WEL ENERGY TRUST

ANNUAL REPORT

For the year ended 31 March 2024

Photo taken by Lyndon Watene and supplied by the producers of The Glow Show Company and Living Theatre Trust schedule of

contents


Photo taken by Mark Hamilton and supplied by the Hamilton Arts Festival | Toi Ora ki Kirikiriroa

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 support energy solutions and investments which enable our communities to thrive, now and into the future.

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

Vision

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 2023/24 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 2024)

The 2023 Triennial Election was held 26 June 2023. The next Triennial Election will be held in June 2026.

Rachel Afeaki (Chair from July 2023)

Mike West

Alan Chew

Jan Johnston

Matt Silverton

Natasha Harvey

Jamie Strange

Staff

Marcel Manders
(Chief Executive Officer)

Shelley Halpin
(Trust Administrator)

Vanessa Keith
(Finance Administrator)

David Cowley
(Grants Manager)

Stacey Ward
(Grants Advisor)
– from January 2024

Trust Committees

Finance, Audit and Risk (from July 2023)

Natasha Harvey (Chair)

Rachel Afeaki

Investment Committee (from July 2023)

Jamie Strange (Chair)

Rachel Afeaki

Noah Schiltknecht (Independent Member)

Marcel Manders (Chief Executive Officer)

Grants Committee

Rotational after Quick Response rounds and as required

Vital Impact Grants Committee

Matt Silverton

Rachel Afeaki (from February 2024)

Jamie Strange (from February 2024)

Director Appointment Committee (formed September 2023)

Alan Chew

Matt Silverton

chair's report

Kia ora, Malo e lelei, Talofa Lava, Ni Hao, Namaste, Bula Vinaka, Fakaalofa lahi atu, Kia 'orana, Mauri, Goeiedag, Greetings.

The 2024 financial year meant election year! The WEL Energy Trust election took place which resulted in three newly elected Trustees to the board: Natasha Harvey, Jamie Strange and myself alongside re-elected Trustees Jan Johnston, Mike West, Alan Chew and Matt Silverton. It has been an honour to serve as the Chair working with experienced governors who each bring diversity of thought towards our decision-making and who each have a genuine heart to serve not only the Trust but our wider WEL communities.

We wish to thank departing Trustees Geoff Booth and Adrian Yamunanathan for their focus stewardship and governance.

The year was very much business as usual for the WEL Energy Trust (the Trust) as the newly elected board went about delivering on our current Annual Plan, which once again had been set keeping in mind our responsibilities and obligations under the Trust Deed.

Our WEL Communities

The primary way WEL Energy Trust supports our community is through its 100% ownership of the WEL Group (the Company), 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, the Trust is also required to consider the best and optimal way in which we provide balanced returns for both our Capital and Income Beneficiaries.

Capital Beneficiaries

WEL Energy Trust's Capital Beneficiaries (Hamilton City Council-63%, Waikato District Council-35% and Waipa District Council-2%) are well served by our ownership and stewardship of the Company. The Company's 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 $75M made up of term deposits, impact investments, community loans and equity market investments has seen the total Trust Fund grow to around $1.06B.

Income Beneficiaries

The Trust is pleased to have supported our Income Beneficiaries by directing income, including the Company's 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 our consumers are also being protected further by the 'Discount'. The amount set aside in FY24 for the 'Discount' was $14.3M 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.

   WEL Energy Trust continues to work very closely with the Company to ensure future 'Discounts' for our consumers is an intentional consideration and priority.

2. **Grant Funding**
   We were pleased to have increased our grants programme to a level of around $6.9M (including conditional grants). Once again, grants were distributed across various categories including Quick Response, Community Support, Vital Impact and Convening and Organisational Development. Applications to these funds were evaluated under the guidelines of the Trust's current 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 through its collective impact model. A full report on the achievement of the WWP and the region's progress towards its wellbeing targets can be seen at the WWP website (www.waikatowellbeingproject.co.nz).

Company Performance

The Company delivered another year of strong financial performance with revenue of $180M and net profit after tax of $19.3M, having also accounted for a 'Discount' which was paid in April 2024 totalling $14.3M (including GST).

The 'Discount' went out to almost 100,000 customers with an average amount for residential customers of $142.35 (including GST). Additionally, the Trust received a $6.0M dividend from the WEL Group which went towards delivery of the Trust's current Annual Plan.

Thank you to the Company Chair Barry Harris, the board and management who continue to progress its strategic and sustainability goals, working towards the Government's decarbonisation targets. Its long-term investment strategy is focussed on complementing the core electricity network to ensure it is well placed for ongoing growth in the region, and to cater for anticipated growth in the use of renewable energy, EVs and electrification.

The Trust welcomed newly appointed Director Jim Quinn at the Company's AGM held in June, and we say thank you to current Directors Julian Cook, Jackie Colliar and Geoff Lawrie for accepting a second term to serve on the Company board.

The Year Ahead

The Trust is very excited about what the year ahead looks like. We look forward to hosting in November the Energy Trust NZ 2024 Spring Conference – a first for the Trust and for Hamilton City.

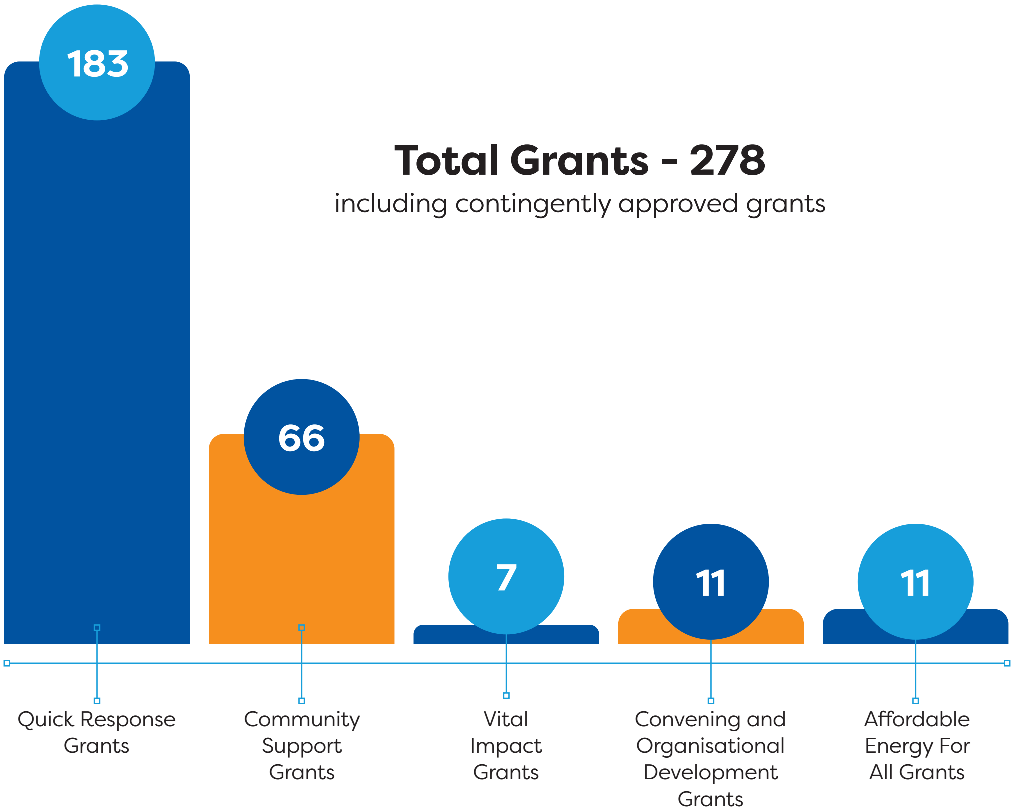
We will continue to increase our footprint in person as Trustees by attending and meeting more frequently our Capital Beneficiaries and our grant recipients/organisations. The Trust looks forward to completing its current 2022-2025 Community Investment Strategy and commencing strategic dialogue towards our 2025-2027 Community Investment Strategy taking into consideration the current socio-economic environment we as a region are facing.

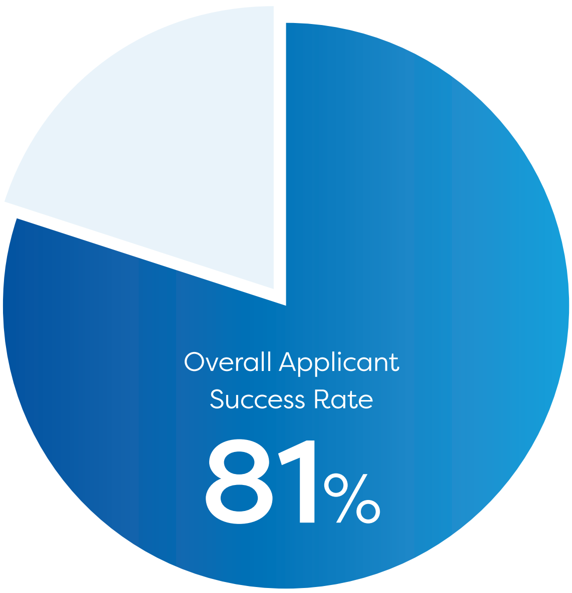
Our board is incredibly grateful and appreciative of our exceptional management team's efforts led by our very capable and industry experienced CEO Marcel Manders. We welcomed new management team members Stacey Ward and Vanessa Keith who join an exceptional hardworking team: David Cowley and our superpower Trust Administrator Shelley Halpin. Thank you all for your dedication and service to our WEL Communities.

The Trust is confident that its approach to governing and managing its affairs is robust and sustainable. Collectively, we have and will continue to consider multiple stakeholders with an open future-forward mindset when setting policies and working within our Trust Deed and strategic priorities. It is the Trust's desire with respect and integrity to continue working closely with the Company to ensure ongoing strategic alignment. We look forward to seeing this approach provide the maximum benefit to not only our WEL Communities but also our region.

Ngaa mihi nui, warm regards
Rachel Afeaki, Chair

our grants at a glance





Average Quick Response Grant
$8,640

Average Community Support Grant
$45,508

Total Grants Amount Allocated (including contingently approved grants)
$6,937,508

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.

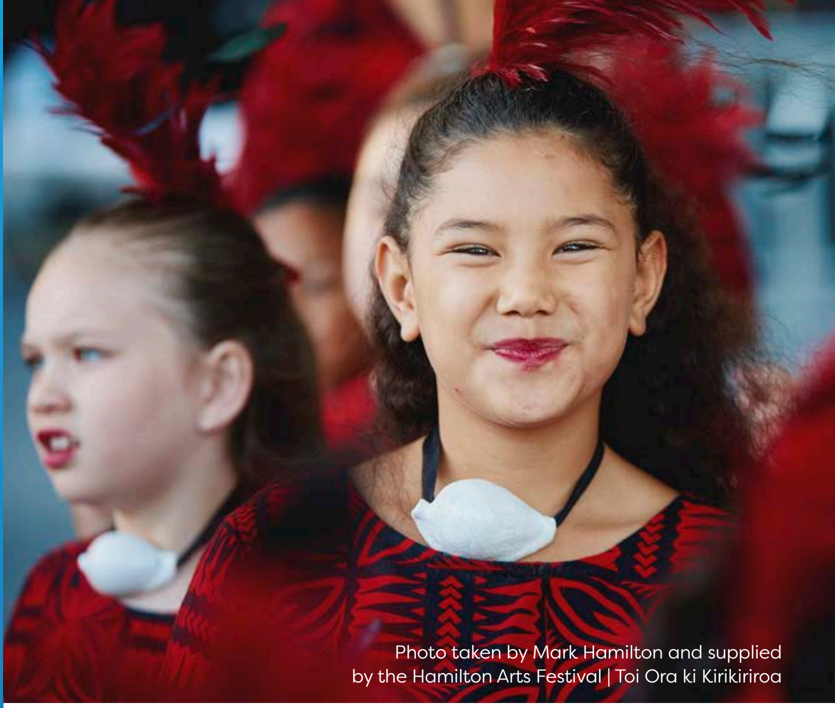


Photo taken by Mark Hamilton and supplied by the Hamilton Arts Festival | Toi Ora ki Kirikiriroa

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.

Forest Lake School

$15,000

Purpose - The grant was used to fund and install play equipment at the school's new shared playground.

Outcomes - "Our aim with this project was to replace an old playground that flooded in winter with a new one that was more accessible to our community and encouraged them to engage with the school more. Since the playground opened, we have seen a noticeable increase in whānau using it throughout the day, but especially on weekends and after school. Whānau now meet and interact there at the end of the day, and tamariki from different parts of the kura play together regularly.

