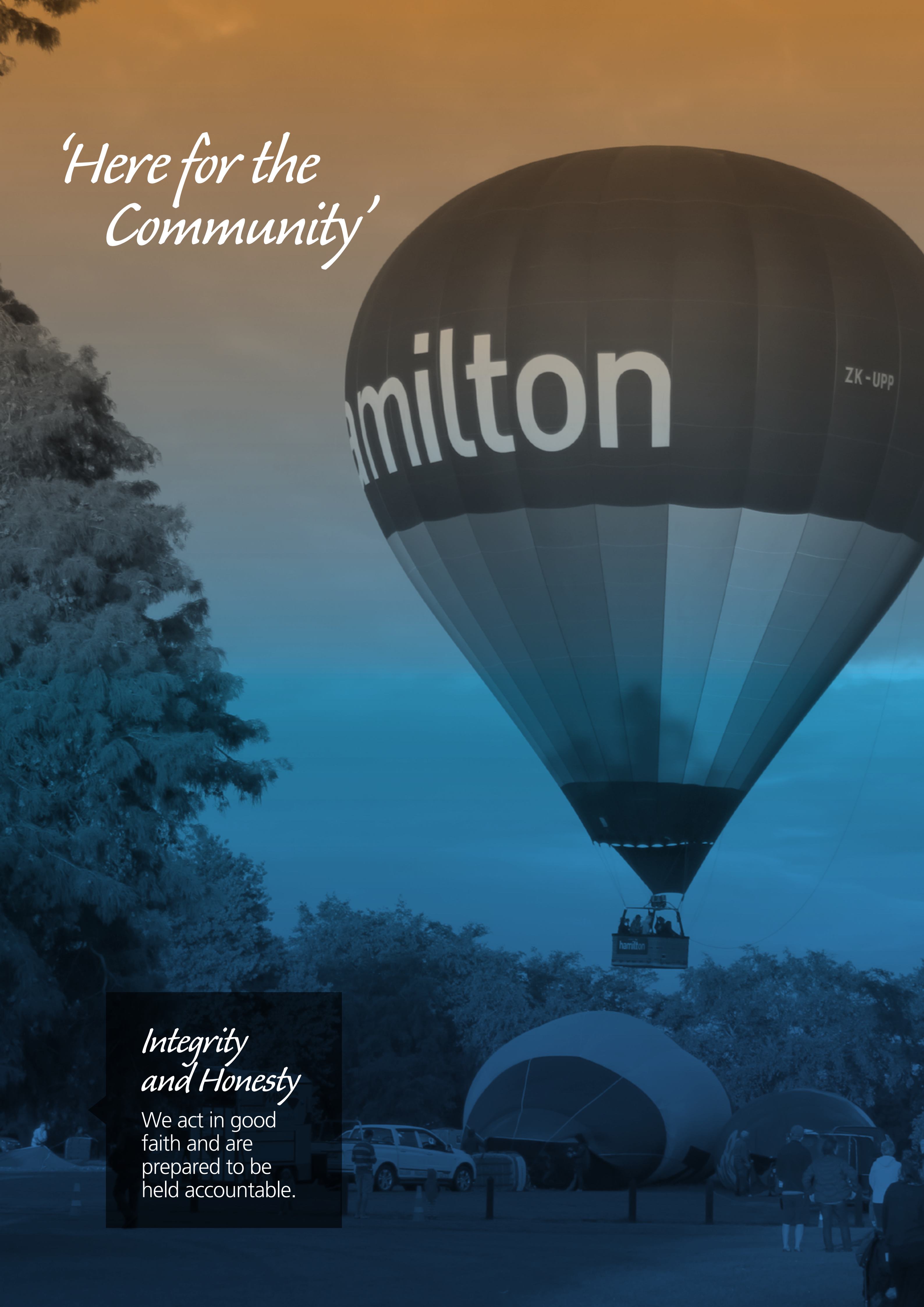
WEL ENERGY TRUST

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2022



'Here for the Community'

Integrity and Honesty

We act in good faith and are prepared to be held accountable.

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About WEL Energy Trust

Purpose

Why we do what we do...

WEL Energy Trust (the Trust) was formed in 1993, and is now the 100% shareholder of WEL Networks Ltd.

Elected every three years, the Trustees are the kaitiaki on behalf of the community of an important community infrastructure asset, WEL Networks Limited, which is the electricity lines distribution business in our region.

Under our Trust Deed, the core purpose of the Trust is to:

1. Ensure the Electricity Lines Company operates as a successful business.
2. Invest surplus funds into the community.

The WEL Group, the Trust and WEL Networks Ltd support energy solutions and investments which enable our communities to thrive, now and into the future.

The Capital Beneficiaries are Hamilton City Council (63%), Waikato District Council (35%) and Waipa District Council (2%).

Vision and Mission

Where we want to be, and how we will get there!

The Trust Vision has been a **forward thinking, vibrant, connected community.** We achieve this by being diligent shareholders and investors, and by using income as effectively as possible to benefit the community.

Partnership is at the heart of our activities. Upholding the principles of equity and equality as afforded in the Treaty of Waitangi is embedded in New Zealand law, and in the WEL Energy Trust Deed.

Our Mission has been **to work together, to work smarter, to grow investment and to unlock the powerful possibilities of our community, now and into the future.**

This Annual Report outlines our progress during the 2021/22 financial year towards fulfilling our Purpose. In this section we use both data and stories to illustrate our contribution to impact goals over the period. We invite you to find out more about our target goals and specific outcome areas in our Community Investment Strategy which is available on our website, www.welenergytrust.co.nz.

Organisational Directory

Trustees (during FY2022)

Rob Hamill resigned as Trustee on 26 July 2021. The next Triennial Election will be held in June 2023.

Mike West
(Chair)

Geoff Booth

Alan Chew

Rob Hamill

Jan Johnston

Matt Silverton

Adrian Yamunanathan

Staff (during FY2022)

Raewyn Jones, former Chief Executive left the Trust in July 2021 and Garry Mallet started as Chief Executive Officer in August 2021.

Raewyn Jones
(Former Chief Executive)

Garry Mallett
(Chief Executive Officer)

David Cowley
(Grants Manager)

Sarah Lewis
(Financial Officer)

Shannon Clarke (Grants & Partnerships Advisor)

Shelley Halpin
(Trust Secretary)

Trust Sub-Committees

Finance Audit and Risk

- Matt Silverton (Chair)
- Michael West
- Adrian Yamunanathan

Investment Committee

- Geoff Booth (Chair)
- Michael West
- Noah Schiltknecht (Independent Member)
- David Plummer (Independent Member until February 2022)
- Garry Mallett (Chief Executive Officer)

Chief Executive Appointment Sub-Committee (formed June 2021)

- Michael West
- Geoff Booth
- Matt Silverton

Grants Committee

Rotational after Quick Response rounds and as required.

Chair's Report

Representing and serving our beneficiaries

Financial year 2022 was the first full financial year for the 10th Elected Trust and gave us the opportunity to deliver the first Annual Plan which was our own. In setting the Annual Plan, we were mindful of our responsibilities and obligations under the Trust Deed as well as an electoral mandate to fully re-introduce the lines discount.

In representing and serving our beneficiaries we were careful to understand who they are. Our Trust is referred to as a "Community Trust" as we are elected by and represent the entire community and not just the consumers, but it is important to understand that our "Community" is clearly defined in our Trust Deed as "the PERSONS who are resident within the district" ("PERSON includes an individual, a firm, a partnership, a body corporate, an unincorporated body, a local authority, and a government authority").

The primary way we support our community is through our 100% ownership of WEL Networks Ltd, which means we can ensure the continued provision of a safe, reliable and future-proofed Electricity Distribution Network which we all benefit from. In addition to this we are also required to consider the way in which we provide balanced returns for both Capital and Income Beneficiaries.

Capital Beneficiaries

Our Trust's Capital Beneficiaries (Hamilton City Council, Waikato District Council and Waipa District Council) are well served by our ownership of WEL Networks Ltd (the Company). A succession of very capable and forward-thinking Directors, supported by extremely competent Company Executives, has seen the value of the Company we own grow from $86M (cost of shareholding) to its current value of around $790M. In addition, around $62M made up of term deposits, impact investments, community loans and equity market investments can be added to the total Trust fund, which currently exceeds $850M.

Income Beneficiaries

We are pleased to have supported our Income Beneficiaries by directing income to them via several mechanisms, including Company earnings and returns on our other investments:

1. The Discount
   The Discount is an agreement between the Trust and the Company which sees by far the largest number of Beneficiaries receive some support. It is derived from the regulated part of the Electricity Distribution Business, so not only can we be satisfied our consumers' interests are being protected by the regulators, they are also being protected further by the discount. The amount set aside in FY22 for the Discount was $13.8M including GST. This was applied as a credit to the power accounts of all consumers connected to the WEL Network in April and May of this year.

2. Grant Funding
   We were pleased to be able to fund our grants programme at a similar level to the previous year of around $5.5M (including conditional grants). Once again grants were broken down into various categories, including Quick Response, Community Support, Vital Impact, Convening and Organisational Development, and the COVID-19 Collective Response Fund. Applications to these funds were evaluated under the guidance of our Community Investment Strategy which has recently been reviewed.

Waikato Wellbeing Project

Trustees committed a total of $3M to this initiative to be spread over five years. The Waikato Wellbeing Project (WWP) is into its second year now and has progressed through the combined efforts of Harvey Brookes as Executive Director, supported by our partner, the Waikato Regional Council, a co-governance Kaitiaki Advisory Board and a network of over 25 committed and passionate manu taki, who together lead the movement for change across the project's ten target areas. Over the past 12 months the WWP has designed its operating and governance model and rolled out its first tranche of priority projects, including the Rangatahi Opportunity Project, addressing hunger, an on-line dashboard of the region's housing system, and advancing a Waikato Wellbeing Knowledge Centre of Excellence. We look forward to seeing this evolve in the coming years.

Company Performance

The Company had a strong performance in the last financial year, as we would expect, but what is most exciting are its bold plans for investment in both network growth and supporting assets. It has developed a long-term investment strategy to complement its core business. In summary the Company is forecast to spend in excess of $1B over the next ten years on maintaining the core business, building the network to meet new customer growth, managing the growth in EVs, and building generation and storage capacity, all of which will serve to reinforce the already robust network. This spend will be initially financed from the Tuatahi First Fibre sale proceeds, and then from bank funding. This all bodes well for the Trust with earnings from non-regulated assets forecast to grow substantially, which in turn will provide for increasing dividends paid to the Trust over the next five to ten years. The Company also has a strong focus on initiatives which support the de-carbonisation targets established by Central Government.

OurPower

OurPower continues to expand its customer base in the WEL Networks region with in excess of 2,800 customers now connected. It is reported that the low-cost electricity retailer owned by WEL Networks Ltd has saved its customers on average over $484 per annum on their electricity bills. That, coupled with the re-introduced lines discount, has seen real savings on the cost of electricity for many within our community that might otherwise be struggling with energy hardship.

Summary

The Trust is confident that its approach to managing its affairs is robust and sustainable, and that we have considered multiple Stakeholders with an open mind when setting our policies. We look forward to seeing this approach provide the maximum benefit to the WEL Community.

Michael West, Chair

Photographer: *Mark Hamilton.*
Photo supplied by *Hamilton Operatic Society (Chicago – the Musical).*

Photo supplied by
Perry Outdoor Education Trust

OUR GRANTS AT A GLANCE

TOTAL GRANTS Including contingently approved grants: **253**

QUICK RESPONSE GRANTS up to $15,000: **157**

COMMUNITY SUPPORT GRANTS over $15,000: **64**

VITAL IMPACT GRANTS: **6**

CONVENING AND ORGANISATIONAL DEVELOPMENT: **9**

COVID-19 COLLECTIVE RESPONSE FUND: **7**

AFFORDABLE ENERGY FOR ALL: **10**

83% OVERALL APPLICANT SUCCESS RATE

AVERAGE QUICK RESPONSE GRANT (under $15,000): **$6,265**

AVERAGE COMMUNITY SUPPORT GRANT (over $15,000): **$39,227**

TOTAL GRANT AMOUNT ALLOCATED (Including contingently approved grants): **$5,537,717**

Our General Theory of Change

IF we make coordinated use of different forms of financial capital and non-financial resources to support innovation and the wider innovation ecosystem, THEN we will begin to see the systemic change required for impact at scale.

Our General Theory of Change

Impact Goal: A forward thinking, vibrant, connected community

Inputs

- Governance and Strategy – Theory of Change
- Due diligence expertise
- Grants
- Non-financial assistance and advocacy
- Investments
- Loans

Activities

- Field building activities
- Develop policy and guidelines for impact investment and measurement
- Build Management capacity
- Select high impact, innovative investments
- Rigorous measurement and assessment of impact risk and return
- Investing and learning
- Story telling

Outputs

- Successful Impact Investment networks developed
- Policy documents in place
- Trust has access to relevant skills and resources
- Individual impact deals and appropriate funds identified
- Reports provided on risk and return
- Examples of learning shared

Outcomes

- Portfolio level success
- Growing our Impact
- Raising awareness
- Attracting new investors
- Building the market
- Innovative ideas taken to scale

- *Our General Theory of Change recognises that change on a community level depends on systemic change and backing new and innovative ideas*
- *We aim to use knowledge, networks, funding, skills and leadership, working in partnership with others including government, businesses and for-purpose organisations and other funders to achieve our Vision*
- *The intention is to enable the coordinated use of different forms of capital (grants and investment funds) as well as non-financial resources to support enterprises, charities and Not for Profit organisations that are working to solve complex social and environmental problems*
- *This will be done intentionally, within the bounds of the Trust Statement of Investment Policies and Objectives (SIPO), and with attention to appropriate due diligence in the measurement of both financial and non-financial risk and return*
- *We will develop specific Theories of Change around individual Trust priority areas to guide investment decisions*

2021/22 Impact Reporting

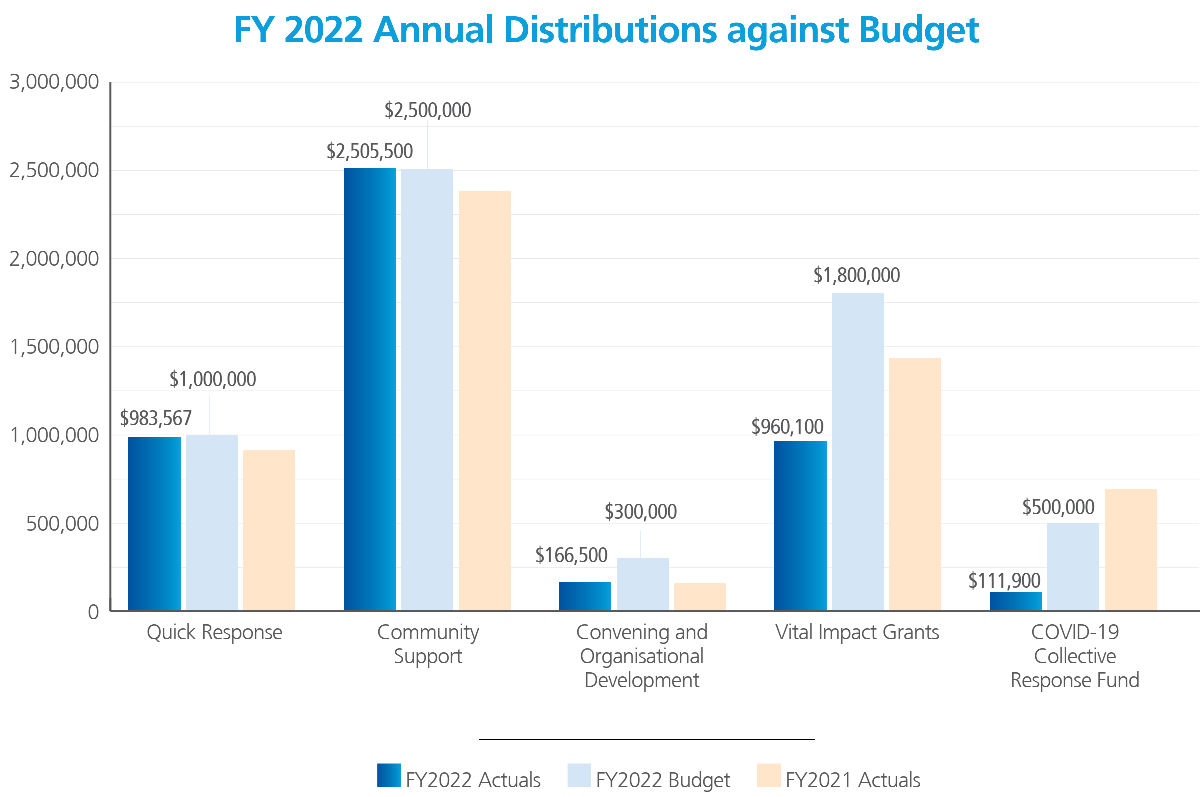
The intent of the Community Investment Strategy (2019 – 2022) was for grants and investments to work together to achieve targets based on the UN's Sustainable Development Goals. This section reflects on the impact of the Trust distributions through grants during the reporting period.

Total Distributions

Annual distributions approved for FY22 were $5,537,717 (including contingent grants of $810,150) from an annual budget of $6,100,000. Prior years' grants were $5,576,566 in FY21, and $5,734,106 in FY20.

The Trust election in June 2020 returned a new Trust with six new Trustees, with Trustee Hamill resigning in July 2021 after serving 13 years on the Trust. The Trustees' commitment to reinstating an electricity lines discount programme came into fruition with Trustees agreeing to partially absolve a dividend to the Trust in lieu of a $9M (excluding GST) discretionary discount payment to consumers which was paid in April 2021. A proposed discount of $12M (excluding GST) was also approved in February 2021 with payment to consumers in April 2022, which saw consumers receiving an average discount of approximately $125 plus GST.

With the re-introduction of the consumer discount, Trustees ensure the Trust's community investment through grant making is still maintained, with the Trust continuing to support the Waikato Wellbeing Project and the Affordable Energy For All (AEFA) support programme, along with being responsive with the COVID-19 community funding needs.



Excluded from the above are contingently approved grants relating to the Vital Impact fund for $800,000 to the Waikato Regional Council towards the Waikato Wellbeing Project , along with a $10,150 grant relating to the Convening & Organisational Development budget.

SDG Alignment for Approved Grants

Sustainable Development Goals (SDGs)	FY2022		FY2021	
	Applications	Approved Grants	Applications	Approved Grants
SDG 3 Good Health and Well-Being	102	$1,434,515	80	$1,043,090
SDG 10 Reduced Inequalities	103	$1,342,452	114	$1,741,550
SDG 17 Partnerships for the Goals	3	$855,000	4	$1,075,000
SDG 11 Sustainable Cities and Communities	12	$815,000	13	$316,060
SDG 7 Affordable & Clean Energy	10	$460,100	9	$432,560
SDG 13 Climate Action	12	$341,150	14	$459,087
SDG 8 Decent Work and Economic Growth	9	$225,500	17	$449,219
SDG 9 Industry, Innovation and Infrastructure	2	$64,000	1	$60,000
Total Approved Applications (including contingently-approved grants)	253	$5,537,717	252	$5,576,566

While the past two financial years are similar in number of grants and the allocations, if compared with the previous year(s) they reflect the COVID impact on funding demand and allocation. Much of the demand especially in the FY2021 year was in response to increased community need and demand for kai support, hence the high SDG10 figures. In the FY2022 the kai demand was largely met through MSD however demand for other COVID related community support such as counselling was high.

