Financial Report 2010/11

HORIZON POWER

Financial Statements

Financial Report

Contents of the notes to the financial statements

Statement of comprehensive income

For the year ended 30 June 2011

	Notes	30 June 2011 $'000	30 June 2010 $'000
REVENUE	4	**267,284**	239,682
Other income	5	**177,825**	125,918
Electricity and fuel purchases	6	**(128,454)**	(128,065)
Employee benefits expenses	6	**(54,945)**	(45,461)
Materials and services	6	**(62,140)**	(45,186)
Depreciation and amortisation expense	6	**(53,944)**	(38,521)
Other expenses	6	**(23,818)**	(22,515)
Finance costs	6	**(65,531)**	(52,544)
Profit before income tax		**56,277**	33,308
Income tax expense	7	**(15,531)**	(7,856)
Profit for the year		**40,746**	25,452
Other comprehensive income			
Cash flow hedges		**(391)**	210
Income tax relating to components of other comprehensive income	7	**117**	(98)
Total other comprehensive income for the year, net of tax		**(274)**	112
Total comprehensive income for the year		**40,472**	25,564

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2011

	Notes	30 June 2011 $'000	30 June 2010 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**47,262**	3,585
Trade and other receivables	9	**40,060**	37,240
Inventories	10	**12,324**	9,019
Derivative financial instruments	11	**230**	301
Intangible assets	15	**201**	179
Other current assets	12	**1,082**	870
Total current assets		**101,159**	51,194
Non-current assets			
Property, plant and equipment	13	**1,066,472**	956,862
Net deferred tax assets	14	**26,057**	25,634
Intangible assets	16	**8,935**	7,151
Total non-current assets		**1,101,464**	989,647
Total assets		**1,202,623**	1,040,841
LIABILITIES			
Current liabilities			
Trade and other payables	17	**70,950**	57,801
Derivative financial instruments	11	**252**	27
Current tax liabilities	20	**15,797**	-
Provisions	18	**17,232**	16,023
Other current liabilities	21	**35,684**	20,389
Interest bearing liabilities	19	**42,036**	106,502
Total current liabilities		**181,951**	200,742
Non-current liabilities			
Provisions	25	**27,379**	13,439
Retirement benefit obligations	26	**2,305**	2,382
Interest bearing liabilities	23	**729,338**	667,874
Other payables	22	**971**	976
Total non-current liabilities		**759,993**	684,671
Total liabilities		**941,944**	885,413
Net assets		**260,679**	155,428
EQUITY			
Contributed equity	27	**230,933**	166,154
Reserves	28	**(211)**	63
Accumulated profits / (losses)		**29,957**	(10,789)
Total equity		**260,679**	155,428

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

Statement of changes in equity

For the year ended 30 June 2011

	Notes	Contributed equity $'000	Cash Flow Hedge Reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2009		**165,121**	**(49)**	**(36,241)**	**128,831**
Total comprehensive income for the year					
Profit for the year		-	-	25,452	25,452
Changes in the fair value of cash flow hedges (net of tax)		-	112	-	112
			112	25,452	25,564
Transactions with owners in their capacity as owners:					
Contributions of equity	27	1,033	-	-	1,033
Balance at 30 June 2010		**166,154**	**63**	**(10,789)**	**155,428**
Total comprehensive income for the year					
Profit for the year		-	-	40,746	40,746
Changes in the fair value of cash flow hedges (net of tax)		-	(274)	-	(274)
			(274)	**40,746**	**40,472**
Transactions with owners in their capacity as owners:					
Contributions of equity	27	64,779	-	-	64,779
Balance at 30 June 2011		**230,933**	**(211)**	**29,957**	**260,679**

The above statement of changes in equity should be read in conjunction with the accompanying note

Statement of cash flows

For the year ended 30 June 2011

	Notes	30 June 2011 $'000	30 June 2010 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		263,387	234,857
Other receipts		175,700	122,100
Net GST and Fuel Tax Credits received		15,895	17,021
Interest received		1,963	217
Payments to suppliers and employees (inclusive of goods and services tax)		(319,387)	(164,124)
Borrowing costs		(64,470)	(52,416)
Receipts / (Payments) for financial assets at fair value through profit or loss		118	(457)
Income taxes paid		-	(4,449)
Net cash (outflow)inflow from operating activities	36	73,206	152,749
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		896	372
Payments for property, plant and equipment		(129,561)	(255,601)
Payments for intangible assets		(5,481)	(9,916)
Net cash outflow from investing activities		(134,146)	(265,145)
Cash flows from financing activities			
Proceeds from borrowings		9,079	67,024
Developer and customer contributions to capital works		30,756	11,716
Proceeds from contributed equity		65,000	1,033
CES, customers' and contractors' deposits/(refunds)		(218)	112
Net cash inflow from financing activities		104,617	79,885
Net increase (decrease) in cash and cash equivalents		43,677	(32,511)
Cash and cash equivalents at the beginning of the financial year		3,585	36,096
Cash and cash equivalents at end of year	8	47,262	3,585

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

1 Corporate information

The financial statements of Regional Power Corporation, trading as Horizon Power, for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 15 September 2011

Horizon Power is a Not-for-Profit Public Sector Entity, incorporated under the Electricity Corporations Act (2005) and domiciled in Australia. Its registered office is at Stovehill Road, Karratha.

The nature of the operations and principal activities of Horizon Power are described in the Our Profile section of the Annual Report.

2 Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the disclosure requirements of Schedule 4 of the Electricity Corporations Act 2005.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

Statement of compliance

The financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS).

Historical cost convention

These financial statements have been prepared on an accrual basis and are based on the historical cost convention except where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Comparative amounts

Comparative amounts are for the year to 30 June 2010.

(b) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from the estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Significant accounting judgements

• ***Lease Commitments***

Horizon Power has entered into power purchase agreements relating to specific generating facilities. Horizon Power has assessed whether it assumes all the significant risks and rewards of ownership in determining:

i) whether the agreements represent leases; and

ii) if the agreements represent leases, the classification of the leases is as operating or finance.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception including whether the fulfilment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

• ***Long Service Leave***

Several estimations and assumptions used in calculating the Corporation's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

• ***Recovery of deferred tax assets***

Deferred tax assets are recognised for losses and deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those losses and temporary differences. Assessing the future utilisation of these assets requires Horizon Power to make significant estimates related to expectations of future taxable income.

• ***Impairment of non-financial assets***

Horizon Power assesses impairment of all assets at each reporting date by evaluating conditions specific to Horizon Power and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists, the recoverable amount of the asset is determined.

There were no indicators of impairment to property, plant and equipment and intangible assets at 30 June 2011.

• ***Restoration and decommissioning***

A provision has been made for the present value of anticipated costs of future restoration and decommissioning of generating plants and workshops. The provision includes future cost estimates associated with dismantling closure, decontamination and permanent storage of historical residues. The calculation of this provision requires assumptions such as application of environmental legislation, plant closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting both the expense or asset (if applicable) and provision. The related carrying amounts are disclosed in note 18 and note 25.

• ***Estimation of useful lives of assets***

The estimation of the useful lives of assets has been based on historical experience as well as lease terms (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Depreciation charges are included in note 6.

• ***Estimation of Unread Sales***

Electricity meters are read on a periodic basis throughout the year. The estimation of accrued revenue associated with unread meters at year end has been based on historical experience.

(c) Foreign currency translation

The functional and presentation currency of Horizon Power is Australian dollars (AUD$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All currency translation differences in the financial statements are recognised in the statement of comprehensive income

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Horizon Power and the revenue can be reliably measured. It is valued at the fair value of the consideration received, or to be received, net of the amount of Goods and Services Tax (GST). The following specific recognition criteria must also be met before revenue is recognised:

Sale of electricity

Sale of electricity comprises revenue earned from the provision of electricity to entities outside Horizon Power and is recognised when the electricity is provided. As at each reporting date, sales and other current assets incorporate amounts attributable to 'unread sales', which are an estimate of electricity delivered to customers that has not been billed at the reporting date.

Community service obligations

Community service obligations (CSOs) are obligations to perform functions, on behalf of the State Government, that are not in the commercial interests of Horizon Power to perform. Where the Government agrees to reimburse Horizon Power for the cost of CSOs, the entitlement to reimbursement is recognised in the statement of comprehensive income on a basis consistent with the associated CSO expenses. Horizon Power recognises revenue in respect of the reimbursement of CSOs including:

- Air conditioning subsidy for seniors;
- Pensioner concessions;

- Tariff migration;
- Aboriginal & Regional Communities Power Supply Project;
- Coral Bay electricity supply;
- Energy rebate;
- Dependant child rebate; and
- Tariff Adjustment Payment.

Developer and customer contributions

Horizon Power receives developer and customer contributions toward the extension of electricity infrastructure to facilitate network connection. Contributions can be in the form of either cash or assets and consist of:

- Work performed for developers – developers make cash contributions to Horizon Power for the construction of electricity infrastructure within a subdivision;
- Handover works – developers have the option to independently construct electricity infrastructure within a subdivision. Upon approval by Horizon Power of the completed work, these network assets are vested in Horizon Power; and
- Upgrade and new connections – customers (including generators) make cash contributions for the upgrade or extension of electricity infrastructure to existing lots, or for the construction of electricity infrastructure to new lots in existing areas.

