HORIZON POWER

2009
financial statements

Financial statements

Statement of financial performance

Income statement

For the year ended 30 June 2009

	Note	30 June **2009** $'000	30 June 2008 $'000
REVENUE	4	**188,738**	172,646
Cost of sales	6	**(189,528)**	(160,265)
Gross (loss) / profit		**(790)**	12,381
Other income	5	**72,210**	79,726
Expenses	6	**(88,954)**	(49,670)
Finance costs	6	**(43,062)**	(32,306)
(Loss) / profit before income tax		**(60,596)**	10,131
Income tax benefit / (expense)	7	**18,254**	(2,756)
(Loss) / profit for the year		**(42,342)**	7,375

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

Balance sheet
As at 30 June 2009

	Note	30 June 2009 $'000	30 June 2008 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**36,096**	2,332
Trade and other receivables	9	**23,774**	33,506
Inventories	10	**7,466**	7,550
Derivative financial instruments	11	**34**	1
Intangible assets	15	**200**	224
Other current assets	12	**576**	281
Total current assets		**68,146**	43,894
Non-current assets			
Property, plant and equipment	13	**711,841**	659,265
Net deferred tax assets	14	**33,674**	14,669
Intangible assets	15	**269**	91
Total non-current assets		**745,784**	674,025
Total assets		**813,930**	717,919
LIABILITIES			
Current liabilities			
Derivative financial instruments	11	**1,542**	9
Trade and other payables	16	**67,481**	44,093
Provisions	17	**10,383**	7,647
Interest bearing liabilities	18	**65,367**	61,883
Current tax liabilities	19	**4,449**	3,796
Other current liabilities	20	**8,672**	5,863
Total current liabilities		**157,894**	123,291
Non-current liabilities			
Other payables	21	**1,093**	1,113
Interest bearing liabilities	22	**506,345**	446,217
Retirement benefit obligations	25	**2,018**	1,789
Provisions	24	**17,749**	9,287
Total non-current liabilities		**527,205**	458,406
Total liabilities		**685,099**	581,697
Net assets		**128,831**	136,222
EQUITY			
Contributed equity	26	**165,121**	130,121
Reserves	27	**(49)**	-
Accumulated losses		**(36,241)**	6,101
Total equity		**128,831**	136,222

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity
For the year ended 30 June 2009

	Note	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2007		124,524	-	(6,764)	117,760
Adjustment of correction of errors (net of tax)	38	-	-	5,490	5,490
Restated total equity at the beginning of the financial year		124,524	-	(1,274)	123,250
Profit for the year		-	-	1,545	1,545
Total comprehensive income for the year		-	-	1,545	1,545
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	26	5,597	-	-	5,597
		5,597	-	-	5,597
Balance at 30 June 2008		130,121	-	271	130,392
Adjustment of correction of errors (net of tax)	38	-	-	5,830	5,830
Restated total equity at the beginning of the financial year		130,121	-	6,101	136,222
Loss for the year		-	-	(42,342)	(42,342)
Cash flow hedges		-	(69)	-	(69)
Income tax relating to cash flow hedges		-	20	-	20
Total comprehensive income for the year		-	(49)	(42,342)	(42,391)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	26	35,000	-	-	35,000
		35,000	-	-	35,000
Balance at 30 June 2009		165,121	(49)	(36,241)	(128,831)

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

Cash flow statement

For the year ended 30 June 2009

	Note	30 June 2009 $'000	30 June 2008 $'000
Cash flows from operating activities			
Receipts from continuing operations (inclusive of goods and services tax)		**206,889**	153,120
Other receipts		**72,000**	71,600
Net GST and Fuel Tax Credits received		**13,172**	10,347
Interest received		**1,330**	1,307
Payments to suppliers and employees (inclusive of GST)		**(250,352)**	(208,061)
Borrowing costs		**(41,748)**	(31,657)
Receipts/(payments) for financial assets at fair value through profit or loss		**(6,038)**	666
Income tax paid		**-**	(77)
Net cash (outflow) from operating activities	34	**(4,747)**	(2,755)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**593**	4,712
Payments for property, plant and equipment		**(80,571)**	(65,986)
Payments for intangible assets		**(299)**	(19)
Net cash (outflow) from investing activities		**(80,277)**	(61,293)
Cash flows from financing activities			
Proceeds from borrowings		**68,855**	40,140
Developer and customer contributions to capital works		**14,956**	9,238
Proceeds from contributed equity		**35,000**	5,597
CES, customers' and contractors' deposits/(refunds)		**(23)**	(402)
Net cash inflow from financing activities		**118,788**	54,573
Net increase (decrease) in cash and cash equivalents		**33,764**	(9,475)
Cash and cash equivalents at the beginning of the financial year		**2,332**	11,807
Cash and cash equivalents at end of year	8	**36,096**	2,332

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

Notes to the financial statements

For the year ended 30 June 2009

1 Corporate information

The financial report of Regional Power Corporation, trading as Horizon Power, for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 9 September 2009.

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

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with the requirement 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 2008. Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

(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 as operating or finance leases.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception, 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.

- ***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.

2 Summary of significant accounting policies (continued)

(b) Significant accounting judgements, estimates and assumptions (continued)

- ***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.

- ***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 balance sheet by adjusting both the expense or asset (if applicable) and provision. The related carrying amounts are disclosed in note 17 and note 24.

- ***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. Unread sales are adjusted in the following period.

(c) Foreign currency translation

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

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 income statement.

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 trade and other 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.

2 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

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 income statement 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 and Remote Communities Power Supply Project; and
- Coral Bay electricity supply.

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.

Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Others

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

- Joint ventures;
- 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.

2 Summary of significant accounting policies (continued)

(f) Cost of Sales

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 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 income statement 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 balance sheet 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 balance sheet 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 each balance sheet date 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 balance sheet 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.

2 Summary of significant accounting policies (continued)

(g) National Taxation Equivalent Regime and other taxes (continued)

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 balance sheet.

Cash flows are included in the Cash Flow Statement 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 income statement and reduction of the lease liability in the balance sheet 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 power purchase agreements in accordance with 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 2009.

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 income statement 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 income statement.

(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 21 day terms for tariff customers, 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 irrecoverable amounts. 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 (allowance 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.

2 Summary of significant accounting policies (continued)

(k) Trade and other receivables (continued)

The amount of the impairment loss is recognised in the income statement 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 of amounts previously written off are credited against other expenses in the income statement.

(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.

An allowance 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

Where material, Horizon Power's interests in jointly controlled operations are accounted for in the financial statements by recognising;

- 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
- Horizon Power's 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 values of forward foreign exchange contracts, interest rate swaps and commodity price (oil) hedging contracts are 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.

2 Summary of significant accounting policies (continued)

(n) Derivatives (continued)

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement, 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 income statement.

