

COUNTRY ENERGY GAS PTY LIMITED A.C.N. 083 199 839**INCOME STATEMENT****For the year ended 30 June 2009**

		2009	2008
	Note	\$'000	\$'000
Continuing Operations			
Revenue	2	11,937	11,296
Expenses	2	(7,138)	(6,596)
		<hr/>	<hr/>
Profit from Continuing Operations before Income Tax		4,799	4,700
Income Tax Expense	3	(1,865)	(1,835)
		<hr/>	<hr/>
Profit from Continuing Operations after Income Tax		<u>2,934</u>	<u>2,865</u>
Net profit result attributable to members of the parent entity		2,934	2,865
		<hr/>	<hr/>
Total changes in equity other than those resulting from transactions with owners as owners		<u>2,934</u>	<u>2,865</u>

The Income Statement is to be read in conjunction with the notes to and forming part of the financial report.

COUNTRY ENERGY GAS PTY LIMITED A.C.N. 083 199 839

BALANCE SHEET AS AT 30 JUNE 2009

		2009	2008
	Note	\$'000	\$'000
Current Assets			
Trade and Other Receivables	4	3,208	1,273
Total Current Assets		<u>3,208</u>	<u>1,273</u>
Non-Current Assets			
Property, Plant and Equipment	5	90,316	88,036
Intangible Assets and Goodwill	6	9,318	10,736
Deferred Tax Assets	7	171	383
Total Non-Current Assets		<u>99,805</u>	<u>99,155</u>
TOTAL ASSETS		<u>103,013</u>	<u>100,428</u>
Current Liabilities			
Trade and Other Payables	8	1,332	1,334
Other Financial Liabilities	9	56,813	56,813
Total Current Liabilities		<u>58,145</u>	<u>58,147</u>
Non-Current Liabilities			
Other Financial Liabilities	9	178	534
Deferred Tax Liability	7	2,691	2,682
Total Non-Current Liabilities		<u>2,869</u>	<u>3,216</u>
TOTAL LIABILITIES		<u>61,014</u>	<u>61,363</u>
NET ASSETS		<u>41,999</u>	<u>39,065</u>
Equity			
Contributed equity		26,871	26,871
Retained profits		15,128	12,194
Total Parent Entity Interest		<u>41,999</u>	<u>39,065</u>
TOTAL EQUITY		<u>41,999</u>	<u>39,065</u>

The accompanying notes form part of this Balance Sheet.

COUNTRY ENERGY GAS PTY LIMITED A.C.N. 083 199 839**CASH FLOW STATEMENT****For the year ended 30 June 2009**

		2009	2008
	Note	\$'000	\$'000
Cash Flows from Operating Activities			
Receipts from customers		11,590	10,971
Payment to suppliers		(6,218)	(5,772)
Net cash flows from operating activities	10	<u>5,372</u>	<u>5,199</u>
Cash Flows from Investing Activities			
Payments for system assets		(5,372)	(5,199)
Net cash outflows from investing activities		<u>(5,372)</u>	<u>(5,199)</u>
Net cash flows from financing activities		<u>-</u>	<u>-</u>
Net Increase/(Decrease) in Cash Held		-	-
Cash at the beginning of the financial year		-	-
Cash at the end of the financial year		<u>-</u>	<u>-</u>

The Cash Flow Statement is to be read in conjunction with the notes to and forming part of the financial report.

COUNTRY ENERGY GAS PTY LIMITED A.C.N. 083 199 839

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
Contributed Equity		
Closing balance	<u>26,871</u>	<u>26,871</u>
Retained Profits		
Opening balance	12,194	9,329
Movement:		
Net Profit From Continuing Operations Attributable to Members of the Parent Entity	2,934	2,865
Retained Profits Closing Balance	<u>15,128</u>	<u>12,194</u>

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial report.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

Note 1 Statement of Significant Accounting Policies

1.1 Reporting Entity

Country Energy Gas Pty Limited (the Company) is a registered Company incorporated in NSW. The Company has a share capital of twenty six million eight hundred and seventy thousand five hundred and ninety three (26,870,593) ordinary shares of \$1.00 each. These shares are issued to Country Energy (the parent), a NSW State Owned Corporation incorporated under the *State Owned Corporations Act 1989*.

The Company was formerly named Great Southern Energy Gas Networks Pty Ltd and became a member of the Country Energy Group when its parent, Great Southern Energy, was merged with Advance Energy and NorthPower on 1 July 2001.