The assessment and consideration of grants detailed above were informed by the 2019-2022 Trust Community Investment Strategy which focused on several priority outcome areas, based on eight of the United Nations Sustainable Development Goals (SDGs). These have been adopted and localised by our Waikato communities through the Waikato Wellbeing Project.

The Wellbeing Targets below are the region's first set of collective targets to end poverty, fight inequality and act on climate change. They were developed over 2019 through extensive cross-sector consultation, then launched at a Summit attended by Prime Minister Jacinda Ardern and over 250 Waikato Champions on 14 February 2020. The Trust supported the second-year contingent commitment of $800,000 of the $3M five-year Partnership & Funding Agreement (FY2021-FY2026) with the Waikato Regional Council to support the Waikato Wellbeing Project.

Waikato wellbeing project | Hinonga toiora o Waikato

www.waikatowellbeingproject.co.nz

Community Investment

Impact Stories

Embrace Positive Change and Seek Constant Improvement

We are willing to challenge the status quo and strive to achieve improved outcomes.

Photo by Smart Waikato Trust: Rangatahi Youth Innovators Charlotte Mitchell and Rana Arif alongside Smart Waikato's Jasmine Amai and Maddie Walker at the Rangatahi Opportunity Co-Design Hui, May 2022.
Wall illustration by Kavita Singh.

Waikato Wellbeing Project (WWP)

17 PARTNERSHIPS FOR THE GOALS

Funding Approved 2021-22

$800,000
(conditional)

Impact Region

Waikato-wide

Purpose:

What is the aim of the Waikato Wellbeing Project?

The Waikato Wellbeing Project aims to support and facilitate the region to become more sustainable, inclusive and prosperous by 2030. It is founded on the United Nations Sustainable Development Goals (SDGs) and has been localised to reflect Te Ao Māori and Waikatotanga. The project facilitates insight and breakthrough to meet our ambitions targets.

Key Activities:

What key mahi or activities were undertaken?

The WWP has focused on:

(a) gaining insight into Rangatahi/Youth wellbeing in Kirikiriroa

(b) exploring innovative concepts for addressing hunger

(c) supporting the Waikato Housing Initiative to develop a data dashboard of the region's housing system, and

(d) developing and rolling out the concept for a Waikato Wellbeing Knowledge Centre of Excellence

Impact

What were the major outcomes/positive results of the mahi being undertaken?

Our rangatahi-led approach has:

- Amplified the voices and experiences of our rangatahi
- Combined research, data and the lived experiences of rangatahi to create insights
- Made our research available for the use of the wider sector
- Facilitated opportunities for people and organisations to come together to develop ideas and actionable solutions

Some of the major themes that have arisen through our insights work include:

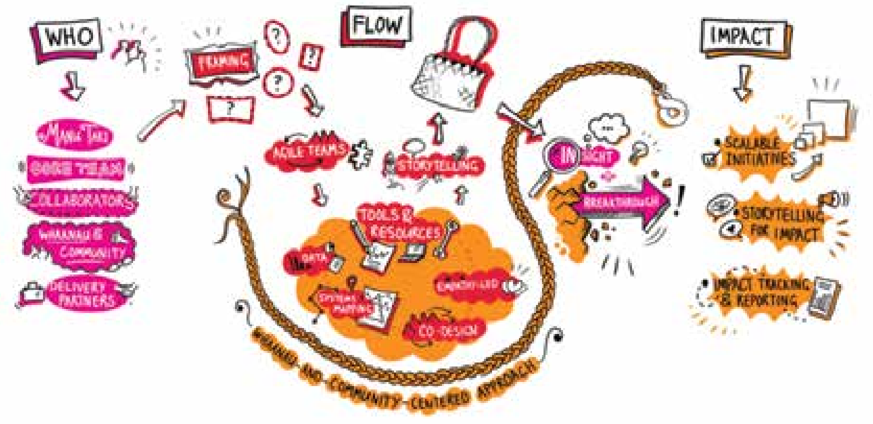
- Many rangatahi feel that high school does not provide enough opportunities to prepare for life after school
- Rangatahi experience barriers due to structural inequities and racism
- To feel a sense of belonging, some rangatahi dissociate from who they are and where they come from

Our work has shown that rangatahi succeed when:

- Their identity, culture and strengths are recognised and nurtured
- There is a kaiārahi consistently present along their journey
- They are supported to have positive experiences
- They feel a sense of belonging in all places and spaces
- Structural inequities are eliminated
- They can give back to their whānau, community and future generations

Over the coming months we will work with rangatahi and support organisations to:

- Support the development of solutions, alongside collaborators
- Present a Case for Change to central and local government, funders and key organisations for systems change to occur
- Build pathways for adoption of solutions



Te Puna Oranga – Whare Ora

10 REDUCED INEQUALITIES

Funding Approved 2021-22

$150,000

Impact Region

Waikato-wide

Purpose:

What is the aim of Te Puna Oranga - Whare Ora?

Whare Ora aims to reduce hospital admissions of tamariki in the Waikato area who are suffering from rheumatic fever and respiratory illnesses. The Community Support grant was crucial in purchasing products such as double-lined curtains, warm bedding and beds for 1,400 individuals (350 whānau) in our Whare Ora Programme.

Key Activities:

What key mahi or activities were undertaken?

- The Whare Ora programme offers practical solutions to address both structural and functional overcrowding, cold and damp homes, allergens, pests and safety.

  Whare Ora provide whānau with a comprehensive and holistic healthy homes system that is intended to create healthier, warmer and safer homes for Waikato children suffering from, or at increased risk of, developing rheumatic fever and respiratory illnesses.

Impact

What were the major outcomes/positive results of the mahi being undertaken?

- Through our rangatahi-led approach:

  Outcomes from our programme have been achieved by empowering whānau with a holistic approach. More whānau are now engaged with Whare Ora and other services. Whānau in over 1,400 homes have received education and information on how to improve cold, damp environments and have received products from Whare Ora to support whānau to create warmer homes.

  Whare Ora were able to reduce overcrowding in homes by providing children with their own sleeping space, therefore potentially reducing the risk of rheumatic fever. By providing these products we have supported whānau to create warm, dry and safe homes.

  Healthy homes lead to improved education, employment and social outcomes for whānau. There is increased connectedness in the community response to supporting vulnerable whānau through established partnerships between government, business and community. Improved housing quality leads to reduced inequalities, especially for Māori who represent a high proportion of the programme participants.

OurPower

7 AFFORDABILITY AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Funding Approved
2021-22

Continued support through WEL Networks Ltd strategy

Impact Region

WEL Networks Ltd boundary, Waikato

Purpose:

What is the aim of OurPower?

OurPower's goal is to eliminate power hardship in the WEL Networks footprint.

Key Activities:

What key mahi or activities were undertaken?

OurPower's strategy is two-fold. In trying to eliminate power hardship, OurPower created an automated, online-only platform, which does not have a call centre. This means we keep OurPower's overheads very low and are able to pass on those savings in cost directly to our customers.

The other point of difference OurPower has is our Energy Navigators. Not only do the Energy Navigators identify customers in power hardship and offer them OurPower as their power provider, but they also offer wrap-around services, such as energy efficiency training, computer literacy and budgeting services.

Impact

What were the major outcomes/positive results of the mahi being undertaken?

Since OurPower's inception, we have saved the community over $2.5M and currently have 2,900 customers many of whom have a hardship index of 6.63. Of these customers only 1.5% are in arrears, which is very low. This is proof that our Energy Navigators and weekly, simple, low-cost billing methods are effective.

In FY2022 alone, OurPower signed up 276 customers and saved the community $860,022 in a year when COVID-19 was rife and electricity pricing was volatile.

The image on the previous page is a picture of the Energy Navigators. These people make this programme work.

Desert Spring Ministries Trust

3 GOOD HEALTH AND WELL-BEING

10 REDUCED INEQUALITIES

Funding Approved 2021-22

$22,500

Impact Region

Hamilton

Purpose:

What is the aim of Desert Spring Community Centre?

Desert Spring Community Centre (DSCC) encourages families to actively create a healthy community and environment together.

We aim to have effective programmes for whānau and individuals that will equip and inspire positive change. We offer wrap-around support and development for whānau through whakawhanaungatanga (building relationships) and manaakitanga in all our services.

Key Activities:

What key mahi or activities were undertaken?

We offered financial mentoring, food parcels, and classes in:

- parenting
- learner driver licencing
- restricted driver licencing
- social and emotional wellbeing for tamariki
- hauora wellbeing and home hygiene
- women's empowerment self-defence
- Te Reo Māori
- digital literacy
- entry-level (Little Industries) employment opportunities

We also ran a weekly craft and scone group.

Impact

What were the major outcomes/positive results of the mahi being undertaken?

Whānau often come for financial mentoring, then become involved in other programmes such as parenting or entry-level employment. We also offer taha whānau/social support and learning skills to develop their own business or find employment.

One client of ours attended the scone and craft group, then attended the Building Awesome Whānau parenting course, not only impacting her own whānau relationships positively but her new skills were utilised in her extended whānau relationships as well. This resulted in other members of her whānau attending the course and becoming involved at DSCC as well. She has since gone on to be employed in our Little Industries employment programme and has started her own business.

Another highlight is that, while the craft and scone group is a safe non-judgmental social hub for those who attend each week, it has also developed into women having the opportunity to start their own home-based craft businesses.

We are proud of our high pass-rate for the Learner Driver Licence course, which built confidence in those who attended, and positively impacted their ability for them to drive legally, avoiding police infringement notices.

Diversity Counselling New Zealand (DCNZ)

10 REDUCED INEQUALITIES

Funding Approved 2021-22

$41,900.00

Total funding:

Community Support Grant - **$35,000.00**

COVID-19 Collective Response Grant - **$6,900.00**

Impact Region

Hamilton and Surrounds

Purpose:

What is the aim of Diversity Counselling New Zealand?

DCNZ's mission is to engage, connect and assist individuals to help them thrive, and to promote and encourage environments that accept and facilitate diversity of cultures, ethnicities, genders, religions and languages, while maintaining the dignity of people with diverse backgrounds. We are well-positioned to convey to individuals that they are not alone, and to positively influence the care they receive.

Key Activities:

What key mahi or activities were undertaken?

To achieve the aforementioned objective, we have engaged in numerous activities, the most significant of which are the following:

- Free face-to-face, culturally-responsive counselling services for migrants and former refugees from diverse cultural backgrounds in their own language (English, Tamil, Hindi, Sinhalese, German, Bemba, Japanese, Bengali, Punjabi, Korean, Hungarian, Afrikaans and Nyanja and more)
- Ethnic men's wellness programme
- Mental health and addiction awareness workshop

- Breathing space programme
- Tree of Life workshop
- Rising together programme for ethnic people

Impact

What were the major outcomes/positive results of the mahi being undertaken?

Counsellors from DCNZ have had a significant impact on the lives and societies of migrants and former refugees, especially in Hamilton, Waikato. This impact extends to individuals, families, and communities. Our services assist individuals in navigating difficult life circumstances such as settlement in New Zealand, life transitions, family matters, parenting, anxiety, situational depression, addiction, loss, and relationship matters, among others.

One of the highlights of 2021 was our initiative to provide free services in response to COVID-19, allowing individuals to receive support without cost. We primarily offer our services to migrants and former refugees in the Waikato region, but due to national demand, we have expanded into new regions. This free initiative has received overwhelmingly positive and appreciative feedback from ethnic communities and national stakeholders. In 2021, we received more than 495 referrals over the year for ethnic counselling, and delivered approximately 1,510 counselling sessions. Apart from this, each of our other programmes is developed with goals in mind. For example, the Mental Health and Addiction Awareness for Ethnic Youth programme aims to teach youth coping strategies as well as how to identify, overcome, and seek help for mental health issues such as anxiety and depression. As another example, "Rising Together" is a six-week workshop series that aims to make people feel safer and improve relationships between different ethnic groups.

Here is some feedback from one of our service users:

"It was the first time for me to have counselling, so I was a bit nervous, however, my Counsellor made it much easier than I expected. She was very kind, supportive, and genuinely cared about me and worked along with me to face the challenges. She also shared many coping techniques which I can use in day-to-day life. The best thing about DCNZ was that they had Counsellors with diverse backgrounds. It meant that I was able to talk with her without explaining my cultural background and the way I feel/think. She quickly understood where I was coming from when I was sharing my feelings and it helped me enormously as I was exhausted with anxieties. I would like to thank DCNZ and my Counsellor who gave me prompt support when I needed it the most".

Waikato Housing Initiative (WHI)
C/- Habitat for Humanity Central Region Limited

Funding Approved 2021-22

$290,000

Impact Region

Waikato-wide

Purpose:

What is the aim of the Waikato Housing Initiative?

The overarching vision is that every person and every family in the Waikato region is well-housed, living in sustainable, flourishing, and connected communities.

The key role WHI plays is through leadership, advocacy, facilitation, and a connected approach to the Waikato. The WHI is the backbone organisation that aids coordinated impact in the delivery of master planned, mixed tenure communities.

Key Activities:

What key mahi or activities were undertaken?

- Multiple engagements with Ministry of Housing (including the Minister for Housing), Local Councils/Councillors (Mayoral Forum, Hamilton City Council, Waikato District Council, etc) and Kainga Ora (Governance and management) in demonstrating the need for master planned, mixed tenured communities with the Waikato co-ordinated approach to demonstrate Waikato region investment readiness
- The establishment of the housing pipeline with over 40,000 potential homes (including 5,000 affordable)
- Deloitte, working with the WHI, has developed and tested a housing development scorecard that prioritises affordability housing projects
- Tompkins Wake has supported the establishment of a Charitable Trust which is not a registered charity
- Various submissions on Council (eg, Hamilton City Council, Future Proof) and Government policy (Natural and Build Environments) putting affordability top of mind
- With the support of the Waikato Wellbeing Project, the development of a housing data lake to track and tell the story of housing.

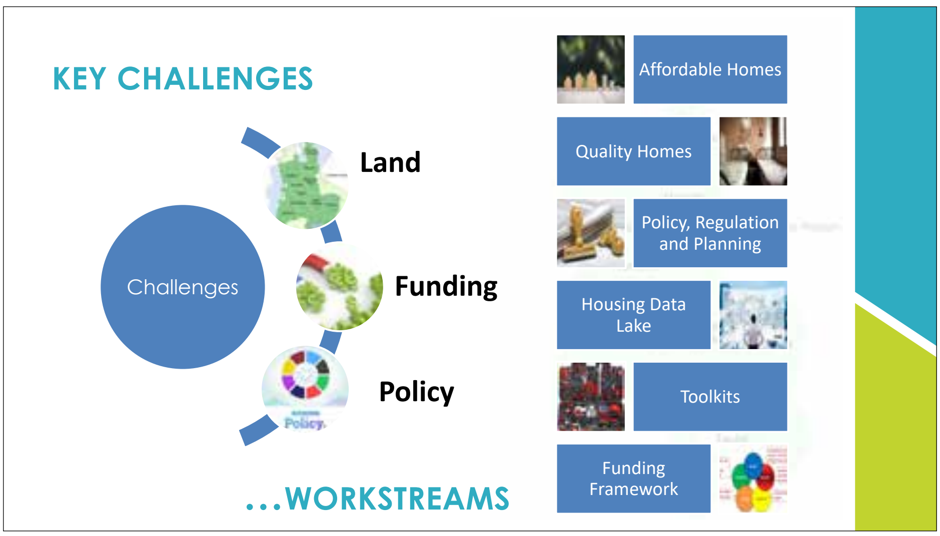
Impact

What were the major outcomes/positive results of the mahi being undertaken?

The key results of mahi undertaken include:

- As well as educating Developers through the housing scorecard process in understanding what affordability looks like, the WHI was able to issue qualified letters of support for 21 Waikato housing projects in the Infrastructure Housing Fund (IAF) scorecard. Early news reports suggest Hamilton City Council may be close to securing $151M that enables inner city living.

- The establishment of a Charitable Trust to conduct the activities of the WHI is a significant step in advancing the long enduring housing system response needed in the Waikato region. This will provide for the backbone organisation and will advance the work significantly going forward. This improves on previous arrangements where there was not legal forum for WHI activities.



Kukutaaruhe Education Trust

3 GOOD HEALTH AND WELL-BEING

13 CLIMATE ACTION

Funding Approved 2021-22

$22,500

Impact Region

Hamilton

Purpose:

What is the aim of Kukutaaruhe Education Trust?

The Fairfield Project is an urban biodiversity and gully restoration project centred in the community of Fairfield in Hamilton. Our ongoing kaupapa is to provide educational opportunities for all ages alongside the restoration of the culturally and ecologically significant Kukutaaruhe Gully, which we are committed to restoring for future generations.

Key Activities:

What key mahi or activities were undertaken?

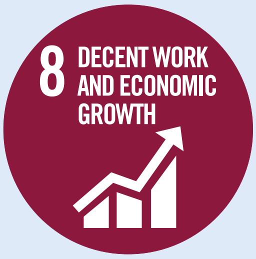
- The main work that this grant enabled us to do was progressing the restoration of the gully. As it is currently in a neglected and overgrown state, significant work is required to get areas cleared of weeds and other rubbish. Our work this year included not only significant clearing and preparation, but also the planting of over two thousand native trees.

Impact

What were the major outcomes/positive results of the mahi being undertaken?

- Our funding from WEL Energy Trust led to a number of great outcomes over the last year. It enabled us to access specialist contractors (such as arborists, sprayers, and ecologists) to complete work that we were not able to do with volunteers alone. The results of this extra work to clear and prepare areas for planting actually led to even better community engagement, as we saw the highest ever number of volunteers (including school students) take part in our planting days. The outcomes of this investment in the gully were more people being involved in our project, more trees being planted, and more awareness of our work. This in turn leads to more funding and partnership opportunities, wider community support, and ultimately better long-term protection for the gully.

Te Waka – Waikato Regional Economic Development Ltd



Funding Approved 2021-22

$40,000

Impact Region

Waikato-wide

Purpose:

What is the aim of Te Waka?

Te Waka exists to lift economic performance, encourage, and support new business investment across the Waikato region and by doing so, improve the wellbeing of Waikato Communities.

We do this by providing:

- Data and Insights
- Facilitation
- Connection
- Advocacy

Our Key Outcomes:

- Smarter decisions are made that benefit the Waikato
- Smart investment is attracted to the Waikato
- Great talent is attracted, built and retained in the Waikato
- Great businesses are attracted, start up and grow in the Waikato

Key Activities:

What key mahi or activities were undertaken?

