WELGroup.

Annual Report 2023

This is the Annual Report of WEL Group Limited

27 June 2023

Signed for and on behalf of the Board of Directors

Barry Harris
CHAIR

Carolyn Steele
AUDIT AND RISK COMMITTEE CHAIR

Contents

Our Vision

To create and support
an ***innovative and sustainable energy future.***

Our Purpose

Enabling our
communities to thrive.

About WEL Group

Across the Waikato, we deliver innovative and sustainable energy solutions which enable our communities to thrive.

With over 99,000 households and businesses connecting to our electricity services, we're playing an essential role in the economic and social development of our communities.

Key to this growth are strong partnerships and innovation which see us explore new ways of providing critical infrastructure and services to ensure our customers receive affordable, reliable, fairly priced and environmentally sustainable energy.

WELGroup.

WEL Networks

Powered by WEL Networks WeEV®

INFRATEC

A Snapshot - WEL Group

WEL Networks and its subsidiaries (WEL Group) builds, owns and operates over

$723M

worth of electricity network infrastructure.

Over the next decade, we've planned to spend

$230M

on network development projects to support the current and projected growth within our network.

Find out more in our 2023 Asset Management Plan.

WEL Group is

100%

owned by the community through our sole shareholder the WEL Energy Trust.

WEL Networks connects

98,323

residential properties, small businesses and

914

commercial/industrial sites to a power supply within our network area.

Over 350 people

with a range of skills work across the Group to deliver electricity services to our communities.

WEL Networks maintains

7,021

kilometres of lines.

48.5% are overhead, 51.5% are underground.

This excludes street lighting pilots, fibre and communications lines.

Over 67,800 homes and businesses

in our area currently have one of our smart meters installed which gives us valuable insights into power consumption patterns and low voltage activity.

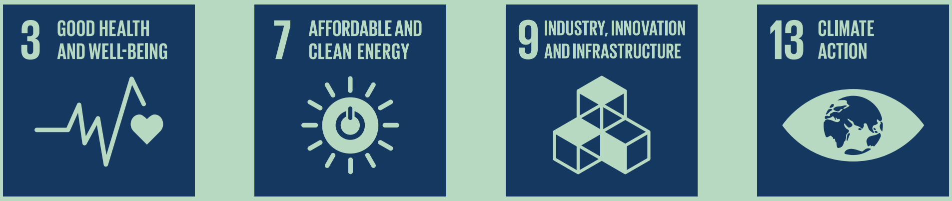
From April 2022 to March 2023 across our 25 public EV chargers within our network we've saved

723,000kg of CO_2e.

We've also delivered approximately 745,000kWh. This translates to approximately 4.5 million km of EV range.

We've aligned our activity to four of the United Nations' Sustainable Development Goals (SDGs)

where we believe we can make the most impact and generate the most synergy with our strategic direction.



View our Sustainability Section on page 13.

Barry Harris

Group Chair Report

The WEL Group delivered another year of positive financial performance while continuing to ready the business for the future in line with our strategic and sustainability goals and our ongoing focus on our community.

Our Community

In alignment with our shareholder the WEL Energy Trust (Trust), WEL continued the discount programme and paid the discount in April 2023 which totalled $14M (including GST). The discount went out to almost 99,000 customers with an average discount for residential customers of $136.39 (including GST).

Additionally, WEL paid a $4.2M dividend to the Trust to enable them to undertake their philanthropic activities.

Health, Safety and Wellbeing

The Board is committed to supporting health, safety and wellbeing initiatives that contribute to ongoing improvement and takes an active interest in the continuous improvement roadmap for safety and the ongoing development by management of the company's WELBalanced wellbeing programme.

Financial Performance

WEL Networks has had strong financial performance through to March 2023. Highlights include:

- Revenue of $146M was $24M up largely due to the growth in the Infratec business, growth in customer connections, including the Ruakura Superhub.
- Profit from continuing operations was $10M, down from $15M in the prior year, primarily due to increasing costs, higher interest rates and increased depreciation on a higher asset base. Also included is a $1.2M provision for the impairment of the OurPower retail platform following the decision to exit retailing.
- Total assets include $143M of cash & term deposits, $77M of investments and Property, Plant and Equipment of $810M up from $740M primarily due to growth in the lines network and investment into generation assets.
- The Group's equity as at 31 March 2023 remained unchanged at $790M.

Sustainability

WEL's governance framework includes a comprehensive approach to sustainability and corporate social responsibility.

The Company's sustainability programme not only includes the measurement and reporting of carbon emissions, but also wider initiatives for people, communities and the network in alignment with the selected United Nations' Sustainable Development Goals; 3 (Good Health and Wellbeing), 7 (Affordable and Clean Energy), 9 (Industry, Innovation and Infrastructure) and 13 (Climate Action).

The New Zealand electricity industry is heading into a period of unprecedented change and growth driven largely by the necessity to meet international carbon reduction requirements to ensure reasonable outcomes for the environment. This is creating two key drivers for change in the electricity network; the electrification of process heat, transport and electric vehicles; and growing customer adoption of renewables within distribution networks.

In response to these changes in the energy market and in alignment with the Company's purpose and vision, the E^3 Strategy has been developed to ensure a thriving WEL Networks for the future.

The strategy continues to advance the Company's approach to, and participation in, the growth in local renewables, electric vehicles, battery storage, vehicle-to-grid (V2G) or vehicle to home (V2H) technology and demand side response, through the provision of an electricity network that is local, innovative, responsive and sustainable to ensure value for consumers and opportunities for communities.

Cultural Capacity

We are committed to honouring the principles of Te Tiriti o Waitangi to achieve the greatest outcomes for all, and collaborative engagement with tangata whenua to promote growth and prosperity of the Waikato region.

We recognise the importance of growing our understanding of te ao Māori and remain committed to build cultural capacity at both governance and business levels.

Directors

In June 2022 we farewelled Rob Campbell and I thank him for his contribution to the Board over his five years as Chair.

In Summary

The Company has delivered strong financial results particularly given the lingering impacts of Covid-19 and major weather related events such as Cyclone Gabrielle during the year. On top of that the progress towards longer term safety, sustainability and social responsibility goals has been positive.

I would like to thank fellow Directors, Chief Executive Garth Dibley, the management team and all staff for the progress they have made towards advancing the Company's strategic goals alongside the ongoing strengthening of the core electricity business.

Garth Dibley

WEL Networks Chief Executive Report

Our business is in an exciting phase of developing new business initiatives to meet the requirements of our communities and our sustainability goals. Our people have demonstrated strong commitment towards delivering a safe and reliable essential electricity service to our Waikato communities despite increasing impacts from weather-related events.

Health & Safety

We continue to work towards a "Good Work" approach to safety to ensure positive safety outcomes are the result of a planned approach to how we work every day. Our people have progressed our three-year health and safety continuous improvement roadmap with a focus on how to get the most from opportunities to learn, whether that be through incidents, near misses or work done well. We have adopted a Learning Teams approach to really engage our workers who are the subject matter experts to identify opportunities and embed improvements.

Promoting safety leadership within our community has remained a key activity through our public safety campaigns. We have commenced the rollout of a new safety campaign relating to scaffolding near electricity infrastructure and launched this with a pilot scaffolding industry group. We continue to work with Fire and Emergency NZ to deliver free electric blanket testing to local communities.

The earlier part of 2022 saw WEL continuing to work within Government settings for Covid-19 management. However, as the year progressed, we were able to remove a number of the settings we had put in place and return to work as normal.

OUR PEOPLE

WELBalanced

Our WELBalanced Programme delivers a range of additional health and wellness initiatives to support our people. We were pleased to be able to add the 9-day fortnight as a new flexible working option on top of the existing range of offerings. Other highlights from the year included flu shots, bowel cancer screening kits for all staff and continuing the promotion of physical and mental wellbeing through involvement in events such as Round the Bridges.

Enhancing our Employee Experience

Following our inaugural engagement and wellbeing survey last year using our employee experience platform, Culture Amp, we have run a second company-wide engagement survey. This year we achieved an even higher participation rate of 87% and an improvement in the overall engagement score from 67% last year to 73% this year. This compares to the New Zealand benchmark of 68% so a very solid engagement result for the business.

The feedback provided by our people is an extremely valuable resource and we remain committed to acting on the insights to provide an environment where our people feel valued and can achieve their potential.

OUR PERFORMANCE

Reliability

WEL monitors the average amount of time that customers experience an interruption as an indicator of network reliability and resilience. The measurement for the interruption duration is the system average interruption duration index (SAIDI). The planned normalised SAIDI result of 31.19 minutes was within the budget of 34.90 minutes for planned maintenance interruptions, and the unplanned normalised SAIDI of 67.45 minutes was within the budget of 69.50 SAIDI minutes for unplanned network faults. WEL calculates the above SAIDI in line with the Default Price-Quality Path 2020-2025 (DPP3) methodology which is required for non-exempt EDBs. WEL uses a more stringent cap when setting reliability targets than would have applied if we were regulated under DPP3 by the Commerce Commission.

Major Weather Events

The Waikato, along with many other parts of New Zealand, was hit by Cyclone Hale in January 2023 and then by Cyclone Gabrielle in February 2023. The network suffered significant damage from Cyclone Gabrielle with a normalised SAIDI impact of 3.18 minutes after the regulatory cap was applied, the uncapped SAIDI value was 72.01 minutes, all of which occurred between 12-17 February (inclusive).

We always take the approach of ensuring our crews are safe and that the safety of the public is maintained as our priority. We assess sites and, in many cases, will make them safe until permanent repairs can be carried out. Following that, our approach to restoration is to address interruptions that pose a higher safety risk to the public and the sections of our network that would return power to the greatest number of customers.

Vehicle Accidents

Vehicle accidents involving network assets were the second highest in the last 10 financial years. There were 61 events in FY23 compared to the average of 50 per annum over the past five financial years. Of these 61 events, 52 involved poles, 5 involved service pillars, and 4 involved distribution transformers.

The unplanned uncapped SAIDI impact due to vehicle accidents was 26.12 SAIDI minutes, which exceeded the five-year average of 16.35 by 9.77 SAIDI minutes. WEL has mapped all vehicle incidents that have occurred near our assets in the last six years. This information is used to identify high risk locations and is factored into our safety design as part of our asset replacement programme.

Equipment Failure

We had a total of 231 equipment failure events in the year, on par with the average for the past five years. This resulted in unplanned uncapped SAIDI of 25.64 SAIDI minutes, which was an improvement on the average of 28.29 in the last five years by 2.65 SAIDI minutes.

PREPARING OUR BUSINESS FOR THE FUTURE

Regional Growth and Demand

The Waikato region continues to experience strong growth in new customer connections and higher network peak demand. A number of major developments of significant scale, including the Peacocke Development and the Sleepyhead Factory, have continued to progress while others have slowed in response to the predicted recession.

Growth and innovation in the generation, storage and use of electricity will be increasingly prevalent across our region in addition to the organic customer growth.

To enable and manage the introduction of new customer owned technology and changing customer expectations for availability of electricity, WEL is investing in Low Voltage (LV) and Distributed Energy Resource Management Systems (DERMS), increasing network visibility and expanding operational capabilities to support active customer participation in the electricity system. This forms a strong pathway to unlocking greater value that can be shared with all participating customers.

It's predicted that there'll be more than 50,000 EVs in our network area by 2030, along with significant growth in industrial process heat electrification and industrial automation, peak demand is forecast to grow from 271MW to 354MW.

There are a number of large initiatives in our region:

- Te Rapa Cogeneration (44MW) decommissioning in June 2023
- Full time electrification of Fonterra Te Rapa (18MW)
- Ruakura Inland Port and Super Hub direct connecting to Transpower
- HAM33 GXP interim capacity upgrade options revealed by Transpower
- Near term recession included in forecast:
  - Slow down from record population and connections growth
  - Customer driven works anticipated drop-off in subdivisions over FY24 & FY25

This has resulted in the following major changes in the 10-year works plan:

- New Kohia zone substation required
- Pukete area 33kV reinforcement
- Deferral of zone substation permanent GXP transfer projects:
  - Exelby
  - Fairfield
- Increased focus on resilience, reliability, and network security, particularly at the 11kV level

Our Asset Management Plan includes the following key areas of expenditure over the next decade:

- $692M into our network to support new businesses setting up in the Waikato, electrification of transport and industrial processes, and new housing supply (Network CAPEX)
- $103M into network maintenance to retain similar levels of reliability and service to meet customer expectations (Network OPEX)
- $71M (Non-Network CAPEX) and $273M (Non-Network OPEX) into our systems and capability to efficiently enable growth and new energy opportunities for our customers

Resilience and Climate Change

WEL is experiencing a greater frequency of significant weather-related events. Cyclone Dovi in February 2022 had a major impact on our network resulting in outages that impacted our customers for a number of days. In early 2023 Cyclones Hale and Gabrielle impacted our region with Gabrielle in particular leaving significant damage in its wake. On top of this we are experiencing a greater number of weather and wind impacts from severe storms. Resilience planning has therefore become a key focus area for the company.

The impacts on WEL's network assets from climate related hazards are expected to increase over time with the changing climate. Warmer temperatures are expected in the western half of the region, where WEL's network assets are predominantly located. Increases in extreme rainfall intensity are expected across the entire region, with large increases projected in the northeast. There is also a projected increase in westerly wind speeds, and more extreme storm events. Sea level is also increasing with a projected 0.9 m rise by year 2100 for the region's coastline under RCP8.5. These changes can result in more frequent and intense rainfall events, flooding inland and on the coast, and extreme weather events (e.g. wind and storms).

To assist in planning and preparing for increased climate-related risk we engaged a specialist consultant to assess the risk in relation to our network area and our specific assets. The assessment was undertaken over three time horizons (present day, mid-century and end of century), and was based on the IPCC RCP8.5 ('high-end') climate projection. This detailed analysis will inform our future planning for the network and risk mitigation strategies into the future. It will also allow us to report on the financial implications of climate risk from 2024 onwards. We expect to factor the findings into our asset management planning from 2024.

Additionally, we are working to align our approach to the EEA's recently released Resilience Guide and we're looking for examples of good practice within New Zealand and overseas to help develop our own resilience response.

E³ Strategy

We have made strong progress across many elements of our E³ strategy.

We are accelerating the capabilities of our We.EV business unit which provides end-to-end solutions for commercial businesses wanting to implement their own EV strategies and build their own EV fleet charging infrastructure in an economically viable and environmentally sustainable way.

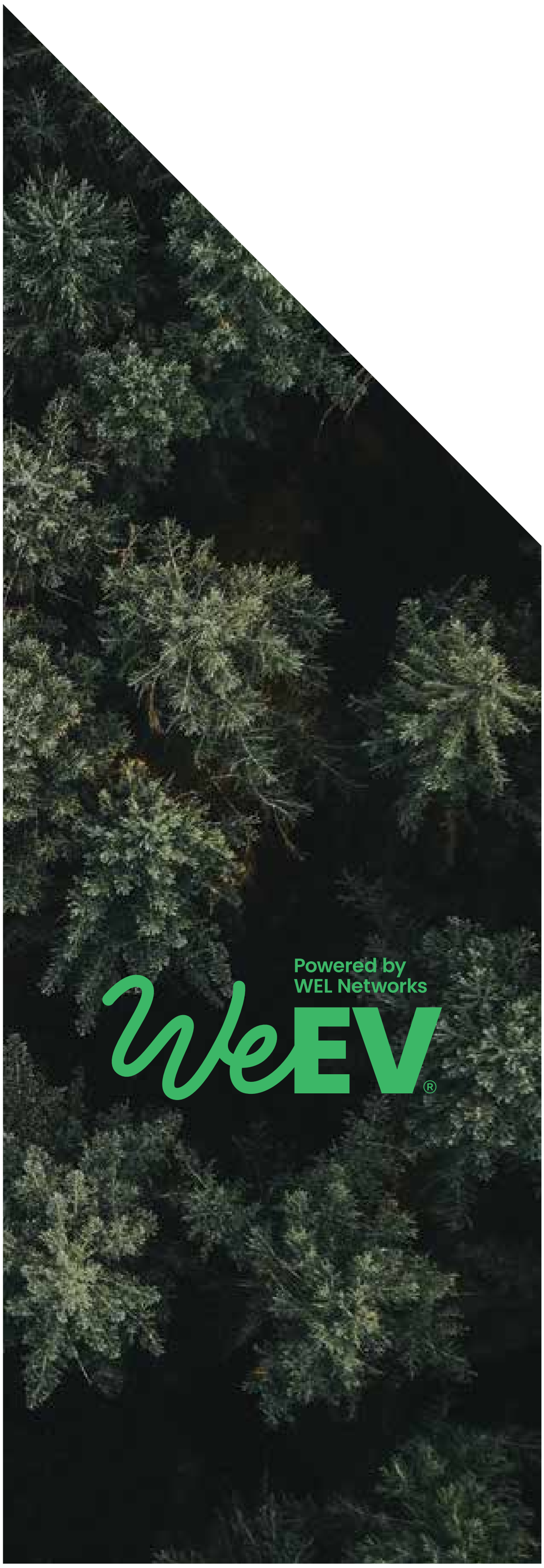
Our Distributed System Operator (DSO) work is now well developed and provides real value back into the business in the areas of fault detection and response, LV visibility and understanding of distributed generation resources connected to our network. WEL was the first electricity distribution business in New Zealand to collect five-minute data from our smart meters providing a wealth of information and insights for operational decision making. WEL presented our DSO journey to the EEA conference in late 2022 and won the People's Choice Award.

