

2007 : 08 FINANCIAL REPORT

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INCOME STATEMENT

For the year ended 31 March 2008

	Note	Group 2008 (\$000)	Group 2007 (\$000)	Parent 2008 (\$000)	Parent 2007 (\$000)
Revenue	15	69,821	64,807	69,821	64,807
Other net (losses)/gains	16	1,444	25	1,444	25
Operating expenses	17	(48,572)	(42,413)	(48,572)	(42,413)
Net operating profit		22,693	22,419	22,693	22,419
Borrowing costs	18	(3,267)	(3,258)	(3,267)	(3,258)
Net profit before income tax		19,426	19,161	19,426	19,161
Income tax expense	19	(3,613)	(4,065)	(3,613)	(4,065)
Net profit for the year		15,813	15,096	15,813	15,096
Net profit attributable to:					
Equity holders of the company		15,813	15,096	15,813	15,096
		15,813	15,096	15,813	15,096

The notes on pages 30 to 50 are an integral part of these consolidated financial statements.

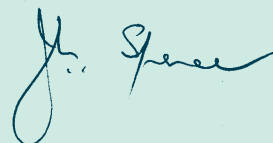
BALANCE SHEET

As at 31 March 2008

	Note	Group 2008 (\$000)	Group 2007 (\$000)	Parent 2008 (\$000)	Parent 2007 (\$000)
ASSETS					
Non-current assets					
Property, plant and equipment	6	344,830	308,194	344,830	308,194
Intangible assets	7	2,162	2,371	2,162	2,371
Trade and other receivables	8	374	328	374	328
Other assets		-	24	-	24
		347,366	310,917	347,366	310,917
Current assets					
Trade and other receivables	8	8,242	6,517	8,242	6,517
Assets classified as held for sale		-	8,621	-	8,621
Cash and cash equivalents	9	7,275	7,318	7,275	7,318
Current income tax asset		-	1,041	-	1,041
		15,517	23,497	15,517	23,497
Total assets		362,883	334,414	362,883	334,414
EQUITY					
Capital and reserves					
Share capital	10	111,142	92,442	111,142	92,442
Other reserves		123,388	110,513	121,280	108,405
Retained earnings		19,030	2,281	21,138	4,389
Total equity		253,560	205,236	253,560	205,236
LIABILITIES					
Non-current liabilities					
Borrowings	11	18,700	37,400	18,700	37,400
Deferred income tax liabilities	12	56,257	59,094	56,257	59,094
Deferred income		1,238	1,268	1,238	1,268
Provisions	14	254	-	254	-
		76,449	97,762	76,449	97,762
Current liabilities					
Trade and other payables	13	10,202	11,666	10,202	11,666
Provisions	14	249	-	249	-
Current income tax liabilities		2,083	-	2,083	-
Customer discount payable		20,340	19,750	20,340	19,750
		32,874	31,416	32,874	31,416
Total liabilities		109,323	129,178	109,323	129,178
Total equity and liabilities		362,883	334,414	362,883	334,414



RODGER FISHER, Chairman
20 May 2008



JOHN SPENCER, Director
20 May 2008

The notes on pages 30 to 50 are an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

Group	Note	Attributable to equity holders of the Company			Total equity (\$000)
		Share capital (\$000)	Revaluation reserve (\$000)	Retained earnings (\$000)	
Balance at 1 April 2006		92,442	73,883	(12,726)	153,599
Fair value gains and (losses):					
- land and buildings		-	3,862	(89)	3,773
- distribution network		-	49,851	-	49,851
Movement in deferred tax		-	(17,083)	-	(17,083)
Net income/(expense) recognised directly in equity		-	36,630	(89)	36,541
Net profit for the year		-	-	15,096	15,096
Total recognised income for 2006/2007		-	36,630	15,007	51,637
Balance at 31 March 2007		92,442	110,513	2,281	205,236
Balance at 1 April 2007		92,442	110,513	2,281	205,236
Fair value gains and (losses):					
- land and buildings		-	(943)	936	(7)
- distribution network		-	12,882	-	12,882
Movement in deferred tax on revaluation	12	-	(3,866)	-	(3,866)
Effect of reduction in tax rate	12	-	4,802	-	4,802
Net income/(expense) recognised directly in equity		-	12,875	936	13,811
Net profit for the year		-	-	15,813	15,813
Total recognised income for 2007/2008		-	12,875	16,749	29,624
Issue of share capital		18,700	-	-	18,700
Balance at 31 March 2008		111,142	123,388	19,030	253,560
Parent					
Balance at 1 April 2006		92,442	71,775	(10,618)	153,599
Fair value gains and (losses):					
- land and buildings		-	3,862	(89)	3,773
- distribution network		-	49,851	-	49,851
Movement in deferred tax		-	(17,083)	-	(17,083)
Net income/(expense) recognised directly in equity		-	36,630	(89)	36,541
Net profit for the year		-	-	15,096	15,096
Total recognised income for 2006/2007		-	36,630	15,007	51,637
Balance at 31 March 2007		92,442	108,405	4,389	205,236
Balance at 1 April 2007		92,442	108,405	4,389	205,236
Fair value gains and (losses):					
- land and buildings		-	(943)	936	(7)
- distribution network		-	12,882	-	12,882
Movement in deferred tax on revaluation	12	-	(3,866)	-	(3,866)
Effect of reduction in tax rate	12	-	4,802	-	4,802
Net income/(expense) recognised directly in equity		-	12,875	936	13,811
Net profit for the year		-	-	15,813	15,813
Total recognised income for 2007/2008		-	12,875	16,749	29,624
Issue of share capital		18,700	-	-	18,700
Balance at 31 March 2008		111,142	121,280	21,138	253,560

