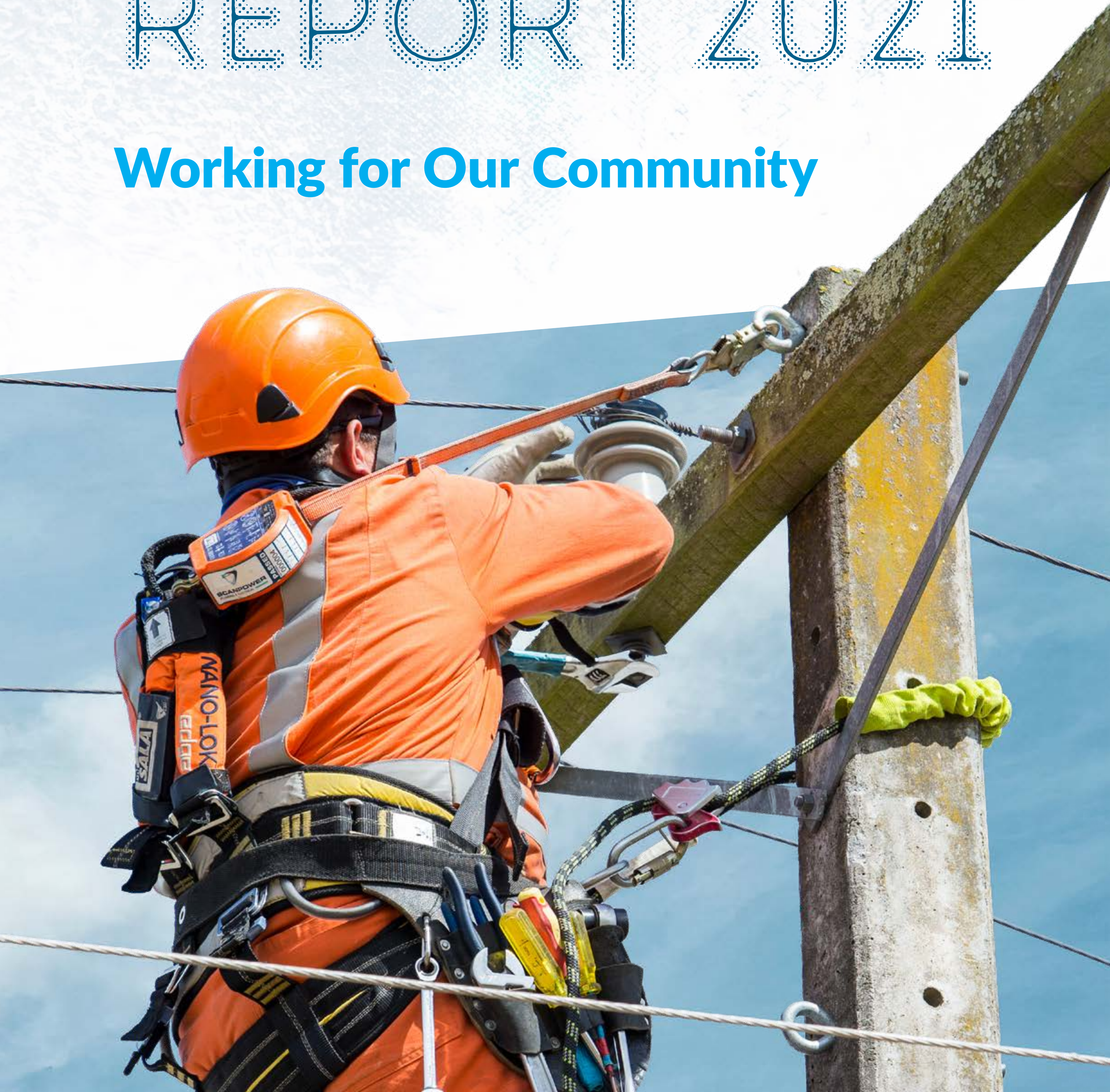
SCANPOWER

ANNUAL REPORT 2021

Working for Our Community



PROVIDING OUR CUSTOMERS WITH A SAFE, RELIABLE AND COST EFFECTIVE ELECTRICITY NETWORK.

TABLE OF CONTENTS

Reports

Audited Financial Statements

CHAIRMAN & CHIEF EXECUTIVE'S REPORT

For the financial year to 31 March 2021

INTRODUCTION

Welcome to the Annual Report and Audited Financial Statements of Scanpower Limited for the year 1 April 2020 to 31 March 2021. This commentary, in conjunction with the detailed financial information contained herein, provides a description of the company's performance for the year relative to the targets established in the annual Statement of Corporate Intent.

At the outset it is appropriate to comment on the Covid-19 pandemic event and how it impacted on the company's performance and operations in the early months of the year. With all of New Zealand entering lockdown on 26 March 2020, Scanpower's key focus as a lifeline utility provider was to 'keep the lights on' for our customers, whilst ensuring that appropriate health and safety protocols were in place to protect our staff of essential workers. Correspondingly, during Alert Level Four our business activity was restricted to:

- Responding to unplanned power outages and electrical emergencies.
- Undertaking maintenance and asset replacement work deemed essential to maintaining continuity of supply and public safety.
- Essential tree trimming and vegetation control work on our electricity network.

Outside of these key activities our other trading operations were forced to cease with our Contracting Division most adversely impacted, with almost all of our customers closing down project sites and deferring work. This resulted in a significant reduction in revenue for the month of April and a substantial financial loss for the company. In light of this loss, Scanpower qualified for and received the Government wage subsidy payment which allowed us to retain all of our staff and pay them fully throughout this difficult period. Following the transition to Alert Level One on 9 June 2020, the company's activity returned to something approaching business as usual and remained as such through to year end.

Considering the challenges presented by the Covid-19 event, company results for the full year are pleasing and reflect the substantial efforts put in by management and staff to achieve our company performance targets.

FINANCIAL PERFORMANCE

Scanpower's financial performance for the year ending 31 March 2021 was strong and the Earnings Before Discounts and Tax result of $5,711,000 exceeded our target by $2,282,000 or 66%. Correspondingly, our other earnings and profitability performance targets were also achieved as per the table below.

Performance Measure	2021 Result	2021 Target	Result
Earnings Before Discounts and Tax (EBDT)	$5,711,000	$3,429,000	✓
Earnings Before Interest, Discounts and Tax (EBIDT)	$5,998,000	$3,693,000	✓
Net Profit After Interest, Discount and Tax	$3,073,000	$1,281,000	✓

The profitability results for the year were underpinned by the following divisional revenue performances:

Operating Division	2021 Revenue	2020 Revenue	Change	% Change
Network Line Charges (net of discounts)	$8,230,000	$8,328,000	-$98,000	-1.2%
Power Line Contracting	$10,832,000	$10,199,000	+$633,000	+6.2%
Property Rental Income	$949,000	$828,000	+$121,000	+14.6%
Treesmart	$565,000	$573,000	-$8,000	-1.4%
Electricity Market Revenues	$146,000	$105,000	+$41,000	+39.0%
Interest Income	$0	$2,000	-$2,000	-
Total Operating Revenue	$20,722,000	$20,035,000	$687,000	+3.4%

Key points of note include:

Network line charge revenue was relatively flat with a small annual reduction of 1.2%.
This was attributable to:

- A year on year price freeze in our line charge prices.
- A 0.4% movement in the volume of electricity delivered across the network. Whilst consumption levels dropped by 11% in April, they recovered through the post-lockdown and Winter months of the year.

