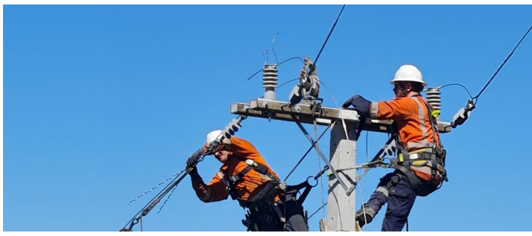
SCANPOWER

2023

Annual Report

Contents



We are Scanpower

A word from our CEO and Chairman, Trust report, and concise overview of data.

Working Together

CEO & Chair Report

Welcome to the Annual Report and Audited Financial Statements of Scanpower Limited for the year 1 April 2022 to 31 March 2023.

This commentary, in conjunction with the financial and operational information contained herein, provides a description of the company's performance for the year relative to the targets set for us by our owners in the annual Statement of Corporate Intent (SCI).

From a contextual perspective, this year the impact of COVID-19 on our business has steadily diminished, becoming just another operational reality that must be managed. The associated return to more typical trading conditions has been a welcome relief both to our staff and customers. The past twelve months has, however, not been without its challenges; rapidly increasing interest rates saw our finance costs more than double over the period, whilst chronic supply chain delays in the purchase of materials remain a surprisingly persistent problem.

The arrival of Cyclone Gabrielle in February was also a significant event, both for Scanpower and our district. Whilst our network assets held up well, several small groups of customers in remote locations were without power for up to four days with our restoration efforts hampered by lack of access due to widespread slips impacting on the local roading network.

With these various external factors in play, we are pleased with the financial and operational results that Scanpower has achieved over the past year, and the resilience and agility demonstrated by our staff.

TOTAL OPERATING REVENUE

$26.98m

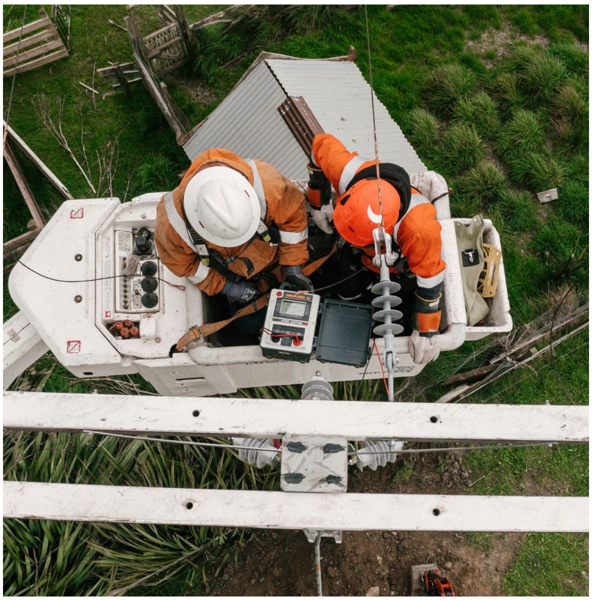
+ 23.12%
($5.07M)
ON 2022

Financial Performance

"Our Earnings Performance this year was underpinned by strong revenue growth."

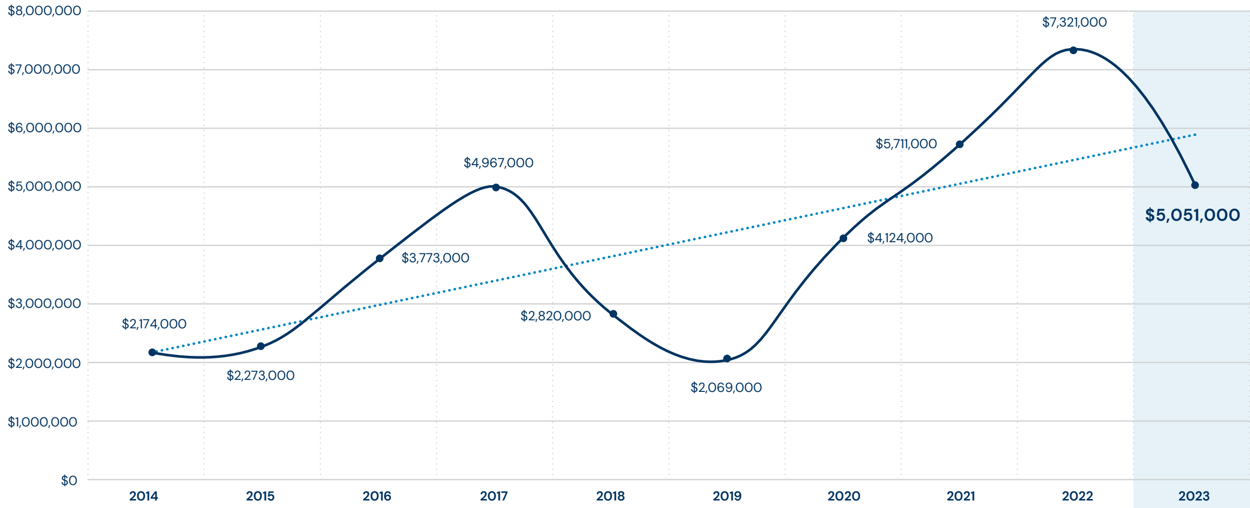
Earnings Before Discounts and Tax, our primary financial performance indicator, of $5.05m exceeded our SCI target by $971,000 or 24% and this flowed on to a similarly favourable Net Earnings result of $2.55m.

As per the ten year trend graph below, this year's result was lower than the **$7.32m** seen in 2022 when we enjoyed a windfall **$3.21m** valuation gain on our investment property portfolio.



PERFORMANCE MEASURE	2023 RESULT	2023 TARGET	RESULT
Earnings Before Discounts and Tax	$5,051,000	$4,080,000	✓
Net Earnings (Profit After Interest, Discount and Tax)	$2,545,000	$1,640,000	✓

Graph 1: **Earnings Before Network Discounts & Tax**



Our earnings performance this year was underpinned by strong revenue growth as shown in the table below. The growth of **$3.76m** or 33% in the Contracting Division was particularly healthy, as was the 76% increase in Treesmart revenue, a result that has been driven by a recent investment in heavy machinery that has opened up new lines of business for us.

In addition to good fundamental trading results, at year end our accounts reflect a **$349,000** gain on valuation of investment property, and a **$5.17m** gain on the value of our electricity network assets following a review by PWC. Both have served to increase Shareholders' Equity and Total Assets which are summarised in the table below.

OPERATING DIVISION	2023 REVENUE	2022 REVENUE	CHANGE	% CHANGE
Total Operating Revenue	$26,982,000	$21,916,000	+$5,066,000	+23%
Network Line Charge Revenue	$10,540,000	$10,029,000	+$511,000	+5%
Power Line Contracting Revenue	$15,345,000	$11,581,000	+$3,764,000	+33%
Investment Property Rental Income	$1,318,000	$1,138,000	+$180,000	+16%
Treesmart Revenue	$1,313,000	$746,000	+$567,000	+76%

PERFORMANCE MEASURE	2023 RESULT	2023 TARGET	RESULT
Value of Shareholders' Equity	$62,726,000	$52,600,000	✓
Total Assets	$89,779,000	$77,990,000	✓
Return on Equity (Gross earnings/Equity)	9.07%	8.33%	✓

