2019 ANNUAL REPORT

WELGroup.

THIS IS THE ANNUAL REPORT OF WEL GROUP LIMITED

Dated this 28th day of June 2019

Signed for and on behalf of the Board of Directors

Rob Campbell
Chairman

Tony Steele
Chairman, Audit and Risk Committee

CONTENTS

ACROSS THE WAIKATO, WE DELIVER INNOVATIVE ENERGY SOLUTIONS AND FIBRE SERVICES WHICH ENABLE OUR COMMUNITIES TO THRIVE.

ABOUT WEL GROUP

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

With over 90,000 households connecting to our electricity services and 210,000 properties able to access ultrafast broadband, 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 energy while revolutionising the way New Zealanders communicate, work, play and learn.

WELGroup.

WEL Networks

ultrafast FIBRE

OURPOWER Cheaper power for all

OPUNAKE HYDRO Local power, clean energy

A SNAPSHOT – WEL GROUP

WEL Group is
100%
owned by the community through our sole shareholder the WEL Energy Trust.

UFF is owned by Waikato Networks Ltd – a partnership between **WEL Networks** (85%) and **Waipa Networks** (15%)

We connect

91,458 residential properties and small businesses

and **816** commercial/industrial sites...

...to a power supply within our network area

WEL Networks maintains
6,796
kilometres of lines.

51% are overhead,
49% underground.

This excludes street lighting pilots, fibre and communications lines.

Over
60,000
homes and businesses in our area currently have one of our smart meters installed which gives us valuable insights into power consumption patterns and low voltage activity.

A SNAPSHOT – WEL GROUP

Ultrafast Fibre built, owns and operates a

3,000km fibre network

in the urban areas of Hamilton, Tauranga, Whanganui, New Plymouth, Tokoroa, Hawera, Cambridge and Te Awamutu.

This network is available to more than

210,000 homes

schools and businesses. In the past 12 months 2,990 businesses have connected to our fibre network.

Work is well underway to provide fibre for

27 more North Island

towns and urban fringe areas. The UFF network represents about 13% of the entire national UFB build.

In the past 12 months we completed

1,371 new connections to our electricity network

Approximately 500 people

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

WEL GROUP CHAIRMAN REPORT

Rob Campbell

The 2018-19 year has been extremely positive for the WEL Group as we challenged the environment within which we deliver electricity and ultrafast broadband services to our communities.

While the nature of our business units vary, the commitment to delivering efficient, reliable and safe services is unwavering. This places us in a good position for the future as the changing profile of our communities, and the way in which they use our services, will drive continuous improvement and innovation across all facets of the business.

Health, Safety and Wellbeing

At the core of the organisation's success is our commitment to the health, safety and wellbeing of our employees, our partners and our communities.

The Board is committed to supporting initiatives that contribute to the continuous improvement of our health, safety and wellbeing approach.

Community

As we focus on enabling our communities to thrive we are aware of the important role that community engagement plays in our long-term business strategy. All staff have demonstrated a commitment to this philosophy and this is evident in the projects we have successfully delivered across the country; from the additional 22,600 customers subscribing to our ultrafast broadband programme, to the installation of an additional 15 electric vehicle fast chargers at local supermarkets; we are supportive of opportunities which will allow our communities to grow and develop.

We will continue to ensure partnerships with our business are not only sustainable, but also authentic, and that we listen with the intent of ensuring we are delivering the services our community needs.

Financial Performance

Waikato's economic boom is having a direct effect on our business activity as indicated in our end of year results.

The Group achieved a positive operating result for the period, with increased revenue from the prior year due to higher commercial lines consumption, customer growth across the fibre network and continued strong urban development in the Waikato Region.

Financial highlights include revenue of $211 million, ahead of the prior year by $35 million, predominately relating to continued growth in the number of customers accessing and utilising the electricity and fibre networks and strong urban development via third party contributions.

Total net debt for the Group was $542 million, an increase of $65 million from March 2018, with borrowings relating to the continued UFB2 and UFB2+ fibre network build programme during the 2019 financial year.

We expect this positive growth to continue well into the future as our services support the region's wider economic growth.

Customers

We are setting a solid platform for further growth as we engage with our customers in new and innovative ways.

The introduction of our electricity retailer OurPower coincided with the business decision to end the WEL annual discount payments and reduce residential lines charges, all part of our strategy to lower costs for customers. Using smart meter technology we've also launched our real-time power outage map, providing greater transparency for customers during both planned and unplanned power outages.

Also pleasing to see is the strong customer growth across the UFF network, with three out of five households across Hamilton and Tauranga enjoying the benefits of fibre. Underpinning the drivers for UFB's success, the Commerce Commission reported a 47 per cent increase in monthly data use from 2017 to 2018. Work continues to encourage the remaining 26,000 residential households in Hamilton and 24,000 in Tauranga to get connected.

Sustainability

This is the first year that the Group has provided a report on our progress to date in the area of sustainability. We have confirmed our focus areas will align to four of the United Nations' Sustainability Development Goals and additionally we have commenced work on our review of our carbon footprint using the CEMARS® certification framework.

We are committed to ensuring our governance framework includes a focus on ensuring the companies within the Group respond appropriately to the opportunities that will be gained by a strategic and comprehensive approach to sustainability and corporate social responsibility.

Governance and Management

As the Group has evolved, so has the structure of our business and its teams. In July 2018 we welcomed Sue Tindal onto the Executive team as our highly experienced, new Group Chief Financial Officer.

After more than four years at the helm, we farewelled UFF CEO, William Hamilton who oversaw UFF's growth into one of NZ's Fast 50 growing businesses. The Board has recently appointed John Hanna to the UFF CEO position and we are very grateful to fellow board member, Geoff Lawrie, for his time in standing in as interim UFF CEO.

Finally, thank you to the staff who every day demonstrate their passion for supporting our communities.

WEL NETWORKS CHIEF EXECUTIVE REPORT

Garth Dibley

2018-19 has been yet another busy year for the electricity arm of the Group culminating in the release of the Government's Electricity Price Review paper and a spotlight being placed on reducing energy hardship.

While we are already proactive in our response to this issue it will see even more emphasis on the long-term health and wellbeing of our communities' embraced in future business activities.

Addressing Energy Hardship (Regulatory)

The Government's Electricity Price Review options paper has been well received as it signalled a strong interest in new technology, network resilience and greater customer choice - all aimed at reducing energy hardship in New Zealand communities. We were pleased to see that consumer advocacy, fairness and reducing energy hardship were core themes of the review particularly given our strong community alignment through the WEL Energy Trust. Energy hardship is a nationwide problem and a reality in our own backyard, so it's important that we support any action which will help improve the health and wellbeing of our consumers.

For the second year in a row we have reduced the cost of delivering power to local households. Last year we reduced residential lines charges by $6M providing an average saving of $77 to residents, with an additional average reduction of $70 forecast for the year ahead. The reduced tariffs follow the end of the electricity discount programme in 2018, and complement a move to increase investment into the community via shareholder, WEL Energy Trust, and are a fairer way of distributing funds to help our communities thrive.

OurPower is our online energy retail solution which was established to provide lower cost electricity to our customers. Approximately 550 households are now registered on the trial programme and we anticipate a significant increase when we announce a public launch planned for later in 2019. We believe this product will play a significant role in reducing energy hardship across our region.

Health, Safety and Wellbeing

Safety continues to remain top of mind for our staff. During the year we completed our second GSI Safety Culture Survey. We achieved a positive increase in the overall score and across several areas that were surveyed. The overall results, along with a company participation rate of 95.3%, demonstrated the value employees place on health and safety.

Further demonstrating our commitment to the wellbeing of the community, the senior leadership team agreed that for every business unit that gained 100% completion we would make a donation to the local Foodbank; in total a cheque for $700 was presented to the Hamilton Christian Combined Foodbank.

We continue to look for ways to improve our health and safety performance and have developed a set of actions that form a two-year roadmap of activity for the business.

We successfully retained certification for our Occupational Health and Safety Management System and Public Safety Management System. The audit results were extremely pleasing and testament to the professionalism of our management and staff and the sound processes we have in place.

Delivering power...

While severe weather events took a toll on the results, planned shutdowns contributed a third of the SAIDI figure due to two key factors; the implementation of a risk based approach to live line work (undertaking de-energised work as much as possible), and an increase in the volume of work from the asset renewal programme and customer initiated work (CIW) requests. As a result WEL's reliability position relative to other lines companies decreased slightly, moving from the 6th lowest SAIDI in the industry to 9th, however at 87.33 minutes we remain well under the New Zealand average of 287 minutes.

While our field crews and network control teams are often the face of the business in these situations I'd also like to acknowledge the teams behind the scenes contributing to a swift return of supply. From efficient procurement, stores and inventory control, to our professional call centre and despatch services, everyone plays an important role in enabling our communities to return to normal as quickly as possible after an outage.

..and keeping the power on

The investment in a robust asset maintenance programme is proving invaluable as unprecedented storm events hit our network. The introduction of five drones to our maintenance programme has also been a positive business decision as the technology can assist in a number of tasks such as pole top inspections and managing vegetation by increasing efficiency and in some cases eliminating the need for our staff to access difficult sites. This makes the drones extremely valuable resources not only for security of supply, but also the safety of our staff.

To ensure we continue to improve the way that assets are managed, WEL will drive operational efficiencies over the next two financial years under the Operational Excellence programme of work. This programme utilises a proven management approach for the consistent delivery of operations which enhances performance of core business processes such as equipment operation, works delivery, design and customer services.

The Industry

The business continues to take a proactive approach in addressing the industry's skills shortage by offering opportunities for training. Our industry training programme sees us taking on a number of trainees each year and covering the full training costs while providing support and mentoring in the workplace. These roles provide the successful applicants with the chance to be part of an industry with strong job prospects and opportunities for growth. As the industry struggles to recruit enough qualified workers we are focusing on growing the talent pool. This is the way forward and will not only benefit WEL but will also contribute new blood to the industry.

Sustainable energy and sustainable transport will be key for the future so we're pleased to be leading the way in the expansion of electric vehicle services with 16 additional chargers installed at Hampton Downs and at local Countdown supermarkets.

Further funding from Energy Efficiency and Conservation Authority's (EECA) Low Emission Vehicles Contestable Fund has enabled us to convert an internal combustion engine truck to an electric vehicle with an elevated work platform for line maintenance work. The conversion to an electric motor and 132kWh battery system will be powerful enough to operate the elevated work platform, and provide at least 200km of driving range. We acknowledge the funding support received for these projects from EECA.

In conjunction with our partner Future Grid, WEL has made significant progress towards our goal of operating as a distribution system operator (DSO). The information we are able to retrieve from sources such as our smart meters is proving very valuable, allowing us to aggregate data from multiple sources in a meaningful way across our assets. This provides better insights into energy consumption and network operating conditions. This project is on track to go into the production phase within the next few months.

Partnerships

The long-term health and well-being of our district relies on strong partnerships across all sectors of our communities and over the past 12 months we have demonstrated positive leadership in this space.

As storm events put neighbouring lines companies under pressure and caused major outages across their communities, WEL Networks crews stepped in to help. The decision to expand our social media presence has proven to be valuable in such events as information is shared quickly with affected communities and enables us to work alongside other services such as Police, Fire and Emergency, Civil Defence, and local councils for the benefit of our shared communities.

These partnerships have also expanded into a comprehensive study to identify power poles in the Waikato district more at risk of being hit by a vehicle. The study incorporated data from NZ Police, St John, Waikato District Council and Fire and Emergency NZ, along with WEL's own records. Findings showed some crash trends, with certain poles identified as more vulnerable than others, one of which has been the site of 31 crashes requiring Police attendance. Next steps include refining the study taking road speed and vehicle volume into account and expansion into other areas of our network, followed by a review of the highest crash sites and a recommendation of remedial work.

Our People

I am extremely proud of the WEL Networks team as we continue to lead by example across the industry and within our communities.

Congratulations to Elliot McKinnon who was recognised as New Zealand's Advanced Trainee of the Year at the Connexis Annual Connection Excellence Awards in October. WEL's team of linesmen Lenny Te Aho (team leader), Kasitoni Taufalele, Steve Lawson and trainee Darcy Page also won the Testing to Ensure Safety event.

Welcome to Michelle Allfrey in her role of GM Commercial Engagement and congratulations to Richard Barnard appointed Project Manager, to oversee our Operational Excellence programme for the next two years.

In Summary

In the coming months energy hardship will continue to challenge our communities. It is crucial that WEL's core focus is on identifying, and delivering programmes which will not only provide reliable energy services but also the tools they need to thrive.

As we work towards a sustainable energy future, we will continue to engage with our communities to better understand how we can deliver lower energy prices, and provide greater returns to our customers.


vodafone

ULTRAFAST FIBRE CHIEF EXECUTIVE REPORT

Geoff Lawrie

Ultrafast Fibre (UFF) has seen another strong year of subscriber growth with approximately 22,600 new customers added to the network. This has been made possible in part by the network expansion underway to 27 additional central North Island communities under the Government's UFB2 and UFB2+ initiatives.

In the past year UFF has completed a significant level of network expansion and has provided UFB access to 11 new communities and started building 16 more. By December 2019 the UFB2 and UFB2+ network expansion will be completed, with the project delivering access for around 30,000 potential new customers. Over the coming year our network will continue to expand to serve the new subdivisions driven by the industrial and residential develpment sectors across the Waikato, Taranaki and Bay of Plenty.

By the end of 2020, we expect our network to provide a fibre broadband connection opportunity to around 235,000 potential customers – with a regional average of 2.7 people per household and 3.4 employees per business, that means that fibre broadband connection benefits will extend to nearly 650,000 people in our region.

The demand for very high-quality, consistent and reliable broadband continues to grow strongly, driven by increasing consumption of TV, movies and major sporting events such as the Rugby World Cup streamed over broadband. Fibre remains the best choice for consumers to access this content, and we estimate that UFF is likely to reach 60% overall market penetration in 2020 and over 75% by 2025.

Our commitment to providing outstanding customer service, network reliability and a best-in-class operational performance defines our team's mission for 2019 and beyond.

Focus on Health, Safety and Wellbeing

Our focus on Health, Safety and Wellbeing remains a cornerstone of our operating environment. We are working constantly to improve the safety of our operating processes through the identification and mitigation of all forms of work-related hazards and by actively managing the risks in our work environment.

