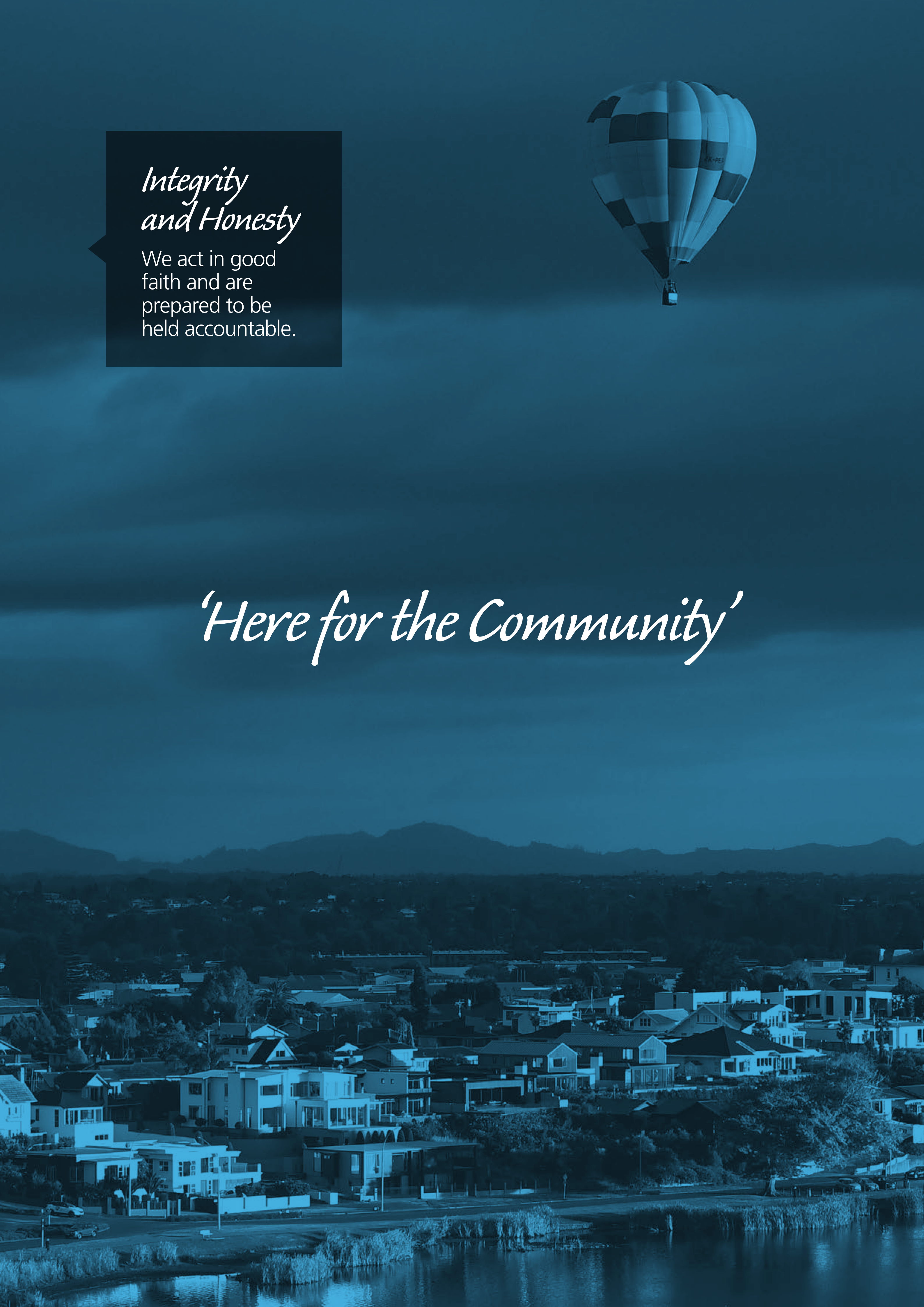
WEL ENERGY TRUST

Annual Report

FOR THE YEAR ENDED 31 MARCH 2020



Integrity and Honesty

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

'Here for the Community'

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About WEL Energy Trust

WEL Energy Trust was formed in 1993, and is now the 100% shareholder of WEL Networks Ltd, who provide the electricity lines network in the WEL Networks region.

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

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

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

WEL Networks Ltd., like WEL Energy Trust, aims to support a connected and resilient community. This report reflects on the performance of the Group against our purpose using a range of both financial and impact measures.

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

Organisational Directory

Trustees (for the year ended 31 March 2020)

The 2020 Triennial Election was held 26 June 2020. The next Triennial Election will be held in June 2023.

Mark Ingle
(Chair)

Charlotte Isaac
(Deputy Chair)

Denise Harding

Mike Rolton

Craig Stephen

Rob Hamill

Kathryn Williams

Staff

(From left to right)
David Cowley (Grants Manager), Shelley Halpin (Trust Secretary), Norm Hill (Strategic Relationships Manager), Raewyn Jones (Chief Executive), Jinita Bishwakarma (Impact Officer) and Sarah Lewis (Financial Officer)

Trust Sub-Committees

Finance Audit and Risk

Charlotte Isaac (Chair)
Denise Harding
Mark Ingle (Trust Chair)

Grants Committee

Rotational after Quick Response rounds and as required

Investment Committee

(From February 2020)
Mike Rolton (Chair)
Mark Ingle (Trust Chair)
Noah Schiltknecht (Independent Member)
David Plummer (Independent Member)
Raewyn Jones (Chief Executive)

Chair's Report

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

Financial Year 2020 goes down as a very memorable year in Trust history. A year that saw a capital structure review of the Company to pursue the sale of shares in Ultrafast Fibre (UFF Holdings Ltd). Final bids for the sale were subsequent to balance date. Also, a year that ended with the beginning of a global pandemic creating unprecedented responses, with borders closing and nations isolating – both significantly impacting our region.

However, this time also marked the beginning of a movement, the Waikato Wellbeing Project (WWP). A movement changing the way we look at our organisational strategies; at the impact decisions make on the environment and people; at the meaningfulness of goals and targets we seek to achieve; at how capital is employed to support purposeful outcomes; and at a shifting of power through change being driven from the ground up.

Last year, both the Trust and Company committed to the United Nations Sustainable Development Goal (SDG) framework. It has caused a significant paradigm shift in how we do business and make decisions. If key decisions aren't moving us closer to the region's Wellbeing targets, then we genuinely aren't doing enough. Old ways of thinking, old habits and old structures being challenged and checked for relevance. That is what the Trust has started in this reporting period – it hasn't been easy, and there's plenty more to do.

The Trust's core purpose is for Trustees to hold WEL Networks shares for the benefit of our community and to ensure the Company operates as a successful business. This purpose was central to decision-making and resulted in Trustees supporting the Company to sell 100% of its interest in UFF.

Adopting the SDG framework has helped the Trust transition from enthusiastic funder of activities to a strategic partner for collective impact. The WEL Group strengths sit firmly in affordable and clean energy (SDG 7), and supporting industry, innovation and infrastructure (SDG 9), however the Trust has a broader focus. In terms of community investment, the Trust continues to prioritise eight SDGs, with the WWP now delivering initial targets toward which we can strive.

Time will determine if this narrowing of focus delivers more meaningful outcomes for our community. What we know is that the old way of funding supported systems that contribute to underwhelming statistics, like; about one in six children currently live below the poverty line in Aotearoa New Zealand; in our region the cost of electricity has over many years been rising at above inflation and causing pressure on household budgets; increased inequalities that mean, for example, the number of young people (aged 15 to 24) in the Waikato who are not in employment, education or training (NEET) is 12.6%, but the rate is 19.3% for Māori and 16.8% for Pasifika.

The Trust has benefited from having a 'living' General Theory of Change that keeps bringing us back to what's important, and driving us to back new and innovative ideas and ways of thinking.

Leadership

For the past six years the Trust has prioritised support for regional and sector leadership. This has resulted in organisations outside our usual community-based partners receiving strategic support; the likes of Philanthropy NZ, the National Advisory Board for Impact Investment, and the Community and Enterprise Leadership Foundation (CELF). All have benefited from this strategy as we seek to help build the thinking, the action, the leaders of change.

A highlight in this period was the WWP Wellbeing Summit. Through the WWP the Trust is exposed to some amazing individuals seeking to lead towards targets that deliver a brighter future for our region. Seeing and supporting this type of passion and belief is a privilege. The Trust, under the right leadership and support, has an ongoing role to play as an enabler of these people and the WWP targets.

Treaty Partnership

WEL Energy Trust recognises the Treaty of Waitangi (the Treaty) as the founding document of Aotearoa.

The Treaty principles of Partnership, Protection and Participation are reflected in our approach to relationships and to funding activities that contribute to Māori wellbeing.

The best ways to describe how we achieve the application of these principles using a Te Ao Māori (Māori world) lens are as follows:

- Partnership via manaakitanga – maintaining, strengthening and growing partnerships with iwi, hapū and marae, and ethnic communities. We are building advocacy through relationships that are enduring and mutually-beneficial by increasing communication, by sharing networks, information, data and contacts, and by reaching out to new Māori groups/organisations.
- Protection via Kaitiakitanga – respecting/building mana and using philanthropic resources to support and enhance environment and communities we live in, and with. We are supporting knowledge, spiritual beliefs and customary practises, including tikanga (customs) and kawa, applying reo, karakia and waiata in our daily work activities and practising koha atu, koha mai (reciprocity) with data.
- Participation via Rangatiratanga – expression through autonomy, leadership and participation in funding decision-making. We are supporting hapū research towards reaffirmation of identity and heritage – whakapapa of tangata whenua. This also includes supporting fundraising capability building, and advising cultural organisations on a one-to-one basis.

We also recognise that the area of cultural awareness and growth is one that involves an ongoing strengthening, transformative journey for some WEL Energy Trust staff and Trustees. No reira, kia hoea tonu mātoa i tenei haerenga.

Community Investment (Grants)

This financial year has seen a significant increase in grants activity from the previous few years. There was a 16% increase in application numbers over the previous year, requesting over 80% more in funds. This resulted in only a 5% decrease in successful recipients, but with a 70% increased grant spend to $4,734,106, reflecting the Trust's Community Investment Strategy of being more targeted and supporting those groups/projects well. The average grant increased from over $10k to over $15k, excluding Vital Impact grants.

Alongside these grants the Trust also committed $1m in the 2020/21 Annual Plan to the Waikato Community Funders Group COVID-19 Collective Response Fund.

Investment Portfolio

Global markets took a dive as the speculation around a global pandemic took hold. This delivered significant unrealised losses in the Trust investment portfolio. By year-end, thankfully the markets corrected somewhat, and the Trust's portfolio recovered some value to end the year with a small positive return on funds invested.

Core Investment - WEL Group

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

Growth in the Waikato region has provided WEL Networks with strong urban development demand resulting in customer growth across the fibre and electricity networks.

The Company commenced a capital structures review in early 2019. This resulted in the Company and Trust agreeing that, to reduce risk created by the 100% debt-funded investment in UFF, shares in UFF would be sold. As noted earlier in this report, the sale was still pending at balance date with final bids still to be received, uncertainty of COVID-19 impacts and impact assessments still to be completed to satisfy the Trust.

The value created in UFF for this region, as a result of the 10-year debt funded investment, is significant, and something both the Company and Trust should be proud of. A number of the Directors and Staff of UFF and WEL enabled this very pleasing outcome, thank you.

Tony Steele retired by rotation at the Company's AGM in 2019 having served nine years on the WEL board and nearly five years on the UFF board. His contribution was significant and material in the success of both companies, and the Trust acknowledges and thanks him for this. During the period we also welcomed Paul Connell and Nicole Buisson (IoD Future Director appointment) to the Board.

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

Electricity Pricing

The largest impact on residential electricity charges in the history of the Trust has been the establishment of OurPower, a low-cost electricity retailer built by WEL Networks Ltd which has saved people on average over $484 per annum on their electricity bills. Although it is early days for the retailer, the Trust and Company are committed to growing its influence on energy pricing in the region.

With the Trust's Affordable Energy for All support programme continuing, combined with OurPower, and reducing electricity lines charges from WEL Networks Ltd, thousands of residents in the region are now benefiting from lower electricity costs.

Since the WEL Networks rebate programme was replaced with reduced lines charges to residential customers, savings have grown to $13m (including GST) per annum, with a further lines charge reduction of $11.5m (including GST) also being announced for the approaching year.

At the time of finishing the rebate programme, Trustees undertook to ensure that residential customers would get back all of the premium charged that enabled the discount programme. This has now happened, plus some. The result of the Electricity Pricing Review, which was fully supported by the WEL Group, will see further changes to drive transparency in pricing and remove mechanisms that don't support a fair and equitable price to consumers.

Mission Related Investments

The Trust's Mission Related Investments build on our general Theory of Change that if we make coordinated use of different forms of financial capital and non-financial resources to support innovation and the wider innovation ecosystem, then we will begin to see the systemic change required for impact at scale. Our activities in this area have included:

- Field building activities, such as the WWP, and contribution to the activities of the National Advisory Board for Impact Investment;
- Developing policy and guidelines for impact investment and measurement;
- Building Management capacity, and the establishment of an Investment Committee with specialist skills; and
- Selecting high impact, innovative investments, such as a $5m commitment to the Purpose Capital Impact Fund.

Investment in this Fund was a decision of high strategic impact for the Trust, as it is the first investment at scale in an impact fund, and the first use of blended finance to utilise the power of philanthropy and the commercial sector to affect transformative change. The Trust's Community Investment Strategy and Annual Plan support this strategy.

Financial Performance

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

The financial performance of the Trust only is summarised on page 43.

The Trust operations produced a net deficit (after tax and distribution), including comprehensive income and expenses of $384,000 (2019: $153,000 surplus), which was $2,049,000 below budget, in the main due to reduced investment returns, after management fees ($1,542,000), reduced operational costs $83,000, increased grants ($232,000) and taxation ($358,000).

The Year Ahead

COVID-19 has impacted on the current environment in ways which are still emerging. The two-month lockdown has been an unprecedented event. Some of its impacts have been positive (for example improved air quality and reduced CO^2 emissions) albeit temporary, while some of its expected medium-term impacts are likely to be negative, especially those related to the economy and employment.

The Waikato Wellbeing Project has catalysed the Waikato community to collectively work together, determine its common future and agree on the key actions needed that will make progress towards those goals.

Building on the Waikato Wellbeing Project, the Trust sees the opportunity to enable our region's recovery, resilience and reimagination by accelerating the delivery of impact-ready projects, and supporting organisations which deliver decent work opportunities while positively impacting the environment. You will see our specific intentions in the impact reporting on the following pages.

We would like to offer reassurance to the many wonderful organisations we have the privilege of supporting across the WEL Networks region, that we will continue to support their work, and to listen to their changing needs.

As well as being a prudent investor and kaitiaki of community assets, WEL Energy Trust remains committed to being responsive to our community, to maximising long-term impact by being strategic, and to leveraging grants through partnerships and collaboration, expanding support beyond grantmaking.

Thank you to WEL Energy Trustees and staff for your passion, commitment and contributions.

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

Mark Ingle, Chairman

OUR GRANTS AT A GLANCE

TOTAL GRANTS	QUICK RESPONSE GRANTS up to $15,000	CONVENING AND ORGANISATIONAL DEVELOPMENT	VITAL IMPACT GRANTS	COMMUNITY SUPPORT GRANTS over $15,000
269	183	11	11	64

67% OVERALL APPLICANT SUCCESS RATE

AVERAGE QUICK RESPONSE GRANT (under $15,000) **$6,171**

AVERAGE COMMUNITY SUPPORT GRANT (over $15,000) **$40,122**

TOTAL GRANT AMOUNT **$4,734,106**

5 Year Strategic Plan - 2017-21

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

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

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

MAXIMISE LONG TERM IMPACT BY BEING STRATEGIC AND TRANSFORMATIVE

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

EXPAND SUPPORT BEYOND GRANTMAKING

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

Our General Theory of Change

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

Our General Theory of Change

Impact Goal: A forward thinking, vibrant, connected community

Inputs

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

Activities

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

Outputs

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

Outcomes

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

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

2019/20 Impact Reporting

On 1 April 2019, the Trust implemented the 2019-2022 Community Investment Strategy. This included a significantly increased emphasis on impact, measurement and Theory of Change principles[1]. The traditional focus areas were replaced with Trust targets for eight of the 17 United Nations Sustainable Development Goals (SDGs).

Our Waikato and the Sustainable Development Goals: Thinking Globally, Caring Locally

The SDGs include 17 goals, 169 targets and over 250 indicators. The 17 goals can be grouped into economic, social and environmental goals.

SDG 17 Partnerships for the Goals is at the heart of our activities. Our ability to take a genuine partnership approach to our funding and investment activities, and to move to more active impact measurement and reporting, has been greatly enhanced this year with the appointment of Norm Hill as our Strategic Relationships Manager and Jinita Bishwakarma as Impact Officer to support the existing team.

[1] WEL Energy Trust's general Theory of Change can be found on page 11

From Outcomes to Impact

The alignment with the SDGs has introduced clear targeting, which in turn has changed the way grant applications are considered and investment decisions made. In past Annual Reports we have provided impact stories highlighting the activities and outcomes of the organisations supported by the Trust. This year, as we develop our impact management and reporting processes, we are reporting on progress against the Trust's overall impact targets.

