Financial Report

2015-16

HORIZON POWER

energy for life

Regional Power Corporation trading as Horizon Power
Financial Statements
for the year ended 30 June 2016

ABN: 57 955 011 697

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Statement of Comprehensive Income

	Notes	**30 June 2016 $'000**	30 June 2015 $'000
Revenue	1	**349,371**	380,650
Other revenue	2	**141,000**	136,422
Total revenue		**490,371**	517,072
Electricity and fuel purchases	3	**(166,213)**	(187,830)
Employee benefits expense	3	**(51,547)**	(50,090)
Materials and services	3	**(54,566)**	(52,656)
Depreciation and amortisation expense	3	**(83,324)**	(76,281)
Other expenses	3	**(10,882)**	(22,371)
Finance costs	3	**(72,354)**	(74,877)
Profit before income tax equivalent expense		**51,485**	52,967
Income tax equivalent expense	4(b)	**(14,808)**	(14,857)
Profit for the year		**36,677**	38,110
Other comprehensive income			
Items not to be reclassified subsequently to Profit or Loss			
Re-measurement loss on defined benefits plan	17(e)	**(66)**	**(139)**
Income tax effect	4(d)	**20**	**42**
		(46)	**(97)**
Other comprehensive income for the year, net of tax		**(46)**	**(97)**
Total comprehensive income for the year		**36,631**	**38,013**

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

	Notes	**30 June 2016 $'000**	30 June 2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	**6,400**	10,539
Receivables	7	**40,594**	46,230
Current tax assets	5	**-**	9,332
Inventories	8	**15,314**	19,329
Intangible assets	10	**1,679**	601
Derivative financial instruments	9	**241**	-
Other current assets	11	**2,154**	2,433
Total current assets		**66,382**	88,464
Non-current assets			
Property, plant and equipment	12	**1,524,080**	1,461,630
Deferred tax assets	5	**40,891**	41,672
Intangible assets	10	**9,159**	11,376
Total non-current assets		**1,574,130**	1,514,678
Total assets		**1,640,512**	1,603,142
LIABILITIES			
Current liabilities			
Payables	13	**77,962**	73,047
Provisions	14	**16,407**	14,431
Current tax liabilities	5	**609**	-
Derivative financial instruments	9	**-**	685
Other current liabilities	15	**16,326**	24,009
Interest bearing liabilities	16	**20,805**	19,211
Total current liabilities		**132,109**	131,383
Non-current liabilities			
Payables	13	**270**	275
Provisions	14	**19,694**	21,416
Retirement benefit obligations	17	**1,724**	2,018
Interest bearing liabilities	16	**1,065,797**	1,075,843
Total non-current liabilities		**1,087,485**	1,099,552
Total liabilities		**1,219,594**	1,230,935
Net assets		**420,918**	372,207
EQUITY			
Contributed equity	19	**309,807**	265,568
Retained earnings		**111,111**	106,639
Total equity		**420,918**	372,207

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

	Notes	**Contributed equity $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2014		253,683	121,707	375,390
Profit for the year		-	38,110	38,110
Other comprehensive income		-	(97)	(97)
Total comprehensive income for the year		**-**	**38,013**	**38,013**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	19	11,885	-	**11,885**
Dividends paid		-	(53,081)	**(53,081)**
Total		11,885	(53,081)	(41,196)
Balance at 30 June 2015		**265,568**	**106,639**	**372,207**
Balance at 1 July 2015		**265,568**	**106,639**	**372,207**
Profit for the year		-	36,677	36,677
Other comprehensive income		-	(46)	(46)
Total comprehensive income for the year		**-**	36,631	36,631
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	19	44,239	-	**44,239**
Dividends paid		-	(32,159)	**(32,159)**
Total		44,239	(32,159)	12,080
Balance at 30 June 2016		**309,807**	**111,111**	**420,918**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