Across nearly 1.2 million hours worked by UFF and its contractors across the network in the last 12 months, we recorded just one Notifiable Health and Safety Incident (a gas main strike while drilling a duct early in 2018) and a total of eight personal injuries that resulted in time off work. We are continuing to work with our contractors and with independent third party experts in this area to improve this record and increase the effectiveness of our health and safety processes and reporting.

Regulatory

UFF has continued to engage positively with the industry, regulators and the Government around developments in the regulatory framework for the telecommunications industry. The Company has been working particularly closely with the Commerce Commission and our retail partners in preparation for the release of the Layer 1 Unbundled product that is required to be available to the market by January 1st 2020. This product will enable broadband retailers to use UFF's physical fibre infrastructure in combination with their own technology to offer a unique and privately branded retail broadband product. UFF is constructively supporting this development on the basis that it will stimulate competitive interest and growth in the network.

Beyond the delivery of the major work programme related to unbundling, UFF is an active contributor to the discussion around the future structure and regulatory environment for the telecommunications industry in New Zealand, and is committed to supporting a self-regulated industry that operates in a fair, transparent and competitive manner for the ultimate benefit of the end user.

The Market

The telecommunications companies that operate mobile networks in New Zealand have been very vocal about the potential of new 5G mobile technology and have been positioning it as a viable alternative to fibre for the delivery of high-speed mass-market broadband. While there is no doubt that these competing technologies will become more relevant over time, particularly as end user demands and lifestyles evolve, we remain confident that fibre will continue to deliver the highest fidelity broadband experience from a speed, quality and reliability perspective for the foreseeable future.

However, acknowledging competition is important and acts as a catalyst for innovation. UFF will continue to enhance its products to ensure they remain the premium offerings in the market. In this area, we will upgrade the speed of our leading products by a factor of 10x over the next 12 months to support exciting new applications in areas like virtual reality and high-definition streaming.

Our Communities

Within the UFF networked communities, Tauranga and Hamilton continue to lead the way as the top fibre uptake cities in New Zealand, having both reached the 60% penetration level by March 2019. We expect that the many new communities that have been connected in the last 12 months through the UFB2 and UFB2+ build programme will be the driving force of growth in 2019.

UFF is also working to overcome the economic and technical barriers to broadband access by collaborating with community stakeholder groups to develop innovative frameworks and technology solutions that will allow all groups in our society to access the social, educational and economic benefits of fibre broadband.

Network Reliability & Asset Management

UFF is in the process of transitioning from a company with a principal focus on building the network and connecting new customers into a strategic infrastructure management business. As part of this, we will continue to develop and deploy our medium-to-long term Strategic Asset Management Plan (SAMP) to ensure we maintain a strong focus on growing, maintaining and protecting the Company's assets for the full 50-year economic life of the network. We understand that our customers expect an 'always on' network performance experience and to support this, we are continuing to invest heavily in our people and processes and the automation of our operational support systems.

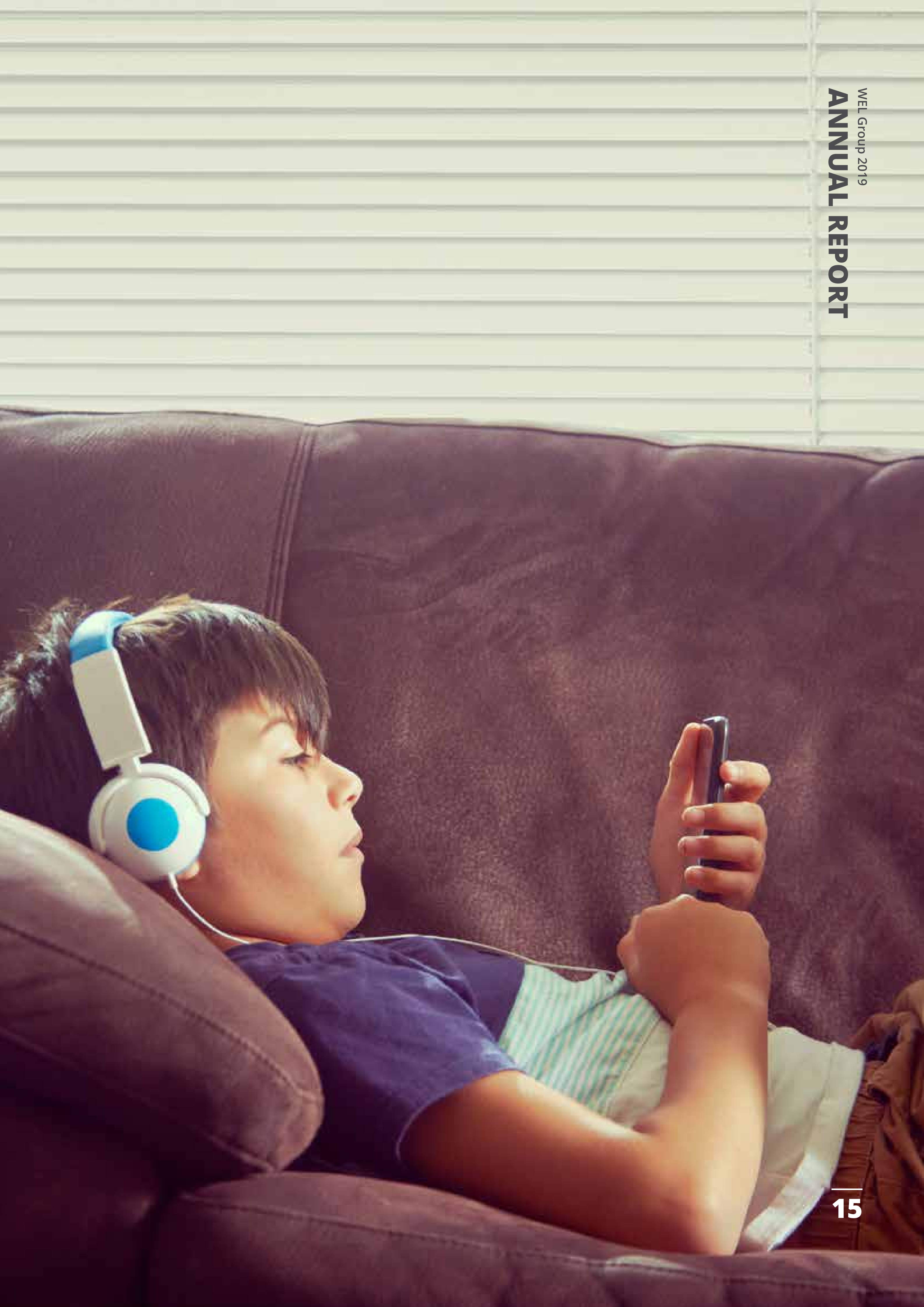
In Summary

UFF has enjoyed a very successful 12-month period as we have continued to build the network into new communities and bring the economic and social benefits of fibre broadband to a record level of customers.

As a community-owned asset, it is important to note that our financial results have also improved, reflected through revenue growth and a decrease in the cost of supporting and maintaining the network on a per-user basis.

During the year we have engaged constructively with our partners in the ultrafast broadband sector to ensure we are in the best position possible to capitalise on the opportunities and meet the competitive challenges that characterise our industry.

With the investments that we are making in our people, in our systems and in the quality and capacity of our network infrastructure, we are confident that UFF will continue to be a community asset that serves the region well over the coming period.



OUR STORIES

ULTRAFAST FIBRE BREAKS NEW GROUND

2018 saw the first ultrafast broadband connections in Ngaruawahia and the Matangi/Tamahere area.

The connections were part of UFF's second stage expansion in its programme to make high-speed broadband available to a number of smaller towns across the Waikato, Bay of Plenty and Taranaki.

Interim Chief Executive, Geoff Lawrie says it was great to see these connections made as the network continues to expand its footprint.

"We know there has been a lot of anticipation in these smaller communities about the arrival of fibre, so to make it a reality is especially pleasing. We are hoping to see as many members of our new communities as possible accessing the benefits of this great technology".

The Matangi/Tamahere community is the largest of the 27 additional towns/locations included in the expanded rollout areas across the central North Island, with over 25,000 addresses able to be connected once the build is finished in December 2019.

Under the latest expansion, UFF is also connecting homes and businesses in Tirau and Putāruru in the Waikato; Katikati and Ōmokoroa in Bay of Plenty; and Stratford in Taranaki.

WEL EXPANDS ITS EV FAST CHARGER NETWORK

Sixteen electric vehicle (EV) chargers were added to WEL's network in 2018 in partnership with Hampton Downs Motorsport Park and Countdown Supermarkets.

The chargers were a first for both organisations, with one installed in the carpark at Hampton Downs and the remaining 15 spread across four Countdown sites in Hamilton and one in Huntly.

Both businesses were motivated to introduce the chargers by a focus on making greener choices available to New Zealand drivers.

WEL Networks Asset Management General Manager Paul Blue says WEL now operates 21 chargers across the region, which are compatible with any electric vehicle and helping to meet a rising demand.

"Not only is the Waikato one of New Zealand's fastest growing regions, but increasingly we're seeing the uptake of electric vehicles in our communities, because users find them cheaper to run, quieter, more efficient and environmentally friendly."

"WEL Networks is committed to delivering innovative energy solutions to support regional growth, and future-proof the Waikato. By investing in technology and assets now, and working in partnership with organisations like Countdown, we'll be able to meet the increasing demand for EVs."


ELECTRIC VEHICLE
FAST CHARGER
FAST
CHARGER
You're following a
WEL Networks
Electric Vehicle
IONIQ
WEL
electric
0800 800 935
KWF950

DELIVERING EFFICIENCY

WEL continues to look at safer and more efficient ways of operating, with a focus on its fleet in 2018.

Funding was secured to convert an internal combustion engine truck to an electric vehicle with an elevated work platform for line maintenance work.

The truck was one of 19 projects to receive money from the fourth round of the Low Emission Vehicles Contestable Fund, administered by the Energy Efficiency and Conservation Authority (EECA) and is expected to be completed by mid-2019.

The converted truck's electric motor and 132kWh battery system will be powerful enough to operate the elevated work platform, and provide at least 200km of driving range.

Meanwhile WEL also collaborated with local automotive and engineering businesses to modify the design of its fleet to reduce the risk of overloading vehicles.

Two custom-made vehicles with an increased load-carrying capacity were trialled and we have now rolled the modifications across a further 15 vehicles.

The move came about after it was recognised utes were sometimes overloaded while travelling to worksites. Additionally staff were having to complete numerous trips to get the right gear to the site which presented an increased safety risk with more time spent on the road.

NO AGE LIMIT IN DIGITAL COMMUNITY

Summerset's first village opened in 1997 in the river city of Whanganui. 25 retirement villages are now open around the country.

UFF is keen to create an inclusive digital community, ensuring that no one gets left behind. With that in mind, work is underway to connect residents of Whanganui's Summerset retirement village to fibre, with 100 connections currently available.

Interim Chief Executive, Geoff Lawrie says the Company recognises the needs of the retired demographic.

"We're not only focussing on providing access to technology but also educating on the uses, benefits and opportunities of connecting to the fibre network. We want to see as many facilities as possible experiencing these benefits and retirement villages provide an excellent opportunity to reach a large group of people with shared lifestyle requirements."

UFF is working closely with the village to navigate building the network into these communities with minimal fuss and disruption and running educational sessions with the residents.

WEL TRAINEE AMONG NEW ZEALAND'S RISING ELECTRICAL STARS

Elliot McKinnon

WEL Networks' Elliot McKinnon was recognised as New Zealand's Advanced Trainee of the Year at an awards ceremony in Christchurch in October.

Elliot received his award as part of the Connexis Annual Connection Excellence Awards, which celebrates the country's rising stars and top trainers in the energy industry.

The Advanced Trainee Award recognises someone who has demonstrated high levels of excellence during training, a positive attitude, dedication to learning and who is a role model to their peers. Elliot's win backs up WEL's strong record of producing talented trainees, with Narelle Phillips taking home Distribution Trainee of the Year and Overall Trainee of the Year at the previous year's event.

The awards followed three days of intense competition by linesmen and cable jointers from around the country in the Connexis Annual Connection, with WEL's team of linesmen taking home a win in the Testing to Ensure Safety event.

RELIEF FOR WAIKATO RESIDENTS' POWER BILLS

An additional average reduction of $70 is forecast for the year ahead

In 2018 WEL reduced the cost of delivering power to local households, dropping residential lines charges by $6M.

The reduced tariffs coincided with the end of the electricity discount programme, and with residents now seeing an average saving of $77 in power, it was seen as a fairer way of distributing funds.

Chief Executive, Garth Dibley says the Company is working towards creating an innovative energy future, which includes constantly reviewing how it can deliver cheaper energy prices and provide greater returns to customers.

Lines charges make up approximately 25 per cent (excluding transmission) of a household electricity bill and are charged via retailers, based on each customer's usage.

WEL NETWORKS SUSTAINABLITY STATEMENT

Background

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

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

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

WEL recognises that the business of network operation and maintenance relies on a vehicle fleet of trucks, utes and cars to service the network geographic area and the corporate offices. The network contains distributed electrical monitoring and control systems at numerous locations across the region. Consequently WEL is an emissions intensive organisation.

Throughout its operations, WEL strives to be an environmentally responsible organisation. This year we are launching structured sustainability initiatives to measure and respond to our environmental responsibilities.

Statement of Intent

WEL acknowledges that sustainable business practices are fundamental to our future. We strive to minimise the environmental impact of our operations and embrace initiatives to protect our consumers and reduce energy hardship within our community. WEL operates a diverse and inclusive workplace and actively supports the wellbeing of its employees.

Principles

- WEL recognises that protecting the environment today is essential to the creation of a sustainable business future
- We seek to reduce our impact on the environment over time through the investigation, and where appropriate, the delivery of sustainability initiatives
- Greenhouse gas emissions will be measured, verified and managed through certification to CEMARS® (Certified Emissions and Measurement and Reduction Scheme)*
- WEL is committed to reducing its relative greenhouse gas footprint
- We ensure our staff go home safely every day and that our network assets are operated and maintained with public safety as the top priority
- We strive to be an employer of choice offering a great place to work where employees are valued and supported

Strategic Activity Areas

We have chosen to align our activity to four of the United Nations' Sustainability 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 most value and have the largest impact on business performance.