Our subsidiary, Infratec, provides the capability to build our utility-scale projects. Infratec provides the engineering, procurement and construction (EPC) to manage the delivery of WEL's new generation assets in both solar PV and energy storage. Infratec is currently focused on two major work streams:

- A 35MWh Battery Energy Storage System (BESS) is nearing completion and expected to be commissioned in late 2023. The BESS will be the largest battery in New Zealand; a milestone project for WEL. It will maximise the benefits of solar power, providing charging capacity for electric vehicles and back up during grid emergencies. It will store enough energy to meet the daily demands of over 2,000 homes and be capable of providing fast reserves support for the North Island grid.
- WEL has continued to pursue solar opportunities with two solar farms consented and construction about to start for one of those. A third solar farm is in the final stages of being consented. These solar farms will support New Zealand's aspiration for more renewable generation in support of the 2030 sustainability goals and beyond that towards Net-Zero.

IN SUMMARY

I'd like to personally thank everyone for their efforts in maintaining a high level of service throughout the year particularly given the challenges that major weather events presented and in light of the continued significant growth in the Waikato and WEL's strategic aspirations.



WEL Networks Sustainability Statement - 2023

Background

WEL Networks (WEL) is an electricity distribution business fully community owned by the WEL Energy Trust.

The Management and Board of WEL Networks are committed to running the business in a way that is sustainable and embraces the principles of corporate social responsibility because this is the right thing to do for our staff, our community, our shareholder and our environment.

The wellbeing of our staff and of our community is of utmost importance to us. We demonstrate this through ensuring strong safety performance, being a good employer and providing reliable and low cost electricity to our community.

Throughout its operations, WEL strives to be an environmentally responsible organisation. This year we have continued to deliver sustainability initiatives addressing our social and environmental responsibilities within our community.

Strategic Activity Areas

We remain committed to four of the United Nations' Sustainable Development Goals (SDGs) where we can make the most impact and generate the most synergy with our strategic direction. In this way we believe we will add the greatest value and have the largest impact on business performance. Our alignment with the SDGs helps us achieve a vision that encompasses being:

- an ***employer of choice*** that embraces diversity and where employees are valued and treated well, ensuring that the attraction and retention of staff does not become an obstacle to running a successful business
- an ethical, values-based business that ***recognises our community as a key stakeholder*** and implements aspects of the strategy to explicitly ***support the community***, particularly those suffering energy hardship
- a sought after commercial partner, recognised for our network resilience and our ***innovation*** in steering the community into the future, embracing new ways of managing the changing energy market while ***providing customer centric and resilient solutions***

The following strategic activity areas support our Company values and are directly related to the activities encompassed in our strategic plan.

Employee Relations, Welfare, Diversity and Inclusion

Aligned to UN Sustainable Development Goal (SDG 3) Good Health and Wellbeing

To promote a positive workplace for WEL staff through a commitment to best practice employment processes, including:

- Promotion of a positive workplace for WEL staff through a commitment to best practice employment processes
- Implementation of a diverse workforce and inclusive work environment
- Monitor and deliver gender equality
- Deliver ongoing wellbeing initiatives for staff through an overarching wellbeing framework

Community Initiatives

Pink Shirt Day

Every year, one in 10 workers in Aotearoa report being bullied in the workplace. By taking part in Pink Shirt Day, we are part of a powerful movement to spread aroha and kindness and end bullying.

We embraced Pink Shirt Day with Pinky chocolate bars, photograph props and staff were encouraged to wear pink.

Foodbank Project Donation

WEL donated $1,000 worth of family food parcels via The Foodbank Project for Christmas.

The online foodbank provides food parcels that are distributed to support those in need.

Supporting Pukete Neighbourhood House

Over the last year, we've donated over $1,924 worth of period products to Pukete Neighbourhood House.

One in 12 young people in New Zealand are missing school because of period poverty, which is when those on low incomes cannot afford or access suitable period products.

Located on Church Road, Pukete Neighbourhood House provide a range of community services including legal advice, food parcels, childcare support and more.

We're very proud to be supporting our community.

WEL Engaged Staff

We use the Culture Amp workplace engagement survey to measure staff engagement and identify opportunities to build on and improve. The survey measures people's connection and commitment to WEL and our company goals. By lifting engagement, we can improve the wellbeing of staff and also impact performance, innovation, retention and attract great talent.

Pleasing gains have occurred across several Culture Amp survey categories compared to last year's inaugural survey. Our overall staff engagement score improved from 67% to 73% and compares favourably to the New Zealand benchmark of 68%.

We experienced double-digit improvement in some categories, including a 12% lift for 'My Manager has shown a genuine interest in my career aspirations' and 'My Manager is a great role model for employees', while 'I believe there are good career opportunities for me at WEL' rose 10%.

New survey questions were also added this year. We are happy to report initial results of 87% for 'My Manager genuinely cares about my wellbeing' and 85% for 'overall wellbeing'

WELBalanced Initiatives

Our WELBalanced programme is aimed at boosting staff wellbeing and wellness, which is then reflected in our engagement survey results as highlighted above.

During the year we continued to provide well established WELBalanced activities and benefits such as; flexible working options including the introduction of a 9-day fortnight, mole mapping, flu vaccinations, social sports teams, Round the Bridges fun run entry, medical insurance, income protection, EAP wellbeing and counselling support, Southern Cross healthcare and support of national and international wellbeing campaigns like Mental Health Awareness Week, Pink Shirt Day, Māori Language Week, Daffodil Day and the Aotearoa Bike Challenge.

We also delivered new initiatives in 2022/23. Over 50 WEL staff took part in a financial health workshop that explored ways to develop good money habits to achieve personal lifestyle goals. The workshop looked at wellbeing through a financial lens and was delivered by an experienced financial advisor. A range of topics were covered including budgeting, financial planning, risk profiling and KiwiSaver.

As another way of helping our people build and maintain a healthy lifestyle, we entered a partnership with My Everyday Wellbeing. It provides staff and their whānau access to a wealth of expert advice and practical daily tools that make it easy to boost their wellbeing. Topics include; exercise motivation, getting a better sleep, advice on physical health issues, coping with stress, healthy recipe ideas and meal planners.

Sustainable Community

Aligned to UN Sustainable Development Goal (SDG 7) Affordable and Clean Energy

- Invest in the future of the local community and address energy hardship through the provision of an affordable, reliable, safe supply of electricity through our network
- Reduce the risk of harm in the community from WEL assets through the effective implementation of a public safety management system
- Support the expansion of EV charging infrastructure across the network to encourage the uptake of EVs

Keeping our Communities Safe

Six dangerous electric blankets posing a fire risk to the Waikato community have been removed from circulation thanks to WEL's involvement in a free electric blanket testing event.

The Hamilton City Fire Station staged the public event that saw 79 electric blanket tests carried out by WEL and Alpha Electrical.

This event was a great way to give back to the community and keep members of the public safe.

Electrical Safety Scaffold Training Provided

Raising awareness and highlighting the dangers of working near powerlines formed the basis of an industry-focused presentation to Industrial Site Services.

The purpose of the presentation is to ensure personnel stay safe around power, especially when working with scaffold and/or rigging equipment.

In addition to this, we launched a scaffold safety campaign which is one of the many campaigns we run as part of our commitment to enhancing the safety leadership role we play within our Waikato communities.

WEL Networks Electricity Discount

In early April the discount of over $14M (including GST) was processed and sent to retailers to disburse to WEL's customers.

The discount went out to almost 99,000 customers with an average discount for residential customers of $136.39 (including GST).

The discount was reintroduced in 2021 to provide further support to the Waikato community.

Celebrating Annual Connection Success

WEL Networks' Line Mechanic and Cable Jointer teams won gold in both the overhead and cable jointing competitions at the 2022 Annual Connection competition.

Team member Justin Quigley also received the best overall cable jointer award.

We're hugely proud of the whole team and management crew for such an outstanding achievement.

The three-day event, held in Levin, is the only platform of its kind that connects, celebrates, and showcases the people and companies essential to keeping the lights on and New Zealand connected.

For our Line Mechanic team events included Pole Install, Electrical Theory, Earth Bank Install, Cable Install, Pole Top Rescue, Testing to Ensure Safety, First Aid and Rigging.

Our Cable Jointers competed in events that included Electrical Theory, Indoor and Outdoor Terminations, Testing to Ensure Safety, Pit Rescue, First Aid/CPR, HV Joint and Dismantle.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Resilient Infrastructure

Aligned to UN Sustainable Development Goal (SDG 9) Industry Innovation and Infrastructure

- Build resilient infrastructure and promote sustainable and innovative development of network assets
- Monitor and reduce SAIDI through provision of a resilient network (SAIDI is a measure of the average duration of a customer outage)
- Develop technical solutions to better monitor and understand the LV network and the impacts of sources of generation
- Install grid scale battery (BESS) and solar in support of network infrastructure and local solar and BESS as part of the WEL offices microgrid solution

WEL took centre stage at EEA Conference

WEL's innovative transformation to a Distribution System Operator (DSO) model was recognised by the industry at the 2022 Electricity Engineers' Association National Conference in Hamilton.

The DSO team received a People's Choice Best Paper Award for their presentation, which shared a strong framework around WEL's DSO Strategy and future innovation.

The presentation provided a balance between strategy and detailed information which included practical examples relating to the implementation of WEL's DSO journey.

Future energy transformation requires careful planning and industry-wide collaboration. We are positioning ourselves as industry leaders and while we're wanting to continue to lead, we also want to work with the wider industry to achieve better outcomes for New Zealand.

Network Visibility Increases with Industry First 5-Minute Data Deployment

In an industry-leading first, WEL Networks successfully deployed 5-minute data across its Low Voltage (LV) network of 67,821 smart meters.

This is the first network-wide deployment of 5-minute data in New Zealand which marks a significant milestone. This will allow network enhancement and alleviate constraints while optimising network investment to ultimately reduce the cost to WEL's customers.

"After an extensive amount of system fine-tuning, we have achieved the collection of 5-minute operational data at 15-minute intervals with a 99.5% success rate. This milestone will enable our LV network visibility strategy, as we continue to build towards a network transformation Distribution System Operator (DSO) model. The goal has always been to get to this point," General Manager Asset Management Mat O'Neill said.

The network-wide 5-minute data deployment has stemmed from the completion of an advanced smart meter data collection project on the WEL smart meter fleet. The project involved new system installations, headend upgrade, meter profile development and a new data collection system.

"This gives us the ability to provide a greater service to our customers, by improving the safety of the network and the ability for customers to leverage their investment in renewable energy or electric vehicles while ensuring the reliability and availability of electricity.

"We are able to now build products from the 5-minute data which also provides greater visibility of what's happening on our network, while improving safety, network management and quality of service. This data collection also enables WEL to manage the growth in the network in a more effective and efficient manner, resulting in savings for the customer," he said.

New Zealand's First Utility Scale Battery Energy Storage System (BESS)

Construction of New Zealand's largest battery storage facility is expected to be completed by September 2023.

The 35MWh Battery Energy Storage System on Rotowaro Road in Huntly will play a pivotal role in the reduction of emissions in the Waikato and will support New Zealand's *Net Zero* goal of becoming 100% renewable by 2050.

This is an exciting development which will deliver significant value to WEL's network customers. The battery will support the charging of electric vehicles, maximising the benefits of solar power and providing back up during grid emergencies.

The battery will store enough energy to meet the daily demands of over 2,000 homes and be capable of providing fast reserves support for the North Island grid.

The BESS is a joint project between WEL Networks and Infratec.

Infratec

2023 marks a successful year for our subsidiary Infratec, with the progression of multiple solar projects as we continue to support New Zealand's *Net Zero* goal of becoming 100% renewable by 2050.

These projects reflect their strategic approach to diversify revenue with a mix of traditional EPC and new generation assets, in both the solar PV and energy storage technologies.

- Infratec will build two 30MW solar farms for Lodestone Energy in Northland and the Bay of Plenty.
- Two smaller 5MW solar farm projects, Naumai in Northland and Gisborne Airport, are expected to be completed in 2023.
- New solar farm projects in the South Island that total 31MW are progressing. These projects are based in Blenheim, Nelson and Tekapo.
- Consent is underway to build two solar farms that total 32MW of renewable generation.
- NewPower (a new subsidiary) is working towards energy market accreditation and expects to be operational by March 2024.

13 CLIMATE ACTION

Greenhouse Gas Emissions

Aligned to UN Sustainable Development Goal (SDG 13) Climate Action

WEL continues to review its greenhouse gas emissions with a view to reducing the relative impact of its emissions over time. The 2018-2019 financial year is the baseline against which future appraisals will be compared.

- Assess, measure and report greenhouse gas emissions
- Gain and retain external certification for the WEL Group annual GHG emissions
- Monitor and reduce GHG emissions in line with NZ government targets
- Move vehicles to hybrid and EV options when practical, and more efficient vehicle options when EV options are not yet available

The resilience of our Network

With two cyclones hitting New Zealand this year in quick succession (Hale and Gabrielle); following a series of significant weather events in the past few years including Cyclone Dovi in February 2022, our focus remains firmly centred on the resilience of our network and our commitment to delivering our communities a robust supply of electricity.

WEL had initiated several improvements last year following Cyclone Dovi and these came to fruition during the recent storm events. Our Distribution Centre has reviewed and optimised the onsite network spares stockholding to ensure that we have enough of the right supplies on hand to return power to customers in a timely manner. Spares are held in multiple locations aiding in ensuring access during significant events.

Our progression towards becoming a Distribution System Operator (DSO) has accelerated the evolution of visibility of energy flows and LV data at the customer connection points. In addition, voltage monitoring has been introduced at strategically placed transformers and ring main units using the WEL smart meter network. The status of our LV network, which historically has not been visible to our Control Operators, is now available. This allowed considerable time savings in the reinstatement of the network following storm damage to the lines.

We have also conducted several aerial network surveys which provide an accurate and up-to-date assessment of the condition of our assets, flagging any areas of concern that can be remedied promptly under our asset maintenance programmes before they become an issue in severe weather.

WEL engaged a specialist firm to provide an estimate of the risks from changing climate on our assets due to sea inundation and erosion, river flooding and changing temperatures. Gaining an understanding of longer-term impacts through a 30-year and 80-year window will feed into our long-term asset planning programme.

Enhancements to WEL's Fleet Strategy

Modernising our fleet and ensuring it is fit for purpose and right-sized for our operations has been a focus over the past year. WEL operates over 120 vehicles in its fleet, primarily consisting of heavy trucks, utes, vans and light pool cars, which are essential for the safe operation, build and maintenance of the network, and delivery of services into our community. With the recruitment of a dedicated Fleet Manager into the business, WEL has revised its 5 Year Fleet Strategy to optimise the use of our fleet, with the following parameters in mind:

- Fit for purpose vehicles
- Safe operation for our staff and the public
- Sustainability: energy efficiency and fuel efficiency
- Minimising the total cost of ownership

We have worked with the users of our vehicles to better understand how they operate and identify improvement opportunities within our current and future fleet. We are removing the older vehicles from the fleet and replacing them with more efficient units. In the heavy vehicle fleet our EWP trucks are either being supplied or retrofitted with Smart® hydraulic packs. This is where the primary hydraulic drive is from a battery powered electric motor, rather than the truck's main engine, providing a healthier, fume free and quieter work environment. On our crane trucks, where the truck has reached end of life and the crane pack is in good condition, we are retaining the crane and work platform and placing it on to a new cab and chassis. This saves considerable cost, and the fitout timeframe is significantly reduced. In our small vehicle fleet, we have moved all ICE vehicles across to EV or hybrid alternatives. At this stage there is no suitable EV or hybrid alternative for our utes but we expect to see some entrants into that market soon.