	Notes	**30 June 2016 $'000**	30 June 2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**364,748**	374,978
Other receipts		**141,000**	124,509
Net GST and Fuel Tax Credits received		**5,193**	8,192
Interest received		**121**	571
Payments to suppliers and employees (inclusive of goods and services tax)		**(376,953)**	(420,357)
Interest paid		**(33,230)**	(33,346)
Payments / receipts for financial assets at fair value through profit or loss		**(1,483)**	1,922
Income taxes paid		**(4,065)**	(36,070)
Net cash inflow from operating activities	6(c)	**95,331**	20,399
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**393**	601
Payments for property, plant and equipment		**(133,650)**	(86,328)
Payments for intangible assets		**(3,376)**	(2,241)
Net cash outflow used in investing activities		**(136,633)**	(87,968)
Cash flows from financing activities			
Proceeds from borrowings		**34,000**	80,500
Payment for borrowings		**(23,241)**	(25,130)
Dividends paid		**(32,159)**	(53,081)
Developer and customer contributions to capital works		**14,328**	30,872
Proceeds from contributed equity		**44,239**	11,885
CES, customers' and contractors' refunds		**(4)**	(237)
Net cash inflow from financing activities		**37,163**	44,809
Net decrease in cash and cash equivalents		**(4,139)**	(22,760)
Cash and cash equivalents at the beginning of the financial year		**10,539**	33,299
Cash and cash equivalents at end of year	6(b)	**6,400**	10,539

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

Notes to the financial statements

Basis of Preparation

Corporation Information

The financial statements of Regional Power Corporation, trading as Horizon Power ("Horizon Power" or "the Corporation") for the year ended 30 June 2016, were authorised for issue in accordance with a resolution of the directors on 7 September 2016.

Horizon Power is a Not-for-Profit Public Sector Entity incorporated under the Electricity Corporations Act 2005 and domiciled in Australia. Its registered office is at 1 Stovehill Road, Karratha.

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

Basis of accounting

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and 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, as applicable to not-for-profit entities.

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 derivative financial instruments. The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods unless otherwise stated.

Comparative amounts

Comparative amounts are for the period from 1 July 2014 to 30 June 2015. Certain comparative amounts in the Statement of Cash Flows have been reclassified within their same section of cash flow activities to conform to current presentation.

Except for the above, there has been no reclassification or changes to comparative figures.

Foreign currency translation

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

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

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. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

Significant accounting estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the bases 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.

The area where estimates and assumptions are significant to the financial statements as a higher degree of judgment or complexity is involved, are listed below and described in more detail in the related notes.

• Unread Sales (Note 1(c)).
• Impairment of non-financial assets (Note 12 (vii).
• Provision for employee benefits – annual leave and long service leave (Note 14(i)).
• Provision for decommissioning costs (Note 14(ii)).
• Lease commitments (Note 26(b) (i)).

New and amended accounting standards and interpretations

In the current year, Horizon Power has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to Horizon Power's accounting policies.

At the date of this financial report the following standard and interpretations, which may impacted Horizon Power in the period of initial application, have been issued but are not yet effective.

Reference	Title	Summary	Application date of standard	Impact on Entity Financial Report	Application date for Entity
AASB 9	Financial Instruments	This standard replaces AASB 139 and supersedes both AASB 9 (December 2010) and AASB 9 (December 2009) when applied. It introduces a "fair value through other comprehensive income" category for debt instruments, contains requirements for impairment of financial assets and a reformed approach to hedge accounting.	1 January 2018	The impact if any is still to be assessed by Horizon Power	1 July 2018
AASB 15	Revenue from Contracts with Customers	AASB 15 *Revenue from Contracts with Customers* replaces the existing revenue recognition standards and related Interpretations AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments).The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the	1 January 2018	The impact if any is still to be assessed by Horizon Power	1 July 2018

Reference	Title	Summary	Application date of standard	Impact on Entity Financial Report	Application date for Entity
		performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation			
AASB 2015-2	Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. Horizon Power has reassessed the order of the disclosure of the information in the financial statements in its financial statements.	1 January 2016	The impact if any is still to be assessed by Horizon Power	1 July 2016
AASB 2015-6	Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	This Standard makes amendments to AASB 124 *Related Party Disclosures* to extend the scope of that Standard to include not-for-profit public sector entities.	1 July 2016	The impact if any is still to be assessed by Horizon Power	1 July 2016
AASB 2015-7	Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13]	This Standard makes amendments to AASB 13 *Fair Value Measurement* to exempt not-for-profit public sector entities from certain requirements of the Standard.	1 July 2016	The impact if any is still to be assessed by Horizon Power	1 July 2016
AASB 16	Leases	The key features of AASB 16 are as follows: **Lessee accounting** • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees.	1 January 2019	The impact if any is still to be assessed by Horizon Power	1 July 2019

Reference	Title	Summary	Application date of standard	Impact on Entity Financial Report	Application date for Entity
		Lessor accounting • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.			
2016-1	Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	This Standard amends AASB 112 *Income Taxes* (July 2004) and AASB 112 *Income Taxes* (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	The impact if any is still to be assessed by Horizon Power	1 July 2017

Profit for the reporting year

1. Revenue

(a) Accounting policy

(i) 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.