1.2 Financial Reporting Framework and Statement of Compliance

The accompanying statements are a general purpose financial report which has been prepared in accordance with the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the *State Owned Corporations Act 1989*. The financial statements have been prepared on an accrual accounting basis in accordance with these Acts and Regulation. The statements are in conformity with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Interpretations. The Financial Report complies with International Financial Reporting Standards (IFRS). The statements are also prepared consistent with NSW Treasury's mandates and indicative mandates.

The financial statements have been prepared in accordance with the historical cost convention, except where otherwise indicated, and do not take account of changes in the general purchasing power of the dollar except where stated. The going concern basis has been applied in the preparation of the financial statements. The ability of the Company to operate as a going concern is dependent upon continued economic support from the parent entity and its continuing guarantee of repayment of the loan described at note 1.12.3.

1.3 Accounting Policies

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

been consistently applied in the Country Energy Group and are consistent with those applied in the previous year.

1.4 Financial Instruments

Financial instruments give rise to positions that are a financial asset of either the Company or its counterparty and a financial liability (or equity instrument) of the other party. The Company does not undertake any derivative transactions.

1.5 Cost Measurement

The financial report is prepared on the historical cost basis, modified to be compliant with AIFRS in the cases of:

- property, plant and equipment whose cost was deemed to be fair value at the date of transition to AIFRS.
- loans and receivables classified as financial instruments are measured at amortised cost. Generally these are recorded as non-current assets and liabilities in the Balance Sheet and amortisation is applied if material.

1.6 Impairment

In accordance with AASB 136: *Impairment of Assets* and AASB 139: *Financial Instruments: Recognition and Measurement*, impairment testing is carried out to ensure that assets are carried at no more than their recoverable amount. Impairment is applied in the following circumstances:

1.6.1 Impairment – Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Financial assets are assessed for impairment collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit and loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the profit and loss.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

1.6.2 Impairment – Non-financial Assets

- **Assessment for Impairment**

Assets are assessed for any indicators that impairment may exist. If there is no indication of impairment, impairment testing is not carried out. If there is indication of impairment the recoverable amount is estimated for the asset or the cash generating unit group of assets (CGU). If the carrying values exceed the estimated recoverable amount the assets or CGUs are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax weighted average cost of capital. For an asset that does not generate largely independent cash inflows the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognised in the Income Statement.

- **Impairment without Assessment**

Goodwill acquired in a business combination and intangible assets with indefinite useful lives are tested for impairment irrespective of any indication of impairment.

1.6.3 Assets that form a CGU

The combined assets of the Company represent a CGU. This CGU is the smallest identifiable group of assets that generate identifiable cash flows.

The CGU was tested for impairment using market based valuation methodologies. The valuations support the aggregated asset values of the CGU.

1.7 Industry and Segment Reporting

The Company operates in a single business segment being the distribution and retail of energy, and within one geographical sector, Australia.

1.8 Revenue recognition

All revenue is recognised as revenue from continuing operations for the purposes of the Income Statement.

Sales revenue comprises revenue earned from the provision of products or services and is recognised when the goods are provided.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

1.9 Valuation of Current Assets - Receivables

Trade and other receivables are measured at cost being the amounts due. The collectability of debts is assessed at balance date in accordance with AASB 139. The amounts owed by the parent comprise transactions arising from a contracted provision of resources by the parent to assist the Company in operating its assets and carrying out its functions (refer note 4).

1.10 Valuation of Property, Plant and Equipment

All property, plant and equipment assets were of the one class being a natural gas system network asset. AASB 116: *Property, Plant and equipment* requires independent valuations to be undertaken whenever it is perceived that the carrying value would be materially different to the fair value. The NSW Treasurer has provided Country Energy with an exemption from Treasury Policy Paper TPP 07-1 (*Valuation of Physical Non-Current Assets at Fair Value*), which requires Country Energy to conduct an independent external valuation of its natural gas system network assets at least every five years. The exemption applies only for the reporting year ended 30 June 2009. These assets are carried at fair value and form part of the CGU (refer note 1.6.3). The natural gas system assets are not impaired.

1.10.1 Asset acquisition

The value of assets acquired during the year includes the cost of acquisition, the cost of materials, labour and an appropriate proportion of overheads.

1.10.2 Depreciation

The components of the asset excluding land are depreciated at rates based on their estimated remaining lives of 9 to 44 years. Depreciation expense was applied using the straight line method.