This project was a partnership with Hamilton City Council who contributed their funding for the renewal of neighbouring Bolmuir Park to create a shared space for the school and the community. We also worked with our local iwi, Ngaati Mahanga on the design and story board. They opened and blessed our playground and are very supportive of the move to bring in the community and tell our story. It has been a great example of partnership to achieve positive outcomes.

Impact - The WEL Energy Trust grant was the first grant we received and was the key to getting this project to the stage of detailed design. Without it we would not have got past the start line. The grant was used to help fund the playground but the biggest impact was getting the project from an idea to something real."

> "Thank you. WEL Energy Trust was the key to getting this project started and giving us the belief that it could happen. The school has spent over 5 years fundraising for a new playground but needed the backing of funders to take it to the detailed design phase. We did eventually get other grants but were well underway by then thanks to WEL."

Tiki Mossop, BOT Representative

This project aligned with the Trust Aims towards a Thriving Community (Hapori Taurikura), Equitable Outcomes (Ngaa Hua Matatika) and Maaori Aspirations (Ngaa Wawata o te Maaori).

Swimming Waikato

$65,000

Purpose - The grant was used for operating costs.

Outcomes - "The intended outcome is to continue to strengthen and grow the operation of our water safety education programme, SwimSafe, whilst supporting increased access to swimming and other aquatic activities for all in our community. With the generous support of WEL Energy Trust, we have been able to grow our water safety programme from very humble beginnings, ensuring it continues to operate efficiently and within our available financial means.

With the support from WEL Energy Trust, last year we delivered water safety education to 109 schools and 920 teachers, supporting over 11,000 primary school aged children, including 131 with additional needs. Our local delivery model ensured that 'locals were supporting locals', utilising community knowledge and assets, whilst minimising unnecessary travel and associated costs. Connectivity between all Swimming Waikato initiatives is key for our organisation. To achieve this we have ensured that all programmes can co-exist and support not only water safety, but a life-long love of being in, on and around water. In 2023, we launched our 'Have-A-Go' programme, designed to leverage off our in-school water safety work, and build links between schools and our member clubs. Our first 'Have-A-Go' initiative in Hamilton was oversubscribed with just under 100 children attending a swimming workshop.

Swimming Waikato's programmes come with no additional costs to the participant, ensuring that there is an access-for-all approach. Our swimming 'starter packs' have been designed to provide all children attending our 'Have-A-Go' programme with all the necessary kit to start their journey in swimming. Our SwimSafe programme is providing equitable outcomes for our community, ensuring that water safety education is made accessible to those who might otherwise go without. In addition, our water safety programme utilises both the Kia Maanu Kia Ora and Water Skills for Life curriculum.

Impact - The funding received allows us to ensure we have the leadership to coordinate our far-reaching programmes, ensuring we can empower our local communities."

"We would like to thank the Trust for its commitment to Swimming Waikato and for backing our water safety drive from its infancy, your support has enabled us to achieve great results on behalf of our community."

Darren Ward, CEO

This work aligns with the Trust Aims towards a Thriving Community (Hapori Taurikura) and Equitable Outcomes (Ngaa Hua Matatika).

Whāingaroa Raglan Destination Management Organisation

$5,000

Purpose - The grant was used for Service Delivery costs for the Raglan iHub Community Information Centre.

Outcomes - "Thanks to WEL funding, our Raglan community iHub was able to remain open seven days a week, serving our local community and visitors. Operational expenditure was used for administration costs and to provide support to volunteers for projects and tasks throughout the year. Our new Raglan.net.nz website has been successfully relaunched, and this works alongside our existing www.raglanihub.nz website to give us a wider Google market. Volunteer training is ongoing. Our volunteers now have access to community information on our websites, where previously there was none. They remain actively involved and enjoy sharing their knowledge and skills to our wider community.

Our iHub doors are open seven days a week, 10am-3pm, mainly through the volunteer model but with additional support with paid staff during the weekend and during the festive season.

Our community iHub centre provides a welcoming space for our community and visitors. Sharing our local knowledge and manaakitanga to our guests and visitors is important to us so that we can continue to strengthen our communities' shared aspirations around wellbeing and a thriving community.

Our volunteer site visits and regular huis continue to increase knowledge on our local Maaori culture, further strengthening and supporting our kaupapa.

Impact - We are grateful for the funding support which helped to cover operational costs that we would not have been able to cover to ensure we can remain open for all of our community members. We have also provided a platform to support our local artisans to continue to grow in their crafts. We continue to support the Raglan & District Museum to enable their museum doors to remain open for visitors, schools and the community to participate in learning the history of our Whāingaroa community."

> "Our Raglan iHub continues to grow and strengthen as we support our community and work towards achieving our strategic planning goals."

Jacqueline Anderson, Manager

This project aligned with the Trust Aim towards a Thriving Community (Hapori Taurikura).

Malcolm Cox, local artist, photo by Shelley Rikys

Riff Raff Public Art Trust

$4,500

Purpose - The grant was used for the public mural artwork at Frankton Playground.

Outcomes - “The goal of this project was to revitalise a run-down, bare wall located in the children’s playground on Kent Street by beautifying the environment with a mural appealing to young and old alike. Our objectives were to instil a sense of pride and community spirit within the area, and to make the space appealing for children to play. Another aim was to prevent graffiti on the wall so children and parents would feel the area was safe to utilise.

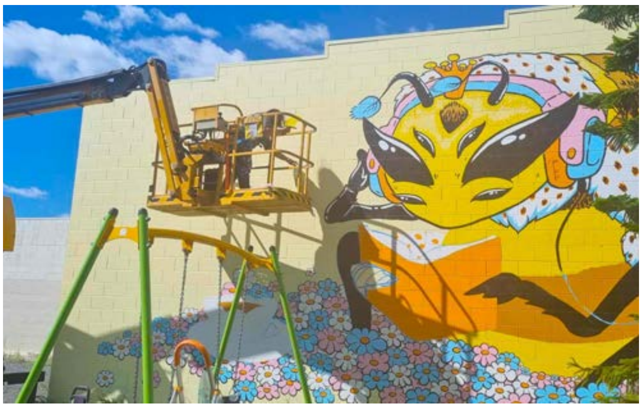
The goal of the project was to have an impactful and long-lasting effect in creating a sense of community. It had taken years for a playground to be built in that area of Frankton. In comparison to other neighbourhoods, Frankton is often overlooked for child-friendly public spaces. We believe that this mural is just one step toward achieving the greater goal of fostering a thriving community spirit and engaging people with the arts while creating a safe space for children. It is important to the Riff Raff Public Art Trust that we utilise local artists who are either based in Hamilton or the Waikato region.

Impact - This project is our first public artwork since the trust has expanded its strategy. The trust was originally set up to raise funds and commission the work of the Embassy Park redevelopment. This is the start of several new public initiatives the trust is planning. Our aim is to always support art at a grassroots level and this project feels like a milestone in our goals. The impact for our organisation includes feeling that funders, sponsors and Council trust us to deliver our projects and keep our projects at a reasonable cost, especially as we acknowledge these are tough economic times.”

“We thank WEL Energy Trust and the Trustees for supporting this project and for the impact it has had to the local Frankton community.”

Lauren Kerr-Bell, Co-Chair

This project aligned with the Trust Aim towards a Thriving Community (Hapori Taurikura).



Fairfield College

$10,000

Purpose - The grant was used for the Kī-o-rahi field, He Piki Kōtuku.

Outcomes - "The field has created greater community interest in the traditional Maaori sport which is contributing to an increase in community cultural understanding. We have been able to hold two Kī-o-rahi community events that have used the field. We look forward to hosting more events, with the field as a centrepiece of these.

The field contributes to increasing capability and capacity in a thriving community. It is provided for our community to use, and they are encouraged to use it in line with our marae. Participation barriers are removed, and Tamariki and rangatahi participate in physical activity. This contributes to a healthier community environment because community members have access to the field and coaching to support their development in the sport of Kī-o-rahi.

Impact - This grant has supported us to place a community resource in the front of our school which further supports us to continually develop a school environment that reflects the unique cultural history of Aotearoa New Zealand, thus strenghtening the community that we serve because we are seeking to give greater effect to Te Tiriti o Waitangi."

"Thank you for your support. It is a resource that promises to continually give back to our community."

Richard Crawford, Principal

This project aligned with the Trust Aims towards a Healthy Environment (He Taiao Hauora) and Maaori Aspirations (Ngaa Wawata o te Maaori).

Waikato Paraplegic & Physically Disabled Association

$20,000

Purpose - The funding was used to continue and expand the Youth Development Programme, covering weekly swimming sessions and Youth Co-ordinator wages, as well as trips for rafting, ice skating, Snow Planet skiing and surfing.

Outcomes - "Participation at each of the above events continues to grow, and the enjoyment and improved wellbeing of all our youth members is evident for all. Their families also enjoy the events and get great support from the Youth Co-ordinator, who is able to offer advice on further support options for each member.

Our membership is open to all, it reaches across all youth in the Waikato. All members, and their families, are out participating and supporting these physical activities, thus improving their physical health and their mental wellbeing. The support networks developed from these programmes offer so much to our youth group families, including inclusivity because they, and their families, are not judged, but instead are encouraged to participate. The programmes then extend to the wider community, enabling participation alongside able-bodied people.

Impact - Our programmes can only go ahead with the support of funding groups like WEL Energy Trust. Our only revenue source, excluding grants and donations, is our minimal member subscriptions."

"The success of our Youth Programme is now reflected in some of our participants, or their families, 'giving back' to the programme by tutoring and coaching younger members. In turn our club is supporting these new coaches, offering them further coaching training. One of the aims of our Youth Programme is to provide opportunities for our youth to try out many different sports so they can find ones they can continue with when they become adults. We want all our members to thrive in their communities, and we know offering them these sporting opportunites assists in this."

Sue Fookes, Treasurer

This work aligns with the Trust Aims towards a Thriving Community (Hapori Taurikura) and Equitable Outcomes (Ngaa Hua Matatika).

Ngā Tai Whakarongo Whānau Hoe Waka

$10,000

Purpose - The grant was used to purchase Inanga and Kokopu paddles, and life jackets.

Outcomes - "This year a record amount of Midgets have joined our club. Having paddles and life jackets has meant we have been able to train all at the same time. The paddle bags and life jacket bags have had a big impact for the coaches as they make it so easy to transport gear to training.

Club fees are kept low to enable access for those with low incomes. We can see whaanau supporting each other to get their kids to training and help the coaches. We also have had three of the parents join the club and are starting to learn how to paddle. All club members, including Tamariki, are taught the whakapapa of our club, and tikanga around the waka and awa. Waka Ama sport has high Maaori participation.

Impact - The grant has taken the pressure off our finances. Fundraising via the Awa race (which we have not been able to do for quite a few years now), along with club fees, are the only sources of income to maintain our waka and equipment. It has been great to be able to purchase new gear so that whaanau feel valued and the club can offer not just a great supportive environment, but also up-to-date, safe and competitive equipment for both training and racing."

"Thank you for your support over the last few years - we now have most of what we need."

