	20,702	(6,033)	✘	2	21,741
322,374	Operational and Maintenance	328,595	337,062	8,467	✔		367,751
998	Internal interest Expense	13,213	25,416	12,203	✔	3	28,366
45,998	Depreciation	45,122	45,122	-	✔		49,236
400,256	**Total Expenses**	**413,665**	**428,302**	**14,637**			**467,094**
(31,202)	**Operating Surplus/(Deficit)**	**3,086**	**(15,188)**	**18,274**			**(16,403)**

Variance Analysis:

1. Other Income - Plot fees and Pensioner rental income ahead of budget ($8,755) but this favourable variance is offset by Twizel Medical Centre rental income and public toilet donations less than forecast ($4,279).
2. Administration Expenses - Repairs and maintenance is under spent by $10,000 however this favourable variance is offset by contractor costs and township projects being over budget by $7,500 and $1,354 respectively. The over expenditure is due to cleaning costs of public toilets higher than planned and Twizel Medical Centre upgrade lot survey was unbudgeted expenditure.
3. Internal Interest Expense is under budget due to no interest charged on capital reserve.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	COMMUNITY FACILITIES	YTD Actual May 2015	YTD Budget May 2015	Variance	Full year Budget June 2015
	Operating and Capital Reserves				
(31,202)	Operating Surplus/(Deficit)	3,086	(15,188)		(16,403)
(31,202)	**Total Operating Reserves**	**3,086**	**(15,188)**		**(16,403)**
	Equity				
102,491	Opening Balance	8,745	(187,000)		(187,000)
15,319	Transfer Funded Depreciation from Operating Reserves	45,122	29,447		32,122
(30,613)	Transfer Capital Expenditure from Operating Reserve	(303,006)	-		(317,652)
87,196	**Total Capital Reserves**	**(249,139)**	**(157,553)**		**(472,530)**
	Capital Expenditure				
	Public Toilets				
57,524	1518916. Buildings	349,021	-	(349,021)	317,652
57,524	**Total Public Toilets**	**349,021**	-	**(349,021)**	**317,652**
57,524	**Total Capital Expenditure**	**349,021**	-	**(349,021)**	**317,652**

Variance Analysis:

1. Public Toilets - Buildings - variance to budget due to timing. Full year budget sitting in June 2015.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	RECREATIONAL FACILITIES	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Income						
108,474	General Rates	105,600	105,600	-	✓		115,199
1,005,250	Targeted Rates	1,258,387	1,258,433	(46)	✗		1,372,893
17,048	Subsidies and Grants	18,411	19,624	(1,213)	✗		21,407
178,340	Other Income	189,431	191,481	(2,050)	✗		197,813
2,344	Internal Interest Income	4,217	5,543	(1,326)	✗		6,082
1,311,456	**Total Income**	**1,576,046**	**1,580,681**	**(4,635)**			**1,713,394**
	Expenses						
81,535	Employment Expenses	87,885	90,443	2,558	✓		91,322
239,041	Administration Expenses	184,498	245,200	60,702	✓	1	258,364
749,859	Operational and Maintenance	896,548	1,018,809	122,261	✓	2	1,111,513
30,556	Internal interest Expense	23,520	32,514	8,994	✓		35,299
206,783	Depreciation	214,247	214,247	-	✓		233,769
1,463	Internal Charges	-	-	-	✓		-
1,309,237	**Total Expenses**	**1,406,698**	**1,601,213**	**194,515**			**1,730,267**
2,219	**Operating Surplus/(Deficit)**	**169,347**	**(20,532)**	**189,879**			**(16,873)**

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	RECREATIONAL FACILITIES	YTD Actual May 2015	YTD Budget May 2015	Variance	Full year Budget June 2015

Variance Analysis:

1. Administration Expenses are less than forecast due to budgeted donations and grants not yet paid out.

2. Operational and Maintenance - Fairlie, Tekapo & Twizel township projects are under budget by $144,024 year to date. Expecting to be on budget for the full year.
Contractor costs are over budget by $20,000 due to:
- unbudgeted works being carried out on the Alps 2 Ocean and Tasman Valley track, and
- costs for cleaning the Twizel Community Centre are higher than budget however to date this unfavourable variance has been offset by the management contract being unused.

Lawn mowing costs are over budget by $24,000 largely due to Twizel mowing costs being higher than planned.
Litter bin collection over budget by $12,000, mainly as a result of costs to empty the recycling station being more than forecast.
Repairs and maintenance over budget by $18,000 largely due to:
- Lake Alexandrina grant for Scotts Creek enhancement of $16,400 being miscoded/unbudgeted
- Mackenzie District Council courtyard upgrade being $17,000 over budget

These overruns have been partially offset by planned repairs and maintenance on the Twizel swimming pool for $6,250 and reserves for $5,000 being deferred.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	RECREATIONAL FACILITIES	YTD Actual May 2015	YTD Budget May 2015	Variance	Full year Budget June 2015
	Operating and Capital Reserves				
2,219	Operating Surplus/(Deficit)	169,347	(20,532)		(16,873)
2,219	**Total Operating Reserves**	**169,347**	**(20,532)**		**(16,873)**
	Equity				
(690,943)	Opening Balance	(589,269)	(763,000)		(763,000)
64,243	Transfer Funded Depreciation from Operating Reserves	116,347	58,960		64,325
-	Transfer - to/from Op Rsve	-	81,290		88,689
(38,566)	Transfer Capital Expenditure from Operating Reserve	(10,786)	(22,924)		(25,000)
(665,265)	**Total Capital Reserves**	**(483,708)**	**(645,674)**		**(634,986)**

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	RECREATIONAL FACILITIES	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Capital Expenditure						
	Fairlie Township						
-	0528965. Comm Asset - Public Amenities	80	-	(80)	✘		-
-	**Total Fairlie Township**	**80**	-	**(80)**			-
	Mackenzie Community Hall						
-	1228925. Plant and Equipment	499	18,337	17,838	✔	1	20,000
-	1228940. Furniture & Fittings - Other	-	4,587	4,587	✔	2	5,000
-	**Total Mackenzie Community Hall**	**499**	**22,924**	**22,425**			**25,000**
	Strathconan Swimming Pool						
4,753	1408215. Plant	-	-	-	✔		-
(4,753)	1408999. Transfer to Assets	-	-	-	✔		-
-	**Total Strathconan Swimming Pool**	-	-	-			-
	Tekapo Community Hall						
5,066	1248917. Aorangi Cres Upgrade	-	-	-	✔		-
20,444	1248940. Furniture & Fittings - Other	10,207	-	(10,207)	✘	3	-
4,587	1248950. Community Assets - Buildings	-	-	-	✔		-
15,076	1248978. Resurfacing Tennis Court	-	-	-	✔		-
(45,173)	1248999. Transfer to Assets	-	-	-	✔		-
-	**Total Tekapo Community Hall**	**10,207**	-	**(10,207)**			-
	Tekapo Township						
87,807	0548961. Development Plan Projects	-	-	-	✔		-
87,807	**Total Tekapo Township**	-	-	-			-
	Twizel Reserves						
6,271	1068192. Other Projects	18,418	-	(18,418)	✘	4	-
-	1068925. Plant and Equipment	22,462	-	(22,462)	✘	5	-
6,271	**Total Twizel Reserves**	**40,880**	-	**(40,880)**			-

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	RECREATIONAL FACILITIES	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Twizel Swimming Pool						
4,753	1428215. Plant	-	-	-	✓		-
(4,753)	1428999. Transfer to Assets	-	-	-	✓		-
-	**Total Twizel Swimming Pool**	-	-	-			-
94,078	**Total Capital Expenditure**	51,666	22,924	(28,742)			25,000

Variance Analysis:

1. Budgeted spend not yet occurred.
2. Budgeted spend not yet occurred.
3. Carry over from completion of Capex from 2014 year. Budgeted last year.
4. Work budgeted in the 2014 year. Completed in this financial year.
5. Work budgeted in the 2014 year. Completed in this financial year.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	COMMERCIAL ACTIVITIES	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Income						
153,905	General Rates	(981,508)	(981,508)	-	✓		(1,070,778)
80,345	Targeted Rates	204,814	204,996	(182)	✗		223,630
740,642	Investment Income	630,257	806,789	(176,532)	✗	1	1,016,620
561,833	Other Income	128,927	176,758	(47,831)	✗	2	194,616
(29,885)	Other Gains and Losses	(41,386)	1,820,340	(1,861,726)	✗	3	1,897,666
154,812	Internal Interest Income	134,405	235,277	(100,872)	✗	4	266,828
1,661,651	**Total Income**	**75,509**	**2,262,652**	**(2,187,143)**			**2,528,582**
	Expenses						
64,128	Employment Expenses	78,858	-	(78,858)	✗	5	-
18,077	Members Expenses	18,769	18,337	(432)	✗		20,000
84,952	Consultancy Expenses	148,529	80,201	(68,328)	✗	6	87,491
67,199	Administration Expenses	81,510	74,734	(6,776)	✗		78,140
294,292	Operational and Maintenance	281,857	428,321	146,464	✓	7	463,481
117,073	Internal interest Expense	114,678	74,633	(40,045)	✗	8	81,207
-	Asset Impairment	-	-	-	✓		30,000
46,139	Depreciation	72,168	72,105	(63)	✗		78,669
691,860	**Total Expenses**	**796,368**	**748,331**	**(48,037)**			**838,988**
969,791	**Operating Surplus/(Deficit)**	**(720,859)**	**1,514,321**	**(2,235,180)**			**1,689,594**

