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 Thursday, July 24, 2014, at 9.40am, following an Extraordinary Meeting of Council at 9.30am.

VENUE: Council Chambers, Fairlie.

BUSINESS: As per agenda attached

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER

FINANCE COMMITTEE

Agenda for Thursday, July 24, 2014, at 9.30am

APOLOGIES – An apology has been received from Cr Murray Cox.

DECLARATIONS OF INTEREST

VISITORS:

At **10am** Meridian Energy will present to councillors in the public excluded session.
At **10.30am** a group of Japanese students from Mackenzie College will attend for morning tea with the Mayor and councillors.
At **11am** Jason Gaskill from Alps2Ocean will present his report to councillors.
At **11.30am** Miles O'Connor from Bancorp will present his report to councillors.

MINUTES:

Confirm and adopt as the correct record the minutes of the Finance Meeting held on Thursday, June 12, 2014, including such parts as were taken with the public excluded.

REPORTS:

1. Financial Activity Report – May 2014 (attached).
2. Alpine Energy Ltd Annual Report 2014 (attached).
3. Fraud Event, Twizel Office (attached).
4. Alps2Ocean Report and presentation from Jason Gaskill (report to be circulated before the meeting).
5. Bancorp Quarterly Report and presentation from Miles O'Connor (attached).

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 Finance Committee meeting held on June 12, 2014, taken in public excluded session.
2. Land Sale Twizel (attached).
3. Website Credit Card Transaction Fees (attached).
4. Development Update (attached).
5. Tekapo Commercial Subdivision (attached).
6. Status of Land Sale (attached).
7. Development Proposal (attached).
8. Sale Contract Update (attached).
9. Development of Lakeside Drive land (attached).

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 of the Finance Committee, June 12, 2014	Enable commercial negotiations	48(1)(a)(i)
Land Sale Twizel	Enable commercial negotiations	48(1)(a)(i)
Website Credit Card Transactions	Commercial sensitivity	48(1)(a)(i)
Development Update	Commercial sensitivity	48(1)(a)(i)
Tekapo Commercial Subdivision	Maintain legal professional privilege	48(1)(a)(i)
Status of Land Sale	Enable commercial negotiations	48(1)(a)(i)
Development Proposal	Commercial sensitivity	48(1)(a)(i)
Sale Contract Update	Enable commercial negotiations	48(1)(a)(i)
Development of Lakeside Drive Land	Enable commercial negotiations	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 Finance Committee, Land Sale Twizel, Status of Land Sale, Sale Contract Update, Development of Lakeside Drive Land all under section 7(2)(i). Website Credit Card Transactions, Development Update and Development Proposal under section 7(2)(b)(ii), Tekapo Commercial Subdivision under section 7(2)(g).*

RESOLUTION TO RESUME OPEN MEETING

ADJOURNMENTS:

10.30am: Morning Tea

12.00pm: Lunch

MACKENZIE DISTRICT COUNCIL

MINUTES OF A MEETING OF THE FINANCE COMMITTEE HELD IN THE COUNCIL CHAMBERS, FAIRLIE, ON THURSDAY, JUNE 12, 2014, AT 9.30AM

PRESENT:

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

IN ATTENDANCE:

Wayne Barnett (Chief Executive Officer)
Paul Morris (Finance and Administration Manager)
Nathan Hole (Planning and Regulation Manager)
Arlene Goss (Committee Clerk)

APOLOGIES:

Apologies were received from Cr Noel Jackson and Cr Evan Williams.

DECLARATIONS OF INTEREST:

There were no declarations of interest.

MINUTES:

Resolved that the minutes of the meeting of the Finance Committee held on May 6, 2014, including such parts as were taken with the public excluded, be confirmed and adopted as the correct record of the meeting.

Claire Barlow/Murray Cox

MATTERS ARISING:

The chairman questioned whether councillors need to have a workshop to review council's insurance risks. Paul Morris agreed. Decisions need to be made on whether some assets need to be insured for full replacement. Council has already done a preliminary exercise to pull out items that are worth less than the excess. Need to look at whether LAP is a better option.

Resolved that council holds a workshop regarding insurance and risk.

Claire Barlow/Murray Cox

Regarding the LGNZ communications proposal, the chairman reported that at the provincial meeting this was not supported by many councils and has been dropped. The Mayor has had a conversation with the chairs and supports doing this out of the existing LGNZ budget. The chairman noted that minutes from the provincial conference have been sent to councillors by email.

SUB COMMITTEE MINUTES:

Resolved that the minutes of the meeting of the Tekapo Property Group held on June 4, 2014, including such parts as were taken with the public excluded, be received.

Graham Smith/Russell Armstrong

REPORTS:

FINANCIAL ACTIVITY REPORT TO APRIL, 2014:

Resolved that the report be received.

Claire Barlow/Russell Armstrong

Finance and Administration Manager Paul Morris drew councillor's attention to page 43, which is the part of the report that details the planning area. Nathan Hole, Planning and Regulation Manager, was at the meeting to discuss this.

The chairman said this area shows money is not being spent and he is concerned that work is not being done. Mr Hole said a planner finished work a week ago and her position is being advertised. He hopes to be able to find the right person to replace her.

A lot of background work has been done and he is expecting to launch into some workshops with councillors to go through some issues. Due to the resignation of the planner, work has stopped on this but he hopes there won't be more than a few months delay.

The Mayor said this is a critical role and she would rather wait for the right person to be recruited.

The chairman asked how much time would be lost. Nathan Hole said a few months, but not 12 months. He is also considering using an external resource if the right person cannot be found in the recruitment process.

Continuing to have discussions with Ecan on how they can provide assistance. Nathan Hole prefers an internal resource doing the consultation with the community.

Cr Cox said an MOU between Ecan and council needs to be drawn up with clear objectives outlined by both parties. Toni Morrison is working on this.

Paul Morris said the planning deficit is $46,000. The reason why that looks good is due to receiving reserve contributions from developers. This is a little misleading if you are looking at the bottom line.

The Finance meeting halted consideration of the financial report to welcome Wendy Smith and Raewyn Bell from ADBT.

REPORT FROM AORAKI DEVELOPMENT BUSINESS AND TOURISM

Wendy Smith and Raewyn Bell from Aoraki Development Business and Tourism (ADBT) attended the meeting at 10am to present the ADBT report to council. The chairman welcomed them to the meeting and introduced them to councillors.

Wendy Smith spoke to her report at page 19 in the agenda. ADBT has been thrilled with the response from Mackenzie businesses. Raewyn Bell comes to the district monthly to visit businesses and makes phone contact with them. Business information in the report is anonymous to respect commercial sensitivity.

The website www.southcanterbury.org.nz is used as a portal for many businesses who pay to have a profile on the site. It is also used as a place for the business excellence awards to be voted on. There has been a rise in business partners from the Mackenzie District joining the site.

ADBT has run China workshops for businesses, which have been very successful. Details were provided on how ADBT supports businesses and their projects or issues.

The Mayor asked regarding the Twizel profile on the website. This and the Mount Cook sections are still being developed. The Mayor suggested putting an advert in the local newsletters encouraging businesses to use the website and services.

Cr Leslie asked how he could assist ADBT in Twizel as a local councillor. Wendy Smith suggested walking around with a guide to business services, but ADBT is reaching a level where they need to be careful not to over commit.

The chairman said this was originally a trial to see if businesses and the community would respond well.

The chief executive suggested that ADBT recommend to local business people that they speak to an elected member about the service they receive. If the people using the service can provide informal feedback to elected members, they will be more comfortable to fund this further.

Wendy Smith continued to speak to the items in the report including the South Canterbury brand mark.

There was discussion held on the freedom camping bylaw. There is a need to have this by early November so it can be printed by ADBT in their guide, and this can also go on their website.

There will be strong representation from the Mackenzie District in this year's business excellence awards.

Raewyn Bell spoke regarding her experiences with businesses and the types of enquiries they had.

A two day health and safety workshop in Tekapo was well received. A disciplinary process workshop in Tekapo was held yesterday and this was a smaller group. The expert was able to talk to businesses one-on-one about their disciplinary issues.

The chairman congratulated ADBT on what has been achieved so far. A referral arrangement with CCT is working well.

Cr Cox asked if they were getting enquiries from people who want to move to South Canterbury. Yes some. A lot of our own businesses are growing. Do they get enquiries from potential investors? Yes at times. Not really set up to manage investors so will point people in the right direction if they have an area of interest. If an investor is from offshore ADBT go to government agencies to validate them.

The meeting adjourned for morning tea at 10.30am and reconvened at 10.50am.

PRESENTATION FROM EDUCATION SOUTH CANTERBURY:

A presentation was made by Julie McLean, chairperson of Education South Canterbury, on the Education South Canterbury Strategic Plan. A copy of the plan was handed to councillors.

This group hosts international fee paying students and offers international education. They are looking to have a coordinated marketing plan for South Canterbury offering a wide range of schools to larger markets than what schools would reach individually.

International students are worth $11 million to South Canterbury. Every student brings their family who frequently stay and visit the region. They are often wealthy individuals who also look at business opportunities. The social and cultural aspect that students bring to the district is also important.

One of the main purposes of the Strategic Plan is to secure further funding to go out to our main markets.

Mackenzie College is not a member of Education South Canterbury and has not hosted fee paying international students for some time.

Julie McLean said she is not asking for money. She would like a letter or statement from council to say it supports in principal what they are trying to do for the region. She requested a letter of support in the next week or two, which would go to Education New Zealand.

The Mayor asked regarding collaboration between the Mackenzie District and the Chinese market. Exchange students and fee paying students are two different things. Exchanges and scholarships cost money for the schools and the district and don't necessarily lead to fee paying students. Economic returns are from students who stay 1-2 years or longer and are fee paying.

Can the schools in the region provide the quality of education that fee paying students want? Yes they go through the NCEA programme and we have an understanding of what they need to do to enter university in their own countries when they return.

Julie McLean said she is planning to talk to Mackenzie and Twizel High Schools. She thanked council for the opportunity to speak. The chairman thanked Julie McLean for the presentation.

Julie McLean and Wendy Smith left the meeting at 11.12am. The committee went back to considering the Financial Activity Report.

FINANCIAL ACTIVITY REPORT TO APRIL, 2014:

Election costs were discussed. The chairman said some election activities could have been done in-house. Paul Morris explained that election costs are rated over three years and spent in one year. There is benefit in doing some election activities in-house but the time required by some staff would be significant.

Corporate services. The chairman asked regarding the Audit NZ fees.
On roading on page 40 Paul Morris commented that roading expenditure is above budget. Next year is the critical year to spend NZTA money as it is the last year of the NZTA programme. There was some discussion on the spending of NZTA money.

The chairman noted that the next financial report will be an important one as council nears the end of the financial year.

ALPINE ENERGY LTD DRAFT STATEMENT OF CORPORATE INTENT 2014/17:

Paul Morris apologised for the lateness of this report. The chairman attended the meeting of Alpine Energy at which this Statement of Intent was adopted. Alpine Energy is increasing their dividend. At the same time they have also increased their debt and reduced capital expenditure. This financial year the council received a dividend of $378,000 from Alpine Energy, and will get an extra $20,000 next year.

Resolved :

1. That the report be received.

Claire Barlow/Russell Armstrong

2. That the draft Alpine Energy Statement of Corporate Intent for the year ended 30June, 2015 and two subsequent years be adopted.

Claire Barlow/James Leslie

EXEMPTION MACKENZIE HOLDINGS LTD UNDER SECTION 7(3) OF THE LOCAL GOVERNMENT ACT:

Paul Morris said this organisation arose as part of the Pukaki Airport Land Development. Council thought it would be good for this company to develop the airport and sell the land around it. However, when you create a council controlled organisation it has tax liabilities. So council brought the development back in house and created the Pukaki Airport Board to manage it. The board has three commercial directors/members appointed and a councillor who is Cr Leslie. This has left the company as a shelf company. Mr Morris is asking council to exempt the company from the full rules of the Local Government Act to avoid a complex tax situation.

There was a discussion regarding the tax and GST responsibilities of the company. The company has tax losses sitting in it. Paul Morris cannot think of any reason why council would want a council controlled information with tax losses for any reason in the future. Council is tax exempt.

<u>Resolved:</u>

1. That the report be received.

Russell Armstrong/Murray Cox

2. That council considers Mackenzie Holdings Ltd to be a small organisation that is not a council-controlled trading organisation. As Mackenzie Holdings Ltd does not provide any activity on behalf of the council, and that benefits, in terms of cost savings, will accrue to council and ultimately, the community, that an exemption under Section 7(3) of the Local Government Act 2002 be granted in respect of Mackenzie Holdings Ltd.

Claire Barlow/James Leslie

FUNDING REQUEST FROM FAIRLIE COMMUNITY BOARD:

Paul Morris said the land subdivision reserve is an amount of money generated when residential developers undertake subdivisions. The Resource Management Act says council can ask for land for reserves up to 5% of the value of the subdivision, or cash to the same value. This allows council to put in social amenities like playgrounds. Council tends to require the cash so we can spend it on reserve works.

On page 43 of the agenda, a line item called ‘reserve contributions’ stands at $153,000. This money is the land subdivision reserve. This is a district wide fund allocated on merit rather than by location.

The chairman says the village green has had a lot of community support and has enhanced Fairlie. Cr Leslie asked questions regarding the design, the potential for vandalism and the timeline. These questions were answered by the chairman and the Mayor.

Resolved:

1. That the report be received.

Claire Barlow/Russell Armstrong

2. That council provides a maximum of $5,200 funding from the Lands Subdivision Reserve toward this project.

Graham Smith/Russell Armstrong

3. That the project be run through the Fairlie Township Account.

Graham Smith/Russell Armstrong

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 Finance Committee meeting held on May 6, 2014, taken in public excluded session.
2. Public excluded minutes of the Tekapo Property Group meeting held on June 4, 2014, taken in public excluded session.
3. Loan - Mackenzie Tourism Development Trust (attached).
4. Lot 26 DP52089 26 Glen Lyon Road (attached).
5. Tekapo Parking and Landscape Review Proposal (attached).
6. Aurecon Subdivision Fee Proposal (attached).

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 of the Finance Committee, May 6, 2014	Enable commercial negotiations	48(1)(a)(i)
Previous minutes of the Tekapo Property Group, June 4, 2014	Commercial sensitivity Maintain legal professional privilege	48(1)(a)(i)
Loan – Mackenzie Tourism Development Trust	Maintain legal professional privilege	48(1)(a)(i)
Lot 26 DP52089 26 Glen Lyon Road	Enable commercial negotiations	48(1)(a)(i)
Tekapo Parking and	Commercial sensitivity	48(1)(a)(i)

Landscape Review		
Aurecon Subdivision Fee Proposal	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 Finance Committee under section 7(2)(i), previous minutes of the Tekapo Property Group under section 7(2)(b)(ii) and 7(2)(g), Loan – Mackenzie Tourism Development Trust under section 7(2)(g), Lot 26 DP52089 26 Glen Lyon Rd under section 7(2)(i).Tekapo Parking and Landscape Review and Aurecon Subdivision Fee Proposal under section 7(2)(b)(ii).*

Murray Cox/Russell Armstrong

The Finance Committee continued in open meeting. The following resolutions relate to a matter discussed in the public excluded session that is to be confirmed in open meeting.

LOAN – MACKENZIE TOURISM DEVELOPMENT TRUST:

Resolved:

1. That the report be received.

Claire Barlow/Russell Armstrong

2. That the Council write-off the loan of $255,000 issued to MTDT immediately.

Graham Smith/James Leslie

3. That the Council instruct the Trustees of MTDT to dissolve the Trust.

Graham Smith/James Leslie

4. That the Council write-off the settled amount of $27,637 in MTDT as a consequence of there being no assets in the Trust to repay the settled amount.

Graham Smith/James Leslie

Resolved that the resolutions regarding the winding up of the Mackenzie Tourism Development Trust loan be confirmed in the public part of the meeting.

Claire Barlow/James Leslie

THE CHAIRMAN DECLARED THE MEETING CLOSED AT 12.22PM

CHAIRMAN: ________________________________

DATE: ________________________________

MACKENZIE DISTRICT COUNCIL

REPORT TO: MACKENZIE DISTRICT COUNCIL

SUBJECT: FINANCNE REPORT – MAY 2014

MEETING DATE: 24 JULY 2014

REF: FIN 1/2/1

FROM: MANAGER FINANCE & ADMINISTRATION

ENDORSED BY: CHIEF EXECUTIVE OFFICER

PURPOSE OF REPORT:
To update the Committee as to Council's financial position to 31 May 2014.

STAFF RECOMMENDATIONS:

1. That the report be received.

PAUL MORRIS
MANAGER FINANCE & ADMINISTRATION

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER

MACKENZIE DISTRICT COUNCIL
ACTIVITY REPORT
FOR THE PERIOD ENDED MAY 2014

11

	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE		FY BUD JUNE 2014
Governance							
Income							
General Rates	316,569	291,357	291,357	(0)	0.00%		317,844
Targeted Rates	26,840	27,679	27,676	3	0.01%		30,192
Other Income	22,020	32,071	43,750	(11,679)	-26.69%	1	45,000
Total Income	**365,429**	**351,107**	**362,783**	**(11,676)**	**-3.22%**		**393,036**
Expenses							
Employment Expenses	43,971	50,725	41,206	(9,519)	-23.10%	2	44,952
Members Expenses	310,325	315,638	268,774	(46,864)	-17.44%	3	293,208
Consultancy Expenses	456	10,581	-	(10,581)		4	-
Administration Expenses	24,284	40,401	41,151	750	1.82%		44,892
Internal Charges	1,712	3,008	9,163	6,155	67.18%	5	9,996
Total Expenses	**380,749**	**420,354**	**360,294**	**(60,060)**	**-16.67%**		**393,048**
Operating Surplus/(Deficit)	**(15,320)**	**(69,247)**	**2,489**	**48,383**			**(12)**

Variance Analysis

1. Lower than anticipated charges due to election not being held in house and therefore no costs required to be recovered from SCDHB
2. Higher than anticipated costs due to overlap of Committee clerks due to Parental leave and amendment to salary levels due to extra duties.
3. Water Zone committee costs are higher than budget by $20,397 along with Election costs of $35,153. These election costs include unbudgetd costs for two By-elections
4. Unbudgeted costs associated with public meetings for Tekapo land development and Twizel water upgrades ($6,274) as well as legal fees of $2,360 for review of committee structure and $1,875 for Purpose statement
5. Lower than anticipated costs associated with Council motor vehicle usage has created this favourable variance.

MACKENZIE DISTRICT COUNCIL
ACTIVITY REPORT
FOR THE PERIOD ENDED MAY 2014

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Operating Reserves						
Opening Balance	42,972	-	-			-
Operating Surplus/(Deficit)	(15,320)	(69,247)	2,489			(12)
Total Operating Reserves	**27,652**	**(69,247)**	**2,489**	-	**0.00%**	**(12)**
Capital Reserves						
Opening Balance	(5,131)	(4,839)	-			-
Total Capital Reserves	**(5,131)**	**(4,839)**	-	-		-

MACKENZIE DISTRICT COUNCIL
ACTIVITY REPORT
FOR THE PERIOD ENDED MAY 2014

11

	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE		FY BUD JUNE 2014
Corporate Services							
Income							
General Rates	1,446,709	1,717,068	1,717,067	1	0.00%		1,873,164
Other Income	82,059	90,772	96,723	(5,951)	-6.15%	1	105,516
Internal Income	90,223	93,283	117,062	(23,779)	-20.31%	2	127,704
Internal Interest Income	467	(379)	(253)	(126)	49.77%		(276)
Gain on Sale - Assets	5,000	-	-	-			-
Total Income	**1,624,457**	**1,900,745**	**1,930,599**	**(29,854)**	**-1.55%**		**2,106,108**
Expenses							
Employment Expenses	972,675	1,005,634	1,069,420	63,786	5.96%	3	1,166,640
Consultancy Expenses	116,199	151,351	143,832	(7,519)	-5.23%	4	155,544
Administration Expenses	231,991	245,350	222,560	(22,790)	-10.24%	5	316,524
Operational and Maintenance	314,178	223,798	260,491	36,693	14.09%	6	284,172
Internal interest Expense	1,378	6,654	17,611	10,957	62.22%	7	19,212
Depreciation	105,149	99,075	99,099	24	0.02%		108,108
Internal Charges	38,468	48,194	62,546	14,352	22.95%	8	68,232
Loss On Sale and Assets Written Off	(3,556)	-	-	-			-
Total Expenses	**1,776,484**	**1,780,057**	**1,875,559**	**95,502**	**5.09%**		**2,118,432**
Operating Surplus/(Deficit)	**(152,027)**	**120,688**	**55,040**	**(125,357)**			**(12,324)**

Variance Analysis

1. Timing of receipt of commissions for services to Ecan has created this unfavourable variance. It is expected to correct in June.
2. Lower than anticipated internal motor vehiocle charges has resulted in this unfavourable variance.
3. Lower than anticipated Employment costs due to staff changes and timing of employment on replacement staff has created this favourable variance.
4. Higher than budgeted costs associated with strategic pay ($4,331) and LGNZ Water Endorsement ($1,000) and Digital Strategy and Action plan ($1,500) has contributed to this unfavourable variance
5. Includes washup of AuditNZ fees ($3,646) along with higher than anticipated insurance costs ($7,142) and photocopy costs ($12,194) have contributed to this unfavourable variance.
6. Lower than anticipated electricity costs in the Fairlie Council building ($5,250) due to use of efficient heat pump technology over underfloor heating along with lower than anticipated IT lease costs ($17,901) and lower than anticipated vehicle running costs ($18,719) have contributed to this favourable variance.
7. Lower than anticipated capital reserve balances has contributed to this favourable variance.
8. Lower than anticipated internal milage charges has contributed to this favourable varaince.

