WELGroup.

Annual Report 2022

This is the Annual Report of WEL Group Limited

23 June 2022

Signed for and on behalf of the Board of Directors

Barry Harris
DIRECTOR
APPOINTED CHAIR ON 14 JUNE 2022

Carolyn Steele
AUDIT AND RISK COMMITTEE CHAIR

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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 96,000 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®

OURPOWER

INFRATEC

A Snapshot - WEL Group

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

$675M

worth of electricity network infrastructure.

WEL Group is

100%

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

Over 300 people

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

Over the next decade, we've planned to spend

$223M

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

2022

Find out more in our 2022 Asset Management Plan Update.

2,802

residential customers are currently registered with online retailer

OurPower,

saving an average of $399 each annually as at March 31, 2022.

WEL Networks connects

96,402

residential properties, small businesses and

880

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

WEL Networks maintains

6,899

kilometres of lines.

49.6% are overhead,
50.4% are underground.

This excludes street lighting pilots, fibre and communications lines.

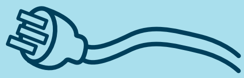
Over 67,000 homes and businesses

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 2021 to March 2022 across our 25 public EV chargers within our network we've saved approximately

280,000kg of CO^2e.

We've also delivered approximately 338,000 kWh. This translates to approximately 2 million km of EV range.



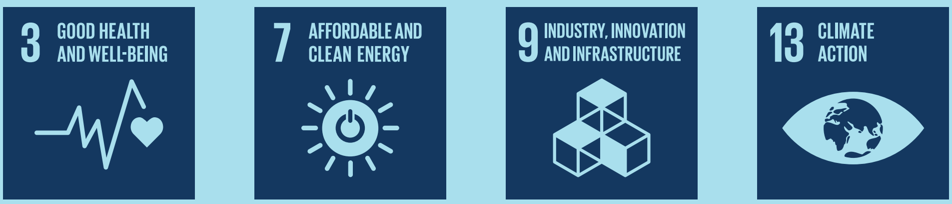
We've seen an

11 per cent

increase in EV energy consumption despite a decrease in car driving due to Covid-19 lockdowns during the reporting period.

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.

Rob Campbell

Group Chair Report

The WEL Group had another year of strong financial performance while delivering positively on community and sustainability commitments.

Our Community

In alignment with our shareholder the WEL Energy Trust (Trust), WEL brought back the WEL Electricity Discount Programme. In FY 22 a total of $21M (excluding GST) was paid via the discount to consumers in two tranches.

The first was a discretionary discount of $10.35M (including GST) to customers during July 2021. WEL had been due to pay a $10M dividend to the Trust, however following discussions with the Trust WEL paid the discretionary discount instead.

The second was the discount paid in April 2022 which totalled $12M (excluding GST). In total 96,782 residential customers received an average discount of $142.65 (including GST).

Additionally, WEL paid a $5M dividend to the Trust to enable them to undertake their philanthropic activities.

The reintroduced WEL Discount complements the goals of our electricity retailer OurPower to address energy hardship in the Waikato. Through OurPower we have now extended the low cost electricity offering to over 2,800 energy customers, many of whom face energy hardship.

Health, Safety and Wellbeing

The Board is committed to supporting health, safety and wellbeing initiatives that contribute to ongoing improvement. The Board's Health, Safety and Wellbeing Governance Charter was renewed during the year to endorse a focus on the "Good Work" three year continuous improvement programme being implemented by management.

Financial Performance

WEL Networks has had strong financial performance through to March 2022. Highlights include:

- The receipt of the $200M deferred consideration in relation to the sale of UFF Holdings Limited, the holding company for Hamilton-based fibre business Tuatahi First Fibre Limited (formally Ultrafast Fibre Limited), to Igneo Infrastructure Partners (formerly First Sentier Investors).
- Revenue of $122M was down $6M largely due to the reintroduction of the consumer discount ($12M) offset by revenue generated from increased consumption and growth in the network.
- Profit from continuing operations was $15M, up from $4M in the prior year, primarily due to lower interest expense following the repayment of all bank debt in the previous financial year and lower depreciation expense following an update to depreciation rates.
- Total assets include $211M of cash, $79M of investments and Property, Plant and Equipment of $740M up from $631M primarily due to the revaluation of the network.
- The Group's equity as at 31 March 2022 at $790M, up from $754M in the prior period.

Sustainability

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

The Company's sustainability programme not only includes the 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 are on a journey of building cultural capacity at both governance and business levels.

Covid-19

Along with businesses around New Zealand WEL faced another year of responding to Covid-19 requirements.

Management and staff worked within the changes to Alert Levels and then the Traffic Light System while maintaining essential lifeline services to the businesses and households within the Waikato community.

Keeping our staff and the public safe was central to the way the business worked.

Directors

At the June 2021 AGM we farewelled Directors Tony Barnes and Candace Kinser and I thank them for their contribution to the Board. We also farewelled Aspiring Director Nicole Buisson and wish her the best for future directorships. We welcomed new Directors Jackie Colliar and Julian Cook to the Board.

In Summary

The Company has delivered strong financial results particularly given the impacts of Covid-19 and Cyclone Dovi 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 during a difficult year.

Garth Dibley

WEL Networks Chief Executive Report

Our people have demonstrated strong commitment towards delivering a safe and reliable essential electricity service to our Waikato communities despite the challenges of Covid and increasing impacts from weather-related events.

Health & Safety

At WEL Networks, we focus on ways to continuously improve our health and safety practices.

Continuing to enhance our safety leadership role within Waikato communities remains a core activity.

During the year specialised electrical safety training was delivered to local emergency services personnel from Fire and Emergency New Zealand and the Police. The training provides increased awareness of the dangers and what personnel can do to keep themselves and the public safe.

A number of public safety media campaigns designed to educate and raise awareness of the dangers of electricity have also been delivered to Waikato communities through radio, print and digital media. Topics have centred on public safety risks like awareness around overhead live lines when moving high loads, checking for underground cables before you dig and keeping away from downed lines.

Internally we're building a three year roadmap to embed a modern approach to safety which sets "Good Work" as our primary goal. We believe that the principle of "Good Work" encompasses good safety outcomes at its core.

The year was again impacted by the need to work within Government settings for Covid-19 management. Our WEL team once again experienced working from home or working in bubbles to remain safe while continuing to deliver our lifeline utility services to our community.

A number of our people have personally been impacted by Covid -19, particularly early in 2022 when the wave of Omicron infections swept New Zealand, with the Waikato being hard hit. Care packages containing food and other supplies were provided by the Company to those staff impacted and forced to isolate.

OUR PEOPLE

WEL Balanced

The programme continues to provide a number of wellbeing and wellness initiatives and opportunities, for our people.

Some of the highlights from the year have included; bowel cancer screening kits for all staff, income protection insurance added to medical and life insurance support for staff, extended flexible working initiatives including trialling a Nine Day Fortnight, and accumulated sick leave increase to 100 days; support of local charities and continuing the promotion of physical and mental wellbeing through involvement in events such as the Aotearoa Cycle Challenge.

Trade Competency and Development

During the year we put in place a cohesive and dedicated Trade Competency and Development team focussed on upskilling the staff working on our network.

Building on a solid competency framework and then developing and delivering a roadmap that provides consistency to our approach is the next step for our maturity in this space.

Our regulatory responsibilities, safe work processes, oversight of trainee development and other field training requirements, including an LV management framework, will all benefit from having a dedicated team developing training content and supporting our people in their learning.

Enhancing our Employee Experience

We've implemented Culture Amp as our employee experience platform.

An inaugural Culture Amp workplace engagement and wellbeing survey has been completed. With a participation rate of 75%, the feedback received from staff will be an invaluable tool for our organisation's success. Our overall engagement score was 67% which is four points ahead of the 2022 New Zealand benchmark. A pleasing result for our first survey.

We are now reviewing and working through the results to determine areas to focus on. We will also use this platform for our performance review and goal setting process, as part of our commitment to driving a strong organisational culture.

OUR PERFORMANCE

Reliability

WEL monitors the average amount of time that customers experience an outage (SAIDI) as an indicator of network reliability and resilience.

This year's regulatory result of 117.27 SAIDI minutes exceeded our target by 31 minutes and was the highest result recorded in the past 10 years. Despite our own target being exceeded WEL still remains under the cap that would apply if we were regulated and performs strongly by comparison with other electricity distribution businesses.

Cyclone Dovi

The high SAIDI result was primarily due to Cyclone Dovi contributing 13.7 SAIDI minutes after the regulator cap of 2.96 was applied for the first two days of the storm. This storm event in February was the largest event to impact the network since Cyclone Bola in 1988 with a total of 7,500 properties without power at the peak of the outages: approximately 8% of customers.

Our safety first approach informed the way we prioritised our workload with an emphasis on keeping the public and community safe. We sought to understand the extent of the damage by assessing sites and then making them safe until permanent repairs were able to be completed.

Restoration was initially focused on outages that posed a higher safety risk to the public and the sections of our network that would return power to the greatest number of customers.

Additional resources were brought in to assist with our response which also affected our two small embedded networks in Cambridge and Auckland.

An investigation has been undertaken following the storm and has identified opportunities to improve our response to significant events.

Car Accidents

Car accidents involving poles were also the highest recorded in the past 10 years, with a total of 62 events compared to the average of 45 per annum.

This resulted in the SAIDI impact due to car accidents exceeding the budgeted limit by 9.32 SAIDI minutes. WEL has mapped all vehicle incidents that have occurred near our assets in the last 5 years. This information is used to identify high risk locations and is factored into our design for safety in our asset replacement programme.

Equipment Failure

Equipment failures exceeded our target by 8.19 SAIDI minutes, mainly due to six high impact failures. These were three overhead line failures, two air break switch failures and a transformer cable termination failure.

We have a number of strategies to address these types of failures including the use of corona and thermal cameras to pro-actively identify and repair defects on the overhead line network. We are also investigating locations of high customer impact and identifying opportunities to mitigate the impact of these failures.

PREPARING OUR BUSINESS FOR THE FUTURE

Regional Growth and Demand

The Waikato region remains one of the fastest growing regions in New Zealand.

Our network is experiencing strong growth in new customer connections and higher network peak demand. A number of new developments are of significant scale including; Te Awa Lakes, the Ruakura Superhub, the Peacocke Development and the Sleepyhead Factory.

We are also seeing shifts in the way consumers and businesses use electricity and this is factored in to our strategic asset development.

In response to these drivers our 2022 Asset Management Plan (AMP) Update outlines the material changes to our key investments for the next 10 years in order to maintain a quality network while innovating to enhance overall service and value for customers and stakeholders.