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	COMMERCIAL ACTIVITIES	YTD Actual May 2015	YTD Budget May 2015	Variance	Full year Budget June 2015

Variance Analysis:

1. Investment Income is below budgeted due to interest income less than forecast.
2. Other Income is below budget due to forestry rentals and Pukaki Airport Board rental income phased evenly through the year but not due to be received until year end.
3. Other Gains and Losses ($41,386) are costs relating to Market Place subdivision and the sale to Meridian. Revenue was forecast to be received in February. The forecast income relates to anticipated sales in the Tekapo land development which will not finalise until after titles are issued. This is now likely to be next year.
4. Internal Interest Income is below budget due to capital expenditure spent at the beginning of the year which has resulted in capital reserve balances earning the commercial activity lower interest income and increased interest expense.
5. Employment Expenses - costs associated with the Information Centre. Budget is held in Administration activity.
6. Consultancy Expenses - ahead of budget due to legal fees associated with Tekapo land sales over budget to date and development fees associated with the Tekapo development.
7. Operational and Maintenance - Forestry costs are lower than budget due to budget timing. Costs for A20 are lower than budget due to timing. Tourism service contributions are lower than budget as CCT have not billed us as per budget.
8. Internal Interest Expense is over budget due to higher capital expenditure spent at the beginning of the year which has resulted in capital reserve balances costing the commercial activity higher interest expense.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended May 2015

LYTD Actual May 2014	COMMERCIAL ACTIVITIES	YTD Actual May 2015	YTD Budget May 2015	Variance			Full year Budget June 2015
	Operating and Capital Reserves						
969,791	Operating Surplus/(Deficit)	(720,859)	1,514,321				1,689,594
969,791	**Total Operating Reserves**	**(720,859)**	**1,514,321**				**1,689,594**
	Equity						
52,557	Opening Balance	(431,554)	716,000				716,000
(22,921)	Transfer from Operating reserves	-	-				80,000
29,636	**Total Capital Reserves**	**(431,554)**	**716,000**				**796,000**
	Capital Expenditure						
	Old Library Café						
-	0668920. Building - Renewal	670,599	-	(670,599)	✗	1	-
-	**Total Library Café**	**670,599**	-	**(670,599)**			-
	Real Estate						
226,543	0818906. Twizel Industrial Subdivision	1,212,028	3,700,000	2,487,972	✓	2	3,700,000
226,543	**Total Real Estate**	**1,212,028**	**3,700,000**	**2,487,972**			**3,700,000**
226,543	**Total Capital Expenditure**	**1,882,627**	**3,700,000**	**1,817,373**			**3,700,000**

Variance Analysis:

1. Old Library Café costs are unbudgeted as Council was unsure whether building was to be repaired or rebuilt. Costs are covered by insurance monies.

2. Tekapo lake front development expected to be further progressed at this time. Delayed due to resource consent issues around stormwater.

MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE

SUBJECT: ALPINE ENERGY LTD ANNUAL REPORT 31 MARCH 2015

MEETING DATE: 4 AUGUST 2015

REF: FIN 9/3/3

FROM: MANAGER FINANCE & ADMINISTRATION

PURPOSE OF REPORT:
To brief Council on the results for Alpine Energy Ltd full year to 31 March 2015.

STAFF RECOMMENDATIONS:

1. That the report be received and the contents noted.

PAUL MORRIS	**WAYNE BARNETT**
MANAGER FINANCE & ADMINISTRATION	**CHIEF EXECUTIVE OFFICER**

ATTACHMENTS:
Appendix 1 – Alpine Energy Ltd Annual report to 31 March 2015.

BACKGROUND:
Council is a shareholder in the Alpine Energy Ltd (AEL) Group with a shareholding of 4.96%.

RESULTS OVERVIEW:
The network delivered 806Gwh against 752Gwh for the same period last year.

Annual capex totalled $12.88million compared with budget of $14.07million.

Maintenance expenditure totalled $4.6million compared to a budget of $5.35million. The difference was mostly attributable to cost savings and a rebalancing of the resource mix between network capital expenditure, customer initiated work and maintenance.

AEL had nil serious harm incidents through the year.

Earnings from operation after tax were $16.69million which was 4.7% higher than the previous year of $11.32million.

Comprehensive income was $15.38million compared to $12.02million in 2014.

Group revenue was $63.75million, higher than the budgeted $58.83million.

Group expenses were $41.76million compared to a budget of $40.73million. This was higher than budget due to the additional depreciation expense associated with the write-off of legacy meters being replaced with smart metres, and also as a result of AEL subsidiary Netcon winning an international project that was not budgeted for. These additional expenses were offset by increased chargeable work associated with the project.

Network reliability remained within the regulatory framework.

The total SAIDI (System Average Interruption Duration Index) for the year was 140 minutes. By way of comparison SAIDI for 2014 was 275 minutes and 2013 was 148 minutes.

The total SAIFI (System Average Interruption Frequency Index) was 1.20 interruptions while AEL's allowable limit is 1.69.

Interim dividends of 3.86 cents per share were paid in September and December 2014 and March 2015. A final fully imputed dividend will be paid on 31 July 2015.

CONCLUSION:
AEL investment has performed to expectation during the year.

ALPINE ENERGY LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2015

ALPINE ENERGY LIMITED

MISSION

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

VISION

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

OUR VALUES

Our Values are:

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

CONTENTS

DIRECTORY

DIRECTORS:

Mr S.R. Thompson (Chairman)
Mr A.J. France
Mr W.A. Larsen
Mr R.D. Ramsay
Mr W.J. Bell

MANAGEMENT

Mr A.G. Tombs (Chief Executive)
Mr M.F. Boorer (Corporate Services Manager)
Mr W.T. Rawlins (Network Manager)
Mr S.M. Small (Compliance and Training Manager)
Mrs S.J. Carter (Regulatory & Pricing Manager)

REGISTERED OFFICE:

Meadows Road,
Washdyke, Timaru
Ph: (03) 687 4300
Fax:(03) 684 8261
Website: www.alpineenergy.co.nz

AUDITOR:

Mr M. Bramley, PricewaterhouseCoopers,
Dunedin
On behalf of the Controller and Auditor-General

SOLICITORS:

Quentin Hix, Timaru

LEGAL COUNSEL:

Quentin Hix, Timaru

BOARD OF DIRECTORS AND MANAGERS

Board of Directors
Seated: Steve Thompson (Chairman), Rick Ramsay
Standing from left to right: Alister France, Warren Larsen, Warren Bell

Executive Management Team
Front Row: Andrew Tombs (Chief Executive Officer), Michael Boorer (Corporate Services Manager)
Back Row: Sara Carter (Regulatory & Pricing Manager),Willem Rawlins (Network Manager),
Stephen Small (Compliance & Training Manager)

Repairing the network

OVERVIEW

Overall, Alpine Energy Limited (Alpine) had a better than expected year. In contrast to 2013/14, the volume of energy delivered over Alpine's distribution network was 806GWh, which against the 2013/14 volume of 752GWh was 7.1% higher.

Network capital expenditure (capex) projects fared well throughout the year with all of the highest priority projects completed. What wasn't complete was assessed for carry-over in FY16.

Strong demand in customer initiated work was evident again throughout the year. Demand was mostly experienced in the rural sector however uplift was also confirmed in residential development.

Including committed funds annual capex totalled $12.88million by 31 March 2015 against a planned budget of $14.07million.

Network Maintenance expenditure actual, ended the year at $4.6million against a budget of $5.35million. The difference was mostly attributable to cost savings and a rebalancing of the resource mix between network capital expenditure, customer initiated work, and maintenance expenditure.

Our pledge to a zero harm workplace and putting health and safety first continued. There were no serious harm incidents within Alpine throughout the year and staff met regularly to consider health and safety initiatives, actions, and how to prepare for the introduction of new legislation currently in front of Government.

Alpine's regulatory team were kept busy throughout the year responding to 69 consultations with industry regulators, submitting 12 individual responses, and contributing to a further 42 industry submissions. The calibre of our team and the throughput managed was exceptional. This has positioned Alpine as good as, if not better, than many of our peers.

Mobile Generator

Alpine's investment in modern fit-for-purpose business applications saw the implementation of SharePoint during the year along with the continued roll out of our new GIS and SCADA applications. Work is also underway to identify and evaluate a suitable new Billing system as well as a new Asset Management system.

HEALTH AND SAFETY

Board and management continued its support of the Government's continued push in health and safety. We continued to spend considerable time educating ourselves, our staff, and stakeholders on the new WorkSafe regime.

Health and Safety features as the first item discussed in monthly reporting and between these reports directors engage in differing aspects of the Company's operations including attending parent and subsidiary health and safety meetings from time to time, field audits, as well as specific 'remedial actions' based forums.

SHAREHOLDER ENGAGEMENT

Alpine's growth and operational aspirations wouldn't be possible without shareholder support. The Board have invested considerable time in communicating with its shareholders the strategic journey for Alpine. There has been considerable effort afforded to informing shareholders of the regulatory regime and oversight by both the Commerce Commission and Electricity Authority.

The Board remain committed to ensuring shareholders are kept well informed as to the performance of the Company.

FINANCIAL PERFORMANCE

The financial performance for the Group as a measure against financial targets set in the Company's Statement of Corporate Intent saw the majority of targets attained or bettered.

Opuha Dam

Earnings from operations after tax at $16.69million was 47% higher than the level achieved in the previous year ($11.33million).

Comprehensive income was favourable at $15.38 million against last year's result of $12.02 million. Movement in retained earnings and Company valuation continue to accrue satisfactorily.

