Annual Report 2024

WEL Group.

This is the Annual Report of WEL Group

Signed for and on behalf of the Board of Directors

Barry Harris

CHAIR

Carolyn Steele

AUDIT AND RISK COMMITTEE CHAIR

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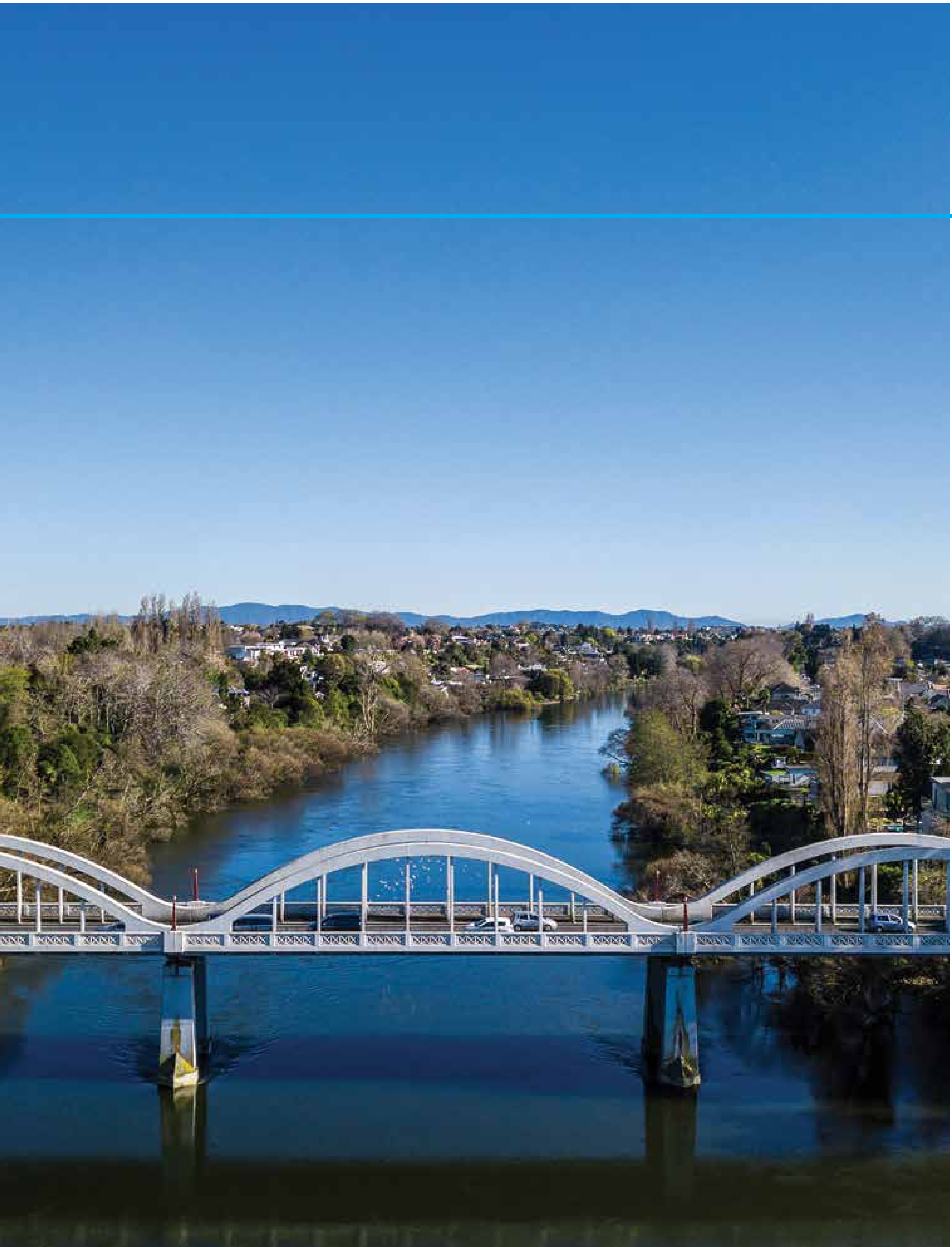


About WEL Group

Mō te Rōpū WEL

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

With over 100,000 residential 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.

A Snapshot - WEL Group

He whakarāpopototanga - Te Rōpū WEL

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

$784M

worth of electricity network infrastructure.

Over the next decade, we've planned to spend

$246M

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

FIND OUT MORE IN OUR 2024 ASSET MANAGEMENT PLAN UPDATE.

WEL Group is

100%

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

WEL Networks connects

100,917

residential properties, small businesses and commercial/industrial sites to a power supply within our network area.

Over

360

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

WEL Networks maintains

7,099

kilometres of lines.

47.6% are overhead, 52.4% are underground.

This includes LV service lines but excludes street lighting and hot water pilots, fibre and communications lines.

69,612

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.

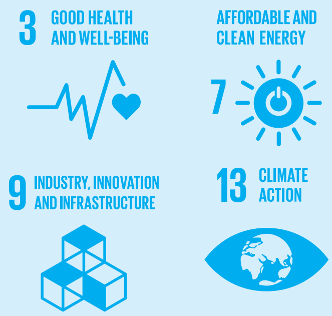
From April 2023 to March 2024 across our 23 public EV chargers within our network we've saved

413,000kg of CO2e.

We've also delivered approximately 450,000kWh. This translates to approximately 3 million km of EV range.

We've aligned our activity to four of the United Nations'

Sustainable Development Goals (SDGs)



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

VIEW OUR SUSTAINABILITY SECTION ON PAGE 14.

Group Chair Report

Te Pūrongo a te Heamana

Barry Harris

The WEL Group delivered another year of positive financial performance and completed a number of key strategic projects which are readying the business for the future. Our ongoing focus centres on sustainability and delivering value to our communities.

Our Community

In alignment with our shareholder the WEL Energy Trust (Trust), WEL continued the discount programme and paid the discount in April 2024 which totalled $14.3M (including GST). The discount went out to over 100,000 customers with an average discount for residential customers of $142.35 (including GST).

Additionally, WEL paid a $6.0M dividend to the Trust to enable them to undertake their philanthropic activities.

Health, Safety and Wellbeing

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

Financial Performance

WEL Networks has had a strong financial performance through to March 2024. Highlights include:

- Revenue of $180M was $34M up largely due to the growth in the Infratec business and higher lines revenue due to increased customer connections and consumption.
- The repayment of the $150M Subordinated Bond out of cash and term deposits has reduced Total Assets by $117M, offset by an increase in Property, Plant and Equipment by $74M to $884M.
- The Group's equity as at 31 March 2024 increased to $803M, up $13M from the previous year.

Sustainability

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

The Company's sustainability programme aligns to 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 now in a period of unprecedented change and growth driven by the necessity to meet carbon reduction requirements to ensure reasonable outcomes for the environment. We are now seeing the predicted growth in customer adoption of renewables within distribution networks take hold.

Strategy

In response to these industry and sustainability drivers, 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. In October 2023 we opened the 35MWh Battery Energy Storage System (BESS) in Huntly. Rotohiko is the first large scale BESS in New Zealand and a milestone project for the business.

In March we started the commissioning process for the 4.8MW Naumai Solar Farm in Ruawai, Northland. We also received consent for two more solar farms totalling 32MW and we continue to focus on further opportunities in supporting electric vehicles, building battery storage 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.

We established NewPower Limited to hold, operate and maintain WEL's generation assets, including Rotohiko. More assets are planned for delivery including the 4.8MW Naumai Solar Farm in Northland which is now operational. Solar farms at Te Ohaaki (22.4MW) and Rangimarie (10MW) have been consented for construction by Infratec and are both in WEL's geographical network area.

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 have commenced our journey to deepen our understanding of the history and significance of sites within our region to our local Iwi and more generally our understanding of te ao Māori. Directors and senior staff took part in the Rangiriri cultural tour with mana whenua Ngati Naho to understand the cultural importance of the Rangiriri Pa site and surrounding area. We are committed to continue to build cultural capacity at both governance and business levels.

Directors

In March 2024 we welcomed our new Emerging Director, Amanda Hockley.

In Summary

The Company has delivered strong financial results and our continued progress towards longer term safety, sustainability and social responsibility goals has been positive.

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

WEL Networks Chief Executive Report

Te Pūrongo a te Pouwhakahaere Matua WEL

Garth Dibley

Our business has made significant progress towards our strategic goals with some key projects coming to fruition during the year. Our people have provided safe and reliable essential electricity services to our Waikato communities. We have delivered a few industry and New Zealand "firsts" which the whole team should be very proud of.

Health & Safety

We have progressed our "Good Work" approach to safety to ensure positive safety outcomes are the result of a planned approach to how we work every day. Our focus during the year has been on organisational learnings from events including incidents, near misses or work done well. We have continued with our Learning Teams approach to really engage our workers who are the subject matter experts to find opportunities and embed improvements. We also started work on reviewing our health and safety critical risks; again engaging with our people to ensure we get the most from their knowledge and experience to make sure our critical controls are effective and practical, as well as being well understood and implemented.

Promoting safety leadership within our community has remained a key activity through our public safety campaigns. At our annual *Stop for Safety* event our people contributed to the development of new safety campaigns including our recently launched "*It's not a Seat*" campaign. We have continued to run our campaign about the risks of scaffolding near electricity infrastructure and have presented to industry groups on the risks and requirements of working near our network. We have also ramped up our work with Fire and Emergency New Zealand to deliver free electric blanket testing to three local communities.

LV Works Management

WEL has developed Low Voltage (LV) Works Management procedures, driving health and safety innovation and a first for lines companies.

Four years ago the Electricity Engineers' Association (EEA), released the 20-page 'Guide to Low Voltage Works Management for Distribution (Network) Infrastructure Assets', detailing best practice safety procedures for workers on LV assets. This was in response to an incident at a network company where a worker was severely injured. The Guide needs correct interpretation for optimal safety outcomes.

WEL has translated the guidelines into 54 procedures across the LV network. Field workers have been involved all the way through, with a "field-up, rather than office-out" strategy. Every step in each procedure is accompanied by photos, in situ, with clear, concise explanations. This was crucial in acknowledging that different people have varying learning styles. Imagery assists our visual learners and we've produced podcasts featuring our people, talking their colleagues through the process. The first ever podcast has been listened to 160 times. There are 100 field staff.

We are actively sharing our procedures with the industry for the overall enhancement of health and safety outcomes.

OUR PEOPLE

WELBalanced

Our WELBalanced Programme delivers a range of additional health and wellness initiatives to support our people. Our range of flexible working options continue to be well utilised and valued by our people. Highlights from the year included flu shots, bowel cancer screening kits and continuing the provision of access to *My EveryDay Wellbeing*, which provides great resources on health and wellness for our people. In support of our commitment to inclusivity and diversity in our workplace we also made the Gender Pledge, a step towards the Gender Tick.

Enhancing our Employee Experience

In our third year of running our Culture Amp engagement and wellbeing survey we have achieved an outstanding participation rate of 92%. Our overall engagement score was 72% which compares favourably to the New Zealand benchmark of 67%, so a very positive result for the Company.

We value the feedback provided by our people and actively work to ensure our environment is welcoming, positive and one in which people feel valued, thereby supporting everyone to reach their full potential.

OUR PERFORMANCE

Reliability

WEL monitors the average amount of time that customers experience an outage (SAIDI) as an indicator of network reliability and resilience. In the last year we achieved 61.54 minutes for planned outages. WEL is not price quality regulated, however if we were we would have had a regulatory cap of 390 minutes for planned outages over the 5-year regulatory period. Including last year's result we achieved 181 minutes in total for the first four years of the regulatory period, this leaves 209 minutes remaining for the final year.

The total unplanned SAIDI was 58.30 minutes which is within the regulatory cap of 86.72 for the year.

PREPARING OUR BUSINESS FOR THE FUTURE

Regional Growth and Demand

The Waikato region continues to outperform against the national average in terms of new customer connections. The residential market has seen a slowdown given the recent financial conditions of higher interest rates and slower growth. The commercial market has been a counterbalance to that with a number of major developments of significant scale that have continued to progress including the Peacocke Development and the Sleepyhead Factory.

A major customer electrified their process heat during the year adding a full-time requirement for their 18MW load. Several other customers have approached us regarding their plans to electrify and decarbonise.

Growth and innovation in the generation, storage and use of electricity will be increasingly prevalent across our region in addition to the organic customer growth. A further 500 customers added Distributed Energy Resources (DER) to their connection within our network which is a 23% increase in connections with DER from 2023.

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

It's predicted that there'll be 42,000 EVs in our network area by 2033, along with significant growth in industrial process heat electrification and industrial automation, peak demand is forecast to grow from 312MW to 354MW.

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

- $851.8M into our network to support new businesses setting up in the Waikato, electrification of transport and industrial processes, and new housing supply (Network CAPEX)
- $124.1M into network maintenance to retain similar levels of reliability and service to meet customer expectations (Network OPEX)
- $94.7M (Non-Network CAPEX) and $334.1M (Non-Network OPEX) into our systems and capability to efficiently enable growth and new energy opportunities for our customers.

Resilience and Climate Change

We have progressed our resiliency work throughout the year. Our latest Asset Management Plan Update called "Switched-on to Resilience" was published on 31 March 2024. A key focus of our AMP is to ensure we respond effectively to the resilience challenges.