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

Area	UN Sustainable Development Goal – SDG
Employee Relations, Welfare, Diversity and Inclusion	**Aligned to Good Health and Wellbeing (SDG 3)**

To promote 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 across the business
- Deliver ongoing wellbeing initiatives for staff and implement an overarching wellbeing framework

Sustainable Community	**Aligned to Affordable and Clean Energy (SDG 7)**

Area	UN Sustainable Development Goal – SDG

Invest in the future of the local community and address energy hardship through the provision of an affordable, reliable and safe supply of electricity

- Launch and promote the OurPower retail platform to provide cheaper retail electricity to the wider Waikato community
- Reduce the risk of harm in the community through the ongoing effective implementation of a public safety management system across the network assets
- Support the expansion of EV charging infrastructure throughout the network to encourage the uptake of electric vehicles

Resilient Infrastructure	**Aligned to Industry Innovation and Infrastructure (SDG 9)** 

Build resilient infrastructure and promote sustainable and innovative development of network assets

- Monitor and reduce SAIDI (customer outage times) through a resilient network
- Develop nano-grid technical infrastructure to better understand how to optimise sources of generation attached to the network
- Install solar panels and a grid battery at the WEL depot in support of the nano-grid

Greenhouse Gas Emissions	**Aligned to Climate Action (SDG 13)** 

WEL will undertake an assessment of its greenhouse gas emissions with a view to reducing the relative impact of its emissions over time. WEL will use the 2018 - 2019 financial year as the baseline against which future appraisals will be compared. All measurements will be validated by an external agency as we move towards CEMARS® certification. Emissions from vehicles, staff travel and energy consumption form the majority of WEL's emission profile.

- CEMARS® certification
- Change over 50% of the WEL pool vehicle fleet to electric vehicles (EV)
- Build a fully electric powered elevated work platform truck (the first EV bucket truck in New Zealand)

** CEMARS® (Certified Emissions Measurement and Reduction Scheme)*

WEL is committed to becoming a CEMARS® certified organisation. This ensures that we measure our greenhouse gas emissions and create plans to manage the emission profile. 2018 -2019 will be the base year profile for greenhouse gas emissions, with figures validated and certified to the International Standard ISO 14046-1:2006. Once CEMARS® certified, an emissions management and reduction plan will be created and implemented across the organisation.

WEL believes that CEMARS® certification is a positive step towards reducing the company's greenhouse gas emissions and it will encourage staff and contractors to make environmentally responsible decisions every day.

CORPORATE GOVERNANCE

Director profiles as at 31 March 2019

Rob Campbell

Group Chairman

Rob has over 30 years' experience in investment management and corporate governance.

He is currently Chair of Tourism Holdings Limited, Summerset Group Holdings Limited and SkyCity Entertainment Group Limited. He is also a Director of Precinct Properties Limited and various substantial private companies based in Australia and New Zealand. In addition, Rob is a Director of, or advisor to, a number of hedge and private equity funds in several countries. He is a Member of the Capital Markets 2029 Steering Committee. He trained as an economist and has worked in a variety of capital market advisory and governance roles over a long period. Rob was appointed to the Board of WEL Networks Limited and Waikato Networks Limited in June 2017 and Ultrafast Fibre Limited in April 2018.

Anthony (Tony) Barnes

Group Director, Innovation and Technology Committee

Tony has 30 years' broad business experience in the utilities, media, HR services, technology and cyber security sectors in New Zealand, Australia and the United Kingdom.

Tony is currently CEO of IT security specialist Cyber Research Group Ltd. He has previously served as CEO of LSE-listed smart metering pioneer BGlobal PLC, utility market software company Utilisoft, electricity retail outsourcer MBCGlobal, and as COO of ASX-listed HR services provider Chandler Macleod Group. Tony is a Certified Information Systems Security Professional (CISSP) and is a member of the Australian Institute of Company Directors. Tony was appointed to the Board of WEL Networks Limited, Waikato Networks Limited and Ultrafast Fibre Limited in June 2018.

Barry Harris

Group Director, Audit and Risk Committee

Barry has extensive governance and executive experience.

He is currently Chair of OSPRI (formerly Animal Health Board), TBFree New Zealand Limited, National Animal Identification and Tracing (NAIT) Limited, New Zealand Food Innovation (Waikato) Limited, Wintec, NIWA and McFall Fuel Limited. Barry is also a Trustee of the Te Awa River Trust and a Member of the Waikato River Authority. Throughout his career, Barry has held a number of chief executive roles, including for Environment Waikato, Greater Wellington Regional Council and Hamilton City Council. He was also a senior executive with Fonterra for five years. Some of Barry's previous directorships include CentrePort, RD1, International Nutritionals, Hamilton Riverside Hotels and Local Authority Shared Services. Barry was appointed to the Board of WEL Networks Limited and Waikato Networks Limited in October 2014 and to Ultrafast Fibre Limited in April 2018.

Candace Kinser

Group Director, Innovation and Technology Committee Chair

Candace has held a number of senior roles in the technology sector including over a decade of experience as a CEO and Director on private, government and listed boards.

She is currently the Head of Transformation at FNZC; an Advisor and Non-Executive Director for a number of high growth companies including NZX listed EROAD, bovine genetics technology company Livestock Improvement (LIC) and global tech recruitment company Talent International, based in Australia. Previously, she also served as a Director for Crown SOE entity Quotable Value (QV) and has worked to develop family-owned businesses McCashins Brewing and the Superb Herb Company and was the CEO of NZTech, founding TechWeek and TechWomen. She is a Beachheads Advisor for NZ Trade and Enterprise and a Director for Auckland Council's Regional Facilities. Candace was appointed to the Board of WEL Networks Limited, Waikato Networks Limited and Ultrafast Fibre Limited in August 2018.

Geoff Lawrie

Group Director, Remuneration Committee Chair, Innovation and Technology Committee

Geoff has 36 years of experience in the technology industry in New Zealand and overseas.

He is currently the Chair of Auror Limited and a Director of Howard & Company. He is also a Beachheads Advisor to New Zealand Trade & Enterprise. 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, Waikato Networks Limited in April 2018 and Ultrafast Fibre Limited in April 2017.

Carolyn Steele

Group Director, Audit and Risk Committee

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

She is currently Chair of the Halberg Foundation and a Director of Metlifecare Limited and Green Cross Health Limited. Carolyn is also a Trustee of the New Zealand Football Foundation and previous Director of Datacom Group Limited. Until 2016, Carolyn was a Portfolio Manager at Guardians of New Zealand Superannuation, the Crown entity that manages the New Zealand Superannuation Fund. Prior to joining the Guardians in 2010, Carolyn spent ten years in investment banking at Forsyth Barr and Credit Suisse/ First NZ Capital. Carolyn was appointed to the Board of WEL Networks Limited and Waikato Networks Limited in June 2017 and Ultrafast Fibre Limited in April 2018.

Anthony (Tony) Steele

Group Director, Audit and Risk Committee Chair

Tony has had an extensive career in professional practice as a Chartered Accountant specialising in Business Advisory Services.

Since retiring from KPMG, Tony has accepted appointments as an Independent Director of several local private companies including Maisey Group Limited. Tony has been an Independent Director and Chair of Maisey Group Limited since 2002. He also sits on the Boards of several subsidiaries of Maisey Group Limited in both New Zealand and Australia. Tony is a Fellow of both the Institute of Directors and Chartered Accountants Australia and New Zealand. Tony was appointed to the Board of WEL Networks Limited in October 2010, Waikato Networks Limited in March 2011 and Ultrafast Fibre Limited in October 2014.

Keith Goodall

Director of Waikato Networks Limited and Ultrafast Fibre Limited

Keith is Waipa Networks Limited's representative for the ultrafast broadband business and as such is a Director on the Waikato Networks Limited and Ultrafast Fibre Limited boards.

He is a Chartered Accountant in practice in Auckland and is primarily a professional Director sitting on the boards of companies involved in the energy, health, distribution, trades (in both Australia and New Zealand) and hospitality sectors.

Keith has had a lengthy experience in the technology sector having chaired one of New Zealand's first ISPs, iHug Ltd and was subsequently appointed Deputy Chair of ASX listed iiNet Pty Ltd. Following his resignation from iiNet he joined the Board of Callplus/Slingshot until it was sold in 2015. Keith also acts as an expert witness in the High Court and Family Court on commercial and family matters and has held High Court appointments. Keith is currently the Chairman of St Marks Group Limited, Breastscreen Auckland Limited, Laser Electrical Limited, Auckland City BMW Limited, Ecovis KGA Limited, ATL Group Limited and Collins Asset Management Limited. He is a Director of Mariposa Restaurant Holdings Limited and Waipa Networks Limited. Keith was appointed to the Board of Ultrafast Fibre Limited in April 2017 and Waikato Networks Limited in April 2018.

Boards of Directors

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

The Ultrafast Fibre Board is appointed by the shareholders (WEL Networks 85% and Waipa Networks 15%). All of the WEL Networks Directors are members of the Ultrafast Fibre Board, with the addition of one Waipa Networks appointed Director. The Ultrafast Fibre Board delegates day to day management of the Company to the UFF Chief Executive.

The Boards operate in accordance with the Group Corporate Governance Charter. Adopted initially by WEL in October 2005, the Charter was most recently amended in February 2019 to become a Group Charter after rigorous review by the Board to capture the current governance regime for the Company. Additionally, the Boards endorse the principles set out in the IoD Code of Practice for Directors and the NZX Corporate Governance Code. The Boards receive monthly reports from management and meet at least eight times during each financial year.

The Boards run three Group operating committees: (a) The Remuneration Committee; assists the Board to develop the remuneration policy, sets the remuneration packages of the Chief Executives and the Group Chief Financial Officer. The committee also oversees all other matters relevant to ensuring a committed and competent workforce; (b) The Audit and Risk Committee; oversees compliance with legal and regulatory requirements, financial statements, treasury policy, appoints and liaises with the external auditors to review internal and external controls relevant to financial reporting, risk management and associated matters, operating under a charter approved by the Board; and (c) the Innovation and Technology Committee; assists the Board in its oversight of (i) the Group's technology strategy and significant investments in support of such strategy and (ii) technology risk, ensuring alignment to the Group's overarching business strategy.

Risk Management

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

Compliance

The Companies have processes in place to review compliance on an ongoing basis across all aspects of their businesses. ComplyWith compliance assessments are in place within both Companies to assist in ascertaining the level of compliance with generic legal and regulatory requirements. The findings from these assessments assist in directing the programme of internal audit. The 2018-19 internal audit programme was provided by Ernst and Young, our internal auditor, and KPMG. During the year specific external reviews were undertaken in the areas of; health and safety governance, business and network resilience (including vegetation management); customer data and privacy risk and compliance with the Holidays Act and payroll processes.

Health and Safety, Sustainability and Environmental

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

Indemnification and Insurance of Officers and Directors

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

Information used by Directors

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

Interests Registers

Directors must identify any potential conflict of interest they may have in dealing with the affairs of the Companies. Where a conflict arises, a Director may still attend a Directors' meeting, but may not be counted in the quorum, partake in the debate, vote on a resolution or sign any document in which they are interested. The Companies maintain interests registers 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.

DIRECTOR DISCLOSURES OF INTEREST

Interests register for the WEL Group

As at 31 March 2019

Director	Current Directorships	Role
Campbell, Robert James		
Chairman	Summerset Group Limited	Chairman
	Tourism Holdings Limited	Chairman
	King Tide Asset Management Limited	Chairman
	Serica Partners Asia Limited	Board Member
	Silverfern Group Limited	Investment Committee Member
	Precinct Properties NZ	Director
	Tutanekai Investments Limited	Owner and Director
	RC Custodian Limited	Shareholder
	VGI Partners Advisory Board	Member
	SkyCity Entertainment Group Limited	Chairman
	Our Energy	Family association
	Just Move Charitable Health Trust	Member
	Capital Markets 2029 Steering Committee	Member
Steele, Anthony Victor		
	Maisey Group Limited	Chairman
	AFM Engineering Pty Limited, an Australian subsidiary of Maisey Group Limited	Director
	Standard 128 Limited	Director
	B & K Limited	Director
	Crosby Trustees Limited	Director
	ETH (Maisey) Trustees Limited	Director
	Maisey Trustees No. 2 Limited	Director
	AVS Trustees Limited	Director
	Gindurra Pty Limited, an Australian subsidiary of Maisey Group Limited	Director
	Aduro GP Limited	Director
	Bydand Trust	Trustee
	Crescent Trust	Trustee
	D B Lugton Trust	Trustee
	Estate of R B Lugton	Trustee
	F & M Hawley Family Trust	Trustee
	G H Tawhai Trust	Trustee
	J G van der Helm Trust	Trustee
	McRobie Family Trust	Trustee
	R B Lugton No.1 Trust	Trustee
	R B Lugton No. 2 Trust	Trustee
	R F & K J Farrell Family Trust	Trustee

Director	Current Directorships	Role
	R D Lugton Trust	Trustee
	Clutha Trust	Trustee
	Machell Family Trust	Trustee
	Von Biel Family Trust	Trustee
	A V Steele No. 2 Trust	Trustee
	A V Steele No. 3 Trust	Trustee
	Estate M Hawley	Trustee and Executor
Harris, Barry Spence		
	Ospri New Zealand Limited	Chairman
	TBFree New Zealand Limited	Chairman
	National Animal Identification and Tracing (NAIT) Limited	Chairman
	Te Awa River Trust	Trustee
	New Zealand Food Innovation (Waikato) Limited	Chairman
	Wintec	Chairman
	Waikato River Authority	Member
	McFall Fuel Limited	Chairman
	National Institute of Water and Atmospheric Research (NIWA)	Chairman
Steele, Carolyn Mary		
	Metlifecare Limited	Director
	Halberg Foundation	Chair
	The New Zealand Football Foundation	Trustee
	Green Cross Health Limited Board	Director
	Forsyth Barr	Family association
	Steele Family Trust	Trustee
Lawrie, Geoffrey Alastair		
	Howard and Company	Director
	Auror Limited	Chairman
	NZTE	Beachhead Advisor
Barnes, Anthony (Tony) Paul		
	Cyber Research Holdings Limited	Director
	Cyber Research New Zealand Limited	Director
	Cyber Research Limited	Director
	Cyber Research Australia Pty Limited	Director
	NSpire IT Pty Limited	Director
	Cyber Partners Pty Limited	Director
	Eden River Pty Limited	Director
	Karinya Equity Pty Limited	Trustee
	Cyber Research UK Limited	Director