Cash contributions received are recognised as revenue when the customers/developers are connected to the network in accordance with the terms of the contributions. Vested assets are recognised as revenue at the point of handover and are measured at their fair value. The network assets resulting from contributions received are recognised as property, plant and equipment and depreciated over their useful life.

Others

Other revenue comprises revenue earned from the provision of activities incidental to the core activities of Horizon Power.

Other revenue includes:

- Joint ventures revenue;
- Account establishment fees;
- Property rent;
- External chargeable works; and
- Connection and disconnection fees.

(e) Tariff Equalisation Fund

A significant portion of Horizon Power's revenue is derived from the Tariff Equalisation Fund (TEF). Western Power pays money into the TEF in amounts determined by the Treasurer and the Minister for Energy. This money is released to Horizon Power as determined by the Treasurer and recognised on a receipts basis.

(f) Electricity and Fuel Cost

Cost of sales are those costs attributable to the integrated manufacturing process involved in the generation and transformation of electricity into a saleable commodity. It includes costs associated with purchasing fuel and electricity as well as costs involved in operating and maintaining the generation, transmission and distribution systems.

Fuel costs

Liquid fuels are assigned on the basis of weighted average cost. Gas costs comprise payments made under the sale and purchase agreement.

Electricity costs

Electricity purchased from independent generators is recognised at the contracted price on an accruals basis.

Transmission and distribution operating costs

Costs to operate and maintain the electricity transmission and distribution systems are recognised on an accruals basis.

(g) National Taxation Equivalent Regime and other taxes

The calculation of the liability in respect of Horizon Power's taxes is governed by the Income Tax Administration Acts and the National Taxation Equivalent Regime (NTER) guidelines as agreed by the Western Australian State Government.

Income tax on the profit or loss for the reporting period comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the reporting period using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or 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 or loss; or
- when the deductible temporary differences is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(h) Leases

Finance leases that transfer to Horizon Power substantially all the risks and benefits incidental to ownership of the leased item are brought to account by recognising an asset and liability at the inception of the lease equal to the fair value of the leased item or, if lower, the present value of the minimum lease payments.

Lease payments are apportioned between borrowing costs in the statement of comprehensive income and reduction of the lease liability in the statement of financial position so as to achieve a constant rate of interest on the remaining balance of the liability.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Horizon Power has recognised finance leases implicit in existing electricity purchase agreements in accordance with UIG Interpretation 4 "Determining whether an Arrangement contains a Lease" and AASB 117 "Leases". Horizon Power does not have any other finance leases as at 30 June 2011.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Horizon Power's operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are recognised in the statement of comprehensive income in the reporting periods in which they are incurred.

(i) Impairment of assets

At each reporting date Horizon Power assesses whether there is any indication that an asset may be impaired, that is, where events or changes in circumstances indicate the carrying value exceeds recoverable amount. Where an indicator of impairment exists, Horizon Power makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, deposits held at call with financial institutions and other short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash.

(k) Trade and other receivables

Trade receivables, which generally have 12-day terms for tariff customers, 7 to 14-day terms for contract customers and 30 to 90 days for non-energy customers, are recognised and carried at original invoice amount less a provision for any impaired receivables. This provision is raised when collection of the full amount is no longer probable.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that Horizon Power will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries if amounts previously written off are recognised in the statement of comprehensive Income against 'Other Expenses'.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost incurred in bringing inventories to their present location and condition is assigned on the following basis:

- Liquid fuels – weighted average cost basis;
- Consumables – weighted average cost basis; and
- Rotational spares – refurbished cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

A provision to allow for the expected impairment in value of materials inventory, due to obsolescence and items being surplus to requirements, has been determined by periodic review.

(m) Interest in joint ventures

Joint ventures are a contractual arrangement in which Horizon Power and other parties undertake an economic activity subject to joint control. Joint control exists when no party is in a position to unilaterally control the economic activity.

Interest in joint venture operations

A jointly controlled operation involves the use of assets and other resources of Horizon Power and other venturers. Where material, Horizon Power recognizes in its financial statements:

- Assets controlled by Horizon Power in the joint ventures;
- Liabilities incurred by Horizon Power in relation to the joint ventures;
- Expenses incurred by Horizon Power in relation to the joint ventures; and
- Share of income earned from the joint ventures.

(n) Derivatives

Through its operations, Horizon Power is exposed to changes in interest rates, foreign exchange rates and commodity prices. These risks may be managed with the prudent use of derivative financial instruments such as commodity swaps, interest swaps and forward foreign exchange contracts. Horizon Power only uses derivatives in liquid markets and all hedge activities are conducted within Horizon Power's Board approved policy. Comprehensive systems are in place and compliance is monitored closely. Horizon Power uses derivatives solely for hedging and not for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to fair value. The fair value of forward foreign exchange contracts, interest rate swaps and commodity price (oil) hedging contracts is obtained from an external financial risk adviser. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

Hedge accounting is applied to derivative financial instruments that are designated as hedging instruments. Horizon Power designates such derivatives as either:

- Cash flow hedges when they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or recognised liability or a forecasted transaction; or
- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or recognised liability.

Horizon Power documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Horizon Power also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or hedged liability that are attributable to the hedged risk. There is no impact on the equity reserves. Horizon Power has not accounted for any derivative financial instruments that qualify for hedge accounting as fair value hedges.

Cash flow hedges

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gains or losses relating to the ineffective portion are recognised immediately in the statement of comprehensive income.

Amounts accumulated in equity are recycled in the statement of comprehensive income in the period when the forecast purchase that is hedged takes place. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (or non-financial liability), the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the acquisition cost or carrying amount of the asset or liability.

When a hedging instrument expires, is sold, is terminated or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the net cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

Derivatives that do not qualify for hedge accounting

For derivatives that do not qualify for hedge accounting, any changes in fair value are recognised immediately in the statement of comprehensive income.

Embedded derivatives

Derivatives embedded in contracts that change the nature of the host contract's risk are separately recorded at fair value with movements recorded in the statement of comprehensive income.

(o) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. A gifted asset is recognised at fair value at its initial recognition (at the point of handover to Horizon Power) and depreciated over its useful live.

Acquisition of assets

The cost method of accounting is used for all acquisitions of assets. Cost is determined as the fair value of the asset given at the date of acquisition plus costs incidental to the acquisition. Direct costs together with associated indirect costs in respect of assets being constructed are capitalised.

Costs are only capitalised when it is probable that future economic benefits will flow from the establishment of the asset and the cost of the asset can be reliably measured. On this basis, business development costs are only capitalised when they meet both criteria.

Decommissioning costs

Upon recognition of an item of property, plant and equipment, the cost of the item includes the anticipated costs of dismantling and removing the asset, and restoring the site on which it is located, discounted to their present value as at the relevant date of acquisition.

Capitalisation of borrowing costs

Horizon Power as a Not-for-Profit Public Sector Entity has elected to expense borrowing costs in the period incurred under AASB 123.

Depreciation

Discrete assets that are not subject to continual extension and modification are depreciated using the straight-line method. Such assets include power stations, the transmission network and buildings.

Other assets, primarily the electricity distribution network that are continually extended and modified are depreciated using the reducing balance method. Land is not depreciated.

The useful lives of Horizon Power's major property, plant and equipment classes are as follows:

- Buildings	25 - 40 years
- Plant and equipment	4 - 50 years
- Equipment under finance leases	based on term of contract, which typically ranges between 10 to 20 years
- Construction in progress	no depreciation
- Leasehold improvements	2 - 20 years

Depreciation rates are reviewed annually, and if necessary adjusted to reflect the most recent assessment of the useful lives of the assets.

Disposal of assets

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising from derecognition of an asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the statement of comprehensive income when the asset is derecognised.

(p) Intangible assets

Intangible assets acquired separately are capitalised at cost at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible asset.

Amortisation

The useful lives of intangible assets are assessed to be either finite or indefinite. For intangible assets with finite useful lives, an amortisation expense is recognised in the statement of comprehensive income over the useful lives of the assets.

Computer software assets have finite useful lives. Amortisation is calculated using the straight-line method. The useful life of Horizon Power's computer software is 4 years.

Trademarks have finite useful lives. Amortisation is calculated using the straight-line method. The useful lives of Horizon Power's trademarks are 10 years.

Renewable Energy Certificates are not amortised (refer to note 2 (v)).

Amortisation rates are reviewed annually, and if necessary adjusted to reflect the most recent assessment of the useful lives of the assets.

Disposal of assets

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from de-recognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the statement of comprehensive income when the asset is derecognised.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to Horizon Power prior to the end of the reporting period that are unpaid. The amounts are unsecured and are settled within prescribed periods.

(r) Interest bearing liabilities

All interest-bearing liabilities are initially recognised at fair value net of transaction costs incurred. Subsequent to initial recognition interest-bearing liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Any difference between the cost and the redemption amount is recognised in the statement of comprehensive income over the period of the interest bearing liabilities using the effective interest method.

