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GASNET LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

GasNet

FINANCIAL STATEMENTS PREPARED FOR THE GAS (Information Disclosure) REGULATIONS 1997

Reg. 32 (2)

Form 4

CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES AND STATISTICS

We, M J DOYLE and H G GREEN Directors of GasNet Limited, certify that, having made all reasonable enquiry, to the best of our knowledge

(a) The attached audited financial statements of GasNet Limited, prepared for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997, comply with the requirements of that regulation; and

(b) The attached information, being financial performance measures, efficiency performance measures, energy delivery performance measures and statistics, and reliability performance measures in relation to GasNet Limited, and having been prepared for the purposes of regulations 15 to 19 of the Gas (Information Disclosure) Regulations 1997, complies with the requirements of those regulations.

Matthew Doyle
....
M J Doyle

....
H G Green

Date: 30/11/2011

Statement of Comprehensive Income
For the Year ended 30 June 2011

	Note	Distribution 2011 $	Distribution 2010 $
Income			
Sales		$ 5,143,664	$ 5,249,268
Finance income		$ 799	$ 1,181
Other revenue		$ 12,136	$ 7,311
Total income		$ 5,156,599	$ 5,257,760
Expenses			
Depreciation		$ 916,034	$ 880,785
Finance costs		$ 446,964	$ 566,156
Subvention payment to WDC			$ -
Loss on revaluation of assets			$ -
Other expenses		$ 1,621,185	$ 1,711,676
Total expenses		$ 2,984,183	$ 3,158,617
SURPLUS / (DEFICIT) BEFORE INCOME TAX	2	$ 2,172,416	$ 2,099,143
Taxation expense / (benefit)	3	$ (743)	$ (157,944)
NET SURPLUS / (DEFICIT) AFTER TAXATION		$ 2,173,159	$ 2,257,087
Other comprehensive income			$ -
TOTAL COMPREHENSIVE INCOME		$ 2,173,159	$ 2,257,087

Statement of Movement in Equity
For the Year ended 30 June 2011

	Note	Distribution 2011 $	Distribution 2010 $
EQUITY AS AT 1 JULY		$ 18,920,166	$ 16,663,079
Total comprehensive income for the year		$ 2,173,159	$ 2,257,087
Total recognised revenue and expenses for the year		$ 2,173,159	$ 2,257,087
Dividend to shareholders		$ -	$ -
EQUITY AS AT 30 JUNE		$ 21,093,325	$ 18,920,166

The accompanying notes and accounting policies form part of these financial statements.

Statement of Financial Position
As at 30 June 2011

	Note	Distribution 2011 $	Distribution 2010 $
CURRENT ASSETS			
General bank account		10,483	1,080
Accounts receivable	5	567,140	602,928
Inventories		194,773	206,206
Provisional tax			-
Total current assets		772,396	810,214
NON CURRENT ASSETS			
Intangible assets	4	66,640	40,724
Property, plant and equipment	4	24,233,561	24,147,812
Investments			-
Total non-current assets		24,300,201	24,188,536
TOTAL ASSETS		25,072,597	24,998,750
EQUITY			
Share capital	6	5,264,435	5,264,435
Retained earnings		14,709,224	12,536,065
Fair value through equity reserve		112	112
Asset revaluation reserve		1,119,554	1,119,554
Total equity		21,093,325	18,920,166
CURRENT LIABILITIES			
Accounts payable & accruals		369,610	282,966
Provision for employee entitlements		71,969	49,255
Net loans from related parties	7	(1,290,443)	917,484
Current finance lease	8		-
Taxation payable			-
Provision for dividend			-
Total current liabilities		(848,864)	1,249,705
NON CURRENT LIABILITIES			
Non-current finance lease	8	-	
Deferred tax		4,828,136	4,828,879
Total non current liabilities		4,828,136	4,828,879
TOTAL LIABILITIES & EQUITY		25,072,597	24,998,750

The accompanying notes and accounting policies form part of these financial statements.

