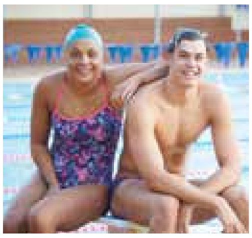
WEL ENERGY TRUST



ANNUAL REPORT

for the year ended 31 March 2016

'Here for the Community'

SCHEDULE OF CONTENTS

ABOUT WEL ENERGY TRUST

BACKGROUND

WEL Energy Trust was formed in 1993 for the purpose of holding shares in the newly created lines company WEL Energy Group after some government-led industry restructuring.

The Trust is the 100% shareholder of WEL Networks Ltd, and owns these shares on behalf of the community. WEL Networks Ltd owns the lines in Hamilton City, Waikato district and a small part of Waipa district. WEL Networks Ltd is also a shareholder of Ultrafast Fibre Ltd, which was established in 2010 to fulfil a NZ Government initiative to roll out ultrafast broadband (UFB) across eight centres in the North Island. WEL Energy Trust has seven Trustees who are publicly elected every three years, with the last triennial election held in June 2014.

OUR VISION

'A FORWARD THINKING, VIBRANT, CONNECTED COMMUNITY'

OUR CORE PURPOSE

'GROWING INVESTMENT FOR OUR COMMUNITY'

WEL Energy Trust meets this core purpose by being diligent shareholders, and by using its income as effectively as possible. Since formation in 1993, WEL Energy Trust has supported WEL Networks to return more than $260 million to WEL Networks customers through electricity bill discounts, and has invested over $60 million through community and energy efficiency grants. More than $2 million is invested each year to support well over 200 community organisations.

OUR VALUES

1 PURPOSE DRIVEN
Our actions deliver a clear, positive outcome.

2 RESPECTFUL
We openly and fairly listen to and consider the opinions of each other and stakeholders.

3 EMBRACE POSITIVE CHANGE AND SEEK CONSTANT IMPROVEMENT
We are willing to challenge the status quo and strive to achieve improved outcomes.

4 INTEGRITY AND HONESTY
We act in good faith and are prepared to be held accountable.

5 CLEAR, CONSTRUCTIVE COMMUNICATION
We create understanding through open and informative engagement.

ORGANISATIONAL DIRECTORY

TRUSTEES

(for the year ended 31 March 2016)

From left to right

- Mark Bunting (until 25 February 2016)
- Denise Harding (Deputy Chair)
- Rob Hamill
- Mark Ingle (Chair)
- Charlotte Isaac
- Brad Chibnall
- Kathryn Williams

The next Trust Election will be held in June 2017.

STAFF

Raewyn Jones
(Trust Manager)

David Cowley
(Grants Manager)

Sarah Lewis
(Financial Administrator)

Shelley Halpin
(Trust Secretary)

TRUSTEE SUB-COMMITTEES/ PORTFOLIO AREAS

- **Energy Efficiency** .... Rob Hamill (Chair), Denise Harding, Kathryn Williams
- **Communications** .... Kathryn Williams (Chair), Mark Bunting
- **Finance** .... Brad Chibnall (Chair), Mark Ingle
- **Risk Management** .... Denise Harding (Chair), Charlotte Isaac
- **Community Visits** .... Denise Harding, Kathryn Williams, Charlotte Isaac
- **Industry Updates** .... Rob Hamill

ADVISORS

- **Accountants** .... Staples Rodway Waikato LP, Hamilton
- **Energy Industry** .... KPMG, Hamilton, Third Bearing
- **Solicitors** .... Tompkins Wake, Hamilton
- **Bankers** .... ASB Hamilton Commercial Banking, Bank of New Zealand, Hamilton ANZ Banking Group, Wellington
- **Auditors** .... PricewaterhouseCoopers, Hamilton

CHAIR'S REPORT

CORE PURPOSE
GROWING INVESTMENT FOR OUR COMMUNITY

WEL Energy Trust meets this core purpose by being diligent shareholders and prudent operators.

The following Chair's Report provides specific comment on WEL Energy Trust ('the Trust') operations only. The financial statements include the Trust and WEL Networks Ltd ('the Company') and subsidiaries thereof. The Annual Report of the Company provides commentary on all activities of the Company and its subsidiaries.

Between the Trust and the Company we ensure benefit is provided to the community in several ways; in the form of a lines charge discount direct to customers which is managed and delivered by the Company, through distributions or 'grants' to community organisations and to regional projects by the Trust, through reinvestment in the network to keep the lights on, and through strategic distributions that leverage third party contributions, such as the Healthier Homes programmes and Energy Efficiency projects.

In 2014 the Trust conducted research and consultation to develop a new five year strategic Community Investment model. This was adopted and implemented from 2015.

FINANCIAL RESULTS

The Trust recognises the need to align our resources with our strategic intent, and regularly monitors, reviews and improves our governance and management practices. This includes ensuring the effectiveness of our investment regime, and managing investments and risks in a diligent manner.

The Trust produced a net surplus (after tax and distribution) of $45,160 (2015: $177,546).

Operating income was $3,399,478 (2015: $3,747,897) compared to a budget of $3,457,724, and operating expenditure was $66,000 lower than budget. Income was down by $350,419 compared to last year due to a reset of the convertible note with the Company resulting in a lower interest rate than previously achieved and reducing interest rates via the trading banks.

The interest received via the convertible note was $2,455,910 compared to $3,120,000 in previous years. A reset of the convertible note rate was required due to reducing market interest rates. This resulted in a reduction in Trust income of approximately 18%. The interest savings for the Company were partially offset by the Trust receiving a net dividend from the Company of $350,000.

The Trust provided grants of net $2,635,922 (2015: $2,424,195).

INVESTMENT

The Trust has maintained its investment in the Company, and had $12,444,978 held in cash and term deposit investments.

The next independent valuation of the Trust's investment in the Company is due next year, March 2017. The Trust only requires an independent market valuation every three years and this is provided for management reporting purposes only. As such, the value of the Trust's investment in the Company, as disclosed in the Parent-only column of the Financial Report, is reported at cost.

The Trust has sought to maintain a balance of at least $10,000,000 in term deposits. A further $2,000,000, less committed funds, is also set aside for the Trust's community lending programme.

BENEFICIARIES

The Trust has two types of beneficiaries; Income Beneficiaries and Capital Beneficiaries. Income Beneficiaries who may receive benefit from the annual operating income of the Trust are the Company, the customers, energy-related projects, regional and community projects and charitable or Not For Profit organisations. The Capital Beneficiaries, being Hamilton City Council, Waikato District Council and Waipa District Council, will receive a capital benefit on the winding up of the Trust on its termination date, currently 2073.

Benefits for income beneficiaries during the year included the Trust's ongoing support of the Company discount programme, returning $21.6 million to the Company's customers, and $2.6 million in grants across other income beneficiary areas.

This was the first year of implementation for the Trust's 2015-2019 Community Investment model, which aims to maximise the long term impact of grants through strategic focus areas. The Trust continues to support "grass roots" projects in the community through the Quick Response grants of $5,000 or less. An amount of $400,000 was budgeted for this fund, and this was fully allocated. Three Community Support grants rounds, which are for grants of $5,000 and above, focused on four strategic outcome areas; Flourishing Families, Enhancing Image and Community Pride, Energy Efficiency, and the new focus area of Business and Economic Development.

Other investments included a single grant of $160,000 from the Major Transformational Projects fund (Hamilton Gardens Destination Playground), and partnership funding through multi-year grants. WEL Energy Trust has been looking at ways it can support communities in addition to grant making and has developed a 'toolbox' of other community support mechanisms, such as the establishment of a Convening and Organisational Development fund.

WEL NETWORKS

The Company continues to operate as a successful business. The Company's efficient operation, measured by the cost of operations per customer, means it is the number three performer out of 29 Lines Companies in New Zealand. The network's urban reliability delivers a similar story. The strategic focus has seen it build capacity, optimise the core lines business, leverage its investments and have an eyes-open approach to new market opportunities.

Annually, the Trustees review the performance of the Company and its strategic direction, along with the performance of the Directors. The business complexity has increased significantly over the past few years as the opportunity created by the Company's Ultrafast Fibre investment has materialised. The Trustees value the open constructive dialogue that exists between the Trust and the Company, and the Trust continues to support the Board and management, and the strategic direction that the Company is moving in.

The Trust continues to discuss the cost of electricity with the Company to ensure that it maintains a sustainable balance between capital expenditure and maintenance on the network, the discount programme, the cost of service delivery per customer, and the WEL Networks pricing pathway (2015 CPI adjustment only; 2016 target is no adjustment). The Company and Trust continue to advocate for transparency of power bills.

During the year the terms of two Directors, Paul McGilvary and Mark Franklin, were extended for a further three years.

STRATEGIC REVIEW

As noted in my report last year, extensive research had been undertaken to inform the establishment of our 2015-2019 Community Investment model. Research continued into the current year, including surveys of community people and organisations.

There was increased activity between the Trust and other electricity/community trusts around New Zealand.

KPMG was engaged to conduct the annual review of the Trust's investments as required by the Trust Deed.

LOOKING AHEAD

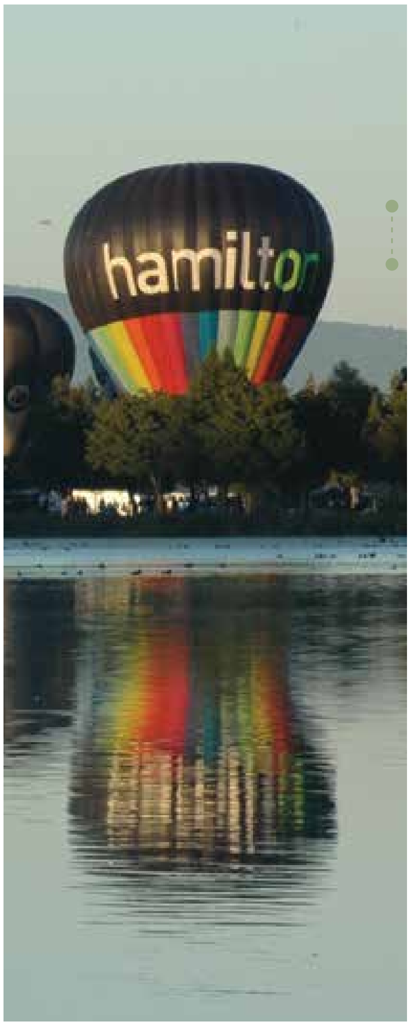
The Trust continues to be a member of the Electricity Trusts of New Zealand, with a good level of Trustee attendance at the bi-annual ETNZ conferences. Of particular interest are the activities of the Commerce Commission and Electricity Authority, along with developing technologies impacting the energy sector.

As we move into the second year of the new Community Investment model the Trust team assessments will have an even greater emphasis on the Trust's strategic outcome areas, while also continuing our commitment of adding value outside of grant making.

The Trust's annual plan was adopted at the March 2016 Trust meeting. The Trust's income has come under enormous pressure with interest rates declining further, and again the Company has declared a dividend of $350,000 to further support the Trust and its activities in the community.

Included in the annual plan are a number of strategic activities as we seek to do the ground work for the Trust's next five year strategic plan. The Trustees have agreed that the reviews required to inform the next strategic plan should be comprehensive and all-encompassing.

MARK INGLE, Chairman



OUR GRANTS AT A GLANCE

TOTAL GRANTS
295

QUICK RESPONSE GRANTS up to $5000
156

COMMUNITY SUPPORT GRANTS over $5000
139

of which

MULTI-YEAR GRANTS
27

21%
OF TOTAL GRANT AMOUNT

75%
OVERALL APPLICANT SUCCESS RATE

AVERAGE GRANT $9,049

TOTAL GRANT AMOUNT $2,635,922

MEDIAN TIME TO COMPLETE APPLICATION

2.0 HRS
QUICK RESPONSE

3.5 HRS
COMMUNITY SUPPORT

GRANT RECIPIENTS

The following 7 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.

GRAEME DINGLE FOUNDATION

Formerly Waikato Youth Empowerment Trust

2015/16 FUNDING RECEIVED **$22,500**

PURPOSE: Programme delivery and support.

Graeme Dingle Foundation Waikato (formerly known as FYD Waikato) holds the vision that 'every young person is connected and contributing to their community'.

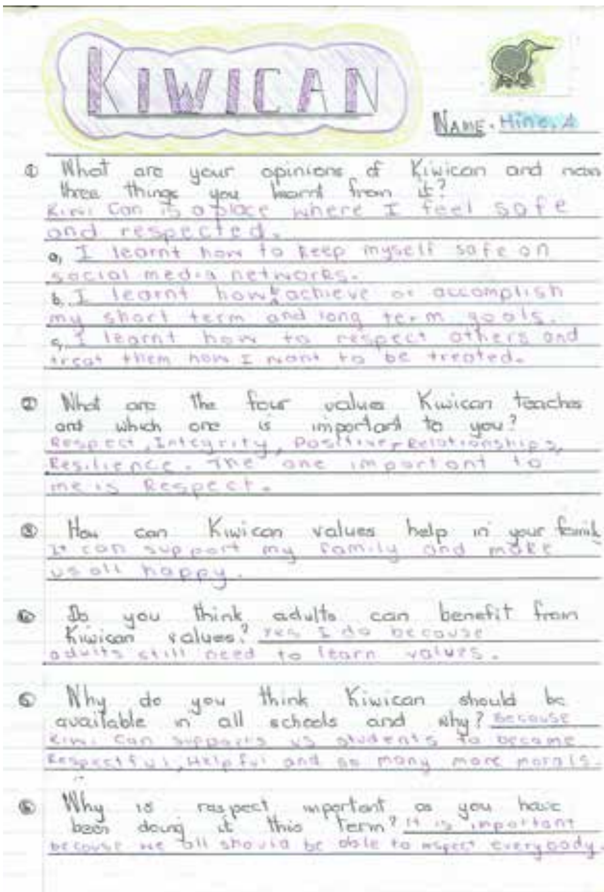
Participants positively impact young lives by delivering quality, evidence-based year-long programmes in high-need areas of Hamilton and Huntly. 'Kiwi Can' is for primary school children and 'Stars' for youth.

Children who are raised in challenging circumstances are less likely to develop valuable life skills that will hold them in good stead through life's challenges. Children receive a 'Kiwi Can' lesson every week of the school year during their time at primary school.

In 'Kiwi Can' lessons, participants explore themes designed to develop social, behavioural, moral, interpersonal, emotional, cognitive and civic competence. They learn to persevere, problem solve, set goals, make good choices, be accountable and to resolve conflict. They also develop leadership skills and understand about being a role model and fair play.

"I used to use my fists. Now I use my words."

Kiwi Can Kid


KIWICAN

NAME. Hine. A

1 What are your opinions of Kiwican and name three things you learnt from it?
Kiwi Can is a place where I feel safe and respected.
a, I learnt how to keep myself safe on social media networks.
b, I learnt how to achieve or accomplish my short term and long term goals.
c, I learnt how to respect others and treat them how I want to be treated.

2 What are the four values Kiwican teaches and which one is important to you?
Respect, Integrity, Positive Relationships, Resilience. The one important to me is Respect.