Director	Current Directorships	Role
Kinser, Candace Nicole		
	EROAD Ltd	Director
	EROAD LTI Trust Ltd	Director
	Sagitas Consulting Ltd	Director; Shareholder
	LIC Agritechnology Ltd	Director
	Livestock Improvement Corporation Ltd	Director
	Talent International Ltd	Non-Executive Director
	FNZC	Executive Contractor - Head of Transformation
	New Zealand Trade & Enterprise	Beachhead Advisor
	Auckland Council, Regional Facilities	Non-Executive Director
Goodall, Keith Norman		
	St Marks Group Ltd	Chairman
	Breastscreen Auckland Ltd	Chairman
	Collins Asset Management Ltd (& subsidiaries)	Chairman
	Auckland City BMW Ltd	Chairman
	Waipa Networks Ltd	Director
	Mariposa Restaurant Holdings Ltd	Director
	Waikato Networks Ltd	Director
	Charta Income Fund Ltd	Director & Shareholder
	Ecovis KGA Ltd	Chairman & Shareholder
	Holwyn Consulting Group Ltd	Director & Shareholder
	ICMS CreditSystems Ltd	Shareholder
	ATL Group Ltd	Chairman & Shareholder
	LGH Ltd	Chairman & Shareholder
	Laser Electrical Ltd	Chairman
	New Zealand Food Innovation (Waikato) Ltd	Chairman
	Wintec	Chairman
	Waikato River Authority	Member
	McFall Fuel Ltd	Chairman
	NIWA	Chairman
	Palantir Technologies Ltd	Advisor on call
	New Zealand Trade & Enterprise	Beachhead Advisor
	Auckland Council - Regional Facilities Auckland	Non-Executive Director

Executive Management	Current Directorships	Role
Dibley, Garth		
	SmartCo Limited	Chairman
	Water New Zealand	Director
	Waikato District Council Waters Governance Board	Director
	Waikato Management School	Member of Advisory Board
Tindal, Suzanne Maree		
	Mainfreight Limited	Non-Executive Director
	University of Auckland Business School	Member of Advisory Board

FINANCIAL STATEMENTS

CONTENTS

31 March 2019

WEL Networks Limited

Statement of comprehensive income

For the year ended 31 March 2019

		Consolidated	
	Note	**2019 $'000**	2018 $'000
Revenue	8	210,647	175,553
Expenses, excluding finance costs	13	(95,597)	(93,895)
Earnings before interest, taxes, depreciation and amortisation expenses (EBITDA) and interest in associates		115,050	81,658
Depreciation and amortisation expense	14	(47,159)	(42,819)
Finance expenses	11	(22,573)	(18,778)
Finance income		275	74
Share of net profits/(losses)/revaluations of existing interest in associates		(266)	(629)
Profit before income tax expense		45,327	19,506
Income tax expense	15	(13,877)	(6,075)
Profit after income tax expense for the year		31,450	13,431
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Gain on the revaluation of land and buildings, net of tax	25	-	4,810
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	25	(4,134)	(1,318)
Other comprehensive income for the year, net of tax		(4,134)	3,492
Total comprehensive income for the year		27,316	16,923
Profit for the year is attributable to:			
Non-controlling interest		(722)	(1,429)
Owners of WEL Networks Limited		32,172	14,860
		31,450	13,431
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(722)	(1,429)
Owners of WEL Networks Limited		28,038	18,352
		27,316	16,923

		Cents	Cents
Basic earnings per share	27	394.6	182.3
Diluted earnings per share	27	394.6	182.3

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

WEL Networks Limited

Balance sheet

As at 31 March 2019

	Note	Consolidated 2019 $'000	2018 $'000
Assets			
Current assets			
Cash and cash equivalents		1,289	901
Trade and other receivables	17	19,611	19,723
Total current assets		20,900	20,624
Non-current assets			
Derivative financial instruments	28	2,538	285
Investments in associates		-	1,595
Property, plant and equipment	6	1,128,231	1,036,628
Intangibles	7	89,907	91,139
Total non-current assets		1,220,676	1,129,647
Total assets		1,241,576	1,150,271
Liabilities			
Current liabilities			
Trade and other payables	18	22,791	17,775
Borrowings	9	99,179	89,068
Derivative financial instruments	28	115	52
Income tax		4,142	2,103
Provisions	19	3,858	3,611
Customer discount payable	8	-	17,590
Contract liabilities	20	14,938	11,445
Total current liabilities		145,023	141,644
Non-current liabilities			
Borrowings	10	363,000	318,537
Derivative financial instruments	28	12,023	6,627
Deferred tax liabilities	15	84,060	80,141
Provisions	21	92	423
Loan from non-controlling interest	10	81,170	70,731
Contract liabilities	22	915	945
Total non-current liabilities		541,260	477,404
Total liabilities		686,283	619,048
Net assets		555,293	531,223

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

WEL Networks Limited

Balance sheet

As at 31 March 2019

		Consolidated	
	Note	**2019 $'000**	2018 $'000
Equity			
Contributed equity	24	150,142	150,142
Reserves	25	149,736	155,268
Retained earnings	26	247,505	218,458
Equity attributable to the owners of WEL Networks Limited		547,383	523,868
Non-controlling interest		7,910	7,355
Total equity		555,293	531,223

Rob Campbell
Chairman

Tony Steele
Director

30 May 2019

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

WEL Networks Limited

Statement of changes in equity

For the year ended 31 March 2019

Consolidated	Share capital $'000	Convertible note $'000	Reserves $'000	Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 April 2017	111,142	39,000	153,250	205,121	8,784	517,297
Profit/(loss) after income tax expense for the year	-	-	-	14,860	(1,429)	13,431
Other comprehensive income for the year, net of tax (note 25)	-	-	2,018	1,474	-	3,492
Total comprehensive income for the year	-	-	2,018	16,333	(1,429)	16,923
Transactions with owners:						
Interest on convertible notes (note 23)	-	-	-	(2,449)	-	(2,449)
Dividends paid (note 23)	-	-	-	(548)	-	(548)
Balance at 31 March 2018	111,142	39,000	155,268	218,458	7,355	531,223

Consolidated	Share capital $'000	Convertible note $'000	Reserves $'000	Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 April 2018	111,142	39,000	155,268	218,457	7,355	531,222
Adjustment for change in accounting policy (note 2)	-	-	-	(1,723)	-	(1,723)
Balance at 1 April 2018 - restated	111,142	39,000	155,268	216,734	7,355	529,499
Profit/(loss) after income tax expense for the year	-	-	-	32,172	(722)	31,450
Other comprehensive income for the year, net of tax (note 25)	-	-	(5,532)	1,398	-	(4,134)
Total comprehensive income for the year	-	-	(5,532)	33,570	(722)	27,316
Acquired minority interest	-	-	-	-	1,277	1,277
Transactions with owners:						
Interest on convertible notes (note 23)	-	-	-	(2,449)	-	(2,449)
Dividends paid (note 23)	-	-	-	(350)	-	(350)
Balance at 31 March 2019	111,142	39,000	149,736	247,505	7,910	555,293

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

WEL Networks Limited

Statement of cash flows

For the year ended 31 March 2019

	Note	Consolidated 2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		194,328	178,357
Payments to suppliers and employees		(87,025)	(82,265)
Income taxes paid		(4,927)	(2,282)
Net cash from operating activities	33	102,376	93,810
Cash flows from investing activities			
Payments for investments		-	(2,224)
Payments for property, plant and equipment	6	(135,905)	(102,368)
Payments for intangibles	7	(2,574)	(6,440)
Proceeds from disposal of property, plant and equipment		565	24
Net cash from investing activities		(137,914)	(111,008)
Cash flows from financing activities			
Proceeds from bond issue		150,000	-
Repayment of borrowings		(87,468)	34,188
Interest paid		(23,807)	(18,704)
Interest on convertible notes		(2,449)	(2,449)
Dividends paid		(350)	(548)
Net cash from financing activities		35,926	12,487
Net increase/(decrease) in cash and cash equivalents		388	(4,711)
Cash and cash equivalents at the beginning of the financial year		901	5,612
Cash and cash equivalents at the end of the financial year		1,289	901

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

NOTES TO THE FINANCIAL STATEMENTS

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. Its registered office and principal place of business is 114 Maui Street, Hamilton.

During the financial year the principal continuing activities of the Group consisted of:

- The electricity networks business delivering energy to customers in the Waikato Region; and
- The fibre business delivering the Government Ultrafast Fibre roll out programme and delivery of fibre services in the Waikato, Tauranga and Taranaki areas.

The financial statements were authorised for issue, in accordance with a resolution of the Board of Directors, on 30 May 2019. The Board of Directors do not have the power to amend and reissue the financial statements.

2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

A number of new standards and amendments to standards and interpretations, effective for annual periods beginning on, or after 1 January 2018, have been adopted in these consolidated financial statements.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

NZ IFRS 9 Financial Instruments

The Group adopted NZ IFRS 9 from 1 April 2018. NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The Group has applied NZ IFRS 9 retrospectively, but has elected not to restate comparative information.
As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy under NZ IAS 39. Certain assets have been reclassified from 'Loans and receivables' to 'Financial assets at amortised cost' (note 29).

The standard also introduced a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39 for calculating the provision for doubtful debts. There was no material change to the provision recognised.

NZ IFRS 9 also introduced new requirements for hedge effectiveness and hedging documentation. There was no material change to hedging relationships or hedge effectiveness.

NZ IFRS 15 Revenue from Contracts with Customers

NZ IFRS 15, 'Revenue from Contracts with Customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or service. The standard replaces NZ IAS 18 'Revenue' and related interpretations and NZ IAS 11 'Construction Contracts'. The Group has adopted NZ IFRS 15 on 1 April 2018. The application of the new standard has resulted in a $1.7 million decrease to prior year revenue recognition (including deferred tax impact of $0.6 million) and the Group has adjusted retained earnings at 1 April 2018 accordingly.

The Group has used the modified approach to transition, with the impact on prior periods adjusted through opening equity. The opening equity adjustment arose as the percentage of completion basis used for third party contributions is now recognised on completion of connection to the networks. There were no

WEL Networks Limited

Notes to the financial statements

31 March 2019

other adjustments required under NZ IFRS 15 to the recognition of any other revenue categories.

The impact of adoption of NZ IFRS 15 includes the following changes in presentation:

- Contract liabilities in relation to Third Party Contributions were previously presented as deferred income;
- Transpower pass through costs previously presented as part of other income are now included in electricity line revenue;
- Operating lease income previously presented as part of other income is now disclosed separately;
- Earnings per share for the year ended 31 March 2019 prior to the adoption of NZ IFRS 15 would be 428.1 cents per share compared to the current earnings per share of 394.6 cents per share; and
- Revenue for 31 March 2019 would have been $2.7 million higher at $213 million, prior to the adoption of NZ IFRS 15.

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.

The Group presents the statement of comprehensive income to include the non GAAP measure of Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) and Interests in Associates as this is a more appropriate measure of the operations and covenant requirements of the Group.

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.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the profit and loss component of the statement of comprehensive income.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the profit and loss component of the comprehensive income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit / (loss) of associates' in the comprehensive income statement.

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 presentation currency.

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

WEL Networks Limited

Notes to the financial statements

31 March 2019

qualifying cash flow hedges and qualifying net investment hedges.

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 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' and 'provisions' 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.

New Accounting Standards and Interpretations not yet mandatory or early adopted.

New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 March 2019. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

NZ IFRS 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. It replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The Group will adopt this standard from 1 April 2019 and the overall impact to the Group will be immaterial.

The Group has assessed that the impact to the balance sheet on 1 April 2019 will be an additional $0.7 million added to property, plant and equipment assets and lease liabilities. In relation to access licences to poles, which comprises $8.7 million of the $14 million lease commitments total in note 31, the Group has considered the space on each pole as a separately identifiable asset. As permitted by the standard the Group plans to take the recognition expedient for leases for which the underlying asset is of low value. This expedient is applied at an individual asset level and means that subsequent to initial adoption lease payments in relation to low value assets will continue to be recognised in the statement of comprehensive income.

3. 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 (note 6);
- Non-current - intangibles (note 7); and
- Income tax (note 15).

4. Operating segments

Identification of reportable operating segments.

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

The Board reviews the business from a network perspective and management considers the performance from an electricity network and a fibre network perspective and anything not included in these is classified as 'Other' including technology investments (Smart meters), retail business (OurPower) and Opunake Hydro Holdings Limited. Operating lease revenue and the related EBITDA, has been reclassified in 2019 (from 'Electricity Network' to 'Other') to better align with the classification used for internal management reporting. Refer to note 8 for further information on operating lease revenue.

The Board assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes discontinued operations and the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. Interest expenditure is not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

Sales between segments are carried out at arms length. The revenue from external parties is measured in a manner consistent with that in the statement of comprehensive income.

Consolidated 2019	Electricity Network $'000	Fibre Network $'000	Other $'000	Total $'000
Revenue				
Segment revenue	180,904	75,290	9,565	265,759
Intersegment sales	(46,884)	(8,228)	-	(55,112)
Total revenue	134,020	67,062	9,565	210,647
EBITDA and interests in associates	71,059	39,588	4,403	115,050
Depreciation and amortisation				(47,159)
Finance income				275
Finance expenses				(22,573)
Share of net profits/(losses)/revaluations of existing interest in associates				(266)
Profit before income tax expense				45,327
Income tax expense				(13,877)
Profit after income tax expense				31,450
Assets				
Segment assets	612,142	599,108	26,499	1,237,749
Unallocated assets:				
Cash and cash equivalents				1,289
Derivative financial instruments				2,538
Total assets				1,241,576
Liabilities				
Segment liabilities	29,539	13,077	(22)	42,594
Unallocated liabilities:				
Income tax				4,142
Borrowings				543,349
Deferred tax liabilities				84,060
Derivative financial instruments				12,138
Total liabilities				686,283

WEL Networks Limited

Notes to the financial statements

31 March 2019

Consolidated 2018	Electricity Network $'000	Fibre Network $'000	Other segments $'000	Total $'000
Revenue				
Segmental revenue	158,343	74,506	1,881	234,730
Intersegment sales	(37,750)	(21,427)	-	(59,177)
Total revenue	120,593	53,079	1,881	175,553
EBITDA and interests in associates	57,260	27,989	(3,591)	81,658
Depreciation and amortisation				(42,819)
Finance income				74
Finance expenses				(18,778)
Share of net profits/(loss)/revaluations of existing interest in associates				(629)
Profit before income tax expense				19,506
Income tax expense				(6,075)
Profit after income tax expense				13,431
Assets				
Segment assets	594,636	526,634	26,220	1,147,490
Unallocated assets:				
Financial assets				901
Derivative financial instruments				285
Investment in associates				1,595
Total assets				1,150,271
Liabilities				
Segment liabilities	35,034	16,755	-	51,789
Unallocated liabilities:				
Income tax				2,103
Borrowings				478,336
Deferred tax liabilities				80,141
Derivative financial instruments				6,679
Total liabilities				619,048

WEL Networks Limited

Notes to the financial statements

31 March 2019

5. Interests in subsidiaries

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

The parent has 85 shares (85% of shares) in Waikato Networks Limited. The shares are fully paid.