Notes to the Financial Statements
For the Year ended 30 June 2011

1. Statement of Accounting Policies

Entity Statement

GasNet Limited (the Company) is a company formed in accordance with the Energy Companies Act 1992 and registered under the Companies Act 1993.

GasNet Limited is incorporated in New Zealand and domiciled in Wanganui, New Zealand. The Company's parent entity is Wanganui Gas Limited.

For the purpose of preparing Disclosure accounts, in accordance with the Gas (Information Disclosure) Regulations 1997, the annual accounts of GasNet limited and Wanganui Gas Limited (being the consolidated financial statements of both GasNet Limited and Energy Direct Limited) have been used to prepare these accounts.

The gas information disclosure and financial statements of GasNet Limited have been prepared in accordance with the Gas (Information Disclosure) Regulations 1997.

The financial statements are for the year ended 30 June 2011 and were authorised for issue by the Board of Directors on 30 November 2011.

Methodology of Separation of Business

The Methodology used in relation to the allocation of costs, revenue, assets and liabilities will be available for public inspection no later than 30 November 2011.

Statement of Compliance and Basis of Preparation

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Energy Companies Act 1992. The financial statements have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand and therefore comply with the New Zealand equivalent of the International Financial Reporting Standards. For this purpose the Company has defined itself as profit orientated.

The financial statements are prepared using the historical cost basis except where modified by the revaluation of certain assets and liabilities which are recorded at fair value. These are detailed in the specific policies below.

The financial statements are presented in New Zealand dollars, which is the Company's functional currency.

Significant Accounting Policies

The following particular accounting policies which materially affect the measurement of results and financial position have been applied:

Revenue

Revenue is derived from gas network distribution services. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Goods and Service Tax

All items in the financial statements are exclusive of GST, with the exception of accounts receivable and accounts payable which are stated with GST included. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

Accounts Receivable

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated cash flows, discounted using the effective interest method.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held on call with banks.

Inventories

Inventories are valued at the lower of cost or net realisable value after making provision for damaged or obsolete items. Cost is determined by the weighted average method of valuation.

The amount of any write-down for the loss of service potential or from the cost to net realisable value is recognised in the profit and loss statement in the period of the write-down.

Investments

Investments in advances, loans and receivables, and bank deposits held to maturity are recognised at cost plus accrued interest.

Property Plant and Equipment

Property, plant and equipment are initially recorded at cost. The initial cost of property, plant and equipment includes the purchase consideration and those costs that are directly attributable in bringing the asset into the location and condition necessary for its intended purpose. Subsequent expenditure that extends the assets service potential is capitalised.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

For those assets that are revalued, the change in valuation is credited or debited to the asset revaluation reserve for each asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of comprehensive income. Any subsequent increase on revaluation that offsets a previous decrease in value recognised in the statement of comprehensive income will be recognised first in the statement of comprehensive income up to the amount previously expensed then credited to the revaluation reserve for that class of asset. Additions subsequent to revaluations are recorded at cost.

The gas distribution network and gas measurement systems are valued at optimised depreciated replacement cost, adjusted by additions (at cost), disposals and depreciation. Revaluations are carried out every three years and are independently reviewed. The Company assesses the carrying value of its revalued assets annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle assets are revalued.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of comprehensive income. When revalued assets are sold, the amount included in the revaluation reserves in respect of those assets are transferred to retained earnings.

Other assets are recorded at cost less accumulated depreciation.

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment at rates calculated to allocate the assets' cost, or depreciated replacement cost, less estimated residual life, over their estimated useful lives.

Major depreciation rates are:

Mains & Services	1-10% S.L
Condition Renewals	2% S.L
Meters & Customer Station Rebuilds	1-10% S.L
Vehicles, Plant, Office Equipment & Furniture and Fittings	5-33% S.L
Computer Hardware & Software	20-33% S.L
Leasehold Improvements	10-20% S.L

Intangible Assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.
These are valued at cost and are amortised over the expected useful life of the licence.

