WEL ENERGY TRUST

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2019

‘Here for the Community’

SCHEDULE OF CONTENTS

WHO WE ARE

WEL ENERGY TRUST WAS FORMED IN 1993, AND IS NOW THE 100% SHAREHOLDER OF WEL NETWORKS LTD WHO PROVIDE THE ELECTRICITY LINES NETWORK IN THE WEL NETWORKS REGION.

Trustees are elected every three years and hold these shares on behalf of the community. The Capital Beneficiaries are Hamilton City Council (63%), Waikato District Council (35%) and Waipa District Council (2%).

WEL Networks Ltd, like WEL Energy Trust, aims to support a connected and resilient community. WEL Energy Trust continues to support WEL Networks in the diversification of investments into areas that will enhance the region's economic and social growth, including the investment in a world class fibre network, UFF, that reinforces its position as an innovative and future-focussed investor in infrastructure.

WEL Energy Trust is a community trust and we support the community through grants and other investments to achieve our Mission: "Working together, working smarter, to grow investment and to unlock the powerful possibilities of our community, now and into the future."

Our activities over the period covered by this report reflect the Trust's intention to be an active and responsible asset owner, adopting investment strategies to sustain and grow assets for people today and for future generations.

WEL Energy Trust's Vision is to support a "forward thinking, vibrant, connected community", and we're proud to have a role to play in supporting our region's bright future.

ORGANISATIONAL DIRECTORY

TRUSTEES

(for the year ended 31 March 2019)

The 2017 Triennial Election was held 30 June and the current Trustees officially declared elected on 6 July 2017. The next Triennial Election will be held in June 2020.

Mark Ingle
(Chair)

Charlotte Isaac
(Deputy Chair)

Denise Harding

Mike Rolton

Craig Stephen

Kathryn Williams

Rob Hamill

STAFF

Raewyn Jones
(Chief Executive)

David Cowley
(Grants Manager)

Sarah Lewis
(Financial Officer)

Shelley Halpin
(Trust Secretary)

Laura Kent
(Impact Officer)

TRUSTEE SUB-COMMITTEES

- **Finance, Audit and Risk Sub-Committee**
  Craig Stephen (Chair)
  Charlotte Isaac
  (Chair from March 2019)
  Mark Ingle
  Denise Harding
- **Grants Committee**
  Rotational after Quick Response rounds and as required

CHAIR'S REPORT

VISION
A FORWARD THINKING, VIBRANT, CONNECTED COMMUNITY

'Working together, working smarter, to grow investment and to unlock the powerful possibilities of our community, now and into the future'

This Mission statement reflects our core purpose, which is for Trustees to hold shares in the Company for the benefit of our community and to exercise our rights as shareholders to ensure that the Company operates as a successful business.

Research has proven that organisations are more successful if they operate with the long-term in mind. Serving all stakeholders (customers, team members, partners, suppliers, community, and environment) and being ethical with all actions is essential. Both the Trust and Company have therefore made a public commitment to specific targets in the United Nations Sustainable Development Goal (SDG) framework, with leadership from the top.

Supporting forward-looking, vibrant, connected communities and growing investment for our community are not just tag lines for us, they are embodied in our purpose, business model and strategy. For the Trust, this includes both our investment in WEL Networks Ltd and our investments in the community, whether through grants or social impact investments. The SDGs challenge us to think globally while caring locally. This is done by measuring and managing our impact on people and the planet. With consideration given to the Group strengths, providing affordable and clean energy (SDG 7) and supporting industry, innovation and infrastructure (SDG 9) are key areas of focus. In terms of community investment, the Trust has prioritised eight SDGs and set indicators that most adequately express the relationship between our activities and their impact on critical global and regional issues, so that performance can be tracked over time.

Our general theory of change recognises that to create better community outcomes, for all, systemic change is required, through backing new and innovative ideas and ways of thinking.

We've made meaningful progress in this area. Group wide activity has included:

- Replacing the WEL Networks rebate programme with reduced lines charges to residential customers
- Establishing a low-cost low service electricity retailer Our Power
- Adopting the UN's SDGs and impact measurement across all of our investments
- Supporting New Zealand-based Social and Impact Investment Funds
- Funding new models and leadership organisations (eg, the Vital Impact Grant for Housing, and the new Economic Development Agency for the Waikato, Te Waka)
- Developing communities of practice, for Impact Investing and Waikato Well-beings
- And more recently, creating the Affordable Energy for All Support Programme

For the submitter to the Trust's 2018/19 Annual Plan who made the comment 'wishing things could be different isn't enough', thank you for those words of reinforcement, we hope you see the progress we've made.

LEADERSHIP

The Trust is navigating the implementation of new strategies that challenge both the status quo and the past. We respect the unique position we have, being able to fund, partner and support our community (people, projects and organisations) to unlock powerful possibilities. Our main challenge to ourselves is to ensure we are doing enough, sustainably and with a whole system perspective.

Additional to some of the key activities noted above, we are supporting regional leadership through the likes of the University's Community and Enterprise Leadership Foundation and our Vital Impact (Housing) grants. Helping co-design the Waikato Wellbeings with a number of strategic partners, and developing the Affordable Energy for All Support Programme are new initiatives where the Trust is supporting community leadership beyond grantmaking.

ELECTRICITY PRICING

As at 1 April 2018 the WEL Networks rebate programme was replaced with reduced lines charges to residential customers. This started with a reduction of $7m (including GST) in residential lines charges (approximately 50% of the value of the replaced residential rebate). Additionally, over April to June 2018 the final full rebate, related to the previous year, was paid out ($14m including GST for residential customers). Finally, in March 2019 WEL Networks announced a further reduction to lines charges of $6.5m (including GST) applicable from 1 April 2019, meaning over a 12-month period almost all of the full value of the old residential rebate programme has been replaced by reduced lines pricing. With the addition of OurPower to the retail mix in the WEL Networks region, charging a single flat fee of 20 cents per Kilowatt hour (plus GST) for its 100% online low-cost business model, we are now hearing of more people contacting their retailers, questioning pricing and receiving better deals. Consumers now have a range of price/service options like never before.

Last year I noted that we believe by replacing the rebate programme that:

- through targeted investment, better overall electricity price outcomes for residential customers in our region will be achieved over time, starting with the most in need; and
- more investment in the community will happen now and into the future; and
- WEL Networks will be operating from a position of strength to manage risk associated with the rapidly changing electricity sector.

Positive progress has been made in all three areas, and we expect this to continue into the future.

COMMUNITY INVESTMENT (GRANTS)

A total of $2,779,808 (2018: $2,961,124) was paid out in grants over the year. The average grant was $10,450 (2018: $11,567). The four largest grants in this period were to, Waikato Regional Council (Waikato Means Business seed funding) $100,000, Te Puna Oranga – Whare Ora $100,000, Balloons over Waikato $80,000, and the Hamilton Gardens Summer Festival Foundation $80,000.

There are four ongoing community loans with an outstanding balance of $631,661. All loan recipients have met their repayment obligations during the year.

The Trust has adopted its new 2019-2022 Community Investment Strategy. This was a comprehensive piece of work that I would like to commend the team on, particularly Trust Chief Executive Raewyn Jones.

The Strategy introduces new themes and priority areas, with reference back to the UN's SDGs. The Trust's activities are divided into three areas:

- 100% Philanthropy – Quick Response and Community Support grants
- Social/Impact Investment – Vital Impact grants and investment
- Sustainable/Responsible Investment – core investment (WEL) and portfolio investment

INVESTMENT PORTFOLIO

At the end of 2018 the Trust changed investment consultants from Russell Investments to AMP Capital. The Trust's Statement of Investment Policy and Objectives (SIPO) was reviewed during the year. The investment portfolio return for the year was 6% (2018: 8.7%).

Total funds invested in cash, term deposits, mission related investments, and portfolio investments totals $14,407,880.

CORE INVESTMENT - WEL GROUP

The Group includes the Trust and the Company and subsidiaries thereof, including Ultrafast Fibre Limited (UFF).

Waikato's strong economy has driven positive operating results through urban development, higher commercial lines consumption and customer growth across the fibre and electricity networks.

We're pleased that a number of the Government's Electricity Price Review recommendations aligned with proactive initiatives already being undertaken by the Group. An emphasis on consumer advocacy, fairness and reducing energy hardship are all themes that we support.

UFF connected approximately 22,600 new customers to the network, in part due to the 27 additional central North Island communities being added to UFF's growing network. Our Hamilton and Tauranga communities continue to lead the way as the top fibre uptake cities in New Zealand. As the regulatory framework for the telecommunications industry becomes clearer, and the potential of competition from new 5G technologies become more relevant, UFF will continue to innovate to enhance its offerings and market responsiveness.

Two Directors retired by rotation at the Company's AGM in 2018. Both Paul McGilvary and Mark Franklin had served nine years on the Board, and the Trust acknowledges their strong contributions over a period of significant Company activity. We also merged the WEL Networks and UFF Boards and welcomed Candace Kinser, Geoff Lawrie and Tony Barnes to the governance team.

The Boards, through Chairman Rob Campbell, and the senior leadership teams of both WEL Networks and UFF have proactive working relationships with the Trust. We value and thank them for their individual and collective contributions to the strong results for this reporting year.

MISSION RELATED INVESTMENTS

The Trust has engaged an Impact Officer to assist with accelerating, measuring and communicating the impact of Mission Related Investments. Central to this role is the development of existing philanthropic and programme initiatives, as well as working to align community investment around new and innovative approaches to deepen and accelerate the Trust's impact, including though impact investment.

An impact management framework is being implemented to understand and manage the effect of the Trust's activities on the target SDGs. The Impact Management Project (IMP) has been adopted as it provides a common framework of activities and language that allows for classification of impact types, evaluation of impact performance and comparison between investments. The IMP method may be used across all Trust support types.

The Trust is working with other funders in the Waikato to share the IMP tools and develop a common language of impact measurement and assessment across the region. In the longer term it will be beneficial if funders work towards shared measurement and reporting on initiatives that are collaboratively funded.

FINANCIAL PERFORMANCE

The consolidated (Group) financial statements reported on in the financial section of this Annual Report include the Trust, WEL Networks Ltd, Ultrafast Fibre Ltd and a number of small subsidiaries.

As noted previously, economic growth has been the driver behind the strong revenue performance of the Wel Networks Ltd Group. Total net debt for the Wel Networks Ltd Group was $542 million, an increase of $65 million from March 2018, with borrowings relating to the continued UFB2 and UFB2+ fibre network build programme.

The financial performance of the Trust only is summarised on page 53. The Trust operations produced a net surplus (before tax), including comprehensive income and expenses of $78,000 (2018: $231,000), which was $97,000 higher than budget due to increased income from investment returns.

THE YEAR AHEAD

Every two years the Trust team attends a Philanthropy NZ Summit, where philanthropic organisations gather to consider how best to make impactful contributions to communities. The thinking created at these Summits challenges and gives cause for reflection. The 2019 Summit (held in May 2019) was no different, and the Trust will respond accordingly by researching, testing, adjusting, implementing and measuring new ways of doing things for better outcomes.

The strengthening of communities through shared vision, collaboration and empowerment of people will help the Trust increase the breadth and depth of its impact. We are in the early stages of this journey and will no doubt gain invaluable insights over the next 12 months. However, as per our new Community Investment Strategy, what we won't do is sit back and wait for change to happen, we will support leadership of thought and action.

It is an exciting time to be part of philanthropy and community activism. We choose to say no to the continuance of systems that have delivered inter-generational inequities and spiraling problems. We say yes to proactively seeking out solutions that aspire to challenge the old ways to create new frameworks, new paradigms, new futures.

Thank you to the full WEL Energy Trust team for their passion, commitment and contributions.

Finally, thank you to our partners and community organisations for supporting our new thinking and your willingness to engage in the development of our strategies and plans.

MARK INGLE
Chairman

OUR GRANTS AT A GLANCE

TOTAL GRANTS: 266

QUICK RESPONSE GRANTS up to $5000: 146

CONVENING & ORGANISATIONAL DEVELOPMENT: 4

VITAL IMPACT GRANTS: 1

COMMUNITY SUPPORT GRANTS over $5000: 115 of which

MULTI-YEAR GRANTS: 9

12% OF TOTAL GRANT AMOUNT

72% OVERALL APPLICANT SUCCESS RATE

AVERAGE QUICK RESPONSE GRANT (under $5,000) $2,937

AVERAGE COMMUNITY SUPPORT GRANT (over $5,000) $19,573

TOTAL GRANT AMOUNT $2,779,808

MEDIAN TIME TO COMPLETE APPLICATION

2.0HRS QUICK RESPONSE

3.0HRS COMMUNITY SUPPORT

COMMUNITY INVESTMENT

IMPACT STORIES

The following 30 pages highlight a number of community organisations supported by the WEL Energy Trust

Integrity and Honesty

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

HAMILTON CHRISTIAN NIGHTSHELTER

The Hamilton Christian Nightshelter provides emergency shelter and accommodation for Hamilton's homeless and transient people, facilitates necessary support for their welfare, and raises awareness and advocates about homelessness in Aotearoa New Zealand.

CHALLENGE

The Nightshelter has seen the numbers of people needing a bed for the night to stay off the streets increase by over 20% in the previous year, and for the first time since opening the doors 19 years ago, the Nightshelter has had to turn away requests. An acute lack of social and affordable housing along with increasingly complex needs, including mental health issues, family breakdown and addictions, are key reasons for the growing need for the Nightshelter's services.

STRATEGY

The Nightshelter provides emergency accommodation for a low-cost nightly fee. Fees from guests cover only a fraction of the actual cost to keep the doors open. Grants and donations along with dedicated volunteers enable this valuable service to continue. The funding received from WEL Energy Trust has enabled the Nightshelter to hire a paid night support worker whose role is critical to supporting guests and building their trust.

The Nightshelter is an oasis for people who fall into homelessness and are just trying to survive on the streets. Guests are given a much needed place to refresh, take care of hygiene needs and reassess their options to move on.

Nightshelter staff also provide support for guests to help them get back on their feet, and reconnect with family and friends wherever possible. Support might be something as simple as providing a clean pair of socks or someone to talk to, but also involves referrals to much needed services like mental health and social services.

The issues that guests present with are extremely complex and require some intensive intervention if they are to achieve long-term stable accommodation in the community. This cycle is a hard one to break, but the Nightshelter team are committed to providing a safety-net and hand-up for those in Hamilton who have nowhere else to turn, and who lack the range of choices many of us take for granted.

SDGs:

Organisation:
Hamilton Christian Nightshelter Trust

Location:
Hamilton

Grant Amount: **$18,000**

RESULTS

In the 12 months to 31 March 2019 **69% of guests had not stayed at the Nightshelter before**

In the 12 months to 31 March 2019 **approximately 50% of guests reported that they have a mental health issue**

In the 12 months to 31 March 2019, the Hamilton Christian Nightshelter **provided nearly 11,077 bednights of emergency accommodation for almost 218 homeless men and women**

LITECLUB

LiteClub is on a mission to transform community sports infrastructure and culture to be electricity independent, water neutral and zero waste by 2025. LiteClub is inspiring New Zealanders to be environmental champions, and to reap the economic, social and environmental benefits.

CHALLENGE

Sports facilities and infrastructure use significant amounts of energy and generate waste in their day-to-day operations. Sports clubs can be a particularly difficult audience with which to engage when it comes to environmental and social issues. New Zealanders love sport and they love the environment. LiteClub helps to combine these two loves, demonstrating that they need not be exclusive of the other.

STRATEGY

LiteClub is a free programme for sports clubs to help them become more efficient with electricity and water consumption, and reduce the waste they send to landfill. Club members are engaged through the use of LiteClub's sport ambassadors – top athletes who have made the same changes in their own lives. LiteClub's field team visits clubs in New Zealand and make immediate changes that reduce the clubs' running costs, improving conditions at the club and giving them more money to spend on sport. During each club visit, the Sustainability Adviser assesses the building and takes notes about ways to improve efficiency. This assessment focuses on heating, ventilation, insulation, appliance efficiency and waste minimisation. LiteClub doesn't just implement and leave but stays involved with clubs, working to help them continue on their journey to electricity independence, water neutrality and zero waste.