- Hired a Marketing and Communications Coordinator to lead the work
- Increased promotion of the Waikato Story website and the toolkit within the region to potential beneficiaries
- Initiated further development of the existing asset library within the Waikato Story toolkit through dedicated resource for this purpose
- Engaged with partner organisations to collaborate and share resources for the benefit of the region

Impact

What were the major outcomes/positive results of the mahi being undertaken?

We were able to hire a University of Waikato graduate for the role of Marketing and Communications Coordinator, giving a young person an amazing opportunity and exposure to the marketplace.

By promoting and enhancing the toolkit to businesses and encouraging free registrations to it, various types of organisations from different industries and sectors across the Waikato region have and will benefit. They can use the images and assets provided in the Waikato Story toolkit to enhance their promotions and other material. This in turn can support their growth, making it easier for them to engage with the community and their customers, attract new customers and suppliers, and appeal to potential talent and investors.

This will ultimately benefit the wider community as it will lead to business growth, increased employment, increased opportunities, and drive economic development to lift overall wellbeing in the region.

Grants Approved

ORGANISATION NAME	FUNDING ALLOCATION
A Rocha Aotearoa New Zealand	$15,000.00
Ākina Foundation	$60,000.00
Aotearoa Latin American Community Inc	$7,500.00
Aotearoa Tungaru Society Inc	$1,500.00
Art-in-Nature Arboretum Trust	$12,000.00
Arts for Health Community Trust	$10,000.00
Balloons Over Waikato Trust	$95,000.00
Bangladeshi Community of Waikato Inc	$2,000.00
Beerescourt Bowling Club Inc	$3,000.00
Beerescourt Tennis Club Inc	$3,000.00
Big Buddy Mentoring Trust	$5,000.00
Brain Injury Waikato Inc	$5,000.00
Cambridge Cohousing Project Inc	$15,000.00
Carers New Zealand Trust	$5,000.00
Central North Island Kindergarten Trust	$10,000.00
Centre 401 Trust	$3,000.00
Chapel Hill Community Church	$5,000.00
Chartwell Cooperating Parish	$1,500.00
Chartwell Scout Group	$2,000.00
ChildPlayWorks Charitable Trust	$3,500.00
Christian Youth Camps Inc	$7,000.00
Christians Against Poverty New Zealand	$9,000.00
Citizens Advice Bureau Hamilton Inc	$25,000.00
Clarence Street Theatre Trust	$50,000.00
Claudelands Croquet Club	$2,500.00
Clothe our Kids - Waikato	$4,500.00
Community Link Trust	$15,000.00
Connected Media Charitable Trust	$2,500.00
Creative Waikato	$10,000.00
Creative Waikato Trust	$45,000.00
Crunch Arts Trust	$8,000.00
Dementia Waikato Charitable Trust	$9,000.00
Dementia Waikato Foundation Trust	$15,000.00
Desert Spring Ministries Trust	$22,500.00
Dinsdale Playcentre	$4,000.00
Diversity Counselling New Zealand	$41,900.00

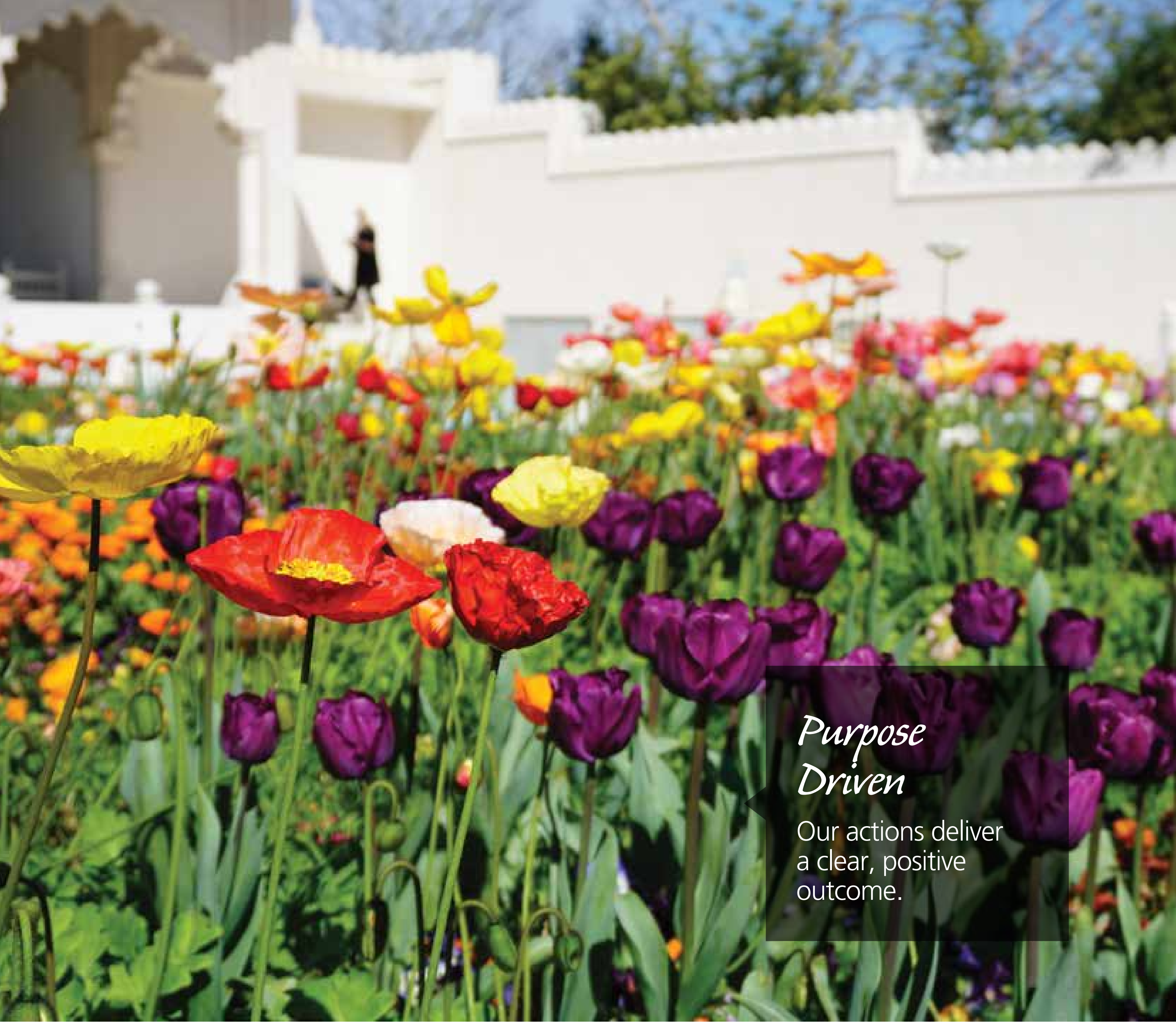
Efalata Trust	$5,000.00
Endometriosis Waikato	$12,500.00
EquiPotential NZ Inc	$5,000.00
EVolocity Limited	$15,000.00
Families Autism and Behavioural Support Trust	$12,500.00
Frankton Rugby Sports Club Inc	$7,500.00
Fraser Tech Rugby Football Club	$5,000.00
Friendship House (Huntly) Community Charitable Trust	$35,000.00
Galaxy Waikato Touch Club	$2,700.00
Geoscience Society of New Zealand	$7,500.00
Glen Afton Citizens' Sports Club Inc	$25,000.00
Glenview Community Centre	$20,000.00
Gorkhali Football Club Waikato	$4,000.00
Graeme Dingle Foundation Waikato	$50,000.00
Habitat for Humanity Central North Island Ltd	$45,000.00
Hamilton South Community Centre Association Inc	$39,000.00
Hamilton & Waikato Tourism	$15,000.00
Hamilton Arts Trust	$25,000.00
Hamilton Bengali Association Inc	$3,500.00
Hamilton BMX Club Inc	$15,000.00
Hamilton Boys' High School Trust Board	$25,000.00
Hamilton Caledonian Society's Pipe Band Inc	$2,500.00
Hamilton Central Baptist Church	$5,000.00
Hamilton Chinese Golden Age Society	$2,000.00
Hamilton Christian Nightshelter Trust	$15,000.00
Hamilton Christmas Charitable Trust	$10,000.00
Hamilton Citizens Band Inc	$4,500.00
Hamilton City Council	$190,000.00
Hamilton City Gymnastics Inc	$5,000.00
Hamilton City Salvation Army	$70,000.00
Hamilton Community Men's Shed Trust	$2,500.00
Hamilton Competitions Society Inc	$1,500.00
Hamilton Disability Arts Festival Trust	$2,000.00
Hamilton East School	$3,650.00
Hamilton Film Society	$2,000.00
Hamilton Gardens Summer Festival Foundation	$120,000.00
Hamilton Harrier Club inc	$5,000.00
Hamilton Household Budgeting Advisory Trust	$12,500.00
Hamilton Methodist Social Services Trust	$20,000.00
Hamilton Multicultural Services Trust	$45,000.00
Hamilton New Life Community Trust	$2,000.00
Hamilton Operatic Society	$10,000.00
Hamilton Pony Club Incorporate	$2,000.00
Hamilton Science Awards Trust	$10,000.00
Hamilton Toy Box Toy Library	$1,000.00
Hamilton Woodturners Inc	$2,500.00
Heart Kids Waikato	$2,500.00
Hellmilton Roller Ghouls	$2,500.00
Hillcrest Kahui Ako Community Of Learning	$5,000.00
Hillcrest Scouts	$900.00
Hope Rising Farm Trust	$10,000.00
Horsham Downs School	$4,855.00
Huggable Hearts NZ	$2,000.00
Hukanui Golf Club Inc	$12,000.00
Huntly & District Kennel Association - Agility	$7,500.00
Huntly Community Advice Centre Trust and Social Services	$4,000.00
Huntly Mining and Cultural Museum	$10,000.00
Impact Hub Waikato Trust	$12,500.00
Indian Ink Trust	$4,000.00
Kaitiakitanga Charitable Trust	$20,000.00
Kartsport Hamilton Inc	$6,000.00
K'aute Pasifika	$60,000.00
Link House Birthright Waikato Trust	$35,000.00
Loving Arms Charitable Trust	$6,000.00
Male Support Services Waikato	$5,000.00
Maramarua Golf Club Inc	$10,000.00
Maungatautari Ecological Island Trust	$100,000.00
McKenzie Centre Trust	$15,000.00
Melville Association Football Club Inc	$40,000.00
Meremere Community Development Committee Inc	$16,000.00
Momentum Waikato Community Foundation	$150,000.00
Nepal New Zealand Waikato Friendship Society	$2,500.00
Ngaruawahia Community House	$47,000.00
Ngaruawahia Community Youth Holiday Programme	$10,000.00
Ngaruawahia Rugby Sports Club	$8,000.00
North Waikato arts Collective c/o Te Whare Toi o Ngaaruawaahia	$10,000.00
North Waikato Bluelight Ventures	$8,000.00
North Waikato Transport Trust	$30,000.00
Northern United Sports Club Inc	$7,500.00
Orchestras Central Trust	$40,000.00
Outward Bound Trust of New Zealand	$10,000.00
Pacific Rose Festival Trust	$5,000.00
Pakistan Association of New Zealand	$3,500.00

Para Kore Marae Inc	$7,500.00
Parent to Parent NZ Inc	$10,000.00
Parents Centre New Zealand Inc	$3,990.00
People First New Zealand Inc	$3,500.00
Performing Arts Community Trust	$5,000.00
Perry Outdoor Education Trust	$30,000.00
Phoenix House Charitable Trust	$6,000.00
Predator-Free Hamilton Trust	$2,500.00
Prison Care Ministries	$8,000.00
Puketaha School	$7,500.00
Pukete Neighbourhood Association Inc	$45,600.00
Raglan and District Museum Society Inc	$4,000.00
Raglan Community Arts Council	$8,000.00
Raglan Community House Charitable Trust	$15,000.00
Raglan Community Patrol Charitable Trust	$1,200.00
Raglan Community Radio Inc	$15,000.00
Raglan Sailing Club	$15,000.00
Raglan Surf Lifesaving Club Inc	$15,000.00
Rainbow Chinese Community Centre Charitable Trust	$8,000.00
Rainbow Hub Waikato formerly Waikato Queer Youth Trust	$22,500.00
Riverlea Theatre and Arts Centre Inc	$22,500.00
Rock Quest Charitable Trust	$5,000.00
Rostrevor House Inc	$7,000.00
Royal New Zealand Plunket Trust	$5,000.00
Samoan Assembly of God (Hamilton) Trust	$3,000.00
School Start First Impression	$5,000.00
Scouting Association of New Zealand - Kirikiriroa Scout Group	$8,560.00
Shama Ethnic Women's Trust	$62,500.00
Shama Ethnic Women's Trust *Contingent Liability*	$10,150.00
Smart Waikato Trust	$60,000.00
Society of St Vincent de Paul - Hamilton	$70,000.00
South East Kirikiriroa Community Association Inc	$20,000.00
Sri Lanka Friendship Society Waikato	$4,000.00
St Marks Church Nawton	$2,000.00
Summer Festival Charitable Trust	$12,500.00
Surf Life Saving Northern Region Inc	$4,000.00
Swim Waikato Inc	$45,000.00
Tainui Maori Women's Welfare League	$1,500.00
Tainui Teachers' Association Society Inc	$6,000.00
Tainui Waka Tourism Inc	$20,000.00
Tamil Society Waikato	$5,000.00
Te Kauwhata Health Awareness Society	$18,000.00
Te Kauwhata Playcentre	$10,000.00
Te Kauwhata Rugby Sports Club Inc	$15,000.00
Te Kauwhata Squash Inc	$25,000.00
Te Ohu Whakaita Charitable Trust	$35,000.00
Te Papanui Enderley Community Trust	$47,000.00
Te Po ki te Ao Marama Tihei Mauriora	$8,000.00
Te Puna Oranga	$150,000.00
Te Rapa Rugby Club Inc	$8,000.00
Te Rongopai Community Trust	$22,500.00
Te Runanga o kirikiriroa Trust	$120,000.00
Te Tamawai Trust	$22,500.00
Te Whakaruruhau 2013 Inc	$15,000.00
Te Whare o Te Ata Fairfield/ Chartwell Community Centre Trust	$15,000.00
Te Whare Toi o Ngaruawahia - Twin Rivers Community Art Centre Inc	$37,500.00
The Adastra Foundation	$2,000.00
The Community Waikato Trust	$79,000.00
The Dyslexia Association of Waikato	$12,000.00
The Girl Guides Association New Zealand Inc	$5,000.00
The Great Pumpkin Carnival	$4,500.00
The House of Grace Trust Inc	$6,000.00
The Kukutaruhe Education Trust	$22,500.00
The One Victoria Trust Board Inc	$45,000.00
The Rauhi Project	$50,000.00
The Refugee Orientation Centre Trust	$25,000.00
The StarJam Charitable Trust	$4,500.00
The Te Kauwhata & Districts Information & Support Centre Inc	$18,412.00
The Undenominational War Memorial Church Waerenga Districts Inc	$10,000.00
The Waikato Chapter of Barbershop Harmony New Zealand Inc	$2,500.00
TOTI Charitable Trust	$12,000.00
True Colours Children's Health Trust	$10,000.00
Tui Trust	$7,500.00
Volunteering Waikato	$30,000.00
Waikato Area Girls' Brigade	$1,000.00
Waikato Basketball Council Inc	$22,500.00
Waikato Community Broadcasting Charitable Trust	$9,000.00
Waikato Community Lands Trust	$50,000.00
Waikato Compassion Meditation Trust	$1,500.00
Waikato Environment Centre Trust	$77,500.00
Waikato Equitherapy Inc	$12,000.00
Waikato Family Centre Trust	$7,500.00
Waikato Food Inc	$18,000.00
Waikato Indoor Bowling Centre of New Zealand	$1,800.00

Waikato Institute for Leisure and Sport Studies Trust Board	$7,500.00
Waikato Japanese Community Trust	$3,000.00
Waikato Multicultural Council Inc	$2,000.00
Waikato Muslim Association	$10,000.00
Waikato Pacific Business Network Inc	$10,000.00
Waikato Paraplegic and Physically Disabled Association	$20,000.00
Waikato Punjabi Badminton Club Inc	$1,000.00
Waikato Refugee Forum	$10,000.00
Waikato Regional Council *Contingent Liability*	$800,000.00
Waikato Regional Economic Development Limited	$40,000.00
Waikato Regional Housing Initiative c/o Habitat For Humanity Central Region Limited	$290,000.00
Waikato Rivertones Inc	$3,000.00
Waikato Rocks Trust	$12,500.00
Waikato Rowing Club Inc	$7,500.00
Waikato Rugby Football League	$15,000.00
Waikato Seeds for Change Charitable Trust	$12,000.00
Waikato Senior Indian Citizens Association Inc	$2,500.00
Waikato Society of Arts Inc	$3,000.00
Waikato Society of Potters Inc	$7,000.00
Waikato Table Tennis Association	$3,000.00
Waikato Tainui	$60,000.00
Waikato Vietnamese Friendship Trust	$2,500.00
Waipuna Valley Cricket Club Inc	$4,000.00
Waru Rua Rima Charitable Trust	$22,500.00
West Hamilton Community Youth Trust	$10,000.00
Western Community Association	$113,000.00
Whaingaroa Raglan Affordable Housing Project C/- the Raglan Community House	$25,000.00
Xtreme Zero Waste Limited Liability Company	$85,000.00
YMCA North Inc	$12,500.00
Youthline Auckland Charitable Trust	$5,000.00
Zeal Education Trust	$55,000.00

Total Grants Approved (including contingent liabilities)	$5,537,717.00
Consumer Electricity Discount	$9,000,000.00

Grants returned during the year totalled $17,500, resulting in a total of $4,710,067 community grants, plus a grant provision of $810,150 listed as a Contingent Liability, as reflected in the Financial Statements and notes.



ADVISORS

- **Accountants** ....Baker Tilly Staples Rodway, Waikato LP, Hamilton
- **Energy Industry** ....KPMG, Hamilton
- **Investment Management** ......AMP Capital, Auckland
  Impact Enterprise Fund LP
  Purpose Capital Impact Fund LP
  Makao Investments Ltd
- **Solicitors** ....Tompkins Wake, Hamilton
- **Bankers** ....ASB Hamilton Commercial Banking
  Bank of New Zealand, Hamilton
- **Auditors** ....PricewaterhouseCoopers

Requirements of the Trust Deed

ANNUAL PLAN

Clause 16.14 of the Trust Deed requires that a draft Annual Plan be prepared and issued for public submissions before the final Annual Plan is adopted.

The Annual Plan for 2021-22 was approved at the Trust meeting held 23 March 2021 after a draft was issued for public consultation in late February 2021 (19 written submissions received).