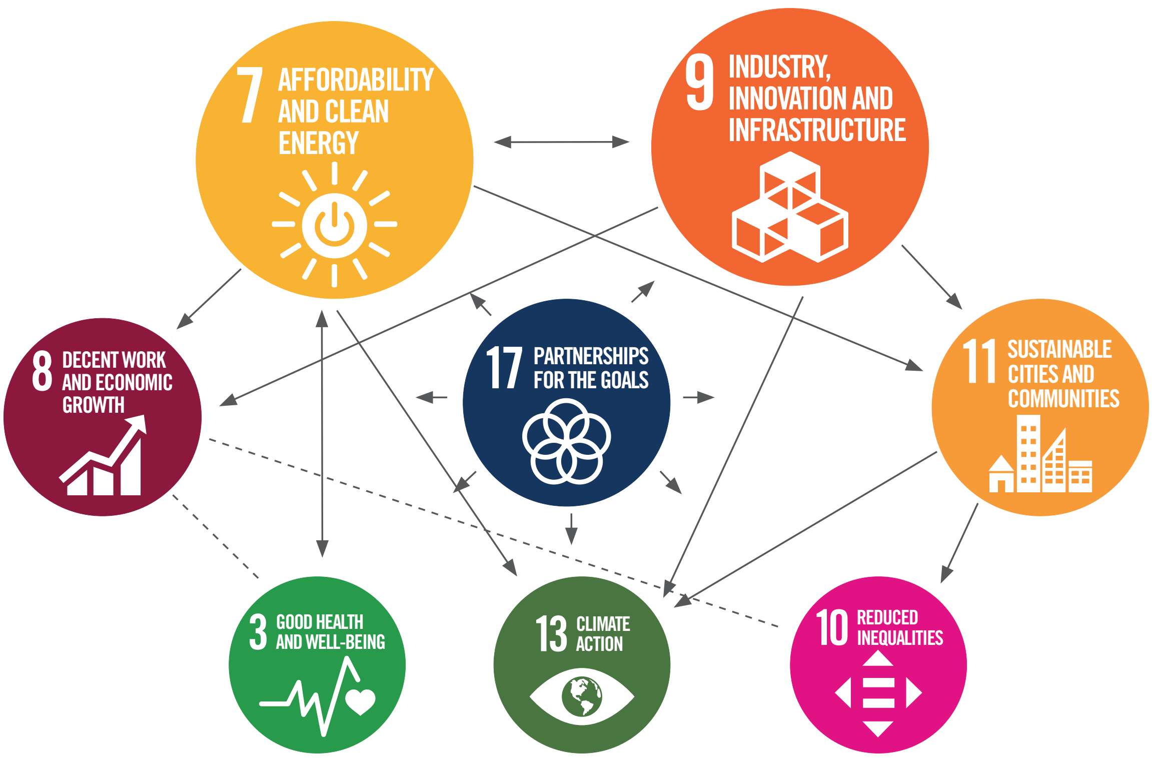
In this, we recognise we are standing on the shoulders of giants. Impact is never achieved in isolation, and it takes time. It is by funding and supporting effective organisations that have outstanding leadership, and by playing a part in enabling the wonderful work happening across our region that we can contribute to positive outcomes, and ultimately have impact.

Our Approach to Identifying Targets

We've taken a 'core business' perspective on prioritising the SDGs in line with our long-term plan to be responsive to our community, to maximise long-term impact by being strategic, and to leverage grants through partnerships and collaboration, expanding support beyond grantmaking.

This SDG network model identifies eight SDGs classified into three levels of priority and maps the direct and indirect relationships between them (signified by solid and dotted lines). It also shows how the Trust's investments and strategy contributes to SDG 7 and 9, and how these relate to other SDGs.

Prioritising the SDGs



Impact Reporting

Our Grants by SDG

The basic core grants structure has been maintained with the use of Quick Response grants (for up to $15,000) and Community Support grants (for $15,000 and above). There are five Quick Response grants rounds and three Community Support grants rounds each year.

Additionally, provision was made in the 2019-20 Annual Plan for larger Vital Impact Grants (VIG), and to support energy efficiency in the region through an Affordable Energy for All (AEFA) support programme.

In line with our Mission which involves "working together, working smarter", WEL Energy Trust aims to be both research-informed and collaborative in our approach. Convening and Organisational Development Grants enable us to support others in their efforts to achieve collective impact by working together more.

2019/20 Approved Community Support, VIG + AEFA Grants by SDG Alignment

SDG	# of Grants	Approved
SDG 3 Good Health and Wellbeing	13	$482,500
SDG 7 Affordable and Clean Energy	7	$305,080
SDG 8 Decent Work and Economic Growth	6	$308,500
SDG 9 Industry, Innovation and Infrastructure	2	$315,200
SDG 10 Reduced Inequalities	24	$616,630
SDG 11 Sustainable Cities and Communities	8	$737,500
SDG 13 Climate Action	7	$375,000
SDG 17 Partnerships for the Goals	8	$232,500
Totals	75	$3,372,910

The above chart reflects where the grant funding has gone towards each of the Trust target SDG areas. This information is indicative as the SDGs are inter-related and, in many cases, organisations are contributing towards more than one of the targets. The information reflects the primary SDG as interpreted from the application.

The information above includes grants from the Community Support, Affordable Energy for All and the Vital Impact grants programmes.

Quick Response Grants

WEL Energy Trust continues to support our community through regular Quick Response grants (not included in the above) to a wide range of organisations in the WEL Networks region. These grants for up to $15,000 are designed to provide a 'quick response' to a range of grassroots organisations, to provide the bit of support needed to get a project or idea moving, or to give a helping hand when needed.

In 2019/20 Quick Response grants were allocated to 183 organisations, to a total value of $1,129,346.

Our Status and Future Intent

On the following pages we report on our progress against our goals. While we are still focussing on inputs (for example the number of grants in an area) and outcomes in terms of measures of success, we also highlight our future intentions as we look to increasingly measure and report on our contribution to collective impact.

A key focus in future will be a measurable contribution to the achievement of the Waikato Wellbeing Project Targets, particularly in our eight focus SDG areas.

Waikato Wellbeing Project

WEL Energy Trust was a key partner during 2019/20 in the development of the Waikato Wellbeing Project (WWP). This is a regional collaborative initiative to achieve a more environmentally sustainable, prosperous and inclusive Waikato region by 2030. Mātauranga Māori and Te Ao Māori (Māori world view) principles are embedded in the WWP.

These ten Wellbeing Targets are the region’s first set of targets to end poverty, fight inequality and act on climate change. They were developed over 2019 through extensive cross-sector consultation, then launched at a Summit attended by Prime Minister Jacinda Ardern and over 250 Waikato Champions on 14 February 2020.

1 NO POVERTY **2 ZERO HUNGER**

About one in six children live below the poverty line, by 2030 less than 1% will.

3 GOOD HEALTH AND WELLBEING

By 2030, reduce rates of non communicable diseases and mental illness and improve associated health equity outcomes for target groups.

4 QUALITY EDUCATION **8 DECENT WORK AND ECONOMIC GROWTH** **10 REDUCED INEQUALITIES**

Reduce the number of young people (aged 15-24) in the Waikato who are not in employment, education or training (NEET) from 12.6% in 2019 to less than 5% by 2030.

6 CLEAN WATER AND SANITATION

Increase the number of swimmable rivers and lakes in the Waikato from 30% (rivers) and 73% (lakes) in 2019 to both waterbody types achieving more than 80% by 2030.

7 AFFORDABILITY AND CLEAN ENERGY

Reduce the number of people experiencing energy hardship in the Waikato from 18,000 in 2019 to zero by 2030.

11 SUSTAINABLE CITIES AND COMMUNITIES

Reduce the housing shortfall in the region from approximately 7,500 homes in November 2019 to a point where all our people are well housed by 2030.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Increase the number of households schools, businesses and farms who reduce their waste leading to a 50% reduction of waste to landfill by 2030.

13 CLIMATE ACTION

Reduce carbon emissions by a minimum of 25% by 2030 (from 13.8 mega tonnes C02e to 103 mega tonnes C02e), on the path to net carbon zero by 2050

14 LIFE BELOW WATER

Maintain or enhance the mauri of our coastal and marine waters to ensure healthy ecosystems so that we can also enjoy mahinga kai and swimming.

15 LIFE ON LAND

To prevent loss of existing indigenous vegetation and increase indigenous habitat in biodiversity depleted environments to a minimum of 10% land cover by 2030.

Waikato wellbeing project | Hinonga toiora o Waikato

Community Investment

WEL ENERGY TRUST

Progress Against Our Goals

Embrace Positive Change and Seek Constant Improvement

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

Impact Goal

3 GOOD HEALTH AND WELLBEING

Reduce inequalities to access healthful activities that involve sport and recreation and the arts, including for Māori and Pacific people, children, and older adults

Example Measures:

- Perceived health and wellbeing
- (Quality of Living Survey)
- Participation rates in sports
- Participation rates in the arts/culture

Impact Goals

Our Status: Community Support Grants

Community Support Grants

The Trust sees inclusive access to sports, arts and cultural activities as being key to promoting good health and wellbeing in the region. In 2019/20, 13 Community Support grants to a total value of $482,500 were allocated that primarily focussed on these areas.

Future Plans

The Trust

The Trust will continue to work with others to achieve the regional target for good health and wellbeing in the Waikato:

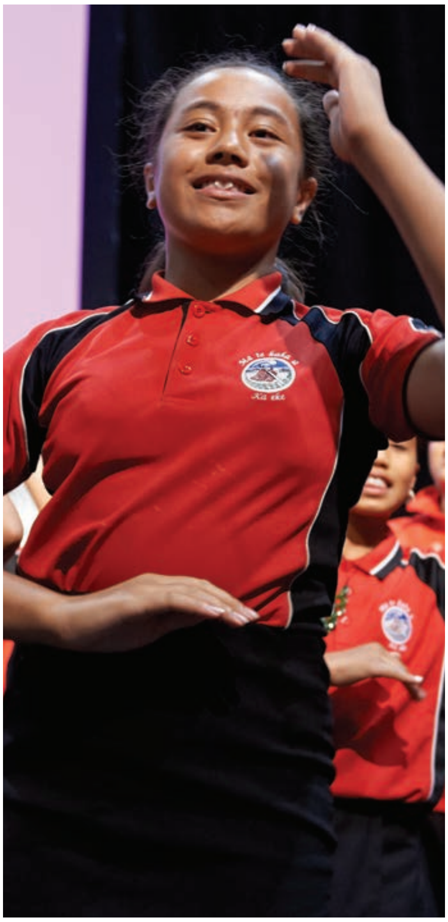
Waikato Wellbeing Target

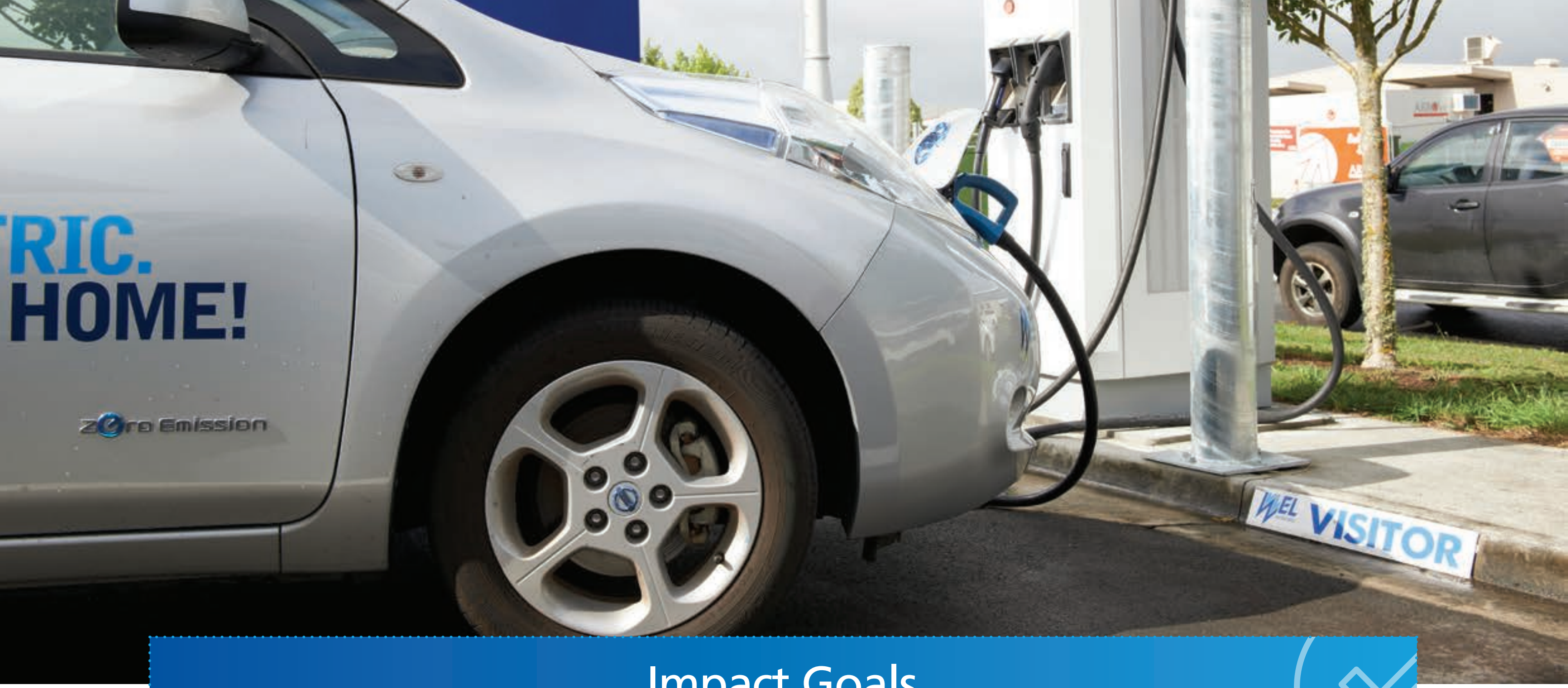
3 GOOD HEALTH AND WELLBEING

By 2030, reduce rates of non communicable diseases and mental illness and improve associated health equity outcomes for target groups.

...our people are healthy and well. We live in an environment that is conducive to good health, and we keep active with a range of sporting, cultural, creative and artistic activities which is a gateway to emotional happiness.

**Specific disease rates to be tracked are to be determined in consultation with the DHB.*





Impact Goals

7 AFFORDABILITY AND CLEAN ENERGY

Ensure access to affordable, reliable, sustainable and modern energy for all.

9 INDUSTRY INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable development and foster innovation.

Example Measures: Reliability, cost of electricity, innovations trialled, access to infrastructure.

Our Status: The Trust's investment in WEL Networks Ltd is the key to achieving these goals.

Reliability

WEL Networks Ltd's performance for 2019 in all tracked measures, including the reliability measure of total SAIDI (System Average Interruption Duration Index) compared to peers, has improved or remained consistent.

Cost of Electricity

Ministry of Business, Innovation and Employment (MBIE) Quarterly Survey of Domestic Electricity Prices (QSDEP), a Price Indicator, shows that the average cost of electricity in Hamilton was 30.75c/kWh in February 2020. This is a slight increase from the November 2019 figure of 30.63c/kWh. The WEL Networks line component was 11.5c/kWh for both November 2019 and February 2020, a decrease from 12.7c/kWh in February 2019. At the date of publication, data was not available for prices that included the impact of WEL Networks Ltd.'s 1 April 2020 price reduction of $10m and retailer pricing decision.

WEL Networks Innovations

WEL Networks Innovations: These include a microgrid, a solar farm initiative and the trial of a peer to peer trading platform that enables solar generation to be sold between customers.

OurPower

OurPower is a low-cost electricity retailer owned by WEL Networks Ltd. Over the period covered by this report, the cost of electricity through OurPower was held at 20c/kWh. The customer base has continued to grow steadily and has now reached over 1,000. The estimated saving per household is $484 per annum. As at March 2020, OurPower is estimated to have saved our community over $478,000 in electricity charges since it started.

Ultrafast Fibre Ltd

WEL Networks Ltd is 85% shareholder of UFF. The second phase of the fibre roll out, UFB2/2+ Commercial Network build was completed in December 2019 (two years ahead of the Crown Contract Plan). This infrastructure build has provided important access to high-speed fibre in the region.

Trust Grants

Trust Grants and the Affordable Energy for All Support Programme: Over the period, seven grants were made to applications with SDG 7 as their primary impact area. A total of $305,080 was granted to support access to more affordable energy through energy efficiency training, as well as provide digital and financial literacy support.

Two grants totalling $315,200 were allocated under SDG 9, including a grant of $250,000 to Momentum Waikato Foundation towards the Regional Theatre project.

Future Plans

Equitable Pricing

The Regulated Return on Investment (ROI) for lines companies reduced from 7.19% (FY16-20) to 4.57% (FY21-25). WEL Networks Ltd voluntarily reduced its lines pricing by $10m (excluding GST) effective 1 April 2020 (an average reduction of 8.5% across all customer types).

Trust Initiatives

The Affordable Energy for All Support Programme will be expanded, and the effectiveness measured ($500,000 allocated for the 2020/21 financial year, up from $300,000 in 2019/20).

The Trust will continue to support WEL Networks Ltd and the Waikato Wellbeing Project initiatives to reduce the number of people experiencing energy hardship in the region. Two Vital Impact grant rounds are planned for 2020/21 to support this. We will work with others towards achieving the regional Wellbeing Target below

Waikato Wellbeing Target

7 AFFORDABILITY AND CLEAN ENERGY

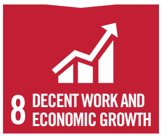
Reduce the number of people experiencing energy hardship in the Waikato from 18,000 in 2019 to zero by 2030.

...all our people, including those on fixed incomes (like the elderly and unemployed), can live in a warm energy efficient home, with reliable affordable clean energy.

**A working definition of energy hardship is those spending more than 10% of their income on energy in a month.*

Impact Goals

Impact Goals



- Develop the economy in a way that benefits all people, by reducing the income gap and providing access to quality employment
- Engage with employers to reduce the number of youth not in employment, education or training (NEETs)
- Telling the Waikato Story

Example Measures:

- Median household income above New Zealand average
- Reduced NEET rate (young people not in education, employment or training)
- Regional Net Promoter Score

Our Status: Community Support Grants

Grants

Six grants were allocated which primarily associated with the achievement of SDG 8 'Decent Work and Economic Growth,' with a total value of $308,500. One of these, for example, was an $80,000 grant to Te Waka, the Regional Economic Development Agency, towards supporting the development of the Waikato Story to promote pride in our region.