With the commencement of a refocused growth strategy, revenue from the Contracting Division increased by $633,000 despite the significant disruption experienced during the first quarter of the year.

Property Rental Income increased by 14.6% as a result of three new tenants setting up operations at Oringi Business Park. These include a major honey processing and bottling facility, and a wool store.

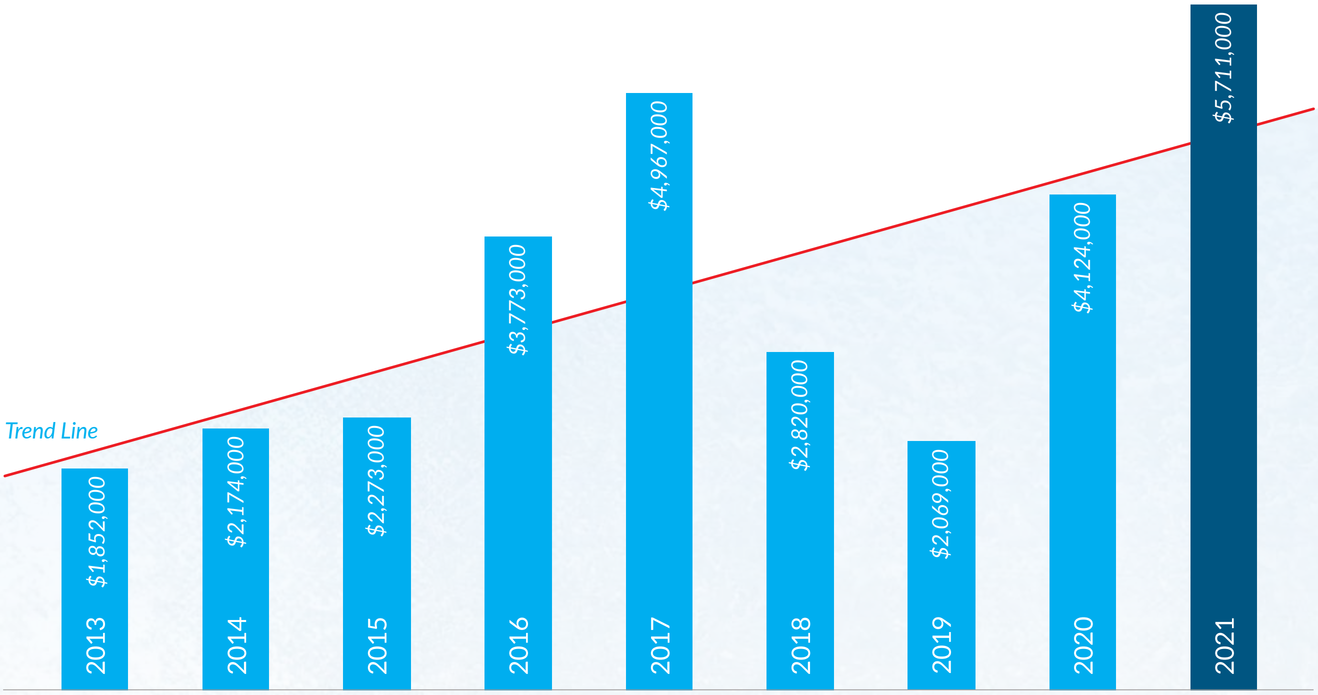
Treesmart revenue was comparable to the prior year with a minor reduction of 1.4%.

Other factors that contributed to the total profit result include:

- A gain on the valuation of our investment property portfolio of $306,000.
- A gain on the sale of a parcel of land at Oringi of $180,000.
- Recovery of property related costs of $156,000 via recharges to tenants.
- Receipt of a wage subsidy payment of $415,000.
- Revenue from the provision of administrative services to the Scanpower Customer Trust of $9,000.

The graph below illustrates the Earnings Before Discounts and Tax results for the period 2013 to 2021. As is evident, we have seen significant improvement over the past two years and the trend line (shown in red) is positive.

Earnings Before Network Discounts & Tax (2013 to 2021)



In terms of Scanpower's over all financial position, this year's favourable trading results were further boosted by an increase in the value of the company's electricity distribution network of $3,093,000 (arising from a cyclical fair market valuation) and an upward revaluation of property assets of $1,263,000. As a result, the value of Shareholders' Equity is now $49.5m with Total Assets of $69.3m.

Performance Measure	2021 Result	2021 Target	Result
Value of Shareholders' Equity	$49,530,000	$44,996,000	✓
Total Assets	$69,264,000	$60,986,000	✓
Return on Assets (EBIDT / Shareholders' Equity)	12.11%	8.21%	✓

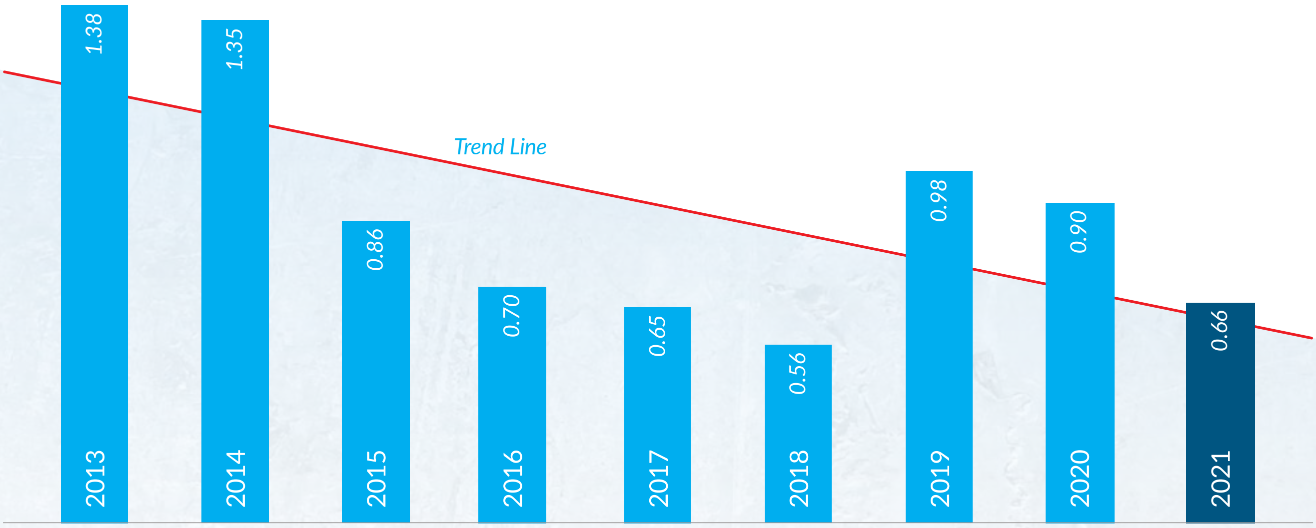
NETWORK PERFORMANCE

For the year ending 31 March 2021, Scanpower achieved the network reliability targets set out in the annual Statement of Corporate Intent with both the SAIDI and SAIFI performance measures showing improvement on 2020. Over the period, on average individual customers experienced 0.66 power outages and 91 minutes loss of supply, which in turn equates to an annual availability of supply of 99.98%. We are confident that this level of reliability performance is superior to the average of the industry as a whole, and this reflects well on the staff who manage and work on our electricity network assets.