Costs associated with maintaining computer software are recognised as an expense when incurred

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows

Computer software	3 years	33%

Impairment of Property, Plant and Equipment and Intangible Assets

Assets that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. 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 the asset's fair value less costs to sell and value in use. If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of comprehensive income. For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of comprehensive income. The reversal of impairment loss on a revalued asset is credited to the revaluation reserve. However to the extent that an impairment loss for that class of asset was previously recognised in the statement of comprehensive income, a reversal of the impairment loss is also recognised in the statement of comprehensive income.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the statement of comprehensive income.

Financial Instruments

Financial instruments that potentially subject the Company to credit risk are cash and bank balances, debtors and investments. The Company is exposed to interest rate risk through the issuance of debt instruments. The Company is not subject to currency risk. Financial instruments are recognised in the statement of financial position. Revenues and expenses in relation to financial instruments are recognised in the statement of comprehensive income. Unless covered by a separate policy, all financial instruments are shown at their fair value.

Financial Assets

Financial assets are initially recognised at fair value plus transaction costs, unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the statement of comprehensive income.

Purchases and sales of financial assets are recognised on trade-date, the date at which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. The Company classifies its financial assets into the following categories: loans, receivables and fair value through equity. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

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 balance date, which are included in non-current assets. The Company's loans and receivables comprise cash and cash equivalents, debtors and other receivables.

Financial assets at fair value through equity are those that are designated as fair value through equity or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of balance date. The Company does not hold this category of financial asset.

Financial Liabilities

Financial liabilities (creditors and loans) are initially recognised at fair value. These are subsequently recognised at amortised cost.

Impairment of Financial Assets

At each balance date the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement of comprehensive income.

Impairment of a receivable is established when there is objective evidence that the Company will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (ie not passed due).

Borrowings

Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Borrowings are classified as non current liabilities due to the expectation that they will not be repaid in the next twelve months.
Borrowing costs are recognised as an expense in the period in which they are incurred.

Employee Entitlements

Provision is made in respect of the Company's liability for annual leave, sick leave and long service leave. Annual leave has been calculated on an actual entitlement basis at current rates of pay, while other provisions have been calculated on an actuarial basis at current rates of pay.

Employee benefits that the Company expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current pay rates.

The Company recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlement earned during the year. The amount calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Company anticipates it will be used by staff to cover those future absences. The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense to the Statement of Comprehensive Income as incurred.

Income Tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect to prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date. Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are charged as expenses in the periods which they are incurred.

Leases which effectively transfer to the lessee substantially all the risks and benefits incidental to the ownership of the leased item are classified as finance leases. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and corresponding lease liabilities are recognised in the statement of financial position. The leased assets are depreciated over the period the Company is expected to benefit from their use.

Critical Accounting Estimates and Assumptions

In preparing these financial statements the Company has made estimates and assumptions concerning the future which may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

At each balance date the Company reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Company to consider a number of factors such as the physical condition of the asset, expected period of use of the asset, and expected proceeds from the sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the statement of comprehensive income, and carrying amount of the asset in the statement of financial position. The Company minimises the risk of this estimation uncertainty to its infrastructure assets by:

- an annual review by an independent contractor of the value of the infrastructure assets to determine if any material changes exist
- physical inspection of assets
- asset replacement programmes
- review of second hand market prices for similar assets
- analysis of previous assets sales, and
- completing a revaluation of the infrastructure assets every third year.

The Company has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in note 4.

Changes In Accounting Policies

There have been no changes in accounting policy. All policies have been applied on bases consistent with those used in the previous period.