The $13,500 grant from WEL Energy Trust has enabled LiteClub to successfully implement its programme at 13 clubs throughout the Waikato in June and July 2018, involving 1,435 members. Across the 13 clubs the changes made will save them more than $53,426, conserve 480,000 litres of water a year and prevent nearly 23 tonnes of CO^2 entering the atmosphere.

SDGs:

Organisation:
Project Litefoot Trust

Location:
Waikato

Grant Amount: **$13,500**

RESULTS

Across the 13 clubs **480,000 litres of water are conserved each year**

LiteClub has **prevented nearly 23 tonnes of CO^2 from entering the atmosphere** for the 13 clubs involved

For every $1 invested, LiteClub is saving $2.51 for sports clubs in addition to increasing social and environmental benefits

RAUAWAAWA KAUMĀTUA CHARITABLE TRUST

Rauawaawa Kaumātua Charitable Trust is a non-profit registered charity, unique in its setup as a kaumātua governed and led organisation which services the needs of kaumātua within Kirikiriroa.

CHALLENGE

Older adults are at increased risk of being socially isolated or lonely as a spouse may pass away or a family member move abroad. Apart from general feelings of sadness and loneliness, the impact of isolation and the shrinking of social networks can lead to a variety of negative physical and emotional effects in the elderly. Being isolated and house-bound also causes issues for older people as maintaining health and living conditions can be a challenge.

STRATEGY

Rauawaawa Kaumātua Charitable Trust provides a range of culturally-focussed, appropriate and accessible health, social and community-based activities and services for kaumātua (55 years and over), with the purpose to enhance their wellbeing and quality of life. Transport to and from the Centre can be a barrier for some kaumātua. The grant for $25,000 has been used towards the vehicles operated by Rauawaawa Kaumātua Charitable Trust to provide transport for kaumātua to access services and participate in group activities. Staff also use the transport to visit kaumātua in their homes.

This allows early intervention as staff are able to assess living conditions or provide support after discharge from hospital.

Transport support empowers the kaumātua to feel safe, secure and able to easily access much needed group and individual activities, along with other services to monitor support, mental health and wellbeing. A busy social calendar is run from the Centre in Hamilton with weekly activities and special events held, such as the Rauawaawa Kaumātua Olympics.

SDGs:

3 GOOD HEALTH AND WELL-BEING

10 REDUCED INEQUALITIES

Organisation:
Rauawaawa Kaumātua Charitable Trust

Location:
Hamilton

Grant Amount: **$25,000**

RESULTS

According to Statistics NZ, **a quarter of the population will be 65 and older by 2039**

48 kaumātua home visits per week

455 kaumātua trips on provided transport per month

TE AWA - THE GREAT NEW ZEALAND RIVER RIDE

The Te Awa walk and cycleway stretches along the Waikato River, from Ngāruāwahia in the north to Karapiro in the south.

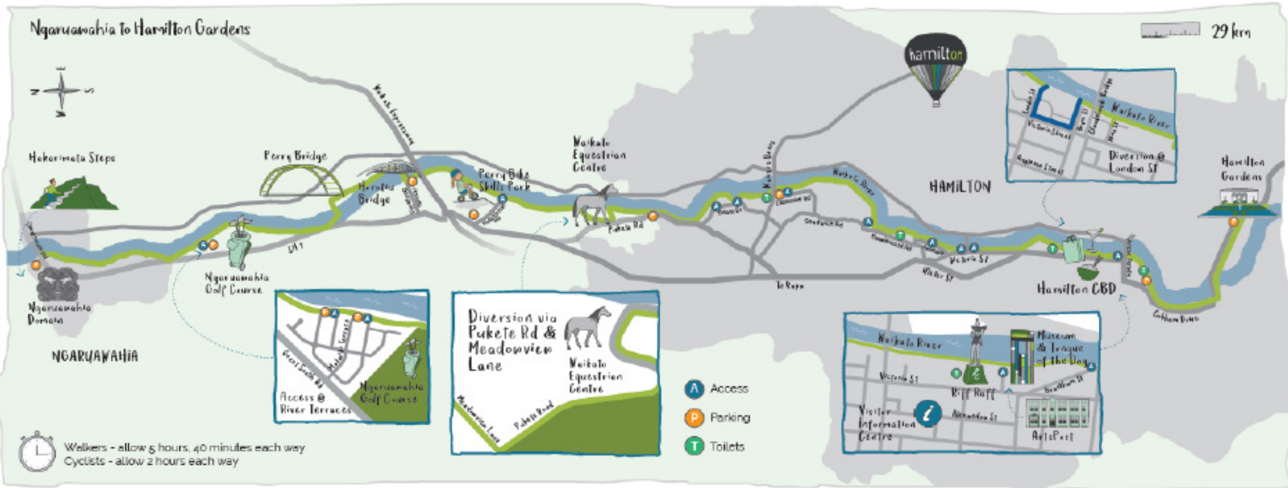
CHALLENGE

Te Awa – The Great New Zealand River Ride aims to get people active and enjoying the natural beauty of the Waikato river and region. Te Awa is a true community asset; easy, accessible, multi-purpose and free. The trail will cover 70kms from Ngāruawāhia in the north to Karapiro in the south, along the banks of New Zealand's longest river, the Mighty Waikato.

STRATEGY

Te Awa caters to people of all ages and abilities and was designed for both cyclists and pedestrians. The path is generally 3m wide, flat and made of concrete with a couple of very short but steep hills. Te Awa is not just a cycleway – it also brings people to the Waikato River and provides opportunities to educate the public about the River. Cultural elements are being celebrated along the route; Te Awa is recognising and protecting waahi tapu and sites of significance. Local schools and the Waikato River Care Trust have been engaged in restoration projects throughout the development of the Cycleway. Te Awa also has economic benefits over and above supplying construction jobs, with the potential to bring an increase of over $19M annually in tourism expenditure.

The sections from Ngāruawāhia to Horotiu, and from Horotiu to Hamilton have been completed. The final section from Hamilton to Cambridge is currently under construction. The final route details are still being finalised but it will be a combination of roadside paths and purpose-built sections nearer the river that will provide connections to community facilities and the existing cycle networks of Cambridge, Tamahere and Hamilton. Each section of the trail is a major undertaking with much work needed before construction begins. Community input is central to planning, along with many other activities such as negotiating access with land owners, arranging site visits and liaising with the media. The funding from the Trust has been used to engage a Marketing Manager to oversee the foundational work prior to construction.



SDGs:

3 GOOD HEALTH AND WELL-BEING

13 CLIMATE ACTION

Organisation:
Te Awa River Ride Charitable Trust

Location:
Along the Waikato River from Ngāruāwahia to Karapiro

Grant Amount: **$30,000**

RESULTS

31 kilometres of concrete path constructed as of January 2019

Over 13,000 plants have been planted along the trail

300,000 people are using the trail each year on average

TE WAKA: WAIKATO'S REGIONAL ECONOMIC DEVELOPMENT AGENCY

Te Waka: Anga whakamua Waikato (Waikato moving forward), exists to make a difference for the people in the Waikato region. Te Waka's three main goals are to lift economic performance across the Waikato region, to attract, retain and grow investment, talent and business, and to provide 'one voice' for economic and business needs and opportunities across the region.

CHALLENGE

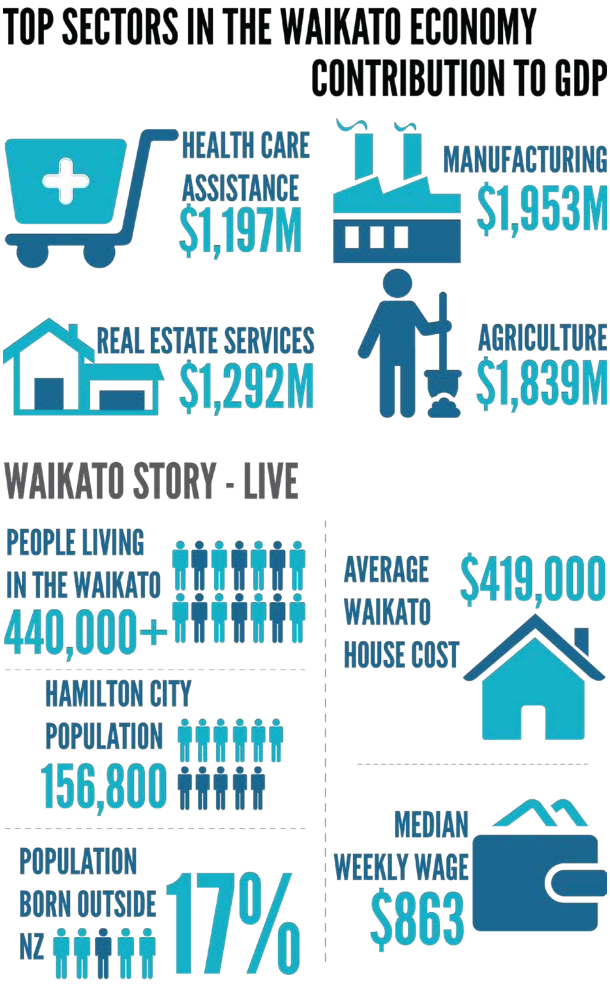
Te Waka's challenge is to put Waikato more firmly on the radar of Central Government and provide a vehicle for taking the many voices, with one message, to the rest of the world. Waikato people believe our region is a mighty one. The Waikato people have used the resources, skills and innovation at hand to create a relatively prosperous economy, although not yet at the same level as other regions for growth and employment. It's therefore time to take the next steps to create even greater economic outcomes for our communities.

STRATEGY

Te Waka is making a difference by working alongside the strong, existing business growth networks that already operate successfully within the region. Te Waka aims to enable new, major projects to lift the region's economic performance, with the singular focus of creating prosperity benefits for our people.

In November 2018 the Trust contributed $75,000 to further develop the Waikato Story, the region's key resource for promoting, celebrating and informing people about the region's value as a place to visit, learn, invest, work and live. Te Waka is responsible for developing the Waikato Story resource to ensure it continues to reinforce local people's pride in the region, while also helping communicate the region's value to potential business investors.

A $100,000 grant from the Trust in July 2018 supported the creation of Te Waka through the Waikato Economic Summit in August 2018. This event was attended by 250 of the region's top business, government, Māori and community leaders. Attendees were asked how Te Waka can best support economic development in the Waikato. As a result, 19 priority activities were identified as an agreed agenda of action for the whole region.



SDGs:

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

17 PARTNERSHIPS FOR THE GOALS

Organisation:
Waikato Regional Council

Location:
Waikato Region

Grant Amount:
Grant amount: $75,000 (Waikato Story) and $100,000 (Waikato Economic Summit)

RESULTS

Forecast total investment pipeline in the Waikato of **at least $16.3B (54% public and 46% private sector)**

Te Waka Business Growth Advisors have had **458 engagements** with subject matter experts in 2018

Investment accessed to date; **$5.4M of approved PGF funding for the region, $1.96M in vouchers and R & D funding approved in 2018**

METEOR THEATRE

The Meteor Theatre is operated by the One Victoria Trust, which exists to foster, develop and encourage all forms of creative and performing art in a manner that benefits the community in Hamilton and beyond.

CHALLENGE

The Meteor is more than just a great place to experience contemporary productions across a broad range of artforms and genres. The One Victoria Trust Board see The Meteor as an incubator to develop and grow local talent, and give the region opportunities to experience cultural offerings from the Waikato and further afield. The Meteor's challenge is to provide affordable space for new and experienced artists along with support services to make their productions and events a success.

STRATEGY

The Meteor, being a mid-sized venue seating up to 200 people is an entry level for new acts to start out. The Meteor Theatre is managed by a staff of four and is supported by over 40 dedicated volunteers. This helps keep the space accessible for creative users to host their works to a broader community audience. There is a focus on local talent telling the Waikato story, with about 64% of all performances being written and created in Hamilton.

The Meteor provides a supportive environment for developing talent by offering more than just an accessible venue. The grant from WEL Energy Trust has employed staff who are available to provide much needed assistance such as marketing and technical support. The Meteor's staff aim to build the confidence of new creative groups by sharing knowledge from their extensive experience in delivering productions. Many acts launched at The Meteor have gone on to bigger events like the Hamilton Gardens Arts Festival.

SDGs:

3 GOOD HEALTH AND WELL-BEING

Organisation:
The One Victoria Trust Board Incorporated

Location:
Hamilton

Grant Amount: **$27,000**

RESULTS

In the previous 12 months **19,938 people attended an event**

The Meteor is **used approximately 75% of the year**

There were **127 unique events over 200 performance days with 64% of content created in Hamilton**

PARA KORE MARAE

Para Kore sees a future where marae, whānau, hapū, iwi, Māori industry and organisations take an active and leading role in working towards zero waste to protect natural resources for tamariki and mokopuna.

CHALLENGE

Hui held at marae over a number of days can generate large volumes of waste. Most of this waste is either compostable, recyclable or could have been avoided through different purchasing choices. Para Kore's goal is that by 2025, all marae will be working towards zero waste.

STRATEGY

Para Kore is a community waste education programme aiming to make reducing waste the social norm within marae communities. Para Kore aim to empower and support Māori and non-Māori to work towards zero waste through delivering education and support within the frameworks of kaupapa and tikanga Māori. Para Kore aims to normalise the careful consumption of local products, set up recycling and composting systems, promote 'reduce and re-use' as standard practices, and nurture and encourage creative new sharing systems which generate no waste. The programme also informs marae communities about how landfill is problematic as it produces harmful greenhouse gases and leachate which can poison groundwater and kaimoana.

Organisations that engage with Pare Kore report that whānau feel good knowing they are doing the right thing, understanding that we are all a part of nature, and that linear ways of 'take, make and then throwaway' can't be sustained. A key outcome is the whānau feel empowered to uphold principles of kaitiakitanga.

SDGs:

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

Organisation:
Para Kore Marae Incorporated

Location:
WEL Networks Region

Grant Amount: **$2,500**

RESULTS

58 tonnes of waste has been diverted from landfill

In the 12 months to 31 March 2019 **approximately 535,105 people have been engaged** across the WEL Networks area

The support from the Trust has helped Para Kore **work with 18 marae, 29 organisations and 22 schools** within the WEL Networks area

CHILD MATTERS

Child Matters works with all sectors including professionals, community organisations and whānau throughout New Zealand, delivering training, offering advice regarding policy and procedures, and providing resources regarding child protection issues.

CHALLENGE

Child abuse occurs in New Zealand across all ethnicities, cultures and socio-economic groups; it makes no distinction. Unlike other countries, New Zealand does not require mandatory child protection training for professionals or volunteers who work with children and young people. This means that teachers, sports coaches and even social workers may have never received training with regard to child abuse and neglect, the signs of abuse, and how to respond if risk is identified.

STRATEGY

Child Matters exists to up-skill those working and interacting with children, young people and their families so they are able to identify risks relating to abuse and vulnerability, and gain the knowledge and confidence to take appropriate action. Child Matters works with all sectors providing child protection training, support for community organisations and direct work with whānau. For many who attend the training, such as teachers for example, it is the only Child Protection training they will have received.

Better protection of children needs a shared understanding, and a workforce and community that is alert and able to recognise signs then act together when a child or young person is at risk. Training and education are the keys to societal behaviour change to reduce child abuse. It cannot be assumed that because someone is a professional working with children, or in a position to respond to a child in need, that they have the appropriate skills or confidence to do so.