Group revenues of $63.75 million were higher against a budget of $58.83 million due in the main to increased energy volumes delivered over the network, increased capital contributions and additional NETcon third party revenue.

Group expenses at $41.76 million exceeded the budget of $40.73million mostly as a result of an additional depreciation charge associated with the write off of legacy meters being replaced with Smart Meters and expenses associated with Alpine subsidiary NETcon winning an international project that was not budgeted for at the beginning of the year. This expense also attracted additional revenue through chargeable work.

NETWORK OPERATIONS

Major capital works on network infrastructure accounted for expenditure of $12.88million during the year and included:

- $3.4million in new subdivisions and extensions, and transformers
- $2.9million in new overhead line builds and upgrade
- $0.8million upgrading Fairlie substation
- $0.4million on mobile substation site preparation
- $0.4million on replacing old Ring Main Units
- $4.98million in numerous smaller projects and 2014/15 carryover capex

Of particular mention was the strong demand for infrastructure associated with strengthening Alpine's electricity network. This included the commissioning of Alpine's $1.4million mobile substation and backup diesel generators.

Major network capital for 2015/16 is budgeted at $13.72million and maintenance is budgeted at $5.35million.

RELIABILITY AND PERFORMANCE

It is pleasing to report that we managed to remain within the regulatory SAIDI and SAIFI targets set by the Commerce Commission.

140 SAIDI minutes were incurred during 2014/15. This was considerably less than the 865 SAIDI minutes recorded during 2013/14 (mostly attributable to severe storms), the 148 SAIDI minutes in 2012/13, and the 162 SAIDI minutes in 2011/12. This means we have not breached the quality standard under the default price-quality path. The quality standard applies a 'two-out-of-three rule' that recognises the impact of events beyond our control, such as severe weather events, on overall performance.

Over the last three years the largest contributor to unplanned outages came from car vs pole. The second largest contributor was from third parties making contact with our overhead lines.

NETCON LIMITED

NETcon, a 100% wholly owned subsidiary of Alpine, provides the backbone of contracted field services for Alpine.

NETcon continued to grow its revenue by leveraging off the expertise, knowledge, and capabilities it has amassed as a successful contracting company.

Mount Cook Airport

NETcon's subsidiary company Infratec Renewables Ltd (IRL) successfully completed an Off-Grid solar array generation scheme in Rarotonga for the Ministry of Foreign Affairs and Trade (MFAT).

IRL also successfully completed to takeover an Off-Grid solar array generation scheme for the Afghanistan township of Bamyan. Following takeover IRL were awarded a service period contract for the scheme.

The results of NETcon are consolidated into the Group for the twelve month period ending 31 March 2015.

ROCKGAS TIMARU LIMITED

Alpine has a 50% interest in Rockgas Timaru Limited.

Rockgas Timaru continues to be a successful provider of LPG to South Canterbury. This creates the opportunity for energy users to consider alternative energy options, and to diversify their energy requirements with a viable alternative, particularly for space and water heating.

FACILITIES AND THE COMMUNITY

As with previous years Alpine continued its active community involvement by sponsoring various facilities and events, which enhance the sporting and recreational life of the region, as well as providing personal development scholarships.

Similar to last year, in excess of 100 people benefited from personal development scholarships during the year.

CORE INFRASTRUCTURE

In March 2015 the company re-released its Asset Management Plan (AMP) as a continuation of the AMPs released for 2010 through to 2014. This is a key document for Alpine and is arguably the most referred to source of information throughout the year. Not only is it used for regulatory purposes but it is also a cornerstone to the strategic and operational emphasis Alpine has identified looking forward.

Other infrastructure assets will be replaced that have served their useful life or have developed defects which will result in their early retirement and replaced with alternative products.

Supporting the Ice Bucket Appeal

OTHER BUSINESS

The Company continues to explore opportunities beyond delivering energy to our consumers.

Of interest is the continued development and reach of renewable energy generation. This incorporates solar, storage, wind, electric vehicle, and mini-hydro.

As with previous years we intend to remain abreast of developments in these areas as well as produce models to assess the impact on and off-grid.

STAFF AND BOARD

Alpine is fortunate to have a highly dedicated and competent team of people who plan, design, operate, control, and administer the Group activities.

Underpinning these activities are the Company's vision and strategic plan; and thanks is given to the Board and Management for their role in making implementation of these successful.

Directors are pleased to welcome back Rick Ramsey to the Board who was successfully re-appointed by Alpine shareholder, LineTrust South Canterbury and Warren Larsen who was reappointed by Timaru District Holdings Ltd.

IN CONCLUSION

The Company responded well to the challenges during 2014/15.

Growth throughout the regions of Waimate, Mackenzie, and Timaru is expected to remain strong over the coming years and Alpine is well prepared to respond to this economic uplift. Alpine will also respond to the need by further enhancing and reinforcing the existing infrastructure.

Alpine's balance sheet remains strong and shareholder value continues to accrue satisfactorily.

We thank you for your continued support and we look forward to completing another successful year.

S R Thompson
Chairman

A G Tombs
Chief Executive Officer

TREND STATEMENT FOR THE GROUP

	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
FINANCIAL PERFORMANCE					
Operating Revenue	63,749	53,590	46,035	39,555	38,521
Associate Entities' Earnings	159	(37)	124	138	128
Operating Surplus before Tax	22,153	15,396	15,424	12,847	13,119
Taxation	(5,461)	(4,071)	(4,518)	(3,496)	(4,118)
Net Surplus	16,692	11,325	10,906	9,351	9,001
Shareholder Distribution	7,976	7,563	7,563	7,563	7,815
FINANCIAL POSITION					
Current Assets	9,420	6,893	3,827	3,500	3,515
Non-Current Assets	192,642	183,092	161,272	152,480	134,037
Total Assets	202,062	189,985	165,099	155,980	137,552
Liabilities	78,566	73,894	53,466	47,543	31,058
Net Assets	123,496	116,092	111,633	108,437	106,494
Share Capital	41,328	41,328	41,328	41,328	41,328
Retained Earnings and Reserves	82,168	74,764	70,305	67,109	65,166
Equity	123,469	116,092	111,633	108,437	106,494
FINANCIAL RATIOS					
Net Surplus to Average Shareholders Equity	13.9%	9.9%	9.9%	8.7%	8.5%
Tangible Assets per Share	$4.89	$4.58	$3.99	$3.79	$3.33
Earnings per Share (cents)	40.4	27.4	26.4	22.6	21.8
Dividend per Share (cents)	19.3	18.3	18.3	18.3	18.9
STATISTICS					
SAIDI (System Average Interruption Duration Index)	140	275	148	162	226
SAIFI (System Average Interruption Frequency Index)	1.20	2.00	1.30	1.26	1.71

Note: All financial figures have been prepared in accordance with NZ IFRS.

GENERAL DISCLOSURES

Principal Activities

The principal activity of Alpine Energy Limited (the Company) is ownership of its electricity distribution network. The Group, comprising Alpine Energy Limited and its subsidiaries (NetCon Limited Group and Timaru Electricity Limited) and associated entities (Rockgas Timaru Limited and On Metering Limited) also undertakes asset management and contract services.

Review of Operations

Group Operating Revenue of $63.75 million was achieved for the year, 18.96% greater than the previous year.

The Group Operating Surplus before tax for the year is $22.153 million, 43.89 % more than the previous year.

Review of Financial Performance

The financial statements presented have been prepared in accordance with the Accounting Policies forming part of these Financial Statements.

RESULTS FOR THE YEAR ENDED 31 MARCH 2015

	GROUP	
	2015	**2014**
	$'000	**$'000**
Profit Before Income Tax	22,153	15,396
Income Tax	(5,461)	(4,071)
Net Surplus after Income Tax attributable to the Shareholders	**16,692**	**11,325**

SHARE CAPITAL

Total issued and paid up capital as at the 31st March 2015 was 41,328,017 Ordinary Fully Paid Shares. There have been no movements in share capital during the year.

DIVIDENDS

Interim dividends, each of 3.86 cents per share, were paid in September and December 2014 and March 2015.

A fully imputed final dividend of $3.191million will be paid on 31st July 2015 to all shareholders on the company's register at the close of business on the 20th July 2015. This dividend is included in the dividends for the year of $7.976 million, and has been provided for.

Solvency certificates were completed in support of the interim dividend declarations on 25th September and 27th November 2014 and 26th February 2015, and the final dividend solvency certificate will be submitted to Directors for approval on the 27th July 2015.

The interim and final dividends relating to 2014/15 represent 68.0% of the Total Comprehensive Income for the Group, excluding customer contributions.

RETURN ON SHAREHOLDERS' EQUITY AND STATE OF AFFAIRS

The Group net surplus after income tax attributable to the shareholders for the year ended 31st March 2015 represents 13.90% return on average total shareholders equity.

The Directors are of the opinion that the state of affairs of the company is satisfactory.

DIRECTORS' REPORT CONTINUED

CORPORATE GOVERNANCE

The Group operates under a set of corporate governance principles designed to ensure the Group is effectively managed.

Board of Directors
The Board is the governing body of Alpine Energy Limited and currently has five members. The Board is appointed by shareholders to oversee the management of the Company and is responsible for all corporate governance matters. The Board endeavours to ensure that the activities undertaken are carried out in the best interests of all shareholders, while respecting the rights of other stakeholders. The Board met ten times during the financial year.

Operation of the Board

Responsibilities
The Board is responsible for the management, supervision and direction of the company. This incorporates the long-term strategic financial plan, strategic initiatives, budgets and policy framework. The Board has developed and maintains clear policies which define the individual and collective responsibilities of the Board and management.

