WEL ENERGY TRUST

annual report

For the year ended 31 March 2023

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contents

about WEL Energy Trust

Core Purpose

To ensure that WEL Networks Ltd operates as a successful business for the benefit of the community.

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

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

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

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

The WEL Group, the Trust and WEL Networks Ltd, aims to support a connected and resilient community. WEL Energy Trust continues to support WEL Networks Ltd in the diversification of investments into areas that will enhance the region's economic and social growth.

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

Vision

The Trust Vision is a thriving, connected and equitable Waikato. We continue to believe that this will be best achieved by backing those who are leaders in our community, by taking an intentional and research-based approach to impact, and by connecting, collaborating, and supporting collective efforts.

Values | Ngaa Uara

Te Tiriti o Waitangi
We aim to continue to strengthen the relationship and trust between iwi, hapuu, whaanau and our organisation.

Connected
We are actively working within the community and are connected to the people and partners to deliver positive outcomes together.

Purpose Driven
Our actions seek to deliver a clear and positive outcome.

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

This Annual Report outlines our progress during the 2022/23 financial year. We also invite you to read our Community Investment Strategy which is available on our website, www.welenergytrust.co.nz.

organisational directory

Trustees

(as at 31 March 2023)

An Election of Trustees was held in June 2023 and the next will be held in June 2026.

Mike West (Chair)

Geoff Booth

Alan Chew

Jan Johnston

Matt Silverton

Adrian Yamunanathan

Staff

Marcel Manders (Chief Executive Officer) – from August 2022

Shelley Halpin (Trust Administrator)

Vanessa Keith (Finance & Grants Administrator) - from March 2023

David Cowley (Grants Manager)

Sarah Lewis (Financial Officer) – until November 2022

Trust Sub-Committees

Finance, Audit and Risk (FAR)

Matt Silverton (Chair)

Michael West

Adrian Yamunanathan (until July 2022)

Investment Committee

Geoff Booth (Chair)

Michael West

Noah Schiltknecht (Independent Member)

Marcel Manders (Chief Executive Officer)

Grants Committee

Rotational after Quick Response rounds and as required

chair's report

Financial year 2023 was very much business as usual for the WEL Energy Trust as we went about delivering on our Annual Plan, which once again had been set keeping in mind our responsibilities and obligations under the Trust Deed.

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

Capital Beneficiaries

Our Trust's Capital Beneficiaries (Hamilton City Council, Waikato District Council and Waipa District Council) are well served by our ownership of WEL Networks Ltd (the Company). Our capable and forward-thinking Directors, supported by competent Company Executives, have seen the Company adapt well to the ever-changing electricity environment, making investments in electricity storage and generation assets that support the network. The combination of network growth, new investments, and the Trust's own portfolio of around $60M made up of term deposits, impact investments, community loans and equity market investments has seen the total assets of the Group grow to around $1.16B.

Income Beneficiaries

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

1. **The Discount**

   The Discount is an agreement between the Trust and the Company which sees by far the largest number of Beneficiaries receive financial support. It is derived from the regulated part of the Electricity Distribution Business, so not only can we be satisfied our consumers' interests are being protected by the regulators, but they are also being protected further by the discount. The amount set aside in FY23 for the Discount was $14.1M including GST. This was applied as a credit to the power accounts of all consumers connected to the WEL Network in April and May of this year.

2. **Grant Funding**

   We were pleased to fund our grants programme at a level of around $5.55M (including conditional grants). Once again grants were broken down into various categories, including Quick Response, Community Support, Vital Impact, Convening and Organisational Development, and the COVID-19 Collective Response Fund. Applications to these funds were evaluated under the guidance of our Community Investment Strategy.

Waikato Wellbeing Project

Trustees committed a total of $3M to this initiative to be spread over five years. The Waikato Wellbeing Project (WWP) is into its third year now and continues to progress well through its collective impact model. Over the past 12 months the WWP completed its research on Rangatahi wellbeing, published and widely shared its findings, further developed the Waikato Wellbeing Knowledge initiative with support from the Waikato Regional Council and Trust Waikato, and launched its video storytelling initiative Lots of Little Fires, capturing and sharing stories of wellbeing changemakers and leaders across the Waikato. A major new research project has also been launched to understand the root causes of hunger and food insecurity in the region. A full report on the achievement of the WWP and the region's progress towards its wellbeing targets was published in February 2023 and can be seen at the WWP website (www.waikatowellbeingproject.co.nz).

Company Performance

The Company delivered another year of strong financial performance with a net profit after tax of $10M, having also accounted for a discount which was paid in April 2023 totalling $14.1M (including GST). The discount went out to almost 99,000 customers with an average discount for residential customers of $136.39 (including GST). Additionally, the Trust received a $4.2M dividend from WEL which went towards delivery of the Trust's Annual Plan.

The last year saw significant weather events impact the region and the Company has responded to these, maintaining high levels of safety whilst returning power to those affected as efficiently and promptly as possible.

The Company continues to progress its strategic and sustainability goals and is working towards the Government's decarbonisation targets. Its long-term investment strategy is focussed on complementing the core electricity network and it plans to spend more than $1B over the next ten years to ensure it is well placed for ongoing growth in the region, and to cater for anticipated growth in the use of EVs and electrification.

OurPower

At the end of the financial year the Company made the decision to exit retailing and divest its retail platform OurPower. The decision was driven by the Company's initiatives to invest in solar generation and battery storage projects, as regulation in the electricity market precluded involvement in these along with retail. The cost of hedging had also become prohibitive and would have seen significant price increases to OurPower customers.

Summary

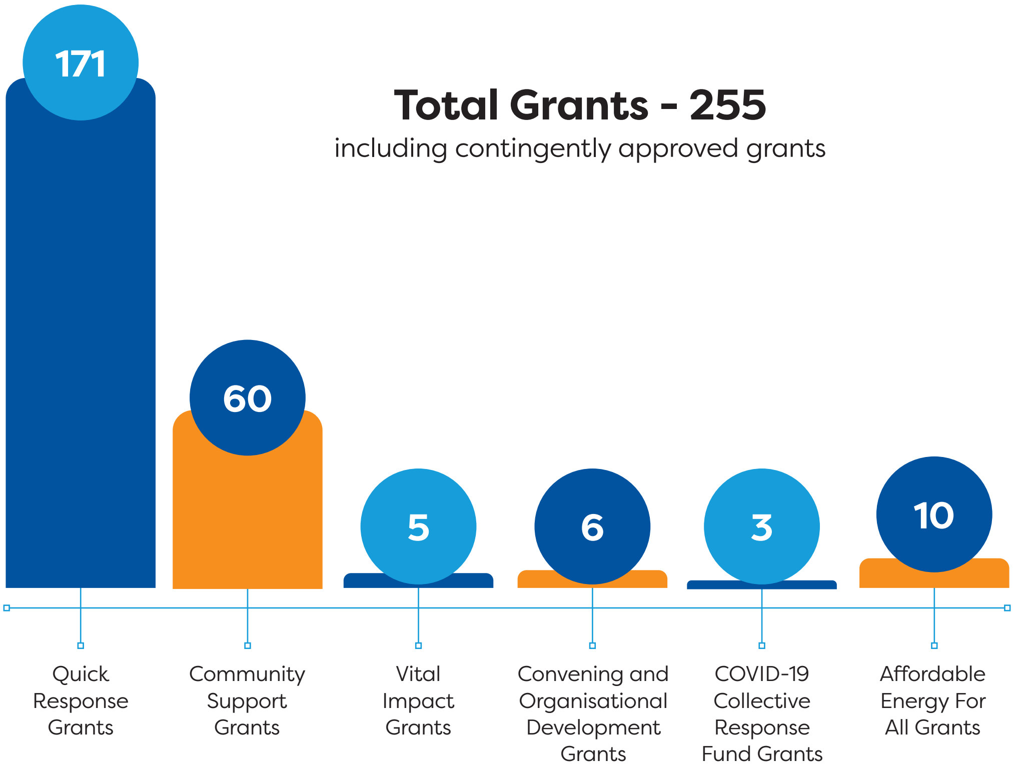
The Trust is confident that its approach to managing its affairs is robust and sustainable, and that we have considered multiple Stakeholders with an open mind when setting our policies. We look forward to seeing this approach provide the maximum benefit to the WEL Community.

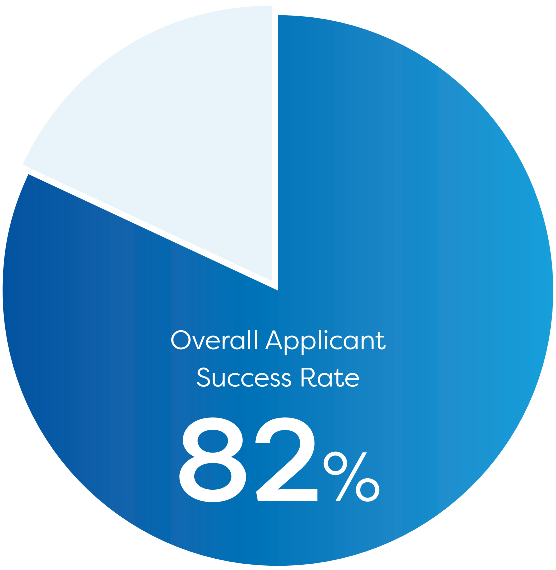
Michael West
Chair

our grants at a glance

Total Grants - 255

including contingently approved grants





Average Quick Response Grant

$7,350

Average Community Support Grant

$41,058

Total Grants Amount Allocated (including contingently approved grants)

$5,555,687

our aims

Ngaa Whainga

Thriving Community
Hapori Taurikura

Opportunities are supported that bring people together to participate in health and wellbeing, sports and recreation, arts and culture, and to celebrate the diversity of our community.

Healthy Environment
He Taiao Hauora

Our taiao is healthy through prioritising waste minimisation, environmental education and locally-led initiatives.

Equitable Outcomes
Ngaa Hua Matatika

Equitable Outcomes are enabled with a focus on tamariki, rangatahi, housing, and education.

Maaori Aspirations
Ngaa Wawata o te Maaori

Local Maaori culture and knowledge is understood, respected and valued as part of our kaupapa.

our pillars

Ngaa Pou

Te Tiriti o Waitangi

We embrace the principles of Te Tiriti o Waitangi through partnering with local iwi, hapuu, whaanau and maaori.

We are committed to honouring the principles of Te Tiriti o Waitangi to achieve the greatest outcomes for all, through meaningful engagement with tangata whenua.

Working Collaboratively

We work together with people and communities to achieve our Vision for the Waikato.

Equity & Equality

We work with others to enable a just and fair community where everyone can participate and prosper.

The Trust's Aims and Pillars guide our grantmaking.

community stories

Most of the information in our community stories has been provided through acquittal submissions and we thank the groups involved for allowing us to highlight their organisations.

Environmental Education for Resource Sustainability Trust

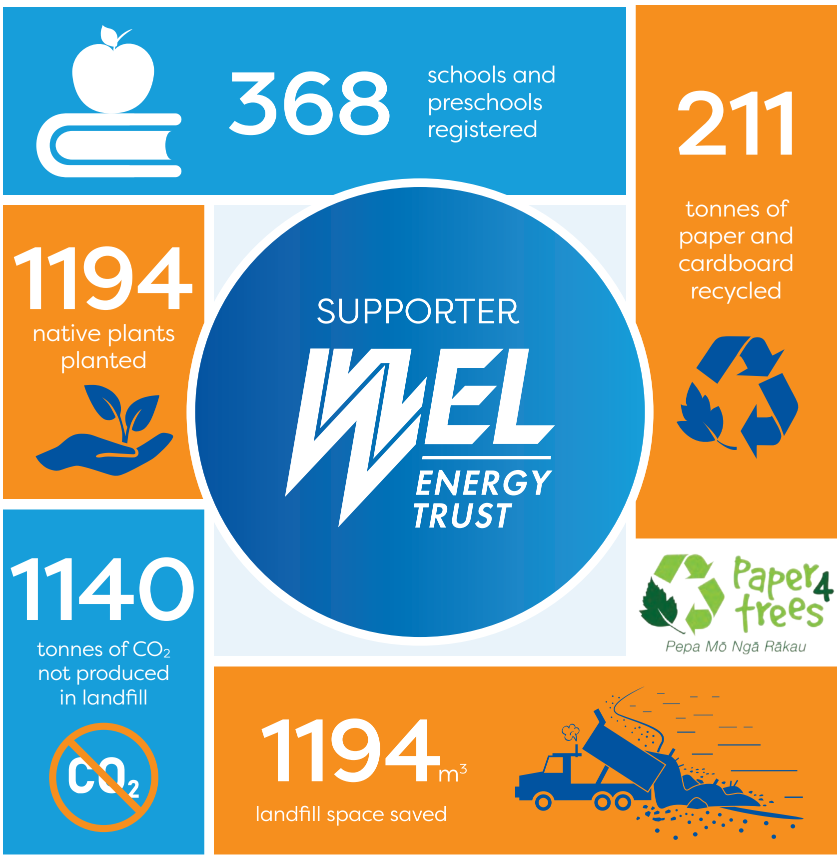
$5,000

Environmental Education for Resource Sustainability Trust used their grant to communicate with schools and preschools in Hamilton and the Waikato district to make sure their recycling infrastructure had been properly established, and in the cases where it was not, they supplied the appropriate classroom recycling bins.