SDGs:

10 REDUCED INEQUALITIES

Organisation:
Institute for Child Protection Studies

Location:
Waikato

Grant Amount: **$25,000**

RESULTS

In the 12 months to 31 March 2018 there were **11,519 distinct substantiated child abuse findings** in New Zealand

In 2018 Child Matters delivered **154 child protection training workshops, seminars and programmes to over 3,500 participants** in the Waikato region

Since 2015, Child Matters has **trained over 3,800 education professionals from over 1,900 schools, early childhood centres and other organisations** in the education sector across New Zealand

FLYERS JUNIOR BASKETBALL CLUB

Flyers Junior Basketball Club offers affordable access to basketball for its members. The Club's focus is on keeping the kids active, providing quality coaching to develop their skills, exposing them to healthy competition in the region, and most of all having lots of fun along the way. Flyers is an inclusive club that invites players at all skill levels to join in.

CHALLENGE

Cost is a known barrier for some young people to participate in organised competitive sports. The Club aims to reach kids who otherwise might not get involved in basketball by providing affordable participation. Another challenge is pulling together all the resources needed for games to happen. This includes coaches, uniforms, training schedules, organisation of volunteers and someone to manage the whole process.

STRATEGY

Flyers Junior Basketball Club keeps fees as low as possible through its volunteer base, giving families the ability to stay connected and the opportunity for their kids to develop. The Club's goal is for the kids to enjoy playing in a positive environment while getting quality training that teaches them new skills. The Club has formed a partnership with Shot Maker Academy to ensure all players receive consistent quality training no matter what level of skill they have. The Club tries to keep the team sizes small so kids spend more time playing basketball than on the bench. The trade-off is that smaller teams mean higher per-person fees. It costs around $327 per team to play a term in Waikato Basketballs' Miniball competition, then there's the hiring of facilities for weekly training and the cost of uniforms. The grant from the Trust and other support has meant that the Club doesn't need to trade off the players' quality experience for cost, enabling some kids to participate even when they haven't been able to pay the full fee.

Andy Mannering, organiser for the Club, initially got involved when his children started playing over five years ago. Andy says that creating a great experience is a huge priority; this means building a positive environment and keeping a good handle on communication between everyone, ensuring that the Club continues to provide an affordable way for kids to get involved in learning and playing basketball.

SDGs:

3 GOOD HEALTH AND WELL-BEING

Organisation:
Flyers Junior Basketball Club

Location:
Hamilton

Grant Amount: **$2,000**

RESULTS

155 kids participated in the 2018 calendar year

Up to 15 Flyers teams participate in the Waikato Miniball competition each term

Over 100 volunteers helped behind the scenes with **over 300 hours volunteered**

OURPOWER

OurPower believes electricity is a basic necessity for a healthy and safe community. OurPower is focused on making power bills more affordable for the people of the Waikato.

CHALLENGE

A definition of energy hardship is where more than 10% of household income is spent on energy in a given week. A report for the Energy Price Review found that consumers have faced significant increases in power costs since 1990, with residential prices rising by 79%. An impact of energy hardship is when people are forced to choose between food and keeping warm. This in turn negatively affects our community's physical and mental health and is detrimental to educational attainment and economic productivity.

STRATEGY

A WEL Networks Ltd initiative, OurPower aims to provide affordable power to enable all members of our community to thrive. OurPower is able to offer cheaper power to customers as existing infrastructure is used with a 100% online platform (no human interaction). Also, OurPower does not seek profit margins, unlike other energy retailers. This means that all savings are passed on to customers through cheaper power bills.

OurPower was created with two objectives; in the short term OurPower will provide affordable energy to customers within the WEL Networks area, and in the longer term OurPower's goal is to introduce competition to the retail energy market by giving customers a low-cost option. It is anticipated that other energy retailers will be incentivised to lower prices to compete for the market share gained by OurPower. This activity would challenge the retail energy market and reduce power prices across the region.

SDGs:

7 AFFORDABILITY AND CLEAN ENERGY

10 REDUCED INEQUALITIES

Organisation:
Our Power

Location:
WEL Networks Region

Grant Amount:
Owned by WEL Networks Ltd

RESULTS

OurPower has one price of **$0.20 excluding GST per kWh anytime every day**

At 5,000 OurPower customers, the **community savings will be $2.5M**

The average household would **save around $600 per annum** compared to other energy providers


WEL

Embrace Positive Change and Seek Constant Improvement

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

PREMIER EVENTS

The Trust is proud to be a long term supporter of the Balloons Over Waikato and Hamilton Gardens Arts Festivals. These events are significant to the Trust as they enable wide community participation and enjoyment, much of it at low or no cost to participants. The annual grants for these events are amongst the largest the Trust makes.

HAMILTON GARDENS ARTS FESTIVAL 2019

The Hamilton Gardens Summer Festival Foundation's mission is to curate an international arts festival which attracts and engages new audiences, celebrates the Mighty Waikato using the unique performance platform of the Hamilton Gardens, and offers free access to the arts for everyone within the region.

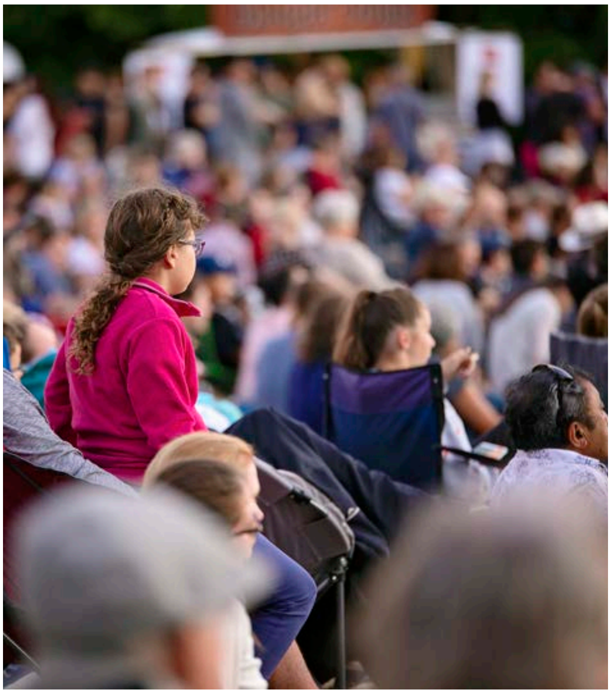
CHALLENGE

The Hamilton Gardens Arts Festival is delivered by the Hamilton Gardens Summer Festival Foundation, a registered charitable foundation. The Foundation's goal is to continue progress towards becoming a nationally-recognised Arts Festival, with an iconic brand and world-class credibility. Over their 20-year history the Festival has also delivered a more tightly curated programme with an increased focus on visitor experience.

STRATEGY

Now in its 20th year, the annual Hamilton Gardens Arts Festival is the Waikato's premier arts event that is now a key part of the city's summer calendar. This vibrant outdoor festival showcases an exciting collection of the region's creative community, and a curated selection of national and international touring shows, all set within the stunning backdrop of the Hamilton Gardens.

The Festival provides unique arts experiences that engage a wide selection of the community, both in Hamilton and the wider Waikato and Bay of Plenty regions. Music, theatre, dance, comedy, family events and garden experiences provide opportunities to inspire, and to be inspired, each year – enriching the lives of the many who attend, as well as performers and volunteers alike. The Festival offers free and ticketed events, ensuring participation for all community members and visitors.



SDGS:

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

Organisation:
Hamilton Gardens Summer Festival Foundation

Location:
Hamilton

Grant Amount: **$80,000**

RESULTS

- Over 1,600 volunteer hours
- Over 30,000 people attended free events
- 139 shows over 10 days with 4,969 tickets sold

BALLOONS OVER WAIKATO

The Balloons over Waikato Trust has been holding the annual Balloons over Waikato Festival for 20 years. This free event promotes hot air ballooning for the entertainment of the general public and puts the Waikato on the national and international tourism calendar.

CHALLENGE

This year marked the 20th anniversary for the Balloons over Waikato Festival. More than 130,000 spectators flocked to the annual five-day event, with a crowd of around 80,000 attending the Nightglow alone. Tens of thousands more had the opportunity to become involved at other sites throughout the Waikato region. The Balloons over Waikato Trust has continued to deliver one of the very few remaining large-scale events in New Zealand that is completely free, making it accessible for the whole community.

STRATEGY

A major challenge for the event organisers is continuing to provide a free event while also delivering the wow factor for spectators. The Festival costs around $900,000 per year. The $80,000 grant from the Trust and grants from other funders, along with in-kind support from volunteers and others, allows this iconic event to continue to be provided for free. This means that people from all socio-economic backgrounds can attend and enjoy a fun community event that promotes Hamilton and the Waikato as a great place to visit. A key feature in the Festival programme is the WEL Energy Trust breakfast served for free to the first 2,000 people to arrive at Innes Common and see the magical sight of the balloons lifting off against the backdrop of the early morning sky.

The Balloons over Waikato Trust aims to continue to build the profile of the Festival and the Waikato region through creating opportunities for national media to attend. This also benefits local businesses as the Festival attracts out-of-town visitors who tend to stay overnight, generating an economic boost for the Waikato.

SDGS:

- 8 DECENT WORK AND ECONOMIC GROWTH
- 11 SUSTAINABLE CITIES AND COMMUNITIES

Organisation:
Balloons Over Waikato Trust

Location:
Hamilton

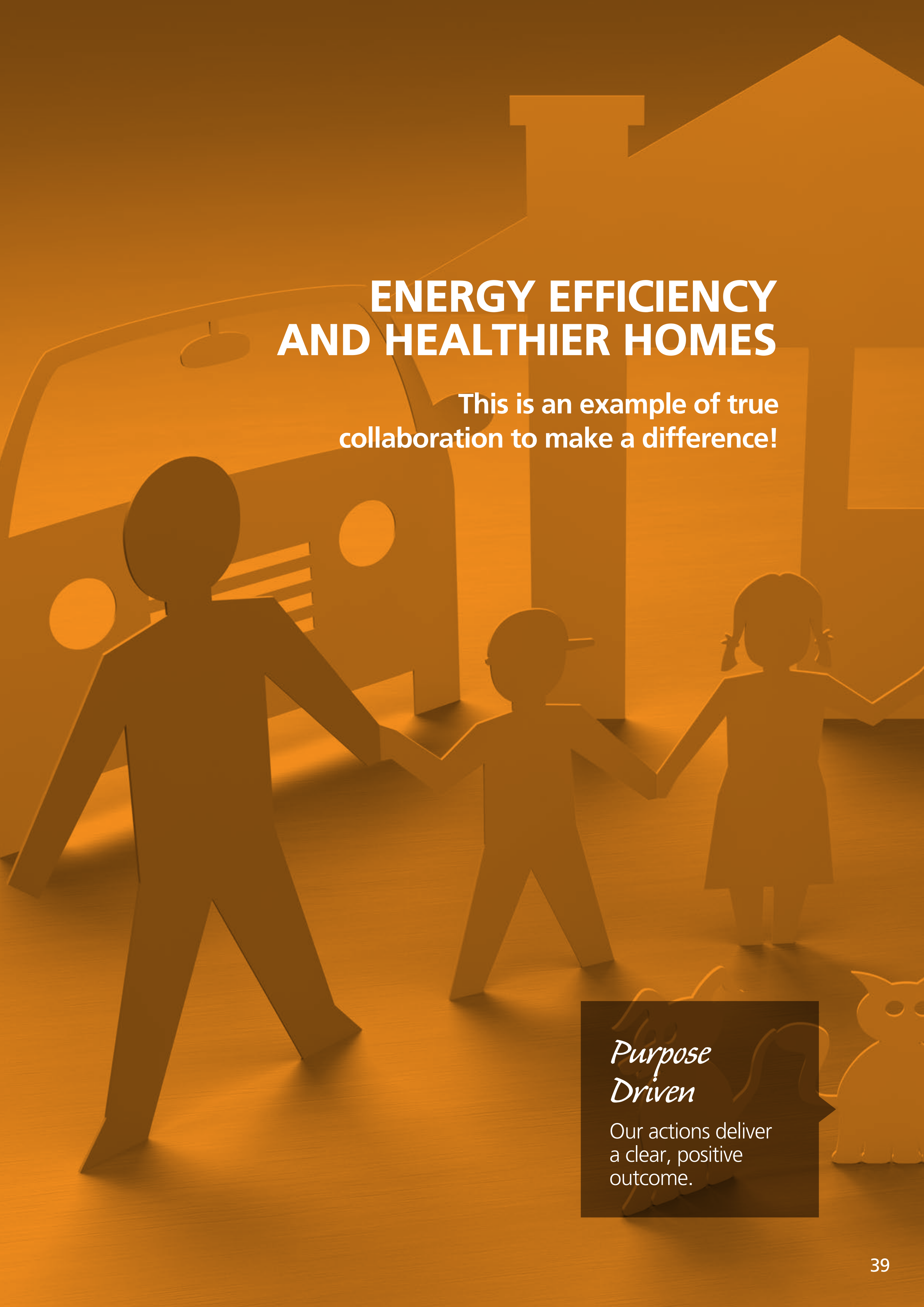
Grant Amount: **$80,000**

RESULTS

5 days of free community events

20-30 balloons flown during the event

130,000+ spectators **attended the March 2019 Festival**



ENERGY EFFICIENCY AND HEALTHIER HOMES

This is an example of true collaboration to make a difference!

Purpose Driven

Our actions deliver a clear, positive outcome.

WHARE ORA WAIKATO HEALTHY HOMES PROGRAMME

The Whare Ora Programme's purpose is to create healthy, safe homes for children who have been unwell, and for their whanau. The Programme connects with families of children who were admitted to hospital, offering practical solutions to provide a healthy home environment and link whānau with services to benefit the health of the whole family.

CHALLENGE

It is a well-known fact that overcrowded households, in particular where sleeping conditions are poor, increase the risk of rheumatic fever and other communicable diseases. Cold, damp housing is a common problem with strong links to poor health and recurring respiratory conditions. Unfortunately, Māori and Pacific families in low-income households are over-represented in this group. The Whare Ora Programme offers practical solutions to address issues in the home such as structural and functional overcrowding, cold and dampness, allergens, pests, and safety.

STRATEGY

Whare Ora works closely with whanau and other support services. The team spends time in the home building relationships and understanding in order to support each unique family to create a healthy, safe home. Once an assessment is completed the Whare Ora team arranges for critical items that whanau could not otherwise afford such as beds, bedding, curtains and insulation referrals. Cold weather puts children at greater risk of illness and Whare Ora also provides energy efficiency education, as well as heating devices, draught proofing and mould kits.

The Whare Ora team has a strong focus on building relationships and partnerships with other organisations to tackle the issue of children at risk of poor health in low-income households. The Trust's contribution has purchased the products and services needed to create healthy homes for some of the most vulnerable people in the community. The Warehouse is a big supporter of the programme and provides bedding products at a discount. Whare Ora also works with 'A Brush with Kindness,' a home repair programme for low-income home owners. Recently Hospice offered gift vouchers for Whare Ora to pass on to whanau needing basic items.

SDGS:

Organisation:
Te Puna Oranga
– Waikato Health Trust

Location:
WEL Networks Region

Grant Amount: **$100,000**

RESULTS

123 families provided with beds meaning that their children are no longer sleeping on the ground or sharing beds

5,808* people were involved in the programme in the 12 months to 31 March 2019 **from the WEL Energy Trust region*

248 families received energy efficiency healthy homes advice to save on power bills while keeping homes warm

5 Year Strategic Plan - 2017 - 21

'Working together, working smarter, to grow investment and to unlock the powerful possibilities of our Community, now and into the future.'

GOVERN THE TRUST EFFECTIVELY AND EFFICIENTLY AND BE RESPONSIVE TO OUR COMMUNITY

1.	We recognise the need to align our resources with our strategic intent, and to regularly monitor and review our investments and practices.
2.	The Trust believes that retaining a controlling interest in WEL Networks is beneficial in ensuring the Company retains a strong sense of social responsibility, and in growing investment for our community.
3.	We'll continue to review investments and business structures to ensure they are the best fit for purpose, including providing the level of liquidity the Trust requires to action its strategic intent.
4.	Through a clear Statement of Intent, we'll strive to balance commercial outcomes and growth with the social and cultural aspirations of the Community. This will involve taking a holistic or 'multiple bottom line' approach to investment, with consideration of both profit-related and socially oriented goals.