The notes on pages 30 to 50 are an integral part of these consolidated financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March 2008

	Group 2008 (\$000)	Group 2007 (\$000)	Parent 2008 (\$000)	Parent 2007 (\$000)
Cash flows from operating activities				
Receipts from customers	68,551	65,113	68,551	65,113
Payments to employees and suppliers	(35,606)	(30,952)	(35,606)	(30,952)
Interest received	305	468	305	468
Interest paid	(3,267)	(3,258)	(3,267)	(3,258)
Income tax paid	(2,390)	(3,978)	(2,390)	(3,978)
Net cash from operating activities	27,593	27,393	27,593	27,393
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	10,879	16	10,879	16
Purchases of property, plant and equipment	(37,836)	(33,357)	(37,836)	(33,357)
Purchases of intangible assets	(703)	(1,154)	(703)	(1,154)
Proceeds from sale of investments	24	8	24	8
Net cash used in investing activities	(27,636)	(34,487)	(27,636)	(34,487)
Cash flows from financing activities				
Net cash used in financing activities	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	(43)	(7,094)	(43)	(7,094)
Cash and cash equivalents at the beginning of the year	7,318	14,412	7,318	14,412
Cash and cash equivalents at the end of the year	7,275	7,318	7,275	7,318
Comprises of the following:				
Bank overdraft	-	-	-	-
Cash and deposits	7,275	7,318	7,275	7,318
	7,275	7,318	7,275	7,318

The notes on pages 30 to 50 are an integral part of these consolidated financial statements.

STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2008

	Group 2008 (\$000)	Group 2007 (\$000)	Parent 2008 (\$000)	Parent 2007 (\$000)
Reconciliation of net profit after tax to net cash flows - operating activities				
Net profit after tax	15,813	15,096	15,813	15,096
Adjustments for items not involving cash flows:				
Depreciation	12,217	8,020	12,217	8,020
Amortisation	911	1,063	911	1,063
(Profit)/loss on sale of property, plant and equipment	(311)	823	(311)	823
Net movements in provision for liabilities and charges	474	375	474	375
Deferred tax liability	(1,900)	(59)	(1,900)	(59)
Changes in working capital:				
Trade and other receivables	(2,325)	391	(2,325)	391
Work in progress	-	151	-	151
Trade and other payables	(1,555)	239	(1,555)	239
Customer discount payable	1,146	1,146	1,146	1,146
Current income tax liabilities	3,123	148	3,123	148
Net cash inflow from operating activities	27,593	27,393	27,593	27,393

The notes on pages 30 to 50 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

1. General information

WEL Networks Limited is a profit-oriented company incorporated in New Zealand under the Companies Act 1993. The group consists of WEL Networks Limited ('the Company') and its subsidiaries (together 'the Group'). The Group is an electricity network business, delivering energy to customers in the Waikato Region.

The Company is a limited liability company incorporated in New Zealand. The address of its registered office is WEL House, 711 Victoria Street, Hamilton.

These consolidated financial statements have been approved for issue by the Board of Directors on 20 May 2008. Once issued the entity's owners do not have the power to amend these financial statements.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

(a) Basis of preparation

The consolidated financial statements of WEL Networks Limited have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) (as applicable for profit orientated entities). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land, buildings and distribution network as disclosed in the specific accounting policies below.

(b) Estimates and judgement

The preparation of financial statements in conformity with NZ IFRS 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 estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgements about the carrying values of assets and liabilities where these are not readily apparent from other sources. Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the period if the change affects only that period, or into future periods if it also affects future periods. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

(c) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of WEL Networks Limited ('Company' or 'Parent') as at 31 March 2008 and the results of all subsidiaries for the year then ended. WEL Networks Limited Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities, and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that it is attributable to the other ventures. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

(d) Compliance with International Financial Reporting Standards

The separate and consolidated financial statements of WEL Networks Limited also comply with International Financial Reporting Standards (IFRS).

(e) Entities reporting

The financial statements of the 'Parent' or 'Company' are for WEL Networks Limited as a separate legal entity. The consolidated financial statements of the 'Consolidated' or 'Group' entity are for the economic entity comprising WEL Networks Limited and its subsidiaries. The Parent and the consolidated entity are designated as profit oriented entities for financial reporting purposes.

(f) Statutory base

WEL Networks Limited is a limited liability company which is domiciled and incorporated in New Zealand. It is registered under the Companies Act 1993. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

(g) Application of NZ IFRS 1 First-time Adoption of New Zealand equivalents to International Financial Reporting Standards

These financial statements are the first WEL Networks Limited financial statements to be prepared in accordance with NZ IFRS. NZ IFRS 1 First-time Adoption of New Zealand equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated and parent financial statements are presented in New Zealand dollars, rounded to the nearest \$1,000, which is the Company's functional and presentation currency.

2.3 Property, plant and equipment

Land and buildings comprise mainly substations, while the electricity distribution network comprises mainly cables, poles and transformers.

Land and buildings are valued at fair value. Fair value is determined by a periodic independent valuation prepared by external valuers on the basis of market value for highest and best use. The valuations are performed on at least a triennial period. The fair values are recognised in the financial statements, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from fair value.

The electricity distribution network is valued at fair value. Fair value is determined on the basis of an independent valuation prepared by external valuers, based on a depreciated replacement cost methodology. The valuations are performed on at least a triennial period. The fair values are recognised in the financial statements, and are reviewed at the end of each reporting period to ensure that the carrying value of the distribution network is not materially different from fair value.