1.11 Valuation of Intangible Assets

Intangible assets, other than goodwill are identifiable non physical assets that have been acquired by the Company. These are recorded at amortised cost. The intangible assets including goodwill form part of a CGU (refer note 1.6.3). The intangible assets are not impaired.

1.11.1 Natural Gas Distribution Licence

The licence was initially acquired when Great Southern Energy (former parent) purchased the natural gas distribution business from the Council of the City of Wagga Wagga. The Company subsequently purchased the business from the parent. The acquisition involved the paying of a premium over the value of the assets. The premium is in recognition of the future benefits that will accrue in addition to the value of the identifiable assets. The difference between the cost of the natural gas distribution business and the value of the natural gas distribution assets is the value of the intangible asset being the distribution licence (refer note 6). The licence has a remaining life of four years.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

1.11.2 Goodwill

Goodwill was acquired when the former Great Southern Energy Group (refer note 1.1) purchased natural gas assets from the Australian Gas Light Company.

The goodwill represents the excess of the cost of acquisition of the gas network purchased over the fair value of the identifiable net assets acquired. The assets were newly constructed at the time of acquisition. Goodwill is recorded at cost and is tested for impairment annually (refer notes 1.6.2 and 6).

1.12 Liabilities

1.12.1 Payables

Trade and other payables are recognised when there is an obligation to make future payments for the purchase of goods and services supplied as at balance date. These obligations are due within the next twelve months. Payables are recorded at fair value. Payables include accrued expenses (refer note 8).

1.12.2 Unearned Revenue

In 2001 a development grant was received from the Australian Government for the installation of gas networks on behalf of a customer. The obligation to repay the grant is satisfied by applying agreed amounts to the customer's energy bill.

The liability is classified as a financial instrument and has a remaining life of 1.5 years. It is measured at amortised cost, however amortisation has not been recorded because it is not material (refer note 9).

1.12.3 Loan from Parent Company

Country Energy has lent the Company \$56.5 million interest free. Due to resolutions taken by the Board of Country Energy the loan is payable on demand and a demand for payment will not be made if it would place in jeopardy the solvency of the Company (refer notes 9 and 11).

1.13 Income Tax

The Company is a member of a tax consolidated group and operates within the National Tax Equivalent Regime (NTER) administered by the Australian Taxation Office on behalf of the NSW Government.

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year using tax rates that are applicable at balance date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- Goodwill.
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates applicable at balance date.

A deferred tax asset is recognised to the extent that it is probable that the future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.13.1 Tax Consolidation

The Company is a wholly owned subsidiary within a tax consolidated group with Country Energy as the head entity.

Current income tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences are recognised in the entity's financial statements using the 'separate taxpayer within group' approach. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of assets and liabilities in the entity's balance sheet and their tax values applying under tax consolidation.

Any current tax liabilities/assets and deferred tax assets arising from unused tax losses of the Company are assumed by the head entity of the tax consolidated group. These are recognised as amounts payable/receivable to other members of the group in conjunction with any tax funding arrangement amounts.

The Company recognises deferred tax assets arising from unused tax losses to the extent that it is probable that the future taxable profits of the tax consolidated group will be available against which the asset can be utilised. The Company assesses the recovery of its unused tax losses and tax credits only in the period in which they arise and before assumption by the head entity in accordance with AASB 112: *Income Taxes*.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only (refer note 14).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

1.13.2 Tax Funding Arrangements

The Company in conjunction with other members of the tax consolidated group has entered into a tax funding arrangement which sets out the funding obligation of members of the group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/assets assumed by the head entity and any tax loss deferred tax asset assumed by the head entity resulting in the Company recognising an inter entity payable/receivable equal in amount to the tax liability/asset assumed. The inter entity payable/receivable balances are at call.

Contributions to fund the current tax liabilities are payables as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

1.13.3 Tax Sharing Agreement

The Company in conjunction with other members of the tax consolidated group has entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the members of the group should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under this agreement is remote.

1.14 Goods and Services Tax

Revenue, expenses and assets (other than receivables) are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

1.15 Comparative data

Comparatives have been reclassified where necessary to enhance comparability in respect of changes in the current year. Where prior year information was not disclosed or where it is not practical to calculate the information comparatives have been omitted. Where this has occurred references have been made accordingly throughout the financial statements.