MAXIMISE LONG TERM IMPACT BY BEING STRATEGIC AND TRANSFORMATIVE

1.	We are a Community Trust with a regional focus and roles to play in terms of both regional leadership and the guardianship of community assets/value.
2.	The Trust wishes to understand the social and cultural aspirations of the Community, and to work collaboratively to make a transformational difference in identified regional priority areas, including economic development.
3.	The Trust focuses on making a long term sustainable difference by giving priority to initiatives and organisations that can demonstrate collaboration and that are impacting or enhancing: • Individuals' lives – providing high and/or broad impact • Organisations – capacity building and encouraging collaboration • The Community – preventing issues from occurring • People's views – delivering strong community pride
4.	We will take a balanced view of intergenerational benefit which relates to investment in the Community in the present, over the life of the Trust, as well as the capital value of the Trust's assets at the termination of the Trust.
5.	We aim to leverage grants through partnership and collaboration with community groups, other funders, business, and Local and Central Government to have a greater impact in the region.

EXPAND SUPPORT BEYOND GRANT MAKING

1.	To assist communities in developing their full potential, and to find answers to complex issues and encourage better ways for working together, the Trust will look for new ways to support the economic, social and physical wellbeing of the community.
2.	Our aspiration is to prevent problems from occurring in the first place, and to work together to back the people who are leading positive change, building on existing strengths to move the needle on identified regional priority areas.
3.	We'll ensure the Trust contributes to the dialogue, vision and leadership in the Community, particularly as it relates to the Trust's strategic vision and wider regional priorities.

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*

GRANTS APPROVED

ORGANISATION NAME	FUNDING ALLOCATION
AA Rocha Aotearoa New Zealand	$7,500
Agora Community Trust	$3,000
Alf's Imperial Fifth Waikato Dragoons Incorporated	$5,000
Alzheimers Waikato Charitable Trust	$22,500
Arts for Health Community Trust	$12,500
Arum Aikido Club	$2,500
Asthma & Respiratory Services Waikato Inc	$10,000
Autism New Zealand Incorporated	$10,000
Balloons over Waikato	$80,000
Bangladeshi Community of Waikato Inc	$2,000
Beerescourt Tennis Club Incorporated	$1,500
Big Buddy Mentoring Trust	$5,000
Brain Injury Waikato Inc	$22,500
Bush Tramway Club Inc	$2,625
Campus Creche Trust	$2,000
Cantando Choir Incorporated	$2,000
CanTeen Waikato	$4,000
Catholic Family Support Services	$15,000
Centre 401 Trust	$1,500
Chapel Hill Community Church	$3,000
Chapel Hill Kindergarten	$6,670
Chartwell Cooperating Church	$2,000
Child Flight Charitable Trust	$2,000
ChildPlayWorks Charitable Trust	$2,000
Chinese Art Society	$1,500
Christian Youth Camps Incorporated	$2,500
Citizens Advice Bureau Hamilton Inc	$10,000
City Hope Charities Trust	$17,500
Clarence Street Theatre Trust	$35,000
Community & Enterprise Leadership Foundation	$25,000
Community Development Trust	$5,000
Community Law Waikato	$17,500
Community Link Trust	$5,000
Connected Media Charitable Trust	$2,000
Country Section New Zealand Indian Association	$2,000
Creative Waikato Trust	$30,000

CultivateIT $4,000
Deanwell School $1,050
Desert Spring Ministries Trust $10,000
Dinsdale Playcentre $2,000
Diversity Counselling New Zealand $15,000
Draw Inc Charitable Trust $5,000
Dress for Success Hamilton $10,000
Dynamo Cycling & Sports Club Incorporated $3,000
Eastlink Tennis Trust $20,000
Efalata Trust $4,000
Endometriosis Waikato $12,000
Enterprise Angels $30,000
Epilepsy Waikato Charitable Trust $15,000
Exscite Trust $5,000
Fairfield College $10,000
Fairfield Intermediate School
Parent Teacher Association (PTA) $2,123
Fairfield Swim Club Incorporated $12,500
Families Autism Support Trust $17,500
Fitness Action Charitable Trust $3,000
Flyers Junior Basketball Club $2,000
Frankton Rugby Sports Club Inc $3,000
Friends of Hamilton Public Library Association.... $2,500
Friendship House (Huntly)
Community Charitable Trust $40,500
Galaxy Touch Waikato $2,000
Glen Massey School $10,000
Glenview Community Centre $14,000
Grandview Community Garden Trust $5,000
Hamilton Tulip Festival Trust $1,500
Hamilton & Waikato Tourism $25,000
Hamilton Astronomical
Society Incorporated $5,000
Hamilton Bengali Association $2,500
Hamilton BMX Club Incorporated $5,000
Hamilton Boys' High School Trust Board $30,000
Hamilton Budgeting Advisory Trust $7,000
Hamilton Children and Families Trust $4,000
Hamilton Chinese Golden Age Society $1,500
Hamilton Christian Nightshelter Trust $18,000
Hamilton Christmas Charitable Trust $17,500
Hamilton Citizens Band Incorporated $5,000
Hamilton City Council $55,000
Hamilton Combined Christian
Foodbank Trust $15,000
Hamilton Community Men's Shed Trust $5,000
Hamilton Competitions Society Incorporated $4,000
Hamilton Disability Arts Festival $2,000
Hamilton East Community Trust $4,000
Hamilton Ethnic Women's Centre Trust $25,000
Hamilton Film Society $2,000
Hamilton Fringe Trust $5,000
Hamilton Gardens Summer
Festival Foundation $80,000
Hamilton Harriers Club Inc $8,000
Hamilton Kerala Samajam inc $2,000
Hamilton Live Music Trust $2,500
Hamilton Methodist Social Services Trust $18,000
Hamilton Multicultural Services Trust $3,000
Hamilton Northeast Community Development $750
Hamilton Operatic Society Inc $3,500
Hamilton Radio Control Car
Club Incorporated $4,700
Hamilton Rowing Club Incorporated $5,000
Hamilton Sanatan Trust $3,000
Hamilton Science Awards Trust $3,500
Hamilton South Community
Centre Association Incorporated $15,000
Hamilton Squash and Tennis
Club Incorporated $4,990
Hamilton Toy Box Toy Library $1,100
Hamilton Woodturners Incorporated $8,500
Horotiu Playcentre $2,000
Huntly College Old Boys Rugby
Football Club Inc $4,500
Huntly Gymnastics Club Inc $5,000
Huntly Ngaruawahia Driver
Education Programme $4,500
Institute for Child Protection Studies $25,000
Kia Puawai Limited $10,000
Kidz Korner Toy Library $2,000
Kiribati Waikato Association Inc $1,500
Lakeside Christian Life Centre $2,598
Lets Get Together Huntly $5,000
Life Education Trust Hamilton $5,000
Link House Trust $30,000
Maori Womens Welfare League,
Te Muka o te Ao Branch $1,000
Maori Womens Welfare League,
Whatawhata Branch $2,000
Marching Waikato Association Inc $3,000
MATES Trust NZ $7,500
Maungatautari Ecological Island Trust $40,000
McKenzie Centre Trust $20,000
Melville Hall Society Inc $7,500
Mental Health Foundation of New Zealand $6,723
Moana Boxing Club Incorporated $3,000
MS Waikato Trust $2,500

Music Moves Me Trust	$6,240
Neighbourhood Support Hamilton Inc	$3,000
Netball Waikato Bay of Plenty Zone Incorporated	$17,500
Neurogenesis Trust	$10,000
New Life Community Ministries - Hamilton Charitable Trust	$1,500
New Zealand Kiribati National Community	$2,000
New Zealand Parkour Association	$2,000
New Zealand Red Cross	$1,300
New Zealand Symphony Orchestra Foundation	$3,080
Ngaruawahia Community House Inc	$22,500
Ngaruawahia Community Youth Holiday Programme	$7,500
Ngaruawahia Golf Club Inc	$2,500
Ngaruawahia High School	$15,000
Ngaruawahia RSA Memorial Club Inc	$10,000
Ngaruawahia Squash Racquets Club	$5,000
Ngaruawahia United Association Football Club Incorporated	$4,000
North Hamilton Community Patrol	$4,000
North Waikato Blue Light Ventures	$6,000
North Waikato Transport Trust	$12,500
Open Up Ngaruawahia Tourism Incorporated	$2,500
Orchestras Central Trust	$37,500
Pacific Rose Festival Trust	$5,000
Para Kore Marae Incorporated	$2,500
Parent to Parent Waikato	$12,500
Performing Arts Community Trust	$5,000
Perry Outdoor Education Trust	$18,000
Phoenix House Charitable Trust	$3,500
Pillars Incorporated - Ka Pou Whakahou	$5,000
Positive Change Programmes Charitable trust	$6,475
Prison Care Ministries	$5,000
Project Litefoot Trust	$13,500
Raaga Hamilton	$2,500
Raglan and District Museum Society Inc	$2,000
Raglan Area School - Te Roopuu aroha ki te reo	$2,500
Raglan Community Arts Council	$5,000
Raglan Community House Society Incorporated	$15,000
Raglan Community Radio Incorporated	$10,000
Raglan Surf Lifesaving Club Inc	$15,000
Rainbow Chinese Community Centre Charitable Trust	$4,000
Raleigh St Christian Centre Inc	$2,000
Rape and Sexual Abuse Healing Centre Inc	$12,500
Rauawaawa Kaumatua Charitable Trust	$25,000
RAW 2014 Ltd	$22,500
Recreate NZ	$2,000
Red Leap Theatre Charitable Trust Board	$1,000
Riverlea Theatre & Arts Centre Inc	$22,500
Rostrevor House Incorporated	$10,000
Rudolf Steiner Early Childhood Trust	$1,470
Seed Waikato Incorporated	$2,500
Sistema Waikato	$40,000
Smart Waikato Trust	$20,000
Society of St Vincent De Paul - Hamilton	$25,000
South East Kirikiriroa Community Association Inc	$20,000
Squash Waikato Incorporated	$12,500
Sri Lanka Friendship Society Waikato Inc	$2,500
St Marks Church Nawton	$4,000
StarJam Charitable Trust	$1,304
Stroke Foundation Hamilton	$1,500
Swim Waikato Inc	$12,500
Tainui Maori Women's Welfare League	$1,750
Tainui Waka Tourism Incorporated Society	$3,000
Tamil Society Waikato Incorporated	$1,500
Taupiri Bowling Club Inc	$4,000
Taupiri Rugby Football Club Incorporated	$5,000
Taupiri Youth Group Charitable Trust	$3,400
Tauwhare School	$2,500
Te Awa River Ride Charitable Trust	$30,000
Te Herenga Maori Womens Welfare League	$850
Te Humeka Waikato Maori Business Network Incorporated	$4,000
Te Kauwhata & Districts Information & Support Centre	$20,000
Te Kauwhata Health Awareness Society	$12,500
Te Mata School Raglan	$5,000
Te Puna Oranga	$100,000
Te Rautini Trust	$5,000
Te Rongopai Community Trust	$15,000
Te Runanga O Kirikiriroa Trust	$4,000
Te Tamawai Trust	$12,500
Te Whakaruruhau 2013 Incorporated	$5,000
Te Whanau Putahi Trust	$10,000
Te Whare o Te Ata Fairfield Chartwell Community House Trust	$5,000
Te Whare Toi o Ngaruawahia - Twin Rivers Community Art Centre Inc	$17,500
The Care Community Trust	$2,000
The Gordonton Woodlands Trust	$4,000
The Great Pumpkin Carnival	$3,000
The House of Grace Trust	$10,000

The Kids for Kids Charitable Trust	$3,000
The Kukutaruhe Education Trust	$20,000
The New Zealand Housing Foundation	$12,000
The One Victoria Trust Board Inc	$27,000
The Order of St John Hamilton Area Committee	$12,500
The Refugee Orientation Centre Trust	$25,000
The United Nations Association of New Zealand Waikato Branch	$1,500
The Waikato Chapter of Barbershop Harmony New Zealand Incorporated	$2,000
Tron Music Trust	$2,500
True Colours Children's Health Trust	$22,500
Volunteering Waikato	$15,000
Waikato Agricultural and Pastoral Association Inc	$3,000
Waikato Badminton Association Inc	$5,000
Waikato Basketball Council Incorporation	$15,000
Waikato Community Broadcasting Charitable Trust	$4,000
Waikato Compassion Meditation Trust	$2,000
Waikato Contemporary Dance Projects Trust	$3,000
Waikato Dragon Boating and Waka Ama Association Inc	$10,000
Waikato Environment Centre Trust	$25,000
Waikato Equitherapy Incorporated	$10,000
Waikato Ethnic Family Services Trust	$20,000
Waikato Family Centre Trust	$20,000
Waikato Food Inc	$3,000
Waikato Hockey Association	$2,000
Waikato Housing Hub Charitable Trust	$40,000
Waikato Institute for Leisure & Sport Studies Trust	$10,000
Waikato Institute of Technology	$10,000
Waikato Japanese Community Trust	$7,500
Waikato Multicultural Council Incorporated	$2,000
Waikato Punjabi Badminton Club	$1,000
Waikato Queer Youth Trust	$6,500
Waikato Refugee Whanau Reunification Trust	$2,000
Waikato Regional Council	$100,000
Waikato Regional Economic Development Limited	$75,000
Waikato Regional Science and Technology Fair	$1,000
Waikato Rivertones Incorporated	$2,500
Waikato Rocks Trust	$20,000
Waikato Scout and Guide Gang Show	$2,500
Waikato Senior Indian Citizens Association Inc	$2,000
Waikato Society of Arts Inc	$5,000
Waikato Touch Association	$2,500
Waikato Valley Cricket Association Incorporated	$4,000
Waikato Youth Empowerment Trust	$30,000
Waimai Bush Sports	$1,900
West Hamilton Night Owls Rotary Trust	$2,000
West Hamilton United Football Club Incorporated	$12,500
Western Community Association	$25,000
Whatawhata Residents & Ratepayers Association	$4,025
Xtreme Zero Waste	$32,000
Yoga Education in Prisons Trust	$2,000
Young Men's Christian Association of Auckland Incorporated	$3,685
Zeal Education Trust	$40,000
TOTAL FUNDS ALLOCATED	**$2,779,808**

ADVISORS

- **Accountants** ....Baker Tilly Staples Rodway, Waikato LP, Hamilton
- **Energy Industry** ....KPMG, Hamilton
- **Investment Management** ......Russell Investments, Auckland
  AMP Capital, Auckland
- **Solicitors** ....Tompkins Wake, Hamilton
- **Bankers** ....ASB Hamilton Commercial Banking, Bank of New Zealand, Hamilton
  ANZ Banking Group, Wellington
- **Auditors** ....PricewaterhouseCoopers

PERFORMANCE MEASURES AGAINST 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 2018-19 was approved at the Trust meeting held 27 March 2019 after a draft was issued for public consultation in February 2018 (five written submissions received).

2015-2019 Community Investment Strategy

The 2015-2019 Community Investment was applied during 2018-19, and this five-year document includes three key strategies:

- To maximise long term impact by being strategic and transformative
- Expand support beyond grantmaking
- Govern the Trust effectively and efficiently to be responsive to our community

EXPECTED OUTCOMES

In 2018-19, the Trust strived to meet the expected outcomes for the following areas:

Investments and Finance

- Achievement of the best fit-for-purpose business structure and expected returns to meet the Trust's long-term strategic intent.
- Sufficient income to meet our Trust Deed obligations and current strategic intentions.
- A financially resilient organisation.

- A more 'mission-aligned' portfolio of investment, including the establishment of targets and measures to ensure the Trust's intentions to ensure lower prices to electricity customers are being delivered over time.
- The ability to make meaningful investments into the community through distributions and investments with a view to unlocking the 'powerful possibilities' of the region.