Amounts accumulated in equity are recycled in the income statement 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 (i.e. qualifying assets) 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 income statement. 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 income statement.

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 income statement.

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 income statement.

At 30 June 2009, Horizon Power did not have any derivatives embedded in contracts.

(o) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

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.

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

Borrowing costs are capitalised during the construction of major capital projects that have construction periods extending beyond one year.

2 Summary of significant accounting policies (continued)

(o) Property, plant and equipment (continued)

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:

- Leasehold buildings	25 - 40 years
- Leasehold improvements	2 - 20 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

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 income statement 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 income statement 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 four years.

Exclusive rights have finite useful lives. Amortisation is calculated using the straight line method. The useful life of Horizon Power's exclusive rights is 10 years.

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 income statement 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 income statement over the period of the interest bearing liabilities using the effective interest method.

2 *Summary of significant accounting policies (continued)*

(s) Borrowing costs

Borrowing costs are recognised in the income statement as an expense when incurred, except where they are included in the costs of qualifying assets as described in note 2(o). Borrowing costs are capitalised where they relate to the financing of significant projects under construction for more than one year up to the date of commissioning or sale. Borrowing costs are capitalised at the weighted average interest rate applicable to Horizon Power's outstanding borrowings during the period of capitalisation.

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.

2 Summary of significant accounting policies (continued)

(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.

In the case of the Superannuation Trust of Australia, the defined benefit section is immaterial in terms of the number of members and employer contributions. As the substance of the superannuation plan is primarily a defined contribution plan and the separate treatment of the defined benefit section is not expected to add any material information to the users of the financial report, 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 income statement as incurred.

Defined benefit superannuation plans

A provision in respect of the defined benefit superannuation plans is recognised in the balance sheet 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 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 income statement.

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

The Renewable Energy (Electricity) Act that took effect on 1 April 2001 requires electricity wholesale purchasers to source specified amounts of electricity from renewable energy (RE) sources. The Act imposes an annual liability, on a calendar year basis, by applying the specified renewable power percentage to relevant wholesale acquisitions. The requirements of the Act are applicable until 31 December 2020. No certificates can be created; and no liability arises, in respect of electricity generated after this date.

The RE liability is extinguished by annual surrender of an equivalent number of renewable energy certificates (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 estimated sales volume multiplied by the agreed contract price per REC from Verve Energy.

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

2 Summary of significant accounting policies (continued)

(w) New accounting standards and interpretations as at June 2009

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 year ended 30 June 2009.

These are outlined below:

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB Int. 17 and AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split-offs or demergers and in-specie distributions.	1 July 2009	Horizon Power does not distribute any assets as dividends therefore the Interpretation is not applicable.	1 July 2009
AASB Int. 18	Transfers of Assets from Customers	This Interpretation provides guidance on the transfer of assets such as items of property, plant and equipment or transfers of cash received from customers. The Interpretation provides guidance on when and how an entity should recognise such assets and discusses the timing of revenue recognition for such arrangements and requires that once the asset meets the condition to be recognised at fair value, it is accounted for as an 'exchange transaction'. Once an exchange transaction occurs the entity is considered to have delivered a service in exchange for receiving the asset. Entities must identify each identifiable service within the agreement and recognise revenue as each service is delivered.	Applies prospectively to transfer of assets from customers received on or after 1 July 2009	This is not expected to change the current accounting treatment adopted by Horizon Power.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	Horizon Power's existing policy is to capitalise borrowing costs	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	This is a disclosure standard and therefore will not impact reported outcomes	1 July 2009

2 Summary of significant accounting policies (continued)

(w) New accounting standards and interpretations as at June 2009 (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	Will only impact Horizon Power if in the future it acquires controlled entities	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards. The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 [refer below AASB 2008-6].	1 January 2009	The impact if any is still to be assessed by Horizon Power	1 July 2009
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item is being hedged and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	Not expected to have a material impact on Horizon Power	1 July 2009

2 Summary of significant accounting policies (continued)

(w) New accounting standards and interpretations as at June 2009 (continued)

Reference	*Title*	*Summary*	*Application date of standard**	*Impact on Group financial report*	*Application date for Group**
AASB 2009-1**	Amendments to Australian Accounting Standards – Borrowing Costs of Not-for-Profit Public Sector Entities [AASB 1, AASB 111 & AASB 123]	This Standard amends AASB 123 to reintroduce the option to expense borrowing costs in the period in which they are incurred. Subject to the requirements in AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, an entity would therefore be able to choose whether it expenses or capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. AASB 111 is also amended to specify that costs that may be attributable to contract activity in general and that can be allocated to specific contracts include borrowing costs only when the contractor capitalises borrowing costs in accordance with AASB 123.	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009	Horizon Power's existing policy is to capitalise borrowing costs	1 July 2009
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: • quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); • inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and • inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These amendments arise from the issuance of *Improving Disclosures about Financial Instruments (Amendments to IFRS 7)* by the IASB in March 2009. The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	The impact if any is still to be assessed by Horizon Power	1 July 2009

2 Summary of significant accounting policies (continued)

(w) New accounting standards and interpretations as at June 2009 (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to AASB 117 by removing the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible v property, plant and equipment) needs to be determined. These amendments arise from the issuance of the IASB's *Improvements to IFRSs*. The AASB has issued the amendments to IFRS 2, IAS 38, IFRIC 9 as AASB 2009-4 (refer above).	1 January 2010	The impact if any is still to be assessed by Horizon Power	1 July 2010
AASB 2009-Y	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	1 July 2009	The impact if any is still to be assessed by Horizon Power	1 July 2009

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

** only applicable to not-for-profit / public sector entities

(x) 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.

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 all financial and associated risks are managed through 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 2009 $'000	30 June 2008 $'000
Financial assets		
Cash and cash equivalents	**36,096**	2,332
Trade and other receivables	**23,774**	33,506
Derivative financial instruments	**34**	1
	59,904	35,839
Financial liabilities		
Trade and other payable	**68,574**	45,206
Interest bearing liabilities	**571,712**	508,100
Derivative financial instruments	**1,542**	9
	641,828	553,315

(a) Market risk

(i) Foreign exchange risk

Horizon Power's exposure to foreign currency risk at the reporting date is low because all transactions are denominated in AUD except for a USD contract for the purchase of cable for West Pilbara Power 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 2009 USD $'000
Forward exchange contracts	
- buy foreign currency (cash flow hedges)	**407**
- sell foreign currency (cash flow hedges)	**59**

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Commodity price risk

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 independent power producers. Although diesel fuel payments are made in AUD, 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 future outlook that the gasoil price had increased/ decreased by 10% with all other variables held constant.