A $55,000 grant was awarded to Smart Waikato, who seek to reduce the NEET rate in Waikato through a range of initiatives bringing young people and employers together.

The Trust continues to support major events in the region such as Balloons over Waikato and the Hamilton Gardens Arts Festival, as we believe they have positive economic impact as well as engender pride in the region.

Future Plans

Waikato Wellbeing

Waikato Wellbeing Project Target: WEL Energy Trust will continue to support collective efforts to achieve the regional Wellbeing Target for SDG 8, as below:

Waikato Wellbeing Target

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

Reduce the number of young people (aged 15-24) in the Waikato who are not in employment, education or training (NEET) from 12.6% in 2019 to less than 5% by 2030.

...all of our young people are engaged and productive, they are learning or earning a livelihood, their mana is enhanced, and they are on a positive pathway to have many life options.

...our employers can find motivated staff with the knowledge and skills they need to get started, and the means to learn more.

**In 2019, the overall NEET rate for the Waikato is 12.6%, but the rate is 19.3% for Maori and 16.8% for Pasifika.*

Impact Goal

10 REDUCED INEQUALITIES

Create an inclusive society where differences are respected, people feel valued, and all individuals are able to access work, services and community.

Example Measures:

- Quality of Life survey

Our Status: Community Support Grants

Community Support Grants

SDG 10, reduced inequalities, is a deeply held and long-standing value of WEL Energy Trust. This is reflected in the breadth of organisations funded which primarily identify with supporting an inclusive society where differences are respected, and people feel valued. In 2019/20 there were 24 Community Support grants in this area, totalling $616,630.

Diversity and Inclusion Policy

In 2019 the Trust adopted a formal Diversity and Inclusion policy. Diversity is a commitment to recognising and appreciating the variety of characteristics that make individuals unique in an atmosphere that promotes and celebrates individual and collective achievement.

Future Plans

Waikato Wellbeing Targets

The Waikato Wellbeing Targets are based on achieving the vision of a more equitable, sustainable and prosperous Waikato by 2030. SDG 17 is at the heart, with a pou representing Te Ao Māori (a Māori world view) running down the centre. Partnership and equality are key to achieving all of WEL Energy Trust's priority goals.

Impact Goal

11 SUSTAINABLE CITIES AND COMMUNITIES

Promote innovative thinking and collaborative action to enhance access to affordable, quality housing, including social housing and rental accommodation.

Example Measures:

- Improved housing affordability
- No homeless people
- Improved quality of housing (insulation, dampness, etc)
- Community Pride – people's sense of pride in how their city/town looks/feels

Our Status: Community Support Grants

Community Support Grants

There were eight Community Support grants made into organisations that support the achievement of this goal over the period, to a total value of $737,500. Examples are Te Puna Oranga, coordinators of the very successful Whare Ora Programme, who received a grant of $150,000, and Hamilton Christian Nightshelter, who received a grant of $22,500.

Vital Impact Grants (Housing)

As part of the Community Investment Strategy and the 2019/20 Annual Plan, the Trust allocated $500,000 towards a Vital Impact Housing grant. The Vital Impact grants round was to support new thinking in the area of the affordability, availability and quality of housing.

Future Plans

Affordable

Affordable and sustainable housing remains a priority area for the Trust. The Trust will investigate Impact Investment and other ways to contribute to a solution to the affordability and availability issues that have been identified in the region through the Regional Housing Initiative. The Trust will seek to support collective action to achieve the Waikato Wellbeing Target of all our people being well housed by 2030.

Waikato Wellbeing Target

11 SUSTAINABLE CITIES AND COMMUNITIES

Reduce the housing shortfall in the region from approximately 7,500 homes in November 2019 to a point where all our people are well housed by 2030.

...all our people will be well housed.

"Every person and every family will be well housed."
Waikato Regional Housing Initiative

**According to the 2019 Regional Housing Initiative Stocktake, the majority of the shortfall is in community/social housing.*

**We have used the UN Rights to Adequate Housing Entitlements in our definition for 'well housed'. 'Well housed' means timely access to habitable, affordable, accessible, culturally appropriate, appropriately located housing with security of tenure.*

Impact Goal

13 CLIMATE ACTION

To protect and restore our natural resources so that they can continue to provide the benefits that our economy and people's wellbeing depend on (including life on land and life below water).

Example Measures:

- River water quality
- Regional total greenhouse gas emissions

Our Status: Community Support Grants

Community Support Grants

In 2019/20, 13 Community Support grants totalling $375,000 were allocated to organisations who noted climate action as their primary outcome area.

WEL Networks Ltd

The Trust is proud of the considerable progress WEL Networks Ltd has made in measuring and reporting on climate action initiatives in their organisation.

A sustainability framework has been established that measures WEL Network Ltd's carbon footprint and enables them to plan for long-term carbon reduction. The initial CEMARS audit (now Toitū Carbon Reduce) was completed in September 2019. WEL Networks Ltd received the top rating for their data inventory quality.

A carbon reduction plan based on the findings of the audit has been produced, and actions have commenced.

Future Plans

Grants

Through both grants and investments, WEL Energy Trust intends to continue to support efforts to achieve regional, national and international targets in this crucial impact area.

Waikato Wellbeing Target

13 CLIMATE ACTION

Reduce carbon emissions by a minimum of 25% by 2030 (from 13.8 mega tonnes C0^{2}e to 103 mega tonnes C02^{2}e), on the path to net carbon zero by 2050.

...our people will be doing their part to transition to a cleaner, healthier, climate - resilient region.

We think we could reduce more and will check this in two years time to see if we can make a more ambitious target.

Impact Goal

17 PARTNERSHIPS FOR THE GOALS

Working together to improve community connectedness and to achieve the SDGs.

Example Measures:

- Collaborative initiatives supported
- Waikato Wellbeing Project Targets and Measures

Our Status: Collaborative Initiatives Supported

Community Support Grants

During the period, the Trust supported eight Community Support grants that were primarily focussed on SDG 17 'Partnership for the Goals', for a total of $232,500. These included funding towards a number of organisations that provide the 'glue' that connects our communities and supports resilience, such as Raglan Community House, and Pukete Neighbourhood House. Capability building organisations were also supported, such as Creative Waikato Trust and the Community Waikato Trust.

Convening & Organisational Development Grants

There were 11 Convening and Organisational Development grants allocated over the period, totalling $231,850. The purpose of this fund is to support organisations outside of the main grant rounds for specific capacity building initiatives that build an organisation's capability and enhances effectiveness, or that encourages collaborations to come together.

Future Plans

Vital Impact Grants

WEL Energy Trust will work with others to achieve the Waikato Wellbeing Project SDG Targets that relate directly to our priority areas. An amount of $2m has been committed to Vital Impact grants in the 2020/21 Annual Plan to support the Waikato Wellbeing Targets related to SDG 7, 9, 11 and 8.

SDG17

Partnership for the Goals Fund: WEL Energy Trust has committed to research, co-design and support the development of a collective backbone support organisation that will help people to navigate complex ecosystems that no one can resolve on their own. An amount of $3m has been committed over the next five years to support this.

Māori Policy

In the 2020/21 Annual Plan, the Trust committed to developing a Māori Strategy to enable meaningful integration of Te Ao Māori in our work, and to develop deeper partnerships.

Grants Approved

ORGANISATION NAME	FUNDING ALLOCATION
A Rocha Aoteraroa New Zealand	$15,000.00
Agora Community Trust	$5,000.00
Ākina Foundation	$65,200.00
Alcohol and Drug Community Support Trust	$10,000.00
Alf's Imperial Fifth Waikato Dragoons Inc	$3,061.00
Arts for Health Community Trust	$10,000.00
Arum Aikido Club	$1,500.00
Balloons Over Waikato Trust	$95,000.00
Bangladeshi Community of Waikato Inc	$2,000.00
Beerescourt Tennis Club Inc	$2,829.00
Catholic Family Support Services	$10,000.00
Central North Island Early Education Services Trust	$1,214.00
Central North Island Kindergarten Trust	$6,000.00
Centre 401 Trust	$2,000.00
Chapel Hill Community Church	$6,000.00
Christians Against Poverty New Zealand	$10,000.00
Citizens Advice Bureau Hamilton Inc	$15,000.00
City Hope Charities Trust	$22,500.00
Clarence Street Theatre Trust	$37,500.00
Claudelands Bowling Club (Inc)	$10,000.00
Claudelands Croquet Club Inc	$3,567.00
Community Law Waikato	$25,000.00
Community Link Trust	$53,320.00
Community Wellness Charitable Trust	$11,939.00
Country Section New Zealand Indian Association	$2,500.00
Creative Waikato Trust	$40,000.00
Desert Spring Ministries Trust	$25,000.00
Diversity Counselling New Zealand	$22,500.00
Dress for Success Hamilton Trust	$8,000.00
Dynamo Cycling and Sports Club Inc	$5,000.00
Eastlink Badminton Society Inc	$3,000.00
Eastlink Sports Inc	$6,000.00
Ecomatters Environment Trust	$45,000.00
Efalata Trust	$3,000.00
Enrich+ Spectrum Energy Charitable Trust	$3,000.00
EVolocity Limited	$15,000.00

Fairfield College	$12,000.00
Fairfield Swim Club Inc	$12,500.00
Families Autism Support Trust	$10,000.00
Fitness Action Charitable Trust	$3,000.00
Flyers Junior Basketball Club	$2,000.00
Fraser Tech Club (Rugby)	$7,500.00
Friends of Hamilton Gardens	$1,626.00
Friendship House (Huntly) Community Charitable Trust	$30,000.00
Galaxy Waikato Touch Club	$2,000.00
Glenview Community Centre Inc.	$11,745.00
GraceWay Church operating as Promoting Mental Wellness	$2,500.00
Habitat for Humanity Central North Island Ltd	$50,480.00
Hamilton and Waikato Tourism	$80,000.00
Hamilton Arts Trust	$10,000.00
Hamilton Astronomical Society Inc	$3,500.00
Hamilton Bengali Association Inc	$3,500.00
Hamilton Blues Society Inc	$5,500.00
Hamilton BMX Club Inc	$5,000.00
Hamilton Children and Families Trust	$4,500.00
Hamilton Chinese Golden Age Society	$2,000.00
Hamilton Christian Nightshelter Trust	$26,500.00
Hamilton Christmas Charitable Trust	$8,000.00
Hamilton Citizens Band Inc	$3,500.00
Hamilton City Council	$100,000.00
Hamilton City Gymsports Inc	$6,280.00
Hamilton City Tigers Junior Rugby League Sports Club	$2,000.00
Hamilton Civic Choir Inc	$7,500.00
Hamilton Combined Christian Foodbank Trust	$10,000.00
Hamilton Community Gospel Choir Charitable Trust	$5,000.00
Hamilton Community Men’s Shed Trust	$3,300.00
Hamilton Competitions Society Inc	$2,000.00
Hamilton Disability Arts Festival Trust	$2,000.00
Hamilton East Community Toy Library	$684.00
Hamilton East Community Trust	$5,000.00
Hamilton Ethnic Women’s Centre Trust	$30,000.00
Hamilton Film Society	$2,500.00
Hamilton Fringe Trust	$7,000.00
Hamilton Gardens Summer Festival Foundation	$90,000.00
Hamilton Harrier Club Inc	$5,000.00
Hamilton Household Budgeting Advisory Trust	$6,000.00
Hamilton Koinonia Community Trust	$6,000.00
Hamilton Lodge of the Theosophical Society Inc	$5,000.00
Hamilton Methodist Social Services Trust	$22,500.00
Hamilton Multicultural Services Trust	$56,320.00
Hamilton Science Awards Trust	$10,000.00
Hamilton Sculpture Trust	$15,000.00
Hamilton Volunteer Operational Support	$5,721.00
Hamilton Woodturners Inc	$2,500.00
Hammertron Ultimate Inc	$1,686.00
Hillcrest Scouts	$2,300.00
Huntly College Old Boys RFC	$27,178.00
Huntly Community Advice Centre Trust and Social Services	$3,194.00
Institute for Child Protection Studies Trust Inc	$35,000.00
Kaitiakitanga Charitable Trust	$10,000.00
Kia Puawai Limited	$5,000.00
Kiwiwatch Community Patrol Charitable Trust	$5,000.00
Lakeside Christian Life Centre and Community Centre	$2,903.00
Link House Trust	$35,000.00
Little Sprouts Waikato	$4,800.00
Mai Uenuku ki te Whenua Marae	$5,000.00
Male Support Services Waikato	$5,000.00
Maramarua Golf Club Inc	$2,500.00
Marching Waikato Association Inc	$5,000.00
Maungatautari Ecological Island Trust	$80,000.00
McKenzie Centre Trust	$15,000.00
Melville Hall Society Inc	$11,000.00
Meremere Community Development Committee Inc	$5,000.00
Momentum Waikato Community Foundation	$260,000.00
National Wetland Trust of New Zealand	$20,000.00
Netball Waikato Bay of Plenty Zone Inc	$20,000.00
Neurogenesis Trust	$22,500.00
Neurotones Waikato Collective	$1,500.00
New Life Community Ministries Hamilton Charitable Trust	$1,700.00
New Zealand Red Cross Inc	$2,823.00
Ngaruawahia Community House Inc	$60,160.00
Ngaruawahia Community Youth Holiday Programme	$10,000.00
Ngaruawahia Squash Racquet Club	$7,500.00
North Waikato Blue Light Ventures	$7,500.00

North Waikato Care of the Aged Trust.........$10,000.00
North Waikato Transport Trust.....................$15,000.00
Orchestras Central Trust $40,000.00
Pacific Rose Festival Trust $3,000.00
Parent to Parent NZ Inc.................................$20,000.00
Parenting Place Charitable Trust $10,000.00
Pasifika by Nature Trust $5,000.00
Patricia Avenue School.................................... $7,500.00
People First NZ Inc.. $2,000.00
Performing Arts Community Trust................$13,000.00
Perry Outdoor Education Trust $25,000.00
Pleaders of Women and Children
in Danger Trust $3,000.00
Prison Care Ministries $7,500.00
Prisoners Aid and Rehabilitation
Society of the Waikato District Inc $2,000.00
Pukeko Preschool Trust Board $7,500.00
Pukete Neighbourhood House $30,820.00
Raglan Community Arts Council $10,000.00
Raglan Community House Society Inc $45,000.00
Raglan Community Radio Inc $10,000.00
Raglan Naturally... $7,500.00
Raglan Rugby Sports Club Inc.......................$15,000.00
Raglan Surf Life Saving Amenities Trust.......... $8,802.00
Raglan Surf Life Saving Club Inc. $15,000.00
Rainbow Chinese Community
Centre Charitable Trust.................................. $5,000.00
Rauawaawa Kaumatua Charitable Trust $30,000.00
RAW 2014 Limited $45,000.00
Red Leap Theatre Charitable Trust Board $2,000.00
Riverlea Environment Society Inc $5,330.00
Riverlea Theatre and Arts Centre Inc $25,000.00
Rostrevor House Inc......................................$10,000.00
Royal New Zealand Plunket Trust $1,500.00
Ruakura Squash Club $5,000.00
Seed Waikato Inc..$10,000.00
Shinjokai Karate-do Incorprated $1,000.00
Sistema Waikato...$50,000.00
Smart Waikato Trust.....................................$55,000.00
Society of St Vincent de Paul - Hamilton.......$90,160.00
South East Kirikiriroa Community
Association Inc...$18,000.00
SPELD New Zealand Inc $3,000.00
Spirit of Adventure Trust...............................$12,500.00
Sri Lanka Friendship Society Waikato Inc........ $4,000.00
Storytime Foundation Trust Board.................. $5,000.00
Surfside Christian Life Centre.......................... $6,000.00
Swim Waikato Inc...$12,000.00
SWITCH Youth Charitable Trust $1,500.00
Tamil Society Waikato.................................... $3,500.00
Te Akau Waingaro Community Complex Inc . $7,000.00
Te Awa River Ride Charitable Trust...............$30,000.00
Te Humeka Waikato Maori
Business Network Inc...................................$10,000.00
Te Kauwhata and Districts Information
and Support Centre......................................$15,000.00
Te Kauwhata Health Awareness Society.......$25,000.00
Te Kauwhata Rugby Sports Club $6,000.00
Te Kohao Health Ltd...................................... $7,500.00
Te Mata School Raglan.................................. $5,000.00
Te Mauri Tau Inc..$14,000.00
Te Ohu Whakaita Charitable Trust $15,000.00
Te Po ki te Ao Marama Tihei Mauroiora.......$15,000.00
Te Puna Oranga...$150,000.00
Te Rautini Trust... $6,000.00
Te Rongopai Community Trust.....................$20,000.00
Te Runanga o Kirikiriroa Charitable Trust ...$220,000.00
Te Tamawai Trust $15,000.00
Te Uku School.. $8,000.00
Te Whakaruruhau 2013 Inc..........................$11,625.00
Te Whanau Putahi Trust $9,000.00
Te Whare o Te Ata Fairfield
Chartwell Community House Trust $15,000.00
Te Whare Toi o Ngaruawahia
- Twin Rivers Community Art Centre Inc $30,000.00
The Bush Tramway Club................................ $5,000.00
The Community and Enterprise
Leadership Foundation (CELF).......................$25,000.00
The Community Waikato Trust.....................$40,000.00
The Dyslexia Association Of Waikato............. $5,000.00
The Good Collective Ltd $10,000.00
The Great Pumpkin Carnival.......................... $3,000.00
The House of Grace Trust Inc......................... $6,000.00
The Huntly Mining and Cultural
Museum Society Inc....................................... $4,974.00
The Kids for Kids Charitable Trust.................. $5,000.00
The Kukutaruhe Education Trust $30,000.00
The One Victoria Trust Board Inc $30,000.00
The Refugee Orientation Centre Trust..........$25,000.00
The Salvation Army Hamilton
Community Ministries..................................$10,000.00
The StarJam Charitable Trust......................... $2,895.00
The Taiohi Toa Trust $10,000.00
The Tui Trust Board.. $7,500.00
The Waikato Chapter of Barbershop
Harmony New Zealand Inc $2,000.00