Working with WEL Networks Ltd

- An open, transparent and professional relationship with the Company.
- WEL Networks Ltd is both operating as a successful company and delivering competitive returns to WEL Energy Trust, thereby adding value to consumers and the wider community.

Working with our Capital Beneficiaries

- WEL Energy Trust and our respective Capital Beneficiary Councils enjoy a culture of mutual trust, respect and understanding.
- We will have established a shared understanding of the Capital Growth value expectations for the Group over time.
- This includes working strategically together to create a forward thinking, vibrant and connected community.

Communications and Relationships

It was expected that our community would:

- Be well informed and be kept abreast of WEL Energy Trust activities.
- Understand how our activities relate to our purpose and how we add value to the community (this includes consideration of the Trust's requirements under the Trust Deed to ensure the success of the Company, and to have regard to both consumer and community benefit).
- Continue to have faith in the work we are doing in preserving capital, and supporting a forward thinking, vibrant, connected community.

It was expected the Trust would:

- Ensure robust relationships are in place with key funders and stakeholders.
- Maintain active partnerships and be engaged strategically in regional matters where it can add value.

Distributions

- The distribution during 2018/19 of approximately $2,570,000 to organisations and projects that meet Trust criteria and benefit the Community in the Trust region.
- The development of a new three-to-five-year Community Investment Strategy that reflects our Theory of Change.
- The development of policies and processes for other options that are available to the Trust in respect of investment into the community, such as Social or Impact Investment, in addition to the existing Community Loan programme.
- Contribution to greater cohesion and cooperation by working together more with other funders, umbrella groups, and other stakeholders.

ANNUAL REPORT

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

The 2017-18 Annual Report was adopted on 11 July 2018 and presented at the Annual General Meeting held 30 July 2018, where PwC was appointed Auditors of the Trust for the year ended 31 March 2019.

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.

There were no changes to the Trust Deed between 1 April 2018 and 31 March 2019.

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.

A summary of the key findings from the 2018 review is provided below. In carrying out the review, the Trust has considered the requirements of clauses 8.1, 8.2, 14.3 and 16.2 of the Trust Deed.

Information Used and Matters Covered

The Company's Annual Report for the 12 months ended 31 March 2018 was received 7 June 2018 and a full review of the Trust's investment in WEL Networks Ltd was presented to the Trust at the October 2018 Trust meeting. This review prepared by KPMG was comprehensive and considered the following key areas:

- Key Performance Indicators Review
- UFF Integration Implications
- Bond Issue
- Dividend Policy

The results/findings of the review are as follows:

- **Health and Safety**
  - WEL Networks Ltd has experienced an increase in unrelated safety incidents although the incidents have not been severe. WEL Networks Ltd is tracking favourably against its severity target.
  - There were no significant underlying trends as to the cause. There have been no reported incidents involving the public and any other material non-compliance issues.
- **Customer**
  - WEL Networks Ltd monitors a number of operating metrics to assess its performance. WEL Networks Ltd is generally tracking ahead of targets set for these measures or has plans in place to improve where WEL Networks Ltd is tracking behind targets.
  - The replacement of the customer discount schemes was partially offset by a price reduction in residential line services.
  - WEL Networks Ltd's interviews with its own employees, who are Genesis customers, suggest residential customers are paying less. WEL Energy Trust remains committed to lower prices and works with WEL Networks Ltd to provide low cost power options for its community.
- **Reliability**
  - SAIDI, a measure of the duration of the interruptions to the network has been unfavourable compared to budget in 2018 due to a major storm event in April.
  - A comprehensive maintenance programme has minimised the impact on customers.
- **UFF Performance and Integration**
  - UltraFast Fibre (UFF) is forecasting to double the connection numbers over the next five years. UFF's operating performance has met the standards as set by Government.
- **Financial**
  - WEL Networks Ltd's revenues and earnings are ahead of budget. The investment in UFF has impacted short term return measures, however WEL Networks Ltd estimates that it will generate returns similar to that of industry comparators by FY23.
  - WEL Networks Ltd is developing a broader set of sustainability performance indicators and has the intention to report on these from 2019 onwards.
- **Bond Issue**
  - WEL Networks Ltd issued a bond and raised a total of $150M. The bond issue was used to repay existing bank debt. The bond was oversubscribed two times, suggesting strong investor demand.
- **Dividend Policy and Convertible Note Repayment**
  - WEL Networks will pay an annual dividend of between 50% and 75% of Net Profit After Tax over the next five years. This is broadly consistent with market practice for listed utilities.
- **Trust Deed Requirements**
  - WEL Energy Trust has set clear performance and long-term benchmark targets for WEL Networks Ltd and continues to monitor its investment in the Company through an annual valuation process and with reference to industry peers where relevant.
  - This includes the development of an Owner's Expectation Manual and a Strategic Plan for WEL Energy Trust, which have been communicated and agreed with WEL Networks Ltd.

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 2018 for FY19 to FY23 was endorsed by the Trust at its meeting on 27 June 2018.

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 2019 are as follows:

Trust 2018 Actual $000		Trust 2019 Actual $000	Trust 2019 Budget $000
	Income		
2,518	Interest	2,526	2,495
548	Dividends	350	350
1,583	Portfolio Investment Returns	275	664
(433)	Gains/(Losses) on the Investment Portfolio	429	-
4,216		3,580	3,509
	Operating Expenditure		
407	Management and Administration	483	467
176	Election	-	-
26	Communications	20	34
268	Representation	302	313
89	WEL Network Shareholding	56	115
-	Special Projects	10	15
18	Distribution Expenses	12	14
76	Portfolio Management Fees	82	-
1,060	**Total Operating Expenditure**	965	958
3,156	***Surplus/(Deficit) before Distributions***	2,615	2,551
2,925	**Distributions**	2,537	2,570
231	*Adjusted Net Surplus/(Deficit) before Tax*	**78**	**(19)**
(175)	*Taxation Paid (Receivable)*	(75)	(43)
406	**** Adjusted Net Surplus/(Deficit) after Tax***	**153**	**24**

(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 2019 are as follows:

Trust 2018 Actual $000		Trust 2019 Actual $000	Trust 2019 Budget $000
	CAPITAL FUND		
52,067	Vested Capital	52,067	52,067
52,067	**Total Capital Fund**	52,067	52,067
	INCOME FUND		
87,104	** Opening Retained Surplus and Reserves	87,505	87,657
406	* Adjusted Net Surplus for the Period	153	24
87,510	**Total Income Fund**	87,658	87,681
139,577	**Total Equity**	**139,725**	**139,748**

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

** Adjusted opening retained surplus and reserves includes the expected credit loss adjustment on transition to PBE IPSAS 41 Financial Instruments accounting standard

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 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 is scheduled for August 2019.

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.

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.

A copy of the Guidelines can be found on the Trust's website under Trust Documents (Documents).

Two requests for information were received in the 2018/19 year.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

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
15 July 2019

Trustee
15 July 2019

FINANCIALS

STATEMENTS OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 31 MARCH 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000	Trust 2019 $'000	Trust 2018 $'000
Revenue	4	210,999	177,482	3,151	4,926
Expenses					
Expenses, excluding finance costs	5	(143,721)	(138,081)	(965)	(1,367)
Grants		(2,537)	(2,925)	(2,537)	(2,925)
Finance costs	6	(22,298)	(18,703)	-	-
Operating surplus/(deficit) before tax and share of equity accounted investments		42,443	17,773	(351)	634
Share of net surplus/(deficit)/revaluations of existing interest in associates		(266)	(629)	-	-
Surplus/(deficit) before income tax (expense)/credit		42,177	17,144	(351)	634
Income tax (expense)/credit	7	(13,802)	(5,900)	75	175
Surplus/(deficit) after income tax (expense)/credit for the year		28,375	11,244	(276)	809
Other comprehensive revenue and expense					
Items that will not be reclassified subsequently to revenue and expense					
Gain on the revaluation of land and buildings, net of tax		-	4,810	-	-
Items that may be reclassified subsequently to revenue and expense					
Cash flow hedges (net of tax)		(4,134)	(1,318)	-	-
Gain/(loss) on the fair value of financial instruments		429	(403)	429	(403)
Other comprehensive revenue and expense for the year, net of tax		(3,705)	3,089	429	(403)
Total comprehensive revenue and expense for the year		24,670	14,333	153	406
Surplus/(deficit) for the year is attributable to:					
Non-controlling interest		(722)	(1,429)	-	-
Beneficiaries of Group and Trust	23	29,097	12,673	(276)	809
		28,375	11,244	(276)	809
Total comprehensive revenue and expense for the year is attributable to:					
Non-controlling interest		(722)	(1,429)	-	-
Beneficiaries of Group and Trust		25,392	15,762	153	406
		24,670	14,333	153	406

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 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000	Trust 2019 $'000	Trust 2018 $'000
Assets					
Current assets					
Cash and cash equivalents		2,133	1,853	844	952
Trade and other receivables	8	19,667	19,742	56	19
Investments in subsidiary	28	-	-	10,000	-
Income tax receivable		-	41	-	41
Loans advanced	12	86	111	86	111
Term deposits		1,250	-	1,250	-
Total current assets		23,136	21,747	12,236	1,123
Non-current assets					
Financial assets at fair value through other comprehensive revenue and expense	9	11,681	13,163	11,681	13,163
Investments in subsidiary	28	-	-	114,797	124,797
Derivative financial instruments		2,538	285	-	-
Investments in associates		-	1,595	-	-
Property, plant and equipment	10	1,128,245	1,036,641	14	13
Intangibles	11	95,091	96,325	2	4
Deferred tax assets	20	358	260	358	260
Loans advanced	12	778	790	778	790
Total non-current assets		1,238,691	1,149,059	127,630	139,027
Total assets		1,261,827	1,170,806	139,866	140,150
Liabilities					
Current liabilities					
Trade and other payables	13	22,879	18,346	92	573
Borrowings	14	99,179	89,068	-	-
Derivative financial instruments		115	52	-	-
Income tax		4,180	2,103	37	-
Provisions	16	3,870	3,611	12	-
Customer discount payable		-	17,590	-	-
Deferred income	17	14,938	11,445	-	-
Total current liabilities		145,161	142,215	141	573
Non-current liabilities					
Borrowings	15	363,000	318,537	-	-
Derivative financial instruments	19	12,023	6,627	-	-
Deferred tax (assets)/liabilities	20	84,060	80,141	-	-
Provisions	18	92	423	-	-
Loan from non controlling interest	27	81,170	70,731	-	-
Deferred income		915	945	-	-
Total non-current liabilities		541,260	477,404	-	-
Total liabilities		686,421	619,619	141	573
Net assets/equity		575,406	551,187	139,725	139,577

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

FINANCIALS

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000	Trust 2019 $'000	Trust 2018 $'000
Net assets/equity					
Contributed equity	21	52,067	52,067	52,067	52,067
Reserves	22	99,897	104,201	665	(563)
Retained surplus	23	415,532	387,564	86,993	88,073
Net assets/equity attributable to the equity holders of the Group and Trust		567,496	543,832	139,725	139,577
Non-controlling interest		7,910	7,355	-	-
Total net assets/equity		575,406	551,187	139,725	139,577

Chair

Trustee

15 July 2019

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 2019

Consolidated	Contributed equity $'000	Reserves $'000	Retained surplus $'000	Non-controlling interest $'000	Total net assets/equity $'000
Balance at 1 April 2017	52,067	102,586	373,417	8,784	536,854
Surplus/(deficit) after income tax (expense)/credit for the year	-	-	12,673	(1,429)	11,244
Other comprehensive revenue and expense for the year, net of tax:					
Movement in revaluation from disposal of distribution network assets (net of tax)	-	(1,474)	1,474	-	-
Movement in deferred tax on revaluation	-	4,810	-	-	4,810
Cash flow hedges (net of tax)	-	(1,318)	-	-	(1,318)
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	(403)	-	-	(403)
Total comprehensive revenue and expense for the year	-	1,615	14,147	(1,429)	14,333
Balance at 31 March 2018	52,067	104,201	387,564	7,355	551,187

Consolidated	Contributed equity $'000	Reserves $'000	Retained surplus $'000	Non-controlling interest $'000	Total net assets/equity $'000
Balance at 1 April 2018	52,067	104,201	387,564	7,355	551,187
Adjustment for change in accounting policy	-	-	(1,727)	-	(1,727)
Balance at 1 April 2018 - restated	52,067	104,201	385,837	7,355	549,460
Surplus/(deficit) after income tax (expense)/credit for the year	-	-	29,097	(722)	28,375
Other comprehensive revenue and expense for the year, net of tax:					
Movement in revaluation reserve from disposal of distribution network assets (net of tax)	-	(1,398)	1,398	-	-
Cash flow hedges (net of tax)	-	(4,134)	-	-	(4,134)
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	429	-	-	429
Realised loss on disposal of financial assets at fair value through other comprehensive revenue and expense	-	800	(800)	-	-
Total comprehensive revenue and expense for the year	-	4,303	29,695	(722)	24,670
Acquired minority interest	-	-	-	1,277	1,277
Balance at 31 March 2019	52,067	99,897	415,532	7,910	575,406

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 2019

Trust	Contributed equity $'000	Reserves $'000	Retained surplus $'000	Total net assets/equity $'000
Balance at 1 April 2017	52,067	(160)	87,264	139,171
Surplus after income tax (expense)/credit for the year	-	-	809	809
Other comprehensive revenue and expense for the year, net of tax:				
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	(403)	-	(403)
Total comprehensive revenue and expense for the year	-	(403)	809	406
Balance at 31 March 2018	52,067	(563)	88,073	139,577

Trust	Contributed equity $'000	Reserves $'000	Retained surplus $'000	Total net assets/equity $'000
Balance at 1 April 2018	52,067	(563)	88,073	139,577
Adjustment for change in accounting policy	-	-	(4)	(4)
Balance at 1 April 2018 - restated	52,067	(563)	88,069	139,573
Deficit after income tax (expense)/credit for the year	-	-	(276)	(276)
Other comprehensive revenue and expense for the year, net of tax:				
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	429	-	429
Realised loss on disposal of financial assets at fair value through other comprehensive revenue and expense	-	800	(800)	-
Total comprehensive revenue and expense for the year	-	1229	(1076)	153
Balance at 31 March 2019	52,067	665	86,993	139,725

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 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000	Trust 2019 $'000	Trust 2018 $'000
Cash flows from operating activities					
Receipts from customers		194,328	178,357	-	-
Payments to suppliers and employees		(87,936)	(83,246)	(905)	(981)
Dividends received		-	-	350	548
Interest received		40	49	2,489	2,498
Grants paid		(2,992)	(2,562)	(2,992)	(2,562)
Income taxes refunded		41	-	41	-
Income taxes paid		(4,927)	(2,282)	-	-
Net cash from/(used in) operating activities	30	98,554	90,316	(1,017)	(497)
Cash flows from investing activities					
Payments for term deposits		(1,250)	-	(1,250)	-
Payments for financial assets at fair value through other comprehensive revenue and expense		(10,930)	(2,224)	(10,930)	-
Payments for property, plant and equipment		(135,905)	(102,371)	(6)	(3)
Payments for intangibles		(2,574)	(6,440)	-	-
Proceeds from disposal for financial assets at fair value through other comprehensive revenue and expense		13,043	200	13,043	200
Proceeds from disposal of property, plant and equipment		565	24	-	-
Loan principal payments received		202	133	202	133
Loans advanced		(150)	-	(150)	-
Net cash from/(used in) investing activities		(136,999)	(110,678)	909	330
Cash flows from financing activities					
Proceeds from borrowings		150,000	34,188	-	-
Interest and other finance costs paid		(23,807)	(18,704)	-	-
Repayment of borrowings		(87,468)	-	-	-
Net cash from financing activities		38,725	15,484	-	-
Net increase/(decrease) in cash and cash equivalents		280	(4,878)	(108)	(167)
Cash and cash equivalents at the beginning of the financial year		1,853	6,731	952	1,119
Cash and cash equivalents at the end of the financial year		2,133	1,853	844	952

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 2019

Note 1. Statement of accounting policies for the year ended 31 March 2019

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') and its subsidiaries (together the 'Group'). The Group is an electricity network business, delivering energy to customers in the Waikato Region and also delivers 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 and fibre industries and distributing surplus income 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 2019. The financial statements were authorised for issue by the Trustees on 15 July 2019.