A Resilience Framework is in development and will guide and prioritise our activities. This strategy will be completed in FY25. Our roadmap of activity will be based on the following six macro-Megatrends:

1. Digital transformation and disruptive technologies (including cybersecurity)
2. Environmental, Social and Governance (ESG) and sustainability
3. Climate change mitigation and adaption and the low carbon energy transition
4. Labour, skills shortage, and demographic shifts
5. Trade and globalisation
6. Political and economic volatility

We have experienced a greater frequency of significant weather-related events over the past few years and expect that the impacts on WEL's network assets from climate related hazards will increase over time with climate change.

We completed the EEA resilience assessment and achieved an overall score of 2.54 (out of 4) across 71 individual elements, with a number of those already at "Competent" which is our target. A roadmap to prioritise work and improve lower scoring elements has been developed and improvements are factored into our asset management planning. We will look to both NZ and international examples of good practice to develop our resilience response.

Following the assessment of our climate related network risk we have now surveyed the locations identified as at risk, to clarify and quantify the risk.

A major resilience improvement project of the Raglan region has been approved and detailed design is currently underway.

E³ Strategy

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

Extract, *the value of our core* - Ensuring we gain the greatest benefit from the investments made in our core infrastructure.

- We have been working towards gaining ISO55001 certification to ensure our customers are gaining the benefit of our efficient asset management practices. We have had positive initial audits and the final audit is taking place April 2024. We expect certification is imminent.
- Two tier one contractors have been onboarded to aid with the significant amount of capital works required on the network. Their key focus is the Customer Initiated Works (CIW) capital spend however they are also being used to provide support during network events to further bolster our existing field staff.
- Our IT Digital Strategy has been finalised and includes a roadmap for the future, including dependencies, capacity and capabilities required to complete the initial years. We have kicked off our digital foundations programme including implementing an integration platform and a data platform to set us up for a digitally-based future. We have also upgraded our GIS platform to ESRI and have commenced our ERP upgrade project.
- We migrated our meter Headend platform from a software as a service to be “on prem” enabling more dynamic utilisation of WEL’s meter data and greater control over future functionality. This has furthered the Network Innovation and Performance team's ability to create algorithms and systems to improve network oversight, customer service levels and utilisation of network assets.

Explore, *energy solutions* - Providing what customers and businesses need today and tomorrow for a low carbon, low price, choice-driven energy future.

- Our We.EV business unit which provides end-to-end solutions for commercial businesses wanting to implement their own EV strategies and build their own EV fleets in an economically viable and environmentally sustainable way has installed over 150 chargers.
- We went live with a load aggregation platform and System Operator approved reserves market devices. This product is enabling commercial customers to offer their interruptible load into the Reserves Market and gain additional business revenue.

Expand, *into our future state* - Incubate new ideas with a view to invest in scale-ups and start-ups to increase our service offering and non-regulated revenues.

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

- Our 35MWh Battery Energy Storage System (BESS) Rotohiko was commissioned in 2024 and is offering into the Reserves Market assisting with the stability of the New Zealand electricity system through being a backup during grid emergencies. Rotohiko is the largest battery in New Zealand; a milestone project for WEL. It is capable of storing enough energy to meet the daily demands of over 2,000 homes.
- WEL has continued to pursue solar opportunities with three solar farms consented and construction on one nearing completion with a “go-live” in mid-2024.

IN SUMMARY

I’d like to thank the team for their efforts in maintaining a high level of service throughout the year in support of the significant growth in the Waikato while contributing to WEL’s strategic aspirations.

WEL Networks Sustainability Statement - 2024

Tauākī a te Kāhui Toitū WEL 2024

Background

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

The Management and Board of WEL 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 for our staff, our community, our shareholder and our environment.

The wellbeing of our staff and of our community is important to us. We demonstrate this through ensuring strong safety performance for our staff, contractors and for the public, by 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 social and environmental responsibilities within our community.

Our Company vision statement aligns with our overarching E^3 Strategy, in particular our focus on sustainability. Our Vision statement is: *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***
- a sought after commercial partner, recognised for our network resilience and our innovation in steering the community into the future, embracing new ways of managing the changing energy market while ***providing customer centric and resilient solutions***

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

EMPLOYEE RELATIONS,
WELFARE, DIVERSITY AND INCLUSION

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

3 GOOD HEALTH AND WELL-BEING

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

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

Health and Safety

WEL's Stop for Safety day returned in 2023 after a Covid enforced break of several years. The event brought the whole organisation together to think about health and safety and the role everyone plays in keeping themselves, colleagues and members of the public safe. Time was spent on the concept of Good Work and how it equates to positive safety outcomes, and how the health and safety continuous improvement roadmap is being advanced.

Along with Stop for Safety, a Safety Start day was held to begin the year by switching everyone on to a health and safety mindset both inside and outside of the workplace. Stations were set up showcasing a range of WEL work and included a mix of interactive participation and demonstrations. Following success broadening the event beyond field staff last year, office-based staff again joined WEL Services to ensure collective ownership of health and safety.

Low Voltage Works Management Project Industry Leading

The culmination of a significant Low Voltage Works Management (LVWM) project has resulted in both the first ever low voltage access permit and live work permit being issued on WEL's network in recent months.

LVWM ensures WEL staff, contractors and everyone involved with and in contact with, the low voltage network, are every day, home safe through the creation of a safer environment and improved safety outcomes.

A structured risk-based assessment approach to low voltage work has been developed along with a suite of work procedures. This has been complemented by new equipment specifically designed for LV tasks.

This work is industry leading in Aotearoa and is being shared with EDBs and industry stakeholders to improve safety across the board. Moving forward it will make for a more consistent and safer approach in situations where teams work on other networks.

WELBalanced Initiatives

Continued hard work has been aimed at ensuring WEL is a diverse and inclusive organisation with a great culture. This was highlighted by the Executive signing a Gender Pledge committing to support gender initiatives and advocate for gender equality, as progress is made towards acquiring Gender Tick status.

Delivering against SDG3 was clearly evident in this year's annual Culture AMP engagement survey where wellbeing topped all categories with a score of 82 out of 100. It was also pleasing that 86% of the 290 survey participants responded that they were proud to work for WEL Networks and that they rate the organisation's commitment to social responsibility highly.

Overall, WEL's engagement score was 72% which is on par with last year's result and is 5% above the national benchmark.

As in previous years, WELBalanced and social club activities were again important contributors to lifting the engagement, interaction and wellness of staff. New WELBalanced initiatives this year saw the implementation of the 9-day fortnight following an earlier trial period, hosting a range of active health seminars and entering a partnership with My Everyday Wellbeing to access a wealth of information and resources to help keep staff healthy. These new initiatives further added to a broad suite of existing offerings including; mole mapping, flu jabs, bowel cancer screening kits, sports team and *Round the Bridges* participation, as well as medical, life and income protection insurance.

In addition to WELBalanced initiatives, the social club committee organised a range of activities for staff to boost their health and wellbeing, and to foster shared experiences and strengthen relationships. The Tongariro crossing was a particular highlight for many, while other weekend activities included a fishing trip, go-karting and a day at Rainbow's End.

SUSTAINABLE COMMUNITY

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

AFFORDABLE AND CLEAN ENERGY
7

- Invest in the future of the local community through the provision of an affordable, reliable, safe supply of electricity through our network including through investment in large scale solar PV and battery support systems
- Reduce the risk of harm in the community from WEL assets through the effective implementation of a public safety management system
- Support the expansion of EV charging infrastructure across the network to encourage the uptake of EVs

Taking team building to new heights

New steps were built at the top of the Pukemokemoke Bush Reserve by WEL's Substation and Overhead teams.

The wood supplies were helicoptered to the top of the hill, whilst the teams made their way up on foot with tools and equipment.

The volunteering team responsible for the upkeep and project work at this site were grateful for WEL's assistance.

Electrical Safety Scaffold Training Provided

Raising awareness and highlighting the dangers of working near powerlines formed the basis of an industry-focused presentation to Access Safety Systems.

The purpose of the presentation is to ensure personnel stay safe around power, especially when working with scaffolding.

The presentation provided increased awareness of the dangers and what workers can do to keep themselves and the public safe.

We're looking forward to continuing our work in this space as part of our safety leadership focus within our communities.

WEL provides safety disconnections for a reason - to avoid tragic accidents - so please encourage your friends and family to request one if they are doing any home DIY work near lines.

Keeping our Waikato Communities Safe

A total of 220 electric blankets were tested across the Chartwell, Raglan and Te Kauwhata Fire Stations. Of those, 14 were removed due to the fire risk - potentially saving 14 house fires.

The annual electric blanket testing events are run by WEL Networks in conjunction with Alpha Electrical and Fire and Emergency New Zealand.

“I can’t help but think about the 14 potential house fires that have been prevented across the Waikato Fire District through the generosity and community spirit shown by WEL Networks and the team at Alpha Electrical.

We are truly grateful and appreciative of the fantastic support that WEL Networks provides to us and our communities. It is with the on-going support that we can provide this very important service. It is fantastic to work alongside and share the same enthusiasm in striving to make our communities a safer place for all,” Senior Advisor Community Readiness and Recovery Kevin Holmes said.

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

Giving back

As a 100% community-owned organisation, WEL values being able to give back and support the Waikato community in different ways. This year, as part of team building, WEL supported Hospice Waikato and Pukemokemoke Bush Reserve's building efforts.

WEL's Network Utilities team rolled up their sleeves and got stuck in at Waikato Hospice – a charity that is an integral part of the Waikato community.

From rubbish removal to painting the main entrance wall, general maintenance, and gardening – a significant amount of work was completed in a short timeframe.

The multi-cultural Network Utilities group encompasses two significant work groups: The Underground team (Cable Jointers and Civil) and the Data Capture team (Surveyors, Asset Inspectors and Cable Locators).

"We had them painting the entrance wall to Hospice, clearing debris from the driveway, spreading mulch, and emptying compost – they even covered the cost of a truck to take away the rubbish – they were extremely happy to put their hands up to do anything.

We simply can't thank you enough for choosing to support Hospice Waikato. Having a volunteer corporate group carrying out these tasks eliminates the need to contract out these services, which allows us to channel funds into patient care. You made a difference. Thank you again," Hospice Waikato Chief Executive Officer Craig Tamblyn said.

Public Safety Campaign Launched

WEL launched a new safety campaign aimed at discouraging those members of the public who sit on our assets, such as transformers and ring main units.

This campaign was a collaboration between WEL staff and stemmed from our recent Stop for Safety event.

This is one of the many campaigns we run as part of our commitment to educating our Waikato communities about the risks associated with electrical assets.

Supporting Pukete Neighbourhood House

WEL donated a total of $2,093 worth of period products to Pukete Neighbourhood House last year.

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

We're very proud to have been supporting the Pukete Neighbourhood House for the last four years.

The gift of giving

Christmas can be a challenging time of year for some people in our communities. Some rely on assistance from charities such as The Salvation Army (including their Foodbanks) and Kids in Need Waikato. Both of these charities are working hard to provide families with the essential basics and also some kindness and joy.

WEL staff supported both charities with significant foodbank donations and Christmas gifts.

WEL also donated $2,000 to both The Salvation Army and Kids in Need Waikato in December.

WEL Networks Electricity Discount

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

The discount went out to 100,577 customers with an average discount for residential customers of $142.35 (including GST).

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

The discount will show as a credit on customers' April or May power account, regardless of which retailer electricity is purchased from.

RESILIENT INFRASTRUCTURE

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

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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

Network Reliability a Key Focus

A focus on improving network reliability coupled with strengthening the network's resilience to more frequent and severe weather events and other threats like earthquakes, saw a number of key projects completed in the last twelve months.

The Kent St substation was upgraded. Circuit breakers that had reached the end of their useful life were replaced. The new circuit breakers provide more functionality and provide a quicker response time to network events. Seismic strengthening was also undertaken to reinforce the substation's structure and new safety features were installed to ensure the site can better withstand a major earthquake. Another substation to receive an upgrade was Gordonton. The work has improved reliability to 1,600 customers. The project included a new switchroom to house indoor switchgear and associated auxiliary equipment, as well as the reconfiguration of existing switchgear to allow the site to be maintained without customer outages.

Frankton benefited from a Massey St switching station upgrade that strengthened power supply to the area. This significant project involved decommissioning the existing 11kV switchgear and commissioning a new 11kV switchboard, along with associated communication and protection assets. The old building also received a makeover. The underground Garden Place switching station that was seismically vulnerable was decommissioned, with the CBD power supply reinforced through the installation of a dedicated 11kV feeder between WEL's Alexandra and Cobham switching stations.

Through the summer months a further network reliability improvement project took place. Crews worked across 40 sites over the course of four shutdowns in the Te Akau area. Eight poles were replaced along with 131 crossarms and three transformers. A collaborative approach to the project meant ten crews were involved from WEL Networks, Ventia, Downer and Nationwired.

WEL's continuous improvement journey is another key focus to ensuring ongoing network reliability. Optimising how the network is designed, built, operated and maintained from a system-wide perspective has been central to the organisation seeking ISO55001 certification. As a result of considerable work that has been done over the last year, building on foundations laid earlier, the business is well advanced in achieving certification to this international standard of demonstrated excellence.