(s) Borrowing costs

Horizon Power as a Not-for-Profit Public Sector Entity has elected to recognise borrowing costs in the statement of comprehensive income when incurred under AASB 123.

Borrowing costs may include:

- Amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- Amortisation of discounts or premiums relating to borrowings;
- Discount rate adjustment for the movement in present value over time in connection with the contributory extension scheme payables and decommissioning costs;
- Finance charges in respect of finance leases recognised;
- Interest on bank overdrafts, short-term and long-term borrowings; and
- Guarantee fees on borrowings from the Western Australian Treasury Corporation (WATC).

(t) Provisions

Provisions are recognised when:

- Horizon Power has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include annual leave and long service leave.

Liabilities arising in respect of annual leave, unconditional long service leave and any other employee benefits due within twelve months from the reporting date are measured at their nominal amount based on remuneration rates that are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield at the reporting date on selected Commonwealth Government securities, which have terms to maturity approximating the terms of the related liability, are used.

A provision for the on-costs attributable to annual leave and unconditional long service leave benefits is recognised in other provisions, not as employee benefits.

Decommissioning costs

Provision is made for the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of decommissioning activities includes the removal of generating facilities and restoration of affected areas, including the treatment of contaminated sites.

Typically, the obligation arises when the asset is installed at the location. When the provision is initially recognised, the estimated cost is capitalised by increasing the carrying amount of the related generating facility. Over time, the provision is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within borrowing costs. The carrying amount capitalised in generating assets is depreciated over the useful life of the related assets (refer note 2(o)).

Costs incurred that relate to an existing condition caused by past operations, and do not have a future economic benefit, are expensed.

Other provisions

Provision is made for current and non-current sundry obligations of Horizon Power.

(u) Retirement benefit obligations

All employees of Horizon Power are entitled to benefits upon retirement, disablement or death from one of many superannuation plans, which may include a defined contribution section, a defined benefit section, or both.

The defined contribution section, being the Superannuation Trust of Australia and other employee nominated funds, receive fixed contributions and Horizon Power's legal and constructive obligation is limited to these contributions.

The defined benefit sections provide either a pension or lump sum benefit based upon years of service and final salary, averaged over a number of years in accordance with the relevant governing rules. Each of the defined benefit sections, being the Pension Scheme and the Gold State Superannuation Scheme, is closed to new members.

The Pension Scheme and Gold State Superannuation Scheme are State plans.

The entire Superannuation Trust of Australia has been treated as a defined contribution plan.

Defined contribution superannuation plans

Obligations for contributions to defined contribution plans are recognised in the statement of comprehensive income as incurred.

Defined benefit superannuation plans

A provision in respect of the defined benefit superannuation plans is recognised in the statement of financial position and is measured at the present value of the defined benefit obligations, based upon services provided up to the reporting date, plus/less unrecognised actuarial gains/losses less the fair value of the superannuation plans' assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligations is based upon expected future payments and is calculated using discounted cash flows consistent with the projected unit credit method. Consideration is given to the expected future wages and salaries level, experience of employee departures and periods of service.

Expected future payments are discounted using the market yield, as at the reporting date, on selected Commonwealth Government securities with terms to maturity approximating the terms of the related liability.

The defined benefits of the Pension Scheme are wholly unfunded. Horizon Power meets the cost of these benefits on an emerging basis when the employee leaves the service of Horizon Power.

Actuarial gains and losses arising from experience adjustments and changes in actuarial adjustments are recognised immediately in the statement of comprehensive income.

Retirement benefit obligations are paid as an untaxed amount to the employee and therefore no provision is required to be made for future taxes in measuring the net asset or liability relating to retirement benefit obligations.

(v) Renewable Energy Certificates

Under the Renewable Energy (Electricity) Act 2000, parties on grids of more than 100 MW making wholesale acquisitions of electricity (relevant acquisitions) are required to demonstrate that they are supporting the generation of renewable electricity by purchasing increasing amounts of renewable energy certificates (RECs). The Act imposes an annual liability, on a calendar year basis, by applying the specified Renewable Power Percentage and Small-Scale technology Percentage to relevant wholesale acquisitions. These parties demonstrate compliance by surrendering RECs to the Office of the Renewable Energy Regulator (ORER) annually between 1 January and 14 February for the previous calendar year (compliance year)

The RECs liability is extinguished by annual surrender of an equivalent number of RECs with a penalty applying for any shortfall. Horizon Power has a contract with Verve Energy for the acquisition of RECs. Horizon Power's liability is based on actual purchases for the last calendar year multiplied by ORER specified Renewable Power Percentage for that year.

RECs purchased from external sources are recognised as intangible assets at their purchase price.

(w) Contributed equity

AASB Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' requires transfers, other than as a result of a restructure of administrative arrangements, in the nature of equity contributions to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital contributions have been credited directly to Contributed Equity.

Transfer of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

(x) Changes in Accounting Policy

From July 1, 2010 Horizon Power has adopted the following applicable standards and interpretations mandatory for annual periods beginning on or after July 1, 2010.

Reference	Title	Application date of standard	Application date for Entity*
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project – The subject of amendments to the standards are set out below:	1 January 2010	1 July 2010
AASB 101	Current/non-current classification of convertible instruments		
AASB 107	Classification of expenditures that does not give rise to an asset		
AASB 117	Classification of leases of land		
AASV136	Clarifying the unit of account for goodwill impairment test is not larger than an operating segment before aggregation		
AASB 139	Treating loan prepayment penalties as closely related embedded derivatives, and revising the scope exemption for forward contracts to enter into a business combination contract		

(y) New accounting standards and interpretations as at June 2011

Applicable Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by Horizon Power for the annual reporting period ended 30 June 2011.

These are outlined below:

Reference	Title	Summary	Application date of standard*	Impact on Entity financial report	Application date for Entity*
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	The impact if any is still to be assessed by Horizon Power.	1 July 2013

Reference	Title	Summary	Application date of standard*	Impact on Entity financial report	Application date for Entity*
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	These amendments arise from the issuance of AASB 9 Financial Instruments that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard shall be applied when AASB 9 is applied.	1 January 2013	The impact if any is still to be assessed by Horizon Power.	1 July 2013
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: The definition now identifies a subsidiary and an associate with the same investor as related parties of each other Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	The impact if any is still to be assessed by Horizon Power.	1 July 2011

Reference	Title	Summary	Application date of standard*	Impact on Entity financial report	Application date for Entity*
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 ***Operating Segments*** to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	The impact if any is still to be assessed by Horizon Power.	1 July 2011
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	1 January 2011	The impact if any is still to be assessed by Horizon Power.	1 July 2011

Reference	Title	Summary	Application date of standard*	Impact on Entity financial report	Application date for Entity*
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: Tier 1: Australian Accounting Standards Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: For-profit entities in the private sector that have public accountability (as defined in this Standard) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: For-profit private sector entities that do not have public accountability All not-for-profit private sector entities Public sector entities other than the Australian Government and State, Territory and Local Governments	1 July 2013	The impact if any is still to be assessed by Horizon Power.	1 July 2013
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: Compliance with Australian Accounting Standards The statutory basis or reporting framework for financial statements Whether the financial statements are general purpose or special purpose Audit fees Imputation credits	1 July 2011	The impact if any is still to be assessed by Horizon Power.	1 July 2011

AASB 2010-2	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard makes amendments to many Australian Accounting Standards, reducing the disclosure requirements for Tier 2 entities, identified in accordance with AASB 1053, preparing general purpose financial statements.	1 July 2013	The impact if any is still to be assessed by Horizon Power.	1 July 2013

Reference	Title	Summary	Application date of standard*	Impact on Entity financial report	Application date for Entity*
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	The impact if any is still to be assessed by Horizon Power.	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	The impact if any is still to be assessed by Horizon Power.	1 July 2011

AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: The change attributable to changes in credit risk are presented in other comprehensive income (OCI) The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013	1 July 2013

Reference	Title	Summary	Application date of standard*	Impact on Entity financial report	Application date for Entity*
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard amendments many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	1 July 2011		1 July 2011
AASB 2011-2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime [AASB 101, AASB 1054]	This Standard makes amendments to the application of the revised disclosures to Tier 2 entities, that are applying AASB 1053.	1 July 2013		1 July 2013

**Designates the beginning of the applicable annual reporting period unless otherwise stated*

3 *Financial risk management*

Horizon Power's principal financial instruments comprise receivables, payables, interest bearing borrowings and cash and cash equivalents.

Horizon Power has developed a Financial Risk Management policy to provide a framework through which Horizon Power maintains the appropriate level of control over financial and associated risks. The Treasury Management Committee oversees treasury functions on behalf of the Board to ensure that significant financial and associated risks are managed through a use of various financial instruments.

The main risks arising from Horizon Power's financial instruments are interest rate risk, liquidity risk and credit risk. Horizon Power's policies for managing each of these risks are summarised below.