For the 2022-2032 period, we plan to invest:

- $796M into our network to support new businesses setting up in the Waikato, electrification of transport and industrial processes, and new housing supply (Network CAPEX)
- $105M into network maintenance, to retain similar levels of reliability and service our customers expect (Network OPEX)
- $61M (Non-Network CAPEX) and $238M (Non-Network OPEX) into our systems and capability to efficiently enable growth and new energy opportunities for our customers

We have introduced a number of key network projects to respond to ongoing growth within the Waikato:

- Fairfield Zone Substation – a new zone substation to supply increasing densification in established eastern suburbs and allow more load transfer between Te Kowhai and Hamilton GXPs
- Te Rapa North (now called Kohia Drive) – a new zone substation to supply the new Horotiu industrial area and upcoming Te Awa Lakes residential area
- Wallace Zone Substation Transfer from Hamilton to Te Kowhai GXP – reconfigure the network to enable Wallace Zone Substation to be permanently supplied from Te Kowhai GXP. This frees up capacity at the Hamilton GXP for new green field and infill growth in eastern suburbs
- Exelby Zone Substation– a new zone substation to supply the expanding Rotokauri residential area
- 33kV reinforcement projects to improve network security and capacity for growth:
  - Te Kowhai –Avalon – Exelby (Rotokauri, Te Rapa, Nawton areas)
  - Tasman - Avalon (Te Rapa & Pukete areas)
  - Weavers – Glasgow (Huntly area)
  - Kent - Latham (Hamilton CBD & Frankton areas)

Climate Impact Assessment

In recognition of the importance of planning for climate related events, particularly given the increased number of storms and other weather events impacting our network, we have brought forward our work on assessing the risk of the changing climate. We have engaged a climate change expert to work with us to assess the risks that are relevant to our geographical area and our network assets.

This work will inform our future planning for the network and risk mitigation strategies for the next three decades. It will also allow us to report on the financial implications of climate risk from 2024 onwards. We expect to factor the findings in to our asset management planning for the following year.

E^3 Strategy

We have made strong progress across most elements of our E^3 strategy.

After acquiring subsidiary company Infratec in late 2020, the past year has seen Infratec transitioning to the build phase of utility-scale projects that have been through the development and consenting process. These projects reflect Infratec's strategic approach to diversify its revenue with a mix of traditional engineering, procurement and construction (EPC) and new generation assets in both solar PV and energy storage.

One of the first significant projects has seen WEL and Infratec entering into major contracts for the supply and build of New Zealand's largest battery storage facility. Construction on the 35MW Battery Energy Storage System (BESS) will start in 2022. When built the battery 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.

We have continued to develop options for renewable solar generation and commenced our consenting process with council for our first within network solar farm.

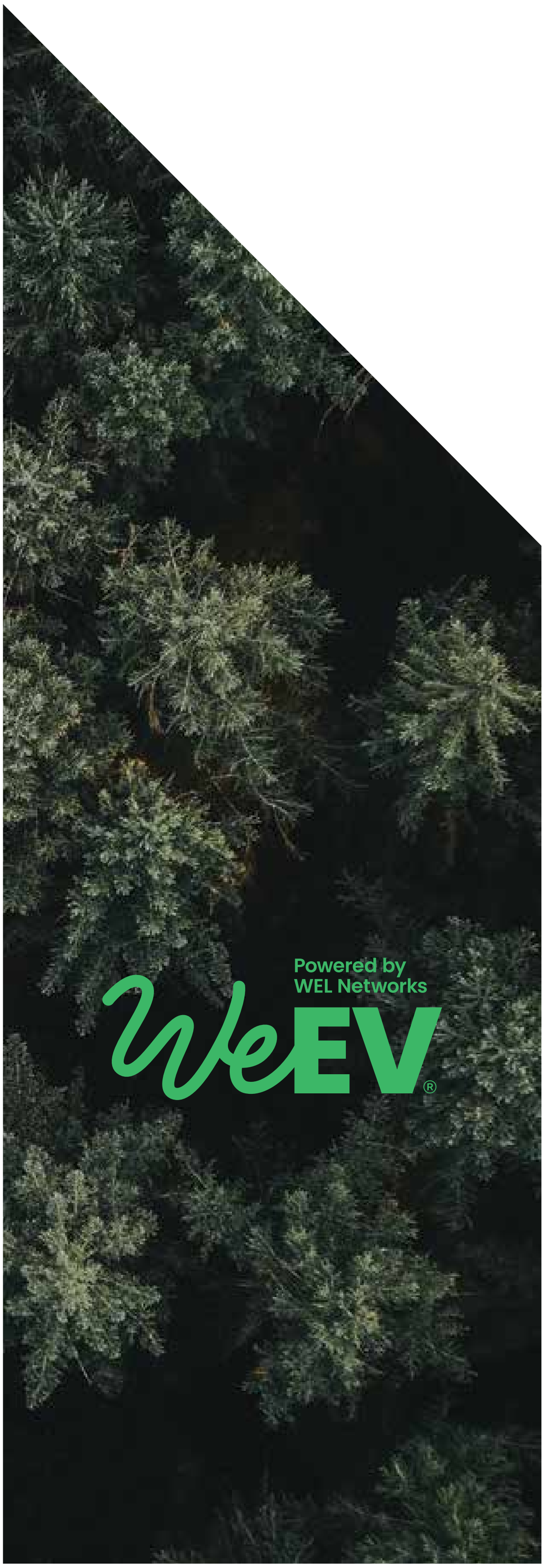
Our Network Operating Models for the Future Programme has pilot projects focused on the Raglan Whāingaroa community and the network infrastructure that services the area. The programme will help WEL to test and develop appropriate future service and operating models to ensure that greater uptake of distributed energy resources (DERs) ultimately means a more affordable, reliable and sustainable network.

WEL has also launched We.EV, a new service dedicated to helping businesses get future-ready with their EV charging infrastructure. Businesses are increasingly looking to replace their vehicle fleets with EVs and WEL is well positioned to support them through the provision of the charging infrastructure they will need to make the transition.

As part of ensuring our core electricity business remains strong, we have embarked on a path to gaining ISO 55001 certification with preparatory assessments and information gathering completed during the year.

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 Covid-19 and Cyclone Dovi sent our way and in light of the significant growth we are experiencing.



WEL Networks Sustainability Statement - 2022

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.

We've enhanced our Company vision statement to align with our overarching E^3 Strategy, in particular our focus on sustainability. Our Vision statement has become: To create and support an innovative and sustainable energy future.

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.

3 GOOD HEALTH AND WELL-BEING

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.

The WEL Balanced programme, focussing on employee wellbeing and wellness has included the following activities:

- Bowel cancer screening kits made available to all staff, with uptake of 120 kits
- Income Protection insurance added to Medical and Life Insurance support for staff
- Extended flexible working initiatives, sick leave cap has been increased to 100 days and Nine Day Fortnight flexible working approved
- Flu vaccinations offered for all staff and their partners
- Mental Health Awareness Week message – Take time to korero has been promoted to all employees through various channels
- Southern Cross BeingWellPlus self-service website launched - expert advice to improve health and wellbeing in the workplace
- Initiatives to encourage participation in wellbeing activities such as encouragement of participation in the Aotearoa Bike Challenge, WEL touch rugby and football teams

We have kept staff safe through the Covid-19 pandemic by initiating the following programmes:

- Additional flexible working arrangements including working from home
- Comprehensive work protocols initiated including operating field crews in team/functional bubbles
- Providing care packs for those staff impacted and forced to isolate due to the pandemic

Strengthening Connections

An emphasis on overall wellbeing and ensuring our Operate and Restore team members are equipped with the tools they need to ensure they are *Good to Go* were key themes of a recent training day.

WEL's Operate and Restore team spent the day in the office catching up on business updates and training. The team of 15 spend a majority of their time in the field responding to faults.

"Ensuring our Operate and Restore team remains connected to our business is integral. It's really important that we get the guys together on a regular basis. It's a good opportunity for us to highlight key updates from across the business including Health & Safety, and if there's anything specific regarding training and/or just to have open discussions," Supervisor First Response and Overhead Lines Hamish Thomson says.

Community Initiatives

WEL supported a number of community initiatives with our staff getting in behind a range of organisations who are doing great work in our community.

Below is a snapshot of our activities during the year.

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 pink cupcakes and staff were encouraged to wear pink.

Removing Barriers for Women

We've donated over $2000 worth of period products to Pukete Neighbourhood House which is continuing to remove barriers for the many women they support.

"This donation will help us to continue to support the women in our community, and begin to reduce the stigma around periods. Period Poverty is a real thing, and the contribution from WEL Networks is a huge help in improving the lives of everyday women. No matter the situation, we want our women to be confident, feel comfortable and continue to live the lives they want.

"Without the support from WEL, it would be extremely difficult to achieve such outcomes. Thank you," Pukete Neighbourhood House Business Development Manager Scott Tiffany says.

Christmas Spirit

WEL donated $500 worth of presents to Kids in Need Waikato.

The local charity supplies personalised care packs for children being cared for by someone other than their biological parent.

"We are so grateful to WEL Networks for their donations towards our Christmas campaign. We are supporting more families than ever this Christmas and every single gift donated makes a huge difference. Thank you for spreading some Christmas magic to children who are being raised by someone other than their parent," Founder Linda Roil says.

Supporting Tonga

WEL Networks, alongside the Hamilton City Council and local businesses, helped support Tonga's recovery efforts after the devastating volcanic eruption on January 14, 2022.

The cost of freight was identified by the Tongan community as a barrier to getting supplies to the right places in Tonga to support relief efforts. At WEL Networks we were in a position to do our bit to support our Pacific neighbours so we donated $5,000 to the Waikato Tongan Community Trust.

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 and safe supply of electricity:

- Operation of the OurPower retail platform to provide cheaper retail electricity to the wider Waikato community, now with almost 3,000 customers, saving over $2.4M. OurPower initiated meetings and hui with local community groups to understand how to better support those in energy hardship, with Energy Navigators now working with Waikato community organisations to identify and provide wider social services to those in need
- No serious harm in the community from our network assets and operations through the ongoing effective implementation of our public safety management system
- WEL subsidiary, Raglan Local Energy, a peer-to-peer trading platform that enables excess solar generation to be sold between customers has been trialling newly developed software, with WEL as a Distribution System Operator, managing energy from generation to final consumers

Preparing the electricity network for the future

WEL Networks and Raglan Local Energy have launched an electric vehicle (EV) smart charging and distributed energy resources (DERs) trial.

To prepare the electricity network for the future, the three-year Raglan-based trial uses smart charging units to understand the way EV drivers charge their vehicles at home and the integration impact on the WEL network.

The trial, made up of 10 Raglan-based EV owners, uses smart chargers that are fully integrated into WEL's Distributed Energy Resources Management System (DERMS). This platform allows multiple devices to be controlled remotely (including EV chargers, solar, battery storage etc.) using artificial intelligence with benefits for customers, including household level protection from overloading due to increased electricity consumption and lower running costs.

The objective of the trial is to enable a better energy future for customers using a data-driven innovative service model, to improve the economics and appeal of EVs by shifting charging from times of the day when energy is more expensive to off-peak periods, and when wholesale prices are low – typically when wind and solar are generating strongly.

As part of the Government's push to drive down greenhouse gas emissions, the electrification of transportation is one of the biggest opportunities we have in the energy sector to help New Zealand achieve a low-carbon economy. As EV uptake increases, the EV network integration will have a significant impact on energy affordability and network reliability.

Public Safety - Pillar Box Safety

Our latest safety campaign encourages the public to be careful around pillar boxes.