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

In a New Zealand energy industry first, WEL Group entities; WEL Networks, Infratec and NewPower, have been responsible for the addition of 'Battery' as a new class of electricity generation in the System Operator's mix. The construction, commissioning and subsequent operation of a 35MWh Rotohiko Battery Energy Storage System (BESS) near Huntly, means utility scale battery stored electricity is now being discharged to the national grid, improving the resilience of New Zealand's electricity system.

Rotohiko stores enough energy to meet the daily demands of over 2,000 homes, with the facility providing fast and sustained reserves support for the North Island grid. It provides back up during grid emergencies and charging capacity for electric vehicles. Wholesale trading support opportunities will also be explored, and wholesale market relationships progressed, once the BESS has further settled into reserves market operations.

The BESS is also paving the way for other utility scale battery projects that will collectively reduce the need for non-renewable energy sources, therefore supporting New Zealand's Net Zero emissions target. With more solar farms set to further increase renewable energy generation in coming years, including a couple of WEL Group sites, utility scale batteries are key to storing the electricity generated off-peak, for consumption during peak demand.

WEL reaches 100,000 ICP milestone

WEL celebrated reaching the milestone of 100,000 network connections in July 2023, cementing WEL as one of the largest EDBs in the country. The milestone represented a continuation of sustained network growth during the last decade.

Prior to Covid, connections rose by around 1,300 annually and while a dip occurred during the pandemic, a significant rebound occurred in 2023. Over 2,000 new connections have been added to WEL's network during the last year.

Working towards a sustainable energy future for Aotearoa

In partnership and collaboration with the Dargaville community including the mana whenua Te Uri o Hau and Te Roroa, as well as local suppliers, Infratec has built, and at the time of publication, launched a 4.8MW Naumai solar farm in the Northland region. The venture marks another significant step towards a cleaner, more sustainable energy future for Aotearoa.

Along with being aligned to WEL's vision, Naumai is also aligned to WEL's overarching strategy and delivers against three of the four SDGs WEL is committed to - SDG13 to reduce emissions, SDG9 to build innovative, sustainable infrastructure and SDG7 to improve access to affordable and clean energy.

With Naumai launched, NewPower is set to assume operation of the 7,500 panel, 5.5ha facility.

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 are compared.

- Assess, measure and report greenhouse gas emissions
- Retain external certification for the WEL Group annual GHG emissions
- Monitor and reduce WEL GHG emissions intensity
- Move vehicles to hybrid technology and EV options where practical, and more efficient vehicle options where full EV options are not yet available

We.EV partners with Waitomo Group

We.EV's partnership with Waitomo Fuel Group has enabled the extension of We.EV's public charger offerings at preferred sites throughout New Zealand.

The partnership is a significant step forward as both businesses continue to cement their commitment to the region they call home, by providing users with a premium, fast-charging experience.

This will enable the future expansion of We.EV's charging network at a local and ultimately national level. With access to more choice in EVs in New Zealand, the number of consumers choosing to switch to electric vehicles is accelerating.

"We're expecting to see more than 42,000 EVs in the Waikato by 2033, which means that the infrastructure also needs to keep pace,"

Craig Marshall, Head of We.EV

Over the next three years, We.EV will be installing 160kW public fast chargers across multiple sites within the Waikato, as well as outside of the region.

Two 160kW DC chargers have been installed at Waitomo's Ruakura Superhub site, with additional sites planned throughout the Waikato and beyond.

Delivering innovative EV charging solutions

We.EV's smart electric vehicle charging offering has been extended to commercial and residential customers.

Commercial customers are provided with electric vehicle fleet oversight, prioritisation of EV chargers, automated billing and additional revenue streams.

Residential customers are provided with visibility of EV charging at home through the We.EV Live mobile application, including scheduling and reporting.

The overall We.EV offering is supported by the We.EV Live platform that provides WEL with charging activity oversight; unlocking the potential for a future of load control and other opportunities.

Institutional trailblazers set up EV-charging

We.EV assisted the University of Waikato with the transition of half of their existing fleet to electric vehicles. This involved the installation of 70 chargers across their Waikato and Bay of Plenty sites.

The collaboration between We.EV and the University of Waikato exemplifies successful partnership and implementation.

We.EV provided an all-in-one solution for planning, analysis, installation and management.

The Challenge

During the installation process, the team needed to work around keeping the University buildings open and find solutions to the limitations on electrical supply. Cost-effectively future-proofing the infrastructure was also a major challenge.

The Solution

We.EV proposed the installation of 64 Teltonika Teltocharge EV chargers equipped with dynamic load control capability. Given the restricted electrical supply, it was important to be mindful of overloading infrastructure when trying to charge multiple EVs at once.

The design has been futureproofed by developing an EV charging switchboard and other infrastructure to support the growth of the University's future fleet.

At the smaller Tauranga campus, the decision was made to install a DC fast charger for visiting staff, and the University was able to benefit from We.EV's range of solutions in charge point formats.

"This is just phase one. We will continue to make upgrades over the coming years to ensure the University of Waikato continues to take steps towards becoming more sustainable."

Jim Mercer, Chief Operating Officer, The University of Waikato

The Result

Creating a new revenue stream for the University, We.EV strategically positioned chargers in public areas to cater to students, staff and the general public EV charging needs. Through We.EV, the University can offer public charging at flexible tariff rates.

Connected up on We.EV's fully managed platform, the University's fleet management now has timely and useful data derived from automated billing and reporting to gain valuable insights into their fleet.

We.EV empowered the University to transition to electric vehicles seamlessly while enhancing operational efficiency and sustainability.

The University has taken one step towards reaching its sustainability goals, and We.EV looks forward to installing more EV charge points to continue showing their support to our communities.

Director Profiles as at 31 March 2024

He kīwhaiaro mō ngā Pouwhakahaere mai i te Maehe 31 2024

Barry Harris

Chair

Barry has extensive governance and executive experience. He is currently Chair of NIWA, McFall Fuel Limited, Waikato Regional Airport Limited and Titanium Park Limited.

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

Jackie Colliar

Director, People and Culture Committee Member

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

An experienced governor and Director, Jackie is a trustee for Taniwha Marae and serves as the Deputy Chair 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 and Director of City Care Group. 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.

Paul Connell

Director, Audit and Risk Committee Member

Paul is an experienced Director and Chair with over 40 years of commercial, governance and financial experience, including over 23 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 Telarc Limited and is Deputy Chair of the Accreditation Council, where he is also the Chair of the Audit and Risk Committee. He is a Director of ETEL Limited and The Environmental Protection Authority. He is a Fellow of Chartered Accountants Australia and New Zealand and Chartered Fellow of the Institute of Directors. He is an Independent Member of the Risk and Assurance Committee for Waikato Regional Council and the Independent Chair of the Audit and Risk Committee of Auckland Council. Paul was appointed to the Board of WEL Networks Limited in September 2019.

Julian Cook

Director, Audit and Risk Committee Member

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

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

Geoff Lawrie

Director, People and Culture Committee Chair, Audit and Risk Committee Member

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

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

Carolyn Steele

Director, Audit and Risk Committee Chair

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

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

Corporate Governance Statement

Tauākī Mana Whakahaere

Board of Directors

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

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

The Board runs two 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.

Additionally, the WEL Networks Board appoints Directors for its subsidiary companies being NewPower Energy Services Limited, NewPower Energy Limited and Infratec New Zealand Limited.

Risk Management

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

Compliance

The Company has processes in place to review compliance on an ongoing basis across all aspects of its business. The internal audit programme provides assurance across business activities, including compliance. The current programme which commenced in May 2023 comprises external reviews of: Information Technology and Operational Technology Cyber Security; Customer Data Privacy, Processes for Energy Trading in the Reserves Market; Effectiveness of the Customer Initiated Works Processes, the Health and Safety Management Programme and Benchmarking of the Company's Employee Value Proposition.

Health and Safety, Resilience, Sustainability and the Environment

The Board recognises the importance of a strong focus on health and safety, sustainability and the environment. It is 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 is in place. A broader Resilience Plan which incorporates six workstreams is in the initial stages of development: Digital Transformation and Disruptive Technologies; Climate Change Mitigation and Adaptation and the Low Carbon Energy Transition; Sustainability and ESG; Trade and Globalisation; Labour, Skills Shortages and Demographic Shifts; and Political and Economic Volatility. 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 any indemnity or insurance forbidden by section 162 of the Companies Act 1993 such as 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

Te Rārangi Aro a te rōpū WEL

Directors

Harris, Barry Spence (Chair)

Entity	Position
McFall Fuel Limited	Chair
National Institute of Water and Atmospheric Research (NIWA)	Chair
Waikato Regional Airport Limited	Chair
Titanium Park Limited	Chair
NewPower Energy Limited	Chair
NewPower Energy Services Limited	Chair
Infratec New Zealand Limited	Chair

Colliar, Jacqueline (Jackie) Maree

Entity	Position
Hamilton City Council	Employee
Taniwha Marae Trust	Trustee
Te Whakakitenga o Waikato	Elected Representative for Taniwha Marae, Te Arataura Member (Deputy Chair) and associated positions
Waikato District Council Governance Board	Board Intern
Ngaa Muka Development Trust	Trustee
Te Maataarae Ki Rangiriri General Partner Limited	Director
City Care Group	Director
NewPower Energy Limited	Director
NewPower Energy Services Limited	Director
Infratec New Zealand Limited	Director

Connell, Paul Anthony

Entity	Position
ETEL Limited	Director
The Accreditation Council	Deputy Chair and Chair of the Audit and Risk Committee
Telarc Limited	Chair
The Environmental Protection Authority	Director and Chair of the Audit and Risk Committee
Connell and Associates Limited	Director and Shareholder
Waikato Regional Council	Independent Member of the Risk and Assurance Committee
Auckland Council	Independent Chair of the Audit and Risk Committee
NewPower Energy Limited	Director
NewPower Energy Services Limited	Director
Infratec New Zealand Limited	Director

Cook, Julian Bradwell

Entity	Position
Sky City Entertainment Group Limited	Chair
Flaxmill Orchard Limited Partnership	Director
Motutapu Investments Limited	Director
Winton Property Limited	Director
Deakin TopCo Pty Limited (trading as Levande) (Australia)	Director
NewPower Energy Limited	Director
NewPower Energy Services Limited	Director
Infratec New Zealand Limited	Director

Lawrie, Geoffrey Alastair

Entity	Position
Auror Limited	Chair
Plan B (via Morgan Holdco)	Director
Younity Limited	Chair
Enable Networks Limited	Director
NewPower Energy Limited	Director
NewPower Energy Services Limited	Director
Infratec New Zealand Limited	Director