1.16 Rounding of Amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

1.17 Early Adoption of Standards

At reporting date a number of Australian Accounting Standards have been issued by the AASB but are not yet operative. These have not been adopted early by the Company. These Standards have been assessed for their possible impact on the financial report, if any, in the period of their initial application. The assessment concluded that there will be no material impact.

COUNTRY ENERGY GAS PTY LIMITED A.C.N. 083 199 839

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

Note 2 Components of Revenue and Expenses

	2009	2008
	\$'000	\$'000
Continuing operations		
Sales revenue	11,934	10,943
Developer and Customer Contributions	3	353
Total revenue from continuing operations	<u>11,937</u>	<u>11,296</u>
 Cost of delivery of gas	 7,138	 6,596
Total expenses relating to continuing operations	<u>7,138</u>	<u>6,596</u>
Expense items included in total expenses relating to continuing operations		
Depreciation of property, plant and equipment	3,092	2,910
Amortisation of intangible assets	1,418	1,419
 Maintenance expenses:		
Employee related maintenance expenses included in employee benefits expense	270	217
Contracted labour and other (non-employee related) expenses	<u>1,627</u>	<u>1,784</u>
Total maintenance expenses	<u>1,897</u>	<u>2,001</u>

COUNTRY ENERGY GAS PTY LIMITED A.C.N. 083 199 839

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

Note 3 Income Tax Expense

		2009	2008
	Note	\$'000	\$'000
The major components of income tax expense are:			
Income Statement			
<u>Current income tax</u>			
Current income tax charge		1,877	2,025
Adjustments in respect of current income tax of previous years		(233)	-
<u>Deferred income tax</u>			
Relating to origination and reversal of temporary differences	7	221	(190)
Income tax expense reported in the income statement		1,865	1,835
 Reconciliation of tax expense to pre-tax profit			
Profit from Continuing Operations before Income Tax		4,799	4,700
Income tax at rate of 30%		1,440	1,410
Adjustment in respect of current income tax of previous years		(233)	-
Expenditure not allowable for income tax purposes		425	425
Recognition / derecognition of temporary differences		233	-
		1,865	1,835
Income tax expense reported in the income statement		1,865	1,835

COUNTRY ENERGY GAS PTY LIMITED A.C.N. 083 199 839

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

Note 4 Trade and Other Receivables

		2009	2008
	Note	\$'000	\$'000
Current			
Other debtors		127	136
Parent entity debtor - unsecured	14	3,081	1,137
Total Current Trade and Other Receivables	11	<u>3,208</u>	<u>1,273</u>

COUNTRY ENERGY GAS PTY LIMITED A.C.N. 083 199 839

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

Note 5 Property, Plant & Equipment

		2009	2008
	Note	\$'000	\$'000
System Assets			
Opening carrying value			
At fair value		107,520	102,321
Accumulated depreciation		(19,484)	(16,574)
Net opening carrying value		<u>88,036</u>	<u>85,747</u>
Movements			
Additions		5,372	5,199
Depreciation expense		(3,092)	(2,910)
Net movements		<u>2,280</u>	<u>2,289</u>
Closing carrying value			
At fair value		112,892	107,520
Accumulated depreciation		(22,576)	(19,484)
Net closing carrying value	1.10	<u><u>90,316</u></u>	<u><u>88,036</u></u>

COUNTRY ENERGY GAS PTY LIMITED A.C.N. 083 199 839

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

Note 6 Intangible Assets and Goodwill

		2009	2008
Natural Gas Distribution Licence	Note	\$'000	\$'000
Opening carrying value			
At cost		14,188	14,188
Accumulated amortisation		(7,095)	(5,676)
		<u>7,093</u>	<u>8,512</u>
Movements			
Amortisation expense		(1,418)	(1,419)
Closing carrying value			
At cost		14,188	14,188
Accumulated amortisation		(8,513)	(7,095)
Net closing carrying value	1.11.1	<u>5,675</u>	<u>7,093</u>
Goodwill at closing carrying amount	1.11.2	<u>3,643</u>	<u>3,643</u>
Total Intangibles		<u>9,318</u>	<u>10,736</u>

COUNTRY ENERGY GAS PTY LIMITED A.C.N. 083 199 839

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

Note 7 Deferred Taxes

		Balance Sheet		Income Statement	
		2009	2008	2009	2008
	Note	\$'000	\$'000	\$'000	\$'000
Deferred Tax Assets					
Expense accruals		171	383	212	(212)
Total deferred income tax asset		<u>171</u>	<u>383</u>		
Deferred Tax Liabilities					
Depreciation		2,691	2,682	9	22
Total deferred income tax liability		<u>2,691</u>	<u>2,682</u>		
Deferred tax income/(expense)	3			<u>221</u>	<u>(190)</u>