The 2021-22 Annual Plan was underpinned by the 2019-2022 Community Investment Strategy, which includes three key intentions:

- To be responsive to our community
- To maximise long term impact by being strategic
- To leverage grants through partnership and collaboration, expanding support beyond grantmaking

Action Areas

For 2021-22, the Annual Plan highlighted key questions and action areas for:

1. The Trust's Strategic Direction
2. Investments and Finance
3. Working with WEL Networks Ltd
4. Working with our Capital Beneficiaries
5. Community Investment

These were reported on bi-monthly at Trust meetings throughout the year. As at 31 March 2022, the 2022-25 Community Investment Strategy was still being finalised. Areas 2 to 5 were monitored using the following key performance measures:

Investments and Finance

- Return on financial investment portfolio of 4.5%-5.5% plus inflation is achieved, including capital growth
- Investments (including concessionary and non-concessionary investments) are evaluated on a risk/return/impact basis and investments made in line with the Trust Statement of Investment Policies and Objectives (SIPO)
- Impact measurement tools are used with all social/impact investments

Working with WEL Networks Ltd

- Electricity prices in the region monitored
- Company initiatives to deliver affordable, sustainable energy are monitored and supported
- Affordable Energy for All (AEFA) Support Programme implemented, and outputs and outcomes measured
- Implementation of discount programme supported (by second/third calendar quarter of 2021)
- SDG 7 Waikato Wellbeing Project (WWP) activities supported
- OurPower supported
- The Dividend Policy is revised and a new Dividend/Discount Policy is agreed and implemented

Working with our Capital Beneficiaries

- Annual Report presented including information about capital growth and other performance measures
- Capital Beneficiaries are engaged early in the annual planning process
- Capital Beneficiary councils are supported in their applications to Trust grants rounds
- Opportunities to use impact investment to achieve shared goals are investigated
- Trustees and staff engage with Capital Beneficiary planning processes where appropriate

Effective Community Investments

- Five Quick Response grants rounds completed
- Three Community Support grants rounds completed
- Vital Impact Housing grants distributed
- COVID-19 Collective Response Grants distributed as required

- Purpose and functions of the WWP supported
- Manu taki engaged across the WWP targets, collective impact models established with terms of reference and clear action plans
- Research and engagement across sectors supported, including with potential funders/ investors
- Initiatives identified as being important to catalyse systems change supported
- AEFA partnerships supported and outcomes monitored
- Discretionary discount applied for 2021-22, establishment of a longer-term proposed discount programme supported

ANNUAL REPORT

Clause 16.15 of the Trust Deed requires that an Annual Performance Report be prepared.

The 2020-21 Annual Report was adopted on 13 July 2021 and presented at the Annual General Meeting held 30 July 2021, where PricewaterhouseCoopers was appointed Auditors of the Trust for the year ended 31 March 2022.

CHANGES TO THE TRUST DEED

Clause 16.15 of the Trust Deed requires any changes to the Deed to be disclosed in the Annual Report.

With the exception of several entrenched clauses, the Trust Deed gives authority for the Trustees to make amendments to the Deed by resolution passed by a 75% majority of Trustees. Some parts of the Deed (eg, changes to the election provisions) also require use of a public consultative (notice and submission) procedure.

The following changes to the Trust Deed were approved between 1 April 2021 and 31 March 2022:

At the meeting held 27 April 2021:

21.0 Minutes

- **Previous** rule 21.1:

  Minute Book: A minute book must be provided and kept by the TRUSTEES and all proceedings must be entered in the minute book.

- **Existing** rule 21.1:

  Minute Keeping: Minutes, including all proceedings of the TRUSTEES, must be taken at TRUST meetings, and the confirmed and signed Minutes kept electronically and filed in the TRUST'S records.

At the meeting held 14 December 2021:

16.0 DUTIES OF TRUSTEES

- **Previous** clause 16.7:

  *Accounts: Within **three** months after the end of each FINANCIAL YEAR, cause to be prepared financial statements including a balance sheet and income and expenditure account and notes to those accounts giving a true and fair view of the financial affairs of the TRUST for that FINANCIAL YEAR in accordance with accepted accounting standards.*

- **Existing** clause 16.7 (as at 31 March 2022):

  Accounts: Within ***five*** months after the end of each FINANCIAL YEAR, cause to be prepared financial statements including a balance sheet and income and expenditure account and notes to those accounts giving a true and fair view of the financial affairs of the TRUST for that FINANCIAL YEAR in accordance with accepted accounting standards.

Please note the above clause was changed again in April 2022 to read "Within four months…" and will be reported in the Trust's next Annual Report (for the year ending 31 March 2023).

- **Previous** clause 16.12:

  Annual General Meeting:
  *Within **four** months after the end of each FINANCIAL YEAR of the TRUST, hold an annual general meeting and at that meeting report on the operation of the TRUST during that preceding FINANCIAL YEAR and on the financial statements of the TRUST for that year.*

- **Existing** clause 16.12:

  Annual General Meeting:
  Within ***five*** months after the end of each FINANCIAL YEAR of the TRUST, hold an annual general meeting and at that meeting report on the operation of the TRUST during that preceding FINANCIAL YEAR and on the financial statements of the TRUST for that year.

The Trust Deed is available to view on the Trust's website under Trust Documents.

REVIEW OF INVESTMENT

Clause 8.1 of the Trust Deed requires that the Trustees regularly review their investment in WEL Networks Ltd. Clause 16.15 of the Trust Deed requires that the Annual Report includes the results of this review of investment. In carrying out the review, the Trust has considered these requirements, along with clauses 8.2, 14.2 and 14.3 of the Trust Deed.

A summary of the key findings from the 2021 review is provided below.

Information Used and Matters Covered

The Company's Annual Report for the 12 months ended 31 March 2021 was received 31 May 2021 and a full review of the Trust's investment in WEL Networks Ltd was undertaken by KPMG, dated August 2021. This review prepared by KPMG was comprehensive and the results/findings are as follows:

- **Financial Performance**
  - The Company recognised a gain on sale of its 85% shareholding in UltraFast Fibre Holdings Ltd (UFF) of approximately $183M in FY21.
  - Earnings from continuing operations declined in FY21 due to a lower rate of regulatory return (under the DPP reset in FY21) and the Company incurring a $17.9M one-off termination cost on the interest rate swaps for the bank debt, which is recognised as an expense.
- **Financial Returns**
  - The accounting returns are presented after the payment of a discount to consumers, which was a commitment made by the Trustees. Returns therefore need to be measured after consideration of these discounts. The returns are also impacted by the recent sale of UFF, and the Company holding funds in a 'balanced portfolio' (equities, bonds and cash) whilst it finalises its investment strategy.
- **Financial Returns (Comparative)**
  - For the period to FY20 WEL Networks Ltd's electricity lines business has performed favourably (upper quartile) against peers when compared on the basis of return on investment (ROI). (Data for FY21 not available at time of report.)
- **Financial Position**
  - The proceeds from the sale of WEL Networks Ltd's shares in UFF were applied to the repayment of bank debt, with the balance being held as cash. WEL Networks Ltd has maintained the NZX bonds which will be held to maturity.
- **Operating Performance for the Electricity Business Relative to Peers**
  - WEL Networks Ltd's operating performance measures for 2020 have remained broadly consistent with 2019.
- **Future Equity Fund**
  - WEL Networks Ltd has established a Future Equity Fund which includes input from the Trust, via the Chairman. This Fund will target investments which align with WEL Networks Ltd's E3 Strategy which is currently being finalised.
- **Strategic Investments**
  - WEL Networks Ltd is seeking to play a more significant role in the transition to renewable energy through its recent acquisition of Infratec, a company specialising in the design and management of large solar PV and battery solutions.
  - OurPower continues to grow its customer base, with a focus on those consumers who suffer from energy 'hardship.'
- **Sustainability and Climate Change**
  - WEL Networks Ltd has an important role to play in enabling the country to achieve its net zero targets. The Company has developed goals around the United Nations Sustainability Development Goals and is on track to meet reporting requirements under the proposed TCFD.

STRATEGIC DIRECTION, TARGETS AND MEASURES

Clause 16.2 of the Trust Deed requires that the Trust monitors the performance of the Directors of the Company with respect to WEL Networks Ltd's Strategic Direction, Targets and Measures document. WEL Networks Ltd submits this document to the Trust each year for comment and approval.

The document is prepared and agreed to ensure that the Directors and Management of WEL Networks Ltd are directing the Company in a manner that is aligned with the goals of the Trust as owner. It incorporates both longer-term strategic direction and shorter-term annual objectives.

The Trust has reviewed WEL Networks Ltd's performance against its Strategic Direction, Targets and Measures and is satisfied that the targets are being substantially met. The Strategic Directions Document/ Statement of Corporate Intent dated March 2021 for FY22 to FY26 was received by the Trust on 29 March 2021 and a Letter of Expectation sent to WEL Networks Ltd on 26 August 2021 for the 2022/23 Financial Year.

Respectful

We will openly and fairly listen to and consider the opinions of each other, and stakeholders.

Photo supplied by
Perry Outdoor Education Trust

Financial Performance Against Budget

(a) Trust Income and Expenditure against Annual Plan

The Trust income and expenses against budget for the year ended 31 March 2022 are as follows:

Trust 2021 Actual $000		Trust 2022 Actual $000	Trust 2022 Budget $000
	Income		
773	Interest	200	119
6,000	Dividends	5,000	5,000
-	Dividends	9,000	-
8,141	Investment Portfolio Returns (net of fees) - Realised & Unrealised	3,969	1,729
(38)	Impact Investment Returns	(39)	100
14,876		18,130	6,948
	Operating Expenditure		
641	Management and Administration	619	640
103	Communications	102	125
349	Representation	296	393
202	Elections	-	-
82	WEL Network Shareholding	88	192
-	Special Projects	24	40
20	Distribution Expenses	20	25
4	Loss/(Gain) on loan revaluation, interest and credit loss adjustments	-	2
1,401	**Total Operating Expenditure**	1,149	1,417
13,475	***Surplus/(Deficit) before Distributions***	16,981	5,531
5,525	**Distributions - Community Grants (including grant returns)****	4,710	6,100
-	**Distribution - Discretionary Electricity Consumer Discount**	9,000	-
7,950	**Adjusted Net Surplus/(Deficit) before Tax*	**3,271**	**(569)**
-	Taxation Paid (Receivable)	13	-
7,950	**** Adjusted Net Surplus/(Deficit) after Tax***	**3,258**	**(569)**

(b) Trust Capital Fund and Trust Income Fund

The movements in the Capital Fund and Income Fund against budget for the year ended 31 March 2022 are as follows:

Trust 2021 Actual $000		Trust 2022 Actual $000	Trust 2022 Budget $000
	CAPITAL FUND		
52,067	Vested Capital	52,067	52,067
52,067	**Total Capital Fund**	52,067	52,067
	INCOME FUND		
87,275	Opening Retained Surplus and Reserves	95,225	92,043
7,950	*Adjusted Net Surplus for the Period	3,258	(569)
95,225	**Total Income Fund**	98,483	91,474
147,292	**Total Equity**	**150,550**	**143,541**

* Adjusted net surplus/(deficit) includes gains / losses on the investment portfolio which are presented in Other Comprehensive Revenue and Expenses in the Financial Statements

** Distribution - Community Grants excludes $810,150 conditionally approved grants as at 31 March 2022.

Guidelines for Access to Information by Beneficiaries

The Trust is required by legislation to adopt a set of guidelines to ensure the availability of certain Trust information to its beneficiaries. The Energy Trusts of New Zealand (ETNZ) Guidelines were originally adopted by the Trust on 22 August 2006 and are reviewed every three to five years. The last review was undertaken in November 2016 and no changes were made. The next review was scheduled for August 2019, but was postponed as the Trusts Act was under review and would take effect from January 2021. Since then the revision of the Guidelines has not yet been completed.

The Guidelines outline a minimum number of documents that are required to be made available to Trust beneficiaries, and the options available to beneficiaries if the Trust declines a request to provide information without good reason.

The Guidelines also require that the Trust reports on the number of requests for information that it has received during the year. Eleven requests for information were received in the 2021/22 year.

It should be noted that all WEL Energy Trust meetings are advertised for the public to attend, and Agendas and Minutes are also available on the Trust's website under Trust Documents (Trust Meetings). A small number of confidential items largely pertaining to the commercial nature of the Company's operations are considered in the public excluded section of the Trust's monthly meetings.

Guidelines

Financial Statements

For The Year Ended 31 March 2022

The Trustees are pleased to present the financial statements of the WEL Energy Trust.

The financial statements report on both the WEL Energy Trust as the Trust and the WEL Energy Trust and its wholly owned company as a Group. The Group incorporates the results of:

- WEL Energy Trust ('the Trust')
- WEL Networks Limited ('the Company') and subsidiary companies

Chair
12 July 2022

Trustee
12 July 2022

Statements of Comprehensive Revenue and Expense

For The Year Ended 31 March 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000	Trust 2022 $'000	Trust 2021 $'000
Revenue from continuing operations	4	122,206	127,939	14,000	6,000
Expenses					
Expenses, excluding finance costs	5	(115,136)	(104,388)	(9,676)	(1,518)
Grants		(4,710)	(5,525)	(4,710)	(5,525)
Finance income/(costs)	6	1,577	(23,290)	1,393	2,132
Other gains/(losses)		2,492	5,156	-	(35)
Surplus/(deficit) before income tax expense from continuing operations		6,429	(108)	1,007	1,054
Income tax expense	7	(4,103)	(810)	(13)	-
Surplus/(deficit) after income tax expense from continuing operations		2,326	(918)	994	1,054
Surplus after income tax expense from discontinued operations	8	-	219,505	-	-
Surplus after income tax expense for the year		2,326	218,587	994	1,054
Other comprehensive revenue and expense					
Items that will not be reclassified subsequently to revenue and expenses					
Gain on the revaluation of land and buildings, net of tax		1,442	4,176	-	-
Gain on the revaluation of electricity distribution network, net of tax		50,993	-	-	-
Change in the fair value of equity investments at fair value through other comprehensive income		(10,666)	6,896	(9,079)	6,896
Realised gain/(loss) on the disposal of financial instruments		11,343	-	11,343	-
Items that may be reclassified subsequently to revenue and expenses					
Cash flow hedges transferred to surplus/(deficit), net of tax		-	12,920	-	-
Cash flow hedges (net of tax)		(165)	(385)	-	-
Other comprehensive revenue and expense for the year, net of tax		52,947	23,607	2,264	6,896
Total comprehensive revenue and expense for the year		55,273	242,194	3,258	7,950
Surplus for the year is attributable to:					
Non-controlling interest		-	30,772	-	-
Beneficiaries of Group & Trust	26	2,326	187,815	994	1,054
		2,326	218,587	994	1,054

The above statements of comprehensive revenue and expense should be read in conjunction with the accompanying notes

Statements of Comprehensive Revenue and Expense

For The Year Ended 31 March 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000	Trust 2022 $'000	Trust 2021 $'000
Total comprehensive revenue and expense for the year is attributable to:					
Continuing operations		-	-	-	-
Discontinued operations		-	30,772	-	-
Non-controlling interest		-	30,772	-	-
Continuing operations		55,273	22,586	3,258	7,950
Discontinued operations		-	188,836	-	-
Beneficiaries of Group & Trust		55,273	211,422	3,258	7,950
		55,273	242,194	3,258	7,950

Financials

The above statements of comprehensive revenue and expense should be read in conjunction with the accompanying notes

Statements of Financial Position

As at 31 March 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 (restated) $'000	Trust 2022 $'000	Trust 2021 $'000
Assets					
Current assets					
Cash and cash equivalents		213,641	124,540	2,146	493
Trade and other receivables	9	14,625	14,562	83	68
Work in progress	10	147	79	-	-
Redeemable Convertible Preference shares	11	-	194,534	-	-
Investments in subsidiary	32	-	-	-	16,000
Derivative financial instruments	22	1,720	2,962	-	-
Income tax receivable		1,319	-	-	-
Loans advanced	15	159	197	159	197
Term deposits		10,800	14,181	10,800	14,181
Net investment in lease	16	571	550	-	-
Total current assets		242,982	351,605	13,188	30,939
Non-current assets					
Receivables - vendor tax losses due	8,9	-	1,388	-	-
Non-current assets - Financial assets at fair value through other comprehensive revenue and expenses	12	130,044	30,885	50,733	30,885
Investments in subsidiary	32	-	-	85,797	85,797
Derivative financial instruments	22	1,420	5,654	-	-
Property, plant and equipment	13	740,134	631,472	14	18
Intangibles	14	20,741	18,991	-	1
Loans advanced	15	924	1,038	924	1,038
Net investment in lease	16	26,886	27,457	-	-
Total non-current assets		920,149	716,885	137,468	117,739
Total assets		1,163,131	1,068,490	150,656	148,678

The above statements of financial position should be read in conjunction with the accompanying notes

Statements of Financial Position

As at 31 March 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000	Trust 2022 $'000	Trust 2021 $'000
Liabilities					
Current liabilities					
Trade and other payables	17	16,162	12,001	78	885
Derivative financial instruments	22	229	-	-	-
Income tax		-	1,586	-	467
Current employee benefit obligations and provisions	19	3,538	3,145	27	33
Customer discount payable		12,000	-	-	-
Deferred income	20	11,171	7,388	-	-
Total current liabilities		43,100	24,120	105	1,385
Non-current liabilities					
Non-current borrowings	18	148,856	152,178	-	-
Derivative financial instruments	22	226	-	-	-
Deferred tax (assets)/liabilities	23	109,660	86,153	-	-
Non-current employee benefit obligations	21	118	112	-	-
Deferred income	20	827	856	-	-
Total non-current liabilities		259,687	239,299	-	-
Total liabilities		302,787	263,419	105	1,385
Net assets		860,344	805,071	150,551	147,293
Equity					
Contributed equity	24	52,067	52,067	52,067	52,067
Reserves	25	156,527	116,714	(1,298)	7,781
Retained surplus	26	651,750	636,290	99,782	87,445
Total equity		860,344	805,071	150,551	147,293

Chair

Trustee

12 July 2022

Financials

The above statements of financial position should be read in conjunction with the accompanying notes

Statements of Changes in Net Assets/Equity

For The Year Ended 31 March 2022

Consolidated	Contributed equity $'000	Reserves $'000	Retained surplus $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 April 2020	52,067	94,677	446,906	5,879	599,529
Surplus after income tax expense for the year	-	-	187,815	30,772	218,587
Other comprehensive revenue and expense for the year, net of tax					
Movement in revaluation reserve from disposal of distribution network assets	-	(1,561)	1,561	-	-
Cash flow hedges (net of tax)	-	12,535	-	-	12,535
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	6,896	-	-	6,896
Realised (gain)/loss on disposal of financial assets at fair value through other comprehensive revenue and expense	-	(9)	9	-	-
Asset revaluation reserve (net of tax)	-	4,176	-	-	4,176
Total comprehensive revenue and expense for the year	-	22,037	189,385	30,772	242,194
Transactions with beneficiaries in their capacity as beneficiaries:					
Disposal of minority interest	-	-	-	(36,651)	(36,651)
Balance at 31 March 2021	52,067	116,714	636,290	-	805,071