Audit and Risk Committee
The Audit and Risk Committee, comprising the full Board, reviews the Company's financial statements and announcements. It also liaises with the external auditors and reviews internal controls which are relevant to financial reporting and related matters. This Committee is chaired by Mr Larsen.

DIRECTORS

Parent
Mr S. R. Thompson (Chairman)
Mr R. D. Ramsay
Mr W.A. Larsen
Mr A. J. France
Mr W. J. Bell

Subsidiaries
Mr S. R. Thompson (Chairman)
Mr R. D. Ramsay
Mr W. A. Larsen
Mr A. J. France
Mr W. J. Bell
Mr M. F. Boorer

Associates
Mr R. D. Ramsay
Mr A. J. France
Mr A.G. Tombs
Mr M.F. Boorer

DIRECTORS' INTERESTS IN CONTRACTS

The following directors of companies within the Group have declared interests in identified entities as shareholder and/or director. The declaration serves as notice that the Director may benefit from any transactions between the Company or Group and the identified entities.

Name	Name of Company/Entity	Interest
Mr S. R. Thompson	Airtime New Zealand Limited	Shareholder
	Andgra Limited	Shareholder
	Aspiring Guides Ltd	Shareholder
	Best View Limited	Director
	Best View Limited	Shareholder
	Cairnmuir Road Winery Ltd	Director
	Cairnmuir Road Winery Ltd	Shareholder
	Canterbury Aluminium Ltd	Director
	Deloitte	Partner
	Deloitte Ltd	Director
	EAL Investments Ltd	Shareholder
	Ellisons Aluminium Ltd	Director
	Ellisons Aluminium Central Ltd	Director
	F.S. Investments Ltd	Director
	Infratec Renewables Ltd	Director
	Infratec Renewables (Rarotonga)Ltd	Director
	Integrated Contract Solutions Ltd	Director
	Kingsgate Properties Limited	Shareholder
	McKenzie Architects Limited	Shareholder
	Millenium Solutions Ltd	Director
	Minaret Resources Ltd	Director
	NetCon Limited	Chairman
	OB Horn Company Ltd	Shareholder
	Owhiro River Limited	Shareholder
	Owhiro River Limited	Director
	Prospectus Nominees	Director
	Prospectus Nominees	Shareholder
	Prospectus Nominees Services Ltd	Director
	Prospectus Nominees Services Ltd	Shareholder
	Richard E Shackleton Architects Ltd	Shareholder
	Ripponvale Irrigation Company Limited	Shareholder

DIRECTORS' INTERESTS IN CONTRACTS (CONTINUED)

Name	Name of Company/Entity	Interest
Mr S.R. Thompson (continued)		
	Southern Aluminium Joinery Ltd	Director
	Timaru Electricity Ltd	Chairman
	Thompson Bloodstock Ltd	Chairman
	Thompson Bloodstock Ltd	Shareholder
	Wanaka Bay Ltd	Director
	Westminster Resources Ltd	Director
	Whitestone Contracting Limited	Director
Mr R. D. Ramsay	Energy Mad Ltd	Chairman
	Infratect Renewables Ltd	Director
	Infratect Renewables (Rarotonga) Ltd	Director
	NetCon Limited	Director
	Pukaki Airport Board	Member
	Rockgas Timaru Ltd	Director
	Salmon Smolt New Zealand Ltd	Director
Mr A. J. France	Geraldine Licensing Trust	Trustee
	Holbrook Trust	Trustee
	Infratect Renewables Ltd	Director
	Infratect Renewables (Rarotonga) Ltd	Director
	NetCon Limited	Director
	Rockgas Timaru Ltd	Director
Mr W. A. Larsen	Centre Port Group Ltd	Chairman
	J.M. Bostok Ltd	Director
	Larsen Consultancy Services Ltd	Principal
	NetCon Limited	Director
	NZAEL Limited	Chairman
Mr W. J. Bell	C.H.C. Properties Ltd	Director
	Cyprus Enterprises Limited	Director
	Hallenstein Glasson Group of Companies	Chairman
	Meadow Mushrooms Group of Companies	Director
	NetCon Limited	Director
	Poraka Limited	Director
	Poraka Limited	Shareholder
	Ryman Healthcare	Director
	Sabina Ltd	Director
	Selwyn District – Rolleston Industrial Park Committee	Member
	Warren Bell Ltd	Director
Mr A. G. Tombs	Smart Co Ltd	Director
Mr M. F. Boorer	Rockgas Timaru Ltd	Alternative Director
	Timaru Electricity Ltd	Director
	On Metering Ltd	Director
	Smart Co Ltd	Director
	South Canterbury District Health Board	Member

No material contracts involving Directors' interests were entered into after the end of the previous financial year or existed at the end of the financial year other than the transactions detailed in note 26 to the financial statements.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

The Company continues to indemnify all directors named in this report against any liability to any person other than the Company or a related company for any act done or omission made in a Director's capacity as a Director of the Company, and all costs incurred in defending or settling any claim or proceedings related to such liability, unless the liability is criminal liability or liability for breach of Section 131 of the Companies Act 1993.

During the financial year the Company paid insurance premiums in respect of directors, and officers' liability insurance. The policies do not specify the premium for individual directors and executive officers.

The directors' and officers' liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company or a related body corporate) incurred in their position as director or executive officer unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

DIRECTORS' REPORT CONTINUED

DONATIONS

Donations paid during the year totalled $17,630 (2013/2014 $13,680).

USE OF COMPANY INFORMATION

There were no notices from Directors of the Company requesting to use Company information received in their capacity as Directors which would not otherwise have been available to them.

DIRECTORS' REMUNERATION AND BENEFITS FROM THE COMPANY

	Parent	Subsidiaries	Joint Venture	Total
S.R. Thompson	81,500	-	-	81,500
R.D. Ramsay	42,788	-	1,125	43,913
W.A. Larsen	47,066	-		47,066
A.J. France	42,788	-	1,875	44,663
W.J. Bell	42,788	-	-	42,788
	256,930	**-**	**3,000**	**259,930**

Mr Boorer did not receive any remuneration directly related to the position of Director of a Subsidiary Company that he held for a period during the year.

No Director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit, (other than a benefit included in the total emoluments received or due and receivable by Directors shown in the financial statements) other than those due in the ordinary course of business.

EMPLOYEE REMUNERATION

Details of remuneration ranges for employees of the Group are:-

Remuneration Range	Number of Employees
$100,000-$109,999	8
$110,000-$119,999	5
$120,000-$129,999	8
$130,000-$139,999	7
$140,000-$149,999	2
$150,000-$159,999	1
$160,000-$169,999	2
$170,000-$179,999	2
$190,000-$199.999	1
$240,000-$249,999	2
$320,000-$329,999	1

AUDITORS

In accordance with Section 45 of the Energy Companies Act 1992, the Auditor-General is responsible for the audit of Alpine Energy Limited. In accordance with Section 29 of the Public Finance Act 1977, the Auditor-General has contracted the audit of Alpine Energy Limited to Mark Bramley, using the staff and resources of PricewaterhouseCoopers. The audit fee for the Group for 2014/15 is $88,648 (2013/14 $97,877).

Mr S. R. Thompson
Chairman
27 May 2015

Mr A. J. France
Director

DIRECTORS' RESPONSIBILTY STATEMENT

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and the Group at 31 March 2015 and their financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Company and Group have been prepared using appropriate accounting policies consistently applied and supported by reasonable judgements and estimates, and that all relevant reporting and accounting standards have been met.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and Group and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider they have taken adequate steps to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities.

The Directors have pleasure in presenting the financial statements of Alpine Energy Limited and Group for the year ended 31 March 2015.

For and on behalf of the Directors,

Mr S.R. Thompson
Chairman

Mr A.J. France
Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015

	NOTE	GROUP 2015 $'000	GROUP 2014 $'000
Revenue	5	63,749	53,590
Expenses	6		
Transmission		13,733	11,871
Depreciation Amoritisation and Loss on Disposal		6,624	6,041
Contract Services		7,741	6,853
Employee Benefits		9,756	9,648
Interest		2,300	1,403
Other		1,601	2,341
		41,755	38,157
Operating Surplus		21,994	15,433
Share of Profit/(Loss) from Joint Ventures		159	(37)
PROFIT BEFORE INCOME TAX		22,153	15,396
Taxation	11	5,461	4,071
PROFIT FROM OPERATIONS		16,692	11,325
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Items that will not be reclassified to profit or loss			
(Loss) /Gain on Revaluation of Land And Buildings	12	(89)	437
		(89)	437
Items that may be subsequently reclassified to profit or loss			
(Loss) /Gain on Interest Rate Swap		(1,223)	259
		(1,223)	259
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		15,380	12,021

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2015

	CONTRIBUTED EQUITY $'000	REVALUATION RESERVE $'000	HEDGE RESERVE $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
GROUP					
Balance as at 1 April 2013	41,328	1,858	(197)	68,644	111,633
Comprehensive Income					
Profit from Operations	-	-	-	11,325	11,325
Other Comprehensive Income	-	437	259	-	696
	-	437	259	11,325	12,021
Transactions with Owners					
Dividends	-	-	-	(7,563)	(7,563)
BALANCE AS AT 31 MARCH 2014	**41,328**	**2,295**	**62**	**72,408**	**116,092**
GROUP					
Balance as at 1 April 2014	41,328	2,295	62	72,408	116,092
Comprehensive Income					
Profit from Operations	-	-	-	16,692	16,692
Other Comprehensive Income	-	(89)	(1,223)	-	(1,312)
	-	(89)	(1,223)	16,692	15,380
Transactions with Owners					
Dividends	-	-	-	(7,976)	(7,976)
BALANCE AS AT 31 MARCH 2015	**41,328**	**2,206**	**(1,161)**	**81,124**	**123,496**