	-10%		*+10%*	
	Profit	*Equity*	*Profit*	*Equity*
	$'000	*$'000*	*$'000*	*$'000*
30 June 2009				
Gasoil 50ppm Diesel	**(960)**	**(960)**	**960**	**960**
30 June 2008				
Gasoil 50ppm Diesel	(1,630)	(1,630)	1,630	1,630

(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 are all obtained through the Western Australian Treasury Corporation (WATC) and 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 2009		*30 June 2008*	
	Weighted average interest rate	***Balance***	*Weighted average interest rate*	*Balance*
	%	***$'000***	*%*	*$'000*
Financial Assets				
Cash and cash equivalents	**2.7%**	**36,096**	6.7%	2,332
Interest rate swap contracts	**3.9%**	**34**	-	%
Financial Liabilities				
Interest bearing borrowings	**2.8%**	**36,500**	7.4%	15,500
Net exposure to cash flow interest rate risk		**72,630**		17,832

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

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 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.

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 2009, 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.

	Interest rate risk				*Foreign exchange risk*			
	-1%		+1%		-10%		+10%	
	Profit	*Equity*	*Profit*	*Equity*	*Profit*	*Equity*	*Profit*	*Equity*
30 June 2009	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Financial assets								
Cash and cash equivalents	36,096	(361)	(361)	361	361	-	-	-
Interest rate swap contract (cash flow hedges)	34	-	153	-	(150)	-	-	-
Financial liabilities								
Interest bearing borrowings	27,500	275	275	(275)	(275)	-	-	-
Forward foreign exchange contract (cash flow hedges)	104	-	-	-	-	-	43	(35)
Total increase/ (decrease)		(86)	67	86	(64)	-	43	(35)

		Interest rate risk			
	Carrying amount	-1%		+1%	
		Profit	*Equity*	*Profit*	*Equity*
30 June 2009	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Financial assets					
Cash and cash equivalents	2,332	(23)	(23)	23	23
Financial liabilities					
Interest bearing borrowings	15,500	155	155	(155)	(155)
Total increase/(decrease)		132	132	(132)	(132)

3 Financial risk management (continued)

(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 debtor accounts as evidenced by the historical performance of aged debtor balances.

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 manages 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 commitments 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.

	2009	2008
	$'000	$'000
6 months or less	**137,372**	100,623
6 12 months	**36,893**	44,951
1 5 years	**286,573**	247,603
Over 5 years	**555,472**	532,078
	1,016,310	925,255

Maturity analysis of financial assets and liability based on management expectation

The risk implied from the values shown in the following table, 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 the 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.

3 Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 6 months $'000	6-12 months $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total $'000
30 June 2009					
Financial assets					
Cash and cash equivalents	**36,096**	**-**	**-**	**-**	**36,096**
Trade and other receivables	**23,774**	**-**	**-**	**-**	**23,774**
Derivative financial instruments	**-**	**-**	**34**	**-**	**34**
Total financial assets	**59,870**	**-**	**34**	**-**	**59,904**
Financial liabilities					
Trade and other payables	**67,381**	**100**	**784**	**309**	**68,574**
Interest bearing borrowings	**48,934**	**16,432**	**144,071**	**362,275**	**571,712**
Derivative financial instruments	**104**	**-**	**-**	**-**	**104**
Total financial liabilities	**116,419**	**16,532**	**144,855**	**362,584**	**640,390**
30 June 2008					
Financial assets					
Cash and cash equivalents	2,332	-	-	-	2,332
Trade and other receivables	33,506	-	-	-	33,506
Derivative financial instruments	1	-	-	-	1
Total financial assets	**35,839**	**-**	**-**	**-**	**35,839**
Financial liabilities					
Trade and other payables	43,990	102	600	514	45,206
Interest bearing borrowings	37,190	26,243	114,442	330,225	508,100
Derivative financial instruments	69	(60)	-	-	9
Total financial liabilities	**81,249**	**26,285**	**115,042**	**330,739**	**553,315**

4 Revenue

	30 June 2009 $'000	30 June 2008 $'000
Revenue consisted of the following items:	**133,165**	117,311
Sales of electricity	**8,036**	5,297
Sales of gas	**141,201**	122,608
Other revenue from operations:		
Community service obligation	**23,943**	20,063
Developer and customer contributions	**17,429**	17,141
Interest	**1,330**	1,307
Others	**4,835**	11,527
	47,537	50,038
	188,738	172,646

5 Other income

	30 June 2009 $'000	30 June 2008 $'000
Tariff equalisation fund	**72,000**	71,600
Net gain on derecognition of finance lease	**-**	7,243
Net gain on commodity swap	**-**	883
Net gain on disposal of property, plant and equipment (net loss in 2008, see note 6)	**210**	-
	72,210	79,726

6 Cost of sales and expenses

	2009	2008
Classification of these expenses by function		
Cost of sales		
Fuel purchases	**45,477**	47,650
Electricity purchases	**94,281**	65,729
Labour, materials and services	**49,770**	46,886
	189,528	160,265
Other expenses from ordinary activities		
Marketing	**1,092**	537
Administration	**87,862**	49,133
	88,954	49,670

(Loss)/ profit before income tax includes the following specific expenses:

	2009	2008
Depreciation		
Leasehold buildings	**634**	752
Plant and equipment	**12,072**	13,064
Equipment under finance leases	**18,562**	12,700
Total depreciation	**31,268**	26,516
Amortisation		
Patents, trademarks and other rights	**1**	3
Computer software	**120**	158
Total amortisation	**121**	161
Employee benefits expense		
Salaries and wages	**19,989**	17,392
Superannuation	**3,216**	2,406
Long service leave	**1,521**	192
Annual leave	**2,875**	2,119
Other related expenses	**1,451**	1,244
	29,052	23,353

6 Cost of sales and expenses (continued)

	30 June 2009 $'000	30 June 2008 $'000
Finance costs		
Interest on debts	**13,027**	9
Unwinding of discount on contributory extension scheme	**141**	139
Unwinding of discount on decommissioning provision	**534**	507
Finance lease interest	**29,360**	21,800
	43,062	32,306
Loss on disposal of property, plant and equipment		
Net loss on disposal of property, plant and equipment	**-**	444
Contingent rent		
Contingent rentals	**1,787**	1,838
Net loss on revaluation of financial assets at fair value through profit or loss		
Net loss on revaluation of financial assets at fair value through profit or loss	**1,380**	59
Net loss/(gain) on commodity swaps not qualifying as hedges		
Net loss/(gain) on commodity swaps not qualifying as hedges	**7,006**	(904)

7 Income tax expense

(a) Income tax expense

Current tax	**-**	1,452
Deferred tax	**(18,102)**	1,605
Adjustments for net deferred tax assets and liabilities of prior period	**(923)**	372
Adjustments for current tax of prior periods	**771**	(673)
	(18,254)	2,756
Income tax expense is attributable to:		
(Loss) / profit from operations	**(18,254)**	2,756
Income tax (benefit) / expense	**(18,254)**	2,756
Deferred income tax (benefit) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 14)	**(13,520)**	23,533
(Decrease) increase in deferred tax liabilities (note 23)	**(4,582)**	(21,928)
	(18,102)	1,605