(ii) Sale of electricity

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

(iii) 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 profit or loss 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;

• Aboriginal & Regional Communities Power Supply Project;

• Energy Assistance Payments;

• Dependent child rebates;

• Feed-in Tariff rebates;

• Tariff Adjustment Payments; and

• Tariff Migration Payments

(iv) 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.

1. Revenue (continue)

(a) Accounting policy (continue)

(iv) Developer and customer contributions (continue)

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.

(b) Amounts recognised in profit or loss

	30 June 2016 $'000	30 June 2015 $'000
Revenue consisted of the following items:		
Sale of Electricity	**288,477**	290,600
Other		
Community service obligations revenue	**34,814**	34,865
Developer and customer contributions	**19,770**	44,021
Interest	**121**	571
Others	**7,182**	11,766
Change in fair value of derivatives	**(993)**	(1,173)
	60,894	90,050
	349,371	380,650

(c) Critical accounting estimates and judgements

Unread sales represent the estimated value of metered electricity provided to customers but not yet invoiced. Electricity meters are read on a periodic basis throughout the year. The estimation of accrued revenue associated with unread meters at year end is based on historical adjusted for any changes in consumption patterns.

2. Other revenue

(a) Accounting policy

Tariff Equalisation Fund

A significant portion of Horizon Power's revenue is derived from the Tariff Equalisation Fund (TEF). Electricity Networks Corporation trading as 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.

(b) Amounts recognised in profit or loss

	30 June 2016 $'000	30 June 2015 $'000
Tariff Equalisation Fund	**141,000**	136,000
Gain on disposal of property, plant and equipment	**-**	422
	141,000	136,422

3. Expenses

(a) Accounting policy

(i) Electricity and Fuel Purchases

Electricity and fuel purchases 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.

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

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

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

(ii) Finance cost

Horizon Power as a Not-for-Profit Public Sector Entity has elected to recognise borrowing costs in profit or loss when incurred under AASB 123.

Finance costs 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).

(b) Amounts recognised in profit or loss

	30 June 2016 $'000	30 June 2015 $'000
Electricity and fuel purchases		
Electricity purchases	**118,283**	131,840
Fuel purchases	**45,200**	52,453
Water purchases	**2,730**	3,537
Total electricity & fuel purchases	**166,213**	187,830
Employee benefit expense		
Salaries, wages & allowance	**34,896**	34,709
Superannuation	**4,734**	4,663
Long service leave	**1,445**	1,435
Annual leave	**3,385**	3,285
Other related expenses	**7,087**	5,998
Total employee benefits expenses	**51,547**	50,090

3. Expenses (continue)

(b) Amounts recognised in profit or loss (continue)

	30 June 2016 $'000	30 June 2015 $'000
Materials and services		
Contracted services	**30,862**	25,364
Materials	**7,038**	8,092
IT services	**6,985**	8,101
Customer services	**3,454**	3,661
Consultants	**3,377**	2,607
Other services	**2,850**	4,831
Total materials and services	**54,566**	52,656
Depreciation		
Leasehold buildings	**3,101**	2,675
Plant and equipment	**48,085**	41,569
Equipment under finance leases	**25,781**	25,978
Total depreciation	**76,967**	70,222
Amortisation		
Computer software	**6,356**	5,976
Patents, trademarks and other rights	**1**	83
Total amortisation	**6,357**	6,059
Total depreciation and amortisation	**83,324**	76,281
Other expenses		
Loss on disposal of property, plant and equipment	**661**	-
Provision for impairment of receivables	**1,127**	3,856
Property expenses	**6,143**	7,420
Other	**2,951**	11,095
Total other expenses	**10,882**	22,371
Finance costs		
Interest on debts	**32,792**	33,396
Unwinding of discount on contributory extension scheme	**35**	57
Unwinding of discount on decommissioning provision	**430**	477
Finance lease interest	**39,097**	40,947
Total finance costs	**72,354**	74,877

4. Income tax equivalent expense

(a) Accounting policy

(i) 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 profit or loss except to the extent that it relates to items recognised directly in other comprehensive income.