BALANCE SHEETS AS AT 31 MARCH 2015

	NOTE	GROUP 2015 $'000	GROUP 2014 $'000
EQUITY			
Share Capital	17	41,328	41,328
Reserves		1,044	2,356
Retained Earnings	18	81,124	72,408
TOTAL SHAREHOLDERS EQUITY		**123,496**	**116,092**
CURRENT ASSETS			
Cash and Cash Equivalents	16	630	655
Trade and Other Receivables	15	3,463	4,598
Inventories	9	5,307	948
Work In Progress		47	105
Tax Prepaid		-	587
TOTAL CURRENT ASSETS		**9,420**	**6,893**
CURRENT LIABILITIES			
Trade and Other Payables	19	7,457	6,669
Employee Entitlements		1,419	1,338
Dividends Payable		3,191	3,025
Tax Payable		(33)	-
TOTAL CURRENT LIABILITIES		**12,034**	**11,032**
NET WORKING CAPITAL		**(2,614)**	**(4,139)**
NON CURRENT ASSETS			
Investments Accounted for Using the Equity Method	10	115	56
Property, Plant and Equipment	12	189,654	180,337
Intangible Assets	13	366	192
Related Party Loan	26	2,507	2,507
TOTAL NON-CURRENT ASSETS		**192,642**	**183,092**
NON CURRENT LIABILITIES			
Net Deferred Tax	21	19,589	18,595
Financial Instruments	14	1,613	(62)
Loans	20	45,330	44,329
TOTAL NON-CURRENT LIABILITIES		**66,532**	**62,862**
NET ASSETS		123,496	**116,092**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015

	NOTES	GROUP 2015 $'000	GROUP 2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		60,559	52,030
Interest Received		-	4
		60,559	**52,034**
Cash was applied to:			
Payments to suppliers		(32,524)	(30,816)
Income Tax Paid		(3,453)	(3,289)
Net GST Paid		254	(226)
Interest Paid		(2,300)	(1,403)
		(38,023)	(35,734)
NET CASH FLOWS FROM OPERATING ACTIVITIES	22	**22,536**	**16,300**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of fixed assets		96	387
Dividends Received		100	200
Cash was applied to:			
Purchase of Property, Plant and Equipment		(15,934)	(25,538)
Investment in Associated Entities		(14)	(2,507)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(15,752)**	**(27,458)**
CASH FROM FINANCING ACTIVITIES			
Cash was provided from:			
Loan from Bank		1,001	19,265
Repayment of Loan to Subsidiary		-	-
Cash was applied to:			
Dividend Paid		(7,810)	(7,563)
CASH FROM FINANCING ACTIVITIES		**(6,809)**	**11,702**
NET INCREASE (DECREASE) IN CASH HELD		(25)	544
Add opening cash brought forward		655	111
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**630**	**655**

1 GENERAL INFORMATION

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 27 May 2015.

2 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

Entities reporting
The consolidated financial statements for the 'Group' are for the economic entity comprising Alpine Energy Limited, its subsidiaries and joint arrangements. The Company and Group are designated as profit oriented entities for financial reporting purposes.

Statutory base
Alpine Energy Limited is a company registered under the Companies Act 1993 and an Energy Company under the Energy Companies Act 1992. The financial statements of the Group have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Energy Companies Act 1992, and the Companies Act 1993. In accordance with the Energy Companies Act 1992 because group financial statements are prepared and presented for Alpine Energy Limited and its subsidiaries, separate financial statements for Alpine Energy Limited are no longer required to be prepared and presented.

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

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

(b) New standards not yet adopted by the Group

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

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

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

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

This standard may significantly impact the Group where long term or construction revenue contracts are entered into.
NZ IFRS 9: Financial Instruments (Effective date: periods beginning on or after 1 January 2018)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NZ IFRS 9 introduces a new expected credit loss model for calculating the impairment of financial assets. This standard is effective for reporting periods beginning on or after 1 January 2018. The Group is yet to assess NZ IFRS 9's full impact.

2.2 Consolidation

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

(b) Joint Arrangements
The Group has applied NZ IFRS 11 to all joint arrangements as of 1 April 2013. Under NZ IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Alpine Energy Limited has assessed the nature of its two joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

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

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

2.3 Foreign currency translation

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

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

2.4 Property, plant and equipment

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Capital work in progress is not depreciated until commissioned.

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

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

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

2.5 Intangible assets

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

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

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

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

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

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

2.6 Impairment of non-financial assets

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

2.7 Financial assets

2.7.1 Classification

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

2.7.2 Recognition and measurement

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

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

2.8 Offsetting financial instruments

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

2.9 Impairment of financial assets

(a) Assets carried at amortised cost
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

2.10 Inventories

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

2.11 Trade receivables

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

2.12 Share capital

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

2.13 Trade Payables

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

Trade payables are recognised at fair value.

2.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

2.15 Borrowing costs

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

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

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

2.16 Current and deferred income tax

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

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

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits

Liabilities for wages and salaries, including nonmonetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. The liability for employee entitlements is carried at the present value of the estimated future cash flows.

The group has no post-employment schemes.

2.18 Provisions

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

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

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

2.19 Revenue recognition

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

(a) Network Lines Charges
Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

(b) Sales of goods
Sales of goods are recognised when a Group entity has delivered a product to the customer. Retail sales are usually in cash or by bank transfer. The recorded revenue is the gross amount of sale.

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

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

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

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

2.20 Interest income

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

2.21 Dividend income

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

2.22 Leases

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Dividend distribution

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

2.24 Construction contracts

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

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

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

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

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

2.25 Goods and services tax (GST)

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk
The Group may from time to time purchase assets denominated in foreign currency. The policy is that Board approval is required for foreign currency denominated contracts valued above a specified threshold, together with a recommendation on the manner in which the foreign currency exposure is to be managed, which may include the use of foreign exchange contracts.

(ii) Cash flow and fair value interest rate risk
The Group operates under the following policy which prescribes the proportion of fixed interest rate cover that it must hold in relation to its future borrowings. This proportion is calculated based on the actual fixed rate cover held and the forecast debt levels. The Group will have various interest rate financial instruments to manage exposure to fluctuations in interest rates. Any resulting differential to be paid or received on the instruments is recognized as a component of interest paid.

The following framework is utilised by the group to determine the proportion of fixed rate interest rate cover it must hold.

Hedging profile		
Period	Minimum Cover	Maximum Cover
0 – 1 year	25%	75%
1 – 3 years	25%	75%
3 – 5 years	25%	75%

The Board will determine the maximum and minimum percentages for each time period. Board approval is required for borrowings, together with a recommendation on the manner in which the interest rate risk is to be managed. The Group has no cash on deposit.

Occasionally the Group also enters into fixed-floating interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at fixed rates in excess of the target.

(b) Credit risk
Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. General financial reserves of the Group may be invested with any bank registered under New Zealand law, or in government or local government stock, or with financial institutions holding a formal credit rating by Standard and Poors or Moody's of an "A" or better, or financial institutions that provide well supported first ranking security. Funds will be invested only for periods of time which reflect the projected cash flow requirements of the Group. The maximum investment in any one financial institution shall not exceed a sum equivalent to 5% of the Group's total assets, as disclosed in the statement of financial position published in the preceding annual report of the Group. Credit risk associated with trade receivables is limited through retailer invoicing for line and metering charges rather than individual consumer invoicing for line and metering charges. Credit is also limited with trade receivables by the requirement of a 50% up front payment of the customer contribution for new connections before work is started.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk
Liquidity risk management has the objective of maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities to meet the short and long term commitments of the Group as they arise in an orderly manner. Management monitors rolling forecasts of the Group's liquidity requirements on the basis of expected cash flow. The Board of Directors approves all new borrowing facilities.

Liquidity risk

	2015 $'000	2014 $'000
External funding arrangements		
Overdraft facility - BNZ	500	500
Long Term Funding		
Maturing greater than 12 months		
Flexible Credit Facility (ANZ)	30,000	30,000
Money Market Line (ANZ)	15,330	14,329

(d) Fair value estimation
The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The value of any financial instruments that are not traded in and active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Refer to note 14.

(e) Capital risk management
The Group's objective when managing capital (which comprises share capital plus retained earnings) is to safe guard the ability to continue as a going concern in order to provide returns to shareholders, consumers, and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders.

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain the Shareholders Equity to Total Asset ratio to be greater than 50%.

The Group is subject to the following externally imposed capital requirements, which are measured at balance date. They relate to bank covenants within the Company's external debt facility.

Capital risk management

	GROUP	
	2015 $'000	2014 $'000
Tangible Assets	202,062	189,459
Total Equity	123,496	116,09
Shareholders Equity to Total Assets	**61.1%**	**61.3%**
EBIT	24,454	16,799
Interest Cost	2,300	1,403
Interest Cover	**11:1**	**12:1**

The decrease in the ratio during 2015 resulted primarily from increased Capital expenditure financed from Loans.

Shareholders' Investment x 100 ≥ 50.00%
Total Tangible Assets

EBIT ≥ 3.0
Interest Costs

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with NZ IFRS requires management to make certain critical accounting estimates and judgements that affect the application of policies and reported amount of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Any changes to estimates are recognised in the period if the change affects that period, or in future periods if the change also affects future periods.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Meters
The useful life of the legacy meters has been shortened to allow for the change to new smart meters. The depreciation has been accelerated to reflect this change.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Property, plant and equipment
Network reticulation assets' depreciation rates are as stated in the ODV Handbook issued by the Commerce Commission in 2004. These rates are considered a reasonable estimate of useful lives.