7 Income tax expense (continued)

	30 June 2009 $'000	30 June 2008 $'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) / profit before income tax expense	(60,596)	10,131
Tax at the Australian tax rate of 30% (2008 30%)	(18,179)	3,039
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	19	38
Div 41 investment allowance	(56)	-
Derecognition of deferred tax assets/deferred tax liabilities	405	-
Research and development	(293)	(20)
Sundry items	3	(2)
	(18,101)	3,055
Adjustments for current tax of prior periods	(153)	(299)
Total income tax (benefit) / expense	(18,254)	2,756
(c) Amounts recognised directly in equity		
Deferred tax arising in the reporting period and not recognised in net loss but directly charged to equity	(22)	-
Net deferred tax charged directly to equity (notes 14 and 27)	(22)	-

8 Current assets – Cash and cash equivalents

	2009 $'000	2008 $'000
Cash at bank and in hand	36,096	2,332
	36,096	2,332

9 Current assets – Trade and other receivables

	2009 $'000	2008 $'000
Net trade receivables		
Trade receivables (i)	20,615	32,117
Allowance for impairment of receivables	(39)	(57)
	20,576	32,060
Other receivables		
Other receivables	3,198	1,446
	23,774	33,506

(i) The credit period on sales of electricity is 14 to 21 days. Non-energy customers generally have credit periods of 30 to 90 days. No interest is charged on current trade receivables. An allowance has been made for estimated irrecoverable amounts from the sale of electricity, determined by reference to past default experience.

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.

9 Current assets Trade and other receivables (continued)

	30 June 2009 $'000	30 June 2008 $'000

(a) Credit risk

Trade receivables

Horizon Power operates predominantly within the electricity industry and accordingly is exposed to risks affecting that industry. The maximum exposure to this industry risk is the carrying value of the trade receivables.

At 30 June, the ageing analysis of trade receivables is as follows:

	30 June 2009 $'000	30 June 2008 $'000
00 - 25 days	7,433	26,384
26 - 50 days PDNI*	6,282	3,595
51 - 78 days PDNI*	4,713	426
+79 days PDNI*	2,187	1,712
	20,615	32,117

* Past due not impaired ('PDNI')

Receivables past due but not considered impaired above 26 days are $13,182K (2008: $5,733K). It is expected that payments will be received in full.

Other receivables do not contain impaired assets and are not past due. It is expected that these balances will be received when due.

Movements in the allowance for impairment loss were as follows:

	30 June 2009 $'000	30 June 2008 $'000
At 1 July	57	374
Allowance for impairment recognised/(released) during the year	480	(130)
Receivables written off during the year	(498)	(187)
	39	57

Other receivables

No significant risk is believed to be attached to other receivables.

(b) Fair Value

The directors consider the carrying amounts of receivables represent their fair value due to the short term nature of these receivables.

10 Current assets – Inventories

	30 June 2009 $'000	30 June 2008 $'000
Fuel	457	1,571
Materials	5,946	4,890
Rotational spares	1,063	1,089
	7,466	7,550

11 Derivative financial instruments

	30 June 2009 $'000	30 June 2008 $'000
Current assets		
Interest rate swap contracts - cash flow hedges (i)	34	-
Forward foreign exchange contracts - cash flow hedges	-	1
Total current derivative financial instrument assets	34	1
Current liabilities		
Forward foreign exchange contracts - cash flow hedges (ii)	104	-
Commodity swaps	1,438	9
Total current derivative financial instrument liabilities	1,542	9
	(1,508)	(8)

(i) Interest rate swap contracts - cash flow hedges

Horizon Power has 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.

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 currently in place covers approximately 24.66% of the TFR loan outstanding and is timed to expire as each loan repayment falls due. The swap fixed interest rate is 3.87% and the TFR variable rates are between 0.39% and 0.49% below the BBSW rate which at the balance date was 3.19%.

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 are 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. In the year ended 30 June 2009 a revaluation amount of $69,991 was recognised directly in equity. There was no hedge ineffectiveness in the current year.

(ii) Forward exchange contracts-cash flow hedges

The West Pilbara operations use materials purchased from Singapore for its interconnection assets for a new gas fired power station in Karratha Western Australia. In order to protect against exchange rate movements, Horizon Power entered into forward exchange contracts to purchase US dollars. These contracts are hedging known purchases for the 2010 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 balance sheet is adjusted by the related amount deferred in equity.

12 Current assets Other current assets

	2009	2008
Other assets	19	-
Prepayments	557	281
	576	281

13 Non-current assets – Property, plant and equipment

	Freehold land	Leasehold buildings and improvements	Plant and equipment	Equipment under finance lease at cost	Total
	$'000	$'000	$'000	$'000	$'000
30 June 2009					
Opening net book amount	**4,950**	**9,952**	**315,182**	**329,181**	**659,265**
Additions	**2,597**	**8,907**	**69,444**	**3,280**	**84,228**
Disposals	**(2)**	**-**	**(382)**	**-**	**(384)**
Depreciation charge	**-**	**(634)**	**(12,072)**	**(18,562)**	**(31,268)**
Closing net book amount	**7,545**	**18,225**	**372,172**	**313,899**	**711,841**
30 June 2009					
Cost	**7,545**	**20,485**	**410,780**	**343,247**	**782,057**
Accumulated depreciation	**-**	**(2,260)**	**(38,608)**	**(29,348)**	**(70,216)**
Net book amount	**7,545**	**18,225**	**372,172**	**313,899**	**711,841**

Expenditure recognised in plant and equipment in the course of construction is $99,060K.

Horizon Power receives non-cash capital contributions in the form of gifted assets. The fair value of the non-cash capital contributions included in additions to plant and equipment in the year was $5,292,614 (2008: $8,560,615).

	Freehold land	Leasehold buildings and improvements	Plant and equipment	Equipment under finance lease at cost	Total
	$'000	$'000	$'000	$'000	$'000
30 June 2008					
Opening net book amount before correction of error	4,241	9,263	247,371	104,001	364,876
Prior years correction	-	-	7,845	-	7,845
Opening net book amount after correction of error	4,241	9,263	255,216	104,001	372,721
Additions	735	1,755	77,854	298,851	379,195
Disposals	(26)	(314)	(4,824)	(60,971)	(66,135)
Depreciation charge	-	(752)	(13,064)	(12,700)	(26,516)
Closing net book amount	4,950	9,952	315,182	329,181	659,265
30 June 2008					
Cost	4,950	11,578	341,886	339,967	698,381
Accumulated depreciation	-	(1,626)	(26,704)	(10,786)	(39,116)
Net book amount	4,950	9,952	315,182	329,181	659,265

Expenditure recognised in plant and equipment in the course of construction is $76,450K.