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 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 are associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

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

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

4. Income tax equivalent expense (continue)

(ii) Other taxes

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

• When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

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

(b) Amounts recognised in profit or loss

Income tax expense equivalent expense

	30 June 2016 $'000	30 June 2015 $'000
Current tax	**17,169**	14,341
Deferred tax	**(1,505)**	1,870
Adjustments for net deferred tax assets and liabilities of prior period	**2,285**	(84)
Adjustments for current tax of prior periods	**(3,141)**	(1,270)
	14,808	14,857
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Decrease in deferred tax assets (note 5(b)(i))	**6,457**	10,812
Decrease in deferred tax liabilities (note 5(b)(ii))	**(7,962)**	(8,942)
	(1,505)	1,870

(c) Numerical reconciliation of income tax expense to prima facie tax payable

	30 June 2016 $'000	30 June 2015 $'000
Profit before income tax expense	**51,485**	52,967
Tax at the Australian tax rate of 30.0% (2015 - 30.0%)	**15,445**	15,891
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	**13**	12
Research and development	**198**	260
Sundry items	**8**	48
Adjustments for current tax of prior periods	**(856)**	(1,354)
Total income tax equivalent expense	**14,808**	14,857

4. Income tax equivalent expense (continue)

(d) Amounts recognised directly in other comprehensive income

	30 June 2016 $'000	30 June 2015 $'000
Deferred tax arising in the reporting period and not recognised in profit/(loss) but directly credited to other comprehensive income:		
Net deferred tax - credited directly to other comprehensive income, in relation to:		
– Re-measurement losses on defined benefit plans	**20**	42
	20	42

Operational assets and liabilities

5. Tax assets and liabilities

(a) Accounting policy

Refer to note 4(a) for details of Horizon Power's 'deferred tax equivalents' accounting policy.

(b) Amounts recognised in statement of financial position

(i) Deferred tax assets

	30 June 2016 $'000	30 June 2015 $'000
The balance comprises temporary differences attributable to:		
Provisions	**12,689**	12,856
Property, plant and equipment	**19**	19
Community service obligation	**191**	2,222
Power purchase agreements classified as finance leases	**114,119**	117,724
	127,018	132,821
Other		
Contributory extension scheme	**126**	115
Accruals	**413**	100
Other	**(107)**	188
Sub-total other	**432**	403
Total deferred tax assets	**127,450**	133,224
Set-off of deferred tax liabilities pursuant to set-off provisions (note 5(b)(ii))	**(86,559)**	(91,552)
Net deferred tax assets	**40,891**	41,672

	30 June 2016 $'000	30 June 2015 $'000
Movements:		
Opening balance	**133,224**	143,618
Charged/credited:		
- to profit or loss (note 4(b))	**(6,457)**	(10,812)
Adjustments for deferred tax assets of prior periods	**683**	418
	127,450	133,224

(ii) Deferred tax liabilities

	30 June 2016 $'000	30 June 2015 $'000
The balance comprises temporary differences attributable to:		
Consumable stocks	**456**	764
Power purchase agreements classified as finance lease	**86,103**	90,788
Total deferred tax liabilities	**86,559**	91,552
Set-off of deferred tax assets pursuant to set-off provisions (note (5(b)(i))	**(86,559)**	(91,552)
Net deferred tax liabilities	**-**	-

5. Tax assets and liabilities (continue)

(ii) Deferred tax liabilities (continue)

	30 June 2016 $'000	30 June 2015 $'000
Movements		
Opening balance at 1 July	**91,552**	100,583
Credited to profit or loss (note 4(b))	**(7,962)**	(8,942)
Adjustments for deferred tax liabilities of prior periods	**2,969**	(89)
	86,559	91,552

(iii) Current tax (liabilities)/ assets

	30 June 2016 $'000	30 June 2015 $'000
Income tax	**(609)**	9,332
	(609)	9,332

6. Cash and cash equivalents

(a) Accounting policy

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.

(b) Amounts recognised in statement of financial position

	30 June 2016 $'000	30 June 2015 $'000
Cash at bank and in hand	**6,400**	10,539

Management assessed that the fair value of cash and short-term deposits approximate their carrying amounts largely due to the short-term maturities of these instruments.