3 How can Kiwican values help in your family
It can support my family and make us all happy.

4 Do you think adults can benefit from Kiwican values? Yes I do because adults still need to learn values.

5 Why do you think Kiwican should be available in all schools and why? Because Kiwi Can supports us students to become Respectful, Helpful and so many more morals.

6 Why is respect important as you have been doing it this term? It is important because we all should be able to respect everybody.

WESTERN COMMUNITY CENTRE

2015/16 FUNDING RECEIVED **$17,500**

PURPOSE: Community centre.

The Western Community Centre exists to provide services that enhance and evolve to meet the physical, spiritual, social and emotional well-being of the people in the Hamilton West community.

The vision is to contribute towards building thriving, vibrant, healthy and self-reliant communities.

Since 1979 the centre has grown into a vibrant hub attracting many diverse groups of people with 5000-8000 visits being made each month. Each year over 70 unique services are offered - activities, events and programmes that contribute towards improving the quality of life for people.

Being immersed in the community, the centre is able to respond and act quickly to minimise and resolve community tensions and frustrations. Local solutions for local challenges!

In 2015 the centre received funding to install a solar power system. In six months this system has produced over 10,000 kilowatt-hours and has contributed to cost savings of $2000.

“We really appreciate the work of the WEL Energy Trust and the support that has been given over many years. We acknowledge the time the Trust has taken to listen to our success stories, the demands and challenges our community faces and the role community centre’s play in Hamilton Neighbourhoods. Thank you for partnering with us to make a positive difference!”

Neil Tolan - Manager

SWIMMING WAIKATO

2015/16 FUNDING RECEIVED **$15,000**

PURPOSE: Salary support for Events and Administration support role.

Swimming Waikato works alongside 23 affiliated clubs to provide development opportunities to more than 2,400 members.

They understand that swimming is more than just a sport, it is a recreation activity for many New Zealanders, and it is important to us that our programmes help our community stay safe in the water.

"Funding from WEL Energy Trust allows us to focus our efforts on community delivery and developing innovative ways to engage children and their families in our sport. A recent example has been the development of our Swimming for Life Resources which are available for schools and clubs throughout the region and provide an effective and interactive plan for delivering lessons to young New Zealanders."

"Wow! The programme was awesome for both the children and teacher development. We had our country schools swimming sports yesterday and only two children from all of year 4 up did not swim 25m freestyle. These two 8 year olds are only a week or so away from being able to do this. I wish I could give you a percentage of how much better this is but unfortunately I can only say that it is heaps better and noticeably less children swam widths than length races in all strokes."

"We have also just had parent interviews and children shared that they were really proud of their swimming improvement. Aileen and Chris worked well as a team and when on her own Aileen was tireless in her enthusiasm, commitment and ability to make kids feel great about their learning. I personally pumped both Chris and Aileen for information and feel my swim teaching has improved to another level.

Thank you for giving our school this opportunity. Should we be given this opportunity again we would welcome it with open arms."

Sally McNeilage - Whenuakite School

SHAMA HAMILTON ETHNIC WOMEN'S CENTRE TRUST

2015/16 FUNDING RECEIVED **$22,500**

PURPOSE: Contribution to operating costs.

Providing a safe and welcoming place for local ethnic women to go, meet others, learn new skills, and access services, information and social work support is just a snapshot of the reason-for-being behind SHAMA Hamilton Ethnic Women's Centre.

SHAMA works to empower ethnic women so they can integrate into New Zealand and raise safe and successful families and communities, motivating them to exercise their rights and responsibilities, live a life of dignity, free from fear of violence and be recognised as valuable members of the community.

The feedback has been very positive. More than 65 women came to SHAMA classes during 2015 while their social workers supported 129 clients.

"The funding from WEL Energy Trust has been essential to keep our centre's doors open where ethnic women find support and friendship, celebrate our achievements, deliver Life Skill classes, domestic violence and positive relationship workshops, and provide social work support to our clients while maintaining a solid team working for our community."

Silvana Erenchun - SHAMA Manager

GRANT RECIPIENTS

K'AUTE PASIFIKA TRUST

2015/16 FUNDING RECEIVED **$4,000**

PURPOSE: To purchase craft items for the elderly group to utilise in the weekly Elderly Day programme, and to support group outings.

K'aute Pasifika is a Pacific Island Initiative, operating from a strong foundation of spiritual and cultural values, providing a comprehensive range of services to Pacific Peoples and disadvantaged groups.

Their vision is for dynamic, healthy, strong, educated, collaborative, sustainable Pacific Communities living to their full potential. K'aute Pasifika aspires to deliver quality services to improving health care, and homebased nursing services to support better care in the community.

Outcomes include:

- Increased socialisation – Day outing activities.
- Increased mobility and maintenance of healthy bones – Day outing activities.
- Increased manual dexterity and coordination – Arts and crafts activities
- A sense of productivity whilst socialising – Arts and crafts activities.
- Maintenance of mental fitness and motor skills – Physical activities.
- Memory stimulation, problem solving and socialisation – Cognitive activities.

"We are now able to offer a range of a variety of stimulating and exciting activities, and the grant funding has enabled the resources to be purchased to support a range of activities to improve the holistic wellbeing of Pacific Communities."

COMMUNITY & ENTERPRISE LEADERSHIP FOUNDATION (CELF)

2015/16 FUNDING RECEIVED (FROM 2014/15 GRANTS BUDGET)

$40,000

PURPOSE: Enhancing leadership potential in the Waikato Region.

The founders of the CELF programme had a vision to build future Waikato leaders from all walks of life who can re-imagine wealth creation from a social, community, environmental, cultural and economic perspective.

CELF brings leaders from for-purpose and for-profit sectors into a nine month leadership journey. They engage in leadership development, networking, mentoring, and connecting with their community.

WEL Energy Trust's contribution enabled CELF to sponsor four leaders from the for-purpose sector into the leadership programme. The Trust's contribution, along with sponsorship from the business community, enabled CELF to provide company and community visits, speakers into the programme, future short courses for specific skill development, and to develop mentoring relationships with participants.

"Whilst somewhat apprehensive as to what the programme would involve and benefits it would deliver, I now can't speak highly enough of the programme. It's been great mixing with the other participants learning a great deal from their own experiences and backgrounds. The quality of the programme overall has been exceptional, great speakers and field visits to places you wouldn't normally get the privilege of seeing. To me it hasn't always been about learning either, but making sense or providing the theory to practical experiences which is hugely valuable. For me the stand-out has been digging deep on my own personal purpose statement and understanding myself as a leader. If you're privileged to get the opportunity, don't think twice."

Graeme Geurts BNZ Partners, Senior Partner - East Waikato

"While on the Community Leadership Programme I have heard leadership wisdom from the leaders themselves, and been challenged to explore my own personality and leadership style, and how I have come to be the person I am today. But this is only one side of the programme; the field visits to see and hear about leadership in action have just been brilliant, energising and opened my eyes to the world of leadership beyond the state sector and not for profit and how there is so much we share across all work environments."

Wayne Naylor Director of Nursing - Hospice Waikato

COMMUNITY LOANS - TE RONGOPAI COMMUNITY TRUST

WEL Energy Trust staff and Trustees admit to having the "warm fuzzies" after the early repayment of one of the Trust's first community loans.

In July 2014, WEL Energy Trust loaned the Te Rongopai Community Trust $110,000 over five years to help complete the Good News Community Centre in Nawton.

Te Rongopai had been turned down by banks after raising $450,000 through personal pledges towards the $1 million project. The rest came from grants or donations of time and materials from local businesses.

WEL Energy Trust are thrilled to see the community centre up and running, knowing the Trust had played a small part in making it happen. In addition to the loan, WEL Energy Trust granted $35,000 to the project in 2011/12.

WEL Energy Trust implemented a community loans scheme in mid-2013 and approved its first loan in August that year. Since then a further three loans have been made, totalling $1.13 million. The existing loans support housing for people with disabilities, a youth centre and emergency housing.

The community loans scheme was established by WEL Energy Trustees to enable viable community projects to succeed faster. The loans can also be used to help organisations purchase critical assets and income-generating businesses with strong social benefit.

WEL Energy Trust will look at lending up to $500,000 over a maximum 10-year term. Loans can be made at any time and staff are always available to talk to groups about potential applications.

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.

Embrace Positive Change and Seek Constant Improvement

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

BALLOONS OVER WAIKATO TRUST

2015/16 FUNDING RECEIVED (FROM 2014/15 BUDGET) **$70,000**

Convening and Organisational Development: $10,000

PURPOSE: Event Costs and Support for Application to Major Events NZ.

The Balloons over Waikato Trust is a not-for-profit organisation and has been successfully running this event for the previous 13 years. The Festival is a major iconic event for the general public on the annual calendar in both Hamilton and the Waikato Region. More than 130,000 spectators attended the annual Balloons over Waikato Festival this year, with a record crowd of 80,000 attending the ASB Nightglow at Waikato University alone. Tens of thousands more had the opportunity to become involved at other sites throughout the Waikato region.

Admission to this fabulous community event is free-of-charge.

"WEL Energy Trust's support is invaluable in ensuring this event remains free to the thousands that attend. This year WEL Energy Trust's support of the Free Breakfast was especially important as we were able to supply the first 2000 people to Innes Common with a free breakfast."

"Most Hamiltonians will have experienced the awesome spectacle of a hot air balloon floating over their home, workplace, or school in event time. The Festival provides the public of the Waikato with entertainment with a WOW factor that can best be described as 'Magical' and thanks to WEL Energy Trust's grant, we will continue to provide the best show in Hamilton for free."

CONVENING AND ORGANISATIONAL DEVELOPMENT FUND

The Trust further supported this iconic event to move to the next level by providing $10,000 from the Trust's newly developed 'Convening and Organisational Development' fund to support an application to Major Events NZ.

2016 HAMILTON GARDENS ARTS FESTIVAL

2015/16 FUNDING RECEIVED **$60,000**

PURPOSE: Event costs

The 2016 Hamilton Gardens Arts Festival again brought to life the Hamilton Gardens for 10 days in February.

The festival delivered:

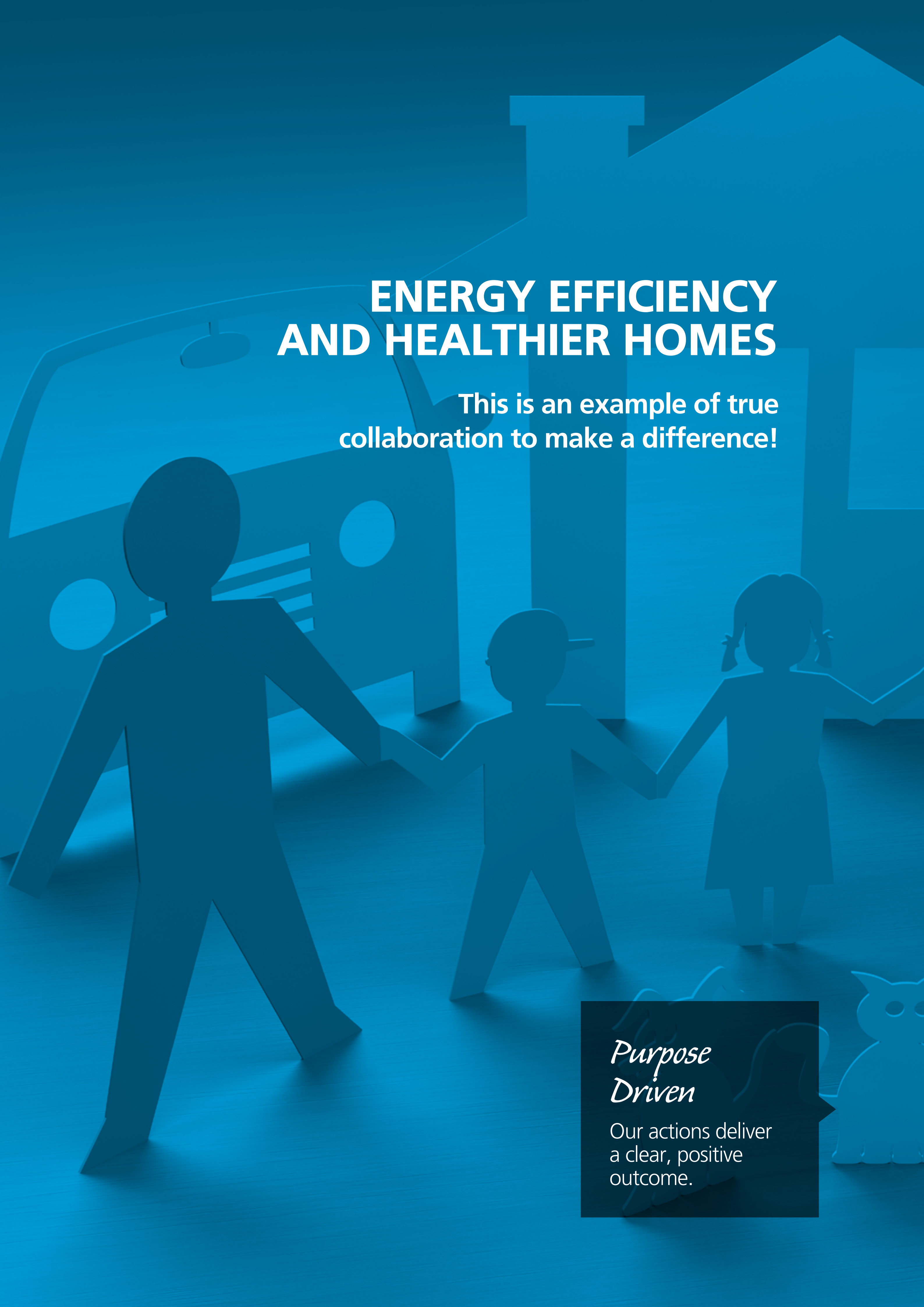
- 67 events including two major exhibitions.
- Performances in Theatre, Music, Dance, Comedy, Art, Reading and Writing
- Over 500 artists, 300 from within the Waikato, 150 national artist and 50 international artists
- 16,385 ticketed attendees
- 78,497 free or gold coin attendees

The Hamilton Gardens Arts Festival made a significant impact in our region by attracting 94,882 people over the course of the 10 day event. The festival delivered 40% of its activities for free or low cost to participants ensuring that everybody is able to engage with the event.

The Hamilton Gardens Arts Festival is a key part of the Waikato summer calendar and the objectives of the festival are well aligned to those of WEL Energy Trust.

"Multi year funding from WEL Energy Trust has given the festival security to continue to plan and strategise to deliver the best festival possible for the people of the Waikato region. WEL's ongoing support is priceless to the festival and we will always continue to strive to aligning the objectives of our organisation with theirs."

Becks Chambers - Festival Director



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 - GOOD NEWS STORY

WEL Energy Trust committed funding of $100,000 in 2014 towards the provision of materials to help create safe, healthy, warm homes for Waikato families.

In 2015/16 a further $90,000 was committed by the Trust to support Whare Ora.

"Awesome what you guys are doing. It's all happening so fast!"

"Insulation is really, really, really good! The house is so warm – hot even over the summer. It's going to be so nice in the winter. It's done wonders! There are no more draughts through the kitchen floor."