Pillar boxes play a vital role in getting power from the street to houses by connecting the property's underground electricity cable to WEL's underground network.

Under each pillar box are cables and fuses supplying 240 volts of power to the home it sits outside.

If a vehicle hits them, even at low speed, the live contents of the box can be exposed causing significant injury, or worse for anyone who comes into contact with it.

Pillar box safety is one of the many public safety campaigns we run as part of our commitment to enhancing the safety leadership role we play within our Waikato communities.

Electric Blanket Testing

Twenty-two 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 that was held in June.

The Hamilton City Fire Station staged the public event that saw around 350 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.

Electric blanket testing was also carried out at the Ngaruawahia Fire Station.

Electrical Safety Training for Emergency Services Personnel

Specialised training has been provided to the Ngaruawahia Volunteer Fire Brigade, local members of St John and the Serious Crash Unit.

The purpose of the presentation, Electrical Safety for Emergency Services Personnel, is to ensure personnel stay safe around power. The presentation provides increased awareness of the dangers and what personnel can do to keep themselves and the public safe.

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

- The WEL micro grid continues to be developed and upgraded. Additional solar PV generation has been added to the micro grid, with an additional 62kW added this year. An optimisation app for the micro grid is controlling the energy sources to meet electricity demand at the Maui St complex.
- WEL monitors the average amount of time that customers experience an outage (SAIDI) as an indicator of network reliability and resilience.
- The new Asset Management Plan has been approved, providing a pathway for the development and operation of the network over the next 10 years. This plan includes the requirements for the increased electrification of the Waikato community and industry as we move towards a lower carbon future and the electrification of everything.

An example of a Battery Energy Storage System (BESS).

From left: Infratec Chief Executive Officer Grant Smith, Power Electronics NZ Managing Director Mark Duncan, WEL Networks General Manager Energy Services Kerry Green, Infratec General Manager Business Development Nick Bibby and Power Electronics NZ Operations Director Brent Sheridan.

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

WEL Networks and Infratec have entered into major contracts for the supply and build of New Zealand's largest battery storage facility.

The project 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 2030.

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.

Construction on the 35MW Battery Energy Storage System on Rotowaro Road in Huntly will start in 2022.

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.

WEL Networks and Infratec are also exploring new solar farm options that will complement the battery storage in an effort to ensure the lowest costs of renewable power to local consumers.

Infratec

2022 marks an important year for our subsidiary Infratec as it transitions to the build phase of utility-scale projects that have been through the development and consenting process over the last two years.

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

- Lodestone Solar Farm EPC Portfolio: Infratec is negotiating contracts to construct 250MW of solar PV for Lodestone Energy Ltd, an independent power producer based in New Zealand. The construction work is across five sites, with the portfolio expected to be completed over the next three years.
- Naumai Solar Farm: A development purchase from Lightyears Solar, Naumai is a 4.5MW PV Solar Farm located south of Dargaville. With construction starting late 2022, the array will be the WEL Groups' first solar generation asset.
- Te Ohaaki Solar Farm: The 30MW solar PV Te Ohaaki project is located in the northern Waikato. Developed in conjunction with WEL Networks, and due to commence construction in 2022, this project will be the WEL Groups' largest solar array and generation asset.
- Pacific: Infratec continues to show leadership in the Pacific with the ongoing support to the construction of projects in Tonga's outer islands. These projects are critical to providing reliable energy to communities hard hit by the volcanic eruption in 2022.
- Additional EPC projects: In 2022, Infratec will construct multiple solar projects for other distribution companies including Eastland Networks 4.5 MW solar PV array, currently on track to be New Zealand's first airport-based solar array.

Supporting Commercial Innovation

As the world's energy focus shifts to renewables and long-term sustainability – it's good to know looking ahead is already a big part of what drives us in the first place.

With world-class energy expertise, we're excited to be at the forefront of the EV evolution and working with ambitious organisations such as Wintec to shape a better, more renewable future – together.

WEL Networks have installed the first electric vehicle charging infrastructure at Wintec to support their transition to an all-electric vehicle fleet.

The Wintec charger installation project was the first major opportunity for WEL Networks' Energy Services division to test its capabilities and systems for commercial charging solutions.

The chargers are capable of 3 phase AC (for future-proofing) and can charge up to 22kW each. The chargers are able to connect to the internet and WEL are providing an operations and maintenance service for Wintec to maintain their chargers and to provide reporting of benefits.

The nine Etrel Inch Pro, tethered chargers (the cable is permanently attached to the charger) are all connected with demand management which means that WEL were able to install these on an 80A supply board. The chargers are easy to use and are providing a great customer

experience for Wintec staff.

This mitigates the need to upgrade the board which is expensive and the system automatically limits the total demand to 80A so that the supply is protected. This is great for the customer and great for WEL because we are minimising overloading the network.

Large amounts of EV charging at the same time can increase peak loading causing low voltages and assets to overload which puts pressure on the network. We have provided an end-to-end solution for Wintec.

In alignment with one of the components of our E³ Strategy *Explore Energy Services*, which outlines the future direction of our business, this project is one of many that supports and responds to the EV shift in consumer behaviour.

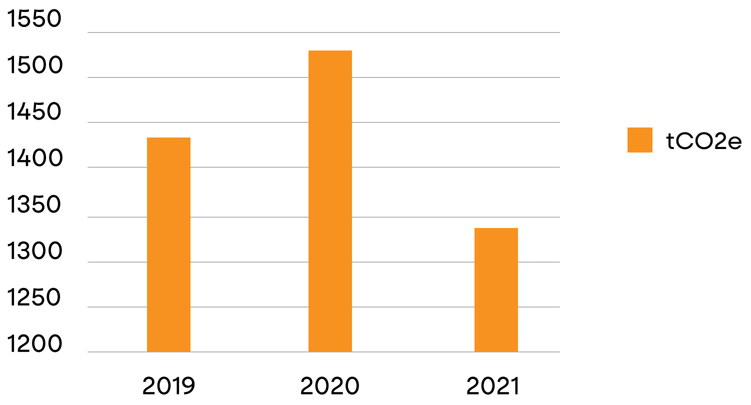
Greenhouse Gas Emissions

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.

- Toitū carbonreduce certification was successfully retained again for the year, with an 11.9% reduction in Scope 1 and Scope 2 emissions when compared to the baseline year

WEL Company Emissions



**Figures exclude WEL subsidiaries and T&D losses*

- Additional solar PV capability has been added to the generation mix for WEL's offices. 62kW of solar panels have been installed, bringing the total solar PV capacity on site to 151kW.
- The installation of 4 additional EV chargers on the Maui Street site supports the addition of new electric vehicles in the fleet. WEL is progressively upgrading its small vehicle fleet to EVs by removing fossil fuelled cars and SUVs. Future vehicle planning now identifies EV and hybrid technologies as WEL's first choice of vehicle, where technology permits.
- Recycling programmes are in place for glass, metals, plastics, paper and cardboard, e-waste and batteries, transformer oil, office furniture, timber pallets and green waste to reduce waste to landfill from WEL operations.

Reducing WEL's Carbon Footprint

To play our part in reducing carbon emissions, we have replaced a number of existing SUVs with new Kona electric vehicles (EVs).

This brings the total number of EVs and hybrid vehicles in our fleet to 18. These include 8 Hyundai EVs; 4 Toyota Rav 4 hybrids, 3 Ford Transit hybrid vans, 1 electric EWP truck, 1 hybrid EWP truck and 1 4x4 EWP truck retrofitted with Smart PTO (An electric power take-off unit that eliminates the need for idling trucks in the field for boom operation and cab comfort).

As part of our vehicle replacement plan next year we're looking at replacing an ICE SUV with an EV, installing 2 Smart PTO units on existing EWP trucks, and sourcing an additional 4 EWP trucks with Smart PTO units.

We have also installed two Etrel Duo Dual 22kW chargers in our depot. These chargers are connected to our micro grid to enable charging with solar power and conduct other smart demand management testing.

This is an exciting time in our sustainability journey as we implement ways to reduce WEL's carbon footprint.

Supporting the Environment

Members of our overhead line team traded tools for shovels as part of a team building day.

The team of 20, planted 1,000 native wetland plants including mānuka, tī kōuka, kahikatea, patē and karamū at Minogue Park as part of the Kahikatea Restoration Project to establish more 'Nature in the City'.

The team building day was a great opportunity to give back to the community.

WEL Networks staff also headed to Ruapuke beach south of Raglan for a planting bee organised by Coastcare Waikato to speed up regeneration and restoration of the area.


WEL
Networks
T IN SERVICE. BEST IN SAFETY.

Director Profiles

As at 31 March 2022

Rob Campbell

Chair, Investment Committee Member

Rob has over 45 years' experience in governance. He is currently Chair of Health NZ, Tourism Holdings Limited, the Environmental Protection Authority, Ara Ake Limited and New Zealand Rural Land Company Limited.

He is Chancellor of the Auckland University of Technology. He trained as an economist and has worked in a variety of capital market advisory and governance roles over a long period. Rob was appointed to the Board of WEL Networks Limited in June 2017. Mr Campbell resigned from the Board on 14 June 2022.

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 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 Bobux International Limited and The Accreditation Council. He 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. 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.

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.

Barry Harris

Director, Audit and Risk Committee Member

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.

Barry is also a Trustee of the Te Awa River Trust. 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 was appointed to the Board of WEL Networks Limited in October 2014.

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, Tuatahi First Fibre Limited and Vulcan Steel 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.

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. 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.


100% Electric

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 2021 after rigorous 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 eight 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 programmes 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. ComplyWith compliance assessments are in place to assist in ascertaining the level of compliance with generic legal and regulatory requirements. The findings from these assessments assist in directing the programme of internal audit. The current internal audit programme which commenced in May 2021 comprises external reviews of: Non Network Procurement, Supplier Contracts, Post Major Event Regulatory Response and the veracity of Power BI Data.

