

Community

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Built on

Community

Scanpower Introduction.



**There's a certain "ourness"
about Scanpower.**

**You are our people, we are by
you and for you. Community
is the cornerstone of our
business and we're proud to
remain a customer trust owned
company delivering cost-
effective electricity network
services for almost 100 years.**

**We are your neighbours,
your friends, your whānau
and your community. You and
us, together are Scanpower.**



Working Together

Chairman's Report

TOTAL OPERATING REVENUE

\$21.92m

+ 5.76%
(\$1.19M)
ON 2021

INJURY FREQUENCY PER 200,000
HOURS WORKED

Zero

✓ 7.06
TARGET

Welcome to the Annual Report and Audited Financial Statements of Scanpower Limited for the year 1 April 2021 to 31 March 2022. This commentary, in conjunction with the financial and operational information contained herein, provides a description of the company's performance for the year relative to the targets set for us in the annual Statement of Corporate Intent.



Whilst the past twelve months were again dominated by the continuation of the COVID-19 pandemic event and the complications this presented, Scanpower was able to navigate these challenges successfully and safely. The majority of the results achieved for the year were strong, both relative to our targets and prior years. In addition to this, numerous business growth and process improvement projects were initiated and delivered during the period, and these will serve to further improve the company's performance going forward.





Financial Performance

Earnings Before Discounts and Tax, our primary financial performance measure, for the year to 31 March 2022, was **\$7.32m** and exceeded our annual target of **\$4.25m** by a substantial margin. Key drivers of this result include:

- A **5.76%** or **\$1.194m** year-on-year increase in Total Operating Revenue, derived predominantly from our Power Line Contracting, property investment and Treesmart business activities.
- A **\$3.21m** gain on the market value of our investment property portfolio.

On the basis of this performance, and in combination with an annual revaluation of the electricity network assets to **\$48.5m**, we have seen a healthy movement in the value of Shareholders' Equity from **\$49.53m** in 2021 to **\$56.51m** in 2022 and a pleasing rate of return of **13.38%**.

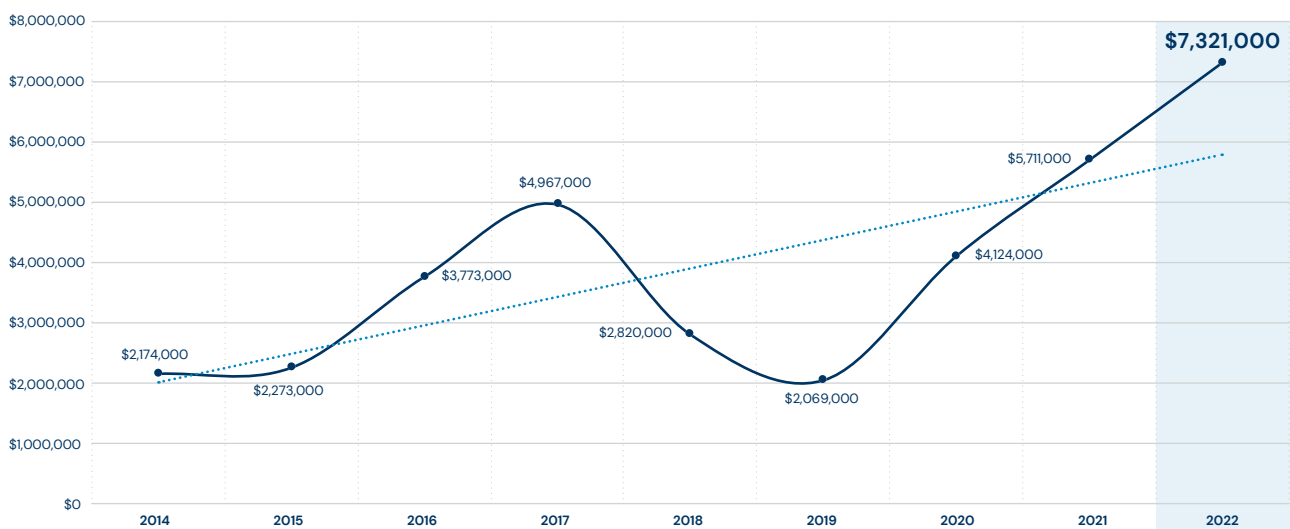


PERFORMANCE MEASURE	2022 RESULT	2022 TARGET	RESULT
Earnings Before Discounts and Tax	\$7,321,000	\$4,005,000	✓
Net Earnings (Profit After Interest, Discount and Tax)	\$4,763,000	\$1,624,000	✓

	2022 REVENUE	2021 REVENUE	CHANGE	% CHANGE
Network Line Charge Revenue	\$10,029,000	\$9,894,000	+\$135,000	+1.36%
Power Line Contracting Revenue	\$11,581,000	\$10,832,000	+\$749,000	+6.91%
Investment Property Rental Income	\$1,138,000	\$949,000	+\$189,000	+19.92%
Treesmart Revenue	\$746,000	\$565,000	+\$181,000	+32.04%
Total Operating Revenue (net of discounts)	\$21,916,000	\$20,722,000	+\$1,194,000	+5.76%

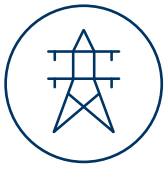
As per graph 1 below, this year's result stands up well relative to prior years and our earnings trend (depicted by the dashed line) continues to move in a positive direction.

Graph 1: Earnings Before Network Discounts & Tax



Therefore, in financial terms, the company results for the year have been pleasing and reflect the determination of our staff to keep the business units running successfully, in spite of the challenges and disruption presented to us by COVID-19.

PERFORMANCE MEASURE	2022 RESULT	2022 TARGET	RESULT
Value of Shareholders' Equity	\$56,509,000	\$46,870,000	✓
Total Assets	\$79,969,000	\$63,410,000	✓
Return on Equity (Gross earnings/Equity)	13.38%	9.06%	✓



Network Reliability & Assets

Network reliability performance for the year was mixed. With an average of **180.2** minutes loss of supply per customer, we did not achieve our SAIDI target, missing by **11%**.

However, at **0.912**, the number of interruptions experienced per customer fell well within our annual SAIFI target of **1.450**. The combination of these results indicates that whilst outages were less frequent than planned, when they did occur, they were of a longer duration than expected. Factors contributing to this include:

- A statistically high number of foreign interference events such as vehicle collisions and fallen trees (which tend to have higher restoration times); and
- A higher proportion of planned outages, that typically last a half or full day.

In terms of network capital expenditure, **\$3.78m** was spent over the course of the year on replacing aged assets and extending the network to accommodate new connections. This amount is particularly high relative to previous years and was driven in large part by an unprecedented level of customer-initiated work requests associated with housing growth and capacity upgrades.

PERFORMANCE MEASURE	2022 RESULT	2022 TARGET	RESULT
Minutes Loss of Supply per Customer (SAIDI)	180.2	163.0	✗
Annual Outages per Customer (SAIFI)	0.912	1.450	✓





Health & Safety Performance

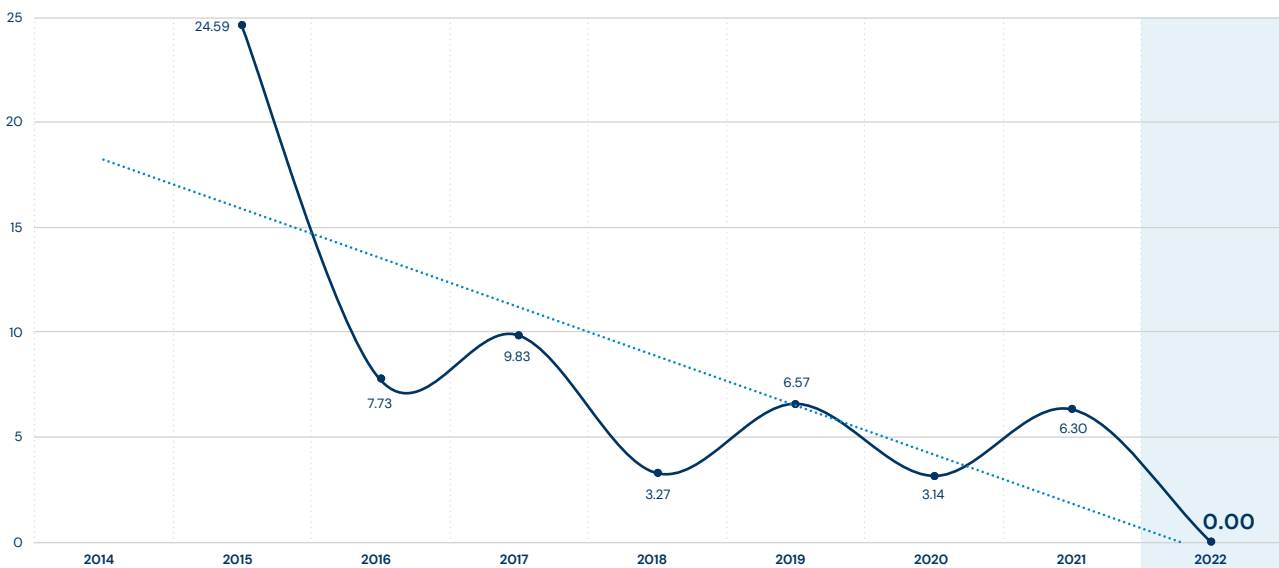
"It is pleasing to report that there were no workplace injuries requiring more than first aid treatment this year."

As per graph 2 below, the focus that has been placed on health and safety in recent years has been successful in reducing our Total Injury Frequency Rate down to **0** as at 31 March 2022.

For the coming year, our injury frequency target will fall to **6.56** in line with our policy of **0.5** annual reductions, intended to drive ongoing and sustained improvement in our workplace safety performance.

PERFORMANCE MEASURE	2022 RESULT	2022 TARGET	RESULT
Injury Frequency Rate per 200,000 Hours Worked	0.00	7.06	✓

Graph 2: Total Injury Frequency Rate Per 200,000 Hours Worked





Customer & Community

During the year, Scanpower paid out **\$1.732m** in discounts to customers connected to the network. This equated to **\$340** each for standard residential and commercial customers which, as per graph 3 below, continues the upward trend seen in recent years. We are aware that many households in our area rely on this discount to help them with their winter power bills and we will aim to continue providing discounts at a similar level over the coming years.