Donna Bright-Johnstone,
Membership Co-ordinator

This project aligned with the Trust Aims towards a Thriving Community (Hapori Taurikura), Equitable Outcomes (Ngaa Hua Matatika) and Maaori Aspirations (Ngaa Wawata o te Maaori).

grants
approved

Organisation Name	Funding Allocation
A Rocha Aotearoa New Zealand	$10,000
Al Rasool Foundation of Waikato	$10,000
Aotearoa Latin American Community Incorporated	$10,000
Art in Nature Arboretum Trust	$20,000
Arts for Health Community Trust	$9,000
Arum Aikido Club	$2,000
Auckland District Kidney Society Incorporated	$5,000
Balloons over Waikato Trust	$95,000
Beerescourt Bowling Club Incorporated	$4,000
Beerescourt Tennis Club Incorporated	$4,000
Big Buddy Mentoring Trust	$8,500
Blue Light Ventures Incorporated	$12,000
Bowel Cancer Aotearoa Charitable Trust	$4,500
Bowls Waikato Incorporated	$2,000
Brain Injury Waikato Incorporated	$12,500
Bridge Housing Charitable Trust	$100,000
Chapel Hill Community Church	$3,000
ChildPlayWorks Charitable Trust	$6,000
Citizens Advice Bureau Hamilton Incorporated	$22,500
Clarence Street Theatre Trust	$47,500
Claudelands Bowling Club Incorporated	$20,000
Claudelands Croquet Club	$2,500
Community Law Waikato Trust	$11,296
Community Link Trust	$10,000
Community Link Trust	$15,000
Complex Chronic Illness Support Incorporated	$3,000
Creative Waikato Trust	$10,000
Crunch Arts Trust	$10,000
Davies Park Heritage Trust	$17,825
Desert Spring Ministries Trust	$35,000
Dinsdale Playcentre	$4,000
Diversity Counselling New Zealand	$40,000
Dress for Success Hamilton	$18,000
EarthDiverse Trust	$12,500
Eastlink Cricket Club Incorporated	$1,460
EcoMatters Environment Trust	$60,000

Organisation Name	Funding Allocation
Efalata Trust	$7,000
Environmental Education for Resource Sustainability Trust	$6,000
Epilepsy Waikato Charitable Trust	$12,000
EVolocity Charitable Trust	$10,000
Fairfield College	$10,000
Families Autism and Behavioural Support Trust	$17,500
Forest Lake School	$15,000
Fraser Technical Cricket Club	$7,500
Friendship House (Huntly) Community Charitable Trust	$35,000
Friendship House (Huntly) Community Charitable Trust	$20,000
Friendship House (Huntly) Community Charitable Trust	$38,000
Galaxy Waikato Touch Club	$2,800
Girls Rock Aotearoa Incorporated	$12,000
Glen Afton And Pukemiro Districts Community Hub Incorporated	$32,500
Glen Massey School	$2,030
Glenview Community Centre	$26,000
Glenview United Association Football Club	$10,000
Gorkhali Football Club Waikato	$5,000
Graeme Dingle Foundation Waikato	$47,500
Habitat for Humanity Central Region Ltd	$60,000
Hamilton Aquatics Incorporated	$5,000
Hamilton Bengali Association	$3,000
Hamilton Blues Society New Zealand Incorporated	$4,000
Hamilton BMX Club Incorporated	$6,000
Hamilton Chinese Golden Age Society Incorporated	$2,000
Hamilton Christian Nightshelter Trust	$20,000
Hamilton Christian Nightshelter Trust	$20,000
Hamilton Christian Nightshelter Trust	$100,000
Hamilton Christmas Charitable Trust	$12,500
Hamilton Citizens Band Incorporated	$5,000
Hamilton City Council	$200,000
Hamilton City Gymnastics	$6,000

Organisation Name	Funding Allocation
Hamilton Combined Christian Foodbank Trust	$35,000
Hamilton Contract Bridge Club Incorporated	$7,500
Hamilton Cricket Association	$10,000
Hamilton Gardens Summer Festival Foundation	$100,000
Hamilton Household Budgeting Advisory Trust	$27,500
Hamilton Kerala Samajam Incorporated	$2,000
Hamilton Marist Rugby Football Club Incorporated	$150,000
Hamilton Methodist Social Services Trust	$22,500
Hamilton Multicultural Services Trust	$120,000
Hamilton Multicultural Services Trust	$30,000
Hamilton Multicultural Services Trust	$150,000
Hamilton Multicultural Services Trust	$44,850
Hamilton New Life Community Trust	$3,500
Hamilton Old Boys Cricket Club Incorporated	$8,000
Hamilton Operatic Society	$12,000
Hamilton Pride Incorporated	$5,000
Hamilton Returned and Services Association Incorporated	$1,500
Hamilton Science Awards Trust	$20,000
Hamilton South Community Centre Ass Incorporated	$20,000
Hamilton Toy Box Toy Library	$1,600
Heart Kids Waikato	$4,000
Hope Rising Farm Charitable Trust	$33,000
Horotiu School	$10,000
House of Science Central Waikato	$12,000
Huntly Bridge Club Incorporated	$5,000
Huntly Gymnastics Club Incorporated	$8,000
Indian Cultural Society (Waikato) Incorporated	$2,500
Indian Cultural Society (Waikato) Incorporated	$4,000
Insight Endometriosis Charitable Trust	$20,000
Kaitiakitanga Charitable Trust	$12,000
Kaute Pasifika Trust	$100,000
Kaute Pasifika Trust	$130,000
Kids in Need Waikato	$15,000
Kimihia Lakes Community Charitable Trust	$20,000
Kiribati Hamilton Youth Incorporated	$1,500
Life Education Trust Hamilton	$10,000
Link House Birthright Waikato Trust	$20,000
Live Better (Cultural Centre Trust)	$12,500
Living Theatre Charitable Trust	$2,000
Living Theatre Charitable Trust	$2,000

Organisation Name	Funding Allocation
Louise Perkins Foundation	$5,000
Loving Arms Charitable Trust	$10,000
Magical Bridge Trust	$75,000
Male Support Services Waikato	$10,000
Maori Womens Welfare League - Whatawhata Branch	$1,730
Matawhaanui Trust	$10,000
Matawhaanui Trust	$100,000
Mathematics for a Lifetime Charitable Trust	$2,000
Maungatautari Ecological Island Trust	$50,000
McKenzie Centre Trust	$15,000
McKenzie Centre Trust	$25,000
Melville Association Football Club Incorporated	$35,000
Melville Rugby & Sports Club Incorporated	$60,000
Menzshed Huntly Incorporated Society	$2,800
Meremere Community Development Committee Incorporated	$6,000
Narrows Park Ministry Trust	$6,000
National Youth Theatre Trust	$13,500
Nepal New Zealand Waikato Friendship Society Incorporated	$8,000
Neurogenesis Trust	$3,000
Neurotones Waikato Collective	$1,500
Nga Tai Whakarongo Whanau Hoe Waka	$10,000
Ngaruawahia Bowling Club Incorporated	$12,500
Ngaruawahia Community House	$35,000
Ngaruawahia Community House	$56,000
Ngaruawahia Community Youth Holiday Programme	$12,500
Ngaruawahia Playgroup Incorporated	$8,500
Ngaruawahia Rugby League Football Club Incorporated	$19,563
Ngaruawahia Squash Club	$15,000
No 3 District Federation of New Zealand Soccer Incorporated	$4,000
North Beatbox Incorporated	$10,000
North Beatbox Incorporated	$6,000
North Waikato Transport Trust	$20,000
Opus Orchestra Trust	$4,000
Orange Sky New Zealand Limited	$20,000
Orchestras Central Trust	$50,000
Outward Bound Trust of New Zealand	$10,000
Para Kore Marae Incorporated	$10,000
Parent to Parent NZ Incorporated	$10,000
People First New Zealand Incorporated	$4,500
Performing Arts Community Trust	$5,000

Organisation Name	Funding Allocation
Perry Outdoor Education Trust	$45,000
Phoenix House Charitable Trust	$3,238
Pivot Bail Charitable Trust	$20,000
Positive Change Programmes Charitable Trust	$8,000
Presbyterian Support (Northern)	$15,000
Prison Care Ministries	$16,000
Puketaha School	$3,000
Pukete Neighbourhood House	$45,000
Raglan and District Museum Society Incorporated	$8,000
Raglan Community Arts Council Incorporated	$7,500
Raglan Community House Charitable Trust	$35,000
Raglan Community Patrol Charitable Trust	$1,500
Raglan Community Patrol Charitable Trust	$1,500
Raglan Community Radio Incorporated	$16,000
Raglan Football Club	$6,000
Raglan Maori Wardens	$6,000
Raglan Surf Life Saving Club Incorporated	$20,000
Rainbow Chinese Community Centre Charitable Trust	$12,000
Rauawaawa Kaumatua Charitable Trust	$20,000
RAW 2014 Limited	$15,000
Recreate NZ	$5,000
Re-Creators Charitable Trust	$12,000
Re-Creators Charitable Trust	$10,000
Riff Raff Public Art Trust	$4,500
Riverlea Theatre and Arts Centre Incorporated	$35,000
Road Safety Education Limited	$8,000
Rock Quest Charitable Trust	$9,000
Ruakura Campus Club (co-ordinating and governing body)	$5,000
Shama, Ethnic Women's Trust	$50,000
Smart Waikato Trust	$35,000
Society of St Vincent De Paul - Hamilton	$20,000
Society of St Vincent De Paul - Hamilton	$70,000
South East Kirikiriroa Community Association Incorporated	$20,000
St Joseph's Catholic School Fairfield	$5,000
Storytime Foundation Trust Board	$5,000
Surf Life Saving Northern Region Incorporated	$6,000
Swim Waikato Incorporated	$65,000

Organisation Name	Funding Allocation
Switch Youth Charitable Trust	$3,750
Tainui Waka Cultural Trust	$12,000
Tainui Waka Tourism Incorporated	$15,000
Tangata Tiriti - Treaty People Incorporated	$7,000
Taniwharau Rugby League Sports and Culture Club Incorporated.	$17,000
Taupiri Bowling Club Incorporated	$12,500
Te Kauwhata Health Awareness Society	$30,000
Te Kauwhata Rugby Sports Club Incorporated	$15,000
Te Kauwhata Squash Incorporated	$25,000
Te Papanui Enderley Community Trust	$53,500
Te Po ki te Ao Marama Tihei Mauriora	$6,000
Te Puna O Te Aroha Puna Reo	$19,600
Te Rauhii	$40,000
Te Rongopai Community Trust	$40,000
Te Runanga o Kirikiriroa Charitable Trust	$60,000
Te Tamawai Trust	$45,000
Te Whanau Putahi Trust	$20,000
Te Whare o Te Ata Fairfield/Chartwell Community Centre Trust	$35,000
Te Whare Toi O Ngaaruawaahia Incorporated	$45,000
The Asian Network Incorporated	$10,000
The Asian Network Incorporated	$10,000
The Cake Detective Charitable Trust	$3,000
The Community Waikato Trust	$60,000
The Community Waikato Trust	$20,000
The Dyslexia Association of Waikato	$12,000
The Hamilton Competitions Society Incorporated	$6,000
The Hearing Association Hamilton and Districts Branch Incorporated	$3,000
The Lucy Foundation	$10,000
The Order of St John Central Region Trust Board	$10,000
The Refugee Orientation Centre Trust	$32,500
The Salvation Army Hamilton City	$15,000
The Serve	$15,000
The StarJam Charitable Trust	$7,500
The Te Kauwhata & Districts Information & Support Centre Incorporated	$32,500
The Waikato Chapter of Barbershop Harmony New Zealand Incorporated	$3,000
Trees for Survival Charitable Trust	$2,500
True Colours Children's Health Trust	$5,000
Tui Trust	$8,000
Turangawaewae Waka Sports Ltd	$12,000

Organisation Name	Funding Allocation
Turn and Gymnastic Circle Incorporated	$10,000
Vardon School	$6,000
Volunteering Waikato - Te Ohu Tuuao o Waikato	$20,000
Waerenga Recreational Centre	$3,500
Waikato Arab Social Club	$7,000
Waikato Basketball Council Incorporated	$27,500
Waikato Community Broadcasting Charitable Trust	$12,000
Waikato Dragon Boating and Waka Ama Association Incorporated	$11,896
Waikato Environment Centre Trust	$80,000
Waikato Environment Centre Trust	$15,000
Waikato Environment Centre Trust t/as Go Eco	$64,000
Waikato Equitherapy Incorporation	$15,000
Waikato Family Centre Trust	$10,000
Waikato Hockey Association Incorporated	$8,500
Waikato Housing Initiative	$60,000
Waikato Institute for Leisure and S port Studies Trust Board	$8,500
Waikato Japanese Community Trust	$4,000
Waikato Korean School	$8,000
Waikato Pacific Business Network Incorporated	$10,000
Waikato Paraplegic and Physically Disabled Association	$20,000
Waikato Punjabi Badminton Club Incorporated	$1,500
Waikato Refugee Forum Incorporated	$22,500
Waikato Regional Council (WWP)	$250,000
Waikato Regional Council (WWP)	$250,000
Waikato Regional Property Trust	$250,000
Waikato Regional Volleyball Association	$20,000
Waikato Rivertones Incorporated	$1,000
Waikato Rocks Trust	$30,000
Waikato Role Playing Guild Incorporated	$750
Waikato Rowing Club	$15,000
Waikato Rowing Club	$4,800
Waikato Screen NZ Limited	$7,500
Waikato Seeds for Change Charitable Trust	$27,500
Waikato Seeds for Change Charitable Trust	$20,000
Waikato Senior Indian Citizens Association Inc	$3,000
Waikato Society of Potters Inc	$2,000
Waikato Somali Society Incorporated	$3,500
Waikato Table Tennis Association	$17,500