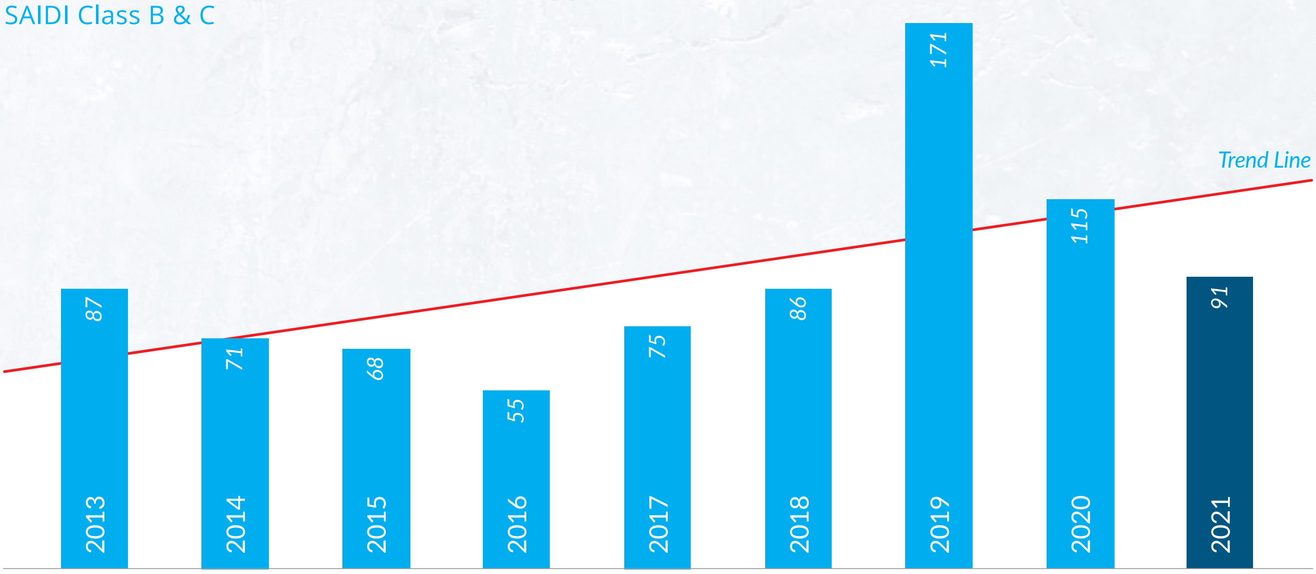
Performance Measure	2021 Result	2021 Target	Result
Average Minutes Loss of Supply per Customer (SAIDI)	91	172	✓
Average Annual Outages per Customer (SAIFI)	0.66	1.5	✓

During the year, $2.2m of network related capital work was completed, including the installation of 251 new poles, 25 new transformers, an off-grid remote area power supply and a containerised static Var generator. Planned expenditure was largely in line with expectations (97% of forecast) whilst unplanned expenditure was 221% higher than anticipated.

Network Reliability - Number of Annual Power Outages Per Customer (2013 - 2021)
SAIFI Class B & C



Network Reliability - Minutes Loss of Supply Per Customer (2013 - 2021)
SAIDI Class B & C



A major driver of the increase in unplanned work has been a relatively high level of growth on the network in terms of new connections and customer initiated upgrades. This bodes well for the local economy and the commencement of the construction of the Manawatu Tararua Highway appears to be giving rise to a new wave of property development, leg in sections, and new subdivisions in the district.

Performance Measure	2021 Result	2021 Target	Result
Network Capital Work Completed	$2,188,106	$1,934,386	✓
Asset Renewal Rate (Network Capex / Depreciation)	162%	>115%	✓
Value of Tree Clearance Completed	$642,000	$600,000	✓
Public Safety Management System NZS7091 Compliant	Yes	Yes	✓

HEALTH AND SAFETY PERFORMANCE

Total Injury Frequency Rate per 200,000 Hours Worked (TIFR) is our primary health and safety performance metric. Any work place injury that results in some form of medical attention is included in this number and as at 31 March 2021 it was sitting at 6.3. This was favourable relative to our annual target of 7.6.

Performance Measure	2021 Result	2021 Target	Result
Injury Frequency Rate per 200,000 Hours Worked	6.3	7.6	✓

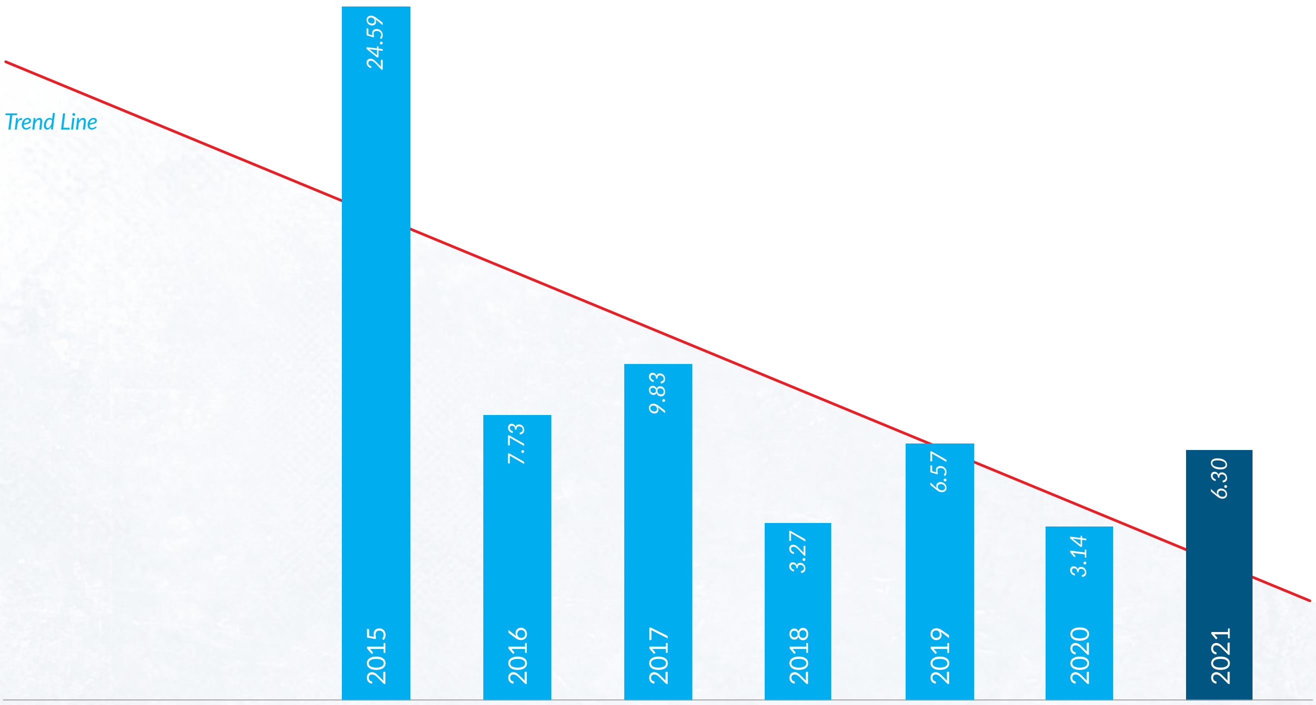
During the year there were four incidents that contributed to our TIFR result and these are summarised in the table below.