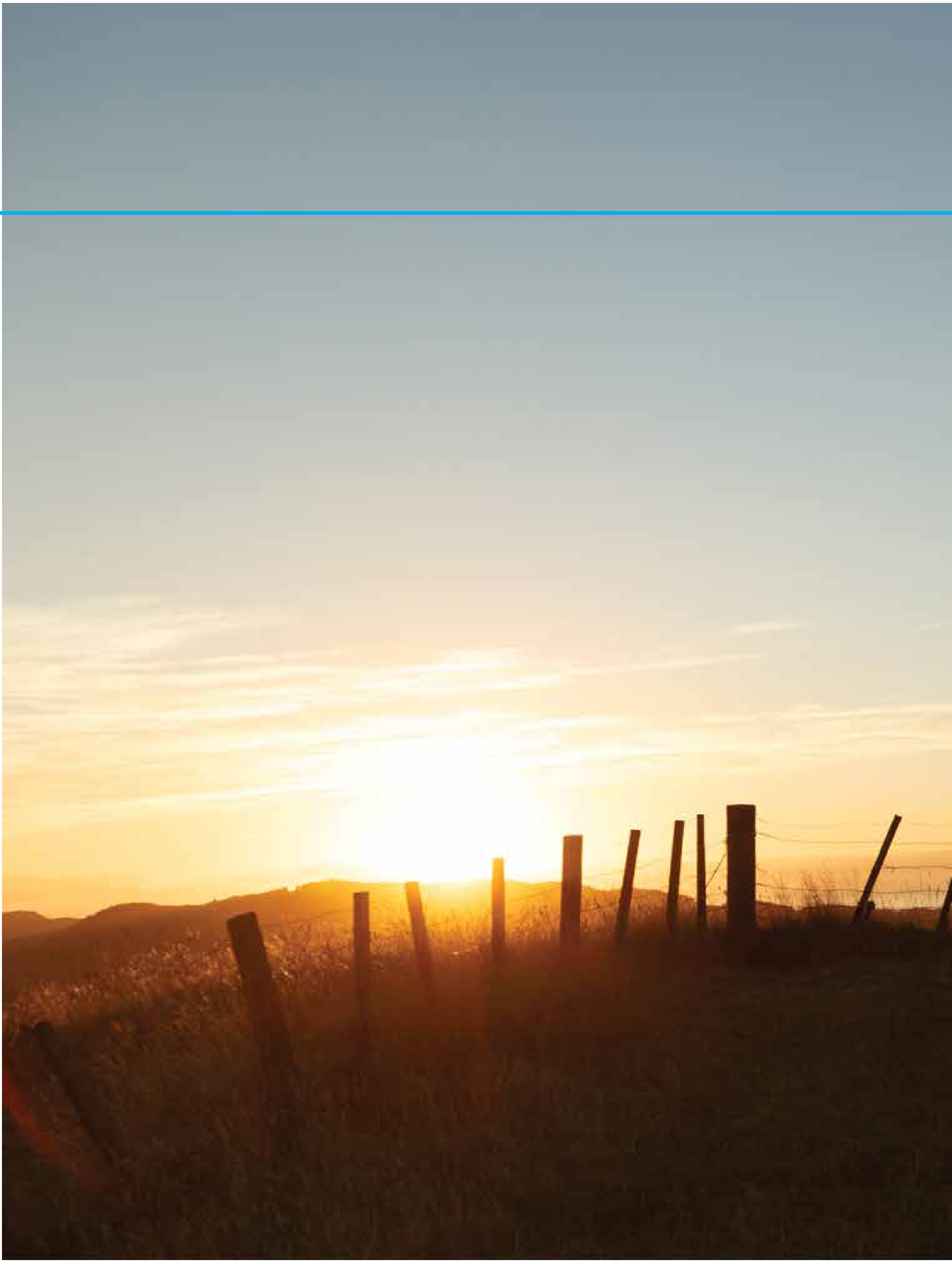
Steele, Carolyn Mary

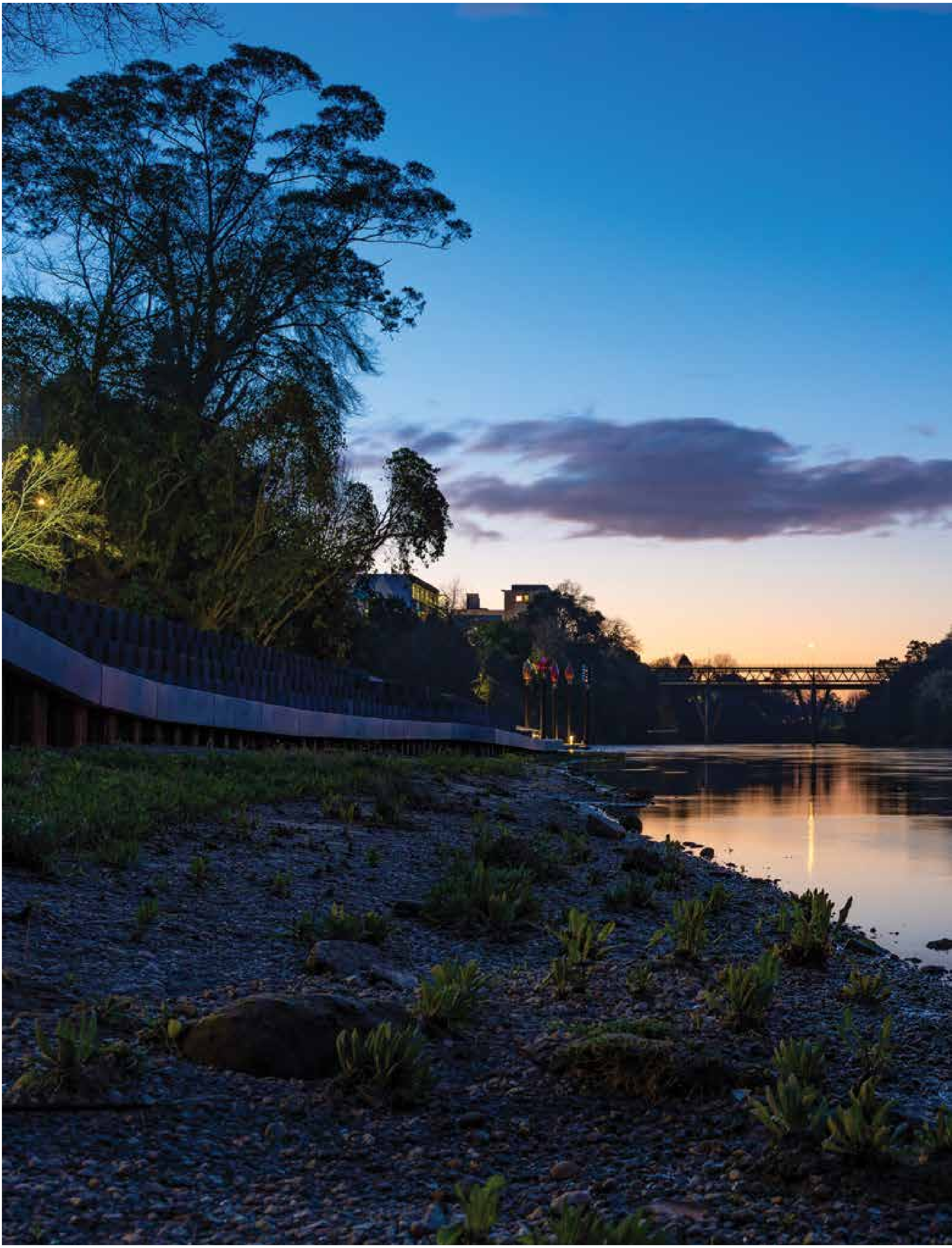
Entity	Position
Halberg Foundation	Chair
Green Cross Health Limited	Director and Chair of the Audit and Risk Committee
Forsyth Barr Limited	Husband is an employee and <0.2% shareholder
Steele Family Trust	Trustee
Oriens Capital GP2 Limited	Director and Investment Committee Member
Vulcan Steel Limited	Director and Chair of the Audit and Risk Committee
Property for Industry Limited	Director and Chair of the Audit and Risk Committee
NewPower Energy Limited	Director
NewPower Energy Services Limited	Director
Infratec New Zealand Limited	Director

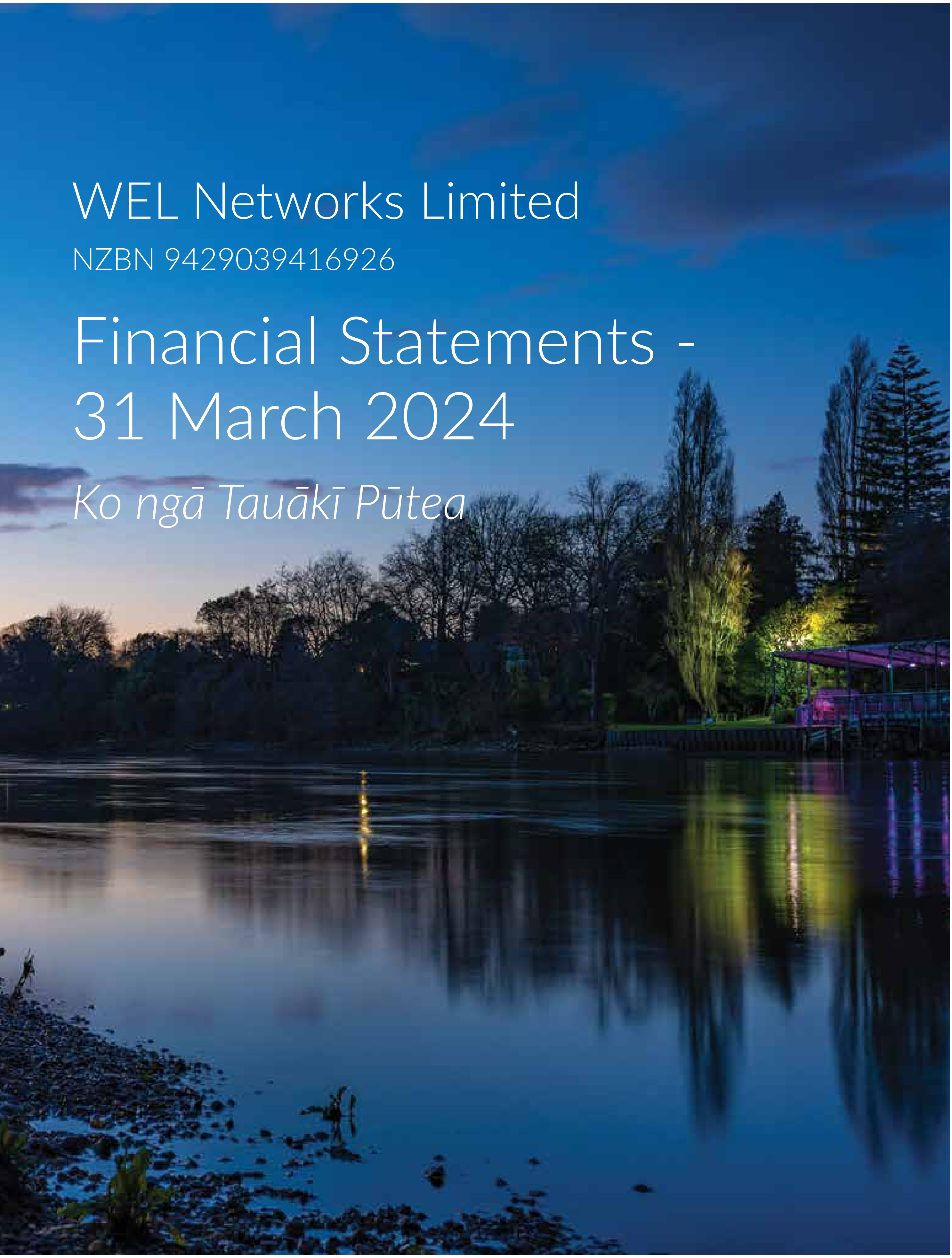
EXECUTIVE MANAGEMENT

Dibley, Garth

Entity	Position
SmartCo Limited	Director
Waikato District Council Waters Governance Board	Director







WEL Networks Limited

NZBN 9429039416926

Financial Statements - 31 March 2024

Ko ngā Tauākī Pūtea

Contents

WEL Networks Limited

STATEMENT OF COMPREHENSIVE INCOME
31 MARCH 2024

	Note	Consolidated 2024 $'000	Consolidated 2023 $'000
Revenue	9	180,034	146,264
Expenses			
Expenses, excluding finance costs	14	(124,504)	(105,542)
Other gains/(losses)	15	(400)	(277)
Earnings before interest, taxes, depreciation and amortisation expenses (EBITDA)		55,130	40,445
Depreciation and amortisation expense	16	(27,474)	(25,738)
Finance expenses	11	(4,030)	(8,981)
Finance income	12	5,585	7,555
Profit before income tax expense		29,211	13,281
Income tax expense	17	(9,911)	(3,312)
Profit after income tax expense for the year	35	19,300	9,969
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain/(loss) on the revaluation of land and buildings, net of tax	34	(1,121)	(1,615)
Change in the fair value of equity investments at fair value through other comprehensive income	22,34	805	(4,665)
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax	34	(89)	225
Other comprehensive income for the year, net of tax		(405)	(6,055)
Total comprehensive income for the year		18.895	3,914
		Cents	**Cents**
Earnings per share for profit attributable to the shareholder of WEL Networks Limited			
Basic earnings per share	36	236.7	122.3
Diluted earnings per share	36	236.7	122.3

BALANCE SHEET
31 MARCH 2024

	Note	Consolidated 2024 $'000	Consolidated 2023 $'000
Assets			
Current assets			
Cash and cash equivalents	19	16,608	59,362
Trade and other receivables	20	20,818	18,748
Contract assets	21	458	657
Financial assets at fair value through other comprehensive income	22	-	76,945
Net investment in lease	23	610	591
Derivative financial instruments	37	-	662
Income tax receivable		-	936
Term deposits		5,500	83,405
Total current assets		43,994	241,306
Non-current assets			
Property, plant and equipment	7	883,820	810,090
Intangibles	8	27,967	20,211
Net investment in lease	23	26,095	26,295
Right-of-use assets	24	3,665	3,445
Derivative financial instruments	37	-	745
Total non-current assets		941,547	860,786
Total assets		985,541	1,102,092
Liabilities			
Current liabilities			
Customer discount payable	9	12,450	12,275
Borrowings	10	10,952	148,838
Income Tax		1,105	-
Lease liabilities	25	610	380
Trade and other payables	27	22,286	21,277
Employee benefit obligations	28	4,299	4,074
Contract liabilities	29	11,273	9,757
Derivative financial instruments	37	40	-
Total current liabilities		63,015	196,601
Non-current liabilities			
Deferred tax liabilities	17	115,622	110,540
Lease liabilities	26	3,200	3,180
Deferred revenue	30	768	798
Derivative financial instruments	37	-	932
Total non-current liabilities		119,590	115,450
Total liabilities		182,605	312,051
Net assets		802,936	790,041

BALANCE SHEET
31 MARCH 2024

	Note	Consolidated 2024 $'000	Consolidated 2023 $'000
Equity			
Contributed equity	33	111,142	111,142
Reserves	34	200,800	197,375
Retained earnings	35	490,994	481,524
Equity attributable to the shareholder of WEL Networks Limited		802,936	790,041
Total equity		802,936	790,041