MACKENZIE DISTRICT COUNCIL
ACTIVITY REPORT
FOR THE PERIOD ENDED MAY 2014

11

	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Operating Reserves						
Opening Balance	96,704	(1,083)	-			-
Operating Surplus/(Deficit)	(152,027)	120,688	55,040			(12,324)
Transfer - Capital Expenditure	(191,406)	(149,052)	(169,441)			(181,572)
Transfers between Reserves	-	-	-			(10,500)
Transfer Capital Expenditure to Capital Reserve	191,406	149,052	169,441			181,572
Add back Non Cash Items	105,149	99,075	99,099			108,108
Transfer Funded Depreciation to Capital Reserve	(61,006)	(92,329)	(92,345)			(100,740)
Total Operating Reserves	**(11,179)**	**126,350**	**61,794**	-	**0.00%**	**(15,456)**
Capital Reserves						
Opening Balance	20,394	(64,231)	(296,275)			(296,275)
Transfers between Reserves	-	-	-			2,208
Transfer Capital Expenditure from Operating Reserve	(191,406)	(149,052)	(169,441)			(181,572)
Transfer Funded Depreciation from Operating Reserves	61,006	92,329	92,345			100,740
Transfer from Operating Reserve	-	-	-			3,252
Total Capital Reserves	**(110,005)**	**(120,953)**	**(373,371)**	-	**0.00%**	**(371,647)**

MACKENZIE DISTRICT COUNCIL
ACTIVITY REPORT
FOR THE PERIOD ENDED MAY 2014

11

	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE		FY BUD JUNE 2014
Capital Expenditure							
Administration							
0018001. Computers	2,776	-	-	-			-
0018925. Plant and Equipment	1,180	1,800	2,750	950	34.55% ✓		3,000
Total Administration	3,956	1,800	2,750	950			3,000
Fairlie Council Building							
0088916. Building Renovations	-	16,666	18,865	2,199	11.66% ✓		20,580
0088925. Plant and Equipment	1,273	-	-	-			-
0088935. Furniture & Fittings - Admin	16,155	19,180	22,913	3,733	16.29% ✓		24,996
0088940. Furniture & Fittings - Other	-	260	-	(260)			-
Total Fairlie Council Building	17,428	36,106	41,778	5,672			45,576
Twizel Council Building							
0098916. Building Renovations	-	5,171	-	(5,171)		1	-
0098935. Carpets	8,791	-	-	-			-
0098940. Furniture & Fittings - Other	-	4,730	-	(4,730)		1	-
Total Twizel Council Building	8,791	9,901	-	(9,901)			-
Information Technology							
0788002. PC Server	13,544	51,073	36,000	(15,073)	-41.87% ✗		36,000
0788005. Printers, Copiers & Scanners	4,000	-	-	-			-
0788006. GIS Aerials	-	28,741	-	(28,741)		2	-
0788010. Network Infrastructure	-	4,766	2,750	(2,016)	-73.30% ✗		3,000
0788011. Communications Equipment	-	6,595	33,913	27,318	80.55% ✓		36,996
0788012. Software	17,500	7,500	16,500	9,000	54.55% ✓		18,000
0788014. Web site development	-	155	3,663	3,508	95.77% ✓		3,996
0788925. Plant and Equipment	2,249	2,415	2,750	335	12.17% ✓		3,000
Total Information Technology	37,293	101,245	95,576	(5,669)			100,992

MACKENZIE DISTRICT COUNCIL
ACTIVITY REPORT
FOR THE PERIOD ENDED MAY 2014

11

	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE		FY BUD JUNE 2014
Plant							
2658930. Vehicles	123,938	-	29,337	29,337	100.00%	3	32,004
Total Plant	123,938	-	29,337	29,337			32,004
Total Capital Expenditure	**191,406**	**149,052**	**169,441**	**20,389**	**0.00%**		**181,572**

Variance Analysis

1. Unbudgeted expenditure on Heatpump and office renovations
2. Council approved unbudgeted expenditure as part of the GIS Aerial consortium.
3. Budgeted replacement of old building inspector vehicle currently used by CCT. This will not occur.

MACKENZIE DISTRICT COUNCIL
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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE		FY BUD JUNE 2014
Water							
Income							
Targeted Rates	713,611	770,259	769,934	325	0.04%		839,928
Other Income	8,339	(2,236)	1,012	(3,248)	-321.00%	1	66,104
Financial Contributions	129,471	82,127	-	82,127		2	-
Internal Income	2,750	3,000	2,750	250	9.09%		3,000
Internal Interest Income	39,916	48,529	34,859	13,670	39.21%	3	38,028
Vested Assets	-	-	-	-			118,224
Total Income	**894,086**	**901,678**	**808,555**	**93,123**	**11.52%**		**1,065,284**
Expenses							
Employment Expenses	3,104	-	-	-			-
Consultancy Expenses	300	11,818	29,938	18,120	60.53%	4	30,397
Administration Expenses	6,573	6,565	10,168	3,603	35.44%		10,979
Operational and Maintenance	282,290	374,332	362,662	(11,670)	-3.22%	5	432,804
Internal interest Expense	50,274	62,688	68,926	6,238	9.05%	6	75,192
Depreciation	336,105	351,300	351,307	7	0.00%		383,244
Internal Charges	2,750	3,000	2,750	(250)	-9.09%		3,000
Total Expenses	**681,396**	**809,702**	**825,751**	**16,049**	**1.94%**		**935,616**
Operating Surplus/(Deficit)	**212,691**	**91,976**	**(17,196)**	**77,075**			**129,668**

Variance Analysis

1. Reversal of over accrual of water charges in the June 2013 financial year has resulted in this unfavourable variance
2. Unbudgeted Financial contributions received during the period has created this favourable variance. This is dependent on developer activity.
3. Better than anticpated capital reserve balances has resulted in higher than anticipated interest income year to date.
4. Unspent money on engineering services to date has resulted in this favourable variance.
5. Higher than anticipated costs associated with repairs on the Allandale Scheme ($14,047) along with higher than anticipated contractor costs for Fairlie ($16,251) due to a higher number of breakages offset by lower repair costs in Tekapo ($24,698) contributing to this overall unfavourable variance.
6. Lower than anticipated Capital reserve balances has resulted in this favourable variance

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Operating Reserves						
Opening Balance	92,438	38,556	(38,122)			(39,732)
Operating Surplus/(Deficit)	212,691	91,976	(17,196)			129,668
Transfer - Capital Expenditure	(552,484)	(344,044)	(2,147,997)			(2,385,579)
Transfers between Reserves	-	-	(11,660)			(42,720)
Transfer Capital Expenditure to Capital Reserve	552,484	344,044	2,147,997			2,385,579
Add back Non Cash Items	336,105	351,300	351,307			383,244
Transfer Funded Depreciation to Capital Reserve	(309,789)	(322,745)	(322,751)			(352,092)
Transfer Vested Assets to Capital	-	-	-			(118,224)
Transfer to Capital Financial Contributions	(129,471)	(82,127)	-			-
Total Operating Reserves	**201,974**	**76,960**	**(38,422)**	-	0.00%	**(39,856)**
Capital Reserves						
Opening Balance	650,533	788,802	306,949			306,872
Transfer Capital Expenditure from Operating Reserve	(450)	(200,538)	(2,163,247)			(2,337,888)
Transfer - Vested Assets	-	-	-			118,224
Transfer - Financial Contributions	129,471	82,127	-			-
Transfer - Op Surplus from Op Reserve	-	-	4,334			4,728
Transfer Funded Depreciation from Operating Reserves	307,637	322,745	322,751			352,092
Transfer - from Operating Reserve	-	-	11,088			42,096
Transfer - to/from Op Rsve	-	-	(913)			(996)
Transfer from Operating reserves	-	-	(2,849)			(3,108)
Total Capital Reserves	**1,087,191**	**993,135**	**(1,521,887)**	-	0.00%	**(1,517,980)**

MACKENZIE DISTRICT COUNCIL
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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE			FY BUD JUNE 2014
Capital Expenditure								
Fairlie Water								
0118201. Town Reticulation - Renewal	230,152	141,311	135,000	(6,311)	-4.67%	✗	1	135,000
0118206. Service Connections - Renewal	-	810	32,000	31,190	97.47%	✓	1	32,000
0118211. Treatment - New	10,051	26,020	70,000	43,980	62.83%	✓	2	70,000
0118215. Plant	1,900	3,518	5,195	1,677	32.28%	✓		5,195
0118807. Resource Consent Costs	13,043	-	-	-				-
0118982. Water Meters	-	-	1,903	1,903	100.00%	✓		2,076
Total Fairlie Water	255,146	171,660	244,098	72,438				244,271
Tekapo Water								
0128211. Treatment - New	158,227	18,709	-	(18,709)			3	-
0128212. Service Connections - Renew	-	-	957	957	100.00%	✓		1,044
0128215. Plant	1,900	-	-	-				-
0128981. Water Meters	-	-	1,903	1,903	100.00%	✓		2,076
Total Tekapo Water	160,127	18,709	2,860	(15,849)				3,120
Twizel Water								
0138193. Vested Assets	-	-	-	-				49,776
0138201. Town Reticulation - Renewal	-	6,454	9,526	3,072	32.25%	✓		10,392
0138204. Headworks - Renewal	63,258	25,720	852,500	826,780	96.98%	✓	4	930,000
0138206. Service Connections - Renewal	52,206	42,388	36,663	(5,725)	-15.62%	✗		39,996
0138210. HeadWorks - New	3,205	-	-	-				-
0138211. Treatment - New	-	69,104	857,175	788,071	91.94%	✓	4	935,100
0138215. Plant	12,574	-	-	-				-
0138251. Fire Hydrant Markers	-	2,537	9,526	6,989	73.36%	✓		10,392
0138807. Resource Consent Costs	1,360	-	38,093	38,093	100.00%	✓		41,556
0138984. Water Meters	3,213	1,110	1,903	793	41.69%	✓		2,076
Total Twizel Water	135,816	147,313	1,805,386	1,658,073				2,019,288

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Allandale Water						
0158202. Reticulation Extension	(450)	-	-	-		-
0158211. Treatment	1,422	-	1,903	1,903	100.00%	2,076
Total Allandale Water	972	-	1,903	1,903		
Ashwick/Opuha Water						
0168256. Headworks	423	-	-	-		-
Total Ashwick/Opuha Water	423	-	-	-		-
Burkes Pass Water						
0178211. Treatment Upgrade	-	6,362	4,587	(1,775)	-38.69%	5,004
Total Burkes Pass Water	-	6,362	4,587	(1,775)		5,004
Eversley/Puneroa Water						
0228807. Resource Consents	-	-	9,163	9,163	100.00%	9,996
Total Eversley/Puneroa Water	-	-	9,163	9,163		9,996
Manuka Terrace Water						
0238210. Headworks	-	-	80,000	80,000	100.00%	103,900
Total Manuka Terrace Water	-	-	80,000	80,000		103,900
Total Capital Expenditure	**552,484**	**344,044**	**2,147,997**	**1,803,953**	**0.00%**	**2,385,579**

Variance Analysis

1. Costs associated with town reticulation has exceeded budget. However this has been offset by a lower spend in service connections
2. Costs associated with a study on turbidity of posible alternate water source are below budget and have caused this favourable variance.
3. Finalisation of the Tekapo water treatment. Total budget was $185,000 last year. Costs to complete the project are $177,000
4. Works on Twizel water upgrades have been moved into the new financial year

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE		FY BUD JUNE 2014
Sewer							
Income							
Targeted Rates	252,307	388,313	388,212	101	0.03%		423,504
Other Income	629	6,076	-	6,076		1	-
Financial Contributions	31,379	116,157	-	116,157		2	-
Upgrade Contributions	129,115	-	-	-			-
Internal Interest Income	21,874	29,202	35,662	(6,460)	-18.12%	3	38,904
Vested Assets	-	-	-	-			183,072
Total Income	**435,305**	**539,748**	**423,874**	**115,874**	**27.34%**		**645,480**
Expenses							
Consultancy Expenses	-	9,388	11,267	1,879	16.68%	4	11,351
Administration Expenses	6,635	6,522	8,492	1,970	23.19%		9,264
Operational and Maintenance	104,505	119,348	143,736	24,388	16.97%	5	155,703
Internal interest Expense	15,517	5,454	21,439	15,985	74.56%	6	23,388
Depreciation	224,334	231,948	231,946	(2)	0.00%		253,032
Total Expenses	**350,991**	**372,661**	**416,880**	**44,219**	**10.61%**		**452,738**
Operating Surplus/(Deficit)	**84,315**	**167,087**	**6,994**	**71,654**			**192,742**

Variance Analysis

1. Unbudgeted effluent disposal charges has generated this favourable variance
2. Unbudgeted Financial contributions received during the period has created this favourable variance. This is dependent on developer activity.
3. Lower than anticpated capital reserve balances has resulted in lower than anticipated interest income year to date.
4. Unspent money on engineering services to date has resulted in this favourable variance.
5. Lower than anticipated consent monitoring costs in Tekapo ($5,299) coupled with lower contractor costs ($10,278) and Electricity costs ($6,863) also in Tekapo have contributed to this favourable variance
6. Better than anticpated capital reserve balances has resulted in lower than anticipated interest charges year to date.

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Operating Reserves						
Opening Balance	5,880	(52,942)	-			-
Operating Surplus/(Deficit)	84,315	167,087	6,994			192,742
Transfer - Capital Expenditure	(24,477)	(32,735)	(47,537)			(128,792)
Transfer Capital Expenditure to Capital Reserve	24,477	32,735	47,537			128,792
Add back Non Cash Items	224,334	231,948	231,946			253,032
Transfer Funded Depreciation to Capital Reserve	(224,334)	(231,948)	(231,946)			(253,032)
Transfer Vested Assets to Capital	-	-	-			(183,072)
Transfer to Loan Account	-	-	(8,888)			(9,696)
Transfer to Capital Financial Contributions	(31,379)	(116,157)	-			-
Transfer Upgrade Contributions to Capital	(129,115)	-	-			-
Total Operating Reserves	**(70,300)**	**(2,012)**	**(1,894)**	-	**0.00%**	**(26)**
Capital Reserves						
Opening Balance	415,166	977,571	583,440			583,440
Transfer Capital Expenditure from Operating Reserve	(24,477)	(32,735)	(47,537)			(128,792)
Transfer - Vested Assets	-	-	-			183,072
Transfer - Financial Contributions	31,379	116,157	-			-
Transfer Funded Depreciation from Operating Reserves	224,334	231,948	231,946			253,032
Transfer - Upgrade Contributions	129,115	-	-			-
Total Capital Reserves	**775,517**	**1,292,942**	**767,849**	-	**0.00%**	**890,752**

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Capital Expenditure						
Eversley Reserve Sewer						
0278410. New Reticulation - Eversley	-	-	1,700	1,700	100.00%	1,700
Total Eversley Reserve Sewer	-	-	1,700	1,700		1,700
Twizel Sewer						
0298193. Vested Assets	-	-	-	-		77,088
0298411. Sewer Treatment - New	24,477	32,735	45,837	13,102	28.58%	50,004
Total Twizel Sewer	24,477	32,735	45,837	13,102		127,092
Total Capital Expenditure	**24,477**	**32,735**	**47,537**	**14,802**	**0.00%**	**128,792**

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Stormwater						
Income						
Targeted Rates	73,656	66,452	66,451	1	0.00%	72,492
Financial Contributions	15,837	3,860	-	3,860		-
Internal Interest Income	7,966	8,428	15,015	(6,587)	-43.87%	16,380
Total Income	**97,460**	**78,739**	**81,466**	**(2,727)**	**-3.35%**	**88,872**
Expenses						
Consultancy Expenses	-	5,726	5,808	82	1.41%	6,336
Administration Expenses	325	307	2,871	2,564	89.31%	3,132
Operational and Maintenance	12,098	11,301	17,886	6,585	36.82%	19,512
Internal interest Expense	649	-	-	-		-
Depreciation	53,284	55,756	54,923	(833)	-1.52%	59,916
Total Expenses	**66,356**	**73,090**	**81,488**	**8,398**	**10.31%**	**88,896**
Operating Surplus/(Deficit)	**31,103**	**5,649**	**(22)**	**(11,125)**		**(24)**

Variance Analysis
No significant variances from budget

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Operating Reserves						
Opening Balance	-	-	-			-
Operating Surplus/(Deficit)	31,103	5,649	(22)			(24)
Add back Non Cash Items	53,284	55,756	54,923			59,916
Transfer Funded Depreciation to Capital Reserve	(53,284)	(55,756)	(54,923)			(59,916)
Total Operating Reserves	**31,103**	**5,649**	**(22)**	-	**0.00%**	**(24)**
Capital Reserves						
Opening Balance	328,573	338,349	346,824			346,824
Transfer Funded Depreciation from Operating Reserves	53,284	55,756	54,923			59,916
Total Capital Reserves	**381,857**	**394,105**	**401,747**	-	**0.00%**	**406,740**

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE		FY BUD JUNE 2014
Roading							
Income							
General Rates	1,213,222	1,190,555	1,190,398	157	0.01%		1,298,616
Targeted Rates	10,340	9,944	9,944	0	0.00%		10,848
Subsidies and Grants	2,060,786	1,727,658	1,412,312	315,346	22.33%	1	1,540,704
Other Income	31,486	43,552	26,587	16,965	63.81%	2	29,004
Upgrade Contributions	11,717	-	-	-			-
Internal Interest Income	836	7,386	8,877	(1,491)	-16.80%		9,684
Vested Assets	-	-	-	-			114,516
Total Income	**3,328,388**	**2,979,095**	**2,648,118**	**330,977**	**12.50%**		**3,003,372**
Expenses							
Internal income	-	-	-	-			87,789
Employment Expenses	100,066	73,704	81,323	7,619	9.37%		88,716
Consultancy Expenses	13,808	62,088	87,125	25,037	28.74%	3	94,500
Administration Expenses	3,580	2,440	4,884	2,444	50.05%		5,328
Internal interest Expense	295	8,382	-	(8,382)			-
Roading	1,832,438	1,542,097	1,047,431	(494,666)	-47.23%	4	1,142,652
Depreciation	1,456,697	1,504,734	1,504,734	-	0.00%		1,641,528
Internal Charges	16,768	9,921	11,814	1,893	16.02%		100,680
Loss On Sale and Assets Written Off	(0)	-	-	-			-
Total Expenses	**3,423,651**	**3,203,366**	**2,737,311**	**(466,055)**	**-17.03%**		**3,161,193**
Operating Surplus/(Deficit)	**(95,264)**	**(224,270)**	**(89,193)**	**797,032**			**(157,821)**

Variance Analysis

1. Higher than anticipated Subsidy income is due to adverse weather events that occurred at the beginning of the year. $620,347 has been transferred to capital to fund capital works
2. This favourable variance has been created by the receipt of unbudgeted upgrade contributions ($17,576) for Manuka terrace roading
3. Lower than anticipated roading infrastructure revaluation fees ($12,861) and RAMM fees ($16,486) has created this favourable variance
4. Costs associated with weather events at the beginning of the year ($653,605) has contributed to this unfavourable variance. Details of Roading expenditure is highlighted on the following page.