Horizon Power holds the following financial instruments:

	30 June 2011 $'000	30 June 2010 $'000
FINANCIAL ASSETS		
Cash and cash equivalents	**47,262**	3,585
Trade and other receivables	**40,060**	37,240
Derivative financial instruments	**230**	301
	87,552	41,126
Financial liabilities		
Trade and other payable	**71,921**	58,777
Interest bearing liabilities	**771,374**	774,376
Derivative financial instruments	**252**	27
	843,547	833,180

Financial risk management (continued)

(a) Market risk

(i) Foreign exchange risk

Horizon Power's exposure to foreign currency risk at the reporting date is low because all the transactions are denominated in AUD except for the United States dollar (USD) contract for the purchase of cable for the Pilbara Underground Power Project and Karratha Transformers Upgrade Project. Exchange rate exposures are managed by Horizon Power Treasury group within approved policy parameters utilising forward foreign exchange contracts. It is the policy of Horizon Power to enter into forward foreign exchange contracts to cover significant foreign currency payments and receipts.

Horizon Power's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2011 $'000	30 June 2010 $'000
Forward exchange contracts		
- buy foreign currency (cash flow hedges)	**2,632**	2,714

(ii) Commodity price risk

Commodity price risk represents the extent to which movements in commodity prices will cause Horizon Power financial loss. Horizon Power is exposed to commodity price risk for distillate fuel (Gasoil).

Horizon Power is exposed to fluctuations in the Gasoil price through the purchase of fuel for its diesel power stations as well as fuel consumed by its power producers. Although diesel fuel payments are made in Australian dollars, the relevant wholesale market for Gasoil is denominated in USD and as such, there is an indirect exposure to the AUD/USD exchange rate.

This exposure is managed by the use of AUD denominated Gasoil commodity swaps to hedge against increases in wholesale crude oil prices and falls in the AUD/USD exchange rate.

Horizon Power deals in Gasoil commodity swaps for the purpose of providing an economic hedge against Gasoil costs. The limits of this trading are set by the Board.

The table below summarises the impact of increases/decreases of Gasoil price on Horizon Power's post-tax profit for the year and on equity. The analysis is based on management's expectations of the future outlook that the Gasoil price had increased/decreased by 10% with all other variables held constant.

	-10%		+10%	
	Impact on post-tax profit	Impact on other components of equity	Impact on post-tax profit	Impact on other components of equity
	$'000	$'000	$'000	$'000
30 June 2011				
Gasoil 50ppm Diesel	(895)	-	895	-
30 June 2010				
Gasoil 50ppm Diesel	(906)	-	906	-

(iii) Interest rate risk

Horizon Power's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations and lease liabilities.

Horizon Power's borrowings obtained through the Western Australian Treasury Corporation (WATC) are at fixed rates with varying maturities or at variable rates. The risk is managed through portfolio diversification and variation in maturity dates.

At balance date Horizon Power had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk.

	30 June 2011		30 June 2010	
	Weighted average interest rate	**Balance**	Weighted average interest rate	Balance
	%	**$'000**	%	$'000
Financial Assets				
Cash and cash equivalents	**5.8 %**	**47,262**	3.9%	3,585
Interest rate swaps		**-**	3.9%	301
Financial Liabilities				
Interest bearing borrowings		**-**	4.2%	24,000
Net exposure to cash flow interest rate risk		**47,262**		27,886

Horizon Power's policy is to manage its finance costs using a mix of fixed and variable debt with the objective of achieving cost effective outcomes whilst managing interest rate risk to avoid uncertainty and volatility in the market place.

Horizon Power entered into an interest rate swap contract under which it is obligated to receive interest at basis points from Bank Bill Swap rate (BBSW) and to pay interest at fixed rates.

Horizon Power constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions and alternative financing.

(iv) Summarised sensitivity analysis

At 30 June 2011, if interest rates and exchange rate had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows.

30 June 2011	Carrying amount $'000	Interest rate risk -100bps Impact on post-tax profit $'000	Interest rate risk -100bps Impact on other components of equity $'000	Interest rate risk +100bps Impact on post-tax profit $'000	Interest rate risk +100bps Impact on other components of equity $'000	Foreign exchange risk -10% Impact on post-tax profit $'000	Foreign exchange risk -10% Impact on other components of equity $'000	Foreign exchange risk +10% Impact on post-tax profit $'000	Foreign exchange risk +10% Impact on other components of equity $'000
Financial assets									
Cash and cash equivalents	47,262	(331)	-	331	-	-	-	-	-
Financial liabilities									
Forward foreign exchange contract (cash flow hedges)	252	-	-	-	-	-	190	-	(156)
Total increase/ (decrease)		(331)	-	331	-	-	190	-	(156)

30 June 2010	Carrying amount $'000	Interest rate risk -100bps Impact on post-tax profit $'000	Interest rate risk -100bps Impact on other components of equity $'000	Interest rate risk +100bps Impact on post-tax profit $'000	Interest rate risk +100bps Impact on other components of equity $'000	Foreign exchange risk -10% Impact on post-tax profit $'000	Foreign exchange risk -10% Impact on other components of equity $'000	Foreign exchange risk +10% Impact on post-tax profit $'000	Foreign exchange risk +10% Impact on other components of equity $'000
Financial assets									
Cash and cash equivalents	3,585	(36)	-	36	-	-	-	-	-
Derivatives - cash flow hedges	301	-	(66)	-	65	-	-	-	-
Financial liabilities									
Derivatives - cash flow hedges	27	-	-	-	-	-	354	-	289)
Borrowings	24,000	(240)	-	240	-	-	-	-	-
Total increase/ (decrease)		(276)	(66)	276	65	-	354	-	(289)

(b) Credit risk

Horizon Power operates predominantly within the electricity generation transmission, distribution and sales industry and accordingly is exposed to risks affecting that industry. The maximum exposure to this industry risk is the carrying value of trade debtors.

Horizon Power follows stringent credit control and management procedures in reviewing and monitoring debt or accounts.

With respect to credit risk arising from cash and cash equivalents, Horizon Power's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of the cash and cash equivalents.

Horizon Power maintains cash and cash equivalent through highly rated financial institutions.

(c) Liquidity risk

Horizon Power's objective is to ensure adequate funding is available at all times, to meet the commitment of Horizon Power, as they arise.

The table below reflects the contractual maturity of financial liabilities, including estimated interest payments. These include trade and other payables and interest bearing borrowings.

	2011	2010
	$'000	$'000
6 months or less	**127,097**	156,911
6 - 12 months	**49,427**	66,873
1 - 5 years	**516,603**	418,220
Over 5 years	**699,659**	775,762
	1,392,786	1,417,766

Maturity analysis of financial assets and liability based on management expectation

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in ongoing operations such as property, plant and equipment and investments in working capital e.g: inventories and trade receivables. These assets are considered in Horizon Power's overall liquidity risk.

Risk associated with the liability on borrowings is reduced by Horizon Power paying a guarantee charge included in addition to the interest rate that guarantees payment to the WATC by Government for outstanding borrowings in case of default.

30 June 2011	Less than 6 months $'000	6 - 12 months $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total $'000
Financial assets					
Cash and cash equivalents	47,262	-	-	-	47,262
Trade and other receivables	40,060	-	-	-	40,060
Derivative financial instruments	230	-	-	-	230
Total financial assets	87,552	-	-	-	87,552
Financial liabilities					
Trade and other payables	70,934	18	802	167	71,921
Interest bearing borrowings	23,864	18,172	308,485	420,853	771,374
Derivative financial instruments	252	-	-	-	252
Total financial liabilities	95,050	18,190	309,287	421,020	843,547

30 June 2010	Less than 6 months $'000	6 - 12 months $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total $'000
Financial assets					
Cash and cash equivalent	3,585	-	-	-	3,585
Trade and other receivables	37,240	-	-	-	37,240
Derivative financial instruments	301	-	-	-	301
Total financial assets	41,126	-	-	-	41,126
Financial liabilities					
Trade and other payables	57,723	78	702	274	58,777
Interest bearing borrowings	69,450	37,053	212,248	455,625	774,376
Derivative financial instruments	27	-	-	-	27
Total financial liabilities	127,200	37,131	212,950	455,899	833,180

4 *Revenue*

	30 June 2011 $'000	30 June 2010 $'000
Revenue consisted of the following items:		
Sale of electricity	**194,555**	170,763
Other revenue from operations:		
Community service obligation revenue	**29,925**	35,684
Developer and customer contributions	**34,128**	24,944
Interest	**1,963**	217
Others	**6,522**	6,500
Net gain on commodity swaps	**96**	-
Change in fair value of derivatives	**95**	1,574
	72,729	68,919
	267,284	239,682

5 *Other income*

	30 June 2011 $'000	30 June 2010 $'000
Tariff Equalisation Fund	**175,700**	122,100
Net gain on disposal of property, plant and equipment	**722**	331
Government grants	**1,403**	3,487
	177,825	125,918

6 *Expenses*

	30 June 2011 $'000	30 June 2010 $'000
Profit before income tax includes the following specific expenses:		
Electricity & Fuel Purchases		
Electricity purchases	**90,913**	95,629
Fuel purchases	**37,541**	32,436
Total electricity & fuel purchases	**128,454**	128,065