Any revaluation increase arising on revaluation of land and buildings and the distribution network is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the income statement, in which case the increase is credited to the profit and loss account to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings and the distribution system is charged as an expense in the income statement to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land.

Depreciation on revalued buildings and the distribution network is charged to the income statement. On subsequent sale or retirement of a revalued item, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings. Other plant and equipment and leasehold improvements are carried at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. The cost of self-constructed assets includes the cost of materials and direct labour and an allowance for overheads.

Depreciation on buildings and the distribution network is calculated using the straight-line method with other assets depreciated using the diminishing value basis, to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	3%
Distribution network	4%
Computer equipment	35%
Furniture, plant and equipment	20% - 50%
Vehicles	25%
Generation assets	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

2.4 Fair value estimation

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

2.5 Intangible assets

(a) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding four years).

(b) Easements

Acquired easement rights are capitalised on the basis of the costs incurred. These costs are amortised over their estimated useful lives (33 years).

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the balance sheet (Note 2.8).

2.8 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impaired receivables.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.9 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.10 Cash and cash equivalents

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.11 Contributed equity

Ordinary shares are classified as equity.

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

2.12 Income tax

The income tax expense or revenue for the period is the total of the current period's taxable income based on the national income tax rate, plus/minus movements in the deferred tax balance except where the movement in deferred tax is attributable to a movement in reserves.

Movements in deferred tax are attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and any unused tax losses or credits. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or loss or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

The income tax expense or revenue attributable to amounts recognised directly in equity are also recognised directly in equity. The associated current or deferred tax balances are recognised in these accounts as usual.

Current and deferred tax assets and liabilities of individual entities are reported separately in the consolidated financial statements unless the entities have a legally enforceable right to make or receive a single net payment of tax and the entities intend to make or receive such a net payment or to recover the current tax asset or settle the current tax liability simultaneously.

2.13 Goods and Services Tax (GST)

The income statement has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

2.14 Employee benefits

(a) Wages and 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' service up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(b) 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 balance sheet date are discounted to present value.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of GST, estimated returns, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

(a) Line revenue

The Company invoices its customers (predominantly electricity retailers) monthly for the electricity delivery services across the regions lines network. The reported net line revenue includes the provision for the annual customer discounts that are accrued on a monthly basis but only paid to customers once a year.

(b) Sales of services, contracting sales and third party contributions

Sales of services, contracting sales and third party contributions are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Interest income

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

(d) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.17 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 income statement on a straight-line basis over the period of the lease.

2.18 Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

2.19 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

2.20 Construction contracts

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

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

The Group uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within 'trade and other receivables'.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2.21 New Standards

(a) Standards, interpretations and amendments to published standards that are not yet effective are not yet adopted:

Certain new standards, amendments and interpretations issued by the IASB and the New Zealand equivalents to those standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2008 or later periods but which the Group has not early adopted.

(b) Not yet adopted:

Amendments to IAS 1: Presentation of Financial Statements which are mandatory for reporting periods beginning on or after 1 January 2009 – The revised IAS 1 requires an entity to present all owner changes in equity, separately from non-owner changes in equity, in a statement of changes in equity. All non owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (an income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

NZ IAS 23: Borrowing Costs (Revised) effective from 1 January 2009. The option to expense borrowing costs has been removed. Borrowing costs related to a qualifying asset must be capitalised.

3. Transition to New Zealand equivalents to International Financial Reporting Standards

Basis of transition to NZ IFRS

(a) Application of NZ IFRS 1

The Group's financial statements for the year ended 31 March 2008 are the first annual financial statements that comply with NZ IFRS. These financial statements have been prepared as described in note 2(a). The Group has applied NZ IFRS 1 in preparing these consolidated and parent financial statements.

WEL Networks Limited transition date is 1 April 2006. The Group prepared its opening NZ IFRS balance sheet at that date. The reporting date of these financial statements is 31 March 2008. The Group's NZ IFRS adoption date is 1 April 2007.

In preparing these consolidated and parent financial statements in accordance with NZ IFRS 1, the Group has applied the mandatory exemptions and certain of the optional exemptions from full retrospective application of NZ IFRS.

(b) Exemptions from full retrospective application elected by the Group

WEL Networks Limited has elected to apply the following optional exemptions from full retrospective application.

(i) Business combinations exemption

WEL Networks Limited has applied the business combinations exemption in NZ IFRS 1. It has not restated business combinations that took place prior to the 1 April 2006 transition date. The application of this exemption is detailed in note 27.

(c) Reconciliations between NZ FRS and NZ IFRS

The reconciliations in note 27 provide a quantification of the effect of the transition to NZ IFRS. The reconciliations provide an overview of the impact on the financial statements of the transition at 1 April 2006, and 31 March 2007. The schedules on pages 48 to 50 provide details of the impact of the transition on:

- the comparative group and parent income statement for the year ended 31 March 2007
- the group and parent opening balance sheet at 1 April 2006
- the group and parent balance sheet at 31 March 2007

4. Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

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

(a) Market Risk

(i) Foreign Exchange Risk

The Group is not significantly affected by movements in foreign exchange rates. The Group does not currently utilise derivatives for foreign exchange movements. Foreign exchange gains or losses on the purchase of goods and services are taken to the income statement.

(ii) Interest Rate Risk

The Group's exposure to the risk of changes in the market interest risk relates primarily to the Group's short-term debt obligations with floating interest rates and the Group's short-term investment rates.