"I thought 'here we go, this is going to take ages' when it all started, and that you'd just rush in at winter to get everything sorted, but you guys came in early and got everything done in heaps of time."

"The heaters for the kids rooms are going to make such a big difference."

"The kids are so happy. They love their new bunks and blankets. They're all sleeping in their own beds now, and they're sleeping heaps better."

The Whare Ora (Healthy Homes) project is being coordinated by the Waikato District Health Board, in collaboration with a number of other organisations including Habitat for Humanity, the Ministry for Social Development, the NZ Fire Service, Hamilton City Council and the Warehouse, and is supported by WEL Energy Trust as well as other funders.

Here's a great story about the difference Whare Ora makes…

The Tuakura's

"This Programme is such a blessing, I am so grateful and humbled that people would really care about us this much. Support groups had came around before but the problem was always too big. Everyone told us give up because no one would ever be able to help us."

This home had no power for over two years and the whanau prepared meals on gas cookers outside. During winter the house is freezing and the large whanau sleep together in the lounge and garage to keep warm. The home is very special to the whanau as over 69 children have been raised in it.

- Power reconnected and available in all rooms. New oven and extractor fan installed. Shower now works!
- No beds were in this home, but they now have four sets of bunk beds where family can sleep in a safe space.
- Whanau had no heating source at all. They now have a heat pump that they use and really enjoy.
- The exterior of this home was fixed and painted for free by Habitat and Hamilton Dio school.
- In order to get all the beds and items in to the whare a big clean out was done by the whanau.
- A new gate was put up for the whanau and all windows were double glazed by insurance. New door is coming.

PROJECT LIGHTFOOT TRUST

2015/16 FUNDING RECEIVED **$10,000**

PURPOSE: Contribution towards Liteclub Project

Project Litefoot Trust had a breakthrough this year by winning the Community Award at the government's bi-annual energy efficiency (EECA) awards. They were delighted of course. But then there was more - they topped some of NZ's biggest corporates to take out the Supreme Award.

Project Litefoot Trust was recognised for its LiteClub project which helps community sports clubs become more efficient with energy, water and waste. The money saved on energy is then freed up for equipment, coaching and facilities. So far the trust has achieved $3.9 million worth of energy savings.

More than 710 community sports clubs have signed to LiteClub's free service, and there is now international interest in replicating the model.

The judges said:

"This is an impressive project that has got the world sitting up and taking notice. Once again New Zealand plays host to an original idea that is able to contribute so much internationally. It is a highly innovative way of gaining attention on an important issue – in a relatively untapped sector. Sport has much to contribute in energy efficiency and this work shows how collaboration in the field can inspire an environmental movement to achieve tangible results in greenhouse gas emission reductions and cost savings. It is a tremendous achievement that hints at an exciting and profitable future."

Hamish Reid, Co founder of Project Litefoot Trust said:

"We are honoured and proud to have received this recognition for our hard work. It would not have been possible without help and guidance from WEL Energy Trust. We would like to send our heartfelt thanks for your trust and confidence in us and our LiteClub programme. We are looking forward to continuing our work with you - freeing up money for community sport and reducing clubs' environmental impact. Win win."

GRANTS APPROVED

APPLICATION NAME	FUNDING ALLOCATION
Abbeyfield Waikato	$2,160
Adult Literacy Trust	$1,500
Age Concern Hamilton Inc	$6,000
Alf's Imperial Fifth Waikato Dragoons Incorporated	$1,500
Alternatives to Violence Project Maori Focus	$2,000
Alzheimers Waikato Charitable Trust	$18,000
Anglican Action Mission Trust	$12,500
Arts for Health Community Trust	$12,500
Arum Aikido Club	$750
Asthma & Respiratory Services (Waikato) Inc	$20,000
Auckland District Kidney Society Inc.	$2,000
Autism New Zealand Incorporated	$12,000
Balloons over Waikato Charitable Trust	$10,000
Beerescourt Tennis Club Incorporated	$2,500
Birthright Waikato Te Whanautanga Tika Charitable Trust	$18,000
Cantando Choir Incorporated	$4,500
CanTeen Waikato	$7,500
Career Moves Trust	$10,000
Catholic Family Support Services	$10,000
Chartwell Cooperating Parish	$3,000
Child Matters (Institute for Child Protection Studies)	$18,000
Children's Bible Ministries Incorporated	$3,000
Citizens Advice Bureau Hamilton Inc	$5,000
Community Development Trust	$2,000
Community Law Waikato Trust	$3,200
Community Link Trust	$5,000

APPLICATION NAME	FUNDING ALLOCATION
Community Living Ltd	$2,000
Creative Waikato Trust	$27,500
Desert Spring Ministries Trust	$9,000
Diabetes New Zealand Incorporated Waikato Branch	$3,500
Diversity Counselling New Zealand	$7,500
Draw Inc Charitable Trust	$3,000
Dress for Success Hamilton Trust	$6,000
Dynamo Cycling & Sports Club Inc	$2,000
Eastlink Cricket Club	$1,000
Endometriosis Waikato	$7,000
English Language Partners Waikato	$5,000
Enrich+	$2,000
Epilepsy Waikato Charitable Trust	$10,000
Fairfield Intermediate School PTA	$3,500
Fairfield Swim Club	$4,000
Families Autism Support Trust	$10,000
Fitness Action Charitable Trust	$2,000
Frankton Catholic Women's League	$300
Friends of Hamilton Gardens Inc	$2,000
Friendship House (Huntly) Community Charitable Trust	$12,000
Gateway 950 Community Trust	$3,000
Glenview Community Centre	$12,000
Gordonton Tennis Club	$8,000
GraceWay Church (Promoting Mental Wellness)	$6,000
Grandview Community Garden Trust	$8,000
Hamilton & Waikato Tourism	$100,000
Hamilton Cadet Forces Building Charitable Trust	$2,000
Hamilton Central Baptist Church	$10,000
Hamilton Children and Families Trust	$3,701
Hamilton Children's Reading Centre	$1,500
Hamilton Chinese Golden Age Society	$1,000
Hamilton Chorale Inc.	$800
Hamilton Christian Nightshelter Trust	$14,000
Hamilton Christmas Charitable Trust	$12,000
Hamilton Citizens Band Incorporated	$4,000
Hamilton City Council	$45,000
Hamilton City Council (Hamilton Gardens)	$160,000
Hamilton City Ministry Group	$1,000
Hamilton Civic Choir Inc	$3,500
Hamilton Combined Christian Foodbank Trust	$10,000
Hamilton Community Centre of Music	$40,000

APPLICATION NAME	FUNDING ALLOCATION
Hamilton Community Men's Shed Trust	$5,000
Hamilton Cricket Association Incorporated	$16,000
Hamilton East Community Trust	$3,000
Hamilton Ethnic Women's Centre Trust	$22,910
Hamilton Film Society	$3,000
Hamilton Fringe Trust	$14,000
Hamilton Gardens Summer Festival Foundation	$60,000
Hamilton Group of the NZ Society of Genealogists Inc.	$500
Hamilton Group Riding for the Disabled	$5,000
Hamilton Household Budgeting Advisory Trust	$5,000
Hamilton Lodge of the Theosophical Society Inc	$2,000
Hamilton Methodist Social Services Trust	$12,000
Hamilton Multicultural Services Trust	$5,000
Hamilton Old Boys Cricket Club Incorporated	$2,000
Hamilton Operatic Society	$17,500
Hamilton Playbox Rep Soc Inc	$1,500
Hamilton Ramayan Sanstha Inc.	$2,000
Hamilton Rowing Club Incorporated	$5,000
Hamilton South Community Centre Association Inc.	$7,500
Hamilton Star University Cricket Club Incorporated	$1,000
Hamilton Tulip Festival Trust	$1,500
Hamilton United Women's Bowling Club	$1,000
Hamilton Yacht Club (Inc)	$1,200
Head Injury Society (Waikato) Inc	$17,500
Heart Kids Waikato	$1,000
Hillcrest Bowling Club Incorporated	$2,500
Hillcrest High School Rowing Club	$3,500
Hukanui Golf Club Incorporated	$1,250
Hukanui Rototuna Football Club	$4,000
Hukanui School PTA	$1,000
Huntly College Old Boys Rugby Football Club Inc	$2,330
Huntly Ngaruawahia Driver Education Programme	$2,000
Indian Ink Trust	$3,000
K'aute Pasifika Trust	$4,000
Kelston Deaf Education Centre	$5,000
Kiribati Waikato Association Inc.	$1,500
Kiwiwatch Community Patrol Charitable Trust	$3,000

APPLICATION NAME	FUNDING ALLOCATION
Life Education Trust - Hamilton	$12,500
Life Education Trust - Thames Coromandel Hauraki Waihi	$1,500
Lifeline Aotearoa - Waikato branch	$5,000
Link City Trust	$4,000
Link House Trust	$18,000
Macular Degeneration New Zealand	$2,500
Male Survivors of Sexual Abuse Trust, Waikato	$8,000
Maramarua Golf Club Inc	$2,000
Marching Waikato Association Inc	$2,500
MATES Trust NZ	$12,500
Maungatautari Ecological Island Trust	$15,000
McKenzie Centre Trust	$18,000
MS Waikato Trust	$8,000
Narrows Park Ministry Trust	$2,000
Nawton Community Children and Families Trust	$2,500
Netball Waikato Bay of Plenty Zone Inc	$8,000
New Zealand Machine Knitters Society Inc	$500
New Zealand Paramedic Education and Research Charitable Trust	$2,000
New Zealand Parkour Association Inc.	$4,000
New Zealand Russian (Waikato) Friendship	$750
Nga Rangatahi O Mana Motuhake Trust	$4,000
Ngahinapouri Community Group	$15,000
Ngaruawahia Community Care and Crisis Support Trust	$10,000
Ngaruawahia Community House Incorporated	$15,000
Ngaruawahia Community Youth Holiday Programme	$7,500
Ngaruawahia RSA Memorial Club Inc	$4,500
Ngaruawahia Tu Tangata CharitableTrust	$10,000
Ngaruawahia United Association Football Club Incorporated	$5,000
Ngaruawahia Volunteer Fire Brigade	$7,500
No 7 (City of Hamilton) Air Training Corp	$1,500
North Hamilton Community Patrol	$3,500
North Waikato Blue Light	$7,500
North Waikato Care of the Aged Trust	$14,478
North Waikato Transport Trust	$5,000
Ohaupo School Parent Teacher Association	$3,000
One Victoria Trust Board Inc	$27,500
Opus Orchestra Trust	$10,000
Orchestras Central	$10,000

APPLICATION NAME	FUNDING ALLOCATION
Pacific Community Service	$2,000
Pacific Rose Festival Trust	$5,000
Para Kore Marae Incorporated	$2,000
Parent To Parent Waikato	$15,000
Parentline Charitable Trust	$12,000
Parents Place Charitable Trust	$1,000
Parkinson's Waikato	$9,000
Pasifika by Nature Trust	$5,000
Paws 4 Life Charitable Trust	$5,000
People First New Zealand, Nga Tangata Tuatahi	$2,000
Perry Outdoor Education Trust	$10,000
Positive Change Programmes Charitable Trust	$7,500
Prison Care Ministries	$4,000
Prisoners Aid and Rehabilitation Society of the Waikato District Inc	$3,000
Probus Club of Hillcrest	$1,100
Project Litefoot Trust	$10,000
Puketaha School	$1,500
Pukete Kindergarten	$2,800
RAAGA Hamilton	$1,000
Raglan Community Arts Council	$4,000
Raglan Community House Society Incorporated	$13,500
Raglan Community Radio	$3,000
Raglan Junior Soccer	$2,100
Raglan Surf Life Saving Club Inc	$13,149
Rainbow Chinese Community Centre Charitable Trust	$4,000
Raleigh St Christian Centre Inc (RSCC)	$3,000
Rape and Sexual Abuse Healing Centre	$10,000
Rauawaawa Kaumatua Charitable Trust	$18,000
RAW 2014 Limited	$15,000
Riding for Disabled Waikato Group Incorporated	$10,000
Riverlea Theatre and Arts Centre Inc	$15,000
Riverside Golf Club Incorporated	$1,500
Roman Catholic Bishop of the Diocese of Hamilton	$1,500
Rostrevor House Incorporated	$10,000
Rotongaro - Huntly Pony Club Incorporated	$1,000
Royal New Zealand Plunket Society Inc - Hamilton Branch	$2,500
Royal New Zealand Plunket Society Inc - Waikato Area	$10,000

APPLICATION NAME	FUNDING ALLOCATION
Ryder-Cheshire Foundation (Waikato) Charitable Trust	$6,000
Sacred Heart Girls College	$2,000
Scouts NZ - Hillcrest Group	$3,000
Silverdale Normal School	$3,000
Smart Waikato Trust	$40,000
Society of St Vincent de Paul- Hamilton	$20,000
South East Kirikiriroa Community Association Incorporated	$17,500
Sport Waikato Education Trust	$9,000
Squash Waikato Incorporated	$2,500
Sri Balaji Temple Trust (Hamilton)	$5,000
Sri Lanka Friendship Society Waikato Inc	$2,000
StarJam Charitable Trust	$2,500
Storytime Foundation Trust Board	$4,670
Stroke Foundation Hamilton	$1,500
Surfside Christian Life Centre	$5,000
Swim Waikato Inc	$15,000
Tainui Waka Cultural Trust	$5,000
Taupiri Bowling Club	$1,393
Taupiri Youth Group Charitable Trust	$4,000
Te Akau and Districts Playcentre	$3,500
Te Akau School Board of Trustees	$4,000
Te Akau Waingaro Community Complex Inc	$3,000
Te Kauwahata Retirement Trust Board	$2,000
Te Kauwhata and Districts Information and Support Centre Inc	$8,000
Te Kauwhata Health Awareness Society	$32,500
Te Mata Social Club	$2,500
Te Papatapu Marae	$4,000
Te Puna Oranga	$90,000
Te Rapa Squash Club Incorporated	$2,500
Te Rau Matatini	$5,000
Te Rongopai Community Trust	$10,000
Te Whakaruruhau 2013 Incorporated	$30,000
Te Whanau Putahi Trust	$10,000
Te Whare o te Ata Fairfield/Chartwell Community Centre	$13,000
The Care Community Trust	$3,500
The Community Waikato Trust	$22,500
The Crosslight Trust	$15,000
The Dyslexia Association of Waikato	$3,000
The Flagstaff Club Inc	$25,000
The Hamilton Chinese Learning Centre Charitable Trust	$2,500
The House of Grace Trust	$5,000