6 *Expenses (continued)*

	30 June 2011 $'000	30 June 2010 $'000
Employee Benefit Expense		
Salaries, wages & allowance	**35,919**	31,536
Superannuation	**4,434**	4,113
Long service leave	**1,685**	1,960
Annual leave	**3,771**	3,455
Other related expenses	**9,136**	4,397
Total employee benefit expenses	**54,945**	45,461
Materials & Services		
Contracted services	**24,895**	19,073
Other services	**28,987**	18,394
Materials	**8,258**	7,719
Total materials & services	**62,140**	45,186
Depreciation		
Leasehold buildings	**1,596**	1,314
Plant and equipment	**22,633**	13,077
Equipment under finance leases	**25,978**	21,096
Total depreciation	**50,207**	35,487
Amortisation		
Computer software	**3,736**	3,034
Total amortisation	**3,736**	3,034
Total depreciation and amortization expense	**53,943**	38,521
Other Expenses		
Net loss on commodity swaps	**-**	492
Provision for impairment of receivables	**1,959**	2,082
Provision for decommissioning & site rehabilitation	**2,896**	(441)
Property expenses	**7,607**	7,194
Other	**11,356**	13,188
Total other expenses	**23,818**	22,515
Finance costs		
Interest on debts	**18,292**	16,264
Unwinding of discount on contributory extension scheme	**136**	149
Unwinding of discount on decommissioning provision	**613**	802
Finance lease interest	**46,490**	35,329
Finance costs	**65,531**	52,544

7 *Income tax expense*

	30 June 2011 $'000	30 June 2010 $'000
(a) Income tax expense		
Current tax	**15,797**	-
Deferred tax	**230**	8,193
Adjustments for net deferred tax assets and liabilities of prior period	**(496)**	(259)
Adjustments for current tax of prior periods	**-**	(78)
	15,531	7,856
Deferred income tax included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 14)	**10,212**	(31,250)
Increase in deferred tax liabilities (note 24)	**(9,982)**	39,443
	230	8,193
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**56,277**	33,308
Tax at the Australian tax rate of 30% (2010 - 30%)	**16,884**	9,992
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment	**55**	51
Div 41 investment allowance	**(942)**	(1,255)
Derecognition of deferred tax assets/deferred tax liabilities	**-**	(80)
Research and development	**-**	(439)
Sundry items	**30**	(154)
	16,027	8,115
Adjustments for current tax of prior periods	**(496)**	(259)
Total income tax expense	**15,531**	7,856
(c) Amounts recognised directly in equity		
Deferred tax arising in the reporting period and not recognised in net profit /(loss) but directly credited to equity		
Net deferred tax – credited /(charged) directly to equity (note 14)	**117**	(98)
	117	(98)

8 *Current assets - Cash and cash equivalents*

	30 June 2011 $'000	30 June 2010 $'000
Cash at bank and in hand	**47,262**	3,585

9 *Current assets - Trade and other receivables*

	30 June 2011 $'000	30 June 2010 $'000
Net trade receivables		
Trade receivables - Energy (i) – billed	**12,398**	15,008
Trade receivables - Energy (ii) – unbilled	**10,249**	11,052
	22,647	26,060
Provision for impairment of receivables	**(1,108)**	(2,086)
	21,539	23,974
Trade receivables – Non-energy (i)	**17,435**	12,051
Provision for impairment of receivables	**(564)**	
	16,871	12,051
Other receivables		
Other receivable (note (c))	**1,650**	1,215
	40,060	37,240

(i) The credit period on sales of electricity is 12 days for tariff customers and 7 to 14 days for contract customers. Non-energy customers generally have credit period of 30 to 90 days. No interest is charged on current trade receivables.

(ii) Trade receivables incorporate amounts attributable to 'unread sales'. which are an estimate of electricity delivered to customers that has not been billed at the reporting date. The estimation of accrued revenue associated with unread meters at year end is based on historical experience.

(a) Impaired trade receivables

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

	30 June 2011 $'000	30 June 2010 $'000
At 1 July	**2,086**	39
Provision for impairment recognised during the year	**1,958**	2,111
Receivables written off during the year	**(2,353)**	(50)
Receivables recovered during the year	**(19)**	(14)
	1,672	2,086

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

(b) Past due but not impaired

As at 30 June 2011, trade receivables of $9,818K (2010: $16,657K) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis below is broken down into trade receivables from energy customer and non-energy customers in line with their respective applicable credit period.

	30 June 2011 $'000	30 June 2010 $'000
Energy trade receivables		
Not overdue	**13,537**	15,562
Overdue: 0 – 28 days (PDNI)*	**3,858**	4,071
29 - 56 days (PDNI)*	**1,287**	1,829
57 - 90 days (PDNI)*	**908**	1,187
+90 days (PDNI)*	**1,949**	1,376
+90 days (impaired)	**1,108**	2,035
	22,647	26,060
Non-Energy trade receivables		
Not overdue	**15,047**	3,781
Overdue: 30 days (PDNI)*	**1,336**	4,493
60 days (PDNI)*	**7**	211
90 days (PDNI)*	**35**	83
120 days (PDNI)*	**13**	13
120 + days (PDNI)*	**433**	3,470
120 + days (impaired)	**564**	-
	17,435	12,051

**past due not impaired ('PDNI')*

The other classes of receivables do not contain impaired assets. Based on the credit history of these other classes, it is expected that these amounts will be received in full.

(c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Company. No significant risk is believed to be attached to other receivables.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is approximate of their fair value.

Horizon Power operates predominantly within the electricity industry and accordingly is exposed to risks affecting that industry. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the trade receivables.

10 Current assets – Inventories

	30 June 2011 $'000	30 June 2010 $'000
Fuel	681	512
Materials	10,563	7,444
Rotational spares	1,080	1,063
	12,324	9,019

11 Derivative financial instruments

	30 June 2011 $'000	30 June 2010 $'000
Current assets		
Interest rate swap contracts - cash flow hedges ((a)(i))	-	166
Commodity Swaps	230	135
Total current derivative financial instrument assets	230	301
Current liabilities		
Forward foreign exchange contracts - cash flow hedges ((a)(ii))	252	27
Commodity swaps	-	-
Total current derivative financial instrument liabilities	252	27
	(22)	274

(a) Instruments used by Horizon Power

(i) Interest rate swap contracts - cash flow hedges

During the year Horizon Power had Term Floating Rate (TFR) facilities held with the Western Australian Treasury Corporation. The interest rate on these facilities is variable, determined by a premium over the Bank Bill Swap (BBSW) rate. Horizon Power has no TFR in existence as of the 30 June 2011.

It is Horizon Power's policy to have debt mature over a particular profile and to protect part of the loans from exposure to fluctuations in interest rates. Accordingly, Horizon Power entered into an interest rate swap contract under which it is obligated to receive interest at basis points from the BBSW rate and to pay interest at fixed rates.

The swap in place on the 30 June 2010 covered approximately 37.5% of the TFR loan outstanding and was timed to expire as each loan repayment fell due. The swap fixed interest rate is 3.87% and the TFR variable rates are between 0.425% and 0.49% below the BBSW rate which at the balance date was 3.25%. This position ended on 15 April 2011.

The contract requires settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts were settled on a net basis.

The gain or loss from remeasuring the hedge instrument at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised.

(ii) Forward exchange contracts - cash flow hedges

The Royalty for Regions funded Pilbara Underground Power Project uses materials purchased from Singapore for underground power cabling as well as transformers from Australian suppliers where the price is determined in USD at a future date. In order to protect against exchange rate movements, Horizon Power entered into forward exchange contracts to purchase USD. These contracts are hedging known purchases for the 2012 financial year. The contracts are timed to mature when the materials have been delivered and passed testing.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flow occurs, the initial measurement of the component recognised in the statement of financial position is adjusted by the related amount deferred in equity. In the year ended 30 June 2011 a revaluation loss amount of $224,910 was recognised directly in equity. There was no hedge ineffectiveness in the current year.

(iii) Commodity Swaps – cash flow hedges

Horizon Power is exposed to movements in the Gasoil price through the purchase of fuel for its diesel power stations as well as fuel consumption by its power producers. Horizon Power has entered into AUD denominated commodity swaps to hedge against increases in wholesale crude oil prices and falls in the AUD/USD exchange rate.
Horizon Power's policy is to hedge forecasted fuel cost for 1 year forward at 95% of forecast. In the year ended 30 June 2011 an unrealised gain of $94,974 was recognised in the statement of comprehensive income.