EV transformation made easy with We.EV

We.EV is helping businesses get future-ready with their Electric Vehicle (EV) charging infrastructure.

From early-adopters to EV newbies, We.EV helps save time, and money, on transitioning fleets to electric-powered vehicles using a combination of energy experience, and hands-on innovation.

In 2022, We.EV was established as a team within WEL Networks. We.EV was launched to deliver a complete end-to-end solution that empowers businesses to confidently make the move towards a sustainable future and manage their own EV fleets in support of WEL's E^3 strategy.

We've seized the opportunity to lead the way in supporting businesses to transition their fleets by designing and installing the charging and monitoring infrastructure needed to not only keep cars on the road, but to also manage both the cost and the demand on the community's infrastructure.

The number of businesses choosing to switch to electric fleets in the Waikato and beyond, is accelerating. WEL expects to see more than 50,000 EVs in the Waikato by 2030, which means the infrastructure needs to keep pace.

Where the rubber hits the road – LIC Case Study

LIC already had 13 chargers available to them – but none of them were able to provide 'live' or relevant data, which meant usage analysis was difficult. LIC wanted to expand their existing system to over 50 chargers, so before starting any design work, WEL analysed the existing onsite electrical infrastructure and peak electricity usage in winter.

WEL found that their existing electrical infrastructure could only support an additional six chargers. To install any more would have meant significant network upgrades costing hundreds of thousands of dollars –and take around 6-9 months. Plan A wasn't going to work so Plan B was needed.

Working together, we designed an alternative smart charging solution. This new infrastructure could charge over 50 vehicles, each with over 100km of range, on a typical winter's day. Smart controls ensured that the power was shared and could never exceed the capacity of the supply to site.

The result meant 24 new AC chargers were installed, and the infrastructure for a further 26 AC chargers was installed to future proof the installation. While a 60kW DC charger for fleet and visitors, meant easy priority charging.

We.EV as part of their service offering, carry out onsite infrastructure analysis and reporting back to the customer. This provides the customer with a starting point on which to make capital investment decisions for EV fleet transition and charging infrastructure requirements.

We.EV have completed equivalent analysis and reports for the University of Waikato, Waikato Regional Council and Waipa District Council, among others.

We.EV analyse sites to determine capacity to support installation of EV infrastructure. We review half hour meter data to determine existing loads and therefore the available load that can be used to charge EVs without exceeding site and distribution board limits. This maximises the utilisation of current network connections and electrical infrastructure without unnecessary additional investment.

This allows us to provide an EV charging solution for our customer, the design will enable chargers to be installed in the most cost-effective way and we provide budget pricing.

Reducing emissions

We also made improvements to our vehicle fleet to not only reduce emissions but to increase safety. One such example was the procurement of a new 4x4 truck with a EURO 5 rating. This has resulted in emissions 14% lower than the old truck it replaced.

The truck has improved safety features including a load sensitive cut out that ensures safer use of the crane. In addition, the truck's hydraulic pole puller is specifically designed to more safely and easily remove the pole from the ground.

Elsewhere, an additional 66kW of solar was installed on the roof of WEL's administration building, bringing the total solar generation at our Maui St site up to 150kW.

Director Profiles

As at 31 March 2023

Barry Harris
Chair (from 14 June 2022)

Barry has extensive governance and executive experience. He is currently Chair of OSPRI (formerly Animal Health Board), TBFree New Zealand Limited, National Animal Identification and Tracing (NAIT) Limited, New Zealand Food Innovation (Waikato) Limited, NIWA, McFall Fuel Limited and Waikato Regional Airport Limited. He is a Director of Melody Dairies GP Limited.

Throughout his career, Barry has held a number of chief executive roles, including Environment Waikato, Greater Wellington Regional Council and Hamilton City Council. He was also a senior executive with Fonterra for five years. Some of Barry's previous directorships include CentrePort, RD1, International Nutritionals, Hamilton Riverside Hotels and Local Authority Shared Services. Barry joined the Board of WEL Networks Limited in October 2014 and was appointed Chair in June 2022.

Jackie Colliar
Director, People and Culture Committee Member

Ko Taupiri te Maunga, ko Waikato te Awa, ko Tainui te Waka, ko Waikato te Iwi, ko Ngaati Mahuta te Haapu, ko Taniwha raua ko Waahi o ngaa Marae.

An experienced governor and director, Jackie is a trustee for Taniwha Marae and serves as a member of the executive board (Te Arataura) for Te Whakakitenga o Waikato, the iwi organisation for Waikato-Tainui. She is also a Trustee of Ngaa Muka Development Trust. Jackie is a Crown Appointed member to the Waikato River Authority, Director to the Waikato River Clean Up Trust and an intern on the Waikato District Council Independent Water Governance Board. She is also a Director of Te Maataarae Ki Rangiriri General Partner Limited. Professionally, Jackie is an Environmental Engineer, Researcher and Infrastructure Strategist with over 20 years' experience working for and with communities, local authorities, iwi and the private sector. Jackie's work currently focuses on three-waters infrastructure strategic planning and development in the wider Waikato-Hamilton Metro Area and Waikato River Catchment. Jackie was appointed to the Board of WEL Networks Limited in June 2021.

Director Profiles *continued*

As at 31 March 2023

Paul Connell

Director, Audit and Risk Committee Member, Investment Committee Chair

Paul is an experienced Director and Chair with over 40 years of commercial, governance and financial experience, including over 22 years as a professional Director of listed and private companies, community-owned companies and Crown Entities.

He was a Director of lines company Unison Networks for nine years and has been a Director of technology and telecommunications companies. He currently chairs The Accreditation Council and is a Director of ETEL Limited, Telarc Limited and The Environmental Protection Authority, where he is chair of audit and risk. He is a Fellow of Chartered Accountants Australia and New Zealand and Chartered Fellow of the Institute of Directors. He is an Independent Member of the Risk and Assurance Committee for Waikato Regional Council and an Independent Member of the Audit and Risk Committee of Auckland Council. Paul was appointed to the Board of WEL Networks Limited in September 2019.

Julian Cook

Director

Julian has 20 years' investment banking and senior management experience. He is currently Chair of Sky City Entertainment Group Limited and a Director of Winton Property Limited and Deakin TopCo Pty Limited (trading as Levande).

He started his career with 11 years working in the investment banking division of Macquarie Bank. In this time he covered a number of sectors and worked on a number of transactions in the electricity distribution and generation/retail sectors. Following this he spent three years as the CFO of Summerset which is New Zealand's second largest retirement village and aged care operator. During this time he worked on the initial public offering of Summerset on the NZX. He then spent 7 years as the CEO of Summerset, stepping down in early 2021. Julian was appointed to the board of WEL Networks Limited in June 2021.

Geoff Lawrie

Director, People and Culture Committee Chair

Geoff has 36 years of executive experience in the technology industry in New Zealand and overseas. He is currently the Chair of Auror Limited and Younity Limited.

He is a Director of Plan B Limited and Enable Networks Limited. Geoff has previously held directorships with Ngai Tahu Farming and Pivot Software Limited, and was the first elected Chairman of the industry body, NZ Tech. Geoff was appointed to the Board of WEL Networks Limited in June 2018.

Carolyn Steele

Director, Audit and Risk Committee Chair

Carolyn has substantial experience in capital markets, mergers and acquisitions and investment management.

She is currently Chair of Halberg Foundation and a Director of Green Cross Health Limited, Oriens Capital GP2 Limited, Vulcan Steel Limited and Property for Industry Limited. Carolyn has previously worked as a Portfolio Manager at Guardians of New Zealand Superannuation and in investment banking at Forsyth Barr and Credit Suisse/First NZ Capital. Carolyn was appointed to the Board of WEL Networks Limited in June 2017.

Corporate Governance Statement

Board of Directors

The WEL Networks Board is appointed by the shareholder, the WEL Energy Trust, and is responsible for setting and monitoring the direction of the Company and its subsidiaries (collectively the Group). It delegates day to day management of the Company to the WEL Chief Executive.

The Board operates in accordance with the WEL Networks Corporate Governance Charter. Adopted initially by WEL in October 2005, the Charter was most recently amended in March 2023 after a full review by the Board to capture the current governance regime for the Company. Additionally, the Board endorses the principles set out in the IoD Code of Practice for Directors and the NZX Corporate Governance Code. The Board receives monthly reports from management and meets at least six times during each financial year.

The Board runs three operating committees: (a) The People and Culture Committee; assists the Board to develop the Company's remuneration policy, sets the remuneration package of the Chief Executive and their direct reports. The Committee also oversees all other matters relevant to ensuring a committed and competent workforce; (b) The Audit and Risk Committee; oversees the Company's compliance with legal and regulatory requirements, financial statements, treasury policy, preparation of the annual report, appoints and liaises with the external auditors to review internal and external controls relevant to financial reporting, risk management and associated matters, operating under a charter approved by the Board; and (c) The Investment Committee; assists the Board developing WEL's investment strategy for surplus funds, recommending the appointment of an Investment Manager and monitoring their performance, monitoring and evaluating WEL's investment performance and compliance with the Investment Strategy; and recommending to the Board any distribution of the income earned from the investments.

Risk Management

The Audit and Risk Committee oversees the Company's risk management programme. The Group has risk management processes in place which ensure that risks are identified and mitigated, where possible, and that all policies and procedures consider risk when drafted. Detailed risk reports are provided to the Audit and Risk Committee of the Board on a six-monthly basis. Reporting is immediate in the case of extreme residual risks. In addition to normal risk management practices, key controls are reviewed as part of the Group's internal audit programme to ensure they are effective in managing or mitigating known risks.

Compliance

The Company has processes in place to review compliance on an ongoing basis across all aspects of its business. The internal audit programme provides assurance across business activities, including compliance. The current programme which commenced in May 2022 comprises external reviews of: the veracity of Power BI Data and the governance of major projects.

Health and Safety, Sustainability and the Environment

The Board recognises the importance of a strong focus on health and safety, sustainability and the environment. They are committed to the highest levels of performance in all areas of the Group. Health and safety and environmental management programmes have been implemented by the Group and a Sustainable Business Plan with key targets to 2030 has recently been developed. The Group also seeks to continuously improve its performance in these areas and requires the adoption of similar standards by its suppliers and contractors.

Indemnification and Insurance of Officers and Directors

The Company is entitled to indemnify Directors and Officers and to effect insurance for them in respect of certain liabilities arising from their positions (excluding claims by the Company or a related party of the Company). The indemnities and insurances must be given and effected in accordance with the Constitution and the Companies Act.

Information Used by Directors

Information relating to items to be discussed by the Directors at a meeting is provided to Directors prior to the meeting. Directors must not use information received in their capacity as Director, which would not otherwise be available to them, without the prior consent of the Board. Directors are entitled to seek independent professional advice to assist them to meet their responsibilities.

Interests Registers

Directors must identify any potential conflict of interest they may have in dealing with the affairs of the Company. Where a conflict arises, a Director may still attend a Directors' meeting, but may not be counted in the quorum, partake in the debate or vote on a resolution or sign any document in which they are interested.
The Company maintains an Interests Register to record particulars of transactions or matters involving Directors together with an Interests Register for Executive and Senior Managers to record potential conflicts of interest.

Interests Register For The WEL Group

As at 31 March 2023

Directors	Entity	Position
Harris, Barry Spence		
	Ospri New Zealand Limited	Chair
	TBFree New Zealand Limited	Chair
	National Animal Identification and Tracing (NAIT) Limited	Chair
	New Zealand Food Innovation (Waikato) Limited	Chair
	McFall Fuel Limited	Chair
	National Institute of Water and Atmospheric Research (NIWA)	Chair
	Waikato Regional Airport Limited	Chair
	Melody Dairies GP Limited	Director
Colliar, Jacqueline (Jackie) Maree		
	Hamilton City Council	Employee
	Waikato Metro Wastewater Detailed Business Case Project	Project Manager on behalf of project partners
	Waikato Sub-Regional Three Waters Study	Project Manager on behalf of Future proof and project partners
	Hamilton Wastewater Discharge Consent Renewal Project	Project Manager
	Taniwha Marae Trust	Trustee
	Te Whakakitenga o Waikato	Elected Representative for Taniwha Marae, Te Arataura Member (Board Member) and associated positions
	Waikato District Council Governance Board	Board Intern
	Women In Infrastructure - Waikato Chapter Committee	Member
	Waikato River Authority Board	Board Member
	Waikato River Clean Up Trust	Trustee
	NIWA Eco-cultural wastewater treatment programme	Member Maori Advisory panel and Implementation panel
	Ngaa Muka Development Trust	Trustee
	Te Maataarae Ki Rangiriri General Partner Limited	Director

Directors	Entity	Position
Connell, Paul Anthony		
	ETEL Limited	Director
	The Accreditation Council	Chair
	Telarc Limited	Director
	The Environmental Protection Authority	Director
	Connell and Associates Limited	Director and Shareholder
	Waikato Regional Council	Independent Member of the Risk and Assurance Committee
	Auckland Council	Independent Member of the Audit and Risk Committee
Cook, Julian Bradwell		
	Sky City Entertainment Group Limited	Chair
	Flaxmill Orchard Limited Partnership	Director
	Motutapu Investments Limited	Director
	Winton Property Limited	Director
	Deakin TopCo Pty Limited (trading as Levande) (Australia)	Director
Lawrie, Geoffrey Alastair		
	Auror Limited	Chair
	Plan B (via Morgan Holdco)	Director
	Younity Limited	Chair
	Enable Networks Limited	Director

Directors	Entity	Position
Steele, Carolyn Mary		
	Halberg Foundation	Chair
	Green Cross Health Limited	Director and Chair of the Audit and Risk Committee
	Forsyth Barr Limited	Family Association
	Steele Family Trust	Trustee
	Oriens Capital GP2 Limited	Director and Investment Committee Member
	Vulcan Steel Limited	Director and Chair of the Audit and Risk Committee
	Property for Industry	Director and Chair of the Audit and Risk Committee

Executive Management	Entity	Position
Dibley, Garth		
	SmartCo Limited	Director
	Waikato District Council Waters Governance Board	Director
	OurPower Limited	Chair
	Infratec New Zealand Limited	Chair
	NewPower Energy Limited	Chair
	NewPower Energy Services Limited	Chair

WEL Networks Limited

NZBN 9429039416926

Financial Statements - 31 March 2023

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WEL Networks Limited
Statement of comprehensive income
For the year ended 31 March 2023

		CONSOLIDATED	
	NOTE	2023 $'000	2022 $'000
Revenue	9	146,264	122,206
Expenses			
Expenses, excluding finance costs	14	(105,542)	(82,793)
Other gains/(losses)	15	(277)	2,492
Earnings before interest, taxes, depreciation and amortisation expenses (EBITDA)		40,445	41,905
Depreciation and amortisation expense	16	(25,738)	(22,631)
Finance expenses	11	(8,981)	(7,194)
Finance income	12	7,555	7,348
Profit before income tax expense		13,281	19,428
Income tax expense	17	(3,312)	(4,090)
Profit after income tax expense for the year	36	9,969	15,338
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain/(loss) on the revaluation of land and buildings, net of tax	35	(1,615)	1,442
Gain on the revaluation of electricity distribution network, net of tax	35	-	50,993
Change in the fair value of equity investments at fair value through other comprehensive income	22,35	(4,665)	(1,587)
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax	35	225	(165)
Other comprehensive income for the year, net of tax		(6,055)	50,683
Total comprehensive income for the year		3,914	66,021
		Cents	**Cents**
Basic earnings per share	37	122.3	188.1
Diluted earnings per share	37	122.3	188.1

The above statement of comprehensive income should be read in conjunction with the accompanying notes