APPLICATION NAME	FUNDING ALLOCATION
The Huntly Mining and Cultural Museum Society Incorporated	$2,000
The Riff Raff Public Art Trust	$15,000
The Salvation Army	$25,000
The Taiohi Toa Trust	$10,000
The Waikato Chapter of Barbershop Harmony New Zealand Inc.	$4,000
Theatre of The Impossible Charitable Trust	$20,000
Tron Music Trust	$4,000
True Colours Children's Health Trust	$20,000
Twin Rivers Arts Council (Ngaruawahia) INC	$15,000
UN Association of NZ Waikato branch	$1,000
United Youth Orchestra Trust	$1,000
University of Waikato	$2,500
Volunteering Waikato	$13,500
Waerenga Recreational Centre	$6,700
Waerenga Undenominational War Memorial Church	$3,000
Waikare Golf Club Te Kauwhata Inc	$2,000
Waikato Basketball Council Inc	$15,000
Waikato RSPCA	$10,000
Waikato Combined Equestrian Group (Inc)	$1,397
Waikato Community Broadcasting Charitable Trust	$4,000
Waikato Community Hospice Trust	$12,500
Waikato Compassion Meditation Trust	$1,000
Waikato Contemporary Dance Projects Trust	$1,500
Waikato Digital Youth Network	$12,500
Waikato District Council	$34,813
Waikato Dragon Boating and Waka Ama Association Inc	$12,000
Waikato Enterprise Agency	$4,000
Waikato Environment Centre Trust	$45,000
Waikato Family Centre	$27,500
Waikato Food Incorporated	$5,000
Waikato Hockey Charitable Trust	$40,000
Waikato Indian Sports Club	$4,000
Waikato Indoor Bowling Centre of New Zealand	$4,000
Waikato Institute for Leisure and Sport Studies Trust	$9,000
Waikato Japanese Community Trust	$1,000
Waikato Medical Research Foundation	$12,500
Waikato Mounted Games Association	$1,000

APPLICATION NAME	FUNDING ALLOCATION
Waikato Muslim Association	$3,000
Waikato Orchestral Society Inc	$10,000
Waikato Outdoor Society Incorporated	$1,500
Waikato Paraplegic & Physically Disabled Association	$15,000
Waikato Queer Youth	$4,500
Waikato Refugee Resettlement Society Incorporated	$2,500
Waikato Regional Council	$100,000
Waikato Regional Science and Technology Fair	$1,221
Waikato Rowing Club	$5,000
Waikato Senior Indian Citizens Association Inc.	$1,500
Waikato Seniors Tennis Club Inc	$1,250
Waikato Unicol Association Football Club Incorporated	$3,500
Waikato University Hockey Club Incorporated	$5,500
Waikato University Netball Club Incorporated	$2,000
Waikato University Rowing Club Incorporated	$5,500
Waikato University Rugby Football Club Incorporated	$2,500
Waikato Youth Empowerment Trust	$22,500
Wakatoo Boxing Club Inc	$5,000
Wanderers Sports Club Inc.	$7,000
Western Community Association	$17,500
Whaingaroa Environment Centre	$10,000
Whitikahu School PTA	$4,000
Woodstock Primary School	$7,500
Young Women's Christian Association of Hamilton Incorporated	$18,000
Young Workers Resource Centre Incorporated	$4,000
Zeal Education Trust	$32,500

TOTAL FUNDS ALLOCATED $2,669,422

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 2015-16 was approved at the Trust meeting held on 24 March 2015 after a draft was issued for public consultation on 26 February 2015 (15 submissions received).

2015-2019 Community Investment Strategy

The three key strategies from this five-year document were included in the Annual Plan:

- 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

OUTCOME AREAS:

Effective Community Investment

Take benchmark data of current community perceptions of Trust Community Investment.

- Survey conducted by Key Research in August 2015
- Findings presented at September 2015 Trust meeting

Implement new community investment model including focus areas for investment, multiple grants rounds and delegated quick response fund.

- The following focus areas for investment were applied:
  - Energy Efficiency and Healthier Homes
  - Business/Economic Impact and Workability
  - Flourishing Families/Liveability
  - Enhancing Image and Building Community Pride
- Multiple grants rounds instigated in April 2015 with Quick Response rounds held April, June, August and October 2015, and February 2016
- $400,000 delegated to the Quick Response fund in the 2015-16 budget

Work with organisations receiving Partnership Funding to increase impact through organisational development.

- Convening and Organisational Development Fund Criteria approved at June 2015 Trust meeting
- Convening and Organisational Development grants awarded to Balloons over Waikato (approved at September 2015 Trust meeting), The Network for Community Hospitality (October 2015 Quick Response round) and the Hamilton Ethnic Women's Centre Trust

Sustainability

Communicate with the Company regarding Trust strategies and income streams including convertible note.

- Letter received from the Company in April 2015 with regard to the setting of the five-year Convertible Notes Interest Rate
- Project Brief developed in July/August to investigate an alternative provider for the 2015 investment review
- KPMG conducted the review and attended the March 2016 Trust meeting

Engagement

Design and implement a programme of communication/education about the new community investment strategy and to promote grantee organisations.

- Funding Information Workshops held in Raglan, Hamilton, Huntly and Ngaruawahia in April 2015
- 10 newsletters emailed to community groups during 2015-16
- Nine organisations highlighted in the Trust's 2014-15 Annual Report presented at the AGM

Evaluate new investment strategy in terms of turnaround time and stakeholder satisfaction.

- Data collected continuously via feedback section in application forms
- Grant recipients' and applicants' perceptions survey completed in November 2015
- Findings presented at December 2015 Trust meeting

Partnership and Collaboration

Actively develop partnership and collaboration through (Multi-Year) Partnership grants.

- Organisations identified and multi-year grants approved at December 2015 Trust meeting
- Follow up visits conducted by Grants Manager

Review potential funding streams for Major Transformational grants for 2016-17.

- $160,000 allocated to Major Transformational Projects grants fund at December 2015 Trust meeting
- Major Transformational Projects grant to Hamilton City Council for Destination Playground at Hamilton Gardens approved at March 2016 Trust meeting

The 2016-17 Annual Plan was approved at the Trust meeting held 22 March 2016 after a draft was issued for public consultation on 24 February 2016 (13 submissions received).

ANNUAL REPORT

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

The 2014-15 Annual Report was adopted on 7 July 2015 and presented at the Annual General Meeting held 24 July 2015, where PwC (Hamilton office) was appointed Auditors of the Trust for the year ended 31 March 2016.

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 2015 and 31 March 2016.

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

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.

For the period covered by this Annual Report, the Trust established the 2015-16 Annual Plan which contained the following performance measure:

- Conduct annual review of the operation and performance of the Directors of WEL Networks Ltd and review the Trust's investment in the Company in accordance with clauses 8 and 16.15 of the Trust Deed.

A summary of the key findings from the 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 half-yearly report to 30 September 2015 was produced in December 2015.

The Company's Annual Report for the 12 months ended 31 March 2015 was received 2 June 2015 and a full review was undertaken from October 2015 of the Trust's investment in WEL Networks Ltd and presented to the Trust at the February 2016 Trust meeting. This review prepared by KPMG was comprehensive and analysed the following key areas:

- Historical and forecast financial performance and position
- Key Drivers and KPIs
- Industry Outlook
- Capital Structure

The results of the review are as follows:

Electricity Distribution Business

- Financial Performance
  - The accounting returns generated by the Electricity Distribution Business (EDB) are in line with those of other lines companies in New Zealand (after adjustment for the consumer discount).
- Non-Financial Performance
  - The non-financial performance of the EDB is above the average when compared to other electricity distributors, but slightly underperformed against targets set by WEL Networks Ltd for SAIDI and SAFI.
- Industry Outlook
  - A consultation paper has been prepared by the Electricity Authority which is evaluating the impact of alternative technologies. Alternative technologies are likely to impact the level of demand, the demand profile and ultimately may cause a requirement for a review of pricing structures.

Ultrafast Fibre

- Construction
  - The final network stage of the communal build was completed in early January. This is ahead of schedule.
- Connections
  - The demand for connections to the fibre network has exceeded initial expectations.
- Financial Performance
  - Waikato Networks Ltd is expecting receipt of dividends from Ultrafast Fibre (UFF) starting FY18.
- Non-Financial Performance
  - Crown Fibre Holding's review of UFF's operating performance concluded that it is within target performance measures for FY15.
- Future Investment Requirements
  - Waikato Networks Ltd will require further investment of approximately $276 million over the next three years. This will be funded by way of shareholder loans.
- Future UFF Investments (UFB2)
  - WEL Networks Ltd has submitted a proposal for the provision of the rural ultrafast broadband with the aim of maximising shareholder return. WEL Networks Ltd do not expect to receive feedback for several months.

Group

- Gearing
  - The gearing of WEL Networks Ltd is likely to increase over the next five years as the roll out of ultrafast fibre is completed and customers are connected. WEL Networks Ltd expects to renegotiate new facilities during March 2016, as the projected debt levels will exceed current approved facilities.

A review of Directors was completed in February 2016 using the Institute of Directors Better Board evaluation tool. The overall assessment was that the Board is a strong performing one, with the new Directors integrating well through a good blend of challenge and support.

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 for 2015-2020 (Focus for 2015-17) was received 4 May 2015 and a review conducted by Energy Advisor Third Bearing.

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.

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 2016 are as follows:

Trust 2015 Actual $000		Trust 2016 Actual $000	Trust 2016 Budget $000
	Income		
3,746	Interest	3,048	3,107
-	Dividends	351	350
2	Other	-	-
3,748		3,399	3,457
	Operating Expenditure		
431	Management and administration	367	369
187	Election	-	-
12	Communications	18	33
269	Representation	270	282
72	WEL Network shareholding	31	52
6	Special projects & trust deed policy	20	20
6	Distribution expenses	20	34
983	**Total Operating Expenditure**	726	790
2,765	*Net Operating Profit*	2,673	2,667
16	Gain/(Loss) on revaluation of loan to fair value	(25)	13
2,749	*Profit/(Loss) before Distributions*	2,648	2,680
2,424	**Distributions**	2,636	2,650
325	*Net Profit/(Loss) before Tax*	12	30
149	Taxation	(33)	(6)
176	*Net Profit(/Loss) after Tax*	45	36

(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 2016 are as follows:

Trust 2015 Actual $000		Trust 2016 Actual $000	Trust 2016 Budget $000
	CAPITAL FUND		
52,067	Vested Capital	52,067	52,067
52,067	**Total Capital Fund**	52,067	52,067
	INCOME FUND		
86,031	Opening Retained Earnings	86,207	86,383
176	Net Surplus for the Period	45	36
86,207	**Total Income Fund**	86,252	86,419
138,274	**Total Equity**	**138,319**	**138,486**

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 June 2015 and no changes were made.

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, unlike other energy trusts, all WEL Energy Trust meetings are advertised for the public to attend, and agendas and minutes are also available on the Trust's website. 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.

Five requests for information were received in 2015-16.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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

MARK INGLE
Chair
12 July 2016

DENISE HARDING
Deputy Chair
12 July 2016

FINANCIALS

STATEMENTS OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 31 MARCH 2016

	Note	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Revenue	4	**204,812**	195,616	**3,399**	3,748
Gain/(loss) on loans advanced	13	**(25)**	(16)	**(25)**	(16)
Grants		**(2,636)**	(2,424)	**(2,636)**	(2,424)
Contracting cost of sales		**(97,159)**	(84,353)	**-**	-
Finance income/(costs)	6	**(7,247)**	(4,268)	**-**	-
Expenses, excluding finance costs	5	**(82,692)**	(83,435)	**(726)**	(983)
Operating surplus/(deficit) before tax and share of equity accounted investments		**15,053**	21,120	**12**	325
Share of surplus/(deficit) from joint venture		**(2,160)**	(5,179)	**-**	-
Surplus/(deficit) before tax		**12,893**	15,941	**12**	325
Income tax (expense)/credit	7	**(4,774)**	(5,959)	**33**	(149)
Surplus/(deficit) after tax		**8,119**	9,982	**45**	176
Other comprehensive revenue and expense					
Gain/(loss) on revaluation of property, plant and equipment		**773**	543	**-**	-
Cash flow hedges (net of tax)	18	**(4,439)**	(933)	**-**	-
		(3,666)	(390)	**-**	-
Total comprehensive income		**4,453**	9,592	**45**	176
Surplus is attributable to:					
Equity holders of the Group and Trust		**9,753**	11,119	**45**	176
Non-controlling interest		**(1,634)**	(1,137)	**-**	
		8,119	9,982	**45**	176
Total comprehensive revenue and expense attributable to:					
Equity holders of the Group and Trust		**6,087**	10,729	**45**	176
Non-controlling interest		**(1,634)**	(1,137)	**-**	-
		4,453	9,592	**45**	176

FINANCIALS

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2016

		Group		Trust	
	Note	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
ASSETS					
Current assets					
Cash and cash equivalents		**16,494**	9,890	**12,445**	12,850
Trade and other receivables	8	**24,301**	19,529	**272**	344
Current tax receivables		**581**	873	**41**	(11)
Loans advanced	13	**92**	71	**92**	71
Construction work in progress	10	**32,062**	36,069	**-**	-
Total current assets		**73,530**	66,432	**12,850**	13,254
Non-current assets					
Property, plant and equipment	9	**578,085**	557,606	**17**	24
Intangible assets	12	**17,770**	16,828	**5**	11
Investment in joint venture	11	**134,455**	62,641	**-**	-
Investment in subsidiaries	21	**-**	-	**124,797**	124,797
Loans advanced	13	**925**	584	**925**	584
Deferred tax assets	17	**20**	12	**20**	12
Total non-current assets		**731,255**	637,671	**125,764**	125,428
Total assets		**804,785**	704,103	**138,614**	138,682
LIABILITIES					
Current liabilities					
Trade and other payables	14	**37,672**	22,799	**295**	408
Loan from non-controlling entity	20	**30,455**	17,075	**-**	-
Provisions	15	**2,282**	2,101	**-**	-
Customer discount payable		**18,836**	19,100	**-**	-
Total current liabilities		**89,245**	61,075	**295**	408
Non-current liabilities					
Derivative financial instruments	22	**7,972**	1,805	**-**	-
Borrowings	16	**199,859**	137,266	**-**	-
Provisions	15	**567**	590	**-**	-
Deferred tax liabilities	17	**75,280**	75,888	**-**	-
Deferred income		**1,167**	1,237	**-**	-
Total non-current liabilities		**284,845**	216,786	**-**	-
Total liabilities		**374,090**	277,861	**295**	408
Net assets		**430,695**	426,242	**138,319**	138,274
Net assets/equity					
Contributed equity	18	**52,067**	52,067	**52,067**	52,067
Accumulated funds	18	**280,212**	267,699	**86,252**	86,207
Reserves	18	**101,752**	108,178	**-**	-
Total equity attributable to the equity holders of the Group and Trust		**434,031**	427,944	**138,319**	138,274
Non controlling interest		**(3,336)**	(1,702)	**-**	-
Total net assets/equity		**430,695**	426,242	**138,319**	138,274