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Waikato Networks Limited	New Zealand	85%	85%
WEL Services Limited (amalgamated 29 March 2019)	New Zealand	-	100%
Ultrafast Fibre Limited (UFF)**	New Zealand	85%	85%
Opunake Hydro Holdings Limited	New Zealand	51%	33%
Non Operating Subsidiaries:			
WEL Electricity Limited (deregistered 22 May 2018)		-	100%
WEL Power Limited (deregistered 22 May 2018)		-	100%
WEL Energy Group Limited (deregistered 22 May 2018)		-	100%
Waikato Electricity Limited (deregistered 27 August 2018)		-	100%
WEL Generation Limited (deregistered 22 May 2018)		-	100%

** Subsidiary of Waikato Networks Limited.

On 29 March 2019 WEL Services Limited was amalgamated with WEL Networks Limited, the amalgamated company being WEL Networks Limited. The amalgamation has had no impact on the consolidated financial statements.

In September 2017, a 33% shareholding was purchased in Opunake Hydro Holdings Limited (OHHL). OHHL is an energy and utility specialist based in Taranaki. The impact of the transaction was immaterial to the Group.

On 28 June 2018 an additional 18% shareholding was obtained in OHHL, giving WEL Networks Limited a 51% shareholding at which point in time accounting changed from equity accounting to full consolidation within the Group. A fair value loss on remeasurement of the pre-existing 33% shareholding and the subsequent step acquisition, including an insignificant amount of negative goodwill, are both recognised in the Group's share of net profit/(losses)/revaluations of existing interest in associates. The impact of the transaction was immaterial to the Group.

WEL Networks Limited

Notes to the financial statements

31 March 2019

Summarised financial information

Summarised financial information of Waikato Networks Limited with non-controlling interests that are material to the Group are set out below:

	2019 $'000	2018 $'000
Summarised balance sheet		
Current assets	8,599	8,057
Non-current assets	590,510	518,678
Total assets	599,109	526,735
Current liabilities	13,077	5,656
Non-current liabilities	543,123	472,040
Total liabilities	556,200	477,696
Net assets	42,909	49,039
Summarised statement of comprehensive income		
Revenue	67,062	53,079
Expenses	(71,097)	(64,963)
Loss before income tax (expense)/benefit	(4,035)	(11,884)
Income tax (expense)/benefit	(2,094)	2,359
Loss after income tax (expense)/benefit	(6,129)	(9,525)
Other comprehensive income	-	-
Total comprehensive income	(6,129)	(9,525)
Summarised statement of cash flows		
Net cash from operating activities	44,933	29,030
Net cash from investing activities	(92,679)	(64,641)
Net cash from financing activities	47,765	31,240
Net increase in cash and cash equivalents	19	(4,371)

UFF is included in the summarised information above. The equity in UFF includes a Government Share, which requires UFF to obtain the prior written approval of the Government Shareholder prior to a transaction which would result in a change in ownership, control or management of the fibre network (included in 'Non-current assets' above) or a material part of it to another party.

6. Non-current assets - property, plant and equipment

2018	Electricity network $'000	Fibre network $'000	Land and buildings $'000	Plant and equip-ment $'000	Motor vehicles $'000	Computer hardware $'000	Assets under construc-tion $'000	Total $'000
Opening net book amount as at 1 April 2017	531,611	390,943	11,627	29,858	4,518	1,481	4,717	974,755
Additions	33,720	44,130	-	3,298	1,901	261	19,034	102,344
Disposals	(5,193)	-	-	(586)	(105)	(13)	(1,758)	(7,655)
Revaluation	-	-	6,681	-	-	-	-	6,681
Depreciation charge	(18,002)	(16,355)	(149)	(3,268)	(1,027)	(696)	-	(39,497)
Closing net book amount as at 31 March 2018	542,136	418,718	18,159	29,302	5,287	1,033	21,993	1,036,628
Cost/valuation	714,623	454,083	18,974	47,288	9,426	3,781	21,993	1,270,168
Accumulated depreciation	(172,487)	(35,365)	(815)	(17,986)	(4,139)	(2,748)	-	(233,540)
	542,136	418,718	18,159	29,302	5,287	1,033	21,993	1,036,628

2019	Electricity network $'000	Fibre network $'000	Land and buildings $'000	Plant and equip-ment $'000	Motor vehicles $'000	Computer hardware $'000	Assets under construc-tion $'000	Total $'000
Opening net book amount as at 1 April 2018	542,136	418,718	18,159	29,302	5,287	1,033	21,993	1,036,628
Additions	36,908	67,652	-	1,588	958	1,276	27,780	136,162
Acquisition through business combination	-	-	-	2,524	-	-	-	2,524
Transfers	2,748	-	-	2,138	-	-	(4,886)	-
Disposals	(3,451)	-	-	(45)	(162)	(72)	-	(3,730)
Depreciation charge	(18,362)	(19,458)	(261)	(3,417)	(1,166)	(689)	-	(43,353)
Closing net book amount as at 31 March 2019	559,979	466,912	17,898	32,090	4,917	1,548	44,887	1,128,231
Cost/valuation	750,903	521,734	18,974	53,496	10,220	4,989	44,887	1,405,203
Accumulated depreciation	(190,924)	(54,822)	(1,076)	(21,406)	(5,303)	(3,441)	-	(276,972)
	559,979	466,912	17,898	32,090	4,917	1,548	44,887	1,128,231

The amount of capitalised interest was $1,452,000 (2018: $478,000).

WEL Networks Limited

Notes to the financial statements

31 March 2019

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.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings for the year, in this case 4.41% (2018: 4.28%).

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:

	Land and buildings $'000	Electricity network $'000	Fibre network $'000
Cost	10,131	569,025	454,083
Accumulated depreciation	(815)	(194,567)	(35,365)
Net book amount as at 31 March 2018	9,316	374,458	418,718

	Land and buildings $'000	Electricity network $'000	Fibre network $'000
Cost	10,131	608,015	521,734
Accumulated depreciation	(1,076)	(212,161)	(54,822)
Net book amount at 31 March 2019	9,055	395,854	466,912

Critical accounting estimates and judgements for property, plant and equipment

Land and buildings were revalued to fair value for highest and best use on 31 March 2018 by independent valuers, SGHU Valuations LP Registered Valuers using a market approach being a Level 3 valuation. This has been reviewed by the Directors as at 31 March 2019 and have determined that the carrying value remains materially appropriate.

It is the Group's policy to value the respective Electricity Network and Fibre Network every three years, and as such the Group engaged Deloitte to perform both network valuations for the year ended 31 March 2019. These are Level 3 valuations.

In the valuation of the Electricity Network, Deloitte note that the current carrying value is slightly below the valuation midpoint by $0.7M or 0.1%, as at 31 March 2019. Based on Deloitte's analysis, the Directors' consider that the current carrying value of the network fixed assets can be retained therefore no revaluation has been recorded. 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 using a multiple of 1.0x. Key inputs are shown in the table below. The valuation of the fixed assets is consistent with the requirements of NZ IAS 16, which requires the network to be valued based on the existing capabilities, i.e. excluding earnings growth that requires capital expenditure on network expansion but including growth that can be accommodated on the existing network.

In the valuation of the Fibre Network, Deloitte note that the Fibre Network is facing significant uncertainty regarding the future of regulation being considered by the Commerce Commission. The Directors are of the view that an appropriate value for the Fibre Network assets is in the range of the current carrying value of $466.9M through to the mid-point of the valuation (excluding

WIP) of $480.1M, and consider it is appropriate not to record an upward movement in valuation due to the uncertainty around upcoming regulation together with the introduction of 5G.

The primary valuation method is the discounted cash flow (DCF) methodology, over a 10 year period, with a terminal value based on a Gordon growth approach, with key inputs shown in the table below.

The valuations of the Electricity Network and the Fibre Network are sensitive to the inputs in the discounted cash flow model valuations. The table below shows the sensitivities to key inputs of the valuations, which are represented by the valuation ranges. The mid-points of these inputs, as used by Deloitte in their valuations, are included also.

	Mid-point for valuation	Sensitivity Range	Valuation Range
Electricity Network:			
WACC (Weighted Average Cost of Capital)	5.9%	5.4% - 6.4%	$537M - 584M
Distribution Revenue (excl. Transpower)	Avg. $83.6M p.a.	$79.4M - 87.8M	$537M - 583M
Capital Expenditure	Avg. $21.5M p.a.	$20.4M - 22.5M	$552M - 568M
Fibre Network:			
WACC (Weighted Average Cost of Capital)	7.8%	7.3% - 8.3%	$438M - 530M
ARPU (Average Revenue Per User)	Avg. $49.3	$46.8 - $51.7	$430M - 532M
Terminal Growth Rate	1.0%	0.5% - 1.5%	$456M - 509M
Capital Expenditure*	Avg. $22.8M p.a.	$20.5M - 25.1M	$455M - 506M

* The terminal capital expenditure is $10M.

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 and fibre networks are 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. For the fibre network qualifying assets relate to the construction of the fibre network.

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

WEL Networks Limited

Notes to the financial statements

31 March 2019

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.

Assets under construction include inventories to be used in network build and provisioning and the UFB2+ rollout for the Fibre Network.

Increases in the carrying amount arising on 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. For the Fibre Network this is on completion of the UFB2+ rollout. 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	35 years
Electricity network	6-70 years
Fibre network	5-40 years
Computer hardware	2-4 years
Plant and equipment	3-20 years
Motor vehicles	4-20 years

The exception to this is the Opunake generators used for electricity generation (plant and equipment) which are depreciated on a units of use basis using the kWh generated per month as a percentage of total kWh available over the assets life. The estimated remaining life for the generators is as follows:

Gas 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.

WEL Networks Limited

Notes to the financial statements

31 March 2019

7. Non-current assets - intangibles

2018	Internally generated software $'000	Computer software $'000	Goodwill $'000	Easements and consents $'000	Leasehold interests $'000	Assets under construction $'000	Total $'000
Opening net book amount as at 1 April 2017	163	7,966	74,484	5,140	107	588	88,448
Additions	4,718	1,008	-	101	-	613	6,440
Disposals	-	-	-	-	-	(427)	(427)
Amortisation charge	(1,453)	(1,795)	-	(74)	-	-	(3,322)
Closing net book amount as at 31 March 2018	3,428	7,179	74,484	5,167	107	774	91,139
Cost	6,665	25,811	74,484	7,519	107	774	115,360
Accumulated amortisation and impairment	(3,237)	(18,632)	-	(2,352)	-	-	(24,221)
	3,428	7,179	74,484	5,167	107	774	91,139

2019	Internally generated software $'000	Computer software $'000	Goodwill $'000	Easements and consents $'000	Leasehold interests $'000	Assets under construction $'000	Total $'000
Opening net book amount as at 1 April 2018	3,428	7,179	74,484	5,167	107	774	91,139
Additions	823	1,156	-	143	-	452	2,574
Amortisation charge	(1,253)	(2,490)	-	(63)	-	-	(3,806)
Closing net book amount as at 31 March 2019	2,998	5,845	74,484	5,247	107	1,226	89,907
Cost	7,461	27,345	74,484	7,661	107	1,226	118,284
Accumulated amortisation and impairment	(4,463)	(21,500)	-	(2,414)	-	-	(28,377)
	2,998	5,845	74,484	5,247	107	1,226	89,907

Critical accounting judgements, estimates and assumptions for intangibles

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.

The carrying value of goodwill is $74M and relates to Ultrafast Fibre Limited as a single cash generating unit.

The recoverable amount was determined using a 'fair value less cost to sell' method, using the Discounted Cashflow (DCF) methodology over a 10 year period.

WEL Networks Limited

Notes to the financial statements

31 March 2019

The key inputs include:

- revenue growth is driven primarily by connections growth from FY20 to FY24, and then growing by 2% p.a. from FY25;
- a flat Average Revenue Per User (ARPU) $49.3 p.m. taking into account the uncertainty around regulation and the introduction of 5G consistent with the Fibre Network Valuation;
- flat costs include ongoing cost reductions offset by CPI of 2% applying to all other costs;
- a post tax WACC of 7.8%, which is in line with the Fibre Network valuation;
- terminal cash flow growth of 2%, including both network and ARPU growth;
- terminal capital expenditure of $19M, being the investment required to support the terminal growth above; and
- cost to sell of $15M, which at 3% is at the higher end of the range.

The conclusion is that there is no impairment to the goodwill as the analysis above results in $5M of headroom. Small unfavourable changes in the key variables ($0.20 p.m. reduction in ARPU; an $850,000 increase in the terminal value annual Capital Investment; a 0.04% increase in WACC; or a 0.07% reduction in the terminal growth rate) could cause the 'carrying amount' to exceed the recoverable amount, resulting in an impairment to be recognised. The assumptions adopted reflect the risk and uncertainty associated with Ultrafast Fibre Limited as at 31 March 2019.

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 consolidation of the Waikato Networks Group due to the acquisition of Ultrafast Fibre Limited by Waikato Networks 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 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 over their estimated useful lives, which does not exceed five years.

Easements

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

Leasehold Interest

Long term leasehold interest in substation land has been recorded at fair value. The assets will be amortised over the period of the leases on a straight line basis.

WEL Networks Limited

Notes to the financial statements

31 March 2019

8. Revenue

	Consolidated	
	2019 $'000	2018 $'000
Revenue from contracts with customers		
Electricity lines revenue	124,128	127,265
Discount	-	(17,566)
Electricity third party contributions	9,892	8,012
Fibre network access services	64,511	50,402
Fibre third party contributions	2,551	2,677
Other income	7,387	1,881
	208,469	172,671
Other revenue		
Operating lease revenue	2,178	2,881
Revenue	210,647	175,553

Disaggregation of revenue

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

	Consolidated	
	2019 $'000	2018 $'000
Electricity Network		
Electricity line revenue	124,128	127,265
Discount	-	(17,566)
Third party contributions	9,892	8,012
	134,020	117,711
Fibre Network & Other Income		
Fibre network access services	64,511	50,402
Third party contributions	2,551	2,677
	67,062	53,079
Other income	7,387	1,881
Timing of revenue recognition		
Goods transferred at a point in time	13,005	
Services transferred over time	195,464	
	208,469	

For the purposes of segmental reporting (note 4) other operating segments include the operating lease revenue.

