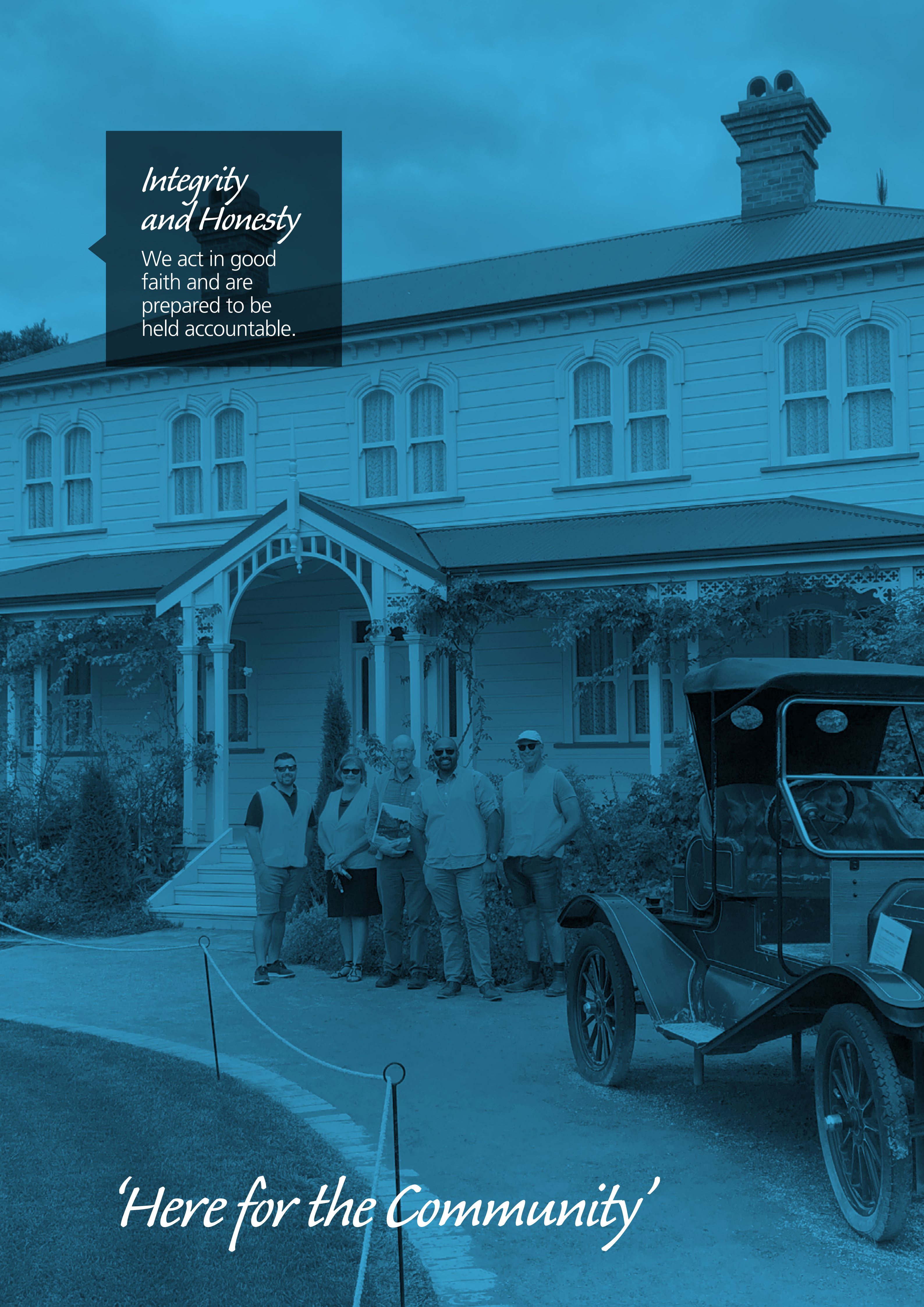
ENERGY TRUST

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2021



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

Purpose

Why we do what we do...

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

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

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

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

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

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

Vision and Mission

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

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

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

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

This Annual Report outlines our progress during the 2020/21 financial year towards fulfilling our Purpose. In this section we use both data and stories to illustrate our contribution to impact goals over the period. We invite you to find out more about our target goals and specific outcome areas in our Community Investment Strategy which is available on our website, www.welenergytrust.co.nz.

Organisational Directory

Trustees (for the year ended 31 March 2021)

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

Mike West
(Chair)

Geoff Booth

Alan Chew

Rob Hamill

Jan Johnston

Matt Silverton

Adrian Yamunanathan

Staff

(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)

The Strategic Relationships Manager and the Impact Officer left the Trust during the reporting period, and a Grants and Partnerships Advisor was recruited to start in the new Financial Year. The Trust welcomes Shannon Clarke to this new role.

Trust Sub-Committees

Finance Audit and Risk (from July 2020)

Matt Silverton
(Chair)

Michael West

Adrian Yamunanathan

Grants Committee

Rotational after Quick Response rounds and as required

Investment Committee (from July 2020)

Geoff Booth
(Chair)

Michael West

Noah Schiltknecht
(Independent Member)

David Plummer
(Independent Member)

Raewyn Jones
(Chief Executive)

Director Appointment Sub-Committee (formed February 2021)

Alan Chew
(Chair)

Michael West

Chair's Report

"2020, not quite business as usual."

Financial Year 2021, what a year! One that began with the unprecedented nationwide lock-down due to Covid-19, and all the uncertainty that came with it around Trust income and distributions. Then came an election that saw six new Trustees at the table. This heralded a significant shift in the direction of the Trust, as a majority of the new Trustees had stood on a platform with a strong focus on supporting WEL Networks Ltd (the Company) returning to an electricity lines discount scheme, and the election results providing a mandate to do so. Then, without much time to get their feet under the table, new Trustees were asked to make a decision on the future of the Waikato Wellbeing Project. To top the year off, WEL Networks Ltd completed the sale of Ultrafast Fibre Ltd, a major transaction which was supported by the Trust. Quite a year for new Trustees.

Fortunately, thanks to help from Trust CEO Raewyn Jones, along with her dedicated and capable staff, we were able to navigate through these events and achieve some positive outcomes.

Covid-19 a year later

With previous Trustees having set an annual plan in a time of uncertainty expecting no gains on the Trust's investment portfolio, a dividend that was subject to the Company's performance meeting previously set budgets that were vulnerable, and the addition of a $1M Covid-19 Collective Response Fund, it promised to be a challenging year. Fortunately, it wasn't as dire as expected and it is pleasing to see significant gains on the Trust's investments, a strong performance from the Company and, even though not all of the Covid-19 Collective Response Fund needed to be expended, there was still an increase in distributions on the previous year.

The Electricity Lines Discount Programme

As a result of the better-than-expected year, we have seen a good increase in the Trust's balance sheet with around $60M either under investment or available to be invested going into the new financial year. This bodes well for the Trust in its desire to support WEL Networks Ltd in returning a meaningful electricity lines discount to the WEL community via its power consumers, as well as providing a reasonable pool of funds to be made available for distributions through grants. Trustees resolved to make decisions annually, based on projected Company returns, which gives the Trust flexibility to request a dividend as it sees fit. Discussions with the Company around mechanisms to achieve this proved to be valuable in building on the close relationship between the Company and the Trust.

Waikato Wellbeing Project

Having resolved to progress with the Waikato Wellbeing Project (WWP), the first big step was taken with the appointment of Harvey Brookes as Executive Director. Whilst Harvey is employed by the Waikato Regional Council in this role, the WEL Energy Trust, through its CEO Raewyn Jones, provided close support in helping Harvey settle in and get the project up and running. We will continue to watch this space and anticipate positive outcomes.

Company Performance

The completion of the UFF sale by WEL Networks Ltd was of significant interest to Trustees. As the Trust's core purpose is for Trustees to hold WEL Networks shares for the benefit of the community, and to ensure the Company operates as a successful business, it is encouraging that proceeds from the sale boosted the Company's profit for the year by $183M.

The transaction is not entirely done and dusted yet as a deferred final payment of $200M is not due until 31 March 2022 and Trustees will be keeping a close watch. Although the Company's financial performance excluding this extraordinary result was below previous years, it is in most part due to a lower regulatory return on investment of 4.57% (down from 7.19%) being set by the Commerce Commission for regulated lines companies, which consequently led to yet another reduction in lines charges. (As a 100% community owned asset, WEL Networks is not subject to regulation, but is managed in line with regulatory standards).

Trustees receive regular reports and updates from the Company and we are pleased to see their strong financial result puts them in a favourable position to take advantage of the changes happening across the energy sector. This has already begun with the purchase of Infratec, a company specialising in the sustainable development of renewable generation and distribution systems, such as large solar PV and battery solutions, in New Zealand, the Pacific and ASEAN region to reduce diesel usage and to develop local capability.

OurPower

OurPower continues to expand its customer base in the WEL region with in excess of 2500 customers now connected. It is reported that the low-cost electricity retailer owned by WEL Networks Ltd has saved its customers on average over $484 per annum on their electricity bills. That coupled with the re-introduced lines discount will see real savings on the cost of electricity for many within our community that might otherwise be struggling with energy hardship.

Community Investment and Grants

The reintroduction of the discount scheme changes the way in which the Trust invests in the WEL community, however the Trust continues to make grants guided by its Community Investment Strategy. This includes alignment with the SDGs that are prioritised in that strategy. Reporting on the impact of these grants can be found on page 12.

Investment Portfolio

Global markets look to have recovered remarkably well over the year. With the amount of funds the Trust now has under management, returns on these investments will play a vital role in supporting the Trust's granting programmes going forward.

Core Investment - WEL Group

The Group includes the Trust and the Company and subsidiaries thereof, including OurPower and Infratec. Continued growth in the Waikato region has provided WEL Networks with strong urban development demand resulting in customer growth across the electricity sector. Due to the sale of UFF the Trust's valuation of WEL Networks was not done during FY21. It will be done in FY22 at which time we expect a positive result.

The Year Ahead

FY22 sees a return of the consumer discount along with a review of the Community Investment Strategy. The initial discount is somewhat transitional as it is a discretionary discount which is effectively a tax paid dividend from FY21 Company profit being credited back to consumers. Before-tax status was unable to be met as it required the discount to be 'posted' prior to the end of March 2020, however this condition has been met for next year's discount.

The other notable changes are personnel related. The Company's AGM in June sees the appointment of two new Directors to WEL Networks Ltd, Jackie Colliar and Julian Cook. We welcome them onboard and look forward to their contribution. We also see the departure of our CEO Raewyn Jones. Raewyn is setting off on an exciting adventure furthering her education in London. We wish her well and thank her for the significant contribution she has made to the Trust. She will leave behind a professional environment she helped to create and we are sure her successor will be able to utilise Raewyn's efforts to the best advantage of the Trust.

Michael West, Chair


POLICE

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	COVID-19 COLLECTIVE RESPONSE FUND
252	138	6	10	61	37

74%
OVERALL APPLICANT SUCCESS RATE

AVERAGE QUICK RESPONSE GRANT (under $15,000) **$6,606**

AVERAGE COMMUNITY SUPPORT GRANT (over $15,000) **$38,992**

TOTAL GRANT AMOUNT **$5,576,566**

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*

2020/21 Impact Reporting

The Trust has adopted a Community Investment Strategy where both grants and investments work together to achieve targets based on the UN's Sustainable Development Goals. This section reflects on the impact of the Trust distributions through grants during the reporting period.

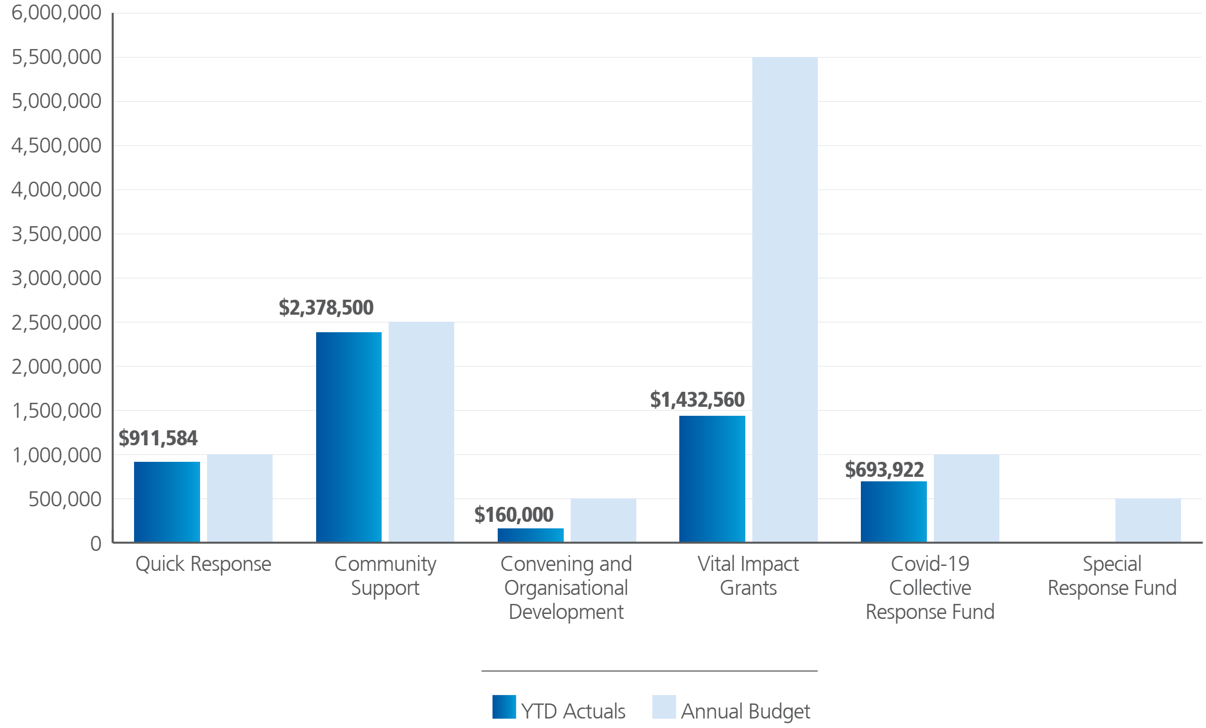
Total Distributions

Annual distributions approved for FY21 were $5,576,566 (excluding grant returns) from an annual budget of $11,000,000 (including $3 Million over five years for the Waikato Wellbeing Project Partnership Funding). This is up from an approved grants total of $4,734,106 in FY20, and $2,779,808 in FY19.

The Trust election in June 2020 returned a new Trust with six new Trustees and a commitment to reinstating an electricity lines discount programme. A discretionary discount has been included in the FY2022 Annual Plan.