Network Reliability & Assets

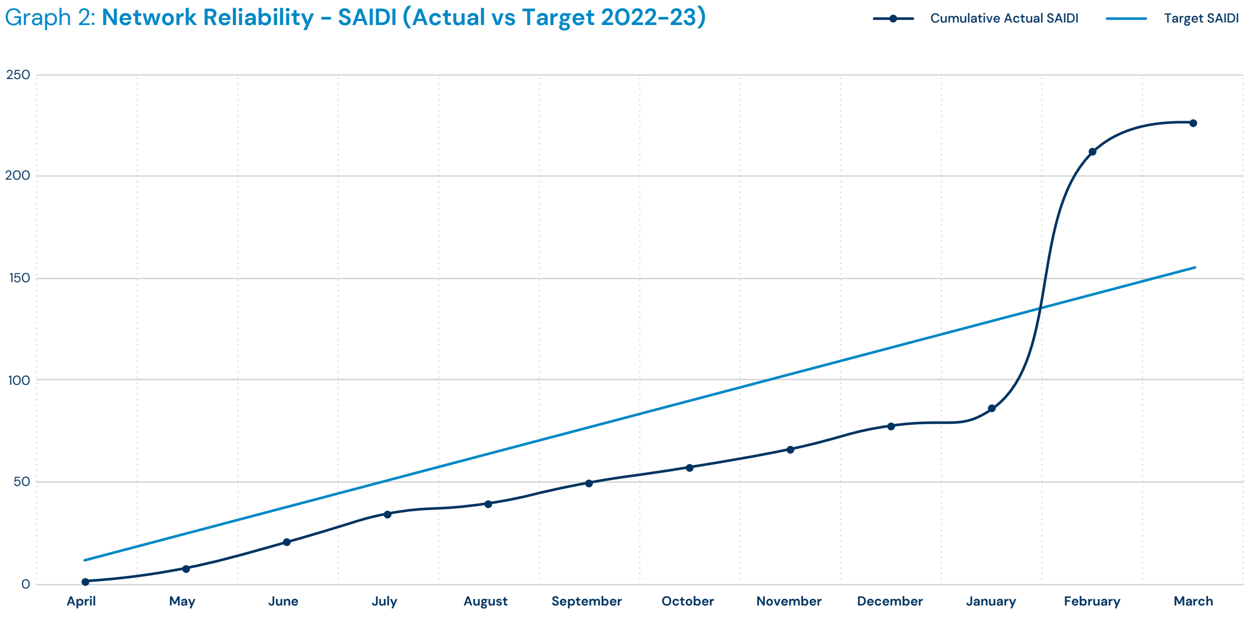
Over the year customers connected to Scanpower's electricity network experienced, on average, 231.2 minutes loss of supply (as measured by SAIDI) and whilst this equated to an availability of supply of 99.96%, it was higher than our annual target.

The effects of Cyclone Gabrielle in February had a major impact on this result, with **126.8** minutes lost in a single month as shown in the monthly SAIDI graph below. In the absence of this event, we would have expected a year-end SAIDI of 110 minutes per customer or thereabouts.

In terms of outage frequency (as measured by SAIFI), customers experienced an average of **0.78** outages each during the year. This result did fall within our annual target levels which is pleasing and reflects well on the underlying health of our network asset fleet. The relationship with SAIDI indicates that over the reporting period, whilst we had fewer outages than expected, where outages did occur, they took longer than usual to resolve. This is consistent with our experiences during Cyclone Gabrielle where lack of road access led to outages lasting several days in some cases. This is a very unusual occurrence on the Scanpower network.

PERFORMANCE MEASURE	2023 RESULT	2023 TARGET	RESULT
Minutes Loss of Supply per Customer (SAIDI)	231.2	155.0	✗
Annual Outages per Customer (SAIFI)	0.78	1.38	✓

Graph 2: **Network Reliability - SAIDI (Actual vs Target 2022-23)**



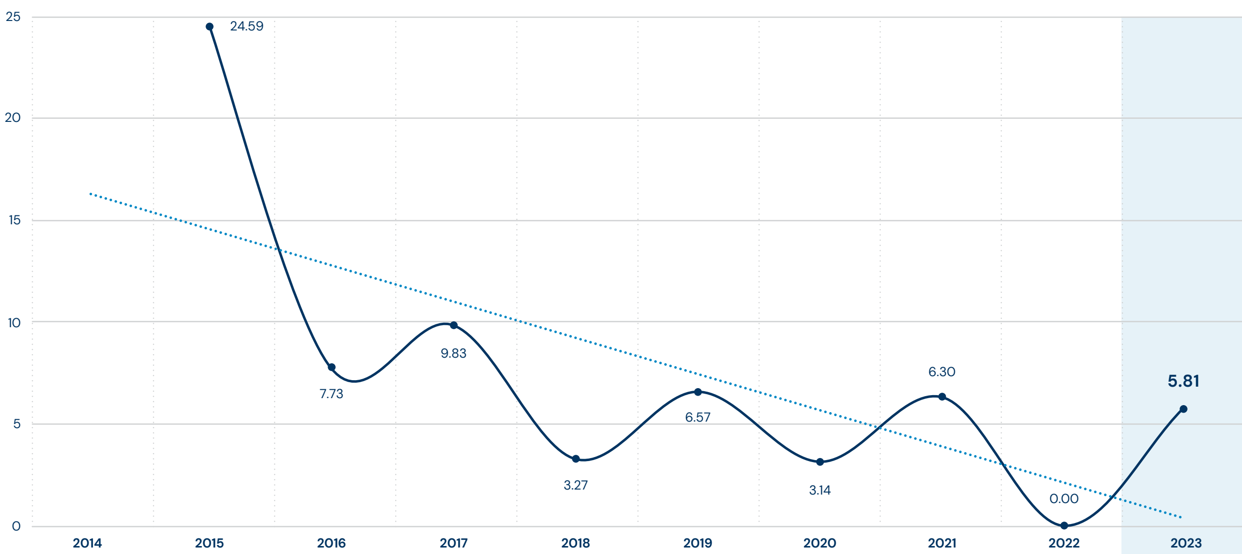
Health & Safety Performance

Our total injury frequency rate per 200,000 hours worked was 5.81 at year end which, at Scanpower's staff numbers, is approximately 4 harm incidents per year requiring treatment from a medical professional.

Whilst this result fell within our target level of **6.56**, it is always disappointing when staff are injured in the course of their employment, and we will continue to strive to improve our safety performance steadily over time. Correspondingly, our target for the coming year will reduce to **6.06**.

PERFORMANCE MEASURE	2023 RESULT	2023 TARGET	RESULT
Injury Frequency Rate per 200,000 Hours Worked	5.81	6.56	✓

Graph 3: **Total Injury Frequency Rate Per 200,000 Hours Worked**



Customer & Community

PAID OUT IN DISCOUNTS TO CUSTOMERS ACROSS THE NETWORK

$1.817m

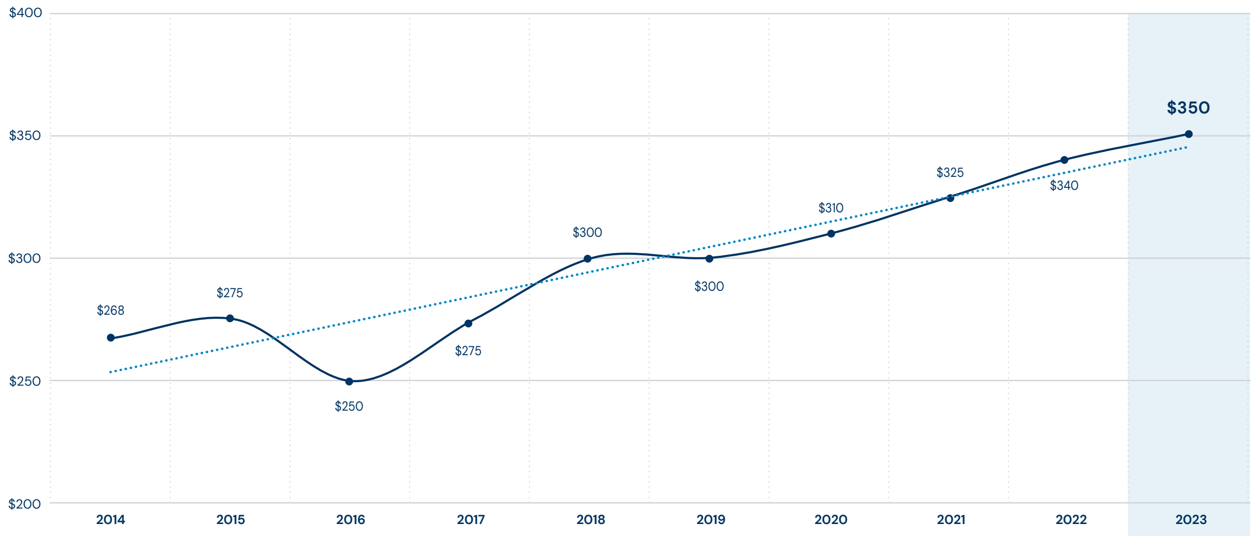
During the year Scanpower paid out $1.817m in discounts to customers connected to the network. This equated to $350 each for standard residential and commercial customers which, as per the graph below, continues the upward trend seen in recent years.