The Waikato Society of Potters Inc	$3,000.00
Toybox Toy Library	$1,000.00
Turn and Gymnastic Circle Inc	$7,500.00
Volunteering Waikato	$25,000.00
Waerenga Recreational Centre	$550.00
Waikato Area Girls' Brigade	$1,270.00
Waikato Badminton Association Inc	$5,000.00
Waikato Basketball Council Incorporation	$20,000.00
Waikato Community Broadcasting Charitable Trust	$3,000.00
Waikato Community Lands Trust	$50,000.00
Waikato Compassion Meditation Trust	$1,500.00
Waikato Contemporary Dance Projects Trust	$3,500.00
Waikato District Council	$80,000.00
Waikato Environment Centre Trust	$55,000.00
Waikato Ethnic Family Services Trust	$10,000.00
Waikato Filipino Association	$4,000.00
Waikato Food Inc	$8,000.00
Waikato Indoor Bowling Centre of New Zealand	$3,500.00
Waikato Institute for Leisure and Sport Studies Trust	$10,000.00
Waikato Lacrosse Inc	$3,300.00
Waikato Muslim Association	$15,000.00
Waikato Paraplegic and Physically Disabled Association	$15,000.00
Waikato Punjabi Badminton Club	$1,000.00
Waikato Refugee Forum	$14,580.00
Waikato Refugee Whanau Reunification Trust	$2,000.00
Waikato Regional Council	$300,000.00
Waikato Regional Economic Development Limited	$80,000.00
Waikato Regional Science and Technology Fair	$1,732.00
Waikato Regional Volleyball Association, Inc	$5,000.00
Waikato Rocks Trust	$20,000.00
Waikato Rowing Club Inc	$7,500.00
Waikato Senior Indian Citizens Association Inc	$2,500.00
Waikato Society of Arts Inc	$3,000.00
Waikato Table Tennis Association	$2,000.00
Waikato Tennis Trust	$5,000.00
Waikato Youth Empowerment Trust	$55,000.00
Waikato Wellbeing Project	$20,000.00
Wanderers Sports Club (Hamilton) Inc	$4,000.00
West Hamilton United Football Club Inc	$10,000.00
Western Community Association Inc	$63,320.00
Whaingaroa Environment Centre	$14,738.00
Whaingaroa Raglan Affordable Housing Project (WRAP)	$20,000.00
Xtreme Zero Waste	$98,850.00
YMCA North Inc	$5,000.00
Young Women's Christian Association of Hamilton Inc	$45,000.00
Young Workers Resource Centre	$18,500.00
Zeal Education Trust	$61,130.28
	$4,734,106.28

A grant of $2,500 was returned to the Trust during the year, resulting in a total grants balance of $4,731,606.28 as reflected in the Financial Statements.

ADVISORS

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

Performance Measures Against Trust Deed

Annual Plan

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

The Annual Plan for 2019-20 was approved at the Trust meeting held 27 March 2019 after a draft was issued for public consultation in early February 2019 (nine written submissions received).

The 2019-20 Annual Plan is underpinned by the 2019-2022 Community Investment Strategy, which includes three key intentions:

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

Action Priorities

For 2019-20, the Trust set action priorities in the following outcome areas:

- Investments and Finance
- Working with WEL Networks Ltd
- Working with our Capital Beneficiaries
- Communications and Relationships
- Effective Community Investments

These were tracked using the following key performance measures and reported on bi-monthly at Trust meetings throughout the year:

Investments and Finance

- Return on financial investment portfolio of 4.5%-5.5% plus inflation, including capital growth is achieved

- Review of Investment in WEL Networks and Valuation completed (October 2019)
- Policy documents in place, including review of the Statement of Investment Policies and Objectives (November 2019)
- Successful impact investment networks developed (throughout 2019)
- The Trust has access to relevant skills and resources to implement strategic intent (by April 2019)
- Due Diligence has been completed on impact investment opportunities in the region, totaling at least $10m in potential investment (by February 2020)
- Impact measurement tools implemented with all social/impact investments
- Quarterly reports are provided on impact risk and return

Working with WEL Networks Ltd

- Provisions in the Owners Expectation Manual are met, Letter of Expectation sent to WEL Networks Ltd (August 2019)
- First year of transition to Dividend Policy with WEL Networks Ltd is implemented (subject to WEL Networks Ltd budgets and actual results achieved), including repayment of part of the Convertible Note (June/July 2019)
- Baseline reporting based on SDGs is initiated and included in the Strategic Directions Document (SDD) by end of March 2019
- The overall impact of cost of power in the region is measured and reported on, quarterly from June 2019

Working with our Capital Beneficiaries

- Trust Management regularly collaborates with appropriate members of the Councils' management teams
- Capital Beneficiary leaders invited to early consultation with Trustees on draft Annual Plan and budget each year in December
- Submissions received and considered by February
- Report presented on WEL Group Capital Growth value expectations by 31 July 2019 as part of Annual Reporting process

Communications and Relationships

- Revised Communications Plan developed by April 2019, and implemented by March 2020
- 10 Investee stories shared in the Annual Report, via Facebook and on website (July 2019)
- Quarterly Impact reporting to Trust, using a dashboard of key metrics (from April 2019)
- Two press releases on innovative investments in the community (by February 2020)
- SDG reporting included in the Chair's Report, 2019 Annual Report

Effective Community Investments

- Five Quick Response grants rounds completed
- Three Community Support grants rounds completed
- Reporting reflects strategic outcomes
- Vital Impact target outcome identified
- Vital Impact grants round held and high impact, innovative projects identified (September 2019)
- Due diligence done on a range of possible social and impact investment opportunities (by March 2020)
- Research conducted into SDGs and shared goals for the Waikato
- Convening and Organisational Development grants identified and distributed (by March 2020)
- Multi-year and partnership funding expanded to 40% of distributions (by March 2020)

Annual Report

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

The 2018-19 Annual Report was adopted on 10 July 2019 and presented at the Annual General Meeting held 26 July 2019, where PricewaterhouseCoopers was appointed Auditors of the Trust for the year ended 31 March 2020.

Changes to the Trust Deed

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

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

The following changes to the Trust Deed were approved at the Trust meeting held 25 March 2020 and are detailed below:

14.0 - Powers of Investment

- **Previous** clause 14.1:

  14.1 INVESTMENTS: The TRUSTEES have the power to invest conferred on TRUSTEES by section 13A of the Trustee Act 1956.

- **Current** clause 14.1:

  14.1 **INVESTMENTS:** The TRUSTEES have the power to invest conferred on TRUSTEES by section 13A of the Trustee Act 1956, and this includes the power to make Impact Investments.

  (a) Background to Impact Investments: Impact Investments are permitted because they are made in furtherance of the Community purposes of the TRUST provided for in clauses 9.3(d) and (e), they enable capital to be recycled and they are intended to have a financial return, albeit potentially lower than comparable investments.

  (b) Impact Investments: An Impact Investment is made when the TRUSTEES apply or use property to:

  (i) achieve a measurable (social, cultural or environmental) or other positive impact in the Community; and

  (ii) achieve a financial return.

  (c) Investment Fund: The measurable positive impact in the Community as contemplated in clause 14.1(b) may be achieved directly or by an intermediary, for example, an Impact Investment fund, provided that, if there is impact achieved both outside of and within the Community by the investment, the benefit within the Community must be able to be linked to the TRUSTEES' invested property.

  (d) Financial Return: The application or use of property shall be considered as achieving a financial return if the outcome is better for the TRUST in financial terms than making a grant of the property.

  (e) Process for Due Diligence for Impact Investments: The TRUSTEES must, before exercising their power to make an Impact Investment:

  (i) consider whether in all the circumstances any advice about their proposed Impact Investment ought to be obtained and, if so, obtain and consider any such advice;

  (ii) evaluate the investment applying the TRUST'S impact decision criteria; and

  (iii) satisfy themselves that it is in the interests of the TRUST to make the Impact Investment, giving primacy in that evaluation to the measurable positive impact for the Community, but also considering the financial return.

- **Previous** clause 14.2:

  14.2 **TRUSTEES TO ACT AS PRUDENT PERSONS OF BUSINESS:** It is hereby declared that the care, diligence and skill to be exercised by the TRUSTEES in exercising any power of investment will not be that required by section 13C of the Trustee Act 1956 but must at all times be the care, diligence and skill that a prudent person of business would exercise in managing the affairs of others.

- **Current** clause 14.2:

  14.2 **TRUSTEES TO ACT AS PRUDENT PERSONS OF BUSINESS:** It is hereby declared that the care, diligence and skill to be exercised by the TRUSTEES in exercising any power of investment, including the power to make an Impact Investment, will not be that required by section 13C of the Trustee Act 1956 but must at all times be the care, diligence and skill that a prudent person of business would exercise in managing the affairs of others. The standard of care to be exercised by the TRUSTEES when making an Impact Investment, being that of a prudent person of business managing the affairs of others, must be interpreted in the light of the context and objectives of the TRUST, being a trust for the benefit of the Community, and the benefit to the Community to be achieved by the Impact Investment.

- **Previous** rule 14.2:

  14.2 Each TRUSTEE can only avail themselves of this facility twice a year, other than for extraordinary meetings under rule 9A.

- **Current** rule 14.2

  14.2 Each TRUSTEE can avail themselves of this facility where extraordinary circumstances apply, and with prior approval of the Chair.

The above changes did not require public consultation. The Trust Deed is available to view on the Trust's website under Trust Documents.

Review of Investment

Clause 8.1 of the Trust Deed requires that the Trustees regularly review their investment in WEL Networks Ltd. Clause 16.15 of the Trust Deed requires that the Annual Report includes the results of this review of investment.

A summary of the key findings from the 2019 review is provided below. In carrying out the review, the Trust has considered the requirements of clauses 8.1, 8.2, 14.3 and 16.2 of the Trust Deed.

Information Used and Matters Covered

The Company's Annual Report for the 12 months ended 31 March 2019 was received 31 May 2019 and a full review of the Trust's investment in WEL Networks Ltd was undertaken by KPMG, dated 29 October 2019. This review prepared by KPMG was comprehensive and considered the following key areas:

- Group Performance
- Electricity Distribution Business (EDB) Performance
- Fibre Business (UFF) Performance
- Other Areas:
  - Opunake Hydro Holdings Limited (OHHL)and OurPower Performance
  - Group's innovation portfolio and approach to implementing new technologies

The results/findings of the review are as follows:

- Group Performance
  - The Company has exceeded its FY19 budget. For the FY19 year, Group revenue was $211 million, ahead of the prior year by $35 million. This increase was driven by continued growth in the number of fibre customers and strong underlying growth in Hamilton and the Waikato.
  - Other highlights include:
    - Total net debt of the Group was $542 million, an increase of $65 million from March 2018, with borrowings relating to the continued UFB2 and UFB2+ fibre network build program during the 2019 financial year.
    - Total assets of $1.2 billion, an increase of $91 million from March 2018.
    - Profit after tax of $31 million, an increase of $18 million from the 31 March 2018 result.
  - During the year WEL Networks Ltd announced it had reduced residential lines charges by $6 million providing an average saving of $77 to residents, with an additional average reduction of $70 forecast for the year ahead.
  - The reduced tariffs and increased community investment follow the end of the electricity discount programme in 2018, and complement a move to increase investment into the community via the shareholders, WEL Energy Trust.
  - The Company paid the first tranche of the Trust's Convertible Note repayment, and the FY19 dividend during July 2019. These amounts have enabled the Trust to start implementing its Community Investment Strategy.
  - The Group is compliant with all treasury policy controls and banking covenants. Debt has increased by $65M due to the UFB network build programme.
- Benchmark Against Peers
  - The EDB continues to perform well in terms of cost per customer compared with other lines companies.
  - At 87.33 minutes (31 March 2019) WEL Networks Ltd remains well under the New Zealand average of 287 minutes for reliability.
- Health and Safety
  - WEL Networks Ltd is tracking unfavourably against its targeted TRIFR due to an increase in unrelated incidents, but favourably against its severity rate target. The incidents have not been serious.
  - There were no significant underlying trends as to the cause. There have been no reported incidents involving the public nor any other material non-compliance issues.

- Reliability
  - SAIDI, a measure of the duration of the interruptions to the network has been favourable compared to targets set for 2019.
  - WEL Networks Ltd continues to perform better than the industry average.
- Customer
  - WEL Networks Ltd monitors a number of operating metrics to assess its performance. WEL Networks Ltd has exceeded its FY19 customer targets.
  - Reduction in line charges have been offset by increases in electricity prices.
- UFF Targets and Regulation
  - UFF added 22,700 net new customers to the network in FY19 taking cumulative subscribers to 119,000 by 31 March 2019.
  - The customer base remains ahead of plan on the back of growth delivered in the last quarter of FY19. UFF achieved its FY19 revenue and EBITDA targets. The UFB2/UFB2+ network build is ahead of plan and within budget.
- Sustainability Key Performance Indicators
  - The Company has chosen to align its operational activity to four of the United Nations' Sustainability Development Goals (SDGs) which enables the Company to generate the most synergy with its strategic direction. Sustainability Key Performance Indicators will be established for the 2020-21 financial year.
- OurPower and Opunake
  - The Company has completed the purchase of the remaining shares (49%) in Opunake Hydro Holdings Limited in September 2019. The acquisition allows the Group to fully hedge the OurPower retail business.
  - The introduction of electricity retailer OurPower coincided with the business decision to end the WEL annual discount payments and reduce residential lines charges, all part of a strategy to lower costs for customers.
  - The Company will continue to own, operate and further develop the OurPower retail initiative until the business approaches the regulatory scale cap (which is estimated to be about 10,000 customers; there are currently approximately 550 customers).
- Strategic and Innovation Investments
  - The Company's strategic innovation efforts are focused on Data Analytics, Microgrids and Electric Vehicles.

Strategic Direction, Targets and Measures

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

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

The Trust has reviewed WEL Networks Ltd's performance against its Strategic Direction, Targets and Measures and is satisfied that the targets are being substantially met. The Strategic Directions Document/ Statement of Corporate Intent dated March 2019 for FY20 to FY24 was endorsed by the Trust at its meeting on 27 March 2019 and a Letter of Expectation sent to WEL Networks Ltd on 9 September 2019.

Respectful

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

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 2020 are as follows:

Trust 2019 Actual $000		Trust 2020 Actual $000	Trust 2020 Budget $000
	Income		
2,526	Interest	1,967	1,936
350	Dividends	4,000	4,000
275	Portfolio Investment Returns	(221)	1,481
429	Unrealised Gains/(Losses) on the Investment Portfolio	276	-
3,580		6,022	7,417
	Operating Expenditure		
483	Management and Administration	613	552
20	Communications	25	73
302	Representation	341	419
56	WEL Network Shareholding	105	105
10	Special Projects	73	90
12	Distribution Expenses	12	13
82	Portfolio Management Fees	147	-
965	**Total Operating Expenditure**	1,316	1,252
2,615	***Surplus/(Deficit) before Distributions***	4,706	6,165
2,537	**Distributions**	4,732	4,500
78	**Adjusted Net Surplus/(Deficit) before Tax*	**(26)**	**1,665**
(75)	*Tax Expense/(Credit)*	358	-
153	**** Adjusted Net Surplus/(Deficit) after Tax***	**(384)**	**1,665**

(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 2020 are as follows:

Trust 2019 Actual $000		Trust 2020 Actual $000	Trust 2020 Budget $000
	CAPITAL FUND		
52,067	Vested Capital	52,067	52,067
52,067	**Total Capital Fund**	52,067	52,067
	INCOME FUND		
87,505	Opening Retained Surplus and Reserves	87,658	87,221
153	*Adjusted Net Surplus for the Period	(384)	1,665
87,658	**Total Income Fund**	87,274	88,886
139,725	**Total Equity**	**139,341**	**140,953**

* Adjusted net surplus/(deficit) includes gains / losses on the investment portfolio which are presented in Other Comprehensive Revenue and Expenses in the Financial Statements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Guidelines for Access to Information by Beneficiaries

The Trust is required by legislation to adopt a set of guidelines to ensure the availability of certain Trust information to its beneficiaries. The guidelines were originally adopted by the Trust on 22 August 2006 and are reviewed every three to five years. The last review was undertaken in November 2016 and no changes were made. The next review was scheduled for August 2019, but with trust law having its first major reform for 70 years, and the Trusts Act 2019 coming into effect January 2021, the Energy Trusts of New Zealand Guidelines are being rewritten.

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

The guidelines also require that the Trust reports on the number of requests for information that it has received during the year.

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

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

Three requests for information were received in the 2019/20 year.