Consolidated	Contributed equity $'000	Reserves $'000	Retained surplus $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 April 2021	52,067	116,714	636,290	-	805,071
Surplus after income tax expense for the year	-	-	2,326	-	2,326
Other comprehensive revenue and expense for the year, net of tax					
Movement in revaluation reserve from disposal of distribution network assets	-	(1,791)	1,791	-	-
Cash flow hedges (net of tax)	-	(165)	-	-	(165)
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	(10,666)	-	-	(10,666)
Realised gain/(loss) on disposal of financial assets at fair value through other comprehensive revenue and expense	-	-	11,343	-	11,343
Asset revaluation reserve (net of tax)	-	52,435	-	-	52,435
Total comprehensive revenue and expense for the year	-	39,813	15,460	-	55,273
Balance at 31 March 2022	52,067	156,527	651,750	-	860,344

The above statements of changes in net assets/equity should be read in conjunction with the accompanying notes

Statements of Changes in Net Assets/Equity

For The Year Ended 31 March 2022

Trust	Contributed equity $'000	Reserves $'000	Retained surplus $'000	Total equity $'000
Balance at 1 April 2020	52,067	895	86,380	139,342
Surplus after income tax expense for the year	-	-	1,054	1,054
Other comprehensive revenue and expense for the year, net of tax				
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expenses	-	6,896	-	6,896
Realised (gain)/loss on disposal of financial assets at fair value through other comprehensive revenue and expense	-	(9)	9	-
Total comprehensive revenue and expense for the year	-	6,887	1,063	7,950
Balance at 31 March 2021	52,067	7,781	87,445	147,293

Trust	Contributed equity $'000	Reserves $'000	Retained surplus $'000	Total equity $'000
Balance at 1 April 2021	52,067	7,781	87,443	147,291
Surplus after income tax expense for the year	-	-	994	994
Other comprehensive revenue and expense for the year, net of tax				
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expenses	-	(9,079)	-	(9,079)
Realised gain/(loss) on disposal of financial assets at fair value through other comprehensive revenue and expense	-	-	11,343	11,343
Total comprehensive revenue and expense for the year	-	(9,079	12,337	3,258
Balance at 31 March 2022	52,067	(1,298)	99,780	150,549

Financials

The above statements of changes in net assets/equity should be read in conjunction with the accompanying notes

Statements of Cash Flows

For The Year Ended 31 March 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000	Trust 2022 $'000	Trust 2021 $'000
Cash flows from operating activities					
Receipts from customers		137,343	129,643	-	-
Cash flow from discontinued operations from operating activities	8	-	26,269	-	-
Payments to suppliers and employees		(72,389)	(70,046)	(1,151)	(1,447)
Dividends received		-	-	5,000	6,000
Interest received		250	487	141	754
Grants paid		(5,499)	(5,456)	(5,499)	(5,456)
Customer discount paid		(8,983)	-	-	-
Income taxes paid		(3,562)	(1,812)	(712)	(61)
Net cash from/(used in) operating activities	34	47,160	79,085	(2,221)	(210)
Cash flows from investing activities					
Payments for term deposits		3,381	(12,699)	3,381	(12,699)
Payments for financial assets at fair value through other comprehensive revenue and expenses		(137,784)	(438)	(57,784)	(438)
Payments for property, plant and equipment		(60,182)	(44,575)	(2)	(9)
Payments for intangibles		(4,037)	(2,303)	-	-
Payments for acquisition of subsidiary	31	-	(3,907)	-	-
Interest received on finance lease		1,692	1,261	-	-
Payments received for finance lease		550	402	-	-
Proceeds from Redeemable Convertible Preference shares		200,000	-	-	-
Vendor tax losses received		2,046	-	-	-
Proceeds from disposal of financial assets at fair value through other comprehensive revenue and expenses		42,082	61	42,082	61
Proceeds from disposal of property, plant and equipment		337	68	-	-
Cash flow from discontinued operations from investing activities	8	-	496,217	-	-
Loan principal payments received		197	129	197	129
Loans advanced		-	(610)	-	(610)
Convertible notes received		-	-	16,000	13,000
Net cash from/(used in) investing activities		48,282	433,606	3,874	(566)
Cash flows from financing activities					
Interest and other finance costs paid		(6,341)	(30,900)	-	-
Repayment of borrowings		-	(361,000)	-	-
Cash flow from discontinued operations from financing activities	8	-	1,493	-	-
Net cash used in financing activities		(6,341)	(390,407)	-	-
Net increase/(decrease) in cash and cash equivalents		89,101	122,284	1,653	(776)
Cash and cash equivalents at the beginning of the financial year		124,540	2,256	493	1,269
Cash and cash equivalents at the end of the financial year		213,641	124,540	2,146	493

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

Notes to the Financial Statements

For The Year Ended 31 March 2022

Note 1. Statement of accounting policies

Reporting entity
WEL Energy Trust, a Trust as defined in its Trust Deed, is the holding entity of WEL Networks Limited, a company incorporated in New Zealand under the Companies Act 1993. The Group consists of WEL Energy Trust (the 'Trust'), WEL Networks Limited (the 'Company' or 'WEL') and its subsidiaries (together the 'Group'). The Group comprises an electricity network business, delivering energy to customers in the Waikato Region. During the year ended 31 March 2021, the Group also delivered the Government Ultrafast Fibre rollout programme in the Waikato, Tauranga and Taranaki areas. The WEL Energy Trust's principal objective is to ensure WEL Networks Limited operates as a successful business, as well as having regard to consumer interest in the regulation of the electricity industry and distributing and investing surplus revenue and expenses in accordance with its Trust Deed.

The Trust has designated itself and the Group as public benefit entities (PBEs) for financial reporting purposes.

The financial statements of the Trust and Group are for the year ended 31 March 2022. The financial statements were authorised for issue by the Trustees on 13 July 2022.

Once issued the Trustees do not have the power to amend these financial statements.

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

Note 2. Summary of significant accounting policies

Statement of compliance and basis of preparation

Statement of compliance
The financial statements of the Trust and of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with Public Benefit Entity Standards (PBE Standards) and authoritative notices that are applicable to entities that apply PBE Standards.

The Group is classified as a Tier 1 reporting entity and it applies full PBE Standards. These standards are largely based on International Public Sector Accounting Standards (IPSAS).

Measurement base
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.

Standards, amendments to existing standards adopted
There have been no new standards applied or amendments to existing standards previously adopted which has had a material impact on the preparation of the Group's financial statements for the year ended 31 March 2022.

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

Consolidation
Subsidiaries

The Group financial statements incorporate the assets and liabilities of the WEL Energy Trust (Trust or Parent) including WEL Networks Limited (Company) and all subsidiaries of WEL Networks Limited as at 31 March 2022 and the results of WEL Energy Trust and WEL Networks Limited and its subsidiaries for the year then ended. The Trust's subsidiary WEL Networks Limited and its other subsidiaries are all those entities (including special purpose entities) over which 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. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Note 2. Summary of significant accounting policies (continued)

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 value 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 revenue and expense component of the statement of comprehensive revenue and expense.

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 revenue and expense.

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

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

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 revenue or expenses 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 revenue and expense is reclassified to revenue and expense component of the statement of comprehensive revenue and expense where appropriate.

The Group's share of post acquisition revenue or expense is recognised in the statement of comprehensive revenue and expense, and its share of post acquisition movements in other comprehensive revenue and expense is recognised in other comprehensive revenue and expense 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.

Note 2. Summary of significant accounting policies (continued)

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 surplus/(deficit)/revaluations of existing interest in associates' in the statement of comprehensive revenue and expense.

Revenue
Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered, stated net of discounts, returns and GST. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Exchange revenue
Electricity line revenue
The Group invoices its customers (predominately electricity retailers) monthly for electricity delivery services across the region's lines network.

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

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

Infratec EPC Revenue
Infratec New Zealand Limited designs and project manages the installation of solar panels as well as carrying out development and consultancy work related to solar projects. Development and consultancy work is recognised at a point in time on completion and delivery of milestones. Project revenue is recognised over time as there is no alternative use for the asset and the Group have an enforceable right to payment for the performance completed to date.

Smartco metering revenue
Smartco uses WEL metering infrastructure for the purposes of providing consumption data and related services to Retailers. WEL Networks Limited's obligation is to provide a single performance obligation of continuous service to which the customer benefits incrementally and consecutively over time, as the service is delivered. WEL Networks Limited records revenue monthly, being the period WEL captures usage and price information for invoicing.

Operating lease revenue
Operating lease revenue was charged to the lessee for the construction, connection and ownership of the Te Uku Wind Farm up until 30 June 2020 at which time this lease was modified and recorded as a finance lease. Refer to note 16 for further information.

Other revenue
The majority of other income relates to revenue from OurPower Holdings Limited generation and Infratec New Zealand Limited.

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

Note 2. Summary of significant accounting policies (continued)

Interest income
Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

Dividend income
Dividend income is recognised when the right to receive payment is established.

Income on financial assets at fair value through other comprehensive revenue and expense
Income on financial assets at fair value through other comprehensive revenue and expense is recognised when the right to receive the distribution is established.

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 revenue and expense, except to the extent that it relates to items recognised in other comprehensive revenue and expense or directly in equity. In this case, the tax is also recognised in other comprehensive revenue and expense 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 tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable surplus.

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 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.

Discontinued operations
A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive revenue and expense.

Loans advanced
Concessionary loans given below market rate are recognised initially at fair value and subsequently measured at amortised cost. Effective interest and associated transaction costs are charged to the surplus or deficit component of the statements of comprehensive revenue and expense over the term of the loan.

Cash and cash equivalents
In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Note 2. Summary of significant accounting policies (continued)

Cash and cash equivalents have not been impaired due to investments and deposits being held in high credit rated banks and impairment is immaterial.

Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

Work in progress

Work in progress relates to projects for Infratec that are in progress as at 31 March 2022. Cost comprises of direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity.

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

Impairment of non financial assets

Assets that are subject to amortisation and depreciation are tested annually for impairment. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. 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.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return. For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return. The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

Property, plant and equipment

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

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

Note 2. Summary of significant accounting policies (continued)

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 revenue and expense component of the statement of comprehensive revenue and expense during the financial period in which they are incurred.

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

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

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

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

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

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

Gas 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 revenue or expense. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained surplus.

Net investment in lease

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

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 revenue or expense 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.

Note 2. Summary of significant accounting policies (continued)

Goodwill
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.

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

Computer 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 or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probably 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). Where the rights have no expiration date and have an indefinite useful life these costs are not amortised. Impairment reviews for finite life intangibles are undertaken annually linked to the valuation of the electricity network as the easements give rights for network assets to be physically located on that land.

Financial assets

Classification
The Group classifies its financial assets in the following categories: those to be measured subsequently at fair value (either through revenue or expense or other comprehensive revenue or expense) or 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.

Financial assets at amortised cost
The Group classifies its financial assets as at amortised cost only if both of the following criteria are met: the asset is held within a business model whose objective is to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at fair value through other comprehensive revenue and expense
Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant. These comprise the Group’s individual equity investments in note 12. On disposal of these equity investments, any related balance within the FVOCRE reserve is reclassified to retained surplus.

Note 2. Summary of significant accounting policies (continued)

Recognition and measurement
Regular purchases and sales of financial assets are recognised on the trade-date which is 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 asset have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset note at fair value through revenue or expense, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through revenue and expense in the statement of revenue and expense.

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 revenue and expense 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 revenue and expense.

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

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

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

Financial liabilities
Other financial liabilities at amortised cost

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 statements of financial position.

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Note 2. Summary of significant accounting policies (continued)

Trade and other payables
Trade payables are obligations to pay for goods or 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 (or in the normal operating cycle of the business if longer). 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.

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

All other borrowing costs are recognised in surplus or deficit in the period in which they are incurred.

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 nil (2021: 3.78% to 5.60%).

Interest bearing liabilities
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 revenue and expense component of the statement of comprehensive revenue and expense 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.

Employee benefits

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 'other payables' 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.

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. Benefits falling due within 12 months of the reporting date are normally paid within a short period of time and therefore the fair value approximates the carrying value and no discounting is required.

Defined contribution plan
Obligations for contributions to KiwiSaver are accounted for as a defined contribution plan and are recognised as an expense in revenue and expense as incurred. The expense recognised in the current period in relation to these contributions was $859,000 (2021: $1,042,000).

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 a constructive obligation.

Note 2. Summary of significant accounting policies (continued)

Grant expenditure
The Trust's grant expenditure is discretionary. The Trust has no obligation to award on receipt of the grant application. The grants are recognised as expenditure in 'Grants' in the surplus or deficit component of the statements of comprehensive revenue and expense when approved by the Trust, and the approval has been communicated to the applicant, and to the extent that the applicant is expected to meet the substantive conditions attached. A number of grants are for a multi-year period where the grant will be reviewed annually and the Trust has no obligation to continue the grant funding for each subsequent annual period. Where this is the case, a liability is not recognised until the conditions are met by the recipient. Where the recipient has not utilised the funding as expected and returns the grant, the Trust recognises a deduction to 'Grants' in the surplus or deficit component of the statements of comprehensive revenue and expense.

Government grants
Government grants relating to the purchase of property, plant and equipment are either:
(i) Grants received from government organisations in relation to the undergrounding of parts of the electricity network which are included in non-current liabilities as deferred income and then credited to profit or loss on a straight-line basis over the expected lives of the related assets; or
(ii) ECCA grants for EV trucks and chargers which are offset against the total cost of the asset at the date of capitalisation.

Derivatives
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at 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);
- hedges of a particular risk associated assets or liability or a highly probably forecast transaction (cash flow hedge).

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

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 surplus or deficit. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive revenue and expense through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in revenue or expense. Amounts taken to net 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 revenue or expense.

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 which is not matched by the loan; and
- differences in the 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.

Note 2. Summary of significant accounting policies (continued)

Amounts accumulated in equity are reclassified to revenue or expense in the periods when the hedged item affects surplus or deficit (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 revenue and expense component of the statement of comprehensive revenue and expense 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 revenue or expense, 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 revenue or expenses 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 revenue or expense 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 revenue or expenses over the period to maturity using a recalculated effective interest rate.

Equity
Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- Contributed equity
- Retained surplus
- Reserves

Contributed equity

Contributed equity of the Trust is the settled equity within the Trust as defined by the Trust Deed.

Reserves

These reserves relate to the property plant and equipment revaluation reserve, cash flow hedge reserve and financial assets at fair value through other comprehensive revenue and expense.

Property revaluation reserve

This reserve relates to the revaluation of property, plant, and equipment to fair value.

Cash flow hedge reserve

This reserve comprises the effective portion of the cumulative net change in the fair value of derivatives designated as cash flows hedges.

Financial assets at fair value through other comprehensive revenue and expenses

This reserve comprises the net change in the fair value of financial assets designated as financial assets at fair value through other comprehensive revenue and expense.

Investments in subsidiaries
Investments in subsidiaries in the Trust's financial statements are stated at cost less impairment.

Notes to the Financial Statements

For The Year Ended 31 March 2022

Note 2. Summary of significant accounting policies (continued)

Goods and Services Tax ('GST')

The Trust is not registered for GST because the income that the Trust receives falls within the definition of exempt supplies contained in the Goods and Services Tax Act 1985 and also because the Trust does not undertake a taxable activity. The Trust's financial statements have been prepared inclusive of GST. The financial statements of WEL Networks Limited and its subsidiaries in the consolidated financial statements have been prepared exclusive of GST. The surplus or deficit component of the statements of comprehensive revenue and expense has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

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

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

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

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 surplus or deficit component of the statements of comprehensive revenue and expense on a straight line basis over the period of the lease.

Foreign currency transactions

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 financial statements are presented in 'NZD' ($000), which is the Trust's functional currency and the Trust and Group's presentation currency.

Transactions and balances

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 surplus or deficit component of the statements of comprehensive revenue and expenses, except when deferred in other comprehensive revenue and expense as qualifying cash flow hedges and qualifying net investment hedges.

Changes in accounting policies

New Accounting Standards and Interpretations not yet mandatory or early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the annual reporting period ended 31 March 2022 and have not been early adopted by the Group.

PBE FRS 48 Service performance reporting

This standard is applicable to annual reporting periods beginning on or after 1 January 2022. PBE FRS 48 establishes principles and requirements for presenting service performance information that is useful for accountability and decision-making purposes. These high-level requirements provide flexibility for entities to determine how best to 'tell their story'.

Note 3. Critical accounting judgements, estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of the financial statements in conformity with PBE Standards 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 below.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Estimated fair value of electricity lines distribution and land and buildings.
Maui St land and buildings, included in the land and buildings asset category, were revalued to fair value for highest and best use on 31 March 2022 by independent valuers, SGHU Valuations LP Registered Valuers using a market approach being a Level 3 valuation.

Key inputs include market rent at $920,000 (2021: $920,000) and a capitalisation rate of between 4.38% and 4.88% (2021: 4.75% and 5.25%) resulting in a valuation range of $18.9M to $21.0M (2021: $17.5M to $19.4M). The midpoint of $19.9M has been used to revalue the Maui St land and buildings as at 31 March 2022 (2021: $18.4M).

It is the Group's policy to revalue the Electricity Network at least every three years, or more frequently if there is evidence to suggest a significant change in fair value, and as such the Group engaged Deloitte, an independent third party valuer, to perform the network valuation for the year ended 31 March 2022 which resulted in a valuation range for the Electricity Network of $644.1M to $708.9M (based on sensitivity to WACC high/low estimates). The valuation mid-point of $675.7M has been used to revalue the network as at 31 March 2022 (2021 carrying value: $571M). This is a Level 3 valuation. Refer to note 13 for further information.

Impairment testing of goodwill
The Group is required to test goodwill and other non-amortising intangible assets at least annually for impairment. Determining the receivable amount for impairment testing purposes requires the use of judgement and estimation in relation to future forecast performance of the underlying cash generating unit. These are Level 3 valuations. Refer to note 14 for the key assumptions and inputs.

Fair value of Purpose Capital Impact Fund and Impact Investment Enterprise Fund
Purpose Capital Impact Fund and Impact Investment Enterprise Funds are not funds that are publicly traded and are valued using the values provided by the funds which are based on valuations of the funds' underlying investments following appropriate methodology for early state private equity start-ups including the International Private Equity and Venture Capital Valuation (IPEV) Guidelines. This is a Level 3 valuation.

Redeemable Convertible Preference shares
An amount of $5.5M has been recognised in finance income in the statement of comprehensive revenue and expense for the year ended 31 March 2022 (2021: $5.3M). The RCP shares were redeemed on 22 March 2022 for the full subscription price of $200M. Refer to note 11 for further information.