2. Surplus Before Taxation

	2011 $	Distribution 2010
Surplus/(Deficit) before income tax	$ 2,172,416	$ 2,099,143
After charging:		
Audit fees	$ 19,269	$ 22,532
Audit fees other services		$ -
Interest from short term deposits		$ -
Depreciation : Distribution network	$ 802,302	$ 784,683
Leasehold improvements	$ 14,500	$ 13,912
Vehicles	$ 26,623	$ 20,332
Office equipment	$ 542	$ 548
Furniture & fittings	$ 1,688	$ 1,695
Plant & equipment	$ 26,627	$ 24,417
Customer Acquisitions	$ -	$ -
Computer h/ware & s/ware	$ 43,752	$ 35,198
	$ 916,034	$ 880,785
Directors' fees	$ 74,688	$ 70,400
Interest: fixed loans	$ 446,964	$ 566,156
Rental & operating lease costs	$ 78,403	$ 78,403
Movements in provision for doubtful debts		$ -
Bad debts written off		$ -
After crediting:		
Interest from short term deposits	$ 799	$ 1,181
Profit on sales of assets		$ -
Dividends received		$ -

3. Taxation

	2011	2010
Current tax		$ -
Deferred tax on temporary differences	$ (743)	$ 187,035
Deferred tax on change in tax rates		$ (344,979)
Tax expense	$ (743)	$ (157,944)

Relationship between tax expense and accounting profit

	2011	2010
Surplus/(Deficit) before income tax	$ 2,172,416	$ 2,099,143
Prima facie taxation at 30%	$ 651,725	$ 629,743
Non deductible items		$ -
Non taxable income		$ -
Deferred tax adjustment		$ (344,979)
Group loss offset	$ (652,468)	$ (442,708)
Taxation expense / (benefit)	$ (743)	$ (157,944)

Deferred Tax Liability

Distribution	PPE	Provisions	Losses	Total
Balance at 01 July 2009	$ (5,134,149)	$ 13,274	$ 134,052	$ (4,986,823)
Charged to income	$ 304,440	$ (12,444)	$ (134,052)	$ 157,944
Charged to equity	$ -			$ -
Balance at 30 June 2010	$ (4,829,709)	$ 830	$ -	$ (4,828,879)
Charged to income	$ (9,041)	$ 9,784		$ 743
Charged to equity	$ -			$ -
Balance at 30 June 2011	$ (4,838,750)	$ 10,614	$ -	$ (4,828,136)

4. Fixed Assets

	Cost/ revaluation 1/7/2010	Accumulated depreciation and impairment charges 1/7/2010	Carrying amount 1/7/2010	Current year additions	Current year disposals	Current year impairment charges	Current year depreciation	Opening Accumulated depreciation eliminated on acquisition (1)	Cost/ revaluation 30/6/2011	Accumulated depreciation and impairment charges 30/6/2011	Carrying amount 30/6/2011
Operational assets											
Land	-	-	-	38,885	-	-	-	-	38,885	-	38,885
Leasehold improvements	141,003	(33,422)	107,582	21,402	-		(14,500)	-	162,405	(47,922)	114,484
Vehicles	205,270	(49,498)	155,772		-	-	(26,623)	-	205,270	(76,121)	129,149
Office equipment	2,361	(572)	1,788	-	-	-	(542)	-	2,361	(1,114)	1,246
Computer hardware	34,148	(10,011)	24,137	20,083	-	-	(11,359)	-	54,231	(21,370)	32,861
Leased equipment	-	-	-	-	-	-	-	-	-		
Furniture and fittings	8,711	(5,117)	3,595	-	-	-	(1,688)	-	8,711	(6,805)	1,907
Miscellaneous Plant & Equipment	179,176	(61,271)	117,905	15,511	-	-	(26,627)	-	194,687	(87,898)	106,789
Total operational assets	570,669	(159,891)	410,778	95,881			(81,339)		666,550	(241,230)	425,320
Infrastructural assets											
Distribution network	21,995,523	(1,216,024)	20,779,499	560,749	-	-	(611,063)	-	22,556,272	(1,827,087)	20,729,185
Gas measurement system	3,322,000	(364,465)	2,957,535	312,760	-	-	(191,239)	-	3,634,760	(555,704)	3,079,056
Total infrastructural assets	25,317,522	(1,580,489)	23,737,034	873,509			(802,302)	-	26,191,031	(2,382,791)	23,808,241
Total property, plant and equipment	**25,888,192**	**(1,740,380)**	**24,147,812**	**969,390**			**(883,641)**		**26,857,582**	**(2,624,021)**	**24,233,561**
Intangibles											
Software	123,954	(83,230)	40,724	58,309	-	-	(32,393)	-	182,263	(115,623)	66,640
Total Assets	26,012,145	(1,823,609)	24,188,536	1,027,699		-	(916,034)	-	27,039,844	(2,739,643)	24,300,201