Horizon Power receives non-cash capital contributions in the form of gifted assets. The fair value of the non-cash capital contributions included in additions to plant and equipment in the year was $8,560,615 (2007: $3,670,019).

14 Non-current assets – deferred tax assets

	30 June 2009 $'000	30 June 2008 $'000
The balance comprises temporary differences attributable to:		
Tax losses *	**10,030**	-
Provisions	**9,047**	5,108
Property, plant and equipment	**6,306**	7,418
Power Purchase Agreements classified as finance leases	**99,071**	100,641
	124,454	113,167
Other		
Community Service Obligation (CSO)	**3,730**	1,073
Workers compensation premium	**7**	-
Accruals	**30**	29
Contributory extension scheme	**60**	-
Derivatives	**463**	2
Sub total other	**4,290**	1,104
Total deferred tax assets	**128,744**	114,271
Set off of deferred tax liabilities pursuant to set off provisions (note 23)	**(95,070)**	(99,602)
Net deferred tax assets	**33,674**	14,669
Movements:		
Opening balance at 1 July	**114,271**	48,090
Credited/(charged) to the income statement (note 7)	**13,520**	(23,533)
Credited/(charged) to equity	**(22)**	-
Acquisition or disposal of deferred tax assets	**-**	89,786
Adjustments for deferred tax assets of prior periods	**975**	(72)
Closing balance at 30 June	**128,744**	114,271
Deferred tax assets to be recovered within 12 months	**19,637**	5,139
Deferred tax assets to be recovered after more than 12 months	**109,107**	109,132
	128,744	114,271

* The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

15 *Intangible assets*

Current intangible assets	*Renewable Energy Certificates* *$'000*	*Total* *$'000*
30 June 2009		
Opening net book amount	**224**	**224**
Surrendered	**(24)**	**(24)**
Closing net book amount (i)	**200**	**200**
30 June 2009		
Cost	**200**	**200**
Impairment	**-**	**-**
Net book amount	**200**	**200**
30 June 2008		
Opening net book amount	-	-
Additions	224	224
Closing net book amount (i)	224	224
30 June 2008		
Cost	224	224
Impairment	-	-
Net book amount	224	224

Current intangible assets	*Patents, trademarks and other rights* *$'000*	*Computer software*	*Total* *$'000*
30 June 2009			
Opening net book amount	**8**	**83**	**91**
Additions	**-**	**299**	**299**
Amortisation charge	**(1)**	**(120)**	**(121)**
Closing net book amount (i)	**7**	**262**	**269**
30 June 2009			
Cost	**11**	**696**	**707**
Accumulated amortisation and impairment	**(4)**	**(434)**	**(438)**
Net book amount	**7**	**262**	**269**

15 *Intangible asset (continued)*

Current intangible assets (continued)	*Patents, trademarks and other rights* $'000	*Computer software* $'000	*Total* $'000
30 June 2008			
Opening net book amount	-	233	233
Additions	11	8	19
Amortisation charge	(3)	(158)	(161)
Closing net book amount	8	83	91
30 June 2008			
Cost	11	397	408
Accumulated amortisation and impairment	(3)	(314)	(317)
Net book amount	8	83	91

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

16 *Current liabilities – Trade and other payables*

	30 June **2009** $'000	*30 June* 2008 $'000
Trade payables (i)	**66,936**	43,705
Other payables	**344**	184
Contributory extension scheme payables (ii)	**201**	204
	67,481	44,093

(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.

17 *Current liabilities – Provisions*

Long service leave	**1,876**	1,697
Annual leave	**3,685**	2,753
Employee on-costs	**811**	436
Other employee entitlements	**-**	418
Decommissioning (i)	**4,011**	2,343
	10,383	7,647

17 Current liabilities – Provisions

	30 June 2009 $'000	30 June 2008 $'000
Long service leave	**1,876**	1,697
Annual leave	**3,685**	2,753
Employee on-costs	**811**	436
Other employee entitlements	**-**	418
Decommissioning (i)	**4,011**	2,343
	10,383	7,647

(i) *Decommissioning*

The decommissioning 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 decommissioning

Current

	2009	2008
Carrying amount at start of year	**2,343**	2,767
- reclassification from non-current liabilities (note 24)	**3,264**	197
- payments/other sacrifices of economic benefits	**(1,596)**	(621)
Carrying amount at end of year	**4,011**	2,343

18 Current liabilities – Interest bearing liabilities

	2009	2008
WATC loans (i)	**55,976**	53,145
Finance lease liabilities (ii)	**9,391**	8,738
	65,367	61,883

(i) The domestic currency 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 domestic currency loans maturing over the next twelve months, it is the intention to refinance all maturing debt under this facility agreement. At 30 June 2009 the carrying value of the domestic currency loans is considered a reasonable approximation of its fair value.

(ii) Finance lease liabilities are disclosed in note 31 to the financial statements.

19 Current liabilities – Current tax liabilities

	2009	2008
Income tax	**4,449**	3,796
	4,449	3,796

20 Current liabilities – Other current liabilities

	2009	2008
Deferred developer and customer contributions	**8,672**	5,863
	8,672	5,863

21 *Non-current liabilities – Other payables*

	30 June 2009 $'000	30 June 2008 $'000
Contributory extension scheme payables (note 16)	**1,093**	1,113
	1,093	1,113

22 *Non-current liabilities – Interest bearing liabilities*

	2009	2008
Secured		
WATC loans (note 18)	**185,499**	119,475
Unsecured		
Finance lease liabilities (note 31)	**320,846**	326,742
	506,345	446,217

23 *Non-current liabilities – Deferred tax liabilities*

	2009	2008
The balance comprises temporary differences attributable to:		
Contributory extension scheme	**-**	301
Consumable stocks	**164**	431
Power Purchase Agreements classified as finance leases	**94,170**	98,754
	94,334	99,486
Other		
Fringe benefits tax	**-**	3
Accruals	**67**	65
Research and development	**669**	48
Sub total other	**736**	116
Total deferred tax liabilities	**95,070**	99,602
Set off of deferred tax liabilities pursuant to set off provisions (note 14)	**(95,070)**	(99,602)
Net deferred tax liabilities	**-**	-
Movements:		
Opening balance at 1 July	**99,602**	31,574
Charged to the income statement (note 7)	**(4,582)**	(21,928)
Adjustments for deferred tax liabilities of prior periods	**50**	300
Acquisition or disposal of deferred tax liabilities	**-**	89,656
Closing balance at 30 June	**95,070**	99,602
Deferred tax liabilities to be settled within 12 months	**900**	546
Deferred tax liabilities to be settled after more than 12 months	**94,170**	99,056
	95,070	99,602