12 Current assets - Other current assets

	30 June 2011 $'000	30 June 2010 $'000
Other assets	**46**	22
Prepayments	**1,036**	848
	1,082	870

13 Non-current assets - Property, plant and equipment

	Freehold land $'000	Buildings and leasehold improvements $'000	Plant and equipment $'000	Equipment under finance lease at cost $'000	Total $'000
30 June 2011					
Opening net book amount	8,108	27,242	483,213	438,299	956,862
Additions	806	7,061	152,097	-	159,964
Disposals	(46)	(101)	-	-	(147)
Transfers between assets	(901)	870	31	-	-
Depreciation charge	-	(1,596)	(22,633)	(25,978)	(50,207)
Closing net book amount	**7,967**	**33,476**	**612,708**	**412,321**	**1,066,472**
30 June 2011					
Cost or fair value	7,967	38,614	687,024	487,586	1,221,191
Accumulated depreciation	-	(5,138)	(74,316)	(75,265)	(154,719)
Net book amount	**7,967**	**33,476**	**612,708**	**412,321**	**1,066,472**

Expenditure recognised in plant and equipment in the course of construction is $161,149K.

Horizon Power receives non-cash capital contributions in the form of gifted assets. The fair value of the non-cash capital contributions included in the additions to plant and equipment in 2011 was $18,667K.

	Freehold land	Buildings and leasehold improvements	Plant and equipment	Equipment under finance lease at cost	Total
	$'000	$'000	$'000	$'000	$'000
30 June 2010					
Opening net book amount	7,545	18,225	372,172	313,899	711,841
Additions	565	10,359	124,128	145,497	280,549
Disposals	(2)	(28)	(11)	-	(41)
Depreciation charge	-	(1,314)	(13,076)	(21,097)	(35,487)
Closing net book amount	**8,108**	**27,242**	**483,213**	**438,299**	**956,862**
30 June 2010					
Cost or fair value	8,108	30,811	534,894	487,586	1,061,399
Accumulated depreciation	-	(3,569)	(51,681)	(49,287)	(104,537)
Net book amount	**8,108**	**27,242**	**483,213**	**438,299**	**956,862**

Expenditure recognised in plant and equipment in the course of construction is $116,250K.

Horizon Power receives non-cash capital contributions in the form of gifted assets. The fair value of the non-cash capital contributions included in the additions to plant and equipment in 2010 was $ 4,844K.

14 Non-current assets - deferred tax assets

	30 June **2011** $'000	30 June 2010 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**-**	6,205
Provisions	**14,619**	10,179
Property, plant and equipment	**-**	5,767
Power Purchase Agreements classified as finance lease	**136,138**	139,763
	150,757	161,914
Other		
Community Service Obligation (CSO)	**-**	(799)
Accruals	**144**	362
Contributory extension scheme	**64**	64
Derivatives	**6**	(144)
	214	(517)
Total deferred tax assets	**150,971**	161,397
Set-off of deferred tax liabilities pursuant to set-off provisions (note 24)	**(124,914)**	(135,763)
Net deferred tax assets	**26,057**	25,634

Movements		
Opening balance at 1 July	**161,397**	128,744
Credited/(charged) to the statement of comprehensive income (note 7)	**(10,212)**	31,250
Credited/(charged) to equity	**117**	(98)
Acquisition or disposal of deferred tax assets	**39**	(7)
Adjustments for deferred tax assets of prior periods	**(370)**	1,508
Closing balance at 30 June	**150,971**	161,397
Deferred tax assets to be recovered within 12 months	**7,552**	15,867
Deferred tax assets to be recovered after more than 12 months	**143,419**	145,530
	150,971	161,397

15 *Current assets - Intangible assets*

	Renewable Energy Certificates	Total
	$'000	$'000
30 June 2011		
Opening balance	179	179
Additions	421	421
Surrendered	(399)	(399)
Closing balance	**201**	**201**

	Renewable Energy Certificates	Total
	$'000	$'000
30 June 2010		
Opening net book amount	200	200
Additions	487	487
Surrendered	(508)	(508)
Closing net book amount	179	179

16 Non-current assets - Intangible assets

	Patents,Trademarks and other rights $'000	Computer software $'000	Total $'000
30 June 2011			
Opening net book amount	12	7,139	7,151
Additions	1,186	4,358	5,544
Disposal/Write-off	-	(24)	(24)
Amortisation charge	(127)	(3,609)	(3,736)
Closing net book amount	1,071	7,864	8,935
30 June 2011			
Cost	1,205	14,900	16,105
Accumulated amortisation and impairment	(134)	(7,036)	(7,170)
Net book amount	1,071	7,864	8,935

	Patents,Trademarks and other rights $'000	Computer software $'000	Total $'000
30 June 2010			
Opening net book amount	7	262	269
Additions	8	9,908	9,916
Amortisation charge	(3)	(3,031)	(3,034)
Closing net book amount	12	7,139	7,151
30 June 2010			
Cost	19	10,604	10,623
Accumulated amortisation and impairment	(7)	(3,465)	(3,472)
Net book amount	12	7,139	7,151

As at the reporting date no intangible assets were assessed to have indefinite useful lives.

17 Current liabilities - Trade and other payables

	30 June 2011 $'000	30 June 2010 $'000
Trade payables (i)	70,474	56,930
Other payables	260	442
Contributory extension scheme payables (ii)	216	429
	70,950	57,801

(i) Trade payables are non-interest bearing and are generally settled on 30 day terms. Other payables (excluding contributory extension scheme payables) are non-interest bearing and generally have settlement terms between 14 and 30 days.

(ii) Contributory extension scheme (CES) payables represent contributions received from customers to extend specific electricity supplies. These deposits are progressively refunded as other customers are connected to existing supply extension schemes. By 2022 when the scheme finishes, all scheme members will have their contributions refunded.

18 Current liabilities - Provisions

	30 June 2011 $'000	30 June 2010 $'000
Long service leave	4,124	3,951
Annual leave	5,503	5,407
Decommissioning and Rehabilitation (i)	7,605	6,665
	17,232	16,023

(i) The decommissioning and rehabilitation provision provides for the costs of dismantling and removing certain generating plants and workshops and restoring the site on which they are located.

Movements in provisions – Decommissioning and Rehabilitation	30 June 2011 $'000	30 June 2010 $'000
Current		
Carrying amount at start of year	6,665	4,011
- reclassification from non-current liabilities (note 25)	1,958	4,388
- payments/other sacrifices of economic benefits	(1,018)	(1,734)
Carrying amount at end of year	7,605	6,665

19 Current liabilities - Interest bearing liabilities

	30 June 2011 $'000	30 June 2010 $'000
Secured		
WATC loans (i)	**28,798**	94,421
Unsecured		
Finance lease liabilities (ii)	**13,238**	12,081
	42,036	106,502

(i) The loans are ultimately secured by government guarantee. They are governed by a facility agreement that provides Horizon Power with the full discretion to refinance all or any part of maturing debt. For debt maturing over the next twelve months, it is the intention of Horizon Power to refinance under this facility agreement. At 30 June 2011 the carrying value of the loans is considered a reasonable approximation of their fair value.

(ii) Finance lease liabilities are disclosed in note 32 to the financial statements.

20 Current liabilities - Current tax liabilities

	30 June 2011 $'000	30 June 2010 $'000
Income tax	**15,797**	-
	15,797	-

21 Current liabilities - Other current liabilities

	30 June 2011 $'000	30 June 2010 $'000
Deferred developer and customer contributions (i)	**35,684**	20,389
	35,684	20,389

(i) Horizon Power receives developer and customer contributions toward the extension of electricity infrastructure to facilitate network connection. More information can be found in the note 2(d).

22 Non-current liabilities - Other payables

	30 June 2011 $'000	30 June 2010 $'000
Contributory extension scheme payables (note 17 (ii))	971	976
	971	976

23 Non-current liabilities - Interest bearing liabilities

	30 June 2011 $'000	30 June 2010 $'000
Secured		
WATC loans (note 19 (i))	288,781	214,079
Unsecured		
Finance lease liabilities (note 32)	440,557	453,795
	729,338	667,874

24 Non-current liabilities - Deferred tax liabilities

	30 June 2011 $'000	30 June 2010 $'000
The balance comprises temporary differences attributable to:		
Consumable stocks	241	183
Property, plant and equipment	514	-
Power Purchase Agreements - classified as finance lease	123,696	131,490
	124,451	131,673
Other		
Accruals	-	4
Community Service Obligation	435	-
Research and development	28	4,086
Sub-total other	463	4,090
Total deferred tax liabilities	124,914	135,763
Set-off of deferred tax liabilities pursuant to set-off provisions (note 14)	(124,914)	(135,763)
Net deferred tax liabilities	-	-
Movements:		
Opening balance at 1 July	135,763	95,070
Charged/(credited) to the statement of comprehensive income (note 7)	(9,982)	39,443
Adjustments for deferred tax liabilities of prior periods	(867)	1,250
Closing balance at 30 June	124,914	135,763
Deferred tax liabilities to be settled within 12 months	676	187
Deferred tax liabilities to be settled after more than 12 months	124,238	135,576
	124,914	135,763

25 *Non-current liabilities - Provisions*

	30 June 2011 $'000	30 June 2010 $'000
Long service leave	2,301	1,718
Decommissioning and Rehabilitation (i)	25,078	11,721
	27,379	13,439

(i) The decommissioning and rehabilitation provision provides for the costs of dismantling and removing certain generating plants and workshops and restoring the site on which they are located.