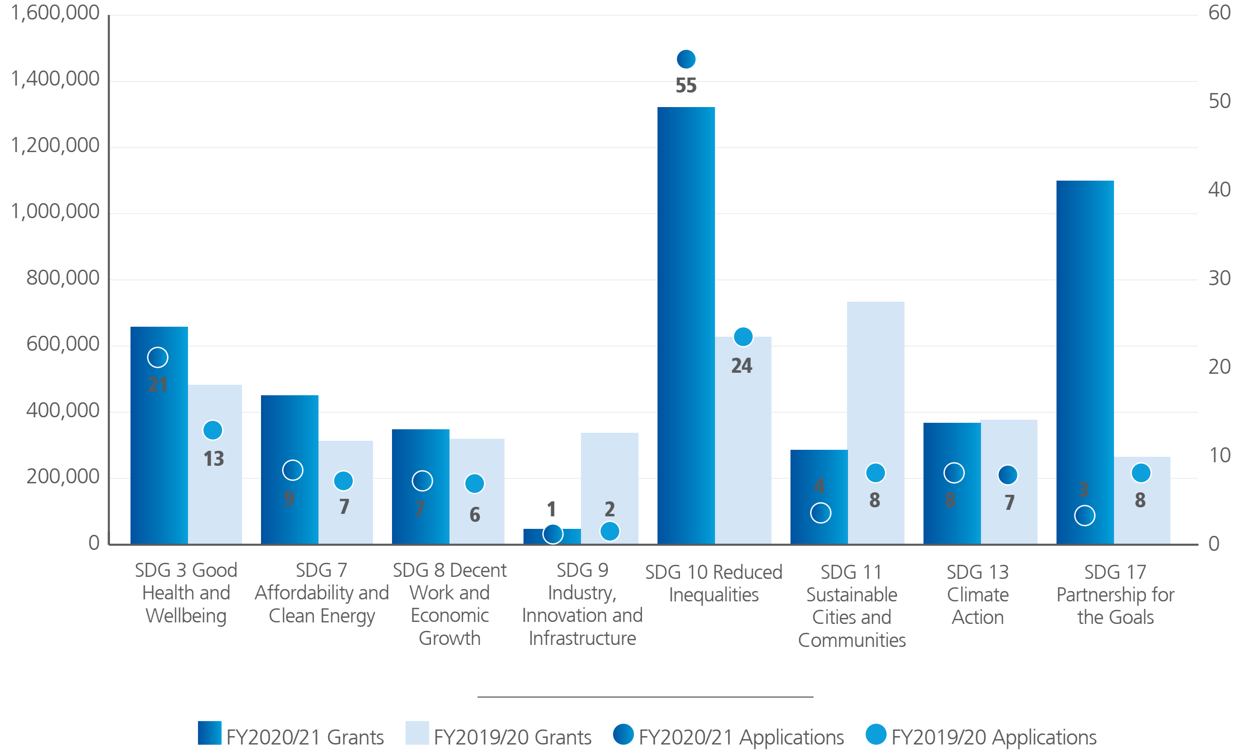
In light of this change, and to ensure the long-term sustainability of the Trust's core grants programmes, as well as commitments such as the Waikato Wellbeing Project and the Affordable Energy For All (AEFA) support programme, Trustees resolved during the period not to proceed with some of the other new initiatives that were included in the FY2021 Annual Plan. This included the proposed 'Special Response Fund', and some of the proposed Vital Impact grants. This accounts for the bulk of unallocated distributions for the period.

FY 2021 Annual Distributions against budget



Approved Grants by SDG

(excluding Quick Response and Convening Grants)



SDG Alignment for Approved Community Support, Vital Impact and Affordable Energy for All Grants

Sustainable Development Goals (SDGs)	FY2020/21		FY2019/20	
	Applications	Grants	Applications	Grants
SDG 3 Good Health and Wellbeing	21	665,146	13	482,500
SDG 7 Affordable and Clean Energy	9	432,560	7	305,080
SDG 8 Decent Work and Economic Growth	7	323,000	6	308,500
SDG 9 Industry, Innovation and Infrastructure	1	60,000	2	315,200
SDG 10 Reduced Inequalities	55	1,336,276	24	616,630
SDG 11 Sustainable Cities and Communities	4	260,000	8	737,500
SDG 13 Climate Action	8	363,000	7	375,000
SDG 17 Partnerships for the Goals	3	1,065,000	8	232,500
Total Approved Grants*	108	$4,504,982	75	$3,372,910

**Excludes Convening and Organisational Development and Quick Response Grants and includes $693,922 Covid-19 Collective Responses Grants available in FY2021 only, with 37 approved applications.*

The increase in the allocation to SDG 17 Partnerships for the Goals shown above compared to the previous Financial year reflects this period's portion of the Trust's $3 Million commitment over five years to the Waikato Wellbeing Project.[1]

The increase in the SDG 10 area of reduced inequalities totalling $1,336,276 compared to $616,630 the previous financial year can be explained by the COVID-19 Collective Response Fund.

[1] Subject to criteria in the Partnership and Funding agreement with Waikato Regional Council being met.

The 2019-2022 Trust Community Investment Strategy includes an emphasis on impact measurement and Theory of Change principles[2]. The Trust has focussed on several priority outcome areas, based on the United Nations Sustainable Development Goals (SDGs). These have been adopted and localised by our Waikato communities through the Waikato Wellbeing Project[3].

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

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

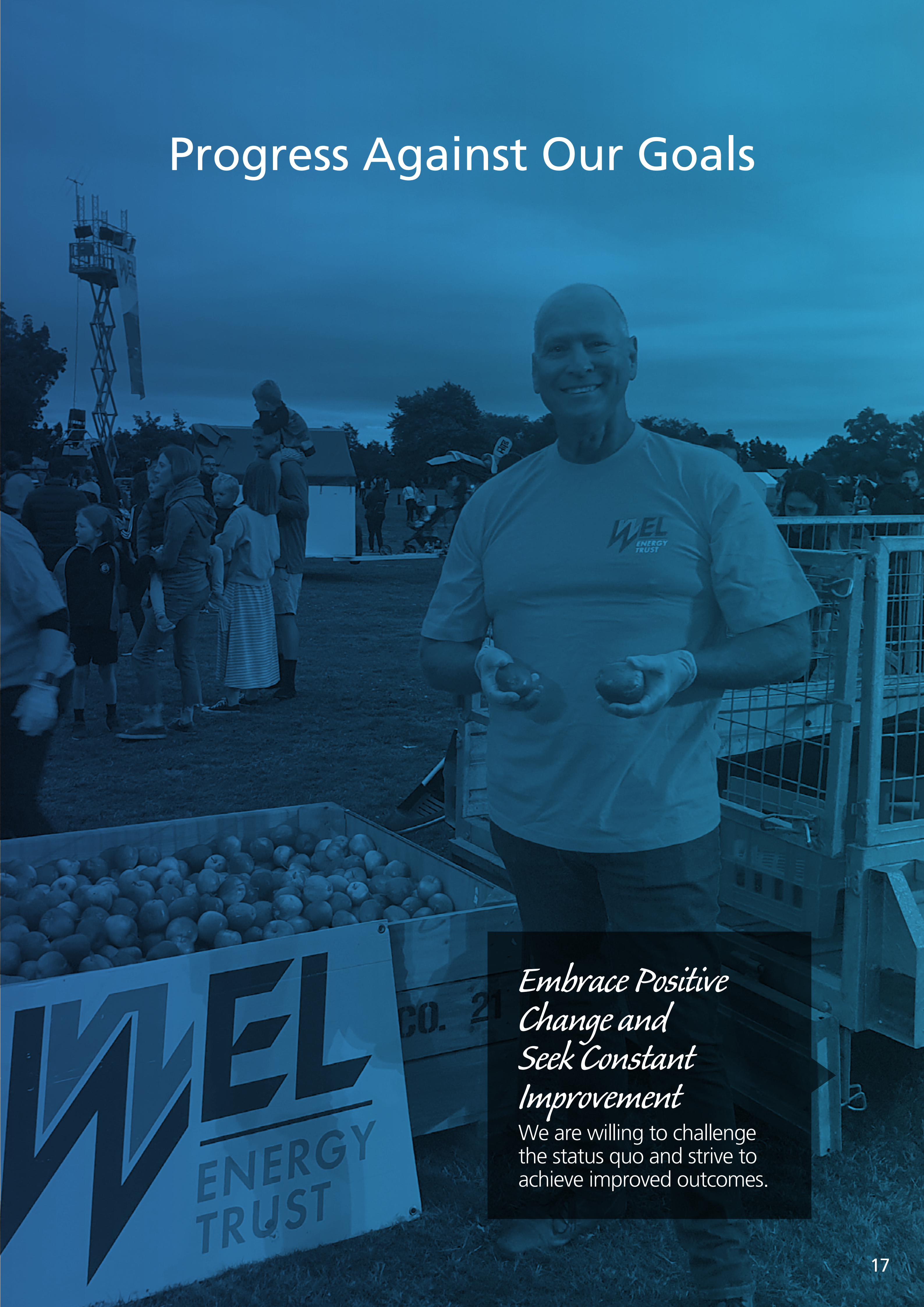
To prevent loss of existing indigenous vegetation and increase indigenous habitat in biodiversity depleted environments to a minimum of 10% land cover by 2030.

Waikato wellbeing project | Hinonga toiora o Waikato

[2]WEL Energy Trust's general Theory of Change can be found on page 11
[3]The Waikato SDG targets can be found in the Community Investment Strategy on our website: www.welenergytrust.co.nz

Community Investment

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

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

Grants

The Trust continued to support WEL Networks Ltd initiatives to reduce the number of people experiencing energy hardship in the region, including through the low cost electricity retailer OurPower.

The Trust's Affordable Energy For All (AEFA) support programme was expanded this year, with $500,000 budgeted in FY2021, up from $400,000 in FY2020. The purpose of the AEFA programme is to tackle energy hardship through financial and digital literacy support to access better prices, and energy efficiency training.

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 Story - **Hamilton Multicultural Services Trust – Energy Navigator Kate Moore**

Funding Received

Hamilton Multicultural Services Trust (HMST) received $70,000 total funding:

Affordable Energy For All Programme Grant	$45,000
COVID-19 Collective Response Grant	$15,000
Quick Response Grant	$10,000

Impact Goal

HMST has a Vision of a society that values and celebrates the diversity of all people. Their Mission is paving the way for successful settlement, and this is done through relationship building, empowerment and capacity building.

Strategy

HMST is a perfect partner for the WEL Energy Trust Affordable Energy For All Support Programme.

The Settlement Centre has had an increase of families needing help due to COVID-19 and who are looking at ways to reduce their outgoings. Energy Navigators can assist in changeover of power companies to help reduce their energy bills, including by helping with navigating the online process, online login, verifying e mail addresses and other aspects of digital literacy.

"Helping families in our community with accessing affordable energy has meant I can help them save money, which means with the help of the budget advisor from Desert Springs, we can help them put that money towards other things in their budget, such as groceries."

HMST's Energy Navigator, Kate Moore reports she worked with 45 families over the period in looking at ways to reduce their energy bills. 28 families have been helped to change over to a different energy company. *"I have had great feedback from families who have been able to change to OurPower with saving costs each week, and also having a weekly invoice rather than a monthly invoice."*

But it is not just about saving money…*I have done 49 healthy home checks, working with families who have been in their home for a while and have issues with cold. Then I have also been working with families who have just moved into a home and are wanting to find ways of keeping it warm for the first winter."*

Impact

Kate is one of nine Energy Navigators supported by the Affordable Energy For All programme, each working in their diverse communities, enabling people to save money, and to live in warmer, more energy efficient homes.

The impact of this will be felt in terms of health and wellbeing, with less illness as people enjoy healthier homes; in terms of educational outcomes, with children missing less school; and in terms of economic wellbeing, with parents having more money in their budget for groceries and other things, and they are able to go to work or study as they are less likely to be ill themselves, or to be caring for ill children.

Waikato Wellbeing Project Executive Director Harvey Brookes about to go on night patrol with Senior Constable Mark Tierney and Constable Olivia Davies, Waikato Police Youth Team, May 2021

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

Community Support / Covid-19 Collective Response Grants

Community Support Grants: $65,000 between 2 grants

Vital Impact Grant: $1M to the Waikato Wellbeing Project

Impact Story - **Community Waikato Trust**

Funding Received

Community Waikato Trust received $70,000 total funding in FY21:

Community Support Grant	$40,000
COVID-19 Collective Response Grant	$30,000

Impact Goal

Community Waikato works alongside community organisations, trusts, Marae, and Māori organisations in the Waikato, to build thriving communities. They empower our communities to reach their self-determined full potential/mana motuhake.

The challenge is for communities to be resourced, resilient and have self-determination.

Strategy

Over the last year Community Waikato has been flexible in their approach to respond to the changing needs of those they work with due to COVID-19.

During the lockdown period they took a coordination role, researching how the sector was changing and informing funders and community groups how the sector had been impacted.

Impact

Working together to improve community connectedness is at the heart of what Community Waikato do. The collaborative initiatives they coordinated over the period have deep impact across many wellbeing areas.

Waikato Wellbeing Project

Funding Received

In 2020/21 Waikato Regional Council received $650,000 plus $350,000 held as conditional funding, as part of a three-year Partnership and Funding Agreement to implement phase two of the Waikato Wellbeing Project.

Impact Goal

Moving from promises to action

The UN Sustainable Development Goals (SDGs) break wellbeing down into 17 subcomponents, and the Wellbeing Project has clustered these into 10 groups, plus a central pou around te ao Māori and facilitating partnerships.

Strategy

To focus on those SDG clusters already developed by the project in phase 1, combined with the reality of how people live their lives in places and communities, which is inevitably far more complex and dynamic than any single SDG.

The project is approaching the SDGs in several ways:

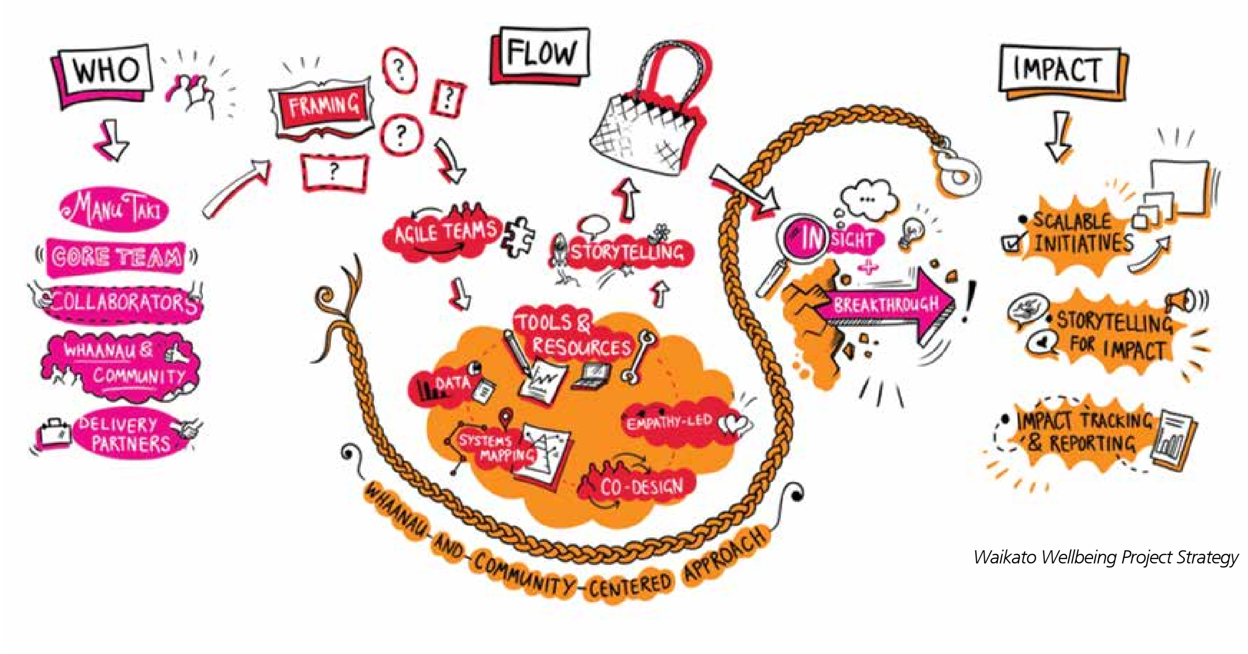
- as singular areas of focus (for example hunger, housing, youth)
- as cross cutting themes where many SDGs contribute towards impact (for example climate, life on land, health and wellbeing); and
- in places where all SDGs combine and integrate in real communities - these could be as small as a neighbourhood or marae, or on a larger scale such as a suburb or a township

The collective approach is to go where the energy is and where there is an invitation to contribute. Executive Director Harvey Brookes has been busy ‘flying the plane while building it’ with several SDG target areas being supported, while the operating model and insight tools have been developed that can be used by all manu taki (SDG leaders) and any community to help address pressing challenges and improve wellbeing.