24 Non-current liabilities – Provisions

	30 June 2009 $'000	30 June 2008 $'000
Long service leave	**1,774**	945
Employee on-costs	**227**	61
Decommissioning	**15,748**	8,281
	17,749	9,287

The decommissioning 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 decommissioning

	30 June 2009 $'000	30 June 2008 $'000
Current		
Carrying amount at start of year	**8,281**	8,605
Reclassification to current liabilities (note 17)	**(3,264)**	(197)
Charged/(credited) to the income statement		
- increase in / unused amounts reversed	**10,197**	(634)
- unwinding of discount	**534**	507
Carrying amount at end of year	**15,748**	8,281

25 Non-current liabilities – Retirement benefit obligations

(a) Balance sheet amounts

	30 June 2009 $'000	30 June 2008 $'000
The amounts recognised in the balance sheet are determined as follows:		
Present value of unfunded obligations (i)		
Net liability in the balance sheet	**2,018**	1,789
	2,018	1,789

(i) The present value of the retirement benefit obligations liability was assessed by PricewaterhouseCoopers at 30 June 2009 as required under AASB119. For the period 1 July 2008 to 30 June 2009, a provision has been raised to recognise the increase in value of this liability over this period.

(b) Reconciliations

Reconciliation of movement in the present value of the unfunded obligations recognised in the balance sheet:

	30 June 2009 $'000	30 June 2008 $'000
Balance at the beginning of the year	**1,789**	1,399
Interest cost	**117**	81
Actuarial losses	**112**	309
Balance at the end of the year	**2,018**	1,789

25 Non-current liabilities – Retirement benefit obligations (continued)

(c) Amounts recognised in income statement

The amounts recognised in the income statement are as follows:

	30 June 2009	30 June 2008
Interest cost	**117**	81
Actuarial losses	**112**	309
Total included in employee benefits expense	**229**	390

(d) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	30 June 2009	30 June 2008
Discount rate	**5.5%**	6.5%
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

	30 June 2009 $'000	30 June 2008 $'000	30 June 2007 $'000	30 June 2006 $'000
Defined benefit plan obligation	**2,018**	1,789	1,399	898
Surplus	**2,018**	1,789	1,399	898
Experience adjustments arising on plan liabilities (gain)/loss	**(51)**	358	7	7

26 Contributed equity

	30 June 2009 $'000	30 June 2008 $'000
Contributed equity at the beginning of the financial year	**130,121**	124,524
Equity contribution during the financial year	**35,000**	5,597
Contributed equity at the end of the financial year	**165,121**	130,121

27 Reserves

Hedging reserve - cash flow hedges, net of tax (note 7(c))	**(49)**	-

28 Key management personnel disclosures

(a) Directors

The Non-executive Directors of Horizon Power during the period were:

B Hammond, Chairman

A Dundas, Deputy Chairman (finished on 31 March 2009)

S Bradley, Director

R Eagle, Director (appointed on 1 July 2008)

N Lockwood, Director (appointed on 1 July 2008)

(b) Other key management personnel

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

R Hayes	Managing Director
A Yam	General Manager Finance Services (appointed on 1 Sept 2008)
P Feldhusen	General Manager Governance and Company Secretariat
M Laughton Smith	General Manager Islanded Systems Development
D McDonald	General Manager Retail (finished on 29 Aug 2008)
D Martin	General Manager People & Corporate Services
F Tudor	General Manager Strategy & Business Development
Z Wilk	General Manager Operations
P Jensen	General Manager Shared Services (appointed on 13 Oct 2008)
J Deacon	General Manager Knowledge & Technology (appointed on 9 Oct 2008)

(c) Key management personnel remuneration

Principles used to determine the nature and amount of compensation

Compensation approval protocols are as follows:

- Non-executive Directors: the Minister for Energy (the Minister) approves the remuneration of all non-executive directors.
- Managing Director: the Board, subject to the concurrence of the Minister, approves the remuneration of the Managing Director (also referred to as the Chief Executive Officer).
- Executive Officers: the Board, on recommendation of the Managing Director, approves the remuneration of all Executive Officers.

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.

28 Key management personnel disclosures (continued)

(c) Key management personnel remuneration (continued)

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 benefits tax; and
2. An annual at risk remuneration element.

In addition to total target remuneration, those Executives resident in remote locations are 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 novated or associated leasing of selected motor vehicle, electricity (to a maximum tax allowable figure), laptop computer, 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 are eligible for incentive payments for achievement 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, focussing on alignment with Horizon Power's values; and
- Developing and enhancing Horizon Power's reputation and relationship management.

The next determination of ARR will be for the 12 month period ended on 30 June 2009, which is expected to be performed within the first quarter of the 2009/10 financial year.

28 Key management personnel disclosures (continued)

(c) Key management personnel remuneration (continued)

Total fixed remuneration (continued)

Annual at risk remuneration (ARR) element (continued)

(i) Non-executive directors' remuneration

2009

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	43,962	3,957	47,919
N Lockwood	43,962	3,957	47,919
A Dundas	46,615	4,195	50,810
Total	**274,539**	**24,709**	**299,248**

2008

Name	Cash salary and fees	Superannuation	Total
B Hammond	95,000	8,550	103,550
A Dundas	60,000	5,400	65,400
P Yu	45,000	4,050	49,050
S Bradley	45,000	4,050	49,050
T Chilvers	45,000	4,050	49,050
Total	**290,000**	**26,100**	**316,100**

(ii) Executives' remuneration

2009

Name	Cash salary and fees	Performance Pay (i)	Non-monetary benefits (ii)	Superannuation	Total
	$	$	$	$	$
R Hayes	393,962	108,614	91,881	45,232	639,689
A Yam	152,906	-	-	13,762	166,668
P Feldhusen	213,007	37,040	-	23,424	273,471
M Laughton-Smith	223,166	35,777	-	24,554	283,497
D McDonald (includes redundancy payment)	142,167	34,789	5,256	6,530	188,742
D Martin	203,641	35,875	-	21,556	261,072
F Tudor	247,142	39,229	-	25,773	312,144
Z Wilk	230,765	34,933	83,708	23,268	372,674
P Jensen	149,259	-	-	13,433	162,692
J Deacon	122,018	-	-	10,982	133,000
Total	**2,078,033**	**326,257**	**180,845**	**208,514**	**2,793,649**

(i) Performance pay related to financial performance FY2007/08 was paid in FY2008/09.

(ii) The amount shown for non-monetary benefits is the housing allowances provided to the Executives working in remote areas.