Organisation Name	Funding Allocation
Waikato Touch Association Incorporated	$6,000
Waikato Unicol Association Football Club Incorporated	$6,000
Waikato Wellbeing Project	$400,000
Waikato Women's Refuge - Te Whakaruruhau	$42,500
Waipuna Valley Cricket Club Inc	$5,520
Waitetuna School	$25,000
Waru Rua Rima Charitable Trust	$18,000
Western Community Association Incorporated	$70,000
Western Community Association Incorporated	$63,000
Whaingaroa Raglan Destination Management Organisation	$5,000
Xtreme Zero Waste Limited Liability Company	$20,000
Yasmina Community Trust	$6,000
Young Women's Christian Association of Hamilton Inc	$12,500
Young Women's Christian Association of Hamilton Inc	$17,500
Young Workers Resource Centre	$18,000
Youthtown Inc	$6,000
YSAR Trust	$8,500
Zeal Education Trust	$60,000

Total Grants Approved $6,937,508
(including contingent liabilities)

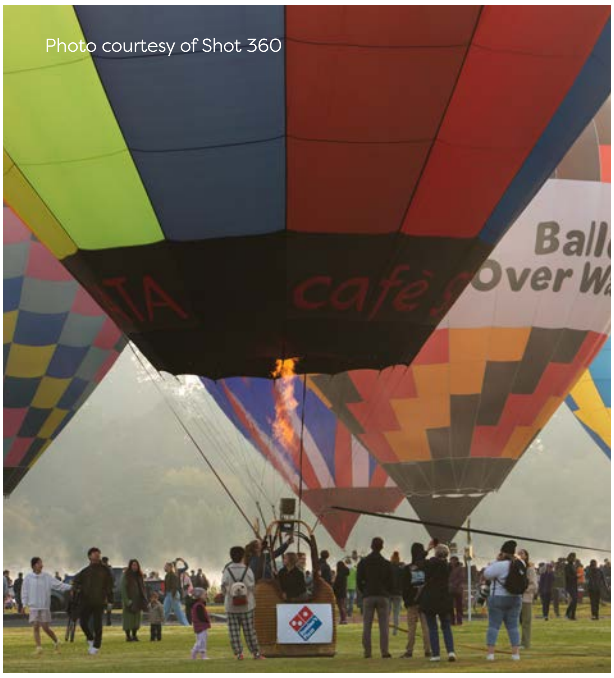


Photo courtesy of Shot 360

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 2023-24 was approved at the Trust meeting held 28 March 2023 after a draft was issued for public consultation in early March 2023 (7 written submissions received).

The 2023-24 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 2023-24, the Annual Plan highlighted key areas to be addressed and proposed actions for:

1. Strategic Intent
2. Investments and Finance
3. Working with WEL Networks to benefit electricity consumers and the wider community
4. Working with our Capital Beneficiaries
5. Effective Community Investment

These were reported on bi-monthly at Trust meetings throughout the year using the following key aims/actions:

Strategic Intent

- Provide a balanced benefit for the Trust's income beneficiaries, including electricity consumers
- Ensure income streams are sufficient to meet strategic intent
- Support Community Investment Strategy focus areas and work with other funders to deliver the greatest benefit to our community

Investments and Finance

- Identify the best mechanism(s) to ensure Company meets the Trust's strategic intent (eg, dividend, discounts)
- Ensure growth, income and performance expectations are clear and are being met
- Identify investment opportunities where we can work with others to impact on regional priority areas, returning a balance of measured social and financial dividends to the Trust

Working with WEL Networks to benefit electricity consumers and the wider community

- Ensure WEL Networks is a successful business, delivering reliable, affordable, sustainable energy and monitor this with relevant reporting
- Reduce energy hardship and improve energy efficiency initiatives, including OurPower, while supporting a return of value to all electricity consumers through the discount programme
- Ensure expectations are established and agreed in relation to:
  - Inter-generational benefit
  - Returns to the Trust

Working with our Capital Beneficiaries

- Conduct reviews of investment, capital growth and other performance measures through the Annual Report and other appropriate opportunities
- Consult on the development of the Trust's draft Annual Plan and budget and engage on Community Support grants rounds
- Engage with Capital Beneficiaries, at least annually, to understand their strategic intentions

Effective Community Investment

- Maintain core granting activities in Quick Response, Community Support and Vital Impact grants (COVID-19 grants to cease with funds reallocated)
- Partner to achieve global, national and regional priorities through the Sustainable Development Goals
- Provide Convening and Organisational Development support
- Further develop the Affordable Energy For All Support Programme and monitor results
- Discount Programme

Annual Report

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

The 2022-23 Annual Report was adopted on 18 July 2023 and presented at the Annual General Meeting held 31 July 2023, where PricewaterhouseCoopers was appointed Auditors of the Trust for the year ended 31 March 2024.

Changes to the Trust Deed

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

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

There were no changes made to the Trust Deed between 1 April 2023 and 31 March 2024.

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


Photo courtesy of Shot 360

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 2023 review is provided below.

Information Used and Matters Covered

The Company's Annual Report for the 12 months ended 31 March 2023 was received 26 May 2023 and a full review of the Trust's investment in WEL Networks Ltd was undertaken by KPMG, dated 25 September 2023. This review prepared by KPMG was comprehensive and the results/findings are as follows:

- **Financial Performance**
  - WEL Networks Ltd remains in a strong financial position with shareholders' funds of $790M and total assets of $1,102M as at 31 March 2023. The Company has moved from a net cash to net debt position of $27.6M – this reflects expenditure on PPE, including $67M worth of additions in the electricity network.
  - Operating earnings before interest and tax for WEL Networks for March 2023 is $20.9M, a decrease of $2.1M from the prior year of $23.0M. This reflected higher depreciation and amortisation expense and higher operating costs. Higher operating costs stemmed mainly from increases in materials, contracting services, and employee benefits.
  - The Company paid a dividend to the Trust of $4.2M in FY2023. The Company also provided $12.2M in consumer discounts during the FY2023 period.
- **Operating Performance for the Electricity Distribution Businesses Relative to Peers**
  - The electricity distribution business of WEL Networks Ltd continues to perform favourably against peers, landing in the upper third of comparable companies on the basis of return on investment.
- **Asset Management Plan and Capital Expenditure**
  - WEL Networks Ltd is investing in Low Voltage and Distributed Energy Resource Management Systems to increase network visibility and expand operational capabilities to support customer participation in the electricity system.
  - WEL Networks Ltd's total forecast capital expenditure is now approximately $812M over the next 10 years.
- **Generation and EPC Business**
  - The Generation business is forecasting significant growth over the next five years, in both the solar PV and energy storage space. The Company has continued to pursue solar opportunities with several solar farms consented and/or about to being consented. A 35MWh Battery Energy Storage System (BESS) is also nearing completion and expected to be commissioned in late 2023.
  - Infratec, the Engineering, Procurement and Construction ('EPC') subsidiary of WEL Networks Ltd, has progressed through multiple solar projects during FY23, and is expected to continue to support New Zealand's Net Zero goal of becoming 100% renewable by 2050.
- **ESG and Climate Change**
  - WEL Networks Ltd continues to monitor the TCFD climate risk disclosure requirements and disclose information on its carbon emissions and exposure to climate change. Scenario assessment is also being

undertaken over multiple time horizons and has been based upon the IPCC RCP 8.5 (high-end) climate projection.

- This analysis is expected to inform the Group's future planning for the network and risk mitigation strategies. This will also enable the Group to consider the financial implications of climate risk, and to factor these findings into the Group's asset management planning.
- The Company is pursuing their strategy to extract the core value, explore energy solutions, and expand into our future state. This includes catering towards EVs and further electrification, solar power opportunities, and smart meters.
- WEL Networks Ltd remains aligned with four of the United Nations' Sustainability Development Goals (SDGs) focusing on good health and wellbeing, affordable and clean energy, industry innovation and infrastructure, and climate action.

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 satisfactorily met. The Strategic Directions Document/Statement of Corporate Intent dated March 2023 for FY24 to FY28 was received by the Trust on 29 March 2023 and a Letter of Expectation sent to WEL Networks Ltd on 29 August 2023 for the 2024/25 Financial Year.

Photo taken by Qiane Matata-Sipu
and supplied by Storytime Foundation Trust Board

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 and responded to 11 requests for various information during the 2023/24 year, pertaining to the following general topics:

- Trust Election
- Discount methodology/payments
- Trust Annual Plans (including draft Annual Plan submissions)
- Trust Deed
- Grant payments

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.

Photo courtesy of Hamilton Christmas Charitable Trust

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 2024 are as follows:

Trust 2023 Actual $000		Trust 2024 Actual $000	Trust 2024 Budget $000
	Income		
401	Interest	601	331
4,200	Dividends	6,000	6,000
-	Dividends	-	-
(394)	Investment Portfolio Returns (net of fees) - Realised & Unrealised	15,503	2,147
(219)	Impact Investment Returns	72	234
3,988		22,176	8,712
	Operating Expenditure		
588	Management and Administration	614	659
102	Communications	59	113
293	Representation	343	372
-	Elections	242	230
42	WEL Network Shareholding	139	117
1	Special Projects	21	40
20	Distribution Expenses	21	21
202	Loss/(Gain) on loan revaluation and credit loss adjustments		
1,248	**Total Operating Expenditure**	1,439	1,552
2,740	*Surplus/(Deficit) before Distributions*	20,737	7,160
5,504	Distributions - Community Grants (including grant returns)	6,338	7,000
-	Distribution - Discretionary Electricity Consumer Discount	-	-
(2,764)	**Adjusted Net Surplus/(Deficit) before Tax*	14,399	160
4	Taxation Paid (Receivable)	44	-
(2,768)	****Adjusted Net Surplus/(Deficit) after Tax***	**14,355**	**160**

(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 2024 are as follows:

Trust 2023 Actual $000		Trust 2024 Actual $000	Trust 2024 Budget $000
	CAPITAL FUND		
52,067	Vested Capital	52,067	52,067
52,067	**Total Capital Fund**	**52,067**	**52,067**
	INCOME FUND		
98,484	Opening Retained Surplus and Reserves	95,716	94,641
(2,768)	*Adjusted Net Surplus for the Period	14,355	160
95,716	**Total Income Fund**	**110,071**	**94,801**
147,783	**Total Equity**	**162,138**	**146,868**

* 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

<table>
<tr><th colspan="5">1. Management of its investment in WEL Networks Ltd</th></tr>
<tr><td rowspan="5">To ensure the Company operates as a successful business</td><td></td><td>2024</td><td>2023</td><td></td></tr>
<tr><td>Revenue Growth
- Revenue actual
FY24 vs previous FY23</td><td>$180.0M</td><td>$146.3M</td><td>ACHIEVED</td></tr>
<tr><td>Positive Profitability
- EBITDA actual</td><td>$55.1M</td><td>$40.4M</td><td>ACHIEVED</td></tr>
<tr><td>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 2024 financial statements)</td><td>2.4%</td><td>1.26%</td><td>ACHIEVED</td></tr>
<tr><td>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 2024 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.)</td><td>2.79%</td><td>1.47%</td><td>ACHIEVED</td></tr>
<tr><td>Consistent Network Reliability</td><td>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 July 2024) which is required for all EDBs)</td><td>Actual
- 178.72 mins</td><td>Actual
– 156.2 mins</td><td>NOT ACHIEVED</td></tr>
</table>

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 Inflation + 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 % 20.16%	Actual return 0.13%	**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	$12.4M in discounts issued to ICPs	$12m in discounts issued to ICPs	**ACHIEVED**
Payment of Community Grants	**At least 85% of Annual Plan funding distributed via grants:**			
		Budget vs Actual		
	Community Support	$2,600,000 vs $2,803,500	$2,000,000 vs $2,463,500	Achieved
	Quick Response	$2.000,000 vs $1,581,158	$1,500,000 vs $1,256,905	
	Convening and Organisational Development	$250,000 vs $192,500	$250,000 vs $61,300	
	Affordable Energy for All	$650,000 vs $650,350	$520,000 vs $487,983	
	Vital Impact	$1,500,000 vs $1,110,000* * Covid Impact fund disestab-lished	$900,000 vs $1,200,000* *Excluded Covid Impact fund Budgeted for $400,000 payments of $86,000	

Photo courtesy of Ollie Irwin, Life Saving Support Officer, Waikato.