(1). Property plant and equipment were purchased by GasNet Limited from Wanganui Gas Limited on 1 July 2008 at cost less accumulated depreciation

	Cost/ revaluation 1/7/2009	Accumulated depreciation and impairment charges 1/7/2009	Carrying amount 1/7/2009	Current year additions	Current year disposals	Current year impairment charges	Current year depreciation	Opening Accumulated depreciation eliminated on acquisition (1)	Cost/ revaluation 30/6/2010	Accumulated depreciation and impairment charges 30/6/2010	Carrying amount 30/6/2010
Operational assets											
Leasehold improvements	128,215	(19,510)	108,705	12,789	-	-	(13,912)	-	141,003	(33,422)	107,582
Vehicles	172,908	(29,166)	143,742	32,362	-	-	(20,332)	-	205,270	(49,498)	155,772
Office equipment	2,361	(24)	2,336	-	-	-	(548)	-	2,361	(572)	1,788
Computer hardware	15,991	(6,433)	9,559	18,157	-	-	(3,578)	-	34,148	(10,011)	24,137
Leased equipment	-	-	-	-	-	-	-	-	-		
Furniture and fittings	8,711	(3,421)	5,590	-	-	-	(1,695)	-	8,711	(5,117)	3,595
Miscellaneous Plant & Equipment	174,981	(36,855)	138,126	4,195	-	-	(24,417)	-	179,176	(61,271)	117,905
Total operational assets	503,166	(95,408)	408,058	67,503	-	-	(64,483)	-	570,669	(159,891)	410,778
Infrastructural assets											
Distribution network	21,490,892	(612,782)	20,878,110	521,603	(16,972)	-	(603,242)	-	21,995,523	(1,216,024)	20,779,499
Gas measurement system	3,112,972	(183,024)	2,929,949	216,093	(7,066)	-	(181,441)	-	3,322,000	(364,465)	2,957,535
Total infrastructural assets	24,603,864	(795,806)	23,808,058	737,696	(24,037)	-	(784,683)	-	25,317,522	(1,580,489)	23,737,034
Total property, plant and equipment	**25,107,031**	**(891,214)**	**24,216,116**	**805,199**	**(24,037)**		**(849,165)**		**25,888,192**	**(1,740,380)**	**24,147,812**
Intangibles											
Software	88,615	(51,610)	37,005	35,339	-	-	(31,620)	-	123,954	(83,230)	40,724
Total Assets	25,195,646	(942,824)	24,253,121	840,537	(24,037)	-	(880,785)	-	26,012,145	(1,823,609)	24,188,536

5. Accounts Receivable

	Distribution 2011 $		Distribution 2010 $	
Trade debtors	$	567,140	$	602,928
Provision for doubtful debts	$	-	$	-
Total Debtors	$	567,140	$	602,928

Fair Value
Debtors are non-interest bearing and receipt is normally on 30 day terms, therefore the carrying value of debtors approximate their fair value.

Impairment
The carrying amount of receivables that would otherwise be past due or impaired whose terms have been renegotiated is $nil (2009 $nil).

The status of debtors at 30 June are detailed below:

	Distribution 2011 Gross $		Impairment $ -	
Not past due	$	566,140	$	34,669
Past due 1-60 days				
Past due 61 - 120 days	$	1,000		
Past due > 120 days				
Total	$	567,140	$	34,669

	$ - Distribution 2010 Gross $		Impairment $ -	
Not past due	$	596,900		
Past due 1-60 days	$	6,028		
Past due 61 - 120 days				
Past due > 120 days				
Total	$	602,928	$	-

6. Share Capital

Authorised capital:	2011 $		2010 $	
Distribution - 5,264,435 Ordinary shares each fully paid up	$	5,264,435	$	5,264,435

7. Net loans from related parties

	Distribution 2011 $		Distribution 2010 $	
Wanganui Gas Limited	$	(1,290,443)	$	917,484
	$	(1,290,443)	$	917,484

Wanganui Gas Limited
Term : The loans / advances mature upon demand being made in writing by the parent, Wanganui Gas Limited.
As the loans/advances mature on demand they have been disclosed as current.