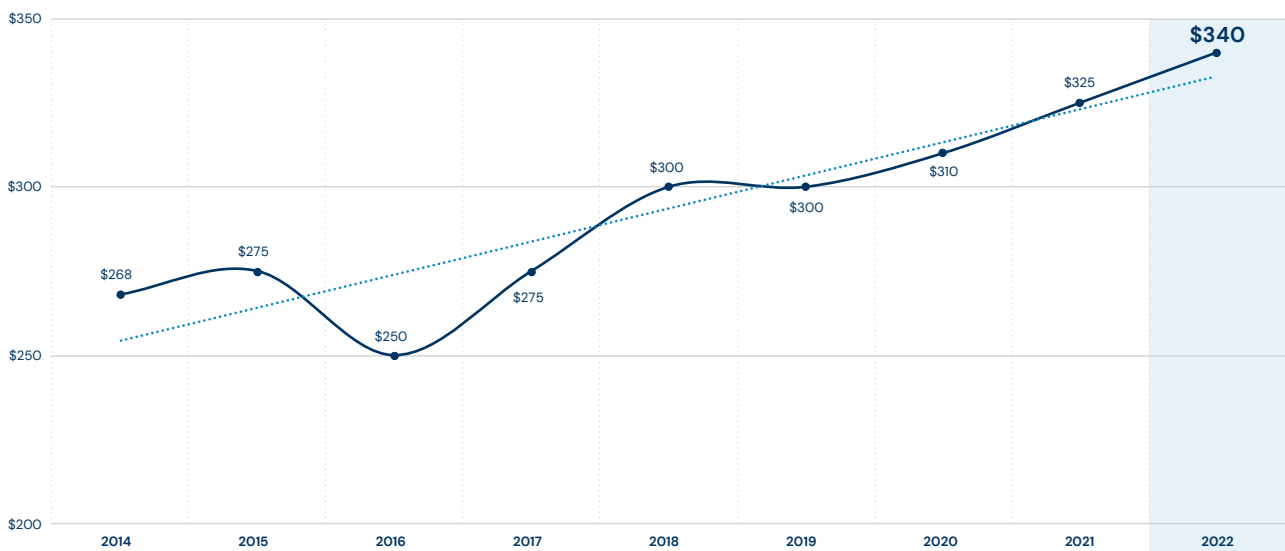
In addition to the network discount, Scanpower also continues to support numerous local organisations and events with sponsorship payments and donations. These include:

- Palmerston North Rescue Helicopter
- Dannevirke Ross Shield Rugby Team
- Dannevirke Garden and Craft Expo
- Dannevirke Christmas Lights Competition
- CACTUS Youth Development Programme

- Woodville Motocross Grand Prix
- Dannevirke High School Golf Day and Prize Giving
- Radio Woodville
- Radio Dannevirke
- Kumeroa Sheep Dog Trials
- Local School Homework Diaries
- Dannevirke A&P Show – Home Industries Section
- Tararua Sports Awards

Whilst some events were cancelled this year due to COVID-19, resulting in the total value of our sponsorships being lower than expected, we look forward to seeing them return in the coming year.

Graph 3: Annual Network Discount Paid Per Residential Connection





Business Development & Improvement Initiatives

Numerous business development and improvement projects were initiated over the course of the last year. In no particular order, these include:

- Investment in the purchase of a Caterpillar digger with mulching, trimming and tree grapple attachments for our Treesmart division. This has already been extensively used on stream clearance contracts for Horizons Regional Council and other municipal customers.
- A long overdue project to review and restructure our network charges was completed in November, taking effect on 1 April 2022. This has resulted in our charges being better aligned with the pricing principles promoted by the Electricity Authority and more efficiently reflecting the services provided to customers.
- In line with our long term digital strategy, a new role of Chief Information Officer was added to our executive team, with incoming staff member Stu Jacob taking up the position. Cybersecurity is a key function of this new role, particularly in light of the growing number of threats in this space.
- As part of Scanpower's ongoing development of Oringi Business Park, two transactions were entered into this year for the purchase of an additional seven hectares of land in and around the site. Whilst these may not be developed in the near term, they will provide option value at some stage in the future.



- In the final quarter of the year, we commenced the installation of a **375kW** solar electricity generation system on the extensive north facing roof spaces at Oringi Business Park. Once commissioned this will meet a good proportion of the tenant's electricity supply needs at the site, whilst freeing up capacity on our Pacific Feeder line that can be utilised elsewhere on the network.

All in all, it has been a busy year for the Scanpower team, and we look forward to initiating more exciting projects next year.

A Hearty Thanks

Scanpower has performed well over the past year and all key targets have been achieved. The CEO and Chairman extend a vote of thanks to all those involved in making Scanpower a continued success, including the Trustees of the Scanpower Customer Trust, the Board of Directors, the staff, our contractors, and customers.

We anticipate that the coming years will be a critical time for the electricity distribution sector as an increasing number of electric vehicles on the road and major decarbonisation initiatives such as the electrification of industrial heating loads drive a rapid escalation in demand for electricity. Scanpower will ensure that it continues to lay the foundations necessary to ensure that our customers needs can be met both now and long into the future.

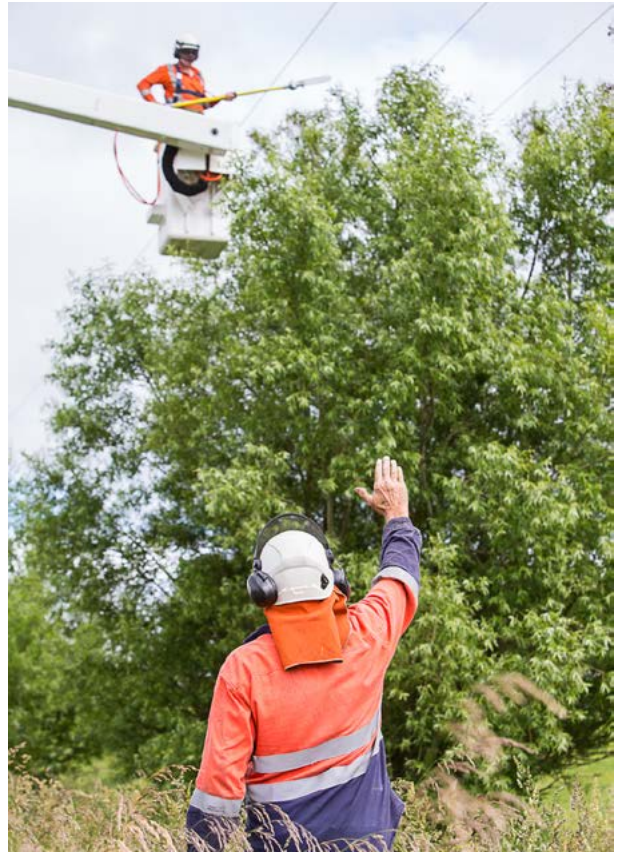
As a final note, we would like to record our appreciation and thanks to Bob Henry who stepped down from the Board in July 2021 after thirteen years of service as a Director. We wish Bob all the best for his retirement.



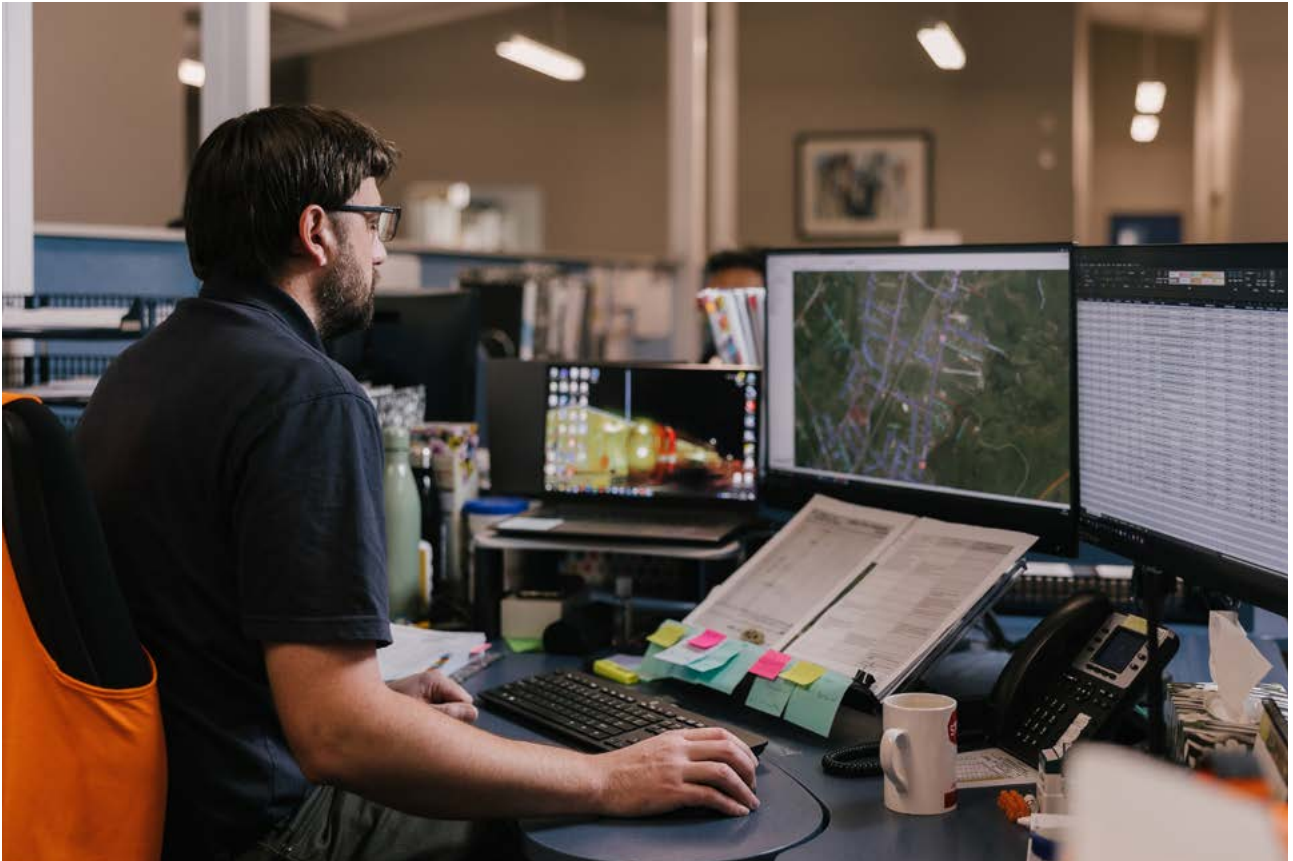
Lee Bettles
Chief Executive



Allan Benbow
Chairman







Data at a Glance

Annual Highlights



"The majority of our specified targets were either met or exceeded."