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

2021

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

Financials

Notes to the Financial Statements

For The Year Ended 31 March 2022

Note 4. Revenue

	Consolidated		Trust	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
From continuing operations				
Rendering of services				
Electricity lines revenue	112,102	108,130	-	-
Discount *	(12,000)	-	-	-
Net lines revenue	100,102	108,130	-	-
Electricity third party contributions	9,891	8,868	-	-
OurPower electricity retail revenue	5,007	3,334	-	-
Infratec EPC revenue	1,767	629	-	-
SmartCo metering revenue	1,672	1,630	-	-
	118,439	122,591	-	-
Other income				
Dividends	-	-	14,000	6,000
Operating lease revenue	-	494	-	-
Other income	3,767	4,854	-	-
	3,767	5,348	14,000	6,000
Revenue from continuing operations	122,206	127,939	14,000	6,000

* WEL Networks Limited has reintroduced the WEL Electricity Discount Programme for the year ended 31 March 2022. The discount has been proposed to be paid to consumers during April 2022. A discretionary discount of $9.0M was also paid to consumers on instruction from the WEL Energy Trust in July 2021, included as an expense this financial year.

Note 5. Expenses, excluding finance costs

	Consolidated		Trust	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Transmission costs	26,641	27,063	-	-
Employee benefits	39,997	34,583	387	468
Capitalised labour	(14,812)	(12,888)	-	-
Materials and services	5,101	3,583	-	-
Contracting services	6,041	5,574	-	-
Consultancy	4,300	2,467	-	-
Electricity costs	4,514	3,100	-	-
Net loss on disposal of property, plant and equipment	3,451	5,045	-	-
Vehicle expenditure	1,276	1,179	-	-
Operating leases	509	323	44	42
Directors' and Trustees' fees	770	690	221	235
Bad debts written off	36	70	-	-
Change in provision for impaired receivables	4	22	-	-
Other expenses	6,683	5,966	736	759
Impairment loss	-	850	-	-
Depreciation and amortisation	22,349	26,725	6	14
Customer discount paid	9,000	-	9,000	-
Foreign exchange movement	(724)	36	(718)	-
	115,136	104,388	9,676	1,518

Note 5. Expenses, excluding finance costs (continued)

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Surplus/(deficit) before income tax includes the following specific expenses:				
Depreciation by asset class:				
Distribution network	14,505	19,501	-	-
Plant and equipment	3,560	3,626	6	14
Motor vehicles	1,033	1,036	-	-
Computer hardware	612	589	-	-
Buildings	352	269	-	-
	20,062	25,021	6	14
Amortisation of intangible assets:				
Easements and consents	47	50	-	-
Computer software	1,385	1,099	-	-
Computer software - internally generated	470	427	-	-
Customer contracts	385	128	-	-
	2,287	1,704	-	-
Total depreciation and amortisation	22,348	26,725	6	14

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Amounts paid or payable to the auditors of WEL Energy Trust and Group:				
Audit services - (PwC)				
Audit financial statements - current year	365	320	83	48
Half year review	72	64	-	-
	437	384	83	48
Assurance and audit related services* - PwC				
Assurance procedures on disclosure information - current year	57	53	-	-
Assurance procedures on disclosure information - prior year	-	5	-	-
Assurance procedures on the telecommunications development levy - prior year	-	5	-	-
	57	63	-	-
Other services - PwC				
Regulatory advice	8	43	-	-
Training costs - PwC Academy Subscription Fees	4	-	-	-
Due diligence**	-	76	-	-
	12	119	-	-
Total auditors remuneration	506	566	83	48

Note 5. Expenses, excluding finance costs (continued)

Auditors' fees are recognised within 'other expenses'

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

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

Note 6. Finance income/(costs)

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Surplus/(deficit) before income tax from continuing operations includes the following specific expenses:				
Finance income/(costs)				
Interest and finance charges paid/payable on borrowings	(7,120)	(13,768)	-	-
Interest swap termination costs	-	(17,944)	-	-
Financial assets income	1,193	1,366	1,193	1,366
Fair value of the Redeemable Convertible Preference shares	5,466	5,297	-	-
Fair value of vendor tax losses receivable	37	-	-	-
Interest income	309	498	200	766
Finance income on lease	1,692	1,261	-	-
Net finance income/(costs)	1,577	(23,290)	1,393	2,132

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

Note 7. Income tax expense/(credit)

	Consolidated 2022 $'000	Consolidated 2021 $'000	Trust 2022 $'000	Trust 2021 $'000
Income tax expense/(credit)				
Current tax	427	2,598	13	-
Deferred tax (note 23)	3,676	8,554	-	-
Aggregate income tax expense	4,103	11,152	13	-
Income tax expense/(credit) is attributable to:				
Surplus/(deficit) from continuing operations	4,103	810	13	-
Surplus from discontinued operations	-	10,342	-	-
Aggregate income tax expense	4,103	11,152	13	-
Numerical reconciliation of income tax expense/(credit) and tax at the statutory rate				
Surplus/(deficit) before income tax expense from continuing operations	6,429	(108)	1,007	1,054
Surplus before income tax expense from discontinued operations	-	229,847	-	-
	6,429	229,739	1,007	1,054
Tax at the statutory tax rate of 28% and 33%	1,165	68,043	333	348
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Non-taxable income	963	(2,431)	(3,651)	(451)
Sale of discontinued operations	-	(61,552)	-	-
Non-deductible expenditure	5,255	2,697	5,257	2,671
Grants distributed	(1,442)	(2,333)	(1,442)	(2,333)
Prior period adjustment	(1,105)	76	-	-
Prior period deferred tax adjustment	956	103	-	-
Current year deferred tax movement	335	-	-	-
Derecognition of deferred tax assets	-	6,785	-	-
Imputation credits utilised	(484)	(235)	(484)	(235)
Redeemable Convertible Preference shares unwind	(1,540)	-	-	-
Income tax expense/(credit)	4,103	11,152	13	-

The tax on the Group's and Trust's surplus before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to surplus.

The tax losses incurred by the Trust are not recognised as a deferred tax asset in the statement of financial position as it is not probable that they will be utilised given the surplus of imputation credits received from WEL Networks Limited that are converted to losses. Tax losses that are unrecognised by the Trust total $3.6 million (tax effect $1.2 million) (2021: $2.4 million (tax effect $791,849)).

The Trust's income tax rate is 33% and its subsidiaries are at the company tax rate of 28% (2021: 33% and 28%).

Note 7. Income tax expense/(credit) (continued)

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Imputation credits				
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2021: 28%)	46,020	46,233	-	-

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

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

Note 8. Discontinued operations

Description

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

First Fibre Bidco NZ Limited purchased WEL's 85% majority shareholding and Waipa's 15% shareholding for $854M, of which consideration of $200M payable to WEL was deferred for 18 months from completion. The deferred payment was in the form of Redeemable Convertible Preference (RCP) shares issued by First Fibre Bidco NZ Limited, which were redeemed for the full subscription price of $200M on 22 March 2022. Refer to note 11 for further information.

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

Financial performance information

	Consolidated	Trust
	2021 $'000	2021 $'000
Revenue	46,376	-
Expenses	(30,926)	-
Surplus before income tax expense	15,450	-
Income tax expense	(10,342)	-
Surplus after income tax expense	5,108	-
Gain on disposal before and after income tax	214,397	-
Surplus after income tax expense from discontinued operations	219,505	-

Note 8. Discontinued operations (continued)

Cash flow information

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

Included in the net cash from/(used in) investing activities is cash consideration received from disposal of UFFH of $528,456,000 (net of repayment to Waipa Networks Ltd and disposal costs)

Carrying amounts of assets and liabilities disposed

	Consolidated 2021 $'000	Trust 2021 $'000
Cash and cash equivalents	1,451	-
Trade and other receivables	12,363	-
Property, plant and equipment	577,161	-
Intangibles	79,389	-
Total assets	670,364	-
Trade and other payables	3,168	-
Provisions	1,687	-
Other liabilities	36,660	-
Total liabilities	41,515	-
Net assets	628,849	-

Details of the disposal

	Consolidated 2021 $'000	Trust 2021 $'000
Cash received	653,478	-
Fair value of Redeemable Convertible Preference shares on disposal	189,237	-
Fair value of tax losses receivable	4,893	-
Total sale consideration	847,608	-
Carrying amount of net assets disposed	(628,849)	-
Attributable to Waipa Networks Limited	(31,448)	-
Disposal costs	(4,362)	-
Gain on disposal before and after income tax	182,949	-

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

Note 9. Trade and other receivables

	Consolidated 2022 $'000	Consolidated 2021 $'000	Trust 2022 $'000	Trust 2021 $'000
Trade receivables	10,884	10,759	42	28
Amounts due from customers for contract work	143	142	-	-
Less: Allowance for expected credit losses	(611)	(607)	-	-
	10,416	10,294	42	28
Related party receivable	210	210	-	-
Prepayments	1,259	1,204	41	40
Other receivable	83	83	-	-
Other receivables - vendor tax losses due (note 8)	2,150	2,771	-	-
Goods and services tax	507	-	-	-
	4,209	4,268	41	40
Total net trade and other receivables	14,625	14,562	83	68

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 27.

Allowance for expected credit losses
As of 31 March 2022, trade receivables for the Group of $1.1 million (2021: $0.7 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

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

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

	Consolidated 2022 $'000	Consolidated 2021 $'000	Trust 2022 $'000	Trust 2021 $'000
Current	9,288	9,061	42	28
One to three months	138	430	-	-
Over three months	990	803	-	-
	10,416	10,294	42	28

	Consolidated 2022 $'000	Consolidated 2021 $'000	Trust 2022 $'000	Trust 2021 $'000
Aging of expected credit losses				
Current 0.5%	45	69	-	-
One to three months 5.5%	8	6	-	-
Over three months 56.4%	558	532	-	-
	611	607	-	-

Note 9. Trade and other receivables (continued)

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

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Opening balance	607	886	-	-
Increase in provision	4	22	-	-
Decrease in provision due to Discontinued Operations	-	(301)	-	-
	611	607	-	-

Note 10. Work in progress

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Work in progress - at cost	147	79	-	-

Note 11. Redeemable Convertible Preference shares

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Redeemable Convertible Preference shares	-	194,534	-	-

Note 12. Non-current assets - Financial assets at fair value through other comprehensive revenue and expenses

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

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Paua wealth management fund	39,504	-	-	-
Harbour asset management fund	39,807	-	-	-
Global companies fund	-	16,422	-	16,422
Ethical leaders fund	-	13,817	-	13,817
Impact investment enterprise fund	243	156	243	156
Purpose capital impact fund	1,052	490	1,052	490
Vanguard (NZD Hedged)	12,894	-	12,894	-
Vanguard (Unhedged)	36,544	-	36,544	-
	130,044	30,885	50,733	30,885

Impact investment enterprise fund includes a $18,000 uncalled commitment (2021: $106,000) relating to the partnership units acquired in the Impact investment enterprise fund. The Purpose capital impact fund includes a $3,750,000 uncalled commitment (2021: $4,350,000).

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Note 12. Non-current assets - Financial assets at fair value through other comprehensive revenue and expenses (continued)

The Group's financial assets at fair value through other comprehensive revenue and expense are classified as non-current assets when they are not expected to be realised within the 12 months after the reporting date.

Note 13. Property, plant and equipment

	Electricity network $'000	Fibre network $'000	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Computer hardware $'000	Non-network assets under construction $'000	Total $'000
Consolidated 2021								
Opening net book amount 1 April 2020	581,326	563,835	17,737	31,599	4,971	1,443	2,478	1,203,389
Additions	41,979	24,330	184	1,503	746	417	2,810	71,969
Revaluation	-	-	4,930	-	-	-	-	4,930
Acquisition through business combination (note 31)	-	-	-	92	-	21	-	113
Transfers *	3,566	-	(3,654)	1,228	331	135	(1,606)	-
Disposals	(7,416)	(247)	-	(43)	(42)	(34)	(1)	(7,783)
Disposals due to sale of discontinued operation (note 8)	-	(575,419)	-	(711)	(184)	(494)	(353)	(577,161)
Depreciation charge	(19,501)	(12,499)	(269)	(3,696)	(1,113)	(747)	-	(37,825)
Derecognition of assets relating to finance lease	(28,409)	-	-	-	-	-	-	(28,409)
Impairment loss	(850)	-	-	-	-	-	-	(850)
Closing net book amount 31 March 2021	570,695	-	18,928	29,972	4,709	741	3,328	628,373
Cost/valuation	792,371	-	20,535	58,104	10,116	3,765	3,328	888,219
Accumulated depreciation	(221,676)	-	(1,607)	(28,132)	(5,407)	(3,024)	-	(259,846)
Closing net book amount 31 March 2021	570,695	-	18,928	29,972	4,709	741	3,328	628,373

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

** In 2021, $28.4M was derecognised from the electricity network in property, plant and equipment relating to assets now subject to a finance lease (as a lessor), refer to note 16. In 2022, $3.1M of this was subsequently identified as relating to an easement recorded as an intangible asset. The property, plant, and equipment, and intangibles (note 14) opening net book amount as at 1 April 2021 have been restated to correct this error.

Note 13. Property, plant and equipment (continued)

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

	Electricity network $'000	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Computer hardware $'000	Non-network assets under construction $'000	Total $'000
Consolidated 2022							
Opening net book amount as at 1 April 2021	570,695	18,928	29,972	4,709	741	3,328	628,373
Correction of error – transferred to intangibles **	3,099	-	-	-	-	-	3,099
Restated opening net book amount as at 1 April 2021	573,794	18,928	29,972	4,709	741	3,328	631,472
Additions	48,747	4	2,232	1,208	277	7,181	59,649
Revaluation	70,631	1,699	-	-	-	-	72,330
Transfer	138	393	1,474	24	546	(2,575)	-
Disposals	(3,103)	-	(10)	(141)	(1)	-	(3,255)
Depreciation charge	(14,505)	(352)	(3,560)	(1,033)	(612)	-	(20,062)
Closing net book amount 31 March 2022	675,702	20,672	30,108	4,767	951	7,934	740,134
Cost/valuation	686,571	22,631	61,571	10,488	4,563	7,934	793,758
Accumulated depreciation	(10,869)	(1,959)	(31,463)	(5,721)	(3,612)	-	(53,624)
Closing net book amount 31 March 2022	675,702	20,672	30,108	4,767	951	7,934	740,134

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

Under paragraph 67 of PBE IPSAS 17, the useful life of assets shall be reviewed at least annually. As the useful life of an asset is an estimate, there is a requirement to demonstrate the rationale and appropriateness of the estimate. A review of useful lives of electricity network assets was completed during the year ended 31 March 2022 based on correlating the health of our existing assets with typical failure curves. Accounting useful lives have been revised by -10 years to +35 years across asset categories as a result. The impact of this is a reduction of $4.9M in current year depreciation (as in most cases the useful life has increased). The impact in years 2-5 is also $4.9M, due to the nature of these assets being long life assets combined with large volumes of assets it is impracticable to determine the effect beyond year 5.

Note 13. Property, plant and equipment (continued)

	Plant and equipment $'000	Total $'000
Trust 2021		
Opening net book amounts 1 April 2020	23	23
Additions	9	9
Depreciation charge	(14)	(14)
Closing net book amount 31 March 2021	18	18
Cost/valuation	51	51
Accumulated depreciation	(33)	(33)
Closing net book amount 31 March 2021	18	18
Trust 2022		
Opening net book amount 1 April 2021	18	18
Purchases	2	2
Depreciation charge	(6)	(6)
Closing net book amount 31 March 2022	14	14
Cost/valuation	50	50
Accumulated depreciation	(36)	(36)
Closing net book amount 31 March 2022	14	14

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

Land and buildings revaluations and impairment review

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

Network revaluations and impairment review

It is the Group's policy to revalue the Electricity Network at least every three years, or more frequently if there is evidence to suggest a significant change in fair value. As such the Group engaged Deloitte, an independent third party valuer, to perform the network valuation for the year ended 31 March 2022 which resulted in a valuation range for the Electricity Network of $644.1M to $708.9M (based on sensitivity to WACC low/high estimates). The valuation mid-point of $675.7M has been used to revalue the network as at 31 March 2022 (2021 carrying value: $571M). This is a Level 3 valuation.

The primary valuation method is the discounted cash flow (DCF) methodology, over a 10 year period, with a terminal value based on the estimated regulatory asset base (RAB) using a multiple of 1.0x. While isolated changes to revenue and expenditure assumptions used in the discounted cash flow model can have a significant impact on the valuation range, as the valuation is prepared under a regulatory framework to earn a regulated return on investment, these assumptions are inter-related and therefore any reasonable changes to these assumptions would not result in a significant change to the valuation range. The valuation is however sensitive to the Weighted Average Cost of Capital (WACC) and the Regulated Asset Base (RAB) multiple used in the valuation as outlined in the table below. The valuation of the fixed assets is consistent with the requirements of PBE IPSAS 17 Property, Plant and Equipment, 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.

Note 13. Property, plant and equipment (continued)

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

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

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

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

If the assets were measured using historical cost basis they would be recorded as follows:

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

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

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Note 14. Intangibles

	Goodwill $'000	Assets under construction $'000	Computer software - internally generated $'000	Computer software $'000	Easements and consents $'000	Leasehold interest $'000	Customer contracts $'000	Total $'000
Consolidated								
Opening net book amount 1 April 2020	79,666	3,361	2,056	5,594	5,318	107	-	96,102
Additions	-	3,140	45	1,306	-	-	-	4,491
Disposals	-	(491)	-	-	-	-	-	(491)
Transfers	-	(1,099)	32	974	93	-	-	-
Amortisation charges	-	-	(426)	(2,255)	(41)	-	(128)	(2,850)
Additions through business combinations (note 31)	3,121	-	300	36	-	-	770	4,227
Disposals due to sale of discontinued operation (note 8)	(74,484)	(2,309)	-	(2,596)	-	-	-	(79,389)
Closing net book amount 31 March 2021	8,303	2,602	2,007	3,059	5,370	107	642	22,090
Cost	8,303	2,602	4,101	19,969	7,889	107	770	43,741
Accumulated amortisation and impairment	-	-	(2,094)	(16,910)	(2,519)	-	(128)	(21,651)
Closing net book amount 31 March 2021	8,303	2,602	2,007	3,059	5,370	107	642	22,090

Financials

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Note 14. Intangibles (continued)

	Goodwill $'000	Assets under construction $'000	Computer software - internally generated $'000	Computer software $'000	Easements and consents $'000	Leasehold interest $'000	Customer contracts $'000	Total $'000
Opening net book amount 1 April 2021	8,303	2,602	2,007	3,059	5,370	107	642	22,090
Correction of error – transferred from property, plant & equipment **	-	-	-	-	(3,099)	-	-	(3,099)
Restated opening net book amount 1 April 2021	8,303	2,602	2,007	3,059	2,271	107	642	18,991
Additions	-	3,165	5	918	32	-	-	4,120
Disposals	-	-	-	(83)	-	-	-	(83)
Transfers	-	(1,967)	-	1,807	160	-	-	-
Amortisation charges	-	-	(470)	(1,385)	(47)	-	(385)	(2,287)
Closing net book amounts 31 March 2022	8,303	3,800	1,542	4,316	2,416	107	257	20,741
Cost	8,303	3,800	4,106	20,398	4,982	107	770	42,466
Accumulated amortisation and impairment	-	-	(2,564)	(16,082)	(2,566)	-	(513)	(21,725)
Closing net book amount 31 March 2022	8,303	3,800	1,542	4,316	2,416	107	257	20,741

** In 2021, $28.4M was derecognised from the electricity network in property, plant and equipment relating to assets now subject to a finance lease (as a lessor), refer to note 17. In 2022, $3.1M of this was subsequently identified as relating to an easement recorded as an intangible asset. The property, plant, and equipment (note 14), and intangibles opening net book amount as at 1 April 2021 have been restated to correct this error.