They also used some of the funds to supply native plants to these schools and preschools as a reward for their waste minimisation efforts. Some of these schools set up bush areas and used the plants they earned to educate tamariki about sustainability, and about being kaitiaki of Papatūānuku.

A total of 368 schools and preschools participated in the Paper4trees Programme, recycling 211 tonnes of paper and cardboard, and preventing 1,140 tonnes of CO_2 produced from being emitted in landfill. A total of 368 plants were planted in the area and all participating schools now have a recycling bin in each classroom to support pupils to sort paper and cardboard from other materials.

Working with tamariki to infuse environmental and climate change reduction messages at an early age can have a ripple effect, contributing to a **Healthy Environment (He Taiao Hauora)**.



Hamilton Christmas Charitable Trust

$10,000

The grant to Hamilton Christmas Charitable Trust went towards traffic management costs to hold free Christmas events in 2022, particularly the Hamilton Christmas Parade which had an audience of approximately 25,000, and the Christmas tree in Garden Place which was lit up every night in December, as well as the first few days in January.

The events created some Christmas magic for young and old, bringing together people from many different cultures and backgrounds, and providing opportunities for whānau to enjoy some free entertainment during the festive season.

Large community events such as this make a solid contribution towards the Trust's aim of supporting a **Thriving Community (Hapori Taurikura).**

Surf Life Saving Northern Region Inc

$6,000

The grant to Surf Life Saving Northern Region (SLSNR) Inc was used to provide an extra week of safety to Raglan beachgoers for the 2022-23 season.

Not only did this give swimmers comfort when swimming between the flags that week, but lifeguards performed two rescues, which meant the two people involved were able to return home safely to their families, which might not have been the case had there been no patrol. Additionally, 70 preventative actions were carried out during that week to stop swimmers getting into danger, adding to the 22,700+ preventative actions undertaken throughout the season.

Thanks to SLSNR lifeguards, the community can safely engage in healthy and fun water activities between the flags, and enjoy the free playground that the beach at Raglan provides.

Support for SLSNR in conjunction with the Raglan Surf Life Saving Club contributes to a safe and **Thriving Community (Hapori Taurikura)** over the summer months.

Waikato Touch Association Inc

$4,000

Funding to Waikato Touch Association (WTA) was spent on resources for their Junior TAP OFF Programme, which removes financial barriers to participation, and allows kids of a range of abilities and ages to feel included and engaged.

The Programme has meant an increase in players, taking the number of junior teams to benefit from the opportunities to 20, which is a milestone for WTA.

WTA doesn't just look to develop players in the game of touch, they also teach important life skills, showing them how to be self-sufficient and disciplined, as well as what it means to be part of a team, thereby increasing physical and mental wellbeing.

Enabling access and encouraging children to participate contributes to a **Thriving Community** (Hapori Taurikura) and **Equitable Outcomes** (Ngaa Hua Matatika).

Te Ohu Whakaita Charitable Trust

$50,000

Te Ohu Whakaita Charitable Trust exists to promote Maaori culture and heritage to the wider Waikato region through events and activities that help to:

- emphasise the cultural significance of Matariki
- connect people to their heritage
- highlight the depth and richness of Maaori culture in the Waikato
- provide unique learning experiences

The Matariki ki Waikato four-week festival in 2022 included 100 events throughout the region, including Matariki in the City. This event gathered whaanau together in Kirikiriroa Hamilton to celebrate and learn about Matariki, providing traditional and contemporary maatauranga Maaori through entertainers, traditional arts and crafts, face painting, Maaori games and activities. The theme in 2022 centred around the star Matariki – this star signifies motherhood, health and wellbeing, reflection, hope, and our connection with the environment. Other events included Te Karanga o te Tau Hou (the official dawn ceremony to launch the Festival), Manu Tukutuku (Kite Day) and Matariki ki Waikato Market Day, to name just a few.

The endeavours of Te Ohu Whakaita Charitable Trust align with the Trust's aims towards **Maaori Aspirations (Ngaa Wawata o te Maaori)** and a **Thriving Community (Hapori Taurikura)**.

Perry Outdoor Education Trust

$30,000

POET's grant was invested in running programmes that help develop positive relationships with the environment and with others, and enhance inter-generational wellbeing. Their work has contributed to providing equitable access to quality outdoor education for students at low decile secondary schools.

POET provides experienced outdoor educators who work alongside teachers to build their school's capability to deliver outdoor education experiences for their students. Outdoor education is shown to improve mental health, physical fitness, and overall wellbeing, and by incorporating environmental education young people are also encouraged to become environmental stewards and adopt sustainable practices in their daily lives. POET's efforts have provided quality outdoor education that is inclusive, equitable, and accessible.

This work contributes to the Trust's aims towards a **Healthy Environment (He Taiao Hauora)** and **Equitable Outcomes (Ngaa Hua Matatika)**.

Re-Creators Charitable Trust

$7,500

The Re-Creators is a diverse and inclusive collective that works alongside community groups (such as GoEco, Shama Ethnic Women's Trust, HMS Trust, Refugee Orientation Centre) to provide workshops and programmes that teach skills around design thinking and upcycling.

They believe that creating with reclaimed materials, otherwise destined for the landfill, promotes positive mental wellbeing while protecting Papatūānuku.

Among other things, the collective offers:

- a safe place for kids to attend after school to help busy parents in low socioeconomic communities
- community building and positive mental wellbeing through creating
- innovative thinking through the reimagining of waste into value
- teaching and resources that will save money for families
- practical DIY skills
- everyday solutions to the global waste problem

Support for The Re-Creators contributes to a **Healthy Environment (He Taiao Hauora)**.

grants approved

Organisation Name	Funding Allocation
A Rocha Aotearoa New Zealand	$18,000
Air Training Corps Association of NZ - 7 Squadron Hamilton	$7,500
Alf's Imperial Fifth Waikato Dragoons Inc	$2,000
Aphasia New Zealand Charitable Trust	$5,000
Art-in-Nature Arboretum Trust	$20,000
Arts for Health Community Trust	$8,000
Arum Aikido Club	$2,000
Asthma & Respiratory Services (Waikato) Inc	$12,500
Balloons over Waikato Trust	$80,000
Bangladeshi Community of Waikato Inc	$2,000
Barnardos New Zealand	$6,000
Beerescourt Bowling Club Inc	$2,000
Beerescourt Tennis Club Inc	$3,000
Big Buddy Mentoring Trust	$10,000
Bowel Cancer New Zealand Inc	$4,000
Bridge Housing Charitable Trust	$80,000
Bridge Housing Charitable Trust	$80,000
ChildPlayWorks Charitable Trust	$4,000
Christians Against Poverty - Hamilton Central Baptist Church	$6,000

Organisation Name	Funding Allocation
Citizens Advice Bureau Hamilton Inc	$18,000
Claudelands Bowling Club Inc	$10,000
Community Link Trust	$10,000
Complex Chronic Illness Support Inc	$1,500
Creative Waikato Trust	$40,000
Creative Waikato Trust	$6,000
Cystic Fibrosis Association of New Zealand	$531
Deanwell Playcentre	$3,000
Desert Spring Ministries Trust	$32,500
Diversity Counselling New Zealand	$35,000
Dress for Success Hamilton Trust	$16,000
Dress for Success Hamilton Trust	$17,500
EarthDiverse Trust	$12,500
Eastlink Community Hub Inc	$12,000
EcoMatters Environment Trust	$60,000
EDUK8 Waikato Charitable Trust	$17,500
Efalata Trust	$6,000
Environmental Education for Resource Sustainability Trust	$5,000
Epilepsy Waikato Charitable Trust	$10,000
EquiPotential NZ Inc	$12,500
EVolocity Charitable Trust	$7,500
Families Autism and Behavioural Support Trust	$15,000
Frankton Rugby Sports Club Inc	$10,000
Friends of Hamilton Gardens Inc	$2,550
Friendship House (Huntly) Community Charitable Trust	$34,000
Galaxy Waikato Touch Club	$2,500
Glen Massey School	$4,500
Glenview Community Centre	$15,000
Glenview Community Centre	$4,000
Graeme Dingle Foundation Waikato	$47,500
Habitat for Humanity Central Region Ltd	$50,000
Hamilton Aquatics Inc	$3,500

Organisation Name	Funding Allocation
Hamilton Arts Trust	$15,000
Hamilton Arts Trust	$16,000
Hamilton Bengali Association Inc	$3,500
Hamilton Blues Society New Zealand Inc	$2,000
Hamilton Children and Families Trust	$5,000
Hamilton Chinese Golden Age Society Inc	$2,000
Hamilton Christian Nightshelter Trust	$45,000
Hamilton Christmas Charitable Trust	$10,000
Hamilton Citizens Band Inc	$5,000
Hamilton City Council	$200,000
Hamilton City Netball Centre	$10,000
Hamilton Combined Christian Foodbank Trust	$20,000
Hamilton Competitions Society Inc	$2,000
Hamilton Contract Bridge Club Inc	$4,000
Hamilton Disability Arts Festival Trust	$2,000
Hamilton Film Society	$2,000
Hamilton Gardens Summer Festival Foundation	$75,000
Hamilton Harrier Club Inc	$4,000
Hamilton In-line Hockey Club Inc	$30,000
Hamilton Kerala Samajam Inc	$2,000
Hamilton Kerala Samajam Inc	$2,000
Hamilton Multicultural Services Trust	$44,500
Hamilton Multicultural Services Trust	$15,000
Hamilton Multicultural Services Trust	$14,300
Hamilton Old Boys Cricket Club Inc	$6,000
Hamilton Old Boys Cricket Club Inc	$5,000
Hamilton Pride Inc	$2,000
Hamilton Rowing Club Inc	$5,670
Hamilton Science Awards Trust	$15,000
Hamilton South Community Centre Ass Inc	$40,000
Hamilton Suzuki Branch	$1,500
Hellmilton Roller Ghouls	$3,000
Hope Rising Farm Trust	$17,500
Hukanui Golf Club Inc	$4,000
Huntly Mining and Cultural Museum Society Inc	$17,500
Huntly War Memorial Hall	$13,500
Insight Endometriosis Charitable Trust	$3,000
Insight Endometriosis Charitable Trust	$15,000
Islamic Women's Council of New Zealand	$7,000

Organisation Name	Funding Allocation
Kaitiakitanga Charitable Trust	$30,000
K'aute Pasifika Trust	$84,000
K-CENTRE (Waikato Korean Cultural Centre Trust)	$6,000
Kids in Need Waikato	$10,000
Kimihia Lakes Community Charitable Trust	$12,000
Kirikiriroa & St. Peter's Scout Group	$5,000
Lets Get Together Huntly C/- Friendship House (Huntly) Community Charitable Trust	$7,500
Life Education Trust Hamilton	$10,000
Link House Birthright Waikato Trust	$40,000
Living Theatre Charitable Trust	$2,000
Loving Arms Charitable Trust	$6,000
Male Support Services Waikato	$6,000
Marching Waikato Assn Inc	$2,500
Marist Womens Hockey Club Inc	$2,624
Maungatautari Ecological Island Trust	$100,000
McKenzie Centre Trust	$15,000
Melville Association Football Club Inc	$7,500
Mental Health Solutions Ltd (Here to help u)	$15,000
Momentum Waikato Community Foundation	$40,000
MS Waikato Trust	$3,000
Nepal New Zealand Waikato Friendship Society Inc	$3,000
Neurogenesis Trust	$4,000
Neurotones Waikato Collective	$3,000
New Zealand Deerstalkers' Association (Waikato Branch) Inc	$5,000
Nga Tai Whakarongo Whanau Hoe Waka	$15,000
Ngaruawahia Bowling Club Inc	$15,000
Ngaruawahia Community House	$45,000
Ngaruawahia Community House	$20,000
Ngaruawahia Community Youth Holiday Programme	$12,000
North Beatbox Inc	$7,500
North Waikato Bluelight Ventures	$8,000
North Waikato Transport Trust	$20,000
Northern United Sports Club Inc	$6,000
Okarea Marae Trust	$18,000
Orange Sky New Zealand	$15,000
Orchestras Central Trust	$47,500