COUNTRY ENERGY GAS PTY LIMITED A.C.N. 083 199 839

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

Note 8 Trade and Other Payables

		2009	2008
	Note	\$'000	\$'000
Current			
Accrued expenses		1,332	1,334
Total Current trade and Other Payables	1.12.1 & 11	<u>1,332</u>	<u>1,334</u>

COUNTRY ENERGY GAS PTY LIMITED A.C.N. 083 199 839

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

Note 9 Other Financial Liabilities

		2009	2008
	Note	\$'000	\$'000
Current			
Unearned revenue	1.12.2	356	356
Loan from parent entity	1.12.3 & 14	56,457	56,457
Total Current Other Financial Liabilities		<u><u>56,813</u></u>	<u><u>56,813</u></u>
Non-Current			
Unearned revenue	1.12.2	178	534
Total Non-Current Other Financial Liabilities		<u><u>178</u></u>	<u><u>534</u></u>

The entity's exposure to liquidity risk related to other liabilities is disclosed in note 11.

COUNTRY ENERGY GAS PTY LIMITED A.C.N. 083 199 839

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

Note 10 Cash Flow Disclosures

(a) Cash

The economic entity's cash receipts and cash payments were deposited and withdrawn respectively from the loan account with the parent entity.

(b) Financing facilities

There were no financing facilities available as at 30 June 2009 (nil in 2008).

(c) Reconciliation of operating profit after income tax expense to cash provided by operating activities

	2009	2008
	\$'000 Inflows/ (Outflows)	\$'000 Inflows/ (Outflows)
Profit from ordinary activities after income tax expense	2,934	2,865
Add/(less) non-cash items recognised in expenses/revenue		
Depreciation	3,092	2,910
Amortisation	1,418	1,419
Changes in assets and liabilities		
Increase/(Decrease) in current liabilities	(2)	(342)
(Increase)/Decrease in current assets	(1,935)	(1,107)
Increase/(Decrease) in non-current liabilities	(356)	(356)
(Increase)/Decrease in tax assets and (tax liabilities)	221	(190)
Net cash provided by operating activities	5,372	5,199

COUNTRY ENERGY GAS PTY LIMITED A.C.N. 083 199 839

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

Note 11 Financial Instruments

The entity's principal financial instrument is a loan from its parent entity. It has other immaterial financial instruments including receivables, payables and other financial liabilities.

The data disclosed is based on AIFRS accounting policies.

Accounting policies in relation to financial instruments including the basis of recognition and measurement have not materially changed from last year.

The entity's financial instrument categories at the reporting date were:

Financial Assets	Category	Note	Carrying Amount 2009 \$'000	Carrying Amount 2008 \$'000
Receivables	Loans and receivables (at amortised cost)	4	3,208	1,273
Total Financial Assets			<u>3,208</u>	<u>1,273</u>
Financial Liabilities	Category	Note	Carrying Amount 2009 \$'000	Carrying Amount 2008 \$'000
Payables	Financial liabilities measured at amortised cost	8	1,332	1,334
Related entity	Financial liabilities measured at amortised cost	9	56,457	56,457
Other Financial Liabilities	Financial liabilities measured at amortised cost	9	534	890
Total Financial Liabilities			<u>58,323</u>	<u>58,681</u>

Financial assets and financial liabilities are disclosed at cost or amortised cost. These values approximate the fair value of those assets and liabilities.

(a) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to meet their financial obligations.

The carrying amount of the entity's financial assets represent the maximum credit exposure.

There are no material past due financial assets. The company believes there is no material impairment allowance necessary in respect of its financial assets.

(b) Liquidity Risk

Liquidity risk is the risk that the company will be unable to meet its payment obligations when they fall due.

The entity is not subject to any material liquidity risk as the only material lender will not demand payment if it would place in jeopardy the solvency of the entity (refer note 1.12.3).

All material financial liabilities are either due within twelve months or are on demand.

(c) Market Risk

Market risk relates to the effect that changes in market prices, such as interest rates and commodity prices would have on the entity's income and the value of its portfolio.