Impact

The Wellbeing Project will facilitate partnerships to ensure that the greatest alignment and impact is achieved, even when the project itself is not directly involved.

WEL Energy Trust is proud to partner with Waikato Regional Council in delivering this next phase of the Waikato Wellbeing Project – SDG17 in action!



Waikato Wellbeing Project Strategy

Impact Goals

8 DECENT WORK AND ECONOMIC GROWTH

- 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 / Covid-19 Collective Response Grants

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

There were seven Community Support / Covid-19 Collective Response Grant applications in this area, and $323,000 was granted, up from $308,500 in FY2020.

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 Story - **Tui Trust**

Funding Received

Tui Trust received $17,000 total funding in FY21:

Quick Response Grant $10,000

COVID-19 Collective Response Grant.. $7,000

Impact Goal

Tui Trust aim to ensure all children have access to quality education and they support the wellbeing of children. They aim to interrupt the inter-generational cycle of disadvantage and ensure all children have access to quality education and opportunities, thus developing long term leadership and self-reliance.

Strategy

The Tui Trust Child Clinician Project 2017 was commissioned to ascertain how trauma affects children learning. Many of the children they engage with are exposed to negative, aggressive and traumatising experiences. Often this is a normal home for these children. To help them process their emotions and develop coping strategies before they start school, Moko Club Ngāruawāhia and Huntly staff are trained to use a trauma informed approach to teaching. Moko Club is designed to create a calm, quiet environment so that children do not feel the need to be 'on guard' or mirroring behaviour they've experienced as a defensive tactic.

Impact

By creating a peaceful calm space, children can relax, let down their guard and focus on the learning activities. This is completely inverse to the normal, busy, active ECE environment. This contributes to our regional Wellbeing target of making sure ALL our young people are engaged and productive, their mana is enhanced, and they are on a positive pathway to have many life options.

Their impact extends beyond the classroom.

As an essential service during lockdown 2020, Tui Trust supported over 110 whanau and children from Moko Club Ngāruawāhia and Huntly and Kōwhai Family Start who live in rural north Hamilton, Huntly and Ngāruawāhia with food, health, and essential services.

Food parcels, firewood, warm clothing, blankets and health products were delivered to families, most of whom could not connect or receive what they needed through the larger community response groups in their areas. Whānau knew they could rely on the team from Tui Trust for help.

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

Our Status

Community Support / Covid-19 Collective Response 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 2020/21, 21 Community Support / Covid-19 Collective Response Grants were approved to a value of $665,146 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 Story - **Te Rapa Rugby Club**

Funding Received

Te Rapa Rugby Club received a grant of $7,500 in 2020/21, with $1,000 returned to the Trust.

Te Rapa Rugby Sports Club is a multi-sports facility based in the local community of Te Rapa, Hamilton. The sports delivered are senior and junior rugby, netball, squash and darts. The facilities are used for social events such as weddings and birthdays, and are also used for industry-based training. A challenge has been to provide adequate lighting, especially over winter months.

Strategy

The funding that Te Rapa Rugby Sports Club has received from the WEL Energy Trust has improved the lighting on the training and playing fields by 60% and additional funding will help complete the two-stage lighting strategy.

Outcomes

Te Rapa Rugby Sports Club has been able to complete stage 1 of their lighting strategy. Despite the challenges of COVID-19, they've been able to increase junior player numbers, as the completed lighting has enabled greater training space.

"Thank goodness they have upgraded the lights"- Junior Parent

"Great to have lights as we can now watch practice from the club" - Dart Player

"Nice to have space for our junior teams to practice in with better lighting" - Junior Coach

"Great to see the junior teams out here practicing under upgraded lights" - Senior Manager

Impact

This grant contributes in a small but meaningful way to our regional Waikato Wellbeing goal that will mean all our people live in an environment that is conducive to health and can keep active with a range of activities.

Impact Story - **Creative Waikato**

Funding Received

Creative Waikato received $80,000 total funding in FY21:

Community Support Grant...$50,000

COVID-19 Collective Response Grant $30,000

SDG 3 Health and Wellbeing is a very broad goal. WEL Energy Trust focusses our efforts in this area on reducing inequalities to access healthful activities that involve sport and recreation and the arts, including for Māori and Pacific people, children, and older adults. Below Jeremy Mayall from Creative Waikato presents artwork produced as part of the Kotahitanga initiative – United through creativity.

Waikato artists are championing the fight for unity though works of art that speak powerful messages of hurt, sorrow, hope and strength. The creative works aimed to spark conversations against racism and fuel the narrative for kotahitanga.

WEL Energy Trust is proud to help support wellbeing through the arts.

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 / Covid-19 Collective Response Grants

$260,000 was granted in the period to four organisations

There were 4 Vital Impact (Housing) grants approved in FY20, with the $500,000 payment in FY21. No Vital Impact housing grants were allocated during FY21.

Future Plans

The Trust

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 Story - **Waikato Housing Initiative**

Funding Received

The Waikato Housing Initiative (WHI) was approved through a Vital Impact Housing Grant to Waikato Regional Council in FY20 with payment of $200,000 in FY21.

Impact Goal

According to the WHI stocktake completed in 2018, the Waikato region was 7,500 houses short, and we would require 50,000 more homes built by 2043 to meet the needs of our changing communities. 23% of homes were identified as damp and 18% had mould. At the time of survey only 15% of Waikato families had enough income to afford to buy a home.

Strategy

1. Bringing the housing sector together to promote well informed, comprehensive and collaborative discussions knowing this approach will lead to creative and enduring solutions.
2. A housing stocktake, because we can't plan for an improvement in the housing situation if we don't get the size and the scope of the problem right to begin with.
3. Building a framework to deliver on the key challenges identified in the housing stocktake. The housing issue is not new and there is no single solution. We need to be smart about how we tackle the issue because if we keep doing what we've always done, we're going to get the same result.

Outcomes

The housing stocktake was completed in 2018 and has been used to ensure that government and regional stakeholders understand the scope of the problem and understand where they can help. The WHI has continued to create a matrix of information of which groups are doing what, and where the gaps and opportunities are. The collective impact model is beginning to get traction, and a business case is being developed for a data platform so the information can be updated regularly in the report and made readily available to the public.

Impact

We have some way to go before we can say "every family and every person in our region is well housed", but that remains the goal and to achieve it WEL Energy Trust believes that it will take all of us. That is why we are proud to support the passionate leadership and collective action demonstrated by the Waikato Housing Initiative.

The Waikato Housing Initiative (WHI) is made up of a group of passionate leaders that have a vision to change the current status quo of housing across the region.

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 / Covid-19 Collective Response 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. There was a large increase during the period in granting recorded in the area in response to the urgent need created by COVID-19. In 2019/20 there were 24 Community Support grants in this area, totalling $616,630, in 2020/21 there were 55 grants totalling $1,336,276.

Impact Story - **COVID-19 Collective Response**

Covid-19

COVID-19 Response Grants

The COVID-19 Collective Response Fund saw Waikato funders come together very quickly to respond to an urgent need. The total collective fund was over $3 Million.

WEL Energy Trust allocated $1 Million to the Fund in the FY2021 Annual Plan, of which $693,922 was distributed, with $503,276 of the Covid-19 Collective Response Grants allocated to SDG 10.

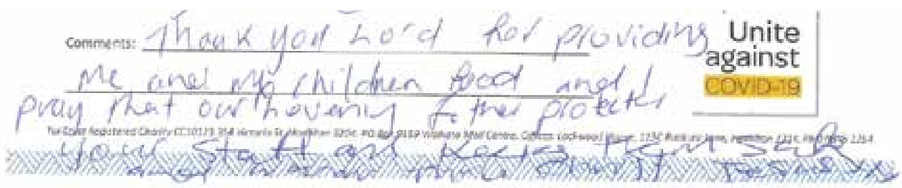
Reflection

Reflection on a time of crisis and response

COVID-19 has had significant and ongoing impact on the communities of Waikato and the community organisations who seek to serve them. The COVID-19 Collective Response Fund enabled WEL Energy Trust to play a part in supporting organisations working at pace to provide front line response to urgent need, particularly during the first lockdown period in late March and April 2020.

Feedback from grant recipients showed the Collective Response Fund achieved what it was designed to do – provide a clear front door for community organisations identified as ‘first responders’ to quickly and seamlessly get the support they needed to do their work.

An Action Research Project was completed by the WEL Energy Trust Impact Officer to capture the views of various people involved with the Fund, including recipient organisations, and to ensure we can build on what we have learnt from this experience to inform our collective efforts in future.


Comments: Thank you Lord for providing Me and My children food and I pray that our heavenly father protect your staff and Keep them safe

Unite against COVID-19

Impact Goals

Impact Story - **K'aute Pasifika Trust (KPT)**

Funding Received

K'aute Pasifika Trust received a COVID-19 Collective Response Grant of $40,000 in FY21, plus $203,320 in other Trust funding:

Community Support Grant (Conditional Capital Project) $160,000

Affordable Energy for all Programme $43,320

Impact Goal

To improve the holistic wellbeing of pacific families. We provide free health, social, education and employment services to pacific communities and all ethnicities who access our services.

WEL Energy Trust granted $40,000 to K'aute Pasifika's COVID-19 response initiative. This was crucial to the production of our care packages which included food staples and household essentials for hundreds of families.

Strategy

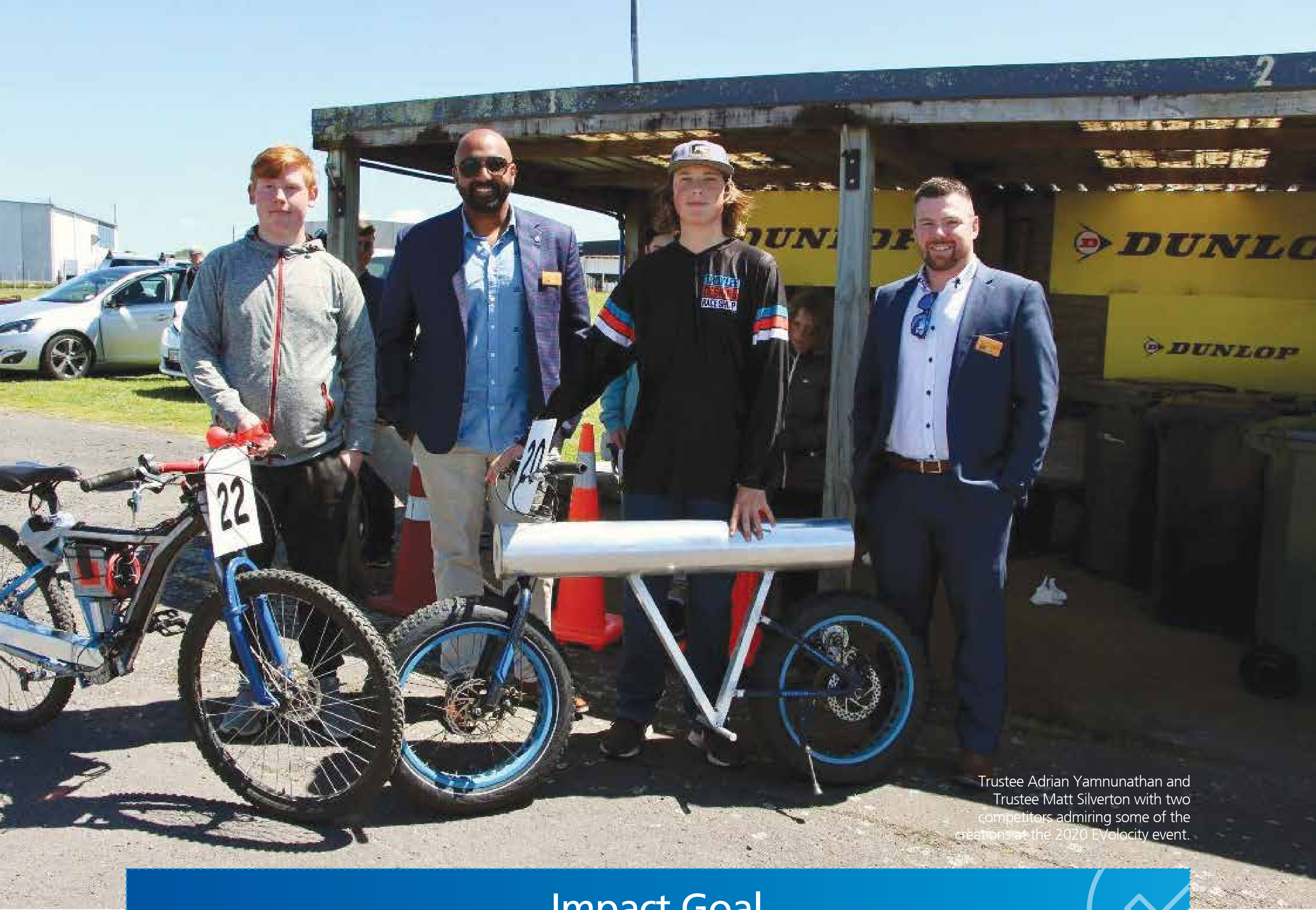
Our strategy was to act quickly. The initial funding we received went towards purchasing essential items and food which staff shopped for and packed in the K'aute Pasifika kitchen. As the initiative grew, several organisations came on board to offer volunteers, venues, delivery vehicles, and donations of blankets and clothing.

Impact

Over 1,300 families benefited from K'aute Pasifika's initiative. Engagement with K'aute Pasifika long after lockdown strengthened, as did the partnerships with the many organisations that joined the initiative.

"People were so grateful for the care packages we delivered. A lot of our people had lost their jobs and moved into overcrowded homes with family. Quite a few had up to 14 people in the home and only a few working. It was a big job but really good to be able to help our community." Leinati Lima, K'aute Pasifika Whanau Ora navigator.

"Assisting our community at a time like this is not a decision for us, it is simply a reflex. We are proud to support the great work that K'aute Pasifika continually do for our communities – our recovery from events like this will always build up from the basics." John Hanna, CEO of Hamilton-based Ultrafast Fibre



Trustee Adrian Yamnunathan and Trustee Matt Silverton with two competitors admiring some of the creations at the 2020 EVolocity event.