Organisation Name	Funding Allocation
Outward Bound Trust of New Zealand	$10,000
Pacific Rose Festival Trust	$3,500
Para Kore Marae Inc	$16,500
Parent to Parent NZ Inc	$10,000
People First New Zealand Inc	$3,500
Perry Outdoor Education Trust	$30,000
Pirongia Forest Park Lodge Inc	$10,000
Positive Change Programmes Charitable Trust	$3,000
Poutama Rites of Passage Trust	$15,000
Predator-Free Hamilton Trust	$5,000
Prison Care Ministries	$25,000
Pukete Neighbourhood Association Inc	$26,000
Raglan Community Arts Council Inc	$10,000
Raglan Community House Charitable Trust	$15,000
Raglan Community Radio Inc	$16,000
Raglan Surf Lifesaving Club Inc	$20,000
Rainbow Chinese Community Centre Charitable Trust	$10,000
Rainbow Hub Waikato	$25,000
Rauawaawa Kaumātua Charitable Trust	$40,000
Recreate NZ	$6,000
Re-Creators Charitable Trust	$7,500
Red Leap Theatre Charitable Trust Board	$2,000
Red Leap Theatre Charitable Trust Board	$1,500
Riverlea Theatre and Arts Centre Inc	$22,500
Road Safety Education Limited	$4,000
Rotongaro-Huntly Pony Club	$7,500
Royal New Zealand Plunket Trust	$7,000
Shama, Ethnic Women's Trust	$45,000
Shama, Ethnic Women's Trust	$5,000
Silver Fern MotorSport Charitable Trust	$12,500
Smart Waikato Trust	$30,000
Society of St Vincent De Paul - Hamilton	$65,000
South East Kirikiriroa Community Association Inc	$20,000
SPELD New Zealand Inc	$4,000
Spiralz Rhythmics of Hamilton Inc	$2,000
Sri Lanka Friendship Society Waikato Inc	$3,500
Sri Lanka Friendship Society Waikato Inc	$3,000
St Pauls Anglican Church Huntly	$7,500

Organisation Name	Funding Allocation
Suburbs Piako Hockey Club Inc	$4,000
Suburbs Piako Hockey Club Inc	$2,160
Surf Life Saving Northern Region Inc	$6,000
Swim Waikato Inc	$50,000
SWITCH Youth Charitable Trust	$2,420
Tainui Teachers Association	$12,000
Taki Rua Productions Society Inc	$3,000
Tamil Society Waikato Inc	$6,000
Tangata Tiriti - Treaty People Inc	$12,000
Taupiri Bowling Club Inc	$12,000
Te Awa River Ride Charitable Trust	$30,000
Te Kauwhata Health Awareness Society	$20,000
Te Kauwhata Volunteer Fire Brigade	$5,000
Te Kohao Health Ltd	$3,000
Te Ohu Whakaita Charitable Trust	$50,000
Te Papanui Enderley Community Trust	$52,000
Te Po ki te Ao Marama Tihei Mauriora	$6,000
Te Puna Oranga	$140,000
Te Rongopai Community Trust	$25,000
Te Tamawai Trust	$30,000
Te Whakaruruhau 2013 Inc	$40,000
Te Whakaruruhau 2013 Inc	$20,000
Te Whakaruruhau 2013 Inc	$47,500
Te Whanau Putahi Trust	$15,000
Te Whāngai Trust	$12,500
Te Whare o Te Ata Fairfield/Chartwell Community Centre Trust	$25,000
Te Whare Toi o Ngaruawahia - Twin Rivers Community Art Centre Inc	$37,500
The Akina Foundation	$40,000
The Community Waikato Trust	$40,000
The Hamilton Squash and Tennis Club Inc	$9,950
The Ngaruawahia United Association Football Club Inc	$6,000
The One Victoria Trust Board Inc	$45,000
The Parkinson's New Zealand Charitable Trust	$2,000
The Place Charitable Trust Board	$10,000
The Rauhi Project	$40,000
The Refugee Orientation Centre Trust	$25,000
The Serve	$15,000
The StarJam Charitable Trust	$6,000
The Te Kauwhata & Districts Information & Support Centre Inc	$27,500

Organisation Name	Funding Allocation
The Waikato Chapter of Barbershop Harmony New Zealand Inc	$1,500
The Waikato Hot Air Balloon Club Inc	$8,000
Toughlove Waikato Trust	$6,000
True Colours Children's Health Trust	$10,000
Turangawaewae Waka Sports Ltd	$7,500
Voices from the Spectrum Trust	$4,000
Volunteering Waikato	$27,500
Waerenga Recreational Centre	$2,500
Waikare Golf Club Te Kauwhata Inc	$5,000
Waikato Arab Social Club	$8,000
Waikato Badminton Association Inc	$5,000
Waikato Basketball Council Inc	$22,500
Waikato Combined Equestrian Group Inc	$7,500
Waikato Community Broadcasting Charitable Trust	$12,000
Waikato Environment Centre Trust	$24,482
Waikato Environment Centre Trust	$60,000
Waikato Ethnic Family Services Trust	$5,000
Waikato Family Centre Trust	$4,000
Waikato Hispano Latino Cultural Charitable Trust	$4,000
Waikato Housing Initiative	$200,000
Waikato Institute for Leisure and Sport Studies Trust Board	$10,000
Waikato Japanese Community Trust	$3,000
Waikato Paraplegic and Physically Disabled Association	$20,000
Waikato Punjabi Badminton Club Inc	$1,500
Waikato Refugee Forum	$20,000
Waikato Regional Council	$800,000
Waikato Regional Property Trust	$140,000
Waikato Rivertones Inc	$4,000
Waikato Rugby Football League Inc	$17,500
Waikato Screen	$4,000
Waikato Seeds for Change Charitable Trust	$17,500
Waikato Senior Indian Citizens Association Inc	$3,000
Waikato Shaheed-E-Azam Bhagat Singh Sports and Culture Trust	$6,000
Waikato Society of Arts Inc	$2,500
Waikato Somali Friendship Society Inc	$5,000
Waikato Tennis Trust	$2,500
Waikato Touch Association Inc	$4,000
Waimakariri Marae Trust	$17,500

Organisation Name	Funding Allocation
Waru Rua Rima Charitable Trust	$18,000
West Hamilton United Football Club	$10,000
Western Community Association Inc	$63,000
Western Community Association Inc	$60,000
Whāingaroa Environment Centre	$24,000
Whaingaroa Raglan Destination Management Organisation	$5,000
Xtreme Zero Waste Limited Liability Company	$50,000
Yasmina Community	$2,500
YMCA North Inc	$17,500
Young Women's Christian Association of Hamilton Inc	$15,000
Young Workers Resource Centre	$15,000
Youthtown Inc	$12,000
YSAR Trust	$10,000
Zeal Education Trust	$60,000

Total Grants Approved (including contingent liabilities) $5,555,687

Consumer Electricity Discount (including GST)..$14,073,612

requirements of the trust deed

Annual Plan

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

The Annual Plan for 2022-23 was approved at the Trust meeting held 22 March 2022 after a draft was issued for public consultation in late February 2022 (13 written submissions received).

The 2022-23 Annual Plan was underpinned by the 2022-25 Community Investment Strategy | He Rautaki Haumi mo te Hapori, which came into effect in June 2022 and 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

As well as Aims | Ngaa Whainga for:

- A Thriving Community
- A Healthy Environment
- Equitable Outcomes
- Maaori Aspirations

Action Areas

For 2022-23, the Annual Plan highlighted key questions and action areas for:

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

These were reported on bi-monthly at Trust meetings throughout the year. Areas 2 to 5 were tracked using the following key performance measures:

Investments and Finance

- Guided by the Trust's Statement of Investment Policies and Objectives (SIPO), generates a return on financial investment portfolio that matches or betters the market returns
- Investments (including concessionary and non-concessionary investments) are evaluated on a risk/return/impact basis and investments made in line with the Trust SIPO
- Impact measurement tools are used with all social/impact investments

Working with WEL Networks Ltd

- Electricity prices (taking account of any discount) in the region are monitored
- Company initiatives to deliver affordable, sustainable energy are monitored and supported
- Affordable Energy for All (AEFA) Support Programme implemented, and outputs and outcomes measured and reported

- The discount programme grows in-line with the increase in customer connections
- SDG 7 Waikato Wellbeing Project (WWP) activities supported
- OurPower continues to grow
- The Dividend/Discount Policy is continually monitored to ensure it is Fit For Purpose and providing the expected returns

Working with our Capital Beneficiaries

- Annual Report discloses the Trust's capital growth
- Annual Review of the Trust's investment in the Company
- Other, as required, analysis of the balance between Capital and Income Beneficiaries
- Capital Beneficiaries are engaged early in the annual planning process
- Capital Beneficiary councils are supported in their applications to Trust grants rounds
- Opportunities to invest to achieve shared goals are investigated
- Trustees and staff engage with Capital Beneficiary planning processes where appropriate

Effective Community Investments

- Five Quick Response grants rounds are held ($1.5M)
- Three Community Support grants rounds are held ($2M)
- Vital Impact Housing grants ($0.4M)
- COVID-19 Response Grants ($0.4M – as required only)
- Purpose and functions of the WWP supported
- Manu taki engaged across the WWP targets, collective impact models established with terms of reference and clear action plans
- Research and engagement across sectors supported, including with potential funders/investors
- Initiatives identified as being important to catalyse systems change supported
- AEFA partnerships supported and outcomes monitored
- The cost of electricity distribution is reduced by a discount
- The discount for the 31 March 2022 Financial Year will be returned to consumers April/May 2022

Annual Report

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

The 2021-22 Annual Report was adopted on 12 July 2022 and presented at the Annual General Meeting held 29 July 2022, where PricewaterhouseCoopers was appointed Auditors of the Trust for the year ended 31 March 2023.

Changes to the Trust Deed

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

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

The following change to the Trust Deed was approved in the reporting period:

At the meeting held 26 April 2022:

16.0 DUTIES OF TRUSTEES

- **Previous** clause 16.7:

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

- **Existing** clause 16.7:

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

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

Review of Investment

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

A summary of the key findings from the 2022 review is provided below.

Information Used and Matters Covered

The Company's Annual Report for the 12 months ended 31 March 2021 was received 30 May 2022 and a full review of the Trust's investment in WEL Networks Ltd was undertaken by KPMG, dated 31 August 2022. This review prepared by KPMG was comprehensive and the results/ findings are as follows:

- **Financial Performance**

- Despite a 4.5% decrease in revenue, earnings from continuing operations increased by $10.8M in FY22 to $15.3M. This is largely due to the reduced net interest expense in the current financial year, driven by a decrease in the bank facility from $125M in FY21 to $45M in FY22.

- **Financial Returns**

- Dividends and discounts in FY22 included a $5M dividend to the Trust, and a $9M consumer discount that was treated as a dividend. A further $12M discount was declared in FY22 and was paid in April 2022 (the first month of FY23).
- OurPower customers numbered around 2,800 residential customers and saved an average of $399 per customer per annum in FY22. OurPower revenue increased by 50% Year-Over-Year.

- **Financial Returns (Comparative)**

- For the period to FY21 WEL Networks Ltd has performed favourably (upper quartile) against peers when compared on the basis of Return on Investment (ROI) for its electricity lines business.

- **Financial Position**

- WEL Networks Ltd received the remaining $200M deferred consideration payment during the FY22 year.
- WEL Networks Ltd retains a strong financial position with cash and cash equivalents outweighing bank and bond borrowings. These bonds have a carry value of $148.9M and are expected to be repaid at maturity (August 2023). The Company is considering its long-term capital structure consistent with an investment grade credit rating.

- **Operating Performance for the Electricity Businesses Relative to Peers**

- WEL Networks Ltd's operating performance measures for 2021 have remained broadly consistent in terms of ranking with 2020.

- **Inflation and Interest Rates**

- WEL Networks Ltd's total assets include $211M of cash, $79M of investments and PPE of $740M.
- The value of PPE at the end of the FY22 year increased largely due to revaluation gains of $50.99M (as per the financial accounts). This was also the main contributor to other comprehensive income for the year, net of tax, equal to $50.68M.