The Group's policy to manage interest rate risk is to fund ongoing activities with short-term borrowings funded at floating interest rates. Borrowings are drawn to fund ongoing operations and capital expenditure programmes.

The other financial instruments of the Group are not subject to interest rate risk.

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk.

Group & Parent	Carrying amounts	Interest rate risk	
		+ 1% Effect on profit before tax and equity (\$000)	- 1% Effect on profit before tax and equity (\$000)
	(\$000)		
As at 31 March 2008			
Financial assets			
Trade and other receivables	8,242	-	-
Cash and cash equivalents	7,275	73	(73)
Financial liabilities			
Borrowings	18,700	(187)	187
Trade and other payables	10,202	-	-
Provisions	503	-	-
Customer discount payable	20,340	-	-
Total increase / (decrease)		(114)	114
As at 31 March 2007			
Financial assets			
Trade and other receivables	6,517	-	-
Cash and cash equivalents	7,318	73	(73)
Financial liabilities			
Borrowings	37,400	(374)	374
Trade and other payables	11,666	-	-
Provisions	-	-	-
Customer discount payable	19,750	-	-
Total increase / (decrease)		(301)	301

(b) Credit Risk

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

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

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

The Group has in excess of 80% 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 Directors believe that no additional credit risk beyond amounts provided for doubtful debts is inherent in the Group's trade receivables.

In respect of the fixed deposits, cash and bank balances placed with major financial institutions, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength. Other than as mentioned above (in addition to those mentioned elsewhere in the financial statements), the Group has no significant concentration of credit risk on its financial assets. The maximum exposures to credit risk are represented by the carrying amounts of other financial assets in the balance sheets. Except for the financial guarantees given by the Group, the Group does not provide any other financial guarantees which would expose the Group or the Parent to credit risk.

(c) Liquidity Risk

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group & Parent	Less than 1 year (\$000)	Between 1 and 5 years (\$000)	Unspecified term (\$000)
At 31 March 2008			
Borrowings	-	-	18,700
Trade and other payables	10,202	-	-
Provisions	249	254	-
Customer discount payable	20,340	-	-
	30,791	254	18,700
At 31 March 2007			
Borrowings	-	-	37,400
Trade and other payables	11,666	-	-
Customer discount payable	19,750	-	-
	31,416	-	37,400

4.2 Capital Risk Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2008 and 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, borrowings and term liabilities less cash and cash equivalents. Total capital includes equity attributable to the equity holders of the Parent.

The gearing ratios are as follows:	Group 2008 (\$000)	Group 2007 (\$000)
Borrowings	18,700	37,400
Less: cash and cash equivalents	(7,275)	(7,318)
Net debt	11,425	30,082
Equity	253,560	205,236
Capital and net debt	264,985	235,318
Gearing ratio	4%	13%

4.3 Fair Values

The Directors estimate that the carrying amounts of financial instruments in the consolidated balance sheet equal their fair values.

5. Critical accounting estimates and adjustments

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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Revenue recognition for line revenue

The company invoices its customers (predominantly electricity retailers) monthly for the electricity delivery services on the basis of an estimation of usage, adjusted for the latest data available from the electricity wholesale market and certain metering data from electricity retailers. Management has made an allowance in revenue and in current assets and liabilities for any amounts which are estimated to be under or over charged during the reporting period. However, as final metering data is not available for in excess of twelve months, it is possible that the final amounts payable or receivable may vary from that calculated.

Line revenue discounts are paid to customers once a year. A provision for line revenue discounts is established on a monthly basis. The discounts are agreed between the directors and shareholders on an annual basis having regard to the forecast level of company earnings and estimated future capital expenditure programmes.

(b) Revenue recognition for sale of services

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

(c) Estimated fair value and useful lives of distribution network assets

The Group estimates the fair value of the distribution network by using independent valuers in accordance with the accounting policy stated in notes 2.3 above. The fair value is based on an optimised depreciation replacement cost. The useful lives of the components of the distribution network are estimated based on their respective tenure period. These calculations require the use of estimates. Changes of the valuation in the future could have a material effect on the carrying amount of distribution network (see note 6).

6. Property, plant and equipment	Land and Buildings	Distribution Network	Plant and Equipment	Generation Assets	Total
Group and Parent	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
At 1 April 2006					
Cost or valuation	12,336	233,950	5,665	1,774	253,725
Accumulated depreciation	(549)	(12,009)	(4,225)	(224)	(17,007)
Net book amount	11,787	221,941	1,440	1,550	236,718
Year ended 31 March 2007					
Opening net book amount	11,787	221,941	1,440	1,550	236,718
Transfers	(8,621)	-	-	-	(8,621)
Revaluation surplus	3,753	49,852	-	-	53,605
Additions	1,176	30,220	3,364	-	34,760
Disposals	(105)	(80)	(62)	-	(247)
Depreciation charge	(295)	(6,937)	(649)	(140)	(8,021)
Closing net book amount	7,695	294,996	4,093	1,410	308,194
At 31 March 2007					
Cost or valuation	7,695	294,996	8,575	1,774	313,040
Accumulated depreciation	-	-	(4,482)	(364)	(4,846)
Net book amount	7,695	294,996	4,093	1,410	308,194
Year ended 31 March 2008					
Opening net book amount	7,695	294,996	4,093	1,410	308,194
Revaluation surplus	-	12,882	-	-	12,882
Additions	609	31,569	4,051	13	36,242
Disposals	40	(80)	(231)	-	(271)
Depreciation charge	(163)	(11,315)	(611)	(128)	(12,217)
Closing net book amount	8,181	328,052	7,302	1,295	344,830
At 31 March 2008					
Cost or valuation	8,304	328,224	11,794	1,787	350,109
Accumulated depreciation	(123)	(172)	(4,492)	(492)	(5,279)
Net book amount	8,181	328,052	7,302	1,295	344,830

Land and Buildings were revalued to market value on 31 March 2007 by independent valuers, DTZ New Zealand Ltd Registered Valuers. The distribution network was revalued on 31 March 2007 by independent valuers, Sinclair Knight Merz (NZ) Limited Registered Engineers. The valuation of the distribution network was updated on 31 March 2008 by Sinclair Knight Merz (NZ) Limited using a depreciated replacement cost methodology. Additions from 1 April 2007 to 31 March 2008 have been included at cost.