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 / Covid-19 Collective Response Grants

In 2020/21, eight Community Support / Covid-19 Collective Response Grants totalling $363,000 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 continues to make 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 continue to be implemented.

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 Story - **EVolocity Ltd**

Funding Received

EVolocity Ltd received a $15,000 Quick Response Grant in FY21

Impact Goal

EVolocity aims to educate kiwis on the environmental and economic benefits of EVs while growing youth interest in technology and engineering.

Strategy

Each year the team at EVolocity works with teachers to build a calendar of events for their region.

Secondary students design, build and compete in electric vehicles.

School teams build a vehicle (either a bike or with 3+ wheels) powered by a standard 350W electric motor, controller and two 12V gel cells. Innovation is encouraged as students strive to make their vehicle the fastest with the least drag, and able to cope with the demands of a tight street circuit.

Impact

This initiative is an innovative way of contributing to our regional Wellbeing goal of all people doing their part to transition to a cleaner, healthier climate-resilient region.

Grants Approved

ORGANISATION NAME	FUNDING ALLOCATION
A Rocha Aotearoa New Zealand	$15,000.00
Ākina Foundation	$60,000.00
Anglican Action Mission Trust	$30,000.00
Arts for Health Community Trust	$12,646.00
Arum Aikido Club	$1,500.00
Balloons Over Waikato Trust	$95,000.00
Beerescourt Tennis Club Inc	$3,500.00
Big Buddy Mentoring Trust	$7,500.00
Catholic Family Support Services	$25,000.00
Central North Island Kindergarten Trust	$4,000.00
Centre 401 Trust	$7,000.00
Chartwell Scouts	$3,500.00
ChildPlayWorks Charitable Trust	$3,150.00
Christian Youth Camps Inc	$5,000.00
Christians Against Poverty New Zealand	$11,000.00
Citizens Advice Bureau Hamilton Inc	$15,000.00
Clarence Street Theatre Trust	$50,000.00
Claudelands Croquet Club Inc	$1,649.00
Community Link Trust	$41,460.00
Community Wellness Charitable Trust	$15,000.00
Creative Waikato Trust	$80,000.00
Crunch Arts Trust	$2,500.00
David Johnstone Pukemokemoke Bush Trust	$15,000.00
Desert Spring Ministries Trust	$20,000.00
Diversity Counselling New Zealand	$22,500.00
Dress for Success Hamilton Trust	$11,000.00
Eastlink Cricket Club (Inc)	$1,000.00
Ecomatters Environment Trust	$70,000.00
Efalata Trust	$6,000.00
Endometriosis Waikato	$10,000.00
Enrich+ Spectrum Energy Charitable Trust	$7,500.00
Environmental Education for Resource Sustainability Trust	$5,000.00
Epilepsy Waikato Charitable Trust	$10,000.00
EVolocity Limited	$15,000.00
Fairfield College	$10,000.00
Families Autism and Behavioural Support Trust	$12,500.00

Flyers Junior Basketball Club $2,500.00
Frankton Rugby Sports Club Inc $6,000.00
Friendship House (Huntly) Community Charitable Trust $30,000.00
Galaxy Waikato Touch Club $2,500.00
Glenview Community Centre $9,824.00
Habitat for Humanity Central North Island Ltd................................ $71,320.00
Hamilton & Waikato Tourism $75,000.00
Hamilton Arts Trust...................................... $10,000.00
Hamilton Astronomical Society Inc $7,500.00
Hamilton Caledonian Society's Pipe Band Inc $2,500.00
Hamilton Central Baptist Church.................... $4,000.00
Hamilton Children and Families Trust $4,500.00
Hamilton Chinese Golden Age Society........... $1,250.00
Hamilton Christian Nightshelter Trust........... $40,000.00
Hamilton Christmas Charitable Trust............ $10,000.00
Hamilton Citizens Band Inc............................. $4,000.00
Hamilton City Council................................. $100,000.00
Hamilton City Gymnastics Inc $4,500.00
Hamilton Civic Choir Inc $3,500.00
Hamilton Combined Christian Foodbank Trust... $15,000.00
Hamilton Combined Community Trust $700.00
Hamilton East Methodist Parish...................... $2,000.00
Hamilton Film Society $2,500.00
Hamilton Gardens Summer Festival Foundation......................... $95,000.00
Hamilton Harrier Club Inc $5,000.00
Hamilton Household Budgeting Advisory Trust............................. $17,000.00
Hamilton In-line Hockey Club Inc.................... $7,000.00
Hamilton Kerala Samajam Inc......................... $2,500.00
Hamilton Koinonia Community Trust $4,000.00
Hamilton Live Music Trust............................... $1,395.00
Hamilton Lodge of the Theosophical Society Inc $3,000.00
Hamilton Methodist Social Services Trust $27,500.00
Hamilton Multicultural Services Trust............ $70,000.00
Hamilton Operatic Society $7,500.00
Hamilton Science Awards Trust $10,000.00
Hamilton Yacht Club Inc................................. $1,500.00
Hillcrest Scouts... $1,500.00
House of Science Central Waikato $7,500.00
Hukanui Golf Club Inc $2,000.00
Huntly College Old Boys RFC $10,000.00
Huntly Community Advice Centre Trust and Social Services $11,600.00
Institute for Child Protection Studies Trust Inc.. $45,000.00
K'aute Pasifika Trust.................................. $243,320.00
Kids in Need Waikato $6,000.00
Kiwi Challenge Foundation............................. $3,000.00
Lets Get Together, Huntly............................... $7,500.00
Link House Birthright Waikato Trust $35,000.00
Maungatautari Ecological Island Trust $145,000.00
McKenzie Centre Trust $18,000.00
Meremere Community Development Committee Inc $10,000.00
National Wetland Trust of New Zealand......... $8,500.00
Nepal New Zealand Waikato Friendship Society $5,000.00
Neurogenesis Trust $12,500.00
Ngaruawahia Community House $42,320.00
Ngaruawahia Community Youth Holiday Programme $10,000.00
Ngaruawahia Playgroup Inc............................ $7,000.00
North Waikato Blue Light Ventures $7,000.00
Pakistan Association of New Zealand $2,000.00
Pam Fergusson Charitable Trust $35,000.00
Para Kore Marae Inc $12,500.00
Parenting Place Charitable Trust $5,000.00
People First New Zealand Inc $2,000.00
Perry Outdoor Education Trust $30,000.00
Positive Change Programmes Charitable Trust $5,000.00
Poutama Rites of Passage Trust $7,500.00
Prison Care Ministries $25,000.00
Puketaha School $5,000.00
Pukete Neighbourhood House $42,820.00
Raglan Community Arts Council $10,000.00
Raglan Community House Society Inc.. $15,000.00
Raglan Community Radio Inc $10,000.00
Raglan Rugby Sports Club Inc....................... $15,000.00
Raglan Surf Lifesaving Club Inc..................... $15,000.00
Rainbow Chinese Community Charitable Trust $5,000.00
Raleigh Street Christian Centre Inc $2,000.00
Rauawaawa Kaumatua Charitable Trust $110,000.00
Riverlea Environment Society Inc $7,587.00
Riverlea Theatre and Arts Centre Inc $22,500.00
Ronald McDonald House Charities New Zealand Trust.. $7,000.00
Rostrevor House Inc $5,000.00

Royal New Zealand Plunket Trust $3,000.00
Seed Waikato Inc.. $10,000.00
Shama Ethnic Women's Centre Trust........... $30,000.00
Silver Fern MotorSport Charitable Trust........ $15,000.00
Smart Waikato Trust.................................... $60,000.00
Society of St Vincent De Paul - Hamilton $127,500.00
South East Kirikiriroa
Community Association Inc.......................... $17,500.00
Squash Waikato Inc...................................... $5,000.00
Sri Lanka Friendship Society Waikato............. $4,000.00
Storytime Foundation Trust Board.................. $5,000.00
Surf Life Saving Northern Region Inc.............. $4,800.00
Swim Waikato Inc.. $35,000.00
Tainui Teachers' Association Society Inc......... $5,000.00
Tamahere and Eureka Wards Heritage Group $1,500.00
Taupiri Rugby Football Club Inc.................... $20,000.00
Te Akau Hall Society...................................... $4,000.00
Te Humeka Waikato
Maori Business Network Inc............................ $7,500.00
Te Kauwhata & Districts
Information & Support Centre...................... $15,000.00
Te Kauwhata Community Patrol..................... $5,000.00
Te Kauwhata Health Awareness Society....... $20,000.00
Te Kauwhata Squash Inc.............................. $10,000.00
Te Kohao Health Ltd..................................... $14,000.00
Te Ohu Whakaita Charitable Trust............... $15,000.00
Te Papanui Enderley Community Trust......... $15,000.00
Te Puna Oranga.. $150,000.00
Te Rapa Rugby Club Inc................................. $7,500.00
Te Rongopai Community Trust..................... $20,000.00
Te Runanga o Kirikiriroa Charitable Trust..... $35,000.00
Te Tamawai Trust.. $12,500.00
Te Uku School... $9,000.00
Te Whakaruruhau 2013 Inc.......................... $63,000.00
Te Whanau Putahi Trust................................ $9,000.00
Te Whare o Te Ata Fairfield
Chartwell Community House Trust.............. $20,650.00
Te Whare Toi o Ngaruawahia
- Twin Rivers Community Art Centre Inc...... $45,000.00
The Boys' Brigade in NZ Inc............................ $5,000.00
The Bush Tramway Club................................ $5,000.00
The Community Waikato Trust..................... $70,000.00
The Dyslexia Association of Waikato............. $5,000.00
The Girl Guides Association
New Zealand Inc... $5,000.00

The Hamilton Squash and
Tennis Club Inc... $10,000.00
The House of Grace Trust Inc....................... $13,500.00
The Kids for Kids Charitable Trust.................. $5,000.00
The Nga Miro Charitable Trust.................... $10,000.00
The Ngaruawahia United
Association Football Club Inc....................... $20,000.00
The One Victoria Trust Board Inc................. $35,000.00
The Rauhi Project.. $50,000.00
The Refugee Orientation Centre Trust.......... $25,000.00
The Salvation Army Hamilton
Community Ministries................................ $100,000.00
The StarJam Charitable Trust.......................... $5,000.00
The Taiohi Toa Trust................................... $15,000.00
The Undenominational War
Memorial Church Waerenga Districts Inc....... $5,560.00
The Waikato Chapter of Barbershop
Harmony New Zealand Inc............................ $2,000.00
Toughlove Waikato Trust............................... $7,500.00
Toybox Toy Library.. $1,000.00
True Colours Children's Health Trust............ $10,000.00
Tui Trust.. $17,000.00
Turn and Gymnastic Circle Inc..................... $10,000.00
Volunteering Waikato.................................. $25,000.00
Waahi Whaanui Trust.................................. $35,000.00
Waikato Hockey Charitable Trust................. $18,500.00
Waikato Basketball Council Inc.................... $20,000.00
Waikato Community Broadcasting
Charitable Trust.. $5,000.00
Waikato Compassion Meditation Trust.......... $1,500.00
Waikato Environment Centre Trust............ $108,000.00
Waikato Ethnic Family Services Trust............. $1,526.00
Waikato Family Centre Trust.......................... $5,000.00
Waikato Film Hub Trust................................. $5,000.00
Waikato Food Inc.. $18,000.00
Waikato Hispano Latino
Cultural Charitable Trust................................ $3,500.00
Waikato Institute for
Leisure and Sport Studies Trust Board............ $7,500.00
Waikato Japanese Community Trust............. $3,000.00
Waikato Muslim Association....................... $15,000.00
Waikato Paraplegic and Physically
Disabled Association................................... $20,000.00
Waikato Queer Youth Trust......................... $10,000.00
Waikato Regional Council...................... $1,000,000.00
Waikato Regional Economic
Development Limited................................ $165,000.00
Waikato Regional Science
and Technology Fair...................................... $1,219.00

Waikato Rivertones Inc	$3,000.00
Waikato Rocks Trust	$20,000.00
Waikato Scout and Guide Gang Show	$6,000.00
Waikato Senior Indian Citizens Association	$2,000.00
Waikato Shaheed-E-Azam Bhagat Singh Sports and Culture Trust	$3,500.00
Waikato Society of Arts Inc	$5,000.00
Waikato Somali Society Inc	$3,500.00
Waikato Table Tennis Association	$7,000.00
Waikato Tennis Trust	$5,000.00
Waikato Touch Association Inc	$7,500.00
Waikato Treasure Chests	$3,450.00
Waikato Youth Empowerment Trust	$50,000.00
Waikato-Tainui	$95,000.00
West Hamilton Community Youth Trust	$10,000.00
Western Community Association	$100,320.00
Whaingaroa Environment Centre	$27,500.00
Wise Management Services Limited	$10,000.00
Young Women's Christian Association of Hamilton Inc	$17,000.00
Young Workers Resource Centre	$15,000.00
Youthline Auckland Charitable Trust	$12,000.00
Zeal Education Trust	$55,000.00
	$5,576,566.00

Grants returned during the year totalled $52,004.13, resulting in a total grants amount of $5,524,561.87, 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
- 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 2020-21 was approved at the Trust meeting held 25 March 2020 after a draft was issued for public consultation in late February 2020 (13 written submissions received).

The 2020-21 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 2020-21, 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 2020)
- Due Diligence has been completed on impact investment opportunities in the Trust region, totaling at least $5M in potential investment (by February 2021)
- Investments (including concessionary and non-concessionary investments) are evaluated on a risk/ return/impact basis
- Successful impact investment and grantmaking networks are further developed, people are educated and empowered to act (throughout 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 Owner's Expectation Manual are met, Letter of Expectation sent to WEL Networks (August 2020)
- Second year of transition to Dividend Policy with WEL Networks is implemented (subject to WEL Networks budgets and actual results achieved), including repayment of part of the Convertible Note (June/July 2020)
- Board to Board session to discuss the baseline reporting based on SDGs initiated in 2019 to find out how the Trust can support and leverage positive impact (August 2020)
- Work with WEL Networks to share strategies and to promote combined community goals – at least two workshops per year – partner, protect and participate
- The overall impact of cost of power in the region is measured and reported on quarterly
- Systems thinking and collaboration in relation to affordable and clean energy is supported, there is an identifiable group working towards achieving regional targets in relation to energy by November 2020

Working with our Capital Beneficiaries

- Trust Management regularly collaborates with appropriate members of the Councils' management teams
- Meeting of Trust Chair and Mayors happens at least once per year
- Report presented on WEL Group Capital Growth value expectations by 31 July 2020 as part of Annual Reporting process

Communications and Relationships

- Internal and external surveys conducted to establish what we are trying to achieve
- A strategy and action plan is developed and implemented – this is to include activities, processes, experiences and research that will uplift the Trust's cultural competence and that enable the Trust to build better partnerships
- Conduct a thorough community survey on Community Perceptions of the role and effectiveness of the Trust (September 2020)
- Impact reporting used in 2020 Annual Report (June), focusing on Waikato Wellbeing Project initiatives
- Communication Plan refreshed (May) and implemented
- Support Vital Signs Project to take the Waikato Wellbeing Project targets to Waikato Communities

Effective Community Investments

- Five Quick Response grants rounds completed
- Three Community Support grants rounds completed
- Reporting reflects strategic outcomes, and grants focus on the seven main SDG focus areas
- Multi-year and partnership funding expanded to 40% of distributions (by March 2021)
- Affordable Energy for All Programme expanded, and effectiveness measured (by February 2021)
- Two Vital Impact grants rounds are held (November and February)
- There is evidence of the Waikato Wellbeing Project targets in the Trust's four main SDG focus areas being catalysed into action through Vital Impact grants and investments (by March 2021)
- In consultation with Waikato Wellbeing Project partners, a backbone support function/organisation is designed to help catalyse the Waikato Wellbeing Project targets into action (engagement process March/April, proposal to Trust by May 2020 for approval)
- Calls are made for expressions of interest in forming the support service/organisation (June/July 2020)
- Criteria for unlocking the funds are established
- Funds are allocated ($1M in the first year), and the backbone organisation/support service established (August/September 2020)
- There is evidence that the Waikato Wellbeing Project targets are being catalysed into action, and that systems solutions are being identified and developed (from March 2021)
- Convening and Organisational Development grants identified and distributed (by March 2021)
- Work with members of the Community Funders Group to design and deliver a responsive COVID-19 collective response fund
- Identify and support organisations providing frontline response to the crisis phase of COVID-19
- Report to the Trust weekly on outcomes and payments made through delegated authority of the CEO
- On the completion of the crisis response, provide an evaluative report to the Trust on the collective response model and what can be learnt from it.