6. Cash and cash equivalents (continue)

(c) Reconciliation of profit after income tax equivalent to net cash inflow from operating activities

	30 June 2016 $'000	30 June 2015 $'000
Profit for the year	**36,677**	38,110
Depreciation and amortisation	**83,324**	76,281
Developer and customer contributions	**(19,770)**	(44,021)
Net loss/ (gain) on sale of non-current assets	**661**	(488)
Changes in operating assets and liabilities:		
Decrease / (increase) in other receivables	**3,211**	(8,494)
Decrease/ (increase) in inventories	**4,014**	(2,020)
Decrease in other assets	**250**	1,336
(Decrease) in other payables	**(21,137)**	(17,391)
(Decrease)/ increase in derivatives	**(926)**	375
Decrease in income tax assets / decrease in tax liabilities	**10,676**	(21,254)
Increase in employee provisions	**1,023**	927
(Decrease) in other provisions	**(2,672)**	(2,962)
Net cash inflow / (outflow) from operating activities	**95,331**	20,399

As at June 2016, Horizon Power has a net current liability position of $65.7 million (2015: $42.9 million). This has no impact on Horizon Power’s ability to pay its debts over the next twelve months from the date those financial statements were authorised for issue. The above reconciliation indicates that the organisation’s ongoing operations generate sufficient cash flow to cover its usual operations, to pay interest on its debts and to pay income taxes. In addition, under a Master Lending Agreement with the Western Australian Treasury Corporation, Horizon Power had, as at 30 June 2016, access to borrowing facilities of up to $761.8 million, including a working capital facility of $30 million, of which $49.8 million was undrawn. For the next financial year, the peak borrowing limit has been increased to $856.7 million.

(d) Non-cash investing and financing activities

	30 June 2016 $'000	30 June 2015 $'000
Gifted assets	**2,892**	5,763
	2,892	5,763

7. Receivables

(a) Accounting policy

Trade receivables, which generally have 12 day terms for tariff customers, 7 to 14 day terms for contract customers and 30 to 90 days for non-energy customers, are recognised and carried at original invoice amount less an allowance for any impaired receivables. No interest is charged on current receivables.

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

The amount of the impairment loss is recognised in profit or loss 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 recognised in profit or loss against 'Other Income'.

7. Receivables (continue)

(b) Amounts recognised in statement of financial position

	30 June 2016 $'000	30 June 2015 $'000
Net receivables		
Receivables - energy - billed (i)	**21,401**	19,715
Receivables - energy - unbilled (ii)	**12,307**	11,038
Total receivables energy	**33,708**	30,753
Allowance for impairment of receivables – energy	**(3,946)**	(4,783)
	29,762	25,970
Receivables - non-energy (i)	**2,554**	4,112
Allowance for impairment of receivables - non energy	**(525)**	(200)
	2,029	3,912
Other receivables		
Other receivables	**8,803**	16,348
Total receivables	**40,594**	46,230

(i) Includes amounts due by Aboriginal communities of $2,109,634 (Energy: $1,692,072; Non Energy: $417,562) (2015: $1,294,078).

(ii) Receivables energy incorporate amounts attributable to 'unbilled / unread sales' which are an estimate of electricity delivered to customers that have not been billed at the reporting date. The estimation of accrued revenue associated with unread meters at year end is based on historical and budget data.

Management assessed that the fair value of trade receivables approximates their carrying amounts largely due to the short-term maturities of these instruments.

(c) Impaired trade receivables

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

	30 June 2016 $'000	30 June 2015 $'000
At 1 July	**4,983**	2,631
Allowance for impairment recognised during the year	**1,128**	3,856
Receivables written off during the year as uncollectable	**(1,640)**	(1,504)
At 30 June	**4,471**	4,983

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

7. Receivables (continue)

(d) Ageing of receivables

	30 June 2016 $'000	30 June 2015 $'000
Energy receivables		
Not overdue (i)	**23,478**	17,726
Overdue but not impaired		
0 - 28 days	**4,053**	4,990
29 - 56 days	**623**	1,829
57 - 90 days	**620**	1,140
+ 90 days	**988**	285
Past due and impaired	**3,946**	4,783
	33,708	30,753

(i) Not overdue amount includes unbilled and unread amount of $12,307,000 (2015: $11,038,000).

Non-energy receivables		
Not overdue	**1,152**	2,790
Overdue but not impaired		
Overdue: 30 days	**357**	37
60 days	**15**	103
90 days	**15**	20
120 days	**3**	24
+ 120 days	**487**	938
Past due and impaired	**525**	200
	2,554	4,112

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

(e) Other receivables

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

(f) Fair value and credit risk

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

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

8. Inventories

(a) Accounting policy

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; and

• Consumables - weighted average 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 for the expected impairment in value of materials inventory, due to obsolescence and items being surplus to requirements, has been determined by periodic review.