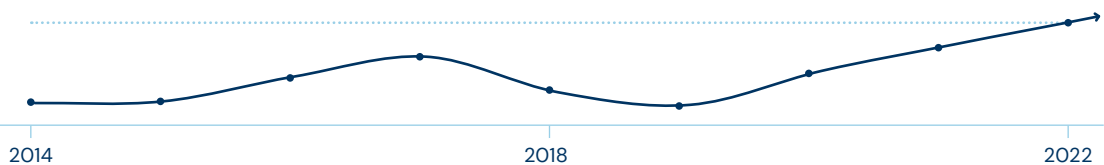
Financial Highlights

TOTAL OPERATING REVENUE

\$21,916,000

+ 5.76%
(\$1.19M)
ON 2021

THAT'S AN
8 YEAR HIGH



TOTAL REVENUE FROM SOURCES
OTHER THAN THE NETWORK

\$13.62m **+ 9.35%**
(\$1.27M)
ON 2021



VALUE OF SHAREHOLDERS' EQUITY

\$56.51m **+ 14.16%**
(\$6.98M)
ON 2021



TOTAL CUSTOMER DISCOUNTS

\$1.73m

WHICH MEANS...

\$340

AVERAGE DISCOUNT
PER CUSTOMER



EARNINGS BEFORE DISCOUNT AND TAX

\$7.32m **✓ 82.8%**
ABOVE
TARGET

Health & Safety Highlights

NUMBER OF NOTIFIABLE
INJURIES

Zero

INJURY FREQUENCY PER
200,000 HOURS WORKED

Zero ✓ 7.06
TARGET

Network Highlights



SAIDI (AVERAGE ANNUAL MINUTES
LOSS OF SUPPLY PER CUSTOMER)

180.2 ✗ 163.0
TARGET



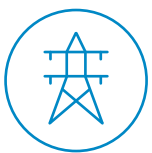
SAIFI (AVERAGE NUMBER OF
OUTAGES PER CUSTOMER)

0.912 ✓ 1.450
TARGET



UNITS (KWH) OF ELECTRICITY
CARRIED ACROSS THE NETWORK

83.46m



VALUE OF NETWORK ASSET
CAPITAL WORK COMPLETED

\$3.78m ✗ 72.60%
(\$1.59M)
ON 2021





Sticking Together

Working in our Community

Our community is what sustains us. Upon reflection of the unprecedented recent times we thank you, your whānau, your businesses and our community for sticking together through the tough times.



People are at the centre of who we are at Scanpower. Our communities around the Tararua Region make our business possible, and continue to support us. In addition to the network discounts, we are also committed to supporting numerous local organisations and events with sponsorships and donations.

We're here for you, and these are some of the wonderful community initiatives and activities we're proud to have sponsored over the past couple of years.



Pictured: Festive cheer lighting up the winning house of the Dannevirke Christmas Lights Competition.

NUMBER OF COMMUNITY
INITIATIVES SPONSORED

13+

TOTAL SPONSORSHIPS AND DONATIONS

\$29,000

These include:

- Palmerston North Rescue Helicopter
- Dannevirke Ross Shield Rugby Team
- Dannevirke Garden and Craft Expo
- Dannevirke Christmas Lights Competition
- CACTUS Youth Development Programme
- Woodville Motocross Grand Prix
- Dannevirke High School Golf Day and Prize Giving
- Radio Woodville
- Radio Dannevirke
- Kumeroa Sheep Dog Trials
- Local School Homework Diaries
- Dannevirke A&P Show – Home Industries Section
- Tararua Sports Awards

Community Powers People

A special highlight on sponsorship activities.

Since 2018, we have had the pleasure of supporting the Palmerston North Rescue Helicopter. Even though we have the privilege of our name on the helicopter itself, it's the values behind this team that we believe in. Not only do they save lives; they provide support and reassurance to their community. This is why we support them.

The past couple of years have been tough. With COVID-19 affecting all parts of everyone's life, it's important to come together and celebrate the fun things. Starting in 2019, we had the opportunity of sponsoring New Zealand's largest annual Motocross event – the Woodville Motocross Grand Prix. A couple of our team at Scanpower are avid Motocross fans so we took the opportunity to pour back into our community.

Whilst some events were unfortunately cancelled this year due to COVID-19, we look forward to supporting them in the coming years.



Words from the Trust

Customer Trust
Chairman's Report

"Delivering more to our community by providing a high quality electricity distribution network and promoting economic growth."



COMPANY RETURN ON EQUITY

13.38%

The Scanpower Customer Trusts holds all of the shares in Scanpower Limited on behalf of customers connected to Scanpower's electricity network. The Trustees are elected by customers every three years, with the next election due in 2024. The current Board of Trustees is comprised of:

- Myles McKeefry
- Rowena Bowie
- Keith Cammock
- Jim Crispin
- Mel Poulton

The Trust exercises its ownership responsibilities via the annual Statement of Corporate Intent which is developed in consultation with the Directors of Scanpower Limited, and ultimately approved by the Trustees. The Trustees are also responsible for appointing Directors to the company board.

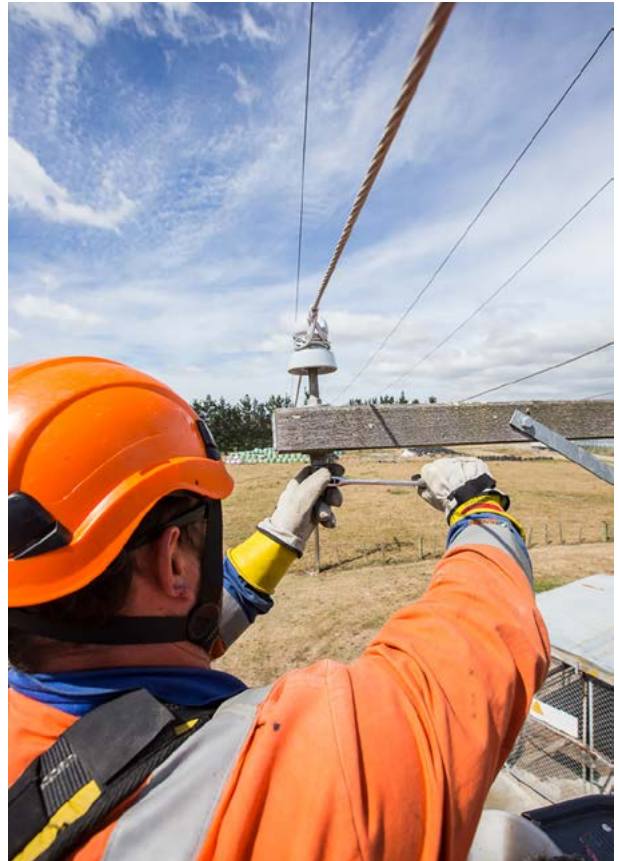
Scanpower's performance for the year ending 31 March 2022 was satisfactory and the majority of the targets specified in the Statement of Corporate Intent were met or exceeded. The company return on equity of **13.38%** was particularly pleasing.

In the Statement of Corporate Intent, Scanpower's company mission is described as follows:

"Delivering more to our community by providing a high quality electricity distribution network and promoting economic growth."

The Trustees are of the opinion that the company has more than lived up to this aspiration in the period under review. This is especially commendable taking into consideration the continuing and disruptive impact of the COVID-19 pandemic over the past year.

The Board of Trustees is satisfied that the company has complied with its other obligations under the Statement of Corporate Intent, including its permitted scope of activities, dividend payment,



reporting and accounting policies, and the information provided to the Trustees as company shareholders.

We commend the Directors, management and all staff for another strong performance and note that this has again been achieved in a challenging external environment. We would also like to acknowledge and thank Bob Henry for his many years of service on the company board, and wish him the best for his retirement.

A handwritten signature in black ink, appearing to read 'Myles McKeefry'.

Myles McKeefry

Trust Chair



Who Powers Us

Divisional Profiles

"All aspects of our business have grown and performed beyond our expectations for this year."

Power Line Contracting

Scanpower's Power Line Contracting division was established in 2003 when the company saw the opportunity to provide power line related services to customers outside of its immediate network area. Since that time, the business has grown steadily and is now the single largest source of operating revenue at **\$11,581,000** for the past year, representing **52.84%** of total.

As part of our geographic expansion, the Contracting division has satellite offices in Feilding, Paraparaumu and Pahiatua, in addition to the head office base at Oringi, Dannevirke. From these, we undertake work throughout the Wairarapa, Manawatū and Kāpiti Coast regions. **47.8%** of Scanpower's total staff is employed in the Contracting division. With services including:

- Design and build of new overhead and underground power systems.
- Electricity network maintenance and asset replacement projects.
- Glove barrier live line work crews.
- New subdivisions and commercial installations.
- Installation of overhead fibre-optic cable.
- Infrastructure related power line work associated with roading works.



POWER LINE CONTRACTING REVENUE

\$11.58m

✓ **52.84%**
OF TOTAL
REVENUE

PERCENTAGE OF SCANPOWER TOTAL STAFF EMPLOYED IN THE CONTRACTING DIVISION

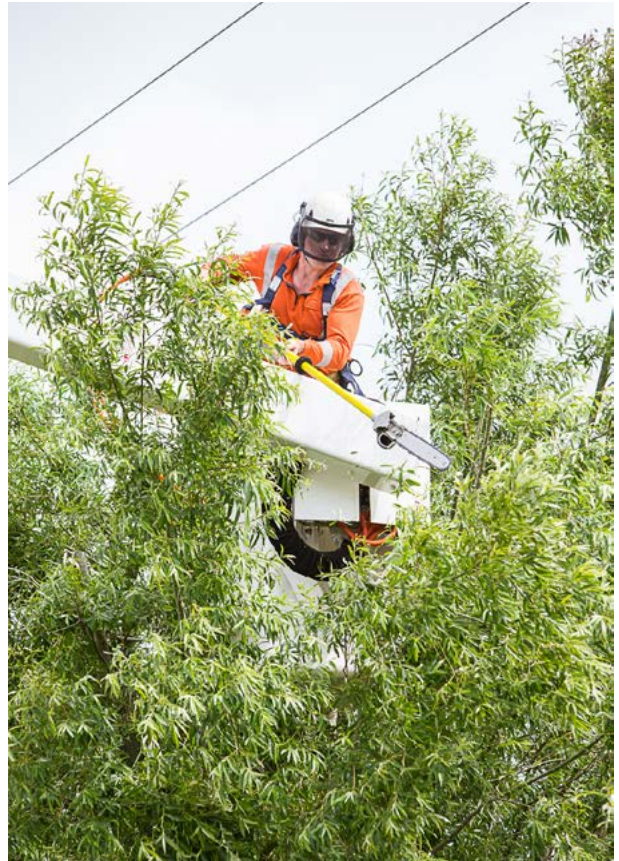
47.8%

Treesmart

Established in 2007, Treesmart was initially formed to undertake clearance of trees and vegetation from around power lines on Scanpower's own network, following the introduction of the Electricity (Hazards from Trees) Regulations. This move was motivated by a shortage of suitably qualified local contractors in the region and a desire to undertake necessary tree maintenance as cost effectively as possible.