Annual Report

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

The 2019-20 Annual Report was adopted on 22 July 2020 and presented at the Annual General Meeting held 31 July 2020, where PricewaterhouseCoopers was appointed Auditors of the Trust for the year ended 31 March 2021.

Changes to the Trust Deed

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

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

There were no changes to the Trust Deed between 1 April 2020 and 31 March 2021.

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

Review of Investment

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

In carrying out the review, the Trust has considered these requirements, along with clauses 8.2, 14.3 and 16.2 of the Trust Deed.

A summary of the key findings from the 2020 review is provided below.

Information Used and Matters Covered

The Company's Annual Report for the 12 months ended 31 March 2020 was received 12 June 2020 and a full review of the Trust's investment in WEL Networks Ltd was undertaken by KPMG, dated 1 December 2020. This review prepared by KPMG was comprehensive and considered the following key areas:

- Group Performance
- Electricity Distribution Business (EDB) Operational and Regulatory Performance

The results/findings of the review are as follows:

- **Group Performance**
  FY20 Financial Highlights
  - For the year ended 31 March 2020, the Group reported a profit after tax of $35 million.
  - Total revenue was $223 million reflecting a $3 million decrease in electricity network revenue, as a result of lines fee reductions, which is more than offset by a $15 million increase in fibre network revenue as fibre uptake increased.
  - Total net debt of $603 million, up $61 million from March 2019, relating to the now completed UFB2 and UFB2+ fibre network build programme during the 2020 financial year. The Group's total assets reached $1,329 billion, an increase of $87 million from 31 March 2019.
  - The sale of UFF (September 2020) has meant that the bank debt has been repaid. The listed bond has not been repaid.

  FY20 Non-Financial Highlights
  - Over 1,500 energy customers, many of whom face energy hardship, registered with low cost energy retailer, OurPower.
  - WEL Networks becoming a Toitū carbonreduce (formally CEMARS) certified organisation.
  - The expansion of the Company electric vehicle charger network to a total of 22.

- **EDB Operational and Regulatory Performance**
  FY20 Regulatory Return Highlights
  - The EDB has achieved an ROI of 8.9% in FY19, which is comparable to a Vanilla WACC of 7.19%. The EDB has achieved an ROI of 8.86% in FY20. WEL Networks has performed better than its peers and has delivered an increasing ROI over the last few years.

  FY19 and FY20 Operational Highlights
  - The EDB targets an improvement in total SAIDI and days to deliver connection quotes to customers over the next five years.
  - WEL Networks Ltd's operating performance for 2019 in all tracked measures, compared to its 29 peers, has improved or remained consistent.
  - WEL Networks Ltd's reliability position relative to other lines companies increased slightly between FY18 and FY19, moving from the 9th lowest SAIDI in the industry to 6th. However, WEL Networks remains well under the New Zealand average of 230 minutes.
  - WEL Networks Ltd's health and safety performance for FY20 has improved from FY19 and was favourable against the FY20 Budget.
  - WEL Networks Ltd's reliability performance for FY20 did not improve from FY19 and SAIDI for FY20 was unfavourable by 9.3 minutes compared to Budget.
  - Customer feedback cards for faults services show that on average 98% of customers were either very satisfied or satisfied with the overall performance.

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 2020 for FY21 to FY25 was endorsed by the Trust at its meeting on 25 March 2020 and a Letter of Expectation sent to WEL Networks Ltd on 31 August 2020 for the 2021/22 Financial Year.

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 2021 are as follows:

Trust 2020 Actual $000		Trust 2021 Actual $000	Trust 2021 Budget $000
	Income		
1,967	Interest	773	760
4,000	Dividends	6,000	6,000
(221)	Portfolio Investment Returns	1,366	-
-	Limited Partnership - Impact Investment Returns	(38)	-
276	Unrealised Gains/(Losses) on the Investment Portfolio	6,898	-
6,022		14,999	6,760
	Operating Expenditure		
613	Management and Administration	641	707
25	Communications	103	136
341	Representation	349	418
-	Elections	202	188
105	WEL Network Shareholding	82	121
73	Special Projects	-	47
12	Distribution Expenses	20	23
147	Portfolio Management Fees	123	-
	Loss/(Gain) on loan revaluation, interest and credit loss adjustments	4	(18)
1,316	**Total Operating Expenditure**	1,524	1,622
4,706	***Surplus/(Deficit) before Distributions***	13,475	5,138
4,732	**Distributions (including grant returns)**	5,525	11,000
(26)	**Adjusted Net Surplus/(Deficit) before Tax**	**7,950**	**(5,862)**
358	Taxation Paid (Receivable)	-	-
(384)	***Adjusted Net Surplus/(Deficit) after Tax**	**7,950**	**(5,862)**

(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 2021 are as follows:

Trust 2020 Actual $000		Trust 2021 Actual $000	Trust 2021 Budget $000
	CAPITAL FUND		
52,067	Vested Capital	52,067	52,067
52,067	**Total Capital Fund**	52,067	52,067
	INCOME FUND		
87,659	Opening Retained Surplus and Reserves	87,275	87,659
(384)	*Adjusted Net Surplus for the Period	7,950	(5,862)
87,275	**Total Income Fund**	95,225	81,797
139,342	**Total Equity**	**147,292**	**133,864**

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

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 having taken effect from January 2021, the revised Energy Trusts of New Zealand Guidelines are being edited.

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

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

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

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

Two requests for information were received in the 2020/21 year.

Financial Statements

For The Year Ended 31 March 2021

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
14 July 2021

Trustee
14 July 2021

Statements of Comprehensive Revenue and Expense

For The Year Ended 31 March 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000	Trust 2021 $'000	Trust 2020 $'000
Revenue from continuing operations	4	127,939	140,827	6,000	4,000
Expenses					
Expenses, excluding finance costs	5	(104,388)	(96,808)	(1,518)	(1,316)
Grants		(5,525)	(4,732)	(5,525)	(4,732)
Finance income/(costs)	6	(23,290)	(21,836)	2,132	1,746
Other gains/(losses)		5,156	-	(35)	-
Surplus/(deficit) before income tax expense from continuing operations		(108)	17,451	1,054	(302)
Income tax expense	7	(810)	(6,420)	-	(358)
Surplus/(deficit) after income tax expense from continuing operations		(918)	11,031	1,054	(660)
Surplus after income tax expense from discontinued operations	8	219,505	18,029	-	-
Surplus/(deficit) after income tax expense for the year		218,587	29,061	1,054	(660)
Other comprehensive revenue and expense					
Items that will not be reclassified subsequently to revenue and expenses					
Gain on the revaluation of land and buildings, net of tax		4,176	-	-	-
Items that may be reclassified subsequently to revenue and expenses					
Cash flow hedges transferred to profit or loss, net of tax		12,920	-	-	-
Cash flow hedges (net of tax)		(385)	(3,796)	-	-
Gain/(loss) on the fair value of financial instruments		6,896	276	6,896	276
Other comprehensive revenue and expense for the year, net of tax		23,607	(3,520)	6,896	276
Total comprehensive revenue and expense for the year		242,194	25,541	7,950	(384)
Surplus/(deficit) for the year is attributable to:					
Non-controlling interest		30,772	(515)	-	-
Beneficiaries of Group and Trust	26	187,815	29,576	1,054	(660)
		218,587	29,061	1,054	(660)

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

Statements of Comprehensive Revenue and Expense

For The Year Ended 31 March 2021

		Consolidated		Trust	
	Note	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Total comprehensive revenue and expense for the year is attributable to:					
Continuing operations		-	-	-	-
Discontinued operations		30,772	(515)	-	-
Non-controlling interest		30,772	(515)	-	-
Continuing operations		22,586	7,613	7,950	(384)
Discontinued operations		188,836	18,443	-	-
Beneficiaries of Group and Trust		211,422	26,056	7,950	(384)
		242,194	25,541	7,950	(384)

Financials

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

Statements of Financial Position

As at 31 March 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000	Trust 2021 $'000	Trust 2020 $'000
Assets					
Current assets					
Cash and cash equivalents		124,540	2,256	493	1,269
Trade and other receivables	9	14,562	22,885	68	11
Work in progress	10	79	-	-	-
Redeemable Convertible Preference shares	11	194,534	-	-	-
Investments in subsidiary	32	-	-	16,000	13,000
Derivative financial instruments	22	2,962	-	-	-
Income tax receivable		-	51	-	51
Loans advanced	15	197	73	197	73
Term deposits		14,181	1,482	14,181	1,482
Net investment in lease	16	550	-	-	-
Total current assets		351,605	26,747	30,939	15,886
Non-current assets					
Receivables - vendor tax losses due	8	1,388	-	-	-
Financial assets at fair value through other comprehensive revenue and expenses	12	30,885	21,826	30,885	21,826
Investments in subsidiary	32	-	-	85,797	101,797
Derivative financial instruments	22	5,654	5,059	-	-
Property, plant and equipment	13	628,373	1,203,389	18	23
Intangibles	14	22,090	96,102	1	1
Loans advanced	15	1,038	677	1,038	677
Net investment in lease	16	27,457	-	-	-
Total non-current assets		716,885	1,327,053	117,739	124,324
Total assets		1,068,490	1,353,800	148,678	140,210
Liabilities					
Current liabilities					
Trade and other payables	17	12,001	23,056	885	840
Derivative financial instruments	22	-	816	-	-
Income tax		1,586	271	467	-
Current employee benefit obligations and provisions	19	3,145	4,722	33	28
Deferred income	20	7,388	14,111	-	-
Total current liabilities		24,120	42,976	1,385	868
Non-current liabilities					
Non-current borrowings	18	152,178	513,431	-	-
Derivative financial instruments	22	-	16,594	-	-
Deferred tax (assets)/liabilities	23	86,153	89,474	-	-
Non-current employee benefit obligations	21	112	100	-	-
Loan from related party	30	-	90,810	-	-
Deferred income	20	856	886	-	-
Total non-current liabilities		239,299	711,295	-	-
Total liabilities		263,419	754,271	1,385	868
Net assets/equity		805,071	599,529	147,293	139,342

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

Statements of Financial Position

As at 31 March 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000	Trust 2021 $'000	Trust 2020 $'000
Equity					
Contributed equity	24	52,067	52,067	52,067	52,067
Reserves	25	116,714	94,677	7,781	895
Retained surplus	26	636,290	446,906	87,445	86,380
Equity attributable to the beneficiaries of Group and Trust		805,071	593,650	147,293	139,342
Non-controlling interest		-	5,879	-	-
Total net assets/equity		805,071	599,529	147,293	139,342

Chair

Trustee

14 July 2021

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 2021

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 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

Financials

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 2021

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

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 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 Changes in Net Assets/Equity

For The Year Ended 31 March 2021

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

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 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000	Trust 2021 $'000	Trust 2020 $'000
Cash flows from operating activities					
Receipts from customers		129,643	138,327	-	-
Discontinued operations from operating activities	8	26,269	42,811	-	-
Payments to suppliers and employees		(70,046)	(66,906)	(1,447)	(1,114)
Dividends received		-	-	6,000	4,000
Interest received		487	118	754	1,996
Grants paid		(5,456)	(4,020)	(5,456)	(4,020)
Income taxes paid		(1,812)	(9,181)	(61)	(37)
Net cash from/(used in) operating activities	34	79,085	101,149	(210)	825
Cash flows from investing activities					
Payments for investments		(438)	-	(438)	-
Payments for term deposits		(12,699)	(232)	(12,699)	(232)
Payments for financial assets at fair value through other comprehensive revenue and expenses		-	(10,276)	-	(10,276)
Payments for property, plant and equipment		(44,575)	(48,948)	(9)	(15)
Payments for intangibles		(2,303)	(3,116)	-	-
Payments for acquisition of subsidiary	31	(3,907)	(1,214)	-	-
Interest received on finance lease		1,261	-	-	-
Payments received for finance lease		402	-	-	-
Proceeds from disposal for financial assets at fair value through other comprehensive revenue and expenses		61	37	61	37
Proceeds from disposal of property, plant and equipment		68	213	-	-
Discontinued operations from investing activities	8	496,217	(81,477)	-	-
Loan principal payments received		129	86	129	86
Loans advanced		(610)	-	(610)	-
Convertible notes received		-	-	13,000	10,000
Net cash from/(used in) investing activities		433,606	(144,927)	(566)	(400)
Cash flows from financing activities					
Proceeds from borrowings		-	48,000	-	-
Interest and other finance costs paid		(30,900)	(21,229)	-	-
Repayment of borrowings		(361,000)	-	-	-
Payments for shareholder loans		-	(21,534)	-	-
Discontinued operations from financing activities	8	1,493	38,664	-	-
Net cash from/(used in) financing activities		(390,407)	43,901	-	-
Net increase/(decrease) in cash and cash equivalents		122,284	123	(776)	425
Cash and cash equivalents at the beginning of the financial year		2,256	2,133	1,269	844
Cash and cash equivalents at the end of the financial year		124,540	2,256	493	1,269

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

Financials

Notes to the Financial Statements

For The Year Ended 31 March 2021

Note 1. Statement of accounting policies for the year ended 31 March 2021

Reporting entity

WEL Energy Trust, a Trust as defined in its Trust Deed, is the holding entity of WEL Networks Limited, a company incorporated in New Zealand under the Companies Act 1993. The Group consists of WEL Energy Trust (the 'Trust'), WEL Networks Limited (the 'Company' or 'WEL') and its subsidiaries (together the 'Group'). The Group comprises an electricity network business, delivering energy to customers in the Waikato Region and during the year also delivered the Government Ultrafast Fibre rollout programme in the Waikato, Tauranga and Taranaki areas. The WEL Energy Trust's principal objective is to ensure WEL Networks Limited operates as a successful business, as well as having regard to consumer interest in the regulation of the electricity 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 2021. The financial statements were authorised for issue by the Trustees on 14 July 2021

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

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

Note 2. Summary of significant accounting policies

Statement of compliance and basis of preparation

Statement of compliance

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

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

Measurement base

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

Standards, amendments to existing standards adopted

There have been no new standards applied or amendments to existing standards previously adopted which has had a material impact on the preparation of the Group's financial statements for the year ended 31 March 2021.