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Roading						
25362804. Enviro Mtce - 2011/2012 June Snow Event	18,467	-	-	-		-
2546111. Sealed Pavement Mtce	163,214	155,110	155,837	727	0.47%	170,004
2546112. Unsealed Pavement Mtce	329,668	338,727	330,000	(8,727)	-2.64%	360,000
2546113. Routine Drainage Mtce	64,636	55,146	55,000	(146)	-0.27%	60,000
25461131. Drainage Mtce - St Cleaning	22,405	22,798	22,286	(512)	-2.30%	24,312
2546114. Structures Maintenance Bridges	32,399	27,677	55,000	27,323	49.68%	60,000
25461141. Structures Maintenance Cattlestops	25,440	3,483	22,000	18,517	84.17%	24,000
2546121. Environmental Mtce	121,148	126,912	129,932	3,020	2.32%	141,744
2546122. Traffic Services Mtce	44,498	29,179	64,163	34,984	54.52%	69,996
25461221. Street Lighting - Maintenanc	41,762	28,920	41,250	12,330	29.89%	45,000
25461222. Street Lighting - Electricit	44,217	37,559	65,032	27,473	42.25%	70,944
2546288. Emergency Reinstatement	847,890	653,605	-	(653,605)		-
2546301. Street Lights - Mtce - Trans	5,431	5,312	15,587	10,275	65.92%	17,004
2546302. Street Lights-Elect - Transi	11,141	8,375	11,000	2,625	23.86%	12,000
2546303. Drainage Mtce - St Cleaning Transit	21,414	21,149	20,757	(392)	-1.89%	22,644
2546304. Footpaths	26,032	27,704	32,087	4,383	13.66%	35,004
2546306. Alps2ocean	12,678	441	27,500	27,059	98.40%	30,000
Total Roading	**1,832,438**	**1,542,097**	**1,047,431**	**(494,666)**	**-47.23%**	**1,142,652**

Variance Analysis

Roading budget on maintenance is overspent by $494,666. This includes an unbudgeted spend on emergency reinstatement of $653,605. If this is excluded from actual spend it results in an underspend of $158,939.

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Operating Reserves						
Opening Balance	8,889	(26,773)	28,344			28,344
Operating Surplus/(Deficit)	(95,264)	(224,270)	(89,193)			(157,821)
Transfer - Capital Expenditure	(1,697,968)	(1,731,777)	(1,921,107)			(2,048,821)
Transfers between Reserves	-	-	-			(136,176)
Transfer Capital Expenditure to Capital Reserve	1,697,968	1,731,777	1,921,107			2,048,821
Add back Non Cash Items	1,456,697	1,504,734	1,504,734			1,641,528
Transfer Funded Depreciation to Capital Reserve	(684,937)	(708,006)	(708,004)			(772,368)
Transfer Vested Assets to Capital	-	-	-			(114,516)
Transfer NZTA Capital Subsidy	-	(620,347)	(757,273)			(826,116)
Total Operating Reserves	**685,385**	**(74,663)**	**(21,392)**	**-**	**0.00%**	**(337,125)**
Capital Reserves						
Opening Balance	968,757	1,031,049	(576,954)			(576,954)
Transfer Capital Expenditure from Operating Reserve	(1,697,968)	(1,731,777)	(1,921,107)			(2,048,821)
Transfer Funded Depreciation from Operating Reserves	684,937	708,006	708,004			772,368
Transfer - to/from Op Rsve	-	-	-			577,416
Transfer NZTA Capital Subsidy	-	620,347	757,273			826,116
Transfer - Fund for Capex from Operat Rsv	-	-	-			15,756
Total Capital Reserves	**(44,274)**	**627,625**	**(1,032,784)**	**-**	**0.00%**	**(319,603)**

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Capital Expenditure						
Roading Business Unit						
0868001. Computers	8,517	4,469	9,449	4,980	52.70%	10,308
0868999. Transfer to Assets	-	-	-	-		-
Total Roading Business unit	8,517	4,469	9,449	4,980		10,308
Roading						
2508183. Sealed Road Resurfacing	19,071	-	-	-		-
2518182. Minor Improvements	10,000	-	-	-		-
2528182. Minor Improvements	10,000	-	-	-		-
2548193. Vested Assets	-	-	-	-		114,516
2548211. Unsealed Road Metalling	491,887	372,083	425,000	52,917	12.45%	425,000
2548212. Sealed Road Resurfacing	668,099	589,528	520,000	(69,528)	-13.37%	520,000
2548213. Drainage Renewal	44,199	66,804	39,589	(27,215)	-68.74%	43,188
2548214. Sealed Road Pavement Rehabilitation	-	-	120,929	120,929	100.00%	120,929
2548215. Structures Component replacements bridges	4,281	4,239	14,377	10,138	70.52%	15,684
25482151. Structures Component replacements cattelstops	5,780	3,369	9,163	5,794	63.23%	9,996
2548222. Traffic Services Renewals	69,241	38,352	68,013	29,661	43.61%	74,196
2548231. Associated Improvements	-	-	4,587	4,587	100.00%	5,004
2548300. Footpath Minor Maintenance	3,375	-	-	-		-
2548310. Footpaths - Surfacing	68,261	228,645	60,000	(168,645)	-281.07%	60,000
2548341. Minor Improvements	175,021	80,838	290,000	209,162	72.12%	290,000
2548390. Streetscape Improvements	62,644	-	-	-		-
2548394. Cemetery carpark overflow	8,529	-	-	-		-
2548395. Sealing Past Houses	-	-	10,000	10,000	100.00%	10,000
2548396. Manuka Terrace	23,798	343,450	350,000	6,550	1.87%	350,000
2548999. Transfer to Assets	-	-	-	-		-
26381721. Lake Alexandrina Bridge Sealing Works Unsubsidised Roadi	25,265	-	-	-		-
2638999. Transfer to Assets	-	-	-	-		-
Total Roading	1,689,451	1,727,308	1,911,658	184,350		2,038,513
Total Capital Expenditure	**1,697,968**	**1,731,777**	**1,921,107**	**189,330**	**0.00%**	**2,048,821**

MACKENZIE DISTRICT COUNCIL
ACTIVITY REPORT
FOR THE PERIOD ENDED MAY 2014

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE		FY BUD JUNE 2014
Planning							
Income							
General Rates	217,514	144,066	144,067	(1)	0.00%		157,164
Other Income	89,648	92,581	86,790	5,791	6.67%		94,680
Reserve Contributions	129,799	155,355	36,663	118,692	323.74%	1	39,996
Internal Interest Income	8	13	22	(9)	-42.32%		24
Total Income	**436,969**	**392,015**	**267,542**	**124,473**	**46.52%**		**291,864**
Expenses							
Employment Expenses	172,549	251,056	275,836	24,780	8.98%	2	300,912
Consultancy Expenses	148,141	186,430	262,273	75,843	28.92%	3	286,116
Administration Expenses	11,836	7,441	21,637	14,196	65.61%	4	23,604
Operational and Maintenance	588	2,273	7,898	5,625	71.22%		8,616
Depreciation	132	151	154	3	2.16%		168
Internal Charges	3,539	6,851	4,477	(2,374)	-53.02%		4,884
Total Expenses	**336,784**	**454,202**	**572,275**	**118,073**	**20.63%**		**624,300**
Operating Surplus/(Deficit)	**100,185**	**(62,188)**	**(304,733)**	**6,400**			**(332,436)**

Variance Analysis

1. Higher than anticipated developer activity has created this favourable variance.
2. Lower than anticipated costs associated with District Plan review has resulted in this favourable variance
3. Lower than anticipated consultancy costs associated with PC13. Decisions have been released and it is expected that this cost will ramp up now to the end of the year.
4. Lower than anticipated insurance costs ($7,740) coupled with lower costs of publications ($4,281) has generated this favourable variance

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Operating Reserves						
Opening Balance	(842,037)	(942,738)	(943,744)			(943,744)
Operating Surplus/(Deficit)	100,185	(62,188)	(304,733)			(332,436)
Add back Non Cash Items	132	151	154			168
Transfer Funded Depreciation to Capital Reserve	(132)	(151)	(154)			(168)
Transfer to/from Land Subdivision Reserve	(129,799)	(155,355)	(36,663)			(39,996)
Total Operating Reserves	**(871,651)**	**(1,160,281)**	**(1,285,140)**	-	**0.00%**	**(1,316,176)**
Capital Reserves						
Opening Balance	316	473	474			474
Transfer Funded Depreciation from Operating Reserves	132	151	143			156
Total Capital Reserves	**448**	**624**	**617**	-	**0.00%**	**630**

MACKENZIE DISTRICT COUNCIL
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FOR THE PERIOD ENDED MAY 2014

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE		FY BUD JUNE 2014
Regulatory							
Income							
General Rates	66,033	86,325	86,328	(3)	0.00%		94,176
Targeted Rates	124,212	135,353	135,355	(2)	0.00%		147,660
Subsidies and Grants	4,000	-	-	-			-
Other Income	310,715	397,764	297,176	100,588	33.85%	1	324,192
Internal Interest Income	660	782	220	562	255.54%		240
Gain on Sale - Assets	-	20,986	-	20,986		2	-
Total Income	**505,620**	**641,210**	**519,079**	**122,131**	**23.53%**		**566,268**
Expenses							
Employment Expenses	140,202	198,383	200,530	2,147	1.07%	3	218,760
Consultancy Expenses	38,113	16,864	33,011	16,147	48.91%	4	36,012
Administration Expenses	74,571	42,753	81,532	38,779	47.56%	5	86,944
Operational and Maintenance	108,107	120,724	143,026	22,302	15.59%	6	148,088
Internal interest Expense	3,120	5,735	4,697	(1,038)	-22.09%		5,124
Depreciation	33,429	35,394	35,398	4	0.01%		38,616
Internal Charges	27,465	20,435	30,019	9,584	31.93%	7	32,748
Total Expenses	**425,007**	**440,288**	**528,213**	**87,925**	**16.65%**		**566,292**
Operating Surplus/(Deficit)	**80,613**	**200,922**	**(9,134)**	**34,207**			**(24)**

Variance Analysis

1. Higher than anticipated revenue from building Inspectorate ($103,576) has contributed to this favourable varaince
2. Sale of old fire appliance has generated this favourable variance
3. Lower than anticipated costs associated with Civil defence due to extended period of Annual leave offset by additional costs associated with higher Inspectorate costs.
4. BCA Consultancy expenses are below budget by $13,689 due to timing of spend compared to budget which has contributed to this variance.
5. Lower than anticipated insurance costs for the building activity ($30,488) and Rural fires ($5,306) which is due mainly to budgeting for an additional call from Riskpool that has not yet eventuated.
6. Lower than anticipated contractor costs for Dog Control ($19,723) is the main contributor to this favourable variance due to tapering of services provided by contractor in Twizel and renewal at a lower rate for replacement contractor
7. Lower than anticipated milage chargeouts for the period.

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Operating Reserves						
Opening Balance	-	-	-			-
Operating Surplus/(Deficit)	80,613	200,922	(9,134)			(24)
Transfer - Capital Expenditure	(20,000)	(66,463)	(78,617)			(85,764)
Transfer Capital Expenditure from Operating Reserve	-	-	(4,587)			(5,004)
Transfer Capital Expenditure to Capital Reserve	20,000	66,463	78,617			85,764
Add back Non Cash Items	33,429	35,394	35,398			38,616
Transfer Funded Depreciation to Capital Reserve	(33,429)	(35,394)	(35,398)			(38,616)
Total Operating Reserves	**80,613**	**200,922**	**(13,721)**	-	**0.00%**	**(5,028)**
Capital Reserves						
Opening Balance	(72,579)	(49,280)	(44,533)			(50,349)
Transfer Capital Expenditure from Operating Reserve	(20,000)	(66,463)	(78,617)			(85,764)
Transfer Funded Depreciation from Operating Reserves	33,429	35,394	35,398			38,616
Total Capital Reserves	**(59,150)**	**(80,348)**	**(87,752)**	-	**0.00%**	**(97,497)**

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Capital Expenditure						
Civil Defence						
0108925. Plant and Equipment	-	10,963	21,087	10,125	48.01%	23,004
Total Civil Defence	-	10,963	21,087	10,125		23,004
Animal Control						
0698925. Plant and Equipment	8,000	-	4,587	4,587	100.00%	5,004
Total Animal Control	8,000	-	4,587	4,587		5,004
Rural Fire						
0838925. Plant and Equipment	-	8,000	7,106	(894)	-12.58%	7,752
0838930. Vehicles	12,000	47,500	45,837	(1,663)	-3.63%	50,004
Total Rural Fire	12,000	55,500	52,943	(2,557)		57,756
Total Capital Expenditure	**20,000**	**66,463**	**78,617**	**12,155**	**0.00%**	**85,764**

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE		FY BUD JUNE 2014
Solid Waste							
Income							
General Rates	500,665	168,014	168,014	-	0.00%		183,288
Targeted Rates	12,487	395,992	395,780	212	0.05%		431,760
Other Income	119,909	130,600	92,349	38,251	41.42%	1	103,108
Internal Interest Income	72	-	(1,276)	1,276	-100.00%		(1,392)
Gain on Sale - Assets	826	-	-	-			-
Total Income	**633,959**	**694,606**	**654,867**	**39,739**	**6.07%**		**716,764**
Expenses							
Employment Expenses	25,934	21,018	17,204	(3,814)	-22.17%	2	18,768
Consultancy Expenses	3,910	11,869	17,193	5,324	30.96%		18,756
Administration Expenses	10,264	8,458	5,434	(3,024)	-55.65%		5,852
Operational and Maintenance	533,703	632,632	591,978	(40,654)	-6.87%	3	644,717
Internal interest Expense	-	15,925	-	(15,925)			-
Depreciation	6,171	18,416	18,414	(2)	-0.01%		20,088
Internal Charges	1,968	3,441	9,691	6,250	64.50%	4	10,572
Total Expenses	**581,949**	**711,759**	**659,914**	**(51,845)**	**-7.86%**		**718,753**
Operating Surplus/(Deficit)	**52,010**	**(17,152)**	**(5,047)**	**91,584**			**(1,989)**

Variance Analysis

1. Higher than anticipated gate fees has created this favourable variance.
2. Higher than anticipated costs associated with waste management due to change in cost allocations to reflect work undertaken
3. Operational and Maintenance costs are higher than budget due to higher than anticipated costs associated with solid waste disposal. These costs have been offset somewhat by the increase in gate fees mentioned above.
4. Lower than anticipated milage charges

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Operating Reserves						
Opening Balance	(388,647)	(393,312)	(303,468)			(331,056)
Operating Surplus/(Deficit)	52,010	(17,152)	(5,047)			(1,989)
Add back Non Cash Items	6,171	18,416	18,414			20,088
Transfer Funded Depreciation to Capital Reserve	(6,171)	(18,416)	(18,414)			(20,088)
Total Operating Reserves	**(336,637)**	**(410,464)**	**(308,515)**	-	**0.00%**	**(333,045)**
Capital Reserves						
Opening Balance	(481,932)	(464,156)	(6,899)			(6,899)
Transfer Funded Depreciation from Operating Reserves	6,171	18,416	18,414			20,088
Total Capital Reserves	**(475,761)**	**(445,739)**	**11,515**	-	**0.00%**	**13,189**

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE		FY BUD JUNE 2014
Community Facilities							
Income							
General Rates	248,930	258,078	257,895	183	0.07%		281,340
Subsidies and Grants	757	435	605	(170)	-28.14%		660
Other Income	91,195	106,367	104,830	1,537	1.47%		114,360
Internal Interest Income	1,999	2,349	3,938	(1,589)	-40.34%		4,296
Total Income	**342,880**	**367,229**	**367,268**	**(39)**	**-0.01%**		**400,656**
Expenses							
Consultancy Expenses	-	5,079	-	(5,079)		1	-
Administration Expenses	24,494	25,808	26,752	944	3.53%		29,184
Operational and Maintenance	295,152	322,374	320,364	(2,010)	-0.63%		349,488
Internal interest Expense	-	998	8,492	7,494	88.25%	2	9,264
Depreciation	46,310	45,998	46,002	4	0.01%		50,184
Total Expenses	**365,956**	**400,256**	**401,610**	**1,354**	**0.34%**		**438,120**
Operating Surplus/(Deficit)	**(23,076)**	**(33,027)**	**(34,342)**	**(1,393)**			**(37,464)**

Variance Analysis

1. Unbudgeted Legal fees associated with the Twizel medical facilities and The Mackenzie Medical Trust has created this unfavourable variance
2. Lower than anticipated capital reserve balances has resulted in lower than anticipated interest costs.

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FOR THE PERIOD ENDED MAY 2014

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Operating Reserves						
Opening Balance	61	-	-			-
Operating Surplus/(Deficit)	(23,076)	(33,027)	(34,342)			(37,464)
Transfer - Capital Expenditure	-	(57,524)	(275,528)			(300,576)
Transfer Capital Expenditure to Capital Reserve	-	57,524	275,528			300,576
Add back Non Cash Items	46,310	45,998	46,002			50,184
Transfer Funded Depreciation to Capital Reserve	(10,274)	(15,319)	(15,323)			(16,716)
Total Operating Reserves	**13,021**	**(2,348)**	**(3,663)**	-	**0.00%**	**(3,996)**
Capital Reserves						
Opening Balance	90,813	102,491	85,886			85,886
Transfer Capital Expenditure from Operating Reserve	-	(57,524)	(275,528)			(300,576)
Transfer Funded Depreciation from Operating Reserves	10,274	15,319	15,323			16,716
Total Capital Reserves	**101,087**	**60,285**	**(174,319)**	-	**0.00%**	**(197,974)**

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Capex						
Twizel Toilet						
Capital Expenditure	-	57,524	275,528	218,004	79.12%	300,576
Total Twizel Toilet	**-**	**57,524**	**275,528**	**218,004**	**79.12%**	**300,576**

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE		FY BUD JUNE 2014
Recreational Facilities							
Income							
General Rates	105,679	108,474	109,670	(1,196)	-1.09%		119,640
Targeted Rates	1,056,629	1,005,250	1,005,015	235	0.02%		1,096,380
Subsidies and Grants	17,291	17,048	19,008	(1,960)	-10.31%		20,736
Other Income	81,651	178,340	171,908	6,432	3.74%	1	187,536
Internal Interest Income	9,915	2,344	10,824	(8,480)	-78.35%		11,808
Total Income	**1,271,164**	**1,311,456**	**1,316,425**	**(4,969)**	**-0.38%**		**1,436,100**
Expenses							
Employment Expenses	98,776	81,535	71,709	(9,826)	-13.70%	2	78,228
Administration Expenses	218,882	239,041	234,916	(4,125)	-1.76%		256,272
Operational and Maintenance	714,298	749,859	820,457	70,598	8.60%	3	895,044
Internal interest Expense	33,514	30,556	34,320	3,764	10.97%		37,440
Depreciation	197,329	206,783	206,789	6	0.00%		225,588
Internal Charges	308	1,463	-	(1,463)			-
Total Expenses	**1,263,106**	**1,309,237**	**1,368,191**	**58,954**	**4.31%**		**1,492,572**
Operating Surplus/(Deficit)	**8,059**	**2,219**	**(51,766)**	**(63,923)**			**(56,472)**

Variance Analysis

1. Higher than anticipated revenue from Tekapo Hall hire ($6,865) along with higher than anticipated revenue from Fairlie Pool ($4,730) have contributed to this favourable variance
2. Employment costs for the 2 pools is above budget due to the timing of the budget. There will be a cost overrun of $3,074 for the year due to under-budgeting the pool labour costs
3. Lower than anticipated expenditure on township projects has created this favourable variance.