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 on a historical cost basis, except where modified by the revaluation of land and buildings, certain infrastructure assets and certain financial instruments (including derivative instruments).

Standards, amendments to existing standards adopted

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group’s accounting periods beginning on or after 1 January 2018 which the Group has adopted in preparation of its 31 March 2019 financial statements.

Public Benefit Entity Conceptual Framework. The PBE Framework does not result in an immediate change to accounting requirements therefore did not result in any impact to the financial statements.

PBE IPSAS 41 Financial instruments (Effective 1 January 2022, early adoption permitted). This standard gives PBEs in a mixed group the opportunity to early adopt a PBE Standard that is based on the for-profit standard NZ IFRS 9 Financial Instruments on the same date that NZ IFRS 9 becomes mandatory in the for-profit sector. The Group has early adopted the standard for its financial statements for the year ended 31 March 2019 to align with the adoption of NZ IFRS 9 by the Company and its subsidiaries. The Group has applied PBE IPSAS 41 retrospectively, but has elected not to restate comparative information and has adjusted the opening retained surplus. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. Certain assets have been reclassified from 'Loans and receivables' to 'Financial assets at amortised cost' and 'Available for sale investments' to 'Financial assets at fair value through other comprehensive revenue and expense' (Financial assets FVTOCRE).

Note 2. Summary of significant accounting policies (continued)

The standard also introduced a new expected credit losses model that replaces the incurred loss impairment model used in PBE IPSAS 29 for calculating the provision for doubtful debts. The Group has applied this expected credit losses model to the loans advanced and the impact of $4,000 is shown as an adjustment in opening retained surplus.

PBE IPSAS 41 also introduced new requirements for hedge effectiveness and hedging documentation. There was no material change to hedging relationships or hedge effectiveness.

There will be no change to the accounting treatment of the Trust's investment in subsidiary (including convertible notes) under PBE IPSAS 41 as the Convertible Notes are recognised under PBE IPSAS 6 (NFP) Consolidated and Separate Financial Statements and will continue to be recognised at cost.

Standards, amendments to existing standards that are not effective
Impairment of revalued assets (amendments to PBE IPSAS 21 and 26) (Effective 1 January 2019). The amendments bring revalued property, plant and equipment and intangible assets within the scope of PBE IPSAS 21 and PBE IPSAS 26. The amendments clarify that an impairment of an individual asset outside of the revaluation cycle will not necessitate the revaluation of the entire class of assets to which the impaired asset belongs. The Group expects the standard will only impact the financial statements if such an impairment took place.

PBE IPSAS 35 Consolidated financial statements (Effective 1 January 2019). Introduces a new definition of control requiring both power and exposure to variable benefits and includes more guidance on assessing control (including additional guidance on substantive and protective rights). Includes guidance on principal/agent relationships and factors to consider when determining whether an investor has control or is acting as an agent. Adds guidance on network and partner agreements. Incorporates guidance from PBE IPSAS 6 Consolidated and Separate Financial Statements on the application of consistent accounting policies when consolidating for-profit entities into a PBE group. The Group does not expect the standard to have a significant impact on the financial statements.

PBE IPSAS 36 Investments in associates and joint ventures (Effective 1 January 2019). Requires the use of the equity method in accounting for all interests in associates and joint ventures (eliminating the option of using proportionate consolidation for jointly controlled entities). The Group does not expect the standard to have a significant impact on the financial statements.

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 2019 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 has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair 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.

Note 2. Summary of significant accounting policies (continued)

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.

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 expense of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to 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 income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of surplus/(deficit) of 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. The reported net line revenue includes the provision for the annual customer discounts that are accrued on a monthly basis but only paid to customers once a year. Unclaimed discounts are released against the statement of comprehensive revenue and expense.

Note 2. Summary of significant accounting policies (continued)

Sale of fibre network access services
The Group recognises revenue as it provides services to retail service providers. Billing for network access services are made on a monthly basis. Unbilled revenue from the date of connection to the billing cycle date is recognised in the month of service. Revenue is deferred in respect of the portion of the fixed monthly charges that have been billed in advance. Revenue from installations and connections are recognised upon completion of the installation or connection.

Sales of services, contracting sales and third party contributions
Sales of services and contracting sales are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Third party contributions are charges to the end customer when they request a new or modified connection to either the fibre or the electricity distribution network. Asset title and obligation to maintain resides with the Group and the asset is capitalised as part of the fibre or electricity network. Third party contributions are invoiced in advance and held as deferred income liabilities to be recognised in the statement of comprehensive revenue and expense when the customer is connected.
Other income

Operating lease revenue
An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as income on a straight-line basis over the lease term.

Interest income
Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Trust 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
Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years.

Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

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 tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting surplus or deficit nor taxable surplus.

Note 2. Summary of significant accounting policies (continued)

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in net assets/equity.

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.

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

Trade and other receivables
Trade receivables are amounts due from customers for merchandise sold or 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.

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 and fibre networks are also measured at fair value on the basis of an independent valuation prepared by expert valuers using a discounted cash flow method at least every three years. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Note 2. Summary of significant accounting policies (continued)

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the 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, connection and software 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.

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive revenue and expense and shown as other reserves in net assets/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 net assets/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. For the Fibre Network this is on completion of the UFB2+ rollout. Depreciation on other assets is calculated on a straight-line basis to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows.

Buildings	35 years
Electricity network	6-70 years
Fibre network	5-40 years
Computer hardware	2-4 years
Plant and equipment	3-20 years
Motor vehicles	4-20 years

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

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

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

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

Intangible assets
Goodwill
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. Goodwill impairment reviews are undertaken annually or more frequently if events or change 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.

Note 2. Summary of significant accounting policies (continued)

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).

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

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 9. On disposal of these equity investments, any related balance within the FVOCRE reserve is reclassified to retained surplus. In the prior financial year, the Group had designated equity investments as available-for-sale where management intended to hold them for the medium to long-term.

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.

Note 2. Summary of significant accounting policies (continued)

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.

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', 'provisions' and 'customer discount payable' 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.

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 4.41% (2018: 4.28%).

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.

Note 2. Summary of significant accounting policies (continued)

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

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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.

Employee benefits

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.

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.

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 22. 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.

Note 2. Summary of significant accounting policies (continued)

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 net assets/equity, whilst the ineffective portion is recognised in revenue or expense. Amounts taken to net assets/equity are transferred out of net assets/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 net assets/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.

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 expense 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 expense.

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 expense 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 available for sale financial instruments.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

Note 2. Summary of significant accounting policies (continued)

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 expense
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.

Goods and Services Tax ('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.

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

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

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

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 expense, except when deferred in other comprehensive revenue and expense as qualifying cash flow hedges and qualifying net investment hedges.

Note 2. Summary of significant accounting policies (continued)

Changes in accounting policies
Except for the following, and the implementation of new accounting standards, there have been no significant changes in accounting policies during the year and accounting policies have been applied on a basis consistent with prior year.

The Group has voluntarily changed its accounting policy with regards to the recognition of third party contributions which had previously been recognised with reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services provided. The recognition point is now when the customer receives the benefit of the completed service (i.e. connected to the network). This change aligns the treatment within the Group and better reflects the underlying contractual rights.

As part of the for-profit, WEL Networks Limited’s, transition to NZ IFRS 15 Revenue from Contracts with Customers, the Group re-assessed the contractual arrangements and further determined under PBE IPSAS 9 Revenue from Exchange Transactions that the change better reflects the underlying contractual rights, faithfully represents and results in more relevant information about the effects of the transactions on the Group’s financial position and performance, and aligns the treatment within the Group.

The change has been applied retrospectively resulting in a $1.7m decrease to the prior year’s revenue recognition (including deferred tax impact of $0.6m) and the adjustment has been made to the Group’s retained surplus at 1 April 2018 with further restatement to the comparatives determined as immaterial. Had the Group not made this voluntary change, the current year’s revenue would have been $2.7m higher.

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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

It is the Group's policy to value the respective Electricity Network and Fibre Network every three years, and as such the Group engaged Deloitte to perform both network valuations for the year ended 31 March 2019. These are Level 3 valuations. See note 10 for the key assumptions and sensitivities.

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. Refer to note 11 for the key assumptions and inputs.

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

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

The shareholders agreement provided for joint and equal control between Crown Infrastructure Partners Limited (Formerly Crown Fibre Holdings) and Waikato Networks Limited throughout the concession period and control is not determined by the number of A shares held. This view was submitted to the Inland Revenue Department together with Enable, Northpower and Crown Infrastructure Partners Limited (CIP) and a nonbinding indicative view was received. The purchase of CIP's A shares by WNL is a 50% change in shareholding, and therefore the minimum 49% shareholder continuity requirement has been maintained. On this basis the Group has continued to recognise the total deferred tax asset associated with these losses on the basis that recovery of the losses is probable. Refer to note 7.

Note 4. Revenue

	Consolidated		Trust	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Rendering of services				
Electricity lines revenue	124,128	127,265	-	-
Discount	-	(17,566)	-	-
Net line revenue	124,128	109,699		
Electricity third party contributions	9,892	8,012	-	-
Fibre network access services	64,511	50,402	-	-
Fibre third party contributions	2,551	2,677	-	-
Other income	7,387	1,882	-	-
Financial assets income	275	1,860	275	1,860
Operating lease revenue	2,178	2,881	-	-
Dividends				
Dividends	-	-	350	548
Interest				
Interest on investments	20	11	20	11
Interest on convertible notes	-	-	2,449	2,449
Interest on community loans	57	58	57	58
Revenue	210,999	177,482	3,151	4,926

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

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

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FOR THE YEAR ENDED 31 MARCH 2019

Note 5. Expenses, excluding finance costs

	Consolidated		Trust	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Transmission costs	29,430	31,176	-	-
Employee benefits	44,085	41,995	335	277
Capitalised labour	(26,336)	(22,986)	-	-
Materials and services	8,652	8,250	-	-
Premise networking costs	9,398	7,140	-	-
Contracting services	4,801	3,928	-	-
Consultancy	3,430	3,889	-	-
Contracting cost of sales	3,299	665	-	-
Net loss on disposal of property, plant and equipment	3,167	5,519	2	30
Vehicle expenditure	1,585	1,649	-	-
Operating leases	2,041	1,444	42	39
Directors' and Trustees' fees	837	806	224	212
Bad debts written off	683	153	-	-
Change in provision for impaired receivables	57	84	-	-
Other expenses	11,429	11,367	357	626
Election costs	-	176	-	176
Depreciation and amortisation	47,163	42,826	5	7
	143,721	138,081	965	1,367

	Consolidated 2019 $'000	Consolidated 2018 $'000	Trust 2019 $'000	Trust 2018 $'000
Surplus before income tax includes the following specific expenses:				
Depreciation by asset class:				
Distribution network	18,362	18,002	-	-
Fibre network	19,458	16,355	-	-
Plant and equipment	3,420	3,271	4	3
Motor vehicles	1,166	1,027	-	-
Computer hardware	689	696	-	-
Buildings	261	149	-	-
	43,356	39,500	4	3
Amortisation of intangible assets:				
Easements and consents	63	74	-	-
Computer software	2,491	1,799	1	4
Computer software - internally generated	1,253	1,453	-	-
	3,807	3,326	1	4
Total depreciation and amortisation	47,163	42,826	5	7

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

Note 5. Expenses, excluding finance costs (continued)

	Consolidated		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Remuneration of auditors (PwC)				
Amounts paid or payable to the auditors of WEL Energy Trust and Group:				
Audit financial statements	369	244	31	22
Half year review	49	30	-	-
Assurance procedures on disclosure information	63	74	-	-
Total remuneration for assurance services	481	348	31	22
Other services - PwC				
Regulatory advice	81	25	-	-
Total auditors remuneration	562	373	31	22

Auditors' fees are recognised within 'other expenses'

Note 6. Finance income/(costs)

	Consolidated		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Surplus/(deficit) before income tax includes the following specific expenses:				
Finance costs				
Interest and finance charges paid/payable	24,025	19,255	-	-
Interest income	(275)	(74)	-	-
Capitalised interest	(1,452)	(478)	-	-
Finance costs expensed	22,298	18,703	-	-

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Note 7. Income tax expense/(credit)

	Consolidated		Trust	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Income tax expense/(credit)				
Current tax	7,728	6,871	23	32
Deferred tax (note 20)	6,074	(971)	(98)	(207)
Aggregate income tax expense/(credit)	13,802	5,900	(75)	(175)
Numerical reconciliation of income tax expense/(credit) and tax at the statutory rate				
Surplus/(deficit) before income tax (expense)/credit	42,177	17,144	(351)	634
Tax at the statutory tax rate of 28% and 33%	11,890	4,999	(116)	219
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Non-taxable income	(159)	(528)	(159)	(528)
Non-deductible expenditure	1,011	1,250	972	1,054
Grants distributed	(810)	(929)	(810)	(929)
Prior year adjustment	745	1,031	38	9
Prior period deferred tax adjustment	789	77	-	-
Tax loss offsets	336	-	-	-
Income tax expense/(credit)	13,802	5,900	(75)	(175)

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 Trust's income tax rate is 33% and its subsidiaries are at the company tax rate of 28% (2018: 33% and 28%).

	Consolidated		Trust	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Imputation credits				
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2018: 28%)	38,107	33,579	-	-

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Note 8. Current assets - trade and other receivables

	Consolidated		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade receivables	18,229	18,048	12	-
Amounts due from customers for contract work	344	126	-	-
Less: Allowance for expected credit losses	(646)	(589)	-	-
	17,927	17,585	12	-
Related party receivable	310	232	-	-
Prepayments	1,430	1,925	44	19
	1,740	2,157	44	19
Total net trade and other receivables	19,667	19,742	56	19

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 24.

Allowance for expected credit losses
As of 31 March 2019, trade receivables for the Group of $1.8 million (2018: $1.9 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 ageing analysis of all trade receivables and allowance for expected credit losses provided for above are as follows:

	Consolidated		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current	16,570	15,690	12	-
Less than one to three months	677	1,024	-	-
Over three months	680	871	-	-
	17,927	17,585	12	-

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Note 9. Non-current assets - financial assets at fair value through other comprehensive revenue and expense

	Consolidated		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Global bond funds	-	6,391	-	6,391
Global opportunity funds	-	6,772	-	6,772
Global companies fund	6,140	-	6,140	-
Global shares fund	5,512	-	5,512	-
Impact investment enterprise fund	29	-	29	-
	11,681	13,163	11,681	13,163

Impact investment enterprise fund includes a $170,000 uncalled commitment relating to the partnership units acquired in the Impact investment enterprise fund.

The global bond and global opportunity funds were disposed of during the year so the Trust could invest into the global shares and global companies funds.

The respective fair values at the date of derecognition were $6,859,000 and $6,184,000 respectively, and the resulting cumulative loss on disposal was $799,000.