Barry Harris

CHAIR

Carolyn Steele

DIRECTOR

28 May 2024

WEL Networks Limited

STATEMENT OF CHANGES IN EQUITY
31 MARCH 2024

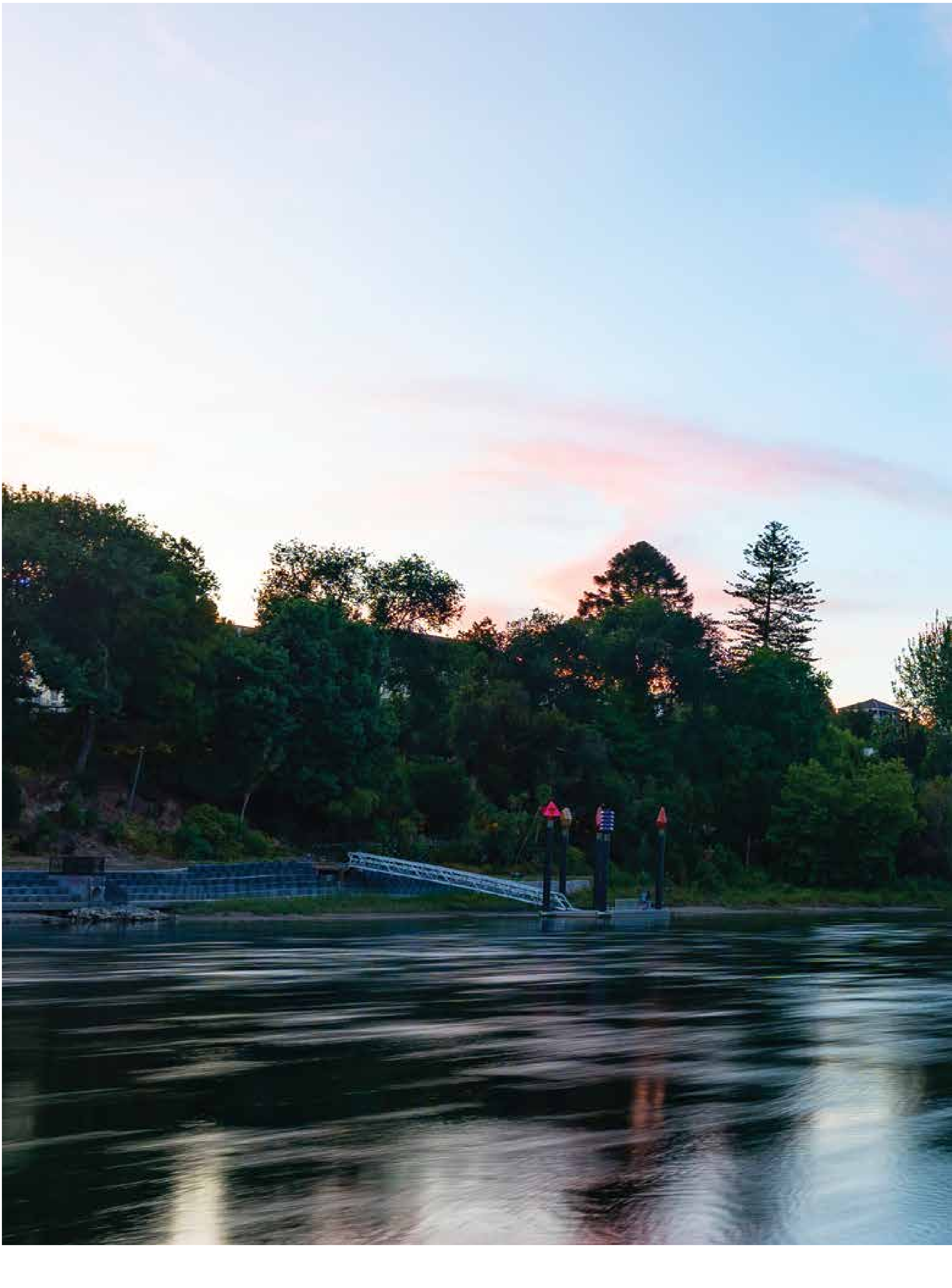
Consolidated	Share Capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 April 2022	111,142	208,328	470,857	790,327
Profit after income tax expense for the year	-	-	9,969	9,969
Movement in equity investments at fair value through other comprehensive income	-	(4,665)	-	(4,665)
Movement in revaluation reserve from disposal of distribution network assets	-	(4,898)	4,898	-
Cashflow hedges (net of tax)	-	225	-	225
Assets revaluation (net of tax)	-	(1,615)	-	(1,615)
Total comprehensive income for the year	-	(10,953)	14,867	3,914
Transactions with shareholders:				
Dividend paid (note 33)	-	-	(4,200)	(4,200)
Balance at 31 March 2023	111,142	197,375	481,524	790,041

Consolidated	Share capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 April 2023	111,142	197,375	481,524	790,041
Profit after income tax expense for the year	-	-	19,300	19,300
Movement in equity investments at fair value through other comprehensive income	-	805	-	805
Movement in revaluation reserve from disposal of distribution network assets	-	(1,617)	1,617	-
Cashflow hedges (net of tax)	-	(89)	-	(89)
Assets revaluation (net of tax)	-	(1,121)	-	(1,121)
Movement in revaluation from disposal of equity investments	-	5,447	(5,447)	-
Total comprehensive income for the year	-	3,425	15,470	18,895
Transactions with shareholders:				
Dividends paid (note 33)	-	-	(6,000)	(6,000)
Balance at 31 March 2024	111,142	200,800	490,994	802,936

WEL Networks Limited

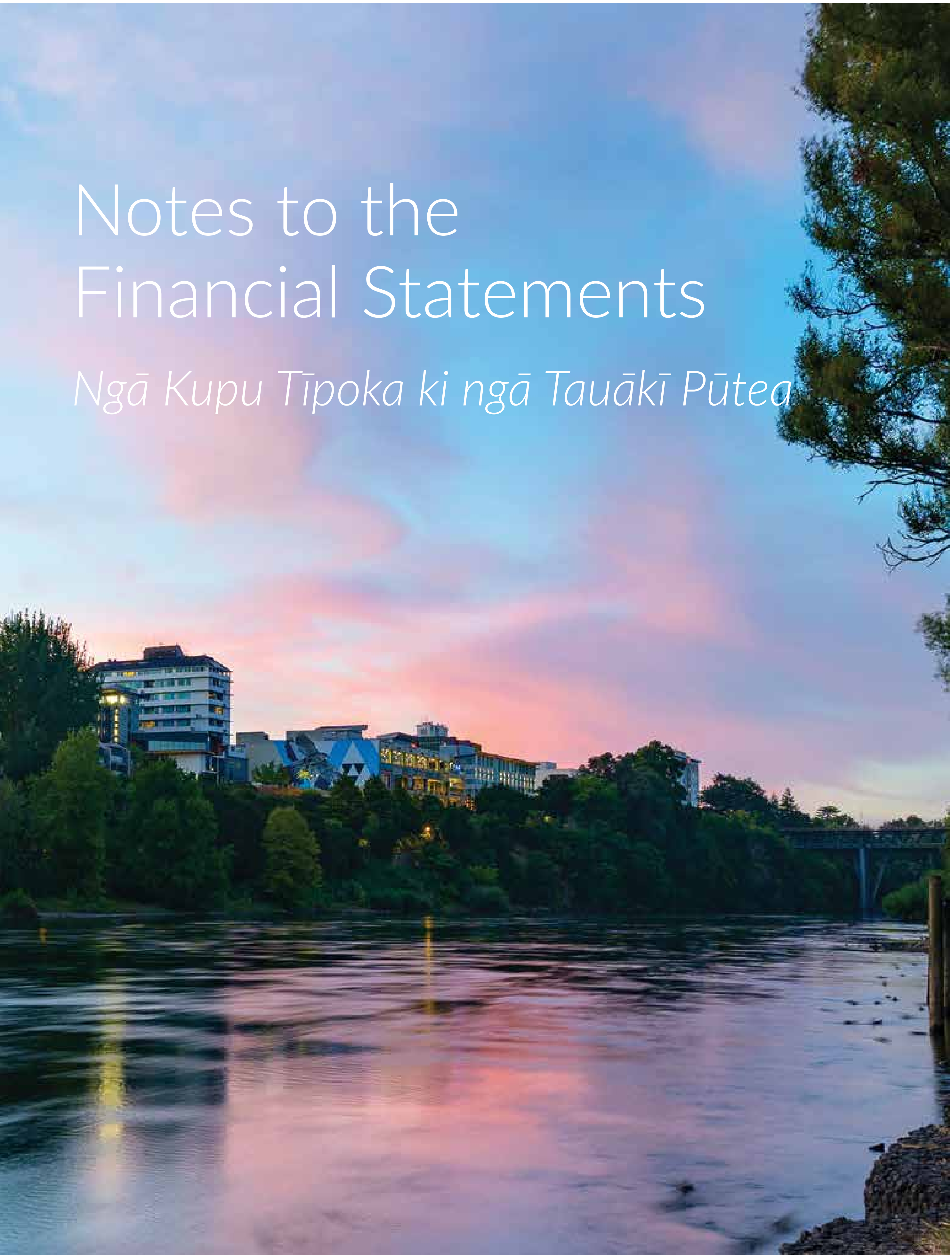
STATEMENT OF CASH FLOWS
31 MARCH 2024

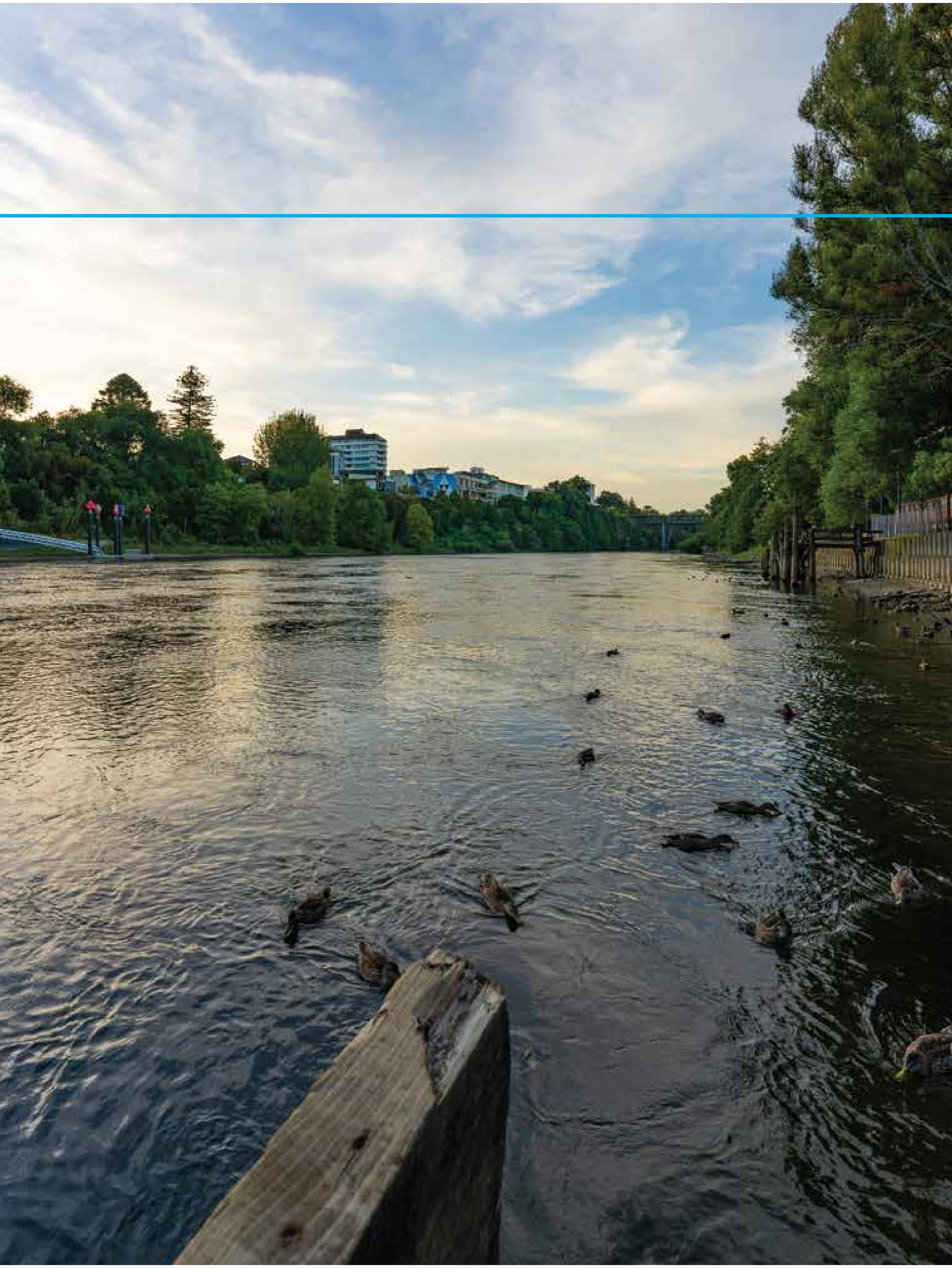
	Note	Consolidated 2024 $'000	2023 $'000
Cash flows from operating activities			
Receipts from customers		181,419	138,912
Payments to suppliers and employees		(119,036)	(97,186)
Income taxes paid		(2,555)	(1,850)
Net cash from operating activities	41	59,828	39,876
Cash flows from investing activities			
Proceeds from financial assets at fair value through other comprehensive income	22	77,940	-
Proceeds from/(transfers to) term deposits		77,905	(83,405)
Payments for property, plant and equipment	7	(103,049)	(98,871)
Payments for intangibles	8	(10,986)	(7,463)
Proceeds from disposal of property, plant and equipment		115	480
Interest received		3,952	5,759
Interest received on finance leases		1,633	1,658
Payments received for finance leases		181	571
Vendor tax losses received		-	2,288
Net cash from/(used in) investing activities		47,691	(178,983)
Cash flows from financing activities			
Proceeds from borrowings	10	11,000	-
Interest paid		(4,472)	(8,305)
Payments for lease liabilities	26	(621)	(377)
Interest paid on lease liabilities	26	(180)	(144)
Dividends paid	32,33	(6,000)	(4,200)
Repayment of borrowings	10	(150,000)	-
Net cash used in financing activities		(150,273)	(13,026)
Net decrease in cash and cash equivalents		(42,754)	(152,133)
Cash and cash equivalents at the beginning of the financial year		59,362	211,495
Cash and cash equivalents at the end of the financial year		16,608	59,362



Notes to the Financial Statements

Ngā Kupu Tīpoka ki ngā Tauākī Pūtea





Contents

1. General information

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

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

The principal continuing activities of the Group consist of:

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

For the period to 1 June 2023, the Group also operated an electricity retail business in the Waikato region.