Amendments to XRB A1 Appendix A (effective 1 January 2020), to refresh the guidance on determining whether an entitiy is a PBE for financial reporting purposes. There is no impact on these financial statements for the Trust and Group.

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 there to be no ongoing impact to the line rental revenue.

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.

Note 2. Summary of significant accounting policies (continued)

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 2021 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.

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

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

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

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Associates

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

Note 2. Summary of significant accounting policies (continued)

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

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

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

Revenue

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

Exchange revenue

Electricity line revenue

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

Third party contributions

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

OurPower electricty retail revenue

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

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

Other revenue

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

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

Note 2. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

Note 2. Summary of significant accounting policies (continued)

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 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.

Work in progress

Work in progress relates to projects for Infratec that are in progress as at 31 March 2021. Cost comprises of direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity.

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

Impairment of non financial assets

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

Value in use for non-cash-generating assets

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

Value in use for cash-generating assets

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

Property, plant and equipment

Land and buildings are recorded at fair value, based on periodic, at least every three years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amounts. The electricity 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	10 - 50 years
Electricity network	6-75 years
Fibre network	5-40 years
Computer hardware	2-12 years
Plant and equipment	3-30 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.

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

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 revenue or expense arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

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

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

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

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

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

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

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

Easements
Acquired easement rights are capitalised on the basis of the costs incurred where the rights have an expiration date. These costs are amortised on a straight line basis over their estimated useful lives (33 years). Where the rights have no expiration date and have an indefinite useful life these costs are not amortised. Impairment reviews for finite life intangibles are undertaken annually linked to the valuation of the electricity network as the easements give rights for network assets to be physically located on that land.

Financial assets

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

Note 2. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

Financial liabilities
Other financial liabilities at amortised cost

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

Note 2. Summary of significant accounting policies (continued)

Fair value estimation

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

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

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

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

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

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

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

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings for the year, in this case 3.78% to 5.60% (2020: 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.

Note 2. Summary of significant accounting policies (continued)

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 $1,042,000 (2020: $1,152,000).

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.

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

Note 2. Summary of significant accounting policies (continued)

Cash flow hedge

Cash flow hedges are used to cover the Group's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect surplus or deficit. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive revenue and expense through the cash flow hedges reserve in 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.

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.

Note 2. Summary of significant accounting policies (continued)

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.

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.

Note 2. Summary of significant accounting policies (continued)

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 2021 and have not been early adopted by the Group.

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

Note 3. Critical accounting judgements, estimates and assumptions

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

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

Estimated fair value of electricity lines distribution and fibre network assets, land and buildings.
Maui St land and buildings, included in the land and buildings asset category, were revalued to fair value for highest and best use on 31 March 2021 by independent valuers, SGHU Valuations LP Registered Valuers using a market approach being a Level 3 valuation.

Key inputs include market rent at $920,000 and a capitalisation rate of between 4.75% and 5.25% resulting in a valuation range of $17.5M to $19.4M. The midpoint of $18,400,000 has been used to revalue the Maui St land and buildings as at 31 March 2021 (carrying value as at 31 March 2020: $13,580,000).

It is the Group's policy to revalue the Electricity Network at least every three years, or more frequently if there is evidence to suggest a significant change in fair value, and as such the Group engaged Deloitte, an independent third party valuer, to perform the network valuation for the year ended 31 March 2019. For the purposes of assessing fair value of the electricity network as at 31 March 2021, management have updated the key inputs to develop an estimated valuation range and consider the carrying value relative to the respective valuation range. This is a Level 3 valuation. Refer to note 13 for further information.

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

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

Redeemable Convertible Preference shares
On sale of WEL's share in UFF Holdings Limited, Redeemable Convertible Preference shares ("RCP shares") with a face value of $200 million were issued to WEL Networks Limited by First Fibre Bidco NZ Limited. Refer to note 11 for further information.

At any time prior to 31 March 2022, at the option of the issuer, the RCP shares can be redeemed for cash or sold to the Purchaser Group. If no notice of redemption or sale is received by WEL prior to 28 February 2022, WEL can initiate the put option for the redemption of the RCP shares. If neither of the above is completed by the issuer then the RCP shares may be converted to ordinary shares.

Due to the ability to appoint two directors and provision of certain voting rights the Group considers that the RCP shares represent significant influence; however the benefits associated with these instruments in substance do not currently give access to the returns associated with an ownership interest and have therefore been accounted for under PBE IPSAS 41 Financial Instruments as financial assets measured at fair value through revenue and expense.

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

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

An amount of $5,297,000 has been recognised in finance income in the statement of revenue and expense due to the revaluation from initial recognition to 31 March 2021.

Business combinations
Customer contracts arising from the business combination have been separately identified from other intangible assets. These were contracts that were transferred as part of the sale and purchase agreement and relate to projects that were in progress at the time of acquisition. The value of the customer contracts have been determined using forecasted cashflows and assigning a probability weighting of the project progressing to the next phase (being development or project build) and this was then discounted back to present value using a discount rate of 4.5%. Refer to note 31 for further information.

Net investment in lease
In October 2010, WEL entered into a sale and lease back agreement for the purposes of WEL providing transmission services to the Te Uku wind farm. Transmission infrastructure was constructed for the agreement and an annual charge is levied by WEL for the services provided.

Variations to this agreement were subsequently entered into during the current financial year for additional infrastructure added to the wind farm which will allow it to operate more efficiently. These have triggered the reassessment of the original agreement under PBE IPSAS 13 as terms and conditions of the original agreement have been changed for additional assets and consideration.

This has been classified as a finance lease with consideration given to the following:

- The present value of the lease payments amounts to substantially all of the fair value of the underlying assets;
- The lease term for 25 years with the renewable period of a further 25 years is for a significant portion of the estimated economic life of the underlying assets; and
- The underlying asset was specifically designed for the lessee's needs.

Notes to the Financial Statements

For The Year Ended 31 March 2021

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

On initial recognition of the finance lease $27.7M was derecognised from property, plant and equipment and recorded as the opening net investment in the lease. The discount rate implicit in the lease of 6.09% was used to discount the lease payments back to present value and is based on the fair value of the assets. This was determined to be $27.7M based on the current value of the assets in RAB (Regulatory Asset Base), and using a 1.00x RAB multiple to arrive at a fair value (see note 16 for further information). A further modification was recognised in February 2021 resulting in $0.7M being recognised as an addition to the net investment in the finance lease at the same discount rate of 6.09%. Refer to note 16 for further information.

Note 4. Revenue

	Consolidated		Trust	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**
From continuing operations				
Rendering of services				
Electricity lines revenue	108,130	118,862	-	-
Electricity third party contributions	8,868	12,028	-	-
Electricity retail revenue	3,334	1,407	-	-
	120,332	132,297	-	-
Other income				
Dividends	-	-	6,000	4,000
Operating lease revenue	494	2,175	-	-
Other income	7,113	6,355	-	-
	7,607	8,530	6,000	4,000
Revenue from continuing operations	127,939	140,827	6,000	4,000

	Consolidated		Trust	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**
Operating lease revenue				
Lessor minimum lease receivable				
Committed at the reporting date but not recognised as assets receivable:				
Within one year	-	2,168	-	-
One to five years	-	8,528	-	-
More than five years	-	51,025	-	-
	-	61,721	-	-

Financials

Note 5. Expenses, excluding finance costs

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Transmission costs	27,063	29,520	-	-
Employee benefits	34,583	30,971	468	444
Capitalised labour	(12,888)	(14,054)	-	-
Materials and services	3,476	3,210	-	-
Contracting services	4,704	4,112	-	-
Consultancy	2,467	3,656	-	-
Contracting cost of sales	4,077	1,162	-	-
Net loss on disposal of property, plant and equipment	5,045	3,527	-	-
Vehicle expenditure	1,179	1,209	-	-
Operating leases	323	256	42	42
Directors' and Trustees' fees	690	510	235	222
Bad debts written off	70	153	-	-
Change in provision for impaired receivables	22	62	-	-
Other expenses	6,002	6,774	759	600
Impairment loss	850	-	-	-
Depreciation and amortisation	26,725	25,740	14	8
	104,388	96,808	1,518	1,316

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Surplus/(deficit) before income tax includes the following specific expenses:				
Depreciation by asset class:				
Distribution network	19,501	19,132	-	-
Plant and equipment	3,626	3,622	14	7
Motor vehicles	1,036	987	-	-
Computer hardware	589	553	-	-
Buildings	269	262	-	-
	25,021	24,556	14	7
Amortisation of intangible assets:				
Easements and consents	50	55	-	-
Computer software	1,099	703	-	1
Computer software - internally generated	427	426	-	-
Customer contracts	128	-	-	-
	1,704	1,184	-	1
Total depreciation and amortisation	26,725	25,740	14	8

Notes to the Financial Statements

For The Year Ended 31 March 2021

Note 5. Expenses, excluding finance costs (continued)

	Consolidated		Trust	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Amounts paid or payable to the auditors of WEL Energy Trust and Group:				
Audit services - (PwC)				
Audit financial statements - current year	320	399	48	37
Half year review	64	46	-	-
	384	445	48	37
Assurance and audit related services* - PwC				
Assurance procedures on disclosure information - current year	53	73	-	-
Assurance procedures on disclosure information - prior year	5	58	-	-
Agreed upon procedures for disclosure information - 2019	-	6	-	-
Assurance procedures on the telecommunications development levy - prior year	5	5	-	-
	63	142	-	-
Other services - PwC				
Regulatory advice	43	97	-	-
Industry updates	-	44	-	-
Vendor due diligence**	-	360	-	-
Due diligence***	76	-	-	-
Tax consulting	-	3	-	3
	119	504	-	3
Total auditors remuneration	566	1,091	48	40

Auditors' fees are recognised within 'other expenses'

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

**PwC performed vendor due diligence work to assist a potential purchaser in its due diligence relating to the sale of UFF Holdings Ltd, refer note 8 for further information.

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

Note 6. Finance income/(costs)

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Surplus/(deficit) before income tax from continuing operations includes the following specific expenses:				
Finance income/(costs)				
Interest and finance charges paid/payable on borrowings	(13,768)	(21,704)	-	-
Interest swap termination costs	(17,944)	-	-	-
Financial assets income	1,366	(221)	1,366	(221)
Fair value of the Redeemable Convertible Preference shares	5,297	-	-	-
Interest income	498	89	766	1,967
Finance income on lease	1,261	-	-	-
Net finance income/(costs)	(23,290)	(21,836)	2,132	1,746

Note 7. Income tax expense/(credit)

	Consolidated 2021 $'000	Consolidated 2020 $'000	Trust 2021 $'000	Trust 2020 $'000
Income tax expense/(credit)				
Current tax	2,598	5,280	-	-
Deferred tax (note 23)	8,554	7,448	-	358
Aggregate income tax expense	11,152	12,728	-	358
Income tax expense/(credit) is attributable to:				
Surplus/(deficit) from continuing operations	810	6,420	-	358
Surplus from discontinued operations	10,342	6,308	-	-
Aggregate income tax expense	11,152	12,728	-	358
Numerical reconciliation of income tax expense/(credit) and tax at the statutory rate				
Surplus/(deficit) before income tax expense from continuing operations	(108)	17,451	1,054	(302)
Surplus before income tax expense from discontinued operations	229,847	24,337	-	-
	229,739	41,789	1,054	(302)
Tax at the statutory tax rate of 28% and 33%	68,043	12,769	348	(100)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Non-taxable income	(2,431)	(82)	(451)	(82)
Sale of discontinued operations	(61,552)	-	-	-
Non-deductible expenditure	2,697	2,218	2,671	1,656
Grants distributed	(2,333)	(1,474)	(2,333)	(1,474)
Prior period adjustment	76	395	-	-
Prior period deferred tax adjustment	103	11	-	-
Tax loss offsets	-	(19)	-	-
Building tax depreciation reinstated*	-	(1,448)	-	-
Derecognition of deferred tax assets	6,785	358	-	358
Imputation credits utilised	(235)	-	(235)	-
Income tax expense/(credit)	11,152	12,728	-	358

*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.

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 $2.4 million (tax effect $791,849) (2020: $1,67 million (tax effect $549,996)).

The Trust's income tax rate is 33% and its subsidiaries are at the company tax rate of 28% (2020: 33% and 28%).

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

	Consolidated		Trust	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Imputation credits				
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2020: 28%)	46,233	45,969	-	-

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

Note 8. Discontinued operations

Description
WEL Networks Limited (WEL) and Waipa Networks (Waipa) have sold their shares in UFF Holdings Limited (UFFH), the holding company for Hamilton based fibre business Ultrafast Fibre Limited (UFF).

On 12 May 2020, First Fibre Bidco NZ Limited agreed to purchase WEL's 85% majority shareholding and Waipa's 15% shareholding for $854 million of which a consideration of $200 million payable to WEL is deferred from 18 months from completion. The $200 million deferred payment is supported by Redeemable Convertible Preference shares issued by First Fibre Bidco NZ Limited to WEL Networks that will be redeemed in 18 months time (or prior). If redemption is not completed the put option for conversion can then be initiated by WEL Networks Limited (see note 11 for further information).

Further to the consideration noted above the sale and purchase agreement allowed for additional consideration should UFF be able to utilise tax losses earned during the period up to the date of disposal. This consideration has now been recognised as current NZ tax legislation provides for a 'same or similar' business test which will allow UFF to utilise tax losses, contingent on UFF making a taxable profit. The total value of the tax losses available to UFFH is $6.8M of which 75% is payable to both WEL Networks Ltd (85%) and Waipa Networks Ltd (15%). This has resulted in the Group recognising a $4.2M receivable on the balance sheet for this which is discounted to present value based on a discount rate of 2.81%. This is payable when the losses are utilised and therefore $2.8M is recognised as 'other current receivables' and $1.4M recognised as 'other non-current receivables".

This transaction was approved by the Overseas Investment Office (OIO) on 31 July 2020, the sale became unconditional on 14 August 2020 and was completed on 30 September 2020.

All comparative information for the statement of comprehensive revenue and expense and operating segments has been restated for discontinued operations.