Description of Harm Incident	Lost Working Time
Staff member slipped down a set of steps leading to a woolshed and suffered serious bruising to the hip / leg area.	18 days
Staff member suffered a torn Achilles tendon whilst stepping across an irrigation drain whilst carrying a ladder.	23 days
Staff member was bitten by a spider whilst working in a depot yard area, resulting in a toxic / allergic reaction.	14 days
Staff member was struck in the head by a small log that had bounced / travelled unexpectedly after being dropped from above.	2 days

Whilst Scanpower still categorises its critical safety risks as electrocution, fall from heights and driving accidents, the details of some of the above incidents emphasise that harm can still occur in seemingly innocuous situations. In all cases we were able to elicit learning points to help avoid similar events in the future.

In terms of our longer health and safety journey, as per the graph below our TIFR continues to trend downwards even though the 2021 result was higher than last year. For the coming year, our performance target will reduce from 7.6 to 7.1 to reflect our desire to achieve steady improvement over time.

Total Injury Frequency Rate Per 200,000 Hours Worked (2013 - 2021)



CUSTOMER AND COMMUNITY

This year Scanpower distributed total network customer discounts of $1.66m with standard residential and commercial connections receiving $325 each. The Board of Directors made the decision to bring forward the payment of the discount from September to May with the objective of delivering assistance earlier, given the financial hardship that some customers might have been experiencing following the lockdown period.

Performance Measure	2021 Result	2021 Target	Result
Total Discounts Paid	$1,664,000	$1,650,000	✓
Discount per Customer Residence	$325	$325	✓

As per the table above, the financial aspects of the annual discount were in line with business plan and target levels. As in previous years, this was well received, and we recognise how important the discount is to our customers in terms of helping them manage their electricity costs. As perhaps the defining feature of our customer ownership model, it is our intention that network discounts will continue long into the future.

Performance Measure	2021 Result	2021 Target	Result
Community Sponsorships and Donations	$43,000	$42,000	✓

The company has continued to maintain an active programme of supporting local organisations and events, with $43,000 being spent on corporate sponsorships over the year. Recipients included:

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

CONCLUSION AND OUTLOOK

The past year has been remarkable both locally and on a global level. Whilst our financial and operational results have generally exceeded the targets set for us, perhaps most pleasing was the organisation's response to the Covid-19 event. The resourcefulness and resilience of our people and processes ensured that continuity of electricity supply and associated essential services were maintained to our community throughout.

Looking forward, recent government policy announcements relating to decarbonisation will have a profound impact on our core electricity network business and assets over the coming years.
The combination of rapidly rising demand for electricity and an explosion of new, digitally enabled energy technologies is likely to change both the scale and complexity of how we operate. However, with our existing core assets in good health and new systems already being implemented, we believe Scanpower is well positioned to rise to the challenges that the future will bring.

Finally, we would like to conclude by thanking the Trustees of the Scanpower Customer Trust, the Scanpower Board of Directors, the Executive Management Team, and the hardworking staff, all of whom contribute positively to the company's ongoing success and growth.

Allan Benbow	**Lee Bettles**
Board Chair / Director	**Chief Executive**

TRUST CHAIRMAN'S REPORT

For the financial year to 31 March 2021

Scanpower Customer Trust Chairman's Report

All of the shares in Scanpower Limited are held by the Scanpower Customer Trust on behalf of consumers connected to the Scanpower network. Trustees are elected by the consumers every three years. No election was held this year as the number of applicants did not exceed the five required. We are pleased to welcome Jim Crispin and Mel Poulton as new trustees. The trust exercises its ownership responsibilities through a Statement of Corporate Intent negotiated annually with Scanpower Directors, and also by appointing the Directors. Communication between the Trust and Board and Management of Scanpower continues to regular and comprehensive.

Scanpower's performance against specific targets set in the Statement of Corporate Intent for the year ending 31 March 2021 exceeded the targets in the SCI, and the return on assets of over 12% is very pleasing.

The Statement of Corporate Intent states the Company Mission as:

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

Trustees are of the opinion the company has more than achieved this in the period under review especially considering the challenges 2020 brought through Covid restrictions. The reliability of supply has achieved the targets indicated in the SCI, and remains well ahead of averages around the country. This is especially commendable considering the wide spread and sometimes difficult network that Scanpower covers. The continued investment in pole replacements and other capital works should ensure that this reliability is ongoing.

The Statement of Corporate Intent also details matters relating to the Company's objectives, scope of activities, dividend and accounting policies, and information to be reported to the Trust as sole shareholders. We are satisfied that in all these matters the Company has complied with the Statement of Corporate Intent.

Summary

The Trustees of the Scanpower Customer Trust are satisfied that the operating results have meet and exceeded the goals.

We commend the Directors, Management and all Company Personnel for a strong performance in the face of unprecedented challenges this year.

Myles McKeefry
Chairman

On behalf of the Trustees of the Scanpower Customer Trust.

AUDITED FINANCIAL STATEMENTS

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 $5,998,000. The annual net profit was $3,073,000.

This compares with an operating profit before discount, interest and tax in 2020 of $4,485,000, a net profit of $2,025,00 and a network discount of $1,518,000.

Dividend

The Directors recommended payment of a dividend of $125,000 to the Scanpower Customer Trust for the year ended 31 March 2020.