Movements in provisions – Decommissioning and Rehabilitation

	30 June 2011 $'000	30 June 2010 $'000
Non-current		
Carrying amount at start of year	11,721	15,748
Reclassification to current liabilities	(1,958)	(4,388)
Charged/(credited) to the statement of comprehensive income		
- Additional provisions recognised	14,702	-
- unused amounts reversed	-	(441)
- unwinding of discount	613	802
Carrying amount at end of year	25,078	11,721

26 *Non-current liabilities - Retirement benefit obligations*

(a) *Statement of financial position amounts*

The amounts recognised in the statement of financial position are determined as follows:

	30 June 2011 $'000	30 June 2010 $'000
Present value of unfunded obligations (i)	2,305	2,382
Net liability in the statement of financial position	2,305	2,382

(i) The present value of the retirement benefit obligations liability was assessed by PricewaterhouseCoopers at 30 June 2011 as required under AASB119. For the period 1 July 2010 to 30 June 2011, a provision has been reduced to account for the decrease in value of this liability over this period.

(b) Reconciliations

	30 June **2011** **$'000**	30 June 2010 $'000
Reconciliation of the present value of the defined benefit obligation		
Balance at the beginning of the year	**2,382**	2,018
Interest cost	**122**	110
Actuarial losses	**108**	279
Benefits paid	**(307)**	(25)
Balance at the end of the year	**2,305**	2,382

(c) Amounts recognised in statement of comprehensive income

	30 June **2011** **$'000**	30 June 2010 $'000
The amounts recognised in the statement of comprehensive income are as follows:		
Interest cost	**122**	110
Actuarial losses	**108**	279
Total included in employee benefits expense	**230**	389

(d) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	30 June **2011**	30 June 2010
Discount rate	**5.2%**	5.5%
Expected future salary increases	**4.5%**	4.5%
Expected future pension increases	**3.0%**	3.0%

(e) Employer contributions

Employer contributions are made to meet the cost of the retirement benefit obligations as they fall due. For more details regarding the policy in respect of provision for retirement benefit obligations refer to Note 2(u).

(f) Historic summary

	2011 **$'000**	2010 $'000	2009 $'000	2008 $'000
Defined benefit plan obligation	**2,305**	2,382	2,018	1,789
Deficit	**2,305**	2,382	2,018	1,789
Experience adjustments arising on plan liabilities (gain)/loss	**52**	279	(51)	358

27 Contributed equity

	30 June 2011 $'000	30 June 2010 $'000
Contributed equity at the beginning of the financial year	**166,154**	165,121
Equity contribution during the financial year(i)	**64,779**	1,033
Total contributed equity at the end of the financial year	**230,933**	166,154

(i) Government's equity contribution to the Corporation in support of the Pilbara Undergrounding Power Project. No shares have been allotted or issued for the equity contribution.

28 Reserves

	30 June 2011 $'000	30 June 2010 $'000
(a) Reserves		
Hedging reserve – cash flow hedges	**(211)**	63

29 Key management personnel disclosures

(a) Directors

The Non-Executive Directors of Horizon Power during the year were:

B Hammond, Chairman

S Bradley, Director

R Eagle, Director (Retired 30 April 2011)

N Lockwood, Director (Retired on 30 April 2011)

I Mickel, Director (Appointed 1 May 2011, appointed to ARMC 22 June 2011)

R Johnson, Director (Appointed 1 May 2011)

J Elkington, Director (Term expires 10 August 2011)

D Powell, Special Advisor to the Board (Appointed 11 February 2011). A Riley was Special Adviser to the Board (retired 31 December 2010)

(b) Other key management personnel

The other key management personnel of Horizon Power during the period were:

F Tudor	Acting Managing Director (from December 2010)
S Devon	General Manager Commercial and Business Development (acting between 6 December 2010-2 May 2011)
P Feldhusen	Executive Manager Corporate Services (retired as Company Secretary/Governance and Compliance GM October 2010)
B Hamilton	General Manager Corporate Services (appointed 2 May 2011)
P Jensen	General Manager Engineering & Projects
M Laughton-Smith	General Manager Islanded Systems Development (resigned on 20 May 2011)
D Martin	General Manager People & Corporate Services (resigned on 25 February 2011)
D Tovey	Company Secretary (Acting 1 October 2010- 2 May 2011)
Z Wilk	General Manager Operations
A Yam (i)	Chief Financial Officer
R Hayes	Managing Director (resigned in December 2010)

(i) A Yam was General Manager Finance Services until 2 May 2011

(c) Key management personnel remuneration

Principles used to determine the nature and amount of compensation

Compensation approval protocols are as follows:

The compensation policy is to:

- Provide market competitive remuneration to employees having regard to both the level of work assigned and the personal effectiveness in its performance;
- Allocate remuneration to employees on the basis of merit and performance;
- Adopt performance measures that align the interests of employees with the interests of key stakeholders; and
- Adopt a remuneration structure that provides an appropriate balance in 'risk and reward sharing' between the employee and Horizon Power.

Non-executive Directors

Payment to Non-executive Directors consists of base remuneration and superannuation.

Managing Director and Executives

The Managing Director and Executives compensation framework is based upon total target remuneration that includes:

1. Total fixed remuneration structured with:

- Cash
- Selection of prescribed non-financial benefits
- Superannuation
- Cost of fringe benefit tax

2. An annual at risk remuneration element.

In addition to total target remuneration, those Executives resident in remote locations are also provided housing benefits and location allowances.

Total fixed remuneration

The compensation framework is market competitive, performance based with flexibility for the package to be structured at the Executive's discretion upon a combination of cash, a selection of prescribed non-financial benefits, superannuation and cost of fringe benefits tax. External remuneration consultants provide analysis and advice to ensure remuneration is set to reflect the market for a comparable role. Remuneration for Executives is reviewed annually to ensure the level is market competitive. There are no guaranteed remuneration increases included in any Executive contracts.

Non-financial benefits

Selection available: cost of novation of selected motor vehicle, electricity (to a maximum Fringe Benefits Tax allowable figure), health check-up and the cost of fringe benefits tax. As stated above, housing benefits are also provided to Executives resident in remote locations.

Superannuation

Paid at not less than the amount that is required under the Superannuation Guarantee (Administration) Act 1992 (Cth), on the Executive's behalf to a superannuation fund that is a complying superannuation fund within the meaning of that Act.

Annual at risk remuneration (ARR) element

At the Board's discretion, as agreed by the Minister, the Managing Director and General Managers were eligible for incentive payments for achievement for 2010/11 of specific performance targets covering Horizon Power's major measurable outcomes, in line with the Strategic Development Plan Balanced Scorecard of key performance indicators including:

- Contribution to the progression of major identified corporate projects and initiatives;
- Personal contribution through leadership and behaviour, focusing on alignment with Horizon Power's values; and
- Developing and enhancing Horizon Power's reputation and relationship management.

The next determination of ARR has been made for the 10 month period to 2 May 2011. This is expected to be paid within the first quarter of the 2011/12 financial year. ARR ceased after 2 May 2011 following a restructure of the organization all new positions were appointed at market rates.

(a) Non-executive directors' remuneration

2011

Name	Cash salary and fees $	Superannuation $	Total $
B Hammond	95,000	8,550	103,550
S Bradley	45,000	4,050	49,050
R Eagle	57,692	5,192	62,885
J Elkington	45,000	4,050	49,050
R Johnson	6,058	545	6,603
N Lockwood	38,942	3,505	42,447
I Mickel	6,058	545	6,603
Total	**293,750**	**26,437**	**320,188**

2010

Name	Cash salary and fees $	Superannuation $	Total $
B Hammond	95,000	8,550	103,550
S Bradley	45,000	4,050	49,050
R Eagle	45,000	4,050	49,050
J Elkington	38,769	3,116	41,885
N Lockwood	45,000	4,050	49,050
Total	**268,769**	**23,816**	**292,585**

(b) *Executives' remuneration*

2011

Name	Cash salary and fees	Performance Pay 2009/10 (i)	Performance Pay 2010/11 (i)	Redundancy Pay	Super-annuation	Total Cash paid
	$	$	$	$	$	$
F Tudor	330,287	58,827	-	-	35,020	424,134
J Deacon	230,650	40,742	-		24,425	295,817
S Devon	142,585	-	-	-	12,833	155,418
P Feldhusen	259,605	51,433	-	-	35,115	346,153
B Hamilton	44,460	-	-	-	4,001	48,461
R Hayes (ii) (iii)	379,341	77,500	38,949	-	25,000	520,790
P Jensen	251,266	48,112	-	-	26,344	325,722
M Laughton-Smith (iii)	447,349	46,253	33,978	369,227	32,688	929,495
D Martin (iii)	295,124	40,006	32,329	149,927	26,002	543,388
D Tovey	95,160	-	-	-	8,564	103,724
Z Wilk (ii)	293,404	52,121	-	-	33,003	378,528
A Yam	197,507	46,990	-	-	22,005	266,502
Total	**2,966,738**	**461,984**	**105,256**	**519,154**	**285,000**	**4,338,132**

Performance pay provided for 2010/11

Name	Performance Pay 2010/11 (i)
	$
F Tudor	39,682
J Deacon	24,754
P Feldhusen	36,251
P Jensen	29,742
Z Wilk	35,724
A Yam	24,663
Total	**190,816**

2011

Name	Cash salary and fees	Performance Pay 2008/09	Superannuation	Total Cash
	$	$	$	$
F Tudor	273,416	44,799	28,639	346,854
J Deacon	198,661	23,833	20,024	242,518
P Feldhusen	231,254	42,029	25,678	298,961
P Jensen	228,482	29,478	23,216	281,176
M Laughton-Smith	251,706	40,291	26,189	318,186
D Martin	220,899	37,999	23,301	282,199
Z Wilk (ii)	255,285	41,555	26,762	323,602
A Yam	210,755	17,350	20,529	248,634
R Hayes (ii)	411,947	64,784	27,883	504,614
Total	**2,282,405**	**342,118**	**222,221**	**2,846,744**

(i) Performance pay related to FY 2009/10 was paid in FY2010/11. The performance pay related to FY 2010/11 was paid to R Hayes, M Laughton-Smith and D Martin in FY 2010/11. An accrual was made for the remaining performance payments.