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 2024

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

9 July 2024

Natasha Harvey
FAR Chair/Trustee

9 July 2024

financial statements
contents

Statements of Comprehensive Revenue and Expense

For the year ended 31 March 2024

	Note	Consolidated 2024 $'000	Consolidated 2023 $'000	Trust 2024 $'000	Trust 2023 $'000
Revenue	4	180,034	146,264	6,000	4,200
Expenses					
Expenses, excluding finance costs	5	(153,574)	(132,927)	(1,439)	(1,542)
Grants		(6,338)	(5,504)	(6,338)	(5,504)
Finance income	6	7,476	8,760	1,891	1,205
Finance expenses	6	(4,082)	(8,966)	(232)	(129)
Other gains/(losses)		371	(277)	770	-
Surplus/(deficit) before income tax expense		23,887	7,350	652	(1,770)
Income tax expense	7	(9,956)	(3,316)	(44)	(4)
Surplus/(deficit) after income tax expense for the year	24	13,931	4,034	608	(1,774)
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		(1,121)	(1,615)	-	-
Change in the fair value of equity investments at fair value through other comprehensive income		14,552	(5,659)	13,747	(994)
Items that may be reclassified subsequently to revenue and expenses					
Cash flow hedges (net of tax)		(89)	225	-	-
Other comprehensive revenue and expense for the year, net of tax		13,342	(7,049)	13,747	(994)
Total comprehensive revenue and expense for the year		27,273	(3,015)	14,355	(2,768)

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 2024

	Note	Consolidated 2024 $'000	Consolidated 2023 $'000	Trust 2024 $'000	Trust 2023 $'000
Assets					
Current assets					
Cash and cash equivalents	8	18,657	63,226	2,049	3,863
Trade and other receivables	9	21,304	19,117	487	369
Contract assets	10	458	657	-	-
Financial assets at fair value through other comprehensive revenue and expense	11	-	76,945	-	-
Derivative financial instruments	20	-	662	-	-
Income tax receivable		-	941	-	5
Loans advanced	14	120	150	120	150
Term deposits		9,500	87,405	4,000	4,000
Net investment in lease	15	610	591	-	-
Total current assets		50,649	249,694	6,656	8,387
Non-current assets					
Financial assets at fair value through other comprehensive revenue and expenses	11	67,908	51,034	67,908	51,034
Investments in subsidiary	29	-	-	85,797	85,797
Derivative financial instruments	20	-	745	-	-
Property, plant and equipment	12	883,829	810,101	11	11
Intangibles	13	33,149	25,393	-	-
Loans advanced	14	2,994	3,079	2,994	3,079
Net investment in lease	15	26,095	26,295	-	-
Total non-current assets		1,013,975	916,647	156,710	139,921
Total assets		1,064,624	1,166,341	163,366	148,308
Liabilities					
Current liabilities					
Trade and other payables	16	23,488	21,781	1,202	506
Current borrowings		10,952	148,838	-	-
Derivative financial instruments	20	40	-	-	-
Income tax		1,105	-	-	-
Current employee benefit obligations and provisions	18	4,324	4,091	26	19
Customer discount payable		12,450	12,275	-	-
Deferred income	19	11,273	9,757	-	-
Total current liabilities		63,632	196,742	1,228	525
Non-current liabilities					
Derivative financial instruments	20	-	932	-	-
Deferred tax liabilities	21	115,622	110,540	-	-
Deferred income	19	768	798	-	-
Total non-current liabilities		116,390	112,270	-	-
Total liabilities		180,022	309,012	1,228	525
Net assets		884,602	857,329	162,138	147,783

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

Statements of Financial Position

As at 31 March 2024

	Note	Consolidated 2024 $'000	Consolidated 2023 $'000	Trust 2024 $'000	Trust 2023 $'000
Equity					
Contributed equity	22	52,067	52,067	52,067	52,067
Reserves	23	161,752	144,580	11,455	(2,292)
Accumulated comprehensive revenue and expense	24	670,783	660,682	98,616	98,008
Total equity		884,602	857,329	162,138	147,783

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Chair

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Trustee

9 July 2024

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

Statements of Changes in Equity

For the year ended 31 March 2024

Consolidated	Contributed equity $'000	Reserves $'000	Accumulated comprehensive revenue and expense $'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

Consolidated	Contributed equity $'000	Reserves $'000	Accumulated comprehensive revenue and expense $'000	Total equity $'000
Balance at 1 April 2023	52,067	144,580	660,682	857,329
Surplus after income tax expense for the year	-	-	13,931	13,931
Other comprehensive revenue and expense for the year, net of tax				
Movement in revaluation reserve from disposal of distribution network assets	-	(1,617)	1,617	-
Cash flow hedges (net of tax)	-	(89)	-	(89)
Realised gain/(loss) on disposal of financial assets at fair value through other comprehensive revenue and expense	-	5,447	(5,447)	-
Asset revaluation reserve (net of tax)	-	(1,121)	-	(1,121)
Movement in equity investments at fair value through other comprehensive revenue and expense	-	14,552	-	14,552
Total comprehensive revenue and expense for the year	-	17,172	10,101	27,273
Balance at 31 March 2024	52,067	161,752	670,783	884,602

Statements of Changes in Equity

For the year ended 31 March 2024

Trust	Contributed equity $'000	Reserves $'000	Accumulated comprehensive revenue and expense $'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

Trust	Contributed equity $'000	Reserves $'000	Accumulated comprehensive revenue and expense $'000	Total equity $'000
Balance at 1 April 2023	52,067	(2,292)	98,008	147,783
Surplus after income tax expense for the year	-	-	608	608
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	-	13,747	-	13,747
Total comprehensive revenue and expense for the year	-	13,747	608	14,355
Balance at 31 March 2024	52,067	11,455	98,616	162,138

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

Statements of Cash Flows

For the year ended 31 March 2024

	Note	Consolidated 2024 $'000	Consolidated 2023 $'000	Trust 2024 $'000	Trust 2023 $'000
Cash flows from operating activities					
Receipts from customers		181,419	138,912	-	-
Payments to suppliers and employees		(121,207)	(98,724)	(1,368)	(1,018)
Dividends received		-	-	6,000	4,200
Interest received		438	326	438	326
Grants paid		(5,623)	(5,178)	(5,623)	(5,178)
Income taxes paid		(2,549)	(1,850)	5	-
Net cash from/(used in) operating activities	31	52,478	33,486	(548)	(1,670)
Cash flows from investing activities					
Payments for/proceeds from term deposits		77,905	(76,605)	-	6,800
Payments for financial assets at fair value through other comprehensive revenue and expenses		(1,450)	(1,113)	(1,450)	(1,113)
Payments for property, plant and equipment		(103,054)	(98,873)	(5)	(2)
Payments for intangibles		(10,986)	(7,463)	-	-
Interest received on finance lease		1,633	1,658	-	-
Payments received for finance lease		181	571	-	-
Vendor tax losses received		-	2,288	-	-
Proceeds from disposal of financial assets at fair value through other comprehensive revenue and expenses		77,940	-	-	-
Proceeds from disposal of property, plant and equipment		115	480	-	-
Interest received		3,952	5,759	-	-
Loan principal payments received		189	202	189	202
Loans advanced		-	(2,500)	-	(2,500)
Net cash from/(used in) investing activities		46,425	(175,596)	(1,266)	3,387
Cash flows from financing activities					
Proceeds from borrowings		11,000	-	-	-
Interest and other finance costs paid		(4,472)	(8,305)	-	-
Repayment of borrowings		(150,000)	-	-	-
Net cash used in financing activities		(143,472)	(8,305)	-	-
Net increase/(decrease) in cash and cash equivalents		(44,569)	(150,415)	(1,814)	1,717
Cash and cash equivalents at the beginning of the financial year		63,226	213,641	3,863	2,146
Cash and cash equivalents at the end of the financial year	8	18,657	63,226	2,049	3,863

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

Notes to the Financial Statements

31 March 2024

Note 1. General information

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, the generation and sale of wholesale 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 2024. The financial statements were authorised for issue by the Trustees on 9 July 2024.

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. Basis of preparation and material accounting policies

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.

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 2024 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 structured 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.

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.

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

Note 2. Basis of preparation and material accounting policies (continued)

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

Joint Venture
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduces the carrying amount of the investment.

Foreign currency transactions
Functional and presentation currency
Items included in the financial statements in each of the Group's entities are measured using the currency of the primary economic environment in which each of the entities operation ('the functional currency'). The financial statements are presented in New Zealand dollars, which is WEL Energy 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.

Summary of material accounting policies

The accounting policies that are material to the consolidated entity are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

Exchange revenue
Electricity line revenue
The Group invoices its customers (predominately electricity retailers) monthly for electricity delivery services across the region's lines network. Customers do not have extended contract terms and can terminate at short notice. Prices are the same across all customers and regulated under the Commerce Act being the Electricity Distribution Services Information Disclosure Determination 2012. 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. The Company makes use of a practical expedient to record revenue monthly being a distinct period that the Company captures usage and price information at the point at which WEL have a right to invoice. The reported net line revenue includes the provision for the annual customer discounts that are accrued on a monthly basis (over time) in line with usage but only paid to customers once a year. Unclaimed discounts are released against the statement of comprehensive revenue and expense.

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.

Note 2. Basis of preparation and material accounting policies (continued)

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. Certain contracts make use of a practical expedient where the right to consideration from a customer corresponds directly with the value to the customer.

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.

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.

Note 2. Basis of preparation and material accounting policies (continued)

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 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 are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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.

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.

Trade and other receivables
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.

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. Basis of preparation and material 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 accumulated comprehensive revenue and expense.

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 accumulated comprehensive revenue and expense.

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.

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

Note 2. Basis of preparation and material accounting policies (continued)

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

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

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 seven 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 measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive revenue and expense or through revenue and expense), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

Note 2. Basis of preparation and material accounting policies (continued)

Recognition
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. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through revenue and expense (FVRE), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVRE are expensed in revenue and expense.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three classifications, amortised cost, FVOCRE and FVRE.

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

Financial 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 at fair value through other comprehensive revenue and expense on the basis that they are not held for trading. These are classified as equity investments as they are not puttable instruments and represent a pro rata residual interest in the net assets of the funds. 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 accumulated comprehensive revenue and expense.

Financial assets at fair value through revenue and expense
Financial assets not measured at amortised cost or at fair value through other comprehensive revenue and expense are classified as financial assets at fair value through revenue and expense. Typically, such financial assets will be either:

(i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or
(ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in 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 income. For trade receivables, the group applies the simplified approach permitted by PBE IPSAS 41 which requires expected lifetime losses to be recognised from initial recognition of the receivables. 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.

Note 2. Basis of preparation and material accounting policies (continued)

Financial liabilities
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' in the statement of financial position.

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. 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.

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. For termination benefits falling due less than 12 months after the reporting date, the carrying value approximates their fair value.

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 $848,000 (2023: $1,003,000).

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. Basis of preparation and material 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 23. 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.

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.

Fair value hedges

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

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

Note 2. Basis of preparation and material accounting policies (continued)

Hedges of a net investment
Hedges of a net investment in a foreign operation include monetary items that are considered part of the net investment. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity whilst gains or losses relating to the ineffective portion are recognised in revenue or expense. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to revenue and expense.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:
- Contributed equity
- Accumulated comprehensive revenue and expense
- 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.

Note 2. Basis of preparation and material accounting policies (continued)

Changes in accounting policies
Except for the implementation of new accounting standards, there have been no significant changes in accounting policies during the year and accounting policies have been applied on a basis consistent with prior year.
Amendments to PBE IPSAS 1 Disclosure of Fees for Audit Firms' Services require entities to disclose fees incurred for services received from its audit or review firm to be disclosed in specified categories and include a description of each services. Application of these amendments is required for accounting periods beginning on or after 1 January 2024 and these have not been adopted by the Group for financial statements for the year ended 31 March 2024.

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 $16.5M being fair value for highest and best use on 30 September 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. A fair value assessment has been undertaken by SGHU (using updated market data) on 31 March 2024, see note 12 for updated inputs, and the trustees consider that the current carrying value can be retained as the carrying value materially reflects estimated fair value being within valuation range.