Directors

Remuneration of Directors

Allan Benbow	$55,000	Reappointed	31/07/2019
Peter Clayton	$35,000	Reappointed	31/07/2018
Bob Henry	$35,000	Reappointed	29/07/2020
Rodney Wong	$35,000	Reappointed	31/07/2018
Mark Kilmister	$35,000	Reappointed	31/07/2019

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*
$360,000 - $370,000	1
$160,000 - $170,000	4
$150,000 - $160,000	1
$130,000 - $140,000	1
$120,000 - $130,000	1
$100,000 - $110,000	1

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 $155,196 (plus disbursements). Fees paid in respect of other auditing services were $43,126 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

Statement of Performance

For the Year Ended 31 March 2021

		2021 Actual	2021 Target	2020 Actual
Financial Measures				
Earnings Before Discount and Tax *(EBDT)*	$'000	5,711	3,429	4,124
Gross Earnings *(Profit Before Interest, Discount and Tax)*	$'000	5,998	3,693	4,485
Tax Payable *(at the Company tax rate of 28%)*	$'000	974	498	581
Interest Paid on Loan	$'000	214	264	259
Total Discounts Paid *(budgeted amount, exclusive of GST)*	$'000	1,664	1,650	1,518
Net Earnings *(Profit after Interest, Discount and Tax)*	$'000	3,073	1,281	2,025
Net Assets / Shareholders Equity	$'000	49,530	44,996	43,433
Total Assets	$'000	69,264	60,986	60,146
Return on Assets *(Gross earnings / Shareholders' Equity)*	%	12.11	8.21	10.33
Equity Ratio *(Shareholders' Funds / Total Assets)*	%	71.51	73.78	72.21
Health and Safety Performance				
Total Injury Frequency Rate *(Per 200,000 hours worked)*	Injuries	6.28	7.6	3.1
Network Reliability and Asset Management Performance				
Minutes Loss of Supply Per Customer *(SAIDI B / C)**	#Minutes	90.9	172	115
Annual Interruptions per Customer *(SAIFI B / C)**	#Interruptions	0.662	1.53	0.90
Public Safety Management System in Place *(NZS 7091:2014 compliant)*		Achieved	Achieved / Not Achieved	Achieved
Asset Renewal Rate *(Network capex / depreciation)*	%	162	>115	154
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	642	600	365
Network Pricing Performance				
Network Revenue per kWh *(cents per kWh, net of transmission costs)*	Cents / kWh	9.51	9.40	9.17
Non-regulated Revenue Performance				
Total Non-regulated Revenue *(Contracting, Treesmart & Property Revenue)*	$'000	12,346	10,300	11,600
Non-Regulated Revenue Ratio *(total non-regulated revenue / total revenue)*	%	56.7	>50	60.4
Customer Discount Performance				
Discount Paid per Customer *(Per standard residential and commercial customers)*	$'000	325	325	310
Social and Community Performance				
Budgeted Sponsorship and Donations *(per annual operating budgets)*	$'000	43	42	48
Community Activities Completed to Plan *(planned initiatives completed)*		Achieved	Achieved / Not Achieved	Achieved

*** 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".

Statement of Comprehensive Income

For the Year Ended 31 March 2021

	Notes	*2021 $'000*	*2020 $'000*
Operating revenue	2	20,722	20,035
Other revenue	2	1,066	613
Total revenue		**21,788**	**20,648**
Personnel costs	3	4,836	4,827
Depreciation and amortisation expense	3	2,578	2,472
Finance expense	3	288	361
Other expense	3	10,039	10,382
Total expenditure		**17,741**	**18,042**
Surplus / (deficit) before tax		**4,047**	**2,606**
Income tax expense/(refund)	4	974	581
Surplus / (deficit) for the year		**3,073**	**2,025**
Other comprehensive income:			
Gains / (losses) on property revaluations		1,263	-
Gains / (losses) on revaluations of Network Distribution Assets		3,093	209
Deferred tax on revalued assets		(1,207)	(59)
Total other comprehensive income		**3,149**	**150**
Total comprehensive income		**6,222**	**2,175**

Statement of Changes in Equity

For the Year Ended 31 March 2021

	Notes	2021 $'000	2020 $'000
Balance at 1 April			
Contributed Capital		7,500	7,500
Retained Earnings		17,169	15,256
Asset Revaluation Reserves		18,764	18,627
Total Opening Equity		**43,433**	**41,383**
Surplus / (Deficit) for the Year		3,073	2,025
Other Comprehensive Income		3,149	150
Total Comprehensive Income		6,222	2,175
Distribution to Shareholders		(125)	(125)
Balance at 31 March			
Contributed Capital		7,500	7,500
Retained Earnings		20,131	17,169
Asset Revaluation Reserves		21,899	18,764
Total Closing Equity		**49,530**	**43,433**

Statement of Financial Position

As at 31 March 2021

	Notes	2021 $'000	2020 $'000
Assets			
Current Assets			
Cash and cash equivalents	6	139	121
Debtors and other receivables	7	3,163	2,298
Contract assets	19	776	319
Inventories	8	578	411
Total current assets		**4,656**	**3,149**
Non-current Assets			
Capital work in progress	9	254	127
Property, plant and equipment	9	50,705	46,107
Intangible assets	10	969	780
Right of use assets	20	808	991
Investment property	11	11,872	8,992
Total non-current assets		64,608	56,997
Total Assets		**69,264**	**60,146**
Liabilities			
Current Liabilities			
Borrowings	12	-	-
Creditors and other payables	13	1,947	1,383
Contract liabilities	19	728	344
Lease liabilities	20	292	364
Employee benefits	14	864	805
Tax payable		500	163
Total current liabilities		4,331	3,059
Non-current Liabilities			
Borrowings	12	5,850	5,320
Leases liabilities	20	567	665
Employee benefits	14	-	13
Deferred taxation	4	8,986	7,656
Total non-current liabilities		15,403	13,654
Total Liabilities		**19,734**	**16,713**
Net Assets		**49,530**	**43,433**

Statement of Financial Position Continued

As at 31 March 2021

	Notes	2021 $'000	2020 $'000
Equity			
Contributed capital		7,500	7,500
Retained earnings		20,131	17,169
Asset revaluation reserves		21,899	18,764
Total Equity Attributable to Parent	5	**49,530**	**43,433**

For and on behalf of the Board

Allan Benbow
Director
25 June 2021

Bob Henry
Director
25 June 2021

Statement of Cash Flows

For the Year Ended 31 March 2021

	Notes	2021 $'000	2020 $'000
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from customers		19,116	19,488
Wage subsidy received		415	-
Rent received		982	828
		20,513	20,316
Cash was applied to:			
Payments to suppliers		9,710	10,461
Payments to employees		4,872	4,827
Interest paid		288	362
Income tax paid		513	819
Net GST movement*		73	35
		15,456	16,504
Net cash inflows / (outflows) from operating activities		**5,057**	**3,812**
Cash flows from Investment Activities			
Cash was provided from:			
Proceeds from disposal of property, plant and equipment		180	27
Proceeds from disposal of Kiwi Sock Company shares		-	150
		180	177
Cash was applied to:			
Purchase and construction of property, plant and equipment		5,239	3,676
		5,239	3,676
Net cash inflows / (outflows) from investment activities		**(5,059)**	**(3,499)**
Cash flows from Financing activities			
Cash was provided from:			
Proceeds from borrowings		11,555	9,405
		11,555	9,405

Statement of Cash Flows Continued

For the Year Ended 31 March 2021

	Notes	2021 $'000	2020 $'000
Cash was applied to:			
Repayment of loan		11,025	9,105
Repayment of finance leases		385	383
Dividends paid		125	125
		11,535	9,613
Net cash inflows / (outflows) from financing activities		**20**	**(208)**
Net increase / (decrease) in cash and cash equivalents		18	105
Cash and cash equivalents at the beginning of the year		121	16
Bank cash / (overdraft) balance at year end	6	**139**	**121**

* 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.