28 Key management personnel disclosures (continued)

(c) Key management personnel remuneration (continued)

Total fixed remuneration (continued)

Annual at risk remuneration (ARR) element (continued)

(ii) Executives' remuneration (continued)

2008

Name	Cash salary and fees	Performance Pay	Non-monetary benefits	Superannuation	Total
	$	$	$	$	$
R Hayes	369,614	92,880	130,735	34,045	627,274
T Cocks (includes redundancy)	481,026	29,051	-	22,651	532,728
P Feldhusen	195,138	23,929	-	20,338	239,405
M Laughton-Smith	194,982	35,467	-	22,870	253,319
D McDonald	200,639	47,294	43,259	18,057	309,249
D Martin	157,492	15,932	-	14,377	187,801
F Tudor	212,623	47,356	-	19,136	279,115
Z Wilk	257,205	42,516	106,982	22,296	428,999
Total	**2,068,719**	**334,425**	**280,976**	**173,770**	**2,857,890**

(iii) Service agreements

R Hayes – Managing Director

- Term of Agreement – three years commencing from 30 January 2009.
- Notice period – three months' written notice by the Managing Director or three months' written notice by Horizon Power, or such shorter period as may be agreed, or remuneration in lieu of notice.
- Termination – Redundancy: should the Minister for Energy elect to merge, restructure, or dispose of the business of Horizon Power, there will be a redundancy payment of 50 per cent of annual salary.
- Performance Pay – at the Board's discretion, with the concurrence of the Minister for Energy, the Managing Director is eligible for incentive payments up to $100,000 for achievement of specific performance targets covering Horizon Power's major measurable outcomes.

A Yam – General Manager Finance Services

- Term of agreement – not a fixed term contract.
- Notice period – four weeks written notice by the General Manager or 52 weeks written notice by Horizon Power or remuneration in lieu of notice.
- Termination – Redundancy: there will be a redundancy payment of 12 weeks in lieu of notice plus three weeks per year of service to a total maximum of 89 weeks.
- Performance Pay – at the Board's discretion, the General Manager is eligible for incentive payments up to 15 per cent of total fixed remuneration for achievement of specific performance targets defined by the Board.

P Feldhusen – General Manager Governance and Company Secretariat

- Term of Agreement – Not a fixed term contract.
- Notice period – four weeks written notice by the General Manager or 52 weeks written notice by Horizon Power or remuneration in lieu of notice.
- Termination – Redundancy: should the Minister for Energy elect to merge, restructure, or dispose of the business of Horizon Power, there will be a redundancy payment of 12 weeks in lieu of notice plus three weeks per year of service to a maximum of 87 weeks. Incapacity or Poor Performance: four weeks notice, or without notice for serious misconduct.
- Performance Pay – At the Board's discretion, the General Manager is eligible for incentive payments up to 25 per cent of total fixed remuneration for achievement of specific performance targets as defined by the Board.

28 Key management personnel disclosures (continued)

(c) Key management personnel remuneration (continued)

Total fixed remuneration (continued)

Annual at risk remuneration (ARR) element (continued)

(iii) Service agreements (continued)

M Laughton Smith – General Manager Islanded Systems Development

- Term of Agreement – not a fixed term contract.
- Notice period – four weeks written notice by the General Manager or 52 weeks written notice by Horizon Power or remuneration in lieu of notice.
- Termination – Redundancy: should the Minister for Energy elect to merge, restructure, or dispose of the business of Horizon Power, there will be a redundancy payment of 12 weeks in lieu of notice plus three weeks per year of service to a maximum of 87 weeks. Incapacity or Poor Performance: four weeks notice, or without notice for serious misconduct.
- Performance Pay – at the Board's discretion, the General Manager is eligible for incentive payments up to 25 per cent of total fixed remuneration for achievement of specific performance targets as defined by the Board.

D Martin – General Manager People and Corporate Services

- Term of Agreement – not a fixed term contract.
- Notice period – four weeks written notice by the General Manager or 52 weeks written notice by Horizon Power or remuneration in lieu of notice.
- Termination – Redundancy: should the Minister for Energy elect to merge, restructure, or dispose of the business of Horizon Power, there will be a redundancy payment of 12 weeks in lieu of notice plus three weeks per year of service to a maximum of 87 weeks. Incapacity or Poor Performance: four weeks notice, or without notice for serious misconduct.
- Performance Pay – at the Board's discretion, the General Manager is eligible for incentive payments up to 25 per cent of total fixed remuneration for achievement of specific performance targets as defined by the Board.

F Tudor – General Manager Strategy and Business Development

- Term of Agreement – not a fixed term contract.
- Notice period – four weeks written notice by the General Manager or 52 weeks written notice by Horizon Power or remuneration in lieu of notice.
- Termination – Redundancy: should the Minister for Energy elect to merge, restructure, of dispose of the business of Horizon Power, there will be a redundancy payment of 12 weeks in lieu of notice plus three weeks per year of service to a maximum of 52 weeks. Incapacity or Poor Performance: four weeks notice, or without notice for serious misconduct.
- Performance Pay – at the Board's discretion, the General Manager is eligible for incentive payments up to 25 per cent of total fixed remuneration for achievement of specific performance targets as defined by the Board.

Z Wilk – General Manager Operations

- Term of Agreement – not a fixed term contract.
- Notice period four weeks written notice by the General Manager or 52 weeks written notice by Horizon Power or remuneration in lieu of notice.
- Termination – Redundancy: should the Minister for Energy elect to merge, restructure, of dispose of the business of Horizon Power, there will be a redundancy payment of 12 weeks in lieu of notice plus three weeks per year of service to a maximum of 87 weeks. Incapacity or Poor Performance: four weeks notice, or without notice for serious misconduct.
- Performance Pay – at the Board's discretion, the General Manager is eligible for incentive payments up to 25 per cent of total fixed remuneration for achievement of specific performance targets as defined by the Board.

P Jensen General Manager Shared Services

- Term of agreement not a fixed term contract.
- Notice period four weeks written notice by the General Manager or 52 weeks written notice by Horizon Power or remuneration in lieu of notice.
- Termination – Redundancy: there will be a redundancy payment of 12 weeks in lieu of notice plus three weeks per year of service to a total maximum of 89 weeks.
- Performance Pay – At the Board's discretion, the General Manager is eligible for incentive payments up to 25 per cent of total fixed remuneration for achievement of specific performance targets defined by the Board.

28 Key management personnel disclosures (continued)

(c) Key management personnel remuneration (continued)

Total fixed remuneration (continued)

Annual at risk remuneration (ARR) element (continued)

(iii) Service agreements (continued)

J Deacon General Manager Knowledge and Technology

- Term of agreement not a fixed term contract.
- Notice period – four weeks written notice by the General Manager or 52 weeks written notice by Horizon Power or remuneration in lieu of notice.
- Termination – Redundancy: there will be a redundancy payment of 12 weeks in lieu of notice plus three weeks per year of service to a total maximum of 89 weeks.
- Performance Pay – at the Board's discretion, the General Manager is eligible for incentive payments up to 25 per cent of total fixed remuneration for achievement of specific performance targets defined by the Board.