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. This is a Level 3 valuation. For the purposes of assessing the fair value of the electricity network as at 31 March 2024, management have updated the key inputs to develop an estimated valuation range and consider the carrying value relative to the respective valuation range. 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 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. 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	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Rendering of services				
Electricity lines revenue	123,504	111,917	-	-
Discount	(12,428)	(12,238)	-	-
Net lines revenue	111,076	99,679	-	-
Electricity third party contributions	12,762	13,875	-	-
Contracting sales revenue	-	3,721	-	-
OurPower electricity retail revenue	919	5,467	-	-
Infratec EPC revenue	45,571	15,499	-	-
SmartCo metering revenue	1,810	1,730	-	-
	172,138	139,971	-	-
Other income				
Dividends	-	-	6,000	4,200
Other income	7,896	6,293	-	-
	7,896	6,293	6,000	4,200
Revenue	180,034	146,264	6,000	4,200

Note 5. Expenses, excluding finance costs

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Transmission costs	23,399	28,423	-	-
Employee benefits	51,237	43,923	359	316
Capitalised labour	(20,174)	(17,446)	-	-
Materials and services	42,522	18,242	-	-
Contracting services	8,372	10,674	-	-
Consultancy	2,920	4,666	-	-
Electricity costs	1,382	3,446	-	-
Net loss on disposal of assets	4,330	2,843	-	-
Vehicle expenditure	1,910	1,680	-	-
Operating leases	908	727	44	44
Directors' and Trustees' fees	809	802	242	210
Bad debts written off	285	158	-	-
Change in provision for impaired receivables	(24)	(90)	-	-
Other expenses	8,821	8,286	789	781
Impairment loss	-	1,162	-	-
Depreciation and amortisation	26,827	25,330	5	5
Foreign exchange movement	50	101	-	186
	153,574	132,927	1,439	1,542

Note 5. Expenses, excluding finance costs (continued)

	Consolidated 2024 $'000	Consolidated 2023 $'000	Trust 2024 $'000	Trust 2023 $'000
Surplus/(deficit) before income tax includes the following specific expenses:				
Depreciation by asset class:				
Distribution network	17,175	16,672	-	-
Generation assets	133	59	-	-
Plant and equipment	3,862	3,702	5	5
Motor vehicles	1,733	1,041	-	-
Computer hardware	801	658	-	-
Buildings	352	387	-	-
	24,056	22,519	5	5
Amortisation of intangible assets:				
Easements and consents	3	31	-	-
Computer software	2,174	2,018	-	-
Computer software - internally generated	594	505	-	-
Customer contracts	-	257	-	-
	2,771	2,811	-	-
Total depreciation and amortisation	26,827	25,330	5	5

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Amounts paid or payable to the auditors of WEL Energy Trust and Group:				
Audit services - (PwC)				
Audit financial statements - current year	455	424	108	103
Half year review	85	79	-	-
	540	503	108	103
Assurance and audit related services* - PwC				
Assurance procedures on disclosure information - current year	68	63	-	-
Other services - PwC				
Regulatory advice	-	15	-	-
Training costs - PwC Academy Subscription Fees and Corporate Treasury Management Course	2	2	-	-
	2	17	-	-
Total auditors remuneration	610	583	108	103

Auditors' fees are recognised within 'other expenses'

Note 5. Expenses, excluding finance costs (continued)

*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 and Finance expenses

	Consolidated		Trust	
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
Surplus/(deficit) before income tax includes the following specific expenses:				
Finance income				
Financial assets income	1,289	804	1,289	804
Fair value of vendor tax losses receivable	-	138	-	-
Interest income	4,554	6,160	602	401
Finance income on lease	1,633	1,658	-	-
Finance income	7,476	8,760	1,891	1,205
Finance expenses				
Interest and finance charges paid/payable on borrowings	(3,974)	(8,966)	(124)	(129)
Fund management fees	(108)	-	(108)	-
Finance expenses	(4,082)	(8,966)	(232)	(129)

Note 7. Income tax expense

	Consolidated 2024 $'000	Consolidated 2023 $'000	Trust 2024 $'000	Trust 2023 $'000
Income tax expense/(credit)				
Current tax	4,641	2,236	44	4
Deferred tax (note 21)	5,315	1,080	-	-
Aggregate income tax expense	9,956	3,316	44	4
Numerical reconciliation of income tax expense and tax at the statutory rate				
Surplus/(deficit) before income tax expense	23,887	7,350	652	(1,770)
Tax at the statutory tax rate of 28%	6,406	1,739	215	(584)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Non-taxable income	1,320	1,178	(660)	(208)
Foreign investment fund income	1,003	715	806	816
Non-deductible expenditure	2,957	2,487	2,957	2,476
Grants distributed	(2,423)	(2,103)	(2,423)	(2,103)
Prior period adjustment	(73)	(248)	-	-
Prior period deferred tax adjustment	219	(20)	-	-
Current year deferred tax movement related to buildings*	1,398	-	-	-
Imputation credits utilised	(895)	(393)	(895)	(393)
RCP shares/vendor tax losses discount unwind	-	(39)	-	-
Overseas tax paid	44	-	44	-
Income tax expense	9,956	3,316	44	4

*One off impact due to the tax law changes. The Group can no longer claim depreciation on buildings going forward.

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

The tax losses incurred by the Trust are not recognised as a deferred tax asset in the statement of financial position as it is not probable that they will be utilised given the surplus of imputation credits received from WEL Networks Limited that are converted to losses. Tax losses that are unrecognised by the Trust total $5.0M (tax effect $1.7M) (31 March 2023: $4.3M (tax effect $1.5M)).

The Trust's income tax rate is 33% and its subsidiaries are at the company tax rate of 28% (2023: 33% and 28%).

	Consolidated 2024 $'000	Consolidated 2023 $'000	Trust 2024 $'000	Trust 2023 $'000
Imputation credits				
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2023: 28%)	47,308	46,237	-	-

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	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Cash at bank	17,602	60,020	2,049	763
Cash on deposit	-	3,100	-	3,100
Contract retention bank balances	1,055	106	-	-
	18,657	63,226	2,049	3,863

Note 9. Trade and other receivables

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Trade receivables	12,850	11,747	166	76
Amounts due from customers for contract work	4,790	4,793	-	-
Less: Allowance for expected credit losses	(497)	(521)	-	-
	17,143	16,019	166	76
Related party receivable	242	210	-	-
Prepayments	3,227	1,489	45	100
Other receivable	3	13	-	13
Other receivables - distributions receivable	276	180	276	180
Goods and services tax	413	1,206	-	-
	4,161	3,098	321	293
Total net trade and other receivables	21,304	19,117	487	369

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 25.

Allowance for expected credit losses

As of 31 March 2024, trade receivables for the Group of $1.3M (2023: $1.6M) 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 $24,000 (2023: gain of $90,000) in revenue and expenses in respect of the expected credit losses for the year ended 31 March 2024.

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	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Current	15,811	14,428	166	76
One to three months	97	414	-	-
Over three months	1,235	1,177	-	-
	17,143	16,019	166	76

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Aging of expected credit losses				
Current 0.3%	46	18	-	-
One to three months 3.6%	3	5	-	-
Over three months 36.3%	448	498	-	-
	497	521	-	-

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

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Opening balance	521	611	-	-
Increase/(decrease) in provision	(24)	(90)	-	-
	497	521	-	-

Note 10. Contract assets

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Contract assets	458	657	-	-

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

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Current Assets				
Paua Wealth Management Fund	-	38,859	-	-
Harbour Asset Management Fund	-	38,086	-	-
	-	76,945	-	-

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Impact Investment Enterprise Fund	223	253	223	253
Purpose Capital Impact Fund	3,464	1,921	3,464	1,921
Vanguard (NZD Hedged)	14,994	11,724	14,994	11,724
Vanguard (Unhedged)	49,227	37,136	49,227	37,136
	67,908	51,034	67,908	51,034

Impact investment enterprise fund includes a $5,000 uncalled commitment (2023: $5,000) relating to the partnership units acquired in the Impact Investment Enterprise Fund. The Purpose Capital Impact Fund includes a $1,200,000 uncalled commitment (2023: $2,650,000).

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	Assets under construction * $'000	Total $'000
Consolidated 2023								
Restated opening net book amount 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)
Transfers	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

Note 12. Property, plant and equipment (continued)

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 2022 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.

	Electricity network $'000	Generation assets $'000	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Computer hardware $'000	Assets under construction * $'000	Total $'000
Consolidated 2024								
Opening net book amount as at 1 April 2023	723,181	22,515	20,088	31,191	6,279	1,761	5,086	810,101
Additions	82,567	10,873	-	684	1,564	1,156	6,898	103,742
Revaluation	-	-	(1,319)	-	-	-	-	(1,319)
Transfer	-	-	2	1,556	739	68	(2,365)	-
Disposals	(4,152)	-	-	(292)	(194)	(1)	-	(4,639)
Depreciation charge	(17,175)	(133)	(352)	(3,862)	(1,733)	(801)	-	(24,056)
Closing net book amount 31 March 2024	784,421	33,255	18,419	29,277	6,655	2,183	9,619	883,829
Cost/valuation	826,311	33,984	21,117	67,735	14,419	7,193	9,619	980,378
Accumulated depreciation	(41,890)	(729)	(2,698)	(38,458)	(7,764)	(5,010)	-	(96,549)
Closing net book amount 31 March 2024	784,421	33,255	18,419	29,277	6,655	2,183	9,619	883,829

* The Assets under construction category above excludes work in progress relating to the Electricity network and Generation assets

The net book value of the Electricity network includes $77.8M of work in progress as at 31 March 2024 (2023: $45.1M).
The net book value of the Generation assets includes $31.2M of work in progress at 31 March 2024 (2023: $20.4M).

Under paragraph 67 of PBE IPSAS 17, the useful life of assets shall be reviewed at least annually. As the useful life of an asset is an estimate, there is a requirement to demonstrate the rationale and appropriateness of the estimate. A review of useful lives of motor vehicle assets was completed during the year ended 31 March 2024 based on the current vehicle strategy for the company. Accounting useful lives have been revised down for the heavy vehicle fleet from up to 20 years to 8 years with an appropriate residual value. The impact of this is an increase of $0.6M in current year depreciation with minimal impact going forward on the depreciation expense.

Note 12. Property, plant and equipment (continued)

	Plant and equipment $'000	Total $'000
Trust 2023		
Opening net book amounts 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
Trust 2024		
Opening net book amount 1 April 2023	11	11
Additions	5	5
Depreciation charge	(5)	(5)
Closing net book amount 31 March 2024	11	11
Cost/valuation	57	57
Accumulated depreciation	(46)	(46)
Closing net book amount 31 March 2023	11	11

Land and buildings revaluations and impairment review
Maui St land and buildings, included in the land and buildings asset category, were revalued to $16.5M being fair value for highest and best use on 30 September 2023 by independent valuers, SGHU Valuations LP Registered Valuers (SGHU) using a market approach being a level 3 valuation. A fair value assessment has been undertaken by SGHU Valuations LP Registered valuers as at 31 March 2024. Key inputs include market rent at $1,020,000 (2023: $990,000) and a capitalisation rate of between 5.75% and 6.25% (2023: 5.25% and 5.75%), resulting in a valuation range of $16.3M to $17.7M (2023: $17.2M to $18.9M). The Directors consider that the current carrying value of $16.5M can be retained, as the carrying value materially reflects estimated fair value being within the valuation range (2023 carrying value: $18.0M).

Network revaluations and impairment review
The updated key inputs have resulted in a valuation range for the Electricity Network of $778.3M to $853.4M, with a mid-point of $815.0M (based on sensitivity to WACC low/high estimates). The Directors consider that the current carrying value of the network fixed assets of $784.4M can be retained, as the carrying value materially reflects estimated fair value (31 March 2023 carrying value: $723.2M).

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.

Note 12. Property, plant and equipment (continued)

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.

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

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	0.98 - 1.02x	+/- $11.3M

2024	Mid-point for valuation	Sensitivity Range	Valuation Impact of Sensitivity Range from Mid-point
Electricity Network:			
WACC (Weighted Average Cost of Capital)	6.6%	6.1% - 7.1%	+ $38.5M / - $36.6M
RAB (Regulatory Asset Base) Multiple for Terminal Value (TV)	1.00x	0.98x - 1.02x	+/- $13.0M

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

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

2024	Land and buildings $'000	Electricity network $'000
Cost	11,029	830,869
Accumulated depreciation	(2,827)	(231,775)
Net book amount as at 31 March 2024	8,202	599,094

Notes to the Financial Statements

31 March 2024

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								
Restated 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	-	-	(784)	(18,055)	(2,597)	-	(770)	(22,206)
Closing net book amount 31 March 2023	8,303	10,188	90	4,039	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.