We are aware that many households in our area rely on this discount to help them with their Winter power bills and we will aim to continue providing discounts at a similar level over the coming years.

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

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

Graph 4: **Annual Network Discount Paid Per Residential Connection**



Business Development & Improvement Initiatives

Network Demand Forecasting

During the year, our Network Management Team undertook a detailed analysis of multiple, potential future electricity demand scenarios in our area and modelled the capability of our existing assets to meet this demand in each case.

The process included interviews with major customers as to their intentions and considered the impact of a range of decarbonisation initiatives, in addition to steadily increasing uptake of electric vehicles within both the consumer and commercial sectors. Recognising the critical role our assets play in providing an enabling platform to support our customers' decarbonisation plans, Scanpower is mindful of the need to maintain a level of network capacity that can meet these needs both now and long into the future.

Correspondingly, having concluded that the central Dannevirke area would face potential capacity constraints within a ten to fifteen year planning horizon, in the coming year we will commence construction of a 33kV subtransmission system within the network. This will be a major undertaking, spanning five years, and augment our existing network capacity by a substantial amount.

Oringi Business Park

Scanpower remains committed to the ongoing development of Oringi Business Park, both for the purposes of growing shareholder value and the role it plays in supporting local economic growth and job creation.

Three new initiatives were completed this year including:

- The installation and commissioning of a further 367kW of rooftop solar generation. In addition to meeting tenants' electricity requirements, we are now exporting energy to the grid during times of surplus.
- The acquisition of an additional six hectares immediately adjacent to the existing site, increasing the overall footprint by 50%. This new land has great option value for Scanpower and would be ideal for expanding our solar generation portfolio and developing new company premises.
- A new 'build to lease' agreement was secured with Windsor Engineering and work is underway on the construction of new workshop and office facilities for them. We expect their tenancy to commence in August 2023 when the building work is complete.

Additional information on these initiatives is provided later in this report.

Conclusion & Outlook

It has been a good year for Scanpower and, notwithstanding the cyclone, a welcome return to 'business as usual' after two years of disruption associated with the COVID-19 pandemic event. Our non-regulated activities (Contracting, Treesmart, Property Investment) have shown pleasing growth in revenue and returns, and we expect this to continue in the coming year.

On the Network side of the business, ensuring we have the right, long-term assets in place to meet the increasing electricity demands of our community is of vital importance, particularly in the context of decarbonisation of the economy. Projects are already underway that will see EV supercharging stations connecting to our network in the coming year, whilst several larger customers are planning major gas-to-electric conversions.

Therefore, we are excited to start work on a major phase of network augmentation in the coming year, and this will begin with the construction of a new 33kV feeder into Central Dannevirke.

To conclude, the CEO and Chairman extend a warm vote of thanks to all those involved in making Scanpower a continued success and a company that our community can be proud of. This includes not only our dedicated staff, the Trustees of the Scanpower Customer Trust, and the Board of Directors, but also our contractors and customers. Thank you to you all.

Lee Bettles
Chief Executive

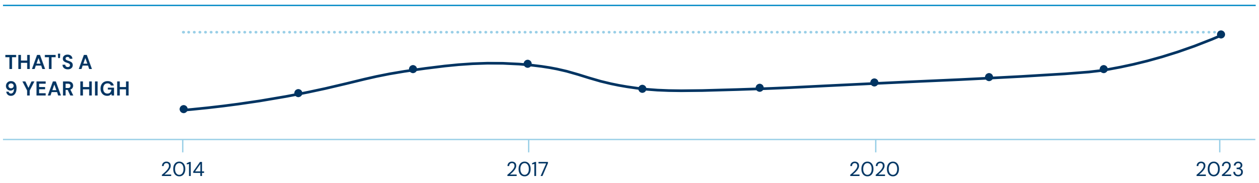
Allan Benbow
Chairman

Financial Highlights

TOTAL OPERATING REVENUE

$26,982,000

+ 23.12%
($5.07M)
ON 2022



TOTAL REVENUE FROM SOURCES OTHER THAN THE NETWORK

$17.98m

+ 30%
($4.10M)
ON 2022

VALUE OF SHAREHOLDERS' EQUITY

$62.73m

+ 11%
($6.22M)
ON 2022

TOTAL CUSTOMER DISCOUNTS

$1.82m

WHICH MEANS...

$350

AVERAGE DISCOUNT PER CUSTOMER

EARNINGS BEFORE DISCOUNT AND TAX

$5.05m

✓ 24%
ABOVE
TARGET

Health & Safety Highlights

INJURY FREQUENCY PER 200,000 HOURS WORKED

5.81

✔ 6.56 TARGET

Network Highlights

SAIDI (AVERAGE ANNUAL MINUTES LOSS OF SUPPLY PER CUSTOMER)

231.2

✖ 155.0 TARGET

SAIFI (AVERAGE NUMBER OF OUTAGES PER CUSTOMER)

0.78

✔ 1.38 TARGET

UNITS (KWH) OF ELECTRICITY CARRIED ACROSS THE NETWORK

83.53m

VALUE OF NETWORK ASSET CAPITAL WORK COMPLETED

$2.58m

✖ -31.7% ($3.78M) ON 2022

Words from the Trust

Customer Trust Chairman's Report

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

SCANPOWER
CUSTOMER TRUST

COMPANY RETURN ON EQUITY

9.07%

The Scanpower Customer Trust holds all the shares in Scanpower Limited on behalf of customers connected to the company's electricity network.

The annual Statement of Corporate Intent is our governing document. Our responsibilities and expectations are outlined in that document after careful negotiation with the Board each year.

The Scanpower "Mission" as stated in the governing document reads:

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

What is particularly pleasing is that all five of Scanpower's operating divisions have enjoyed revenue increases over the past year, particularly Contracting. Following on from that is a positive increase in Shareholder Equity and a Return on Equity of **9.07%**

As one challenging environment passes by (i.e., Covid), another one follows it seems. This time, an extremely unwelcome weather event in Cyclone Gabrielle. This challenged our staff and affected Scanpower's SAIDI performance but still delivered an availability of supply to our customers of 99.96% which is a testament to the strength of the company's network.

A big theme for the future of Scanpower is decarbonisation and the increased electricity demand that will occur as a result. We note that this challenge is being addressed by Scanpower as evidenced by concrete plans to increase network capacity over the coming five years.

One of our Trustees resigned during the year, and we take this opportunity to thank Mel Poulton for her valuable contribution to our group.

In summary:

- The Trustees of the Scanpower Customer Trust are satisfied that the operating results for the year align with the goals set out in the Statement of Corporate Intent.
- Scanpower and the whole management team can be proud of the year they have achieved as almost every KPI has either been met or been exceeded.
- The Trustees thank you all for your continued effort and commitment.

Myles McKeefry
Trust Chair

Powering Change Together_

A review of our current initiatives and annual milestones.

Oringi Business Park

"Our motivation remains to transform the former freezing works into a dynamic, contemporary industrial park, maximising the value of our investment for the benefit of our shareholders."

ORINGI BUSINESS PARK HAD A MARKET VALUATION OF

$15.9m

This year, Scanpower has continued to develop the Oringi Business Park property investment with three new initiatives:

- The installation of a **367kW** rooftop solar generation system. In addition to meeting demand locally, we are also able to export electricity into the local grid during times of surplus.
- The purchase of a further **six hectares** of land immediately adjacent to the site. This will provide valuable space for future expansion.
- Commencement of a new 'build to lease' project involving the construction of workshop and office facilities for the Windsor Engineering Group.

Our motivation remains to transform the former freezing works into a dynamic, contemporary industrial park, maximising the value of our investment for the benefit of our shareholders.