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Operating Reserves						
Opening Balance	730,929	668,683	71,480			78,721
Operating Surplus/(Deficit)	8,059	2,219	(51,766)			(56,472)
Transfer - Capital Expenditure	(428,601)	(148,757)	(83,413)			(90,996)
Transfers between Reserves	-	-	-			(93,000)
Transfer Capital Expenditure to Capital Reserve	428,601	148,757	83,413			90,996
Add back Non Cash Items	197,329	206,783	206,789			225,588
Transfer Funded Depreciation to Capital Reserve	(35,178)	(58,578)	(48,378)			(52,776)
Total Operating Reserves	**901,138**	**819,107**	**178,125**	-	**0.00%**	**102,061**
Capital Reserves						
Opening Balance	(502,484)	(690,943)	(1,015,251)			(1,015,251)
Transfer Capital Expenditure from Operating Reserve	(428,601)	(148,757)	(83,413)			(90,996)
Transfer Funded Depreciation from Operating Reserves	35,178	58,578	48,378			52,776
Transfer - to/from Op Rsve	-	-	-			91,092
Transfer from Operating Reserve	-	-	-			300
Total Capital Reserves	**(895,907)**	**(781,122)**	**(1,050,286)**	-	**0.00%**	**(962,079)**

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Capital Expenditure						
Fairlie Township						
0528965. Comm Asset - Public Amenities	-	-	27,500	27,500	100.00% ✓	30,000
0528977. Playground Upgrade	5,256	-	-	-		-
0528999. Transfer to Assets	-	-	-	-		-
Total Fairlie Township	5,256	-	27,500	27,500		30,000
Tekapo Township						
0548961. Development Plan Projects	-	87,807	-	(87,807)		-
Total Tekapo township	-	87,807	-	(87,807)		-
Twizel Township						
0558516. Implement of Development Plan	71,468	-	-	-		-
Total Twizel Township	71,468	-	-	-		-
Twizel Reserves						
1068192. Other Projects	-	6,271	36,663	30,392	82.90% ✓	39,996
Total Twizel Reserves	-	6,271	36,663	30,392		39,996
Tekapo Hall						
1248917. Aorangi Cres Upgrade	252,684	5,066	-	(5,066)		-
1248940. Furniture & Fittings - Other	-	20,444	13,750	(6,694)	-48.68% ✗	15,000
1248950. Community Assets - Buildings	(0)	19,663	-	(19,663)		-
1248978. Resurfacing Tennis Court	97,177	-	-	-		-
Total Tekapo Hall	349,861	45,173	13,750	(31,423)		15,000

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Strathconan Pool						
1408215. Plant	-	4,753	2,750	(2,003)	-72.82%	3,000
1408925. Plant and Equipment	2,016	-	-	-		-
Total Strathconan Pool	2,016	4,753	2,750	(2,003)		3,000
Twizel Pool						
1428215. Plant	-	4,753	2,750	(2,003)	-72.82%	3,000
Total Twizel Pool	-	4,753	2,750	(2,003)		3,000
Total Capital Expenditure	**428,601**	**148,757**	**83,413**	**(65,344)**	**0.00%**	**90,996**

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	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE		FY BUD JUNE 2014
Commercial Activities							
Income							
General Rates	(992,950)	135,015	142,175	(7,160)	-5.04%		155,100
Targeted Rates	97,821	109,901	109,901	-	0.00%		119,892
Investment Income	773,318	740,642	884,587	(143,945)	-16.27%		965,004
Other Income	180,536	561,833	79,750	482,083	604.49%	1	87,000
Other Gains and Losses	(5,223)	180,115	994,000	(813,885)	-81.88%	2	994,000
Internal Income	-	-	(919,809)	919,809	-100.00%		(1,003,428)
Internal interest Income	109,236	154,812	163,449	(8,637)	-5.28%		178,308
Total Income	**162,738**	**1,882,317**	**1,454,053**	**428,264**	**29.45%**		**1,495,876**
Expenses							
Employment Expenses	1,538	55,955	-	(55,955)		3	-
Members Expenses	17,554	23,837	23,837	-	0.00%		26,004
Consultancy Expenses	149,051	84,952	144,826	59,874	41.34%	4	151,742
Administration Expenses	61,556	67,126	101,607	34,481	33.94%		110,844
Operational and Maintenance	235,303	294,292	330,319	36,027	10.91%		360,348
Internal Interest Expense	88,203	117,073	125,730	8,657	6.89%		137,160
Depreciation	48,576	46,139	47,509	1,370	2.88%		51,828
Total Expenses	**601,781**	**689,374**	**773,828**	**84,454**	**10.91%**		**837,926**
Operating Surplus/(Deficit)	**(439,043)**	**1,192,943**	**680,225**	**343,810**			**657,950**

Variance Analysis

1. Includes $183,345 of unbudgetd forestry sales due to wind damage earlier in the year requiring forestry stands to be harvested. Also includes higher than anticipated rental returns with the inclusion of the Pukaki visitors centre building.
2. Budgeted to have sold land at the Tekapo lake front
3. Costs associated with the provision of Information services not budgeted as activity was taken over after budgets were completed
4. Consultancy costs are lower than anticipated due to lower than expected legal costs associated with the Tekapo development.

MACKENZIE DISTRICT COUNCIL
ACTIVITY REPORT
FOR THE PERIOD ENDED MAY 2014

11

	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Operating Reserves						
Opening Balance	(582,890)	(221,186)	(9,075)			(9,900)
Operating Surplus/(Deficit)	(439,043)	1,192,943	680,225			657,950
Transfer - Capital Expenditure	-	(115,986)	-			-
Transfers between Reserves	155,499	22,921	(671,836)			(732,912)
Appropriation Interest	(21,367)	(2,068)	(8,701)			(9,492)
Transfer Capex to Ratepayers Equity	-	-	-			-
Transfer Capital Expenditure to Capital Reserve	-	-	-			-
Add back Non Cash Items	48,576	47,078	47,520			51,840
Transfer Funded Depreciation to Capital Reserve	-	-	-			-
Transfer Vested Assets to Capital	-	-	-			-
Transfer Interest to Capital Reserve	-	-	-			-
Revaluation	-	-	-			-
Transfer between Reserves	-	-	-			-
Operating Reserves	-	-	-			-
GST on Land Sale	-	(22,921)	-			-
Total Operating Reserves	**(839,225)**	**900,781**	**38,133**	-	**0.00%**	**(42,514)**
Capital Reserves						
Opening Balance	(292,946)	151,233	73,048			63,217
Transfer Capital Expenditure from Operating Reserve	-	-	-			-
Transfer - Interest Earned	-	-	-			-
Transfer Funded Depreciation from Operating Reserves	-	-	-			-
Transfer Vested Assets to Capital	-	-	-			-
Transfer - from Operating Rerserve	-	-	(80,850)			(88,200)
Transfer - from Operating Reserve	-	-	-			-
Transfer - to/from Op Rsve	-	-	-			-
Transfer from Operating reserves	(155,499)	(22,921)	(33,066)			(36,072)
Transfer - form Real Estate	-	-	-			-
Total Capital Reserves	**(448,445)**	**128,312**	**(40,868)**	-	**0.00%**	**(61,055)**

MACKENZIE DISTRICT COUNCIL
ACTIVITY REPORT
FOR THE PERIOD ENDED MAY 2014

11

	LYTD ACT. MAY 2013	YTD ACT. MAY 2014	YTD BUD MAY 2014	VARIANCE	% VARIANCE	FY BUD JUNE 2014
Capex						
Tekapo Development	(6,738)	226,543	-			-
Total Capex	**(6,738)**	**226,543**	**-**	**-**		**-**

MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE

SUBJECT: ALPINE ENERGY LTD ANNUAL REPORT 31 MARCH 2014

MEETING DATE: 24 JULY 2014

REF: FIN 9/3/3

FROM: MANAGER FINANCE & ADMINISTRATION

ENDORSED BY: CHIEF EXECUTIVE OFFICER

PURPOSE OF REPORT:
To brief Council on the results for Alpine Energy Ltd full year to 31 March 2014.

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 2014.

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

RESULTS OVERVIEW:
The network delivered 752Gwh against 750Gwh for the same period last year.

Annual capex totalled $21.18million compared with budget of $22.21million.

Maintenance expenditure totalled $7.3million compared to a budget of $5.35million with the increase largely attributable to responses to the severe weather events throughout the year.

AEL had one serious harm incident that impacted on the organisation impeccable Health & Safety record.

Earnings from operation after tax were $11.33million which was 3.8% higher than the previous year of $10.90million.

Comprehensive income was $12.02million compared to $10.76million in 2013.

Group revenue was $53.59million, higher than the budgeted $50.67million.

Group expenses were $38.16million compared to a budget of $34.65million. This was higher than budget due to the additional costs associated with the storm events and also as a result of AEL subsidiary, NETcon winning an international project that was not budgeted for.

Pre-tax surplus was lower than budget due mainly to accelerated write-off of old metering assets of $0.43million and storm related costs of $1.0million plus.

Network reliability was materially impacted during the year by severe weather events.

The total SAIDI (System Average Interruption Duration Index) for the year was 865 minutes. By way of comparison SAIDI for 2013 was 148 minutes and 2012 was 162 minutes.

The total SAIFI (System Average Interruption Frequency Index) was 2.22 interruptions while AEL's allowable limit is 1.69.

Interim dividends of 3.66 cents per share were paid in September and December 2013 and March 2014. A final fully imputed dividend will be paid on 31 July 2014.

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

ALPINE ENERGY LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2014

ALPINE ENERGY LIMITED

MISSION STATEMENT

To ensure continuing commercial success by:

- Providing safe, reliable and efficient energy delivery and infrastructure services

Our Values

We will:-

- put health and safety first
- act environmentally responsibly
- show respect, integrity, and honesty, to build trust
- strive for professional excellence
- contribute positively to the community

Alpine Staff participating in the Relay for Life

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

2013 Snow storm

OVERVIEW

Overall, Alpine Energy Limited (Alpine) had a better than expected year. In contrast to 2012/13, energy delivered across the distribution network during the 2013/14 year was marginally higher despite the numerous severe weather events impacting on supply of electricity to consumers.

The volume of energy delivered over Alpine's distribution network was 752GWH which against the 2012/13 volume of 750GWH was 0.2% higher.

Network capital expenditure (capex) projects were interrupted several times during the year due to severe weather events; however completion of high priority capex projects consolidated another year of solid engineering and construction performance.

In addition, customer initiated work progressed well, the largest of which was the new 110kV transmission line, and associated substation equipment, constructed between Alpine's Bells Pond substation and Oceania Dairies new milk processing plant north of Glenavy.

Including committed funds annual capex totalled $21.18million by 31 March 2014 against a planned budget of $22.21million.

Maintenance expenditure (opex) ended the year at $7.30million against a budget of $5.35million. The difference was mostly attributable to costs associated with responding to the severe weather events throughout the year.

On the Health and Safety front we were challenged during the year having to respond to a serious harm incident which left an approved contractor hospitalised for a period of time after he made contact with a live 11kV distribution line.

This incident tore at the heart of what is central to our operations and despite the exceptional response to the incident, particularly from the injured workers colleagues on the day who administered first aid and called for help, it's an incident no one wants to have to face.

WorkSafe NZ investigated the incident and concluded that there were no grounds for prosecution to any party involved. They did however indicate their interest in working with us to ensure remedial actions identified were put in place.

New distribution line to the Oceania Dairy Factory

The bedding in of Alpine's new regulatory team has resulted in significantly enhanced efficiencies, particularly around our ability to digest, contextualise, and respond in a more meaningful manner to the ever increasing emphasis on regulatory governance.

Another area of enhancement has been in improvement in Company processes and systems, and alternately information. The Company's investment in advanced metering, new Geographic Information System (GIS), new Supervisory Control And Data Acquisition (SCADA) system, and implementation of a new interface for outage management (Avalanche), while in their infancy will over time improve the overall effectiveness and efficiency of Alpine. On the horizon for 2014/15 is the next high priority business tool, that of a new 'asset management system'.

HEALTH AND SAFETY

Board and management are embracing the Government's continued push in health and safety and have spent 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.

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 and shareholders have reciprocated in kind.

Core to our communication is monthly reporting on underlying business performance as well as regular catch-ups throughout the year to discuss and table views on the direction of Alpine.

The Board greatly appreciated the opportunity of regular catch-ups and feedback from shareholders and hope that shareholders found them equally beneficial.

FINANCIAL PERFORMANCE

Cooney Road Substation

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.

Earnings from operations after tax at $11.33million was 3.8% higher than the level achieved in the previous year ($10.90million).

Comprehensive income was favourable at $12.02million against last year's result of $10.76 million. Movement in retained earnings and Company valuation continue to accrue satisfactorily.

Group revenues of $53.59million were higher against a budget of $50.67million. Group expenses at $38.16million against a budget of $34.65million were also high, mostly as a result of the additional costs associated with storm damage and also 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.

Pre-tax surplus was lower than budget due mostly to an accelerated write off of old metering assets which accounted for an additional $0.43million of depreciation, and storm related costs well in excess of $1million.

NETWORK OPERATIONS

Major capital works on network infrastructure accounted for expenditure of $21.18million during the year and included:

$8.4million associated with Oceania Dairies milk processing factory
$2.6million in new subdivisions and extensions, and transformers
$1.5million on line and pole upgrades
$1.5million on mobile 33/11kV substation
$1.4million on backup generation units
$5.7million in numerous smaller projects and 2012/13 carryover capex

Of particular mention was the completion of the new 110kV transmission line which is Alpine's first asset at this high voltage level; and the purchasing of a mobile substation and backup diesel generators.

Major network capital for 2014/15 is budgeted at $16.72million and maintenance is budgeted at $5.35million.

RELIABILITY AND PERFORMANCE

Our reliability was materially impacted this year by severe weather events. When the SAIDI minutes from these events are combined with SAIDI minutes accrued for other unplanned events and planned work we ended the year with a SAIDI figure of 865 minutes.

While this result is well in excess of performance during recent years, that being 148 SAIDI minutes during 2012/13 and 162 SAIDI minutes in 2011/12, 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.
At 2.22 interruptions SAIFI was higher than our allowable limit (at 1.69 interruptions); again this result is mostly due to the impact of severe weather events throughout the year.

NETCON LIMITED

NETcon, a 100% wholly owned subsidiary of Alpine, provides the backbone of contracted field services for Alpine. Engagement with Alpine has historically been through a service level agreement between the two


September storm damage

companies, however this will be enhanced as the two companies move to an Alliancing Agreement approach to engagement during FY15.

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

NETcon's subsidiary NETcon International was successful in winning a contract from the Ministry of Foreign Affairs and Trade (MFAT) for an Off-Grid solar array generation scheme in Rarotonga (work to commence during 2014). This is the second major contract NETcon have won through MFAT. The first was an Off-Grid solar array generation scheme for the Afghanistan township of Bamyan which was awarded in 2013. This project is a major undertaking and NETcon expects to successfully complete the project during 2014.

The company was also successful at tendering and winning electricity distribution services and provision of network material supplies to the small pacific nation of Nauru.

Leading the exciting growth stage of NETcon is newly appointed CEO Murray Wall who took up the challenge from December 2013.

The results of NETcon are consolidated into the Group for the twelve month period ending 31 March 2014.

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

CORE INFRASTRUCTURE

In March 2014 the company re-released its Asset Management Plan (AMP) as a continuation of the AMPs released 2010 through 2013. This is a key document to Alpine and is arguably the most referred to source of information throughout the year. Not only is it used for regulatory purposes but is also cornerstone to the strategic and operational emphasis Alpine has identified looking forward.

The AMP identifies areas of significant network investment, with $107.1million forecast over the next 10 years in network capital expenditure (capex) and $49.7million in network operational expenditure.

The level of peak network infrastructure capex, referred to as the 'wall of wire' effect, is likely to be repeated approximately every 50 to 60 years.

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, particularly solar. During the previous financial year Alpine commissioned a trial solar site on the roof of its Tekapo substation. To date this site has produced 7.6MWh which at first glance might sound impressive. However, daily data shows huge volatility in its output, particularly when the sun is shielded by clouds or adverse atmospheric conditions. During the hours of low sun light and darkness production reduces to zero.

We intend to continue gathering data from the site and monitor its performance over 2014/15.

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 Alister France to the Board who was successfully re-appointed by Alpine shareholder, LineTrust South Canterbury.

IN CONCLUSION

The Company responded well to the challenges during 2013/14, not the least of which was the unprecedented level of severe weather events.

Alpine is well prepared for continuation of reinforcing and strengthening its core network infrastructure and responding to the needs of current and future generations of South Canterbury consumers.

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.

Mr S.R. Thompson Chairman	Mr A.G. Tombs Chief Executive Officer

TREND STATEMENT FOR THE GROUP

	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000
FINANCIAL PERFORMANCE					
Operating Revenue	53,590	46,035	39,555	38,521	38,091
Associate Entities' Earnings	(37)	124	138	128	14
Operating Surplus before Tax	15,396	15,424	12,847	13,119	14,288
Taxation	(4,071)	(4,518)	(3,496)	(4,118)	(3,997)
Net Surplus	11,325	10,906	9,351	9,001	10,291
Shareholder Distribution	7,563	7,563	7,563	7,815	7,794
FINANCIAL POSITION					
Current Assets	6,306	3,827	3,500	3,515	6,376
Non-Current Assets	183,092	161,272	152,480	134,037	119,956
Total Assets	189,398	165,099	155,980	137,552	126,332
Liabilities	73,307	53,466	47,543	31,058	20,873
Net Assets	116,092	111,633	108,437	106,494	105,459
Share Capital	41,328	41,328	41,328	41,328	41,328
Retained Earnings	74,764	70,305	67,109	65,166	64,131
Equity	116,092	111,633	108,437	106,494	105,459
FINANCIAL RATIOS					
Net Surplus to Average Shareholders Equity	9.9%	9.9%	8.7%	8.5%	10.0%
Tangible Assets per Share	$4.58	$3.99	$3.79	$3.33	$3.06
Earnings per Share (cents)	27.4	26.4	22.6	21.8	24.9
Dividend per Share (cents)	18.3	18.3	18.3	18.9	18.9
STATISTICS					
SAIDI (System Average Interruption Duration Index)	275	148	162	226	332
SAIFI (System Average Interruption Frequency Index)	2.00	1.30	1.26	1.71	2.18

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 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 $53.59 million was achieved for the year, 16.4% greater than the previous year.

The Group Operating Surplus before tax for the year is $15.396 million, 0.2% less 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 2014

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Operating Surplus Before Tax	15,396	15,424	16,027	15,317
Income Tax	(4,071)	(4,518)	(4,011)	(4,412)
Net Surplus after Income Tax attributable to the Shareholders	**11,325**	**10,906**	**12,016**	**10,905**

SHARE CAPITAL

Total issued and paid up capital as at the 31st March 2014 was 41,328,017 Ordinary Fully Paid Shares. There have been no movements in share capital during the year.

DIVIDENDS

Interim dividends, each of 3.66 cents per share, were paid in September and December 2013 and March 2014.

A fully imputed final dividend of $3.025 million will be paid on 31st July 2014 to all shareholders on the company's register at the close of business on the 21st July 2014. This dividend is included in the dividends for the year of $7.6 million, and has been provided for.

Solvency certificates were completed in support of the interim dividend declarations on 26th September and 28th November 2013 and 27th March 2014, and the final dividend solvency certificate will be submitted to Directors for approval on the 21st July 2014.

The interim and final dividends relating to 2013/14 represent 120.6% of the Profit from Operations 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 2014 represents 9.9% return on average total shareholders equity.

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

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
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	Subsidiaries	Associates
Mr S. R. Thompson (Chairman)	Mr S. R. Thompson (Chairman)	Mr R. D. Ramsay
Mr R. D. Ramsay	Mr R. D. Ramsay	Mr A. J. France
Mr W.A. Larsen	Mr W. A. Larsen	Mr A.G. Tombs
Mr A. J. France	Mr A. J. France	Mr M.F. Boorer
Mr W. J. Bell	Mr W. J. Bell	
	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	Abbey Field Construction Ltd	Shareholder
	Andgra Limited	Shareholder
	Aspiring Guides Ltd	Shareholder
	Best View Limited	Director
	Cairnmuir Road Winery Ltd	Director
	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
	Integrated Contract Solutions Ltd	Director
	McKenzie Architects Limited	Shareholder
	Millenium Solutions Ltd	Director
	Minaret Resources Ltd	Director
	NetCon Limited	Chairman
	NetCon International Limited	Chairman
	OB Horn Company Ltd	Shareholder
	Prospectus Nominees	Director
	Prospectus Nominees Services Ltd	Director
	Richard E. Shackleton Architects Ltd	Shareholder
	Southern Aluminium Joinery Ltd	Director
	Timaru Electricity Ltd	Chairman
	Thompson Bloodstock Ltd	Chairman
	Wanaka Bay Ltd	Director
	Westminster Resources Ltd	Director
	Whitestone Contracting Limited	Director
Mr R. D. Ramsay	Energy Mad Ltd	Chairman
	NetCon Limited	Director
	NetCon International Limited	Director

DIRECTORS' REPORT CONTINUED

Name	Name of Company/Entity	Interest
Mr R. D. Ramsay (continued)		
	Pukaki Airport Board	Member
	Rockgas Timaru Ltd	Director
	Salmon Smolt New Zealand Ltd	Director
Mr A. J. France	Geraldine Bus Services Trust	Chairman
	Geraldine Licensing Trust	Trustee
	Holbrook Trust	Trustee
	NetCon Limited	Director
	NetCon International Limited	Director
	The Juicy Tree Co Ltd	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
	Zespri Remuneration Committee	Director/Member
Mr W. J. Bell	Bilderford Holdings Ltd	Director
	C.H.C. Properties Ltd	Director
	Golf Links Holdings Ltd	Director
	Hallenstein Glasson Group of Companies	Chairman
	Meadow Mushrooms Group of Companies	Director
	NetCon Limited	Director
	Ryman Healthcare	Director
	Sabina Ltd	Director
	Selwyn District – Rolleston Industrial Park Committee	Member
	St Georges Hospital	Chairman
	Warren Bell Ltd	Director
Mr A. G. Tombs	Smart Co	Director
Mr M. F. Boorer	Rockgas Timaru Ltd	Alternative Director
	Timaru Electricity Ltd	Director
	On Metering Ltd	Director
	Smart Co	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 21 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.

DONATIONS

Donations paid during the year totalled $13,680 (2012/2013 $54,764).

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	Associates	Total
S.R. Thompson	80,000	-	-	80,000
R.D. Ramsay	42,000	-	1,500	43,500
W.A. Larsen	46,200	-	-	46,200
A.J. France	42,000	-	1,500	43,500
W.J. Bell	42,000	-	-	42,000
	252,200	**-**	**3,000**	**255,200**

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	6
$110,000-$119,999	8
$120,000-$129,999	9
$130,000-$139,999	5
$140,000-$149,999	2
$150,000-$159,999	4
$160,000-$169,999	1
$180,000-$189,999	2
$190,000- $199.999	1
$250,000-$259,999	1
$270,000-$279,999	1
$310,000-$319,999	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 2013/14 is $97,877 (2012/13 $103,090).