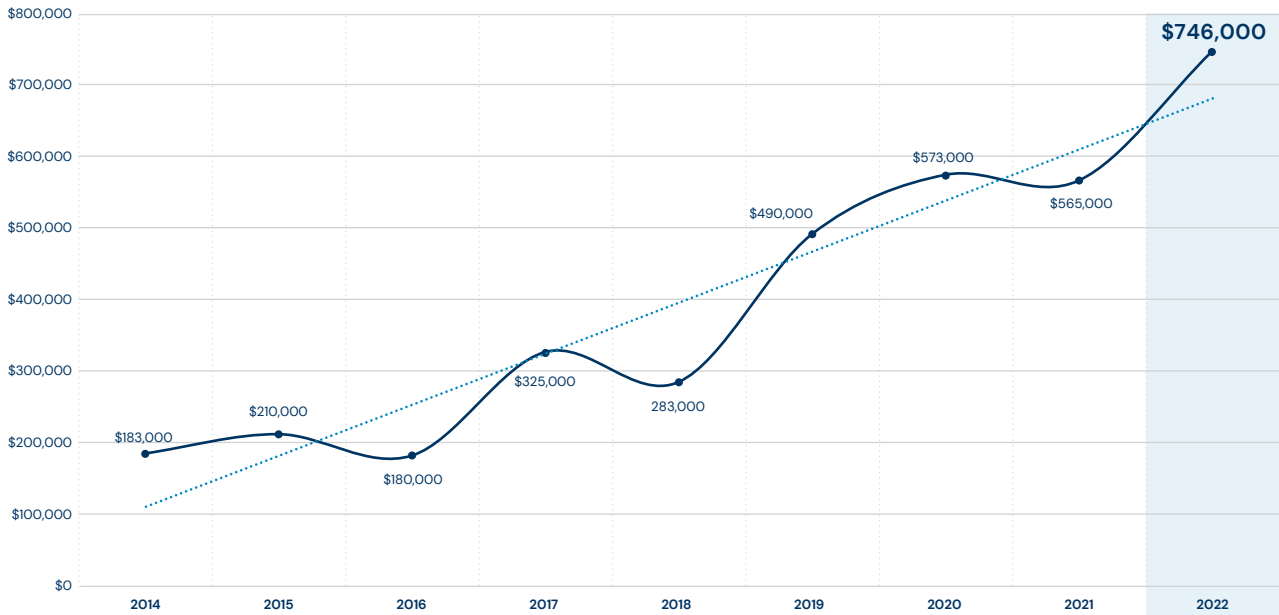
The Treesmart staff is made up of experienced and qualified arborists, utility arborists, machine operators and project managers. They're supported with a fleet of insulated elevated platform vehicles/ bucket trucks and chippers to effectively and safely carry out their work. In the past year, the company invested in a new Caterpillar digger with tree grapple, mulching and hedge trimming attachments, which has greatly enhanced the range of services Treesmart is able to offer to their customers:

- Specialised electricity utility arboriculture services, including live line tree work.
- Municipal vegetation management work for local and regional authorities.
- Machine based vegetation clearance and mulching.
- Stump removal and grinding.
- Arboriculture consultancy, risk assessment and long term / cyclical cutting plans.
- Difficult access tree removal and climbing.



"We anticipate that Treesmart will continue to grow in the coming years."

Graph 4: Treesmart Division External Revenue



TREESMART REVENUE FROM WORK
UNDERTAKEN OUTSIDE OF THE
SCANPOWER NETWORK SINCE 2014

+408%

Across these services, some of our key customers include:

- Scanpower
- Powerco
- Horizons Regional Council
- Palmerston North City Council
- Chatham Islands Enterprise Trust

Financially, Treesmart's revenue from work undertaken outside of the Scanpower network has grown steadily over the years, increasing **408%** since 2014 as per graph 4 above. Whilst Treesmart is still a niche, highly specialised market player, it has significant strategic value to Scanpower, not least in having this capability in-house and ready to respond to network outages and emergencies at short notice.

We anticipate that Treesmart will continue to grow in the coming years.

Oringi Business Park

Oringi Business Park is an investment project that the Scanpower team is particularly proud of, having purchased the site in 2008 following the closure of the former Oringi Freezing Works. Our motivations were to regenerate industrial activity and electricity consumption at the site, whilst at the same time attempting to create new employment opportunities for the local community to make up for the large number of jobs that had been lost.

From humble beginnings, Scanpower has progressively developed the buildings and facilities at the site over the past 14 years, attracting a range of new commercial tenants, and creating what is now a thriving business park. This included the construction of a new cold store in 2014.

In addition to the Scanpower head office, other organisations operating at the business park now include:

- Downer
- Tararua District Council
- Halls / Icepak
- The True Honey Co
- Treesmart
- Wools of New Zealand
- Easteel





"From humble beginnings, we have progressively developed the building and facilities at the site over the past 14 years."

ORINGI PROPERTY INVESTMENT
MARKET VALUE

\$15.3m

NUMBER OF BUSINESSES AT THE PARK

08

We're proud to have approximately two hundred locals who are now based at Oringi Business Park, working within these businesses.

From Scanpower's perspective, the investment now generates good, steady returns for the company; and perhaps equally importantly, much of the electricity consumption at the site that was lost in 2008 has now been recovered, delivering a positive effect on the company's network line charge revenue. As at the 31st March 2022 financial year end, the Oringi Property investment has a market value of **\$15.3m**.

Audited Financial Statements.



While community and people are at the centre of our success, we recognise the need for strong financial performance and sustainable growth.

We're pleased to have met almost all key targets set for the reporting period, being able to pass on this success through our customer discounts and community sponsorships.

Thank you to all our staff, across each division, who continue to drive success and performance even in these challenging times.

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2022

\$'000	NOTES	2022	2021
Operating revenue	2	21,916	20,722
Other revenue	2	3,368	1,066
Total revenue		25,284	21,788
Personnel costs	3	5,245	4,836
Depreciation and amortisation expense	3	2,762	2,578
Finance expense	3	292	288
Other expense	3	11,396	10,039
Total expenditure		19,695	17,741
Surplus/(deficit) before tax		5,589	4,047
Income tax expense/(refund)	4	826	974
Surplus/(deficit) for the year		4,763	3,073
<i>Other comprehensive income:</i>			
Gains/(losses) on property revaluations		735	1,263
Gains/(losses) on revaluations of network distribution assets		2,516	3,093
Deferred tax on revalued assets		(910)	(1,207)
Total other comprehensive income		2,341	3,149
Total comprehensive income		7,104	6,222

Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2022

\$'000	NOTES	2022	2021
BALANCE AT 1 APRIL			
Contributed Capital		7,500	7,500
Retained Earnings		20,131	17,169
Asset Revaluation Reserves		21,899	18,764
Total Opening Equity		49,530	43,433
Surplus/(deficit) for the year		4,763	3,073
Other Comprehensive Income		2,341	3,149
Total Comprehensive Income		7,104	6,222
Distribution to Shareholders		(125)	(125)
BALANCE AT 31 MARCH			
Contributed Capital		7,500	7,500
Retained Earnings		24,822	20,131
Asset Revaluation Reserves		24,187	21,899
Total Closing Equity		56,509	49,530

Statement of Financial Position

AS AT 31 MARCH 2022

\$'000	NOTES	2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	6	59	139
Debtors and other receivables	7	2,682	3,163
Contract assets	19	1,260	776
Inventories	8	774	578
Total current assets		4,775	4,656
Non-current Assets			
Capital work in progress	9	555	254
Property, plant and equipment	9	57,888	50,705
Intangible assets	10	924	969
Right of use assets	20	517	808
Investment property	11	15,310	11,872
Total non-current assets		75,194	64,608
Total Assets		79,969	69,264
LIABILITIES			
Current Liabilities			
Borrowings	12	-	-
Creditors and other payables	13	2,075	1,947
Contract liabilities	19	985	728
Lease liabilities	20	206	292
Employee benefits	14	917	864
Tax payable		120	500
Total current liabilities		4,303	4,331
Non-current Liabilities			
Borrowings	12	8,600	5,850
Lease liabilities	20	361	567
Deferred taxation	4	10,196	8,986
Total non-current liabilities		19,157	15,403
Total Liabilities		23,460	19,734

Continued on following page.

Statement of Financial Position *continued*

AS AT 31 MARCH 2022

\$'000	NOTES	2022	2021
Net Assets		56,509	49,530
EQUITY			
Contributed capital		7,500	7,500
Retained earnings		24,822	20,131
Asset revaluation reserves		24,187	21,899
Total Equity Attributable to Parent	5	56,509	49,530

For and on behalf of the Board


Allan Benbow*Director*

30 June 2022


David Veale*Director*

30 June 2022

Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2022

\$'000	NOTES	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from customers		21,471	19,116
Wage subsidy received		–	415
Rent received		1,152	982
		22,623	20,513
<i>Cash was applied to:</i>			
Payments to suppliers		11,590	9,710
Payments to employees		5,398	4,872
Interest paid		292	288
Income tax paid		906	513
Net GST movement*		56	73
		18,242	15,456
Net cash inflows/(outflows) from operating activities		4,381	5,057
CASH FLOWS FROM INVESTMENT ACTIVITIES			
<i>Cash was provided from:</i>			
Proceeds from disposal of property, plant and equipment		6	180
		6	180
<i>Cash was applied to:</i>			
Purchase and construction of property, plant and equipment		6,801	5,239
		6,801	5,239
Net cash inflows/(outflows) from investment activities		(6,795)	(5,059)

Continued on following page.