(ii) In addition to cash remuneration paid, non-monetary benefits such as housing and air-conditioning subsidies were provided to two executive key management personnel for the higher cost of living in regional areas. These benefits were R Hayes $44,245 (2011) and $79,281 (2010), Z Wilk $105,790 (2011) and $96,872 (2010) These benefits are also common to a wide range of industries operating in regional locations.

(iii) Employee entitlements were paid out as part of termination payments to staff leaving the business during the year

All contracts provide for no entitlement to termination payments in the event of termination for serious misconduct.

All contracts of employment for key management personnel are unlimited in term but generally these contracts are capable of termination by the key management personnel on five weeks notice and that the Corporation retains the right to terminate the contract immediately by making payment equal to a maximum of 52 weeks pay in lieu of notice. The key management personnel are also entitled to receive on termination their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

30 Remuneration of auditors

	30 June **2011** $'000	30 June 2010 $'000
Audit of financial reports	**190**	155
	190	155

31 Contingencies

(a) Contingent liabilities

Litigation in progress

A sub-consultant has commenced an action against a contracted supplier in respect of work undertaken during the last two years. Should the action be successful, the liability will be passed onto Horizon as per the terms of Horizon's contract with the contracted supplier. It has been estimated that the liability, should the action be successful, is $1.2 million. A trial date has not yet been set and therefore it is not practicable to state the timing of any payment. Horizon Power has been advised by its Counsel that it is possible, but not probable, that the action will succeed and accordingly no provision for any liability has been recognised in these financial statements. .

(b) Contingent assets

Horizon Power did not have any contingent assets as at 30 June 2011 (2010: Nil)

(c) Contaminated sites

Under the *Contaminated Sites Act 2003*, the Corporation is required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC). In accordance with the Act, DEC classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as contaminated and remediation required or possibly contaminated and investigation required, Horizon Power may have a liability in respect of investigation or remediation expenses. All contaminated sites are provided for as per note 18 and note 25.

32 Commitments

(a) Capital commitments

	30 June 2011 $'000	30 June 2010 $'000
Property, plant and equipment		
Payable:		
Within one year	**210,136**	155,619
Later than one year but not later than five years	**129,744**	222,294
Later than five years		-
	339,880	377,913

(i) At 30 June 2011 capital expenditure commitments principally related to the network enhancement for various towns ($41 million), Carnarvon Power Station Upgrade ($63 million), Safety Improvement projects ($64 million), Customer driven projects ($12 million), asset replacement for various towns ($36 million), Aboriginal and Remote Communities Power Supply Project Phase 2 ($15 million), IT improvement & other projects ($108 million)

(ii) The amounts reported in this Note are based on budgeted capital expenditure for projects less actual expenditure incurred against capital projects.

(b) Lease commitments

Operating leases

Horizon Power has recognised an operating lease over the Midwest Power Station. The lease term is 10 years and is not terminable except in circumstances of unremedied default. Lease rentals are paid per unit of electricity supplied. However, there is no minimum lease payment specified for this lease.

In addition, Horizon Power has commitments to property leases as at 30 June 2011. Lease rentals are subject to half-yearly and yearly reviews.

	30 June 2011 $'000	30 June 2010 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**1,817**	3,465
Later than one year but not later than five years	**3,993**	4,085
Later than five years	**432**	1,868
	6,242	9,418

Finance leases

Finance leases relate to leases implicit in electricity purchase agreements identified in accordance with Australian Accounting Standards Board Interpretation 4 Determining whether an arrangement contains a lease.

	30 June 2011 $'000	30 June 2010 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**58,571**	58,571
Later than one year but not later than five years	**234,024**	234,686
Later than five years	**645,880**	703,789
Minimum lease payments	**938,475**	997,046
Future finance charges	**(484,680)**	(531,170)
Recognised as a liability	**453,795**	465,876
Representing lease liabilities:		
Current (note 19)	**13,238**	12,081
Non-current (note 23)	**440,557**	453,795
	453,795	465,876

(i) Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

(c) *Lease commitments*

	30 June 2011 $'000	30 June 2010 $'000
Operating commitments		
Payable:		
Within one year	**15,575**	24,336
Later than one year but not later than five years	**18,708**	29,069
Later than five years	**21,278**	26,324
	55,561	79,729

33 *Pilbara Underground Power Project (PUPP)*

The Pilbara Underground Power Project is a project being funded by the State Government through the Royalties for Region program, along with contributions from the Local Government Authorities (Shire of Roebourne, Town of Port Hedland and Shire of Ashburton). The project is being managed by Horizon Power. The total project cost is estimated at $130 million.

The scope of the project is to provide cyclone affected North West towns of Karratha, South Hedland, Onslow and Roebourne with a safe and reliable power supply, by replacing ageing overhead electricity infrastructure with a new network of underground power lines and associated equipment, incorporating the latest electricity technology.

	30 June 2011 $'000	30 June 2010 $'000
The following items relating to PUPP are included in the Financial Statements:		
Plant and equipment	**48,043**	11,430
Reduction in interest bearings loans and investment on term deposits (i)	**56,410**	27,054
Trade payables	**(4,453)**	(3,484)
	100,000	35,000

(i) Remaining equity contribution received has been applied to reduce Horizon Power's interest bearings loans and investment in term deposits. This amount will be drawn upon when payments are required for the project.

34 *Related party transactions*

Other than as disclosed in Note 29 Horizon Power did not transact with key management personnel or their related parties during the reporting period. As at 30 June 2011, Horizon Power did not recognise any assets or liabilities arising from transactions with key management personnel or related parties.

35 *Interests in joint ventures*

(a) *Jointly controlled operations and assets*

Name of entity	Principal activity	Output interest
Mid West Pipeline Joint Venture	Gas Transportation in the Mid West and Hill 60 Pipelines	29.2%

	30 June **2011** $'000	30 June 2010 $'000
Hill 60 Extension	**272**	403
Total Property, plant and equipment	**272**	403

36 *Reconciliation of profit after income tax to net cash inflow from operating activities*

	30 June **2011** $'000	30 June 2010 $'000
Profit for the year	**40,746**	25,452
Depreciation and amortisation	**53,943**	38,521
Developer and customer contributions	**(34,128)**	(24,944)
Net gain on sale of non-current assets	**(722)**	(331)
Change in operating assets and liabilities, net of effects from purchase of controlled entity and sale of discontinued operation		
Increase in trade and other receivables	**(3,038)**	(13,466)
Increase in inventories	**(3,305)**	(1,554)
Increase in other assets	**(233)**	(406)
Increase in trade and other payables	**1,136**	125,733
Decrease in derivatives	**22**	(1,539)
Increase in income tax liabilities	**15,374**	3,590
Increase in employee provisions	**920**	3,067
Increase / (decrease)in other provisions	**2,491**	(1,374)
Net cash inflow from operating activities	**73,206**	152,749

37 Non-cash investing and financing activities

	30 June 2011 $'000	30 June 2010 $'000
Acquisition of plant and equipment by means of finance leases	-	145,497
Gifted assets	18,667	4,844
	18,667	150,341

38 Economic Dependency

A significant portion of Horizon Power's revenue is derived from the Tariff Equalisation Fund (TEF). Western Power pays money into the Tariff Equalisation Fund in amounts determined by the Treasurer and the Minister for Energy. This money is released to Horizon Power as determined by the Treasurer. Horizon Power is dependant on the sufficient and timely flow of these funds to remain solvent. Horizon Power began receiving revenue from the Tariff Equalisation Fund from October 2006.

39 Subsequent Events

There has not arisen in the interval between the end of the reporting period and the date of this report any matter or circumstance likely, in the opinion of the Horizon Power Board, to affect significantly the operations of Horizon Power, the results of those operations, or the state of affairs of Horizon Power in subsequent reporting periods.

Administration Centre

18 Brodie Hall Drive
Technology Park
Bentley WA 6102

PO Box 1066 Bentley DC WA 6983

Telephone (08) 6310 1000
Facsimile (08) 6310 1010
www.horizonpower.com.au