- Interest Rate Risk

The entity is not subject to interest rate risk because its financial instruments are primarily financial liabilities relating to non-interest bearing transactions with the parent entity.

- Price Risk

The entity operates a gas networks business of which its pricing risk relates to the network transport charge.

For the regulated network base, the price path is set by an independent regulator every five years under an Access Arrangement.

For the unregulated network base the price is approved by the parent entity Board. Prices are set consistent with the processes used for the regulated network. The unregulated network price setting can be returned to a regulated environment in the event of a successful application by a stakeholder to the National Competition Council if they consider terms and conditions of the Transportation Agreement are unreasonable.

(d) Capital Management

The entity is wholly owned by Country Energy and is consolidated within the Country Energy Group. Capital is managed at a Country Energy consolidated group level.

COUNTRY ENERGY GAS PTY LIMITED A.C.N. 083 199 839

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

Note 12 Commitments

	2009	2008
	\$'000	\$'000
Capital expenditure commitments		
Estimated capital expenditure contracted for at balance date but not provided for:		
- not later than one year	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Capital expenditure commitments include input tax credits	<u>-</u>	<u>-</u>
Operating expenditure commitments excluding leases		
Estimated operating expenditure contracted for at balance date but not provided for:		
- payable not later than one year	298	313
- later than one year and not later than five years	1,375	1,375
- later than five years	1,100	1,375
	<u>2,773</u>	<u>3,063</u>
	<u>2,773</u>	<u>3,063</u>
Operating expenditure commitments include input tax credits	<u>252</u>	<u>278</u>

COUNTRY ENERGY GAS PTY LIMITED A.C.N. 083 199 839

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

Note 13 Auditor's Remuneration

	2009	2008
	\$'000	\$'000
Remuneration received, or due and receivable, by the auditor of the economic entity for an audit or review of the financial statements.	19	20
	<u>19</u>	<u>20</u>

COUNTRY ENERGY GAS PTY LIMITED A.C.N. 083 199 839

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

Note 14 Related Parties

Directors

The names of persons holding the position of Director of Country Energy Gas Pty Ltd during the financial year are:
Barbara Ward, Chairman
Craig Murray, Managing Director
Ken Stonestreet

Key Management Personnel

The Directors carry out their responsibilities on behalf of the parent. Compensation is remunerated by the parent. The Company does not employ staff.

Transactions and outstanding balances between Country Energy Gas Pty Limited and Country Energy

The parent administers the Company's business operations. This includes recording and receiving sales revenue. The parent also operates, maintains and constructs the gas assets and pays the Company's expenses.

Country Energy Gas Pty Limited Sales

Sales for the year that were passed through the intercompany account were \$11.590 million (\$10.971 million in 2008) and \$10.349 million (\$9.213 million in 2008) of these were to the parent.

Country Energy Gas Pty Limited administrative, operating and asset maintenance costs

Transactions recorded for administration, operating and maintenance costs were \$6.218 million (\$5.772 million in 2008).

Country Energy Gas Pty Limited asset construction.

Transactions recorded for asset construction were \$5.372 million (\$5.199 million in 2008).

Country Energy Gas Pty Limited income tax

The Company is a member of a tax consolidated group (refer note 1.13). The Company's tax balances were recorded in the intercompany account. These were \$1.644 million during the period (\$2.025 million in 2008).

Balances outstanding with the parent

The outstanding balance between the Company and the parent is \$3.081 million (\$1.137 million in 2008). This is disclosed in note 4 with the parent being a debtor to the Company. The major components of the balance are tax balances (\$2.724 million) ((\$1.080 million) in 2008), sales, administration, operating, maintenance and construction costs \$5.805 million (\$2.217 million in 2008). This Company's receivable is unsecured.

There is a further balance of \$56.457 million (\$56.457 million in 2008) between the Company and the parent being the loan disclosed in note 9.

COUNTRY ENERGY GAS PTY LIMITED A.C.N. 083 199 839

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

Note 15 Contingent Liabilities

There are no known contingent liabilities that would impact on the state of affairs of the economic entity or have a material effect on these financial statements.

COUNTRY ENERGY GAS PTY LIMITED A.C.N. 083 199 839

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

Note 16 Events Subsequent to Balance Date

The financial report of Country Energy Gas Pty Limited for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 2 October 2009.

There are no known events that would impact on the state of affairs of the economic entity or have a material effect on these financial statements.

END OF AUDITED FINANCIAL STATEMENTS