4.2 Critical judgements in applying the entity's accounting policies

(a) Bamyan Renewable Energy Project Partnership
No profit share accrual was recognised in the current or prior year due to uncertainty over the remaining costs and final expected profits.

(b) Joint arrangements
Alpine Energy has two joint arrangements – Rockgas Timaru Limited and On Metering Limited. Alpine Energy holds 50% of the voting rights of each of its joint arrangements. The Group has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

The Group's joint arrangements are structured as limited companies and provide the Group and the parties to the agreements with rights to the net assets of the limited companies under the arrangements. Therefore, both arrangements are classified as joint ventures.

5 REVENUE

	GROUP	
	2015 $'000	**2014 $'000**
Network Lines Revenue	51,134	42,866
Meter Revenue	1,902	1,846
Contracting Revenue	6,225	3,498
Interest	2	4
Customer Contributions	3,470	5,055
Sundry	1,016	321
	63,749	**53,590**

6 EXPENSES

Audit Fee	89	98
Auditor's Other Services		
- Non-assurance services	40	7
- Information Disclosure Audit	29	46
- Threshold Compliance Audit	34	-
	192	**151**
Directors Fees	260	255
Bad Debts Written Off	87	20
Donations	17	14
Rent	56	23
Interest Expense	2,300	1,403
Depreciation of Property, Plant and Equipment		
Network Reticulation System	4,333	3,953
Meters and Relays	735	728
Land and Buildings	52	50
Fibre	147	147
Plant and Equipment	1,019	735
TOTAL DEPRECIATION	**6,286**	**5,613**
Amortisation	138	127
Loss on Disposal of PPE	200	302
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT	**6,624**	**6,042**

7 FINANCE INCOME AND COSTS

	GROUP 2015 $'000	GROUP 2014 $'000
Interest expense:		
- Bank borrowings	2,300	1,403
FINANCE COSTS	**2,300**	**1,403**
Finance Income:		
- Interest income on short-term bank deposits	2	4
Net Finance Income	**2**	**4**
NET FINANCE COSTS	**2,298**	**1,399**

8 INVESTMENT IN SUBSIDIARIES

Subsidiary	Interest Held	Balance Date	Principal Activity
Timaru Electricity Limited	100%	31 March	Non-trading
NetCon Limited	100%	31 March	Lines Construction & Maintenance

Infratec Renewables Ltd, a wholly-owned Subsidiary of NetCon Limited, has a 30% share of a partnership with SESI International (2011) Limited to construct a solar power project in Bamyan City in Afghanistan. The project is being funded by the New Zealand Government through the Ministry of Foreign Affairs and Trade. The Partnership is accounted for as an associate investment. Given the stage of completion of the project, and therefore the uncertainty as to the eventual profit or loss under the contract, no profit has been recognised within the partnership in the current year.

9 INVENTORY

In the current year the Group classified Smart Meters previously held in Work in Progress to Inventory on the basis that the meters are now ready for installation.

Inventory on hand	2015 $'000	2014 $'000
Smart Meters	4,127	0
Stock	1,180	948
CLOSING BALANCE	**5,307**	**948**

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Joint Ventures include:	Interest Held	Balance Date	Principal Activity
Rockgas Timaru Limited	50%	31 March	Sale of LPG Gas
On Metering Limited	50%	31 March	Electricity meter leasing Company

Rockgas Timaru Limited is a joint venture to sell LPG in Timaru area. Rockgas Timaru Limited is owned by Alpine Energy Limited (50%) and Contact Energy Limited (50%) and formed on 29 March 1994.

On Metering Limited is a joint venture to install advanced meters in the Mainpower network are in North Canterbury. On Metering Limited is owned by Alpine Energy Limited (50%) and Network Tasman Limited (50%) and formed on 6 June 2013.

RockgasTimaru Limited	2015 $'000	2014 $'000
Assets	660	653
Liabilities	226	252
Revenues	2,225	2,121
Profit	233	223
Opening Balance	204	292
Share of Profit/(Loss)	116	111
Prior Period Adjustment	-	1
Dividends Received	(100)	(200)
Closing Balance	**220**	**204**

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

	GROUP	
	2015 $'000	2014 $'000
Represented as:		
Shares	5	5
Retained Earnings	215	199
	220	**204**
On Metering Limited		
Assets	4,473	4,663
Liabilities	4,683	4,959
Profit	(211)	(296)
Opening Balance	(148)	-
Share of Profit/(Loss)	43	(148)
CLOSING BALANCE	**(105)**	**(148)**
Represented as:		
Retained Earnings	(105)	(148)
	(105)	**(148)**
TOTAL	**115**	**56**

11 INCOME TAX EXPENSE

	2015	2014
Operating Surplus Before Income Tax	22,153	15,396
Taxation @ 28 Cents	6,203	4,311
Movement in Income Tax Due to:		
Non Deferred Tax Differences		
Non Assessable Income	(54)	(386)
Non Deductible Expenses	37	285
Prior Period Adjustments	(725)	(139)
Tax Expenses for Period	**5,461**	**4,071**
Made up of:		
Income Tax Liability in Respect of Current Year	4,376	2,066
Prior Period Current Tax Adjustment	(398)	13
Prior Period Deferred Tax Adjustment	(327)	(152)
Deferred Taxation	1,810	2144
	5,461	**4,071**

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2015	2014
Gain/(Loss) on Revaluation of Land And Buildings Before Tax	(124)	329
The tax (charge)/credit on Revaluation of Land And Buildings	37	107
Gain/(Loss) on Revaluation of Land And Buildings After Tax	**(87)**	**436**
Gain/(Loss) on Interest ate Swap Before Tax	(1,675)	259
The tax (charge)/credit on Interest Rate Swap (including Prior Period Adjustment)	452	0
Gain/(Loss) on Interest Rate Swap After Tax	**(1,223)**	**259**
Imputation Credit Account Group and Parent		
Opening Balance	1,603	2,987
Prior Period Adjustment		
Income Tax Paid/Payable	4,137	3,368
Income Tax Refunded/Refundable	(154)	(682)
Imputation Credits Received	35	49
Imputation Credits Allocated and to be Allocated to Dividends	(3,102)	(4,119)
CLOSING BALANCE	**2,519**	**1,603**

12 PROPERTY, PLANT AND EQUIPMENT

	NETWORK RETICULATION SYSTEM $'000	METERS AND RELAYS $'000	LAND AND BUILDINGS $'000	FIBRE $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
GROUP						
Year Ended 31 March 2014						
Opening Net Book Amount	146,539	2,200	5,330	3,281	3,406	160,756
Revaluation	-	-	329	-	-	329
Additions	23,638	9	684	-	1,483	25,814
Disposals	(678)	-	-	-	(8)	(686)
Depreciation Charge	(3,953)	(728)	(81)	(147)	(735)	(5,644)
CLOSING NET BOOK AMOUNT	**165,546**	**1,481**	**6,262**	**3,134**	**4,146**	**180,569**
At 31 March 2014						
Cost	204,610	4,967	6,293	3,611	10,655	230,145
Accumulated Depreciation	(39,064)	(3,495)	(31)	(477)	(6,509)	(49,576)
NET BOOK AMOUNT	**165,546**	**1,481**	**6,262**	**3,134**	**4,146**	**180,569**
Year Ended 31 March 2015						
Opening Net Book Amount	165,546	1,481	6,262	3,134	4,146	180,569
Revaluation	-	-	(124)	-	-	(124)
Additions	12,115	3	329	-	3,339	15,786
Disposals	(232)	-	-	-	(64)	(296)
Depreciation Charge	(4,333)	(735)	(52)	(147)	(1,014)	(6,281)
CLOSING NET BOOK AMOUNT	**173,096**	**749**	**6,415**	**2,987**	**6,407**	**189,654**
At 31 March 2015						
Cost	216,493	4,976	6,448	3,611	13,930	245,460
Accumulated Depreciation	(43,397)	(4,230)	(33)	(624)	(7,523)	(55,806)
NET BOOK AMOUNT	**173,096**	**749**	**6,415**	**2,987**	**6,407**	**189,654**

	2015 $'000	2014 $'000
Included in the closing Net Book Value is Capital Work in Progress	7,411	15,544

Revaluation on Land and Buildings

An independent valuation of the group's land and buildings was performed by G.A. Morton, an independent registered, public valuer, to determine the fair value of the land and buildings as at 31 March 2015 and 2014. The revaluation surplus net of applicable deferred income taxes was debited to other comprehensive income and is included in "Reserves" in equity.

Level 2 fair values of land and buildings have been derived using the market approach. This takes sales prices of comparable land and buildings in close proximity and adjusts for differences in key attributes such as property size. The market approach also takes into account rental income from the current lease agreements for the property.