Notes to the Financial Statements

For the Year Ended 31 March 2021

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 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 25 June 2021.

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

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 worked 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. As a result, Scanpower qualified for and received the Government wage subsidy payment.

With the financial year to 31 March 2021 now complete, key operational and financial highlights for the period include:

- Whilst year on year electricity consumption fell by 11% in April 2020 as a result of the lockdown, for the full year it was up by 0.4% and in line with historical trends.
- Contracting recovered strongly during the post-lockdown period, with customer projects deferred rather than cancelled. The business achieved its profitability target for the year on revenue of $10.8m ($9.5m: 2020 year).
- Covid-19 had no adverse impact on network reliability and both SAIDI and SAIFI targets for the year were achieved.
- 97% of planned network capital expenditure for the year was completed ($1.63m) whilst unplanned capital expenditure of $559,788 was 221% higher than budget, predominantly due to a surge in new customer connections and customer initiated capacity upgrades.
- The company's investment property portfolio has increased in value by $2.9m or 32% over the year as the tenant base and rental income streams has expanded.
- Treesmart did not experience any material disruption as a result of the Covid-19 event and continues to trade well.

In light of the operational and financial performance results experienced in the post-lockdown period, 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.

Basis of Consolidation

Associates and Joint Ventures

Scanpower Limited accounts for an investment in an associate in the financial statements using the equity method. An associate is an entity over which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Scanpower Limited has applied NZ IFRS 11 to its joint arrangements. Under NZ IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Scanpower Limited has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

The investment in an associate and joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the company's share of the surplus or deficit of the associate and joint venture after the date of acquisition. The company's share of the surplus or deficit of the associate and joint venture is recognised in Scanpower Limited's statement of comprehensive income.

Distributions received from an associate and joint venture reduce the carrying amount of the investment.

Notes to the Financial Statements Continued

For the Year Ended 31 March 2021

If the company's share of deficits of an associate and joint venture equal or exceed its interest in the associate and joint venture, the company discontinues recognising its share of further deficits. After the company's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the company has incurred legal or constructive obligations or made payments on behalf of the associate and joint venture.

If the associate and joint venture subsequently report surpluses, the company will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Scanpower Limited's share in the associate and joint venture's surplus or deficits resulting from unrealised gains on transactions between the company and its associate and joint venture are eliminated.

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.

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 the 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.

Notes to the Financial Statements Continued

For the Year Ended 31 March 2021

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 financial 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.

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):

Notes to the Financial Statements Continued

For the Year Ended 31 March 2021

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.

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 2019.

Network Distribution assets

The electricity distribution network is measured at fair value. Fair value has been determined on the basis of a valuation prepared by Scanpower using a discounted cash flow methodology (DCF).

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

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.

Notes to the Financial Statements Continued

For the Year Ended 31 March 2021

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.

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 2020 financial year, leases of vehicles were classified as either finance leases or operating leases, see note 20 for details. From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

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, eg 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.

Long-term benefits

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information and
- the present value of the estimated future cash flows. A weighted average discount of 1.078% and a salary inflation factor of 2.0% were used. The discount rate is based on the weighted average of government bonds with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Notes to the Financial Statements Continued

For the Year Ended 31 March 2021

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.

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 Tararua 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 2021.

Notes to the Financial Statements Continued

For the Year Ended 31 March 2021

Note 2:

		Notes	2021 $'000	2020 $'000
(i)	**Operating revenue**			
	Revenue from contracts with customers			
	Network line rentals		9,894	9,846
	Network discounts		(1,664)	(1,518)
	Net network line rentals		8,230	8,328
	Electricity market revenues*		146	105
	Power line contracting		10,832	10,199
	Treesmart		565	573
	Total revenue from contracts with customers		19,773	19,205
	Other operating revenue			
	Interest income		-	2
	Rental income		949	828
	Total other operating revenue		949	830
	Total operating revenue		**20,722**	**20,035**
(ii)	**Other income**			
	Gain on valuation of investment property		306	474
	Gain on sale of land		180	-
	Other property related income		156	131
	Administrative revenues		9	8
	MBIE wage subsidy		415	-
	Total other income		1,066	613
	Total revenue		**21,788**	**20,648**

* Loss rental income and load shedding income are now included in Electricity market revenue.

Notes to the Financial Statements Continued

For the Year Ended 31 March 2021

Note 3:

		Notes	2021 $'000	2020 $'000
(i)	**Operating expenses**			
	Transmission expenses		2,056	2,318
	Employee benefit expense			
	- Employee benefit plans		211	191
	- Other employee benefits		4,625	4,636
	Cost of sales and other operating expenses		7,475	7,667
			14,367	14,812
(ii)	**Other expenses**			
	Audit fees for financial statements audit		155	113
	Audit fees for Disclosure Regulations		43	26
	Directors remuneration and expenses		195	171
	Operating lease expenses	20	33	40
	Loss on disposal of property, plant and equipment		82	41
	Bad debt expense		-	6
			508	397
(iii)	**Depreciation and impairment**			
	Depreciation on network assets		1,351	1,314
	Depreciation on other assets		778	684
	Depreciation on leased assets	20	398	422
	Amortisation of intangible assets		51	52
			2,578	2,472
(iv)	**Finance expense**			
	Interest on loan		214	259
	Leases interest	20	74	102
			288	361
	Total expenses		**17,741**	**18,042**

Notes to the Financial Statements Continued

For the Year Ended 31 March 2021

Note 4:

	2021 $'000	*2020 $'000*
Taxation		
Components of tax expense		
Current tax	851	514
Prior period adjustment to current tax	-	-
Deferred tax	123	67
Tax expense	**974**	**581**
Relationship between tax expense and accounting profit		
Surplus / (deficit) before tax	4,047	2,607
Tax at 28%	1,134	730
Plus (less) tax effect of:		
Expenses not deductible for tax purposes	1	1
Income not subject to tax	(161)	(133)
Deferred tax adjustment	-	(17)
Tax (refund) / expense for the year	**974**	**581**

	Property, plant and equipment	*Employee entitlements*	*Other provisions*	*Lease assets*	*Total*
Deferred tax assets / (liabilities)					
Balance at 31 March 2019	(7,706)	120	56	-	(7,530)
Charged / (credit) to the Income Statement	(96)	16	2	11	(67)
Charged directly to equity	(59)	-	-	-	(59)
Balance at 31 March 2020	**(7,861)**	**136**	**58**	**11**	**(7,656)**
Charge / (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**	**61**	**16**	**(8,986)**