WEL Networks Limited

Notes to the financial statements

31 March 2019

Accounting policy for revenue recognition

The Group has applied NZ IFRS 15 using the modified retrospective approach and the new accounting policy for revenue recognition is when specific criteria have been met for each of the Group's activities, as described below.

Electricity lines revenue

The Company invoices its customers (predominantly 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 for invoicing. In prior periods the reported net line revenue includes the provision for the annual customer discounts that were accrued on a monthly basis but only paid to customers once a year. The discount has been replaced with reduced lines prices for residential electricity customers for the 31 March 2019 financial year. Therefore net electricity line revenue for the prior year is the total electricity line revenue less the discount.

Sale of fibre network access services

Ultrafast Fibre Limited (UFF) invoices its customers (predominantly internet service providers) monthly for fibre access services to the fibre network across a range of contract periods varying from immediate termination, and up to two years. Prices are charged in accordance with the Ultrafast Fibre UFB Services Agreement General Terms and Price List. UFF'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 Group makes use of a practical expedient to record revenue monthly being a distinct period that UFF captures usage and price information for invoicing. Unbilled revenue from the date of the connection to the billing cycle is recognised in the month of service. Revenue is deferred in respect of the portion of the fixed monthly charges that have been billed in advance.

In addition to fibre access services, UFF recognises revenue for ancillary services such as a plan change fee on a point in time basis as they occur. Fees for connecting customers are determined to be separate performance obligations and are recognised when the connection completes. These other services are also charged in accordance with the Ultrafast Fibre UFB Services Agreement General Terms and Price List.

Third party contributions

Third party contributions are charges to the end customer when they request a new or modified connection to either the fibre or the electricity distribution network. Asset title and obligation to maintain resides with the Group and the asset is capitalised as part of the fibre or electricity network. Capital contributions are invoiced in advance and held as contract liabilities to be recognised in the statement of comprehensive income when the customer is connected.

Operating lease revenue

Operating lease revenue is charged to the lessor for the construction, connection and ownership of the Te Uku Wind Farm. The lease is charged on a monthly basis for the term of the lease, being 50 years (25 year initial term and a 25 year right of renewal).

WEL Networks Limited

Notes to the financial statements

31 March 2019

	Consolidated	
	2019 $'000	2018 $'000
Lessor minimum lease commitments		
Committed at the reporting date but not recognised as assets payable:		
Within one year	2,175	2,178
One to five years	8,592	8,642
More than five years	53,129	55,254
	63,896	66,074

Other income

The majority of other income relates to revenue from Opunake Hydro Holdings Limited (Opunake).

Electricity retail revenue associated with Opunake is invoiced monthly to customers for electricity used during the period. Opunake'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. Opunake makes use of a practical expedient to record revenue monthly being a distinct period that Opunake captures usage and price information for invoicing. Opunake no longer operates in the retail market, ceasing to retail electricity publicly in September 2018.

Opunake also 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.

Comparative period accounting policy

The comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. In the comparative period, revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and GST. The Group recognised revenue when the amount of revenue could be reliably measured and when it was probable that future economic benefits will flow to the entity.

9. Current liabilities - borrowings

	Consolidated	
	2019 $'000	2018 $'000
Bank loans - maturing within 1 year	99,179	89,068

Refer to note 29 for further information on financial instruments.

10. Non-current liabilities - borrowings

	Consolidated	
	2019 $'000	2018 $'000
Maturing between 1 and 2 years	(808)	208,437
Maturing between 2 and 3 years	63,216	99,606
Maturing between 3 and 4 years	99,291	10,494
Maturing between 4 and 5 years (includes bond)	201,301	-
Total bank and bond borrowings	363,000	318,537
Loan from non-controlling interest	81,170	70,731
Total non-current borrowings	444,170	389,268

The negative amount of $808,000 maturing between 1 and 2 years is due to amortised costs on the bond and bank facilities for that year, with no facilities maturing.

Refer to note 29 for further information on financial instruments.

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

The loans are secured by a negative undertaking of the Group. The Group complied with all covenants during the year (refer note 24).

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 2019 is $12,138,000 (31 March 2018: $6,394,000).

The carrying value of interest bearing bank and bond debt is $462,179,000 (31 March 2018: $407,605,000). The fair value of contractual cash flows is $665,104,000 (31 March 2018: $475,654,000). Refer to note 29.

During the year the total bank loan facilities reduced to $400 million (31 March 2018: $550 million) of which $87 million remains available to the Group to be drawn down at balance date. The facilities expire as follows:

	Facility available $'000	Total facility $'000
Facility expiry date		
9 August 2019	-	100,000
29 April 2020 (Evergreen facility)	30,000	30,000
30 November 2021	-	50,000
31 December 2021	36,000	50,000
30 November 2022	-	100,000
30 November 2023	21,000	70,000
	87,000	400,000

WEL Networks Limited

Notes to the financial statements

31 March 2019

Bonds

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

Accounting policy for borrowings

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

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

11. Finance expenses

	Consolidated	
	2019 $'000	2018 $'000
Interest and finance charges paid/payable	24,025	19,256
Capitalised interest	(1,452)	(478)
	22,573	18,778

WEL Networks Limited

Notes to the financial statements

31 March 2019

12. Net debt reconciliation

	Consolidated 2019 $'000	Consolidated 2018 $'000
Net debt		
Cash and cash equivalents	1,289	901
Borrowings - repayable within one year (including overdraft)	(99,179)	(89,068)
Borrowings - repayable after one year	(444,170)	(389,268)
	(542,060)	(477,435)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Net debt		
Cash and cash equivalents	1,289	901
Gross debt - fixed interest rates	(270,000)	(200,000)
Gross debt - variable interest rates	(273,349)	(278,336)
	(542,060)	(477,435)

	Cash and cash equivalents $'000	Borrowings due within one year $'000	Borrowings due after one year $'000	Total $'000
Net debt as at 1 April 2017				
Opening balance	5,612	(63,336)	(381,707)	(439,431)
Cash flows	(4,711)	-	(34,188)	(38,899)
Reclassification	-	(25,732)	25,732	-
Other non cash movements	-	-	895	895
Net debt as at 31 March 2018	901	(89,068)	(389,268)	(477,435)
Net debt as at 1 April 2018				
Opening balance	901	(89,068)	(389,268)	(477,435)
Cash flows	388	(10,932)	(57,440)	(67,984)
Other non cash movements	-	821	2,538	3,359
Net debt as at 31 March 2019	1,289	(99,179)	(444,170)	(542,060)

WEL Networks Limited

Notes to the financial statements

31 March 2019

13. Expenses, excluding finance costs

	Consolidated	
	2019 $'000	2018 $'000
Transmission costs	29,430	31,176
Employee benefits	43,750	41,718
Capitalised labour	(26,336)	(22,986)
Materials and services	8,652	8,250
Premise networking costs	9,398	7,140
Contracting services	4,801	3,928
Consultancy	3,430	3,889
Contracting cost of sales	3,299	665
Net loss on disposal of property, plant and equipment	3,165	5,489
Vehicle expenditure	1,585	1,649
Operating leases	1,999	1,405
Directors' fees	612	594
Bad debts written off	683	153
Change in provision for impaired receivables	57	84
Other expenses	11,072	10,741
	95,597	93,895

14. Depreciation and amortisation expense

	Consolidated	
	2019 $'000	2018 $'000
Depreciation:		
Buildings	261	149
Plant and equipment	3,417	3,268
Fibre network	19,458	16,355
Motor vehicles	1,166	1,027
Distribution network	18,362	18,002
Computer hardware	689	696
	43,353	39,497
Amortisation:		
Computer software	2,490	1,795
Internally generated software	1,253	1,453
Easements and consents	63	74
	3,806	3,322
	47,159	42,819

15. Income tax

	Consolidated 2019 $'000	2018 $'000
Income tax expense		
Current tax	7,705	6,843
Deferred tax	6,172	(768)
Aggregate income tax expense	13,877	6,075
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	45,327	19,506
Tax at the statutory tax rate of 28%	12,692	5,462
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non deductible expenses	39	196
Convertible note interest	(686)	(685)
	12,045	4,972
Prior period deferred tax adjustment	789	78
Prior period tax expense adjustment	707	1,025
Tax loss offsets	336	-
Income tax expense	13,877	6,075

Deferred tax liabilities/(assets)

	Accelerated tax depreciation $'000	Revaluation of plant and equipment $'000	Provisions and other $'000	Derivative instruments $'000	Tax losses $'000	Total $'000
As at 1 April 2017	20,429	71,460	4,347	(1,277)	(15,413)	79,546
Charged/(credited) to the statement of comprehensive income	(894)	-	217	-	(88)	(765)
Charged/(credited) directly to equity - revaluations	-	1,871	-	-	-	1,871
Charged/(credited) directly to equity - derivatives	-	-	-	(511)	-	(511)
As at 31 March 2018	19,535	73,331	4,564	(1,788)	(15,501)	80,141

WEL Networks Limited

Notes to the financial statements

31 March 2019

	Accelerated tax depreciation $'000	Revaluation of plant and equipment $'000	Provisions and other $'000	Derivative instruments $'000	Tax losses $'000	Total $'000
As at 1 April 2018	19,535	73,331	4,564	(1,788)	(15,501)	80,141
Charged/(credited) to the statement of comprehensive income	9,834	-	(5,447)	(2)	1,787	6,172
Charged/(credited) directly to equity - derivatives	-	-	-	(1,608)	-	(1,608)
Charged/(credited) directly to equity - adjustment for change in accounting policies	(645)	-	-	-	-	(645)
As at 31 March 2019	28,724	73,331	(883)	(3,398)	(13,714)	84,060

Accounting policy for income tax

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

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

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

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

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

Critical accounting judgements, estimates and assumptions

Included in the net deferred tax liability at 31 March 2019 is a $13.7 million asset arising principally from the recognition of tax losses in Ultrafast Fibre Limited. NZ IAS 12 Income Taxes requires the recovery of the losses to be probable in order to be recognised in the balance sheet. For the losses to be recoverable, the Group is required to have, within prescribed limits, continuity of ownership through to the period in which the losses are utilised against foreseeable profits.

The shareholders agreement provided for joint and equal control between Crown Fibre Holdings and Waikato Networks Limited throughout the concession period and control is not determined by the number of shares held. This view was submitted to the Inland Revenue Department together with Enable, Northpower and Crown Fibre Holdings and a nonbinding indicative view was received. The purchase of CFH's shares by WNL is a 50% change in shareholding, and therefore the minimum 49% shareholder continuity requirement has been maintained. On this basis the Group has continued to recognise the total deferred tax asset associated with these losses on the basis that recovery of the losses is probable.

16. Imputation credit account

	Consolidated	
	2019 $'000	2018 $'000
Imputation credits available for subsequent financial years based on a tax rate of 28%	38,107	33,579

17. Current assets - trade and other receivables

	Consolidated	
	2019 $'000	2018 $'000
Trade receivables	18,217	18,048
Amounts due from customers for contract work	344	126
Less: Allowance for expected credit losses	(646)	(589)
	17,915	17,585
Related party receivable	310	232
Prepayments	1,386	1,906
	1,696	2,138
	19,611	19,723

Allowance for expected credit losses

The Group has recognised a loss of $57,000 (2018: $84,000) in profit or loss in respect of the expected credit losses for the year ended 31 March 2019.

WEL Networks Limited

Notes to the financial statements

31 March 2019

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

	Consolidated	
	2019 $'000	2018 $'000
Expected credit losses:		
Current	124	-
Less than one to three months	6	-
Over three months	516	589
	646	589

	Consolidated	
	2019 $'000	2018 $'000
Trade receivables:		
Current	16,558	15,690
Less than one to three months	677	1,024
Over three months	680	871
	17,915	17,585

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

Notes to the financial statements

31 March 2019

18. Current liabilities - trade and other payables

	Consolidated	
	2019 $'000	2018 $'000
Trade payables	12,110	7,995
Other payables	11,137	9,780
Goods and services tax	(456)	-
	22,791	17,775

Refer to note 29 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.

19. Current liabilities - provisions

	Consolidated	
	2019 $'000	2018 $'000
Annual leave	2,221	2,196
Employee benefits	1,538	1,132
Other	99	283
	3,858	3,611

WEL Networks Limited

Notes to the financial statements

31 March 2019

Accounting policy for provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Accounting policy for employee benefits:

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.

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.

WEL Networks Limited

Notes to the financial statements

31 March 2019

20. Current liabilities - contract liabilities

The Group has recognised the following revenue related contract liabilities:

	Consolidated	
	2019 $'000	2018 $'000
Contract liabilities - third party contributions - electricity	7,392	4,538
Contract liabilities - third party contributions - fibre	1,776	2,286
Other contract liabilities	5,770	4,621
	14,938	11,445

Management expects that 78% of the fibre third party contributions and 80% of the electricity third party contributions relating to the unsatisfied contracts as at 31 March 2019 will be recognised as revenue in the next reporting period. 100% of the other contract liabilities will be recognised as revenue in the next reporting period.

	Consolidated	
	2019 $'000	2018 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the period:		
Third party contributions - electricity	5,493	2,606
Third party contributions - fibre	1,782	1,714
	7,275	4,320

21. Non-current liabilities - provisions

	Consolidated	
	2019 $'000	2018 $'000
Employee benefits	92	423

22. Non-current liabilities - contract liabilities

	Consolidated	
	2019 $'000	2018 $'000
Contract liabilities	915	945

Income received from government organisations to fund the undergrounding of some areas of the electricity network is recognised over 45 years which is the life of the asset. Revenue recognised this year of $29,385 (2018: $29,385).

WEL Networks Limited

Notes to the financial statements

31 March 2019

23. 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 5.

Key management compensation and interests

Key management personnel compensation for the years ended 31 March 2019 and 31 March 2018 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.