Financial Statements

For The Year Ended 31 March 2020

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

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

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

Chair	Trustee
22 July 2020	22 July 2020

Statements of Comprehensive Revenue and Expense

For The Year Ended 31 March 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000	Trust 2020 $'000	Trust 2019 $'000
Revenue	4	223,250	210,647	4,000	350
Expenses					
Expenses, excluding finance costs	5	(152,826)	(143,721)	(1,316)	(965)
Grants		(4,732)	(2,537)	(4,732)	(2,537)
Finance income/(costs)	6	(23,903)	(21,946)	1,746	2,801
Operating surplus/(deficit) before tax and share of equity accounted investments		41,789	42,443	(302)	(351)
Share of net surplus/(deficit)/revaluations of existing interest in associates		-	(266)	-	-
Surplus/(deficit) before income tax (expense)/credit		41,789	42,177	(302)	(351)
Income tax (expense)/credit	7	(12,728)	(13,802)	(358)	75
Surplus/(deficit) after income tax (expense)/credit for the year		29,061	28,375	(660)	(276)
Other comprehensive revenue and expense					
Items that may be reclassified subsequently to revenue and expenses					
Cash flow hedges (net of tax)		(3,796)	(4,134)	-	-
Gain/(loss) on the fair value of financial instruments		276	429	276	429
Other comprehensive revenue and expense for the year, net of tax		(3,520)	(3,705)	276	429
Total comprehensive revenue and expense for the year		25,541	24,670	(384)	153
Surplus/(deficit) for the year is attributable to:					
Non-controlling interest		(515)	(722)	-	-
Beneficiaries of Group and Trust	23	29,576	29,097	(660)	(276)
		29,061	28,375	(660)	(276)
Total comprehensive revenue and expense for the year is attributable to:					
Non-controlling interest		(515)	(722)	-	-
Beneficiaries of Group and Trust		26,056	25,392	(384)	153
		25,541	24,670	(384)	153

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

Statements of Financial Position

As at 31 March 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000	Trust 2020 $'000	Trust 2019 $'000
Assets					
Current assets					
Cash and cash equivalents		2,256	2,133	1,269	844
Trade and other receivables	8	22,885	19,667	11	56
Investments in subsidiary	28	-	-	13,000	10,000
Income tax receivable		51	-	51	-
Loans advanced	12	73	86	73	86
Term deposits		1,482	1,250	1,482	1,250
Total current assets		26,747	23,136	15,886	12,236
Non-current assets					
Financial assets at fair value through other comprehensive revenue and expenses	9	21,826	11,681	21,826	11,681
Investments in subsidiary	28	-	-	101,797	114,797
Derivative financial instruments	9	5,059	2,538	-	-
Property, plant and equipment	10	1,203,389	1,128,245	23	14
Intangibles	11	96,102	95,091	1	2
Deferred tax assets	20	-	358	-	358
Loans advanced	12	677	778	677	778
Total non-current assets		1,327,053	1,238,691	124,324	127,630
Total assets		1,353,800	1,261,827	140,210	139,866
Liabilities					
Current liabilities					
Trade and other payables	13	23,056	22,879	840	92
Current borrowings	14	-	99,179	-	-
Derivative financial instruments	19	816	115	-	-
Income tax		271	4,180	-	37
Current employee benefit obligations and provisions	16	4,722	3,870	28	12
Deferred income	17	14,111	14,938	-	-
Total current liabilities		42,976	145,161	868	141
Non-current liabilities					
Non-current borrowings	15	513,431	363,000	-	-
Derivative financial instruments	19	16,594	12,023	-	-
Deferred tax (assets)/liabilities	20	89,474	84,060	-	-
Non-current employee benefit obligations	18	100	92	-	-
Loan from related party	27	90,810	81,170	-	-
Deferred income	17	886	915	-	-
Total non-current liabilities		711,295	541,260	-	-
Total liabilities		754,271	686,421	868	141
Net assets/equity		599,529	575,406	139,342	139,725

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

Statements of Financial Position

As at 31 March 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000	Trust 2020 $'000	Trust 2019 $'000
Net assets/equity					
Contributed equity	21	52,067	52,067	52,067	52,067
Reserves	22	94,677	99,897	895	665
Retained surplus	23	446,906	415,532	86,380	86,993
Equity attributable to the beneficiaries of Group and Trust		593,650	567,496	139,342	139,725
Non-controlling interest		5,879	7,910	-	-
Total net assets/equity		599,529	575,406	139,342	139,725

Chair

Trustee

22 July 2020

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

Statements of Changes in Net Assets/Equity

For The Year Ended 31 March 2020

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

Consolidated	Contributed equity $'000	Reserves $'000	Retained surplus $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 April 2019	52,067	99,897	415,532	7,910	575,406
Surplus/(deficit) after income tax (expense)/credit for the year	-	-	29,576	(515)	29,061
Other comprehensive revenue and expense for the year, net of tax:					
Movement in revaluation reserve from disposal of distribution network assets	-	(1,654)	1,654	-	-
Cash flow hedges	-	(3,796)	-	-	(3,796)
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	276	-	-	276
Realised (gain)/loss on disposal of financial assets at fair value through other comprehensive revenue and expense	-	(47)	47	-	-
Total comprehensive revenue and expense for the year	-	(5,221)	31,277	(515)	25,541
Acquired minority interest	-	-	97	(1,516)	(1,419)
Balance at 31 March 2020	52,067	94,677	446,906	5,879	599,529

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

Statements of Changes in Net Assets/Equity

For The Year Ended 31 March 2020

Trust	Contributed equity $'000	Reserves $'000	Retained surplus $'000	Total equity $'000
Balance at 1 April 2018	52,067	(563)	88,069	139,573
Deficit after income tax (expense)/credit for the year	-	-	(276)	(276)
Other comprehensive revenue and expense for the year, net of tax:				
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expenses	-	429	-	429
Realised (gain)/loss on disposal of financial assets at fair value through other comprehensive revenue and expense	-	800	(800)	-
Total comprehensive revenue and expense for the year	-	1,229	(1,076)	153
Balance at 31 March 2019	52,067	665	86,993	139,725

Trust	Contributed equity $'000	Reserves $'000	Retained surplus $'000	Total equity $'000
Balance at 1 April 2019	52,067	665	86,993	139,725
Deficit after income tax (expense)/credit for the year	-	-	(660)	(660)
Other comprehensive revenue and expense for the year, net of tax:				
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expenses	-	276	-	276
Realised (gain)/loss on disposal of financial assets at fair value through other comprehensive revenue and expense	-	(47)	47	-
Total comprehensive revenue and expense for the year	-	229	(613)	(384)
Balance at 31 March 2020	52,067	895	86,380	139,342

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

Statements of Cash Flows

For The Year Ended 31 March 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000	Trust 2020 $'000	Trust 2019 $'000
Cash flows from operating activities					
Receipts from customers		219,495	194,328	-	-
Payments to suppliers and employees		(97,119)	(87,936)	(1,114)	(905)
Dividends received		-	-	4,000	350
Interest received		118	40	1,996	2,489
Grants paid		(4,020)	(2,992)	(4,020)	(2,992)
Income taxes refunded		-	41	-	41
Income taxes paid		(9,183)	(4,927)	(37)	-
Net cash from/(used in) operating activities	30	109,291	98,554	825	(1,017)
Cash flows from investing activities					
Payments for term deposits		(232)	(1,250)	(232)	(1,250)
Payments for financial assets at fair value through other comprehensive revenue and expenses		(10,276)	(10,930)	(10,276)	(10,930)
Payments for property, plant and equipment		(127,200)	(135,905)	(15)	(6)
Payments for intangibles		(4,387)	(2,574)	-	-
Payment for investments		(1,217)	-	-	-
Proceeds from disposal for financial assets at fair value through other comprehensive revenue and expenses		37	13,043	37	13,043
Proceeds from disposal of property, plant and equipment		408	565	-	-
Loan principal payments received		86	202	86	202
Loans advanced		-	(150)	-	(150)
Convertible notes received		-	-	10,000	-
Net cash from/(used in) investing activities		(142,781)	(136,999)	(400)	909
Cash flows from financing activities					
Proceeds from borrowings		53,762	150,000	-	-
Interest and other finance costs paid		(20,149)	(23,807)	-	-
Repayment of borrowings		-	(87,468)	-	-
Net cash from financing activities		33,613	38,725	-	-
Net increase/(decrease) in cash and cash equivalents		123	280	425	(108)
Cash and cash equivalents at the beginning of the financial year		2,133	1,853	844	952
Cash and cash equivalents at the end of the financial year		2,256	2,133	1,269	844

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

Notes to the Financial Statements

For The Year Ended 31 March 2020

Note 1. Statement of accounting policies for the year ended 31 March 2020

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 comprises an electricity network business, delivering energy to customers in the Waikato Region and also delivers the Government Ultrafast Fibre rollout programme in the Waikato, Tauranga and Taranaki areas. The WEL Energy Trust's principal objective is to ensure WEL Networks Limited operates as a successful business, as well as having regard to consumer interest in the regulation of the electricity and fibre industries and distributing and investing surplus revenue and expenses in accordance with its Trust Deed.

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

The financial statements of the Trust and Group are for the year ended 31 March 2020. The financial statements were authorised for issue by the Trustees on 22 July 2020.

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

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

Note 2. Summary of significant accounting policies

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

Statement of compliance and basis of preparation

Statement of compliance

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

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

Measurement base

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value and certain classes of property, plant and equipment.

Standards, amendments to existing standards adopted

There have been no new standards applied or amendments to existing standards previously adopted which has had a material impact on the preparation of the Group's financial statements for the year ended 31 March 2020.

Amendments to PBE IPSAS 21 and 26 (effective 1 January 2019), bring revalued property, plant and equipment and intangible assets within the scope of PBE IPSAS 21 and PBE IPSAS 26. The amendments clarify that an impairment of an individual asset outside of the revaluation cycle will not necessitate the revaluation of the entire class of assets to which the impaired asset belongs. There is no impact on these financial statements as there have been no assets impaired.

PBE IPSAS 35 Consolidated financial statements (Effective 1 January 2019). Introduces a new definition of control requiring both power and exposure to variable benefits and includes more guidance on assessing control (including additional guidance on substantive and protective rights). Includes guidance on principal/agent relationships and factors to consider when determining whether an investor has control or is acting as an agent. Adds guidance on network and partner agreements. Incorporates guidance from PBE IPSAS 6 *Consolidated and Separate Financial Statements* on the application of consistent accounting policies when consolidating for-profit entities into a PBE group. There has been no impact to the Group as all investments that meet the definition are already included in the consolidated financial statements.

Note 2. Summary of significant accounting policies (continued)

PBE IPSAS 36 Investments in associates and joint ventures (Effective 1 January 2019). Requires the use of the equity method in accounting for all interests in associates and joint ventures (eliminating the option of using proportionate consolidation for jointly controlled entities). There has been no impact to the Group as the equity method for investments in associates and joint ventures was already in use.

COVID-19 impacts

The impact of COVID-19 has been considered for all balances and areas of judgements made in relation to the preparation of the Trust and Group financial statements.

Specifically in relation to the valuation of the electricity network, the Trustees consider the impact of a short term reduction in line rental revenue due to lower electricity usage during the shutdown period to be immaterial to the valuation as usage is expected to return to normal levels following the end of the shutdown.

In relation to the fibre network valuation, whilst some connections have been delayed, this has been slightly offset by an increase in the average revenue per connection as customers increase their residential data plans. As a result, there has been no material impact to the fibre network valuation or the goodwill impairment assessment.

As a direct result of COVID-19, the New Zealand Government also enacted changes to the tax legislation reinstating the ability to make tax deductions for building depreciation. This change has been factored into the Group's deferred tax balances as disclosed in note 16 to the financial statements.

The Trust financial assets were affected due to the impacts on the global equity markets, resulting in reduced returns. An assessment on probable credit loss on community loans was made which resulted in an immaterial adjustment.

We have considered the impact on other areas of the financial statements including the recoverability of debtors, no further material impacts have been identified as a result of COVID-19.

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 2020 and the results of WEL Energy Trust and WEL Networks Limited and its subsidiaries for the year then ended. The Trust's subsidiary WEL Networks Limited and its other subsidiaries are all those entities (including special purpose entities) over which the Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

Acquisition-related costs are expensed as incurred.

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

Note 2. Summary of significant accounting policies (continued)

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

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

Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive revenue and expense is reclassified to revenue and expense component of the statement of comprehensive revenue and expense where appropriate.

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

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

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

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

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

Note 2. Summary of significant accounting policies (continued)

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

Other income
Other income includes retail electricity revenue invoiced to customers and the generation of electricity from Ourpower Holdings Limited.

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

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

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

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

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

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

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable surplus.

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

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

Note 2. Summary of significant accounting policies (continued)

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

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

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

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

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Impairment of non financial assets
Assets that are subject to amortisation and depreciation are tested annually for impairment. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. The Group is required to test goodwill and other non-amortising intangible assets at least annually for impairment. Determining the recoverable amount for impairment testing purposes requires the use of judgement and estimation in relation to future forecast performance of the underlying cash generating unit

Value in use for non-cash-generating assets

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

Value in use for cash-generating assets

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

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

Note 2. Summary of significant accounting policies (continued)

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

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

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

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

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

Land is not depreciated and assets under construction are not depreciated until the asset is ready for use. For the Fibre Network this is on completion of the UFB2+ rollout. Depreciation on other assets is calculated on a straight-line basis to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows.

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

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

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

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

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

Note 2. Summary of significant accounting policies (continued)

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of 'value in use' and the 'fair value less costs to sell'. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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

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

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

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

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

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

Financial assets

Classification
The Group classifies its financial assets in the following categories: those to be measured subsequently at fair value (either through revenue or expense or other comprehensive revenue or expense) or those to be measured at amortised cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

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

Note 2. Summary of significant accounting policies (continued)

Financial assets at fair value through other comprehensive revenue and expense
Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant. These comprise the Group's individual equity investments in Note 9. On disposal of these equity investments, any related balance within the FVOCRE reserve is reclassified to retained surplus.

Recognition and measurement
Regular purchases and sales of financial assets are recognised on the trade-date which is the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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

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

Financial liabilities
Other financial liabilities at amortised cost

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

Fair value estimation

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

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

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

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

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

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

Note 2. Summary of significant accounting policies (continued)

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

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings for the year, in this case 5.60% (2019: 5.60%).

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

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

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

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

Employee benefits

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

Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value. Benefits falling due within 12 months of the reporting date are normally paid within a short period of time and therefore the fair value approximates the carrying value and no discounting is required

Defined contribution plan
Obligations for contributions to KiwiSaver are accounted for as a defined contribution plan and are recognised as an expense in revenue and expense as incurred. The expense recognised in the current period in relation to these contributions was $1,152,000 (2019: $1,077,000).

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

Note 2. Summary of significant accounting policies (continued)

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

Government grants
Government grants relating to the purchase of property, plant and equipment are either included in non-current liabilities as deferred income and then credited to profit or loss on a straight-line basis over the expected lives of the related assets or offset against the total cost of the asset at the date of capitalisation.

Derivatives
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

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

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.
Movements in the hedging reserve in net assets/equity are shown in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

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

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

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

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

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

Note 2. Summary of significant accounting policies (continued)

Amounts accumulated in equity are reclassified to revenue or expense in the periods when the hedged item affects surplus or deficit (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the revenue and expense component of the statement of comprehensive revenue and expense within 'finance income/cost'.

Fair value hedges

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

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

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

- Contributed equity
- Retained surplus
- Reserves

Contributed equity

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

Reserves

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

Property revaluation reserve

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

Cash flow hedge reserve

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

Financial assets at fair value through other comprehensive revenue and expenses

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

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

Note 2. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

Foreign currency transactions
Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each of the entities operate ('the functional currency'). The financial statements are presented in 'NZD' ($000), which is the Trust's functional currency and the Trust and Group's presentation currency.

Transactions and balances

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

Changes in accounting policies
New Accounting Standards and Interpretations not yet mandatory or early adopted
Certain new accounting standards and interpretations have been published that are not mandatory for the annual reporting period ended 31 March 2020 and have not been early adopted by the Group.

PBE FRS 48 Service performance reporting
This standard is applicable to annual reporting periods beginning on or after 1 January 2021. PBE FRS 48 establishes principles and requirements for presenting service performance information that is useful for accountability and decision-making purposes. These high-level requirements provide flexibility for entities to determine how best to 'tell their story'.

Note 3. Critical accounting judgements, estimates and assumptions

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

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

Estimated fair value of electricity lines distribution and fibre network assets, land and buildings.
Land and buildings were revalued to fair value for highest and best use on 31 March 2018 by independent valuers, SGHU Valuations LP Registered Valuers using a market approach being a Level 3 valuation. Updates to the key inputs as at 31 March 2020 have been reviewed and the Trustees have determined that the carrying value remains materially appropriate and within the valuation range below.

Key inputs include market rent at $860,000 and a capitalisation rate of between 5.5% and 6.5% resulting in a valuation range of $13.2M to $15.6M for the Maui St land and buildings, which have a carrying value of $13.5M.

It is the Group's policy to value the respective Electricity Network and Fibre Network every three years, and as such the Group engaged Deloitte, an independent third party valuer, to perform both network valuations for the year ended 31 March 2019. For the purposes of assessing whether the carrying value reasonably approximates fair value as at 31 March 2020, management have updated the key inputs to develop an estimated valuation range for each network and consider the carrying values relative to the respective valuation ranges. These are Level 3 valuations. Refer to note 10 for the key assumptions and inputs.

Impairment testing of goodwill
The Group is required to test goodwill and other non-amortising intangible assets at least annually for impairment. Determining the receivable amount for impairment testing purposes requires the use of judgement and estimation in relation to future forecast performance of the underlying cash generating unit. These are Level 3 valuations. Refer to note 11 for the key assumptions and inputs.

Deferred tax asset
Included in the net deferred tax liability at 31 March 2020 is a $10.3 million asset arising principally from the recognition of tax losses in Ultrafast Fibre Limited. PBE IAS 12 Income Taxes requires the recovery of the losses to be probable in order to be recognised in the Statement of financial position. For the losses to be recoverable the Group is required to have, within prescribed limits, continuity of ownership through to the period in which the losses are utilised and foreseeable surplus' to use against.

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

Held for sale and discontinued operations
During the year ended 31 March 2020, a decision was made to pursue the sale of shares in UFF Holdings Limited (UFFH). A disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this classification to be made the sale of that group of assets must be highly probable at balance date. At balance date, the Trustees considered whether UFFH met the criteria to be classified as an asset held for sale and discontinued operation in the financial statements for the year ended 31 March 2020. The Trustees determined the highly probable criteria had not been satisfied at this time due to approval being dependent on the outcome of the final bids received, impact assessments completed, further deliberation by the Trustees and uncertainty created around Level 4 lockdown due to COVID-19. Final bids were not due until subsequent to balance date.