- **Future Equity Fund**
  - The Company has forecast a $321M increase in capital expenditures to a total of more than $1B over the next 10-year period.
  - Investment into the existing network will support the electrification of the economy. This will be supported by investment in generation and storage assets which align with the Company's strategy to diversify into nonregulated businesses which enable this transition.
- **ESG and Sustainability**
  - WEL Networks Ltd is subject to the Climate Change Response (Zero Carbon) Act, which requires the Company to develop and implement a plan towards net zero emission goal.
  - The Company's strategy towards its goal of being 100% renewable by 2030 and net-zero emissions by 2050 includes improving support for EV charging and facilities to better utilise solar-generated power. Their vision statement is to create and support an innovative and sustainable energy future.
  - WEL Networks Ltd will also report climate risk under TCFD from 2024 onwards, and has engaged expert advice in assessing climate change risk relevant to WEL Networks Ltd. There has also been an 11.9% reduction in carbon emissions compared to the FY19 baseline.

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 2022 for FY23 to FY27 was received by the Trust on 21 March 2022 and a Letter of Expectation sent to WEL Networks Ltd on 13 September 2022 for the 2023/24 Financial Year.

access to information by beneficiaries

Giving information to Beneficiaries

The Trust must comply with the Trusts Act 2019 (please refer to Sections 49 to 55).

The Trust received six requests for information during the 2022/23 year.

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 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.

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 2023 are as follows:

Trust 2022 Actual $000		Trust 2023 Actual $000	Trust 2023 Budget $000
	Income		
200	Interest	401	290
5,000	Dividends	4,200	4,200
9,000	Dividends	-	-
3,969	Investment Portfolio Returns (net of fees) - Realised & Unrealised	(394)	2,004
(39)	Impact Investment Returns	(219)	-
18,130		3,988	6,494
	Operating Expenditure		
619	Management and Administration	588	622
102	Communications	102	117
296	Representation	293	355
-	Elections	-	-
88	WEL Network Shareholding	42	200
24	Special Projects	1	55
20	Distribution Expenses	20	26
-	Loss/(Gain) on loan revaluation and credit loss adjustments	202	(40)
1,149	**Total Operating Expenditure**	1,248	1,335
16,981	*Surplus/(Deficit) before Distributions*	2,740	5,159
4,710	Distributions - Community Grants (including grant returns)	5,504	5,570
9,000	Distribution - Discretionary Electricity Consumer Discount	-	-
3,271	**Adjusted Net Surplus/(Deficit) before Tax*	(2,764)	(411)
13	Taxation Paid (Receivable)	4	-
3,258	****Adjusted Net Surplus/(Deficit) after Tax***	**(2,768)**	**(411)**

(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 2023 are as follows:

Trust 2022 Actual $000		Trust 2023 Actual $000	Trust 2023 Budget $000
	CAPITAL FUND		
52,067	Vested Capital	52,067	52,067
52,067	**Total Capital Fund**	**52,067**	**52,067**
	INCOME FUND		
90,533	Opening Retained Surplus and Reserves	98,484	97,658
3,258	*Adjusted Net Surplus for the Period	(2,768)	(411)
93,791	**Total Income Fund**	**95,716**	**97,247**
145,858	**Total Equity**	**147,783**	**149,314**

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

statement of service performance

(Prepared in accordance with PBE FRS 48)

WEL Energy Trust's focus is on delivering three key outcomes, as defined in the Trust Deed, to Stakeholders and the Community

1. Management of its Investment in WEL Networks Ltd				
		2023	**2022**	
To ensure the Company operates as a successful business	**Revenue Growth** - Revenue actual FY23 vs previous FY22	$146.2M	122.2M	**ACHIEVED**
	Positive Profitability - EBITDA actual	$40.4M	$41.9m	**ACHIEVED**
	Positive Shareholder Return – Return on Investment (The ratio is calculated by dividing the Profit after income tax expense for the year by Total equity from WEL Networks Limited's 2023 financial statements)	1.26%	1.94%	**ACHIEVED**
	Positive Shareholder Return – Return on Invested Capital (The ratio is calculated by dividing net operating profit after tax* by average invested capital** from WEL Networks Limited's 2023 financial statements *Net operating profit after tax is calculated as EBITDA minus Investment income, minus Depreciation and amortisation expense, minus Finance expense on leases, plus Finance interest on leases, minus the impact of tax at 28%. **Average invested capital is calculated as the average of Total equity, plus borrowings, minus cash and cash equivalents, minus financial assets at fair value through other comprehensive income, less term deposits, for the current and previous financial year.)	1.47%	2.01%	**ACHIEVED**
Consistent Network Reliability	**Normalised System Average Interruption Duration Index (SAIDI)** - Actuals to be within 10% of previous year (WEL calculates SAIDI in accordance with Electricity Distribution Information Disclosure Determination 2012 (Consolidated 6 July 2023) which is required for all EDBs)	Actual 156.2 mins	Actual 159.0 mins	**ACHIEVED**

2. Provided Sustainable Financial Investment Portfolio

Trust Financial Investment Portfolio (exclusive to the WEL Networks ownership)	Investment Return % vs. Trust Statement of Investment Policy Objectives target 4.5% (The ratio is calculated by dividing the Trust's total finance income and change in fair value of equity investments at fair value through other comprehensive income excluding WEL Network investment income by the Trust's total assets excluding investment in WEL Networks)	Actual return 0.13%	Actual Return 5.64%	**NOT ACHIEVED**

3. Invest Surplus Funds into the Community

Payment of Company Discounts	Electricity discounts provided to all households connected to the WEL Networks distribution network	$12m in discounts issued to ICPs	$14m in discounts issued to ICPs	**ACHIEVED**
Payment of Community Grants	**85% of Annual Plan funding distributed via grants:**			
		Budget vs Actual		
	Community Support	$2,000,000 vs $2,463,500	$2,500,000 vs $2,505,500	**ACHIEVED**
	Quick Response	$1,500,000 vs $1,256,905	$1,000,000 vs $983,567	
	Convening and Organisational Development	$250,000 vs $61,300	$300,000 vs $166,500	
	COVID Response	$400,000 vs $86,000	$500,000 vs $111,900	
	Affordable Energy for All	$520,000 vs $487,983	$500,000 vs $460,100	
	Vital Impact	$900,000 vs $1,200,000	$1,300,000 vs $500,000	

advisors

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

financial statements for the year ended 31 March 2023

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

Rachel Afeaki
Chair

18 July 2023

Natasha Harvey
FAR Chair/Trustee

18 July 2023

financial statements
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Statements of Comprehensive Revenue and Expense

For the year ended 31 March 2023

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Revenue	4	146,264	122,206	4,200	14,000
Expenses					
Expenses, excluding finance costs	5	(132,927)	(115,136)	(1,542)	(9,676)
Grants		(5,504)	(4,710)	(5,504)	(4,710)
Finance income/(costs)	6	(206)	1,577	1,076	1,393
Other gains/(losses)		(277)	2,492	-	-
Surplus/(deficit) before income tax expense		7,350	6,429	(1,770)	1,007
Income tax expense	7	(3,316)	(4,103)	(4)	(13)
Surplus/(deficit) after income tax expense for the year	25	4,034	2,326	(1,774)	994
Other comprehensive revenue and expense					
Items that will not be reclassified subsequently to revenue and expenses					
Gain on the revaluation of land and buildings, net of tax		(1,615)	1,442	-	-
Gain on the revaluation of electricity distribution network, net of tax		-	50,993	-	-
Change in the fair value of equity investments at fair value through other comprehensive income		(5,659)	(10,666)	(994)	(9,079)
Realised gain/(loss) on the disposal of financial instruments		-	11,343	-	11,343
Items that may be reclassified subsequently to revenue and expenses					
Cash flow hedges (net of tax)		225	(165)	-	-
Other comprehensive revenue and expense for the year, net of tax		(7,049)	52,947	(994)	2,264
Total comprehensive revenue and expense for the year		(3,015)	55,273	(2,768)	3,258

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 2023

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Assets					
Current assets					
Cash and cash equivalents	8	63,226	213,641	3,863	2,146
Trade and other receivables	9	19,117	14,625	369	83
Contract assets	10	657	147	-	-
Financial assets at fair value through other comprehensive revenue and expense	11	76,945	-	-	-
Derivative financial instruments	21	662	1,720	-	-
Income tax receivable		941	1,319	5	-
Loans advanced	14	150	159	150	159
Term deposits		87,405	10,800	4,000	10,800
Net investment in lease	15	591	571	-	-
Total current assets		249,694	242,982	8,387	13,188
Non-current assets					
Financial assets at fair value through other comprehensive revenue and expenses	11	51,034	130,044	51,034	50,733
Investments in subsidiary	30	-	-	85,797	85,797
Derivative financial instruments	21	745	1,420	-	-
Property, plant and equipment	12	810,101	740,134	11	14
Intangibles	13	25,393	20,741	-	-
Loans advanced	14	3,079	924	3,079	924
Net investment in lease	15	26,295	26,886	-	-
Total non-current assets		916,647	920,149	139,921	137,468
Total assets		1,166,341	1,163,131	148,308	150,656
Liabilities					
Current liabilities					
Trade and other payables	16	21,781	16,162	506	78
Current borrowings		148,838	-	-	-
Derivative financial instruments	21	-	229	-	-
Current employee benefit obligations and provisions	18	4,091	3,538	19	27
Customer discount payable		12,275	12,000	-	-
Deferred income	19	9,757	11,171	-	-
Total current liabilities		196,742	43,100	525	105
Non-current liabilities					
Borrowings	17	-	148,856	-	-
Derivative financial instruments	21	932	226	-	-
Deferred tax liabilities	22	110,540	109,660	-	-
Non-current employee benefit obligations	20	-	118	-	-
Deferred income	19	798	827	-	-
Total non-current liabilities		112,270	259,687	-	-
Total liabilities		309,012	302,787	525	105
Net assets		857,329	860,344	147,783	150,551

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

Statements of Financial Position

As at 31 March 2023

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Equity					
Contributed equity	23	52,067	52,067	52,067	52,067
Reserves	24	144,580	156,527	(2,292)	(1,298)
Retained surplus	25	660,682	651,750	98,008	99,782
Total equity		857,329	860,344	147,783	150,551

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Chair Trustee

18 July 2023

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 2023

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

Consolidated	Contributed equity $'000	Reserves $'000	Retained surplus $'000	Total equity $'000
Balance at 1 April 2022	52,067	156,527	651,750	860,344
Surplus after income tax expense for the year	-	-	4,034	4,034
Other comprehensive revenue and expense for the year, net of tax				
Movement in revaluation reserve from disposal of distribution network assets	-	(4,898)	4,898	-
Cash flow hedges (net of tax)	-	225	-	225
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	(5,659)	-	(5,659)
Asset revaluation reserve (net of tax)	-	(1,615)	-	(1,615)
Total comprehensive revenue and expense for the year	-	(11,947)	8,932	(3,015)
Balance at 31 March 2023	52,067	144,580	660,682	857,329

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 2023

Trust	Contributed equity $'000	Reserves $'000	Retained surplus $'000	Total equity $'000
Balance at 1 April 2021	52,067	7,781	87,445	147,293
Surplus after income tax expense for the year	-	-	994	994
Other comprehensive revenue and expense for the year, net of tax				
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expenses	-	(9,079)	-	(9,079)
Realised gain/(loss) on disposal of financial assets at fair value through other comprehensive revenue and expense	-	-	11,343	11,343
Total comprehensive revenue and expense for the year	-	(9,079)	12,337	3,258
Balance at 31 March 2022	52,067	(1,298)	99,782	150,551

Trust	Contributed equity $'000	Reserves $'000	Retained surplus $'000	Total equity $'000
Balance at 1 April 2022	52,067	(1,298)	99,782	150,551
Deficit after income tax expense for the year	-	-	(1,774)	(1,774)
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	-	(994)	-	(994)
Total comprehensive revenue and expense for the year	-	(994)	(1,774)	(2,768)
Balance at 31 March 2023	52,067	(2,292)	98,008	147,783