Changes to key management personnel during the 12 months to 31 March 2019 include Suzanne Tindal, who was appointed as Group Chief Financial Officer and commenced in July 2018 and William Hamilton, who retired as Chief Executive Officer of Ultrafast Fibre Limited in September 2018. Ms Tindal is also an independent non-executive Director of Mainfreight Limited. Geoff Lawrie, a current Director of the Board, has been appointed as interim Chief Executive Office of Ultrafast Fibre Limited from October 2018.

An executive Mr R Riley, is a Director and shareholder of UFO Limited. UFO Limited has provided provisioning services amounting to $79k to Ultrafast Fibre Limited for the year ended 31 March 2019.

	Consolidated	
	2019 $'000	2018 $'000
Salaries and other short-term employee benefits	4,656	5,298
Post-employment benefits	187	294
Termination benefits	493	-
	5,336	5,592

Receivable from and payable to related parties

Related party transactions with WEL Energy Trust

	Consolidated	
	2019 $'000	2018 $'000
Interest on convertible note (refer note 24)	(2,449)	(2,449)

WEL Networks Limited

Notes to the financial statements

31 March 2019

Total dividends paid during the year were $350,000 net (2018: $548,000 net).

Related party transactions with SmartCo Limited

	Consolidated	
	2019 $'000	2018 $'000
Other income	846	1,301
Operating expense (contract services expenditure)	(485)	(517)
Purchase of plant and equipment	(732)	(548)
Advance to related party	210	210

WEL Networks Limited owns 15% of SmartCo Limited. SmartCo Limited is a joint venture company which has been set up to contract with suppliers and electricity retailers to rollout advanced electronic meters across SmartCo shareholder networks.

Related party transactions with Waipa Networks Limited

	Consolidated	
	2019 $'000	2018 $'000
Current year interest expense	3,302	2,781
Total loan from non-controlling interests	81,170	70,731
Pole make ready and lease costs	30	30
Contract Services	148	148

In addition to owning 15% of the equity in Waikato Networks Limited, Waipa Networks Limited has extended a shareholder loan. The terms of the loan are set out in the shareholders' agreement between WEL Networks Limited, Waikato Networks Limited (WNL), Waipa Networks Limited and Ultrafast Fibre Limited. The loan funding provided by Waipa Networks Limited is commensurate with its shareholding in WNL. The parties have agreed a put and call arrangement whereby should Waipa Networks Limited reduce its shareholding in WNL to less than 10%, or there is a change in control of Waipa Networks Limited, at the option of WEL Networks Limited, Waipa Networks Limited's shareholding in WNL can be acquired by WEL Networks Limited at fair value. Waipa Networks Limited also has the option to sell its shares in WNL to WEL Networks Limited at fair value from the third anniversary from the effective date. The loan from Waipa Networks Limited is considered non current as there is no predetermined settlement date.

A deed of indemnity exists between WEL Networks Limited and Waipa Networks Limited where both parties offer guarantees over obligations to key suppliers (including related party Waipa Networks Limited).

Interest on the loan from Waipa Networks Limited is charged at a rate equal to the WEL Networks Limited average finance rate. The outstanding balance includes interest and advances. The loan is used to fund the investment in Ultrafast Fibre Limited and the continued fibre network build.

WEL Networks Limited

Notes to the financial statements

31 March 2019

24. Equity - contributed equity

	Consolidated			
	2019 Shares	2018 Shares	**2019 $'000**	2018 $'000
Ordinary shares - fully paid	8,153,000	8,153,000	111,142	111,142
Convertible notes	-	-	39,000	39,000
	8,153,000	8,153,000	150,142	150,142

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

Convertible notes accounting policy

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

The convertible notes will be redeemed in three tranches over the next three years with the first $10 million of the convertible notes being redeemed on 30 April 2019, $13 million of the Notes redeemed on 30 April 2020 and the remainder of the Notes redeemed on 30 April 2021.

Interest payments on convertible notes are recorded as a distribution through the statement of movements in equity. The interest rate is 6.28% for the period 1 April 2016 to 31 March 2020.

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. In both years 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%; and
- 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.

The unsecured borrowings 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.

	Consolidated	
	2019 $'000	2018 $'000
Borrowings - non current	363,000	318,537
Borrowings - current	99,179	89,068
Loan from non controlling interest	81,170	70,731
Less: cash and cash equivalents	(1,289)	(901)
Net debt	542,060	477,435
Total equity	555,293	531,223
Total capital	1,097,353	1,008,658
Gearing ratio	*49%*	*47%*

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.

25. Equity - reserves

	Consolidated	
	2019 $'000	2018 $'000
Revaluation reserve	158,475	159,873
Hedging reserve - cash flow hedges	(8,739)	(4,605)
	149,736	155,268

WEL Networks Limited

Notes to the financial statements

31 March 2019

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 2017	156,537	(3,287)	153,250
Revaluation - net	4,810	-	4,810
Deferred tax	-	511	511
Disposal of distribution network assets	(1,474)	-	(1,474)
Fair value gains/(losses) in year	-	(1,829)	(1,829)
Balance at 31 March 2018	159,873	(4,605)	155,268
Deferred tax	-	1,609	1,609
Disposal of distribution network assets	(1,398)	-	(1,398)
Fair value gains/(losses) in year	-	(5,743)	(5,743)
Balance at 31 March 2019	158,475	(8,739)	149,736

26. Equity - retained earnings

	Consolidated	
	2019 $'000	2018 $'000
Retained earnings at the beginning of the financial year	218,457	205,121
Adjustment for change in accounting policy (note 2)	(1,723)	-
Retained earnings at the beginning of the financial year - restated	216,734	205,121
Profit after income tax expense for the year	32,172	14,860
Dividends paid	(350)	(548)
Disposal of distribution network assets	1,398	1,474
Convertible note interest	(2,449)	(2,449)
Retained earnings at the end of the financial year	247,505	218,458

27. Earnings per share

	2019 Cents	2018 Cents
Basic earnings per share	394.6	182.3
Diluted earnings per share	394.6	182.3

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners 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 shares.

28. Derivative financial instruments

	Consolidated	
	2019 $'000	2018 $'000
Non-current assets		
Interest rate swap contracts - cash flow hedges	-	285
Interest rate swaps - fair value hedges	2,538	-
	2,538	285
Current liabilities		
Interest rate swap contracts - cash flow hedges	(115)	(52)
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	(12,023)	(6,627)
	(9,600)	(6,394)

The notional principal amounts of the outstanding interest rate contracts as at 31 March 2019 were $195 million (2018: $200 million).

As at 31 March 2019, the fixed interest rates vary from 2.28% to 4.90% (2018: 2.25% to 4.18%) and the main floating rate is Bank Bill Mid Rate (BKBM).

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

WEL Networks Limited

Notes to the financial statements

31 March 2019

strategy for undertaking its hedge transactions. Movements in the hedging reserve in the shareholders' equity are shown in note 25. 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.

The Group performs qualitative hedge effectiveness assessments for interest rate swaps to determine that the critical terms of the hedging instrument match exactly with the terms of the hedged item. Hedge ineffectiveness may occur due to:

- the credit value/debit value adjustment on the interest rate swaps not being matched by the loan; and
- differences in critical terms between the interest rate swaps and loans.

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.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the profit and loss component of the statement of comprehensive income within 'finance income/cost'.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, 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 profit or loss 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 profit or loss 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.

29. 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 and interest rate risk), 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 2019, 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 (2018: nil).

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 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.

WEL Networks Limited

Notes to the financial statements

31 March 2019

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	2019		2018	
	Weighted average interest rate %	**Balance $'000**	Weighted average interest rate %	Balance $'000
Bank borrowings	4.41%	313,000	4.09%	407,605
Loan from non-controlling interest	4.41%	81,170	4.09%	70,731
Bond	4.90%	152,538	-	-
Fair value interest rates swaps (notional principal amount)	4.28%	(75,000)	-	-
Interest rate swaps (notional principal amount)	4.35%	(195,000)	4.40%	(200,000)
Net exposure to cash flow interest rate risk		276,708		278,336

Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk. There are no other price risks.

Interest rate risk +/- 1% **31 March 2019**	Carrying amount $'000	Profit $'000	Equity $'000
Financial assets:			
Cash and cash equivalents	1,289	13	-
Trade and other receivables	19,528	-	-
Derivative financial instruments	2,538	25	-
Financial liabilities:			
Trade and other payables	23,247	-	-
Interest bearing liabilities	462,179	2,311	-
Derivative financial instruments	12,138	-	121
Loan from non-controlling interest	81,170	812	-
Total increase/ (decrease)	-	3,161	121

Interest rate risk +/- 1% **31 March 2018**	Carrying amount $'000	Profit $'000	Equity $'000
Financial assets:			
Cash and cash equivalents	901	9	-
Trade and other receivables	17,817	-	-
Derivative financial instruments	285	-	2
Financial liabilities:			
Trade and other payables	17,775	-	-
Interest bearing liabilities	407,605	2,076	-
Derivative financial instruments	6,679	-	66
Loan from non-controlling interest	70,731	707	-
Customer discount payable	17,590	-	-
Total increase/ (decrease)	-	2,792	68

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.

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% (2018: 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 doubtful debts 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 30), 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 24, 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

WEL Networks Limited

Notes to the financial statements

31 March 2019

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.

The amounts disclosed in the table are the contractual undiscounted cash flows. The 2018 comparative table has been restated to show undiscounted contractual cash flows, as the 2018 approved financial statements were disclosed as discounted contractual cash flows. The impact of this change is an increase in the total fair value of contractual cash flows of $24.9 million disclosed for 31 March 2018. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

31 March 2019	Less than one year $'000	Between 1 and 2 years $'000	Between 2 and 3 years $'000	Between 3 and 5 years $'000	5 + years $'000	Total fair value contractual cash flows $'000	Carrying amount liabilities $'000
Non-derivatives							
Borrowings - non current	6,787	18,493	81,598	330,883	-	551,433	363,000
Borrowing - current	113,671	-	-	-	-	113,671	99,179
Trade and other payables	23,247	-	-	-	-	23,247	23,247
Loan from non-controlling interest only	3,580	84,417	-	-	-	87,997	81,171
Total non-derivatives	147,285	102,910	81,598	330,883	-	776,348	566,597
Derivatives **Interest rate swaps**							
- inflow	6,690	6,534	6,534	10,537	1,274	31,569	-
- outflow	(9,182)	(9,071)	(8,714)	(12,491)	(1,711)	(41,169)	(9,600)
	(2,492)	(2,537)	(2,180)	(1,954)	(437)	(9,600)	(9,600)

31 March 2018	Less than one year $'000	Between 1 and 2 years $'000	Between 2 and 3 years $'000	Between 3 and 5 years $'000	Total fair value contractual cash flows $'000	Carrying amount liabilities $'000
Non-derivatives						
Borrowings - non current	11,680	219,072	109,395	29,410	369,557	318,537
Borrowings - current	93,810	3,427	3,149	5,711	106,097	89,068
Trade and other payables	17,775	-	-	-	17,775	17,775
Customer discount payable	17,590	-	-	-	17,590	17,590
Loan from non-controlling interest only	2,893	2,893	73,624	-	79,410	70,731
Total non-derivatives	143,748	225,392	186,168	35,121	590,429	513,701
Derivatives **Interest rate swaps**						
- inflow	7,843	6,309	5,476	6,136	25,764	-
- outflow	(8,593)	(7,785)	(7,280)	(8,500)	(32,158)	(6,394)
	(750)	(1,476)	(1,804)	(2,364)	(6,394)	(6,394)

Accounting policy for financial instruments

Classification

From 1 April 2018, 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.

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.

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 comprehensive income.

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); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

WEL Networks Limited

Notes to the financial statements

31 March 2019

31 March 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total balance $'000
Assets				
Interest rate contracts	-	2,538	-	2,538
Liabilities				
Interest rate contracts	-	12,138	-	12,138

31 March 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total balance $'000
Assets				
Interest rate contracts	-	285	-	285
Liabilities				
Interest rate contracts	-	6,679	-	6,679

Categories of financial assets and liabilities

Consolidated - 2019	Financial assets at amortised cost $'000	Financial assets at fair value through OCI or P&L $'000	Financial liabilities at amortised cost $'000	Total $'000
Assets				
Cash and cash equivalents	1,289	-	-	1,289
Trade receivables	18,225	-	-	18,225
Derivative financial instruments (at fair value through profit and loss)	-	2,538	-	2,538
Total financial assets	19,514	2,538	-	22,052
Liabilities				
Trade and other payables	-	-	23,247	23,247
Borrowings - non current	-	-	363,000	363,000
Borrowings - current	-	-	99,179	99,179
Derivative financial instruments (at fair value through OCI)	-	12,138	-	12,138
Loan from non-controlling interest	-	-	81,170	81,170
Total financial liabilities	-	12,138	566,596	578,734

Consolidated - 2018	Loans and receivables $'000	Derivatives $'000	Financial liabilities at amortised cost $'000	Total $'000
Assets				
Cash and cash equivalents	901	-	-	901
Trade receivables	17,817	-	-	17,817
Derivative financial instruments	-	285	-	285
Total financial assets	18,718	285	-	19,003
Liabilities				
Trade payables	-	-	17,775	17,775
Customer discount payable	-	-	17,590	17,590
Borrowings - non current	-	-	318,537	318,537
Borrowings - current	-	-	89,068	89,068
Derivative financial instruments	-	6,679	-	6,679
Loan from non-controlling interest	-	-	70,731	70,731
Total financial liabilities	-	6,679	513,701	520,380

30. Contingent liabilities

As at 31 March 2019, the Group had a total of $12.78 million contingent liabilities to support contracts entered into (2018: $10 million).

A breakdown of the contingent liabilities are as follows:

Beneficiary	Amount $'000	Supporting
Crown Fibre Holdings Limited	5,000	Ultrafast Fibre Broadband (UFB1) Contract
Crown Fibre Holdings Limited	5,000	Ultrafast Fibre Broadband (UFB2/UFB2+) Contract
Energy Clearing House Limited	250	OurPower Electricity Retailing
Energy Clearing House Limited	2,500	Opunake Hydro Electricity Retailing
NZX Limited	30	Listing Fees associated with the subordinated bond issue

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

WEL Networks Limited

Notes to the financial statements

31 March 2019

31. Commitments

Capital commitments

Ultrafast Fibre Limited has committed capital expenditure to the value $20 million at the end of the year but not yet incurred (2018: $67 million). This expenditure is a contracted commitment with Crown Infrastructure Partners Limited (formerly Crown Fibre Holdings) for the second phase of the Fibre Network build.