Oringi also acts as a platform to promote and foster economic growth in our region, leading to job creation opportunities. Tenants at the site include:

- Scanpower
- Treesmart
- Hall's Cold Chain Logistics
- Downer Group / Tararua Alliance
- The True Honey Co
- Apipac
- Wools of New Zealand
- Easteel
- Windsor Engineering (arriving August 2023)

As of 31 March 2023, Scanpower's investment in Oringi Business Park had a market valuation of $15.9m.

"This year, Scanpower demonstrated confidence in the operational and commercial viability of these assets by successfully installing an additional 802 rooftop panels, providing a generating capacity of 367kW (thirty times bigger than our pilot system)."

Solar Development

Our first solar panels were installed at Oringi over a decade ago, when we commissioned a pilot project comprising a small 12kW system. Since then, we have monitored the performance of the system, as well as daily and seasonal fluctuations in generation volumes.

This year, Scanpower demonstrated confidence in the operational and commercial viability of these assets by successfully installing an additional 802 rooftop panels, providing a generating capacity of 367kW (thirty times bigger than our pilot system). The project was completed by bringing together a consortium of contractors including Scanpower, All About Scaffolding, Tu Mai Ra Energy, Coyote Electrical and Lumina Solar.

Over a typical year, the system is expected to generate more than 500,000 kWh of electricity, powering services and tenant premises at Oringi Business Park. During times of excess supply, we are already exporting the surplus into the local grid. In return, we are receiving revenue under a feed-in agreement with a major electricity retailer.

The new panels enhance the resilience of the Oringi site, which has become an important civil defence hub (housing both electricity and district water utility control centres). As per the aerial photo to the left, we have significant roof space that could be used for subsequent phases of future solar development. We will consider the opportunities that this presents, both in terms of investment returns, and carbon offset.

The current system is rated to displace 86.8 tonnes of CO_2 emissions, and the use of solar in this circumstance is likely to form a key element of Scanpower's long term environmental strategy. Having recently completed a baseline assessment of our organisation's carbon emissions, this will be an area of strategic focus for the company over the coming year.

Expansion & Windsor Engineering Development

During the year, Scanpower took the opportunity to purchase an additional 6.5 hectares of land immediately adjacent to Oringi.

Regarding potential options, the area could be used for the development of a substantial solar facility, and we estimate that it would accommodate 2.5MW of generating capacity. We are also considering the construction of new office and depot facilities for our Network and Corporate Division teams.

Soon after the land acquisition, we were pleased to enter into a build-to-lease agreement with Windsor Engineering that will see them join the family of businesses based at Oringi later in 2023. The construction of custom-built workshop and office facilities is already underway on the new land parcel and we expect this to be completed during August 2023.

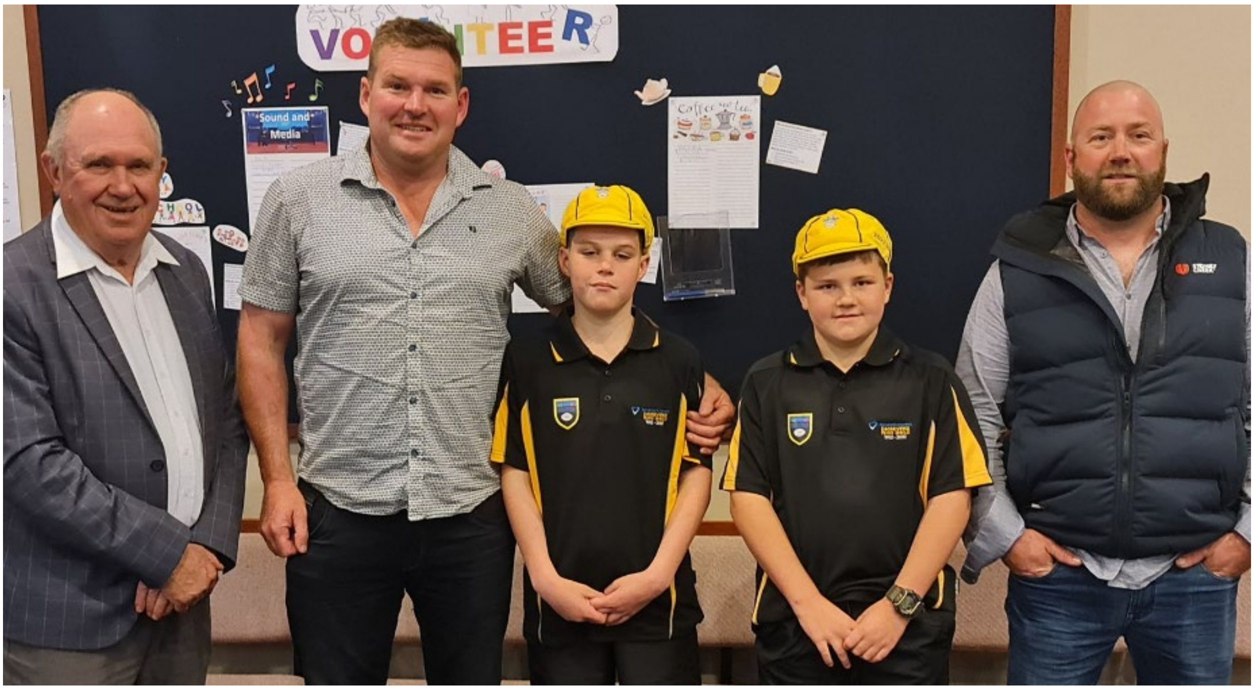

SCANPOWER
ELECTRICITY NETWORKS
ELECTRICITY NETWORKS

Sponsorship Focus

Alongside the network discount, Scanpower places great importance on giving back to the community through an active program of sponsorships and donations.

OVER THE PAST YEAR, WE HAVE SUPPORTED THE COMMUNITY WITH A TOTAL OF

$34,765



Over the past year we have supported a range of local teams, events, clubs, and individuals with combined financial support of $34,765.

These have included:

- Dannevirke Ross Shield Rugby team
- Rinitawa Art and History - Woodville
- Dannevirke Christmas Lights Competition
- Radio Woodville
- Radio Dannevirke
- Kumeroa Sheep Dog Trials
- Dannevirke A&P Show – Home Industries Section
- Tararua Sports Awards
- Shear4U
- Makirikiri Marae golf tournament
- Dannevirke High School Golf Tournament
- Dannevirke Bowls Club
- Dannevirke Squash Club
- BAM's Boxing
- Dannevirke Social Darts League
- Primary School Homework Diaries
- CACTUS Youth Development Programme
- Grassroots Trust Rescue Helicopter

Dannevirke Ross Shield Team

Scanpower has been a longstanding sponsor of the Dannevirke Ross Shield rugby competition team. This year was particularly special, as it was hosted in Dannevirke on the 120th anniversary of the tournament. This event brought many visitors to our hometown and was a source of pride for the team and community alike. This also coincided with the 100th anniversary of Rugby Park which opened in Dannevirke in 1922.

This year's tournament held special significance for Scanpower, as it featured the participation of two of our staff members, Jeff Graham and Simon Gore, whose sons, William Graham and Zac Gore, played in the team. We extend our congratulations to them. Scanpower Board Chairman Allan Benbow attended the annual Ross Shield capping ceremony, and spoke on the company's behalf (pictured above). This connection brought additional meaning to this year's sponsorship for Scanpower and we hope the association with the Dannevirke Ross Shield team will continue long into the future.

Cyclone Gabrielle

On 13 February 2023, Cyclone Gabrielle made landfall in New Zealand, causing severe damage to homes and infrastructure across northern and eastern regions of the North Island. This event marked the country's costliest non-earthquake natural disaster to date.

"Scanpower's line mechanics worked alongside Top Energy's Contracting team in gruelling and challenging conditions to restore supply, a welcome boost to our restoration efforts."

Mark Boltman, Project Delivery Manager
Top Energy

During the peak of the cyclone, 225,000 homes were without power and electricity, roading, and telecommunications. Water infrastructure also suffered extensive damage.

While the Scanpower Network was significantly impacted, resulting in the loss of 126.78 SAIDI minutes during the event (exceeding the total of the other eleven months combined), we were relatively fortunate compared to networks situated in less favourable geographic locations. During the peak, 123 customers in remote areas experienced up to four days without power due to road access issues. To ensure uninterrupted supply, helicopters were deployed to assist our team in maintaining power at crucial communication repeater sites across the district.