WEL Networks Limited
Balance sheet
For the year ended 31 March 2023

		CONSOLIDATED	
	NOTE	2023 $'000	2022 $'000
Assets			
Current assets			
Cash and cash equivalents	19	59,362	211,495
Trade and other receivables	20	18,748	14,543
Contract assets	21	657	147
Financial assets at fair value through other comprehensive income	22	76,945	79,311
Net investment in lease	23	591	571
Derivative financial instruments	38	662	1,720
Income tax receivable		936	1,319
Term deposits		83,405	-
Total current assets		241,306	309,106
Non-current assets			
Property, plant and equipment	7	810,090	740,120
Intangibles	8	20,211	15,559
Net investment in lease	23	26,295	26,886
Right-of-use assets	24	3,445	1,873
Derivative financial instruments	38	745	1,420
Total non-current assets		860,786	785,858
Total assets		1,102,092	1,094,964
Liabilities			
Current liabilities			
Customer discount payable	9	12,275	12,000
Borrowings	10	148,838	-
Lease liabilities	25	380	273
Trade and other payables	27	21,277	16,084
Employee benefit obligations	28	4,074	3,515
Contract liabilities	30	9,757	11,171
Derivative financial instruments	38	-	229
Total current liabilities		196,601	43,272
Non-current liabilities			
Borrowings	10	-	148,856
Deferred tax liabilities	17	110,540	109,660
Lease liabilities	26	3,180	1,678
Employee benefit obligations	29	-	118
Deferred revenue	31	798	827
Derivative financial instruments	38	932	226
Total non-current liabilities		115,450	261,365
Total liabilities		312,051	304,637
Net assets		790,041	790,327

The above balance sheet should be read in conjunction with the accompanying notes

WEL Networks Limited
Balance sheet
For the year ended 31 March 2023

		CONSOLIDATED	
	NOTE	2023 $'000	2022 $'000
Equity			
Contributed equity	34	111,142	111,142
Reserves	35	197,375	208,328
Retained earnings	36	481,524	470,857
Equity attributable to the shareholder of WEL Networks Limited		790,041	790,327
Total equity		790,041	790,327

Barry Harris
Chairman

25 May 2023

Carolyn Steele
Director

The above balance sheet should be read in conjunction with the accompanying notes

WEL Networks Limited
Statement of changes in equity
For the year ended 31 March 2023

CONSOLIDATED

	Share Capital $'000	Convertible note $'000	Reserves $'000	Retained earnings $'000	Total Equity $'000
Balance at 1 April 2021	111,142	16,000	159,436	467,755	754,333
Profit after income tax expense for the year	-	-	-	15,338	15,338
Movement in equity investments at fair value through other comprehensive income	-	-	(1,587)	-	(1,587)
Movement in revaluation reserve from disposal of distribution network assets	-	-	(1,791)	1,791	-
Cashflow hedges (net of tax)	-	-	(165)	-	(165)
Assets revaluation (net of tax)		-	52,435	-	52,435
Total comprehensive income for the year (net of tax)	-	-	48,892	17,129	66,021
Transactions with shareholders:					
Repayment of convertible notes (note 33)	-	(16,000)	-	-	(16,000)
Interest on convertible notes (note 33)	-	-	-	(44)	(44)
Dividends/discount distributions paid (note 34)	-	-	-	(13,983)	(13,983)
Balance at 31 March 2022	111,142	-	208,328	470,857	790,327

CONSOLIDATED

	Share capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 April 2022	111,142	208,328	470,857	790,327
Profit after income tax expense for the year	-	-	9,969	9,969
Movement in equity investments at fair value through other comprehensive income	-	(4,665)	-	(4,665)
Movement in revaluation reserve from disposal of distribution network assets	-	(4,898)	4,898	-
Cashflow hedges (net of tax)	-	225	-	225
Assets revaluation (net of tax)	-	(1,615)	-	(1,615)
Total comprehensive income for the year (net of tax)	-	(10,953)	14,867	3,914
Transactions with shareholders:				
Dividends paid (note 34)	-	-	(4,200)	(4,200)
Balance at 31 March 2023	111,142	197,375	481,524	790,041

The above statement of changes in equity should be read in conjunction with the accompanying notes

WEL Networks Limited
Statement of cash flows
For the year ended 31 March 2023

		CONSOLIDATED	
	NOTE	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers		138,912	137,343
Payments to suppliers and employees		(97,186)	(70,893)
Income taxes paid		(1,850)	(2,850)
Net cash from operating activities	42	39,876	63,600
Cash flows from investing activities			
Transfers to term deposits		(83,405)	-
Payments for financial assets at fair value through other comprehensive income	22	-	(80,000)
Payments for property, plant and equipment	7	(98,871)	(60,180)
Payments for intangibles	8	(7,463)	(4,037)
Proceeds from Redeemable Convertible Preference Shares		-	200,000
Proceeds from disposal of property, plant and equipment		480	337
Interest received		5,759	153
Interest received on finance leases		1,658	1,692
Payments received for finance leases		571	550
Vendor tax losses received		2,288	2,046
Net cash from/(used in) investing activities		(178,983)	60,561
Cash flows from financing activities			
Interest paid		(8,305)	(6,341)
Interest on convertible notes	33	-	(44)
Payments for lease liabilities	26	(377)	(271)
Interest paid on lease liabilities	26	(144)	(74)
Dividends/discount distributions paid	33,34	(4,200)	(13,983)
Repayment of convertible notes	33	-	(16,000)
Net cash used in financing activities		(13,026)	(36,713)
Net increase/(decrease) in cash and cash equivalents		(152,133)	87,448
Cash and cash equivalents at the beginning of the financial year		211,495	124,047
Cash and cash equivalents at the end of the financial year		59,362	211,495

The above statement of cash flows should be read in conjunction with the accompanying notes


BEST IN SERVICE. BEST

Notes to the Financial Statements

Contents

1. General information

These financial statements are for WEL Networks Limited ('the Company') and its subsidiaries (together, 'the Group').

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office and principal place of business is 114 Maui Street, Hamilton.

The principal continuing activities of the Group consist of:

- The electricity networks business delivering energy to customers in the Waikato Region;
- The generation and sale of wholesale and retail electricity; and
- Providing project and commercial management in the delivery of innovative energy solutions.

The financial statements were authorised for issue, in accordance with a resolution of Board of Directors, on 25 May 2023. The Board of Directors do not have the power to amend and reissue the financial statements.

2. Basis of preparation

Statutory base

WEL Networks Limited is a Company registered under the Companies Act 1993.

Statement of compliance

These consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP') and the requirements of the Companies Act 1993, the Financial Markets Conduct Act 2013 and the Main Board/Debt Market Listing Rules of NZX Limited. They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS') and other applicable New Zealand accounting standards and authoritative notices, as appropriate for for-profit entities.

These financial statements include non-GAAP financial measures that are not prepared in accordance with NZ IFRS. The Group presents the statement of comprehensive income to include the non-GAAP measure of Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). The Group believes that this non-GAAP measure provides useful information to readers, as this is a key measure used by the banks, with the Group's debt covenants based on this figure, and also reflects how the Board evaluates and manages the performance of the business, but it should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZ IFRS. Non-GAAP measures as reported by the Group may not be comparable to similarly titled amounts reported by other companies.

Historical cost convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value and certain classes of property, plant and equipment.

Principles of consolidation

Subsidiaries

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. When necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. Basis of preparation (continued)

Joint Venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduces the carrying amount of the investment.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each of the entities operate ('the functional currency'). The consolidated financial statements are presented in 'NZD' ($000) (unless otherwise stated), which is the Group's functional and presentation currency.

COVID-19 impacts

The impact of COVID-19 has been considered for all balances and areas of judgements made in relation to the preparation of the group financial statements and no material impacts have been identified.

3. Significant accounting policies

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

Government Grants

Government grants relating to the purchase of property, plant and equipment are either:

(i) Grants received from government organisations in relation to the undergrounding of parts of the electricity network which are included in non-current liabilities as deferred income and then credited to profit or loss on a straight-line basis over the expected lives of the related assets; or

(ii) ECCA grants for EV trucks and chargers which are offset against the total cost of the asset at the date of capitalisation.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss component of the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Typically, such financial assets will be either:

(i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or

(ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

3. Significant accounting policies (continued)

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Investments

Financial Liabilities

Other financial liabilities at amortised cost are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They are included in current liabilities, except for those with maturities greater than 12 months after the reporting date which are classified as non-current liabilities. Other financial liabilities are classified as 'trade and other payables' in the balance sheet.

Goods and Services Tax ('GST')

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Changes in accounting policies

There have been no significant changes in accounting policies during the current year, all accounting policies have been applied on a basis consistent with the prior year.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 March 2023 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact, therefore the Group has not assessed any impact beyond the annual reporting period ended 31 March 2023.

4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are set out in the relevant notes as follows:

- Non-current - property, plant and equipment (refer to note 7); and
- Non-current - intangibles (refer to note 8).

5. Operating segments

Identification of reportable operating segments

The Board of Directors (the 'Board') is the Group's chief operating decision maker. Management has determined the operating segments based on the information reviewed by the Board for the purposes of allocating resources and assessing performance.

The Board reviews the WEL Networks Limited from a network perspective and management considers the performance from an electricity network perspective. Infratec NZ Limited engages in EPC (Engineering, Procurement and Construction) projects which are reviewed by the Board and management from a project perspective. Anything not included in these categories is classified as 'Other' including technology investments (Smart meters), and the generation and retail businesses.

The Board assesses the performance of the operating segments based on a measure of EBITDA as defined in note 2. Depreciation and amortisation, finance income and finance expenses are not allocated to segments, as these types of activities are driven by the central treasury function of the Group.

Assets and liabilities, including financial assets, tax and borrowings, that are managed by the central treasury function of the Group are also not allocated to segments.

Sales and purchases are recognised within each individual segment to which they relate and are eliminated on consolidation. The revenue from external parties is measured in a manner consistent with that in the statement of comprehensive income.

CONSOLIDATED 2023	Electricity Network $'000	EPC $'000	Other Segments $'000	Total $'000
Revenue				
Segment revenue	115,715	30,069	17,775	163,559
Intersegment sales	(2,162)	(14,570)	(563)	(17,295)
Total revenue	113,553	15,499	17,212	146,264
EBITDA	41,011	691	(1,257)	40,445
Depreciation and amortisation				(25,738)
Finance income				7,555
Finance expenses				(8,981)
Profit before income tax expense				13,281
Income tax expense				(3,312)
Profit after income tax expense				9,969
Assets				
Segment assets	830,056	5,876	45,428	881,360
Unallocated assets:				
Cash and cash equivalents				59,362
Term deposits				83,405
Derivative financial instruments				84
Financial assets at fair value through other comprehensive income				76,945
Income tax				936
Total assets				1,102,092
Liabilities				
Segment liabilities	42,575	2,227	6,939	51,741
Unallocated liabilities:				
Borrowings				148,838
Deferred tax liabilities				110,540
Derivative financial instruments				932
Total liabilities				312,051

5. Operating segments (continued)

CONSOLIDATED 2022	Electricity Network $'000	EPC $'000	Other Segments $'000	Total $'000
Revenue				
Segment revenue	112,018	5,719	10,529	128,266
Intersegment sales	(2,025)	(3,952)	(83)	(6,060)
Total revenue	109,993	1,767	10,446	122,206
EBITDA	40,400	1,120	385	41,905
Depreciation and amortisation				(22,631)
Finance income				7,348
Finance expenses				(7,194)
Profit before income tax expense				19,428
Income tax expense				(4,090)
Profit after income tax expense				15,338
Assets				
Segment assets	774,893	465	27,481	802,839
Unallocated assets:				
Cash and cash equivalents				211,495
Financial assets at fair value through other comprehensive income				79,311
Income tax				1,319
Total assets				1,094,964
Liabilities				
Segment liabilities	42,892	1,043	1,731	45,666
Unallocated liabilities:				
Borrowings				148,856
Deferred tax liabilities				109,660
Derivative financial instruments				455
Total liabilities				304,637

6. Interests in subsidiaries and joint ventures

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2.

		Ownership Interest	
Name	Principal place of business / Country of incorporation	2023 %	2022 %
OurPower Holdings Limited *	New Zealand	-	100%
OurPower Retail Limited *	New Zealand	-	100%
OurPower Limited	New Zealand	100%	100%
SmartCo Limited (joint venture)	New Zealand	14%	14%
Infratec New Zealand Limited	New Zealand	100%	100%
NewPower Energy Services Limited	New Zealand	100%	100%
NewPower Energy Limited **	New Zealand	100%	100%

* On 30 September 2022, OurPower Holdings Limited and OurPower Retail Limited were amalgamated into OurPower Limited.

** Subsidiary of NewPower Energy Services Limited.

There are no transactions or balances for NewPower Energy Services Limited for the year ended 31 March 2023.

SmartCo Limited is accounted for using the equity method, however there is no material impact to the Group.

7. Non-current assets - Property, plant and equipment

2022	Electricity network $'000	Generation assets $'000	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Computer hardware $'000	Non-network and non-generation assets under construction $'000	Total $'000
Opening net book amount as at 1 April 2021	570,695	-	18,928	29,955	4,709	741	3,327	628,355
Correction of error – transferred to intangibles *	3,099	-	-	-	-	-	-	3,099
Transfers to Generation assets **	-	2,272	-	(2,250)	-	-	(22)	-
Restated opening net book amount as at 1 April 2021	573,794	2,272	18,928	27,705	4,709	741	3,305	631,454
Additions	48,747	3,694	4	2,228	1,208	277	3,489	59,647
Revaluation	70,631	-	1,699	-	-	-	-	72,330
Transfers	138	-	393	1,474	24	546	(2,575)	-
Disposals	(3,103)	-	-	(10)	(141)	(1)	-	(3,255)
Depreciation charge	(14,505)	(42)	(352)	(3,512)	(1,033)	(612)	-	(20,056)
Closing net book amount as at 31 March 2022	675,702	5,924	20,672	27,885	4,767	951	4,219	740,120
Cost/valuation	686,571	6,461	22,631	58,775	10,488	4,563	4,219	793,708
Accumulated depreciation	(10,869)	(537)	(1,959)	(30,890)	(5,721)	(3,612)	-	(53,588)
	675,702	5,924	20,672	27,885	4,767	951	4,219	740,120

* In 2021, $28.4M was derecognised from the electricity network in property, plant and equipment relating to assets now subject to a finance lease (as a lessor), refer to note 23. In 2022, $3.1M of this was subsequently identified as relating to an easement recorded as an intangible asset. The property, plant, and equipment, and intangibles (note 8) opening net book amount as at 1 April 2021 have been restated to correct this error.

** Due to the significant increase in solar and battery related assets in the Group, a new asset category for generation assets has been added for the year ended 31 March 2023 with opening balances as at 1 April 2021 restated. Generation assets have been reclassified from the Plant and equipment, and Non-network and non-generation assets under construction categories to the Generation Assets category.

7. Non-current assets - Property, plant and equipment (continued)

2023	Electricity network $'000	Generation assets $'000	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Computer hardware $'000	Non-network and non-generation assets under construction $'000	Total $'000
Restated opening net book amount as at 1 April 2022**	675,702	5,924	20,672	27,885	4,767	951	4,219	740,120
Additions	67,163	16,650	1,528	6,133	2,121	894	3,098	97,587
Revaluation	-	-	(1,903)	-	-	-	-	(1,903)
Transfers	106	-	178	866	506	576	(2,232)	-
Disposals	(3,118)	-	-	(6)	(74)	(2)	-	(3,200)
Depreciation charge	(16,672)	(59)	(387)	(3,697)	(1,041)	(658)	-	(22,514)
Closing net book amount as at 31 March 2023	723,181	22,515	20,088	31,181	6,279	1,761	5,085	810,090
Cost/valuation	748,130	23,111	22,434	65,764	12,887	5,971	5,085	883,382
Accumulated depreciation	(24,949)	(596)	(2,346)	(34,583)	(6,608)	(4,210)	-	(73,292)
	723,181	22,515	20,088	31,181	6,279	1,761	5,085	810,090

** Due to the significant increase in solar and battery related assets in the Group, a new asset category for generation assets has been added for the year ended 31 March 2023 with opening balances as at 1 April 2021 restated. Generation assets have been reclassified from the Plant and equipment, and Non-network and non-generation assets under construction categories to the Generation Assets category.

The net book value of the Electricity network includes $45.1M of work in progress as at 31 March 2023 (2022: $31.2M).
The net book value of the Generation assets includes $20.4M of work in progress at 31 March 2023 (2022: $3.7M).