The financial statements were authorised for issue, in accordance with a resolution of Board of Directors, on 28 May 2024. 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.

3. Material accounting policy information

The accounting policies that are material to the Group are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, 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. Material accounting policy information (continued)

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

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

Investments

Financial Liabilities

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

Goods and Services Tax ('GST')

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

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

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

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

Changes in accounting policies

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 March 2024 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 2024.

4. Critical accounting judgements, estimates and assumptions

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

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

5. Operating segments

Identification of reportable operating segments

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

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

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

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

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

5. Operating segments (continued)

Consolidated 2024	Electricity Network $'000	EPC $'000	Other Segments $'000	Total $'000
Revenue				
Segment revenue	124,306	51,270	13,363	188,939
Intersegment sales	(468)	(5,699)	(2,738)	(8,905)
Total revenue	123,838	45,571	10,625	180,034
EBITDA	53,239	2,747	(856)	55,130
Depreciation and amortisation				(27,474)
Finance income				5,585
Finance expenses				(4,030)
Profit before income tax expense				29,211
Income tax expense				(9,911)
Profit after income tax expense				19,300
Assets				
Segment assets	900,096	5,504	57,833	963,433
Unallocated assets:				
Cash and cash equivalents				16,608
Financial assets at fair value through other comprehensive income				5,500
Total assets				985,541
Liabilities				
Segment liabilities	44,884	6,497	3,545	54,926
Unallocated liabilities:				
Income Tax				1,105
Borrowings				10,952
Deferred tax liabilities				115,622
Total liabilities				182,605

5. Operating segments (continued)

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

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 2024 %	Ownership Interest 2023 %
OurPower Limited	New Zealand	100%	100%
SmartCo Limited (joint venture)	New Zealand	17%	14%
NewPower Energy Services Limited	New Zealand	100%	100%
Infratec New Zealand Limited*	New Zealand	100%	100%
NewPower Energy Limited **	New Zealand	100%	100%

* On 28 March 2024, shareholding in Infratec New Zealand Limited was transferred from WEL Networks Limited to NewPower Energy Services 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.

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

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

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

2024	Electricity network	Generation assets	Land and buildings	Plant and equipment	Motor vehicles	Computer hardware	Assets under construction*	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening net book amount as at 1 April 2023	723,181	22,515	20,088	31,181	6,279	1,761	5,085	810,090
Additions	82,567	10,873	-	680	1,564	1,156	6,899	103,739
Revaluation	-	-	(1,319)	-	-	-	-	(1,319)
Transfers	-	-	2	1,556	739	68	(2,365)	-
Disposals	(4,152)	-	-	(292)	(194)	(1)	-	(4,639)
Depreciation charge	(17,175)	(133)	(352)	(3,857)	(1,733)	(801)	-	(24,051)
Closing net book amount as at 31 March 2024	784,421	33,255	18,419	29,268	6,655	2,183	9,619	883,820
Cost/valuation	826,311	33,984	21,117	67,680	14,419	7,193	9,619	980,323
Accumulated depreciation	(41,890)	(729)	(2,698)	(38,412)	(7,764)	(5,010)	-	(96,503)
	784,421	33,255	18,419	29,268	6,655	2,183	9,619	883,820

*The Assets under construction category above excludes work in progress relating to the Electricity network and Generation assets.

The net book value of the Electricity network includes an estimated $77.8M of work in progress as at 31 March 2024 (2023: $45.1M).

The net book value of the Generation assets includes an estimated $31.2M of work in progress at 31 March 2024 (2023: $20.4M).

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 motor vehicle assets was completed during the year ended 31 March 2024 based on the current vehicle strategy for the company. Accounting useful lives have been revised down for the heavy vehicle fleet from up to 20 years to 8 years with an appropriate residual value. The impact of this is an increase of $0.6M in current year depreciation with minimal impact going forward on the depreciation expense.

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

Borrowing costs

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

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

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

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

2024	Land and buildings $'000	Electricity network $'000
Cost	11,029	830,869
Accumulated depreciation	(2,827)	(231,775)
Net book amount at 31 March 2024	8,202	599,094

Critical accounting judgements, estimates and assumptions

Maui St land and buildings, included in the land and buildings asset category, were revalued to $16.5M being fair value for highest and best use on 30 September 2023 by independent valuers, SGHU Valuations LP Registered Valuers (SGHU) using a market approach being a Level 3 valuation. A fair value assessment has been undertaken by SGHU (using updated market data) on 31 March 2024. Updated key inputs include market rent at $1,020,000 (2023: $990,000) and a capitalisation rate of between 5.75% and 6.25% (2023: 5.25% and 5.75%), resulting in a valuation range of $16.3M to $17.7M (2023: $17.2M to $18.9M). The Directors consider that the current carrying value of $16.5M can be retained, as the carrying value materially reflects estimated fair value being within the valuation range (2023 carrying value: $18.0M).

It is the Group's policy to revalue the Electricty 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. This is a Level 3 valuation. For the purposes of assessing the fair value of the electricity network as at 31 March 2024, the Group engaged Deloitte to perform a fair value assessment of the electricity network using updated key inputs to develop an estimated valuation range and consider the carrying value remains appropriate within the revised valuation range.

The updated key inputs have resulted in a valuation range for the Electricity Network of $778.3M to $853.4M, with a mid-point of $815.0M (based on sensitivity to WACC low/high estimates). The Directors consider that the current carrying value of the network fixed assets of $784.4M can be retained, as the carrying value materially reflects estimated fair value (31 March 2023 carrying value: $723.2M).

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

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

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

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

2024

Electricity Network:	Mid-point for valuation	Sensitivity Range	Valuation Impact of Sensitivity Range from Mid-point
WACC (Weighted Average Cost of Capital)	6.6%	6.1% - 7.1%	+ $38.5M / - $36.6M
RAB (Regulatory Asset Base) Multiple for Terminal Value (TV)	1.00x	0.98x - 1.02x	+/- $13.0M

2023

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

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.

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

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.

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

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

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

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

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

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

8. Non-current assets - Intangibles

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

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

8. Non-current assets - Intangibles (continued)

2024	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 2023	91	4,038	3,121	2,666	107	10,188	-	20,211
Additions	986	4,132	-	11	-	5,398	-	10,527
Transfers	3,511	2,614	-	252	-	(6,377)	-	-
Amortisation charge	(594)	(2,174)	-	(3)	-	-	-	(2,771)
Closing net book amount as at 31 March 2024	3,994	8,610	3,121	2,926	107	9,209	-	27,967
Cost	5,371	28,831	3,121	5,525	107	9,209	-	52,164
Accumulated amortisation and impairment	(1,377)	(20,221)	-	(2,599)	-	-	-	(24,197)
	3,994	8,610	3,121	2,926	107	9,209	-	27,967

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 (2023 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 26.3% pre-tax (12.6% post-tax) (2023: 19.9% pre-tax and 12.7% post-tax) and a terminal growth rate of -2% (2023: -2%) (accounting for potential competition and the eventual decline in demand new solar and battery installations). The cash flows are based on the current five-year management forecast (FY25 to FY29), followed by a terminal value (2023: based on the current three-year management forecast (FY24 to FY26), with the following two years increasing at 2%, followed by a terminal value). The most sensitive components of the cash flows driving the valuation are the assumptions in the terminal value. These include annual revenue of $71.4M (2023: $67.8M), gross margin at 12% (2023: 11.4%), and fixed costs of $6.2M p.a (2023: $5.1M p.a). This results in approximately $0.9M (2023: $1.6M) of pre-tax annual cash flows (before discounting) in the terminal value calculation.

The carrying amount of the CGU is $3.7M (2023: $3.8M), and the midpoint of the recoverable amount is $7.6M (2023: $6.4M).

8. Non-current assets - Intangibles (continued)

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

2024	From	To
Gross Revenue Terminal Value	$71.4M	$59.9M
Gross Margin Terminal Value	12.0%	10.1%
Fixed Costs Terminal Value	$6.2M	$7.6M
WACC (pre-tax)	26.3%	69.5%
2023	**From**	**To**
Gross Revenue Terminal Value	$67.8M	$59.7M
Gross Margin Terminal Value	11.4%	10.0%
Fixed Costs Terminal Value	$5.1M	$6.0M
WACC (pre-tax)	19.9%	31.8%

The Directors have completed an impairment assessment as at 31 March 2024 and noted that the recoverable amount for Infratec is greater than the carrying amount by $3.9M 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.

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).

8. Non-current assets - Intangibles (continued)

Accounting policy for finite life intangibles

Software

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

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

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

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

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

9. Revenue

	Consolidated	
	2024 $'000	2023 $'000
Electricity lines revenue	123,504	111,917
Discount	(12,428)	(12,238)
Net lines revenue	111,076	99,679
Electricity third party contributions	12,762	13,875
Other income	7,896	6,293
OurPower electricity retail revenue	919	5,467
Infratec EPC revenue	45,571	15,499
Smartco metering revenue	1,810	1,730
Contracting sales revenue	-	3,721
Revenue	180,034	146,264

9. Revenue (continued)

Disaggregation of revenue

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

	Consolidated	
	2024 $'000	2023 $'000
Electricity Network		
Electricity line revenue (after deducting discount)	111,076	99,679
Electricity third party contributions	12,762	13,875
	123,838	113,554
Other Income		
Other income	7,896	6,293
OurPower electricity retail revenue	919	5,467
Infratec EPC revenue	45,571	15,499
Smartco metering revenue	1,810	1,730
Contracting sales revenue	-	3,721
	56,196	32,710
Timing of revenue recognition		
Goods transferred at a point in time	13,445	15,647
Services transferred over time	166,589	130,617
Revenue from contracts with customers	180,034	146,264

Accounting policy for revenue recognition

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

Electricity lines revenue

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

Third party contributions

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

OurPower electricity retail revenue

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

9. Revenue (continued)

Infratec EPC (Engineering, Procurement and Construction) revenue

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

Smartco metering revenue

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

Contracting sales revenue

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

Other income

Other income includes revenue from OurPower Limited generation.

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

10.Current Liabilities - Borrowings

	Consolidated	
	2024 $'000	2023 $'000
Maturing within 1 year	10,952	148,838

Refer to note 38 for further information on financial instruments.

The prior year included a $150M subordinated bond which was repaid on 2 August 2023. This was funded through the realisation of investment funds and matured term deposits.

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 33).

The Group uses interest rate swaps to manage interest rate risk. Derivatives are fair valued using assumptions from observable market data where possible, in combination with the underlying derivative contracts and documentation. The fair value of the derivative liability at 31 March 2024 is nil (2023: $0.9M).

The carrying value of interest bearing bank and bond debt is $11.0M (2023: $148.8M). The fair value of contractual cash flows is $11.7M (2023: $152.5M). Refer to note 38.

Following the repayment of the subordinated bond, the Group entered into new bank facilities totalling $85M, and terminated the existing $30M bank facilities (original expiries of November 2023 and June 2024). Bank facilities totalling $74M remain available to the Group to be drawn as at 31 March 2024. The facilities expire as follows:

Facility expiry date	Facility available $'000	Total facility $'000
31 August 2024	4,000	15,000
31 August 2024	20,000	20,000
31 August 2025	20,000	20,000
31 August 2025	20,000	20,000
31 August 2026	10,000	10,000
	74,000	85,000

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 matured on 2 August 2023 with a fixed 4.90% coupon rate. Transaction costs associated with the issue of the bond totalling $3.4M were recognised in the profit and loss using the effective interest rate method over the term of the bond. The bond issue was arranged by Forsyth Barr Limited who were also a participant along with ANZ Bank New Zealand, Deutsche Craigs Limited and First NZ Capital Securities Limited (Joint Lead Managers) and Commonwealth Bank of Australia (Co-Manager) acting through its New Zealand branch. The $150M subordinated bond was repaid on 2 August 2023.