Chair
12 July 2016

Deputy Chair
12 July 2016

Denise Harding

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

FINANCIALS

STATEMENTS OF CHANGES IN NET ASSETS/EQUITY

FOR THE YEAR ENDED 31 MARCH 2016

Group	Contributed equity $'000	Reserves $'000	Accumulated funds $'000	Total $'000	Non-controlling interest $'000	Total net assets/equity $'000
Balance as at 1 April 2014	52,067	110,508	254,640	417,215	(565)	416,650
Comprehensive revenue and expenses						
Surplus or deficit for the year	-	-	11,119	11,119	(1,137)	9,982
Fair value gain on revaluation of the distribution network	-	(1,940)	1,940	-	-	-
Movement in deferred tax on revaluation	-	543	-	543	-	543
Cash flow hedges (net of tax)	-	(933)	-	(933)	-	(933)
Total comprehensive revenue and expenses	-	(2,330)	13,059	10,729	(1,137)	9,592
Balance as at 31 March 2015	52,067	108,178	267,699	427,944	(1,702)	426,242
Balance as at 1 April 2015	52,067	108,178	267,699	427,944	(1,702)	426,242
Comprehensive revenue and expenses						
Surplus or deficit for the year	-	-	9,753	9,753	(1,634)	8,119
Fair value gain on revaluation of the distribution network	-	(2,760)	2,760	-	-	-
Movement in deferred tax on revaluation	-	773	-	773	-	773
Cash flow hedges (net of tax)	-	(4,439)	-	(4,439)	-	(4,439)
Total comprehensive revenue and expenses	-	(6,426)	12,513	6,087	(1,634)	4,453
Balance as at 31 March 2016	52,067	101,752	280,212	434,031	(3,336)	430,695
Trust						
Balance as at 1 April 2014	52,067	-	86,031	138,098	-	138,098
Comprehensive revenue and expenses						
Surplus or deficit for the year	-	-	176	176	-	176
Total comprehensive revenue and expenses	-	-	176	176	-	176
Balance as at 31 March 2015	52,067	-	86,207	138,274	-	138,274
Balance as at 1 April 2015	52,067	-	86,207	138,274	-	138,274
Comprehensive revenue and expenses						
Surplus or deficit for the year	-	-	45	45	-	45
Total comprehensive revenue and expenses	-	-	45	45	-	45
Balance as at 31 March 2016	52,067	-	86,252	138,319	-	138,319

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

FINANCIALS

STATEMENTS OF CASHFLOWS
FOR THE YEAR ENDED 31 MARCH 2016

	Note	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Cash flows from operating activities					
Receipts from customers		**203,550**	188,576	**-**	6
Payments to employees and suppliers		**(138,497)**	(137,314)	**(759)**	(948)
Interest received		**636**	537	**3,092**	3,657
Income tax paid		**(2,527)**	(5,469)	**(29)**	(78)
Dividends received		**-**	-	**351**	-
Grants paid		**(2,685)**	(2,428)	**(2,685)**	(2,428)
Loan principal payments received		**127**	73	**127**	73
Loans advanced		**(500)**	(540)	**(500)**	(540)
Net cash flow from operating activities	26	**60,104**	43,435	**(403)**	(258)
Cash flows from investing activities					
Purchase of property, plant and equipment		**(42,648)**	(58,197)	**(2)**	(10)
Purchase of intangible assets		**(2,588)**	(3,381)	**-**	(4)
Proceeds from sale of property, plant and equipment		**-**	877	**-**	-
Purchase of investments		**(74,418)**	(39,439)	**-**	-
Net cash flow from investing activities		**(119,654)**	(100,140)	**(2)**	(14)
Cash flows from financing activities					
Proceeds from borrowings		**74,893**	55,131	**-**	-
Interest paid		**(8,739)**	(3,541)	**-**	-
Net cash flow from financing activities		**66,154**	51,590	**-**	-
Net decrease/(increase) in cash and cash equivalents		**6,604**	(5,115)	**(405)**	(272)
Cash and cash equivalents at the beginning of the year		**9,890**	15,005	**12,850**	13,122
Cash and cash equivalents at the end of the year		**16,494**	9,890	**12,445**	12,850

FINANCIALS

The above cash flow statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

1 Statement of accounting policies for the year ended 31 March 2016

1.1 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 contains the contracting company associated with the construction of the Government Ultrafast Fibre rollout programme in the Waikato, Tauranga and Taranaki areas. The WEL Energy Trust's principal objective is to ensure WEL Networks Limited operates as a successful business, as well as having regard to consumer interest in the regulation of the electricity industry and distributing 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 2016. The financial statements were authorised for issue by the Trust on 12 July 2016.

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

2 Summary of significant accounting policies

2.1 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 based on International Public Sector Accounting Standards.

The Group has adopted XRB A1. XRB A1 establishes a PBE tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Group is a Tier 1 Not-for profit PBE. The key impacts on the current and prior year financial statements are stated further below.

Effect of first-time adoption of PBE Standards on accounting policies and disclosures

This is the first set of financial statements of the Group that is presented in accordance with PBE Standards. The Group has previously reported in accordance with NZ IFRS.

The accounting policies adopted in these financial statements are consistent with those of the previous financial year, except for instances when the accounting or reporting requirements of a PBE IPSAS standard are different to requirements under NZ IFRS PBE, as outlined below. The changes to accounting policies and disclosures caused by first time application of PBE IPSAS accounting standards are as follows:

PBE IPSAS 1: Presentation of Financial Statements

There are minor differences between PBE IPSAS 1 and the equivalent NZ IFRS (PBE) standard. These differences have an effect on disclosure only. The main changes in disclosure resulting from the application of PBE IPSAS 1 are the following:

Receivables from exchange and non-exchange transactions:

In the financial statements of the previous financial year, receivables were presented as a single total in the statement of financial position. However, PBE IPSAS 1 requires receivables from non-exchange transactions and receivables from exchange transactions to be presented separately in the statement of financial position. This requirement did not have an impact on the financial statements.

2 Summary of significant accounting policies (continued)

PBE IPSAS 23: Revenue from Non-Exchange Transactions

PBE IPSAS 23 prescribes the financial reporting requirements for revenue arising from non-exchange transactions. There is no equivalent financial reporting standard under NZ IFRS. The application of this standard has not materially affected the Group's accounting for grant revenue. PBE IPSAS 23 requires revenue from non-exchange transactions, such as grants, to be recognised as revenue as soon as the inflow of resources can be recognised as an asset in the financial statements, unless the inflow of resources meets the definition of and recognition criteria for a liability. Non-exchange revenue from grants can only be deferred and recognised as a liability if there is a condition attached to the grant that requires an entity to use the grant as specified by the grantor or return of the cash (or other resources transferred under the grant) if the entity does not perform as specified. The grants received by the Group in the comparative period did not have such conditions attached.

Measurement base

The financial statements have been prepared on a historical cost basis, except where modified by the revaluation of land and buildings, certain infrastructural assets and certain financial instruments (including derivative instruments).

2.2 Standards, amendments to existing standards and interpretations that are not yet effective

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 2016 or later periods but which the Group has not early adopted:

Disclosure initiative (Amendments to PBE IPSAS 1) (Effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted). The amendments are to specify further disclosure requirements and guidance on making disclosures. The Group intends to adopt the disclosure initiative amendments on its effective date and has yet to assess its full impact although does not anticipate a significant impact to the financial statements.

2015 Omnibus Amendments to PBE Standards (Effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted). The amendments make a number of further clarifications across a number of standards. The Group intends to adopt the omnibus amendments on its effective date and has yet to assess its full impact although does not anticipate a significant impact to the financial statements.

2.3 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 2016 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 values at the acquisition date. The Group recognises any non controlling interest in the acquiree on an acquisition by acquisition basis, either at fair value or at the non controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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.

2 Summary of significant accounting policies (continued)

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.

Joint venture

The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control. Joint ventures are accounted for using the equity method under PBE IPSAS 8.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and the carrying amount adjusted thereafter to recognise the Group's share of the post acquisition surplus or deficit and movements in other comprehensive revenue and expenses. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and GST. The Group 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.

(i) Exchange revenue

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 expenses.

Sales of services, contracting sales and third party contributions

Sales of services, contracting sales and third party contributions 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.

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.

(ii) Non exchange revenue

Government grants

Grants from the government are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

2 Summary of significant accounting policies (continued)

Other grants received
Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance when received and recognised as revenue when the conditions of the grant are satisfied.

2.5 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 profits 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.

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.

2.6 Cash and cash equivalents

In the statements 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.

2.7 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit component of the statements of comprehensive revenue and expenses within 'expenses, excluding finance costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in the surplus or deficit component of the statements of comprehensive revenue and expenses.

2.8 Loans advanced

Concessionary loans given below market rate are recognised initially at fair value and subsequently measured at amortised cost. Effective interest is charged on a straight line basis to the surplus or deficit component of the statements of comprehensive revenue and expense over the term of the loan.

2 Summary of significant accounting policies (continued)

2.9 Impairment of non financial assets

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, and goodwill, are not subject to amortisation and are tested annually for impairment. Property, plant, and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

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.

2.10 Property, plant and equipment

Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation 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 amount. The electricity distribution network is also measured at fair value on the basis of an independent valuation prepared by expert valuers using a discounted cash flow method on at least a triennial period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. 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 valued at $500,000 or more and which take more than three months to construct.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the surplus or deficit component of the statements of comprehensive revenue and expense during the financial period in which they are incurred.

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

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	35 years
Distribution network	6 - 70 years
Computer hardware	4 years
Plant and equipment	3 - 20 years
Motor vehicles	6 - 20 years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at the end of the reporting period.

2 Summary of significant accounting policies (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'expenses, excluding finance costs' in the surplus or deficit component of the statements of comprehensive revenue and expenses.

When revalued assets are sold, the amounts included in reserves are transferred to accumulated revenue and expenses.

2.11 Intangible assets

Goodwill
Goodwill on the acquisition of businesses and subsidiaries is included in 'intangible assets'. Goodwill on the acquisition of investments in joint venture is included in 'investments in joint venture' and is tested for impairment as part of the overall investment balance.

Goodwill is allocated to cash-generating units for the purposes of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Computer software
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Staff training costs are recognised in the surplus or deficit when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with development and maintenance of the Group's websites are recognised as an expense when incurred.

Easements
Acquired easement rights are capitalised on the basis of the costs incurred where the rights have an expiration date.

Leasehold Interest
Long term leasehold interests in substation land has been recorded at fair value.

Amortisation
The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Class of intangible asset	Estimated useful life	Amortisation rates
Computer software	3 years	33% SL
Easements	3 years	33% SL
Leasehold interests	5 - 7 years	14% - 20% SL

2.12 Investments and other financial assets

The Group or Trust classifies its financial assets in the following categories: at fair value through surplus or deficit and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through surplus or deficit
Financial assets at fair value through surplus or deficit are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non current.

2 Summary of significant accounting policies (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

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. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through surplus or deficit. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the surplus or deficit component of the statements of comprehensive revenue and expenses. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group or Trust has transferred substantially all risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through surplus or deficit are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through surplus or deficit’ category are presented in the surplus or deficit component of the statements of comprehensive revenue and expenses in the period in which they arise. Dividend income from financial assets at fair value through surplus or deficit is recognised in the surplus or deficit component of the statements of comprehensive revenue and expenses as part of revenue when the Group's right to receive payments is established.

Impairment of financial assets

Assets carried at amortised cost

The Group or Trust assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statements of comprehensive revenue and expenses.

2.13 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 or Trust for similar financial instruments.

2 Summary of significant accounting policies (continued)

2.14 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.

2.15 Employee benefits

Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where the Trust or Group has a contractual obligation or where there is a past practice that has created a constructive obligation.

Termination benefits
Termination benefits are payable when employment is terminated by the Group or Trust before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group or Trust 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.

2.16 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 surplus or deficit component of the statements of comprehensive revenue and expenses over the period of the borrowings using the effective interest method.

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

2.17 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 component of the statements of comprehensive revenue and expenses in the period in which they are incurred.

2 Summary of significant accounting policies (continued)

2.18 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 expenses 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 expenses.

2.19 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. The method of recognising the resulting gain or loss 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:

- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 23. Movements on the hedging reserve in other comprehensive revenue and expenses come are shown in note 18 . The full fair value of a hedging derivative is classified as a non current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive revenue and expenses. The gain or loss relating to the ineffective portion is recognised immediately in the surplus or deficit component of the statements of comprehensive revenue and expenses within ‘expenses, excluding finance costs'.

Amounts accumulated in equity are reclassified to surplus or deficits 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 surplus or deficit component of the statements of comprehensive revenue and expenses within ‘finance income/(cost)’. However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive revenue and expenses. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the surplus or deficit component of the statements of comprehensive revenue and expenses within ‘expenses, excluding finance costs.

2 Summary of significant accounting policies (continued)

2.20 Equity

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

- Contributed equity
- Accumulated funds
- Reserves

Contributed equity
Ordinary shares are classified as contributed equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in contributed equity as a deduction, net of tax, from the proceeds.

Reserves
These reserves relate to the: property plant and equipment revaluation reserve and the cash flow hedge reserve.

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

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

2.21 Investments in subsidiaries

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

2.22 Contract work in progress

Contract work in progress is stated at cost less amounts invoiced to customers. Cost includes all expenses directly related to specific contracts and an allocation of general overhead expenses incurred by the Group's contract operations.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction contract revenue is calculated on an average cost per premise passed and is recognised when the network has been accepted by Ultrafast Fibre Limited. The contract average cost per premise passed is determined by the Network Infrastructure Project Agreement and recognises a difference between priority and non priority premises. A priority premise is determined as a premise for business, health and education purposes whereas a non priority premise is mainly a residential connection. The approved network deployment plan determines the order of premises to be constructed and whether this is determined as a priority or non priority premise.

On the statement of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

2.23 Dividend distribution

Dividend distribution to the Trust is recognised as a receivable in the Trust's financial statements in the period in which the dividends are approved.

2.24 Foreign currency transactions

(i) 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.

2 Summary of significant accounting policies (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit component of the statements of comprehensive revenue and expenses, except when deferred in other comprehensive revenue and expenses as qualifying cash flow hedges and qualifying net investment hedges.

2.25 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.

2.26 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 equity. Convertible notes are initially measured at fair value, and are not subsequently re measured except on conversion or expiry.

Interest payments on convertible notes are recorded as a distribution through the statement of changes in net assets/equity. Interest rate was fixed at 8% until 31 March 2015. The convertible notes have been extended until 31 March 2020. The interest rate from 1 April 2015 is 6.28%.

2.27 Goods and services tax

The surplus or deficit component of the statements of comprehensive revenue and expenses 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.

2.28 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 expenses on a straight line basis over the period of the lease

3 Critical accounting estimates and judgements

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.

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.

3 Critical accounting estimates and judgements (continued)

Revenue recognition for line revenue

Line revenue discounts are paid to customers once a year. A provision for line revenue discounts is recorded on a monthly basis.

Revenue recognition for sale of services

The Group uses the percentage of completion method in accounting for its sales of services. Use of the percentage of completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed.

Estimated fair value and useful lives of distribution network assets, substation land and buildings.

The Group estimates the fair value of the distribution network, substation land and buildings by using independent valuers in accordance with accounting policy 2.10. The fair value is based on a discounted cash flow methodology for distribution network assets and buildings. The fair value for land is based on market value. The useful lives of the components of the distribution network are estimated based on their respective tenure period. These calculations require the use of estimates. Changes of the underlying assumptions of the valuation in the future could have a material effect on the carrying amount of distribution network (note 9).

Construction contract revenue and profitability

A construction contract is defined by PBE IPSAS11, "Construction Contracts", as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to premises passed and acceptance by Ultrafast Fibre Limited.