The majority of outages were due to landslips and fallen trees, rather than direct asset failures. This emerging trend has been observed in recent years. Previously, wind was the primary cause of network faults, but the flow-on effects from heavy rainfall are now posing a greater challenge. Moving forward, we will give greater consideration to this trend in our asset management decisions, especially regarding asset placement and the risk of tree falls beyond current regulatory distances.

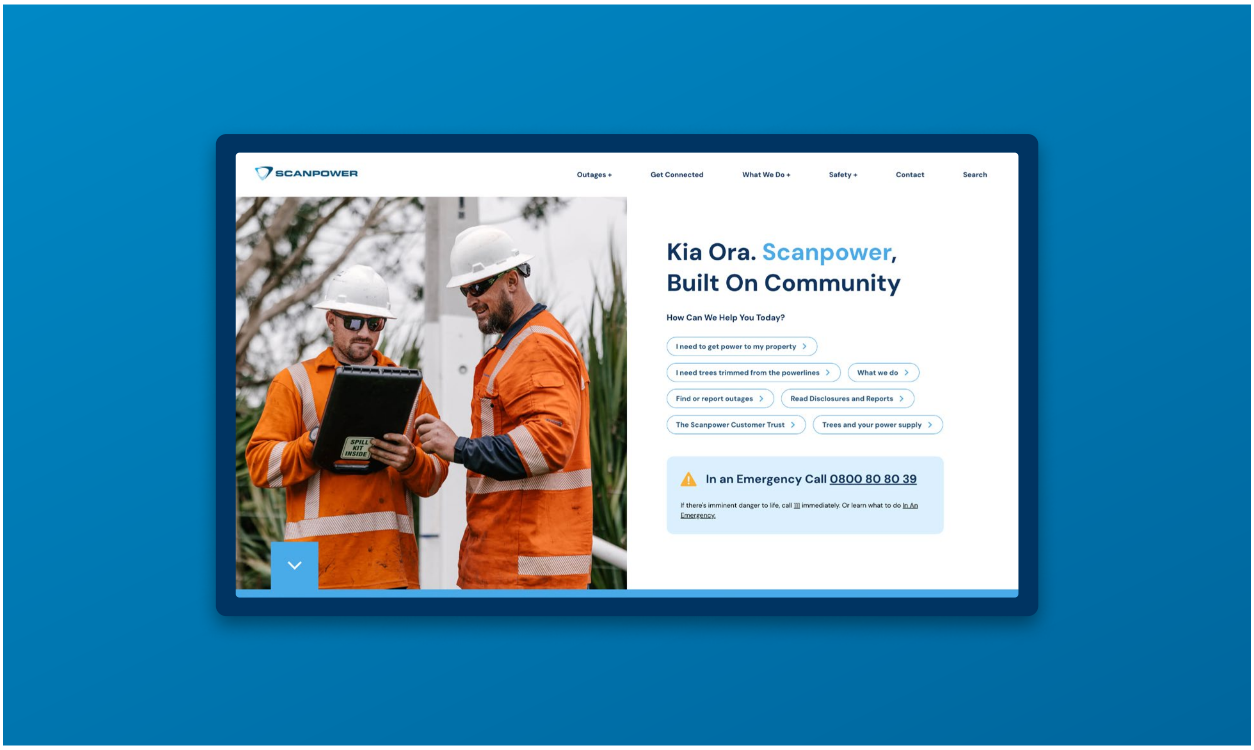
Assisting Other Networks

With continuing growth in our Contracting Division, we were pleased to be able to deploy field teams from our Feilding, Mangatainoka and Paraparaumu Depots to assist the recovery efforts of three other electricity network companies throughout the North Island.

This included sending crews to Kerikeri (on the Top Energy network), Gisborne and Wairoa (on First Light Network), and Matamata (on the Powerco network). The willingness of our staff to travel and to stay away from home at short notice is testimony to their commitment and professionalism, and was well received by those we were able to help.

"Scanpower worked very well with our local teams, and their knowledge and skill of working in remote country paid off for our consumers. As normal, the team undertook good quality work and nothing is ever a problem. It is great that we have this relationship with Scanpower, and I hope, if needed,
one day we can return the favour."

Jarred Moroney, General Manager
First Light Network



Website Launch

This year, our technology and communications team completed a project to update and enhance our company website.

The main objectives were to:

- Create a clean, simple homepage interface for enhanced user-experience
- Ensure easy access to services and relevant information
- Incorporate real-time unplanned and planned outage information
- Enhance the public safety information that we make available
- Include a walk through of the network connection process
- Streamline interactions with our users

In addition to this, an extensive range of company publications and disclosures are now available at the site, including information and documents specific to the Scanpower Customer Trust. Interested customers or stakeholders can view and download these on demand.

We are pleased with the new site, and will be working towards adding new content and functionality, such as real time outage maps, over the coming years.

Strength in Numbers_

Our financial reporting, auditors and directory.

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2023

$'000	NOTES	2023	2022
Operating revenue	2	26,982	21,916
Other revenue	2	551	3,368
Total revenue		**27,533**	**25,284**
Personnel costs	3	6,478	5,245
Depreciation and amortisation expense	3	3,016	2,762
Finance expense	3	637	292
Other expense	3	14,169	11,396
Total expenditure		**24,300**	**19,695**
Surplus/(deficit) before tax		**3,233**	**5,589**
Income tax expense/(refund)	4	688	826
Surplus/(deficit) for the year		**2,545**	**4,763**
Other comprehensive income:			
Gains/(losses) on property revaluations		–	735
Gains/(losses) on revaluations of network distribution assets		5,174	2,516
Deferred tax on revalued assets		(1,369)	(910)
Total other comprehensive income		**3,805**	**2,341**
Total comprehensive income		**6,350**	**7,104**

 The accompanying notes and policies form an integral part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2023

$'000	NOTES	2023	2022
BALANCE AT 1 APRIL			
Contributed Capital		7,500	7,500
Retained Earnings		24,822	**20,131**
Asset Revaluation Reserves		24,187	21,899
Total Opening Equity		**56,509**	**49,530**
Surplus/(deficit) for the year		2,545	4,763
Other Comprehensive Income		3,805	2,341
Total Comprehensive Income		6,350	7,104
Distribution to Shareholders		(125)	(125)
BALANCE AT 31 MARCH			
Contributed Capital		7,500	7,500
Retained Earnings		27,279	24,822
Asset Revaluation Reserves		27,955	24,187
Total Closing Equity		**62,734**	**56,509**

The accompanying notes and policies form an integral part of these financial statements.

Statement of Financial Position

AS AT 31 MARCH 2023

$'000	NOTES	2023	2022
ASSETS			
Current Assets			
Cash and cash equivalents	6	47	59
Debtors and other receivables	7	3,622	2,682
Contract assets	19	1,440	1,260
Inventories	8	874	774
Total current assets		**5,983**	**4,775**
Non-current Assets			
Capital work in progress	9	231	555
Property, plant and equipment	9	66,370	57,888
Intangible assets	10	924	924
Right of use assets	20	380	517
Investment property	11	15,890	15,310
Total non-current assets		83,795	75,194
Total Assets		**89,778**	**79,969**
LIABILITIES			
Current Liabilities			
Borrowings	12	–	–
Creditors and other payables	13	2,437	2,075
Contract liabilities	19	783	985
Lease liabilities	20	185	206
Employee benefits	14	886	917
Tax payable		20	120
Total current liabilities		4,311	4,303
Non-current Liabilities			
Borrowings	12	10,950	8,600
Lease liabilities	20	239	361
Deferred taxation	4	11,544	10,196
Total non-current liabilities		22,733	19,157
Total Liabilities		**27,044**	**23,460**

The accompanying notes and policies form an integral part of these financial statements.