7. Non-current assets - Property, plant and equipment (continued)

Borrowing costs

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

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

If measured at cost the carrying values for the revalued assets would be as follows:

2022	Land and buildings $'000	Electricity network $'000
Cost	8,949	674,732
Accumulated depreciation	(1,959)	(251,726)
Net book amount as at 31 March 2022	6,990	423,006

2023	Land and buildings $'000	Electricity network $'000
Cost	11,027	753,933
Accumulated depreciation	(2,458)	(221,976)
Net book amount at 31 March 2023	8,569	531,957

Critical accounting judgements, estimates and assumptions

Maui St land and buildings, included in the land and buildings asset category, were revalued to fair value for highest and best use on 31 March 2023 by independent valuers, SGHU Valuations LP Registered Valuers using a market approach being a Level 3 valuation). Key inputs include market rent at $990,000 (2022: $920,000) and a capitalisation rate of between 5.25% and 5.75% (2022: 4.38% and 4.88%), resulting in a valuation range of $17.2M to $18.9M (2022: $18.9M to $21.0M). The mid-point of $18.0M has been used to revalue the Maui St land and buildings as at 31 March 2023 (2022: $19.9M).

It is the Group's policy to revalue the Electricity Network at least every three years, or more frequently if there is evidence to suggest a significant change in fair value. As such the Group engaged Deloitte, an independent third party valuer, to perform the network valuation for the year ended 31 March 2022. For the purposes of assessing the fair value of the electricity network as at 31 March 2023, management have updated the key inputs to develop an estimated valuation range and consider the carrying value relative to the respective valuation range. This is a Level 3 valuation.

The updated key inputs have resulted in a valuation range for the Electricity Network of $688.1M to $752.3M, with a mid-point of $719.5M (based on sensitivity to WACC low/high estimates). The Directors consider that the current carrying value of the network fixed assets of $723.2M can be retained, as the carrying value materially reflects estimated fair value (31 March 2022 carrying value: $675.7M).

The primary valuation method is the discounted cash flow (DCF) methodology, over a 10 year period, with a terminal value based on the estimated regulatory asset base (RAB) using a multiple of 1.0x. While isolated changes to revenue and expenditure assumptions used in the discounted cash flow model can have a significant impact on the valuation range, as the valuation is prepared under a regulatory framework to earn a regulated return on investment, these assumptions are inter-related and therefore any reasonable changes to these assumptions would not result in a significant change to the valuation range. The valuation is however sensitive to the Weighted Average Cost of Capital (WACC) and the Regulated Asset Base (RAB) multiple used in the valuation as outlined in the table below.

7. Non-current assets - Property, plant and equipment (continued)

We have considered the potential impact of climate change in the preparation of the electricity network valuation. We are forecasting a greater capital spend to enable the network to cope with future increased load expected from electrification, growth, and decarbonisation. The impact of this has been included in the latest Asset Management Plan which forms the basis of the assumptions used in the DCF for the network valuation.

The table below shows the sensitivities to the inputs of the valuation, which are represented by the valuation ranges.

2023			
Electricity Network:	**Mid-point for valuation**	**Sensitivity Range**	**Valuation Impact of Sensitivity Range from Mid-point**
WACC (Weighted Average Cost of Capital)	6.4%	5.9% - 6.9%	+ $33M / - $31M
RAB (Regulatory Asset Base) Multiple for Terminal Value (TV)	1.00x	0.98x - 1.02x	+/- $11.3M

2022			
Electricity Network:	**Mid-point for valuation**	**Sensitivity Range**	**Valuation Impact of Sensitivity Range from Mid-point**
WACC (Weighted Average Cost of Capital)	5.3%	4.8% - 5.8%	+ $33M / - $32M
RAB (Regulatory Asset Base) Multiple for Terminal Value (TV)	1.00x	0.98 - 1.02x	+/- $12.7M

Accounting policy for property, plant and equipment

Land and buildings are recorded at fair value, based on periodic, at least every three years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amounts. The electricity distribution network is also measured at fair value on the basis of an independent valuation prepared by expert valuers using a discounted cash flow method at least every three years. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials and direct labour and an allowance for overheads. Borrowing costs are capitalised in respect of qualifying assets. For the electricity network qualifying assets are deemed to be those valued at $200,000 or more and which take more than three months to construct.

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

Labour is capitalised against network assets. Labour costs are capitalised in the period in which they are incurred and are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Non-network assets under construction include work in progress relating to land and buildings, plant and equipment, motor vehicles and computer hardware.

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

7. Non-current assets - Property, plant and equipment (continued)

Land is not depreciated and assets under construction are not depreciated until the asset is ready for use. Depreciation on other assets is calculated on a straight-line basis to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

Buildings	10-50 years
Electricity network	6-80 years
Computer hardware	2-12 years
Plant and equipment	3-30 years
Motor vehicles	4-20 years

The exception to this is the gas-fired generators (in OurPower) used for generating electricity which are depreciated on a units of use basis using the kWh generated per month as a percentage of total kWh available over the assets life. The estimated useful life for each of the generators is as follows:

Gas-fired generation plant and equipment on a usage basis	82,179,750 kWh	Units of use

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained earnings.

8. Non-current assets - Intangibles

2022	Internally generated software $'000	Computer software $'000	Goodwill $'000	Easements and consents $'000	Leasehold interests $'000	Assets under construction $'000	Customer contracts $'000	Total $'000
Opening net book amount as at 1 April 2021	2,007	3,058	3,121	5,370	107	2,602	642	16,907
Correction of error – transferred from property, plant and equipment *	-	-	-	(3,099)	-	-	-	(3,099)
Restated opening net book amount as at 1 April 2021	2,007	3,058	3,121	2,271	107	2,602	642	13,808
Additions	5	918	-	32	-	3,165	-	4,120
Disposals	-	(83)	-	-	-	-	-	(83)
Transfers	-	1,807	-	160	-	(1,967)	-	-
Amortisation charge	(469)	(1,385)	-	(47)	-		(385)	(2,286)
Closing net book amount as at 31 March 2022	1,543	4,315	3,121	2,416	107	3,800	257	15,559
Cost	4,106	20,345	3,121	4,982	107	3,800	770	37,231
Accumulated amortisation and impairment	(2,563)	(16,030)	-	(2,566)	-	-	(513)	(21,672)
	1,543	4,315	3,121	2,416	107	3,800	257	15,559

* Intangibles opening net book amount as at 1 April 2021 has been restated to correct an error, refer to note 7 for further information.

8. Non-current assets - Intangibles (continued)

2023	Internally generated software $'000	Computer software $'000	Goodwill $'000	Easements and consents $'000	Leasehold interests $'000	Assets under construction $'000	Customer contracts $'000	Total $'000
Opening net book amount as at 1 April 2022	1,543	4,315	3,121	2,416	107	3,800	257	15,559
Additions	140	363	-	32	-	8,090	-	8,625
Transfers	75	1,378	-	249	-	(1,702)	-	-
Amortisation charge	(505)	(2,018)	-	(31)	-	-	(257)	(2,811)
Impairment loss	(1,162)	-	-	-	-	-	-	(1,162)
Closing net book amount as at 31 March 2023	91	4,038	3,121	2,666	107	10,188	-	20,211
Cost	874	22,086	3,121	5,263	107	10,188	770	42,409
Accumulated amortisation and impairment	(783)	(18,048)	-	(2,597)	-	-	(770)	(22,198)
	91	4,038	3,121	2,666	107	10,188	-	20,211

The impairment loss of $1.2M relates to a software platform which will be decommissioned during the next financial year and therefore an impairment has been recognised.

Critical accounting judgements, estimates and assumptions

The Group is required to test goodwill and other non-amortising intangible assets at least annually for impairment. Determining the recoverable amount for impairment testing purposes requires the use of judgement and estimation in relation to future forecast performance of the underlying cash generating unit (CGU).

The carrying value of goodwill of $3.1M relates to Infratec New Zealand Limited as a single cash generating unit (2022 carrying value: $3.1M).

The recoverable amount was determined using a 5 year discounted cashflow value in use model with key inputs including a discount rate of 19.9% pre-tax (12.7% post-tax) (2022: 17.4% pre-tax and 11.4% post-tax) and a terminal growth rate of -2% (2022: -2%) (accounting for potential competition and the eventual decline in demand new solar and battery installations). The cash flows are based on the current three-year management forecast (FY24 to FY26), with the following two years increasing at 2%, followed by a terminal value (2022: based on the current three-year management forecast, with the following two years increasing at 2%, followed by a terminal value). The most sensitive components of the cash flows driving the valuation are the assumptions in the terminal value. These include annual revenue of $67.8M (2022: $81.0M), gross margin at 11.4% (2022: 10.0%), and fixed costs of $5.1M p.a (2022: $5.1M p.a). This results in approximately $1.6M (2022: $1.7M) of pre-tax annual cash flows (before discounting) in the terminal value calculation.

The carrying amount of the CGU is $3.8M (2022: $4.6M), and the midpoint of the recoverable amount is $6.4M (2022: $6.7M).

8. Non-current assets - Intangibles (continued)

The recoverable amount of this CGU would equal its carrying amount if the key assumptions were to change as follows:

2023	From	To
Gross Revenue Terminal Value	$67.8M	$59.7M
Gross Margin Terminal Value	11.4%	10.0%
Fixed Costs Terminal Value	$5.1M	$6.0M
WACC (pre-tax)	19.9%	31.8%
2022	**From**	**To**
Gross Revenue FY25 (basis for future years)	$81.0M	$77.0M
Gross Margin FY25 onwards	10.0%	5.2%
Fixed Costs	$5.1M	$5.5M
WACC (pre-tax)	17.4%	22.3%

The Directors have completed an impairment assessment as at 31 March 2023 and noted that the recoverable amount for Infratec is greater than the carrying amount by $2.6M at the midpoint. Based on this the Directors consider that there are no indicators of impairment and the current carrying value of goodwill can be retained.

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arose on the purchase of assets from Infratec Limited. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of 'value in use' and the 'fair value less costs to sell'. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Accounting policy for infinite life intangibles

Easements

Acquired easement rights are capitalised on the basis of the costs incurred. Where the rights have no expiration date and have an indefinite useful life these costs are not amortised. Impairment reviews for infinite life intangibles are undertaken annually linked to the valuation of the electricity network as the easements give rights for network assets to be physically located on that land.

8. Non-current assets - Intangibles (continued)

Accounting policy for finite life intangibles

Software

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

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

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

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

Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives, which does not exceed seven years.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 2 years.

Easements

Acquired easement rights are capitalised on the basis of the costs incurred. Where the rights have an expiration date these costs are amortised on a straight-line basis over their estimated useful lives (33 years).

9. Revenue

	CONSOLIDATED	
	2023 $'000	2022 $'000
Electricity lines revenue	111,917	112,102
Discount	(12,238)	(12,000)
Net lines revenue	99,679	100,102
Electricity third party contributions	13,875	9,891
Other income	6,293	3,767
OurPower electricity retail revenue	5,467	5,007
Infratec EPC revenue	15,499	1,767
Smartco metering revenue	1,730	1,672
Contracting sales revenue	3,721	-
Revenue	146,264	122,206

9. Revenue (continued)

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	CONSOLIDATED	
	2023 $'000	2022 $'000
Electricity Network		
Electricity line revenue	99,679	100,102
Electricity third party contributions	13,875	9,891
	113,554	109,993
Other Income		
Other income	6,293	3,767
OurPower electricity retail revenue	5,467	5,007
Infratec EPC revenue	15,499	1,767
Smartco metering revenue	1,730	1,672
Contracting sales revenue	3,721	-
	32,710	12,213
Timing of revenue recognition		
Goods transferred at a point in time	15,647	12,447
Services transferred over time	130,617	109,759
Revenue from contracts with customers	146,264	122,206

Accounting policy for revenue recognition

The Group's revenue recognition point is when specific criteria have been met for each of the Group's activities, as described below.

Electricity lines revenue

The Group invoices its customers (predominately electricity retailers) monthly for electricity delivery services across the region's lines network. Customers do not have extended contract terms and can terminate at short notice. Prices are the same across all customers and regulated under the Commerce Act being the Electricity Distribution Services Information Disclosure Determination 2012. WEL Networks Limited's obligation is to provide a single performance obligation of continuous service to which the customer benefits incrementally and consecutively over time, as the service is delivered. The Company makes use of a practical expedient to record revenue monthly being a distinct period that the Company captures usage and price information at the point at which WEL have a right to invoice. The reported net line revenue includes the provision for the annual customer discounts that are accrued on a monthly basis (over time) in line with usage but only paid to customers once a year. Unclaimed discounts are released against the statement of comprehensive income.

Third party contributions

Third party contributions are charges to the end customer when they request a new or modified connection to the electricity distribution network. Capital contributions are invoiced in advance and held as contract liabilities to be recognised in the statement of comprehensive income when the customer is connected.

OurPower electricity retail revenue

OurPower invoices its customers weekly for consumption of electricity. Customers do not have extended contract terms and can terminate at short notice. Prices are the same across all customers. OurPower's obligation is to provide a single performance obligation of continuous service to which the customer benefits incrementally and consecutively over time, as the service is delivered. OurPower makes use of a practical expedient to record revenue weekly being a distinct period that OurPower captures usage and price information for invoicing.

9. Revenue (continued)

Infratec EPC (Engineering, Procurement and Construction) revenue

Infratec New Zealand Limited designs and project manages the installation of solar panels as well as carrying out development and consultancy work related to solar projects. These EPC contracts are individually reviewed to determine the revenue recognition treatment. The revenue from the design and construction of a solar project is recognised over time as the asset does not have an alternative use to the entity and there is an enforceable right to payment for work completed to date. Based on the individual contract terms, either the inputs method or the outputs method is used for measuring progress towards completion of the performance obligation. For the inputs method, the revenue is recognised over time on a percentage of completion basis, which is based on costs incurred to date and total expected costs. For the outputs method, the revenue is recognised over time based on the contractual performance completed to date.

Smartco metering revenue

Smartco uses WEL metering infrastructure for the purposes of providing consumption data and related services to Retailers. WEL Networks Limited's obligation is to provide a single performance obligation of continuous service to which the customer benefits incrementally and consecutively over time, as the service is delivered. The Company makes use of a practical expedient to record revenue monthly being a distinct period that the Company captures usage information at the point at which WEL have a right to invoice.

Contracting sales revenue

WEL completes contracting projects where the assets are owned by external customers. These contracts are individually reviewed to determine the revenue recognition treatment. The revenue from the construction and connection of an embedded network with a single performance obligation is recognised over time as the asset does not have an alternative use to the entity and there is an enforceable right to payment for work completed to date. The inputs method is used for measuring progress towards completion of the performance obligation, which is a percentage of completion based on costs incurred to date and total expected costs. Revenue is recognised over time in accordance with the percentage of completion.

Other income

Other income includes revenue from OurPower Limited generation.

OurPower generates electricity which is purchased by one customer and any excess electricity is sold back to the grid. The generation revenue is recognised on a monthly basis as it is a continuous service to which the customer benefits incrementally and consecutively over time, as the service is delivered. OurPower makes use of a practical expedient to record revenue monthly being a distinct period that OurPower captures usage and price information for invoicing.

10. Borrowings

Bond Borrowings

	CONSOLIDATED	
	2023 $'000	2022 $'000
Current liabilities		
Maturing within 1 year	148,838	
Non-current liabilities		
Maturing between 1 and 2 years	-	148,856
	148,838	148,856

Refer to note 39 for further information on financial instruments.

10. Borrowings (continued)

Bank loans and debt security interest rate risk, carrying and contractual values

The loans are secured by a negative undertaking of the Group. The Group complied with all covenants during the year (refer to note 34).

The Group uses interest rate swaps to manage interest rate risk. Derivatives are fair valued using assumptions from observable market data where possible, in combination with the underlying derivative contracts and documentation. The fair value of the derivative liability at 31 March 2023 is $0.9M (2022: $0.2M).

The carrying value of bond debt is $148.8M (2022: $148.9M). The fair value of contractual cash flows is $152.5M (2022: $159.8M). Refer to note 39.