On the statement of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

The subsidiary company Waikato Networks Limited (WNL) is currently contracted to the joint venture Ultrafast Fibre Limited (UFF) to build the ultra fast fibre network. Under the terms of the contractual arrangements WNL may apply for additional compensation for any overspend associated with the communal layer 1 construction. This may amount up to $19.88 million that will be determined after the completion of the contract expected by June 2016. In determining the forecast outcome of the contract, for the purposes of determining whether an expense is required to be recognised in the financial statements, WNL has assumed the additional compensation of $19.88 million will be received.

Included in Construction Work in Progress are further amounts of approximately $12 million which represent the cost of elements of the contract to construct connections on the Ultra Fast Fibre network which have yet to be fully agreed with and billed to Ultrafast Fibre Limited and require contractual amendments to enable their full recovery. The finalisation of the billing of these costs is the subject of commercial negotiation.

The Directors consider that no additional provision is required to recognise any significant difference which may arise between the cost of the work in progress incurred but not billed at balance date less provision made to recognise an estimate of non recoverable costs and the amount which will ultimately be received.

Determining the nature of the investment in joint venture

The nature of Waikato Networks Limited's (WNL) investment in Ultrafast Fibre Limited (UFF) requires significant judgement. On balance the Directors consider that UFF is jointly controlled by WNL and Crown Fibre Holdings Ltd (CFH) for the following reasons: each shareholder shares in the risks and returns of the arrangement and neither party has the power to affect those benefits or returns; during the concession period neither WNL nor CFH have the unilateral right to make decisions regarding UFF activities; WNL and CFH both have the right to appoint three of the seven directors on the UFF Board and neither is able to control the majority of votes of the Board; and appointment of the independent chairman is a joint decision between both parties.

4 Revenue

	Group		Trust	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Rendering of Services				
Gross line revenue	**117,677**	114,525	**-**	-
Discount	**(18,590)**	(18,947)	**-**	-
Net line revenue	**99,087**	95,578	**-**	-
Third party contributions	**5,096**	4,984	**-**	-
Contracting sales	**94,021**	88,333	**-**	-
Other income	**3,211**	3,352	**-**	2
Operating lease revenue	**2,805**	2,743	**-**	-
Interest				
Interest on investments	**532**	603	**532**	603
Interest on community loans	**60**	23	**60**	23
Interest on convertible notes	**-**	-	**2,456**	3,120
Dividends				
Dividend received	**-**	-	**351**	-
	105,725	100,038	**3,399**	3,748
	204,812	195,616	**3,399**	3,748

5 Expenses, excluding finance costs

	Group		Trust	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Expenses, excluding finance costs				
Transmission charges	**28,601**	31,297	**-**	-
Employee benefits	**27,255**	28,699	**233**	208
Capitalised labour	**(20,403)**	(22,573)	**-**	-
Directors and Trustee fees	**512**	517	**215**	218
Materials and services	**6,716**	7,352	**-**	-
Net loss on disposal of property, plant and equipment	**2,633**	3,662	**4**	24
Bad debts written off	**523**	5	**-**	-
Operating leases	**298**	328	**41**	60
Change in provision for impaired receivables	**(138)**	112	**-**	-
Other expenses	**11,986**	9,588	**222**	454
Depreciation and amortisation expense	**24,709**	24,448	**11**	19
	82,692	83,435	**726**	983
Surplus before income tax includes the following specific expenses:				
Depreciation by asset class:				
Motor vehicles	**847**	775	**-**	-
Buildings	**148**	148	**-**	-
Plant and equipment	**3,824**	2,429	**6**	9
Distribution network	**16,597**	17,853	**-**	-
Computer hardware	**387**	332	**-**	-
Total depreciation	**21,803**	21,537	**6**	9
Amortisation of intangible assets:				
Easements and consents	**121**	164	**-**	-
Computer software	**2,785**	2,747	**5**	10
Total amortisation	**2,906**	2,911	**5**	10
Total depreciation and amortisation	**24,709**	24,448	**11**	19

5 Expenses, excluding finance costs (continued)

Auditors' fees

	Group		Trust	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
(a) Remuneration of auditors				
Amounts paid or payable to the auditors of WEL Energy Trust and Group				
Audit financial statements - PwC	**168**	151	**21**	27
Half year review - PwC	**22**	21	**-**	-
Assurance procedures on disclosure information - PwC	**37**	33	**-**	-
Other reviews - PwC	**8**	-	**-**	-
Total remuneration for assurance services	**235**	205	**21**	27
(b) Taxation services				
Tax advice - PwC	**49**	95	**-**	-
Total remuneration for taxation services	**49**	95	**-**	-
(c) Other services				
Provision of licence for financial reporting software - PwC	**14**	-	**-**	-
Other advisory services - PwC	**67**	-	**9**	-
Total remuneration for other services	**81**	-	**9**	-
	365	300	**30**	27

Auditors' fees are recognised within 'other expenses'.

6 Finance income/(costs)

Interest and finance charges paid/payable	**9,654**	6,697	**-**	-
Interest income - term deposits	**(114)**	(86)	**-**	-
Capitalised interest	**(2,293)**	(2,343)	**-**	-
Total finance costs	**7,247**	4,268	**-**	-

7 Income tax

	Group		Trust	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Current tax	**2,890**	2,778	**(25)**	83
Deferred tax	**1,884**	3,181	**(8)**	66
Tax expense	**4,774**	5,959	**(33)**	149
Relationship between tax expense/(credit) and accounting surplus				
Surplus before tax	**12,893**	15,941	**12**	325
Tax calculated at 28% and 33%	**3,610**	4,480	**4**	107
Tax effect of:				
Non-deductible expenditure	**912**	880	**810**	810
Non-taxable income	**41**	(5)	**41**	(5)
Grants distributed	**(869)**	(751)	**(869)**	(751)
Prior year adjustment	**475**	(95)	**(19)**	(12)
Share loss of joint venture	**605**	1,450	**-**	-
Tax expense/(credit)	**4,774**	5,959	**(33)**	149

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% (2015: 33% and 28%).

(d) Imputation credits

Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2015: 28%)	**30,389**	27,026	**-**	-
	30,389	27,026	**-**	-

8 Trade and other receivables

Exchange Transactions				
Net trade receivables				
Trade receivable	**10,144**	11,333	**-**	-
Amounts due from customer for contract work	**193**	286	**-**	-
Provision for doubtful receivables	**(308)**	(447)	**-**	-
	10,029	11,172	**-**	-
Related party receivables (note 20)	**13,219**	7,154	**-**	-
Interest receivable on short term deposits	**263**	329	**263**	329
Prepayments	**790**	874	**9**	15
Total net trade and other receivables from exchange transactions	**24,301**	19,529	**272**	344
Total net trade and other receivables from non-exchange transactions	**-**	-	**-**	-
Total net trade and other receivables	**24,301**	19,529	**272**	344

8 Trade and other receivables (continued)

(a) 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. For more information on the risk management policy of the Group refer note 23.

(b) Impaired receivables

As of 31 March 2016, trade receivables for the Group of $0.7 million (2015: $1.3 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 these trade receivables is as follows:

	Group		Trust	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Less than three months	**73**	457	**-**	-
Three to six months	**2**	81	**-**	-
Over six months	**617**	738	**-**	-
	692	1,276	**-**	-

As of 31 March 2016, trade receivables of $0.3 million (2015: $0.4 million) were impaired. The amount of the provision was $0.3 million as of 31 March 2016 (2015: $0.4 million). The individually impaired receivables mainly relate to car versus pole. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

Less than three months	**-**	1	**-**	-
Three to six months	**-**	125	**-**	-
Over six months	**308**	321	**-**	-
	308	447	**-**	-

Movements in the provision for impairment of receivables are as follows:

Opening balance	**447**	335	**-**	-
Provision for impairment recognised during the year	**384**	117	**-**	-
Receivables written off during the year as uncollectible	**(523)**	(5)	**-**	-
Closing balance	**308**	447	**-**	-

The creation and release of provision for impaired receivables have been included in 'expenses, excluding finance costs' in the surplus or deficit component of the statements of comprehensive revenue and expenses (note 5). Amounts charged to the provision for impairment of receivables are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

9 Property, plant and equipment

Group	Distribution network $'000	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Computer hardware $'000	Assets under construction $'000	Total $'000
Year ended 31 March 2015							
Opening net book amount	494,118	12,014	13,602	4,002	621	1,034	525,391
Additions	30,699	-	15,144	1,585	826	6,693	54,947
Disposals	(688)	-	(11)	(454)	(53)	-	(1,206)
Depreciation charge (note 5)	(17,853)	(148)	(2,418)	(775)	(332)	-	(21,526)
Closing net book amount	506,276	11,866	26,317	4,358	1,062	7,727	557,606
At 31 March 2015							
Cost	439,757	10,020	35,246	6,370	2,370	7,727	501,490
Valuation	188,911	2,216	-	-	-	-	191,127
Accumulated depreciation	(122,392)	(370)	(8,929)	(2,012)	(1,308)	-	(135,011)
Net book amount	506,276	11,866	26,317	4,358	1,062	7,727	557,606
Year ended 31 March 2016							
Opening net book amount	506,276	11,866	26,317	4,358	1,062	7,727	557,606
Additions	35,875	-	7,680	1,044	165	1,333	46,097
Disposals	(3,294)	-	(170)	(273)	(78)	-	(3,815)
Depreciation charge (note 5)	(16,597)	(148)	(3,824)	(847)	(387)	-	(21,803)
Closing net book amount	522,260	11,718	30,003	4,282	762	9,060	578,085
At 31 March 2016							
Cost	471,677	10,020	42,609	6,762	2,235	9,060	542,363
Valuation	188,911	2,216	-	-	-	-	191,127
Accumulated depreciation	(138,328)	(518)	(12,606)	(2,480)	(1,473)	-	(155,405)
Net book amount	522,260	11,718	30,003	4,282	762	9,060	578,085
Trust							
Year ended 31 March 2015							
Opening net book amount	-	-	47	-	-	-	47
Additions	-	-	11	-	-	-	11
Disposals	-	-	(25)	-	-	-	(25)
Depreciation charge (note 5)	-	-	(9)	-	-	-	(9)
Closing net book amount	-	-	24	-	-	-	24
At 31 March 2015							
Cost	-	-	68	-	-	-	68
Valuation	-	-	-	-	-	-	-
Accumulated depreciation	-	-	(44)	-	-	-	(44)
Net book amount	-	-	24	-	-	-	24
Year ended 31 March 2016							
Opening net book amount	-	-	24	-	-	-	24
Additions	-	-	-	-	-	-	-
Disposals	-	-	(1)	-	-	-	(1)
Depreciation charge (note 5)	-	-	(6)	-	-	-	(6)
Closing net book amount	-	-	17	-	-	-	17
At 31 March 2016							
Cost	-	-	59	-	-	-	59
Valuation	-	-	-	-	-	-	-
Accumulated depreciation	-	-	(42)	-	-	-	(42)
Net book amount	-	-	17	-	-	-	17

9 Property, plant and equipment (continued)

The amount of interest capitalised was $952,368 (2015: $631,000).

The key assumptions used in the valuation as at 31 March 2016 include growth assumptions and the discount rate.

Description	Valuation assumptions adopted	Low	High	Valuation impact
WACC	6.5%	7%	6%	+/- $22m
CPI	2.0%	1.5%	2.5%	+/- $24m
Real Growth	2.25%	1.75%	2.75%	+/- $4m

Revaluations and impairment review

Land was revalued to market value for highest and best use on 31 March 2013 by independent valuers, Telfer Young (Waikato) Ltd Registered Valuers. Buildings are recorded at purchase price following the acquisition in October 2012.

The Group's electricity distribution network was revalued as at 31 March 2016 to fair value by Deloitte. The fair values were established in accordance with PBE IPSAS 17 Property, Plant and Equipment. The valuation was prepared using discounted cash flow methodology.

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

	Land and buildings $'000	Distribution network $'000	Plant and equipment $'000
Group			
Cost	10,020	480,509	47,370
Accumulated depreciation	(370)	(163,144)	(12,205)
Net book amount at 31 March 2015	9,650	317,365	35,165
Cost	10,020	513,016	47,370
Accumulated depreciation	(518)	(168,050)	(16,516)
Net book amount at 31 March 2016	9,502	344,966	30,854

10 Construction work in progress

	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Amounts expected to be recovered with 12 months	**29,492**	34,905	**-**	-
Amounts expected to be recovered after more than 12 months	**2,570**	1,164	**-**	-
Net amount due from customers	**32,062**	36,069	**-**	-
Made up of:				
Layer one	**23,062**	18,599	**-**	-
Layer two	**(10,812)**	(13,165)	**-**	-
Connections	**19,812**	30,635	**-**	-
	32,062	36,069	**-**	-
Analysed as:				
Contract costs incurred	**312,689**	232,323	**-**	-
Less: progress billings	**(280,627)**	(196,254)	**-**	-
Contracts in place at 31 March	**32,062**	36,069	**-**	-
Revenue from construction contracts	**82,576**	76,506	**-**	-

During the year $5.6 million was transferred out of construction work in progress of which $2.7 million related to property, plant and equipment asset and $2.9 million related to goodwill (note 12).

11 Investment in joint venture

	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Opening carrying value	**62,642**	28,381	**-**	-
Acquistion of shares at cost	**67,959**	39,439	**-**	-
Goodwill	**6,014**	-	**-**	-
(Loss)/gain on deemed disposal of share in joint venture	**1,357**	(2,246)	**-**	-
Share of (loss)/gain in joint venture	**(3,517)**	(2,933)	**-**	-
Closing carrying value	**134,455**	62,641	**-**	-

Ultrafast Fibre Limited is incorporated in New Zealand and has a financial year end of 30 June.

A Shares in Ultrafast Fibre Limited are issued to Crown Fibre Holdings Limited as payment for each premise passed. When the premise connects to the fibre network Waikato Networks Limited is required to purchase the A shares from Crown Fibre Holdings Limited. The cost of connecting a premise to the fibre network is incurred by Waikato Networks Limited, who then sell the assets to Ultrafast Fibre Limited, in return for B shares or cash in accordance with the contract. In addition Waikato Networks Limited also receive B shares in Ultrafast Fibre Limited as consideration for working capital and for expenditure on communal fibre optic network infrastructure (Layer 2). The value of the consideration for A shares and B shares (with the exception of working capital) is determined by the Shareholders' Agreement, Schedule 2. The percentage interest held is determined by the number of shares, divided by the total number of all classes of shares issued.

Under the Deed of Amendment signed on the 31 July 2014, Clause 8 of the Shareholders Agreement is suspended for the period from the date of the variation to the end of the concession period. The effect of this variation is to suspend the obligation to purchase the A shares for the year ended 30 June 2015 and 30 June 2016 and to limit the obligation to purchase A shares to $10 million in the year to 30 June 2017, $15 million in the year to 30 June 2018 and $20 million in the year to 30 June 2019. Waikato Networks Limited are not required to purchase A shares from Crown Fibre Holdings during the suspension period except for the committed A shares however they can elect to exercise their rights under clause 8 of the Shareholders Agreement and purchase additional A shares in respect of the number of End Users connected and receiving services during that period. For any A shares that WNL has not acquired from CFH during the suspension period these shares convert to ordinary shares and continue to be held by CFH.