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 2023

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Cash flows from operating activities					
Receipts from customers		138,912	137,343	-	-
Payments to suppliers and employees		(98,724)	(72,389)	(1,018)	(1,151)
Dividends received		-	-	4,200	5,000
Interest received		326	250	326	141
Grants paid		(5,178)	(5,499)	(5,178)	(5,499)
Customer discount paid		-	(8,983)	-	-
Income taxes paid		(1,850)	(3,562)	-	(712)
Net cash from/(used in) operating activities	32	33,486	47,160	(1,670)	(2,221)
Cash flows from investing activities					
Payments for/proceeds from term deposits		(76,605)	3,381	6,800	3,381
Payments for financial assets at fair value through other comprehensive revenue and expenses		(1,113)	(137,784)	(1,113)	(57,784)
Payments for property, plant and equipment		(98,873)	(60,182)	(2)	(2)
Payments for intangibles		(7,463)	(4,037)	-	-
Interest received on finance lease		1,658	1,692	-	-
Payments received for finance lease		571	550	-	-
Proceeds from Redeemable Convertible Preference shares		-	200,000	-	-
Vendor tax losses received		2,288	2,046	-	-
Proceeds from disposal of financial assets at fair value through other comprehensive revenue and expenses		-	42,082	-	42,082
Proceeds from disposal of property, plant and equipment		480	337	-	-
Interest received		5,759	-	-	-
Loan principal payments received		202	197	202	197
Loans advanced		(2,500)	-	(2,500)	-
Convertible notes received		-	-	-	16,000
Net cash from/(used in) investing activities		(175,596)	48,282	3,387	3,874
Cash flows from financing activities					
Interest and other finance costs paid		(8,305)	(6,341)	-	-
Net cash used in financing activities		(8,305)	(6,341)	-	-
Net increase/(decrease) in cash and cash equivalents		(150,415)	89,101	1,717	1,653
Cash and cash equivalents at the beginning of the financial year		213,641	124,540	2,146	493
Cash and cash equivalents at the end of the financial year	8	63,226	213,641	3,863	2,146

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

Notes to the Financial Statements

31 March 2023

Note 1. Statement of accounting policies

Reporting entity
WEL Energy Trust, a Trust as defined in its Trust Deed, is the holding entity of WEL Networks Limited, a company incorporated in New Zealand under the Companies Act 1993. The Group consists of WEL Energy Trust (the 'Trust'), WEL Networks Limited (the 'Company' or 'WEL') and its subsidiaries (together the 'Group'). The Group comprises an electricity network business delivering energy to customers in the Waikato Region, a generation and retail business which generates and sells wholesale and retail electricity, and a project and commercial management business delivering innovative energy solutions. The WEL Energy Trust's principal objective is to ensure WEL Networks Limited operates as a successful business, as well as having regard to consumer interest in the regulation of the electricity industry and distributing and investing surplus revenue and expenses in accordance with its Trust Deed.

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

The financial statements of the Trust and Group are for the year ended 31 March 2023. The financial statements were authorised for issue by the Trustees on 18 July 2023.

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
PBE FRS 48 Service performance reporting is applicable to annual reporting periods beginning on or after 1 January 2022. This standard 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’. There have been no other 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 2023.

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 2023 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.

Note 2. Summary of significant accounting policies (continued)

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

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

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

Note 2. Summary of significant accounting policies (continued)

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

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

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

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

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

Infratec EPC (Engineering, Procurement and Construction) Revenue
Infratec New Zealand Limited designs and project manages the installation of solar panels as well as carrying out development and consultancy work related to solar projects. These EPC contracts are individually reviewed to determine the revenue recognition treatment. The revenue from the design and construction of a solar project is recognised over time as the asset does not have an alternative use to the entity and there is an enforceable right to payment for work completed to date. Based on the individual contract terms, either the inputs method or the outputs method is used for measuring progress towards completion of the performance obligation. For the inputs method, the revenue is recognised over time on a percentage of completion basis, which is based on costs incurred to date and total expected costs. For the outputs method, the revenue is recognised over time based on the contractual performance completed to date.

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

Contracting sales revenue
WEL completes contracting projects where the assets are owned by external customers. These contracts are individually reviewed to determine the revenue recognition treatment. The revenue from the construction and connection of an embedded network with a single performance obligation is recognised over time as the asset does not have an alternative use to the entity and there is an enforceable right to payment for work completed to date. The inputs method is used for measuring progress towards completion of the performance obligation, which is a percentage of completion based on costs incurred to date and total expected costs. Revenue is recognised over time in accordance with the percentage of completion.

Note 2. Summary of significant accounting policies (continued)

Other revenue
Other income includes revenue from OurPower Limited generation.

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.

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.

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

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

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

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

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

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

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

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

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

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.

Note 2. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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.

Note 2. Summary of significant accounting policies (continued)

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

Computer software
Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:
- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probably future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured, this includes direct labour costs and relevant overhead costs.

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

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

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

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

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

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

Financial assets at fair value through other comprehensive revenue and expense
Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant. These comprise the Group's individual equity investments in note 11. 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.

Note 2. Summary of significant accounting policies (continued)

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

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

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

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

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

Financial liabilities
Other financial liabilities at amortised cost

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

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

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

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

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.

Note 2. Summary of significant accounting policies (continued)

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

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

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings for the year, in this case nil (2022: nil).

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

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

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

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

Defined contribution plan
Obligations for contributions to KiwiSaver are accounted for as a defined contribution plan and are recognised as an expense in revenue and expense as incurred. The expense recognised in the current period in relation to these contributions was $1,003,000 (2022: $859,000).

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, 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.

Note 2. Summary of significant accounting policies (continued)

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

Derivatives
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- hedges of a particular risk associated assets or liability or a highly probably forecast transaction (cash flow hedge).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.
Movements in the hedging reserve in net assets/equity are shown in note 24. The full fair value of a hedging derivative is classified as a non-current asset or liability when the maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

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

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

The Group performs qualitative hedge effectiveness assessments for interest rate swaps to determine that the critical terms of the hedging instrument match exactly with the terms of the hedged item. Hedge ineffectiveness may occur due to:
- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan; and
- differences in the critical terms between the interest rate swaps and loans.

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

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.

Note 2. Summary of significant accounting policies (continued)

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

Equity
Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:
- Contributed equity
- Retained surplus
- Reserves

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

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

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

Hedging reserve - cash flow hedges
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.

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.

Notes to the Financial Statements

31 March 2023

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 2023 and have not been early adopted by the Group.

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 below:

Estimated fair value of land and buildings and electricity network

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 2023 by independent valuers, SGHU Valuations LP Registered Valuers using a market approach being a Level 3 valuation. Refer to note 12 for the key assumptions and inputs.

It is the Group's policy to revalue the Electricity Network at least every three years, or more frequently if there is evidence to suggest a significant change in fair value. As such the Group engaged Deloitte, an independent third party valuer, to perform the network valuation for the year ended 31 March 2022. For the purposes of assessing the fair value of the electricity network as at 31 March 2023, 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 12 for the key assumptions and inputs.

Impairment testing of goodwill

The Group is required to test goodwill and other non-amortising intangible assets at least annually for impairment. Determining the receivable amount for impairment testing purposes requires the use of judgement and estimation in relation to future forecast performance of the underlying cash generating unit. These are Level 3 valuations. Refer to note 13 for the key assumptions and inputs.

Fair value of Purpose Capital Impact Fund and Impact Investment Enterprise Fund

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

Note 4. Revenue

	Consolidated		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Rendering of services				
Electricity lines revenue	111,917	112,102	-	-
Discount	(12,238)	(12,000)	-	-
Net lines revenue	99,679	100,102	-	-
Electricity third party contributions	13,875	9,891	-	-
Contracting sales revenue	3,721	-	-	-
OurPower electricity retail revenue	5,467	5,007	-	-
Infratec EPC revenue	15,499	1,767	-	-
SmartCo metering revenue	1,730	1,672	-	-
	139,971	118,439	-	-
Other income				
Dividends	-	-	4,200	14,000
Other income	6,293	3,767	-	-
	6,293	3,767	4,200	14,000
Revenue	146,264	122,206	4,200	14,000

Note 5. Expenses, excluding finance costs

	Consolidated		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Transmission costs	28,423	26,641	-	-
Employee benefits	43,923	39,997	316	387
Capitalised labour	(17,446)	(14,812)	-	-
Materials and services	18,242	5,101	-	-
Contracting services	10,674	6,041	-	-
Consultancy	4,666	4,300	-	-
Electricity costs	3,446	4,514	-	-
Net loss on disposal of assets	2,843	3,451	-	-
Vehicle expenditure	1,680	1,276	-	-
Operating leases	727	509	44	44
Directors' and Trustees' fees	802	770	210	221
Bad debts written off	158	36	-	-
Change in provision for impaired receivables	(90)	4	-	-
Other expenses	8,286	6,683	781	736
Impairment loss	1,162	-	-	-
Depreciation and amortisation	25,330	22,349	5	6
Customer discount paid	-	9,000	-	9,000
Foreign exchange movement	101	(724)	186	(718)
	132,927	115,136	1,542	9,676

Note 5. Expenses, excluding finance costs (continued)

	Consolidated 2023 $'000	Consolidated 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Surplus/(deficit) before income tax includes the following specific expenses:				
Depreciation by asset class:				
Distribution network	16,672	14,505	-	-
Generation assets *	59	42	-	-
Plant and equipment	3,702	3,518	5	6
Motor vehicles	1,041	1,033	-	-
Computer hardware	658	612	-	-
Buildings	387	352	-	-
	22,519	20,062	5	6
Amortisation of intangible assets:				
Easements and consents	31	47	-	-
Computer software	2,018	1,385	-	-
Computer software - internally generated	505	470	-	-
Customer contracts	257	385	-	-
	2,811	2,287	-	-
Total depreciation and amortisation	25,330	22,349	5	6

* Generation assets is a new asset category in the current year. Refer to note 12 for further information.

Note 5. Expenses, excluding finance costs (continued)

	Consolidated		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Amounts paid or payable to the auditors of WEL Energy Trust and Group:				
Audit services - (PwC)				
Audit financial statements - current year	424	365	103	83
Half year review	79	72	-	-
	503	437	103	83
Assurance and audit related services* - PwC				
Assurance procedures on disclosure information - current year	63	57	-	-
Other services - PwC				
Regulatory advice	15	8	-	-
Training costs - PwC Academy Subscription Fees	2	4	-	-
	17	12	-	-
Total auditors remuneration	583	506	103	83

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.

Note 6. Finance income/(costs)

	Consolidated		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Surplus/(deficit) before income tax includes the following specific expenses:				
Finance income/(costs)				
Interest and finance charges paid/payable on borrowings	(8,837)	(7,120)	-	-
Financial assets income	675	1,193	675	1,193
Fair value of the Redeemable Convertible Preference shares	-	5,466	-	-
Fair value of vendor tax losses receivable	138	37	-	-
Interest income	6,160	309	401	200
Finance income on lease	1,658	1,692	-	-
Net finance income/(costs)	(206)	1,577	1,076	1,393

Note 7. Income tax expense/(credit)

	Consolidated 2023 $'000	Consolidated 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Income tax expense/(credit)				
Current tax	2,236	427	4	13
Deferred tax (note 22)	1,080	3,676	-	-
Aggregate income tax expense	3,316	4,103	4	13
Numerical reconciliation of income tax expense/(credit) and tax at the statutory rate				
Surplus/(deficit) before income tax expense	7,350	6,429	(1,770)	1,007
Tax at the statutory tax rate of 28% and 33%	1,739	1,165	(584)	333
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Non-taxable income	1,178	963	(208)	(3,651)
Foreign investment fund income	715	-	816	-
Non-deductible expenditure	2,487	5,255	2,476	5,257
Grants distributed	(2,103)	(1,442)	(2,103)	(1,442)
Prior period adjustment	(248)	(1,105)	-	-
Prior period deferred tax adjustment	(20)	956	-	-
Other deferred tax movements	-	335	-	-
Imputation credits utilised	(393)	(484)	(393)	(484)
RCP shares/vendor tax losses discount unwind	(39)	(1,540)	-	-
Income tax expense/(credit)	3,316	4,103	4	13

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

The tax losses incurred by the Trust are not recognised as a deferred tax asset in the statement of financial position as it is not probable that they will be utilised given the surplus of imputation credits received from WEL Networks Limited that are converted to losses. Tax losses that are unrecognised by the Trust total $4.3M (tax effect $1.5M) (31 March 2022: $3.6M (tax effect $1.2M)).

The Trust's income tax rate is 33% and its subsidiaries are at the company tax rate of 28% (2022: 33% and 28%).

	Consolidated 2023 $'000	Consolidated 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Imputation credits				
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2022: 28%)	46,237	46,020	-	-

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. Cash and cash equivalents

	Consolidated		Trust	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank	60,020	213,641	763	2,146
Cash on deposit	3,100	-	3,100	-
Contract retention bank balances	106	-	-	-
	63,226	213,641	3,863	2,146

Note 9. Trade and other receivables

	Consolidated		Trust	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables	11,747	10,884	76	42
Amounts due from customers for contract work	4,793	143	-	-
Less: Allowance for expected credit losses	(521)	(611)	-	-
	16,019	10,416	76	42
Related party receivable	210	210	-	-
Prepayments	1,489	1,259	100	41
Other receivable	13	83	13	-
Other receivables - vendor tax losses due	-	2,150	-	-
Other receivables - distributions receivable	180	-	180	-
Goods and services tax	1,206	507	-	-
	3,098	4,209	293	41
Total net trade and other receivables	19,117	14,625	369	83

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 26.