Bank facilities totalling $30M remain available to the Group to be drawn as at 31 March 2023. The facilities expire as follows:

Facility expiry date	Facility available $'000	Total facility $'000
30 November 2023	15,000	15,000
30 June 2024	15,000	15,000
	30,000	30,000

Bonds

On 28 June 2018 WEL Networks Limited released a Product Disclosure Statement for $125M (with the ability to accept up to an additional $25M of oversubscriptions) of subordinated unsecured fixed rate bonds to New Zealand retail investors and institutional investors on the NZX Debt Market. The bond offer was fully subscribed at $150M on 9 July 2018 and issued on 2 August 2018. The bond issue has a term of five years and matures on 2 August 2023 with a fixed 4.90% coupon rate. Transaction costs associated with the issue of the bond totalling $3.4M are recognised in the profit and loss using the effective interest rate method over the term of the bond. The bond issue was arranged by Forsyth Barr Limited who were also a participant along with ANZ Bank New Zealand, Deutsche Craigs Limited and First NZ Capital Securities Limited (Joint Lead Managers) and Commonwealth Bank of Australia (Co-Manager) acting through its New Zealand branch.

The Group is satisfied that it is able to meet its repayment obligations in regard to the bond (maturing on 2 August 2023) as it has sufficient liquid assets available, including cash at bank, term deposits, investments and undrawn facilities.

Accounting policy for borrowings

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

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

11. Finance expenses

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Interest and finance charges paid/payable	8,837	7,120
Finance expense on leases	144	74
	8,981	7,194

12. Finance income

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Short-term bank deposits	5,759	153
Finance income on lease	1,658	1,692
Fair value of Redeemable Convertible Preference shares	-	5,466
Fair value of vendor tax losses receivable	138	37
	7,555	7,348

13. Net debt reconciliation

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Net debt		
Cash and cash equivalents	59,362	211,495
Term deposits	83,405	-
Borrowings - repayable within one year	(148,838)	-
Borrowings - repayable after one year	-	(148,856)
	(6,071)	62,639

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Net debt		
Cash and cash equivalents	59,362	211,495
Term deposits	83,405	-
Gross debt - fixed interest rates	(75,000)	(75,000)
Gross debt - variable interest rates	(73,838)	(73,856)
	(6,071)	62,639

13. Net debt reconciliation (continued)

	Cash and cash equivalents $'000	Term deposits $'000	Borrowings due within one year $'000	Borrowings due after one year $'000	Total $'000
Net debt as at 1 April 2021					
Opening balance	124,047	-	-	(152,178)	(28,131)
Cash flows	87,448	-	-	4,240	91,688
Other non-cash movements*	-	-	-	(918)	(918)
Net debt as at 31 March 2022	211,495	-	-	(148,856)	62,639
Net debt as at 1 April 2022					
Opening balance	211,495	-	(148,856)	-	62,639
Cash flows	(152,133)	83,405	248	-	(68,480)
Other non-cash movements*	-	-	(230)	-	(230)
Net debt as at 31 March 2023	59,362	83,405	(148,838)	-	(6,071)

*Non-cash movements relate to the movement in amortised costs offset against borrowings and the interest rate swap valuations

14. Expenses, excluding finance costs

	CONSOLIDATED	
	2023 $'000	2022 $'000
Transmission costs	28,423	26,641
Employee benefits	43,607	39,610
Capitalised labour	(17,446)	(14,812)
Materials and services	18,242	5,101
Contracting services	10,674	6,041
Consultancy	4,666	4,300
Electricity costs	3,446	4,514
Net loss on disposal of assets	2,843	3,451
Vehicle expenditure	1,680	1,276
Operating leases	164	122
Directors' fees	593	550
Bad debts written off	158	36
Change in provision for impaired receivables	(90)	4
Other expenses	7,420	5,959
Impairment loss	1,162	-
	105,542	82,793

15. Other gains/(losses)

	CONSOLIDATED	
	2023 $'000	2022 $'000
Gain/(loss) on electricity price derivatives	(2,577)	1,594
Investment income	2,300	898
	(277)	2,492

16. Depreciation and amortisation expense

	CONSOLIDATED	
	2023 $'000	2022 $'000
Depreciation:		
Buildings	387	352
Plant and equipment	3,697	3,512
Generation assets *	59	42
Motor vehicles	1,041	1,033
Distribution network	16,672	14,505
Computer hardware	658	612
Amortisation:		
Computer software	2,018	1,385
Internally generated software	505	469
Easements and consents	31	47
Customer contracts	257	385
Right of use assets:		
Land and buildings	306	199
Plant and equipment	107	90
	25,738	22,631

* Generation assets is a new asset category in the current year. Refer to note 7 for further information.

17. Income Tax

	CONSOLIDATED	
	2023 $'000	2022 $'000
Income tax expense		
Current tax	2,232	414
Deferred tax	1,080	3,676
Aggregate income tax expense	3,312	4,090
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	13,281	19,428
Tax at the statutory tax rate of 28%	3,719	5,440
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non deductible expenses	2	1
Foreign investment fund income	(101)	15
Convertible note interest	-	(12)
RCP shares/vendor tax losses discount unwind	(39)	(1,540)
	3,581	3,904
Prior period deferred tax adjustment	(20)	956
Prior period tax expense adjustment	(248)	(1,105)
Other deferred tax movements	(1)	335
Income tax expense	3,312	4,090

17. Income Tax (continued)

Deferred tax liabilities/(assets)

	Accelerated tax depreciation/ revaluation of assets $'000	Provisions and other $'000	Derivative instruments $'000	Tax losses $'000	Customer contracts $'000	Finance lease $'000	Total $'000
As at 1 April 2021	87,449	(2,200)	-	-	180	724	86,153
Charged/(credited) to the statement of comprehensive income	3,859	53	879	(984)	(108)	(23)	3,676
Charged/(credited) directly to equity - derivatives and revaluations	19,895	-	(64)	-	-	-	19,831
As at 31 March 2022	111,203	(2,147)	815	(984)	72	701	109,660

	Accelerated tax depreciation/ revaluation of assets $'000	Provisions and other $'000	Derivative instruments $'000	Tax losses $'000	Customer contracts $'000	Finance lease $'000	Total $'000
As at 1 April 2022	111,203	(2,147)	815	(984)	72	701	109,660
Charged/(credited) to the statement of comprehensive income	1,780	697	(509)	(794)	(72)	(22)	1,080
Charged/(credited) directly to equity - derivatives and revaluations	(288)	-	88	-	-	-	(200)
As at 31 March 2023	112,695	(1,450)	394	(1,778)	-	679	110,540

17. Income Tax (continued)

Accounting policy for income tax

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

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

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

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

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

18. Imputation credit account

	CONSOLIDATED	
	2023 $'000	2022 $'000
Imputation credits available for subsequent financial years based on a tax rate of 28%	46,237	46,020

The above amounts represent the balance of the imputation credit account as at the end of the financial year, adjusted for:

- Imputation credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date
- Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date

19. Current assets - Cash and cash equivalents

	CONSOLIDATED	
	2023 $'000	2022 $'000
Cash and bank balances	59,256	211,495
Contract retention bank balances	106	-
	59,362	211,495

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts.

20. Current assets - Trade and other receivables

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Trade receivables	11,671	10,842
Amounts due from customers for contract work	4,793	143
Less: Allowance for expected credit losses	(521)	(611)
	15,943	10,374
Related party receivable	210	210
Prepayments	1,389	1,218
Other receivables	-	83
Other receivables - vendor tax losses due	-	2,150
Goods and services tax	1,206	508
	2,805	4,169
	18,748	14,543

Allowance for expected credit losses

The Group has recognised a gain of $90,000 (2022: loss of $4,000) in profit or loss in respect of the expected credit losses for the year ended 31 March 2023.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Expected credit losses:		
Current 0.1%	18	45
Between one to three months 1.3%	5	8
Over three months 42.3%	498	558
	521	611

Movements in the allowance for expected credit losses are as follows:

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Opening balance	611	607
Increase/(decrease) in provision	(90)	4
Closing balance	521	611

20. Current assets - Trade and other receivables (continued)

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Trade receivables:		
Current	14,352	9,246
Between one to three months	414	138
Over three months	1,177	990
	15,943	10,374

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security. Refer to note 39 for information on the risk management policy of the Group.

21. Current assets - Contract assets

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Contract assets	657	147

22. Current assets - Financial assets at fair value through other comprehensive income

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Paua Wealth Management Fund	38,859	39,504
Harbour Asset Management Fund	38,086	39,807
	76,945	79,311

A loss of $4.7M (2022: loss of $1.6M) has been recognised in other comprehensive income due to the movements in the fair value of the equity investments for the year ended 31 March 2023.

Financial assets at fair value through other comprehensive income are classified as current assets as there are no restrictions on the investments being realised and converted to cash and cash equivalents at any time.

22. Current assets - Financial assets at fair value through other comprehensive income (continued)

Accounting judgements, estimates and assumptions

The Group has made an irrevocable election to classify these equity investments at fair value through other comprehensive income (FVOCI) under NZ IFRS 9 Financial Instruments as the Group considers this measurement to be the most representative of the business model for these assets that are intended to be held long term for strategic purposes.

Equity investments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income, and accumulated in the financial assets revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred directly to retained earnings. Qualifying dividends on these investments are recognised in profit or loss. Refer to note 39 for further information on financial instruments.

23. Net investment in lease

	CONSOLIDATED	
	2023 $'000	2022 $'000
Net investment in lease - current	591	571
Net investment in lease - non-current	26,295	26,886
	26,886	27,457
Undiscounted lease receivable:		
Current net investment in lease	2,213	2,229
Maturing between 1 and 2 years	2,194	2,213
Maturing between 2 and 3 years	2,172	2,194
Maturing between 3 and 4 years	2,148	2,172
Maturing between 4 and 5 years	2,122	2,148
Beyond 5 years	47,895	50,016
Less effect of discounting	(31,858)	(33,515)
	26,886	27,457

Accounting policy for net investment in lease

The net investment in the lease is recognised at the commencement of the lease. The net investment is recognised at the present value of lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Income for the finance lease is recognised in finance income in the statement of profit or loss.

Accounting judgements, estimates and assumptions

In October 2010, WEL entered into a sale and lease back agreement for the purposes of WEL providing transmission services to the Te Uku wind farm. Transmission infrastructure was constructed for the agreement and an annual charge is levied by WEL for the services provided.

Variations to this agreement were subsequently entered into during the financial year ended 31 March 2021 for additional infrastructure added to the wind farm which will allow it to operate more efficiently. These variations meet the definition of a lease modification under NZ IFRS 16 and this has triggered the reassessment of the original agreement as terms and conditions of the original agreement have been changed for additional assets and consideration.

23. Net investment in lease (continued)

This has been classified as a finance lease with consideration given to the following:

- The present value of the lease payments amounts to substantially all of the fair value of the underlying assets;
- The lease term for 25 years with the renewable period of a further 25 years is for a significant part of the estimated economic life of the underlying assets; and
- The underlying asset was specifically designed for the lessee's needs.

On initial recognition of the finance lease $27.7M was derecognised from property, plant and equipment and recorded as the opening net investment in the lease. The discount rate implicit in the lease of 6.09% was used to discount the lease payments back to present value and is based on the fair value of the assets. This was determined to be $27.7M based on the current value of the assets in RAB, and using a 1.00x RAB multiple to arrive at a fair value. A further modification was recognised in February 2021 resulting in $0.7M being recognised as an addition to the net investment in the finance lease at the same discount rate of 6.09%.

24. Non-current assets - Right-of-use assets

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

CONSOLIDATED	Land and buildings $'000	Plant and equipment $'000	Total $'000
Balance at 1 April 2021	1,533	312	1,845
Additions	5	316	321
Disposals	-	(4)	(4)
Depreciation expense	(199)	(90)	(289)
Balance at 31 March 2022	1,339	534	1,873
Additions	1,963	24	1,987
Disposals	(2)	-	(2)
Depreciation expense	(306)	(107)	(413)
Balance at 31 March 2023	2,994	451	3,445

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred, with the value being $121,000 for short term leases and $20,000 for low value leases for the year ended 31 March 2023 (2022: $35,000 and $20,000).

25. Current liabilities - Lease liabilities

	CONSOLIDATED	
	2023 $'000	2022 $'000
Lease liability	380	273

26. Non-current liabilities - Lease liabilities

	CONSOLIDATED	
	2023 $'000	2022 $'000
Lease liability	3,180	1,678

Total cash outflow for leases is $521,000 for 31 March 2023 (2022: $345,000).

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right- of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The Group leases various properties, equipment and network assets. The length of the contracts depends on the underlying assets being utilised. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Group has considered on a lease by lease basis, the extension options available to it under its agreements. For strategic leases, the maximum available term has been used in determining the lease liability and corresponding right-of-use assets.

27. Current liabilities - Trade and other payables

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Trade payables	12,389	9,852
Interest payable	855	1,011
Other payables	8,033	5,221
	21,277	16,084

Refer to note 39 for further information on financial instruments.

Accounting policy for trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

28. Current liabilities - Employee benefit obligations

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Annual leave	2,648	2,421
Employee benefits	1,426	1,094
	4,074	3,515

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value. For termination benefits falling due less than 12 months after the reporting date, the carrying value approximates their fair value.

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Bonuses

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created constructive obligation.

29. Non-current liabilities - Employee benefit obligations

	CONSOLIDATED	
	2023 $'000	2022 $'000
Employee benefits	-	118

30. Current liabilities - Contract liabilities

The Group has recognised the following revenue related to contract liabilities:

	CONSOLIDATED	
	2023 $'000	2022 $'000
Contract liabilities - third party contributions - electricity	9,731	11,171
Contract liabilities - solar	26	-
	9,757	11,171

Management expects that 74% of the electricity third party contributions and 100% of solar revenue relating to the unsatisfied contracts as at 31 March 2023 will be recognised as revenue in the next reporting period.

	CONSOLIDATED	
	2023 $'000	2022 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the period:		
Third party contributions - electricity	8,237	4,681
Third party contributions - solar	-	9
	8,237	4,690

31. Non-current liabilities - Deferred revenue

	CONSOLIDATED	
	2023 $'000	2022 $'000
Deferred revenue	798	827

Income received from government organisations to fund the undergrounding of parts of the electricity network is recognised over 45 years which is the life of the assets. Revenue recognised this year of $29,385 (2022: $29,385).

32. Key management personnel disclosures

Key management personnel compensation for the years ended 31 March 2023 and 31 March 2022 is set out below. The key management personnel are all the directors of the Group and the executives with the greatest authority for the strategic direction and management of the Group.

Key management personnel

Changes to key management personnel during the 12 months to 31 March 2023 include:

- Robert Campbell ceasing as Chairman/director in June 2022;
- Barry Harris, a current director, being appointed as Chairman in June 2022;
- Sally Rosenberg resigning as GM Works Programme in June 2022;
- Dan Coffey being appointed as GM Works Programme in October 2022; and
- Simon Jones resigning as GM Delivery & Operations (Infratec) in March 2023.

Compensation

The aggregate compensation made to Board of Directors and other members of key management personnel of the Group is set out below:

	CONSOLIDATED	
	2023 $'000	2022 $'000
Short-term employee benefits	5,378	4,404
Termination benefits	121	-
	5,499	4,404

33. Related party transactions

Parent entity

The ultimate parent of WEL Networks Limited is WEL Energy Trust which owns 100% of the shares.

All members of the Group are considered related parties of WEL Networks Limited. This includes the subsidiaries and entities where the Group has significant influence.

Subsidiaries

Interests in subsidiaries are set out in note 6.

Receivable from and payable to related parties

Related party transactions with WEL Energy Trust

WEL Energy Trust is the 100% shareholder of the Group.

	CONSOLIDATED	
	2023 $'000	2022 $'000
Interest on convertible notes (note 35)	-	(44)
Repayment of convertible notes	-	(16,000)
	-	(16,044)

Total dividends/discount distributions paid during the period ended 31 March 2023 were $4.2M net (2022: $14.0M net comprised of $5.0M dividend paid to WEL Energy Trust and $9.0M discretionary discount paid to consumers on instruction from WEL Energy Trust).

33. Related party transactions (continued)

Related party transactions with SmartCo Limited

SmartCo Limited is a joint venture of WEL Networks Limited.

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Transactions:		
Other income	1,730	1,672
Operating expense (contract services expenditure)	(625)	(701)
Balances:		
Advance to related party	210	210

WEL Networks Limited owns 14% of SmartCo Limited. SmartCo Limited is a joint venture company which has been set up to contract with suppliers and electricity retailers to rollout advanced electronic meters across SmartCo shareholder networks.