Statement of Financial Position *continued*

AS AT 31 MARCH 2023

$'000	NOTES	2023	2022
Net Assets		**62,734**	**56,509**
EQUITY			
Contributed capital		7,500	7,500
Retained earnings		27,279	24,822
Asset revaluation reserves		27,955	24,187
Total Equity Attributable to Parent	**5**	**62,734**	**56,509**

For and on behalf of the Board,

Allan Benbow
Director
30 June 2023

David Veale
Director
30 June 2023

Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2023

$'000	NOTES	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		24,537	21,471
Wage subsidy received		2	–
Interest received		3	–
Rent received		1,241	1,152
		25,783	22,623
Cash was applied to:			
Payments to suppliers		13,913	11,590
Payments to employees		6,508	5,398
Interest paid		637	292
Income tax paid		850	906
Net GST movement*		(19)	56
		21,889	18,242
Net cash inflows/(outflows) from operating activities		**3,894**	**4,381**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Cash was provided from:			
Proceeds from disposal of property, plant and equipment		117	6
		117	6
Cash was applied to:			
Purchase and construction of property, plant and equipment		5,980	6,801
		5,980	6,801
Net cash inflows/(outflows) from investment activities		**(5,863)**	**(6,795)**

* 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.

 The accompanying notes and policies form an integral part of these financial statements.

Statement of Cash Flows *continued*

FOR THE YEAR ENDED 31 MARCH 2023

$'000	NOTES	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Proceeds from borrowings		14,025	12,575
		14,025	12,575
Cash was applied to:			
Repayment of loan		11,675	9,825
Repayment of finance leases		143	291
Dividends paid		250	125
		12,068	10,241
Net cash inflows/(outflows) from financing activities		**1,957**	**2,334**
Net increase/(decrease) in cash and cash equivalents		(12)	(80)
Cash and cash equivalents at the beginning of the year		59	139
Bank cash/(overdraft) balance at year end	**6**	**47**	**59**

The accompanying notes and policies form an integral part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

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 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 30 June 2023.

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.

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. 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 connected to 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

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2023

recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for assets being constructed include variable considerations such as penalties.

Contract balances

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

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

Other Revenue

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

Interest income
Interest income is recognised using the effective interest method.

Borrowing Costs

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

Goods and Services Tax

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

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

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

Income Tax

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

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

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the 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.

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2023

Property, Plant and Equipment

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

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

Additions

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

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

Disposals

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

Subsequent costs

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

Depreciation

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

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

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

Revaluation

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

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 Tararua Ruahine Valuations, Dannevirke, and the valuation is effective as at 31 March 2023.

Network Distribution assets

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

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2023

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.

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

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

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

Investment property

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

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

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2023

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.

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

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

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

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

To determine the incremental borrowing rate, the company:

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

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

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

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

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

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

Employee benefits

Short term benefits

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

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:

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2023

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 2023.

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2023

Note 2: Revenue

$'000	NOTES	2023	2022
(I) OPERATING REVENUE			
Revenue from contracts with customers			
Network line rentals		10,540	10,029
Network discounts		(1,817)	(1,732)
Net network line rentals		8,723	8,297
Electricity market revenues		280	153
Power line contracting		15,345	11,581
Treesmart		1,313	746
Total revenue from contracts with customers		25,661	20,777
Other operating revenue			
Interest income		3	1
Rental income		1,318	1,138
Total other operating revenue		1,321	1,139
Total operating revenue		26,982	21,916
(II) OTHER INCOME			
Gain on valuation of investment property		349	3,210
Gain on sale of land		33	–
Other property related income		159	148
Administrative revenues		8	10
MBIE wage subsidy		2	–
		551	3,368
Total revenue		**27,533**	**25,284**

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2023

Note 3: Expenses

$'000	NOTES	2023	2022
(I) OPERATING EXPENSES			
Transmission expenses		2,226	2,141
Employee benefit expenses			
– Employee benefit plans		260	213
– Other employee benefits		6,218	5,032
Cost of sales and other operating expenses		11,290	8,647
		19,994	16,033
(II) OTHER EXPENSES			
Audit fees for financial statements audit		154	120
Audit fees for disclosure regulations		46	46
Directors remuneration and expenses		226	218
Operating lease expenses	20	81	30
Loss on disposal of property, plant and equipment		126	193
Bad debt expense		20	1
		653	608
(III) DEPRECIATION AND IMPAIRMENT			
Depreciation on network assets		1,628	1,492
Depreciation on other assets		1,119	907
Depreciation on leased assets	20	212	291
Amortisation of intangible assets		57	72
		3,016	2,762
(IV) FINANCE EXPENSE			
Interest on loan		602	241
Leases interest	20	35	51
		637	292
Total expenses		**24,300**	**19,695**

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2023

Note 4: Taxation

$'000	2023	2022
COMPONENTS OF TAX EXPENSE		
Current tax	670	507
Prior period adjustment to current tax	38	20
Deferred tax	(20)	299
Tax expense	**688**	**826**
RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT		
Surplus/(deficit) before tax	3,233	5,617
Tax at 28%	905	1,573
Plus (less) tax effect of:		
Expenses not deductible for tax purposes	1	1
Income not subject to tax	(100)	(897)
Under/(over) provided in prior periods	(74)	20
Deferred tax adjustment	(44)	129
Tax (refund)/expense for the year	**688**	**826**

$'000	PROPERTY, PLANT AND EQUIPMENT	EMPLOYEE ENTITLEMENTS	LEASE ASSETS	OTHER PROVISIONS	TOTAL
DEFERRED TAX ASSETS/(LIABILITIES)					
Balance at 31 March 2021	(9,200)	137	14	63	(8,986)
Charged/(credit) to the Income Statement	(303)	25	–	(21)	(299)
Charged directly to equity	(910)	–	–	–	(910)
Balance at 31 March 2022	**(10,413)**	**162**	**14**	**42**	**(10,195)**
Charge/(credit) to the Income Statement	–	34	(2)	(12)	20
Charged directly to equity	(1,369)	–	–	–	(1,369)
Balance at 31 March 2023	**(11,782)**	**196**	**12**	**30**	**(11,544)**

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2023

Note 5: Equity

$'000	2023	2022
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	24,822	20,131
Transfers from:		
Asset revaluation reserve on disposal of property, plant and equipment	37	53
Net surplus/(deficit) for the year	2,545	4,763
Transfers to:		
Dividend declared and paid	(125)	(125)
As at 31 March	**27,279**	**24,822**
ASSET REVALUATION RESERVES		
As at 1 April	24,187	21,899
Land, buildings and fixtures revaluation gains/(losses)	–	735
Valuation gain on transfer of properties to investment properties	–	–
Valuation gain on revaluation of Network Distribution Assets	5,174	2,516
Deferred tax on revaluation of Network Distribution Assets	(1,410)	(683)
Deferred tax on Land and Building revaluations	41	(227)
Transfer of revaluation reserve to retained earnings on disposal of property, plant and equipment	(37)	(53)
Balance at end of the year	**27,955**	**24,187**
Asset revaluation reserve consists of:		
Freehold land	663	663
Freehold buildings and fixtures	4,464	4,422
Distribution assets	22,828	19,102
Total reserves	**27,955**	**24,187**
Total Equity	**62,734**	**56,509**

Note 6: Cash and cash equivalents

$'000	2023	2022
Current account	47	58
Total cash and cash equivalents	**47**	**59**

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2023

Note 7: Debtors and other receivables

$'000	2023	2022
Trade debtors	3,480	2,584
Related party receivables	42	–
Prepayments	100	98
	3,622	2,682
Less provision for impairment of receivables	–	–
Total debtors and other receivables	**3,622**	**2,682**

Fair value

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

Movement in the provision for receivables are as follows:

$'000	2023	2022
At 1 April	–	–
Additional provisions made through the year	–	–
Provisions reversed during the year	–	–
Receivables written off during the year	20	1
At 31 March	**20**	**1**

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

Note 8: Inventories

$'000	2023	2022
Network stock	874	774
Total inventories	**874**	**774**

The write-down of inventories amounted to $18,492 for Network stock. (2022: the write-down of stock amounted to $15,006).