Notes to the Financial Statements

For The Year Ended 31 March 2021

Note 8. Discontinued operations (continued)

Financial performance information

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Revenue	46,376	82,419	-	-
Expenses	(30,926)	(58,082)	-	-
Surplus before income tax expense	15,450	24,337	-	-
Income tax expense	(10,342)	(6,308)	-	-
Surplus after income tax expense	5,108	18,029	-	-
Gain on disposal before and after income tax	214,397	-	-	-
Income tax expense	-	-	-	-
Gain on disposal after income tax expense	214,397	-	-	-
Surplus after income tax expense from discontinued operations	219,505	18,029	-	-

Cash flow information

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Net cash from operating activities	26,269	42,811	-	-
Net cash from/(used in) investing activities	496,217	(81,477)	-	-
Net cash from financing activities	1,493	38,664	-	-
Net increase/(decrease) in cash and cash equivalents from discontinued operations	523,979	(2)	-	-

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

Note 8. Discontinued operations (continued)

Carrying amounts of assets and liabilities disposed

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Cash and cash equivalents	1,451	-	-	-
Trade and other receivables	12,363	-	-	-
Property, plant and equipment	577,161	-	-	-
Intangibles	79,389	-	-	-
Total assets	670,364	-	-	-
Trade and other payables	3,168	-	-	-
Provisions	1,687	-	-	-
Other liabilities	36,660	-	-	-
Total liabilities	41,515	-	-	-
Net assets	628,849	-	-	-

Details of the disposal

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Cash received	653,478	-	-	-
Fair value of Redeemable Convertible Preference shares on disposal	189,237	-	-	-
Fair value of tax losses receivable	4,893			
Total consideration	847,608			
Carrying amount of net assets disposed	(628,849)	-	-	-
Total gain on discontinued operations	218,759			
Attributable to Waipa Networks Limited	(31,448)	-	-	-
Disposal costs	(4,362)	-	-	-
Gain on disposal before and after income tax	182,949	-	-	-

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

Note 9. Trade and other receivables

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Exchange transactions:				
Trade receivables	10,759	21,429	28	9
Amounts due from customers for contract work	142	297	-	-
Less: Allowance for expected credit losses	(607)	(886)	-	-
	10,294	20,840	28	9
Related party receivable	210	210	-	-
Prepayments	1,204	1,752	40	2
Other receivable	83	83	-	-
Other receivables - vendor tax losses due (note 8)	2,771	-	-	-
	4,268	2,045	40	2
Total net trade and other receivables	14,562	22,885	68	11

Fair value and credit risk

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

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security. Refer to note 27.

Allowance for expected credit losses
As of 31 March 2021, trade receivables for the Group of $0.7 million (2020: $3.4 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The Group has recognised a loss of $22,000 (2020: $240,000) in revenue and expenses in respect of the expected credit losses for the year ended 31 March 2021.

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

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Aging of trade receivables				
Current	9,061	18,298	28	9
One to three months	430	976	-	-
Over three months	803	1,566	-	-
	10,294	20,840	28	9

Note 9. Trade and other receivables (continued)

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Aging of expected credit losses				
Current 0.8%	69	208	-	-
One to three months 1.4%	6	105	-	-
Over three months 66.3%	532	573	-	-
	607	886	-	-

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

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Opening balance	886	646	-	-
Increase in provision	22	240	-	-
Decrease in provision due to Discontinued Operations	(301)	-	-	-
	607	886	-	-

Note 10. Work in progress

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Work in progress - at cost	79	-	-	-

Note 11. Redeemable Convertible Preference shares

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Redeemable Convertible Preference shares	194,534	-	-	-

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

	Consolidated 2021 $'000	Consolidated 2020 $'000	Trust 2021 $'000	Trust 2020 $'000
Global companies fund	16,422	12,298	16,422	12,298
Ethical leaders fund	13,817	9,314	13,817	9,314
Impact investment enterprise fund	156	45	156	45
Purpose capital impact fund	490	169	490	169
	30,885	21,826	30,885	21,826

Impact investment enterprise fund includes a $106,000 uncalled commitment (2020: $144,000) relating to the partnership units acquired in the Impact investment enterprise fund. The Purpose capital impact fund includes a $4,350,000 uncalled commitment (2020: $4,750,000).

Note 13. Property, plant and equipment

	Electricity network $'000	Fibre network $'000	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Computer hardware $'000	Non-network assets under construction $'000	Total $'000
Consolidated 2020								
Opening net book amount 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 13. 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 2021								
Opening net book amount as at 1 April 2020	581,326	563,835	17,737	31,599	4,971	1,443	2,478	1,203,389
Additions	41,979	24,330	184	1,503	746	417	2,810	71,969
Revaluation	-	-	4,930	-	-	-	-	4,930
Additions through business combination (note 31)	-	-	-	92	-	21	-	113
Transfers*	3,566	-	(3,654)	1,228	331	135	(1,606)	-
Disposals	(7,416)	(247)	-	(43)	(42)	(34)	(1)	(7,783)
Disposals due to sale of discontinued operation (note 8)	-	(575,419)	-	(711)	(184)	(494)	(353)	(577,161)
Depreciation charge	(19,501)	(12,499)	(269)	(3,696)	(1,113)	(747)	-	(37,825)
Derecognition of assets relating to finance lease	(28,409)	-	-	-	-	-	-	(28,409)
Impairment loss	(850)	-	-	-	-	-	-	(850)
Closing net book amount 31 March 2021	570,695	-	18,928	29,972	4,709	741	3,328	628,373
Cost/valuation	792,371	-	20,535	58,104	10,116	3,765	3,328	888,219
Accumulated depreciation	(221,676)	-	(1,607)	(28,132)	(5,407)	(3,024)	-	(259,846)
Closing net book amount 31 March 2021	570,695	-	18,928	29,972	4,709	741	3,328	628,373

Financials

Note 13. Property, plant and equipment (continued)

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

The amount of interest capitalised was $7,000 (2020: $1,779,000).

* Transfers include a $3.6M reclassification of substation land from land and buildings to electricity network assets.

Included in the Electricity network assets there is a derecognition of $28.4M of assets that are now subject to a finance lease (as a lessor), see note 16 for further information.

The net book value of the Electricity network includes $20.1M of work in progress as at 31 March 2021 (2020: $17.3M).

The impairment loss of $850,000 relates to an asset in electricity network category that is currently installed on the network but is not used as it was intended. This will be decommissioned from the network and disposed during the next financial year and therefore an impairment has been recognised.

Land and buildings revaluations and impairment review
Maui St land and buildings, included in the land and buildings asset category, were revalued to fair value for highest and best use on 31 March 2021 by independent valuers, SGHU Valuations LP Registered Valuers using a market approach being a Level 3 valuation.

Key inputs include market rent at $920,000 and a capitalisation rate of between 4.75% and 5.25% resulting in a valuation range of $17.5M to $19.4M. The midpoint of $18.4M has been used to revalue the Maui St land and buildings as at 31 March 2021 (carrying value as at 31 March 2020: $13.5M).

Note 13. Property, plant and equipment (continued)

Network revaluations and impairment review

It is the Group's policy to value the Electricity Network every three years, or more frequently if there is evidence to suggest a significant change in fair value, and as such the Group engaged Deloitte, an independent third party valuer, to perform both network valuations for the year ended 31 March 2019. For the purposes of impairment testing as at 31 March 2021, management have updated the key inputs to develop an estimated valuation range and consider the carrying value relative to the respective valuation range. This is a Level 3 valuation.

Based on the updated estimated valuation range for the Electricity Network of $564M to $617M (based on sensitivity to WACC low/high estimates), the Trustees consider that the current carrying value of the network fixed assets of $571M 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. While isolated changes to revenue and expenditure assumptions used in the discounted cash flow model can have a significant impact on the valuation range, as the valuation is prepared under a regulatory framework to earn a regulated return on investment, these assumptions are inter-related and therefore any reasonable changes to these assumptions would not result in a significant change to the valuation range. The valuation is however sensitive to the Weighted Average Cost of Capital (WACC) and the Regulated Asset Base (RAB) multiple used in the valuation as outlined in the table following. 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.

Prior year comparatives include an updated valuation range for the Fibre Network of $546M to $651M (including WIP), the Trustees consider that the current carrying value of $564M could be retained as carrying value materially reflects estimated fair value.

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

	Mid-point for valuation	Sensitivity Range	Valuation Range
Electricity Network:			
WACC (Weighted Average Cost of Capital)	4.5%	4.0 - 5.0%	$564M - 617M
RAB (Regulatory Asset Base) Multiple for Terminal Value (TV)	1.00x	0.98 - 1.02	$580M - 599M

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	10,232	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

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

Note 14. Intangibles

	Goodwill $'000	Assets under construction $'000	Computer software - internally generated $'000	Computer software $'000	Easements and consents $'000	Leasehold interest $'000	Customer contracts $'000	Total $'000
Consolidated								
Opening net book amount 1 April 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	-	-	(3,323)
Amortisation charges	-	-	(1,688)	(1,580)	(55)	-	-	-
Closing net book amount 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

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Note 14. Intangibles (continued)

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

Note 14. Intangibles (continued)

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

Goodwill
Of the $8.3 million of goodwill, $5.2 million arose on the original acquisition of the WEL Networks Group by the Trust.

The carrying value of goodwill of $3.1 million was acquired with the purchase of Infratec New Zealand Limited. The purchase price of Infratec New Zealand Limited was supported with a forecasted discounted cash flow model which considered contracts and opportunities and current market conditions at the time of acquisition. Key assumptions in the 5 year discounted cashflow value in use model include a discount rate of 11% and a terminal growth rate of 2%. Trustees have completed an impairment assessment as at 31 March 2021 and noted that there were no significant changes to the key assumptions used in the initial model. Based on this the Trustees consider that there are no indicators of impairment and the current carrying value of goodwill can be retained.

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

- a post tax Weighted Average Cost of Capital (WACC) of 4.50% which is in line with the Electricity Network valuation;
- revenue averaging $95.0M p.a. (excluding transmission), which reflects an expected regulatory ROI of 4.57% during FY21 to FY25 period, then increasing 4.74% for the FY26-30 period, and 5.83% for the FY31-35 period;
- capital expenditure, including network expansion growth, averaging $50.5M p.a.;
- terminal value based on estimated RAB (Regulatory Asset Base on which a regulated Electricity Distributor can earn a regulatory profit) at the end of FY31 of $892.1M; and
- costs to sell of $15M, at 2.7%.

The conclusion is that there is no impairment to the goodwill as the analysis above results in $4.0M of headroom. It would require unfavourable changes in the key variables (for example, a $682k reduction in annual revenue, a $491k increase in annual Capex, or a 0.07% 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 2021.

Note 15. Loans advanced

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Opening loan balance	750	864	750	864
Loans advanced during the year	610	-	610	-
Loss on inception taken to surplus or deficit	(35)	-	(35)	-
Effective interest received	38	(26)	38	(26)
Repayments made	(128)	(86)	(128)	(86)
Expected credit losses	-	(2)	-	(2)
Carrying amount	1,235	750	1,235	750
Current	197	73	197	73
Non Current	1,038	677	1,038	677
	1,235	750	1,235	750

The nominal value of loans advanced at balance date was $11,470,000 (2020: $10,730,000).

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 16. Net investment in lease

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Net investment in lease - current	550	-	-	-
Net investment in lease - non-current	27,457	-	-	-
	28,007	-	-	-

Note 16. Net investment in lease (continued)

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

Note 17. Trade and other payables

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Exchange transactions:				
Trade payables	7,499	10,215	56	89
Other payables	2,739	11,672	40	30
Goods and services tax	53	448	-	-
Interest payable	921	-	-	-
Non-exchange transactions:				
Grants payable	789	721	789	721
Total trade and other payables from exchange and non-exchange transactions	12,001	23,056	885	840

Note 18. Non-current borrowings

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Maturing between 1 and 2 years	-	100,737	-	-
Maturing between 2 and 3 years (includes bond)*	152,178	189,930	-	-
Maturing between 3 and 4 years	-	222,764	-	-
	152,178	513,431	-	-

*As at 31 March 2020 the bond was included in the debt balance maturing between 3 and 4 years. Refer to note 27 for further information on financial instruments.

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

The Group uses interest rate swaps to manage interest rate risk. Derivatives are fair valued using assumptions from observable market data where possible, in combination with the underlying derivative contracts and documentation. The fair value of the derivative asset at 31 March 2021 is $3,785,000 (31 March 2020: derivative asset $5,059,000 and derivative liability: $17,410,000).

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Note 18. Non-current borrowings (continued)

The carrying value of interest bearing bank and bond debt is $152,178,000 (31 March 2020: $513,431,000). The fair value of contractual cash flows is $167,197,000 (31 March 2020: $581,015,000). Refer to note 27.

During the year the total bank loan facilities reduced to $125 million (31 March 2020: $415 million) of which $125 million remains available to the Group to be drawn down at balance date. The facilities expire as follows:

	Facility available $'000	Total facility $'000
31 December 2021	15,000	15,000
30 November 2022	55,000	55,000
30 November 2023	55,000	55,000
	125,000	125,000

Bonds

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

Note 19. Current employee benefit obligations and provisions

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Employee benefit obligations:				
Annual leave	2,091	2,329	33	28
Employee benefits	1,054	1,515	-	-
Other employee benefit obligations	-	78	-	-
Provisions	-	800	-	-
	3,145	4,722	33	28

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Note 20. Deferred income

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Contract liabilities - third party contributions - electricity	7,379	5,014	-	-
Contract liabilities - third party contributions - fibre	-	1,901	-	-
Contract liabilities - solar	9	-	-	-
Other contract liabilities - fibre connection fees in advance	-	7,196	-	-
	7,388	14,111	-	-

Management expects that 93% of the electricity third party contributions and 100% of solar revenue relating to the unsatisfied contracts as at 31 March 2021 will be recognised as revenue in the next reporting period.

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Non-current deferred income	856	886	-	-

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 (2020: $29,385).

Note 21. Non-current employee benefit obligations

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Employee benefits	112	100	-	-

Note 22. Derivative financial instruments

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Current and non-current assets				
Electricity price derivative – current	2,962	-	-	-
Interest rate swaps - fair value hedges - non-current	3,785	5,059	-	-
Electricity price derivative - non-current	1,869	-	-	-
	8,616	5,059	-	-
Current and non current liability portion				
Current interest rate swaps - cash flow hedges	-	(816)	-	-
Non current interest rates swaps - cash flow hedges	-	(16,594)	-	-
	-	(17,410)	-	-
Total net derivatives financial instruments	8,616	(12,351)	-	-

Note 22. Derivative financial instruments (continued)

The notional principal amounts of the outstanding interest rate contracts as at 31 March 2021 were nil (2020: $175 million). The notional principal amounts of the outstanding fair value interest contracts as at 31 March 2021 were $75 million (2020: $75 million). See note 27 for further information.

At 31 March 2021 the fixed interest rate was 4.90% (2020: 2.28% to 4.90%) and the main floating rate is BKBM (Bank bill mid-rate).

The Group has entered into a number of contracts to hedge wholesale electricity risk. These electricity contracts are not designated as hedges for accounting purposes. The hedges are valued based on the volume traded and the difference between the contract price and the last trade price on the ASX futures market for the relevant contract period. A gain on these electricity price derivatives has been recorded in the statement of profit or loss of $5,191,000 for both realised and unrealised gains for 31 March 2021.

Note 23. Deferred tax (assets)/liabilities

	Tax losses $'000	Accelerated tax depreciation / Revaluation of assets $'000	Provisions and other $'000	Derivative instruments $'000	Customer contracts $'000	Finance lease $'000	Total $'000
Consolidated							
Balance as at 1 April 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 directly to equity - derivatives	-	-	-	(1,476)	-	-	(1,476)
Balance as at 31 March 2020	(10,277)	105,591	(966)	(4,874)	-	-	89,474
Balance as at 1 April 2020	(10,277)	105,591	(966)	(4,874)	-	-	89,474
Charged/(credited) to the statements of comprehensive revenue and expense	3,492	(728)	(1,683)	-	(36)	724	1,769
Charged/(credited) directly to equity - derivatives and revaluations	-	753	-	4,874	-	-	5,627
Opening balance - Infratec NZ Ltd	-	-	-	-	216	-	216
Sale of discontinued operation	-	(18,167)	449	-	-	-	(17,718)
Derecognition of tax losses	6,785	-	-	-	-	-	6,785
Balance as at 31 March 2021	-	87,449	(2,200)	-	180	724	86,153
Trust							
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	-	-	-	-	-	-	-

The trust had no deferred tax transactions for 31 March 2021.