If property, plant and equipment were stated on the historical cost basis, the amounts would be as follows:

	Land and Buildings	Distribution Network	Plant and Equipment	Generation Asset	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Cost	3,137	243,691	11,794	1,787	260,409
Accumulated depreciation	(540)	(124,257)	(4,492)	(492)	(129,781)
Net book amount at 31 March 2008	2,597	119,434	7,302	1,295	130,628
Cost	13,259	212,138	8,575	1,774	235,746
Accumulated depreciation	(3,509)	(118,611)	(4,482)	(364)	(126,966)
Net book amount at 31 March 2007	9,750	93,527	4,093	1,410	108,780

7. Intangible assets	Software (\$000)	Easements (\$000)	Total (\$000)
Group and Parent			
At 1 April 2006			
Cost	9,746	1,355	11,101
Accumulated amortisation	(8,143)	(677)	(8,820)
Net book amount	1,603	678	2,281
Year ended 31 March 2007			
Opening net book amount	1,603	678	2,281
Additions	1,153	-	1,153
Amortisation expense	(1,022)	(41)	(1,063)
Closing net book amount	1,734	637	2,371
At 31 March 2007			
Cost	10,899	1,355	12,254
Accumulated amortisation	(9,165)	(718)	(9,883)
Net book amount	1,734	637	2,371
Year ended 31 March 2008			
Opening net book amount	1,734	637	2,371
Additions	702	-	702
Amortisation expense	(891)	(20)	(911)
Closing net book amount	1,545	617	2,162
At 31 March 2008			
Cost	11,601	1,355	12,956
Accumulated amortisation	(10,056)	(738)	(10,794)
Net book amount	1,545	617	2,162

8. Trade and other receivables	Group 2008 (\$000)	Group 2007 (\$000)	Parent 2008 (\$000)	Parent 2007 (\$000)
Trade receivables	6,848	6,457	6,848	6,457
Trade receivables - related parties	110	57	110	57
Less: provision for impairment of receivables	(178)	(164)	(178)	(164)
Trade receivables - net	6,780	6,350	6,780	6,350
Amounts due from customer for contract work	1,685	324	1,685	324
Prepayments	151	171	151	171
	8,616	6,845	8,616	6,845
Current	8,242	6,517	8,242	6,517
Non-current	374	328	374	328
	8,616	6,845	8,616	6,845

(a) Impaired receivables

As at 31 March 2008 current trade receivables of the Group with a nominal value of \$2.6 million (2007 \$1.8 million) were impaired. The amount of the provision was \$0.18 million (2007: \$0.16 million). The individually impaired receivables mainly relate to damage to the network caused by third parties.

The ageing of these impaired receivables is as follows:

Less than 3 months	1,775	1,222	1,775	1,222
3 to 6 months	522	211	522	211
Over 6 months	307	411	307	411

As of 31 March 2008, there were no trade receivables past due, but not impaired.

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

Opening balance 1 April 2007	164	117	164	117
Movement in provision for impairment recognised during the year	223	279	223	279
Receivables written off during the year as uncollectible	(209)	(232)	(209)	(232)
Closing balance 31 March 2008	178	164	178	164

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the provision for impairment of receivables account are generally written off when there is no expectation of recovering additional cash

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

(b) Foreign exchange and interest rate risk

The Group is not exposed to foreign currency risk or interest rate risk in relation to trade and other receivables. A summarised analysis of the sensitivity of trade and other receivables to foreign exchange and interest rate risk can be found in note 4.

(c) 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 4 – Financial risk management for more information on the risk management policy of the Group.

9. Cash and cash equivalents

(a) Cash on hand and bank deposit balances at call

The deposits are bearing floating interest rates between 7.50% and 8.75%. These deposits have an average maturity of 20 days.

(b) Fair value

The carrying amount for cash and cash equivalents equals the fair value.

	Number of Shares	Group 2008 (\$000)	Group 2007 (\$000)	Parent 2008 (\$000)	Parent 2007 (\$000)
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10. Share capital

Authorised issued and fully paid ordinary shares

Balance at 1 April 2007	7,801,754	92,442	92,442	92,442	92,442
Shares issued during the year (note 11)	351,246	18,700	-	18,700	-
Closing balance at 31 March 2008	8,153,000	111,142	92,442	111,142	92,442

All ordinary shares carry equal voting rights.

11. Borrowings

Non-current

Convertible Note	18,700	37,400	18,700	37,400
	18,700	37,400	18,700	37,400

Current

Bank borrowings	-	-	-	-
	-	-	-	-

Total borrowings	18,700	37,400	18,700	37,400
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On 30 June 2004 the Company paid a dividend of \$37.4 million to its 100% shareholder, WEL Energy Trust. On the same day the Company issued \$37.4 million of convertible notes to the WEL Energy Trust. The Notes are subordinated to all other forms of debt. They are unsecured and bear interest of 9.3% p.a for 2007/08, accrued monthly. The Notes are convertible into an amount of ordinary shares equal to the face value of the Notes, divided by the assessed fair value of WEL shares at the date of conversion. Conversion is at the discretion of the Directors, having provided 30 business days notice.