13 INTANGIBLE ASSETS

	EASEMENTS $'000	COMPUTER SOFTWARE $'000	TOTAL $'000
GROUP			
Year Ended 31 March 2014			
Opening Net Book Amount	20	204	224
Additions	42	53	95
Disposals	-	-	-
Amortisation	(2)	(125)	(127)
CLOSING NET BOOK AMOUNT	**60**	**132**	**192**

13 INTANGIBLE ASSETS (CONTINUED)

	EASEMENTS $'000	COMPUTER SOFTWARE $'000	TOTAL $'000
At 31 March 2014			
Cost	99	711	810
Accumulated Amortisation	(39)	(579)	(618)
NET BOOK AMOUNT	**60**	**132**	**192**
Year Ended 31 March 2015			
Opening Net Book Amount	60	132	192
Additions	-	312	312
Disposals	-	-	-
Amortisation	(1)	(137)	(138)
CLOSING NET BOOK AMOUNT	**59**	**307**	**366**
At 31 March 2015			
Cost	99	1,023	1,122
Accumulated Amortisation	(40)	(716)	(756)
NET BOOK AMOUNT	**59**	**307**	**366**

14 FINANCIAL INSTRUMENTS

The table below analyses financial instruments carried at fair value, by valuation method.
The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

FINANCIAL ASSETS/(LIABILITIES BY CATEGORY)

	DERIVATIVES - USED FOR HEDGING $'000	LOANS AND RECEIVABLES $'000	TOTAL $'000
GROUP			
Assets as per Balance Sheet			
As at 31 March 2014			
Related Party Loan	-	2,507	2,507
Receivables	-	4,520	4,502
Cash and Cash Equivalents	-	655	655
Interest Rate Swap	62	-	62
	62	**7,682**	**7,744**
As at 31 March 2015			
Related Party Loan	-	2,507	2,507
Receivables	-	3,436	3,436
Cash and Cash Equivalents	-	630	630
Interest Rate Swap	-	-	-
	-	**6,573**	**6,573**
Liabilities as per Balance Sheet			
At 31 March 2014			
Trade and Other Payables	-	(6,735)	(6,735)
Interest Rate Swap	-	-	-
Long Term Borrowings	-	(44,329)	(44,329)
	-	**(51,064)**	**(51,064)**
As at 31 March 2015			
Trade and Other Payables	-	(7,457)	(7,457)
Interest Rate Swap	(1,613)	-	(1,613)
Long Term Borrowings	-	(45,330)	(45,330)
	(1,613)	**(52,787)**	**(54,400)**

There were no transfers between levels 1 and 2 during the year.

14 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments in level 2

The fair value of financial instruments that are not traded in active market (for example, over -the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant input required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of forward foreign exchange contracts is determined using forward exchange rates at he balance sheet date. The effects of discounting are insignificant for these derivatives.

Trade receivables, trade payables, related party loans and advances and term loans are disclosed at their carrying value. The carrying value of these assets and liabilities are equivalent to, or approximate their fair value.

15 TRADE AND OTHER RECEIVABLES

	GROUP	
	2015	**2014**
The balance of Accounts Receivable comprises:	**$'000**	**$'000**
Trade Receivables	3,221	3,524
Provision for Doubtful Debts	(25)	(25)
Prepayments	7	78
Accruals	(205)	(32)
Due by Other Related Parties	366	285
Due by Joint Arrangements	8	41
Due by Shareholders District Councils	72	18
Derivative Financial Instruments	(8)	120
Loan Due by Other Related Parties	-	589
BALANCE AT END OF THE YEAR	**3,436**	**4,598**
Trade receivables less than 90 days old	2,795	3,288
Trade receivables greater than 90 days old	864	581
	3,659	**3,868**
Trade receivables which are neither past due nor impaired	2,525	2,514
Trade receivables which are past due and not impaired	1,134	1,355
	3,659	**3,868**

16 CASH AND CASH EQUIVALENTS

	2015	**2014**
	$'000	**$'000**
Cash at bank and in hand	630	655
Short-term bank deposits	-	-
Cash and cash equivalents (excluding bank overdrafts)	**630**	**655**

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

Cash and cash equivalents	630	655
Bank overdrafts	-	-
Cash and cash equivalents	**630**	**655**

17 SHARE CAPITAL

Paid Up Capital: 41,328,017 Ordinary Shares. The shares have a value of $1.00 per share.
There are no unpaid or uncalled shares. All shares rank equally for voting rights and dividend distributions.

The Company is owned as follows:	**No. of shares**	
Timaru District Holdings Limited	19,630,808	47.50%
Waimate District Council	3,116,132	7.54%
Mackenzie District Council	2,049,870	4.96%
Line Trust South Canterbury	16,531,207	40.00%
	41,328,017	**100.00%**

There were no changes to shareholdings during the year.

18 RETAINED EARNINGS

	GROUP $'000
At April 2013	68,644
Profit for the year	11,325
Dividends paid	(7,563)
At 31 March 2014	72,408
At 1 April 2014	72,408
Profit for the year	16,692
Dividends paid	(7,976)
At 31 March 2015	81,124

19 TRADE AND OTHER PAYABLES

	GROUP	
	2015 $'000	2014 $'000
The balance of Accounts Payable comprises:		
Trade Payables	3,576	2,885
Balance Date Accruals	1,769	984
Capital Contributions in Advance	2,154	478
Due by Associated Entities	(46)	2,296
Due by Shareholders District Councils	4	26
Balance at End of the Year	**7,457**	**6,669**

20 LOANS

The Group has a loan facility with the ANZ Bank to draw down a maximum of $50,000,000. The loan facility is an interchangeable arrangement between a Flexible Credit Facility and a Money Market Line. At balance date the following amounts were drawn down.

	2015 $'000	2014 $'000
Flexible Credit Facility	30,000	30,000
Money Market Line	15,330	14,329
Total	**45,330**	**44,329**

The termination date of the total facility is 16 August 2017. The loan is subject to a negative pledge. An interest rate swap transaction had been entered into, effective 20 March 2013, covering the $15 million, two further interest rate swap transaction had been entered into, effective 20 March 2015 and 20 December 2013, covering an additional $5 million, borrowed against the Flexible Credit Facility for a period of six years and $10 million for ten years. The interest rate applied to borrowings against the Money Market Line facility is linked to the Reserve Bank of New Zealand Official Cash Rate. A movement of 1.0% in this rate would result in a movement of $153,300 (2014: $143,290) in the interest expense for the year. The covenants governing the loan have not been breached during the year.

	2015	2014
Bank Overdraft	-	-
The Group has the following undrawn borrowing facilities:		
Floating rate:		
Expiring within one year	-	-
Expiring beyond one year	4,670	3,671
Fixed rate:		
Expiring within one year	-	-
Total	**4,670**	**3,671**

21 DEFERRED INCOME TAX

	2015 $'000	2014 $'000
The gross movement on the Deferred Income Tax Account is as follows:		
At 1 April	(18,595)	(16,709)
Tax (charge)/credit Relating to Components of Comprehensive Income	(1,483)	(1,992)
Tax (charge)/credit directly to Equity	489	106
As at 31 March	**(19,589)**	**(18,595)**

The Movement in Deferred Income Tax Assets and Liabilities during the year without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred Tax Liabilities	**Accelerated Tax Depreciation $'000**	**Total $'000**
At 1 April 2013	(17,457)	(17,457)
Charged/(Credited) to the Statement of Comprehensive Income	(2,199)	(2,199)
Charged/(Credited) to the Statement of Changes in Equity	106	106
At 31 March 2014	**(19,550)**	**(19,550)**
Charged/(Credited) to the Statement of Comprehensive Income	(1,952)	(1,952)
Charged/(Credited) to the Statement of Changes in Equity	489	489
At 31 March 2015	**(21,013)**	**(21,013)**

Deferred Tax Assets	Provisions $'000	Total $'000
At 1 April 2013	747	747
Charged/(Credited) to the Statement of Comprehensive Income	207	207
At 31 March 2014	**954**	**954**
Charged/(Credited) to the Statement of Comprehensive Income	470	470
At 31 March 2015	**1,424**	**1,424**

22 RECONCILIATION OF OPERATING SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES

	GROUP	
	2015 $'000	**2014 $'000**
Operating Surplus After Income Tax	16,692	11,325
Add/(Deduct) Non Cash Items		
Depreciation and Amortisation	6,624	6,041
Increase in Deferred Tax Liability	994	1,886
	7,618	**7,927**
Add/(Deduct) Movements in Working Capital Items		
(Increase)/Decrease in Accounts Receivable	1,221	(1,812)
(Increase)/Decrease in Inventories and Work in Progress	(4,359)	(123)
(Increase)/Decrease in Associated Entities Profit	(59)	37
Increase/(Decrease) in GST Liability	-	-
Increase/(Decrease) in Creditors and Employee Entitlements	867	304
Increase/(Decrease) in Provision for Tax	556	(1,358)
	(1,774)	**(2,952)**
Add (Deduct) Items Classified as Financing		
Dividends Received	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	**22,536**	**16,300**

22 RECONCILIATION OF OPERATING SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)

	GROUP	
	2015	**2014**
	$'000	**$'000**
In the statement of cash flows, proceeds from sale of PPE comprise:		
Net Book Amount	296	686
Profit/(Loss) on Disposal of PPE	(200)	(302)
Proceeds from Disposal of PPE	**96**	**384**

23 CONTINGENCIES

The Group has a contingent liability as at 31 March 2015 $US 693,591 (2014 $US 2,122,500) to cover a performance guarantee to cover the solar power project in Bamyan City in Afghanistan. This contingency is offset by a term deposit of $US 693,591 held by the BNZ Bank in the event the performance guarantee is triggered.

24 COMMITMENTS

(a) Capital Commitments	2,939	4,466
(b) Lease commitments as lessee:		
Within one year	150	61
Between one and five years	241	41
Over five years	-	-

The Group has other commitments totalling $418,655 per annum relating to new investment contracts with Transpower. The contracts generally have a term of 20 years, and the existing contracts have expiry dates ranging from 2017 until 2029.