Notes to the Financial Statements Continued

For the Year Ended 31 March 2021

Note 5:

	2021 $'000	2020 $'000
Equity		
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	17,169	15,256
Transfers from:		
Asset revaluation reserve on disposal of property, plant and equipment	14	13
Net surplus / (deficit) for the year	3,073	2,025
Transfers to:		
Dividend declared and paid	(125)	(125)
As at 31 March	**20,131**	**17,169**
Asset revaluation reserves		
As at 1 April	18,764	18,627
Land, buildings and fixtures revaluation gains / (losses)	-	-
Valuation gain on transfer of properties to investment properties	1,263	-
Valuation gain on revaluation of Network Distribution Assets	3,093	209
Deferred tax on revaluation of Network Distribution Assets	(864)	(59)
Deferred tax on Land and Building revaluations	(343)	-
Transfer of revaluation reserve to retained earnings on disposal of property, plant and equipment	(14)	(13)
Balance at end of the year	**21,899**	**18,764**
Asset revaluation reserve consists of:		
Freehold land	377	309
Freehold buildings and fixtures	4,201	3,349
Distribution assets	17,321	15,106
Total reserves	**21,899**	**18,764**
Total equity	**49,530**	**43,433**

Notes to the Financial Statements Continued

For the Year Ended 31 March 2021

Note 6:

	2021 $'000	2020 $'000
Cash and Cash Equivalents		
Current account	139	121
Total cash and cash equivalents	**139**	**121**

Note 7:

Debtors and other receivables		
Trade debtors	2,877	2,001
Related party receivables	-	4
Prepayments	286	293
	3,163	2,298
Less provision for impairment of receivables	-	-
Total debtors and other receivables	**3,163**	**2,298**

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:

At 1 April	-	-
Additional provisions made through the year	-	-
Provisions reversed during the year	-	-
Receivables written off during the year	-	(6)
At 31 March	**-**	**(6)**

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		
Network and contracting stock	578	411
Total inventories	**578**	**411**

The value of Network stock was appreciated by $9,507 at 31 March 2021. This was mainly due to the Covid-19 pandemic lockdown preventing a formal stock take at 31 March 2020. (2020: total write down of $4,117).

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

Notes to the Financial Statements Continued

For the Year Ended 31 March 2021

Note 9:

	2021 $'000	2020 $'000
Property, Plant and Equipment		
Work in progress		
Capital work in progress is contained in the following categories:		
Treesmart and Contracting	254	-
Property and Investments	-	127
Total work in progress	**254**	**127**

	Network assets $'000	Land & buildings $'000	Oringi site $'000	Motor vehicles $'000	Plant & equipment $'000	Computer equipment $'000	Fixtures $'000	Total $'000
Property, plant and equipment								
Gross carrying amount								
Balance at 31 March 2020	**40,100**	**1,382**	**158**	**4,620**	**2,824**	**423**	**814**	**50,321**
Additions	2,188	8	-	1,159	218	31	222	3,826
Disposals	(66)	-	-	(101)	-	-	-	(167)
Revaluations	1,728	1,217	-	-	-	-	-	2,945
Transfers	-	(1,356)	(19)	-	-	-	-	(1,375)
Balance at 31 March 2021	**43,950**	**1,251**	**139**	**5,678**	**3,042**	**454**	**1,036**	**55,550**
Accumulated depreciation and impairment								
Balance at 31 March 2020	**-**	**(28)**	**(22)**	**(1,978)**	**(1,785)**	**(231)**	**(170)**	**(4,214)**
Disposals	3	-	-	101	-	-	-	104
Transfers	-	(3)	3	-	-	-	-	-
Impairment loss charged to profit	-	-	-	-	-	-	-	-
Net revaluation (increments) / decrements	1,348	46	-	-	-	-	-	1,394
Depreciation expense	(1,351)	(30)	(5)	(403)	(236)	(61)	(43)	(2,129)
Balance at 31 March 2021	**-**	**(15)**	**(24)**	**(2,280)**	**(2,021)**	**(292)**	**(213)**	**(4,845)**
Net book value at 31 March 2020	**40,100**	**1,354**	**136**	**2,642**	**1,021**	**192**	**644**	**46,107**
Net book value at 31 March 2021	**43,950**	**1,236**	**115**	**3,398**	**1,021**	**162**	**823**	**50,705**

Notes to the Financial Statements Continued

For the Year Ended 31 March 2021

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 2019.

The valuer advised that there has been no material movement in fair value of the operational land and buildings at 31 March 2021.

Network distribution assets

The electricity distribution network was revalued to fair value of $43.95m as at 31 March 2021, 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 a ten-year period
- the connections/volume increase factor will be between 1% and 3% per annum
- the appropriate DCF discount rate is 4.521% post-tax.

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 $0.33m respectively,
- an increase/(decrease) in the discount rate of 0.5% would decrease/(increase) the network's fair value by $1.84m respectively,
- an operating expense increase/(decrease) of 5% would decrease/(increase) the network's fair value by $1.06m respectively and,
- a distribution revenue increase/(decrease) of 5% would increase/(decrease) the network's fair value by $4.86m.

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.

Notes to the Financial Statements Continued

For the Year Ended 31 March 2021

Note 10:

	Computer software $'000	Goodwill $'000	Total $'000
Intangible Assets			
Gross carrying amount			
Balance at 31 March 2020	512	550	1,062
Additions	240	-	240
Disposals	-	-	-
Balance at 31 March 2021	**752**	**550**	**1,302**
Accumulated amortisation and impairment			
Balance at 31 March 2020	(282)	-	(282)
Disposals	-	-	-
Amortisation expense	(51)	-	(51)
Balance at 31 March 2021	**(333)**	**-**	**(333)**
Net book value at 31 March 2020	**230**	**550**	**780**
Net book value at 31 March 2021	**419**	**550**	**969**

Note 11:

	2021 $'000	2020 $'000
Investment Property		
Balance at 1 April	8,992	8,518
Additions	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	306	474
Balance at 31 March	**11,872**	**8,992**

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 2021, there was no contractual obligations to construct or develop the existing investment properties. As at 31 March 2020, 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 2021. The valuer is registered as an Associate Member of the NZ Institute of Valuers and holds an Annual Practicing Certificate.

Notes to the Financial Statements Continued

For the Year Ended 31 March 2021

Note 12:

	2021 $'000	2020 $'000
Borrowings		
Current portion		
Term loan	-	-
Non-current portion		
Term loan	5,850	5,320
Total borrowings	**5,850**	**5,320**

The cash and cash equivalents of $139,000 (note 6) is the net cash, cash equivalent and bank overdraft for the purpose of the Statement of Cashflow (2020: $121,000).

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 $9 million (2020: $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.

Note 13:

Creditors and Other Payables		
Trade payables	1,149	658
Other payables and accruals	535	527
Related party payables	3	-
Income in advance	150	117
GST payable	110	81
Total creditors and other payables	**1,947**	**1,383**

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.