Mr S. R. Thompson
Chairman
29 May 2014

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 2014 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 1993.

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 2014.

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 2014

		GROUP		PARENT	
	NOTE	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenue	4	53,590	46,035	51,304	45,896
Expenses	5				
Transmission		11,871	10,765	11,871	10,765
Depreciation Amoritisation and Loss on Disposal		6,041	5,478	5,491	4,930
Contract Services		6,853	4,714	7,719	6,134
Employee Benefits		9,648	8,000	4,976	4,520
Interest		1,403	1,046	1,403	1,046
Other		2,341	732	3,818	3,184
		38,157	30,735	35,277	30,579
Operating Surplus From Continuing Activities		15,433	15,300	16,027	15,317
Share of Profit/(Loss) from Joint Ventures		(37)	124	-	-
PROFIT BEFORE INCOME TAX		15,396	15,424	16,027	15,317
Taxation	6	4,071	4,518	4,011	4,412
PROFIT FROM OPERATIONS		11,325	10,906	12,016	10,905
OTHER COMPREHENSIVE INCOME FOR THE YEAR					
Items that will not be reclassified to profit or loss					
Gain/(Loss) on Revaluation of Land And Buildings		437	156	-	-
		437	156	-	-
Items that may be subsequently reclassified to profit or loss					
Gain/(Loss) on Interest Rate Swap		259	(303)	259	(303)
		259	(303)	259	(303)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		12,021	10,759	12,275	10,602

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2014

	CONTRIBUTED EQUITY $'000	OTHER RESERVES $'000	HEDGE RESERVE $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
PARENT					
Balance as at 1 April 2012	41,328	-	106	66,532	107,966
Comprehensive Income					
Profit from Operations	-	-	-	10,905	10,905
Other Comprehensive Income	-	-	(303)	-	(303)
	-	-	(303)	10,905	10,602
Transactions with Owners					
Dividends	-	-	-	(7,563)	(7,563)
Balance as at 31 March 2013	**41,328**	**-**	**(197)**	**69,874**	**111,005**
Balance as at 1 April 2013	41,328	-	(197)	69,874	111,005
Comprehensive Income					
Profit from Operations	-	-	-	12,016	12,016
Other Comprehensive Income	-	-	259	-	259
	-	-	259	-	259
Transactions with Owners					
Dividends	-	-	-	(7,563)	(7,563)
Balance as at 31 March2014	**41,328**	**-**	**62**	**74,328**	**115,718**
GROUP					
Balance as at 1 April 2012	41,328	1,702	106	65,301	108,437
Comprehensive Income					
Profit from Operations	-	-	-	10,906	10,906
Other Comprehensive Income	-	156	(303)	-	(147)
	-	156	(303)	10,906	10,759
Transactions with Owners					
Dividends	-	-	-	(7,563)	(7,563)
Balance as at 31 March 2013	**41,328**	**1,858**	**(197)**	**68,644**	**111,633**
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	-	12,021
Transactions with Owners					
Dividends	-	-	-	(7,563)	(7,563)
Balance at 31 March 2014	**41,328**	**2,295**	**62**	**72,408**	**116,092**

BALANCE SHEETS AS AT 31 MARCH 2014

	NOTE	GROUP 2014 $'000	GROUP 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
EQUITY					
Share Capital	7	41,328	41,328	41,328	41,328
Reserves		2,356	1,661	62	(197)
Retained Earnings		72,408	68,644	74,328	69,874
TOTAL SHAREHOLDERS EQUITY		**116,092**	**111,633**	**115,718**	**111,005**
CURRENT ASSETS					
Cash and Cash Equivalents		655	111	540	-
Trade and Other Receivables	8	4,598	2,621	2,559	1,917
Inventories		948	825	-	-
Work In Progress		105	270	-	-
Tax Prepaid		587	-	682	-
TOTAL CURRENT ASSETS		**6,893**	**3,827**	**3,780**	**1,917**
CURRENT LIABILITIES					
Bank Overdraft		-	-	-	3
Trade and Other Payables	9	6,669	6,421	7,461	7,191
Employee Entitlements		1,338	1,281	533	461
Dividends Payable		3,025	3,025	3,025	3,025
Tax Payable		-	769	-	607
TOTAL CURRENT LIABILITIES		**11,032**	**11,496**	**11,018**	**11,287**
NET WORKING CAPITAL		**(4,139)**	**(7,669)**	**(7,238)**	**(9,370)**
NON CURRENT ASSETS					
Investments in Subsidiary	11	-	-	30	30
Investments Accounted for Using the Equity Method	12	56	292	5	5
Property, Plant and Equipment	13	180,337	160,756	173,761	154,558
Investment Property	14	-	-	6,030	5,330
Intangible Assets	15	192	224	157	176
Related Party Loan	10	2,507	-	6,593	2,644
TOTAL NON-CURRENT ASSETS		**183,092**	**161,272**	**186,576**	**162,743**
NON-CURRENT LIABILITIES					
Net Deferred Tax	6	18,595	16,709	19,353	17,108
Interest Rate Swap	19	(62)	197	(62)	197
Loans	16	44,329	25,064	44,329	25,064
TOTAL NON-CURRENT LIABILITIES		**62,862**	**41,970**	**63,620**	**42,369**
NET ASSETS		**116,092**	**111,633**	**115,718**	**111,005**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2014

	NOTES	GROUP 2014 $'000	GROUP 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		52,030	45,076	50,371	45,650
Interest Received		4	25	174	174
		52,034	**45,101**	**50,545**	**45,824**
Cash was applied to:					
Payments to suppliers		(30,816)	(20,994)	(28,094)	(20,956)
Income Tax Paid		(3,289)	(2,300)	(3,054)	(2,159)
Net GST Paid		(226)	349	(32)	(47)
Interest Paid		(1,403)	(1,046)	(1,403)	(1,046)
		(35,734)	(23,991)	(32,583)	(24,208)
NET CASH FLOWS FROM OPERATING ACTIVITIES	18	**16,300**	**21,110**	**17,962**	**21,616**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Proceeds from sale of fixed assets		387	37	377	27
Dividends Received		200	100	200	100
Cash was applied to:					
Purchase of Property, Plant and Equipment		(25,538)	(14,233)	(25,747)	(14,599)
Investment in Associated Entities		(2,507)	-	(3,950)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(27,458)**	**(14,096)**	**(29,120)**	**(14,472)**
CASH FROM FINANCING ACTIVITIES					
Cash was provided from:					
Loan from Bank		19,265	(90)	19,265	(90)
Repayment of Loan to Subsidiary		-	-	-	1,085
Cash was applied to:					
Dividend Paid		(7,563)	(7,563)	(7,563)	(7,563)
CASH FROM FINANCING ACTIVITIES		**11,702**	**(7,653)**	**11,702**	**(6,568)**
NET INCREASE (DECREASE) IN CASH HELD		544	(639)	543	576
Add opening cash brought forward		111	750	(3)	(579)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**655**	**111**	**540**	**(3)**

1 GENERAL INFORMATION

Alpine Energy Limited (the Company), and its subsidiaries and associates (together the Group) is the owner of an electricity distribution network, and also undertakes assets management contracting services.
The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 31 Meadows Road, Washdyke, Timaru.

These consolidated financial statements have been approved for issue by the Board of Directors on 29 May 2014.

2 SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), the International Financial Reporting Standards (IFRS) and other applicable Financial Reporting Standards, as appropriate for profit oriented entities.

(a) 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 principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Entities reporting
The financial statements for the 'Parent' are for Alpine Energy Limited as a separate legal entity. The consolidated financial statements for the 'Group' are for the economic entity comprising Alpine Energy Limited, its subsidiaries and associates. 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.
The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.
Functional and presentation currency
The Company's and Group's financial statements are presented in New Zealand dollars, which is the Company's and Group's functional and presentation currency.
Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies below.

(b) Critical accounting estimates and judgements in applying the entity's accounting policies

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. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and judgements formed the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying judgements are regularly reviewed. 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.

In the process of applying the Company's and Group's accounting policies, management has made the following estimates and judgements that have had the most significant impact on the amounts recognised in these financial statements:

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.

Joint arrangements
Alpine Energy holds 50% of the voting rights of its joint arrangement. The group has joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.
The group's joint arrangement is structured as a limited company and provides the group and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, this arrangement is classified as a joint venture.

Investment property valuation
Investment property valuations are based on fair values determined using market evidence. Refer to note 14 for further details on the assumptions and judgements used in determining the fair value of this asset.

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

Property, Plant and Equipment
Network reticulation assets' depreciation rates in the ODV Handbook issued by the Commerce Commission in 2004.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alpine Energy Limited as at 31 March 2014 and the results of all subsidiaries for the year then ended. Alpine Energy Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity. 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred. 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. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Intercompany transactions, balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

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

(ii) 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 Ltd has assessed the nature of its joint arrangement 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 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.

The Group only has one joint venture as at 31 March 2014 and this arrangement was entered into during the current financial year. The accounting policy is therefore not applicable to previous years.

(d) Revenue recognition

Revenue comprises the fair value, of consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised when the amount of revenue can be reliably measured and 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.

(i) 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.

(ii) Sales of services

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

(iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(iv) Construction contracting

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

(v) Rental income

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

(vi) Dividend income

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

(vii) Grants

Assets constructed for which a government grant is received are recorded net of the grant. Grants received are recognised in the Income Statement when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

(e) Capital and operating expenditure

Capital expenditure relates to expenditure incurred in the creation of a new asset and expenditure incurred on existing reticulation system assets to the extent the system is enhanced.

Operating expenditure is that expenditure incurred in maintaining and operating the property, plant and equipment and investment properties of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised 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's subsidiaries and associate's 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, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the 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 substantially 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 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 is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(g) 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.

(h) Leases

(i) *The 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 Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(ii) *The 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.

(i) Impairment of non financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life including goodwill, are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. 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. The amount of the provision is recognised in the income statement.

(l) Investments and other financial assets

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 investments were acquired. Management determines the classification of its financial assets at the initial recognition and re-evaluates this designation at every reporting date.

(i) *Financial assets at fair value through profit and loss*
This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) 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 arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which 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.

(iii) 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.

(iv) 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 other categories. They are included in non current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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 sell 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 to receive cash flows from the investments have expired or 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 the profit or loss is recognised in the income statement as part of other income when the groups right to receive payments is established.

Impairment

The Group assesses at each balance sheet date 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 assets that can be reliably estimated.

The criteria that the group uses to determine that there is objective evidence of an impairment losss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments.
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

The group first assesses whether objective evidence of impairment exists.

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 Statement of Comprehensive Income. 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 debtors credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated Statement of Comprehensive Income.

(m) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in the profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income with 'finance income' or cost. All other foreign exchange gains and losses are presented within 'other (losses)/gains-net.'

(n) Inventories

Inventories are stated at the lower of weighted average cost and net realisable value.

(o) Contract work in progress

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

(p) Investment properties

Investment property, principally comprising freehold office buildings, is held for long term rental yields and is not occupied by the group. Investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are approved annually by G.A. Morton. Changes in fair values are recorded in the income statement as part of other income.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Investment properties (continued)
Land held under operating lease is classified and accounted for as an investment property when the rest of the definition is met. The operating lease is accounted for as if it were a finance lease.

(q) Property, plant and equipment
All property, plant and equipment (except land and buildings) is stated at historical cost less depreciation and impairment. Land and buildings are recorded at the revalued net current value resulting from revaluations carried out annually by a registered valuer. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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. Carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases are charged 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 among 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 Straight Line method so as to expense the cost of the assets 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. These are included in the Statement of Comprehensive Income.

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

(r) Intangible assets
Software costs
Software costs have a finite useful life. Software costs are capitalised and written off over the useful economic life of 2 to 5 years. Software costs are amortised on a Straight Line basis.
Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

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.

(s) Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are recognised at fair value.

(t) Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount 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.

(u) 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.

(v) Provisions
Provisions for legal claims, service warranties and rental obligations are recognised when the Group has a present legal or the constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Employee benefits

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

(x) Dividends

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

(y) Reserves and retained earnings

Cash flow hedging reserve
The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that is recognised directly in equity. The amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.
Revaluation reserve
The revaluation reserve is used to recognise the movements in fair value of property, plant and equipment.

(z) New standards first applied in the period

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. There was no impact on the current or prior year financial statements.

(aa) New and amended standards adopted by the group

The following standards have been adopted by the group for the first time for the financial year beginning 1 April 2013 and have a material impact on the group.

- **Amendment to NZ IAS 1, 'Financial statement presentation'** regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

- **NZ IFRS 10, 'Consolidated financial statements'** building on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. `The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has assessed their ownership interests in their investments and reconsidered the control over all entities within the Group structure. No changes to the consolidation of the entities were made as a result.

- **NZ IFRS 11, 'Joint arrangements'** focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The Group has assessed the control that it has over it's investments and it has been determined that both Rockgas and On Metering are joint ventures under the new requirements.

- **NZ IFRS 12, ' Disclosures of interests in other entities'** includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. Additional disclosures as required were included.

- **NZ IFRS 13, 'Fair value measurement',** aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within NZ IFRSs. Adoption of this standard has resulted in a number of additional disclosures in the financial statements but has not resulted in any material measurement changes.

(ab) New standards and interpretations not yet adopted

The Company 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 2013, 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:

- **NZ IFRS 9, 'Financial instruments',** addresses the classification, measurement and recognition of financial assets and financial liabilities. NZ IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of NZ IAS 39 Financial Instruments: Recognition and Measurement that relates to the classification and measurement of financial instruments. 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 group is yet to assess NZ IFRS 9's full impact. The group will also consider the impact of the remaining phases of NZ IFRS 9 when completed by the Board.

3 FINANCIAL RISK MANAGEMENT

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates relevant financial risks and acts to manage these risks where possible within the parameters set out by the Board of Directors. The Board provides written principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk and credit risk.

(a) Market risk

(i) Foreign exchange risk

The Group's revenue is denominated in New Zealand, Australian and US dollars. The Group may from time to time purchase assets denominated in foreign currency. 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 has an interest rate risk relating to bank borrowings that are on floating interest rates, exposing it to the risk that rising interest rates will increase its interest expense and hence reduce its profitability. 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 to 1 year	25%	75%
1 - 3 years	35%	75%
3 - 5 years	35%	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.

(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.

(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.

	2014 $'000	2013 $'000
External funding arrangements		
Overdraft facility - BNZ	500	500
Long Term Funding		
Maturing greater than 12 months		
Flexible Credit Facility (ANZ)	30,000	15,000
Money Market Line (ANZ)	14,329	10,064

(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 notes 14 and 19.

(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 2014, the group's strategy, which was unchanged from 2013, 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Capital risk management (continued)

	GROUP		PARENT	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Tangible Assets	189,459	164,902	189,737	164,463
Total Equity	116,092	111,632	115,717	111,005
Shareholders Equity to Total Assets	**61.3%**	**67.7%**	**61.0%**	**67.5%**
EBIT	16,799	16,470	17,430	16,363
Interest Cost	1,403	1,046	1,403	1,046
Interest Cover	**12:1**	**16:1**	**12:1**	**16:1**

The decrease in the ratio during 2014 resulted primarily from increased Capital expenditure financed from Loans.

$$\frac{\text{Shareholders' Investment}}{\text{Total Tangibile Assets}} \times 100 \geq 50\%$$

$$\frac{\text{EBIT}}{\text{Interest Costs}} \geq 3.0$$

4 REVENUE

	Note	Group 2014	Group 2013	Parent 2014	Parent 2013
Network Lines Revenue		42,866	39,231	42,866	39,396
Meter Revenue		1,846	1,691	1,846	1,691
Contracting Revenue		3,498	2,243	469	1,405
Interest		4	34	174	184
Customer Contributions		5,055	2,711	5,055	2,711
Sundry		321	125	366	224
Dividends		-	-	200	100
Revaluation of Investment Property	14	-	-	329	185
		53,590	**46,035**	**51,304**	**45,896**

5 EXPENSES

	Group 2014	Group 2013	Parent 2014	Parent 2013
Audit Fee	98	103	56	63
Auditor's Other Services	53	49	46	31
- Non-assurance services				
- Information Disclosure Audit				
- Threshold Compliance Audit				
Directors Fees	255	257	255	158
Bad Debts Written Off	20	17	20	17
Donations	14	55	10	40
Rent	23	4	23	4
Interest Expense	1,403	1,046	1,403	1,046
Depreciation of Property, Plant and Equipment				
Network Reticulation System	3,953	3,678	3,959	3,682
Meters and Relays	728	296	728	296
Land and Buildings	50	44	50	44
Fibre	147	147	147	147
Plant and Equipment	735	681	213	155
TOTAL DEPRECIATION	**5,613**	**4,846**	**5,097**	**4,324**
Amortisation	127	94	93	68
Loss on Disposal of PPE	302	538	302	538
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT	**6,042**	**5,478**	**5,492**	**4,930**

6 TAXATION

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Operating Surplus Before Income Tax	15,396	15,424	16,027	15,317
Taxation @ 28 Cents	4,311	4,319	4,488	4,289
Movement in Income Tax Due to:				
Non Deferred Tax Differences				
Non Assessable Income	(386)	1	(353)	(62)
Non Deductible Expenses	285	25	16	12
Prior Period Adjustments	(139)	173	(140)	173
Tax Expense for Period	**4,071**	**4,518**	**4,011**	**4,412**
Made up of:				
Income Tax Liability in Respect of Current Year	2,066	3,081	1,752	2,766
Prior Period Current Tax Adjustment	13	62	14	62
Prior Period Deferred Tax Adjustment	(152)	-	(154)	-
Deferred Taxation	2,144	1,375	2,399	1,584
	4,071	**4,518**	**4,011**	**4,412**

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

Gain/(Loss) on Revaluation of Land And Buildings Before Tax	329	185	-	-
The Tax (Charge)/Credit On Revaluation of Land And Buildings	107	(29)	-	-
Gain/(Loss) on Revaluation of Land And Buildings After Tax	**436**	**156**	**-**	**-**
Gain/(Loss)on Interest Rate Swap Before Tax	259	(303)	259	(303)
The Tax (Charge)/Credit on Interest Rate Swap	-	-	-	-
Gain/(Loss) on Interest Rate Swap After Tax	**259**	**(303)**	**259**	**(303)**
Imputation Credit Account Group and Parent				
Opening Balance	2,987	3,426	2,267	3,008
Prior Period Adjustment				
Income Tax Paid/Payable	3,368	2,161	3,054	2,161
Income Tax Refunded/Refundable	(682)	-	(682)	-
Imputation Credits Received	49	341	49	39
Imputation Credits allocated to Dividends in the Year	(4,119)	(2,941)	(4,119)	(2,941)
CLOSING BALANCE	**1,603**	**2,987**	**569**	**2,267**

Deferred Tax

The analysis of Deferred Tax Assets and Deferred Tax Liabilities is as follows:

Deferred Tax Assets				
- Deferred Tax Assets to be Recovered After More than 12 Months	814	619	288	314
- Deferred Tax Assets to be Recovered Within 12 Months	140	128	140	128
Deferred Tax Liabilities				
- Deferred Tax Liabilitiy to be Recovered After More than12 Months	(19,491)	(17,291)	(19,723)	(17,385)
- Deferred Tax Liabilitiy to be Recovered Within 12 Months	(58)	(165)	(58)	(165)
DEFERRED TAX LIABILITIES (NET)	**(18,595)**	**(16,709)**	**(19,353)**	**(17,108)**

The gross movement on the Deferred Income Tax Account is as Follows:

At 1 April	(16,709)	(15,306)	(17,108)	(15,513)
Tax (charge)/credit Relating to Components of Comprehensive Income	(1,992)	(1,375)	(2,245)	(1,595)
Tax (charge)/credited directly to equity	106	(28)	-	-
AS AT 31 MARCH	**(18,595)**	**(16,709)**	**(19,353)**	**(17,108)**

6 TAXATION (CONTINUED)

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:

PARENT

Deferred Tax Liabilities	Accelerated Tax Depreciation	Total
	$'000	$'000
At 1 April 2012	(15,961)	(15,961)
Charged/(Credited) to the Statement of Comprehensive Income	(1,590)	(1,590)
At 31 March 2013	**(17,551)**	**(17,551)**
Charged/(Credited) to the Statement of Comprehensive Income	(2,231)	(2,231)
At 31 March 2014	**(19,782)**	**(19,782)**

Deferred Tax Assets	Provisions	Total
	$'000	$'000
At 1 April 2012	448	448
Charged/(Credited) to the Statement of Comprehensive Income	(6)	(6)
At 31 March 2013	**442**	**442**
Charged/(Credited) to the Statement of Comprehensive Income	(14)	(14)
At 31 March 2014	**428**	**428**

GROUP

Deferred Tax Liabilities	Accelerated Tax Depreciation	Total
	$'000	$'000
At 1 April 2012	(15,933)	(15,933)
Charged/(Credited) to the Statement of Comprehensive Income	(1,524)	**(1,524)**
At 31 March 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)**

Deferred Tax Assets	Provisions	Total
	$'000	$'000
At 1 April 2012	627	627
Charged/(Credited) to the Statement of Comprehensive Income	120	120
At 31 March 2013	**747**	**747**
Charged/(Credited) to the Statement of Comprehensive Income	207	**207**
At 31 March 2014	**954**	**954**

7 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%
LineTrust South Canterbury	16,531,207	40.00%
	41,328,017	**100.00%**

There were no changes in shareholdings during the year.