29 Remuneration of auditors

	30 June 2009 $'000	30 June 2008 $'000
Audit service		
Audit and review of financial reports	**101**	95
Total remuneration for audit services	**101**	95

30 Contingencies

(a) Contingent liabilities

Horizon Power did not have any contingent liabilities as at 30 June 2009.

(b) Contingent assets

Horizon Power did not have any contingent assets as at 30 June 2009.

31 Commitments

(a) Capital commitments

Property, plant and equipment		
Payable:		
Within one year	**117,198**	101,245
Later than one year but not later than five years	**179,680**	51,386
Later than five years	**-**	-
	296,878	152,631

(i) At 30 June 2009 capital expenditure commitments principally related to the network enhancement for various towns ($93 million), Carnarvon power station upgrade ($70 million), safety improvement projects for various towns ($26 million), customer driven works ($22 million), asset replacement for various towns ($21 million), Aboriginal and Remote Communities Power Supply Project Phase 2.1A ($21 million), Nullagine and Marble Bar power stations ($13 million), IT improvement and other projects ($31 million).

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

31 Commitments (continued)

(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 2009. Lease rentals are subject to half yearly and yearly reviews.

	30 June 2009 $'000	30 June 2008 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**3,673**	2,079
Later than one year but not later than five years	**5,824**	3,037
Later than five years	**3,768**	2,607
	13,265	7,723
2008 comparatives have been restated to reflect commitments to property leases that were not disclosed in 2008 Financial Statements.		
Finance leases		
Finance leases relate to leases implicit in electricity purchase agreements identified in accordance with Interpretation 4.		
Commitments in relation to finance leases are payable as follows:		
Within one year	**38,548**	37,771
Later than one year but not later than five years	**152,587**	149,768
Later than five years	**455,340**	480,473
Minimum lease payments (i)	**646,475**	668,012
Future finance charges	**(316,238)**	(332,532)
Recognised as a liability	**330,237**	335,480
Representing lease liabilities:		
Current (note 18)	**9,391**	8,738
Non-current (note 22)	**320,846**	326,742
	330,237	335,480

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

32 Related party transactions

Other than as disclosed in Note 28, key management personnel remuneration and in the following paragraph, Horizon Power did not transact with key management personnel or their related parties during the reporting period. As at 30 June 2009, Horizon Power did not recognise any assets or liabilities arising from transactions with key management personnel or related parties.

33 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%

Horizon Power's interest in assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the financial statements under their respective asset categories:

	30 June 2009 $'000	30 June 2008 $'000
Midwest pipeline		
Hill 60 Extension	**201**	1,408
Total non-current assets	**533**	664
	734	2,072

34 Notes to the Cash Flow Statement

Reconciliation of (loss)/profit after income tax to net cash flow from operating activities

	2009 $'000	2008 $'000
(Loss)/profit for the year	**(42,342)**	7,375
Depreciation and amortisation	**31,389**	26,677
Developer and customer contributions	**(17,496)**	(17,140)
Net (gain) loss on sale of non-current assets	**(210)**	(6,799)
Change in operating assets and liabilities, net of effects from purchase of business and sale of discontinued operation		
Decrease /(increase) in trade and other receivables	**9,471**	(16,430)
Decrease/(Increase) in inventories	**84**	(2,379)
(Increase)/decrease in other assets	**(304)**	(157)
Increase/(decrease) in trade and other payables	**20,038**	4,162
Increase/(decrease) in derivatives	**2,367**	9
Increase (decrease) in income tax liabilities	**(18,351)**	2,547
Increase/(decrease) in employee provisions	**2,292**	128
Increase (decrease) in other provisions	**8,315**	(748)
Net cash outflow from operating activities	**(4,747)**	(2,755)

35 Non-cash investing and financing activities

	2009 $'000	2008 $'000
Acquisition of plant and equipment by means of finance leases	**3,280**	298,851

36 Economic Dependency

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. Horizon Power is dependant on the sufficient and timely flow of these funds to remain solvent. Horizon Power began receiving revenue from the TEF from October 2006.

37 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.

38 Correction of errors

Assets constructed by developers which are connected to Horizon Power's network are vested to Horizon Power. Australian Accounting Standards require these assets to be recognised as gifted assets by Horizon Power with income recognised based on the fair value of the asset vested. Due to Horizon Power not incurring any costs associated with these assets, they were not identified by Horizon Power in prior years and therefore the related income was not recognised.

Renewable energy certificates were reclassified from other current assets to intangible assets as they meet the definition of intangible assets under AASB 138.

Some operating costs were reclassified from expenses to cost of sales as they were incurred in operating and maintaining the transmission and distribution systems.

These errors and reclassifications had the following effect:

	Per 2008 Accounts	*Correction of error*	Reclassification	*30 June 2008*
	$'000	*$'000*	*$'000*	*$'000*
Balance Sheet				
Property, plant and equipment	643,093	16,172		659,265
Intangible assets	91	-	224	315
Other current assets	506	(1)	(224)	281
Current tax liabilities	(10)	3,806		3,796
Deferred tax assets	15,714	(1,045)		14,669
Retained earnings	(5,219)	11,320		6,101
Income statement				
Revenue	164,085	8,561		172,646
Cost of sales	(160,058)	-	(207)	(160,265)
Gross profit	4,027	8,561	(207)	12,381
Other income	79,726	-		79,726
Expenses excluding finance costs	(49,643)	(234)	207	(49,670)
Finance costs	(32,306)	-		(32,306)
Profit before income tax	1,804	8,327		10,131
Income tax expense	(259)	(2,497)		(2,756)
Profit for the year	1,545	5,830		7,375

The errors and reclassifications have been corrected by restating the 2008 comparative financial statement line items.

The errors and reclassifications had no impact on cash flows.

Auditor General

INDEPENDENT AUDIT REPORT ON REGIONAL POWER CORPORATION (TRADING AS HORIZON POWER)

To the Parliament of Western Australia

I have audited the financial report of the Regional Power Corporation (trading as Horizon Power). The financial report comprises the Balance Sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory Notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

The directors of the Regional Power Corporation (trading as Horizon Power) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Electricity Corporations Act 2005. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Summary of my Role

As required by the Electricity Corporations Act 2005, my responsibility is to express an opinion on the financial report based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer "http://www.audit.wa.gov.au/pubs/AuditPracticeStatement_Feb09.pdf".

An audit does not guarantee that every amount and disclosure in the financial report is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial report.

Audit Opinion

In my opinion, the financial report of the Regional Power Corporation (trading as Horizon Power) is in accordance with schedule 4 of the Electricity Corporations Act 2005, including:

(a) giving a true and fair view of the Corporation's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

COLIN MURPHY
AUDITOR GENERAL

10 September 2009

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