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.

10. Current Liabilities - Borrowings (continued)

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

11. Finance expenses

	Consolidated	
	2024 $'000	2023 $'000
Interest and finance charges paid/payable	3,850	8,837
Finance expense on leases	180	144
	4,030	8,981

12. Finance income

	Consolidated	
	2024 $'000	2023 $'000
Short-term bank deposits	3,952	5,759
Finance income on lease	1,633	1,658
Fair value of vendor tax losses receivable	-	138
	5,585	7,555

13. Net debt reconciliation

	Consolidated	
	2024 $'000	2023 $'000
Net debt		
Cash and cash equivalents	16,608	59,362
Term deposits	5,500	83,405
Borrowings - repayable within one year	(10,952)	(148,838)
	11,156	(6,071)

	Consolidated	
	2024 $'000	2023 $'000
Net debt		
Cash and cash equivalents	16,608	59,362
Term deposits	5,500	83,405
Gross debt - fixed interest rates	(10,952)	(75,000)
Gross debt - variable interest rates	-	(73,838)
	11,156	(6,071)

13. Net debt reconciliation (continued)

	Cash and cash equivalents $'000	Term deposits $'000	Borrowings due within one year $'000	Total $'000
Net debt as at 1 April 2022				
Opening balance	211,495	-	(148,856)	62,639
Cash flows	(152,133)	83,405	248	(68,480)
Other non-cash movements*	-	-	(230)	(230)
Net debt as at 31 March 2023	59,362	83,405	(148,838)	(6,071)
Net debt as at 1 April 2023				
Opening balance	59,362	83,405	(148,838)	(6,071)
Cash flows	(42,754)	(77,905)	139,000	18,341
Other non-cash movements*	-	-	(1,114)	(1,114)
Net debt as at 31 March 2024	16,608	5,500	(10,952)	11,156

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

14. Expenses, excluding finance costs

	Consolidated	
	2024 $'000	2023 $'000
Transmission costs	23,399	28,423
Employee benefits	50,878	43,607
Capitalised labour	(20,174)	(17,446)
Materials and services	42,522	18,242
Contracting services	8,372	10,674
Consultancy	2,920	4,666
Electricity costs	1,382	3,446
Net loss on disposal of assets	4,293	2,843
Vehicle expenditure	1,910	1,680
Operating leases	97	164
Directors' fees	567	593
Bad debts written off	285	158
Change in provision for impaired receivables	(24)	(90)
Other expenses	8,077	7,420
Impairment loss	-	1,162
	124,504	105,542

15. Other gains/(losses)

	Consolidated 2024 $'000	Consolidated 2023 $'000
Gain/(loss) on electricity price derivatives	(590)	(2,577)
Investment income	190	2,300
	(400)	(277)

16. Depreciation and amortisation expense

	Consolidated 2024 $'000	Consolidated 2023 $'000
Depreciation:		
Buildings	352	387
Plant and equipment	3,857	3,697
Generation assets	133	59
Motor vehicles	1,733	1,041
Distribution network	17,175	16,672
Computer hardware	801	658
Amortisation:		
Computer software	2,174	2,018
Internally generated software	594	505
Easements and consents	3	31
Customer contracts	-	257
Right of use assets:		
Land and buildings	516	306
Plant and equipment	136	107
	27,474	25,738

17. Income Tax

	Consolidated 2024 $'000	2023 $'000
Income tax expense		
Current tax	4,596	2,232
Deferred tax	5,315	1,080
Aggregate income tax expense	9,911	3,312
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	29,211	13,281
Tax at the statutory tax rate of 28%	8,179	3,719
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non deductible expenses	(9)	2
Foreign investment fund income	197	(101)
RCP shares/vendor tax losses discount unwind	-	(39)
	8,367	3,581
Prior period deferred tax adjustment	219	(20)
Prior period tax expense adjustment	(73)	(248)
Current year deferred tax movement related to buildings*	1,398	-
Other deferred tax movements	-	(1)
Income tax expense	9,911	3,312

*One off impact due to the tax law changes. The Group can no longer claim tax depreciation on buildings going forward.

17. Income tax (continued)

Deferred tax liabilities/(assets)

	Accelerated tax depreciation/ revaluation of assets $'000	Provisions and other $'000	Derivative instruments $'000	Tax losses $'000	Customer contracts $'000	Finance lease $'000	Right of use assets $'000	Lease liability $'000	Total $'000
As at 1 April 2022	111,203	(2,170)	815	(984)	72	701	570	(547)	109,660
Charged/ (credited) to the statement of comprehensive income	1,780	752	(509)	(794)	(72)	(22)	395	(450)	1,080
Charged/ (credited) directly to equity - derivatives and revaluations	(288)	-	88	-	-	-	-	-	(200)
As at 31 March 2023	112,695	(1,418)	394	(1,778)	-	679	965	(997)	110,540

	Accelarated tax depreciation/ revaluation of assets $'000	Provisions and other $'000	Derivative instruments $'000	Tax losses $'000	Customer contracts $'000	Finance lease $'000	Right of use assets $'000	Lease liability $'000	Total $'000
As at 1 April 2023	112,695	(1,418)	394	(1,778)	-	679	965	(997)	110,540
Charged/ (credited) to the statement of comprehensive income	5,854	(500)	(370)	355	-	(16)	62	(70)	5,315
Charged/ (credited) directly to equity – derivatives and revaluations	(198)	-	(35)	-	-	-	-	-	(233)
As at 31 March 2024	118,351	(1,918)	(11)	(1,423)	-	663	1,027	(1,067)	115,622

17. Income Tax (continued)

Accounting policy for income tax

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

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

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

18. Imputation credit account

	Consolidated	
	2024 $'000	2023 $'000
Imputation credits available for subsequent financial years based on a tax rate of 28%	47,308	46,237

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

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

19. Current assets - Cash and cash equivalents

	Consolidated	
	2024 $'000	2023 $'000
Cash and bank balances	15,554	59,256
Contract retention bank balances	1,054	106
	16,608	59,362

Accounting policy for cash and cash equivalents

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

20. Current assets - Trade and other receivables

	Consolidated	
	2024 $'000	2023 $'000
Trade receivables	12,684	11,671
Amounts due from customers for contract work	4,790	4,793
Less: Allowance for expected credit losses	(497)	(521)
	16,977	15,943
Related party receivable	242	210
Prepayments	3,183	1,389
Other receivables	3	-
Goods and services tax	413	1,206
	3,841	2,805
	20,818	18,748

Allowance for expected credit losses

The Group has recognised a gain of $24,000 (2023: gain of $90,000) in profit or loss in respect of the expected credit losses for the year ended 31 March 2024.

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

	Consolidated	
	2024 $'000	2023 $'000
Expected credit losses:		
Current 0.3%	46	18
Between one to three months 3.6%	3	5
Over three months 36.3%	448	498
	497	521

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

	Consolidated	
	2024 $'000	2023 $'000
Opening balance	521	611
Increase/(decrease) in provision	(24)	(90)
Closing balance	497	521

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

	Consolidated	
	2024 $'000	2023 $'000
Trade receivables:		
Current	15,645	14,352
Between one to three months	97	414
Over three months	1,235	1,117
	16,977	15,943

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

21. Current assets - Contract assets

	Consolidated	
	2024 $'000	2023 $'000
Contract assets - at cost	458	657

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

	Consolidated	
	2024 $'000	2023 $'000
Paua Wealth Management Fund	-	38,859
Harbour Asset Management Fund	-	38,086
	-	76,945

A gain of $0.8M (2023: loss of $4.7M) 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 2024.

The investments were realised and converted to cash prior to 2 August 2023 to fund the $150M subordinated bond repayment (refer to note 10).

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

Accounting judgements, estimates and assumptions

The Group 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 38 for further information on financial instruments.

23. Non-current assets - Net investment in lease

	Consolidated	
	2024 $'000	2023 $'000
Net investment in lease - current	610	591
Net investment in lease - non-current	26,095	26,295
	26,705	26,886

	Consolidated	
	2024 $'000	2023 $'000
Undiscounted lease receivable:		
Current net investment in lease	2,220	2,213
Maturing between 1 and 2 years	2,199	2,194
Maturing between 2 and 3 years	2,175	2,172
Maturing between 3 and 4 years	2,150	2,148
Maturing between 4 and 5 years	2,121	2,122
Beyond 5 years	46,773	47,895
Less effect of discounting	(30,933)	(31,858)
Net investment in lease (discounted)	26,705	26,886

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.

23. Non-current assets - Net investment in lease (continued)

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 years ended 31 March 2021 and 31 March 2024 for additional infrastructure added to the wind farm which will allow it to operate more efficiently. These variations meet the definition of lease modifications under NZ IFRS 16 and triggered reassessment of the original agreement, as the terms and conditions of the original agreement have been changed for additional assets and consideration.

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. Further modifications have been recognised in February 2021 and November 2023 resulting in a total of $1.1M being recognised as additions to the net investment in the finance lease at the same discount rate of 6.09%.

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

Reconciliations

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

Consolidated	Land and buildings $'000	Plant and equipment $'000	Total $'000
Balance at 1 April 2022	1,339	534	1,873
Additions	1,963	24	1,987
Disposals	(2)	-	(2)
Depreciation expense	(306)	(107)	(413)
Balance at 31 March 2023	2,994	451	3,445
Additions	905	180	1,085
Disposals	-	(213)	(213)
Depreciation expense	(516)	(136)	(652)
Balance at 31 March 2024	3,383	282	3,665

24. Non-current assets - Right-of-use assets (continued)

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 $45,000 for short term leases and $26,000 for low value leases for the year ended 31 March 2024 (2023: $121,000 and $20,000)

25. Current liabilities - Lease liabilities

	Consolidated	
	2024 $'000	2023 $'000
Lease liability	610	380

26. Non-current liabilities - Lease liabilities

	Consolidated	
	2024 $'000	2023 $'000
Lease liability	3,200	3,180

Total cash outflow for leases is $801,000 for 31 March 2024 (2023: $521,000).

Note 26. Non-current liabilities - Lease liabilities (continued)

Accounting policy for lease liabilities

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

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

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

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

27. Current liabilities - Trade and other payables

	Consolidated	
	2024 $'000	2023 $'000
Trade payables	15,924	12,389
Interest payable	51	855
Other payables	6,311	8,033
	22,286	21,277

Refer to note 38 for further information on financial instruments.

Accounting policy for trade and other payables

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

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

28.Current liabilities - Employee benefit obligations

	Consolidated	
	2024 $'000	2023 $'000
Annual leave	2,765	2,648
Employee benefits	1,534	1,426
	4,299	4,074

Termination benefits

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

Wages, salaries, annual leave and sick leave

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

Bonuses

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

29. Current liabilities - Contract liabilities

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

	Consolidated 2024 $'000	Consolidated 2023 $'000
Contract liabilities - third party contributions - electricity	10,876	9,731
Contract liabilities - solar	397	26
	11,273	9,757

Management expects that 74% of the electricity third party contributions and 100% of solar revenue relating to the unsatisfied contracts as at 31 March 2024 will be recognised as revenue in the next reporting period.

	Consolidated 2024 $'000	Consolidated 2023 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the period:		
Third party contributions - electricity	7,173	8,237
Third party contributions - solar	26	-
	7,199	8,237

30.Non-current liabilities - Deferred revenue

	Consolidated 2024 $'000	Consolidated 2023 $'000
Deferred revenue	768	798

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 (2023: $29,385).

31.Key management personnel disclosures

Key management personnel compensation for the years ended 31 March 2024 and 31 March 2023 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 2024 include:
Julian Lonsdale resigning as Chief Technology Officer in May 2023.

Compensation

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

	Consolidated	
	2024 $'000	2023 $'000
Short-term employee benefits	5,597	5,378
Other benefits	-	121
	5,597	5,499

32.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.

Total dividends paid during the period ended 31 March 2024 were $6.0M net (2023: $4.2M net).

Related party transactions with SmartCo Limited

SmartCo Limited is a joint venture of WEL Networks Limited.

	Consolidated	
	2024 $'000	2023 $'000
Transactions between WEL & Smartco included in the financial statements:		
Other income	1,810	1,730
Operating expense (contract services expenditure)	(727)	(625)
Balances:		
Advance to related party	242	210

WEL Networks Limited owns 17% 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.

33. Equity - Contributed equity

	Consolidated			
	2024 Shares	2023 Shares	2024 $'000	2023 $'000
Ordinary shares - fully paid	8,153,000	8,153,000	111,142	111,142

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

Dividend distribution

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

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.

Any drawn bank facilities 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.