Security: Unsecured.
Interest rate over year : 10.7%
The loans / advances are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

8. Finance Lease Liabilities

	Distribution	
	2011 $	2010 $
Not later than one year	$ -	$ -
Later than one year and not later than two years	$ -	$ -
Later than two year and not later than five years	$ -	$ -
Later than five years	$ -	$ -
	$ -	$ -
Future finance charges		
Recognised as a liability	$ -	$ -
Representing lease liabilities		
Current		
Non-current		
	$ -	$ -

9. Imputation Credit Account

No imputation credits available

10. Financial Instruments

The accounting policies for financial instruments have been applied to the line items below:

	Distribution	
	2011 $	2010 $
Financial assets		
Loans and receivables		
Cash and cash equivalents	$ 10,483	$ 1,080
Debtors and other receivables	$ 567,140	$ 602,928
Other financial assets:		
- term deposits		
- loans to related parties		

Financial liabilities		**Distribution**		
		2011 **$**		**2010** **$**
Financial liabilities at amortised cost				
Creditors and other payables	$	369,610	$	282,966
Borrowings:				
- secured loans				
- Net advance from related parties	$	(1,290,443)	$	917,484

Financial Instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable. Generally the Company does not require collateral. Maximum exposure to credit risk is the amount stated in the financial statements and is net of any recognised provision for losses on these financial instruments.

The Company is not exposed to any concentrations of risk or currency risk.

The Company has no bank overdraft facility.

The methods and assumptions used are that the carrying amount in the financial statements reflects the estimated fair value of the financial instruments including receivables, bank and investments and accounts payable.

The Company has long term borrowings which are used to fund ongoing activities.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could particularly impact on the cost of borrowing or the return on investments.

The Directors do not consider there is any significant exposure to interest rate risk on the Company's investments.

The interest rates on the Company's borrowings are disclosed in note 7. Interest rates are reviewed regularly.

There are no interest rate options or interest rate swap agreements in place as at 30 June 2011 (2010 : Nil).

Currency Risk

No currency risk.

Liquidity Risk

Management of liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

The Company manages its borrowings in accordance with its funding and financial policies, which include a Liability Management policy.

Contractual maturity analysis of financial liabilities
The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

The amounts disclosed are the contractual undiscounted cash flows.

	Distribution	
	Carrying amount and contractual cash flows $	Less than 1 year $
2011		
Creditors and other payables	$ 369,610	$ 369,610
Net loans from related parties	$ -	
Finance leases	$ -	$ -
Total	$ 369,610	$ 369,610
2010		
Creditors and other payables	$ 282,966	$ 282,966
Net loans from related parties	$ -	
Finance leases	$ -	$ -
Total	$ 282,966	$ 282,966

Contractual maturity analysis of financial assets
The table below analyses the financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

	Distribution	
	Carrying amount and contractual cash flows $	Less than I year $
2011		
Cash and cash equivalents	$ 10,483	$ 10,483
Debtors and other receivables	$ 567,140	$ 567,140
Other financial assets		
Total	$ 577,623	$ 577,623
2010		
Cash and cash equivalents	$ 1,080	$ 1,080
Debtors and other receivables	$ 602,928	$ 602,928
Other financial assets		
Total	$ 604,008	$ 604,008

Sensitivity analysis
The tables below illustrate the potential profit and loss and equity (excluding retained earnings) impact for reasonably possible market movements, with all other variables held constant, based on financial instrument exposures at balance date.