Note 10. Non-current assets - property, plant and equipment

	Electricity network $'000	Fibre network $'000	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Computer hardware $'000	Assets under construction $'000	Total $'000
Consolidated 2018								
Opening net book amount 1 April 2017	531,611	390,943	11,627	29,871	4,518	1,481	4,717	974,768
Additions	33,720	44,130	-	3,301	1,901	261	19,034	102,347
Disposals	(5,193)	-	-	(586)	(105)	(13)	(1,758)	(7,655)
Revaluations	-	-	6,681	-	-	-	-	6,681
Depreciation charge	(18,002)	(16,355)	(149)	(3,271)	(1,027)	(696)	-	(39,500)
Closing net book amount 31 March 2018	542,136	418,718	18,159	29,315	5,287	1,033	21,993	1,036,641
Cost/valuation	714,623	454,083	18,974	47,340	9,426	3,781	21,993	1,270,220
Accumulated depreciation	(172,487)	(35,365)	(815)	(18,025)	(4,139)	(2,748)	-	(233,579)
Net book amount	542,136	418,718	18,159	29,315	5,287	1,033	21,993	1,036,641
Consolidated 2019								
Opening net book amount as at 1 April 2018	542,136	418,718	18,159	29,315	5,287	1,033	21,993	1,036,641
Additions	36,908	67,652	-	1,593	958	1,276	27,780	136,167
Acquisition through business combination	-	-	-	2,524	-	-	-	2,524
Transfers	2,748	-	-	2,138	-	-	(4,886)	-
Disposals	(3,451)	-	-	(45)	(162)	(72)	-	(3,730)
Depreciation charge	(18,362)	(19,458)	(261)	(3,421)	(1,166)	(689)	-	(43,357)
Closing net book amount 31 March 2019	559,979	466,912	17,898	32,104	4,917	1,548	44,887	1,128,245
Cost/valuation	750,903	521,734	18,974	53,552	10,220	4,989	44,887	1,405,259
Accumulated depreciation	(190,924)	(54,822)	(1,076)	(21,448)	(5,303)	(3,441)	-	(277,014)
Net book amount	559,979	466,912	17,898	32,104	4,917	1,548	44,887	1,128,245

Note 10. Non-current assets - property, plant and equipment (continued)

	Electricity network $'000	Fibre network $'000	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Computer hardware $'000	Assets under construction $'000	Total $'000
Trust 2018								
Opening net book amounts 1 April 2017	-	-	-	13	-	-	-	13
Additions	-	-	-	2	-	-	-	2
Depreciation charge	-	-	-	(2)	-	-	-	(2)
Closing net book amount 31 March 2018	-	-	-	13	-	-	-	13
Cost/valuation	-	-	-	52	-	-	-	52
Accumulated depreciation	-	-	-	(39)	-	-	-	(39)
Net book amount	-	-	-	13	-	-	-	13
Trust 2019								
Opening net book amount 1 April 2018	-	-	-	13	-	-	-	13
Additions	-	-	-	5	-	-	-	5
Depreciation charge	-	-	-	(4)	-	-	-	(4)
Closing net book amount 31 March 2019	-	-	-	14	-	-	-	14
Cost/valuation	-	-	-	56	-	-	-	56
Accumulated depreciation	-	-	-	(42)	-	-	-	(42)
Net book amount	-	-	-	14	-	-	-	14

The amount of interest capitalised was $1,452,000 at a weighted average rate of 4.41% (2018: $478,000).

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

Network revaluations and impairment review

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

Note 10. Non-current assets - property, plant and equipment (continued)

In the valuation of the Electricity Network, Deloitte note that the current carrying value is slightly below the valuation midpoint by $0.7M or 0.1%, as at 31 March 2019. Based on Deloitte's analysis, the Directors and Trustees consider that the current carrying value of the network fixed assets can be retained therefore no revaluation has been recorded. The primary valuation method is the discounted cash flow (DCF) methodology, over a 10 year period, with a terminal value based on the estimated regulatory asset base using a multiple of 1.0x. Key inputs are shown in the table below. The valuation of the fixed assets is consistent with the requirements of 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.

In the valuation of the Fibre Network, Deloitte note that the Fibre Network is facing significant uncertainty regarding the future of regulation being considered by the Commerce Commission. The Directors and Trustees are of the view that an appropriate value for the Fibre Network assets is in the range of the current carrying value of $466.9M through to the mid-point of the valuation (excluding WIP) of $480.1M, and consider it is appropriate not to record an upward movement in valuation due to the uncertainty around upcoming regulation together with the introduction of 5G.

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

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

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

*The terminal capital expenditure is $10M

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

	Land and buildings $'000	**Electricity network $'000**	**Fibre network $'000**
Consolidated			
Cost	10,131	569,025	454,083
Accumulated depreciation	(815)	(194,567)	(35,365)
Net book amount as at 31 March 2018	9,316	374,458	418,718
Cost	10,131	608,015	521,734
Accumulated depreciation	(1,076)	(212,161)	(54,822)
Net book amount as at 31 March 2019	9,055	395,854	466,912

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Note 11. Non-current assets - intangibles

	Goodwill $'000	Assets under construction $'000	Computer software - internally generated $'000	Computer software $'000	Easements and consents $'000	Leasehold interest $'000	Total $'000
Consolidated							
Opening net book amount 1 April 2017	79,666	588	163	7,974	5,140	107	93,638
Additions	-	186	4,718	1,008	101	-	6,013
Amortisation charges	-	-	(1,453)	(1,799)	(74)	-	(3,326)
Closing net book amount 31 March 2018	79,666	774	3,428	7,183	5,167	107	96,325
Cost	79,666	774	6,665	25,865	7,519	107	120,596
Accumulated amortisation and impairment	-	-	(3,237)	(18,682)	(2,352)	-	(24,271)
Net book amount	79,666	774	3,428	7,183	5,167	107	96,325
Opening net book amount 1 April 2018	79,666	774	3,428	7,183	5,167	107	96,325
Additions	-	452	823	1,156	143	-	2,574
Disposals	-	-	-	(1)	-	-	(1)
Amortisation charges	-	-	(1,253)	(2,491)	(63)	-	(3,807)
Closing net book amounts 31 March 2019	79,666	1,226	2,998	5,847	5,247	107	95,091
Cost	79,666	1,226	7,488	27,020	7,662	107	123,169
Accumulated amortisation and impairment	-	-	(4,490)	(21,173)	(2,415)	-	(28,078)
Net book amount	79,666	1,226	2,998	5,847	5,247	107	95,091

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Note 11. Non-current assets - intangibles (continued)

	Goodwill $'000	Assets under construction $'000	Computer software - internally generated $'000	Computer software $'000	Easements and consents $'000	Leasehold interest $'000	Total $'000
Trust							
Opening net book amount 1 April 2017	-	-	-	8	-	-	8
Amortisation charge	-	-	-	(4)	-	-	(4)
Net book amount 31 March 2018	-	-	-	4	-	-	4
Cost	-	-	-	54	-	-	54
Accumulated amortisation and impairment	-	-	-	(50)	-	-	(50)
Net book amount	-	-	-	4	-	-	4
Opening net book amount 1 April 2018	-	-	-	4	-	-	4
Disposals	-	-	-	(1)	-	-	(1)
Amortisation charge	-	-	-	(1)	-	-	(1)
Closing net book amount 31 March 2019	-	-	-	2	-	-	2
Cost	-	-	-	53	-	-	53
Accumulated amortisation and impairment	-	-	-	(51)	-	-	(51)
Net book amount	-	-	-	2	-	-	2

Goodwill

Goodwill of $5.2 million arose on the original acquisition of the WEL Networks Group by the Trust. The balance of $74 million of goodwill arose on the acquisition of Ultrafast Fibre Limited by Waikato Networks Limited.

Most of the carrying value of goodwill relates to Ultrafast Fibre Limited as a single cash generating unit. The balance relates to WEL Networks Limited as a single cash generating unit.

The recoverable amount for Ultrafast Fibre Limited was determined using a 'fair value less cost to sell' method, using the Discounted Cashflow (DCF) methodology over a 10 year period and the key inputs include:

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

Note 11. Non-current assets - intangibles (continued)

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

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 and the key inputs include:

- a post tax Weighted Average Cost of Capital (WACC) of 5.9% which is in line with the Electricity Network valuation;
- revenue averaging $97.2M p.a. (excluding transmission), which reflects an expected regulatory ROI of 5.1% during FY21 to FY25 period, then increasing 7% from FY26;
- capital expenditure, including network expansion growth, averaging $42.1M p.a.;
- terminal growth rate of 2%, including network expansion growth;
- terminal capital expenditure of $30M, being the investment required to support the terminal growth above; and
- costs to sell of $15M, at 2.4%.

The conclusion is that there is no impairment to goodwill.

Note 12. Loans advanced

	Consolidated		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Opening loan balance	901	1,014	901	1,014
Loans advanced during the year	150	-	150	-
Gain/(loss) on inception taken to surplus or deficit	(6)	-	(6)	-
Effective interest received	27	20	27	20
Repayments made	(201)	(133)	(201)	(133)
Expected credit losses	(7)	-	(7)	-
Carrying amount	864	901	864	901
Current	86	111	86	111
Non Current	778	790	778	790
	864	901	864	901

The nominal value of loans advanced at balance date was $10,860,000 (2018: $11,010,000).

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.

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Note 13. Current liabilities - trade and other payables

	Consolidated		Trust	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Exchange transactions:				
Trade payables	21,183	17,463	50	29
Goods and services tax	1,654	339	-	-
Other payables	42	61	42	61
Non-exchange transactions:				
Grants payable	-	483	-	483
Total trade and other payables from exchange and non-exchange transactions	22,879	18,346	92	573

Note 14. Current liabilities - borrowings

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

Note 15. Non-current liabilities - borrowings

	Consolidated		Trust	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Maturing between 1 and 2 years	(808)	208,437	-	-
Maturing between 2 and 3 years	63,216	99,606	-	-
Maturing between 3 and 4 years	99,291	10,494	-	-
Maturing between 4 and 5 years (includes bond)	201,301	-	-	-
	363,000	318,537	-	-

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

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

The carrying value of interest bearing bank and bond debt is $462,179,000 (31 March 2018: $407,605,000). The fair value of contractual cash flows is $665,104,000 (31 March 2018: $475,654,000). Refer to note 24.

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

Note 15. Non-current liabilities - borrowings (continued)

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

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 expense 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 16. Current liabilities - provisions

	Consolidated		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Annual leave	2,233	2,196	12	-
Employee benefits	1,538	1,132	-	-
Other	99	283	-	-
	3,870	3,611	12	-

Note 17. Deferred income

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

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

Note 17. Current liabilities - deferred income (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000	Trust 2019 $'000	Trust 2018 $'000
Non current deferred income	915	945	-	-

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

Note 18. Non-current liabilities - provisions

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

Note 19. Non-current liabilities - derivative financial instruments

	Consolidated		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Non current assets				
Interest rate swaps - cash flow hedges	-	285	-	-
Interest rate swaps - fair value hedges	2,538	-	-	-
	2,538	285	-	-
Current and non current liability portion				
Current interest rate swaps - cash flow hedges	(115)	(52)	-	-
Non current interest rates swaps - cash flow hedges	(12,023)	(6,627)	-	-
	(12,138)	(6,679)	-	-
Total net derivatives financial instruments	(9,600)	(6,394)	-	-

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

At 31 March 2019, the fixed interest rates vary from 2.28% to 4.90% (2018: 2.25% to 4.18%), and the main floating rate is Bank Bill Mid Rate (BKBM). Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 March 2019 will be continuously released to the statement of revenue and expense within finance cost until the repayment of the bank borrowings.

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Note 20. Non-current liabilities - deferred tax (assets)/liabilities

	Tax losses $'000	Accelerated tax depreciation $'000	Revaluation of plant and equipment $'000	Provisions and other $'000	Derivative instruments $'000	Total $'000
Consolidated						
Balance as at 1 April 2017	(15,413)	20,429	71,460	4,294	(1,277)	79,493
Charged/(credited) to the statements of comprehensive revenue and expense	(88)	(894)	-	11	-	(971)
Charged directly to equity - revaluations	-	-	1,871	-	-	1,871
Charged directly to equity - derivatives	-	-	-	-	(511)	(511)
Balance as at 31 March 2018	(15,501)	19,535	73,331	4,305	(1,788)	79,882
Balance as at 1 April 2018	(15,501)	19,535	73,331	4,305	(1,788)	79,882
Charged/(credited) to the statements of comprehensive revenue and expense	1,787	9,834	-	(5,546)	(1)	6,074
Charged/(credited) directly to equity - derivatives	-	-	-	-	(1,609)	(1,609)
Charged/(credited directly to equity - adjustment for change in accounting policies	-	(645)	-	-	-	(645)
Balance as at 31 March 2019	(13,714)	28,724	73,331	(1,241)	(3,398)	83,702
Trust						
Balance as at 1 April 2017	-	-	-	(53)	-	(53)
Charged/(credited) to the statements of comprehensive revenue and expense	-	-	-	(207)	-	(207)
	-	-	-	(260)	-	(260)
Balance as at 1 April 2018	-	-	-	(260)	-	(260)
Charged/(credited) to the statements of comprehensive revenue and expense	-	-	-	(98)	-	(98)
Balance as at 31 March 2019	-	-	-	(358)	-	(358)

Note 21. Equity - contributed equity

	Consolidated			
	2019 Shares	**2018 Shares**	**2019 $'000**	**2018 $'000**
Contributed equity	-	-	52,067	52,067

	Trust			
	2019 Shares	**2018 Shares**	**2019 $'000**	**2018 $'000**
Contributed equity	-	-	52,067	52,067

Note 22. Equity - reserves

	Consolidated		Trust	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Revaluation reserve	107,971	109,369	-	-
Hedging reserve - cash flow hedges	(8,739)	(4,605)	-	-
Financial assets at fair value through other comprehensive revenue and expense reserve	665	(563)	665	(563)
	99,897	104,201	665	(563)

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 2017	106,033	(3,287)	(160)	102,586
Revaluation - net	4,810	-	-	4,810
Deferred tax	-	(1,829)	-	(1,829)
Disposal of distribution network assets	(1,474)	-	-	(1,474)
Net fair value gain/(loss) recognised to cash flow hedge reserve	-	511	-	511
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	-	(403)	(403)
Balance at 31 March 2018	109,369	(4,605)	(563)	104,201
Deferred tax	-	1,609	-	1,609
Disposal of distribution network assets	(1,398)	-	-	(1,398)
Net fair value gain/(loss) recognised to cash flow hedge reserve	-	(5,743)	-	(5,743)
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	-	1,228	1,228
Balance at 31 March 2019	107,971	(8,739)	665	99,897

Note 22. Equity - 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 2017	-	-	(160)	(160)
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	-	(403)	(403)
Balance at 31 March 2018	-	-	(563)	(563)
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	-	429	429
Realised loss on disposal of financial assets at fair value through other comprehensive revenue and expense	-	-	800	800
Balance at 31 March 2019	-	-	665	665

Note 23. Equity - retained surplus

	Consolidated		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Retained surplus at the beginning of the financial year	387,564	373,417	88,073	87,264
Adjustment for change in accounting policy (note 2)	(1,727)	-	(4)	-
Retained surplus at the beginning of the financial year - restated	385,837	373,417	88,069	87,264
Surplus/(deficit) after income tax (expense)/credit for the year	29,097	12,673	(276)	809
Disposal of distribution network assets	1,398	1,474	-	-
Realised loss on disposal of financial assets at fair value through other comprehensive revenue and expense	(800)		(800)	
Retained surplus at the end of the financial year	415,532	387,564	86,993	88,073

Note 24. 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 24. 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 2019, 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 (2018: nil).

The Group held a Russell Investments portfolio in Australian dollars which was sold during the year. As at 31 March 2019 if the currency had weakened/strengthened by 10% against the Australian dollar with all other variables held constant, the impact on the post-tax surplus for the year would have been nil (2018: $1.3 million).

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. 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:

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

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.