	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 2023	8,303	10,188	91	4,038	2,666	107	-	25,393
Additions	-	5,398	986	4,132	11	-	-	10,527
Transfers	-	(6,377)	3,511	2,614	252	-	-	-
Amortisation charges	-	-	(594)	(2,174)	(3)	-	-	(2,771)
Closing net book amount 31 March 2024	8,303	9,209	3,994	8,610	2,926	107	-	33,149

Note 13. Intangibles (continued)

Cost	8,303	9,209	5,371	28,839	5,525	107	-	57,354
Accumulated amortisation and impairment	-	-	(1,377)	(20,229)	(2,599)	-	-	(24,205)
Closing net book amount 31 March 2024	8,303	9,209	3,994	8,610	2,926	107	-	33,149

Note 13. Intangibles (continued)

Cost	8	8
Accumulated amortisation and impairment	(8)	(8)
Closing net book amount 31 March 2023	-	-

Cost	8	8
Accumulated amortisation and impairment	(8)	(8)
Closing net book amount 31 March 2024	-	-

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 26.3% pre-tax (12.6% post-tax) (2023: 19.9% pre-tax and 12.7% post-tax) and a terminal growth rate of -2% (2023: -2%) (accounting for potential competition and the eventual decline in demand new solar and battery installations). The cash flows are based on the current five-year management forecast (FY25 to FY29), followed by a terminal value (2023: based on the current three-year management forecast (FY24 to FY26), 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 $71.4M (2023: $67.8M), gross margin at 12% (2023: 11.4%), and fixed costs of $6.2M p.a (2023: $5.1M p.a). This results in approximately $0.9M (2023: $1.6M) of pre-tax annual cash flows (before discounting) in the terminal value calculation.

The carrying amount of the CGU is $3.7M (2023: $3.8M), and the midpoint of the recoverable amount is $7.6M (2023: $6.4M).

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

2024	**From**	**To**
Gross Revenue Terminal Value	$71.4M	$59.9M
Gross Margin Terminal Value	12.0%	10.1%
Fixed Costs Terminal Value	$6.2M	$7.6M
WACC (pre-tax)	26.3%	69.5%

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%

The Trustees have completed an impairment assessment as at 31 March 2024 and noted that the recoverable amount for Infratec is greater than the carrying amount by $3.9M 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:

Note 13. Intangibles (continued)

- a post tax Weighted Average Cost of Capital (WACC) of 6.60% (2023: 6.40%) which is in line with the Electricity Network valuation;
- revenue averaging $187.0M p.a. (2023: $147.8M p.a) (excluding transmission), which reflects an expected regulatory ROI of 4.57% during the FY21 to FY25 period, then increasing to 7.57% for the FY26-30 period (2023: 8.01%), and then increasing to 7.73% for the FY31-35 period (2023: 7.29%);
- capital expenditure, including network expansion growth, averaging $104.0M p.a. (2023: $84.0M 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 FY34 of $1,594.8M (2023: $1,303.3M), at a 1.0x multiple; and
- costs to sell of $10M, at 1.2% (2023: $10M at 1.4%).

The conclusion is that there is no impairment to the goodwill as the analysis above results in $65.0M of headroom (2023: $8.6M), and the carrying value of WEL Networks Limited is within the valuation range (less costs to sell) of $753.8M to $839.4M (2023: $647.4M to $714.3M). It would require unfavourable changes in the key variables (for example, a 0.79% increase in WACC to 7.39% or a reduction in the terminal value multiple by 0.08 to 0.92) 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 2024.

Note 14. Loans advanced

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Opening loan balance	3,229	1,083	3,229	1,083
Loans advanced during the year	-	2,500	-	2,500
Loss on inception taken to surplus or deficit	-	(202)	-	(202)
Effective interest received	73	50	73	50
Repayments made	(188)	(202)	(188)	(202)
Carrying amount	3,114	3,229	3,114	3,229
Current	120	150	120	150
Non Current	2,994	3,079	2,994	3,079
	3,114	3,229	3,114	3,229

The nominal value of loans advanced at balance date was $13,650,000 (2023: $13,970,000).

On 28th August 2013 the Trust entered into a Funding Deed with the Momentum Foundation to advance $10,000,000 to the Foundation for a period of 60 years. The advance is interest free but is subject to early repayment if the conditions of the Deed are not met by the Foundation. The loan is initially recognised at fair value discounted to present value using the effective interest rate method which provides the net present value of the loan and is subsequently carried at amortised cost as it 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. 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 2024 $'000	Consolidated 2023 $'000	Trust 2024 $'000	Trust 2023 $'000
Net investment in lease - current	610	591	-	-
Net investment in lease - non-current	26,095	26,295	-	-
	26,705	26,886	-	-

	31 March 2024 $'000	31 March 2023 $'000
Undiscounted lease receivable:		
Current net investment in lease	2,220	2,213
Maturing between 1 and 2 years	2,199	2,194
Maturing between 2 and 3 years	2,175	2,172
Maturing between 3 and 4 years	2,150	2,148
Maturing between 4 and 5 years	2,121	2,122
Beyond 5 years	46,773	47,895
Less effect of discounting	(30,933)	(31,858)
	26,705	26,886

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

Variations to this agreement were subsequently entered into during the financial years ended 31 March 2021 and 31 March 2024 for additional infrastructure added to the wind farm which will allow it to operate more efficiently. These variations meet the definition of lease modifications under NZ IFRS 16 and triggered reassessment of the original agreement, as the terms and conditions of the original agreement have been changed for additional assets and consideration.

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

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

On initial recognition of the finance lease $27.7M was derecognised from property, plant and equipment and recorded as the opening net investment in the lease. The discount rate implicit in the lease of 6.09% was used to discount the lease payments back to present value and is based on the fair value of the assets. This was determined to be $27.7M based on the current value of the assets in RAB, and using a 1.00x RAB multiple to arrive at a fair value. Further modifications have been recognised in February 2021 and November 2023 resulting in a total of $1.1M being recognised as additions to the net investment in the finance lease at the same discount rate of 6.09%.

Note 16. Trade and other payables

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Exchange transactions:				
Trade payables	15,962	12,817	38	430
Other payables	6,434	8,103	123	70
Interest payable	51	855	-	-
Non-exchange transactions:				
Grants payable	1,041	6	1,041	6
Total trade and other payables from exchange and non-exchange transactions	23,488	21,781	1,202	506

Note 17. Borrowings

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Current liabilities:				
Maturing within 1 year	10,952	148,838	-	-
	10,952	148,838	-	-

The prior year included a $150M subordinated bond which was repaid on 2 August 2023. This was funded through the realisation of investment funds and matured term deposits.

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 2024 is nil (2023: $0.9M).

The carrying value of bank and bond debt is $11.0M (2023: $148.8M). The fair value of contractual cash flows is $11.7M (2023: $152.5M). Refer to note 25.

Following the repayment of the subordinated bond, the Group entered into new bank loan facilities totalling $85M, and terminated the existing $30M bank facilities (original expiries of November 2023 and June 2024). Bank facilities totalling $74M remain available to the Group to be drawn down as at 31 March 2024. The facilities expire as follows:

	Facility available $'000	Total facility $'000
31 August 2024	4,000	15,000
31 August 2024	20,000	20,000
31 August 2025	20,000	20,000
31 August 2025	20,000	20,000
31 August 2026	10,000	10,000
	74,000	85,000

Bonds

Note 17. Borrowings (continued)

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 $150M subordinated bond was repaid on 2 August 2023.

Note 18. Current employee benefit obligations and provisions

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Employee benefit obligations:				
Annual leave	2,790	2,667	26	19
Employee benefits	1,534	1,424	-	-
	4,324	4,091	26	19

Note 19. Deferred income

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Deferred income - third party contributions - electricity	10,876	9,731	-	-
Deferred income - solar	397	26	-	-
Total current deferred income	11,273	9,757	-	-

Management expects that 74% of the electricity third party contributions and 100% of solar revenue relating to the unsatisfied contracts as at 31 March 2024 will be recognised as revenue in the next reporting period.

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Non-current deferred income	768	798	-	-

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 (2023: $29,385).

Note 20. Derivative financial instruments

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Current and non-current assets				
Foreign forward exchange contracts - cash flow hedges - current	-	84	-	-
Electricity price derivative - current	-	578	-	-
Electricity price derivative - non-current	-	745	-	-
	-	1,407	-	-
Current and non-current liabilities				
Forward foreign exchange contracts - cash flow hedges - current	(40)	-	-	-
Interest rate swaps - fair value hedges - non-current	-	(932)	-	-
Total net derivative financial instruments	(40)	475	-	-

The notional principal amounts of the outstanding fair value interest contracts as at 31 March 2024 were nil (2023: $75M). Refer to note 25 for further information.

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 $0.6M for both realised and unrealised gains for 31 March 2024 (2023: loss of $2.6M).

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 2024 are $2.8M (2023: $3.6M).

Note 21. Deferred tax liabilities

	Tax losses $'000	Accelerated tax depreciation/ Revaluation of assets $'000	Provisions and other $'000	Derivative instruments $'000	Customer contracts $'000	Finance lease $'000	Right of use assets $'000	Lease liability $'000	Total $'000
Consolidated									
Balance as at 1 April 2022	(984)	111,203	(2,170)	815	72	701	570	(547)	109,660
Charged/(credited) to the statements of comprehensive revenue and expense	(794)	1,780	752	(509)	(72)	(22)	395	(450)	1,080
Charged directly to equity - derivatives	-	(288)	-	88	-	-	-	-	(200)
Balance as at 31 March 2023	(1,778)	112,695	(1,418)	394	-	679	965	(997)	110,540
Balance as at 1 April 2023	(1,778)	112,695	(1,418)	394	-	679	965	(997)	110,540
Charged/(credited) to the statements of comprehensive revenue and expense	355	5,854	(500)	(370)	-	(16)	62	(70)	5,315
Charged/(credited) directly to equity - derivatives and revaluations	-	(198)	-	(35)	-	-	-	-	(233)
Balance as at 31 March 2024	(1,423)	118,351	(1,918)	(11)	-	663	1,027	(1,067)	115,622

The trust had no deferred tax transactions for 31 March 2024 (2023: nil).

Note 22. Contributed equity

	Consolidated & Trust			
	2024 Shares	2023 Shares	2024 $'000	2023 $'000
Contributed equity	-	-	52,067	52,067

Note 23. Reserves

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Revaluation reserve	150,326	153,064	-	-
Hedging reserve - cash flow hedges	(29)	60	-	-
Financial assets at fair value through other comprehensive revenue and expense reserve	11,455	(8,544)	11,455	(2,292)
	161,752	144,580	11,455	(2,292)

Note 23. 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 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
Revaluation of land and buildings - gross	(1,319)	-	-	(1,319)
Deferred tax on revaluation of land and buildings	198	-	-	198
Disposal of distribution network assets	(1,617)	-	-	(1,617)
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	-	14,552	14,552
Realised (gain)/loss on disposal of financial assets at fair value through other comprehensive revenue and expense	-	-	5,447	5,447
Forward foreign exchange contract - cash flow hedges	-	(124)	-	(124)
Deferred tax on forward foreign exchange contract - cash flow hedges	-	35	-	35
Balance at 31 March 2024	150,326	(29)	11,455	161,752

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 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)
Gain/(loss) on financial assets at fair value through other comprehensive revenue and expense	-	-	13,747	13,747
Balance at 31 March 2024	-	-	11,455	11,455

Note 24. Accumulated comprehensive revenue and expense

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Accumulated comprehensive revenue and expense at the beginning of the financial year	660,682	651,750	98,008	99,782
Surplus/(deficit) after income tax expense for the year	13,931	4,034	608	(1,774)
Disposal of distribution network assets	1,617	4,898	-	-
Realised gain/(loss) on disposal of financial assets at fair value through other comprehensive revenue and expense	(5,447)	-	-	-
Accumulated comprehensive revenue and expense at the end of the financial year	670,783	660,682	98,616	98,008

Note 25. 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's overall financial risk management objectives are to ensure that the Group creates value and maximises returns to its beneficiaries as well as ensuring that adequate financial resources are available for the development of the Group's businesses whilst managing its financial risks. It is, and has been throughout the financial year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken. The major areas of the financial risks faced by the Group and the information on the management of the related exposures are detailed below:

Market risk

Foreign currency risk

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

As at 31 March 2024, 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 (2023: 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.

The Group also has exposure to equity securities price risk from investment funds classified in the balance sheet as fair value through other comprehensive revenue and expense (FVORE). To manage the price risk arising on the investment funds, the Group diversifies the portfolio through managed funds.

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.