Note 4. Revenue

	Consolidated		Trust	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Rendering of services				
Electricity lines revenue	118,862	124,128	-	-
Electricity third party contributions	12,028	9,892	-	-
Fibre network access services	80,411	64,511	-	-
Fibre third party contributions	2,012	2,551	-	-
	213,313	201,082	-	-
Other income				
Dividends	-	-	4,000	350
Operating lease revenue	2,175	2,178	-	-
Other income	7,762	7,387	-	-
	9,937	9,565	4,000	350
Revenue	223,250	210,647	4,000	350

	Consolidated		Trust	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Operating lease revenue				
Lessor minimum lease receivable				
Committed at the reporting date but not recognised as assets receivable:				
Within one year	2,168	2,175	-	-
One to five years	8,528	8,592	-	-
More than five years	51,025	53,129	-	-
	61,721	63,896	-	-

Notes to the Financial Statements

For The Year Ended 31 March 2020

Note 5. Expenses, excluding finance costs

	Consolidated 2020 $'000	Consolidated 2019 $'000	Trust 2020 $'000	Trust 2019 $'000
Transmission costs	29,520	29,430	-	-
Employee benefits	46,091	44,085	444	335
Capitalised labour	(19,478)	(18,521)	-	-
Materials and services	2,173	837	-	-
Premise networking costs	8,409	9,398	-	-
Contracting services	4,387	4,801	-	-
Consultancy	4,872	3,430	-	-
Contracting cost of sales	1,162	3,299	-	-
Net loss on disposal of property, plant and equipment	3,527	3,167	-	2
Vehicle expenditure	1,364	1,585	-	-
Operating leases	2,995	2,041	42	42
Directors' and Trustees' fees	858	837	222	224
Bad debts written off	294	683	-	-
Change in provision for impaired receivables	240	57	-	-
Other expenses	14,918	11,429	600	357
Depreciation and amortisation	51,494	47,163	8	5
	152,826	143,721	1,316	965

	Consolidated 2020 $'000	Consolidated 2019 $'000	Trust 2020 $'000	Trust 2019 $'000
Surplus/(deficit) before income tax includes the following specific expenses:				
Depreciation by asset class:				
Distribution network	19,132	18,362	-	-
Fibre network	23,079	19,458	-	-
Plant and equipment	3,735	3,420	7	4
Motor vehicles	1,150	1,166	-	-
Computer hardware	813	689	-	-
Buildings	262	261	-	-
	48,171	43,356	7	4
Amortisation of intangible assets:				
Easements and consents	55	63	-	-
Computer software	1,580	2,491	1	1
Computer software - internally generated	1,688	1,253	-	-
	3,323	3,807	1	1
Total depreciation and amortisation	51,494	47,163	8	5

Notes to the Financial Statements

For The Year Ended 31 March 2020

Note 5. Expenses, excluding finance costs (continued)

	Consolidated		Trust	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Amounts paid or payable to the auditors of WEL Energy Trust and Group:				
Audit services - (PwC)				
Audit financial statements	399	369	37	31
Half year review	46	49	-	-
Total remuneration for assurance services	445	418	37	31
Assurance and audit related services - PwC				
Assurance procedures on disclosure information	73	63	-	-
Additional fees in relation to the assurance procedures on the 2019 disclosure information*	58	-	-	-
Agreed upon procedures for disclosure information - 2019	6	-	-	-
Assurance procedures on the telecommunications development levy 2019	5	-	-	-
	142	63	-	-
Other services - PwC				
Regulatory advice	97	81	-	-
Industry updates	44	-	-	-
Vendor due diligence**	360	-	-	-
Tax consulting	3	-	3	-
	504	81	3	-
Total auditors remuneration	1,091	562	40	31

Auditors' fees are recognised within 'other expenses'

*PwC perform assurance procedures and agreed procedures in their capacity as auditors over disclosure information required to be submitted to the Commerce Commission. An additional $58,000 was charged in 2020 in relation to additional assurance procedures required as a result of changes to the required information disclosures.

**PwC performed vendor due diligence work to assist a potential purchaser in its due diligence relating to the sale of UFF Holdings Ltd, refer note 29 for further information.

Notes to the Financial Statements

For The Year Ended 31 March 2020

Note 6. Finance income/(costs)

	Consolidated		Trust	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Surplus/(deficit) before income tax includes the following specific expenses:				
Finance income/(costs)				
Interest and finance charges paid/payable on borrowings	(25,582)	(24,025)	-	-
Financial assets income	(221)	275	(221)	275
Interest income	121	352	1,967	2,526
Capitalised interest	1,779	1,452	-	-
Net finance income/(costs)	(23,903)	(21,946)	1,746	2,801

Note 7. Income tax expense/(credit)

	Consolidated		Trust	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Income tax expense/(credit)				
Current tax	5,280	7,728	-	23
Deferred tax (note 20)	7,448	6,074	358	(98)
Aggregate income tax expense/(credit)	12,728	13,802	358	(75)
Numerical reconciliation of income tax expense/(credit) and tax at the statutory rate				
Surplus/(deficit) before income tax (expense)/credit	41,789	42,177	(302)	(351)
Tax at the statutory tax rate of 28% and 33%	12,769	11,890	(100)	(116)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Non-taxable income	(82)	(159)	(82)	(159)
Non-deductible expenditure	2,218	1,011	1,656	972
Grants distributed	(1,474)	(810)	(1,474)	(810)
Prior period adjustment	395	745	-	38
Prior period deferred tax adjustment	11	789	-	-
Tax loss offsets	(19)	336	-	-
Building tax depreciation reinstated*	(1,448)	-	-	-
Derecognition of deferred tax assets	358	-	358	-
Income tax expense/(credit)	12,769	13,802	358	(75)

*One off impact due to the tax law changes as a result of COVID-19 and the Group can claim tax depreciation on buildings going forward.

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.

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

The tax losses incurred by the Trust are not recognised as a deferred tax asset in the statement of financial position as it is not probable that they will be utilised given the surplus of imputation credits received from WEL Networks Limited that are converted to losses. Tax losses that are unrecognised by the Trust total $1.67 million (tax effect $549,996) (2019: nil).

The Trust's income tax rate is 33% and its subsidiaries are at the company tax rate of 28% (2019: 33% and 28%).

	Consolidated		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Imputation credits				
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2019: 28%)	45,969	42,245	-	-

The above amounts represent the balance of the imputation credit account as at the end of the financial year, adjusted for:
- Imputation credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- Imputation debits that will arise from the payment of dividends recognised as a liability at balance date
- Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date

The comparative balance for imputation credits has been updated in line with the above statement to include an additional $4.1M of tax paid during 2020 which related to the prior year as previously this balance only included imputation credits filed for the tax return.

Note 8. Trade and other receivables

	Consolidated		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Exchange transactions:				
Trade receivables	21,429	18,229	9	12
Amounts due from customers for contract work	297	344	-	-
Less: Allowance for expected credit losses	(886)	(646)	-	-
	20,840	17,927	9	12
Related party receivable	210	227	-	-
Prepayments	1,752	1,430	2	44
Other receivable	83	83	-	-
	2,045	1,740	2	44
Total net trade and other receivables	22,885	19,667	11	56

Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security. Refer to note 24.

Allowance for expected credit losses
As of 31 March 2020, trade receivables for the Group of $3.4 million (2019: $1.8 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Note 8. Trade and other receivables (continued)

The Group has recognised a loss of $240,000 (2019: $57,000) in revenue and expenses in respect of the expected credit losses for the year ended 31 March 2020.

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

	Consolidated		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Aging of trade receivables:				
Current	18,298	16,570	9	12
One to three months	976	677	-	-
Over three months	1,566	680	-	-
	20,840	17,927	9	12

	Consolidated		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Aging of expected credit losses:				
Current 1%	208	124	-	-
One to three months 11%	105	6	-	-
Over three months 37%	573	516	-	-
	886	646	-	-

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

	Consolidated		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Opening balance	646	589	-	-
Increase in provision	240	57	-	-
	886	646	-	-

Note 9. Financial assets at fair value through other comprehensive revenue and expenses

	Consolidated		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Global companies fund	12,298	6,140	12,298	6,140
Ethical leaders fund	9,314	5,512	9,314	5,512
Impact investment enterprise fund	45	29	45	29
Purpose capital impact fund	169	-	169	-
	21,826	11,681	21,826	11,681

Impact investment enterprise fund includes a $144,000 uncalled commitment relating to the partnership units acquired in the Impact investment enterprise fund. The Purpose capital impact fund includes a $4,750,000 uncalled commitment.

Note 10. Property, plant and equipment

	Electricity network $'000	Fibre network $'000	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Computer hardware $'000	Non-network assets under construction $'000	Total $'000
Consolidated 2019								
Opening net book amount 1 April 2018	542,136	435,754	18,159	29,315	5,287	1,033	4,957	1,036,641
Additions	36,908	93,362	-	1,593	958	1,276	2,070	136,167
Acquisition through business combination	-	-	-	2,524	-	-	-	2,524
Transfers	2,748	-	-	2,138	-	-	(4,886)	-
Disposals	(3,451)	-	-	(45)	(162)	(72)	-	(3,730)
Depreciation charge	(18,362)	(19,458)	(261)	(3,421)	(1,166)	(689)	-	(43,357)
Closing net book amount 31 March 2019	559,979	509,658	17,898	32,104	4,917	1,548	2,141	1,128,245
Cost/valuation	750,903	564,480	18,974	53,552	10,220	4,989	2,141	1,405,259
Accumulated depreciation	(190,924)	(54,822)	(1,076)	(21,448)	(5,303)	(3,441)	-	(277,014)
Closing net book amount 31 March 2019	559,979	509,658	17,898	32,104	4,917	1,548	2,141	1,128,245

Notes to the Financial Statements

For The Year Ended 31 March 2020

Note 10. Property, plant and equipment (continued)

	Electricity network $'000	Fibre network $'000	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Computer hardware $'000	Non-network assets under construction $'000	Total $'000
Consolidated 2020								
Opening net book amount as at 1 April 2019	559,979	509,658	17,898	32,104	4,917	1,548	2,141	1,128,245
Additions	44,648	77,256	101	1,540	966	712	1,966	127,189
Transfers	(530)	-	-	1,703	452	4	(1,629)	-
Disposals	(3,639)	-	-	(13)	(214)	(8)	-	(3,874)
Depreciation charge	(19,132)	(23,079)	(262)	(3,735)	(1,150)	(813)	-	(48,171)
Closing net book amount 31 March 2020	581,326	563,835	17,737	31,599	4,971	1,443	2,478	1,203,389

Cost/valuation	789,733	641,736	19,075	56,544	10,243	5,270	2,478	1,525,079
Accumulated depreciation	(208,407)	(77,901)	(1,338)	(24,945)	(5,272)	(3,827)	-	(321,690)
Closing net book amount 31 March 2020	581,326	563,835	17,737	31,599	4,971	1,443	2,478	1,203,389

Note 10. Property, plant and equipment (continued)

	Plant and equipment $'000	Total $'000
Trust 2019		
Opening net book amounts 1 April 2018	13	13
Additions	5	5
Depreciation charge	(4)	(4)
Closing net book amount 31 March 2019	14	14
Cost/valuation	56	56
Accumulated depreciation	(42)	(42)
Closing net book amount 31 March 2019	14	14
Trust 2020		
Opening net book amount 1 April 2019	14	14
Additions	16	16
Depreciation charge	(7)	(7)
Closing net book amount 31 March 2020	23	23
Cost/valuation	72	72
Accumulated depreciation	(49)	(49)
Net book amount	23	23

The amount of interest capitalised was $1,779,000 at a weighted average rate of 5.6% (2019: $1,452,000).

Included in the Electricity network assets there are $8.4M (net book value) of assets that are subject to an operating lease (as a lessor), see note 4 for further information.

The net book value of the Fibre network includes $18.2M of work in progress as at 31 March 2020 (2019: $42.7M). The net book value of the Electricity network includes $17.3M of work in progress as at 31 March 2020 (2019: $24.2M).

Land and buildings revaluations and impairment review
Land and buildings were revalued to fair value for highest and best use on 31 March 2018 by independent valuers, SGHU Valuations LP Registered Valuers using a market approach being a Level 3 valuation. Updates to the key inputs as at 31 March 2020 have been reviewed and the Trustees have determined that the carrying value remains materially appropriate and within the valuation range below.

Key inputs include market rent at $860,000 and a capitalisation rate of between 5.5% and 6.5% resulting in a valuation range of $13.2M to $15.6M for the Maui St land and buildings, which have a carrying value of $13.5M.

Network revaluations and impairment review

It is the Group's policy to value the respective Electricity Network and Fibre Network every three years, and as such the Group engaged Deloitte, an independent third party valuer, to perform both network valuations for the year ended 31 March 2019. For the purposes of impairment testing as at 31 March 2020, management have updated the key inputs to develop an estimated valuation range for each network and consider the carrying values relative to the respective valuation ranges. These are Level 3 valuations.

Note 10. Property, plant and equipment (continued)

Based on the updated estimated valuation range for the Electricity Network of $544M to $595M (based on sensitivity to WACC low/high estimates), the Trustees consider that the current carrying value of the network fixed assets of $581M can be retained as carrying value materially reflects estimated fair value. The primary valuation method is the discounted cash flow (DCF) methodology, over a 10 year period, with a terminal value based on the estimated regulatory asset base using a multiple of 1.0x. Key inputs are shown in the table below. The valuation of the fixed assets is consistent with the requirements of PBE IPSAS 17 Property, Plant and Equipment, which requires the network to be valued based on the existing capabilities, i.e. excluding earnings growth that requires capital expenditure on network expansion but including growth that can be accommodated on the existing network.

Based on the updated valuation range for the Fibre Network of $546M to $651M (including WIP), the Trustees consider that the current carrying value of $564M can be retained as carrying value materially reflects estimated fair value. Trustees note that the Fibre Network is facing significant uncertainty regarding the future of regulation being considered by the Commerce Commission (ComCom) as well as uncertain competition from 5G technology.

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

The valuations of the Electricity Network and the Fibre Network are sensitive to the inputs in the discounted cash flow model valuations. The table below shows the sensitivities to key inputs of the valuations, which are represented by the valuation ranges.

	Mid-point for valuation	**Sensitivity Range**	**Valuation Range**
Electricity Network:			
WACC (Weighted Average Cost of Capital)	5.14%	4.64% - 5.64%	$544M - 595M
Distribution Revenue (excl Transpower)	Avg. $79.6M p.a.	$75.6M - 83.5M	$547M - 591M
Capital Expenditure	Avg. $26.5M p.a.	$21.5M - 31.5M	$564M - 573M
Fibre Network:			
WACC (Weighted Average Cost of Capital)	7.05%	6.47% - 7.63%	$546M - 651M
ARPU (Average Revenue Per User)	Avg. $51.9	$49.9 - $53.4	$549M - 639M
Terminal Growth Rate	0.5%	0.0% - 1.0%	$571M - 620M
Capital Expenditure*	Avg. $21.2M p.a.	$16.2M - 26.2M	$558M - 630M

*The terminal capital expenditure is $28.1M

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

	Land and buildings $'000	**Electricity network $'000**	**Fibre network $'000**
Consolidated			
Cost	10,131	608,015	564,480
Accumulated depreciation	(1,076)	(212,161)	(54,822)
Net book amount as at 31 March 2019	9,055	395,854	509,658

	Land and buildings $'000	**Electricity network $'000**	**Fibre network $'000**
Cost	10,232	649,718	641,736
Accumulated depreciation	(1,338)	(230,487)	(77,901)
Net book amount as at 31 March 2020	8,894	419,231	563,835

Notes to the Financial Statements

For The Year Ended 31 March 2020

Note 11. Intangibles

	Goodwill $'000	Assets under construction $'000	Computer software - internally generated $'000	Computer software $'000	Easements and consents $'000	Leasehold interest $'000	Total $'000
Consolidated							
Opening net book amount 1 April 2018	79,666	774	3,428	7,183	5,167	107	96,325
Additions	-	452	823	1,156	143	-	2,574
Disposals	-	-	-	(1)	-	-	(1)
Amortisation charges	-	-	(1,253)	(2,491)	(63)	-	(3,807)
Closing net book amount 31 March 2019	79,666	1,226	2,998	5,847	5,247	107	95,091
Cost	79,666	1,226	7,488	27,020	7,662	107	123,169
Accumulated amortisation and impairment	-	-	(4,490)	(21,173)	(2,415)	-	(28,078)
Closing net book amount 31 March 2019	79,666	1,226	2,998	5,847	5,247	107	95,091
Opening net book amount 1 April 2019	79,666	1,226	2,998	5,847	5,247	107	95,091
Additions	-	2,537	625	1,185	38	-	4,385
Disposals	-	-	-	(51)	-	-	(51)
Transfers	-	(402)	121	193	88	-	-
Amortisation charges	-	-	(1,688)	(1,580)	(55)	-	(3,323)
Closing net book amounts 31 March 2020	79,666	3,361	2,056	5,594	5,318	107	96,102
Cost	79,666	3,361	8,207	28,725	7,787	107	127,853
Accumulated amortisation and impairment	-	-	(6,151)	(23,131)	(2,469)	-	(31,751)
Closing net book amount 31 March 2020	79,666	3,361	2,056	5,594	5,318	107	96,102

Note 11. Intangibles (continued)

	Computer software $'000	Total $'000
Trust		
Opening net book amount 1 April 2018	4	4
Disposals	(1)	(1)
Amortisation charge	(1)	(1)
Closing net book amount 31 March 2019	2	2
Cost	53	53
Accumulated amortisation and impairment	(51)	(51)
Closing net book amount 31 March 2019	2	2
Opening net book amount 1 April 2019	2	2
Amortisation charge	(1)	(1)
Closing net book amount 31 March 2020	1	1
Cost	53	53
Accumulated amortisation and impairment	(52)	(52)
Closing net book amount 31 March 2020	1	1

Goodwill
Goodwill of $5.2 million arose on the original acquisition of the WEL Networks Group by the Trust. The balance of $74.5 million of goodwill arose on the acquisition of Ultrafast Fibre Limited by UFF Holdings Limited (UFFH).