* The GST (net) component of operating activities reflects the net GST paid to and received from the Inland Revenue Department. The GST has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Statement of Cash Flows *continued*

FOR THE YEAR ENDED 31 MARCH 2022

\$'000	NOTES	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from:</i>			
Proceeds from borrowings		12,575	11,555
		12,575	11,555
<i>Cash was applied to:</i>			
Repayment of loan		9,825	11,025
Repayment of finance leases		291	385
Dividends paid		125	125
		10,241	11,535
Net cash inflows/(outflows) from financing activities		2,334	20
Net increase/(decrease) in cash and cash equivalents		(80)	18
Cash and cash equivalents at the beginning of the year		139	121
Bank cash/(overdraft) balance at year end	6	59	139

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2022

Note 1: Accounting Policies

Reporting Entity

Scanpower Limited is 100% owned by the Scanpower Customer Trust. The financial statements presented are for Scanpower Limited. The Company is registered under the Companies Act 1993 and is an energy company in terms of the Energy Companies Act 1992.

The Company is designated as a for-profit entity for financial reporting purposes.

The financial statements of Scanpower Limited for the year ended 31 March 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 30 June 2022.

Basis of Preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice (GAAP). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other New Zealand accounting standards and authorities notices that are applicable to entities that apply NZ IFRS Reduced Disclosure Regime (NZ IFRS RDR).

The company is eligible and has elected to report in accordance with Tier 2 for-profit accounting standards, NZ IFRS RDR, on the basis that the company has no public accountability and is not a large, for-profit, public sector entity. The company has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

The accounts have been prepared on a going concern basis.

The financial statements have been prepared on a historical cost basis modified by the revaluation of network assets, land and buildings and investment properties.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000).

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Covid-19 Pandemic

Just before the start of the previous financial year, on 11 March 2020, the World Health Organisation declared the outbreak of Covid-19 a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. From this, the country was in lockdown at Alert Level 4 for the period 26 March 2020 to 27 April 2020 and remained in lockdown at Alert Level 3 until 13 May 2020. The country moved to Alert Level 1 on 9 June 2020.

Our business activity during Alert Level 4 was restricted to:

- Emergency and power outage response.
- Network capital and maintenance work assessed as essential to continuity of supply and public safety.
- Essential tree trimming / vegetation management activity.

During this period, the majority of our field staff were categorised as 'essential workers' and performed their duties according to the

required health and safety protocols in place at the time. Most of our office based staff worked from home. Our Contracting Division was the hardest hit, with almost all customers closing down sites and deferring work. This resulted in a significant reduction in revenue for the month of April and a corresponding over all loss for the company.

The pandemic continued through the current financial year. We also saw the change from the Alert level system to a Traffic Light system with a few short lockdowns and staff working from home. Fortunately, the pandemic did not have an effect on the 2021-22 financial results and the Company experienced an exceptional year.

In light of the operational and financial performance results experienced through the second year of the pandemic, the Scanpower Board is of the view that there are no continuing indicators of Covid-19 related impairment in any of the company's cash generating units, or in the company's electricity distribution, investment property and other assets.

Business combinations

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The excess of the cost of acquisition over fair value of the identifiable net assets acquired is recorded as goodwill.

If the cost of acquisition is less than the fair value of the net assets of the business acquired, the difference is recognised directly in the income statement.

Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose.

Revenue

Revenue from contracts with customers

Network lines revenue

Line revenue relates to the provision of electricity distribution services and includes pass-through revenue and recoverable cost revenue. Prices are regulated, and customers are charged through a mix of fixed charges which are recognised on a straight-line basis and variable charges which are recognised based on the volume of distribution services provided.

Consistent with NZ IFRS 15 this revenue is recognised over time at the fair value of services provided based on an output method as the service is delivered to match the pattern of consumption. Pass through and recoverable costs include transmission costs, statutory levies and utility rates.

The Company pays a discount to eligible consumers registered on its network each year. The discount is paid to consumers via their retailer in the financial year.

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

The electricity line revenue recognised is net of the discount to be paid to consumers. A contract liability (included in trade and other payables) is recognised for any discount payable to consumers in relation to electricity distribution made and unpaid at the end of the reporting period.

Capital contributions

Customer contribution revenue relates to contributions received from customers towards the costs of reticulating electricity to new subdivisions, constructing uneconomic lines and relocating existing lines. The revenue recognised is the fair value of the asset being constructed. Revenue is recognised over time as a result of there being no alternative use to the asset without significant economic losses and the Company having a right to payment for performance completed to date.

Contracting revenue

Contracting revenue relates to revenue from electrical contracting services provided to third parties and is recognised as the fair value of the service provided or asset being constructed. Where an asset is being constructed for a third party, revenue is recognised over time as a result of control of the asset transferring to the customer over the time. For electrical services revenue is recognised at a point in time when the performance obligation is satisfied.

Treesmart revenue

Revenue for tree trimming services is recognised at a point in time when the service is consumed by the customer. Once the service has been performed the customer has obtained control of that service.

Variable consideration

If the consideration in a contract includes a variable amount, Scanpower estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for assets being constructed include variable considerations such as penalties.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If Scanpower performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which Scanpower has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before Scanpower transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier).

Other revenue

Rental income

Rental income from investment property is recognised in the Statement of Comprehensive Income as it falls due.

Interest income

Interest income is recognised using the effective interest method.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Goods and Services Tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cashflow in the statement of cash flows.

Income Tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financials and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary difference or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Debtors and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment of receivables is established when there is no objective evidence that the Company will not be able to collect all amounts due according to the original term of the receivables. The amount of the provision is the difference between the assets carrying amount and the present value of the estimated future cash flows, discounted using the effective interest method.

The carrying amount of an impaired receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are classified as current (i.e. not past due).

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off during the year that they are identified.

Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of activities less the estimated costs necessary to make the sale.

Property, Plant and Equipment

Property, plant and equipment consists of network distribution assets (land, buildings and fixtures), the Oringi site land and buildings, plant and equipment, motor vehicles, computer hardware and other fixtures.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses. Initial cost includes the purchase consideration and those costs directly attributable to bringing the asset to the location and condition necessary for its intended use. These costs include, where appropriate, site preparation costs, installation costs, borrowing costs and the cost of obtaining initial resource consents. Costs cease to be capitalised when substantially all the activities necessary to bring an asset to the location and condition for its intended use are complete.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the company and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at cost. Where an asset is acquired at no cost, or nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the statement of comprehensive income. When revalued assets are disposed, the amounts included in the asset revaluation reserve in respect of those assets are transferred to retained earnings.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefit or service potential associated with the item will flow to the company and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the asset to their estimated residual values over their useful lives. The useful lives of major classes of assets have been estimated as follows (in years):

Lines – wood	45
Lines – concrete	60
Lines – underground	45
Transformers	45
Substations	45
Air break switches	35
Customer connections	45
Circuit breakers	45
Sectionalisers	40
Ring main units	40
Voltage regulators	45
Fuses	35
Reclosers	40
Non-standard assets	15 to 60
Buildings and fixtures	10 to 50
Motor vehicles	3 to 15
Plant and equipment	3 to 25
Computer equipment	3 to 5
Oringi site buildings	50

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Revaluation

Operational land and buildings are valued on a three yearly valuation cycle. The Network Distribution assets are revalued on an annual basis by PricewaterhouseCoopers. If there is a significant impairment or upwards movement in the Network asset values, the Board will make a decision on the treatment of the movement. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Operational land and buildings

Fair value is determined from market-based evidence by an independent valuer. The most recent valuation was performed by Mr. C Southgate B.AG.COM.MNZIPIM ANZIV, of the firm Southgate Wilson, Dannevirke, and the valuation is effective as at 31 March 2022.

Network Distribution assets

The electricity distribution network is measured at fair value. Consistent with NZ IAS 16, and in the absence of specific market evidence of relevance to Scanpower's network assets, PwC has used the DCF methodology as the primary basis for determining the fair value of the Assets, based on the forecast cash flows associated with the Assets.

Accounting for revaluations

Scanpower Limited accounts for revaluation of property, plant and equipment on an individual asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for the individual asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of comprehensive income. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the statement of comprehensive income will be recognised first in the statement of comprehensive income up to the amount previously expensed, and then credited to the revaluation reserve for the individual asset.

Intangible Assets

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of identifiable assets, liabilities and contingent liabilities acquired, and is recognised as an asset.

Goodwill is not amortised but instead separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed in any subsequent period.

Software acquisition

Acquired computer software licenses are capitalised on a basis of the cost incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred.

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. The useful lives of major classes of intangible assets have been estimated as follows:

Computer software	3 to 10 years
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Impairment of Property, Plant & Equipment and Intangibles

The carrying amounts of the assets, other than inventory and investment property, are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists for an asset, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent of other assets, Scanpower Limited estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amounts are the higher of fair value (less costs to sell) or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Goodwill is tested for impairment annually, and whenever there is an indication that it may be impaired. An impairment of goodwill is not subsequently reversed.

If a revalued asset is determined to be impaired, then the impairment is firstly applied against the revaluation reserve related to that asset, with any remaining impairment loss expensed in profit or loss. If the impairment loss is subsequently reversed, the reversal is firstly applied to profit or loss to the extent of previously expensed impairment losses relating to that asset, with any further increase taken to the revaluation reserve.

For assets which are not revalued, an impairment loss is expensed immediately in profit or loss. If an impairment loss is subsequently reversed, the carrying value of the asset is stated at not more than what its carrying value would have been had the earlier impairment not occurred.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of comprehensive income. For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of comprehensive income.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the statement of comprehensive income, a reversal of the impairment loss is also recognised in the statement of comprehensive income.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the statement of comprehensive income.

Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs. After initial recognition, the Company measures all investment property at fair value as determined annually by an independent valuer. Gains or losses arising from a change in the fair value of investment property are recognised in the statement of comprehensive income.

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Leases

The company leases vehicles, buildings and computer equipment. Rental contracts are typically made for fixed periods of 4 to 10 years but may have extension options as described below. Until the start of the 2021 financial year, leases of vehicles were classified as either finance leases or operating leases, see note 20 for details.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.
- references the interest rate payable on drawing down on the CARL facility with the bank.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of printers.

Employee benefits

Short term benefits

Employee benefits are measured at nominal values based on accrued entitlements at current rate of pay. Benefits include salaries and wages accrued to balance date, annual leave earned, but not yet taken at balance date, retiring and long service entitlements expected to be settled within 12 months. The Company recognises a liability and an expense for bonuses where contractually obliged.