Allowance for expected credit losses
As of 31 March 2023, trade receivables for the Group of $1.6M (2022: $1.1M) 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 gain of $90,000 (2022: loss of $4,000) in revenue and expenses in respect of the expected credit losses for the year ended 31 March 2023.

Note 9. Trade and other receivables (continued)

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

	Consolidated		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current	14,428	9,288	76	42
One to three months	414	138	-	-
Over three months	1,177	990	-	-
	16,019	10,416	76	42

	Consolidated		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Aging of expected credit losses				
Current 0.1%	18	45	-	-
One to three months 1.3%	5	8	-	-
Over three months 42.3%	498	558	-	-
	521	611	-	-

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

	Consolidated		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Opening balance	611	607	-	-
Increase in provision	(90)	4	-	-
	521	611	-	-

Note 10. Contract assets

	Consolidated		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Contract assets	657	147	-	-

Note 11. Financial assets at fair value through other comprehensive revenue and expenses

	Consolidated		Trust	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Current assets				
Paua Wealth Management Fund	38,859	-	-	-
Harbour Asset Management Fund	38,086	-	-	-
	76,945	-	-	-
Non-current assets				
Paua Wealth Management Fund	-	39,504	-	-
Harbour Asset Management Fund	-	39,807	-	-
Impact Investment Enterprise Fund	253	243	253	243
Purpose Capital Impact Fund	1,921	1,052	1,921	1,052
Vanguard (NZD Hedged)	11,724	12,894	11,724	12,894
Vanguard (Unhedged)	37,136	36,544	37,136	36,544
	51,034	130,044	51,034	50,733
	127,979	130,044	51,034	50,733

Impact investment enterprise fund includes a $5,000 uncalled commitment (2022: $18,000) relating to the partnership units acquired in the Impact Investment Enterprise Fund. The Purpose Capital Impact Fund includes a $2,650,000 uncalled commitment (2022: $3,750,000).

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

Note 12. Property, plant and equipment

	Electricity network $'000	Generation assets $'000	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Computer hardware $'000	Non-network and non-generation assets under construction $'000	Total $'000
Consolidated 2022								
Opening net book amount 1 April 2021	570,695	-	18,928	29,972	4,709	741	3,328	628,373
Correction of error – transferred to intangibles *	3,099	-	-	-	-	-	-	3,099
Transfers to Generation assets **	-	2,272	-	(2,250)	-	-	(22)	-
Restated opening net book amount 1 April 2021	573,794	2,272	18,928	27,722	4,709	741	3,306	631,472
Additions	48,747	3,694	4	2,230	1,208	277	3,489	59,649
Revaluation	70,631	-	1,699	-	-	-	-	72,330
Transfers	138	-	393	1,474	24	546	(2,575)	-
Disposals	(3,103)	-	-	(10)	(141)	(1)	-	(3,255)
Depreciation charge	(14,505)	(42)	(352)	(3,518)	(1,033)	(612)	-	(20,062)
Closing net book amount 31 March 2022	675,702	5,924	20,672	27,898	4,767	951	4,220	740,134
Cost/valuation	686,571	6,461	22,631	58,824	10,488	4,563	4,220	793,758
Accumulated depreciation	(10,869)	(537)	(1,959)	(30,926)	(5,721)	(3,612)	-	(53,624)
Closing net book amount 31 March 2022	675,702	5,924	20,672	27,898	4,767	951	4,220	740,134

* In 2021, $28.4M was derecognised from the electricity network in property, plant and equipment relating to assets now subject to a finance lease (as a lessor), refer to note 15. In 2022, $3.1M of this was subsequently identified as relating to an easement recorded as an intangible asset. The property, plant, and equipment, and intangibles (note 13) opening net book amount as at 1 April 2021 have been restated to correct this error.

** Due to the significant increase in solar and battery related assets in the Group, a new asset category for generation assets has been added for the year ended 31 March 2023 with opening balances as at 1 April 2021 restated. Generation assets have been reclassified from the Plant and equipment, and Non-network and non-generation assets under construction categories to the Generation Assets category.

Note 12. Property, plant and equipment

	Electricity network $'000	Generation assets $'000	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Computer hardware $'000	Non-network and non-generation assets under construction $'000	Total $'000
Consolidated 2023								
Restated opening net book amount as at 1 April 2022 **	675,702	5,924	20,672	27,898	4,767	951	4,220	740,134
Additions	67,163	16,650	1,528	6,135	2,121	894	3,098	97,589
Revaluation	-	-	(1,903)	-	-	-	-	(1,903)
Transfer	106	-	178	866	506	576	(2,232)	-
Disposals	(3,118)	-	-	(6)	(74)	(2)	-	(3,200)
Depreciation charge	(16,672)	(59)	(387)	(3,702)	(1,041)	(658)	-	(22,519)
Closing net book amount 31 March 2023	723,181	22,515	20,088	31,191	6,279	1,761	5,086	810,101
Cost/valuation	748,130	23,111	22,434	65,816	12,887	5,971	5,086	883,435
Accumulated depreciation	(24,949)	(596)	(2,346)	(34,625)	(6,608)	(4,210)	-	(73,334)
Closing net book amount 31 March 2023	723,181	22,515	20,088	31,191	6,279	1,761	5,086	810,101

** Due to the significant increase in solar and battery related assets in the Group, a new asset category for generation assets has been added for the year ended 31 March 2023 with opening balances as at 1 April 2021 restated. Generation assets have been reclassified from the Plant and equipment, and Non-network and non-generation assets under construction categories to the Generation Assets category.

The net book value of the Electricity network includes $45.1M of work in progress as at 31 March 2023 (2022: $31.2M).
The net book value of the Generation assets includes $20.4M of work in progress at 31 March 2023 (2022: $3.7M).

Note 12. Property, plant and equipment (continued)

	Plant and equipment $'000	Total $'000
Trust 2022		
Opening net book amounts 1 April 2021	18	18
Additions	2	2
Depreciation charge	(6)	(6)
Closing net book amount 31 March 2022	14	14
Cost/valuation	50	50
Accumulated depreciation	(36)	(36)
Closing net book amount 31 March 2022	14	14
Trust 2023		
Opening net book amount 1 April 2022	14	14
Additions	2	2
Depreciation charge	(5)	(5)
Closing net book amount 31 March 2023	11	11
Cost/valuation	52	52
Accumulated depreciation	(41)	(41)
Closing net book amount 31 March 2023	11	11

Land and buildings revaluations and impairment review

Key inputs include market rent at $990,000 (2022: $920,000) and a capitalisation rate of between 5.25% and 5.75% (2022: 4.38% and 4.88%), resulting in a valuation range of $17.2M to $18.9M (2022: $18.9M to $21.0M). The mid-point of $18.0M has been used to revalue the Maui St land and buildings as at 31 March 2023 (2022: $19.9M).

Network revaluations and impairment review

The updated key inputs have resulted in a valuation range for the Electricity Network of $688.1M to $752.3M, with a mid-point of $719.5M (based on sensitivity to WACC low/high estimates). The Directors consider that the current carrying value of the network fixed assets of $723.2M can be retained, as the carrying value materially reflects estimated fair value (31 March 2022 carrying value: $675.7M).

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

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

Note 12. Property, plant and equipment (continued)

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

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

2023	Mid-point for valuation	Sensitivity Range	Valuation Impact of Sensitivity Range from Mid-point
Electricity Network:			
WACC (Weighted Average Cost of Capital)	6.4%	5.9% - 6.9%	+ $33M / - $31M
RAB (Regulatory Asset Base) Multiple for Terminal Value (TV)	1.00x	0.98x - 1.02x	+/- $11.3M

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

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

2023	Land and buildings $'000	Electricity network $'000
Cost	11,027	753,933
Accumulated depreciation	(2,458)	(221,976)
Net book amount as at 31 March 2023	8,569	531,957

Note 13. 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 2021	8,303	2,602	2,007	3,059	5,370	107	642	22,090
Correction of error – transferred from property, plant and equipment *	-	-	-	-	(3,099)	-	-	(3,099)
Restated opening net book amount 1 April 2021	8,303	2,602	2,007	3,059	2,271	107	642	18,991
Additions	-	3,165	5	918	32	-	-	4,120
Disposals	-	-	-	(83)	-	-	-	(83)
Transfers	-	(1,967)	-	1,807	160	-	-	-
Amortisation charges	-	-	(470)	(1,385)	(47)	-	(385)	(2,287)
Closing net book amount 31 March 2022	8,303	3,800	1,542	4,316	2,416	107	257	20,741
Cost	8,303	3,800	4,106	20,398	4,982	107	770	42,466
Accumulated amortisation and impairment	-	-	(2,564)	(16,082)	(2,566)	-	(513)	(21,725)
Closing net book amount 31 March 2022	8,303	3,800	1,542	4,316	2,416	107	257	20,741

* Intangibles opening net book amount as at 1 April 2021 has been restated to correct an error, refer to note 12 for further information.

Note 13. Intangibles (continued)

	Goodwill $'000	Assets under construction $'000	Computer software - internally generated $'000	Computer software $'000	Easements and consents $'000	Leasehold interest $'000	Customer contracts $'000	Total $'000
Opening net book amount 1 April 2022	8,303	3,800	1,542	4,316	2,416	107	257	20,741
Additions	-	8,090	140	363	32	-	-	8,625
Transfers	-	(1,702)	75	1,378	249	-	-	-
Amortisation charges	-	-	(505)	(2,018)	(31)	-	(257)	(2,811)
Impairment loss	-	-	(1,162)	-	-	-	-	(1,162)
Closing net book amount 31 March 2023	8,303	10,188	90	4,039	2,666	107	-	25,393
Cost	8,303	10,188	874	22,094	5,263	107	770	47,599
Accumulated amortisation and impairment	-	-	(783)	(18,056)	(2,597)	-	(770)	(22,206)
Closing net book amount 31 March 2023	8,303	10,188	91	4,038	2,666	107	-	25,393

The impairment loss of $1.2M relates to a software platform which will be decommissioned during the next financial year and therefore an impairment has been recognised.

Note 13. Intangibles (continued)

	Computer software $'000	Total $'000
Trust 2022		
Opening net book amount 1 April 2021	1	1
Amortisation charge	(1)	(1)
Closing net book amount 31 March 2022	-	-
Cost	53	53
Accumulated amortisation and impairment	(53)	(53)
Closing net book amount 31 March 2022	-	-
Trust 2023		
Opening net book amount 1 April 2022	-	-
Closing net book amount 31 March 2023	-	-
Cost	8	8
Accumulated amortisation and impairment	(8)	(8)
Closing net book amount 31 March 2023	-	-

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

The carrying value of goodwill of $3.1 million relates to Infratec New Zealand Limited as a single cash generating unit. The recoverable amount was determined using a 5 year discounted cashflow value in use model with key inputs including a discount rate of 19.9% pre-tax (12.7% post-tax) (2022: 17.4% pre-tax and 11.4% post-tax) and a terminal growth rate of -2% (2022: -2%) (accounting for potential competition and the eventual decline in demand new solar and battery installations). The cash flows are based on the current three-year management forecast (FY24 to FY26), with the following two years increasing at 2%, followed by a terminal value (2022: based on the current three-year management forecast, with the following two years increasing at 2%, followed by a terminal value). The most sensitive components of the cash flows driving the valuation are the assumptions in the terminal value. These include annual revenue of $67.8M (2022: $81.0M), gross margin at 11.4% (2022: 10.0%), and fixed costs of $5.1M p.a (2022: $5.1M p.a). This results in approximately $1.6M (2022: $1.7M) of pre-tax annual cash flows (before discounting) in the terminal value calculation.

The carrying amount of the CGU is $3.8M (2022: $4.6M), and the midpoint of the recoverable amount is $6.4M (2022: $6.7M).

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

2023	**From**	**To**
Gross Revenue Terminal Value	$67.8M	$59.7M
Gross Margin Terminal Value	11.4%	10.0%
Fixed Costs Terminal Value	$5.1M	$6.0M
WACC (pre-tax)	19.9%	31.8%

Note 13. Intangibles (continued)

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

The Trustees have completed an impairment assessment as at 31 March 2023 and noted that the recoverable amount for Infratec is greater than the carrying amount by $2.6M at the midpoint. Based on this the Trustees consider that there are no indicators of impairment and the current carrying value of goodwill can be retained.