34.Equity - Reserves

	Consolidated 2024 $'000	Consolidated 2023 $'000
Revaluation reserve	200,829	197,315
Cashflow hedge reserve	(29)	60
	200,800	197,375

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 2022	208,493	(165)	208,328
Revaluation of land and buildings - gross	(1,903)	-	(1,903)
Deferred tax on revaluation of land and buildings	288	-	288
Disposal of distribution network assets	(4,898)	-	(4,898)
Equity investments at fair value through other comprehensive income	(4,665)	-	(4,665)
Forward foreign exchange contract - cash flow hedges	-	313	313
Deferred tax on forward foreign exchange contract - cash flow hedges	-	(88)	(88)
Balance at 31 March 2023	197,315	60	197,375
Revaluation of land and buildings - gross	(1,319)	-	(1,319)
Deferred tax on revaluation of land and buildings	198	-	198
Disposal of distribution network assets	(1,617)	-	(1,617)
Equity investments at fair value through other comprehensive income	805	-	805
Disposal of equity investments at fair value through other comprehensive income	5,447	-	5,447
Forward foreign exchange contract - cash flow hedges	-	(124)	(124)
Deferred tax on forward foreign exchange contract - cash flow hedges	-	35	35
Balance at 31 March 2024	200,829	(29)	200,800

35. Equity - Retained earnings

	Consolidated 2024 $'000	Consolidated 2023 $'000
Retained earnings at the beginning of the financial year	481,524	470,857
Profit after income tax expense for the year	19,300	9,969
Dividends paid	(6,000)	(4,200)
Disposal of distribution network assets	1,617	4,898
Disposal of equity investments	(5,447)	-
Retained earnings at the end of the financial year	490,994	481,524

36. Earnings per share

Weighted average number of shares used as the denominator

	2024	2023
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

37. Derivative financial instruments

	Consolidated	
	2024 $'000	2023 $'000
Current assets		
Forward foreign exchange contracts - cash flow hedges	-	84
Electricity price derivatives	-	578
	-	662
Non-current assets		
Electricity price derivatives	-	745
Current liabilities		
Forward foreign exchange contracts - cash flow hedges	(40)	-
Non-current liabilities		
Interest rate swaps - fair value hedges	-	(932)
	(40)	475

The notional principal amounts of the outstanding fair value interest rate contracts as at 31 March 2024 were nil (2023: $75M). Refer to note 38 for further information.

The Group had number of contracts to hedge wholesale electricity price risk which were closed out in May 2023. These electricity contracts were not designated as hedges for accounting purposes. The hedges were valued based on the volume traded and the difference between the contract price and the last trade price on the ASX futures market for the relevant contract period. A loss on these electricity price derivatives has been recorded in the statement of profit or loss of $0.6M for both realised and unrealised losses for 31 March 2024 (2023: loss of $2.6M).

The Group has entered in USD/NZD and AUD/NZD FX contracts to hedge the foreign currency risk related to highly probably purchases from overseas. The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2024 are $2.8M (2023: $3.6M).

37. Derivative financial instruments (continued)

Accounting policy for derivative financial instruments

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

The Group designates certain derivatives as either:

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

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

Movements in the hedging reserve in the shareholders' equity are shown in note 34. The full fair value of a hedging derivative is classified as a non-current asset or liability when the maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedges

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

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

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

Fair value hedges

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

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

Hedges of a net investment

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

38. 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 2024, 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 (2023: nil).

Price risk

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

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

Cash flow and fair value interest rate risk

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

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

The swaps are for the duration of the borrowing term.

38. Financial instruments (continued)

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

2024 Consolidated	Maturity Date	Face value $'000	Unamortised costs $'000	Adjustment on hedged risk $'000	Carrying value $'000
Bank facilities (variable rates)	Aug 24	11,000	(48)	-	10,952

	Consolidated 2024 $'000	Consolidated 2023 $'000
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 April	(932)	(706)
Change in value of hedge item used to determine hedge effectiveness	932	706

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

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38. Financial instruments (continued)

31 March 2024	Carrying amount $'000	Profit $'000	Equity $'000
Financial assets:			
Cash and cash equivalents	16,608	166	-
Trade and other receivables	17,222	-	-
Financial liabilities:			
Trade and other payables	22,286	-	-
Interest bearing liabilities	10,952	110	-
Derivative financial instruments	40	-	-
Customer discount payable	12,450	124	-
Lease liabilities	3,810	38	-
Total increase/ (decrease)		438	-

Credit risk

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

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

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

The Group has 32% (2023: 34%) of its trade debtors owing from the incumbent retailer, Genesis Energy Limited. This debt is subject to a written agreement that requires an investment grade credit rating to be maintained. If the credit rating falls below investment grade then a bond will be required as collateral.

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

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

Other than as mentioned above, the Group has no significant concentration of credit risk on its financial assets. The maximum exposures to credit risk are represented by the carrying amounts of other financial assets in the balance sheets. Except for the financial guarantees given by the Group (note 39), 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 33, 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.

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.

38. Financial instruments (continued)

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

31 March 2024	Less than one year $'000	Between 1 and 2 years $'000	Between 2 and 3 years $'000	Between 3 and 5 years $'000	5 + years $'000	Total fair value contractual cash flows $'000	Carrying amount liabilities $'000
Non-derivatives							
Borrowings - current	11,268	(13)	(2)	-	-	11,253	10,952
Trade and other payables	22,286	-	-	-	-	22,286	22,286
Customer discount payable	12,450	-	-	-	-	12,450	12,450
Lease liabilities	774	587	349	354	4,163	6,277	3,810
Total non-derivatives	46,778	574	347	354	4,163	52,216	49,498

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.

38. Financial instruments (continued)

Recognition

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

Measurement

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

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

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

Impairment of financial assets

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

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

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

38. 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 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total balance $'000
Assets				
Electricity price derivatives	1,323	-	-	1,323
Foreign forward exchange contracts	-	84	-	84
Investments	-	-	76,945	76,945
	1,323	84	76,945	78,352
Liabilities				
Interest rate contracts	-	(932)	-	(932)
	1,323	(848)	76,945	77,420

31 March 2024	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total balance $'000
Liabilities				
Foreign forward exchange contracts	-	(40)	-	(40)
	-	(40)	-	(40)

38. Financial instruments (continued)

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

Consolidated 2024	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	16,608	-	-	-	16,608
Trade receivables	17,222	-	-	-	17,222
Total financial assets	33,830	-	-	-	33,830
Liabilities					
Trade and other payables	-	-	-	22,286	22,286
Borrowings - current	-	-	-	10,952	10,952
Lease liability	-	-	-	3,810	3,810
Customer discount payable	-	-	-	12,450	12,450
Derivative financial instruments	-	40	-	-	40
Total financial assets	-	40	-	49,498	49,538

39. Contingent liabilities

As at 31 March 2024 the Group had a total of $4.23M of contingent liabilities to support contracts entered into (2023: $3.91M).

A breakdown of the contingent liabilities are as follows:

Beneficiary	Amount $'000	Supporting
Energy Clearing House Limited	1,000	OurPower Electricity Retailing
Eastland Group	395	Infratec Performance Bond
Energy Marlborough Limited	237	Infratec Performance Bond
Lodestone Energy Limited	550	Infratec Performance Bond - Kaitaia
Lodestone Solar Limited	791	Infratec Performance Bond - Edgecumbe
Lodestone Solar Limited	1,260	Infratec Performance Bond - Waiotahe

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.

40. Commitments

Capital commitments

There is $0.7M committed capital expenditure relating to network equipment as at 31 March 2024 (2023: $8.0M).

41. Cash flow information

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

	Consolidated	
	2024 $'000	2023 $'000
Profit after income tax expense for the year	19,300	9,969
Adjustments for:		
Depreciation and amortisation	27,474	25,738
Net loss on disposal of property, plant and equipment	4,293	4,005
Financing costs/(income)	(1,555)	1,426
Investment income	(190)	(2,300)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(2,070)	(6,355)
Increase in provision for income tax	2,041	383
Increase in trade and other payables	5,220	5,930
Increase in deferred tax liabilities	5,315	1,080
Net cash from operating activities	59,828	39,876

42. Events after the reporting period

There were no events occurring subsequent to 31 March 2024 which require adjustments to or disclosure in the financial statements.

43. 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	
	2024 $'000	2023 $'000
Audit services - PwC		
Audit financial statements	347	321
Half year review	85	79
	432	400
Assurance and audit related services – PwC*		
Assurance procedures on disclosure information - current year	68	63
Other services - PwC		
Regulatory advice	-	15
Training costs - PwC Academy Subscription Fees and Corporate Treasury Management Course	2	2
	2	17

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

Independent auditor's report

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 2024, 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 Accounting Standards (IFRS Accounting Standards).

What we have audited

The Group's financial statements comprise:

- the balance sheet as at 31 March 2024;
- 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, comprising material accounting policy information 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 and training. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. The provision of these other services have not impaired our independence as auditor of the Group.

Key audit matters

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

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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 $784.3m as at 31 March 2024 as disclosed in note 7 to the financial statements. The Directors engaged an expert to assess whether the carrying value of the network continues to materially reflect its estimated fair value as at 31 March 2024. The Directors have determined that no revaluation is required at balance date as the carrying value of the electricity network is within the estimated valuation range. The valuation of the electricity network involves significant estimates and assumptions including weighted average cost of capital, regulatory asset base for the terminal value, capital expenditure and forecast revenue and operating expenditure, which involve significant judgements about the future. We determined this matter as a key audit matter given the significance of the value of the electricity network and the judgments applied to determine the fair value as at 31 March 2024.	**Our procedures included:** • Obtaining an understanding of, and evaluating, Management's processes and controls relating to the valuation of the electricity network; • Testing the mathematical accuracy of 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, including delivery of Asset Management Plan (AMP) Capex forecasts; • Engaging our internal industry valuation expert to evaluate whether significant assumptions used in the valuation were reasonable; • Reviewing the capital expenditure used in the model by assessing against the AMP; • Performed procedures over RAB to assess the reasonableness of the terminal value including; – assessing RAB revaluation inputs; – reconciling Capex to the cash flow model; and – re-calculating expected depreciation • Performing a cross check against the Group's RAB to assess the overall appropriateness of the valuation; • Assessing the suitability of the disclosed valuation range that has been used by considering reasonably possible changes to key assumptions. • Performing sensitivity analysis on the significant assumptions; and • Considering the adequacy of the Group's disclosures.

Our audit approach

Overview

Overall group materiality: $1,400,000, which represents 5% of profit before tax.

In our view, profit before tax is the benchmark which best reflects the performance of the Group for the year ended 31 March 2024.

Following our assessment of the risk of material misstatement, we:

- Perform a full scope audit over the Group's principal business unit being the electricity network distribution business
- Performed specified audit procedures and analytical review procedures on the remaining business units within the group.

As reported above, we have one key audit matter, being:

- Valuation of the Electricity Network.

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

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

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS Accounting Standards, 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 has 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-3/

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
28 May 2024

Auckland

Directors' Report and Statutory Information

Te Pūrongo a te Pouwhakahaere me ngā Pārongo Ture

1. DIRECTORS' REMUNERATION

	Annual Remuneration	Committee Fees	Total Remuneration	Reimbursement of Expenditure
Barry Harris	$116,125	-	$116,125	$103
Carolyn Steele	$66,875	$11,663	$78,538	$264
Geoff Lawrie	$66,875	$7,250	$74,125	$1,748
Paul Connell	$66,875	-	$66,875	-
Julian Cook	$66,875	-	$66,875	-
Jacqueline Colliar	$66,875	-	$66,875	-
Total	$450,500	$18,913	$469,413	$2,115

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 the Company's Constitution, the Company has effected insurance for Directors which, together with the Deeds of Indemnity, generally ensure that the Directors will not incur any monetary loss as a result of actions undertaken by them as Directors for those liabilities and costs which may be indemnified or insured against under section 162 of the Companies Act 1993 (Indemnity and insurance). 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 2024			
$ Band	WEL Continuing Employees	WEL Discontinued Employees	NewPower Continuing Employees	NewPower Discontinued Employees
800,000-859,999	1			
410,000-419,999			1	
360,000-369,999	2			
320,000-329,999	1			
310,000-319,999	2			
300,000-309,999	2		1	
270,000-279,999			1	
260,000-269,999			1	
250,000-259,999	1			
240,000-249,999	1			
230,000-239,999	3		1	
220,000-229,999	4		1	
210,000-219,999	3		1	
200,000-209,999		1		
190,000-199,999	1			
180,000-189,999	3			
170,000-179,999	8	1	1	
160,000-169,999	12		2	
150,000-159,999	15	1	3	
140,000-149,999	28	2	3	
130,000-139,999	29		2	2
120,000-129,999	39	1	1	1
110,000-119,999	25		3	
100,000-109,999	23		1	

WEL Networks Limited Chief Executive Remuneration for the year ended 31 March 2024

Base Salary	Short Term Incentives	Other Benefits	Total Remuneration
$803,000	-	$24,090 Kiwisaver Employer	$827,090

5. SHAREHOLDERS

As at 31 March 2024, 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 2024:

	2024		2023	
	Female	Male	Female	Male
Board of Directors	2	4	2	4
Officers	2	8	2	8

Directory

Papatohu

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Website www.wel.co.nz

Email connect@wel.co.nz

Directors Holding Office

Barry S Harris – Chair

Jacqueline (Jackie) M Colliar

Paul A Connell

Julian B Cook

Geoffrey (Geoff) A Lawrie

Carolyn M Steele

Chief Executive

Garth W Dibley NZCE, BE, MBA

Auditors

PricewaterhouseCoopers, Auckland

Lawyers

Tompkins Wake, Hamilton

Russell McVeagh, Wellington