Superannuation Schemes

Defined benefit schemes

An employee of Scanpower Limited belongs to the Defined Benefit Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

Scanpower Limited recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Borrowings

Borrowings are initially recognised at fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Critical Accounting Estimates and Assumptions

In preparing these financial statements Scanpower Limited has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual result. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Network Distribution assets

Electricity distribution network valuation – Scanpower Limited owns and operates an extensive integrated electricity distribution network in the Taranaki area, comprising large numbers of individual network asset components. Scanpower Limited values its electricity distribution network on a discounted cash flow basis.

Scanpower Limited has adopted assumptions and estimates in its discounted cash flow valuation, including the amounts and timing of future cash flows and the relevant discount rate. For more information refer to the property, plant and equipment note.

Goodwill

Determining whether there has been impairment in relation to goodwill requires an assessment of the value in use of the cash generating assets with which the goodwill is associated. This is undertaken by estimating the future cashflows expected to arise and using a suitable discount rate to estimate the present value of the future cash flows.

Changes in accounting policies

There were no changes in accounting policies during 2022.



Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Note 2: Revenue

\$'000	NOTES	2022	2021
(I) OPERATING REVENUE			
Revenue from contracts with customers			
Network line rentals		10,029	9,894
Network discounts		(1,732)	(1,664)
Net network line rentals		8,297	8,230
Electricity market revenues		153	146
Power line contracting		11,581	10,832
Treesmart		746	565
Total revenue from contracts with customers		20,777	19,773
Other operating revenue			
Interest income		1	-
Rental income		1,138	949
Total other operating revenue		1,139	949
Total operating revenue		21,916	20,722
(II) OTHER INCOME			
Gain on valuation of investment property		3,210	306
Gain on sale of land		-	180
Other property related income		148	156
Administrative revenues		10	9
MBIE wage subsidy		-	415
		3,368	1,066
Total revenue		25,284	21,788

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Note 3: Expenses

\$'000	NOTES	2022	2021
(I) OPERATING EXPENSES			
Transmission expenses		2,141	2,056
Employee benefit expenses			
– Employee benefit plans		213	211
– Other employee benefits		5,032	4,625
Cost of sales and other operating expenses		8,647	7,475
		16,033	14,367
(II) OTHER EXPENSES			
Audit fees for financial statements audit		120	155
Audit fees for disclosure regulations		46	43
Directors remuneration and expenses		218	195
Operating lease expenses	20	30	33
Loss on disposal of property, plant and equipment		193	82
Bad debt expense		1	–
		608	508
(III) DEPRECIATION AND IMPAIRMENT			
Depreciation on network assets		1,492	1,351
Depreciation on other assets		907	778
Depreciation on leased assets	20	291	398
Amortisation of intangible assets		72	51
		2,762	2,578
(IV) FINANCE EXPENSE			
Interest on loan		241	214
Leases interest	20	51	74
		292	288
Total expenses		19,695	17,741

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Note 4: Taxation

\$'000	2022	2021
COMPONENTS OF TAX EXPENSE		
Current tax	507	851
Prior period adjustment to current tax	20	-
Deferred tax	299	123
Tax expense	826	974
RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT		
Surplus/(deficit) before tax	5,617	4,047
Tax at 28%	1,573	1,134
<i>Plus (less) tax effect of:</i>		
Expenses not deductible for tax purposes	1	1
Income not subject to tax	(897)	(161)
Under/(over) provided in prior periods	20	-
Deferred tax adjustment	129	-
Tax (refund)/expense for the year	826	974

\$'000	PROPERTY, PLANT AND EQUIPMENT	EMPLOYEE ENTITLEMENTS	LEASE ASSETS	OTHER PROVISIONS	TOTAL
DEFERRED TAX ASSETS/(LIABILITIES)					
Balance at 31 March 2020	(7,861)	136	11	58	(7,656)
Charged/(credit) to the Income Statement	(132)	1	3	5	(123)
Charged directly to equity	(1,207)	-	-	-	(1,207)
Balance at 31 March 2021	(9,200)	137	14	63	(8,986)
Charge/(credit) to the Income Statement	(303)	25	-	(21)	(299)
Charged directly to equity	(910)	-	-	-	(910)
Balance at 31 March 2022	(10,413)	162	14	42	(10,195)

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Note 5: Equity

\$'000	2022	2021
CONTRIBUTED CAPITAL		
Authorised and fully paid up share capital of 7,500,000 ordinary shares	7,500	7,500
RETAINED EARNINGS		
As at 1 April	20,131	17,169
<i>Transfers from:</i>		
Asset revaluation reserve on disposal of property, plant and equipment	53	14
Net surplus/(deficit) for the year	4,763	3,073
<i>Transfers to:</i>		
Dividend declared and paid	(125)	(125)
As at 31 March	24,822	20,131
ASSET REVALUATION RESERVES		
As at 1 April	21,899	18,764
Land, buildings and fixtures revaluation gains/(losses)	735	-
Valuation gain on transfer of properties to investment properties	-	1,263
Valuation gain on revaluation of Network Distribution Assets	2,516	3,093
Deferred tax on revaluation of Network Distribution Assets	(683)	(864)
Deferred tax on Land and Building revaluations	(227)	(343)
Transfer of revaluation reserve to retained earnings on disposal of property, plant and equipment	(53)	(14)
Balance at end of the year	24,187	21,899
<i>Asset revaluation reserve consists of:</i>		
Freehold land	663	377
Freehold buildings and fixtures	4,422	4,201
Distribution assets	19,102	17,321
Total reserves	24,187	21,899
Total Equity	56,509	49,530

Note 6: Cash and cash equivalents

\$'000	2022	2021
Current account	59	139
Total cash and cash equivalents	59	139

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Note 7: Debtors and other receivables

\$'000	2022	2021
Trade debtors	2,584	2,877
Related party receivables	-	-
Prepayments	98	286
	2,682	3,163
Less provision for impairment of receivables	-	-
Total debtors and other receivables	2,682	3,163

Fair value

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

Movement in the provision for receivables are as follows:

\$'000	2022	2021
At 1 April	-	-
Additional provisions made through the year	-	-
Provisions reversed during the year	-	-
Receivables written off during the year	1	-
At 31 March	1	-

The Company holds no collateral or other credit enhancements for financial instruments that give rise to credit risk, including those instruments that are overdue or impaired.

Note 8: Inventories

\$'000	2022	2021
Network stock	774	578
Total inventories	774	578

The write-down of inventories amounted to \$15,006 for Network stock. (2021: stock appreciated by \$9,507).

No inventories are pledged as security for liabilities. However, some inventories are subject to retention of title clauses.

Note 9: Property, Plant and Equipment

\$'000	2022	2021
WORK IN PROGRESS		
<i>Capital work in progress is contained in the following categories:</i>		
Treesmart & Contracting	153	254
Property	403	-
Total work in progress	556	254

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Note 9: Property, Plant and Equipment *continued*:

\$'000	NETWORK ASSETS	LAND & BUILDINGS	ORINGI SITE	MOTOR VEHICLES	PLANT & EQUIPMENT	COMPUTER EQUIPMENT	FIXTURES	TOTAL
GROSS CARRYING AMOUNT								
Balance at 31 March 2021	43,950	1,251	139	5,678	3,042	454	1,036	55,550
Additions	3,776	250	-	1,796	319	95	306	6,542
Disposals	(199)	-	-	(81)	(631)	(194)	-	(1,105)
Revaluations	1,023	699	-	-	-	-	-	1,722
Transfers	-	(219)	-	-	-	-	219	-
Balance at 31 March 2022	48,550	1,981	139	7,393	2,730	355	1,561	62,709
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
Balance at 31 March 2021	-	(15)	(24)	(2,280)	(2,021)	(292)	(213)	(4,845)
Disposals	-	-	-	81	631	194	-	906
Transfers	-	11	-	-	-	-	(11)	-
Impairment loss charged to profit	-	-	-	-	-	-	-	-
Net revaluation (increments)/decrements	1,492	25	-	-	-	-	-	1,517
Depreciation expense	(1,492)	(21)	(3)	(572)	(201)	(61)	(49)	(2,399)
Balance at 31 March 2022	-	-	(27)	(2,771)	(1,591)	(159)	(273)	(4,821)
Net book value at 31 March 2021	43,950	1,236	115	3,398	1,021	162	823	50,705
Net book value at 31 March 2022	48,550	1,981	112	4,622	1,139	196	1,288	57,888

Revaluation

Operational land and buildings

Operational land and buildings are valued at fair value using market-based evidence. Land is valued based on its highest and best use with reference to comparable land values. The market value for buildings is determined using market rents and capitalisation rates.

The most recent valuation was performed by Mr. C Southgate B.AG.COM.MNZIPIM ANZIV, of the firm Southgate Wilson, Dannevirke, and the valuation is effective as at 31 March 2022.

Network Distribution assets

The electricity distribution network was revalued to fair value of \$48.55m as at 31 March 2022, by PricewaterhouseCoopers and reviewed by Mr L Bettles BA (Hons) MBA (Distinction) of Scanpower Limited, in accordance with NZ IAS 16 – Property, Plant and Equipment, NZ IAS 36 – Impairment of Assets, and NZ IFRS 13 – Fair Value Measurement. In the absence of an active market for the network, Scanpower Limited calculated fair value using significant unobservable inputs (Level 3, as defined in NZ IFRS 13). Scanpower Limited used a discounted cash flow (DCF) methodology. This was based on the cash flow forecasts of the company and adjusted those cash flow forecasts to remove the impacts of expansionary growth on forecast future revenues, operating expenditure and capital expenditure.

The main key valuation assumptions were that:

- network revenues will increase by between 0.1% and 4% per year over the period 2024 to 2032,
- the connections/volume increase factor will be between 1% and 3% per annum,
- the appropriate DCF discount rate is 4.80% post-tax.

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Note 9: Property, Plant and Equipment *continued*:

A sensitivity analysis on a number of variables as follows:

- a capital expenditure increase/(decrease) of 5% would decrease/(increase) the network's fair value by \$0.31m respectively,
- an increase/(decrease) in the discount rate of 0.5% would decrease/(increase) the network's fair value by \$2.25m respectively,
- an operating expense increase/(decrease) of 5% would decrease/(increase) the network's fair value by \$0.01m respectively and,
- a distribution revenue increase/(decrease) of 5% would increase/(decrease) the network's fair value by \$2.58m.

Oringi Site – Restrictions on use of site

A memorandum of encumbrance was registered over the property transferred in order to secure the performance and observation of Scanpower's obligations in the covenant deed. The covenant places a number of restrictions on the use of the property which prevents Scanpower from either using the site personally for processing of Livestock product or selling or leasing the site to another party to perform such activities. If Scanpower break these terms and conditions they will be subject to an annual rent charge, payable to Silver Fern Farms, totaling \$500,000 per annum for 50 years.