On 1 October 2007 50% of the convertible notes were converted into 351,246 fully paid ordinary shares.

12. Deferred income tax	Accelerated tax depreciation	Revaluation of property, plant and equipment	Provisions	Total
Group and Parent	(\$000)	(\$000)	(\$000)	(\$000)
Deferred tax liabilities / (assets)				
At 1 April 2006	6,174	36,040	(185)	42,029
Charged/(credited) to the income statement	(18)	-	-	(18)
Charged to equity - revaluation	-	17,083	-	17,083
At 31 March 2007	6,156	53,123	(185)	59,094
Charged/(credited) to the income statement	(1,777)	-	(124)	(1,901)
Charged to equity - revaluation	-	3,866	-	3,866
Effect of reduction in tax rate	-	(4,802)	-	(4,802)
At 31 March 2008	4,379	52,187	(309)	56,257
	Group 2008 (\$000)	Group 2007 (\$000)	Parent 2008 (\$000)	Parent 2007 (\$000)
13. Trade and other payables				
Trade creditors and accruals	7,773	10,286	7,773	10,286
Advances received for contract work	1,899	969	1,899	969
Other accruals	530	411	530	411
Balance at 31 March 2008	10,202	11,666	10,202	11,666
14. Provisions				
Carrying amount at 1 April 2007	-	-	-	-
Onerous lease provision	338	-	338	-
Make good provision	165	-	165	-
Amounts used	-	-	-	-
Carry amount at 31 March 2008	503	-	503	-
Current	249	-	249	-
Non-current	254	-	254	-
	503	-	503	-
<p>The onerous lease provision results from contracting to move to new premises while the existing premises lease obligations remain. The Company will attempt to sublease the WEL House premises to remove the existing lease liability. The move to the new premises takes place in December 2008 and the provision is expected to be released between 1 January 2009 and 30 June 2010.</p> <p>The make good provision relates to contracted repairs and maintenance costs required to return the current three leased premises back to their original state when the existing leases were agreed. The provision is expected to be released during the 2009 financial year.</p>				
15. Revenue				
Gross line revenues	73,205	67,697	73,205	67,697
Discount	(19,970)	(19,198)	(19,970)	(19,198)
Net line revenues	53,235	48,499	53,235	48,499
Third party contributions	9,061	9,198	9,061	9,598
Contracting revenue	4,182	3,452	4,182	3,052
Rental income	538	892	538	892
Interest on investments	305	468	305	468
Other income	2,500	2,298	2,500	2,298
Total revenue	69,821	64,807	69,821	64,807
16. Other net (losses)/gains				
Government grants	29	25	29	25
Gain on disposal of WEL House	1,415	-	1,415	-
	1,444	25	1,444	25

	Group 2008 (\$000)	Group 2007 (\$000)	Parent 2008 (\$000)	Parent 2007 (\$000)
17. Operating expenses				
Transmission costs	16,035	15,032	16,035	15,032
Wages and salaries	4,422	4,036	4,422	4,036
Materials and services	5,492	5,119	5,492	5,119
Contracting cost of sales	3,873	3,208	3,873	3,208
Depreciation of property, plant and equipment				
Buildings	163	296	163	296
Vehicles	156	193	156	193
Computers, furniture, plant and equipment	455	454	455	454
Distribution network	11,315	6,937	11,315	6,937
Land fill generation	128	140	128	140
Total depreciation	12,217	8,020	12,217	8,020
Amortisation expense	911	1,063	911	1,063
Directors' fees	270	240	270	240
Net loss/(gain) on disposal of property plant and equipment	1,104	823	1,104	823
Research and development	3	273	3	273
Bad debts written off	209	244	209	244
Change in provision for impaired receivables	15	(12)	15	(12)
Rental and operating lease payments	476	239	476	239
Other expenses	3,431	4,006	3,431	4,006
Remuneration of Auditors				
Auditing the financial statements	53	54	53	54
Other assurance services	46	66	46	66
Other services	15	2	15	2
Total remuneration	114	122	114	122
PricewaterhouseCoopers were the only auditors employed during the year.				
Total operating expenses	48,572	42,413	48,572	42,413
Wages and salaries capitalised to property, plant and equipment	4,309	2,888	4,309	2,888
18. Borrowing costs				
Interest expense related to:				
Bank borrowings	744	154	744	154
Convertible note	2,523	3,104	2,523	3,104
	3,267	3,258	3,267	3,258
19. Income tax expense				
Current tax	5,092	2,400	5,092	2,400
Deferred tax	(1,479)	1,665	(1,479)	1,665
	3,613	4,065	3,613	4,065

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

Net profit before tax	19,426	19,161	19,426	19,161
Tax calculated at domestic tax rates applicable to profits	6,411	6,323	6,411	6,323
Income not subject to tax	(2,399)	(2,400)	(2,399)	(2,400)
Expenses not deductible for tax purposes	38	142	38	142
Tax adjustment for future company tax rate reduction to 30%	(437)	-	(437)	-
Tax charge	3,613	4,065	3,613	4,065

The weighted average applicable tax rate was 18% (2007: 21%). The reduction is caused by the decrease in the future company tax rate from 33% to 30% from 1 April 2008.