	Consolidated	
	2019 $'000	2018 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities payable:		
Within one year	1,257	957
One to five years	4,891	2,365
More than five years	7,952	5,427
	14,028	8,749

The Group leases land, premises, vehicles, equipment and utility poles. Operating leases held over properties give the Group the right to renew the lease subject to a predetermination of the lease rental by the lessor. There are no options to purchase in respect of land and premises held under operating leases.

Accounting policy for leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

32. Events after the reporting period

Apart from the convertible notes repayment as disclosed in note 24, there were no other events occurring subsequent to balance date which require adjustment to or disclosure in the financial statements.

WEL Networks Limited

Notes to the financial statements

31 March 2019

33. Cash flow information

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

	Consolidated	
	2019 $'000	2018 $'000
Profit after income tax expense for the year	31,450	13,431
Adjustments for:		
Depreciation and amortisation	47,159	42,819
Net loss on disposal of property, plant and equipment	3,165	5,489
Share of loss - associates	266	629
Financing costs	20,846	18,704
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(2,192)	141
Increase/(decrease) in trade and other payables	(10,666)	8,749
Increase in provision for income tax	2,045	4,616
Increase/(decrease) in deferred tax liabilities	10,303	(768)
Net cash from operating activities	102,376	93,810

34. Remuneration of auditors

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

	Consolidated	
	2019 $'000	2018 $'000
Audit services - PwC		
Audit financial statements - current year	246	222
Audit financial statements - prior year	70	-
Half year review	49	30
Assurance procedures on disclosure information	63	74
	428	326
Other services - PwC		
Regulatory advice	54	25

INDEPENDENT AUDITOR’S REPORT

Independent auditor's report

To the shareholder of WEL Networks Limited

We have audited the financial statements which comprise:

- the balance sheet as at 31 March 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

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 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

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.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional 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 regulatory advice and assurance and agreed upon procedures on disclosure information. The provision of these other services has not impaired our independence as auditor of the Group.

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Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: $2.6 million, which represents 2.25% of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA).

We chose EBITDA as the benchmark based on the following considerations:

- EBITDA is presented to the market as an alternative non-GAAP measure in the statement of comprehensive income used to assess performance;
- The Group has a significant asset base, of which approximately half relates to the fibre network, which is still in the growth stage; and
- Certain debt covenants are based on EBITDA measures.

We have determined that there are two key audit matters:

- Valuation of Electricity Network and Fibre Network
- Goodwill impairment assessment

Materiality

The scope of our audit was influenced by our application of materiality.

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.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. 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.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matter	How our audit addressed the key audit matter
Valuation of Electricity Network and Fibre Network Network assets are carried at $560m for the electricity network and $467m for the fibre network as at 31 March 2019, as disclosed in note 6 to the financial statements. A full revaluation of the electricity and fibre networks was carried out by an independent third party expert. The Directors have determined the carrying values of both the fibre and electricity networks are within the valuation ranges of the expert's valuation. In particular, with regards to the fibre network, given the uncertainty around upcoming regulation and the introduction of 5G the Directors have decided not to revalue the network upwards to the midpoint of the expert's valuation. This is disclosed as a significant judgment in the financial statements. The valuations of the networks involve significant estimates and assumptions including weighted average cost of capital, capital expenditure, distribution revenue (electricity), average revenue per user (fibre) and terminal growth rate (fibre) which involve significant judgements about the future. Given the significance of the value of the electricity and fibre networks recognised by the Group and the judgements applied in the valuations this was a significant area of focus for our audit.	Our procedures included: • Testing the mathematical accuracy of the model by re-performing the calculations based on the stated estimates and assumptions. • Considering the accuracy of historic forecasts by performing look back procedures consisting of comparing the current year actual results with those previously budgeted. • Engaging our internal industry valuation experts to evaluate whether significant assumptions used in the valuation were reasonable, including: – revenue growth rates, by comparison to industry data, connection demand and fibre roll out for the electricity and fibre networks respectively; – terminal growth rate, by comparison to economic forecasts; – the weighted average cost of capital, by assessing the discount rate used against comparable external data in the sector and expert knowledge of the industry; and – capital expenditure by assessing against our knowledge of the industry and the current growth stage of the business. • Assessing the suitability of the valuation ranges that have been used. • Assessing the judgements made in the context of upcoming fibre regulation and competition and its impact on the valuation adopted. • Performing a cross check against the Group's regulated asset base to assess the overall appropriateness of the electricity valuation. • Assessing the professional competence, independence and objectivity of the Group's valuation specialists. • Performing sensitivity analysis on the significant assumptions. • Considering the adequacy of the Group's disclosures. There are no matters to report as a result of our procedures.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment Goodwill relates to Ultrafast Fibre Limited as a single cash generating unit and has a carrying value of $74m as at 31 March 2019, as disclosed in note 7 to the financial statements. An impairment test is carried out annually by the Directors by comparing the carrying value of the cash generating unit to its recoverable amount based on the higher of value in use and a fair value less cost of disposal. This involves significant estimates and assumptions including revenue growth, average revenue per user, weighted average cost of capital, terminal cash flow growth and terminal capital expenditure, which involve significant judgements about the future. The Directors have used a fair value less costs of disposal approach to conclude that no impairment exists and the carrying value of goodwill remains appropriate. Given the significance of the value of goodwill recognised by the Group and the judgments applied in the impairment assessment this was an area of focus for our audit.	Our procedures included: • Understanding the strategic objectives of the business to enable us to evaluate the impairment assessment performed by management. • Testing the mathematical accuracy of the model by re-performing the calculation of the recoverable amount of the business, based on the same estimates and assumptions used by management. • Challenging the composition of management's future cash flow forecasts, and understanding the process by which they were prepared. • Considering the accuracy of historic forecasts by performing look back procedures, comparing the current year actual results with those previously budgeted. • Using the assistance of our internal industry valuation expert to evaluate whether significant assumptions used were reasonable including: – terminal cash flow growth rates, by comparing them to economic forecasts; – cash flow forecasts, by evaluating key inputs such as revenue and expenses against our knowledge of the business and wider industry; – terminal capital expenditure, by evaluating management's estimates and historical spend; and – the weighted average cost of capital, by assessing against suitable external data for comparable organisations. • Performing sensitivity analysis on the key assumptions. • Considering the adequacy of the Group's disclosures. There are no matters to report as a result of our procedures.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information. At the time of our audit, there was no other information available to us.

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. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

This description forms part of our auditor's report.

Who we report to

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

The engagement partner on the audit resulting in this independent auditor's report is Sharon Cresswell.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
30 May 2019

Hamilton

DIRECTORS' REPORT AND STATUTORY INFORMATION

1. Directors' Remuneration

		Total			
		Year Ended 31 March 2019			
		Directors Fees	Committee Fees	Total Fees	Other Expenses
Rob Campbell		131,230	-	131,230	2,076
Tony Barnes	Commenced 28.06.18	57,321	-	57,321	742
Anthony V Steele		81,325	8,250	89,575	-
Carolyn Steele		69,075	750	69,825	4,677
Barry S Harris		69,075	750	69,825	500
Geoff Lawrie		67,638	3,750	71,388	-
Keith Goodall		38,250	-	38,250	-
Candace Kinser	Commenced 24.08.18	45,757	-	45,757	5,512
Paul McGilvary	Ceased 28.06.18	12,375	1,500	13,875	500
Mark Franklin	Ceased 28.06.18	23,625	-	23,625	1,000
		595,671	15,000	610,671	15,007

2. Directors' Indemnities and Insurance

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

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

3. Directors' Transactions

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

4. Employee Remuneration

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

Year Ended 31 March 2019

$ Band	WEL Continuing Employees	WEL Discontinued Employees	UFF Continuing Employees	UFF Discontinued Employees
350,000 - 359,000	1			
310,000 - 319,999	1			
280,000 - 289,999			1	
270,000 - 279,000	1			
260,000 - 269,999				1
250,000 - 259,999	2	1	2	
230,000 - 239,999			1	
220,000 - 229,999		1		
210,000 - 219,999	1		1	
200,000 - 209,999	1			
180,000 - 189,999			1	
170,000 - 179,999	3		1	
160,000 - 169,999	2		1	
150,000 - 159,999	4		5	
140,000 - 149,999	4		2	
130,000 - 139,999	7	1	1	
120,000 - 129,999	22		4	1
110,000 - 119,999	25		11	1
100,000 - 109,999	32	1	6	

Chief Executives' Remuneration

WEL Networks Chief Executive Remuneration for year ended 31 March 2019.

Base Salary	Short Term Incentives[1]	Other Benefits	Total Remuneration
$514,300	$119,614 (FY 17-18 paid in May 2018)	-	$633,914

[1]The performance hurdles for the short term incentives related to; health and safety performance, achievement above budgeted EBITDA, progression of the strategic direction of the Company and a customer service benchmark.

Ultrafast Fibre Chief Executive Remuneration for year ended 31 March 2019*.

Base Salary	Short Term Incentives[2]	Other Benefits	Total Remuneration
$208,309	$168,100 (FY 17-18 paid in May 2018) $84,050 (FY 18-19 paid in September 2018)	-	$460,459

[2]The performance hurdles for the short term incentives related to; health and safety performance, achievement above budgeted EBITDA and connection numbers, targeted net promoter score and progress of the network build.

*William Hamilton retired as Chief Executive on 20 September 2018.

5. Shareholders

As at 31 March 2019, 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

	2019		2018	
	Female	Male	Female	Male
Board of Directors	2	6	1	8
Officers	3	10	2	11

TOP 20 BOND HOLDERS REPORT

Top Holders Report

As At Date: 30 May 2019

Report Generated: 31 May 2019 - 10:51am

Register	Security	Rank	Holder Number	Investor Name	Address	In NZCSD Sub-Reg	Total Units	% Issued Capital
NZL	WEL010	1	225060002	Forsyth Barr Custodians Limited	Private Bag 1999 Dunedin 9054	No	39,879,000	26.59%
NZL	WEL010	2	333082527	FNZ Custodians Limited	PO Box 396 Wellington 6140	No	21,250,000	14.17%
NZL	WEL010	3	220001091	New Zealand Central Securities Depository Limited	PO Box 5240 Wellesley Street Auckland 1141	No	17,111,000	11.41%
NZL	WEL010	4	220023800	Custodial Services Limited	PO Box 13155 Tauranga Central Tauranga 3141	No	7,225,000	4.82%
NZL	WEL010	5	220023796	Custodial Services Limited	PO Box 13155 Tauranga Central Tauranga 3141	No	5,903,000	3.94%
NZL	WEL010	6	220023788	Custodial Services Limited	PO Box 13155 Tauranga Central Tauranga 3141	No	3,900,000	2.60%
NZL	WEL010	7	220023770	Custodial Services Limited	PO Box 13155 Tauranga Central Tauranga 3141	No	3,727,000	2.48%
NZL	WEL010	8	330091011	Investment Custodial Services Limited	PO Box 35 Shortland Street Auckland 1140	No	3,195,000	2.13%
NZL	WEL010	9	220037681	Forsyth Barr Custodians Limited	Private Bag 1999 Dunedin 9054	No	2,948,000	1.97%
NZL	WEL010	10	220039790	Custodial Services Limited	PO Box 13155 Tauranga Central Tauranga 3141	No	2,117,000	1.41%
NZL	WEL010	11	220039056	Forsyth Barr Custodians Limited	Private Bag 1999 Dunedin 9054	No	1,440,000	0.96%
NZL	WEL010	12	220039633	Custodial Services Limited	PO Box 13155 Tauranga Central Tauranga 3141	No	1,282,000	0.85%
NZL	WEL010	13	333326825	Masfen Securities Limited	PO Box 2757 Shortland Street Auckland 1140	No	1,200,000	0.80%
NZL	WEL010	14	330388340	Woolf Fisher Trust Inc	PO Box 17084 Greenlane Auckland 1546	No	622,000	0.41%
NZL	WEL010	15	332995979	Fava`S Sports Car World Limited	310 Kohimarama Road St Heliers Auckland 1071	No	525,000	0.35%
NZL	WEL010	16	333082560	FNZ Custodians Limited	PO Box 396 Wellington 6140	No	517,000	0.34%
NZL	WEL010	17	330603887	J M Butland Limited	PO Box 62661 Greenlane Auckland 1546	No	480,000	0.32%
NZL	WEL010	18	R602265528	Mei Chu Ho	9FL NO 2 Alley 6 Lane 485 Section 1 Kung Fu Road Hsin Chu City Taiwan	No	450,000	0.30%
NZL	WEL010	19	335178793	Best Farm Limited	107 B Westchester Drive Churton Park Wellington 6037	No	400,000	0.27%
NZL	WEL010	19	331029882	Jennifer Susan Harker & Bruce James Harker & Mk Trustee 2016 Limited	3 A/2 Clyde Quay Wharf Te Aro Wellington 6011	No	400,000	0.27%
NZL	WEL010	20	331330493	Francis Horton Tuck	PO Box 27 Whitford 2149	No	390,000	0.26%

DIRECTORY

As at 31 March 2019

Group Registered Office

	114 Maui Street Te Rapa Hamilton 3240 New Zealand Telephone 64-7-850 3100 Facsimile 64-7-850 3210 Website **wel.co.nz | welgroup.co.nz** Email: communication@wel.co.nz

Director's Holding Office – Group

	Robert (Rob) J Campbell – Group Chairman **Anthony (Tony) P Barnes** – WEL Networks and Ultrafast Fibre **Barry S Harris** – WEL Networks and Ultrafast Fibre **Candace Kinser** – WEL Networks and Ultrafast Fibre **Geoffrey (Geoff) A Lawrie** – WEL Networks and Ultrafast Fibre **Anthony (Tony) V Steele** – WEL Networks and Ultrafast Fibre **Carolyn M Steele** – WEL Networks and Ultrafast Fibre **Keith N Goodall** – Ultrafast Fibre

WEL Networks Limited

Chief Executive	**Garth W Dibley** NZCE, BE, MBA

Ultrafast Fibre Limited

Chief Executive (Interim)	**Geoffrey (Geoff) A Lawrie**

WEL Group

Chief Financial Officer	**Suzanne (Sue) M. Tindal** FCPA (Aust)

Auditors

	PricewaterhouseCoopers, Hamilton

Freephone: 0800 800 935
Main Reception: 07 850 3100

PO Box 925, Hamilton 3240

Physical Address
114 Maui Street, Pukete, Hamilton