	Distribution	
	Profit $	- 100bps Other Equity $
2011		
Interest rate risk		
Financial assets		
Cash and cash equivalents		
Other financial assets		
Financial liabilities		
Borrowings		
- bank overdraft		
- net loans from related parties	$ -	
Total sensitivity to interest rate risk	**$ -**	**$ -**

2010	Distribution	
Interest rate risk	**- 100bps Profit $**	**Other Equity $**
Financial assets		
Cash and cash equivalents		
Other financial assets		
Financial liabilities		
Borrowings		
- bank overdraft		
- net loans from related parties	$ -	
Total sensitivity to interest rate risk	**$ -**	**$ -**

11. Related Party Transactions

The following transactions occurred during the period with Related Parties:

	2011 $	**2010** $
GasNet Limited is a wholly owned subsidiary of Wanganui Gas Ltd Wanganui Gas Ltd is a wholly owned subsidiary of Wanganui District Council Holdings Ltd (WDCHL), a Council Controlled Organisation of Wanganui District Council.		
Wanganui District Council (rent, rates IT services, other)	$ 129,482	$ 131,162
	$ 129,482	$ 131,162
Wanganui Gas Limited		
Services provided by Wanganui Gas Limited	$ 227,170	$ 228,970
Shares issued to Wanganui Gas Limited	$ 100	$ 100
Net loans / (advances) with Wanganui Gas Limited	$ (1,290,443)	$ 917,484
	$ -	$ -
	$ (1,063,173)	$ 1,146,554

Amounts Owed to Related Parties at Balance date were:

Wanganui District Council	$ 11,457	$ 16,732
Wanganui Gas Limited	$ 11,383	$ 48,477

All Transactions were conducted on normal commercial terms.

12. Prescribed Business Relationships

Under Regulation 22 of the Gas (Information Disclosure) Regulations 1997, total costs and revenue must be disclosed for goods and services provided between entities in prescribed business relationships GasNet Ltd, Wanganui Gas Ltd, and EDNZ Ltd fall within the definition of a prescribed business relationship.

	2011 $	2010 $
Distribution Revenue from Retail		
GasNet Distribution Tariffs *	$ 2,963,678	$ 3,690,359
Distribution Debtors from Retail		
Energy Direct NZ Limited	$ 325,878	$ 361,263

* Tariff represents revenue to GasNet Limited from Energy Direct NZ Limited for the transportation of gas through its distribution network.
The value of transactions is calculated by applying current published Distribution tariffs to actual Retail throughput gas volumes and connection numbers.

	2011 $	2010 $
Distribution Charges from Retail (GST inclusive)		
Energy and Admin support	$ 29,577	$ 43,658
Distribution Creditors from Retail		
Energy Direct New Zealand	$ 2,808	$ 12,814

13. Commitments

The Company has no commitments as at 30 June 2011 (2010: Nil)

14. Contingent Liabilities and Assets

There are no contingent liabilities which would have a material adverse effect on these accounts (2010 : Nil).

15. Dividend

No Dividends have been declared for 2011 (2010 : Nil)

16. Post Balance Date Events

There have been no material events since balance date.

Statement of Performance Measures

For the Year ended 30 June 2011
For the purposes of the Gas (Information Disclosure) Regulations 1997
Regulations 15, 17, & 18

	Reference	2011	2010	2009	2008	2007	*2008*	*2007*
1. Financial Performance Measures								
Accounting Return on Total Assets	Sch 1 Pt 2 1(a)	10.54%	11.74%	10.13%	7.58%	1.10%	*4.27%*	*8.21%*
Accounting Return on Equity	Sch 1 Pt 2 1(b)	10.86%	12.69%	11.81%	11.37%	-0.02%	*5.42%*	*6.25%*
Accounting Rate of Profit Including Network Revaluation	Sch 1 Pt 2 1(c)	10.00%	10.99%	9.28%	11.12% (2)	-0.20% (1)	*7.74%*	*4.57%*
Accounting Rate of Profit Excluding Network Revaluation		10.00%	10.99%	9.28%	8.12%	0.07%	*4.79%*	*4.84%*

Note: The Accounting Rate of Profit Excluding Network Revaluation is not required by the Gas (Information Disclosure) Regulations 1997.