Notes to the Financial Statements Continued

For the Year Ended 31 March 2021

Note 14:

	2021 $'000	2020 $'000
Employee Benefits		
Employee entitlements		
Wages	43	151
Holiday Pay	367	279
Standby Leave	39	39
Long Service Leave (Current)	58	47
Long Service Leave (Non-Current)	-	13
Retirement Gratuity (Current)	224	207
Christmas Bonus	33	32
Performance Bonuses	100	50
Balance at 31 March	**864**	**818**
Employee entitlements		
Classified as:		
Current	864	805
Non-current	-	13
Total employee entitlements	**864**	**818**

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 2021

Note 15:

Commitments

Capital commitments

The value of these capital commitments as at 31 March 2021 was $0. (2020: $422,000).

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:

	2021 $'000	*2020 $'000*
Non-cancellable operating leases as lessee		
< 1 year	9	27
> 1 year but < 5 years	2	16
> 5 years	-	-
Total	**11**	**43**

Vehicle leases have been reclassified as finance leases with the implementation of NZ IFRS16, refer note 20.

Operating Leases as Lessor

Scanpower leases parts of buildings at the Oringi Business Park site under operating leases. The leases relate to a mixture 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.

Non-cancellable operating lease as lessor		
< 1 year	851	808
> 1 year but < 5 years	4,068	3,848
> 5 years	738	418
Total	**5,657**	**5,074**

Note 16:

Contingent Assets and Liabilities

There were no contingent assets or liabilities as at 31 March 2021 (31 March 2020: $0).

Notes to the Financial Statements Continued

For the Year Ended 31 March 2021

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):

	2021 $'000	*2020 $'000*
Scanpower Customer Trust		
Service fees charged	9	8
Receivable at year end	5	4

Scanpower Limited has committed to paying a dividend to the value of $125,000 to the Scanpower Customer Trust (2020: $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 2021 (2020: $0). The amount outstanding at balance date was $0 (2020: $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 2021 (2020: $0) with amount receivable by Scanpower at balance date of $0 (2020: $0). Lloyd, Dodson and Pringle provided services to the value of $17,466 to Scanpower (2020: $11,926) with $2,851 owed at year end (2020: $0).

In the prior year the Tararua District Council where Allan Benbow was deputy mayor until October 2019 was disclosed as a related party. During that time in the 2020 financial year $220,069 of services was provided to the Council by Scanpower. At the date of the elections in 2019 $13,927 was owed to Scanpower. Transactions with this entity is no longer related party transaction as Allan Benbow was not the mayor during 2021.

Scanpower provided services to Horizons Regional Council where Allan Benbow is the member for the Tararua Constituency. The value of services provided totaled $882.31 (2020: $0). Horizons Regional Council provided services to Scanpower to the value of $21,583.90 (2020: $20,293.87) and the amount owing at year end was $0 (2020: $0)

Key management personnel compensation		
Compensation and other benefits	1,452	1,420

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 2021

Note 18: Financial Instruments

Note 18(A):

Financial Instrument Categories

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

	2021 $'000	*2020 $'000*
Total Financial Assets at amortised cost (2020 loans and receivables)	3,792	2,445
Total financial liabilities at amortised cost	8,396	7,340

Note 18(B):

Changes in liabilities arising from financing activities

	1 April 2020	*Cash flows*	*Other*	*31 March 2021*
Current interest-bearing loans and borrowings		(11,425)		
Non-current interest-bearing loans and borrowings	5,320	11,955		5,850
Dividends payable	125	(125)	125	125
Total liabilities from financing activities	**5,445**	**405**	**125**	**5,975**

Notes to the Financial Statements Continued

For the Year Ended 31 March 2021

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.

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 two tables.

	Network line rentals	*Transmission rental rebates*	*Powerline contracting*	*Treesmart*	*Total*
2021					
Revenue recognised at a point in time	-	-	-	565	565
Revenue recognised over time	8,230	146	10,832	-	19,208
Total revenue from contracts with customers					**19,773**
2020					
Revenue recognised at a point in time	-	-	-	573	573
Revenue recognised over time	8,328	105	10,199	-	18,632
Total revenue from contracts with customers					**19,205**

Scanpower had the following contract balances during the year ended 31 March 2021

	Contract Assets	*Trade Receivables*	*Contract Liabilities*
Opening balance as at 31 March 2020	319	1,173	344
Closing balance as at 31 March 2021	776	2,058	728

Notes to the Financial Statements Continued

For the Year Ended 31 March 2021

Note 20:

	2021 $'000	2020 $'000
Leases		
(i) Amounts recognised in the balance sheet The balance sheet shows the following amounts relating to leases:		
Right of use assets		
Vehicles	660	991
Buildings	94	-
Computers	54	-
Total Right of use assets	**808**	**991**
Lease liabilities		
Current	292	364
Non-current	567	665
Total lease liabilities	**859**	**1,029**

Additions to the right of use assets during the 2020-21 financial year were $215,000 (2020: $0).

	2021 $'000	2020 $'000
(ii) Amounts recognised in the Statement of Profit and Loss The statement of profit or loss shows the following amounts relating to leases:		
Depreciation charge of right of use assets		
Vehicles	369	422
Buildings	23	-
Network equipment	6	-
Total depreciation charge for right of use assets	**398**	**422**
Interest expense (included in finance costs)	74	102
Expenses relating to short term leases (included in other expenses)	16	16
Expenses relating to low-value assets that are not shown above as short-term leases (including in other expenses)	16	24

The total cash outflow for leases in 2020-21 financial year was $492,487.

Note 21:

Events Subsequent to Balance Date

There were no post balance date events as at 31 March 2021.

INDEPENDENT AUDITOR'S REPORT

To the readers of Scanpower Limited's financial statements and performance information for the year ended 31 March 2021

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 15 to 41, that comprise the statement of financial position as at 31 March 2021, 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 page 14.

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2021; 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 2021.

Our audit was completed on 25 June 2021. 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 there is an intention to liquidate the company or to cease operations, or there is 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.

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

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 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 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, including the disclosures, and whether the financial statements 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 3 to 13 and 44, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements 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, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements 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 assurance engagement pursuant to the Electricity Distribution Information Disclosure Determination 2012 – (consolidated in 2015), which is compatible with those independence requirements. Other than the audit and this assurance 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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Website:	www.scanpower.co.nz

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

Board of Directors

Allan Benbow	Chairman
Peter Clayton	Deputy Chairman
Bob Henry	
Rodney Wong	
Mark Kilmister	

Executive

Lee Bettles	Chief Executive
Allen Hutchison	Power Line Contracting Division Manager - Kapiti/Horowhenua
Peter Cooper	Power Line Contracting Division Manager - Manawatu/Wairarapa
Ben van der Spuy	Company Finance Manager
Brent Dais	Group Manager - Health, Safety, Quality and Training
Peter Rue	Network Division Manager
Warren Hirst	Treesmart Division Manager

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ELECTRICITY NETWORKS – POWER LINE CONTRACTORS

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