(b) Amounts recognised in statement of financial position

	30 June 2016 $'000	30 June 2015 $'000
Fuel	**670**	835
Materials	**14,644**	18,494
Total inventories	**15,314**	19,329

9. Derivative financial instruments

(a) Accounting policy

(i) Commodity Swaps

Horizon Power is exposed to movements in the Gasoil price through the purchase of fuel for its diesel power stations as well as fuel consumption by its power producers. Horizon Power has entered into AUD denominated commodity swaps to obtain economic hedge against increases in wholesale crude oil prices and falls in the AUD/USD exchange rate. Horizon Power's policy is to hedge forecasted fuel cost for 1 year forward at 80% of forecast. In the year ended 30 June 2016 an unrealised gain of $241,477 was recognised in profit or loss.

(ii) 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 economic hedging and not for speculative purposes.

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

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

• Cash flow hedges when they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or recognised liability or a highly probable forecasted transaction; or

9. Derivative financial instruments (continue)

(ii) Derivatives (continue)

• 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.

(iii) Cash flow hedge

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

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

When a hedging instrument expires, is sold, is terminated or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. 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 profit or loss.

(iv) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, 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.

(v) 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 profit or loss.

(vi) 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 profit or loss.

(b) Amounts recognised in statement of financial position

	30 June 2016 $'000	30 June 2015 $'000
Current assets / (liabilities)		
Commodity swaps	**241**	(685)
Total current derivative financial instrument assets/(liabilities)	**241**	(685)

9. Derivative financial instruments *(continue)*

(c) Fair Value Hierarchy

The following table presents Horizon Power's financial assets and financial liabilities measured and recognised at fair value at 30 June 2015 and 30 June 2016 , using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that Horizon Power can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

At 30 June 2016	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Commodity swaps used for hedging	**-**	**241**	**-**	**241**
Total assets	**-**	**241**	**-**	**241**

At 30 June 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Commodity swaps used for hedging	-	685	-	685
Total liabilities	-	685	-	685

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Valuation techniques for fair value measurement categories within level 2

Horizon Power utilise Gasoil commodity swaps to hedge its diesel exposure. Gasoil commodity swaps allow Horizon to exchange a floating rate commitment for a fixed rate commitment, or vice versa. On maturity, there is a cash settlement based on the difference between the Swap price and the Average Floating Price over the Swap contract's Calculation Period.

Horizon Power's commodity swaps are based on Singapore Gasoil 10 parts per million (ppm) sulphur and valued in accordance with standard market practice. Valuation is based on discounting future swap cash flows with current market gasoil futures pricing, interest rate curves and related exchange rates to determine their present value.

10. Intangible assets

(a) Accounting policy

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.

(i) Renewable energy certificates

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

The RECs liability is extinguished by surrendering an equivalent number of RECs with a penalty applying for any shortfall. Horizon Power has a contract with Electricity Retail and Generation Corporation trading as Synergy for the acquisition of RECs. Horizon Power's liability is based on actual volume of electricity acquired for the last calendar year multiplied by ORER specified Renewable Power Percentage for that year. RECs purchased from external sources are recognised as intangible assets at their purchase price.

(ii) 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 profit or loss over the useful lives of the assets.

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

Trademarks have finite useful lives. Amortisation is calculated using the straight-line method. The useful lives of Horizon Power's trademarks are 10 to 15 years.

Renewable Energy Certificates are not amortised.

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

(iii) 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 profit or loss when the asset is de-recognised.

(b) Amounts recognised in statement of financial position

(i) Current assets

Renewable energy certificates	**30 June 2016 $'000**	30 June 2015 $'000
Opening balance	**601**	626
Additions	**6,537**	4,221
Surrendered	**(5,459)**	(4,246)
Closing balance	**1,679**	601

10. Intangible assets (continue)

(ii) Non-current assets

	Patents, trademarks and other rights $'000	Software $'000	Total $'000
Year ended 30 June 2016			
Opening net book amount	774	10,602	11,376
Additions – acquisition	**-**	**4,885**	**4,885**
Reclassification (note 12)	**(770)**	**25**	**(745)**
Amortisation charge	**(1)**	**(6,356)**	**(6,357)**
Closing net book amount	**3**	**9,156**	**9,159**
At 30 June 2016			
Cost	**19**	**48,046**	**48,065**
Accumulated Amortisation	**(16)**	**(38,890)**	**(38,906)**
Net book amount	**3**	**9,156**	**9,159**
Year ended 30 June 2015			
Opening net book amount	857	14,017	14,874
Additions – acquisition	-	2,561	2,561
Amortisation charge	(83)	(5,976)	(6,059)
Closing net book amount	774	10,602	11,376
At 30 June 2015			
Cost	1,242	43,124	44,366
Accumulated Amortisation	(468)	(32,522)	(32,990)
Net book amount	774	10,602	11,376