The figures in italics have been adjusted to exclude the subvention payment to WDC and the resulting profit taxed at 33% (2007:33%). This has been provided for ease of comparison to previous financial years.

	Reference	2011	2010	2009	2008	2007
2. Efficiency Performance Measures						
Direct Line Costs per Kilometre	Sch 1 Pt 2 2(a)	$ 1,759	$ 1,711	$ 2,337	$ 2,916	$ 2,416
Indirect Line Costs per Gas Customer	Sch 1 Pt 2 2(b)	$ 95	$ 99	$ 82	$ 84	$ 73
3. Energy Delivery Efficiency Performance Measures						
Load Factor	Sch 1 Pt 3 1(a)	86.93%	79.30%	69.70%	80.10%	79.50%
Unaccounted for Gas Ratio	Sch 1 Pt 3 1(b)	1.25%	0.48%	1.18%	1.80%	1.80%
4. Statistics						
System Length (km)	Sch 1 Pt 3 2(a)	387	386	384	366	365
Maximum Monthly Amount of Gas Entering System (GJ)	Sch 1 Pt 3 2(b)	112,630	106,117	114,968	107,645	110,651
Total Annual Amount of Gas Conveyed through System (GJ)	Sch 1 Pt 3 2(c)	1,174,868	1,094,541	961,994	1,034,957	1,055,279
Total Annual Amount of Gas Conveyed through System for Persons not in a Prescribed Business Relationship (GJ/pa)	Sch 1 Pt 3 2(d)	952,133	742,414	514,832	542,665	538,798
Total Number of Customers	Sch 1 Pt 3 2(e)	10,353	10,309	10,287	10,331	10,326
5. Reliability Performance Measures						
Unplanned Transmission System Interruptions (hours)	Sch 1 Pt 4 1	nil	nil	nil	nil	nil
Unplanned Distribution System Interruptions not related to Transmission System Interruptions (hours/customer)	Sch 1 Pt 4 2(a)	0.0127 (4)	0.2542 (3)	0.0258	0.018	0.0152
Unplanned Distribution System Interruptions related to Transmission System Interruptions (hours/customer)	Sch 1 Pt 4 2(b)	nil	nil	nil	nil	nil
Unplanned Distribution System Interruptions as a result of third party damage (hours/customer).		0.0076	0.0121	0.02	0.0116	0.0067
Unplanned Distribution System Interruptions not as a result of third party damage (hours/customer).		0.0051	0.0058	0.0058	0.0064	0.0085

Note: The last two performance measures are not required by the Gas (Information Disclosure) Regulations 1997.

1. The increase in percentage is due to the revaluation carried out during the year.
2. The increase in percentage is due to the revaluation carried out during the year and the reversal of the subvention payment.

3. The increase in Unplanned Distribution System Interruptions not related to Transmission System Interruptions was due to water inundation outage in St Johns Hill Wanganui in late June 2010. This single significant event was caused by a leaking water pipe and contributed 0.225 hours/customer. Without that event the measure would have been 0.0296

4.The decrease is due to there being no significant interrruptions to the network during 2010/2011

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Certification by the Auditor-General in relation to financial statements

I have examined the attached financial statements prepared by Gasnet Limited and dated 30 November 2011 for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997.

I certify that, having made all reasonable inquiry, to the best of my knowledge, these financial statements have been prepared in accordance with the requirements of the Gas (Information Disclosure) Regulations 1997.

John O'Connell

John O'Connell
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Certification of performance measures by the Auditor-General

I have examined the attached information, being:

- financial performance measures specified in clause 1 of part 2 of Schedule 1 of the Gas (Information Disclosure) Regulations 1997; and
- financial components of the efficiency performance measures specified in clause 2 of part 2 of that schedule,

and having been prepared by Gasnet Limited and dated 30 November 2011 for the purposes of regulations 15 and 16 of those regulations.

I certify that, having made all reasonable inquiry, to the best of my knowledge, that information has been prepared in accordance with the requirements of the Gas (Information Disclosure) Regulations 1997.

John O'Connell

John O'Connell
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

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