8 TRADE AND OTHER RECEIVABLES

	GROUP		PARENT	
	2014	2013	2014	2013
The balance of Accounts Receivable comprises:	$'000	$'000	$'000	$'000
Trade Receivables	3,524	2,567	2,492	1,935
Provision for Doubtful Debts	(25)	(81)	(25)	(81)
Prepayments	78	105	44	73
Accruals	(32)	(38)	7	(13)
Due by Other Related Parties	285	50	-	-
Due by Joint Arrangements	41	3	41	3
Due by Shareholders District Councils	18	15	-	-
Derivative Financial Instruments	120	-	-	-
Loan Due by Other Related Parties	589	-	-	-
BALANCE AT END OF THE YEAR	**4,598**	**2,621**	**2,559**	**1,917**
Trade receivables less than 90 days old	3,288	2,253	2,485	1,789
Trade receivables greater than 90 days old	581	382	49	149
	3,868	**2,635**	**2,534**	**1,938**
Trade receivables which are neither past due nor impaired	2,514	2,238	2,433	1,774
Trade receivables which are past due and not impaired	1,355	301	101	68
	3,868	**2,539**	**2,534**	**1,842**

9 TRADE AND OTHER PAYABLES

	GROUP 2014	GROUP 2013	PARENT 2014	PARENT 2013
The balance of Accounts Payable comprises:				
Trade Payables	2,885	3,737	4,117	4,900
Balance Date Accruals	984	491	544	97
Capital Contributions in Advance	478	2,181	478	2,181
Due by Associated Entities	2,296	-	2,296	-
Due by Shareholders District Councils	26	13	26	13
BALANCE AT END OF THE YEAR	**6,669**	**6,421**	**7,461**	**7,191**

10 RELATED PARTY LOAN

Shareholder loan to On Metering has no fixed term and is not subject to interest.

	GROUP 2014	GROUP 2013	PARENT 2014	PARENT 2013
Shareholder Loan to NetCon Limited	-	-	4,086	2,644
Shareholder Loan to On Metering	2,375	-	2,375	-
Shareholder Loan to SmartCo	132	-	132	-
Balance at End of the Year	**2,507**	**-**	**6,593**	**2,644**

11 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

Investment	PARENT	
	2014	2013
	$'000	$'000
Timaru Electricity Limited		
Shares	4,036	4,036
Advances	-	-
Less Provision against Value of Advance	(4,036)	(4,036)
	-	-
NetCon Limited		
Shares	30	30
Advances	4,086	2,644
	4,116	**2,674**

NetCon International Limited, 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 Barnyan City in Afgahistan. 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.

12 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

2013	**ASSETS $'000**	**LIABILITIES $'000**	**REVENUES $'000**	**PROFIT $'000**
Rockgas Timaru Limited	804	220	2,026	248
2014				
Rockgas Timaru Limited	653	252	2,121	223

	2014 $'000	**2013 $'000**
Opening Balance	292	270
Share of Profit/(Loss)	111	124
Prior Period Adjustment	1	(2)
Dividends Received	(200)	(100)
Closing Balance	**204**	**292**
Represented as:		
Shares	5	5
Retained Earnings	199	287
	204	**292**

On Metering Limited is a joint venture to install advanced meters in the Mainpower network area in North Canterbury. On Metering Limited is owned by Alpine Energy Limited (50%) and Network Tasman Limited (50%) and formed on 06 June 2013.

On Metering Lmited	50%	31 March	Electricity Meter Leasing Company	
2014				
On Metering Limited	4,663	4,959	-	(296)

	2014 $'000	**2013 $'000**
Opening Balance		
Share of Profit/(Loss)	(148)	-
Prior Period Adjustment		
Dividends Received	-	-
Closing Balance	**(148)**	**-**
Represented as:		
Shares	-	-
Retained Earnings	(148)	-
	(148)	**-**

13 PROPERTY, PLANT AND EQUIPMENT

	NETWORK RETICULATION SYSTEM $'000	**METERS AND RELAYS $'000**	**LAND AND BUILDINGS $'000**	**FIBRE $'000**	**PLANT AND EQUIPMENT $'000**	**TOTAL $'000**
PARENT						
Year Ended 31 March 2013						
Opening Net Book Amount	139,176	2,091	-	3,428	562	145,257
Additions	13,519	405	-	-	263	14,187
Disposals	(569)	-	-	-	(37)	(606)
Depreciation Charge	(3,682)	(296)	-	(147)	(155)	(4,280)
CLOSING NET BOOK AMOUNT	**148,444**	**2,200**	**-**	**3,281**	**633**	**154,558**
At 31 March 2013						
Cost	183,568	4,967	-	3,611	3,215	195,362
Accumulated Depreciation	(35,124)	(2,768)	-	(330)	(2,581)	(40,804)
NET BOOK AMOUNT	**148,444**	**2,200**	**-**	**3,281**	**633**	**154,558**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	NETWORK RETICULATION SYSTEM $'000	METERS AND RELAYS $'000	LAND AND BUILDINGS $'000	FIBRE $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
PARENT						
Year Ended 31 March 2014						
Opening Net Book Amount	148,444	2,200	-	3,281	633	154,558
Additions	24,055	9	-	-	864	24,928
Disposals	(678)	-	-	-	-	(678)
Depreciation Charge	(3,959)	(728)	-	(147)	(213)	(5,047)
CLOSING NET BOOK AMOUNT	**167,862**	**1,481**	**-**	**3,134**	**1,284**	**173,761**
At 31 March 2014						
Cost	206,945	4,976	-	3,611	4,079	219,611
Accumulated Depreciation	(39,083)	(3,495)	-	(477)	(2,795)	(45,850)
NET BOOK AMOUNT	**167,862**	**1,481**	**-**	**3,134**	**1,284**	**173,761**

	2014 $'000	2013 $'000
Included in the closing Net Book Value is Capital Work in Progress	15,803	4,041

	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 2013						
Opening Net Book Amount	137,769	2,091	5,061	3,428	3,612	151,961
Revaluation	-	-	185	-	-	185
Additions	13,016	405	128	-	518	14,067
Disposals	(567)	-	-	-	(43)	(610)
Depreciation Charge	(3,679)	(296)	(44)	(147)	(681)	(4,847)
CLOSING NET BOOK AMOUNT	**146,539**	**2,200**	**5,330**	**3,281**	**3,406**	**160,756**
At 31 March 2013						
Cost	181,650	4,967	5,420	3,611	9,180	204,828
Accumulated Depreciation	(35,111)	(2,767)	(90)	(330)	(5,774)	(44,072)
NET BOOK AMOUNT	**146,539**	**2,200**	**5,330**	**3,281**	**3,406**	**160,756**
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	421	-	1,483	25,552
Disposals	(678)	-	-	-	(8)	(686)
Depreciation Charge	(3,953)	(728)	(50)	(147)	(735)	(5,613)
CLOSING NET BOOK AMOUNT	**165,546**	**1,481**	**6,030**	**3,134**	**4,146**	**180,337**
At 31 March 2014						
Cost	204,610	4,976	6,170	3,611	10,655	230,022
Accumulated Depreciation	(39,064)	(3,495)	(140)	(477)	(6,509)	(49,685)
NET BOOK AMOUNT	**165,546**	**1,481**	**6,030**	**3,134**	**4,146**	**180,337**

	2014 $'000	2013 $'000
Included in the closing Net Book Value is Capital Work in Progress	15,544	3,846

14 INVESTMENT PROPERTY

	NOTE	PARENT 2014 $'000	2013 $'000
Valuation at the Beginning of the Year		5,330	5,061
Additions		421	128
Change in Fair Value	4	329	185
Depreciation		(50)	(44)
Valuation at the End of the Year		**6,030**	**5,330**

Amounts recognised in the Statement of Comprehensive Income		
Rental Income	343	212
Direct operating expenses of investment properties that generated income	152	207
Direct operating expenses of investment properties that did not generate income	-	-

Investment properties comprises the property located at Washdyke that is leased to related and other parties. Land and Buildings can only be classified as investments if the owner occupies an insignificant portion thereof. The Parent occupies an insignificant portion of the propery, which is therefore classified as Investment Property for the Parent. For Group purposes,it is included as Land and Buildings with Property, plant and equipment.

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 2014 and 2013. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is included in 'Reserves' in Equity.

We have analysed the investment property, by valuation method, to determine the level in the fair value hierarchy it falls under. The different levels have been defined in the accounting policies, and the fair value of investment property falls within 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).

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

Valuation techniques used to derive level 2 fair values.

Level 2 fair values of land and buildings have been derived using the market approach. This approach 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.

No investment properties were sold during the period.

At the date of issue of these financial statements, no restriction exists on the realisability of investment property or the remittance of income and proceeds of disposal.

No contractual obligation existed at the date of issue of these financial statements to purchase, construct or the remittance of income and proceeds of disposals.

No contractual obligation existed at the date of issue of these financial statements to purchase, construct or develop investment property or for repairs, maintenance or enhancements of rental properties.

Land Buildings (at historical cost)

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2014 $'000	2013 $'000
Cost	3,800	3,222
Accumulated Depreciation	837	631
Net Book Amount	**2,963**	**2,591**

15 INTANGIBLES

PARENT

	EASEMENTS	COMPUTER SOFTWARE	TOTAL
Year Ended 31 March 2013	**$'000**	**$'000**	**$'000**
Opening Net Book Amount	22	83	105
Additions	-	139	139
Disposals	-	-	-
Amortisation	(2)	(66)	(68)
CLOSING NET BOOK AMOUNT	**20**	**156**	**176**
At 31 March 2013			
Cost	57	366	423
Accumulated Amortisation	(37)	(210)	(247)
NET BOOK AMOUNT	**20**	**156**	**176**
Year Ended 31 March 2014			
Opening Net Book Amount	20	156	176
Additions	42	32	74
Disposals	-	-	-
Prior Year Amortisation Adjustment	-	-	-
Amoritisation	(2)	(91)	(93)
CLOSING NET BOOK AMOUNT	**60**	**97**	**157**
At 31 March 2014			
Cost	99	398	497
Accumulated Amortisation	(39)	(301)	(340)
NET BOOK AMOUNT	**60**	**97**	**157**

GROUP

	EASEMENTS	COMPUTER SOFTWARE	TOTAL
Year Ended 31 March 2013			
Opening Net Book Amount	22	121	143
Additions	-	177	177
Disposals	-	(2)	(2)
Amortisation	(2)	(92)	(94)
CLOSING NET BOOK AMOUNT	**20**	**204**	**224**
At 31 March 2013			
Cost	57	658	715
Accumulated Amortisation	(37)	(454)	(491)
NET BOOK AMOUNT	**20**	**204**	**224**
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**
At 31 March 2014			
Cost	99	711	810
Accumulated Amortisation	(39)	(579)	(618)
NET BOOK AMOUNT	**60**	**132**	**192**

16 LOANS

The Group has a new loan facility with the ANZ Bank to draw down a maximum of $48,000,000. The loan facility is an interchangable arrangement between a Flexible Credit Facility and a Money Market Line. At balance date the following amounts were drawn down.

	2014 $'000	2013 $'000
Flexible Credit Facility	30,000	15,000
Money Market Line	14,329	10,064

The termination date of the total facility is 16 August 2016. The loan is subject to a negative pledge.
An interest rate swap transaction had been entered into, effective 20 June 2013, covering the $15 million, two further interest rate swap transaction had been entered into, effective 20 December 2013, covering an additional $5 million borrowed against the Flexible Credit Facility for a period of five 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 $143,290 in the interest expense for the year. The covenants governing the loan have not been breached during the year.

17 COMMITMENTS

		2014 $'000	2013 $'000
(a) Capital Commitments		4,466	1,657
Lease commitments as lessee:			
(b) GPS equipment	Within one year	39	16
	Between one and five years	29	17
(c) Ricoh Equipment	Within one year	20	8
	Between one and five years	9	9
(d) Coffee Machine	Within one year	2	-
	Between one and five years	3	-
Lease payments receivable as lessor			
(e) Lease of Fibre Network	Within one year	503	503
	Between one and five years	2,517	2,517
	Over five years	7,885	8,430
Rentals from Lease Agreements with Buildings			
(f) Lease of Fibre Network	Within one year	163	
	Between one and five years	608	
	Over five years	139	
		910	

The Group has other commitments totalling $185,848 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.

18 RECONCILIATION OF OPERATING SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Operating Surplus After Income Tax	11,325	10,906	12,016	10,904
Add/(Deduct) Non Cash Items				
Depreciation and Amortisation	6,041	5,478	5,491	4,902
Increase in Deferred Tax Liability	1,886	1,403	2,245	1,595
Disposal of Property, Plant and Equipment	-	-	-	28
	7,927	**6,881**	**7,736**	**6,525**
Add/(Deduct) Movements in Working Capital Items				
(Increase)/Decrease in Accounts Receivable	(1,812)	(904)	(642)	(38)
(Increase)/Decrease in Inventories and Work in Progress	(123)	(130)	-	-
(Increase)/Decrease in Associated Entities Profit	37	(124)	-	-
Increase/(Decrease) in GST Liability	-	-	(130)	(240)
Increase/(Decrease) in Creditors and Employee Entitlements	304	3,644	471	3,909
Increase/(Decrease) in Provision for Tax	(1,358)	837	(1,289)	656
	(2,952)	**3,323**	**(1,590)**	**4,287**

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

	GROUP		PARENT	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Add (Deduct) Items Classified as Financing				
Dividends Received	-	-	(200)	(100)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**16,300**	**21,110**	**17,962**	**21,616**

19 FINANCIAL INSTRUMENTS

The table below analyses financial instuments 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
PARENT			
Assets as per Balance Sheet			
As at 31 March 2013			
Related Party Loan	-	2,644	2,644
Receivables	-	1,917	1,917
Cash and Cash Equivalents	-	-	-
Interest Rate Swap	-	-	-
	-	**4,561**	**4,561**
As at 31 March 2014			
Related Party Loan	-	6,593	6,593
Receivables	-	2,515	2,515
Cash and Cash Equivalents	-	540	540
Interest Rate Swap	62	-	62
	62	**9,648**	**9,710**

Liabilities as per Balance Sheet	DERIVATIVES -USED FOR HEDGING $'000	MEASURED AT AMORTISED COST $'000	TOTAL $'000
At 31 March 2013			
Trade and Other Payables	-	(7,191)	(7,191)
Cash and Cash Equivalents	-	(3)	(3)
Interest Rate Swap	(197)	-	(197)
Long Term Borrowings	-	(25,064)	(25,064)
	(197)	**(32,258)**	**(32,455)**
At 31 March 2014			
Trade and Other Payables	-	(7,696)	(7,696)
Cash and Cash Equivalents	-	-	-
Interest Rate Swap	-	-	-
Long Term Borrowings	-	(44,329)	(44,329)
	-	**(52,025)**	**(52,025)**

19 FINANCIAL INSTRUMENTS (CONTINUED)

GROUP Assets as per Balance Sheet	DERIVATIVES -USED FOR HEDGING $'000	LOANS AND RECEIVABLES $'000	TOTAL $'000
As at 31 March 2013			
Related Party Loan	-	-	-
Receivables	-	2,621	2,621
Cash and Cash Equivalents	-	111	111
Interest Rate Swap	-	-	-
	-	**2,732**	**2,732**
As at 31 March 2014			
Related Party Loan	-	2,507	2,507
Receivables	-	4,520	4,520
Cash and Cash Equivalents	-	655	655
Interest Rate Swap	62	-	62
	62	**7,682**	**7,744**
Liabilities as per Balance Sheet			
As at 31 March 2013			
Trade and Other Payables	-	(6,421)	(6,421)
Interest Rate Swap	(197)	-	(197)
Long Term Borrowings	-	(25,064)	(25,064)
	(197)	**(31,485)**	**(31,682)**
As 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)**

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

(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 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 intrument 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.

20 CONTINGENT LIABILITIES

The Company has a Contingent Liability as at 31 March 2014 $US2,122,500 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 $US1,485,750 held by the BNZ Bank in the event the Performance Guarantee is triggered.

The Group has a contingent liability covering a performance guarantee over NetCon International Limited's share of the Bamyan Renewable Energy Project in Afghanistan amounting to $US636,750 (2012 $Nil).

21 RELATED PARTY TRANSACTIONS

Shareholders

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.

21 RELATED PARTY TRANSACTIONS (CONTINUED)

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenues from Shareholder District Councils - Contracting Activities				
Mackenzie District Council	59	47	12	7
Timaru District Council	413	479	167	190
Waimate District Council	24	34	8	17
Payments to Shareholder District Councils - Rates				
Mackenzie District Council	15	17	15	17
Timaru District Council	68	53	65	43
Waimate District Council	-	11	-	11

Trading balances due from and to Shareholder District Councils are shown in note 8 and 9.

Parties Associated with Directors

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

Deloitte (S.R. Thompson)	72	113	40	44

Joint Ventures

Transactions with Joint Ventures include:

Charges to Rockgas Timaru Limited for property rentals and financial services.

Revenues from Rockgas Timaru Limited	42	47	37	41

Trading balances due from and to Joint Ventures, and loans to Joint Ventures are shown in notes 8 and 9.

Revenues from On Metering	88	-	88	-

Transations with Other Related Parties

Revenues from BREP	306	329		
Payments to BREP	-	-		

Trading balances due from and to Other Related Parties, and loans to Other Related Parties are shown in notes 8 and 9.
Transactions with Subsidiaries include:

Charges to NetCon Limited for property rentals and interest.
Payments to NetCon Limited for lines maintenance and construction, financial services and procurement.

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenues from NetCon Limited	298	271	298	271
Payments to NetCon Limited	18,951	15,824	18,951	15,824

Trading balances due from and to Subsidiaries, and loans to Subsidiaries are shown in notes 8 and 9.

Transactions with key management personnel
Key management personnel compensation was as follows:

Salaries	2,344	1,804	1,034	960

There is no provision for doubtful debts or bad debt expense for related parties.

22 EVENTS SUBSEQUENT TO BALANCE DATE

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		PARENT	
	2014	2013	2014	2013
Financial Information				
1. Ratio of Net Surplus attributable to the Shareholders to Average Shareholders Equity:				
Target	10.4%	7.5%	10.2%	7.5%
Result	9.9%	9.9%	10.6%	10.0%
2. Tangible Assets per Share:				
Target	$4.50	$2.79	$4.36	$2.79
Result	$4.58	$3.99	$4.59	$3.98
3. Earnings per Share:				
Target	$0.297	$0.259	$0.289	$0.259
Result	$0.274	$0.264	$0.291	$0.264
4. Total Dividend per Share:				
Target			$0.183	$0.183
Result			$0.183	$0.183
5. Ratio of Shareholders' Equity to Total Assets:				
Minimum Target	50.0%	50.0%	50.0%	50.0%
Result	61.3%	67.7%	61.0%	67.5%
Non Financial Information				
6. Electricity Line Losses				
Maximum Target			6.0%	6.0%
Result			4.8%	6.0%

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

The performance targets relating to SAIDI and SAIFI align to the limits set by the Electricity Distribution Services Default Price Quality Path Determination 2012 and the results are calculated accordingly. The 2014 SAIDI and SAIFI results included in the audited Default Price Quality Path Annual Compliance Statement exceeded the limits set and the Company therefore did not meet the target set primarily due to the significant weather events experienced during the year.

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF
ALPINE ENERGY LIMITED AND GROUP'S
FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2014

The Auditor-General is the auditor of Alpine Energy Limited Limited (the company) and group. 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 statement of service performance of the company and group on her behalf.

We have audited:

- the financial statements of the company and group on pages 14 to 36, that comprise the balance sheet as at 31 March 2014, 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 company and group on page 37.

Opinion

Financial statements and the statement of service performance

In our opinion,

- the financial statements of the company and group on pages 14 to 36:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the company and group's:
    - financial position as at 31 March 2014; and
    - financial performance and cash flows for the year ended on that date;
- the statement of service performance of the company and group on page 37:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the company and group's achievements measured against the performance targets adopted for the year ended 31 March 2014.

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Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company and group as far as appears from an examination of those records.

Our audit was completed on 4 June 2014. 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.

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 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 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 statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and 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 company and group's financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control 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 company and 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 all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

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

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In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. 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 preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company and group's financial position, financial performance and cash flows; and
- give a true and fair view of the company and group's service performance achievements.

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 statement of service performance, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements 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.