Related party transactions with Tuatahi First Fibre Limited (formerly known as Ultrafast Fibre Limited)

WEL Networks Limited held an 85% shareholding in UFF Holdings Limited, the holding company for Hamilton based fibre business Ultrafast Fibre Limited (UFF) which was sold on 30 September 2020. Transactions with UFF are recorded as related party transactions from 1 October 2020 to 22 March 2022 when the sale of the RCP shares was completed.

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Transactions to 22 March 2022:		
Pole rental revenue	-	159
Sundry and other revenue	-	37
Operating expenses	-	(17)

34. Equity - Contributed equity

	CONSOLIDATED 2023 Shares	CONSOLIDATED 2022 Shares	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Ordinary shares - fully paid	8,153,000	8,153,000	111,142	111,142

The shares are authorised, issued and fully paid with no par value. Shares carry equal value voting rights.

Dividend distribution

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

Accounting judgements, estimates and assumptions

A discretionary discount of $9.0M was paid to consumers on instruction from WEL Energy Trust in July 2021. In contrast to the on-going WEL Electricity Discount Programme (note 9), the discretionary discount is treated in the form of a dividend on the basis that the distribution was fixed based on profits generated by the Group for the previous reporting period, there was no expectation by end consumers that they would receive this payment in exchange for entering into the transaction for WEL's goods and services and it was a discretionary discount distributed to the Trust's beneficiaries on instruction from the Trust. This transaction has therefore been viewed as a dividend as defined under NZ IFRS 9.

34. Equity - Contributed equity (continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio within pre-defined limits. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The Group is within its pre-defined limits.

The Group is required to ensure that the following financial covenant ratios for unsecured borrowings are achieved during the financial year:

- the ratio of EBITDA to net interest will be greater than or equal to 2.75 times
- the percentage of net debt to net debt plus equity will be less than or equal to 60%
- the Group undertakes to ensure that the Guarantor Group will comprise no less than 85% of EBITDA and no less than 85% of total assets.

While the Group has currently not drawn down any of its available bank facilities, any drawn amounts become repayable on demand in the event those covenants are breached or if the Group fails to make interest and principal payments when they fall due. The Group has complied with all covenants and borrowing repayment obligations during the financial year.

Accounting policy for contributed equity

Ordinary shares are classified as equity.

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

35. Equity - Reserves

	CONSOLIDATED	
	2023 $'000	2022 $'000
Revaluation reserve	197,315	208,493
Cashflow hedge reserve	60	(165)
	197,375	208,328

35. Equity - Reserves (continued)

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

CONSOLIDATED

	Revaluation reserve $'000	Hedging reserve $'000	Total $'000
Balance at 1 April 2021	159,436	-	159,436
Revaluation of electricity distribution network - gross	70,631	-	70,631
Deferred tax on revaluation of electricity distribution network	(19,638)	-	(19,638)
Revaluation of land and buildings - gross	1,699	-	1,699
Deferred tax on revaluation of land and buildings	(257)	-	(257)
Disposal of distribution network assets	(1,791)	-	(1,791)
Equity investments at fair value through other comprehensive income	(1,587)	-	(1,587)
Forward foreign exchange contract - cash flow hedges	-	(229)	(229)
Deferred tax on forward foreign exchange contract - cash flow hedges	-	64	64
Balance at 31 March 2022	208,493	(165)	208,328
Revaluation of land and buildings - gross	(1,903)	-	(1,903)
Deferred tax on revaluation of land and buildings	288	-	288
Disposal of distribution network assets	(4,898)	-	(4,898)
Equity investments at fair value through other comprehensive income	(4,665)	-	(4,665)
Forward foreign exchange contract - cash flow hedges	-	313	313
Deferred tax on forward foreign exchange contract - cash flow hedges	-	(88)	(88)
Balance at 31 March 2023	197,315	60	197,375

36. Equity - Retained earnings

CONSOLIDATED

	2023 $'000	2022 $'000
Retained earnings at the beginning of the financial year	470,857	467,755
Profit after income tax expense for the year	9,969	15,338
Dividends/discount distributions paid	(4,200)	(13,983)
Disposal of distribution network assets	4,898	1,791
Interest on convertible notes	-	(44)
Retained earnings at the end of the financial year	481,524	470,857

37. Earnings per share

Weighted average number of shares used as the denominator

	2023	2022
Weighted average number of ordinary shares in issue	8,153,000	8,153,000

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the shareholder of WEL Networks Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
The Company has no potential ordinary shares that could dilute earnings per share.

38. Derivative financial instruments

	CONSOLIDATED	
	2023 $'000	2022 $'000
Current assets		
Forward foreign exchange contracts - cash flow hedges	84	-
Electricity price derivatives	578	1,720
	662	1,720
Non-current assets		
Electricity price derivatives	745	1,420
Current liabilities		
Forward foreign exchange contracts - cash flow hedges	-	(229)
Non-current liabilities		
Interest rate swaps - fair value hedges	(932)	(226)
	475	2,685

The notional principal amounts of the outstanding fair value interest rate contracts as at 31 March 2023 were $75M (2022: $75M). Refer to note 39 for further information.

As at 31 March 2023 the fixed rate was 4.90% (2022: 4.90%) and the main floating rate is BKBM (Bank bill mid-rate).

The Group has entered into a number of contracts to hedge wholesale electricity price risk. These electricity contracts are not designated as hedges for accounting purposes. The hedges are valued based on the volume traded and the difference between the contract price and the last trade price on the ASX futures market for the relevant contract period. A loss on these electricity price derivatives has been recorded in the statement of profit or loss of $2.6M for both realised and unrealised losses for 31 March 2023 (2022: gain of $1.6M).

The Group has entered in several USD/NZD FX contracts to hedge the foreign currency risk related to highly probably purchase of battery equipment from overseas. The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2023 are $3.6M (2022: $10.0M).

38. Derivative financial instruments (continued)

Accounting policy for derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Movements in the hedging reserve in the shareholders' equity are shown in note 35. The full fair value of a hedging derivative is classified as a non-current asset or liability when the maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedges

Cash flow hedges are used to cover the Group's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness at inception and prospectively at each reporting date to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and no longer meets the criteria for hedge accounting, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the statement of comprehensive income within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the statement of comprehensive income within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

Hedges of a net investment

Hedges of a net investment in a foreign operation include monetary items that are considered part of the net investment. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity whilst gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

39. Financial Instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial and regulatory risks. Financial risks include market risk (including foreign exchange, interest rate risk and price risks), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's overall financial risk management objectives are to ensure that the Group creates value and maximises returns to its Shareholders as well as ensuring that adequate financial resources are available for the development of the Group's businesses whilst managing its financial risks. It is, and has been throughout the current financial year, the Group's policy that no trading in derivative financial instruments shall be undertaken. The major areas of the financial risks faced by the Group and the information on the management of the related exposures are detailed below:

Market risk

Foreign currency risk
The Directors' set up a policy to require the Group to manage its foreign exchange risk against its functional currency. The Group is required to hedge all transactions greater than $250,000. To manage its foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency.

As at 31 March 2023, if the currency had weakened / strengthened by 10% against the US dollar with all other variables held constant, the impact on post-tax profit for the year would have been nil (2022: nil).

Price risk
The Group enters into electricity price derivatives that establish a fixed price at which future specified quantities of electricity are purchased. The electricity price derivatives are periodically settled with any difference between the contract price and the spot market price settled between the parties.

The Group also has exposure to equity securities price risk from investment funds classified in the balance sheet as fair value through other comprehensive income (FVOCI). To manage the price risk arising on the investment funds, the Group diversifies the portfolio through managed funds.

Cash flow and fair value interest rate risk
The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain within minimum and maximum fixed interest rate cover of its borrowings with fixed rate instruments.

Based on the various scenarios, the Group manages its cash flow interest rate risk and fair value hedge risk by using floating-to-fixed and fixed-to-floating interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates or vice versa. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and the prevailing market floating reference rate based on the agreed notional amounts.

The swaps are for the duration of the borrowing term.

CONSOLIDATED

2022	Maturity Date	Face value $'000	Unamortised costs $'000	Adjustment on hedged risk $'000	Carrying value $'000
Bond (4.90%)	Aug 23	150,000	(918)	(226)	148,856
Fair value interest rate swaps (3.53%)	Aug 23	(75,000)	-	-	-
		75,000	(918)	(226)	148,856

39. Financial instruments (continued)

CONSOLIDATED

2023	Maturity Date	Face value $'000	Unamortised costs $'000	Adjustment on hedged risk $'000	Carrying value $'000
Bond (4.90%)	Aug 23	150,000	(230)	(932)	148,838
Fair value interest rate swaps (7.27%)	Aug 23	(75,000)	-	-	-
		75,000	(230)	(932)	148,838

CONSOLIDATED

	2023 $'000	2022 $'000
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 April	(706)	(4,011)
Change in value of hedge item used to determine hedge effectiveness	706	4,011

Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk.

Interest rate risk +/- 1% 31 March 2022	Carrying amount $'000	Profit $'000	Equity $'000
Financial assets:			
Cash and cash equivalents	211,495	2,115	-
Trade and other receivables	12,818	-	-
Investments	79,311	793	-
Financial liabilities:			
Trade and other payables	16,084	-	-
Interest bearing liabilities	148,856	1,489	-
Derivative financial instruments	455	5	-
Customer discount payable	12,000	120	-
Lease liabilities	1,951	20	-
Total increase/ (decrease)		4,542	-

31 March 2023	Carrying amount $'000	Profit $'000	Equity $'000
Financial assets:			
Cash and cash equivalents	59,362	594	-
Trade and other receivables	16,153	-	-
Derivative financial instruments	84	1	-
Investments	76,945	769	-
Financial liabilities:			
Trade and other payables	21,277	-	-
Interest bearing liabilities	148,838	1,488	-
Derivative financial instruments	932	9	-
Customer discount payable	12,275	123	-
Lease liabilities	3,560	36	-
Total increase/ (decrease)		3,020	-

39. Financial instruments (continued)

Credit risk

Credit risk is the potential risk of financial loss arising from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group, as and when they fall due. The credit risk attributable to receivables is managed and monitored on an ongoing basis via the Group's management reporting procedures and internal credit review procedures.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available. Refer to note 20 for further information.

The Group has a credit policy which is used to manage this exposure to credit risk. As part of this policy, limits on exposures with counterparties have been set and are monitored on a regular basis.

The Group has 34% (2022: 25%) of its trade debtors owing from the incumbent retailer, Genesis Energy Limited. This debt is subject to a written agreement that requires an investment grade credit rating to be maintained. If the credit rating falls below investment grade then a bond will be required as collateral.

In the Group's historical experience collection of trade receivables falls within the recorded provisions. Due to these factors, the Directors believe that no additional credit risk beyond amounts provided for in expected credit losses is inherent in the Group's trade receivables.

In respect of the short term fixed deposits, cash and bank balances and derivatives placed with major financial institutions, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

Other than as mentioned above, the Group has no significant concentration of credit risk on its financial assets. The maximum exposures to credit risk are represented by the carrying amounts of other financial assets in the balance sheets. Except for the financial guarantees given by the Group (note 40), the Group does not provide any other financial guarantees which would expose the Group to credit risk.

Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants as set out in note 34, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group was in compliance with covenants during the year.

39. Financial instruments (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at financial year end to the contractual maturity date. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

31 March 2022	Less than one year $'000	Between 1 and 2 years $'000	Between 2 and 3 years $'000	Between 3 and 5 years $'000	5 + years $'000	Total fair value contractual cash flows $'000	Carrying amount liabilities $'000
Non-derivatives							
Borrowings - non-current	7,350	152,497	-	-	-	159,847	148,856
Trade and other payables	16,084	-	-	-	-	16,084	16,084
Customer discount payable	12,000	-	-	-	-	12,000	12,000
Lease liabilities	342	193	190	315	2,011	3,051	1,951
Total non-derivatives	35,776	152,690	190	315	2,011	190,982	178,891
Derivatives							
Interest rate swaps							
- inflow	3,675	1,837	-	-	-	-	-
- outflow	(3,514)	(2,224)	-	-	-	-	(226)
	161	(387)	-	-	-	-	(226)

31 March 2023	Less than one year $'000	Between 1 and 2 years $'000	Between 2 and 3 years $'000	Between 3 and 5 years $'000	5 + years $'000	Total fair value contractual cash flows $'000	Carrying amount liabilities $'000
Non-derivatives							
Borrowings - current	152,497	-	-	-	-	152,497	148,838
Trade and other payables	21,277	-	-	-	-	21,277	21,277
Customer discount payable	12,275	-	-	-	-	12,275	12,275
Lease liabilities	538	505	352	227	4,612	6,234	3,560
Total non-derivatives	186,587	505	352	227	4,612	192,283	185,950
Derivatives							
Interest rate swaps							
- inflow	1,838	-	-	-	-	-	-
- outflow	(2,770)	-	-	-	-	-	(932)
	(932)	-	-	-	-	-	(932)

39. Financial instruments (continued)

Accounting policy for financial instruments

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

Recognition

Regular way purchase and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three classifications, amortised cost, FVOCI and FVPL.

Amortised cost assets are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, and are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

39. Financial instruments (continued)

Fair value of financial instruments

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

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

31 March 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total balance $'000
Assets				
Electricity price derivatives	3,141	-	-	3,141
Investments	-	-	79,311	79,311
	3,141	-	79,311	82,452
Liabilities				
Interest rate contracts	-	(226)	-	(226)
Foreign forward exchange contracts	-	(229)	-	(229)
	3,141	(455)	79,311	81,997

31 March 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total balance $'000
Assets				
Electricity price derivatives	1,323	-	-	1,323
Foreign forward exchange contracts	-	84	-	84
Investments	-	-	76,945	76,945
	1,323	84	76,945	78,352
Liabilities				
Interest rate contracts	-	(932)	-	(932)
	1,323	(848)	76,945	77,420

39. Financial instruments (continued)

CONSOLIDATED

2022	Financial assets at amortised cost $'000	Financial assets and liabilities at fair value through OCI $'000	Financial assets and liabilities at fair value through P&L $'000	Financial liabilities at amortised cost $'000	Total $'000
Assets					
Cash and cash equivalents	211,495	-	-	-	211,495
Trade receivables	12,818	-	-	-	12,818
Electricity price derivatives	-	-	3,141	-	3,141
Investments	-	79,311	-	-	79,311
Total financial assets	224,313	79,311	3,141	-	306,765
Liabilities					
Trade and other payables	-	-	-	16,084	16,084
Borrowings - non-current	-	-	-	148,856	148,856
Lease liability	-	-	-	1,951	1,951
Customer discount payable	-	-	-	12,000	12,000
Derivative financial instruments	-	229	226	-	455
Total financial liabilities	-	229	226	178,891	179,346

The 2022 comparative table (above) has been restated as the 2022 approved financial statements disclosed some assets and liabilities under the incorrect valuation methods. Electricity price derivatives were disclosed as financial assets and liabilities at fair value through OCI, and have been restated to financial assets and liabilities at fair value through P&L. Trade and other payables, borrowings - non- current, lease liability and customer discount payable were disclosed as financial assets and liabilities at fair value through OCI, and have been restated to financial liabilities at amortised cost. There is no impact on the total financial assets or total financial liabilities balances.

CONSOLIDATED

2023	Financial assets at amortised cost $'000	Financial assets and liabilities at fair value through OCI $'000	Financial assets and liabilities at fair value through P&L $'000	Financial liabilities at amortised cost $'000	Total $'000
Assets					
Cash and cash equivalents	59,362	-	-	-	59,362
Trade receivables	16,153	-	-	-	16,153
Electricity price derivatives	-	-	1,323	-	1,323
Derivative financial instruments	-	84	-	-	84
Investments	-	76,945	-	-	76,945
Total financial assets	75,515	77,029	1,323	-	153,867
Liabilities					
Trade and other payables	-	-	-	21,277	21,277
Borrowings - non-current	-	-	-	148,838	148,838
Lease liability	-	-	-	3,560	3,560
Customer discount payable	-	-	-	12,275	12,275
Derivative financial instruments	-	-	932	-	932
Total financial liabilities	-	-	932	185,950	186,882

40. Contingent liabilities

As at 31 March 2023 the Group had a total of $3.91M of contingent liabilities to support contracts entered into (2022: $2.28M).