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

Note 9: Property, Plant and Equipment

$'000	2023	2022
WORK IN PROGRESS		
Capital work in progress is contained in the following categories:		
Treesmart & Contracting	–	153
Property	231	403
Total work in progress	**231**	**556**

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2023

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

$'000	NETWORK ASSETS	LAND & BUILDINGS	ORINGI SITE	MOTOR VEHICLES	PLANT & EQUIPMENT	COMPUTER EQUIPMENT	FIXTURES	TOTAL
GROSS CARRYING AMOUNT								
Balance at 31 March 2022	48,550	1,981	139	7,393	2,730	355	1,561	62,709
Additions	2,576	1,118	–	1,643	861	44	60	6,302
Disposals	(556)	–	–	(148)	(10)	–	–	(714)
Revaluations	3,976	–	–	–	–	–	–	3,976
Transfers	–	–	–	–	–	–	–	–
Balance at 31 March 2022	**54,546**	**3,099**	**139**	**8,888**	**3,581**	**399**	**1,621**	**72,273**
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
Balance at 31 March 2022	–	–	(28)	(2,771)	(1,591)	(159)	(273)	(4,822)
Disposals	430	–	–	33	5	–	–	468
Transfers	–	–	–	–	–	–	–	–
Impairment loss charged to profit	–	–	–	–	–	–	–	–
Net revaluation (increments)/decrements	1,198	–	–	–	–	–	–	1,198
Depreciation expense	(1,628)	(29)	(4)	(726)	(239)	(63)	(58)	(2,747)
Balance at 31 March 2023	**–**	**(29)**	**(32)**	**(3,464)**	**(1,825)**	**(222)**	**(331**	**(5,903)**
Net book value at 31 March 2022	**48,550**	**1,981**	**112**	**4,622**	**1,139**	**196**	**1,288**	**57,888**
Net book value at 31 March 2023	**54,546**	**3,070**	**107**	**5,424**	**1,756**	**177**	**1,290**	**66,370**

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 Tararua Ruahine Valuations, Dannevirke, and the valuation is effective as at 31 March 2023.

Network Distribution assets

The electricity distribution network was revalued to fair value of $54.546m as at 31 March 2023, 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 assumptions mainly include estimated future revenues, operating costs and capital expenditure. A post tax nominal WACC of 6.21% was used.

The valuer's estimated range of values attributable to the Scanpower electricity distribution network assets was between $52.6 million and $56.6 million as at 31 March 2023. Their analysis highlights that the valuation is most sensitive to movements in distribution revenue. The impact on the midpoint estimate valuation ($54.546m) of a +/-5% movement in distribution revenue is +/-$2.97m. The valuation is less sensitive to operating expenditure and capital expenditure with a movement of +/-5% (-/+$0.31m) and +/-5% (-/+$0.23m), respectively.

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 2023

Note 10: Intangible Assets

$'000	COMPUTER SOFTWARE	GOODWILL	TOTAL
GROSS CARRYING AMOUNT			
Balance at 31 March 2022	779	550	1,329
Additions	57	–	57
Disposals	–	–	–
Balance at 31 March 2023	**836**	**550**	**1,386**
ACCUMULATED AMORTISATION AND IMPAIRMENT			
Balance at 31 March 2022	(405)	–	(405)
Disposals	–	–	–
Amortisation expense	(57)		(57)
Balance at 31 March 2023	**(462)**	**–**	**(462)**
Net book value at 31 March 2022	**374**	**550**	**924**
Net book value at 31 March 2023	**374**	**550**	**924**

Note 11: Investment Property

$'000	2023	2022
Balance at 1 April	15,310	11,872
Additions	231	228
Disposals	–	–
Transfers from property, plant and equipment	–	–
Transfer to property, plant and equipment	–	–
Fair value gains/(losses) on valuation	349	3,210
Balance at 31 March	**15,890**	**15,310**

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 2023, there was contractual obligations of $1,416,803 to construct or develop the existing investment properties. As at 31 March 2022, 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 2023. 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 2023

Note 12: Borrowings

$'000	2023	2022
CURRENT PORTION		
Term loan	–	–
NON-CURRENT PORTION		
Term loan	10,950	8,600
Total borrowings	**10,950**	**8,600**

The cash and cash equivalents of $47,000 (note 6) is the net cash, cash equivalent and bank overdraft for the purpose of the Statement of Cashflow (2022: $59,000).

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 $15 million (2022: $12 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 2025 with the full amount of term loan and overdraft facility payable at that date.

Note 13: Creditors and Other Payables

$'000	2023	2022
Trade payables	1,525	1,243
Other payables and accruals	627	613
Related Party payables	–	–
Income in advance	175	214
GST payable	110	5
Total creditors and other payables	**2,437**	**2,075**

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 2023

Note 14: Employee Benefits

$'000	2023	2022
EMPLOYEE ENTITLEMENTS		
Wages	107	75
Holiday Pay	421	402
Standby Leave	70	66
Long Service Leave (Current)	60	61
Retirement Gratuity (Current)	108	151
Christmas Bonus	40	37
Performance bonuses	80	125
Balance at 31 March	**886**	**917**
Employee entitlements classified as:		
Current	886	917
Non-current	–	–
Total employee entitlements	**886**	**917**

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 2023

Note 15: Commitments

Capital Commitments

The value of these capital commitments as at 31 March 2023 was $1,416,803 (2022: $344,015).

Operating Leases as Lessee

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

$'000	2023	2022
NON-CANCELLABLE OPERATING LEASES AS LESSEE		
< 1 year	–	2
> 1 year but < 5 years	–	-
> 5 years	–	-
Total	**–**	**2**

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

Operating Leases as Lessor

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

$'000	2023	2022
NON-CANCELLABLE OPERATING LEASE AS LESSOR		
< 1 year	1,345	1,286
> 1 year but < 5 years	2,440	3,280
> 5 years	351	545
Total	**4,136**	**5,111**

Note 16: Contingent Assets and Liabilities

There were no contingent assets or liabilities as at 31 March 2023 (31 March 2022: $0).

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2023

Note 17: Transactions with Related Parties

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

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

$'000	2023	2022
Scanpower Customer Trust		
Service fees charged	7	8
Receivable at year end	–	–

Scanpower Limited has committed to paying a dividend to the value of $125,000 to the Scanpower Customer Trust (2022: $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 $388 for the year end to 31 March 2023 (2022: $0). The amount outstanding at balance date was $0 (2022: $0). Scanpower paid $1,000 to For Homes Ltd as a sponsor to the Christmas Lights competition (2022: $1,000).

Scanpower provided services to Horizons Regional Council where Allan Benbow is the member for the Tararua Constituency. The value of services provided totalled $258,553 (2022: $91,439) with amount receivable by Scanpower at balance date of $40,086 (2022: $5,729). Horizons Regional Council provided services to Scanpower to the value of $24,357 (2022: $28,425) and the amount owing at year end was $0 (2022: $0).

Scanpower provided services to Glenheath Farming Co where Sean Stafford is an independent trustee. The value of services provided totalled $32,287 (2022: $47,979) with amount receivable by Scanpower at balance date of $2,033 (2022: $7,846). Glenheath Farming Co does not provide services to Scanpower, however, Scanpower did purchase 5.9506 hectare of land for $1,000,000 from Glenheath Farming Co.

$'000	2023	2022
Key management personnel compensation		
Compensation and other benefits	2,042	1,675

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 2023

Note 18: Financial Instruments

Note 18A: Financial Instrument categories

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

$'000	2023	2022
Total Financial Assets at amortised cost (2022 loans and receivables)	5,011	3,904
Total Financial liabilities at amortised cost	13,526	11,023

Note 18B: Changes in liabilities arising from financing activities

$'000	1 APRIL 2022	CASH FLOWS	OTHER	31 MARCH 2022
Current interest-bearing loans and borrowings	–	(11,675)	–	–
Non-current interest-bearing loans and borrowings	8,600	14,025	–	10,950
Dividends payable	125	(250)	125	–
Total liabilities from financing activities	**8,725**	**2,100**	**125**	**10,950**

Note 19: Revenue from Contracts with Customers

Satisfaction of Performance Obligations & Significant Judgements

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

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

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

Significant Payment Terms

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

Nature of Services Provided

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

Variable consideration

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

Returns/Refunds

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

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2023

Note 19: Revenue from Contracts with Customers *continued*

Warranties

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

Performance Bonds

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

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

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

$'000	NETWORK LINE RENTALS	TRANSMISSION RENTAL REBATES	POWERLINE CONTRACTING	TREESMART	TOTAL
2022					
Revenue recognised at point in time	–	–	–	746	**746**
Revenue recognised over time	8,297	153	11,581	–	**20,031**
Total revenue from contracts with customers					**20,777**
2023					
Revenue recognised at a point in time	–	–	–	1,313	**1,313**
Revenue recognised over time	8,723	280	15,345	–	**24,348**
Total revenue from contracts with customers					**25,661**

Scanpower had the following contract balances during the year ended 31 March 2023

$'000	CONTRACT ASSETS	TRADE RECEIVABLES	CONTRACT LIABILITIES
Closing balance as at 31 March 2022	1,260	2,591	985
Closing balance as at 31 March 2023	1,440	3,522	783

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2023

Note 20: Leases

$'000	2023	2022
(I) AMOUNTS RECOGNISED IN THE BALANCE SHEET		
The balance sheet shows the following amounts relating to leases:		
Right of use assets		
Vehicles	334	420
Buildings	16	55
Computers	30	42
Total Right of use assets	**380**	**517**
Lease liabilities		
Current	185	206
Non-current	239	361
Total lease liabilities	**424**	**567**

Additions to the right of use assets during the 2022-23 financial year were $62,207 (2022: $0).