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 2022

Directors	Entity	Position
Campbell, Robert (Rob) James		
Chair	Tourism Holdings Limited	Chair
	Tutanekai Investments Limited	Owner and Director
	RC Custodian Limited	Shareholder
	VGI Partners Advisory Board	Member
	Our Energy (a start-up peer to peer trading organisation)	Family Association
	Just Move Charitable Health Trust	Member
	New Zealand Rural Land Company Limited	Independent Chair
	Paua Wealth Management	Advisory Board Member
	Ara Ake Limited	Chair
	He Toutou Mo Te Ahika Trust	Trustee
	Auckland University of Technology	Chancellor
	Health NZ	Chair
	The Environmental Protection Authority	Chair
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

Directors	Entity	Position
Colliar, Jacqueline (Jackie) Maree continued		
	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
Connell, Paul Anthony		
	ETEL Limited	Director
	Lucky Light Globalindo	Governor
	The Accreditation Council	Chair
	Telarc Limited	Director
	Bobux International Limited	Chair
	The Environmental Protection Authority	Director
	Connell and Associates Limited	Director and Shareholder
	Waikato Regional Council	Independent Member of the Risk and Assurance Committee
Cook, Julian Bradwell		
	Sky City Entertainment Group Limited	Chair
	Flaxmill Orchard Limited Partnership	Director
	Motutapu Investments Limited	Director
	Winton Property Limited	Director
Harris, Barry Spence		
	Ospri New Zealand Limited	Chair
	TBFree New Zealand Limited	Chair
	National Animal Identification and Tracing (NAIT) Limited	Chair
	Te Awa River Trust Trustee	Director
	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

Directors	Entity	Position
Lawrie, Geoffrey Alastair		
	Auror Limited	Chair
	Plan B (via Morgan Holdco)	Director
	Younity Limited	Chair
	Enable Networks Limited	Director
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
	Tuatahi First Fibre Limited	Director and Audit and Risk Committee Chair
	UFF Holdings Limited	Director
	First Fibre Bidco Limited	Director
	Oriens Capital GP2 Limited	Director and Investment Committee Member
	Vulcan Steel Limited	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 Holdings Limited	Chair
	OurPower Limited	Chair
	OurPower Retail 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 2022

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WEL Networks Limited
Statement of comprehensive income
For the year ended 31 March 2022

		CONSOLIDATED	
	NOTE	2022 $'000	2021 $'000
Revenue from continuing operations	11	122,206	127,939
Expenses			
Expenses, excluding finance costs	16	(82,793)	(75,918)
Other gains	17	2,492	5,191
Earnings before interest, taxes, depreciation and amortisation expenses (EBITDA)		**41,905**	**57,212**
Depreciation and amortisation expense	18	(22,631)	(26,916)
Finance expenses	13	(7,194)	(31,782)
Finance income	14	7,348	6,856
Profit before income tax expense from continuing operations		**19,428**	**5,370**
Income tax expense	19	(4,090)	(810)
Profit after income tax expense from continuing operations		**15,338**	**4,560**
Profit after income tax expense from discontinued operations	7	-	219,607
Profit after income tax expense for the year		**15,338**	**224,167**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on the revaluation of land and buildings, net of tax	38	1,442	4,176
Gain on the revaluation of electricity distribution network, net of tax	38	50,993	-
Change in the fair value of equity investments at fair value through other comprehensive income	25, 38	(1,587)	-
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges transferred to profit or loss, net of tax	38	-	12,920
Net change in the fair value of cash flow hedges taken to equity, net of tax	38	(165)	(385)
Other comprehensive income for the year, net of tax		**50,683**	**16,711**
Total comprehensive income for the year		**66,021**	**240,878**
Profit for the year is attributable to:			
Non-controlling interest		-	30,772
Shareholder of WEL Networks Limited		**15,338**	**193,395**
		15,338	**224,167**

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

WEL Networks Limited
Statement of comprehensive income
For the year ended 31 March 2022

		CONSOLIDATED	
	NOTE	2022 $'000	2021 $'000
Total comprehensive income for the year is attributable to:			
Continuing operations		-	-
Discontinued operations		-	30,772
Non-controlling interest		-	**30,772**
Continuing operations		66,021	21,270
Discontinued operations		-	188,836
Shareholder of WEL Networks Limited		**66,021**	**210,106**
		66,021	**240,878**
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the shareholder of WEL Networks Limited			
Basic earnings per share	40	188.1	55.9
Diluted earnings per share	40	188.1	55.9
Earnings per share for profit from discontinued operations attributable to the shareholder of WEL Networks Limited			
Basic earnings per share	40	-	2,316.1
Diluted earnings per share	40	-	2,316.1
Earnings per share for profit attributable to the shareholder of WEL Networks Limited			
Basic earnings per share	40	188.1	2,372.1
Diluted earnings per share	40	188.1	2,372.1

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

WEL Networks Limited
Balance sheet
As at 31 March 2022

CONSOLIDATED

	NOTE	2022 $'000	2021 (RESTATED) $'000
Assets			
Current assets			
Cash and cash equivalents	21	211,495	124,047
Trade and other receivables	22	14,543	14,494
Work in progress	23	147	79
Redeemable Convertible Preference shares	24	-	194,534
Financial assets at fair value through other comprehensive income	25	79,311	-
Derivative financial instruments	41	1,720	2,962
Income tax receivable		1,319	-
Net investment in lease	26	571	550
Total current assets		**309,106**	**336,666**
Non-current assets			
Other receivables - vendor tax losses due	7	-	1,388
Derivative financial instruments	41	1,420	5,654
Property, plant and equipment	9	740,120	631,454
Right-of-use assets	27	1,873	1,845
Intangibles	10	15,559	13,808
Net investment in lease	26	26,886	27,457
Total non-current assets		**785,858**	**681,606**
Total assets		**1,094,964**	**1,018,272**
Liabilities			
Current liabilities			
Trade and other payables	30	16,084	11,115
Lease liabilities	28	273	231
Derivative financial instruments	41	229	-
Income tax	19	-	1,118
Employee benefit obligations	31	3,515	3,114
Customer discount payable	11	12,000	-
Contract liabilities	33	11,171	7,388
Total current liabilities		**43,272**	**22,966**
Non-current liabilities			
Borrowings	12	148,856	152,178
Lease liabilities	29	1,678	1,674
Derivative financial instruments	41	226	-
Deferred tax liabilities	19	109,660	86,153
Employee benefit obligations	32	118	112
Deferred Revenue	34	827	856
Total non-current liabilities		**261,365**	**240,973**
Total liabilities		**304,637**	**263,939**
Net assets		**790,327**	**754,333**

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

WEL Networks Limited
Balance sheet
For the year ended 31 March 2022

		CONSOLIDATED	
	NOTE	2022 $'000	2021 $'000
Equity			
Contributed equity	37	111,142	127,142
Reserves	38	208,328	159,436
Retained earnings	39	470,857	467,755
Equity attributable to the shareholder of WEL Networks Limited		**790,327**	**754,333**
Total equity		**790,327**	**754,333**

Rob Campbell
Chairman

Carolyn Steele
Director

26 May 2022

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 2022

	Share capital	Convertible note	Reserves	Retained earnings	Non-controlling interest	Total equity
CONSOLIDATED	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 April 2020	111,142	29,000	144,286	279,364	5,879	569,671
Profit after income tax expense for the year	-	-	-	193,395	30,772	224,167
Movement in revaluation reserve from disposal of distribution network assets	-	-	(1,561)	1,561	-	-
Cash flow hedges (net of tax)	-	-	12,535	-	-	12,535
Assets revaluation (net of tax)	-	-	4,176	-	-	4,176
Total comprehensive income for the year (net of tax)	**-**	**-**	**15,150**	**194,956**	**30,772**	**240,878**
Transactions with shareholders:						
Disposal of minority interest	-	-	-	-	(36,651)	(36,651)
Repayment of convertible notes (note 37)	-	(13,000)	-	-	-	(13,000)
Interest on convertible notes (note 37)	-	-	-	(565)	-	(565)
Dividends paid (note 37)	-	-	-	(6,000)	-	(6,000)
Balance at 31 March 2021	**111,142**	**16,000**	**159,436**	**467,755**	**-**	**754,333**

	Share capital	Convertible note	Reserves	Retained earnings	Total equity
CONSOLIDATED	$'000	$'000	$'000	$'000	$'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 37)	-	(16,000)	-	-	(16,000)
Interest on convertible notes (note 37)	-	-	-	(44)	(44)
Dividends/discount distributions paid (note 37)	-	-	-	**(13,983)**	**(13,983)**
Balance at 31 March 2022	**111,142**	**-**	**208,328**	**470,857**	**790,327**

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 2022

		CONSOLIDATED	
	NOTE	2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers		137,343	129,643
Payments to suppliers and employees		(70,893)	(68,358)
Income taxes paid		(2,850)	(1,751)
Cash flow from discontinued operations from operating activities	7	-	26,269
Net cash from operating activities	**45**	**63,600**	**85,803**
Cash flows from investing activities			
Payments for financial assets at fair value through other comprehensive income	25	(80,000)	-
Payments for acquisition of subsidiary	8	-	(3,907)
Payments for property, plant and equipment	9	(60,180)	(44,566)
Payments for intangibles	10	(4,037)	(2,303)
Proceeds from Redeemable Convertible Preference Shares	24	200,000	-
Proceeds from disposal of property, plant and equipment		337	68
Interest received		153	298
Interest received on finance leases		1,692	1,261
Payments received for finance leases		550	402
Vendor tax losses received	7	2,046	-
Cash flow from discontinued operations from investing activities	7	-	496,217
Net cash from investing activities		**60,561**	**447,470**
Cash flows from financing activities			
Repayment of borrowings		-	(361,000)
Interest paid		(6,341)	(30,900)
Interest on convertible notes	37	(44)	(565)
Payments for lease liabilities	29	(271)	(171)
Interest paid on lease liabilities	29	(74)	(70)
Dividends/discount distributions paid	37	(13,983)	(6,000)
Repayment of convertible notes	37	(16,000)	(13,000)
Cash flow from discontinued operations from financing activities	7	-	1,493
Net cash used in financing activities		**(36,713)**	**(410,213)**
Net increase in cash and cash equivalents		87,448	123,060
Cash and cash equivalents at the beginning of the financial year		124,047	987
Cash and cash equivalents at the end of the financial year		**211,495**	**124,047**

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

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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.

For the period to 30 September 2020, the Group also delivered the Government Ultrafast Fibre rollout programme and ongoing operations for fibre services in the Waikato, Tauranga and Taranaki regions.

The financial statements were authorised for issue, in accordance with a resolution of Board of Directors, on 26 May 2022. 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.

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 2022 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 2022.

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 9);
- Non-current - intangibles (refer to note 10);
- Redeemable Convertible Preference shares (refer to note 24);
- Net investment in lease (refer to note 26); and
- Discretionary discount (refer to note 37).

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 business from a network perspective and management considers the performance from an electricity network perspective and anything not included in this is classified as 'Other' including technology investments (Smart meters) and the generation, retail and solar businesses (OurPower Holdings Limited and Infratec NZ Limited).

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 - 2022	Electricity Network $'000	Other Segments $'000	Total $'000
Revenue			
Segment revenue	112,018	16,248	128,266
Intersegment sales	(2,025)	(4,035)	(6,060)
Total revenue	**109,993**	**12,213**	**122,206**
EBITDA	40,400	1,505	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	27,946	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	2,774	45,666
Unallocated liabilities:			
Borrowings			148,856
Derivative financial instruments			455
Total liabilities			**304,637**

5. Operating segments (continued)

CONSOLIDATED - 2021	Electricity Network $'000	Other Segments $'000	Total $'000
Revenue			
Segment revenue	118,466	10,940	129,406
Intersegment sales	(1,467)	-	(1,467)
Total revenue	**116,999**	**10,940**	**127,939**
EBITDA	45,130	12,082	57,212
Depreciation and amortisation			(26,916)
Finance income			6,856
Finance expenses			(31,782)
Profit before income tax expense from continuing operations			**5,370**
Income tax expense			(810)
Profit after income tax expense from continuing operations			**4,560**
Assets			
Segment assets	666,312	29,593	695,905
Unallocated assets:			
Cash and cash equivalents			124,048
Redeemable Convertible Preference shares			194,534
Derivative financial instruments			3,785
Total assets			**1,018,272**
Liabilities			
Segment liabilities	21,722	2,766	24,488
Unallocated liabilities:			
Income tax			1,118
Borrowings			152,178
Deferred tax liabilities			86,153
Total liabilities			**263,937**

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.