On 17 May 2007, the New Zealand Government announced in its annual budget that the corporate tax rate will be reduced from 33% to 30% effective 1 April 2008. Accordingly the deferred tax liability as at 31 March 2008 reflects the impact of this change. \$437,000 of the change has reduced income tax expense and \$4,802,000 has been accounted for directly in asset revaluation reserve. The asset revaluation reserve movements also include a transfer to retained earnings of \$937,000 for sale of assets as well as a \$7,000 adjustment to asset valuations completed in March 2007.

	Parent 2008 (\$000)	Parent 2007 (\$000)
20. Imputation credit memorandum account		
Balance at the beginning of the year	5,965	1,987
Taxation paid	3,000	4,005
Taxation refunds received	(643)	(27)
Balance at the end of the year	8,322	5,965

21. Contingencies

There are no contingent liabilities as at 31 March 2008 (2007 Nil).

22. Commitments	Group 2008 (\$000)	Group 2007 (\$000)	Parent 2008 (\$000)	Parent 2007 (\$000)
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Capital expenditure

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

Property, plant and equipment	1,324	1,082	1,324	1,082
Intangible assets	-	42	-	42
	1,324	1,124	1,324	1,124

Operating lease commitments

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

In February 2007 the company entered into 12 year leases for new company premises in Te Rapa.

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

No later than one year	1,025	246	1,025	246
Later than one year and no later than two years	1,294	785	1,294	785
Later than two, not later than five years	3,146	2,344	3,146	2,344
Later than five years	7,722	6,449	7,722	6,449
	13,187	9,824	13,187	9,824

23. Interest in joint venture

The Company has a 99.9% interest in a land fill gas generation venture called Horotiu Landfill Gas Project. The venture was formed to operate the landfill gas generation plant owned by the Company. The venture commenced operation in November 2004.

Assets:				
Trade receivables	45	165	45	165
Net assets	45	165	45	165
Income				
Income	473	360	473	360
Expenses	(384)	(375)	(384)	(375)
Net profit after income tax	89	(15)	89	(15)

There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the venture itself.

24. Investments in subsidiaries

Operating Subsidiaries

There are no operating subsidiaries

Non Operating Subsidiaries

WEL International Limited
 WEL Electricity Limited
 WEL Power Limited
 WEL Energy Group Limited (formerly WEL Networks Limited)
 WEL Resource Limited
 Waikato Electricity Limited
 WEL Generation Limited

All subsidiaries have balance dates of 31 March are incorporated in New Zealand and are dormant. The parent company has a 100% interest in all subsidiaries.

25. Related-party transactions

(a) Directors

The names of persons who were directors of the company during the financial year are as follows: R J Fisher, J C Birch, J K Williams, J L Spencer, Hon R W Prebble and M P Devlin. All of these persons were also directors during the year ended 31 March 2007, except for M P Devlin who was appointed in October 2007 and B V Walsh who retired in September 2007. M C Underhill (alternate director) resigned in May 2007 and was replaced by Dr J M Elder as an alternate director in June 2007.

(b) Compensation of directors and key management and personnel

The directors and key management personnel compensation for the years ended 31 March 2008 and 31 March 2007 is set out below. The directors and the four executives profiled in this report have the greatest authority for the strategic direction and management of the company.

	Short-term benefits (\$000)	Post- employment benefits (\$000)	Other long- term benefits (\$000)	Termination benefits (\$000)	Total (\$000)
Year ended 31 March 2008	1,293	-	-	-	1,293
Year ended 31 March 2007	1,220	-	-	-	1,220

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

There are no other transactions with directors or key management personnel or entities.

(d) Subsidiaries

Interests in subsidiaries are set out in note 24.

(e) Transactions with related parties

The ultimate parent of WEL Networks Limited is the WEL Energy Trust which owns 100% of its shares.

All members of the Group are considered related parties of WEL Networks Limited. This includes the subsidiaries and associated companies listed in note 24.

Other than the payment of directors fees (refer note 17) the Group has not entered into any transactions with Directors. No related party debts were forgiven or written off during 2008 or 2007.

25. Related-party transactions - <i>continued</i>	Group 2008 (\$000)	Group 2007 (\$000)	Parent 2008 (\$000)	Parent 2007 (\$000)
Related party transactions with WEL Energy Trust				
Third party contributions	1,000	1,373	1,000	1,373
Contracting revenue	630	746	630	746
Rental income	25	43	25	43
Sales to related parties	1,655	2,162	1,655	2,162
Materials and services	87	126	87	126
Interest expense	16,814	3,208	16,814	3,208
Payments to related parties	16,901	3,334	16,901	3,334
Trade receivables	110	57	110	57
Trade payables	5	9	5	9

26. Events subsequent to balance date

No significant events have occurred since balance date requiring disclosure in the financial statements.

27. Impacts of adoption of New Zealand equivalents to International Financial Reporting Standards

Shown below are tables highlighting the impact of the transition to NZ IFRS, for the income statement and Group and Parent balance sheet as at 31 March 2007.

Notes to the reconciliation of NZ FRS to NZ IFRS

- (a) Contributions by local councils relating to undergrounding of the network distribution assets are considered to be Government Grants which are treated as unearned revenue and amortised over the life of the underlying asset.
- (b) Under NZ FRS deferred tax was recognised on a partial basis. Under NZ IFRS deferred tax is determined using the balance sheet method in respect of all temporary differences between the carrying amount of the assets and liabilities in the financial statements and their corresponding tax base.
- (c) Under NZ IFRS computer software and easements are considered to be intangible assets rather than property plant and equipment. The method used to amortise these assets is not materially different to NZ FRS depreciation methods.