Note 25. Financial instruments (continued)

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 2023					
Bond (4.90%)	Aug 23	150,000	(230)	(932)	148,838
Fair value interest rate swaps (7.27%)	Aug 23	(75,000)	-	-	-
Net exposure to interest rate risk			(230)	(932)	148,838
Consolidated 2024					
Bank facilities (variable rates)	Aug 24	11,000	(48)	-	10,952

	2024 $'000	2023 $'000
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 April	(932)	(706)
Change in value of hedge item used to determine hedge effectiveness	932	706

Sensitivity analysis

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

Interest rate risk +/-1% Consolidated 31 March 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

Note 25. Financial instruments (continued)

31 March 2024	Carrying amount $'000	+/-1% Surplus $'000	+/- 1% Equity $'000
Financial assets:			
Cash and cash equivalents	18,657	187	-
Term deposits	9,500	95	-
Trade and other receivables (excluding prepayments)	17,664	-	-
Loans advanced	3,114	31	-
Derivative financial instruments	-	-	-
Financial assets at fair value through other comprehensive revenue and expense	67,908	-	679
Financial liabilities:			
Trade and other payables	23,488	-	-
Interest bearing liabilities	10,952	110	-
Discount payable	12,450	125	-
Derivative financial instruments	40	-	-
		548	679

Interest rate risk +/-1% Trust 31 March 2023	Carrying amount $'000	+/- 1% Surplus $'000	+/- 1% Equity $'000
Financial assets:			
Cash and cash equivalents	3,863	39	-
Term deposits	4,000	40	-
Trade and other receivables	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

	Carrying amount $'000	+/- 1% Surplus $'000	+/- 1% Equity $'000
31 March 2024			
Financial assets:			
Cash and cash equivalents	2,049	20	-
Term deposits	4,000	40	-
Trade and other receivables (excluding prepayments)	442	-	-
Loans advanced	3,114	31	-
Financial assets at fair value through other comprehensive revenue and expenses	67,908	-	679
Financial liabilities:			
Trade and other payables	1,202	-	-
		91	679

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.

Note 25. Financial instruments (continued)

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

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

The Group has in excess of 32% (2023: 34%) of its trade debtors owing from the incumbent retailer, Genesis Energy Limited. This debt is subject to a written agreement that requires an investment grade credit rating to be maintained. If the credit rating falls below investment grade then a bond will be required as collateral.

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

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

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

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

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

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

	Loan Balance	Potential cash shortfall	Probability of default %	Loss allowance
Consolidated 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

Note 25. Financial instruments (continued)

	Loan balance	Potential cash shortfall	Probability of default %	Loss allowance
Consolidated 2024				
Non interest bearing	353	106	2%	2
Interest bearing loans	429	22	5%	1
Interest bearing loans	2,341	275	2%	6
	3,123	403		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.

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

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 25. Financial instruments (continued)

Consolidated 31 March 2024	Less than one year $'000	Between 1 and 2 years $'000	Between 2 and 3 years $'000	Between 3 and 5 years $'000	5 + years $'000	Total fair value contractual cash flows $'000	Carrying amounts (assets)/ liabilities $'000
Non derivative financial instruments							
Borrowings - current	11,268	(13)	(2)	-	-	11,253	10,952
Trade and other payables	23,488	-	-	-	-	23,488	23,488
Customer discount payable	12,450	-	-	-	-	12,450	12,450
Total non derivative financial instruments	47,206	(13)	(2)	-	-	47,191	46,890

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 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 expenses	127,979	-	48,860	79,119
Total financial assets	129,386	1,323	48,944	79,119
Financial liabilities:				
Interest rate contracts	(932)	-	(932)	-

Consolidated 31 March 2024	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets:				
Electricity price derivatives	-	-	-	-
Financial assets at fair value through other comprehensive revenue and expense	67,908	-	64,221	3,687
Total financial assets	67,908	-	64,221	3,687

Note 25. Financial instruments (continued)

Financial liabilities:				
Interest rate contracts	-	-	-	-
Foreign forward exchange contracts	(40)	-	(40)	-
Total financial liabilities	(40)	-	(40)	-

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.

The movement in Level 3 financial assets, excluding the disposal of WEL Networks Limited's investments, is mainly due to purchases in the period and fair value movement is not material.

Categories of financial assets and liabilities

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

Note 25. Financial instruments (continued)

Consolidated - 2024	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	18,657	-	-	18,657
Trade receivables	17,664	-	-	17,664
Term deposits	9,500	-	-	9,500
Loans advanced	3,114	-	-	3,114
Financial assets at fair value through other comprehensive revenue and expense	-	-	67,908	67,908
Total financial assets	48,935	-	67,908	116,843
Liabilities				
Trade payables	23,488	-	-	23,488
Borrowings - current	10,952	-	-	10,952
Customer discount payable	12,450	-	-	12,450
Derivative financial instruments	-	40	-	40
Total financial liabilities	46,890	40	-	46,930

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

Note 25. Financial instruments (continued)

Trust - 2024	Financial assets/ liabilities at amortised cost $'000	Financial assets (FVTOCRE) $'000	Total $'000
Assets			
Cash and cash equivalents	2,049	-	2,049
Trade receivables	442	-	442
Term deposits	4,000	-	4,000
Loans advanced	3,114	-	3,114
Financial assets at fair value through other comprehensive revenue and expense	-	67,908	67,908
Total financial assets	9,605	67,908	77,513
Liabilities			
Trade payables	1,202	-	1,202
Total financial liabilities	1,202	-	1,202

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.

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 26. Contingent liabilities

The Trust has contingent liabilities of $600,000 for the year (2023: $506,000). 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 4 commitment of $400,000 was conditionally approved in March 2024 and will be recognised as a grant expense in the subsequent reporting period if the grantee meets the attached conditions. The Trust has also conditionally approved a grant of $200,000 to Hamilton City Council to fund the development of a community facility. This grant was conditionally approved in August 2023 and will be recognised in a subsequent report period if the grantee meets the attached conditions.

Note 26. Contingent liabilities (continued)

Trust - Grants	31 March 2024 $'000	31 March 2023 $'000
Other grants	600	506

As at 31 March 2024 the Group had $4.23M contingent liabilities to support contracts entered into (2023: $3.91M).

A breakdown of the contingent liabilities are as follows:

Beneficiary	Supporting	Amount $'000
Energy Clearing House Limited	OurPower Electricity Retailing	1,000
Eastland Group	Infratec Performance Bond	395
Energy Marlborough Limited	Infratec Performance Bond	237
Lodestone Energy Limited	Infratec Performance Bond - Kaitaia	550
Lodestone Solar Limited	Infratec Performance Bond - Edgecumbe	791
Lodestone Solar Limited	Infratec Performance Bond - Wiaotahe	1,260

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 2024 $'000	31 March 2023 $'000
Waikato Wellbeing Project (2021-2025) in principle commitment	300	700

Note 27. Commitments

At balance date the Trust has commitments to fund impact investment in the Impact Enterprise Fund to the value of $5,000 (2023: $5,000) and Purpose Capital Impact Fund $1.2M (2023: $2.65M). The group has $0.7M of committed capital expenditure relating to network equipment as at 31 March 2024 (2023: $8.0M).

Operating lease commitments

The Trust leases the office premises and the Group leases land, premises and equipment.

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

Note 27. Commitments (continued)

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Not later than one year	774	570	-	32
Later than one year and not later than two years	587	505	-	-
Later than two years and not later than five years	703	579	-	-
Later than five years	4,163	4,612	-	-
Total non-cancellable operating leases	6,227	6,266	-	32

A new cancellable lease was entered into by the Trust for premises in December 2023.

Note 28. 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 2024: M West, G Booth (finished 30 June 2023), M Silverton, J Johnston, A Chew, and A Yamunanathan (finished 30 June 2023), R Afeaki (appointed 1 July 2023), N Harvey (appointed 1 July 2023) and J Strange (appointed 1 July 2023).

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 and J Colliar.

Transactions with key management personnel
There is one key management personnel in the Trust, alongside 7 trustees for the year ended 31 March 2024 (31 March 2023: 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.

	2024 $'000	2023 $'000
Annual Trustee Remuneration:		
Chairperson	47	45
Sub-Committee Chairs	37	38
Trustees (each)	32	30

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Trustees:				
Short term benefits	242	210	242	210
Directors:				
Short term benefits	567	588	-	-
Executives:				
Short term benefits	5,147	4,881	117	91
Post employment benefits	5	3	5	3
Termination benefits	-	121	-	-
	5,961	5,803	364	304

Note 28. Related party transactions (continued)

Related party transactions with WEL Networks Limited

Total dividends/discount distributions paid by WEL Networks Limited during the year were $6,000,000 (2023: $4,200,000). The amount of dividends per share was $0.7359 (2023: $0.5151). There were no outstanding balances between WEL Networks Limited and the Trust at year end (2023: nil).

Related party transactions with Smartco Limited

SmartCo Limited is a joint venture of WEL Networks Limited.

	Consolidated		Trust	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Transactions:				
Other income	1,810	1,730	-	-
Operating expenses (contract services expenditure)	(727)	(625)	-	-
Balances:				
Advances to related party	242	210	-	-

WEL Networks Limited owns 17% 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. Interests in subsidiaries

Trust	**2024 $'000**	**2023 $'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%) (2023: 8,153,000) of WEL Networks Limited. The shares are fully paid and have no par value.

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

Name	**Principal place of business / Country of incorporation**	**Principal activities**	**Ownership interest 2024 %**	**Ownership interest 2023 %**
OurPower Limited	New Zealand	Energy and utility	100%	100%
Smartco Limited (joint venture)	New Zealand	Energy and utility	17%	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 28 March 2024, shareholding in Infratec New Zealand Limited was transferred from WEL Networks Limited to NewPower Energy Services 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 30. Events after the reporting period

The Trust issued a notice for termination of the lease for office space to the landlord on 23 April 2024, with a termination date of 12 July 2024. The Trust will commence a new lease on 1 July 2024. The new lease is a three year term with two rights of renewal.

There were no other events occurring subsequent to 31 March 2024 which require adjustments to or disclosure in the financial statements.

Note 31. Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Surplus/(deficit) after tax	13,931	4,038	608	(1,770)
Depreciation and amortisation expense	26,827	25,330	5	5
Loss on sale of property, plant and equipment	4,293	4,005	-	-
Deferred tax asset	5,315	1,080	-	-
Investment income	(190)	(2,300)	-	-
Effective interest on loans advanced	(73)	(42)	(73)	(42)
Net investment reinvested	(901)	(187)	(901)	(187)
Finance costs	(1,735)	1,282	-	-
Gain/(loss) on foreign currency	(770)	186	(770)	186
Add/(less) movements in working capital items:				
(Increase)/Decrease in trade and other receivables	(2,189)	(6,639)	(119)	(285)
Increase/(decrease) in income tax payable	2,046	378	5	(5)
Increase/(decrease) in trade and other payables	5,924	6,355	697	428
Net cash inflow/(outflow) from operating activities	52,478	33,486	(548)	(1,670)

Independent auditor's report

To the Beneficiaries of WEL Energy Trust

Our opinion

In our opinion, the accompanying consolidated general purpose financial report of WEL Energy Trust (the "Trust") and the financial statements of the Group, comprising the Trust and its subsidiaries (together, the "Group"), presents fairly, in all material respects:

- the financial positions of the Trust and Group as at 31 March 2024, their financial performance, and their cash flows for the year then ended; and
- the service performance of the Group for the year ended 31 March 2024 in that the service performance information is appropriate and meaningful and prepared in accordance with the entity's measurement bases or evaluation methods

in accordance with Public Benefit Entity Standards issued by the New Zealand Accounting Standards Board.

What we have audited

The Trust's and the Group's general purpose financial report which comprises:

- The financial statements (the "financial statements"), including:
  - the statements of financial position as at 31 March 2024;
  - the statement of comprehensive revenue and expenses 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 service performance information of the Group for the year ended 31 March 2024.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and the audit of the service performance information in accordance with the ISAs (NZ) and New Zealand Auditing Standard 1 (Revised) *The Audit of Service Performance Information* (NZ AS 1 (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

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 we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other information

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

Our opinion on the general purpose financial report 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 general purpose financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and service performance information 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.

Responsibilities of the Trustees for the general purpose financial report

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

The Trustees are also responsible, on behalf of the Trust and Group, for the service performance information, including:

- the selection of elements/aspects of service performance, performance measures and/or descriptions and measurement bases or evaluation methods that present service performance information that is appropriate and meaningful in accordance with PBE FRS 48;
- the preparation and fair presentation of service performance information in accordance with the entity's measurement bases or evaluation methods, in accordance with the applicable financial reporting framework; and
- the overall presentation, structure and content of the service performance information in accordance with the applicable financial reporting framework.

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

Auditor's responsibilities for the audit of the 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) and NZ AS 1 (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 or collectively, they could reasonably be expected to influence the economic decisions of users taken on the basis of this general purpose financial report.

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/standards/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
9 July 2024

Auckland

Photo taken by Mark Hamilton and supplied by the Hamilton Arts Festival | Toi Ora ki Kirikiriroa

'Here for the Community'

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