Name	Principal place of business /Country of incorporation	Ownership interest 2022 %	Ownership interest 2021 %
OurPower Holdings Limited	New Zealand	100%	100%
OurPower Retail Limited *	New Zealand	100%	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%	-
NewPower Energy Limited **	New Zealand	100%	-

* Subsidiary of OurPower Holdings Limited

** Subsidiary of NewPower Energy Services Limited

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

WEL Networks Limited incorporated the company NewPower Energy Services Limited on 16 November 2021, as the holding company for NewPower Energy Limited incorporated on 25 November 2021. There are no transactions or balances for the year ended 31 March 2022.

7. Discontinued operations

Description

On September 2020, WEL Networks Limited (WEL) and Waipa Networks (Waipa) sold their shares in UFF Holdings Limited (UFFH) Group, including Hamilton based fibre business Tuatahi First Fibre Limited (formally known as Ultrafast Fibre Limited (UFF)).

First Fibre Bidco NZ Limited purchased WEL's 85% majority shareholding and Waipa's 15% shareholding for $854M, of which consideration of $200M payable to WEL was deferred for 18 months from completion. The deferred payment was in the form of Redeemable Convertible Preference (RCP) shares issued by First Fibre Bidco NZ Limited, which were redeemed for the full subscription price of $200M on 22 March 2022. Refer to note 24 for further information.

Additional consideration of $4.2M was recognised as at 31 March 2021 relating to tax losses available to UFFH. As at 31 March 2022, the Group has received a payment of $2.0M for the tax losses, leaving a balance of $2.3M receivable, which is discounted to present value based on a discount rate of 6.03% as this is payable when the losses are utilised. As at 31 March 2022, $2.2M is recognised as current assets in 'Trade receivables' on the balance sheet.

7. Discontinued operations (continued)

Financial performance information

	Consolidated 2021 $'000
Revenue	46,376
Expenses	(30,959)
Profit before income tax expense	**15,417**
Income tax expense	(10,342)
Profit after income tax expense	**5,075**
Gain on disposal before and after income tax	214,532
Profit after income tax expense from discontinued operations	**219,607**

Cash flow information

	Consolidated 2021 $'000
Net cash from operating activities	26,269
Net cash from investing activities	496,217
Net cash from financing activities	1,493
Net increase in cash and cash equivalents from discontinued operations	**523,979**

Included in net cash from investing activities is cash consideration received from disposal of UFFH of $528.5M (net repayment to Waipa Networks Ltd and disposal costs).

Carrying amounts of assets and liabilities disposed

	Consolidated 2021 $'000
Cash and cash equivalents	1,451
Trade and other receivables	12,363
Right-of-use assets	3,694
Property, plant and equipment	577,161
Intangibles	79,389
Total assets	**674,058**
Trade and other payables	3,168
Provisions	1,687
Other liabilities	40,489
Total liabilities	**45,344**
Net assets	**628,714**

7. Discontinued operations (continued)

Details of the disposal

	Consolidated 2021 $'000
Cash received	653,478
Fair value of Redeemable Convertible Preference shares on disposal	189,237
Fair value of tax losses receivable	4,893
Total consideration	**847,608**
Carrying amount of net assets disposed	(628,714)
Total gain on discontinued operation	218,894
Costs of disposal	(4,362)
Attributable to Waipa Networks Limited	(31,448)
Gain on disposal before and after income tax attributable to the shareholder of WEL Networks Limited	**183,084**

*Waipa Networks Limited agreed to a discounted sale price to receive full settlement on completion, therefore the amount attributable to non-controlling interest was less than the 15% shareholding.

8. Business combinations

On 3 December 2020 Infratec New Zealand Limited, a 100% subsidiary of WEL Networks Limited, purchased the New Zealand net assets from Infratec Limited for the total cash consideration transferred of $3.9M.

Details of the acquisition

	Fair value $'000
Plant and equipment	113
Right-of-use assets	294
Customer contracts	770
Software	300
Other intangible assets	36
Deferred tax liability	(215)
Employee benefits	(218)
Lease liability	(294)
Net assets acquired	**786**
Goodwill	3,121
Acquisition-date fair value of the total consideration transferred	**3,907**

The goodwill is made up of intangible assets and synergies that do not meet the criteria for separate recognition.

Amounts of revenue and profit and loss included from the operations of Infratec New Zealand Limited for the 4 months since acquiring the assets are included in the consolidated statement of comprehensive income for the year ended 31 March 2021:

8. Business combinations (continued)

31 March 2021	$'000
Revenue	629
Expenses	(1,522)
Profit/(loss) before income tax	**(893)**

Accounting policy for business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non- controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of:

(i) 12 months from the date of the acquisition, or

(ii) when the acquirer receives all the information possible to determine fair value.

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

2021	Electricity network $'000	Fibre network $'000	Land and buildings $'000	Plant and equipment $'000	Motor vehicles '000	Computer hardware $'000	Non-network assets under construction $'000	Total $'000
Opening net book amount as at 1 April 2020	581,326	563,835	17,737	31,577	4,971	1,443	2,478	1,203,367
Additions	41,979	24,330	184	1,494	746	416	2,809	71,958
Revaluation	-	-	4,930	-	-	-	-	4,930
Additions through business combination (note 8)	-	-	-	92	-	21	-	113
Transfers*	3,566	-	(3,654)	1,228	331	135	(1,606)	-
Disposals	(7,416)	(247)	-	(43)	(42)	(34)	(1)	(7,783)
Disposals due to sale of discontinued operation (note 7)	-	(575,419)	-	(711)	(184)	(493)	(353)	(577,160)
Depreciation charge	(19,501)	(12,499)	(269)	(3,682)	(1,113)	(747)	-	(37,811)
Derecognition of assets relating to finance lease **	(28,409)	-	-	-	-	-	-	(28,409)
Impairment loss	(850)	-	-	-	-	-	-	(850)
Closing net book amount as at 31 March 2021	**570,695**	**-**	**18,928**	**29,955**	**4,709**	**741**	**3,327**	**628,355**
Cost/valuation	792,371	-	20,535	58,053	10,116	3,765	3,327	888,167
Accumulated depreciation	(221,676)	-	(1,607)	(28,098)	(5,407)	(3,024)	-	(259,812)
	570,695	**-**	**18,928**	**29,955**	**4,709**	**741**	**3,327**	**628,355**

* In 2021, transfers include a $3.6M reclassification of substation land from land and buildings to electricity network assets.

** 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 26. 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 10) opening net book amount as at 1 April 2021 have been restated to correct this error.

The impairment loss of $0.85M in 2021 relates to an asset in electricity network category that has been decommissioned from the network as it was not used as it was intended. This will be removed and disposed.

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

2022	Electricity network $'000	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Computer hardware $'000	Non-network 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
Restated opening net book amount as at 1 April 2021	**573,794**	**18,928**	**29,955**	**4,709**	**741**	**3,327**	**631,454**
Additions	48,747	4	2,229	1,208	277	7,182	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)	(352)	(3,554)	(1,033)	(612)	-	(20,056)
Closing net book amount as at 31 March 2022	**675,702**	**20,672**	**30,094**	**4,767**	**951**	**7,934**	**740,120**
Cost/valuation	686,571	22,631	61,521	10,488	4,563	7,934	793,708
Accumulated depreciation	(10,869)	(1,959)	(31,427)	(5,721)	(3,612)	-	(53,588)
	675,702	**20,672**	**30,094**	**4,767**	**951**	**7,934**	**740,120**

The amount of capitalised interest was nil (2021: $7,000).

** 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 26. 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 10) opening net book amount as at 1 April 2021 have been restated to correct this error.

The net book value of the Electricity network includes $31.2M of work in progress as at 31 March 2022 (2021: $20.1M).

Under paragraph 51 of NZ IAS 16, the useful life of assets shall be reviewed at least annually. As the useful life of an asset is an estimate, there is a requirement to demonstrate the rationale and appropriateness of the estimate. A review of useful lives of electricity network assets was completed during the year ended 31 March 2022 based on correlating the health of our existing assets with typical failure curves. Accounting useful lives have been revised by -10 years to +35 years across asset categories as a result. The impact of this is a reduction of $4.9M in current year depreciation (as in most cases the useful life has increased). The impact in years 2-5 is also $4.9M, due to the nature of these assets being long life assets combined with large volumes of assets it is impracticable to determine the effect beyond year 5.

9. 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:

2021	Land and buildings $'000	Electricity Network $'000
Cost	8,552	660,252
Accumulated depreciation	(1,607)	(243,757)
Net book amount as at 31 March 2021	**6,945**	**416,495**

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

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 2022 by independent valuers, SGHU Valuations LP Registered Valuers using a market approach being a Level 3 valuation). Key inputs include market rent at $920,000 (2021: $920,000) and a capitalisation rate of between 4.38% and 4.88% (2021: 4.75% and 5.25%), resulting in a valuation range of $18.9M to $21.0M (2021: $17.5M to $19.4M). The mid-point of $19.9M has been used to revalue the Maui St land and buildings as at 31 March 2022 (2021: $18.4M).

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 which resulted in a valuation range for the Electricity Network of $644.1M to $708.9M (based on sensitivity to WACC low/high estimates). The valuation mid-point of $675.7M has been used to revalue the network as at 31 March 2022 (2021 carrying value: $571M). This is a Level 3 valuation.

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.

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.

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

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

2022	Mid-point for valuation	Sensitivity Range	Valuation Impact of Sensitivity Range from Mid-point
Electricity Network:			
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	0.98x - 1.02x	+/- $12.7M

2021	Mid-point for valuation	Sensitivity Range	Valuation Impact of Sensitivity Range from Mid-point
Electricity Network:			
WACC (Weighted Average Cost of Capital)	4.5%	4.0% - 5.0%	+ $28M / - $26M
RAB (Regulatory Asset Base) Multiple for Terminal Value (TV)	1.00x	0.98 - 1.02x	+/- $9.6M

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.

9. 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 (plant and equipment) 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.

10. Non-current assets - Intangibles

2021	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 2020	2,056	5,595	74,484	5,318	107	3,361	-	90,921
Additions	45	1,303	-	-	-	3,140	-	4,488
Additions through business combination (note 8)	300	36	3,121	-	-	-	770	4,227
Disposals due to sale of discontinued operation (note 7)	-	(2,595)	(74,484)	-	-	(2,309)	-	(79,388)
Disposals	-	-	-	-	-	(491)	-	(491)
Transfers	32	974	-	93	-	(1,099)	-	-
Amortisation charge	(426)	(2,255)	-	(41)	-	-	(128)	(2,850)
Closing net book amount as at 31 March 2021	**2,007**	**3,058**	**3,121**	**5,370**	**107**	**2,602**	**642**	**16,907**
Cost	4,101	19,916	3,121	7,889	107	2,602	770	38,506
Accumulated amortisation and impairment	(2,094)	(16,858)	-	(2,519)	-	-	(128)	(21,599)
	2,007	**3,058**	**3,121**	**5,370**	**107**	**2,602**	**642**	**16,907**

10. Non-current assets - Intangibles (continued)

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 9 for further information.