Effects of NZ IFRS on the statement of cash flows for the year ended 31 March 2007

There are no material differences between the cash flow statement presented under NZ IFRS and the cash flow statement presented under the superseded polices.

27. Impacts of adoption of New Zealand equivalents to International Financial Reporting Standards - *continued*

	Note	Immediately preceding financial year Income Statement Year ended 31 March 2007		
		NZ FRS (\$000)	Effect of transition to NZ IFRS (\$000)	NZ IFRS (\$000)
Revenue		64,807	-	64,807
Other net (losses)/gains	(a)	400	(375)	25
Operating expenses		(42,413)	-	(42,413)
Operating net profit		22,794	(375)	22,419
Borrowing costs		(3,258)	-	(3,258)
Net profit before income tax		19,536	(375)	19,161
Income tax expense	(b)	(5,119)	1,054	(4,065)
Net profit for the year		14,417	679	15,096
Net profit attributable to:				
Equity holders of the company		14,417	679	15,096
		14,417	679	15,096

27. Impacts of adoption of New Zealand equivalents to International Financial Reporting Standards - *continued*

Group	Note	Opening Balance Sheet As at 1 April 2006			Immediately preceding financial Balance Sheet As at 31 March 2007		
		NZ FRS (\$000)	Effect of transition to NZ IFRS (\$000)	NZ IFRS (\$000)	NZ FRS (\$000)	Effect of transition to NZ IFRS (\$000)	NZ IFRS (\$000)
ASSETS							
Non-current assets							
Property, plant and equipment	(c)	238,999	(2,281)	236,718	310,565	(2,371)	308,194
Intangible assets	(c)	-	2,281	2,281	-	2,371	2,371
Other assets		32	-	32	24	-	24
		239,031	-	239,031	310,589	-	310,589
Current assets							
Trade and other receivables		8,575	-	8,575	7,886	-	7,886
Property intended for sale		-	-	-	8,621	-	8,621
Cash and cash equivalents		14,412	-	14,412	7,318	-	7,318
		22,987	-	22,987	23,825	-	23,825
Total assets		262,018	-	262,018	334,414	-	334,414
EQUITY							
Capital and reserves attributable to equity holders of the Company							
Share capital		92,442	-	92,442	92,442	-	92,442
Other reserves	(b)	111,387	(37,504)	73,883	164,992	(54,479)	110,513
Retained earnings	(b)	(26,242)	13,516	(12,726)	(11,825)	14,106	2,281
Total equity		177,587	(23,988)	153,599	245,609	(40,373)	205,236
LIABILITIES							
Non-current liabilities							
Borrowings		37,400	-	37,400	37,400	-	37,400
Deferred income tax liabilities	(b)	18,996	23,096	42,092	19,989	39,105	59,094
Deferred income	(a)	-	892	892	-	1,268	1,268
		56,396	23,988	80,384	57,389	40,373	97,762
Current liabilities							
Trade and other payables		9,431	-	9,431	11,666	-	11,666
Current income tax liabilities		-	-	-	-	-	-
Customer discount payable		18,604	-	18,604	19,750	-	19,750
		28,035	-	28,035	31,416	-	31,416
Total liabilities		84,431	23,988	108,419	88,805	40,373	129,178
Total equity and liabilities		262,018	-	262,018	334,414	-	334,414

27. Impacts of adoption of New Zealand equivalents to International Financial Reporting Standards - *continued*

Parent	Note	Opening Balance Sheet As as 1 April 2006			Immediately preceding financial year Balance Sheet As at 31 March 2007		
		NZ FRS (\$000)	Effect of transition to NZ IFRS (\$000)	NZ IFRS (\$000)	NZ FRS (\$000)	Effect of transition to NZ IFRS (\$000)	NZ IFRS (\$000)
ASSETS							
Non-current assets							
Property, plant and equipment	(c)	238,999	(2,281)	236,718	310,565	(2,371)	308,194
Intangible assets	(c)	-	2,281	2,281	-	2,371	2,371
Other assets		32	-	32	24	-	24
		239,031	-	239,031	310,589	-	310,589
Current assets							
Trade and other receivables		8,575	-	8,575	7,886	-	7,886
Property intended for sale		-	-	-	8,621	-	8,621
Cash and cash equivalents		14,412	-	14,412	7,318	-	7,318
		22,987	-	22,987	23,825	-	23,825
Total assets		262,018	-	262,018	334,414	-	334,414
EQUITY							
Capital and reserves attributable to equity holders of the Company							
Share capital		92,442	-	92,442	92,442	-	92,442
Other reserves	(b)	109,279	(37,504)	71,775	162,884	(54,479)	108,405
Retained earnings	(b)	(24,134)	13,516	(10,618)	(9,717)	14,106	4,389
Total equity		177,587	(23,988)	153,599	245,609	(40,373)	205,236
LIABILITIES							
Non-current liabilities							
Borrowings		37,400	-	37,400	37,400	-	37,400
Deferred income tax liabilities	(b)	18,996	23,096	42,092	19,989	39,105	59,094
Deferred income	(a)	-	892	892	-	1,268	1,268
		56,396	23,988	80,384	57,389	40,373	97,762
Current liabilities							
Trade and other payables		9,431	-	9,431	11,666	-	11,666
Current income tax liabilities		-	-	-	-	-	-
Customer discount payable		18,604	-	18,604	19,750	-	19,750
		28,035	-	28,035	31,416	-	31,416
Total liabilities		84,431	23,988	108,419	88,805	40,373	129,178
Total equity and liabilities		262,018	-	262,018	334,414	-	334,414