11. Other current assets

	30 June 2016 $'000	30 June 2015 $'000
Other assets	**187**	45
Prepayments	**1,967**	2,388
Total other current assets	**2,154**	2,433

12. Property, plant and equipment

(a) Accounting policy

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

(i) Acquisition of assets

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

Costs are only capitalised when it is probable that future economic benefits will flow from the establishment of the asset and the cost of the asset can be reliably measured.

(ii) 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.

(iii) Capitalisation of borrowing costs

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

(iv) Depreciation

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

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

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

- Buildings	25 - 40 years
- Plant and equipment	4 - 50 years
- Equipment under finance leases	based on term of contract (10 to 20 years)
- Leasehold improvements	2 – 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.

(v) 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 de-recognition of an asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss when the asset is derecognised.

12. Property, plant and equipment (continue)

(vi) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience. Leased equipment is depreciated over the useful life of the asset, however if there is no reasonable certainty that Horizon Power will obtain ownership by the end of the lease term, the leased equipment is depreciated over the shorter of the estimated useful life of the asset and the lease term. 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 3.

(vii) 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 profit or loss.

• *Impairment of non-financial assets*

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

There were no indicators of impairment to property, plant and equipment and intangible assets at 30 June 2016.

(b) Amounts recognised in statement of financial position

	Freehold land $'000	Leasehold buildings $'000	Plant and equipment $'000	Equipment under finance lease at cost $'000	Total $'000
Year ended 30 June 2016					
Opening net book amount	**12,495**	**82,016**	**1,058,683**	**308,436**	**1,461,630**
Additions	**-**	**827**	**138,900**	**-**	**139,727**
Disposals	**(93)**	**-**	**(962)**	**-**	**(1,055)**
Reclassification (note 10)	**-**	**-**	**745**	**-**	**745**
Depreciation charge	**-**	**(3,101)**	**(48,085)**	**(25,781)**	**(76,967)**
Closing net book amount	**12,402**	**79,742**	**1,149,281**	**282,655**	**1,524,080**
At 30 June 2016					
Cost	**12,402**	**95,582**	**1,397,216**	**487,586**	**1,992,786**
Accumulated depreciation	**-**	**(15,840)**	**(247,935)**	**(204,931)**	**(468,706)**
Net book amount	**12,402**	**79,742**	**1,149,281**	**282,655**	**1,524,080**

Expenditure recognised in plant and equipment in the course of construction is $167,046,251. (2015: $101,334,729)

Horizon Power receives non-cash capital contributions in the form of gifted assets. The fair value of the non-cash capital contributions included in the additions to plant and equipment in 2016 was $2,891,714. (2015: $5,763,474)

12. Property, plant and equipment (continue)

	Freehold land $'000	Leasehold buildings $'000	Plant and equipment $'000	Equipment under finance lease at cost $'000	Total $'000
Year ended 30 June 2015					
Opening net book amount	12,520	46,842	1,049,216	334,414	1,442,992
Additions	-	37,915	51,036	-	88,951
Disposals	(25)	(66)	-	-	(91)
Depreciation charge	-	(2,675)	(41,569)	(25,978)	(70,222)
Closing net book amount	12,495	82,016	1,058,683	308,436	1,461,630
At 30 June 2015					
Cost	12,495	94,754	1,259,207	487,586	1,854,042
Accumulated depreciation	-	(12,738)	(200,524)	(179,150)	(392,412)
Net book amount	12,495	82,016	1,058,683	308,436	1,461,630

13. Payables

(a) Accounting policy

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.

Payables are non-interest bearing and are generally settled on 30 day terms. Other payables are non-interest bearing and generally have settlement terms between 14 and 30 days. Due to the short term nature of these Payables (including the current portion of the Contributory extension Scheme), their carrying value approximates their fair value.

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. The non-current portion of the CES payables is stated at fair value, which is estimated as the present value of future cash flows, discounted at the applicable Commonwealth Zero Coupon rates at the end of the reporting date.