25 OPERATING LEASES

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

Lease of fibre network	Within one year	540	503
	Between one and five year	2,570	2,517
	Over five years	7,502	7,885
Rentals from building lease agreements	Within one year	170	163
	Between one and five years	644	608
	Over five years	53	139

26 RELATED PARTIES

All transactions between the Company and its Shareholder District Councils have been conducted on a commercial basis. Charges between the parties are made for services provided as part of the normal trading activities of the Company, and as such have been incorporated into the operating costs and revenues of the Company.

Revenues from Shareholder District Councils - Contracting Activities		
Mackenzie District Council	255	59
Timaru District Council	357	413
Waimate District Council	30	24
Payments to Shareholder District Councils - Rates		
Mackenzie District Council	16	15
Timaru District Council	79	68
Waimate District Council	11	-

Balances due from and to Shareholder District Councils are shown in note 14 and 18.

Parties Associated with Directors

The Group contracted with parties associated with certain directors of Alpine Energy Limited. These transactions involved services and were at normal commercial rates.

26 RELATED PARTIES (CONTINUED)

	GROUP	
	2015	2014
	$'000	$'000
Deloitte (S.R. Thompson)	207	72
Transactions with Subsidiaries		
Charges to NetCon Limited for property rentals and interest.		
Payment to NetCon Limited for lines maintenance and consultation, financial service and procurement.		
Revenues from NetCon Limited	337	298
Payments to NetCon Limited	15,155	18,951
Balances due from and to subsidiaries are shown in notes 14 and 18.		
Transactions with Joint Ventures		
Transactions with Joint Ventures include:		
Charges to Rockgas Timaru Limited for property rentals and financial services.		
Revenues from Rockgas Timaru Limited	43	42
Revenues from On Metering	58	88
Balances due from and to joint ventures are shown in notes 14 and 9.		
Transactions with Other Related Parties		
Revenues from BREP	271	306
Payments to BREP	-	-
Balances due from and to other related parties are shown in notes 14 and 18.		
Key Management Compensation		
Salaries	2,013	2,344
Loans to Related Parties		
Shareholder loan to NetCon Limited	-	
Shareholder loan to On Metering Limited	2,375	2,375
Shareholder loan to SmartCo	132	132
Balance at end of year	**2,507**	**2,507**

Shareholder loan to On Metering has no fixed term and is not subject to interest.
There is no provision for doubtful debts or bad debt expenses for related parties.

27 EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any matter or circumstance since the end of the financial year not otherwise dealt with in this report that has significantly affected or may significantly affect the operation of the Company or Group, the results of those operations or the state of affairs of the Company or Group.

Performance targets were set in the Statement of Corporate Intent approved by Directors.

	GROUP	
	2015	2014
Financial Information		
1. Ratio of Net Surplus attributable to the Shareholders to Average Shareholders Equity:		
Target	10.9%	10.4%
Result	13.9%	9.9%
2. Tangible Assets per Share:		
Target	$5.07	$4.50
Result	$4.89	$4.58
3. Earnings per Share:		
Target	$0.328	$0.297
Result	$0.404	$0.274
5. Ratio of Shareholders' Equity to Total Assets:		
Minimum Target	50.0%	50.0%
Result	61.1%	61.3%

Non Financial Information

7. Average Interruption Duration (SAIDI) and Average Interruption Frequency (SAIFI)

The performance targets relating to SAIDI and SAIFI reliability in the Statement of Corporate Intent was for the Company to not breach the reliability limits as set out in the Default Price Path Annual Compliance Statement. The audited Default Price Path Annual Compliance Statement for the year to March 2015 shows that the Company has not breached the reliability limits.

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ALPINE ENERGY LIMITED GROUP'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2015

The Auditor-General is the auditor of Alpine Energy Limited and its New Zealand domiciled subsidiaries and other controlled entities. The Auditor-General has appointed me, Mark Bramley, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements and the statement of service performance of the Group, consisting of Alpine Energy Limited and its subsidiaries and other controlled entities (collectively referred to as 'the Group'), on her behalf.

Opinion on the financial statements and the statement of service performance

We have audited:

- the financial statements of the Group on pages 14 to 35, that comprise the balance sheet as at 31 March 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

- the statement of service performance of the Group on page 36.

In our opinion:

- the financial statements of the Group:
    - present fairly, in all material respects:
        - its financial position as at 31 March 2015; and
        - its financial performance and cash flows for the year then ended; and
    - have been prepared in accordance with the Financial Reporting Act 2013.
- the statement of service performance of the Group:
    - presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2015; and
    - has been prepared in accordance with generally accepted accounting practice.

Our audit was completed on 28 May 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

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Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Group's financial statements and statement of service performance in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of the disclosures in the financial statements and in the statement of service performance; and
- the overall presentation of the financial statements and the statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the statement of service performance. Also we did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

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

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements and a statement of service performance for the Group, in accordance with the Financial Reporting Act 2013 and generally accepted accounting practice.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and the statement of service performance, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992.

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Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 45(1) of the Energy Companies Act 1992.

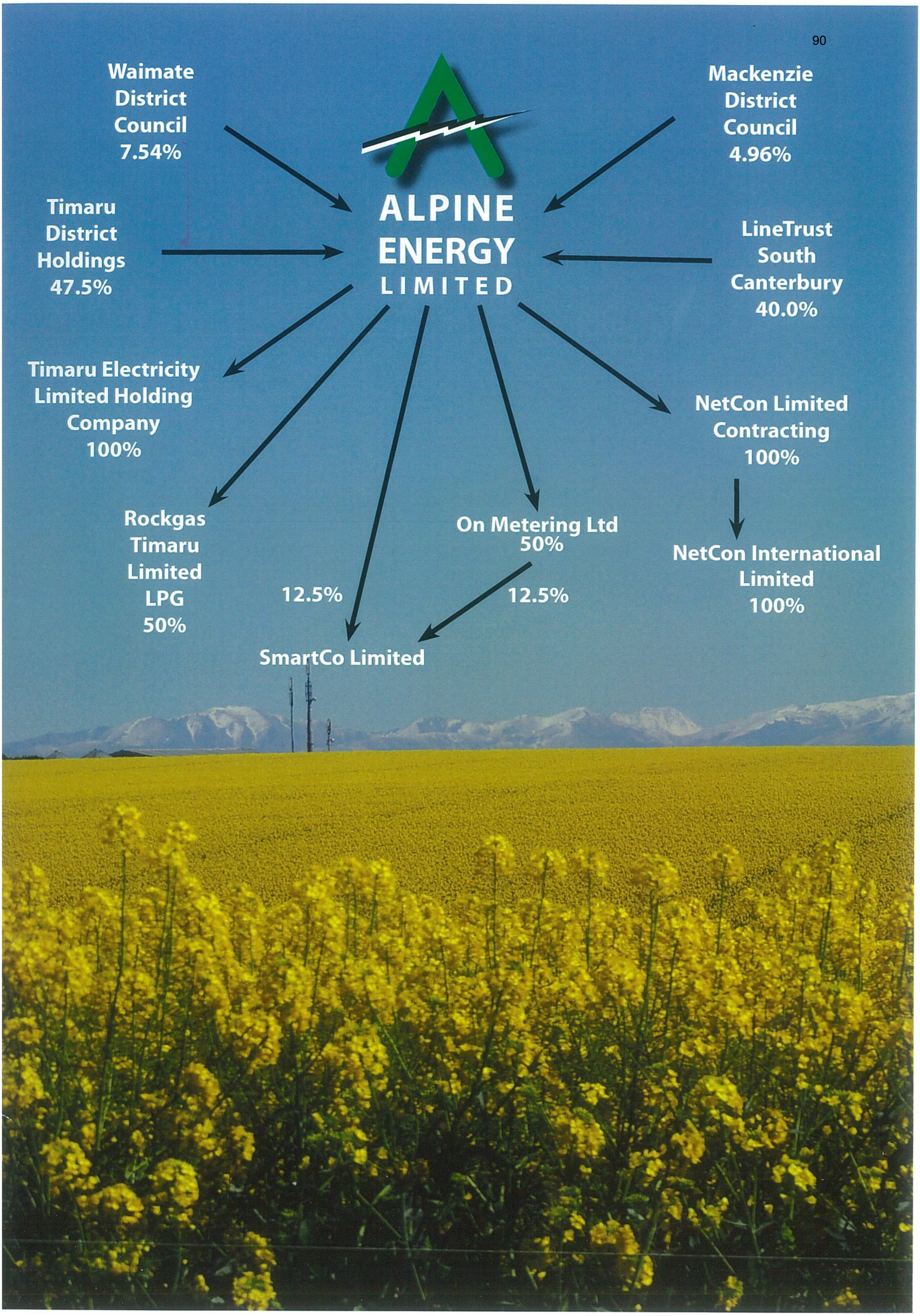
Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit, we have carried out assignments in the areas of compliance with the Electricity Distribution (Information Disclosure) Determination 2012, Electricity Distribution Services Default Price-Quality Path Determination 2012, other regulatory requirements of the Commerce Act1986, an industry benchmarking review and a limited scope non-audit assurance engagement, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with, or interests in, the Company or any of its subsidiaries.

Mark Bramley

Mark Bramley
PricewaterhouseCoopers
On behalf of the Auditor-General
Dunedin, New Zealand


Waimate District Council 7.54%
Mackenzie District Council 4.96%
ALPINE ENERGY LIMITED
Timaru District Holdings 47.5%
LineTrust South Canterbury 40.0%
Timaru Electricity Limited Holding Company 100%
NetCon Limited Contracting 100%
Rockgas Timaru Limited LPG 50%
On Metering Ltd 50%
NetCon International Limited 100%
12.5%
12.5%
SmartCo Limited