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 (2021 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 17.4% pre-tax (11.4% post-tax) (2021: 16.8% pre-tax and 11% post-tax) and a terminal growth rate of -2% (2021: 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 (FY23 to FY25), with the remaining two years increasing with CPI (at 2%), followed by a terminal value (2021: based on the management forecast for the business acquisition, and estimated future pipeline projects from year three). The most sensitive components of the cash flows driving the valuation are the assumptions in year three. These include annual revenue of $81.0M (2021: $15.0M), gross margin at 10.0% (which is reduced from Infratec's outlook of 11.3% to account for the possibility of increased competition driving down margins) (2021: 15.0%), and fixed costs of $5.1M p.a (2021: $1.8M p.a). This results in approximately $1.7M (2021: $0.5M) of pre-tax annual cash flows (before discounting) in the terminal value calculation.

The carrying amount of the CGU is $4.6M (2021: $4.4M), and the midpoint of the recoverable amount is $6.7M (2021: $4.7M).

10. 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:

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%

2021	From	To
Gross Revenue FY24 (basis for future years)	$15.0M	$14.7M
Gross Margin FY24 onwards	15.0%	14.7%
Fixed Costs	$1.8M	$1.8M
WACC (pre-tax)	16.8%	18.8%

The Directors have completed an impairment assessment as at 31 March 2022 and noted that the recoverable amount for Infratec is greater than the carrying amount by $2.1M 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.

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.

10. Non-current assets - Intangibles (continued)

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).

11. Revenue

	CONSOLIDATED	
	2022 $'000	2021 $'000
From continuing operations		
Revenue from contracts with customers		
Electricity lines revenue	112,102	108,130
Discount*	(12,000)	-
Net lines revenue	**100,102**	**108,130**
Electricity third party contributions	9,891	8,868
Other income	3,767	4,854
OurPower electricity retail revenue	5,007	3,334
Infratec EPC revenue	1,767	629
Smartco metering revenue	1,672	1,630
	122,206	**127,445**
Other revenue		
Operating lease revenue	-	494
Revenue from continuing operations	**122,206**	**127,939**

* WEL Networks Limited has reintroduced the WEL Electricity Discount Programme for the year ended 31 March 2022. The discount has been proposed to be paid to consumers during April 2022. A discretionary discount of $9.0M was also paid to consumers on instruction from WEL Energy Trust in July 2021, treated in the form of a dividend (refer to note 37).

For the purposes of segmental reporting in note 5, for the period ended 31 March 2021, other operating segments include the operating lease revenue.

11. Revenue (continued)

Disaggregation of revenue

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

	CONSOLIDATED	
	2022 $'000	2021 $'000
Electricity Network		
Electricity line revenue	100,102	108,130
Electricity third party contributions	9,891	8,868
	109,993	**116,998**
Other Income		
Other income	3,767	4,854
OurPower electricity retail revenue	5,007	3,334
Infratec EPC revenue	1,767	629
Smartco metering revenue	1,672	1,630
	12,213	**10,447**
Timing of revenue recognition		
Goods transferred at a point in time	12,447	10,747
Services transferred over time	109,759	116,698
Revenue from contracts with customers from continuing operations	**122,206**	**127,445**

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.

Operating lease revenue

Operating lease revenue was charged to the lessee for the construction, connection and ownership of the Te Uku Wind Farm up until 30 June 2020 at which time this lease was modified and recorded as a finance lease. Refer to note 26 for further information.

11. Revenue (continued)

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.

Infratec EPC 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. Development and consultancy work is recognised at a point in time on completion and delivery of milestones. Project revenue is recognised over time as there is no alternative use for the asset and the Group have an enforceable right to payment for 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.

Other income

The majority of other income relates to revenue from OurPower Holdings 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.

12. Non-current liabilities - Borrowings

Bond Borrowings

	CONSOLIDATED	
	2022 $'000	2021 $'000
Maturing between 1 and 2 years	148,856	-
Maturing between 2 and 3 years	-	152,178
Total borrowings	**148,856**	**152,178**

Refer to note 42 for further information on financial instruments.

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 37).

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 asset at 31 March 2022 is nil (2021: $3.8M) and the fair value of the derivative liability at 31 March 2022 $0.2M (2021: nil).

The carrying value of bond debt is $148.9M (2021: $152.2M). The fair value of contractual cash flows is $159.8M (2021: $167.2M). Refer to note 42.

12. Non-current liabilities - Borrowings (continued)

Following the sale of UFF Holdings Limited, total bank facilities were further reduced in June 2021 from $125M to $45M, of which $45M remains available to the Group to be drawn as at 31 March 2022. The facilities expire as follows:

Facility expiry date	Facility available $'000	Total facility $'000
30 November 2022	15,000	15,000
30 November 2023	15,000	15,000
30 June 2024	15,000	15,000
	45,000	**45,000**

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.

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.

13. Finance expenses

	CONSOLIDATED	
	2022 $'000	2021 $'000
Interest and finance charges paid/payable	7,120	13,768
Finance expense on leases	74	70
Interest swap termination costs	-	17,944
	7,194	**31,782**

The interest rate swaps on bank borrowings were terminated on 30 September 2020 which resulted in the hedging reserve balance loss of $17.94M being reclassified in the statement of profit and loss in finance expenses.

14. Finance income

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000
Short-term bank deposits	153	298
Finance income on lease	1,692	1,261
Fair value of Redeemable Convertible Preference shares (note 24)	5,466	5,297
Fair value of vendor tax losses receivable	37	-
	7,348	**6,856**

15. Net debt reconciliation

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000
Net debt		
Cash and cash equivalents	211,495	124,047
Borrowings - repayable after one year	(148,856)	(152,178)
	62,639	**(28,131)**

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000
Net debt		
Cash and cash equivalents	211,495	124,047
Gross debt - fixed interest rates	(75,000)	(75,000)
Gross debt - variable interest rates	(73,856)	(77,178)
	62,639	**(28,131)**

15. Net debt reconciliation (continued)

	Cash and cash equivalents $'000	Borrowings due within one year $'000	Borrowings due after one year $'000	Total $'000
Net debt as at 1 April 2020				
Opening balance	987	-	(604,241)	(603,254)
Cash flows	123,060	-	453,670	576,730
Other non-cash movements*	-	-	(1,607)	(1,607)
Net debt as at 31 March 2021	**124,047**	-	**(152,178)**	**(28,131)**
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**

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

16. Expenses, excluding finance costs

	CONSOLIDATED	
	2022 $'000	2021 $'000
Transmission costs	26,641	27,063
Employee benefits	39,610	34,115
Capitalised labour	(14,812)	(12,888)
Materials and services	5,101	3,583
Contracting services	6,041	5,575
Consultancy	4,300	2,467
Electricity costs	4,514	3,099
Net loss on disposal of property, plant and equipment	3,451	5,045
Vehicle expenditure	1,276	1,179
Operating leases	122	40
Directors' fees	550	455
Bad debts written off	36	70
Change in provision for impaired receivables	4	22
Other expenses	5,959	5,243
Impairment loss	-	850
	82,793	**75,918**

17. Other gains

	CONSOLIDATED	
	2022 $'000	2021 $'000
Gain on electricity price derivatives	1,594	5,191
Investment income	898	-
	2,492	**5,191**

18. Depreciation and amortisation expense

	CONSOLIDATED	
	2022 $'000	2021 $'000
Depreciation:		
Buildings	352	269
Plant and equipment	3,554	3,612
Motor vehicles	1,033	1,036
Distribution network	14,505	19,501
Computer hardware	612	589
Amortisation:		
Computer software	1,385	1,099
Internally generated software	469	427
Easements and consents	47	50
Customer contracts	385	128
Right of use assets:		
Land and buildings	199	117
Plant and equipment	90	88
	22,631	**26,916**

19. Income tax

	CONSOLIDATED	
	2022 $'000	2021 $'000
Income tax expense		
Current tax	414	2,598
Deferred tax	3,676	8,554
Aggregate income tax expense	**4,090**	**11,152**
Income tax expense is attributable to:		
Profit from continuing operations	4,090	810
Profit from discontinued operations	-	10,342
Aggregate income tax expense	**4,090**	**11,152**
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense from continuing operations	19,428	5,370
Profit before income tax expense from discontinued operations	-	229,949
	19,428	**235,319**
Tax at the statutory tax rate of 28%	5,440	65,889
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non deductible expenses	1	9
Foreign investment fund income	15	-
Convertible note interest	(12)	(158)
RCP shares discount unwind	(1,540)	(1,483)
Gain on sale of discontinued operations	-	(60,069)
	3,904	**4,188**
Prior period deferred tax adjustment	956	103
Prior period tax expense adjustment	(1,105)	76
Current year deferred tax movement related to revaluation and disposals	335	-
Tax losses derecognised/(utilised)	-	6,785
Income tax expense	**4,090**	**11,152**

19. 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 2020	105,591	(966)	(4,874)	(10,277)	-	-	89,474
Charged/(credited) to the statement of comprehensive income	(728)	(1,683)	-	3,492	(36)	724	1,769
Charged/(credited) directly to equity - derivatives and revaluations	753	-	4,874	-	-	-	5,627
Opening balance - Infratec NZ Ltd	-	-	-	-	216	-	216
Sale of discontinued operation	(18,167)	449	-	-	-	-	(17,718)
Derecognition of tax losses	-	-	-	6,785	-	-	6,785
As at 31 March 2021	**87,449**	**(2,200)**	**-**	**-**	**180**	**724**	**86,153**

	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**

19. 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.

20. Imputation credit account

	CONSOLIDATED	
	2022 $'000	2021 $'000
Imputation credits available for subsequent financial years based on a tax rate of 28%	**46,020**	**46,233**

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

21. Current assets - Cash and cash equivalents

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.

22. Current assets - Trade and other receivables

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000
Trade receivables:	10,842	10,731
Amounts due from customers for contract work	143	142
Less: Allowance for expected credit losses	(611)	(607)
	10,374	**10,266**
Related party receivable	210	210
Prepayments	1,218	1,164
Other receivables	83	83
Other receivables - vendor tax losses due (note 7)	2,150	2,771
Goods and services tax	508	-
	4,169	**4,228**
	14,543	**14,494**

Allowance for expected credit losses

The Group has recognised a loss of $4,000 (2021: $22,000) in profit or loss in respect of the expected credit losses for the year ended 31 March 2022.

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

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000
Expected credit losses:		
Current 0.5%	45	69
Between one to three months 5.5%	8	6
Over three months 56.4%	558	532
	611	**607**

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

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000
Opening balance	607	886
Increase in provision	4	22
Decrease in provision due to discontinued operations	-	(301)
Closing balance	**611**	**607**

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

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000
Trade receivables		
Current	9,246	9,033
Between one to three months	138	430
Over three months	990	803
	10,374	**10,266**

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 42 for information on the risk management policy of the Group.