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

- a post tax Weighted Average Cost of Capital (WACC) of 6.40% (2022: 5.30%) which is in line with the Electricity Network valuation;
- revenue averaging $147.8M p.a. (2022: $129.4M p.a) (excluding transmission), which reflects an expected regulatory ROI of 4.57% during the FY21 to FY25 period, then increasing to 8.01% for the FY26-30 period (2022: 6.16%), and then reducing to 7.29% for the FY31-35 period (2022: 6.16%);
- capital expenditure, including network expansion growth, averaging $84.0M p.a. (2022: $97.3M p.a.) sourced from the Asset Management Plan;
- terminal value based on estimated RAB (Regulatory Asset Base on which a regulated Electricity Distributor can earn a regulatory profit) at the end of FY33 of $1,303.3M (2022: $1,370.4M), at a 1.0x multiple; and
- costs to sell of $10M, at 1.4% (2022: $10M at 1.5%).

The conclusion is that there is no impairment to the goodwill as the analysis above results in $8.6M of headroom (2022: $21.5M), and the carrying value of WEL Networks Limited is within the valuation range (less costs to sell) of $647.4M to $714.3M (2022: $609.2M to $680.3M). It would require unfavourable changes in the key variables (for example, a 0.13% increase in WACC to 6.53% or a reduction in the terminal value multiple by 0.01 to 0.99) to cause the 'carrying amount' to exceed the 'fair value less cost to sell'. The assumptions adopted reflect the risk and uncertainty associated with WEL Networks as at 31 March 2023.

Note 14. Loans advanced

	Consolidated		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Opening loan balance	1,083	1,235	1,083	1,235
Loans advanced during the year	2,500	-	2,500	-
Loss on inception taken to surplus or deficit	(202)	-	(202)	-
Effective interest received	50	45	50	45
Repayments made	(202)	(197)	(202)	(197)
Carrying amount	3,229	1,083	3,229	1,083
Current	150	159	150	159
Non Current	3,079	924	3,079	924
	3,229	1,083	3,229	1,083

The nominal value of loans advanced at balance date was $13,970,000 (2022: $11,470,000).

Note 14. Loans advanced (continued)

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

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

Note 15. Net investment in lease

	Consolidated		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Net investment in lease - current	591	571	-	-
Net investment in lease - non-current	26,295	26,886	-	-
	26,886	27,457	-	-

	31 March 2023 $'000	31 March 2022 $'000
Undiscounted lease receivable:		
Current net investment in lease	2,213	2,229
Maturing between 1 and 2 years	2,194	2,213
Maturing between 2 and 3 years	2,172	2,194
Maturing between 3 and 4 years	2,148	2,172
Maturing between 4 and 5 years	2,122	2,148
Beyond 5 years	47,895	50,016
Less effect of discounting	(31,858)	(33,515)
	26,886	27,457

Note 16. Trade and other payables

	Consolidated		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Exchange transactions:				
Trade payables	12,817	9,882	430	30
Other payables	8,103	5,269	70	48
Interest payable	855	1,011	-	-
Non-exchange transactions:				
Grants payable	6	-	6	-
Total trade and other payables from exchange and non-exchange transactions	21,781	16,162	506	78

Note 17. Borrowings

	Consolidated		Trust	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Current liabilities				
Maturing within 1 year	148,838	-	-	-
Non-current liabilities				
Maturing between 1 and 2 years	-	148,856	-	-
	148,838	148,856	-	-

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

The Group uses interest rate swaps to manage interest rate risk. Derivatives are fair valued using assumptions from observable market data where possible, in combination with the underlying derivative contracts and documentation. The fair value of the derivative liability at 31 March 2023 is $0.9M (2022: $0.2M).

The carrying value of bond debt is $148.8M (2022: $148.9M). The fair value of contractual cash flows is $152.5M (2022: $159.8M). Refer to note 26.

Bank loan facilities totalling $30M (2022: $45M) remain available to the Group to be drawn down as at 31 March 2023. The facilities expire as follows:

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

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.

The Group is satisfied that it is able to meet its repayment obligations in regard to the bond (maturing on 2 August 2023) as it has sufficient liquid assets available, including cash at bank, term deposits, investments and undrawn facilities.

Note 18. Current employee benefit obligations and provisions

	Consolidated 2023 $'000	Consolidated 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Employee benefit obligations:				
Annual leave	2,667	2,445	19	27
Employee benefits	1,424	1,093	-	-
	4,091	3,538	19	27

Note 19. Deferred income

	Consolidated 2023 $'000	Consolidated 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Contract liabilities - third party contributions - electricity	9,731	11,171	-	-
Contract liabilities - solar	26	-	-	-
Total current contract liabilities	9,757	11,171	-	-

Management expects that 74% of the electricity third party contributions and 100% of solar revenue relating to the unsatisfied contracts as at 31 March 2023 will be recognised as revenue in the next reporting period.

	Consolidated 2023 $'000	Consolidated 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Non-current deferred income	798	827	-	-

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 (2022: $29,385).

Note 20. Non-current employee benefit obligations

	Consolidated 2023 $'000	Consolidated 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Employee benefits	-	118	-	-

Note 21. Derivative financial instruments

	Consolidated		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current and non-current assets				
Foreign forward exchange contracts - cash flow hedges - current	84	-	-	-
Electricity price derivative - current	578	1,720	-	-
Electricity price derivative - non-current	745	1,420	-	-
	1,407	3,140	-	-
Current and non-current liabilities				
Forward foreign exchange contracts - cash flow hedges - current	-	(229)	-	-
Interest rate swaps - fair value hedges - non-current	(932)	(226)	-	-
Total net derivative financial instruments	475	2,685	-	-

The notional principal amounts of the outstanding fair value interest contracts as at 31 March 2023 were $75M (2022: $75M). Refer to note 26 for further information.

As at 31 March 2023 the fixed rate was 4.90% (2022: 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 price risk. These electricity contracts are not designated as hedges for accounting purposes. The hedges are valued based on the volume traded and the difference between the contract price and the last trade price on the ASX futures market for the relevant contract period. A loss on these electricity price derivatives has been recorded in the statement of revenue and expense of $2.6M for both realised and unrealised gains for 31 March 2023 (2022: gain of $1.6M).

The Group has entered in several USD/NZD FX contracts to hedge the foreign currency risk related to highly probably purchase of battery equipment from overseas. The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2023 are $3.6M (2022: $10M).

Note 22. 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 2021	-	87,449	(2,200)	-	180	724	86,153
Charged/(credited) to the statements of comprehensive revenue and expense	(984)	3,859	53	879	(108)	(23)	3,676
Charged directly to equity - derivatives	-	19,895	-	(64)	-	-	19,831
Balance as at 31 March 2022	(984)	111,203	(2,147)	815	72	701	109,660
Balance as at 1 April 2022	(984)	111,203	(2,147)	815	72	701	109,660
Charged/(credited) to the statements of comprehensive revenue and expense	(794)	1,780	697	(509)	(72)	(22)	1,080
Charged/(credited) directly to equity - derivatives and revaluations	-	(288)	-	88	-	-	(200)
Balance as at 31 March 2023	(1,778)	112,695	(1,450)	394	-	679	110,540

The trust had no deferred tax transactions for 31 March 2023 (2022: nil).

Note 23. Contributed equity

	Consolidated & Trust			
	2023 Shares	2022 Shares	2023 $'000	2022 $'000
Contributed equity	-	-	52,067	52,067

Note 24. Reserves

	Consolidated		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Revaluation reserve	153,064	159,577 *	-	-
Hedging reserve - cash flow hedges	60	(165)	-	-
Financial assets at fair value through other comprehensive revenue and expense reserve	(8,544)	(2,885)*	(2,292)	(1,298)
	144,580	156,527	(2,292)	(1,298)

Note 24. 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 2021	108,933	-	7,781	116,714
Revaluation of electricity distribution network - gross	70,631	-	-	70,631
Deferred tax on revaluation of electricity distribution network	(19,638)	-	-	(19,638)
Revaluation of land and buildings - gross	1,699	-	-	1,699
Deferred tax on revaluation of land and buildings	(257)	-	-	(257)
Disposal of distribution network assets	(1,791)	-	-	(1,791)
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense *	-	-	(10,666)	(10,666)
Forward foreign exchange contract - cash flow hedges	-	(229)	-	(229)
Deferred tax on forward foreign exchange contract - cash flow hedges	-	64	-	64
Balance at 31 March 2022	159,577	(165)	(2,885)	156,527
Revaluation of land and buildings - gross	(1,903)	-	-	(1,903)
Deferred tax on revaluation of land and buildings	288	-	-	288
Disposal of distribution network assets	(4,898)	-	-	(4,898)
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	-	(5,659)	(5,659)
Forward foreign exchange contract - cash flow hedges	-	313	-	313
Deferred tax on forward foreign exchange contract - cash flow hedges	-	(88)	-	(88)
Balance at 31 March 2023	153,064	60	(8,544)	144,580

* The 2022 comparative table (above) has been restated as the 2022 approved financial statements disclosed a $1,587 loss under the revaluation reserve rather than through the financial assets at fair value through other comprehensive revenue and expense reserve. There is no impact on the total reserves balance.

Note 24. 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 2021	-	-	7,781	7,781
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	-	(9,079)	(9,079)
Balance at 31 March 2022	-	-	(1,298)	(1,298)
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	-	(994)	(994)
Balance at 31 March 2023	-	-	(2,292)	(2,292)

Note 25. Retained surplus

	Consolidated		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Retained surplus at the beginning of the financial year	651,750	636,290	99,782	87,445
Surplus/(deficit) after income tax expense for the year	4,034	2,326	(1,774)	994
Disposal of distribution network assets	4,898	1,791	-	-
Realised gain/(loss) on disposal of financial assets at fair value through other comprehensive revenue and expense	-	11,343	-	11,343
Retained surplus at the end of the financial year	660,682	651,750	98,008	99,782

Note 26. Financial instruments

Financial risk management objectives

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

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

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.

Note 26. Financial instruments (continued)

As at 31 March 2023, 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 (2022: 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 and fixed to floating 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 2022					
Bond (4.90%)	Aug 23	150,000	(918)	(226)	148,856
Fair value interest rate swaps (3.53%)	Aug 23	(75,000)	-	-	-
Net exposure to interest rate risk		75,000	(918)	(226)	148,856
Consolidated 2023					
Bond (4.90%)	Aug 23	150,000	(230)	(932)	148,838
Fair value interest rate swaps (7.27%)	Aug 23	(75,000)	-	-	-
		75,000	(230)	(932)	148,838

	2023 $'000	2022 $'000
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 April	(706)	(4,011)
Change in value of hedge item used to determine hedge effectiveness	706	4,011

Sensitivity analysis

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

Note 26. Financial instruments (continued)

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

31 March 2023	Carrying amount $'000	+/-1% Surplus $'000	+/- 1% Equity $'000
Financial assets:			
Cash and cash equivalents	63,226	632	-
Term deposits	87,405	874	-
Trade and other receivables (excluding prepayments)	16,422	-	-
Loans advanced	3,229	32	-
Derivative financial instruments	84	1	-
Financial assets at fair value through other comprehensive revenue and expense	127,979	-	1,280
Financial liabilities:			
Trade and other payables	21,781	-	-
Interest bearing liabilities	148,838	1,488	-
Discount payable	12,275	123	-
Derivative financial instruments	932	9	-
		3,159	1,280

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

Note 26. Financial instruments (continued)

	Carrying amount $'000	+/- 1% Surplus $'000	+/- 1% Equity $'000
31 March 2023			
Financial assets:			
Cash and cash equivalents	3,863	39	-
Term deposits	4,000	40	-
Trade and other receivables (excluding prepayments)	268	-	-
Loans advanced	3,229	32	-
Financial assets at fair value through other comprehensive revenue and expenses	51,034	-	510
Financial liabilities:			
Trade and other payables	506	-	-
		111	510

Credit risk

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

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

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

The Group has in excess of 34% (2022: 25%) of its trade debtors owing from the incumbent retailer, Genesis Energy Limited. This debt is subject to a written agreement that requires an investment grade credit rating to be maintained. If the credit rating falls below investment grade then a bond will be required as collateral.

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

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

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

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

The Group applies the PBE IPSAS 41 Financial Instruments approach to measuring expected credit losses on Loans Advanced. All the Loans Advanced which are recognised at amortised cost were considered to have low credit risk therefore the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider "low credit risk" when they have low risk of default and the borrower has a strong capacity to meet its contractual obligations as 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.