A breakdown of the contingent liabilities are as follows:

Beneficiary	Amount $'000	Supporting
Energy Clearing House Limited	2,250	OurPower Electricity Retailing
NZX Limited	30	Listing Fees associated with the subordinated bond issue
Eastland Group	395	Infratec Performance Bond
Energy Marlborough Limited	158	Infratec Performance Bond
Lodestone Energy Limited	550	Infratec Performance Bond - Kaitaia
Lodestone Solar Limited	527	Infratec Performance Bond - Edgecumbe

These contingent liabilities may be called upon in the event of either non-performance or non-payment as defined by the terms of the underlying contract signed with the Beneficiary.

41. Commitments

Capital commitments

There is $8.0M committed capital expenditure mainly relating to battery, solar farm equipment and IT hardware acquisitions as at 31 March 2023 (2022: $11.4M).

42. Cash flow information

Reconciliation of profit after income tax to net cash from operating activities

	CONSOLIDATED	
	2023 $'000	2022 $'000
Profit after income tax expense for the year	9,969	15,338
Adjustments for:		
Depreciation and amortisation	25,738	22,631
Net loss on disposal of property, plant and equipment	4,005	3,451
Financing costs	1,426	(154)
Investment income	(2,300)	(898)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(6,355)	(670)
Increase/(decrease) in provision for income tax	383	(2,437)
Increase in trade and other payables	5,930	22,663
Increase in deferred tax liabilities	1,080	3,676
Net cash from operating activities	39,876	63,600

43. Events after the reporting period

Subsequent to balance date a decision has been made to exit the retail business which is operated through the subsidiary OurPower Limited. An agreement has been signed to transfer customers to another retailer by 1 June 2023. We have considered the impact of the exit from the retail business on the financial statements, and consider there is no material impact for the year ended 31 March 2023.

There were no other events occurring subsequent to 31 March 2023 which require adjustments to or disclosure in the financial statements.

44. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Company, its network firms and unrelated firms:

	CONSOLIDATED	
	2023 $'000	2022 $'000
Audit services - PwC		
Audit financial statements	321	282
Half year review	79	72
	400	354
Assurance and audit related services – PwC*		
Assurance procedures on disclosure information - current year	63	57
Other services - PwC		
Regulatory advice	15	8
Training costs - PwC Academy Subscription Fees	2	4
	17	12

*PwC perform assurance procedures and agreed upon procedures in their capacity as auditors over disclosure information required to be submitted to the Commerce Commission.

Independent Auditor's Report

Independent auditor's report

To the shareholder of WEL Networks Limited

Our opinion

In our opinion, the accompanying financial statements of WEL Networks Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2023, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's financial statements comprise:

- the balance sheet as at 31 March 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of assurance procedures on disclosure information, regulatory advice and training. The provision of these other services have not impaired our independence as auditor of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter

Valuation of the Electricity Network
The electricity network assets are carried at $723.2m as at 31 March 2023 as disclosed in note 7 to the financial statements.
The directors engaged an expert to assess whether the carrying value of the network continues to materially reflect its estimated fair value as at 31 March 2023.
The directors have determined that no revaluation is required at balance date as the carrying value of the electricity network is within the estimated valuation range.
The valuation of the electricity network involves significant estimates and assumptions including weighted average cost of capital, regulatory asset base for the terminal value, capital expenditure and forecast revenue and operating expenditure, which involve significant judgements about the future.
We determined this matter as a key audit matter given the significance of the value of the electricity network and the judgments applied to determine the fair value as at 31 March 2023.
	Our procedures included:
	• Obtaining an understanding of, and evaluating, WEL Networks Limited's processes and controls relating to the valuation of the electricity network.
	• Testing the mathematical accuracy and calculations in the model.
	• Assessing the reasonableness of key inputs to the cash flow forecasts based on our understanding of the business.
	• Assessing the professional competence, independence and objectivity of the Group's external valuation expert.
	• Considering the accuracy of historical forecasts by performing look back procedures consisting of comparing the current year actual results with those previously budgeted.
	• Engaging our internal industry valuation expert to evaluate whether significant assumptions used in the valuation were reasonable, including:
	  ○ revenue build up in line with commerce commission framework;
	  ○ use and value of regulatory asset base as the terminal value; and
	  ○ the weighted average cost of capital, by assessing the discount rate used against comparable external data in the sector and expert knowledge of the industry.
	• Reviewing the capital expenditure used in the model by assessing against the asset management plan.
	• Performing procedures over the regulated asset base used to determine the terminal value including
	  ○ assessing revaluation inputs;
	  ○ reconciling capital expenditure to the cash flow model; and
	  ○ re-calculating expected depreciation.
	• Performing a cross check against the Group's regulated asset base to assess the overall appropriateness of the valuation.
	• Assessing the suitability of the disclosed valuation range that has been used by considering reasonably possible changes to key assumptions.
	• Performing sensitivity analysis on the significant assumptions.
	• Considering the adequacy of the Group's disclosures.

Our audit approach

Overview

	Overall group materiality: $1.279M, which represents 5% of profit before tax adjusted for the price discount provided to consumers. The price discount is of a non commercial nature, as instructed by the Group's single not-for-profit shareholder. In our view, adjusted profit before tax as determined above is the benchmark which best reflects the performance of the Group for the year ended 31 March 2023.
	Following our assessment of the risk of material misstatement, we: • Performed a full scope audit over the Group's principal business unit being the electricity network distribution business • Performed specified audit procedures including analytical review procedures over the remaining business units within the Group.
	As reported above, we have one key audit matter, being: • Valuation of the Electricity Network.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, 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 is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholder. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is John (Jolly) Morgan.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
25 May 2023

Auckland

Directors' Report and Statutory Information

1. Directors' Remuneration

	Annual Remuneration	Committee Fees	Total Remuneration	Reimbursement of Expenditure
Rob Campbell (ceased 14 June 2022)	$21,481	-	$21,481	-
Carolyn Steele	$57,500	$10,650	$68,150	$1,693
Barry Harris	$94,969	-	$94,969	-
Geoff Lawrie	$57,500	$6,500	$64,000	$1,713
Paul Connell	$57,500	-	$57,500	$1,336
Julian Cook	$57,500	-	$57,500	-
Jacqueline Colliar	$57,500	-	$57,500	
Total	**$403,950**	**$17,150**	**$421,100**	**$4,742**

2. Directors' Indemnities and Insurance

The Deeds of Indemnity given by the Company in favour of those Directors who held office at the beginning of the financial year to which this report relates, and to Directors appointed since the beginning of the financial year and who still hold office as Directors of the Company, remain in full force and effect on the same terms and conditions under which they were given. As permitted by, and to the extent permitted by, the Company's Constitution, the Company has effected insurance for Directors and officers which, together with the Deeds of Indemnity, generally ensures that the Directors will not incur any monetary loss as a result of actions undertaken by them as Directors. The Directors' and officers' insurance comprises a primary layer of $25 million and an excess layer of $10 million for defence costs.

Statutory liability insurance with a limit of $1,000,000 per claim and in the aggregate has also been effected.

3. Directors' Transactions

All transactions in entities in which Directors disclosed an interest have been conducted on an 'arm's length' basis in the normal course of business.

4. Employee Remuneration

The number of employees (excluding Directors) whose income was within specified bands is as follows:

Year Ended 31 March 2023

$ Band	WEL Continuing Employees	WEL Discontinued Employees	Infratec Continuing Employees	Infratec Discontinued Employees
370,000-379,000			1	
360,000-369,000				
350,000-359,000	1			
340,000-349,000	2			
330,000-339,000				
320,000-329,000	1			
310,000-319,000				
300,000-309,999	1	1		1
290,000-299,999	2			
280,000-289,999				
270,000-279,999				
260,000-269,999			1	
250,000-259,999				
240,000-249,999	2			
230,000-239,999				
220,000-229,999	2			
210,000-219,999	3		1	
200,000-209,999	3	1	1	
190,000-199,999				
180,000-189,999	4		1	
170,000-179,999	4			
160,000-169,999	11		1	
150,000-159,999	10	1	1	
140,000-149,999	16	1		
130,000-139,999	20	1	4	
120,000-129,999	37	1	5	
110,000-119,999	21	2	2	
100,000-109,999	26	1	1	

WEL Networks Limited Chief Executive Remuneration for the year ended 31 March 2023

Base Salary	Short Term Incentives	Other Benefits	Total Remuneration
738,330		22,150	760,480

5. Shareholders

As at 31 March 2023, the Company's shareholder was

	No. of shares
WEL Energy Trust	8,153,000
Total Shares on Issue:	8,153,000

Gender composition of the Group's Directors and Officers

As at 31 March 2023:

	2023		2022	
	Female	Male	Female	Male
Board of Directors	2	4	2	5
Officers	2	8	3	7

Top 20 Bond Holders' Report

Register	Security	Rank	Holder Number	Investor Name	Address	In NZCSD Sub - Reg	Total Units	% Issued Capital
NZL	WEL010	1	225060002	Forsyth Barr Custodians Limited	Private Bag 1999 Dunedin 9054	No	30,589,000	20.39%
NZL	WEL010	2	333082527	FNZ Custodians Limited	P O Box 396 Wellington 6140	No	24,268,000	16.18%
NZL	WEL010	3	220023800	Custodial Services Limited	P O Box 13155 Tauranga Central Tauranga 3141	No	24,044,000	16.03%
NZL	WEL010	4	220001091	New Zealand Central Securities Depository Limited	P O Box 5240 Victoria Street West Auckland 1142	No	22,274,000	14.85%
NZL	WEL010	5	335943538	Hobson Wealth Custodian Limited	P O Box 991 Wellington 6140	No	7,891,000	5.26%
NZL	WEL010	6	220037681	Forsyth Barr Custodians Limited	Private Bag 1999 Dunedin 9054	No	2,707,000	1.80%
NZL	WEL010	7	220039056	Forsyth Barr Custodians Limited	Private Bag 1999 Dunedin 9054	No	1,798,000	1.20%
NZL	WEL010	8	336048834	Wharetukura Limited	1/12 Stanley Street Berhampore Wellington 6023	No	1,600,000	1.07%
NZL	WEL010	9	335225228	JBWere (NZ) Nominees Ltd	Private Bag 92085 Victoria Street West Auckland 1142	No	1,387,000	0.92%
NZL	WEL010	10	333326825	Masfen Securities Limited	P O Box 2757 Shortland Street Auckland 1140	No	1,200,000	0.80%
NZL	WEL010	11	330388340	Woolf Fisher Trust Inc	P O Box 17084 Greenlane Auckland 1546	No	622,000	0.41%
NZL	WEL010	12	333082560	FNZ Custodians Limited	P O Box 396 Wellington 6140	No	562,000	0.37%
NZL	WEL010	13	332995979	Sports Car World Limited	310 Kohimarama Road St Heliers Auckland 1071	No	525,000	0.35%
NZL	WEL010	14	602265528	Mei-Chu Ho	9FL No 2 Alley 6 Lane 485 Section 1 Kung Fu Road Hsin Chu City Taiwan	No	450,000	0.30%
NZL	WEL010	15	335178793	Best Farm Limited	107B Westchester Drive Churton Park Wellington 6037	No	400,000	0.27%
NZL	WEL010	16	331029882	Jennifer Susan Harker & Bruce James Harker & MK Trustee 2016 Limited	3A/2 Clyde Quay Wharf Te Aro Wellington 6011	No	400,000	0.27%
NZL	WEL010	17	330603887	J M Butland Limited	P O Box 62661 Greenlane Auckland 1546	No	400,000	0.27%
NZL	WEL010	18	334272877	Stephen Christopher Montgomery	P O Box 254 Arrowtown 9351	No	400,000	0.27%
NZL	WEL010	19	331330493	Francis Horton Tuck	P O Box 27 Whitford Auckland 2149	No	390,000	0.26%
NZL	WEL010	20	330773162	Dunedin Diocesan Trust Board <Income Fund A/C>	P O Box 13170 Green Island Dunedin 9052	No	350,000	0.23%

Directory

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Website www.wel.co.nz

Email connect@wel.co.nz

Directors Holding Office

Barry S Harris – Chair

Jacqueline (Jackie) M Colliar

Paul A Connell

Julian B Cook

Geoffrey (Geoff) A Lawrie

Carolyn M Steele

Chief Executive

Garth W Dibley NZCE, BE, MBA

Auditors

PricewaterhouseCoopers, Auckland

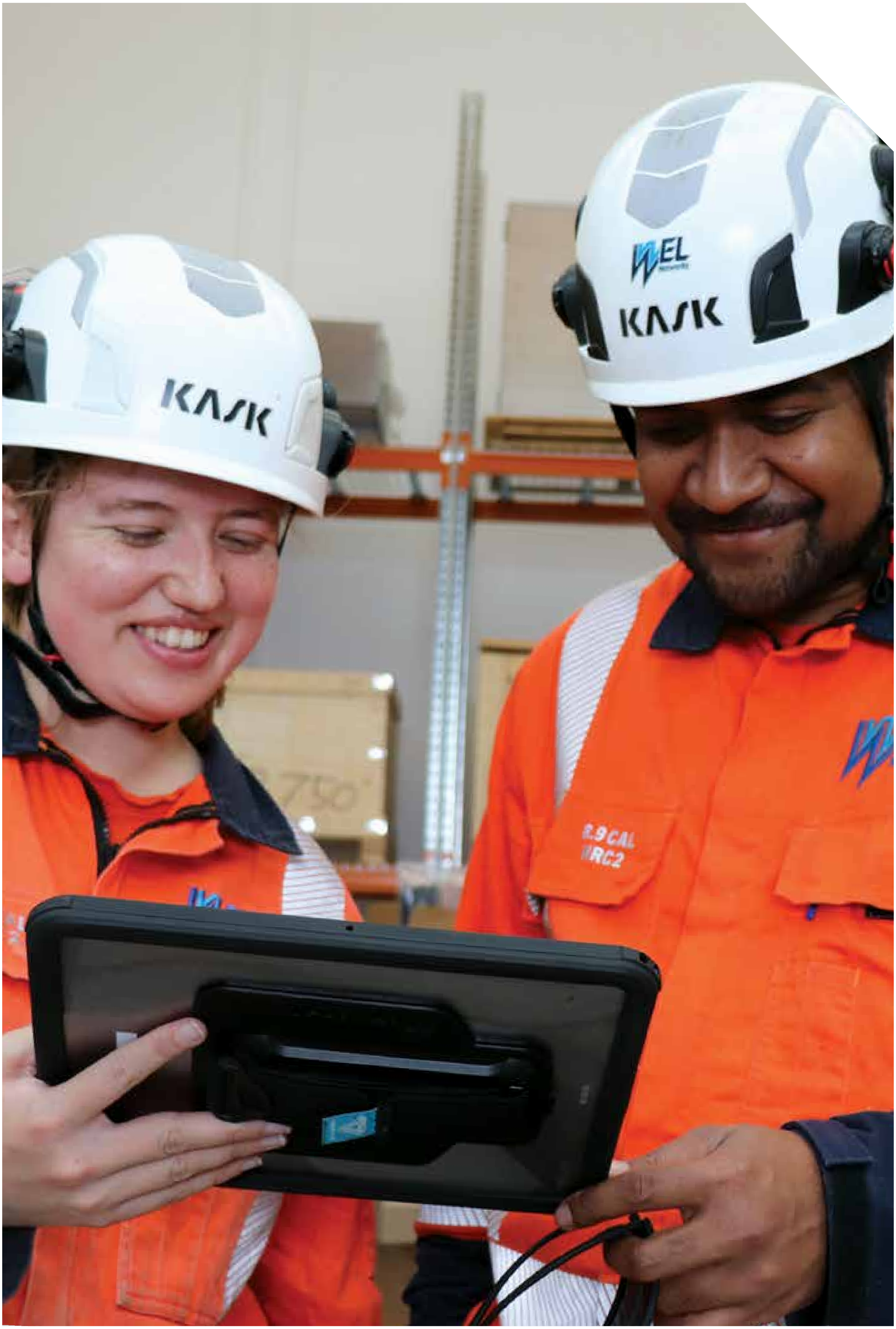
Lawyers

Tompkins Wake, Hamilton
Russell McVeagh, Wellington

Securities Registrar

Link Market Services

Level 30, PwC Tower, 15 Customs Street West,
Auckland 1010
Phone: +64 9 375 5998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