23. Current assets - Work in progress

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000
Work in progress - at cost	**147**	**79**

Accounting policy for work in progress

Work in progress relates to projects for Infratec that are in progress as at balance date. Cost comprises of direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

24. Current assets - Redeemable Convertible Preference shares

	CONSOLIDATED	
	2022 $'000	2021 $'000
Redeemable Convertible Preference shares	-	**194,534**

Critical accounting judgements, estimates and assumptions

On sale of WEL's share in UFF Holdings Limited, Redeemable Convertible Preference shares ("RCP shares") with a face value of $200M were issued to WEL Networks Limited by First Fibre Bidco NZ Limited. Due to the ability to appoint two directors and provision of certain voting rights the Group considers that the RCP shares represented significant influence; however the benefits associated with these instruments in substance did not currently give access to the returns associated with an ownership interest and have therefore been accounted for under NZ IFRS 9 Financial Instruments as financial assets measured at fair value through profit and loss.

An amount of $5.5M has been recognised in finance income in the statement of profit or loss for the year ended 31 March 2022 (2021: $5.3M). The RCP shares were redeemed on 22 March 2022 for the full subscription price of $200M. Refer to note 7 for further information.

As at 31 March 2021, the RCP shares were valued using a discounted cash flow (DCF) methodology using a discount rate of between 2.50% - 3.12% with a midpoint of 2.81% and based on the expected redemption date of 31 March 2022. The discount rate was based on the current market pricing reflecting the counterparty risk. This was a Level 3 valuation.

2021 RCP Shares discount range valuation sensitivity to discount rate	Low $'000	Mid $'000	High $'000
Face value	200,000	200,000	200,000
Discount rate %	2.50%	2.81%	3.12%
Fair value	195,122	194,534	193,949

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

During May 2021, WEL Networks Limited (WEL) invested $80M into managed equity and fixed interest investment funds. The investments held within these managed funds are in the form of fund units and as such are classified as equity instruments.

	CONSOLIDATED	
	2022 $'000	2021 $'000
Paua Wealth Management Fund	39,504	-
Harbour Asset Management Fund	39,807	-
	79,311	-

An amount 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 2022.

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.

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 42 for further information on financial instruments.

26. Non-current assets - Net investment in lease

	CONSOLIDATED	
	2022 $'000	2021 $'000
Net investment in lease - current	571	550
Net investment in lease - non current	26,886	27,457
	27,457	**28,007**
Undiscounted lease receivable:		
Current net investment in lease	2,229	2,242
Maturing between 1 and 2 years	2,213	2,229
Maturing between 2 and 3 years	2,194	2,213
Maturing between 3 and 4 years	2,172	2,194
Maturing between 4 and 5 years	2,148	2,172
Beyond 5 years	50,016	52,164
Less effect of discounting	(33,515)	(35,207)
	27,457	**28,007**

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.

Critical 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.

26. Non-current assets - 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 (refer to note 9). 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%.

27. 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	Fibre network $'000	Total $'000
Balance at 1 April 2020	2,292	396	2,837	5,525
Additions through business combinations (note 8)	294	-	-	294
Additions	154	4	189	347
Disposal on sale of discontinued operation (note 7)	(903)	-	(2,785)	(3,688)
Depreciation expense	(304)	(88)	(241)	(633)
Balance at 31 March 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**

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 $35,000 for short term leases and $20,000 for low value leases for the year ended 31 March 2022 (2021: $32,000 and $3,000).

28. Current liabilities - Lease liabilities

	CONSOLIDATED	
	2022 $'000	2021 $'000
Lease liability	**273**	**231**

29. Non-current liabilities - Lease liabilities

	CONSOLIDATED	
	2022 $'000	2021 $'000
Lease liability	**1,678**	**1,674**

Total cash outflow for leases is $345,000 for 31 March 2022 (2021: $241,000).

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.

30. Current liabilities - Trade and other payables

	CONSOLIDATED	
	2022 $'000	2021 $'000
Trade payables	9,852	7,443
Goods and services tax	-	92
Interest payable	1,011	921
Other payables	5,221	2,659
	16,084	**11,115**

Refer to note 42 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.

31. Current liabilities - Employee benefit obligations

	CONSOLIDATED	
	2022 $'000	2021 $'000
Annual leave	2,421	2,058
Employee benefits	1,094	1,056
	3,515	**3,114**

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.

32. Non-current liabilities - Employee benefit obligations

	CONSOLIDATED	
	2022 $'000	2021 $'000
Employee benefits	**118**	**112**

33. Current liabilities - Contract liabilities

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

	CONSOLIDATED	
	2022 $'000	2021 $'000
Contract liabilities - third party contributions - electricity	11,171	7,379
Contract liabilities - solar	-	9
	11,171	**7,388**

Management expects that 63% of the electricity third party contributions and 100% of solar revenue relating to the unsatisfied contracts as at 31 March 2022 will be recognised as revenue in the next reporting period.

	CONSOLIDATED	
	2022 $'000	2021 $'000
Revenue recognised in continuing operations that was included in the contract liability balance at the beginning of the period:		
Third party contributions - electricity	4,681	4,678
Third party contributions - solar	9	-
	4,690	**4,678**

34. Non-current liabilities - Deferred Revenue

	CONSOLIDATED	
	2022 $'000	2021 $'000
Deferred Revenue	**827**	**856**

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 (2021: $29,385).

35. Key management personnel disclosures

Key management personnel compensation for the years ended 31 March 2022 and 31 March 2021 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 2022 include Jacqueline Colliar and Julian Cook who were appointed as directors, and Anthony Barnes and Candace Kinser who ceased as directors, in June 2021.

Compensation

The aggregate compensation made to Board of Directors and other members of key management personnel of the Group is set out below. Compensation paid to UFF Holdings Limited key management personnel is included up to 30 September 2020 (refer to note 7).

	CONSOLIDATED	
	2022 $'000	2021 $'000
Short-term employee benefits	**4,404**	**4,473**

36. 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	
	2022 $'000	2021 $'000
Interest on convertible notes (note 37)	(44)	(565)
Repayment of convertible notes (note 37)	(16,000)	(13,000)
	(16,044)	**(13,565)**

Total dividends/discount distributions paid during the period ended 31 March 2022 were $14.0M net (2021: $6.0M 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 (refer to note 37).

36. Related party transactions (continued)

Related party transactions with SmartCo Limited

SmartCo Limited is a joint venture of WEL Networks Limited.

	CONSOLIDATED	
	2022 $'000	2021 $'000
Transactions:		
Other income*	1,672	1,759
Operating expense (contract services expenditure)	(701)	(479)
Purchase of plant and equipment	-	(192)
Balances:		
Advance to related party	210	210

* In the previous year financial statements, other income provided to SmartCo Limited, including metering services, was incorrectly disclosed as $39k rather than $1,759k. This had no other impact on the financial statements (disclosure only).

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 Waipa Networks Limited

Waipa Networks Limited held a 15% share in UFF Holdings Limited which was sold on 30 September 2020. Transactions with Waipa Networks Limited are recorded as related party transactions to 30 September 2020. Refer to note 7 for further information.

	CONSOLIDATED	
	2022 $'000	2021 $'000
Transactions to 30 September 2020:		
Current year interest expense	-	1,746
Contract Services	-	261
Consulting Services	-	148

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. Refer to note 7 and note 24 for further information.

	CONSOLIDATED	
	2022 $'000	2021 $'000
Transactions from 1 October 2020:		
Pole rental revenue	159	85
Contract services	-	192
Sundry and other revenue	37	-
Operating expenses	(17)	(290)
Balances:		
Redeemable Convertible Preference shares	-	194,534

37. Equity - Contributed equity

	CONSOLIDATED			
	2022 Shares	2021 Shares	2022 $'000	2021 $'000
Ordinary shares - fully paid	8,153,000	8,153,000	111,142	111,142
Convertible notes				16,000
	8,153,000	**8,153,000**	**111,142**	**127,142**

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

Accounting policy for convertible notes

Convertible notes issued by WEL Networks Limited can be converted to non-participating redeemable shares (NPRS) at the option of the issuer, and as the number of NPRS to be issued does not vary with changes in fair value, are classified as equity. Convertible notes are initially measured at fair value, and are not subsequently re-measured except on conversion or expiry.

Interest payments on convertible notes are recorded as a distribution through the statement of movements in equity. The interest rate was 3.31% for the period to 30 April 2021 when the convertible notes were fully redeemed (2021: 3.31%).

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.

Critical 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 (as outlined in note 11), 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.

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.

38. Equity - Reserves

	CONSOLIDATED	
	2022 $'000	2021 $'000
Revaluation reserve	208,493	159,436
Cashflow hedge reserve	(165)	-
	208,328	**159,436**

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 2020	156,821	(12,535)	144,286
Revaluation - gross	4,929	-	4,929
Deferred tax on revaluation	(753)	-	(753)
Disposal of distribution network assets	(1,561)	-	(1,561)
Fair value gains/(losses) in year	-	(535)	(535)
Deferred tax on fair value gains/(losses)	-	150	150
Reclassification of previous gains/(losses) to statement of profit or loss	-	12,920	12,920
Balance at 31 March 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**

39. Equity - Retained earnings

	CONSOLIDATED	
	2022 $'000	2021 $'000
Retained earnings at the beginning of the financial year	467,755	279,364
Profit after income tax expense for the year	15,338	193,395
Dividends/discount distributions paid	(13,983)	(6,000)
Disposal of distribution network assets	1,791	1,561
Interest on convertible notes	(44)	(565)
Retained earnings at the end of the financial year	**470,857**	**467,755**

40. Earnings per share

Weighted average number of shares used as the denominator

	2022 $'000	2021 $'000
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.

41. Derivative financial instruments

	CONSOLIDATED	
	2022 $'000	2021 $'000
Current assets		
Electricity price derivatives	1,720	2,962
Non-current assets		
Electricity price derivatives	1,420	1,869
Interest rate swaps - fair value hedges	-	3,785
	1,420	**5,654**
Current liabilities		
Forward foreign exchange contracts - cash flow hedges	(229)	-
Non-current liabilities		
Interest rate swaps - fair value hedges	(226)	-
	2,685	**8,616**

The notional principal amounts of the outstanding fair value interest rate contracts as at 31 March 2022 were $75M (2021: $75M). Refer to note 42 for further information.

As at 31 March 2022 the fixed rate was 4.90% (2021: 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 gain on these electricity price derivatives has been recorded in the statement of profit or loss of $1.6M for both realised and unrealised gains for 31 March 2022 (2021: $5.2M).

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 2022 are $10.0M (2021: nil).

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 38. 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.

41. Derivative financial instruments (continued)

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.

42. 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 2022, 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 (2021: nil).

42. Financial instruments (continued)

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.