11 Investment in joint venture (continued)

Due to the frequent share issues as noted above this causes changes in the percentage of ownership held in Ultrafast Fibre Limited. These changes are accounted for as acquisitions of shares and deemed disposals of investment.

Shares in joint venture

The interest in Ultrafast Fibre Limited is accounted for in the financial statements using the equity method of accounting.

(i) **The Group's share of the results of its joint venture, all of which are unlisted and its aggregated assets and liabilities, are as follow:**

	Joint venture	
	2016	2015
	$'000	$'000
Current assets		
Bank	**3,314**	3,494
Accounts Receivable & Prepayments	**4,940**	2,268
Total current assets	**8,254**	5,762
Non current assets	**274,167**	193,835
Total assets	**282,421**	199,597
Current liabilities	**19,354**	9,021
Non current liabilities	**-**	-
Total liabilities	**19,354**	9,021
Revenue	**21,800**	7,728
Depreciation	**(12,735)**	(7,442)
Other expenses	**(20,995)**	(15,542)
Taxation	**3,387**	4,266
Profit/(loss) from continuing operations	**(8,543)**	(10,990)
Movements in carrying amounts		
Opening net assets	**190,576**	120,284
Loss for the period	**(8,543)**	(10,990)
Shares issued during the year	**80,854**	81,282
	262,887	190,576
Carrying value	**134,455**	62,641
Interest % in joint venture	**49**	33

FINANCIALS

12 Intangible assets

Group	Computer software $'000	Easements and consents $'000	Computer software under development $'000	Goodwill $'000	Leasehold interest $'000	Total $'000
Year ended 31 March 2015						
Opening net book amount	5,649	5,363	197	5,182	107	16,498
Additions	4,266	226	1,170	-	-	5,662
Disposals	(1,917)	(504)	-	-	-	(2,421)
Impairment charge	(2,747)	(164)	-	-	-	(2,911)
Closing net book amount	5,251	4,921	1,367	5,182	107	16,828
At 31 March 2015						
Cost	19,648	6,985	1,367	5,182	107	33,289
Accumulated amortisation and impairment	(14,397)	(2,064)	-	-	-	(16,461)
Net book amount	5,251	4,921	1,367	5,182	107	16,828
Year ended 31 March 2016						
Opening net book amount	5,251	4,921	1,367	5,182	107	16,828
Additions	2,339	249	-	2,961	-	5,549
Disposals	(879)	-	(822)	-	-	(1,701)
Amortisation charge	(2,785)	(121)	-	-	-	(2,906)
Closing net book amount	3,926	5,049	545	8,143	107	17,770
At 31 March 2016						
Cost	20,017	7,233	545	8,143	107	36,045
Accumulated amortisation and impairment	(16,091)	(2,184)	-	-	-	(18,275)
Net book amount	3,926	5,049	545	8,143	107	17,770
Trust						
Year ended 31 March 2015						
Opening net book amount	17	-	-	-	-	17
Additions	4	-	-	-	-	4
Amortisation charge	(10)	-	-	-	-	(10)
Closing net book amount	11	-	-	-	-	11
At 31 March 2015						
Cost	46	-	-	-	-	46
Accumulated amortisation and impairment	(35)	-	-	-	-	(35)
Net book amount	11	-	-	-	-	11
Year ended 31 March 2016						
Opening net book amount	11	-	-	-	-	11
Additions	-	-	-	-	-	-
Amortisation charge	(6)	-	-	-	-	(6)
Closing net book amount	5	-	-	-	-	5
At 31 March 2016						
Cost	46	-	-	-	-	46
Accumulated amortisation and impairment	(41)	-	-	-	-	(41)
Net book amount	5	-	-	-	-	5

12 Intangible assets (continued)

Goodwill

Goodwill of $5.2 million arises on consolidation representing the excess in value of the shares acquired in WEL Networks Limited by the WEL Energy Trust. WEL Networks Limited is the only operating entity that was consolidated into the Group at the date of acquisition of the shares and therefore goodwill is allocated to WEL Networks Limited as the cash generating unit (CGU).

The recoverable amount of WEL Networks Limited as a CGU is determined by applying a discounted cash flow methodology. The basis of the valuation is value in use using pre tax cash flow projections based on financial budgets approved by the Company's management covering a five year period with terminal perpetuity (2015: five year period with terminal perpetuity). A discount rate of 7% (2015: 7%) was applied. The pre tax cash flow projections included in the forecasts was calculated using growth in EBITDA (earnings before interest, tax, depreciation and amortisation) of 14% in 2017, shrinkage of 4% in 2018, growth of 73% in 2019, 21% in 2020 and a terminal perpetuity assumption of 1.8% (2015: The pre tax cash flow projections included in the forecasts was calculated using growth in EBITDA of 19% in 2016; 10% in 2017; 7% in 2018; 39% in 2019; and a terminal perpetuity assumption of 1.8%).

The carrying value of goodwill has been reviewed against the estimated future cash flows from the underlying investment. This was performed at the lowest level possible of cash generating unit defined as WEL Networks Limited. In the Trustees' opinion, there is no impairment of the carrying value of goodwill.

Goodwill of $2.9 million also arises from the acquisition of another network by WEL Networks Limited and its subsidiaries. All of the carrying amount of goodwill is allocated to one CGU, being the separable cash flows of the acquired network. The recoverable amount of the CGU is determined by applying a discounted cash flow methodology. The basis of valuation is value in use using pre tax cash flow projections based on the financial budgets approved by the Company's management covering a thirty year period. A discount rate of 6% was applied. The revenue included in the forecasts was calculated based on a revenue stream growing 0.5% each year with expenses equivalent to 60% of the revenue stream. In the Trustees' opinion, there is no impairment of the carrying value of goodwill.

13 Loans advanced

	Group		Trust	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Opening loan balance	**655**	180	**655**	180
Loans advanced during the year	**500**	540	**500**	540
Gain/(loss) on inception taken to surplus or deficit	**(20)**	(16)	**(20)**	(16)
Net transaction costs capitalised	**-**	11	**-**	11
Effective interest received	**9**	13	**9**	13
Repayments made	**(127)**	(73)	**(127)**	(73)
Carrying amount	**1,017**	655	**1,017**	655
Current	**92**	71	**92**	71
Non Current	**925**	584	**925**	584
	1,017	655	**1,017**	655

The nominal value of loans advanced at balance date was $10,930,000 (2015: $10,540,000).

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. Subject to the PBE IPSAS 29 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 concessioning rate in the loan contract.

14 Trade and other payables

	Group		Trust	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Exchange transactions				
Trade payables	**35,677**	20,681	**20**	28
Sundry creditors and accruals	**1,618**	952	**28**	38
Amounts due to related parties	**15**	271	**-**	46
Total creditors and other payables from exchange transactions	**37,310**	21,904	**48**	112
Non-exchange transactions				
Other taxes	**115**	599	**-**	-
Grants payable	**247**	296	**247**	296
Total trade and other payables from non-exchange transactions	**362**	895	**247**	296
Total trade and other payables from exchange and non-exchange transactions	**37,672**	22,799	**295**	408

15 Provisions

Current portion				
Employee benefits	**735**	494	**-**	-
Annual leave	**1,410**	1,408	**-**	-
Gratuities	**-**	87	**-**	-
Other provisions	**137**	112	**-**	-
Total current portion	**2,282**	2,101	**-**	-
Non-current portion				
Employee benefits	**567**	590	**-**	-
Total non-current portion	**567**	590	**-**	-
Total provisions	**2,849**	2,691	**-**	-

16 Borrowings

Term borrowings - bank loans				
Maturing in less than 1 year	**-**	-	**-**	-
Maturing between 1 and 3 years	**-**	-	**-**	-
Maturing between 3 and 5 years	**199,859**	137,266	**-**	-
Maturing after 5 years	**-**	-	**-**	-
	199,859	137,266	**-**	-

17 Deferred tax liabilities/(assets)

	Tax losses $'000	Accelerated tax depreciation $'000	Revaluation of property, plant and equipment $'000	Provisions and other $'000	Derivative instruments $'000	Total $'000
Group						
Balance at 1 April 2014	(72)	8,770	62,515	2,536	-	73,749
Charged/(credited) to the statements of comprehensive revenue and expenses	72	3,134	-	(31)	-	3,175
Charged directly to equity - revaluations	-	-	(543)	-	-	(543)
Charged directly to equity - derivatives	-	-	-	-	(505)	(505)
Balance at 31 March 2015	-	11,904	61,972	2,505	(505)	75,876
Group						
Balance at 1 April 2015	-	11,904	61,972	2,505	(505)	75,876
Charged/(credited) to the statements of comprehensive revenue and expenses	-	3,152	-	(1,269)	-	1,883
Charged directly to equity - revaluations	-	-	(773)	-	-	(773)
Charged directly to equity - derivatives	-	-	-	-	(1,726)	(1,726)
Balance at 31 March 2016	-	15,056	61,199	1,236	(2,231)	75,260
Trust						
Balance at 1 April 2014	(72)	-	-	-	-	(72)
Charged/(credited) to the statements of comprehensive revenue and expenses	72	-	-	(12)	-	60
Charged directly to equity - revaluations	-	-	-	-	-	-
Charged directly to equity - derivatives	-	-	-	-	-	-
Balance at 31 March 2015	-	-	-	(12)	-	(12)
Trust						
Balance at 1 April 2015	-	-	-	(12)	-	(12)
Charged/(credited) to the statements of comprehensive revenue and expenses	-	-	-	(8)	-	(8)
Charged directly to equity - revaluations	-	-	-	-	-	-
Charged directly to equity - derivatives	-	-	-	-	-	-
Balance at 31 March 2016	-	-	-	(20)	-	(20)

The Group's deferred tax expected to be settled within and beyond 12 months would be approximately $3m less than 12 months and $72.8m greater than 12 months. The Trust's deferred tax is all expected to be settled beyond 12 months.

18 Equity

	Group		Trust	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Contributed equity	**52,067**	52,067	**52,067**	52,067
Accumulated funds	**280,212**	267,699	**86,252**	86,207
Reserves	**101,752**	108,178	**-**	-
Closing balance	**434,031**	427,944	**138,319**	138,274

Contributed equity

Opening balance	**52,067**	52,067	**52,067**	52,067
Closing balance	**52,067**	52,067	**52,067**	52,067

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

Accumulated revenue and expenses				
Opening balance	**267,699**	254,640	**86,207**	86,031
Fair value gains on distribution network	**2,760**	1,940	**-**	-
Surplus/(deficit) for the year	**9,753**	11,119	**45**	176
Closing balance	**280,212**	267,699	**86,252**	86,207

Reserves

Property, plant and equipment revaluation reserve	**107,491**	109,478	**-**	-
Hedging reserve - cash flow hedges	**(5,739)**	(1,300)	**-**	-
Total reserves	**101,752**	108,178	**-**	-

The movements in each type of reserve are disclosed as follows:

Property, plant and equipment revaluation reserve				
Opening balance	**109,478**	110,875	**-**	-
Fair value gains on distribution network	**(2,760)**	(1,940)	**-**	-
Deferred tax	**773**	543	**-**	-
Closing balance	**107,491**	109,478	**-**	-

Hedging reserve - cash flow hedges				
Opening balance	**(1,300)**	(367)	**-**	-
Fair value gains/(losses) in the year	**(6,165)**	(1,438)	**-**	-
Deferred tax	**1,726**	505	**-**	-
Net fair value gain/(loss) recognised to cashflow hedge reserve	**(4,439)**	(933)	**-**	-
Closing balance	**(5,739)**	(1,300)	**-**	-

19 Commitments

	Group		Trust	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Loan commitments				
Community loans committed but not drawn at year end	**-**	500	**-**	500
Total loan commitments	**-**	500	**-**	500
Capital expenditure contracted for at the year end date but not yet incurred is as follows:				
Property, plant and equipment	**21**	319	**-**	-
Intangible assets	**-**	37	**-**	-
Total capital commitments	**21**	356	**-**	-

Installation of the Waikato smart network project is nearing completion with almost all advanced meters now installed.

Operating leases 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 permises held under operating leases.

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

Not later than one year	**1,339**	1,043	**40**	40
Later than one year and not later than two years	**969**	891	**30**	40
Later than two years and not later than five years	**2,696**	2,203	**-**	30
Later than five years	**4,919**	3,670	**-**	-
Total non-cancellable operating leases	**9,923**	7,807	**70**	110

20 Related party transactions

Trustees & 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, M Bunting, B Chibnall, R Hamill, K Williams and C Isaac. All of these persons were also trustees during the year ended 31 March 2015. D Kneebone was also a trustee during the 2015 financial year and stood down in June 2014.

The Trust has delegated operational running of the subsidiary 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: M P Devlin, M X Franklin, P D McGilvary and A V Steele, B S Harris & D R Wright. All of these persons were also directors during the year ended 31 March 2015. JL Spencer and Hon RW Prebble we also directors during the 2015 financial year and both retired in September 2014.

20 Related party transactions (continued)

Transactions with key management personnel

There is one key management personnel in the Trust, alongside 7 trustees for the years ended 31 March 2016 and 31 March 2015. The key management compensation is set out in the table below.

Key management personnel compensation for the years ended 31 March 2016 and 31 March 2015 for WEL Networks Limited is set out below. The key management personnel are all the six directors of the Company and the six executives with the greatest authority for the strategic direction and management of the Company.

	Group		Trust	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Trustees				
Short term benefits	**215**	218	**215**	218
Directors				
Short term benefits	**297**	299	**-**	-
Executives				
Short term benefits	**2,035**	1,288	**90**	90
Post employment benefits	**-**	39	**-**	-
Other long term benefits	**-**	(211)	**-**	-
Termination benefits	**-**	30	**-**	-
	2,547	1,663	**305**	308

Other transactions with directors and key management personnel or entities related to them

The Company undertakes transactions with entities in which directors have disclosed an interest in the normal course of business. The following represents the major on-going transaction types but should be taken as a complete list: lease, consent, easement, construction and advisory services.

Related party transactions with WEL Networks Limited

	Group		Trust	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Grants to related parties - Healthy Homes	**-**	-	**-**	(46)
Interest on convertible note	**-**	-	**2,456**	3,120

Total dividends paid by WEL Networks Limited during the year were $351,000 (2015: nil). The amount of dividends per share was $0.43. There were no outstanding balances between WEL Networks Limited and the Trust at year end (2015: nil).

Related party transactions with Ultrafast Fibre Limited

Sale of fibre assets	**82,260**	76,947	**-**	-
Huawei layer 2 services and service desk	**4,095**	5,698	**-**	-
Support services	**4,514**	3,866	**-**	-
Management fees	**456**	1,245	**-**	-
Fibre access services on Velocity network	**813**	707	**-**	-
	92,138	88,463	**-**	-
Fibre access services on Velocity network	**570**	1,074	**-**	-
Provision of management services	**29**	66	**-**	-
	599	1,140	**-**	-
Related party trade receivables	**13,009**	7,058	**-**	-
Related party trade payables	**(15)**	(225)	**-**	-

20 Related party transactions (continued)

Waikato Networks Limited is a construction company that is building a fibre network for Ultrafast Fibre Limited. Waikato Networks Limited owns 49% (2015: 33%) of Ultrafast Fibre Limited shares.

No dividends were paid by Ultrafast Fibre Limited in 2016 (2015: Nil).