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Note 24. Contributed equity

	Consolidated and Trust			
	2021 Shares	**2020 Shares**	**2021 $'000**	**2020 $'000**
Contributed equity	-	-	52,067	52,067

Note 25. Reserves

	Consolidated		Trust	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**
Revaluation reserve	108,933	106,317	-	-
Hedging reserve - cash flow hedges	-	(12,535)	-	-
Financial assets at fair value through other comprehensive revenue and expense reserve	7,781	895	7,781	895
	116,714	94,677	7,781	895

Note 25. Reserves (continued)

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 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
Revaluation - gross	4,929	-	-	4,929
Deferred tax	(753)	-	-	(753)
Disposal of distribution network assets	(1,561)	-	-	(1,561)
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	-	6,896	6,896
Realised (gain)/loss on disposal of financial assets at fair value through other comprehensive revenue and expense	-	-	(9)	(9)
Fair value gains/(losses) in year	-	(535)	-	(535)
Deferred tax on fair value gains/losses	-	150	-	150
Reclassification of previous gains/losses to statement of revenue and expense	-	12,920	-	12,920
Balance at 31 March 2021	108,933	-	7,781	116,714

Note 25. Reserves (continued)

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

Note 26. Retained surplus

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Retained surplus at the beginning of the financial year	446,906	415,532	86,380	86,993
Surplus/(deficit) after income tax expense for the year	187,815	29,576	1,054	(660)
Disposal of distribution network assets	1,561	1,654	-	-
Realised loss on disposal of financial assets at fair value through other comprehensive revenue and expense	9	47	9	47
Transfer to other reserves	-	97	-	-
Retained surplus at the end of the financial year	636,290	446,906	87,445	86,380

Note 27. Financial instruments

Financial risk management objectives

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

Note 27. 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 2021, 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 (2020: nil).

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

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

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. 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 2021					
Bond (4.90%)	Aug 23	150,000	(1,607)	3,785	152,178
Fair value interest rate swaps (2.64%)	Aug 23	(75,000)	-	-	-
Net exposure to interest rate risk		75,000	(1,607)	3,785	152,178

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Note 27. Financial instruments (continued)

The interest rate swaps on bank borrowings were terminated on 30 September 2020 which resulted in the hedging reserve balance loss of $17,944,000 being reclassified in the statement of profit and loss in finance expenses. As agreed with lenders the termination costs have been excluded for the purposes of calculating debt covenants.

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	6,139	392

	Carrying amount $'000	**+/-1% Surplus $'000**	**+/- 1% Equity $'000**
31 March 2021			
Financial assets:			
Cash and cash equivalents	124,540	1,245	-
Term deposits	14,181	142	-
Trade and other receivables (excluding prepayments)	13,357	-	-
Loans advanced	1,235	12	-
Derivative financial instruments	3,785	38	-
Financial assets at fair value through other comprehensive revenue and expense	30,885	-	309
Redeemable Convertible Preference shares	194,564	1,946	-
Financial liabilities:			
Trade and other payables	11,906	-	-
Interest bearing liabilites	152,178	1,522	-
	546,631	4,905	309

Note 27. 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

	Carrying amount $'000	+/- 1% Surplus $'000	+/- 1% Equity $'000
31 March 2021			
Financial assets:			
Cash and cash equivalents	493	5	-
Term deposits	14,181	142	-
Trade and other receivables (excluding prepayments)	28	-	-
Loans advanced	1,235	12	-
Financial assets at fair value through other comprehensive revenue and expenses	30,885	-	309
Financial liabilities:			
Trade and other payables	885	-	-
	47,707	159	309

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 31% (2020: 34%) of its trade debtors owing from the incumbent retailer, Genesis Energy Limited. This debt is subject to a written agreement that requires an investment grade credit rating to be maintained. If the credit rating falls below investment grade then a bond will be required as collateral.

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

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

Note 27. Financial instruments (continued)

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

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

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

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

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

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

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. Due to improvements in business activities this has now reduced to 25% for the year ended 31 March 2021.

Note 27. Financial instruments (continued)

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.

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 2021	Less than one year $'000	Between 1 and 2 years $'000	Between 2 and 3 years $'000	Between 3 and 5 years $'000	5 + years $'000	Total fair value contractual cash flows $'000	Carrying amounts (assets)/ liabilities $'000
Non derivative financial instruments							
Borrowings - non current	7,350	7,350	152,497	-	-	167,197	152,178
Trade and other payables	11,906	-	-	-	-	11,906	11,906
Total non derivative financial instruments	19,256	7,350	152,497	-	-	179,103	164,084

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Note 27. Financial instruments (continued)

Consolidated 31 March 2021 (continued)	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
Derivative financial instruments							
Interest rate swaps:							
- Inflow	3,675	4,134	1,364	-	-	9,173	-
- Outflow	(2,020)	(2,526)	(842)	-	-	(5,388)	3,785
Total derivative financial instruments	1,655	1,608	522	-	-	3,785	3,785

Fair value of financial instruments

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

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

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

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

Note 27. Financial instruments (continued)

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

Categories of financial assets and liabilities

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

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

Note 27. Financial instruments (continued)

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

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 revenue and expense	-	21,826	21,826
Total financial assets	3,510	21,826	25,336
Liabilities			
Trade payables	840	-	840
Total financial liabilities	840	-	840

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.

Note 27. Financial instruments (continued)

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

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

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

Note 28. Contingent liabilities

The Trust has no contingent liabilities. The Trust has multi-year grants unpaid and committed in-principle at 31 March 2021 and a 5-year in-principle commitment remaining of $2 million to seed fund a support/ organisation for the Waikato Wellbeing Project (2021-2025). $1 million of the Waikato Wellbeing Project has been recognised as grants expenditure in revenue and expense for the year (2020: Nil). As multi-year and the partnership agreement grants are reviewed annually and the Trust has no obligation to continue the grant funding for each subsequent annual period, the unpaid and in-principle committed amounts are not recognised as liabilities or contingent liabilities.

Trust	31 March 2021 $'000	31 March 2020 $'000
Multi-year grants	575	-
Waikato Wellbeing Project (2021-2025) in principle commitment	2,000	-
	2,575	-

As at 31 March 2021 the Group had $1.78 million contingent liabilities to support contracts entered into (2020: $12.78 million).

A breakdown of the contingent liabilities are as follows:

Beneficiary	Supporting	Amount $'000
Energy Clearing House Limited	OurPower Electricity Retailing	1,750
NZX Limited	Listing fees associated with the subordinated bond issue	30

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

Note 29. Commitments

At balance date the Trust has commitments to fund impact investment in the Impact Enterprise Fund to the value of $106,000 (2020: $144,000) and Purpose Capital Impact Fund $4,350,000 (2020: $4,750,000). There is no committed capital expenditure for the Group as at 31 March 2021 (2020: nil).

Note 29. Commitments (continued)

Operating lease commitments

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

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

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Not later than one year	209	1,791	43	31
Later than one year and not later than two years	179	1,690	43	-
Later than two years and not later than five years	389	3,955	32	-
Later than five years	2,124	9,477	-	-
Total non-cancellable operating leases	2,901	16,913	118	31

Note 30. Related party transactions

Trustees and Directors

The Trust has a policy of maintaining a conflict of interest register. Once a conflict of interest is registered by a trustee, the trustee will remove themselves from the decision making process relating to the associated entity. The following people have been trustees for the period to 30 June 2020: M Ingle, D Harding, R Hamill, K Williams, C Stephen, M Rolton and C Isaac with the following newly appointed trustees from 1 July 2020 to 31 March 2021 M West, G Booth, M Silverton, R Hamill (reappointed), J Johnston, A Chew and A Yamunanathan.

The Trust has delegated operational running of the subsidiaries to the Directors of WEL Networks Limited . The names of persons who were directors at any time during the financial year are as follows: R Campbell, T Barnes, P Connell, C Steele, B Harris, G Lawrie, K Goodall, C Kinser. Changes to the directors during the year ended 31 March 2021 was K Goodall retiring on 30 September 2020 following the UFFH sale.

Transactions with key management personnel

There is one key management personnel in the Trust, alongside 7 trustees for the year ended 31 March 2021 (31 March 2020: 7 trustees). The key management compensation is set out in the table below.

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

Compensation paid to UFF Holdings Limited key management personnel is included up to 30 September 2020 (refer note 8). There have been no changes to key management personnel during the 12 months to 31 March 2021.

	2021 $'000	2020 $'000
Annual Trustee Remuneration:		
Chairperson	43	43
Deputy Chairperson	36	36
Trustees	29	29

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Note 30. Related party transactions (continued)

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Trustees:				
Short term benefits	235	222	235	222
Directors:				
Short term benefits	626	636	-	-
Executives:				
Short term benefits	4,026	5,370	178	156
Post employment benefits	5	5	5	5
Termination benefits	-	50	-	-
	4,892	6,283	418	383

Related party transactions with WEL Networks Limited

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Interest on convertible note	-	-	565	1,878
Repayment of convertible note	-	-	13,000	10,000

Total dividends paid by WEL Networks Limited during the year were $6,000,000 net (2020: $4,000,000 net). The amount of dividends per share was $0.7359 (2020: $0.4906). There were no outstanding balances between WEL Networks Limited and the Trust at year end (2020: nil).

Note 30. Related party transactions (continued)

Related party transactions with Waipa Networks Limited

	Consolidated		Trust	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**
Transactions to 30 September 2020:				
Current year interest expense	1,746	3,878	-	-
Consulting	148	228	-	-
Pole make ready and lease costs	-	30	-	-
Contract services	261	160	-	-
Balances:				
Total loan from related party	-	90,810	-	-

With the completion of the sale of UFF Holdings Limited on 30 September 2020 the loan balance for Waipa Networks Limited has been fully repaid.

Related party transactions with Smartco Limited

	Consolidated		Trust	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**
Transactions:				
Other income	39	812	-	-
Operating expenses (contract services expenditure)	(479)	(518)	-	-
Purchases of plant and equipment	(192)	(233)	-	-
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.

Related party transactions with Ultrafast Fibre Limited

	Consolidated		Trust	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**
Transactions from 1 October 2020 to 31 March 2021:				
Pole rental revenue	85	-	-	-
Contract services	192	-	-	-
Operating expenses	(290)	-	-	-
Balances:				
Redeemable Convertible Preference shares	194,534	-	-	-

On 30 September 2020, WEL Networks Limited sold their 85% shareholding in UFF Holdings Limited, the holdings company for Hamilton based fibre business Ultrafast Fibre Limited (UFF). See note 8 for further information.

Note 31. Business combinations

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

Infratec specialises in large solar PV and battery solutions and has a track record of providing innovative energy solutions in the Pacific and New Zealand regions.

The operations purchased will enable extensive services around project and commercial management to deliver energy projects and allow synergies between WEL Networks Limited and Infratec New Zealand Limited on future energy projects.

Details of the acquisition are as follows:

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

The goodwill is made up of intangible assets and synergies that do not meet the criteria for separate recognition. The acquisition accounting is provisional as at 31 March 2021.

Amounts of revenue and profit and loss included from the operations of Infratec New Zealand Limited for the 4 months since acquiring the assets are included in the consolidated statement of comprehensive revenue and expense:

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

Note 32. Interests in subsidiaries

Trust	2021 $'000	2020 $'000
Shares in WEL Networks Limited at cost	85,797	85,797
Convertible notes - current	16,000	13,000
Convertible notes - non current	-	16,000
	101,797	114,797

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

On 30 April 2020, $13 million of the convertible notes were redeemed and repaid with the remaining $16 million of the Notes to be redeemed on 30 April 2021.

Shares in WEL Networks Limited
WEL Energy Trust Limited owns 8,153,000 shares (100%) (2020: 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 2021 %	Ownership interest 2020 %
UFF Holdings Limited (UFFH)	New Zealand	Construction of fibre network	-	85%
Ultrafast Fibre Limited (UFF)*	New Zealand	Construction of fibre network	-	85%
OurPower Holdings Limited	New Zealand	Energy and utility	100%	100%
OurPower Retail Limited **	New Zealand	Energy and utility	100%	100%
OurPower Limited**	New Zealand	Energy and utility	100%	100%
Smartco Limited (joint venture)	New Zealand	Energy and utility	14%	14%
Infratec New Zealand Limited	New Zealand	Energy and utility	100%	-

* 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 30 September 2020, WEL Networks Limited sold their 85% shareholding in UFF Holdings Limited. See note 8 for further information.

WEL Networks Limited incorporated the Company Infratec New Zealand Limited, which then purchased the New Zealand net assets of Infratec Limited from Alpine Energy Limited on 3 December 2020. See note 31 for further information.

Note 33. Events after the reporting period

Subsequent to balance date the Group invested $80M in managed funds made up of cash, fixed interests and listed equities. The AMP Capital Investment Funds (Global Companies Fund & Ethical Leaders Funds) were reallocated subsequent to balance date, with investment allocated 65% to Vanguard Ethically Conscious Int Share Funds (40% Unhedged - 25% NZD Hedged) and 35% AMP Capital Global Companies Fund, with all funds withdrawn from the AMP Capital Ethical Leaders Fund. The Trust also approved 2nd year multi-year grants of $287,500 in May 2021 (yr 1 - $305,000 (FY2021).

On 30 April 2021, the balance of $16 million convertible notes were redeemed and repaid see note 32 for further information.

On 22 June 2021, a $14 million dividend was approved to be paid by WEL Networks Limited to the Trust. $9 million of this was paid as a discount to electricity consumers on 2 July 2021 and $5 million as a dividend to be paid to the Trust on 30 July 2021.

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

	Consolidated		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Surplus/(deficit) after tax	(918)	11,031	1,054	(660)
Depreciation and amortisation expense	26,725	25,740	14	8
Loss on sale of property, plant and equipment	5,895	3,527	-	-
Deferred tax asset	(1,789)	733	-	358
Effective interest on loans advanced	(31)	26	(31)	26
Net investment reinvested	(1,785)	269	(1,785)	269
Impairment loss on financial and contract assets	28	2	28	2
Finance costs	25,154	21,704	-	-
Add/(less) movements in working capital items:				
(Increase)/Decrease in trade and other receivables	(72)	(412)	(19)	45
Increase/(Decrease) in trade and other payables	(1,757)	(438)	10	751
Increase/(Decrease) in income tax payable	1,366	(3,959)	519	(88)
(Increase)/Decrease in loan advanced	-	114	-	114
Net cash inflow/(outflow) from operating activities	52,816	58,337	(210)	825

Financials

Independent auditor's report

To the beneficiaries of WEL Energy Trust

Our opinion

In our opinion, the accompanying financial statements of WEL Energy Trust (the Trust), and the financial statements of the Group, comprising the Trust and its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Trust and the Group as at 31 March 2021, their financial performance and their cash flows for the year then ended in accordance with Public Benefit Entity Standards.

What we have audited

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

- the statements of financial position as at 31 March 2021;
- the statements of comprehensive revenue and expense for the year then ended;
- the statements of changes in net assets/equity for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

Other information

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

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

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

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misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Trustees for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
14 July 2021

Auckland


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Clear, Constructive Communication

We create understanding through open and informative engagement.

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