2021 Consolidated	Maturity Date	Face value $'000	Unamortised costs $'000	Adjustment on hedged risk $'000	Carrying value $'000
Bond (4.90%)	Aug 23	150,000	(1,607)	3,785	152,178
Fair value interest rate swaps (2.64%)	Aug 23	(75,000)	-	-	-
		75,000	**(1,607)**	**3,785**	**152,178**

2022 Consolidated	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**

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 April	(4,011)	(1,274)
Change in value of hedge item used to determine hedge effectiveness	4,011	1,274

42. Financial instruments (continued)

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 2021	Carrying amount $'000	Profit $'000	Equity $'000
Financial assets:			
Cash and cash equivalents	124,047	1,240	-
Trade and other receivables	13,329	-	-
Derivative financial instruments	3,785	38	-
Redeemable Convertible Preference Shares	194,534	1,945	-
Financial liabilities:			
Trade and other payables	11,023	-	-
Interest bearing liabilities	152,178	1,522	-
Lease liabilities	1,905	19	-
Total increase/ (decrease)		**4,742**	-

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**	-

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 22 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 25% (2021: 31%) 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.

42. Financial instruments (continued)

In respect of the Redeemable Convertible Preference shares, the discount rate used to fair value these incorporates a risk of default, reflecting counterparty risk, and therefore factors in any expected credit loss. Refer to note 24 for further information.

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 43), 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 37, 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.

42. 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 2021	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	7,350	152,497	-	-	167,197	152,178
Trade and other payables	11,023	-	-	-	-	11,023	11,023
Lease liabilities	231	203	73	134	1,264	1,905	1,905
Total non-derivatives	**18,604**	**7,553**	**152,570**	**134**	**1,264**	**180,125**	**165,106**
Derivatives							
Interest rate swaps							
- inflow	3,675	4,134	1,364	-	-	-	-
- outflow	(2,020)	(2,526)	(842)	-	-	-	3,785
	1,655	**1,608**	**522**	**-**	**-**	**-**	**3,785**

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)**

42. 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, it's 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.

42. 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 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total balance $'000
Assets				
Interest rate contracts	-	3,785	-	3,785
Electricity price derivatives	4,831	-	-	4,831
Redeemable convertible preference shares	-	-	194,534	194,534
	4,831	**3,785**	**194,534**	**203,150**

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**

42. Fair value of financial instruments (continued)

Consolidated 2021	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	124,047	-	-	-	124,047
Trade receivables	13,329	-	-	-	13,329
Derivative financial instruments	-	-	3,785	-	3,785
Redeemable Convertible Preference shares	-	194,534	-	-	194,534
Electricity price derivatives	-	4,831	-	-	4,831
Other receivables - vendor tax losses due	-	1,388	-	-	1,388
Total financial assets	**137,376**	**200,753**	**3,785**	**-**	**341,914**
Liabilities					
Trade and other payables	-	11,023	-	-	11,023
Borrowings - non current	-	152,178	-	-	152,178
Lease liability	-	1,905	-	-	1,905
Total financial liabilities	**-**	**165,106**	**-**	**-**	**165,106**

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**	**82,452**	-	-	**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	**-**	**179,120**	**226**	**-**	**179,346**

43. Contingent liabilities

As at 31 March 2022 the Group had a total of $2.28 million contingent liabilities to support contracts entered into (2021: $1.78M).

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

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.

44. Commitments

Capital commitments

There is $11.4M committed capital expenditure relating to a battery acquisition as at 31 March 2022 (2021: nil).

45. Cash flow information

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

	CONSOLIDATED	
	2022 $'000	2021 $'000
Profit after income tax expense from continuing operations for the year	15,338	4,560
Adjustments for:		
Depreciation and amortisation	22,631	26,916
Net loss on disposal of property, plant and equipment	3,451	5,895
Financing costs	(154)	24,926
Investment income	(898)	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(670)	(53)
Decrease in provision for income tax	(2,437)	847
Increase/(decrease) in trade and other payables	22,663	(1,770)
Increase/(decrease) in deferred tax liabilities	3,676	(1,789)
Net cash from operating activities	**63,600**	**59,532**

46. Events after the reporting period

The $12M proposed discount, relating to the WEL Electricity Discount Programme for the year ended 31 March 2022, was paid to consumers on 4 April 2022 (refer to note 11).

Subsequent to balance date, WEL entered into an agreement to construct an embedded network for a customer within our network. Included in the agreement is the option for the embedded network owner to give notice to WEL and require WEL to acquire the embedded network within 12 months of the commencement date provided all conditions are met. The expected impact is a contingency valued between $2.5M - $3.0M.

There were no other events occurring subsequent to 31 March 2022 which require adjustments to or disclosure in the financial statements.

47. 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	
	2022 $'000	2021 $'000
Audit services - PwC		
Audit financial statements	282	272
Half year review	72	64
	354	**336**
Assurance and audit related services – PwC*		
Assurance procedures on disclosure information - current year	57	53
Assurance procedures on disclosure information - prior year	-	5
Assurance procedures on the telecommunications development levy - prior year	-	5
	57	**63**
Other services - PwC		
Regulatory advice	8	43
Training costs - PwC Academy Subscription Fees	4	-
Due diligence**	-	76
	12	**119**

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

**PwC completed financial and tax due diligence work as required in relation to a potential investment purchase in October 2020

Independent Auditors 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 2022, 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 2022;
- 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 has 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.

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pwc

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 $676m as at 31 March 2022 as disclosed in note 9 to the financial statements.
 	
The directors engaged an expert to perform a full valuation of the electricity network as at 31 March 2022. This resulted in the carrying value of the electricity network being revalued to a revised valuation midpoint of $676m, with a gain on revaluation recognised in other comprehensive income of $51m.
 	
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 judgements applied to determine the fair value as at 31 March 2022.
	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 the 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 growth rates by comparison to industry data;
	  ○ terminal growth rate, by comparison to economic forecasts; 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.
	• Ensuring the revaluation has been correctly recorded in the financial statements.
	• Performing sensitivity analysis on the significant assumptions.
	• Considering the adequacy of the Group's disclosures.
	
	There are no matters to report as a result of our procedures.

Our audit approach

Overview

	Overall group materiality: $1.58M, 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 2022.
	Following our assessment of the risk of 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 industries 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
27 May 2022

Auckland

Directors' Report and Statutory Information

1. Directors' Remuneration

	Annual Remuneration	Committee Fees	Total Remuneration	Reimbursement of Expenditure
Rob Campbell	$104,500	-	$104,500	$558.90
Tony Barnes (ceased 30 June 2021)	$14,375	-	$14,375	
Carolyn Steele	$57,500	$10,650	$68,150	
Barry Harris	$57,500	-	$57,500	
Geoff Lawrie	$57,500	$6,500	$64,000	$1,756.76
Paul Connell	$57,500	-	$57,500	$266.43
Candace Kinser (ceased 30 June 2021)	$14,375	$1,625	$16,000	$532
Julian Cook (start 1 July 2021)	$43,125	-	$43,125	
Jacqueline Colliar (start 1 July 2021)	$43,125	-	$43,125	
Total	$449,500	$18,775	$468,275	$3,114.09

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 2022

$ Band	WEL Continuing Employees	WEL Discontinued Employees	Infratec Continuing Employees	Infratec Discontinued Employees
330,000-339,000	2			
320,000-329,000	1			
310,000-319,000				
300,000-309,999				1
290,000-299,999				
280,000-289,999				
270,000-279,999	5			
260,000-269,999	1	1		
250,000-259,999			1	
240,000-249,999				
230,000-239,999	1			
220,000-229,999				
210,000-219,999	1			
200,000-209,999	4		1	
190,000-199,999	3	1		
180,000-189,999	1			
170,000-179,999	1			
160,000-169,999	2			
150,000-159,999	6	1	1	
140,000-149,999	5	1		
130,000-139,999	15	1	1	
120,000-129,999	28		2	
110,000-119,999	42		2	
100,000-109,999	31	1	7	

WEL Networks Limited Chief Executive Remuneration for the year ended 31 March 2022

Base Salary	Short Term Incentives	Other Benefits	Total Remuneration
724,384	21,731		746,115

5. Shareholders

As at 31 March 2022, 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 2022:

	2022		2021	
	Female	Male	Female	Male
Board of Directors	2	5	2	5
Officers	3	7	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	36,335,000	24.22%
NZL	WEL010	2	333082527	Custodial Services Limited	P O Box 13155 Tauranga Central Tauranga 3141	No	25,060,000	16.71%
NZL	WEL010	3	333082527	FNZ Custodians Limited	P O Box 396 Wellington 6140	No	24,521,000	16.35%
NZL	WEL010	4	220001091	New Zealand Central Securities Depository Limited	P O Box 5240 Victoria Street West Auckland 1142	No	19,405,000	12.94%
NZL	WEL010	5	335943538	Hobson Wealth Custodian Limited	P O Box 991 Wellington 6140	No	6,160,000	4.11%
NZL	WEL010	6	220037681	Forsyth Barr Custodians Limited	Private Bag 1999 Dunedin 9054	No	2,834,000	1.89%
NZL	WEL010	7	220039056	Forsyth Barr Custodians Limited	Private Bag 1999 Dunedin 9054	No	1,630,000	1.09%
NZL	WEL010	8	333326825	Masfen Securities Limited	P O Box 2757 Shortland Street Auckland 1140	No	1,200,000	0.80%
NZL	WEL010	9	333082560	FNZ Custodians Limited	P O Box 396 Wellington 6140	No	622,000	0.41%
NZL	WEL010	10	330388340	Woolf Fisher Trust Inc	P O Box 17084 Greenlane Auckland 1546	No	622,000	0.41%
NZL	WEL010	11	332995979	Sports Car World Limited	310 Kohimarama Road St Heliers Auckland 1071	No	525,000	0.35%
NZL	WEL010	12	330603887	J M Butland Limited	P O Box 62661 Greenlane Auckland 1546	No	480,000	0.32%
NZL	WEL010	13	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	14	335178793	Best Farm Limited	107B Westchester Drive Churton Park Wellington 6037	No	400,000	0.27%
NZL	WEL010	15	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	16	331330493	Francis Horton Tuck	P O Box 27 Whitford Auckland 2149	No	390,000	0.26%
NZL	WEL010	17	335225228	JNWere (NZ) Nominees Limited	Private Bag 92085 Victoria Street West Auckland 1142	No	387,000	0.26%
NZL	WEL010	18	330773162	Dunedin Diocesan Trust Board <Income Fund A/C>	P O Box 13170 Green Island Dunedin 9052	No	350,000	0.23%
NZL	WEL010	19	333082543	FNZ Custodians Limited <DRP NZ A/C>	P O Box 396 Wellington 6140	No	315,000	0.21%
NZL	WEL010	20	331930075	Andrew George Anson & Joanne Patricia Anson <Centurion Family A/C>	53 Kensington Drive RD 1 Wiakanae 5391	No	300,000	0.20%

Directory

Registered Office

114 Maui Street
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New Zealand

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Facsimile 64-7-850 3210

Website www.wel.co.nz

Email connect@wel.co.nz

Directors Holding Office

Robert (Rob) J Campbell – Chair (Resigned 14 June 2022)

Jacqueline (Jackie) M Colliar

Paul A Connell

Julian B Cook

Barry S Harris

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

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WELGroup.

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