Impairment

Property, plant and equipment, and goodwill were tested for impairment at year end. The recoverable amount was greater than the carrying amount and therefore no impairment loss was recognised.

Note 10: Intangible Assets

\$'000	COMPUTER SOFTWARE	GOODWILL	TOTAL
GROSS CARRYING AMOUNT			
Balance at 31 March 2021	752	550	1,302
Additions	27	-	27
Disposals	-	-	-
Balance at 31 March 2022	779	550	1,329
ACCUMULATED AMORTISATION AND IMPAIRMENT			
Balance at 31 March 2021	(333)	-	(333)
Disposals	-	-	-
Amortisation expense	(72)	-	(72)
Balance at 31 March 2022	(405)	-	(405)
Net book value at 31 March 2021	419	550	969
Net book value at 31 March 2022	374	550	924

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Note 11: Investment Property

\$'000	2022	2021
Balance at 1 April	11,872	8,992
Additions	228	1,225
Disposals	-	(26)
Transfers from property, plant and equipment	-	2,256
Transfer to property, plant and equipment	-	(881)
Fair value gains/(losses) on valuation	3,210	306
Balance at 31 March	15,310	11,872

Scanpower applies the fair value model to all investment properties.

Restrictions exist over the realisability of investment property or remittance of income and proceeds of disposal, the details of which are included in note 9 above.

At 31 March 2022, there was no contractual obligations to construct or develop the existing investment properties. As at 31 March 2021, contractual obligations to develop or purchase investment property were nil.

Valuation process

The Company's investment properties were independently valued by Mr. C Southgate B.AG.COM.MNZIPIM ANZIV as at 31 March 2022. The valuer is registered as an Associate Member of the NZ Institute of Valuers and holds an Annual Practising Certificate.

Note 12: Borrowings

\$'000	2022	2021
CURRENT PORTION		
Term loan	-	-
NON-CURRENT PORTION		
Term loan	8,600	5,850
Total borrowings	8,600	5,850

The cash and cash equivalents of \$59,000 (note 6) is the net cash, cash equivalent and bank overdraft for the purpose of the Statement of Cashflow (2021: \$139,000).

The bank has a perfected security interest in all present and after acquired property of Scanpower Limited for payment of the overdraft facility. The maximum amount that can be drawn down against the overdraft facility is \$12 million (2021: \$9 million). There are no restrictions on the use of the facility. The total borrowings were in accordance with the bank covenants.

The term loan matures on 30 August 2024 with the full amount of term loan and overdraft facility payable at that date.

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Note 13: Creditors and Other Payables

\$'000	2022	2021
Trade payables	1,243	1,149
Other payables and accruals	612	535
Related Party payables	-	3
Income in advance	214	150
GST payable	5	110
Total creditors and other payables	2,074	1,947

Trade and other payables are non-interest bearing and are normally settled on a 30-day term, therefore the carrying value of trade and other payables approximates their fair value.

Note 14: Employee Benefits

\$'000	2022	2021
EMPLOYEE ENTITLEMENTS		
Wages	74	43
Holiday Pay	402	367
Standby Leave	66	39
Long Service Leave (Current)	61	58
Retirement Gratuity (Current)	151	224
Christmas Bonus	37	33
Performance bonuses	125	100
Balance at 31 March	916	864
<i>Employee entitlements classified as:</i>		
Current	916	864
Non-current	-	-
Total employee entitlements	916	864

Employee entitlements include accrued wages, bonuses, accrued holiday pay, retirement gratuities and long service leave. Where settlement is expected to be greater than one year, the entitlement is calculated on an actuarial basis. The Retirement Gratuity has been reclassified from non-current to current as all eligible employees are able to take this in the coming financial year.

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Note 15: Commitments

Capital Commitments

The value of these capital commitments as at 31 March 2022 was \$344,015. (2021: \$0).

Operating Leases as Lessee

Scanpower Limited leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 60 months. The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

\$'000	2022	2021
NON-CANCELLABLE OPERATING LEASES AS LESSEE		
< 1 year	2	9
> 1 year but < 5 years	-	2
> 5 years	-	-
Total	2	11

Vehicle leases have been reclassified as finance leases with the implementation of NZ IFRS16, refer note 21.

Operating Leases as Lessor

Scanpower leases parts of buildings at the Oringi Business Park site under operating leases. The leases relate to a mixture of office and manufacturing buildings. Lease terms range 1 to 10 years with tenant options to extend the terms. All leases include a clause to enable upward revision of rental charges according to prevailing economic factors.

\$'000	2022	2021
NON-CANCELLABLE OPERATING LEASE AS LESSOR		
< 1 year	1,286	851
> 1 year but < 5 years	3,280	4,068
> 5 years	545	738
Total	5,111	5,657

Note 16: Contingent Assets and Liabilities

There were no contingent assets or liabilities as at 31 March 2022 (31 March 2021: \$0).

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Note 17: Transactions with Related Parties

Scanpower Limited is a subsidiary of the Scanpower Customer Trust. All transactions with related parties have taken place at arm's length.

The following transactions were carried out with related parties (disclosed GST inclusive):

\$'000	2022	2021
Scanpower Customer Trust		
Service fees charged	8	9
Receivable at year end	-	5

Scanpower Limited has committed to paying a dividend to the value of \$125,000 to the Scanpower Customer Trust (2021: \$125,000).

Scanpower provided services to the "For Homes" group of companies in which one of its Directors, P Clayton, is a principal. Total sales to this group amounted to \$0 for the year end to 31 March 2022 (2021: \$0). The amount outstanding at balance date was \$0 (2021: \$0). Scanpower paid \$1,000 to For Homes Ltd as a sponsor to the Christmas Lights competition.

Scanpower provided services to Lloyd, Dodson and Pringle in which one of the Scanpower Customer Trustees, Rowena Bowie, is a principal. Total sales to Lloyd, Dodson and Pringle amounted to \$0 for the year end to 31 March 2022 (2021: \$0) with amount receivable by Scanpower at balance date of \$0 (2021: \$0). Lloyd, Dodson and Pringle provided services to the value of \$266,400.92 to Scanpower (2021: \$17,466) with \$0 owed at year end (2021: \$2,851).

Scanpower provided services to Horizons Regional Council where Allan Benbow is the member for the Tararua Constituency. The value of services provided totalled \$91,439.08 (2021: \$882.31). Horizons Regional Council provided services to Scanpower to the value of \$28,424.65 (2021: \$21,583.90) and the amount owing at year end was \$0 (2021: \$0).

Scanpower provided services to Glenheath Farming Co where Sean Stafford is an independent trustee. The value of services provided totalled \$47,979.37 (2021: \$40,886.17) with amount receivable by Scanpower at balance date of \$7,846 (2021: \$6,830). Glenheath Farming Co does not provide services to Scanpower.

\$'000	2022	2021
Key management personnel compensation		
Compensation and other benefits	1,675	1,452

Key management personnel include the Directors and the Executive Team with the greatest authority for the strategic direction and management of the Company.

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Note 18: Financial Instruments

Note 18A: Financial Instrument categories

The accounting policies for financial instruments have been applied to the following line items below:

\$'000	2022	2021
Total Financial Assets at amortised cost (2021 loans and receivables)	3,904	3,792
Total Financial liabilities at amortised cost	11,023	8,396

Note 18B: Changes in liabilities arising from financing activities

\$'000	1 APRIL 2021	CASH FLOWS	OTHER	31 MARCH 2022
Current interest-bearing loans and borrowings	-	(9,825)	-	-
Non-current interest-bearing loans and borrowings	5,850	12,575	-	8,600
Dividends payable	125	(125)	125	125
Total liabilities from financing activities	5,975	2,625	125	8,725

Note 19: Revenue from Contracts with Customers

Satisfaction of Performance Obligations & Significant Judgements

Scanpower typically satisfies its performance obligations as services are rendered and upon completion of the service.

The stage of completion for Powerline contracting is determined using input methods in accordance with IFRS 15 by comparing the amount of labour hours expended on the project compared to budgeted hours. Scanpower has assessed this method to be the most appropriate measure of performance obligation satisfaction. Network line rentals and Transmission rental rebates are also satisfied over time based on the number of days passed in each month as the service is provided evenly over each month.

Treesmart revenue is recognised at a point in time when the service is consumed by the customer. Once the service has been performed, the customer has simultaneously obtained control of that service.

Significant Payment Terms

Payments are typically due as either an upfront deposit invoice in combination with completion/progress invoices include progress payments or upon completion of the service rendered.

Nature of Services Provided

The nature of the services provided by Scanpower includes the provision of Scanpower's network for transmitting electricity to residents (Network Line Rentals & Transmission Rental Rebates), tree trimming services (Treesmart) and the construction of network distribution assets (Powerline Contracting) in connection with Scanpower's and third-party distribution networks. The timing of revenue recognition is set out in the tables below.

Variable consideration

Where consideration in relation to any particular contract is variable the "most likely amount" as per paragraph 53(b) of NZ IFRS 15 has been allocated to the contract and recognised alongside other contract revenue. The most likely amount in relation to variable consideration has been used on the basis of there being no material indication that this would not be the most likely outcome. Estimation of variable amounts are not typically constrained.

Returns/Refunds

Powerline contracting refund policies include the full refund of the deposit amount unless Scanpower has incurred expenses for that particular project. In this instance the deposit is withheld to the extent of expense incurred.

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Note 19: Revenue from Contracts with Customers *continued*

Warranties

Powerline contracting offers warranties for work completed on third party networks on behalf of a customer. The warranty extends for a period of 2 years after the date of completing the work. No warranty is offered in regard to contracting work associated with the Scanpower network. No provision for repairs under warranty has been made as there is no history of work being required.

Performance Bonds

Scanpower has a few active performance bonds and these could be initiated against Scanpower by the customer under the following circumstances. If Scanpower fails to complete the stated contracted works or if defects arise in the subsequent 24 months that Scanpower refuses to remedy.

The maximum amount of performance bond payments Scanpower may be liable for is \$626,334. No provision has been made in the current year's financial statements as there is no indication to Scanpower that any of the events explained above are likely to occur, and no penalties have been paid under contract to date.