Note 24. Financial instruments (continued)

Interest rate risk Consolidated 31 March 2019	**Carrying amount $'000**	**+/- 1% Surplus $'000**	**+/- 1% Equity $'000**
Financial assets:			
Cash and cash equivalents	2,133	21	-
Term deposits	1,250	13	-
Trade and other receivables (excluding prepayments)	18,237	-	-
Loans advanced	864	-	-
Derivative financial instruments	2,538	25	-
Financial assets at fair value through other comprehensive revenue and expense	11,681	-	117
Financial liabilities:			
Trade and other payables	22,225	-	-
Borrowings	462,179	2,311	-
Derivative financial instruments	12,138	-	121
Loan from non controlling interest	81,170	812	-
	613,415	3,182	238

Interest rate risk Consolidated 31 March 2018	**Carrying amount $'000**	**+/- 1% Surplus $'000**	**+/- 1% Equity $'000**
Financial assets:			
Cash and cash equivalents	1,853	18	-
Trade and other receivables (excluding prepayments)	17,817	-	-
Loans advanced	901	-	-
Derivative financial instruments	285	-	2
Financial assets at fair value through other comprehensive revenue and expense	13,163	-	131
Financial liabilities:			
Trade and other payables	18,346	-	-
Borrowings	407,605	2,076	-
Derivative financial instruments	6,679	-	66
Customer discount payable	17,590	-	-
Loan from non controlling interest	70,731	707	-
	554,970	2,801	199

Interest rate risk Trust 31 March 2019	**Carrying amount $'000**	**+/- 1% Surplus $'000**	**+/- 1% Equity $'000**
Financial assets:			
Cash and cash equivalents	844	8	-
Term deposits	1,250	13	-
Trade and other receivables (excluding prepayments)	12	-	-
Loans advanced	864	-	-
Financial assets at fair value through other comprehensive revenue and expense	11,681	-	117
Financial liabilities:			
Trade and other payables	92	-	-
	14,743	21	117

Note 24. Financial instruments (continued)

31 March 2018	Carrying amount $'000	+/- 1% Surplus $'000	+/- 1% Equity $'000
Financial assets:			
Cash and cash equivalents	952	10	-
Loans advanced	901	-	-
Financial assets at fair value through other comprehensive revenue and expense	13,163	-	131
Financial liabilities:			
Trade and other payables	573	-	-
	15,589	10	131

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 on going 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 32% (2018: 34%) of its trade debtors owing from the incumbent retailer, Genesis Energy Limited. This debt is subject to a written agreement that requires an investment grade credit rating to be maintained. If the credit rating falls below investment grade then a bond will be required as collateral.

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 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 the 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.

Note 24. Financial instruments (continued)

	Loan Balance	Potential cash shortfall	Probability of default %	Loss allowance
Trust and Group 2018				
Non interest bearing	235	71	2%	1
Interest bearing loans	666	93	5%	5
	901	164		6

	Loan balance	Potential cash shortfall	Probability of default %	Loss allowance
Trust and Group 2019				
Non interest bearing	252	76	2%	1
Interest bearing loans	619	118	5%	6
	871	194		7

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

Consolidated 31 March 2019	Less than one year $'000	Between 1 and 2 years $'000	Between 2 and 3 years $'000	Between 3 and 5 years $'000	5 + years $'000	Total fair value contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Non derivative financial instruments							
Borrowings - non current	6,787	18,493	81,598	330,883	-	551,433	363,000
Borrowings - current	113,671	-	-	-	-	113,671	99,179
Trade and other payables	22,225	-	-	-	-	22,225	22,225
Loan from non controlling interest	3,580	84,417	-	-	-	87,997	81,171
Total non derivatives	146,263	102,910	81,598	330,883	-	775,326	565,575

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Note 24. Financial instruments (continued)

Consolidated 31 March 2019	Less than one year $'000	Between 1 and 2 years $'000	Between 2 and 3 years $'000	Between 3 and 5 years $'000	5 + years $'000	Total fair value contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Derivative financial instruments							
Interest rate swaps							
- inflow	6,690	6,534	6,534	10,537	1,274	31,569	-
- outflow	(9,182)	(9,071)	(8,714)	(12,491)	(1,711)	(41,169)	(9,600)
Total derivatives	(2,492)	(2,537)	(2,180)	(1,954)	(437)	(9,600)	(9,600)

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Consolidated 31 March 2018	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 3 years $'000	Between 3 and 5 years $'000	Total fair value contractual cash flows $'000	Carrying amounts assets/ liabilities $'000
Non derivative financial instruments						
Borrowings - non current	11,680	219,072	109,395	29,410	369,557	318,537
Borrowings - current	93,810	3,427	3,149	5,711	106,097	89,068
Trade and other payables	18,346	-	-	-	18,346	18,346
Customer discount payable	17,590	-	-	-	17,590	17,590
Loan from non controlling interest	2,893	2,893	73,624	-	79,410	70,731
Total non derivatives	144,319	225,392	186,168	35,121	591,000	514,272
Derivative financial instruments						
Interest rate swaps:						
- Inflow	7,843	6,309	5,476	6,136	25,764	-
- Outflow	(8,593)	(7,785)	(7,280)	(8,500)	(32,158)	(6,394)
Total derivatives	(750)	(1,476)	(1,804)	(2,364)	(6,394)	(6,394)

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:

- 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 2019	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets				
Interest rate swaps	2,538	-	2,538	-
Financial assets at fair value through other comprehensive revenue and expense	11,681	-	11,681	-
Total financial assets	14,219	-	14,219	-
Financial liabilities				
Interest rate swaps	12,138	-	12,138	-

Note 24. Financial instruments (continued)

Consolidated 31 March 2018	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets				
Interest rate swaps	285	-	285	-
Financial assets at fair value through other comprehensive revenue and expense	13,163	-	13,163	-
Total financial assets	13,448	-	13,548	-
Financial liabilities				
Interest rate swaps	6,679	-	6,679	-

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.

Categories of financial assets and liabilities

Consolidated - 2019	Financial assets 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	2,133	-	-	2,133
Trade receivables	18,237	-	-	18,237
Term deposits	1,250	-	-	1,250
Loans advanced	864	-	-	864
Derivative financial instruments	-	2,538	-	2,538
Financial assets at fair value through other comprehensive revenue and expense	-	-	11,681	11,681
Total financial assets	22,484	2,538	11,681	36,703
Liabilities				
Trade payables	22,225	-	-	22,225
Borrowings - current	99,179	-	-	99,179
Borrowings - non current	363,000	-	-	363,000
Loans from non controlling interest	81,170	-	-	81,170
Derivative financial instruments	-	12,138	-	12,138
Total financial liabilities	566,244	12,138	-	578,382

Note 24. Financial instruments (continued)

Consolidated - 2018	Loans and receivables at amortised cost $'000	Derivatives used for hedging $'000	Available for sale financial assets $'000	Total $'000
Assets				
Cash and cash equivalents	1,853	-	-	1,853
Trade receivables	17,817	-	-	17,817
Derivative financial instruments	-	285	-	285
Loans advanced	901	-	-	901
Available for sale financial assets	-	-	13,163	13,163
Total financial assets	20,571	285	13,163	34,019
Liabilities				
Trade payables	18,346	-	-	18,346
Borrowings - current	89,068	-	-	89,068
Borrowings - non current	318,537	-	-	318,537
Loan from non controlling interest	70,731	-	-	70,731
Derivative financial instruments	-	6,679	-	6,679
Customer discount payable	17,590	-	-	17,590
Total financial liabilities	514,272	6,679	-	520,951

Trust - 2019	Financial assets 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	844	-	-	844
Trade receivables	12	-	-	12
Term deposits	1,250	-	-	1,250
Loans advanced	864	-	-	864
Financial assets at fair value through other comprehensive revenue and expense	-	-	11,681	11,681
Total financial assets	2,970	-	11,681	14,651
Liabilities				
Trade payables	92	-	-	92
Total financial liabilities	92	-	-	92

Note 24. Financial instruments (continued)

Trust - 2018	Loans and receivables $'000	Derivatives used for hedging $'000	Available for sale financial assets $'000	Total $'000
Assets				
Cash and cash equivalents	952	-	-	952
Loans advanced	901	-	-	901
Available for sale financial assets	-	-	13,163	13,163
Total financial assets	1,853	-	13,163	15,016
Liabilities				
Trade payables	573	-	-	573
Total financial liabilities	573	-	-	573

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.

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.

Consolidated	2019 $'000	2018 $'000
Borrowings - non current	363,000	318,537
Borrowings - current	99,179	89,068
Loan from non controlling interest	81,170	70,731
Less: cash and cash equivalents	(1,289)	(901)
Net debt	542,060	477,435
Net debt	542,060	477,435
Total equity	555,293	531,223
	1,097,353	1,008,658
Gearing ratio	49.00%	47.00%

Note 25. Contingent liabilities

The Trust and Group have contingent liabilities 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 total amount committed to multi-year grants at 31 March 2019 was nil (2018: $355,500).

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

A breakdown of the contingent liabilities are as follows:

Beneficiary	Supporting	Amount $'000
Crown Fibre Holdings Limited	Ultrafast Fibre Broadband (UFB1) Contract	5,000
Crown Fibre Holdings Limited	Ultrafast Fibre Broadband (UFB2/UFB2+) Contract	5,000
Energy Clearing House Limited	OurPower Electricity Retailing	250
Energy Clearing House Limited	Opunake Hydro Electricity Retailing	2,500
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.

Note 26. Commitments

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

Operating lease commitments

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

Note 26. Commitments (continued)

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

	Consolidated		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Not later than one year	1,299	998	42	41
Later than one year and not later than two years	1,251	648	31	41
Later than two years and not later than five years	3,599	1,789	-	31
Later than five years	7,952	5,427	-	-
Total non-cancellable operating leases	14,101	8,862	73	113

Note 27. 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 names of the trustees at any time during the financial year are as follows: M Ingle, D Harding, B Chibnall, R Hamill, K Williams, C Stephen, M Rolton and C Isaac. All of these persons were also trustees during the year ended 31 March 2018.

The Trust has delegated operational running of the subsidiaries to the Directors of WEL Networks Limited. The names of persons who were directors of WEL Networks Limited at any time during the financial year are as follows: R Campbell, T Barnes, P D McGilvary, A V Steele, C Steele, B Harris, G Lawrie, K Goodall, C Kinser and M Franklin. All of these persons were also directors during the year ended 31 March 2018 with the exception of T Barnes and C Kinser who were appointed on the 28th June 2018 and 24th August 2018 respectively.

Transactions with key management personnel
There is one key management personnel in the Trust, alongside 7 trustees for the years ended 31 March 2019 (31 March 2018: 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.

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

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

	2019 $'000	2018 $'000
Trustee Remuneration:		
Chairperson	43	43
Deputy Chairperson	36	36
Trustees	29	29

Note 27. Related party transactions (continued)

	Consolidated		Trust	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trustees				
Short term benefits	224	212	224	212
Directors:				
Short term benefits	612	594	-	-
Executives:				
Short term benefits	4,179	4,233	135	119
Post employment benefits	191	294	4	4
Termination benefits	493	-	-	-
	5,699	5,333	363	335

Related party transactions with WEL Networks Limited

	Consolidated		Trust	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Interest on convertible note	-	-	2,449	2,449

Total dividends paid by WEL Networks Limited during the year were $350,000 net (2018: $548,000 net). The amount of dividends per share was $0.0429 (2018: $0.0672). There were no outstanding balances between WEL Networks Limited and the Trust at year end (2018: nil).

Note 27. Related party transactions (continued)

Related party transactions with Waipa Networks Limited

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

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

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

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

Related party transactions with Smartco Limited

	Consolidated		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Other income	846	1,301	-	-
Operating expenses (contract services expenditure)	(485)	(517)	-	-
Purchases of plant and equipment	(732)	(548)	-	-
Advances to related party	210	210	-	-

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

Note 28. Interests in subsidiaries

Trust	2019 $'000	2018 $'000
Shares in WEL Networks Limited at cost	85,797	85,797
Convertible notes - current	10,000	-
Convertible notes - non current	29,000	39,000
	124,797	124,797

Note 28. Interests in subsidiaries (continued)

Convertible notes
WEL Networks Limited issued $39.0 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 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.

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

Shares in WEL Networks Limited
WEL Energy Trust Limited owns 8,153,000 shares (100%) (2018: 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 2019 %	2018 %
Waikato Networks Limited	New Zealand	Construction of fibre network	85.00%	85.00%
Ultrafast Fibre Limited**	New Zealand	Construction of fibre network	85.00%	85.00%
WEL Services Limited (amalgamated 29 March 2019)	New Zealand	Construction and maintenance of electricity network	-	100.00%
Opunake Hydro Holdings Limited	New Zealand	Energy and utility	51.00%	33.00%
Non Operating Subsidiaries:				
WEL Electricity Limited (deregistered 22 May 2018)		Shell company	-	100.00%
WEL Power Limited (deregistered 22 May 2018)		Shell company	-	100.00%
WEL Energy Group Limited (deregistered 22 May 2018)		Shell company	-	100.00%
Waikato Electricity Limited (deregistered 27 August 2018)		Shell company	-	100.00%
WEL Generation Limited (deregistered 22 May 2018)		Shell company	-	100.00%

**Subsidiary of Waikato Networks Limited

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

Note 28. Interests in subsidiaries (continued)

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

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

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

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

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

Note 28. Interests in subsidiaries (continued)

Set out below is the summarised financial information for Opunake Hydro Holdings Limited for 2018 when it was accounted for using the equity method:

Opunake Hydro Holdings Limited	**2019 $'000**	**2018 $'000**
Summarised consolidated balance sheet:		
Current:		
Assets	-	1,710
Liabilities	-	(1,928)
Total current assets	-	(218)
Non current:		
Assets	-	4,580
Net assets	-	4,362
Reconciliation of summarised income statement		
Opening net assets as at acquisition being 8 September 2017	-	6,368
Loss for the period	-	(1,906)
Closing net assets	-	4,462
Fair value of net assets acquired at acquisition	-	2,072
Share of loss	-	(629)
Goodwill	-	152
Carrying value	-	1,595
Consideration	-	2,224
Fair value of net assets acquired	-	(2,072)
Goodwill	-	152

Note 29. Events after the reporting period

Apart from the convertible notes redeemed as disclosed in Note 28, and the item disclosed below, no other matter or circumstance has arisen since 31 March 2019 that has significantly affected, or may significantly affect the Trust or Group's operations, the results of the operations or the Trust or Group's state of affairs in future financial years.

Since 31 March 2019, the Group has renewed the bank facilities that were due to mature in August 2019 of $100 million, with $25 million having a maturity date of 30 November 2021 and $90 million having a maturity date of 30 November 2022.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

Note 30. Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities

	Consolidated		Trust	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Surplus/(deficit) after tax	28,375	11,244	(276)	809
Depreciation and amortisation expense	47,164	42,826	5	7
Loss on sale of property, plant and equipment	3,167	5,489	2	-
Deferred tax asset	10,207	(975)	(96)	(207)
Share of loss of joint venture	266	629	-	-
Effective interest on loans advanced	(25)	(20)	(25)	(20)
Net investment reinvested	(146)	(1,721)	(146)	(1,721)
Gain/(loss) on translation of foreign currency	-	277	-	277
Finance costs	20,846	18,704	-	-
Add/(less) movements in working capital items:				
(Increase)/Decrease in trade and other receivables	(2,193)	134	-	(7)
(Increase)/Decrease in trade and other payables	(11,152)	9,113	(481)	365
Increase/(Decrease) in income tax payable	2,045	4,616	-	-
Net cash inflow/(outflow) from operating activities	98,554	90,316	(1,017)	(497)

FINANCIALS

Independent auditor's report

To the Beneficiaries of WEL Energy Trust

We have audited the financial statements which comprise:

- the statements of financial position as at 31 March 2019
- 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.

Our opinion

In our opinion, the accompanying financial statements of WEL Energy Trust (the Trust), and the consolidated financial statements of the Group, comprising the Trust and its subsidiaries, present fairly, in all material respects, the financial position of the Trust and the Group as at 31 March 2019, their financial performance and their cash flows for the year then ended in accordance with Public Benefit Entity Standards.

Basis for opinion

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

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

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

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

Information other than the financial statements and auditor's report

The Trustees are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

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.

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T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz

Responsibilities of the Trustees for the financial statements

The Trustees are responsible, on behalf of the Trust, 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/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/
This description forms part of our auditor's report.

Who we report to

This report is made solely to the 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 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 Jolly Morgan.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
15 July 2019

Auckland

Clear, Constructive Communication

We create understanding through open and informative engagement.

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