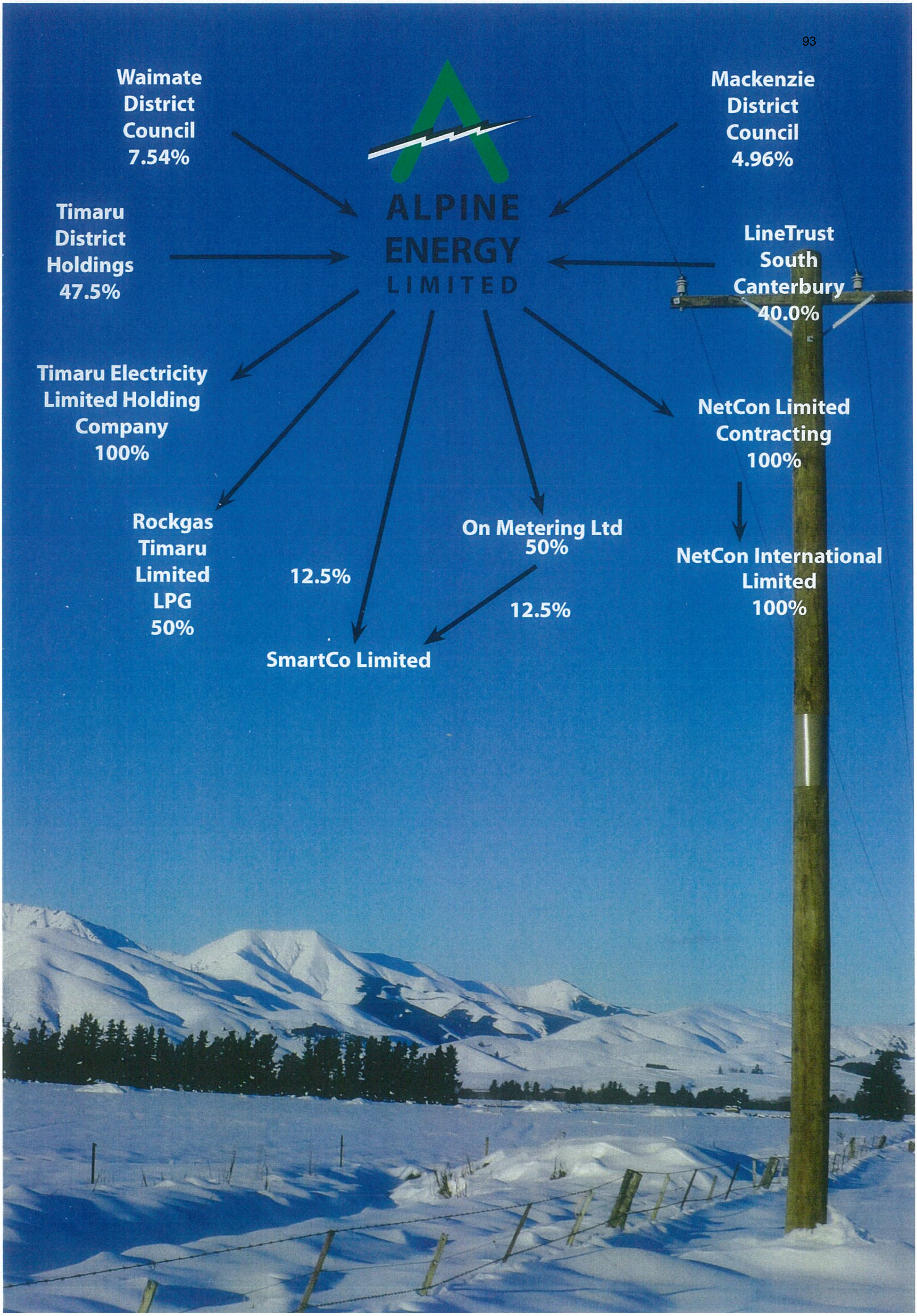
Independence

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


ALPINE ENERGY LIMITED
Waimate District Council 7.54%
Mackenzie District Council 4.96%
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%
12.5%
On Metering Ltd 50%
12.5%
NetCon International Limited 100%
SmartCo Limited

MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE

SUBJECT: FRAUD EVENT TWIZEL OFFICE

MEETING DATE: 24 JULY 2014

REF: STA

FROM: MANAGER FINANCE & ADMINISTRATION

ENDORSED BY: CHIEF EXECUTIVE OFFICER

PURPOSE OF REPORT:
To brief council on the fraud event that occurred December 2013 – February 2014.

STAFF RECOMMENDATIONS:

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

PAUL MORRIS
MANAGER FINANCE & ADMINISTRATION

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER

BACKGROUND:
Between December, 2013, and February, 2014, $3,480 in cash takings from the Twizel swimming pool went missing.

This was discovered when staff routinely checked month end results for the Twizel swimming pool income against the expected budget. Over three months the income was consistently below budget, when the expectation was that it should have been on budget or higher.

The community facilities manager made initial enquiries with the Twizel Pool supervisor as to whether things were slow at the pool, as indicated by the lower revenue. The supervisor said that the pool had been well patronised and in her opinion, takings should be up. The community facilities manager then asked the Twizel council office staff about the banking of the money and it became apparent that no pool banking had been done for some time. The reason given was that staff had been very busy with the demands of the Information Centre and needed time to complete the banking reconciliation.

When the banking was finally done, pool takings showed a significant difference between YTD income when compared to the previous year.

Council staff in Fairlie then collated information from the Twizel office to reconcile the daily bankings with the banking sheets and multiple discrepancies were discovered. Some swimming pool till tapes were missing from the period of the discrepancies and the amounts banked did not correlate with the pool supervisor's records provided directly.

Twizel office staff were interviewed individually and an independent person was called in to investigate. This person was chosen due to his knowledge of our systems and his background in fraud detection. The Twizel Information Centre supervisor, resigned immediately after her interview, stating health grounds.

The internal investigation reviewed the actions of remaining staff and found no evidence of inappropriate actions.

As the matter had not been resolved our findings were handed to the police who then investigated. During a police interview the former employee admitted stealing the money.

Keri-Ann Burgess was charged with theft as a servant and falsifying a document for personal gain. She appeared in court and entered a guilty plea on the 24th of June. She now awaits sentencing on or about the 4th of August, 2014.

Council has an option to undertake restorative justice prior to her sentencing.

Because of the nature of the issue, AuditNZ and the Office of the Auditor General were notified. Council has also notified its insurers.

WHY DID THIS OCCUR?
This is an unfortunate situation where a person who was placed in a position of responsibility has taken the opportunity to use her authority and the lack of experience of the other staff to manipulate the situation to her advantage.

PROCESSES:

What have we changed?

These situations, although unfortunate, do have a bright side in that they cause staff to review processes and procedures to ensure they are robust.

The process is fundamentally sound. It works well in Fairlie. However, due to distance and a lack of personal oversight in Twizel we have introduced the following measures:

1. Swimming pool takings are reported to the community facilities manager by the pool supervisor each day.
2. Pool banking records are forwarded to the Fairlie office for reconciliation against #1 above, after the funds are banked.
3. The community facilities manager will inform the finance and administration manager and his staff how much to expect from pool bankings.

MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE

SUBJECT: BANCORP QUARTERLY REPORT – JUNE 2014

MEETING DATE: 24 JULY 2014

REF: FIN 9/1/9

FROM: MANAGER – FINANCE AND ADMINISTRATION

ENDORSED BY: CHIEF EXECUTIVE OFFICER

PURPOSE OF REPORT:

The report has been tabled to inform Councillors of the performance of the Council's investment portfolio, which is managed by Bancorp Treasury Services Limited.

STAFF RECOMMENDATIONS:

1. That the report be received.

PAUL MORRIS
MANAGER – FINANCE & ADMINISTRATION

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER

ATTACHMENTS:

Appendix 1: Quarterly report from Bancorp Treasury Services to 30 June 2014.

PARTICULAR POINTS TO NOTE:

Comparison with the Benchmark

The Council's portfolio increased in value by 1.58%, whereas the benchmark portfolio increased in value by 1.31% over the quarter, therefore the Council's Portfolio outperformed compared to the benchmark.

The main reason why Councils portfolio outperformed the benchmark index is as follows;

Councils portfolio duration assisted with the outperformance of the benchmark with Councils portfolio duration of 2.49 years being longer than that of the Benchmark (2.22 years). Also assisting in Councils performance were the rise in short-term interest rates compared to the fall in longer-term rates.

Council currently invests surplus funds in the Retail term deposit market rather than the bond market. Currently Council has $8.3million invested in this way. By way of comparison, Council earns 4.32% on a $3.5million investment for 90 days. To earn an equivalent return in the bond market it would need to invest for approximately 1 ½ years.

Movements in the Portfolio

The portfolio stands at $3.28 Million. The portfolio remained the same over the period.

At the end of June the weighted average running yield of Councils bond portfolio was 6.40%. $8.3mil has been reinvested in term deposits of varying duration up to 90 days.

Policy Adherence

- All financial market investments comply with the counterparty exposure limits as outlined in the Treasury Policy.
- All investments are readily tradable (liquid) on the secondary market.
- The duration of MDC's portfolio at 2.49 years is within the 25% allowable fluctuation band of the benchmark portfolio's duration of 2.22 years.
- Assets category percentages are as follows (excluding the call deposit):
    - Registered Banks 66.96%
    - Local Authorities 33.04%

Financial Market Movements

There were no movements in the Official Cash rate during the period.

QUARTERLY PORTFOLIO REPORT

PREPARED FOR

Mackenzie District Council

For the quarter ended 30 June 2014

PREPARED BY BANCORP TREASURY SERVICES LIMITED

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PORTFOLIO REPORT

Below is a summary of the performance of Mackenzie District Council's ("MDC") Long Term Funds Portfolio ("LTFP") and the benchmark portfolio for the quarter ended 30 June 2014.

MDC's LTFP, on an open to close valuation basis with coupons received during the quarter included, increased in value by 1.58%.

MDC portfolio value at 31 March 2014	$ 3,136,058
MDC portfolio value at 30 June 2014	$ 3,134,589
Add coupon payments	$ 50,948
Net – purchases/sales/maturities	$ Nil
Total	**$ 3,185,537**
Percentage change in effective cash value	+1.58%

The benchmark portfolio, on an open to close valuation basis with coupons received during the quarter included, increased in value by 1.31%.

Benchmark portfolio value at 31 March 2014	$ 10,415,373
Benchmark portfolio value at 30 June 2014	$ 10,429,022
Add coupon payments	$ 123,175
Total	**$ 10,552,197**
Percentage change in effective cash value	+1.31%

OVERVIEW

A summary of the performance of MDC's LTFP during the June 2014 quarter is as follows:

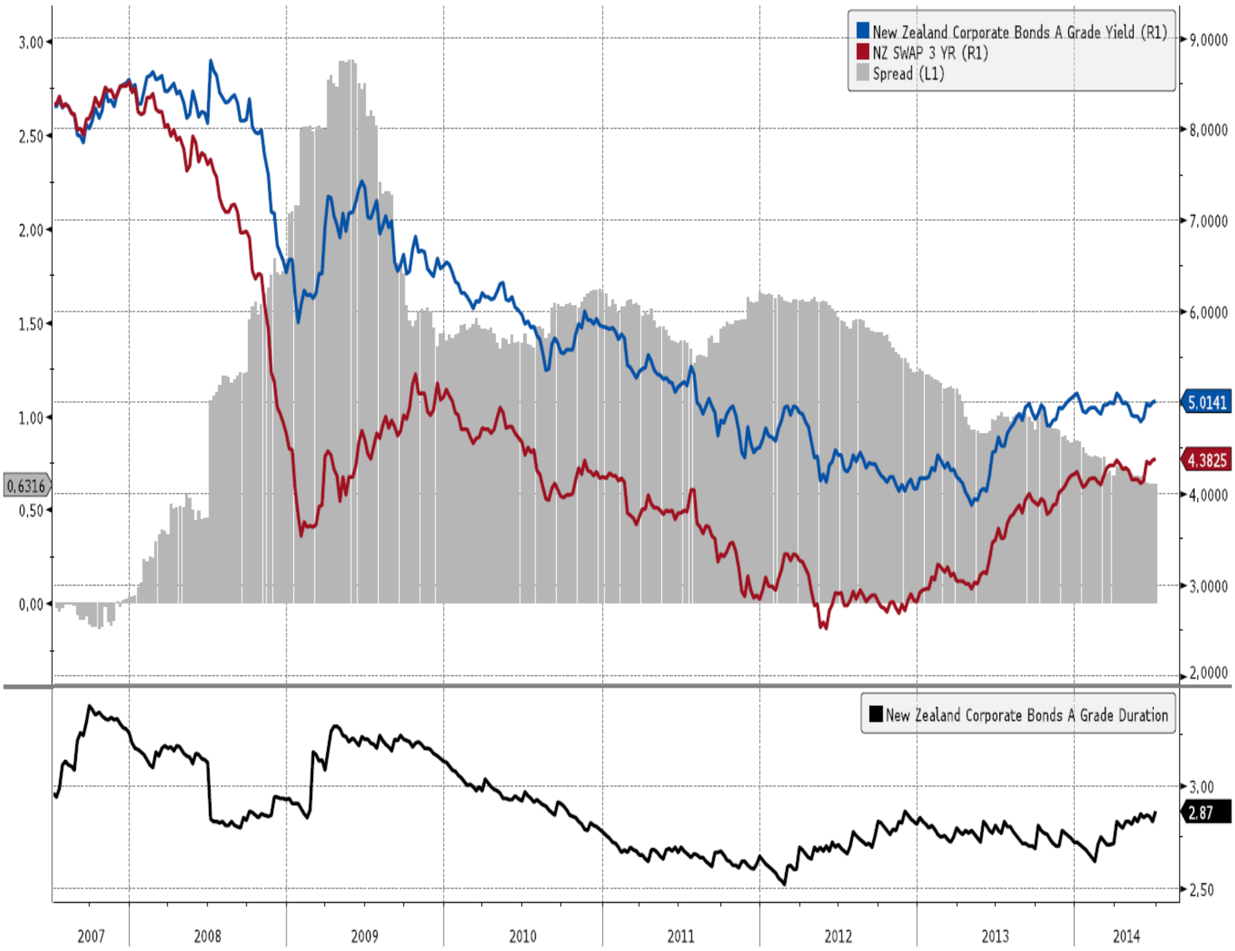
- The LTFP outperformed the benchmark index, increasing in value by 1.58% compared to the benchmark portfolio's increase of 1.31%.
- The running yield of the portfolio as at 30 June 2014 was 6.40%.
- The nominal value of the portfolio remained constant at $3,027,000 during the quarter. However, $8.3 million has been invested in term deposits.

	OCR	90 day	1 year swap	2 year swap	3 year swap	5 year swap	10 year swap
31 Mar 14	2.75%	3.12%	3.60%	4.05%	4.32%	4.63%	5.03%
30 Jun 14	3.25%	3.63%	3.93%	4.20%	4.38%	4.60%	4.89%
Change	+0.50%	+0.51%	+0.33%	+0.15%	+0.08%	-0.03%	-0.14%

During the June 2014 quarter, money market and short term swap rates continued to rise, as the markets reacted to two further 25 basis point increases in the Official Cash Rate ("OCR") and to the prospect of two more OCR hikes to come in 2014. However, longer term swap rates declined in line with moves in offshore markets, the latter pushed lower by geopolitical tensions in the Ukraine, a softer global growth and inflation outlooks and the prospect of a prolonged period of historically low cash rates in industrialised economies.

The yield curve flattened further over the quarter with the benchmark spread between the 2 year and 10 year swap rates declining from an opening level of 98 basis points to close at 69 basis points. The yield curve is pivoting around the 4 year mark, with the 4 year swap rate virtually unchanged from the beginning of the year at 4.49%, whereas the 1 year swap rate is up by 51 basis points, while the 10 year swap rate fell 37 basis points in the first six months of the year.

Credit spreads in New Zealand continued to decline during the quarter as investors and banks alike competed for quality credit names. The chart on the following page shows credit spreads for the New Zealand Corporate A Grade Bond index (the grey shaded area), the yield of the index (the blue line) and the 3 year swap (red line) dating back to the beginning of 2007. The sub chart below the main chart shows the duration of the index which is currently 2.87 years.



Portfolio Activity

The LTFP outperformed the benchmark portfolio over the June quarter, increasing in value by 1.58% compared to the benchmark portfolio's increase of 1.31%. This outperformance is due to the longer duration of the LTFP (2.49 years) compared to the benchmark portfolio (2.22 years) and the direction that interest rates took during the quarter. While short term rates rose, longer term rates fell and, with MDC having a longer duration than the benchmark portfolio, it benefited more from the fall in interest rates at the longer end of the yield curve. The LTFP had 67% of its portfolio maturing more than three years ahead, whereas the benchmark portfolio had 50% of its portfolio maturing more than three years ahead. The LTFP also outperformed the ANZ Corporate A Grade Bond index which increased by 1.40% during the quarter.

During the quarter MDC continued to invest in term deposits rather than corporate bonds, as term deposits provided a higher yield than bonds of a similar term. At the end of the June quarter, MDC held $8.3 million on term deposit, the largest being $3.5 million deposited for 90 days at a rate of 4.32%.

The table on the following page shows the yields on various corporate bonds as at 30 June 2014 which MDC would be able to invest in under the parameters of its Treasury Policy. This indicates that to achieve an equivalent yield to the one that MDC received for the $3.5 million term deposit it would have needed to invest for a term of around 1½ years in the bond market.

Security	Maturity	Coupon	Rating	Yield
Auckland Council	02-10-14	6.68%	AA	3.85%
Westpac	16-03-15	4.86%	AA-	4.05%
BNZ	27-05-15	8.67%	AA-	4.16%
ANZ	16-02-16	6.31%	AA-	4.55%
Tauranga CC	15-04-16	6.25%	A+	4.56%
Dunedin City Treasury	15-11-16	6.79%	A+	4.71%
ASB Bank	08-06-17	6.06%	AA-	4.89%
Transpower	30-11-18	5.14%	AA-	5.17%
BNZ	20-12-18	6.10%	AA-	5.23%
Rabobank	19-03-19	6.10%	AA-	5.32%

As at 30 June 2014, MDC complied with the credit rating criteria contained in the Treasury Policy. Bancorp Treasury continues to classify the ANZ Bank April 2018 bond under the Moody's Investors Service ("Moody's") 'equivalent test' which is permissible under the Treasury Policy. Currently its Moody's long term rating is 'A3'.

Overall, Bancorp Treasury is satisfied with the makeup and profile of MDC's portfolio. The running yield of the LTFP, at 6.40%, still delivers considerable benefits over the interest rates available for shorter term money market investments, which themselves are trading at 'elevated' levels compared to deposit rates available in the wholesale market.

Global Markets Overview

In the US, economic data was mixed over the June quarter. The employment market was strong with the important non-farm payrolls data showing that the US added 217,000 jobs in May, following a 282,000 increase in April and 203,000 in March. Taken with the February increase of 222,000, this is the first time in 14 years that more than 200,000 jobs have been added in four consecutive months. On the other hand, economic growth as measured by GDP has disappointed, with the revised March quarter figure showing an annualised contraction of 2.9%, a big change from the 'mere' 1.0% contraction that was first reported. A decrease in both consumer and healthcare pending were cited as the reasons for the poor number, highlighting how important these two sectors are to the US economy.

Despite the weak GDP data print, the Federal Reserve ('Fed") continued along the path of tapering the bond buying programme, by the end of June it has been reduced to USD35 billion per month with expectations that the bond buying programme will be finished before the end of the year. However, it is expected that policymakers will keep the Fed Funds cash rate near zero through to at least mid 2015, safe in the knowledge that core inflation is well contained.

The benchmark US 10 year Treasury bond yield started the quarter at 2.80% but fell to a low of 2.40% by the end of May on the back of a low growth and inflation outlook for the global economy and geopolitical tensions in the Ukraine. While it failed to break through the important 2.35% support level, the quarterly closing level of 2.53% still suggests some unease about the prospects for global growth over the next year or so.

The European Central Bank ("ECB") finally gave way to threats of deflation, low growth and high unemployment by announcing further monetary policy easing measures at its meeting in early June. Not only did it reduce its overnight lending rate from 0.25% to 0.15% and the deposit rate for banks from 0.00% to -0.10%, but it also announced that it will conduct a series of targeted longer term refinancing operations to provide longer term cheap funding for banks.

Despite these measures, there are still real concerns about the future prospects for the Eurozone economy, given the reluctance of governments to implement the structural reforms that are needed to lift the area out of the economic doldrums. Many feel that the ECB will ultimately be forced to undertake a programme of quantitative easing to engender some form of meaningful economic growth.

In an effort to maintain China's 7.50% growth target, the People's Bank of China implemented cuts to its reserve requirement rate, the level of deposits banks are required to keep at the central bank. The decelerating economy shows just how much China is struggling to make the transition to the desired domestic-led growth model but Premier Li Keqiang announced that the government **will** make sure China reaches its 7.5% growth target this year - considered gospel when it comes to economic data outcomes.