Scanpower derives revenue from the transfer of goods and services customers over time and at a point in time from the following major business operations as displayed in the following table:

\$'000	NETWORK LINE RENTALS	TRANSMISSION RENTAL REBATES	POWERLINE CONTRACTING	TREESMART	TOTAL
2021					
Revenue recognised at point in time	-	-	-	565	565
Revenue recognised over time	8,230	146	10,832	-	19,208
Total revenue from contracts with customers					19,773
2022					
Revenue recognised at a point in time	-	-	-	746	746
Revenue recognised over time	8,297	153	11,581	-	20,031
Total revenue from contracts with customers					20,777

Scanpower had the following contract balances during the year ended 31 March 2022:

\$'000	CONTRACT ASSETS	TRADE RECEIVABLES	CONTRACT LIABILITIES
Closing balance as at 31 March 2021	776	2,058	728
Closing balance as at 31 March 2022	1,260	2,591	985

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Note 20: Leases

\$'000	2022	2021
(I) AMOUNTS RECOGNISED IN THE BALANCE SHEET		
<i>The balance sheet shows the following amounts relating to leases:</i>		
Right of use assets		
Vehicles	420	660
Buildings	55	94
Computers	42	54
Total Right of use assets	517	808
Lease liabilities		
Current	206	292
Non-current	361	567
Total lease liabilities	567	859

Additions to the right of use assets during the 2021-22 financial year were \$0 (2021: \$215,000).

\$'000	2022	2021
(II) AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS		
<i>The statement of profit or loss shows the following amounts relating to leases:</i>		
Depreciation charge of right of use assets		
Vehicles	240	369
Buildings	39	23
Network equipment	12	6
Total Depreciation charge for right of use assets	291	398
Interest expense (included in finance costs)	51	74
Expenses relating to short term leases (included in other expenses)	17	16
Expenses relating to low-value assets that are not shown above as short-term leases (including in other expenses)	13	16

The total cash outflow for leases in 2021-22 financial year was \$343,069.

Note 21: Events subsequent to balance date

On 24 September 2021 Scanpower entered into a sale and purchase agreement with Glenheath Farming Co Limited for the purchase of 5.9506 hectares of land adjacent to Oringi Business Park. The agreed purchase price was \$1,000,000. As at 31 March 2022 the transaction had not settled because the required survey and legal boundary change amendments had not been completed and processed by Land Information New Zealand. It is anticipated that the transfer of title will be granted / issued in August 2022 at which time the transaction will settle and Scanpower will pay \$1,000,000 to Glenheath Farming Co Limited.

There were no other post balance date events as at 31 March 2022.

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Statement of Performance

FOR THE YEAR ENDED 31 MARCH 2022

		2022 ACTUAL	2022 TARGET	2021 ACTUAL
FINANCIAL MEASURES				
Earnings Before Discount and Tax (EBDT)	\$'000	7,321	4,005	5,711
Gross Earnings (Profit Before Interest, Discount and Tax)	\$'000	7,562	4,245	5,998
Tax Payable (at the Company tax rate of 28%)	\$'000	826	631	974
Interest Paid on Loan	\$'000	241	240	214
Total Discounts Paid (budgeted amount, exclusive of GST)	\$'000	1,732	1,750	1,664
Net Earnings (Profit after Interest, Discount and Tax)	\$'000	4,763	1,623	3,073
Net Assets / Shareholders' Equity	\$'000	56,509	46,870	49,530
Total Assets	\$'000	79,969	63,410	69,264
Return on Equity (Gross earnings / Shareholders' Equity)	%	13.38%	9.06%	12.11%
Equity Ratio (Shareholders' Funds / Total Assets)	%	70.66%	73.92%	71.51%
HEALTH AND SAFETY PERFORMANCE				
Total Injury Frequency Rate (Per 200,000 hours worked)	<i>Injuries</i>	0.00	7.06	6.28
NETWORK RELIABILITY AND ASSET MANAGEMENT PERFORMANCE				
Minutes Loss of Supply per Customer (SAIDI B / C)*	<i># Minutes</i>	180.2	163	90.9
Annual Interruptions per Customer (SAIFI B / C)#	<i># Interruptions</i>	0.912	1.45	0.662
Public Safety Management System in Place (NZS 7091:2014 compliant)	Achieved	Achieved / Not Achieved	Achieved	
Asset Renewal Rate (Network capex / depreciation)	253%	> 115%	162%	
Network Asset Capital Works Complete (as per Asset Management Plan)	Achieved	Achieved / Not Achieved	Achieved	
Value of Tree Clearance Completed (as per Asset Management Plan)	\$'000	494	612	642
NETWORK PRICING PERFORMANCE				
Network Revenue per kWh (cents per kWh, net of transmission costs)	<i>Cents / kWh</i>	9.45	9.43	9.51

Continued on following page.

*** SAIDI – System Average Interruptions Duration Index:**

This represents the average number of minutes that a consumer was without power during the reporting period.

SAIFI – System Average Interruption Frequency Index:

This represents the average number of interruptions that a consumer experiences during the reporting period.

For more information on the SAIDI and SAIFI performance measures refer to the Chairman and CEO's report under the heading "Network Performance".

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Statement of Performance *continued*

FOR THE YEAR ENDED 31 MARCH 2022

		2022 ACTUAL	2022 TARGET	2021 ACTUAL
NON-REGULATED REVENUE PERFORMANCE				
Total Non-Regulated Revenue (Contracting, Treesmart & Property Revenue)	\$'000	13,872	15,868	12,346
Non-Regulated Revenue Ratio (total non-regulated revenue / total revenue)	%	53.9%	> 50%	56.7%
CUSTOMER DISCOUNT PERFORMANCE				
Discount Paid per Customer (per standard residential & commercial customers)	\$'000	340	340	325
SOCIAL AND COMMUNITY PERFORMANCE				
Budgeted Sponsorship and Donations (per annual operating budgets)	\$'000	29	50	43
Community Activities Completed to Plan (planned initiatives completed)		Achieved	Achieved / Not Achieved	Achieved

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2022

Statutory Information Disclosures

Principal Activities

During the period, Scanpower was primarily engaged in the provision of electricity network distribution services. The Company also operated tree clearance and power line contracting services. In addition to this, the Company holds a significant Investment Property portfolio.

Financial Results

The operating profit before interest, discount and tax for the year was \$7,562,000. The annual net profit was \$4,763,000.

This compares with an operating profit before discount, interest and tax in 2021 of \$5,998,000, a net profit of \$3,073,00 and a network discount of \$1,664,000.

Dividend

The Directors recommended payment of a dividend of \$125,000 to the Scanpower Customer Trust for the year ended 31 March 2021.

Directors

Remuneration of Directors

Allan Benbow	\$55,000	Reappointed	31/07/2019
Peter Clayton	\$35,000	Reappointed	28/07/2021
Bob Henry	\$11,667	Retired	28/07/2021
Rodney Wong	\$35,000	Reappointed	28/07/2021
Mark Kilmister	\$35,000	Reappointed	31/07/2019
David Veale	\$23,333	Appointed	28/07/2021
Sean Stafford	\$23,333	Appointed	28/07/2021

Directors' Interests

The Directors' interests are recorded in an interest register. The register is updated if there was a declaration of interest by any of the Board members or the CEO after a Board meeting.

Directors Use of Company Information

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

Executive Employees Remuneration

During the year, the number of non-director employees who received remuneration and other benefits of \$100,000 or more were as follows:

TOTAL REMUNERATION AND OTHER BENEFITS	NUMBER OF EMPLOYEES
\$400,000 – \$450,000	1
\$170,000 – \$180,000	2
\$160,000 – \$170,000	2
\$140,000 – \$150,000	1
\$120,000 – \$130,000	1
\$110,000 – \$120,000	4
\$100,000 – \$110,000	2

Auditors

In accordance with Section 45 of the Energy Companies Act 1992, Audit New Zealand, on behalf of the Auditor-General, will continue in office with the Directors being authorised to fix their remuneration.

Audit Fees

The fee for the year paid to our Auditors was \$119,784 (plus disbursements). Fees paid in respect of other auditing services were \$45,800 for the audit of the Information Disclosures.

Directors' Indemnity and Insurance

The Company has continued to insure its Directors and certain senior managers of the Company against liabilities to other parties (except the Company or a related party of the Company) that may arise from their positions as Directors or senior managers.



Allan Benbow

Chairman

Independent Auditor's Report

FOR THE YEAR ENDED 31 MARCH 2022

To the readers of Scanpower Limited's financial statements and performance information for the year ended 31 March 2022

The Auditor-General is the auditor of Scanpower Limited (the company). The Auditor-General has appointed me, Chris Webby, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the company on his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the company on pages 30–55, that comprise the statement of financial position as at 31 March 2022, 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 performance information of the company on pages 56–57.

In our opinion:

- the financial statements of the company:
 - present fairly, in all material respects:
 - its financial position as at 31 March 2022; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended 31 March 2022.

Our audit was completed on 30 June 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is also responsible on behalf of the company for preparing performance information that is fairly presented.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and performance information.

For the budget information reported in the performance information, our procedures were limited to checking that the information agreed to the company's statement of corporate intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

Independent Auditor's Report *continued*

FOR THE YEAR ENDED 31 MARCH 2022

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 03-29, 58 and 61, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out an engagement in the area of an assurance engagement pursuant to the Electricity Distribution Information Disclosure Determination 2012 – (consolidated in 2018) for the period ended 31 March 2021, which is compatible with those independence requirements. Other than the audit and the engagement, we have no relationship with or interests in the company.



Chris Webby

Audit New Zealand

On behalf of the Auditor-General
Palmerston North, New Zealand

Directory_

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Board of Directors

Chairman:
Allan Benbow

Deputy Chairman:
Peter Clayton

Members:
Rodney Wong
Mark Kilmister
David Veale
Sean Stafford

Executive Team

Chief Executive:
Lee Bettles

Power Line Contracting Division Manager
– Kapiti/Horowhenua:
Allen Hutchison

Power Line Contracting Division Manager
– Manawatu/Rangitikei:
Andrew Haste

Power Line Contracting Division Manager
– Wairarapa/Tararua:
Dave Smith

Company Finance Manager:
Ben van der Spuy

Chief Operating Officer:
Brent Dais

Network Division Manager:
Peter Rue

Treesmart Division Manager:
Warren Hirst

Chief Information Officer:
Stu Jacob

Bankers

Bank of New Zealand,
Dannevirke

Solicitors

Lloyd, Dodson & Pringle –
a division of Fitzherbert Rowe
Barristers and Solicitors
Ward Street, Dannevirke

Auditors

Audit New Zealand,
Palmerston North