$'000	2023	2022
(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	161	240
Buildings	39	39
Network equipment	12	12
Total Depreciation charge for right of use assets	**212**	**291**
Interest expense (included in finance costs)	35	51
Expenses relating to short term leases (included in other expenses)	59	17
Expenses relating to low-value assets that are not shown above as short-term leases (including in other expenses)	22	13

The total cash outflow for leases in 2022-23 financial year was $252,059.

Note 21: Events subsequent to balance date

There were no other post balance date events as at 31 March 2023. (2022: None)

Statement of Performance

FOR THE YEAR ENDED 31 MARCH 2023

		2023 ACTUAL	2023 TARGET	2022 ACTUAL
FINANCIAL MEASURES				
Earnings Before Discount and Tax (EBDT)	*$'000*	5,051	4,080	7,321
Gross Earnings (Profit Before Interest, Discount and Tax)	*$'000*	5,688	4,380	7,562
Tax Payable (at the Company tax rate of 28%)	*$'000*	688	640	826
Interest Paid on Loan	*$'000*	602	300	241
Total Discounts Paid (budgeted amount, exclusive of GST)	*$'000*	1,817	1,800	1,732
Net Earnings (Profit after Interest, Discount and Tax)	*$'000*	2,545	1,640	4,763
Net Assets / Shareholders' Equity	*$'000*	62,734	52,600	56,509
Total Assets	*$'000*	89,778	77,990	79,969
Return on Equity (Gross earnings / Shareholders' Equity)	*%*	9.07%	8.33%	13.38%
Equity Ratio (Shareholders' Funds / Total Assets)	*%*	69.88%	67.44%	70.66%
HEALTH AND SAFETY PERFORMANCE				
Total Injury Frequency Rate (Per 200,000 hours worked)	*Injuries*	5.81	6.56	0.00
NETWORK RELIABILITY AND ASSET MANAGEMENT PERFORMANCE				
Minutes Loss of Supply per Customer (SAIDI B / C)*	*# Minutes*	231.2	155	180.2
Annual Interruptions per Customer (SAIFI B / C)#	*# Interruptions*	0.78	1.38	0.912
Public Safety Management System in Place (NZS 7091:2014 compliant)		Achieved	Achieved / Not Achieved	Achieved
Asset Renewal Rate (Network capex / depreciation)		158%	> 115%	253%
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*	744	624	494
NETWORK PRICING PERFORMANCE				
Network Revenue per kWh (cents per kWh, net of transmission costs)	*Cents / kWh*	9.95	9.66	9.45

* **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 Performance *continued*

FOR THE YEAR ENDED 31 MARCH 2023

		2023 ACTUAL	2023 TARGET	2022 ACTUAL
NON-REGULATED REVENUE PERFORMANCE				
Total Non-Regulated Revenue (Contracting, Treesmart & Property Revenue)	*$'000*	17,976	17,495	13,872
Non-Regulated Revenue Ratio (total non-regulated revenue / total revenue)	*%*	65.3%	> 50%	53.9%
CUSTOMER DISCOUNT PERFORMANCE				
Discount Paid per Customer (per standard residential & commercial customers)	*$'000*	350	350	340
SOCIAL AND COMMUNITY PERFORMANCE				
Budgeted Sponsorship and Donations (per annual operating budgets)	*$'000*	32	50	29
Community Activities Completed to Plan (planned initiatives completed)		Achieved	Achieved / Not Achieved	Achieved

Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 31 MARCH 2023

Statutory Information Disclosures

Principal Activities

During the period, Scanpower was involved in the provision of electricity line function services, power line contracting services, tree and vegetation management services and the operation of an investment property portfolio.

Financial Results

The operating profit before interest, discount and tax for the year was $5,688,000. The annual net profit was $2,545,000 and network discounts of $1,817,000 were paid.

This compares with an operating profit before discount, interest and tax in 2022 of $7,562,000, a net profit of $4,763,00 and network discounts of $1,732,000.

Dividend

The Directors recommended payment of a dividend of $125,000 to the Scanpower Customer Trust for the year ended 31 March 2022.

Directors

Remuneration of Directors

Allan Benbow	$55,000	Reappointed	27/07/2022
Peter Clayton	$35,000	Reappointed	28/07/2021
Rodney Wong	$35,000	Reappointed	28/07/2021
Mark Kilmister	$35,000	Reappointed	27/07/2022
David Veale	$35,000	Appointed	28/07/2021
Sean Stafford	$35,000	Appointed	28/07/2021

Directors' Interests

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

Directors Use of Company Information

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

Executive Employees Remuneration

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

TOTAL REMUNERATION AND OTHER BENEFITS	NUMBER OF EMPLOYEES
$480,000 - $490,000	1
$210,000 - $220,000	1
$200,000 - $210,000	1
$190,000 - $200,000	1
$170,000 - $180,000	2
$150,000 - $160,000	3
$140,000 - $150,000	3
$120,000 - $130,000	1
$110,000 - $120,000	4
$100,000 - $110,000	7

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 $154,015 (plus disbursements). Fees paid in respect of other auditing services were $45,800 for the audit of the Information Disclosures.

Directors' Indemnity and Insurance

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

Allan Benbow

Chairman

Independent Auditor's Report

FOR THE YEAR ENDED 31 MARCH 2023

To the readers of Scanpower Limited's financial statements and performance information for the year ended 31 March 2023.

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

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the company on pages 30 to 55, that comprise the statement of financial position as at 31 March 2023, 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 56 and 57.

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2023; 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 2023.

Our audit was completed on 30 June 2023. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report *continued*

FOR THE YEAR ENDED 31 MARCH 2023

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 obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 5 to 29 and 61, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

In addition to the audit we have carried out an engagement in the area of an assurance engagement pursuant to the Electricity Distribution Information Disclosure Determination 2012 — (consolidated in 2018) for the period ended 31 March 2022, which is compatible with those independence requirements. Other than the audit and the engagement, we have no relationship with or interests in the company.

Chris Webby

Chris Webby

Audit New Zealand

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

Directory

Registered Office

Scanpower Limited
Oringi Business Park
Oringi Road
Dannevirke

Phone:
06 374 8039

Freephone:
0800 80 80 39

Email:
enquiries@scanpower.co.nz

Website:
scanpower.co.nz

Board of Directors

Chairman:
Allan Benbow

Deputy Chairman:
Peter Clayton

Members:
Rodney Wong
Mark Kilmister
David Veale
Sean Stafford

Executive Team

Chief Executive:
Lee Bettles

General Manager – Contracting
Andrew Haste

Company Finance Manager:
Ben van der Spuy

Chief Operations Officer:
Brent Dais

Network Manager:
Peter Rue

Treesmart Manager:
Warren Hirst

Chief Information Officer:
Stu Jacob

People & Communications Manager:
Amy Gibbs

Bankers

Bank of New Zealand,
Dannevirke

Westpac Bank,
Dannevirke

Solicitors

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

Auditors

Audit New Zealand,
Palmerston North

SCANPOWER