Note 14. Intangibles (continued)

	Computer software $'000	Total $'000
Trust		
Opening net book amount 1 April 2020	1	1
Cost	53	53
Accumulated amortisation and impairment	(52)	(52)
Closing net book amount 31 March 2021	1	1
Opening net book amount 1 April 2021	1	1
Amortisation charge	(1)	(1)
Closing net book amount 31 March 2022	-	-
Cost	53	53
Accumulated amortisation and impairment	(53)	(52)
Closing net book amount 31 March 2022	-	1

Goodwill

Of the $8.9 million of goodwill of $5.2 million arose on the original acquisition of the WEL Networks Group by the Trust, and $3.1 million relates to the acquisition of Infratec New Zealand Limited.

The carrying value of goodwill of $3.1 million relates to Infratec New Zealand Limited as a single cash generating unit. The recoverable amount was determine)d using a 5 year discounted cashflow value in use model with key inputs including a discount rate of 17.4% pre-tax (11.4% post tax)(2021: 16.8% pre-tax and 11% post-tax) and a terminal growth rate of -2% (2021: 2%)(accounting for potential competition and the eventual decline in demand for new solar and battery installations). The cash flows are based on the current three-year management forecast (FY23 to FY25), with the remaining two years increasing with CPI (at 2%), followed by a terminal value (2021: based on management forecast for the business acquisition, and estimated future pipeline projects from year three). The most sensitive components of the cash flows driving the valuation are the assumptions in year three. These include annual revenue of $81.0M (2021: $15.0M), gross margin at 10.0% (which is reduced from Infratec's outlook of 11.3% to account for the possibility of increased competition driving down margins) (2021: 15.0%), and fixed costs of $5.1M p.a (2021: $1.8M p.a). This results in approximately $1.7M (2021: $0.5M) of pre-tax annual cash flows (before discounting) in the terminal value calculation.

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

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

2022	**From**	**To**
Gross Revenue FY25 (basis for future years)	$81.0M	$77.0M
Gross Margin FY25 onwards	10.0%	5.2%
Fixed Costs	$5.1M	$5.5M
WACC (pre-tax)	17.4%	22.3%

Note 14. Intangibles (continued)

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

The Trustees have completed an impairment assessment as at 31 March 2022 and noted that the recoverable amount for Infratec is greater than the carrying amount by $2.1M at the midpoint. Based on this the Trustees consider that there are no indicators of impairment and the current carrying value of goodwill can be retained.

The recoverable amount of WEL Networks Limited was determined using a 'fair value less cost to sell' method, using Discounted Cash Flow (DCF) methodology over a 10 year period. A 10 year analysis period has been used, rather than the standard five year period, to more accurately capture ongoing and future connections growth, along with cost and scale efficiencies and the key inputs include:

- a post tax Weighted Average Cost of Capital (WACC) of 5.30% (2021: 4.50%) which is in line with the Electricity Network valuation;
- revenue averaging $129.4M p.a. (2021: $95.0M p.a) (excluding transmission), which reflects an expected regulatory ROI of 4.57% during FY21 to FY25 period, then increasing 6.16% for the FY26-30 and FY31-35 period;
- capital expenditure, including network expansion growth, averaging $97.3M p.a. (2021: $50.5M p.a.) sourced from the Asset Management Plan;
- terminal value based on estimated RAB (Regulatory Asset Base on which a regulated Electricity Distributor can earn a regulatory profit) at the end of FY32 of $1,370.4M (2021: $892.1M), at a 1.0x multiple; and
- costs to sell of $10M, at 1.5% (2021: $15M at 2.7%).

The conclusion is that there is no impairment to the goodwill as the analysis above results in $21.5M of headroom (2021: $4.0M), and the carrying value of WEL Networks Limited is within the valuation range (less costs to sell) of $609.2M to $680.3M. It would require unfavourable changes in the key variables (for example, a 0.31% increase in WACC to 5.61% or a reduction in the terminal value multiple by 0.03 to 0.97) to cause the 'carrying amount' to exceed the 'fair value less cost to sell'. The assumptions adopted reflect the risk and uncertainty associated with WEL Networks as at 31 March 2022.

Note 15. Loans advanced

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Opening loan balance	1,235	750	1,235	750
Loans advanced during the year	-	610	-	610
Loss on inception taken to surplus or deficit	-	(35)	-	(35)
Effective interest received	45	38	45	38
Repayments made	(197)	(128)	(197)	(128)
Carrying amount	1,083	1,235	1,083	1,235
Current	159	197	159	197
Non Current	924	1,038	924	1,038
	1,083	1,235	1,083	1,235

The nominal value of loans advanced at balance date was $11,470,000 (2021: $11,470,000).

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Note 15. Loans advanced (continued)

On 28th August 2013 the Trust entered into a Funding Deed with the Momentum Foundation to advance $10,000,000 to the Foundation for a period of 60 years. The advance is interest free but is subject to early repayment if the conditions of the Deed are not met by the Foundation. The loan is initially recognised at fair value discounted to present value using the effective interest rate method which provides the net present value of the loan. The Trustees have utilised an interest rate of 7% in the calculation which is a risk free rate at the time of inception plus a premium due to the very long term nature of the loan.

Other loans advanced to community groups have terms ranging from three to ten years and are valued using a market based lending rate, typically 1-2% higher than the concession rate in the loan contract.

Note 16. Net investment in lease

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Net investment in lease - current	571	550	-	-
Net investment in lease - non-current	26,886	27,457	-	-
	27,457	28,007	-	-

	31 March 2022 $'000	31 March 2021 $'000
Undiscounted lease receivable:		
Current net investment in lease	2,229	2,242
Maturing between 1 and 2 years	2,213	2,229
Maturing between 2 and 3 years	2,194	2,213
Maturing between 3 and 4 years	2,172	2,194
Maturing between 4 and 5 years	2,148	2,172
Beyond 5 years	50,016	52,164
Less effect of discounting	(33,515)	(35,207)
	27,457	28,007

Note 17. Trade and other payables

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Exchange transactions:				
Trade payables	9,882	7,499	30	56
Other payables	5,269	2,739	48	40
Goods and services tax	-	53	-	-
Interest payable	1,011	921	-	-
Non-exchange transactions:				
Grants payable	-	789	-	789
Total trade and other payables from exchange and non-exchange transactions	16,162	12,001	78	885

Note 18. Non-current borrowings

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Maturing between 1 and 2 years	148,856	-	-	-
Maturing between 2 and 3 years	-	152,178	-	-
	148,856	152,178	-	-

The loans are secured by a negative undertaking of the Group. The Group was in compliance with all covenants during the year.

The Group uses interest rate swaps to manage interest rate risk. Derivatives are fair valued using assumptions from observable market data where possible, in combination with the underlying derivative contracts and documentation. The fair value of the derivative asset at 31 March 2022 is nil (2021: $3.8M) and the fair value of the derivative liability at 31 March 2022 $0.2M (2021: nil).

The carrying value of bond debt is $148.9M (2021: $152.2M). The fair value of contractual cash flows is $159.8M (2021: $167.2M). Refer to note 27.

During the year the total bank loan facilities reduced to $45M (2021: $125M) of which $45M remains available to the Group to be drawn down at balance date. The facilities expire as follows:

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

Bonds

On 28 June 2018 WEL Networks Limited released a Product Disclosure Statement for $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 revenue and expenses 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.

Note 19. Current employee benefit obligations and provisions

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Employee benefit obligations:				
Annual leave	2,445	2,091	27	33
Employee benefits	1,093	1,054	-	-
	3,538	3,145	27	33

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Note 20. Deferred income

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Contract liabilities - third party contributions - electricity	11,171	7,379	-	-
Contract liabilities - solar	-	9	-	-
Total current contract liabilities	11,171	7,388	-	-

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

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Non-current deferred income	827	856	-	-

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 (2021: $29,385).

Note 21. Non-current employee benefit obligations

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Employee benefits	118	112	-	-

Note 22. Derivative financial instruments

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Current and non-current assets				
Electricity price derivatives - current	1,720	2,962	-	-
Interest rate swaps - fair value hedges - non-current	-	3,785	-	-
Electricity price derivative - non-current	1,420	1,869	-	-
	3,140	8,616	-	-
Current and non-current liabilities				
Forward foreign exchange contracts - cash flow hedges - current	(229)	-	-	-
Interest rate swaps - fair value hedges - non-current	(226)	-	-	-
	(455)	-	-	-
Total net derivatives financial instruments	2,685	8,616	-	-

The notional principal amounts of the outstanding fair value interest contracts as at 31 March 2022 were $75 million (2021: $75 million). Refer to note 27 for further information.

As at 31 March 2022 the fixed rate was 4.90% (2021: 4.90%) and the main floating rate is BKBM (Bank bill mid-rate).

Note 22. Derivative financial instruments (continued)

The Group has entered into a number of contracts to hedge wholesale electricity price risk. These electricity contracts are not designated as hedges for accounting purposes. The hedges are valued based on the volume traded and the difference between the contract price and the last trade price on the ASX futures market for the relevant contract period. A gain on these electricity price derivatives has been recorded in the statement of revenue and expense of $1.6 million for both realised and unrealised gains for 31 March 2022 (2021: $5.2 million).

The Group has entered in several USD/NZD FX contracts to hedge the foreign currency risk related to highly probably purchase of battery equipment from overseas. The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2022 are $10 million (2021: nil).

Note 23. Deferred tax (assets)/liabilities

	Tax losses $'000	Accelerated tax depreciation /Revaluation of assets $'000	Provisions and other $'000	Derivative instruments $'000	Customer contracts $'000	Finance lease $'000	Total $'000
Consolidated							
Balance as at 1 April 2020	(10,277)	105,591	(966)	(4,874)	-	-	89,474
Charged/(credited) to the statements of comprehensive revenue and expense	3,492	(728)	(1,683)	-	(36)	724	1,769
Charged directly to equity - derivatives	-	753	-	4,874	-	-	5,627
Opening balance - Infratec NZ Ltd	-	-	-	-	216	-	216
Sale of discontinued operation	-	(18,167)	449	-	-	-	(17,718)
Derecognition of tax losses	6,785	-	-	-	-	-	6,785
Balance as at 31 March 2021	-	87,449	(2,200)	-	180	724	86,153
Balance as at 1 April 2021	-	87,449	(2,200)	-	180	724	86,153
Charged/(credited) to the statements of comprehensive revenue and expense	(984)	3,859	53	879	(108)	(23)	3,676
Charged/(credited) directly to equity - derivatives and revaluations	-	19,895	-	(64)	-	-	19,831
Balance as at 31 March 2022	(984)	111,203	(2,147)	815	72	701	109,660

The trust had no deferred tax transactions for 31 March 2022 (2021: nil).

Note 24. Contributed equity

	Consolidated & Trust 2022 Shares	2021 Shares	2022 $'000	2021 $'000
Contributed equity	-	-	52,067	52,067

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Note 25. Reserves

	Consolidated		Trust	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Revaluation reserve	157,990	108,933	-	-
Hedging reserve - cash flow hedges	(165)	-	-	-
Financial assets at fair value through other comprehensive revenue and expense reserve	(1,298)	7,781	(1,298)	7,781
	156,527	116,714	(1,298)	7,781

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**	**Financial assets at fair value through other comprehensive revenue and expense $'000**	**Total $'000**
Balance at 1 April 2020	106,317	(12,535)	895	94,677
Revaluation - gross	4,929	-	-	4,929
Deferred tax on revaluation	(753)	-	-	(753)
Disposal of distribution network assets	(1,561)	-	-	(1,561)
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	-	6,896	6,896
Realised (gain)/loss on disposal of financial assets at fair value through other comprehensive revenue and expense	-	-	(9)	(9)
Fair value gains/(losses) in year	-	(535)	-	(535)
Deferred tax on fair value gains/losses	-	150	-	150
Reclassification of previous gains/losses to statement of revenue and expense	-	12,920	-	12,920
Balance at 31 March 2021	108,933	-	7,781	116,714
Revaluation of electricity distribution network - gross	70,631	-	-	70,631
Deferred tax on revaluation of electricity distribution network	(19,638)	-	-	(19,638)
Revaluation of land and buildings - gross	1,699	-	-	1,699
Deferred tax on revaluation of land and buildings	(257)	-	-	(257)
Disposal of distribution network assets	(1,791)	-	-	(1,791)
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	(1,587)	-	(9,079)	(10,666)
Forward foreign exchange contract - cash flow hedges	-	(229)	-	(229)
Deferred tax on forward foreign exchange contract - cash flow hedges	-	64	-	64
Balance at 31 March 2022	157,990	(165)	(1,298)	156,527

Note 25. Reserves (continued)

Trust	Revaluation reserve $'000	Hedging reserve $'000	Financial assets at fair value through other comprehensive revenue and expense $'000	Total $'000
Balance at 1 April 2020	-	-	895	895
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	-	6,896	6,896
Realised (gain)/loss on disposal of financial assets at fair value through other comprehensive revenue and expense	-	-	(9)	(9)
Balance at 31 March 2021	-	-	7,781	7,781
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	-	(9,079)	(9,079)
Balance at 31 March 2022	-	-	(1,298)	(1,298)

Note 26. Retained surplus

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Retained surplus at the beginning of the financial year	636,290	446,906	87,445	86,380
Surplus after income tax expense for the year	2,326	187,815	994	1,054
Disposal of distribution network assets	1,791	1,561	-	-
Realised gain/(loss) on disposal of financial assets at fair value through other comprehensive revenue and expense	11,343	9	11,343	9
Retained surplus at the end of the financial year	651,750	636,290	99,782	87,445

Note 27. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks (market risk, liquidity risk and credit risk). The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps and forward foreign exchange contracts to hedge certain risk exposures.

The Group’s overall financial risk management objectives are to ensure that the Group creates value and maximises returns to its beneficiaries 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 financial year under review, 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:

Note 27. Financial instruments (continued)

Market risk

Foreign currency risk
Management has set up a policy to require the Group to manage their foreign exchange risk against their functional currency. The Group is required to hedge all transactions greater than $250,000. To manage their 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 entity's functional currency.

As at 31 March 2022, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, the impact on the post-tax surplus for the year would have been nil (2021: nil).

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

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 minimum and maximum fixed interest rate cover of its borrowings in fixed rate instruments.

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps (2021) and fixed to floating interest rate swaps (2022). Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. 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 floating rate interest amounts calculated by reference to the agreed notional amounts.

The swaps are for the duration of the borrowing term.

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

	Maturity date	Fair value $'000	Unamortised cost $'000	Adjustment on hedged risk $'000	Carrying value $'000
Consolidated 2021					
Bond (4.90%)	Aug 23	150,000	(1,607)	3,785	152,178
Fair value interest rate swap (2.64%)	Aug 23	(75,000)	-	-	-
Net exposure to interest rate risk		75,000	(1,607)	3,785	152,178
Consolidated 2022					
Bond (4.90%)	Aug 23	150,000	(918)	(226)	148,856
Fair value interest rate swaps (3.53%)	Aug 23	(75,000)	-	-	-
Net exposure to interest rate risk		75,000	(918)	(226)	148,856

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

Note 27. Financial instruments (continued)

Sensitivity analysis

The tables below illustrate the potential surplus and deficit and equity (excluding accumulated funds) impact from possible market movements, with all other variables held constant, based on the Group's or Trust's financial instrument exposures at balance date. There are no other price risks.

Interest rate risk +/-1% Consolidated 31 March 2021	Carrying amount $'000	+/- 1% Surplus $'000	+/- 1% Equity $'000
Financial assets:			
Cash and cash equivalents	124,540	1,245	-
Term deposits	14,181	142	-
Trade and other receivables (excluding prepayments)	13,357	-	-
Loans advanced	1,235	12	-
Derivative financial instruments	3,785	38	-
Financial assets at fair value through other comprehensive revenue and expense	30,885	-	309
Redeemable Convertible Preference shares	194,564	1,946	-
Financial liabilities:			
Trade and other payables	11,906	-	-
Loan from related party	152,178	1,522	-
		4,905	309

31 March 2022	Carrying amount $'000	+/-1% Surplus $'000	+/- 1% Equity $'000
Financial assets:			
Cash and cash equivalents	213,641	2,136	-
Term deposits	10,800	108	-
Trade and other receivables (excluding prepayments)	12,859	-	-
Loans advanced	1,083	11	-
Derivative financial instruments	3,140	31	-
Financial assets at fair value through other comprehensive revenue and expense	130,044	-	1,300
Financial liabilities:			
Trade and other payables	16,162	-	-
Interest bearing liabilities	148,856	1,489	-
Discount payable	12,000	120	-
Derivative financial instruments	455	5	-
		3,900	1,300

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Note 27. Financial instruments (continued)

Interest rate risk +/-1% **Trust** **31 March 2021**	**Carrying amount $'000**	**+/- 1% Surplus $'000**	**+/- 1% Equity $'000**
Financial assets			
Cash and cash equivalents	493	5	-
Term deposits	14,181	142	-
Trade and other receivables	28	-	-
Loans advanced	1,235	12	-
Financial assets at fair value through other comprehensive revenue and expenses	30,885	-	309
Financial liabilities:			
Trade and other payables	885	-	-
		159	309

	Carrying amount $'000	**+/- 1% Surplus $'000**	**+/- 1% Equity $'000**
31 March 2022			
Financial assets			
Cash and cash equivalents	2,146	21	-
Term deposits	10,800	108	-
Trade and other receivables (excluding prepayments)	42	-	-
Loans advanced	1,083	11	-
Financial assets at fair value through other comprehensive revenue and expenses	50,733	-	507
Financial liabilities			
Trade and other payables	78	-	-
		140	507

Credit risk

Credit risk is the potential risk of financial loss arising from the failure of a customer or counter party 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 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 in excess of 25% (2021: 31%) of its trade debtors owing from the incumbent retailer, Genesis Energy Limited. This debt is subject to a written agreement that requires an investment grade credit rating to be maintained. If the credit rating falls below investment grade then a bond will be required as collateral.