Note 26. Financial instruments (continued)

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

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

	Loan balance	Potential cash shortfall	Probability of default %	Loss allowance
Consolidated 2023				
Non interest bearing	330	99	2%	2
Interest bearing loans	603	32	5%	2
Interest bearing loans	2,297	275	2%	5
	3,230	406		9

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

Note 26. Financial instruments (continued)

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

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

Consolidated 31 March 2023	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	152,497	-	-	-	-	152,497	148,838
Trade and other payables	21,781	-	-	-	-	21,781	21,781
Customer discount payable	12,275	-	-	-	-	12,275	12,275
Total non derivative financial instruments	186,553	-	-	-	-	186,553	182,894
Derivative financial instruments							
Interest rate swaps:							
- inflow	1,838	-	-	-	-	-	-
- outflow	(2,770)	-	-	-	-	-	(932)
Total derivative financial instruments	(932)	-	-	-	-	-	(932)

Note 26. Financial instruments (continued)

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

Consolidated 31 March 2023	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Financial assets:				
Electricity price derivatives	1,323	1,323	-	-
Foreign forward exchange contracts	84	-	84	-
Financial assets at fair value through other comprehensive revenue and expense	127,979	-	48,860	79,119
Total financial assets	129,386	1,323	48,944	79,119
Financial liabilities:				
Interest rate contracts	(932)	-	(932)	-

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

Note 26. Financial instruments (continued)

Categories of financial assets and liabilities

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

The 2022 comparative table (above) has been restated as the 2022 approved financial statements as electricity price derivative assets were disclosed under the incorrect valuation method. In the 2022 financial statements, these were disclosed under financial assets (FVTOCRE), and have been restated to financial assets/liabilities at fair value through P&L. There is no impact on the total financial assets balance.

Note 26. Financial instruments (continued)

Consolidated - 2023	Financial assets/ liabilities at amortised cost $'000	Financial assets/ liabilities at fair value through P&L $'000	Financial assets (FVTOCRE) $'000	Total $'000
Assets				
Cash and cash equivalents	63,226	-	-	63,226
Trade receivables	16,422	-	-	16,422
Term deposits	87,405	-	-	87,405
Loans advanced	3,229	-	-	3,229
Financial assets at fair value through other comprehensive revenue and expense	-	-	127,979	127,979
Derivative financial instruments	-	-	84	84
Electricity price derivatives	-	1,323	-	1,323
Total financial assets	170,282	1,323	128,063	299,668
Liabilities				
Trade payables	21,781	-	-	21,781
Borrowings - non current	148,838	-	-	148,838
Customer discount payable	12,275	-	-	12,275
Derivative financial instruments	-	932	-	932
Total financial liabilities	182,894	932	-	183,826

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

Note 26. Financial instruments (continued)

Trust - 2023	Financial assets/ liabilities at amortised cost $'000	Financial assets (FVTOCRE) $'000	Total $'000
Assets			
Cash and cash equivalents	3,863	-	3,863
Trade receivables	268	-	268
Term deposits	4,000	-	4,000
Loans advanced	3,229	-	3,229
Financial assets at fair value through other comprehensive revenue and expense	-	51,034	51,034
Total financial assets	11,360	51,034	62,394
Liabilities			
Trade payables	506	-	506
Total financial liabilities	506	-	506

Capital risk management

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

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

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

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

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

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

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

Note 27. Contingent liabilities

The Trust has contingent liabilities of $506,000 for the year (2022: $810,150). The Trust approved a 5-year in principle commitment of $3m to seed fund a support/organisation for the Waikato Wellbeing Project (WWP) through the Waikato Regional Council (2021-2025). The Year 3 commitment of $500,000 was conditionally approved in February 2023 and will be recognised as a grant expense in the subsequent reporting period if the grantee meets the attached conditions.

Trust - Grants	**31 March 2023 $'000**	**31 March 2022 $'000**
Other grants	506	810

As at 31 March 2023 the Group had $3.91M contingent liabilities to support contracts entered into (2022: $2.28M).

A breakdown of the contingent liabilities are as follows:

Beneficiary	**Supporting**	**Amount $'000**
Energy Clearing House Limited	OurPower Electricity Retailing	2,250
NZX Limited	Listing fees associated with the subordinated bond issue	30
Eastland Group	Infratec Performance Bond	395
Energy Marlborough Limited	Infratec Performance Bond	158
Lodestone Energy Limited	Infratec Performance Bond - Kaitaia	550
Lodestone Solar Limited	Infratec Performance Bond - Edgecumbe	527

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

Arrangements in which no contingent liability is recorded

The Trust had multi-year grants which related to the Trust's support of the community through multi-year grants to a range of organisations in the area covered by the Trust. In addition to this is a 5-year in principle commitment of $3M to seed fund a support/organisation for the Waikato Wellbeing Project (2021-2025).

Multi-year and the 5yr Partnership Agreement grants are reviewed annually and the Trust has no obligation to continue the grant funding for each subsequent annual period therefore no contingent liability is recorded.

Trust	**31 March 2023 $'000**	**31 March 2022 $'000**
Multi-year grants	-	288
Waikato Wellbeing Project (2021-2025) in principle commitment	700	1,200
	700	1,488

Note 28. Commitments

At balance date the Trust has commitments to fund impact investment in the Impact Enterprise Fund to the value of $5,000 (2022: $18,000) and Purpose Capital Impact Fund $2.65M (2022: $3.75M). The group has $8.0M of committed capital expenditure relating to a battery, solar farm equipment and IT hardware acquisitions as at 31 March 2023 (2022: $11.4M).

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 equipment.

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

	Consolidated		Trust	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
Not later than one year	570	385	32	43
Later than one year and not later than two years	505	225	-	32
Later than two years and not later than five years	579	505	-	-
Later than five years	4,612	2,011	-	-
Total non-cancellable operating leases	6,266	3,126	32	75

Note 29. Related party transactions

Trustees and Directors
The Trust has a policy of maintaining a conflict of interest register. Once a conflict of interest is registered by a trustee, the trustee will remove themselves from the decision making process relating to the associated entity. The following people have been trustees for the period to 31 March 2023: M West, G Booth, M Silverton, 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: B Harris, P Connell, C Steele, G Lawrie, J Cook, J Colliar, and R Campbell. Changes to the directors during the 12 months to 31 March 2023 include R Campbell who ceased as a director in June 2022.

Transactions with key management personnel
There is one key management personnel in the Trust, alongside 6 trustees for the year ended 31 March 2023 (31 March 2022: 6 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.

	2023 $'000	**2022 $'000**
Annual Trustee Remuneration:		
Chairperson	45	45
Sub-Committee Chairs	38	38
Trustees (each)	30	30

Note 29. Related party transactions (continued)

	Consolidated 2023 $'000	Consolidated 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Trustees:				
Short term benefits	210	221	210	221
Directors:				
Short term benefits	588	468	-	-
Executives:				
Short term benefits	4,881	4,566	91	162
Post employment benefits	3	5	3	5
Termination benefits	121	-	-	-
	5,803	5,260	304	388

Related party transactions with WEL Networks Limited

	Consolidated 2023 $'000	Consolidated 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Interest on convertible note	-	-	-	44
Repayment of convertible note	-	-	-	16,000

Total dividends/discount distributions paid by WEL Networks Limited during the year were $4,200,000 (2022: $13,982,843 net, comprised of $5,000,000 dividend and $8,982,843 discretionary discount paid to consumers by WEL Networks Limited on instruction from WEL Energy Trust). The amount of dividends per share was $0.5151 (2022: $1.7150). There were no outstanding balances between WEL Networks Limited and the Trust at year end (2022: nil).

Related party transactions with Smartco Limited

SmartCo Limited is a joint venture of WEL Networks Limited.

	Consolidated 2023 $'000	Consolidated 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Transactions:				
Other income	1,730	1,672	-	-
Operating expenses (contract services expenditure)	(625)	(701)	-	-
Balances:				
Advances to related party	210	210	-	-

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

Note 29. Related party transactions (continued)

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

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

	Consolidated		Trust	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
Transactions to 22 March 2022:				
Pole rental revenue	-	159	-	-
Sundry and other revenue	-	37	-	-
Operating expenses	-	(17)	-	-

Note 30. Interests in subsidiaries

Trust	**2023 $'000**	**2022 $'000**
Shares in WEL Networks Limited at cost	85,797	85,797

Shares in WEL Networks Limited
WEL Energy Trust owns 8,153,000 shares (100%) (2022: 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:

			Ownership interest	
Name	**Principal place of business / Country of incorporation**	**Principal activities**	**2023 %**	**2022 %**
OurPower Holdings Limited *	New Zealand	Energy and utility	-	100%
OurPower Retail Limited *	New Zealand	Energy and utility	-	100%
OurPower Limited	New Zealand	Energy and utility	100%	100%
Smartco Limited (joint venture)	New Zealand	Energy and utility	14%	14%
Infratec New Zealand Limited	New Zealand	Energy and utility	100%	100%
NewPower Energy Services Limited	New Zealand	Energy and utility	100%	100%
NewPower Energy Limited **	New Zealand	Energy and utility	100%	100%

* On 30 September 2022, OurPower Holdings Limited and OurPower Retail Limited were amalgamated into OurPower Limited.

** Subsidiary of NewPower Energy Services Limited.

There are no transactions or balances for NewPower Energy Services Limited for the year ended 31 March 2023.

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

Note 31. Events after the reporting period

Subsequent to balance date a decision has been made to exit the retail business which is operated through the subsidiary OurPower Limited. An agreement has been signed to transfer customers to another retailer by 1 June 2023. We have considered the impact of the exit from the retail business on the financial statements, and consider there is no material impact for the year ended 31 March 2023.

The Trust has an unpaid capital commitment of $2.65M in the Purpose Capital Impact Fund (PCIF) LP as at 31 March 2023. A capital call of $250,000 was paid to the PCIF on 21 April 2023.

There were no other events occurring subsequent to 31 March 2023 which require adjustments to or disclosure in the financial statements.

Note 32. Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities

	Consolidated		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Surplus/(deficit) after tax	4,038	2,326	(1,770)	994
Depreciation and amortisation expense	25,330	22,348	5	6
Loss on sale of property, plant and equipment	4,005	3,451	-	-
Deferred tax asset	1,080	3,676	-	-
Investment income	(2,300)	(898)	-	-
Effective interest on loans advanced	(42)	(45)	(42)	(45)
Net investment reinvested	(187)	(1,164)	(187)	(1,164)
Finance costs	1,282	(75)	-	-
Gain/(loss) on foreign currency	186	(718)	186	(718)
Add/(less) movements in working capital items:				
(Increase)/Decrease in trade and other receivables	(6,639)	(685)	(285)	(15)
Increase/(decrease) in income tax payable	378	(2,904)	(5)	(467)
Increase/(decrease) in trade and other payables	6,355	21,848	428	(812)
Net cash inflow/(outflow) from operating activities	33,486	47,160	(1,670)	(2,221)

Independent auditor's report

To the beneficiaries of WEL Energy Trust

Our opinion

In our opinion the accompanying general purpose financial report of WEL Energy Trust (the Trust) and its subsidiaries (together, the "Group") on pages 28 to 29 and 33 to 86 presents fairly, in all material respects, the financial position of the Trust and Group as at 31 March 2023, and its service performance, financial performance and cash flows for the year ended on that date in accordance with Public Benefit Entity Standards issued in New Zealand (PBE Standards).

What we have audited

The general purpose financial report which comprises:

- The Trust's financial statements and Group's consolidated financial statements (the "financial statements"), including:
  - the statements of financial position as at 31 March 2023;
  - 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 significant accounting policies and other explanatory information.
- the statement of service performance for the year ended 31 March 2023.

Basis for opinion

We conducted our audit of the financial statements in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). The audit of the statement of service performance was conducted in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised) (ISAE (NZ) 3000 (Revised)).

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the general purpose financial report* section of our report.

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

Our Independence and Quality Management

We are independent of the Trust and 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.

We apply Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

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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 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.

Other Matter

The statement of service performance presented for the corresponding year ended 31 March 2022 is unaudited.

Responsibilities of the Trustees for the general purpose financial report

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

The Trustees are also responsible, on behalf of the Group, for identifying performance measures and/or descriptions to report in the general purpose financial report that are a faithful representation of the Group's service performance and that are relevant, understandable, timely, comparable and verifiable.

In preparing the general purpose financial report, the Trustees are responsible for assessing the Trust's and 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 general purpose financial report

Our objectives are to obtain reasonable assurance about whether the general purpose financial report, as a whole, is 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), ISAs or ISAE (NZ) 3000 (Revised) 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 this general purpose financial report.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the general purpose financial report, including performing procedures to obtain evidence about and evaluating whether the statement of service performance is a faithful representation of the Group's service performance and that is relevant, understandable, timely, comparable and verifiable.

As part of our audit, we perform procedures to obtain evidence about and evaluate whether the reported outcomes and outputs, and quantification of the outputs to the extent practicable, are relevant, reliable, comparable and understandable.

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

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-13

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
18 July 2023

Auckland

'Here for the Community'

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