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

The recoverable amount of Ultrafast Fibre Limited was determined using a ‘fair value less cost to sell’ method, as this method values the business as a whole, taking into consideration future growth of the network. The 'value in use' methodology only values the existing network, similar to the fibre network valuation. The 'fair value' uses the Discounted Cashflow (DCF) methodology over a 10 year period. A 10 year analysis period has been used, rather than the standard five year period, to more accurately capture ongoing and future connections growth, along with cost and scale efficiencies. The key inputs include:

- revenue growth is driven primarily by an increase in network uptake in conjunction with ongoing network build;
- broadly flat costs over the period resulting from CPI of 2% and additional proactive network maintenance costs being largely offset by cost and scale efficiencies;
- a post-tax WACC of 7.05%, which reflects lower risk-free rates;
- terminal cash flow growth of 0.5%;
- terminal capital expenditure of $33M p.a. being the investment required to support the terminal growth above; and
- cost to sell of $15M, which at 2% is in the middle of the range.

The conclusion is that there is no impairment to the goodwill as the analysis above results in $48M of headroom. It would require significant unfavourable changes in the key variables ($1.85 p.m. reduction in ARPU; a $6.2M increase in the terminal value annual Capital Investment; a 0.44% increase in WACC; or a 0.81% reduction in the terminal growth rate) to cause the ‘carrying amount’ to exceed the recoverable amount, resulting in an impairment to be recognised. The assumptions adopted reflect the risk and uncertainty associated with Ultrafast Fibre Limited as at 31 March 2020.

Note 11. Intangibles (continued)

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

- a post tax Weighted Average Cost of Capital (WACC) of 5.14% which is in line with the Electricity Network valuation;
- revenue averaging $99.5M p.a. (excluding transmission), which reflects an expected regulatory ROI of 4.57% during FY21 to FY25 period, then increasing 5.50% from FY26;
- capital expenditure, including network expansion growth, averaging $59.2M p.a.;
- terminal value based on estimated RAB (Regulatory Asset Base on which a regulated Electricity Distributor can earn a regulatory profit) of $1,000M at the end of FY30; and
- costs to sell of $15M, at 2.4%.

The conclusion is that there is no impairment to the goodwill as the analysis above results in $1.8M of headroom. It would require unfavourable changes in the key variables (for example, a $315k reduction in annual revenue, a $227k increase in annual Capex, or a 0.03% increase in WACC) to cause the 'carrying amount' to exceed the 'fair value less cost to sell' and thereby result in an impairment to be recognised. The assumptions adopted reflect the risk and uncertainty associated with WEL Networks as at 31 March 2020.

Note 12. Loans advanced

	Consolidated		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Opening loan balance	864	901	864	901
Loans advanced during the year	-	150	-	150
Gain/(loss) on inception taken to surplus or deficit	-	(6)	-	(6)
Effective interest received	(26)	27	(26)	27
Repayments made	(86)	(201)	(86)	(201)
Expected credit losses	(2)	(7)	(2)	(7)
Carrying amount	750	864	750	864
Current	73	86	73	86
Non Current	677	778	677	778
	750	864	750	864

The nominal value of loans advanced at balance date was $10,730,000 (2019: $10,860,000).

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

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

Note 13. Trade and other payables

	Consolidated 2020 $'000	Consolidated 2019 $'000	Trust 2020 $'000	Trust 2019 $'000
Exchange transactions:				
Trade payables	10,215	11,068	89	50
Other payables	11,672	12,339	30	42
Goods and services tax	448	(528)	-	-
Non-exchange transactions:				
Grants payable	721	-	721	-
Total trade and other payables from exchange and non-exchange transactions	23,056	22,879	840	92

Note 14. Current borrowings

	Consolidated 2020 $'000	Consolidated 2019 $'000	Trust 2020 $'000	Trust 2019 $'000
Bank loans - maturing within 1 year	-	99,179	-	-

Note 15. Non-current borrowings

	Consolidated 2020 $'000	Consolidated 2019 $'000	Trust 2020 $'000	Trust 2019 $'000
Maturing between 1 and 2 years	100,737	(808)	-	-
Maturing between 2 and 3 years	189,930	63,216	-	-
Maturing between 3 and 4 years (includes bond)	222,764	99,291	-	-
Maturing between 4 and 5 years	-	201,301	-	-
	513,431	363,000	-	-

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

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

The Group uses interest rate swaps to manage interest rate risk. Derivatives are fair valued using assumptions from observable market data where possible, in combination with the underlying derivative contracts and documentation. The fair value of the derivative liability at 31 March 2020 is $17,410,000 (31 March 2019: $12,138,000).

The carrying value of interest bearing bank and bond debt is $513,431,000 (31 March 2019: $462,179,000). The fair value of contractual cash flows is $581,015,000 (31 March 2019: $530,738,000). Refer to note 24.

During the year the total bank loan facilities increased to $415 million (31 March 2019: $400 million) of which $54 million remains available to the Group to be drawn down at balance date. The facilities expire as follows:

Note 15. Non-current borrowings (continued)

	Facility available $'000	Total facility $'000
29 April 2020 (Evergreen facility)	30,000	30,000
30 November 2021	-	75,000
31 December 2021	24,000	50,000
30 November 2022	-	190,000
30 November 2023	-	70,000
	54,000	415,000

Bonds

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

Note 16. Current employee benefit obligations and provisions

	Consolidated		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Employee benefit obligations:				
Annual leave	2,329	2,233	28	12
Employee benefits	1,515	1,538	-	-
Other employee benefit obligations	78	99	-	-
Provisions	800	-	-	-
	4,722	3,870	28	12

Note 17. Deferred income

	Consolidated		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Contract liabilities - third party contributions - electricity	5,014	7,392	-	-
Contract liabilities - third party contributions - fibre	1,901	1,776	-	-
Other contract liabilities - fibre connection fees in advance	7,196	5,770	-	-
	14,111	14,938	-	-

Management expects that 81% of the fibre third party contributions and 73% of the electricity third party contributions relating to the unsatisfied contracts as at 31 March 2020 will be recognised as revenue in the next reporting period. 100% of the other contract liabilities will be recognised as revenue in the next reporting period.

Note 17. Deferred income (continued)

	Consolidated		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Non-current deferred income	886	915	-	-

Income received from government organisations to fund the undergrounding of some areas of the electricity network is recognised over 45 years which is the life of the asset. Revenue recognised this year of $29,385 (2019: $29,385).

Note 18. Non-current employee benefit obligations

	Consolidated		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Employee benefits	100	92	-	-

Note 19. Derivative financial instruments

	Consolidated		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Non current assets				
Interest rate swaps - fair value hedges	5,059	2,538	-	-
Current and non current liability portion				
Current interest rate swaps - cash flow hedges	(816)	(115)	-	-
Non current interest rates swaps - cash flow hedges	(16,594)	(12,023)	-	-
	(17,410)	(12,138)	-	-
Total net derivatives financial instruments	(12,351)	(9,600)	-	-

The notional principal amounts of the outstanding interest rate contracts as at 31 March 2020 were $175 million (2019: $195 million).

At 31 March 2020, the fixed interest rates vary from 2.28% to 4.90% (2019: 2.28% to 4.90%), and the main floating rate is Bank Bill Mid Rate (BKBM). Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 March 2020 will be continuously released to the income statement within finance cost until the repayment of the bank borrowings.

Note 20. Deferred tax (assets)/liabilities

	Tax losses $'000	Accelerated tax depreciation/ Revaluation of assets $'000	Provisions and other $'000	Derivative instruments $'000	Total $'000
Consolidated					
Balance as at 1 April 2018	(15,501)	92,866	4,564	(1,788)	80,141
Charged/(credited) to the statements of comprehensive revenue and expense	1,787	9,834	(5,447)	(2)	6,172
Charged directly to equity - derivatives	-	-	-	(1,608)	(1,608)
Charged directly to equity - adjustment for change in accounting policies	-	(645)	-	-	(645)
Balance as at 31 March 2019	(13,714)	102,055	(883)	(3,398)	84,060
Balance as at 1 April 2019	(13,714)	102,055	(883)	(3,398)	84,060
Charged/(credited) to the statements of comprehensive revenue and expense	3,437	3,536	(83)	-	6,890
Charged/(credited) directly to equity - derivatives	-	-	-	(1,476)	(1,476)
Balance as at 31 March 2020	(10,277)	105,591	(966)	(4,874)	89,474
Trust					
Balance as at 1 April 2018	-	-	(260)	-	(260)
Charged/(credited) to the statements of comprehensive revenue and expense	-	-	(98)	-	(98)
Balance as at 31 March 2019	-	-	(358)	-	(358)
Balance as at 1 April 2019	-	-	(358)	-	(358)
Charged/(credited) to the statements of comprehensive revenue and expense	-	-	358	-	358
Balance as at 31 March 2020	-	-	-	-	-

Note 21. Contributed equity

	Consolidated			
	2020 Shares	2019 Shares	2020 $'000	2019 $'000
Contributed equity	-	-	52,067	52,067

	Trust			
	2020 Shares	2019 Shares	2020 $'000	2019 $'000
Contributed equity	-	-	52,067	52,067

Note 22. Reserves

	Consolidated		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Revaluation reserve	106,317	107,971	-	-
Hedging reserve - cash flow hedges	(12,535)	(8,739)	-	-
Financial assets at fair value through other comprehensive revenue and expense reserve	895	665	895	665
	94,677	99,897	895	665

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Revaluation reserve $'000	Hedging reserve $'000	Financial assets at fair value through other comprehensive revenue and expense $'000	Total $'000
Balance at 1 April 2018	109,369	(4,605)	(563)	104,201
Deferred tax	-	1,609	-	1,609
Disposal of distribution network assets	(1,398)	-	-	(1,398)
Net fair value gain/(loss) recognised to cash flow hedge reserve	-	(5,743)	-	(5,743)
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	-	428	428
Realised (gain)/loss on disposal of financial assets at fair value through other comprehensive revenue and expense	-	-	800	800
Balance at 31 March 2019	107,971	(8,739)	666	99,897
Deferred tax	-	1,476	-	1,476
Disposal of distribution network assets	(1,654)	-	-	(1,654)
Net fair value gain/(loss) recognised to cash flow hedge reserve	-	(5,272)	-	(5,272)
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	-	276	276
Realised (gain)/loss on disposal of financial assets at fair value through other comprehensive revenue and expense	-	-	(47)	(47)
Balance at 31 March 2020	106,317	(12,535)	895	94,677

Note 22. Reserves (continued)

Trust	Revaluation reserve $'000	Hedging reserve $'000	Financial assets at fair value through other comprehensive revenue and expense $'000	Total $'000
Balance at 1 April 2018	-	-	(563)	(563)
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	-	428	428
Realised (gain)/loss on disposal of financial assets at fair value through other comprehensive revenue and expense	-	-	800	800
Balance at 31 March 2019	-	-	666	666
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	-	276	276
Realised (gain)/loss on disposal of financial assets at fair value through other comprehensive revenue and expense	-	-	(47)	47
Balance at 31 March 2020	-	-	895	895

Note 23. Retained surplus

	Consolidated		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Retained surplus at the beginning of the financial year	415,532	387,564	86,993	88,073
Adjustment for change in accounting policy	-	(1,727)	-	(4)
Retained surplus at the beginning of the financial year - restated	415,532	385,837	86,993	88,069
Surplus/(deficit) after income tax (expense)/credit for the year	29,576	29,097	(660)	(276)
Disposal of distribution network assets	1,654	1,398	-	-
Realised gain/(loss) on disposal of financial assets at fair value through other comprehensive revenue and expense	47	(800)	47	(800)
Transfer to other reserves	97	-	-	-
Retained surplus at the end of the financial year	446,906	415,532	86,380	86,993

Note 24. Financial instruments

Financial risk management objectives

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

Note 24. Financial instruments (continued)

The Group's overall financial risk management objectives are to ensure that the Group creates value and maximises returns to its beneficiaries as well as ensuring that adequate financial resources are available for the development of the Group's businesses whilst managing its financial risks. It is, and has been throughout the financial year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken. The major areas of the financial risks faced by the Group and the information on the management of the related exposures are detailed below:

Market risk

Foreign currency risk
Management has set up a policy to require the Group to manage their foreign exchange risk against their functional currency. The Group is required to hedge all transactions greater than $250,000. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

As at 31 March 2020, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, the impact on the post-tax surplus for the year would have been nil (2019: nil).

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

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

The swaps are for the duration of the borrowing term.

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

	Maturity date	Fair value $'000	Unamortised cost $'000	Adjustment on hedged risk $'000	Carrying value $'000
Consolidated 2020					
Bank facilities (variable rates)	Apr 21 - Nov 23	361,000	(562)	-	360,438
Loan from related party (4.51%)		90,810	-	-	90,810
Bond (4.90%)	Aug 23	150,000	(2,066)	5,059	152,993
Fair value interest rate swap (3.86%)	Aug 23	(75,000)	-	-	-
Interest rate swaps (4.87%)	Mar 21 - Dec 21	(175,000)	-	-	-
Net exposure to interest rate risk		351,810	(2,628)	5,059	604,241
Consolidated 2019					
Bank facilities (variable rates)	Aug 19 - Nov 23	313,000	(374)	-	312,626
Loan from related party (4.41%)		81,170	-	-	81,170
Bond (4.90%)	Aug 23	150,000	(2,985)	2,538	149,553
Fair value interest rate swaps (4.29%)	Aug 23	(75,000)	-	-	-
Interest rate swaps (4.70%)	Dec 19 - Dec 23	(195,000)	-	-	-
Net exposure to interest rate risk		274,170	(3,359)	2,538	543,349

Note 24. Financial instruments (continued)

*Weighted average interest rate calculated on current swaps only, not including forward starting contracts. 2019 percentage updated accordingly was previously stated at 4.35%.

Sensitivity analysis

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

Interest rate risk +/-1% Consolidated 31 March 2020	**Carrying amount $'000**	**+/- 1% Surplus $'000**	**+/- 1% Equity $'000**
Financial assets			
Cash and cash equivalents	2,256	23	-
Term deposits	1,482	15	-
Trade and other receivables (excluding prepayments)	21,133	-	-
Loans advanced	750	8	-
Derivative financial instruments	5,059	51	-
Financial assets at fair value through other comprehensive revenue and expense	21,826	218	-
Financial liabilities:			
Trade and other payables	22,608	-	-
Borrowings	513,432	5,134	-
Derivative financial instruments	17,414	-	174
Loan from related party	90,810	908	-
	696,770	6,357	174
31 March 2019			
Financial assets			
Cash and cash equivalents	2,133	21	-
Term deposits	1,250	13	-
Trade and other receivables (excluding prepayments)	18,237	-	-
Loans advanced	864	-	-
Derivative financial instruments	2,538	25	-
Financial assets at fair value through other comprehensive revenue and expense	11,681	-	117
Financial liabilities:			
Trade and other payables	23,407	-	-
Borrowings	462,179	4,622	-
Derivative financial instruments	12,138	-	121
Loan from related party	81,170	812	-
	615,597	5,493	238

Financials

Note 24. Financial instruments (continued)

Interest rate risk +/-1% Trust 31 March 2020	Carrying amount $'000	+/- 1% Surplus $'000	+/- 1% Equity $'000
Financial assets			
Cash and cash equivalents	1,269	13	-
Term deposits	1,482	15	-
Trade and other receivables	9	-	-
Loans advanced	750	8	-
Financial assets at fair value through other comprehensive revenue and expenses	21,826	-	218
Financial liabilities			
Trade and other payables	840	-	-
	26,176	36	218
31 March 2019			
Financial assets			
Cash and cash equivalents	844	8	-
Term deposits	1,250	13	-
Trade and other receivables (excluding prepayments)	12	-	-
Loans advanced	864	-	117
Financial assets at fair value through other comprehensive revenue and expenses	11,681	-	-
Financial liabilities			
Trade and other payables	92	-	-
	14,743	21	117

Credit risk

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

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

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

The Group has in excess of 34% (2019: 32%) of its trade debtors owing from the incumbent retailer, Genesis Energy Limited. This debt is subject to a written agreement that requires an investment grade credit rating to be maintained. If the credit rating falls below investment grade then a bond will be required as collateral.

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

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

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

Note 24. Financial instruments (continued)

Other than as mentioned above the Group has no significant concentration of credit risk on its financial assets. The maximum exposures to credit risk are represented by the carrying amounts of other financial assets in the balance sheets. Except for the financial guarantees given by the Group, the Group does not provide any other financial guarantees which would expose the Group to credit risk.

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

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

	Loan Balance	Potential cash shortfall	Probability of default %	Loss allowance
Consolidated 2020				
Non interest bearing	270	81	2%	2
Interest bearing loans	495	73	5%	5
Interest bearing loans	50	5	50%	2
	815	159		9

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

One of the interest bearing loans advanced has an increased probability of the charitable organisation defaulting, due to them potentially being unable to undertake their business activities as a result of possible funding reductions and limitations presented due to COVID-19. This has resulted in the probability of default in the loan being increased to 50% for the year ended 31 March 2020.