The Group's historical experience in collection of trade receivables falls within the recorded allowances. Due to these factors, the Trustees believe that no additional credit risk beyond amounts provided for doubtful debts is inherent in the Group's trade receivables.

In respect of the Redeemable Convertible Preference shares, the discount rate used to fair value these incorporates a risk of default, reflecting the counterparty risk, and therefore factors in any expected credit loss. See note 11 for further information.

Note 27. Financial instruments (continued)

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

The Group is further exposed to credit risk on its loans advanced and financial assets at fair value through other comprehensive revenue and expense. The Group manages its exposure to the risk on its loans advanced by obtaining general and specific securities over the loans. The Group manages its exposure to the risk on its financial assets at fair value through other comprehensive revenue and expense through the selection of a reputable investment manager and regular monitoring.

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, the Group does not provide any other financial guarantees which would expose the Group to credit risk.

The Group applies the PBE IPSAS 41 Financial Instruments approach to measuring expected credit losses on Loans Advanced. All the Loans Advanced which are recognised at amortised cost were considered to have low credit risk therefore the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider "low credit risk" when they have low risk of default and the borrower has a strong capacity to meet its contractual obligations as they are due. In assessing the risk of default management has reviewed the latest financial statements of each borrower and reviewed any communication or action by the borrower that indicates default is likely. The financial statements review assesses the ability of the borrower to meet interest payments as they fall due and that there are still sufficient assets to cover the Group's secured interests.

The Group has classified the Loans Advanced into Interest and Non Interest Bearing Loans and estimated the following potential cash shortfall and probability of default at the loan's discounted value.

	Loan Balance	Potential cash shortfall	Probability of default %	Loss allowance
Consolidated 2022				
Non interest bearing	309	87	2%	2
Interest bearing loans	809	101	5%	5
Interest bearing loans	20	8	25%	2
	1,138	196		9

	Loan balance	Potential cash shortfall	Probability of default %	Loss allowance
Consolidated 2021				
Non interest bearing	288	87	2%	2
Interest bearing loans	989	101	5%	5
Interest bearing loans	38	8	25%	2
	1,315	196		9

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

Note 27. Financial instruments (continued)

Consolidated 31 March 2021	Less than one year $'000	Between 1 and 2 years $'000	Between 2 and 3 years $'000	Between 3 and 5 years $'000	5 + years $'000	Total fair value contractual cash flows $'000	Carrying amounts (assets)/ liabilities $'000
Non-derivative financial instruments							
Borrowings - non-current	7,350	7,350	152,497	-	-	167,197	152,178
Trade and other payables	11,906	-	-	-	-	11,906	11,906
Total non derivative financial instruments	19,256	7,350	152,497	-	-	179,103	164,084
Derivative financial instruments							
Interest rate swaps							
- inflow	3,675	4,134	1,364	-	-	9,173	-
- outflow	(2,020)	(2,526)	(842)	-	-	(5,388)	3,785
Total derivative financial instruments	1,655	1,608	522	-	-	3,785	3,785

Consolidated 31 March 2022	Less than one year $'000	Between 1 and 2 years $'000	Between 2 and 3 years $'000	Between 3 and 5 years $'000	5 + years $'000	Total fair value contractual cash flows $'000	Carrying amounts (assets)/ liabilities $'000
Non derivative financial instruments							
Borrowings - non current	7,350	152,497	-	-	-	159,847	148,856
Trade and other payables	16,162	-	-	-	-	16,162	16,162
Customer discount payable	12,000	-	-	-	-	12,000	12,000
Total non derivative financial instruments	35,512	152,497	-	-	-	188,009	177,018
Derivative financial instruments							
Interest rate swaps:							
- Inflow	3,675	1,837	-	-	-	-	-
- Outflow	(3,514)	(2,224)	-	-	-	-	(226)
Total derivative financial instruments	161	(387)	-	-	-	-	(226)

Fair value of financial instruments

For those instruments recognised at fair value in the statements of financial position, fair values are determined according to the following hierarchy:

Note 27. Financial instruments (continued)

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statements of financial position:

Consolidated 31 March 2021	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets				
Interest rate contracts	3,785	-	3,785	-
Electricity price derivatives	4,831	4,831	-	-
Redeemable Convertible Preference shares	194,534	-	-	194,534
Financial assets at fair value through other comprehensive revenue and expenses	30,885	-	30,885	-
Total financial assets	234,035	4,831	34,670	194,534

Consolidated 31 March 2022	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets				
Electricity price derivatives	3,141	3,141	-	-
Financial assets at fair value through other comprehensive revenue and expense	130,044	-	49,438	80,606
Total financial assets	133,185	3,141	49,438	80,606
Financial liabilities:				
Interest rate contracts	(226)	-	(226)	-
Foreign forward exchange contracts	(229)	-	(229)	-
Total financial liabilities	(455)	-	(455)	-

Financial assets and financial liabilities are shown for the Group only given that only accounts payable and loans receivable are relevant for the Trust and therefore not material for a full table to be disclosed.

Note 27. Financial instruments (continued)

Categories of financial assets and liabilities

Consolidated - 2022	Financial assets / liabilities at amortised cost $'000	Financial assets/ liabilities at fair value through P&L $'000	Financial assets (FVTOCRE) $'000	Total $'000
Assets				
Cash and cash equivalents	213,641	-	-	213,641
Trade receivables	12,860	-	-	12,860
Term deposits	10,800	-	-	10,800
Loans advanced	1,083	-	-	1,083
Financial assets at fair value through other comprehensive revenue and expense	-	-	130,044	130,044
Electricity price derivatives	-	-	3,141	3,141
Total financial assets	238,384	-	133,185	371,569
Liabilities				
Trade payables	16,162	-	-	16,162
Borrowings - non current	148,856	-	-	148,856
Customer discount payable	12,000	-	-	12,000
Derivative financial instruments	-	226	229	455
Total financial liabilities	177,018	226	229	177,473

Consolidated - 2021	Financial assets / liabilities at amortised cost $'000	Financial assets at fair value through OCRE or P&L $'000	Financial assets (FVTOCRE) $'000	Total $'000
Assets				
Cash and cash equivalents	124,540	-	-	124,540
Trade receivables	13,357	-	-	13,357
Term deposits	14,181	-	-	14,181
Loans advanced	1,235	-	-	1,235
Redeemable Convertible Preference shares	-	194,534	-	194,534
Financial assets at fair value through other comprehensive revenue and expense	-	-	30,885	30,885
Derivative financial instruments (at fair value through revenue and expense)	-	3,785	-	3,785
Electricity price derivatives	-	4,831	-	4,831
Other receivables (vendor tax losses due)	-	1,388	-	1,388
Total financial assets	153,313	204,538	30,885	388,736
Liabilities				
Trade payables	11,906	-	-	11,906
Borrowings - non current	152,178	-	-	152,178
Total financial liabilities	164,084	-	-	164,084

Note 27. Financial instruments (continued)

Trust - 2022	Financial assets/ liabilities at amortised cost $'000	Financial assets (FVTOCRE) $'000	Total $'000
Assets			
Cash and cash equivalents	2,146	-	2,146
Trade receivables	42	-	42
Term deposits	10,800	-	10,800
Loans advanced	1,083	-	1,083
Financial assets at fair value through other comprehensive revenue and expense	-	50,733	50,733
Total financial assets	14,071	50,733	64,804
Liabilities			
Trade payables	78	-	78
Total financial liabilities	78	-	78

Trust - 2021	Financial assets/ liabilities at amortised cost $'000	Financial assets (FVTOCRE) $'000	Total $'000
Assets			
Cash and cash equivalents	493	-	493
Trade receivables	28	-	28
Term deposits	14,181	-	14,181
Loans advanced	1,235	-	1,235
Financial assets at fair value through other comprehensive revenue and expense	-	30,885	30,885
Total financial assets	15,937	30,885	46,822
Liabilities			
Trade payables	885	-	885
Total financial liabilities	885	-	885

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 beneficiaries 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 discount provided to consumers or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. 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 consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'net assets/equity' as shown in the consolidated statement of financial position plus net debt. In both years the Group is within its predefined limits.

Unsecured borrowings are issued at floating rates of interest, with interest rates reset quarterly based on the 90 day bank bill rate plus a margin for credit risk.

Notes to the Financial Statements

For The Year Ended 31 March 2022

Note 27. Financial instruments (continued)

The Group for the purposes of borrowings, being WEL Networks 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 expense will be greater than or equal to 2.75 times.
- the percentage of net debt to net debt plus equity will be less than or equal to 60%.
- the Group undertakes to ensure that the Guarantor Group will comprise no less than 85% of EBITDA and no less than 85% of total assets.

The unsecured borrowings become repayable on demand in the event these 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.

Note 28. Contingent liabilities

The Trust has contingent liabilities of $810,150 for the year (2021: Nil). The Trust approved a 5-year in principle commitment of $3m to seed fund a support/organisation for the Waikato Wellbeing Project (WWP) through the Waikato Regional Council (2021-2025). The Year 2 commitment of $800,000 was conditionally approved in March 2022 and will be recognised as a grant expense in the subsequent reporting period if the grantee meets the attached conditions.

Trust - Grants	**31 March 2022 $'000**	**31 March 2021 $'000**
Other grants	810	-

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

A breakdown of the contingent liabilities are as follows:

Beneficiary	**Supporting**	**Amount $'000**
Energy Clearing House Limited	OurPower Electricity Retailing	2,250
NZX Limited	Listing fees associated with the subordinated bond issue	30

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.

Arrangements in which no contingent liability is recorded

The Trust has multi-year grants which relate to the Trust's support of the community through multi-year grants to a range of organisations in the area covered by the Trust. The current multi-year grants of $287,500 are in their 2nd multi-year agreement in FY2022, with their final year in FY2023. Multi-year and the 5yr Partnership Agreement grants are reviewed annually and the Trust has no obligation to continue the grant funding for each subsequent annual period therefore no contingent liability is recorded.

Trust	**31 March 2022 $'000**	**31 March 2021 $'000**
Multi-year grants	288	575
Waikato Wellbeing Project (2021-2025) in principle commitment	1,200	2,000
	1,488	2,575

Note 29. Commitments

At balance date the Trust has commitments to fund impact investment in the Impact Enterprise Fund to the value of $18,000 (2021: $106,000) and Purpose Capital Impact Fund $3,750,000 (2021: $4,350,000). The group has $11.4 million of committed capital expenditure relating to a battery acquisition as at 31 March 2022 (2021: nil).

Operating lease commitments

The Trust leases the office premises with final rights for renewal expiring 31 December 2023 and the Group leases land, premises and vehicles.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Not later than one year	385	209	43	43
Later than one year and not later than two years	225	179	32	43
Later than two years and not later than five years	505	389	-	32
Later than five years	2,011	2,124	-	-
Total non-cancellable operating leases	3,126	2,901	75	118

Note 30. Related party transactions

Trustees and Directors
The Trust has a policy of maintaining a conflict of interest register. Once a conflict of interest is registered by a trustee, the trustee will remove themselves from the decision making process relating to the associated entity. The following people have been trustees for the period to 31 March 2022: M West, G Booth, M Silverton, R Hamill, J Johnston, A Chew and A Yamunanathan. Changes to the trustees during the 12 months to 31 March 2022 include R Hamill, who ceased as a trustee, in July 2021.

The Trust has delegated operational running of the subsidiaries to the Directors of WEL Networks Limited . The names of persons who were directors at any time during the financial year are as follows: R Campbell, P Connell, C Steele, B Harris, G Lawrie, J Cook, J Colliar, T Barnes and C Kinser. Changes to the directors during the 12 months to 31 March 2022 include J Colliar and J Cook who were appointed as directors, and T Barnes and C Kinser who ceased as directors, in June 2021.

Transactions with key management personnel
There is one key management personnel in the Trust, alongside 6 trustees for the year ended 31 March 2022 (31 March 2021: 7 trustees). The key management compensation is set out in the table below.

Key management personnel compensation for the Group includes that of the Trust, plus all the Directors and key executives of the companies with the greatest authority for the strategic direction and management of the Group for the year ended.

Compensation paid to UFF Holdings Limited key management personnel is included up to 30 September 2020 (refer note 8). R Jones ceased as Chief Executive of the Trust on 30 July 2021 with G Mallett starting as Chief Executive in 16 August 2021.

	2022 $'000	2021 $'000
Annual Trustee Remuneration:		
Chairperson	45	43
Sub-Committee Chairs	38	38
Trustees (each)	30	29

Financials

Note 30. Related party transactions (continued)

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Trustees:				
Short term benefits	221	235	221	235
Directors:				
Short term benefits	468	626	-	-
Executives:				
Short term benefits	4,566	4,026	162	178
Post employment benefits	5	5	5	5
	5,260	4,892	388	418

Related party transactions with WEL Networks Limited

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Interest on convertible note	-	-	44	565
Repayment of convertible note	-	-	16,000	13,000

Total dividends/discount distributions paid by WEL Networks Limited during the year were $13,982,843 net, comprised of $5,000,000 dividend and $8,982,843 discretionary discount paid to consumers by WEL Networks Limited on instruction from WEL Energy Trust (2021: $6,000,000 net). The amount of dividends per share was $1.7150 (2021: $0.7359). There were no outstanding balances between WEL Networks Limited and the Trust at year end (2021: nil).

Note 30. Related party transactions (continued)

Related party transactions with Waipa Networks Limited

Waipa Networks Limited held a 15% share in UFF Holdings Limited which was sold on 30 September 2020. Transactions with Waipa Networks Limited are recorded as related party transactions to 30 September 2020. Refer to note 8 for further information.

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

Related party transactions with Smartco Limited

SmartCo Limited is a joint venture of WEL Networks Limited.

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Transactions:				
Other income	1,672	1,759	-	-
Operating expenses (contract services expenditure)	(701)	(479)	-	-
Purchases of plant and equipment	-	(192)	-	-
Balances:				
Advances to related party	210	210	-	-

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

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

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

WEL Networks Limited held an 85% shareholding in UFF Holdings Limited, the holding company for Hamilton based fibre business Ultrafast Fibre Limited (UFF) which was sold on 30 September 2020. Transactions with UFF are recorded as related party transactions from 1 October 2020 to 22 March 2022 when the sale of the RCP shares was completed. Refer to note 8 for further information.

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

Note 31. Business combinations

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

Details of the acquisition are as follows:

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

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

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

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

Note 32. Interests in subsidiaries

Trust	**2022 $'000**	**2021 $'000**
Shares in WEL Networks Limited at cost	85,797	85,797
Convertible notes - current	-	16,000
	85,797	101,797

Convertible notes
WEL Networks Limited issued $29.0 million of convertible notes (the 'Notes') to the WEL Energy Trust. The Notes are subordinated to all other forms of debt. They are unsecured and bare fixed interest of 6.28% p.a. until 31 March 2020. The interest rate beyond 31 March 2020 was 3.31%.The Notes are convertible into a fixed number of non participating redeemable shares (NPRS) equal to the face value of the Notes. The Notes can be converted into NPRS at the Company's discretion. The NPRS do not have rights to vote or receive dividends. NPRS participate with ordinary shares in the event of liquidation of the Company.

On 30 April 2021 the final $16 million of the convertible notes were redeemed and repaid.

Notes to the Financial Statements

For The Year Ended 31 March 2022

Note 32. Interests in subsidiaries (continued)

Shares in WEL Networks Limited

WEL Energy Trust owns 8,153,000 shares (100%) (2021: 8,153,000) of WEL Networks Limited. The shares are fully paid and have no par value.

Subsidiary companies of WEL Networks Limited which are consolidated to form the Group are as follows:

Name	Principal place of business / Country of incorporation	Principal activities	Ownership interest 2022 %	2021 %
OurPower Holdings Limited	New Zealand	Energy and utility	100%	100%
OurPower Retail Limited *	New Zealand	Energy and utility	100%	100%
OurPower Limited *	New Zealand	Energy and utility	100%	100%
Smartco Limited (joint venture)	New Zealand	Energy and utility	14%	14%
Infratec New Zealand Limited	New Zealand	Energy and utility	100%	100%
NewPower Energy Services Limited	New Zealand	Energy and utility	100%	-
NewPower Energy Limited **	New Zealand	Energy and utility	100%	-

* Subsidiary of OurPower Holdings Limited

** Subsidiary of NewPower Energy Services Limited

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

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

Note 33. Events after the reporting period

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

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

The Trust has an unpaid capital commitment of $3.75M in the Purpose Capital Impact Fund (PCIF) LP as at 31 March 2022. A capital call of $300,000 was paid to the PCIF on 31 May 2022, with a further request of $600,000 due for payment by 7 July 2022.

WEL approved a dividend to the Trust of $4.2M in June 2022.

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

Note 34. Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities

	Consolidated		Trust	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Surplus/(deficit) after tax	2,326	(918)	994	1,054
Depreciation and amortisation expense	22,348	26,725	6	14
Loss on sale of property, plant and equipment	3,451	5,895	-	-
Deferred tax asset	3,676	(1,789)	-	-
Investment income	(898)	-	-	-
Effective interest on loans advanced	(45)	(31)	(45)	(31)
Net investment reinvested	(1,164)	(1,785)	(1,164)	(1,785)
Impairment loss on financial and contract assets	-	28	-	28
Finance costs	(75)	25,154	-	-
Gain/(loss) on foreign currency	(718)	-	(718)	-
Add/(less) movements in working capital items:				
(Increase)/Decrease in trade and other receivables	(685)	(72)	(15)	(19)
Increase/(Decrease) in income tax payable	(2,904)	1,366	(467)	519
Increase/(Decrease) in trade and other payables	21,848	(1,757)	(812)	10
Net cash inflow/(outflow) from operating activities	47,160	52,816	(2,221)	(210)

Financials

Independent auditor’s report

To the beneficiaries of WEL Energy Trust

Our opinion

In our opinion, the accompanying financial statements of WEL Energy Trust (the Trust), and the financial statements of the Group, comprising the Trust and its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Trust and the Group as at 31 March 2022, their financial performance and their cash flows for the year then ended in accordance with Public Benefit Entity Standards.

What we have audited

The Trust’s and the Group’s financial statements comprise:

- the statements of financial position as at 31 March 2022;
- the statements of comprehensive revenue and expense for the year then ended;
- the statements of changes in net assets/equity for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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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. We have nothing to report in this regard.

Responsibilities of the Trustees for the financial statements

The Trustees are responsible, on behalf of the Trust and the Group, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards, and for such internal control as the Trustees 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 Trustees are responsible for assessing the Trust's and 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 Trustees either intend to liquidate the Trust or the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:
https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-7/
https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-8/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Trust's beneficiaries, as a body. 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 Trust and the Trust's beneficiaries, as a body, for our audit work, for this report or for the opinions we have formed.

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
12 July 2022

Auckland

PwC

Clear, Constructive Communication

We create understanding through open and informative engagement.

Photographer: *Mark Hamilton.*
Photo supplied by *Hamilton Operatic Society (Chicago – the Musical).*

'Here for the Community'

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