Related party transactions with Waipa Networks Limited

	Group		Trust	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Interest expense	**1,080**	640	**-**	-
Pole make ready and lease costs	**30**	25	**-**	-
	1,110	665	**-**	-
Loan from shareholders	**30,445**	17,075	**-**	-
Related party trade receivables	**-**	12	**-**	-

Net advances from Waipa Networks Limited are loans that are interest bearing repayable on call. Interest is charged at a rate equal to the WEL Network Limited's average finance expense. The outstanding balance includes interest and advances receivable. The advances are unsecured and have no repayment terms and conditions. The loans are used to fund the investment in Ultrafast Fibre Limited.

Waipa Networks Limited has a 15% non-controlling interest in Waikato Networks Limited.

Related party transactions with Smartco Limited

Other income	**482**	25	**-**	-
Other expenses	**226**	162	**-**	-
Purchase of plant and equipment	**1,234**	541	**-**	-
Related party trade receivables	**210**	129	**-**	-

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

21 Investments in subsidiaries

	Trust	
	2016	2015
	$'000	$'000
Shares in WEL Networks Limited at cost	**85,797**	85,797
Convertible notes	**39,000**	39,000
	124,797	124,797

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 bore fixed interest of 8.0% p.a. until 31 March 2015, accrued monthly. The Notes have been extended until 31 March 2020 at a new interest rate of 6.28% from 1 April 2015. 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.

Shares in WEL Networks Limited

WEL Energy Trust Limited owns 8,153,000 shares (100%) (2015: 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 of entity	**Principal activity**	**Equity holding**	
		2016	2015
		%	%
Waikato Networks Limited	Construction of fibre network	**85**	85
Non Operating Subsidiaries			
WEL Electricity Limited			
WEL Power Limited			
WEL Energy Group Limited (formerly WEL Networks Limited)			
Waikato Electricity Limited			
WEL Generation Limited			
WEL Services Limited (incorporated during 2016)			

All subsidiaries have balance dates of 31 March and are incorporated in New Zealand. WEL Networks Limited has a 100% direct interest in all subsidiaries except as noted above.

22 Derivative financial instruments

	Group		Trust	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Non current liabilities				
Forward foreign exchange contracts - cash flow hedges	**6**	-	**-**	-
Interest rate swaps - fair value hedges	**7,966**	1,805	**-**	-
	7,972	1,805	**-**	-

22 Derivative financial instruments (continued)

Instruments used by the Group
Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

Interest Rate Swaps
The notional principal amounts of the outstanding interest rate swap contracts at 31 March 2016 were $130 million (2015: $75 million).

At 31 March 2016, the fixed interest rates vary from 3.905% to 4.18% (2015: 3.905% to 4.18%), and the main floating rate is BKBM. Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 March 2016 will be continuously released to the surplus or deficit in the statement of comprehensive revenue and expenses within finance income/(cost) until the repayment of the bank borrowings.

Forward foreign exchange contracts
The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2016 were $991,635 (2015: Nil).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 March 2016 are recognised in the surplus or deficit component of the statements of comprehensive revenue and expenses in the period or periods during which the hedged forecast transaction affects the statements of comprehensive revenue and expenses. This is generally within 12 months of the end of the reporting period unless the gain or loss is included in the initial amount recognised for the purchase of fixed assets, in which case recognition is over the lifetime of the asset.

23 Financial instruments

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 shareholders as well as ensuring that adequate financial resources are available for the development of the Group’s businesses whilst managing its financial risks. It is, and has been throughout the 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:

(a) Market risk

Foreign exchange risk
Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group companies are 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.

At 31 March 2016 if the currency had weakened / strengthened by 10% against the US dollar with all other variables held constant, post tax profit for the year would have been $67,822 (2015: 5,884) higher / lower, mainly as a result of foreign exchange gains / losses on translation of US dollar denominated financial assets.

23 Financial instruments (continued)

(a) Market risk (continued)

Cash flow and fair value interest rate risk

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. Generally, the Group raises long term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. 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:

	31 March 2016		31 March 2015	
	Weighted average interest rate %	**Balance $'000**	Weighted average interest rate %	Balance $'000
Interest rate swaps (notional/principal amounts)	**3.85**	**(130,000)**	4.02	(100,000)
Borrowings	**4.86**	**199,859**	3.50	137,266
Net exposure to cash flow interest rate risk		**69,859**		37,266

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.

Group		**Interest rate risk**			
		-1%		**+1%**	
31 March 2016	Carrying amount $'000	**Surplus $'000**	**Equity $'000**	**Surplus $'000**	Equity $'000
Financial assets					
Cash and cash equivalents	16,494	-	(164)	164	-
Trade and other receivables	23,511	-	-	-	-
Loans advanced	1,017	-	-	-	-
Financial liabilities					
Trade and other payables	37,557	-	(1)	1	-
Borrowings	199,859	-	(698)	698	-
Derivative financial instruments	7,972	-	-	-	-
Loan from non-controlling entity	30,455	-	(403)	403	-
Customer discount payable	18,836	-	-	-	-
		-	(1,266)	1,266	-
31 March 2015					
Financial assets					
Cash and cash equivalents	9,890	-	(98)	98	-
Trade and other receivables	18,655	-	-	-	-
Loans advanced	655	-	-	-	-
Financial liabilities					
Trade and other payables	22,200	-	-	-	-
Borrowings	137,266	-	(623)	623	-
Derivative financial instruments	1,805	-	-	-	-
Loan from non-controlling entity	17,074	-	(171)	171	-
Customer discount payable	19,100	-	-	-	-
		-	(892)	892	-

23 Financial instruments (continued)

(a) Market risk (continued)

Trust

		Interest rate risk			
		-1%		+1%	
31 March 2016	Carrying amount $'000	**Surplus $'000**	**Equity $'000**	**Surplus $'000**	**Equity $'000**
Financial assets					
Cash and cash equivalents	12,445	-	(124)	124	-
Trade and other receivables	263	-	-	-	-
Loans advanced	1,017	-	-	-	-
Financial liabilities					
Trade and other payables	295	-	-	-	-
		-	(124)	124	-
31 March 2015					
Financial assets					
Cash and cash equivalents	12,850	-	(128)	128	-
Trade and other receivables	329	-	-	-	-
Loans advanced	655	-	-	-	-
Financial liabilities					
Trade and other payables	408	-	-	-	-
		-	(128)	128	-

(b) 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.

In the normal course of its business, the Group incurs credit risk from trade receivables from energy customers and transactions with financial institutions. A provision has been set up for trade receivables which are unlikely to be collected.

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 36% (2015: 33%) 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 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.

Other than as mentioned above (in addition to those mentioned elsewhere in the financial statements), 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.

(c) 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.

23 Financial instruments (continued)

(c) Liquidity risk (continued)

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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 3 years $'000	Between 3 and 5 years $'000	Total contractual cash flows $'000	Carrying Amount (assets)/ liabilities $'000
Group 31 March 2016						
Financial liabilities						
Non-derivative financial instruments						
Borrowings	9,896	9,896	9,896	220,392	250,080	199,859
Trade and other payables	37,672	-	-	-	37,672	37,672
Customer discount payable	18,836	-	-	-	18,836	18,836
Loan from non controlling interest	30,455	-	-	-	30,455	30,455
Derivative financial liabilities						
Interest rate swaps						
- Inflow	(6,318)	(6,318)	(6,318)	(6,318)	(25,272)	-
- Outflow	6,354	6,354	6,354	6,354	25,416	7,966
Foreign exchange contracts - outflow	6	-	-	-	6	6
Total financial liabilities	96,901	9,932	9,932	220,428	337,193	294,794
Group 31 March 2015						
Financial liabilities						
Non-derivative financial instruments						
Borrowings	6,818	6,818	6,818	150,902	171,356	137,266
Trade and other payables	22,799	-	-	-	22,799	22,799
Customer discount payable	19,100	-	-	-	19,100	19,100
Loan from non controlling interest	17,075	-	-	-	17,075	17,075
Derivative financial liabilities						
Interest rate swaps						
- Inflow	(4,860)	(6,318)	(6,318)	(6,318)	(23,814)	-
- Outflow	5,034	6,354	6,354	6,354	24,096	1,805
Total financial liabilities	65,966	6,854	6,854	150,938	230,612	198,045

23 Financial instruments (continued)

(d) Fair value estimation

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:

	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Group - 31 March 2016				
Financial liabilities				
Interest rate swaps	7,966	-	7,966	-
Foreign exchange contracts	6	-	6	-
Total financial liabilities	7,972	-	7,972	-
Group - 31 March 2015				
Financial liabilities				
Interest rate swaps	1,805	-	1,805	-
Foreign exchange contracts	-	-	-	-
Total financial liabilities	1,805	-	1,805	-

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of discount provided to consumers, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. 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.

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 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.

23 Financial instruments (continued)

	Group 2016 $'000	2015 $'000
Total borrowings	**199,859**	137,266
Less: cash and cash equivalents	**(16,494)**	(9,890)
Net Debt	**183,365**	127,376
Total equity	**430,695**	426,242
Total capital	**614,060**	553,618
Gearing ratio	**30 %**	23 %

(f) Financial instrument categories

Assets	**Loans and receivables $'000**	**Total $'000**
Group		
31 March 2016		
Cash and cash equivalent	16,494	16,494
Trade and other receivables (excluding prepayments)	23,511	23,511
Loans advanced	1,017	1,017
Total assets	41,022	41,022
31 March 2015		
Cash and cash equivalent	9,890	9,890
Trade and other receivables (excluding prepayments)	18,655	18,655
Loans advanced	655	655
Total assets	29,200	29,200
Trust		
31 March 2016		
Cash and cash equivalents	12,445	12,445
Trade and other receivables (excluding prepayments)	263	263
Loans advanced	1,017	1,017
Total assets	13,725	13,725
31 March 2015		
Cash and cash equivalent	12,850	12,850
Trade and other receivables (excluding prepayments)	329	329
Loans advanced	655	655
Total assets	13,834	13,834

23 Financial instruments (continued)

(f) Financial instrument categories(continued)

Liabilities	Derivatives for hedging $'000	Measured at amortised cost $'000	Total $'000
Group			
31 March 2016			
Interest bearing liabilities	-	199,859	199,859
Loan from non controlling interest	-	30,455	30,455
Customer discount payable	-	18,836	18,836
Derivative financial instruments	7,972	-	7,972
Trade and other payables	-	37,557	37,557
Total liabilities	7,972	286,707	294,679
31 March 2015			
Interest bearing liabilities	-	137,266	137,266
Loan from non controlling interest	-	17,074	17,074
Customer discount payable	-	19,100	19,100
Derivative financial instruments	1,805	-	1,805
Trade and other payables	-	22,200	22,200
Total liabilities	1,805	195,640	197,445
Trust			
31 March 2016			
Trade and other payables	-	296	296
Total liabilities	-	296	296
31 March 2015			
Trade and other payables	-	408	408
Total liabilities	-	408	408

24 Events occurring after the balance date

During April and May 2016, Ultrafast Fibre Limited issued shares to Crown Fibre Holdings and Waikato Networks Limited under the terms of the construction contract, as a result Waikato Networks Limited shareholding has changed to 54%.

At the 31st March 2016 Ultrafast Fibre Limited owes $13 million to Waikato Networks Limited. Included in this is $8.9 million accrued connection assets which were transacted during the month of April 2016.

On 1 April 2016 under the terms of the contract Waikato Networks Limited elected to purchase 10.5 million A shares at a value of $10.5 million from Crown Fibre Limited for connections between 1 January 2016 and 31 March 2016.

At the date of signing these financial statements, WEL Networks Limited, the Trust's subsidiary, was in discussions with another party in relation to a substantial business acquisition that would require approval by the subsidiary's Board of Directors and then approval by the Board of Trustees once formal agreements were reached. No formal agreements have been signed at the date these financial statements were approved.

25 Contingencies

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 2016 was $351,000 (2015: $266,000).

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

	Group		Trust	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Surplus/(deficit) after tax	**8,119**	9,982	**45**	176
Depreciation and amortisation expense	**24,709**	24,437	**11**	19
Interest expense	**7,361**	4,354	**-**	-
(Gains)/losses on loans	**25**	16	**25**	16
Loss on sale of property, plant and equipment	**2,633**	3,662	**4**	24
Deferred tax asset	**1,894**	3,175	**(8)**	60
Loss/(gain) on disposal of share in joint venture	**(1,357)**	2,246	**-**	-
Share of loss of joint venture	**3,517**	2,933	**-**	-
Effective interest on loans advanced	**(20)**	(13)	**(20)**	(13)
Net movement in amortised loan costs	**4**	(11)	**4**	(11)
Add/(less) movements in working capital items				
(Increase)/Decrease in trade and other receivables	**(3,511)**	(6,554)	**72**	(59)
(Increase)/Decrease in construction work in progress	**2,785**	(5,055)	**-**	-
Increase /(Decrease) in trade and other payables	**14,703**	7,413	**(126)**	(14)
Increase /(Decrease) in income tax payable	**(396)**	(2,683)	**(48)**	11
Increase /(Decrease) in loan advanced	**(362)**	(467)	**(362)**	(467)
Net cash inflow/(outflow) from operating activities	**60,104**	43,435	**(403)**	(258)

Independent Auditors' Report
to the Trustees of WEL Energy Trust

Report on the Financial Statements
We have audited the financial statements of WEL Energy Trust (the "Trust") on pages 36 to 76, which comprise the statements of financial position as at 31 March 2016, the statements of comprehensive revenue and expense, the statements of changes in net assets/equity and the statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Trust and the Group. The Group comprises the Trust and the entities it controlled at 31 March 2016 or from time to time during the financial year.

Trustees' Responsibility for the Financial Statements
The Trustees are responsible on behalf of the Trust and Group for the preparation and fair presentation of these financial statements in accordance with Public Benefit Entity International Public Sector Accounting Standards issued in New Zealand and for such internal controls as the Trustees determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Trust's and the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We are independent of the Trust and the Group. Our firm carries out other services for the Trust and Group in the areas of tax advice, accounting and other advisory services. The provision of these other services has not impaired our independence.

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz

pwc

Independent Auditors' Report

WEL Energy Trust

Opinion

In our opinion, the financial statements on pages 36 to 76 present fairly, in all material respects, the financial position of the Trust and the Group as at 31 March 2016, and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity International Public Sector Accounting Standards issued in New Zealand.

Restriction on Use of our Report

This report is made solely to the Trustees, 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 auditors' 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 Trustees, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants

12 July 2016

Auckland

This report relates to the financial report of WEL Energy Trust for the year ended 31 March 2016 included on the Trust's website. The Trustees are responsible for the maintenance and integrity of the Trust's website. We have not been engaged to report on the integrity of the Trust's website. We accept no responsibility for any changes that may have occurred to the financial report since it was initially presented on the website

Clear, Constructive Communication

We create understanding through open and informative engagement.

WEL ENERGY TRUST

360 Tristram Street, Hamilton
PO Box 1336, Hamilton 3240
P. 07 838 0093 | E. admin@welenergytrust.co.nz
www.welenergytrust.co.nz
www.facebook.com/WelEnergyTrust

'Here for the Community'