New Zealand Market Overview

The New Zealand economy continues to surge ahead despite the constraining effects of a rising New Zealand dollar and falling commodity prices (notably, dairy and timber). The March quarter GDP release showed 1.0% growth to take average annual growth to 3.3%. Although the GDP rise was dominated by the Canterbury rebuild, and to a lesser extent construction spending in Auckland, there is little to suggest a broad based expansion. Nonetheless, the New Zealand economy remains on a solid footing with consumer and business confidence still at high levels.

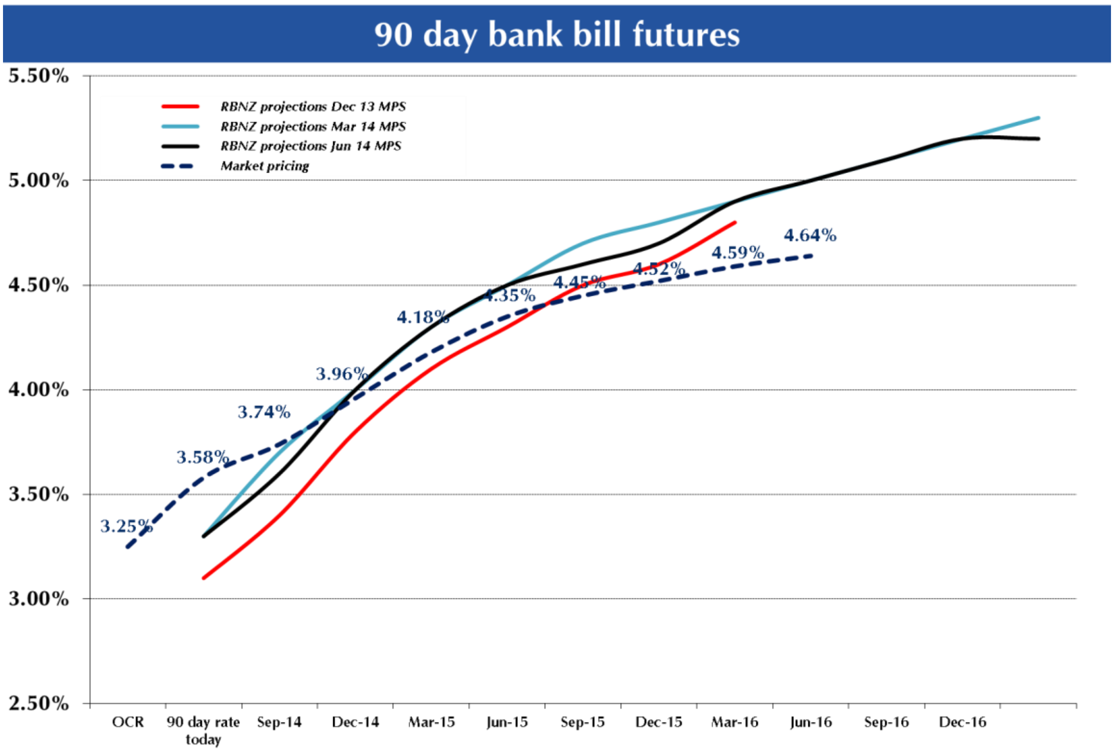
Given the softening dairy and lumber prices and the elevated New Zealand dollar, the domestic market expected the Reserve Bank of New Zealand ("RBNZ") to signal an easing in its tightening cycle at the 12 June *Monetary Policy Statement* ("MPS"). Instead, the RBNZ kept with its March interest rate track, saying that migration was providing an equally strong offsetting effect and that this factor was "*expected to remain an important boost to activity and inflationary pressures over the medium term.*"

Migration remains historically very strong, with the May data showing a monthly net inwards migration figure just shy of 4,000. While net departures to Australia may have finally found a floor, consistent with an Australian labour market that is no longer deteriorating, they are still at historically low levels. At this rate, the annual figure should pass the significant 40,000 level before the end of 2014 and will continue to worry the RBNZ given the potential impact on an already overheated housing market.

Currently, there is some dislocation between the RBNZ's projected path for the 90 day bank bill rate and the markets pricing of where it will track. There was some narrowing of the spread between the two after the MPS. However, the RBNZ projects the 90 day rate to reach 5.00% by June 2016, whereas the market is more restrained at around 4.65%. Whether the high New Zealand dollar causes the RBNZ to blink first remains to be seen but, with New Zealand out on a limb as far as central bank rate hikes are concerned and international investors attracted by some of the highest interest rates in the developed world, the 'weight of money' factor will continue to place upward pressure on the currency.

Medium and longer term swaps remain largely, but not totally, subject to moves in offshore markets. The 10 year swap rate started the quarter at 5.03%, but not surprisingly fell to 4.63% by the end of May, before closing the quarter 26 basis points higher at 4.89%, a 26 basis point increase from the low. By comparison, the US 10 year Treasury bond yield only increased by 13 basis points during the same period. This disparity reflects the relative economic performances and outlooks for the two economies.

The chart on the following page shows current 90 day bank bill futures pricing and the RBNZ's projections from the last three MPSs. The black line shows the RBNZ's most recent projection in the June MPS and the dotted blue line the current 90 day bank bill futures pricing.



Local Authority Sector

The LGFA held its most recent tender on 18 June. In total, $155 million of bonds and Floating Rate Notes ("FRN") were issued, with $369 million of bids received. Details of the tender are as follows:

- 15 March 2019 maturity - $10 million issued at a margin of 64 basis points over swap for an unrated borrower.
- 15 May 2021 maturity - $10 million issued at a margin of 74 basis points over swap for an unrated borrower.
- 15 April 2023 maturity - $135 million issued at a margin of 86 basis points over swap for an unrated borrower.

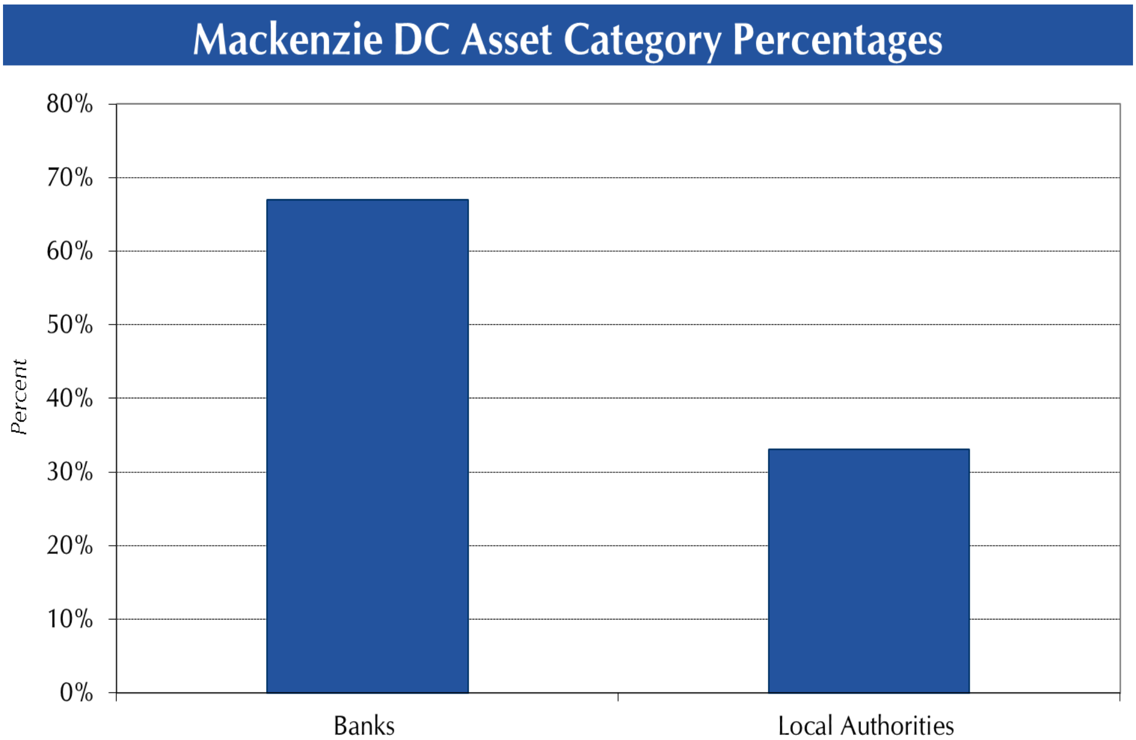
Late in the June quarter, there was resurgence in standalone bond issuance by local authorities. This resulted from a desire by a number of borrowers to diversify some of their funding away from the LGFA and to seek a term of six years (2020 maturity) that the LGFA does not offer. Also, there was a need from some investors to achieve 'name diversification' away from the LGFA. Three 'AA-' borrowers issued 6 year FRNs at a margin over swaps of 42 basis points while an unrated borrower issued a 6 year fixed rate bond at a margin over swaps of 55 basis points. In addition, one 'AA' rated local authority issued a 3 year fixed rate bond at a margin over swaps of 31 basis points.

Margins for bank funding fell slightly during the quarter with three year facilities for unrated borrowers priced around 100 to 105 basis points all up. However, bank funding is increasingly regarded as a liquidity type facility for those borrowers who can access the capital markets, either through the LGFA or by issuing in their own names.

POLICY ADHERENCE

- As at 30 June 2014, MDC was compliant with the investment parameters contained in its Treasury Policy.
- The duration of the LTFP at 2.49 years is within the 25% allowable fluctuation band of the benchmark portfolio's duration of 2.22 years.
- As far as liquidity is concerned, all of the bonds in the portfolio have been traded regularly on the secondary market during the September quarter. We are confident that the portfolio would be able to be sold at short notice if required.
- As at 30 June 2014, the asset category percentages complied with the Treasury Policy. These are as listed below and are graphically illustrated in the chart:-

-	Banks	66.96%
-	Local Authorities	33.04%



Benchmark

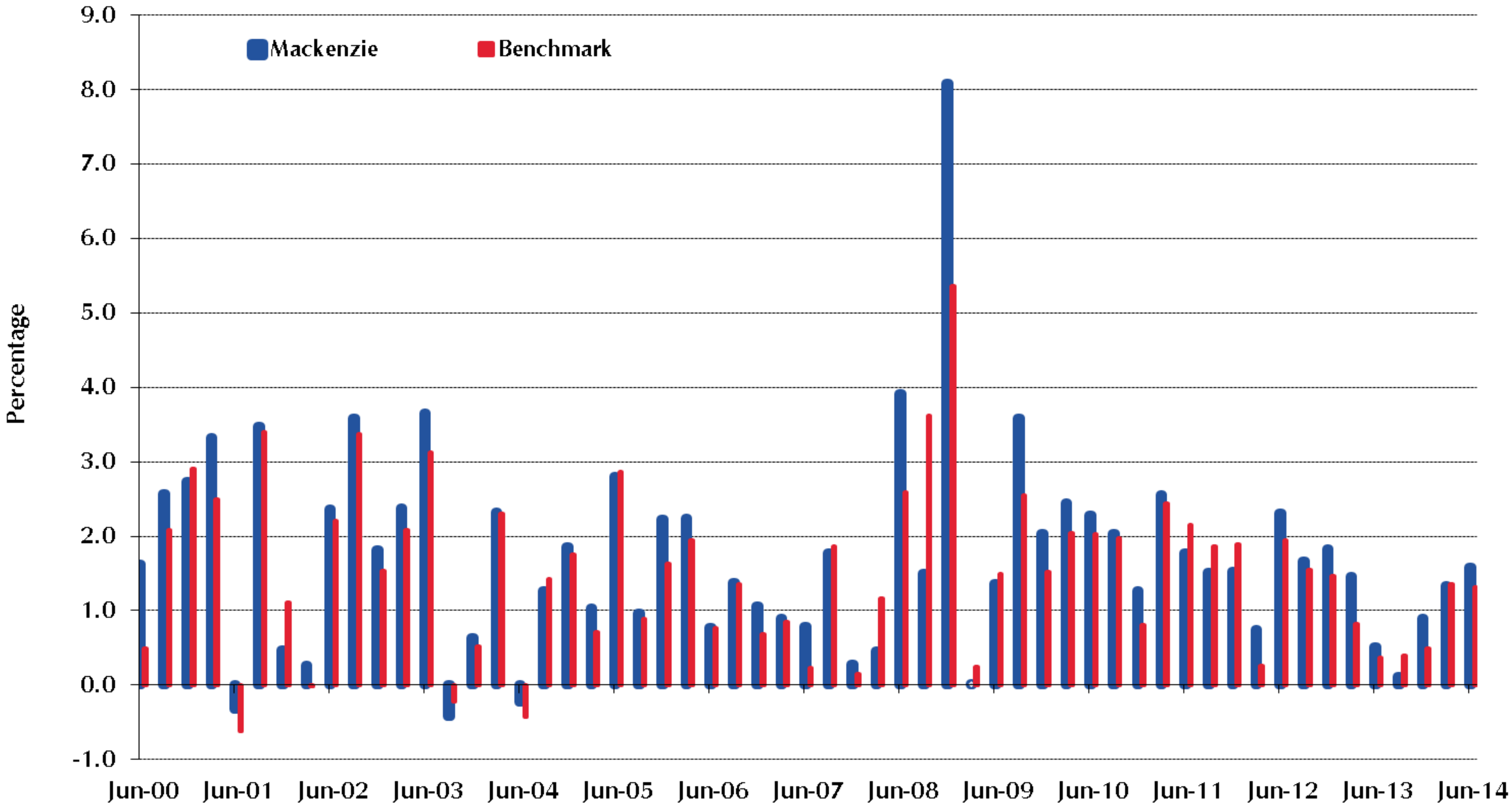
Security	Issue Date	Maturity Date	Coupon	31-Mar-14 Nominal $	Yield	Value $	30-Jun-14 Nominal $	Coupons 01/04 to 30/06 $	Yield	Value $	Effective cash 30/06/2014 $
3 month Bank Bill	30-Jun-14	30-Sep-14		1,000,000	3.12	992,290	1,000,000		3.63	991,047	991,047
Fonterra*	15-Mar-09	15-Mar-15	7.75	1,000,000	3.92	1,039,140	1,000,000	$19,375	4.11	1,028,461	1,047,836
BNZ	21-Apr-04	27-May-15	8.67	1,000,000	4.04	1,081,452	1,000,000	$43,350	4.16	1,047,709	1,091,059
Chch City Holdings	27-Jun-10	27-Jun-16	6.87	1,000,000	5.01	1,056,616	1,000,000	$34,350	5.03	1,035,019	1,069,369
NZ Post	15-Nov-11	15-Nov-16	5.22	1,000,000	5.12	1,021,976	1,000,000	$26,100	5.02	1,010,890	1,036,990
Telstra	15-Jul-12	11-Jul-17	7.51	1,000,000	5.33	1,081,115	1,000,000		5.25	1,097,802	1,097,802
Auckland Council	20-Apr-04	29-Sep-17	6.52	1,000,000	4.81	1,054,757	1,000,000		4.80	1,067,533	1,067,533
ANZ/National Bank	16-Feb-11	16-Feb-18	6.85	1,000,000	5.28	1,062,508	1,000,000		5.11	1,082,261	1,109,111
ASB	19-Jul-12	18-Jul-18	5.06	1,000,000	5.37	998,218	1,000,000		5.16	1,019,142	1,109,112
Rabobank NZ	19-Mar-12	19-Mar-19	6.10	1,000,000	5.51	1,027,301	1,000,000		5.32	1,049,158	1,049,158
				$10,000,000		$10,415,373	$10,000,000	$123,175		$10,429,022	$10,669,017

Value as at 31/03/2014	$10,415,373	30/06/2014	10,429,022
		Coupons	123,175
		Net Purchases/Sales	Nil
			10,552,197
*Quarterly coupon		Effective change in cash	$136,825
		% change	1.31%
		Duration-years	2.22

Mackenzie District Council												
				31-Mar-14			30-Jun-14				
Security	Issue Date	Maturity Date	Coupon	Nominal	Yield	Value	Nominal	Coupons	Yield	Value	Effective Cash
				$		$	$	01/04 to 30/06		$	30/06/2014
ROTORUA DC	25-Sep-09	25-Sep-14	6.49	500,000	3.63	507,320	500,000		3.93	511,497	511,497
BNZ	27-May-08	27-May-15	8.67	500,000	4.04	540,726	500,000	21,675	4.16	523,854	545,529
AUCKLAND COUNCIL	27-Sep-10	27-Sep-17	6.52	500,000	4.81	527,515	500,000		4.80	533,904	533,904
ANZNATIONAL	18-Apr-08	18-Apr-18	5.28	500,000	6.32	493,550	500,000	13,200	5.94	494,138	507,338
ANZNATIONAL	20-Sep-11	20-Sep-18	6.08	500,000	5.34	515,440	500,000		5.18	525,251	525,251
BNZ	20-Dec-11	20-Dec-18	6.10	527,000	5.38	551,507	527,000	16,073	5.23	545,944	562,017
				$3,027,000		$3,136,058	$3,027,000	$50,948		$3,134,589	$3,185,537

Value 31/03/2013	$3,136,058	Value 30/06/2014	3,134,589
		Coupons	50,948
		Net maturities and adjustments	
			3,185,537
		Effective change in cash	$49,479
		% change	1.58%
		Duration-Years	2.49

Mackenzie DC vs Benchmark - Quarterly



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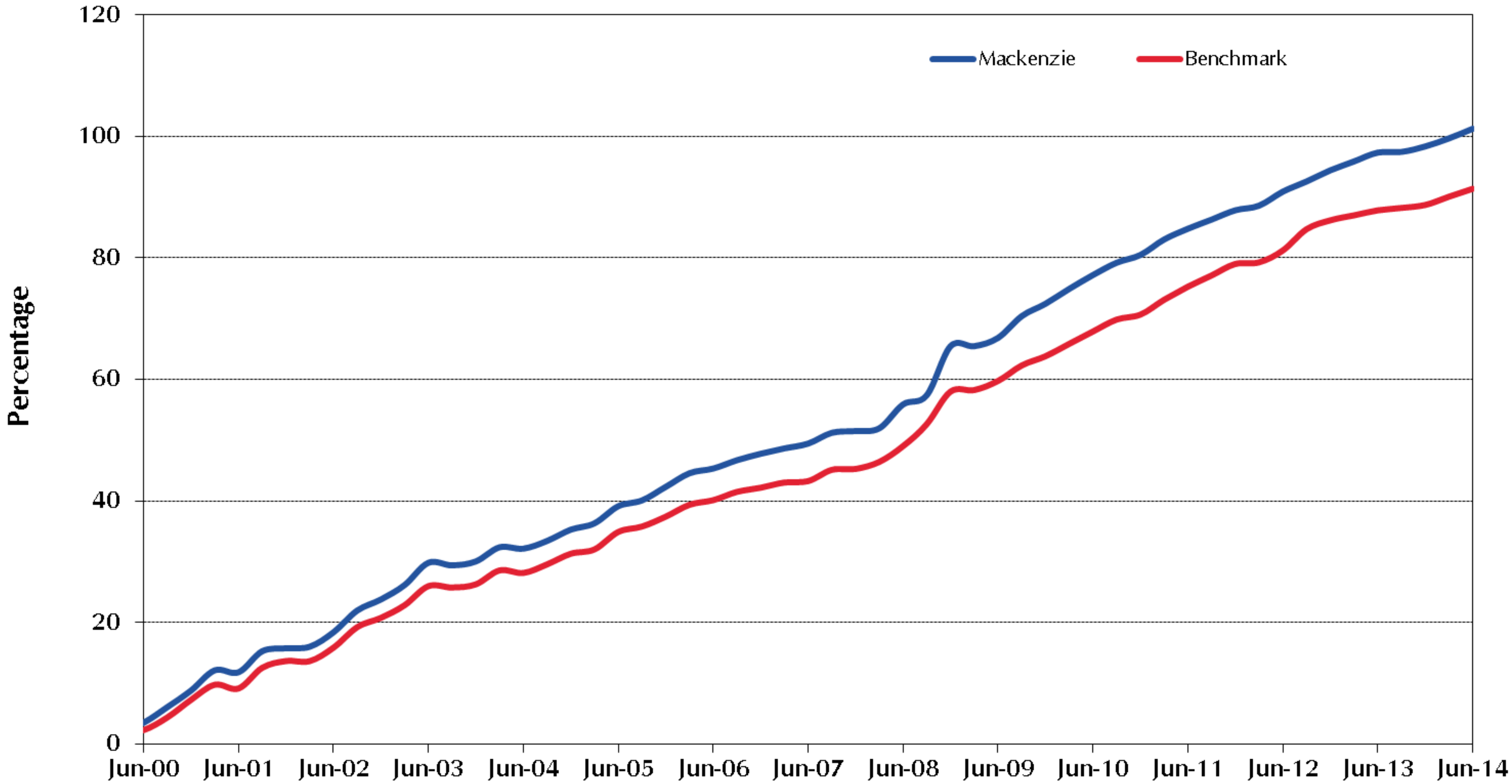
Mackenzie DC vs Benchmark - Cumulative



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