Liquidity risk

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

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

Note 24. Financial instruments (continued)

Consolidated 31 March 2020	Less than one year $'000	Between 1 and 2 years $'000	Between 2 and 3 years $'000	Between 3 and 5 years $'000	5 + years $'000	Total fair value contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Non-derivative financial instruments							
Borrowings - non-current	23,651	122,947	206,150	228,267	-	581,015	513,431
Trade and other payables	22,608	-	-	-	-	22,608	22,608
Loan from related party	4,095	94,905	-	-	-	99,001	90,810
Total non derivative financial instruments	50,354	217,852	206,150	228,267	-	702,624	626,849
Derivative financial instruments							
Interest rate swaps							
- inflow	4,637	4,568	4,567	3,071	45	16,889	-
- outflow	(8,431)	(7,232)	(7,232)	(6,254)	(149)	(29,298)	(12,409)
Total derivative financial instruments	(3,794)	(2,664)	(2,665)	(3,183)	(104)	(12,409)	(12,409)

Consolidated 31 March 2019	Less than one year $'000	Between 1 and 2 years $'000	Between 2 and 3 years $'000	Between 3 and 5 years $'000	5 + years $'000	Total fair value contractual cash flows $'000	Carrying amounts (assets)/ liabilities $'000
Non derivative financial instruments							
Borrowings - non current	6,787	16,061	79,380	317,670	-	419,898	363,000
Borrowings - current	110,840	-	-	-	-	110,840	99,179
Trade and other payables	23,407	-	-	-	-	23,407	23,407
Loan from related party	3,580	84,750	-	-	-	88,329	81,171
Total non derivative financial instruments	144,614	100,811	79,380	317,670	-	642,474	566,757
Derivative financial instruments							
Interest rate swaps:							
- Inflow	6,690	6,534	6,534	10,537	1,274	31,569	-
- Outflow	(9,182)	(9,071)	(8,714)	(12,471)	(1,711)	(41,169)	(9,600)
Total derivative financial instruments	(2,492)	(2,537)	(2,180)	(1,934)	(437)	(9,600)	(9,600)

Fair value of financial instruments

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

Note 24. Financial instruments (continued)

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

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

Consolidated **31 March 2020**	**Total** **$'000**	**Level 1** **$'000**	**Level 2** **$'000**	**Level 3** **$'000**
Financial assets				
Interest rate contracts	5,059	-	5,059	-
Financial assets at fair value through other comprehensive revenue and expenses	21,826	-	21,826	-
Total financial assets	26,885	-	26,885	-
Financial liabilities				
Interest rate contracts	17,410	-	17,410	-

Consolidated **31 March 2019**	**Total** **$'000**	**Level 1** **$'000**	**Level 2** **$'000**	**Level 3** **$'000**
Financial assets				
Interest rate contracts	2,538	-	2,538	-
Financial assets at fair value through other comprehensive revenue and expense	11,681	-	11,681	-
Total financial assets	14,219	-	14,219	-
Financial liabilities				
Interest rate contracts	12,138	-	12,138	-

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

Note 24. Financial instruments (continued)

Categories of financial assets and liabilities

Consolidated - 2020	Financial assets at amortised cost $'000	Financial assets at fair value through OCRE or P&L $'000	Financial assets (FVTOCRE) $'000	Total $'000
Assets				
Cash and cash equivalents	2,256	-	-	2,256
Trade receivables	21,124	-	-	21,124
Term deposits	1,482	-	-	1,482
Loans advanced	750	-	-	750
Derivative financial instruments	-	5,059	-	5,059
Financial assets at fair value through other comprehensive revenue and expenses	-	-	21,826	21,826
Total financial assets	25,612	5,059	21,826	52,497
Liabilities				
Trade payables	22,608	-	-	22,608
Borrowings - non current	513,432	-	-	513,432
Loans from related party	90,810	-	-	90,810
Derivative financial instruments	-	17,414	-	17,414
Total financial liabilities	626,850	17,414	-	644,264

Consolidated - 2019	Financial assets at amortised cost $'000	Financial assets at fair value through OCRE or P&L $'000	Financial assets (FVTOCRE) $'000	Total $'000
Assets				
Cash and cash equivalents	2,133	-	-	2,133
Trade receivables	18,237	-	-	18,237
Term deposits	1,250	-	-	1,250
Loans advanced	864	-	-	864
Derivative financial instruments	-	2,538	-	2,538
Financial assets at fair value through other comprehensive revenue and expenses	-	-	11,681	11,681
Total financial assets	22,484	2,538	11,681	36,703
Liabilities				
Trade payables	23,407	-	-	23,407
Borrowings - current	99,179	-	-	99,179
Borrowings - non current	363,000	-	-	363,000
Loans from related party	81,170	-	-	81,170
Derivative financial instruments	-	12,138	-	12,138
Total financial liabilities	566,756	12,138	-	578,894

Note 24. Financial instruments (continued)

Trust - 2020	**Financial assets at amortised cost $'000**	**Financial assets (FVTOCRE) $'000**	**Total $'000**
Assets			
Cash and cash equivalents	1,269	-	1,269
Trade receivables	9	-	9
Term deposits	1,482	-	1,482
Loans advanced	750	-	750
Financial assets at fair value through other comprehensive income	-	21,826	21,826
Total financial assets	3,510	21,826	25,336
Liabilities			
Trade payables	840	-	840
Total financial liabilities	840	-	840

Trust - 2019	**Financial assets at amortised cost $'000**	**Financial assets (FVTOCRE) $'000**	**Total $'000**
Assets			
Cash and cash equivalents	844	-	844
Trade receivables	12	-	12
Term deposits	1,250	-	1,250
Loans advanced	864	-	864
Financial assets at fair value through other comprehensive revenue and expenses	-	11,681	11,681
Total financial assets	2,970	11,681	14,651
Liabilities			
Trade payables	92	-	92
Total financial liabilities	92	-	92

Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non current borrowings’ as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as ‘net assets/equity’ as shown in the consolidated statement of financial position plus net debt. In both years the Group is within its predefined limits.

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

Notes to the Financial Statements

For The Year Ended 31 March 2020

Note 24. Financial instruments (continued)

The Group for the purposes of borrowings, being WEL Networks Group, is required to ensure that the following financial covenant ratios for unsecured borrowings are achieved during the financial year:

- the ratio of EBITDA to net interest expense will be greater than or equal to 2.75 times.
- the percentage of net debt to net debt plus equity will be less than or equal to 60%.
- the Group undertakes to ensure that the Guarantor Group will comprise no less than 85% of EBITDA and no less than 85% of total assets.

The unsecured borrowings become repayable on demand in the event these covenants are breached or if the Group fails to make interest and principal payments when they fall due. The Group has complied with all covenants and borrowing repayment obligations during the financial year.

Consolidated	2020 $'000	2019 $'000
Borrowings - non current	513,432	363,000
Borrowings - current	-	99,179
Loan from non controlling interest	90,810	81,170
Less: cash and cash equivalents	(987)	(1,289)
Net debt	603,255	542,060
Net debt	603,255	542,060
Total equity	569,671	555,293
	1,172,926	1,097,353
Gearing ratio	51.00%	49.00%

Note 25. Contingent liabilities

As at 31 March 2020 the Group had $12.78 million contingent liabilities to support contracts entered into (2019: $12.78 million).

A breakdown of the contingent liabilities are as follows:

Beneficiary	Supporting	Amount $'000
Crown Fibre Holdings Limited	Ultrafast Fibre Broadband (UFB1) Contract	5,000
Crown Fibre Holdings Limited	Ultrafast Fibre Broadband (UFB2/UFB2+) Contract	5,000
Energy Clearing House Limited	OurPower Electricity Retailing	1,750
Powerco Limited	Standby letter of credit - Carrier Access Agreement	1,000
NZX Limited	Listing fees associated with the subordinated bond issue	30

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

In addition, UFF has identified areas of non-compliance with some leasehold arrangements relating to the overhead portion of the fibre network, which require remediation works to occur. UFF has multiple options to remedy the non-compliances and has made a provision for $800,000 in the current year as it feels it can reliably estimate these costs at this stage. None of this provision has been utilised in the current year. Given the remedial options available and further negotiations that are required to resolve the non-compliances, the Company has estimated a further contingent liability of approximately $2.2M (2019: nil).

Note 26. Commitments

At balance date the Trust has commitments to fund impact investments in the Impact Enterprise Fund to the value of $144,000 (2019: $170,000) and Purpose Capital Impact Fund $4,750,000 (2019: nil). (2019: Ultrafast Fibre Limited had committed capital expenditure to the value of $20 million for the second phase of the fibre network build).

Operating lease commitments

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

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

	Consolidated		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Not later than one year	1,791	1,299	31	42
Later than one year and not later than two years	1,690	1,251	-	31
Later than two years and not later than five years	3,955	3,599	-	-
Later than five years	9,477	7,952	-	-
Total non-cancellable operating leases	16,913	14,101	31	73

Note 27. Related party transactions

Trustees and Directors
The Trust has a policy of maintaining a conflict of interest register. Once a conflict of interest is registered by a trustee, the trustee will remove themselves from the decision making process relating to the associated entity. The following people have been trustees for the entire year ended 31 March 2020, M Ingle, D Harding, R Hamill, K Williams, C Stephen, M Rolton and C Isaac.

The Trust has delegated operational running of the subsidiaries to the Directors of WEL Networks Limited and Ultrafast Fibre Limited. The names of persons who were directors at any time during the financial year are as follows: R Campbell, T Barnes, A V Steele, C Steele, B Harris, G Lawrie, K Goodall, C Kinser and P Connell. Changes to the directors during the year ended 31 March 2020 were A V Steele who completed his term on 30 June 2019 and was replaced by P Connell on 1 November 2019.

Transactions with key management personnel
There is one key management personnel in the Trust, alongside 7 trustees for the year ended 31 March 2020 (31 March 2019: 7 trustees). The key management compensation is set out in the table below.

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

Changes to key management personnel during the 12 months to 31 March 2020 include the appointment of John Hanna in June 2019 as Chief Executive of Ultrafast Fibre Limited, Geoff Lawrie, a current Director of the Board, was the interim Chief Executive Officer of Ultrafast Fibre Limited until June 2019. Suzanne Tindal, the Group Chief Financial Officer resigned in July 2019. David Barnett and Joel Bettley were appointed in September 2019 as Chief Financial Officers of WEL Networks Limited and Ultrafast Fibre Limited respectively.

An executive Mr R Riley, is a Director and shareholder of UFO Limited. UFO Limited has not provided any provisioning services to Ultrafast Fibre Limited for the year ended 31 March 2020 (2019 $79k).

Note 27. Related party transactions (continued)

	2020 $'000	2019 $'000
Trustee Remuneration:		
Chairperson	43	43
Deputy Chairperson	36	36
Trustees	29	29

	Consolidated		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trustees:				
Short term benefits	222	224	222	224
Directors:				
Short term benefits	636	612	-	-
Executives:				
Short term benefits	5,370	4,179	156	135
Post employment benefits	5	191	5	4
Termination benefits	50	493	-	-
	6,283	5,699	383	363

Related party transactions with WEL Networks Limited

	Consolidated		Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Interest on convertible note	-	-	1,878	2,449
Repayment of convertible note	-	-	10,000	-

Total dividends paid by WEL Networks Limited during the year were $4,000,000 net (2019: $350,000 net). The amount of dividends per share was $0.4906 (2019: $0.0429). There were no outstanding balances between WEL Networks Limited and the Trust at year end (2019: nil).

Note 27. Related party transactions (continued)

Related party transactions with Waipa Networks Limited

	Consolidated		Trust	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Transactions:				
Current year interest expense	3,878	3,302	-	-
Consulting	228	-	-	-
Pole make ready and lease costs	30	30	-	-
Contract services	160	148	-	-
Balances:				
Total loan from related party	90,810	81,170	-	-

In addition to owning 15% of the equity in UFFH, Waipa Networks Limited has extended a shareholder loan. The terms of the loan are set out in the shareholders' agreement between WEL Networks Limited, UFFH, Waipa Networks Limited and UFF. The loan funding provided by Waipa Networks Limited is commensurate with its shareholding in UFFH. The parties have agreed a put and call arrangement whereby should Waipa Networks Limited reduce its shareholding in UFFH to less than 10%, or there is a change in control of Waipa Networks Limited, at the option of WEL Networks Limited, Waipa Networks Limited's shareholding in UFFH can be acquired by WEL Networks Limited at fair value. Waipa Networks Limited also has the option to sell its shares in UFFH to WEL Networks Limited at fair value from the third anniversary from the effective date. The loan from Waipa Networks Limited is considered non-current as once the option has been exercised there is 18 months until payment is required.

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

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

Related party transactions with Smartco Limited

	Consolidated		Trust	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Transactions:				
Other income	812	846	-	-
Operating expenses (contract services expenditure)	(518)	(485)	-	-
Purchases of plant and equipment	(233)	(732)	-	-
Balances:				
Advances to related party	210	210	-	-

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

Note 28. Interests in subsidiaries

Trust	2020 $'000	2019 $'000
Shares in WEL Networks Limited at cost	85,797	85,797
Convertible notes - current	13,000	10,000
Convertible notes - non current	16,000	29,000
	114,797	124,797

Convertible notes

WEL Networks Limited issued $29.0 million of convertible notes (the 'Notes') to the WEL Energy Trust. The Notes are subordinated to all other forms of debt. They are unsecured and bare fixed interest of 6.28% p.a. until 31 March 2020. The 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. The interest rate beyond 31 March 2020 is 3.31%.

On 30 April 2019, $10 million of the convertible notes were redeemed and repaid, $13 million of the Notes are to be redeemed on 30 April 2020 and the remainder of the Notes redeemed on 30 April 2021.

Shares in WEL Networks Limited

WEL Energy Trust Limited owns 8,153,000 shares (100%) (2019: 8,153,000) of WEL Networks Limited. The shares are fully paid and have no par value.

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

Name	Principal place of business / Country of incorporation	Principal activities	Ownership interest 2020 %	Ownership interest 2019 %
UFF Holdings Limited (formery Waikato Networks Limited)	New Zealand	Construction of fibre network	85%	85%
Ultrafast Fibre Limited*	New Zealand	Construction of fibre network	85%	85%
OurPower Holdings Limited (formerly Opunake Hydro Holdings Limited)	New Zealand	Energy and utility	100%	51%
OurPower Retail Limited **	New Zealand	Energy and utility	100%	51%
OurPower Limited**	New Zealand	Energy and utility	100%	51%
Smartco Limited (joint venture)	New Zealand	Energy and utility	14%	14%

* Subsidiary of UFFH Limited

**Subsidiary of OurPower Holdings Limited

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

On 5 September 2019, WEL Networks Limited purchased the remaining 49% minority shareholding of Opunake Hydro Holdings Limited. The impact of the transaction was immaterial to the Group.

Notes to the Financial Statements

For The Year Ended 31 March 2020

Note 28. Interests in subsidiaries (continued)

Summarised financial information

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

	2020 $'000	2019 $'000
Summarised statement of financial position		
Current assets	22,901	9,591
Non-current assets	648,010	590,510
Total assets	670,911	600,101
Current liabilities	14,731	14,069
Non-current liabilities	616,986	543,123
Total liabilities	631,717	557,192
Net assets	39,194	42,909
Summarised statement of comprehensive income		
Revenue	82,423	67,062
Expenses	(79,829)	(71,097)
Surplus/(deficit) before income tax expense	2,594	(4,035)
Income tax expense	(6,308)	(2,094)
Deficit after income tax expense	(3,714)	(6,129)
Other comprehensive revenue and expense	-	-
Total comprehensive revenue and expense	(3,714)	(6,129)
Statement of cash flows		
Net cash from operating activities	42,811	44,933
Net cash used in investing activities	(81,477)	(92,679)
Net cash from financing activities	38,664	47,765
Net increase/(decrease) in cash and cash equivalents	(2)	19

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

*Included in the non-current liabilities balance is the intercompany loan from WEL to UFFH of $515,553,000 and the loan from related party of $90,810,000.

Note 29. Events after the reporting period

On 23 April 2020, upon completion of its due diligence, the Trust provided formal approval to proceed with negotiating a sale with interested bidders. On 11 May 2020, a sale and purchase agreement was signed with First State Investments (known as First Sentier Investors in Australia) for $854M of which a consideration of $200 million payable to WEL is deferred for 18 months from completion. The $200 million deferred payment is supported by obligations enforceable against the Purchaser.

The transaction is subject to Overseas Investment Act consent and change of control approvals.

In these financial statements for the period ending 31 March 2020, the financial information of UFFH that is material to the Group has been summarised in note 28 of these financial statements. The deferred tax asset, see note 20 for further information, will be impacted by the sale as the losses will no longer be recoverable once the transaction has been completed and the deferred tax asset will need to be derecognised. Given the proximity to the date of authorising the financial statements, being 15 July 2020, further estimates on the financial effect of the sale are yet to be determined.

On 30 April 2020, $13 million of the convertible notes issued by WEL Networks Limited to the Trust were redeemed and repaid, see note 28 for further information.

The Trust's 2020/21 Annual Plan has approved a $1 million budget to a Covid-19 Collective Response Fund to support community organisations through the impacts of Covid-19. As at 30 June 2020 the Trust had approved $608,922 in grants from this Fund.

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

	Consolidated		Trust	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Surplus/(deficit) after tax	29,061	28,375	(660)	(276)
Depreciation and amortisation expense	51,494	47,164	8	5
Loss on sale of property, plant and equipment	3,527	3,167	-	2
Deferred tax asset	7,453	10,207	358	(96)
Share of loss of joint venture	-	266	-	-
Effective interest on loans advanced	26	(25)	26	(25)
Net investment reinvested	269	(146)	269	(146)
Impairment loss on financial and contract assets	2	-	2	-
Finance costs	23,771	20,846	-	-
Add/(less) movements in working capital items:				
(Increase)/Decrease in trade and other receivables	(2,487)	(2,193)	45	-
Increase/(Decrease) in trade and other payables	20	(11,152)	751	(481)
Increase/(Decrease) in income tax payable	(3,959)	2,045	(88)	-
(Increase)/Decrease in loan advanced	114	-	114	-
Net cash inflow/(outflow) from operating activities	109,291	98,554	825	(1,017)

Independent auditor's report

To the Beneficiaries of WEL Energy Trust

We have audited the financial statements which comprise:

- the statements of financial position as at 31 March 2020;
- the statements of comprehensive revenue and expense for the year then ended;
- the statements of changes in net assets/equity for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the accompanying financial statements of WEL Energy Trust (the Trust), and the consolidated financial statements of the Group, comprising the Trust and its subsidiaries, present fairly, in all material respects, the financial position of the Trust and Group as at 31 March 2020, their financial performance and their cash flows for the year then ended in accordance with Public Benefit Entity Standards.

Basis for opinion

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

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

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

Our firm carries out other services for the Trust and Group in the areas of assurance procedures on disclosure information, assurance procedures on telecommunications development levy, agreed upon procedures for disclosure information, regulatory advice, industry updates, vendor due diligence, and tax consulting. The provision of these other services has not impaired our independence as auditor of the Trust or the Group.

Information other than the financial statements and auditor's report

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of the Trustees for the financial statements

The Trustees are responsible, on behalf of the Trust, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
22 July 2020

Auckland

Clear, Constructive Communication

We create understanding through open and informative engagement.

WEL ENERGY TRUST

'Here for the Community'

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