(b) Amounts recognised in statement of financial position

(i) Current liabilities

	30 June 2016 $'000	30 June 2015 $'000
Payables	**68,738**	64,455
Other payables	**8,708**	7,989
Contributory extension scheme payables	**516**	603
	77,962	73,047

(ii) Non-current liabilities

	30 June 2016 $'000	30 June 2015 $'000
Contributory extension scheme payables	**270**	275
	270	275

14. Provisions

(a) Accounting policy

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.

(i) 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 any employee benefits expected to be settled 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. The present value of future cash outflows is determined using the projected unit credit method.

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.

Estimates and assumptions

• *Long Service Leave*

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

• *Annual Leave*

For annual leave not expected to be wholly settled before 12 months after the end of the reporting period, estimations and assumptions used in calculating the Corporation's annual leave provision include expected future salary increases and discounting of the expected payments.

(ii) Termination Benefits

Termination benefits are payable when employment is terminated by the company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Horizon Power recognises termination benefits at the earlier of the following dates: (a) when Horizon Power can no longer withdraw the offer of those benefits (b) when Horizon Power recognises a cost for restructuring that is within the scope of AASB 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iii) 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

14. Provisions (continue)

(iii) Decommissioning costs (continue)

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.

Costs incurred that relate to an existing condition caused by past operations are expensed.

Estimates and assumptions

• *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 by adjusting both the expense or asset (if applicable) and provision. The related carrying amounts are disclosed in note 12 and note 14.

(b) Amounts recognised in statement of financial position

Current liabilities

	30 June 2016 $'000	30 June 2015 $'000
Long service leave	**4,815**	4,341
Annual leave	**4,599**	4,419
Decommissioning and rehabilitation	**4,611**	3,991
Other provisions	**2,382**	1,680
	16,407	14,431

Movements in provisions - decommissioning and rehabilitation

	30 June 2016 $'000	30 June 2015 $'000
Carrying amount at start of year	**3,991**	7,384
Reclassification from non-current liabilities	**3,722**	501
Payments/other sacrifices of economic benefits	**(3,102)**	(3,894)
Carrying amount at end of year	**4,611**	3,991

Movements in provisions - other provisions

	30 June 2016 $'000	30 June 2015 $'000
Carrying amount at start of year	**1,680**	1,427
Reclassification from non-current liabilities	**196**	225
Additional provisions recognised	**1,186**	443
Payments / other sacrifices of economic benefits	**(680)**	(415)
Carrying amount at end of year	**2,382**	1,680

14. Provisions (continue)

Non-Current liabilities

	30 June 2016 $'000	30 June 2015 $'000
Long service leave	**1,704**	1,745
Decommissioning and rehabilitation	**17,715**	19,401
Other provisions	**275**	270
	19,694	21,416

Movements in provisions - decommissioning and rehabilitation

	30 June 2016 $'000	30 June 2015 $'000
Carrying amount at start of year	**19,401**	18,969
Reclassification to current liabilities	**(3,722)**	(501)
Additional provisions recognised	**1,606**	455
Unwinding of discount	**430**	478
	17,715	19,401

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

Movements in provisions - other provisions

	30 June 2016 $'000	30 June 2015 $'000
Carrying amount at start of year	**270**	302
Reclassification to current liabilities	**(196)**	(225)
Additional provisions recognised	**201**	193
	275	270

The annual and long service leave benefits are reported as current because Horizon Power does not have an unconditional right to defer settlement. Based on past experience annual and long service leave benefits are expected to be taken or paid as follows.

	30 June 2016 $'000	30 June 2015 $'000
Long Service Leave		
Long service leave expected to be settled within 12 months	**1,802**	1,472
Long service leave expected to be settled after 12 months	**4,717**	4,614
	6,519	6,086
Annual Leave		
Annual leave expected to be settled within 12 months	**2,675**	2,584
Annual leave expected to be settled after 12 months	**1,924**	1,835
	4,599	4,419

15. Other current liabilities

(a) Accounting policy

Refer to note 1(a) (iv) for details of Horizon Power's 'Developer and customer contributions' accounting policy.

(b) Amounts recognised in statement of financial position

	30 June 2016 $'000	30 June 2015 $'000
Deferred developer and customer contributions (i)	**16,326**	24,009
	16,326	24,009

(i) 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 contributions or gifted assets. Cash contributions are initially deferred and subsequently recognised as revenue when the customers /developers are connected to the network in accordance with the terms of the contributions. Gifted assets are recognised as revenue at the point of handover.

16. Interest bearing liabilities

(a) Accounting policy

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 profit or loss over the period of the interest-bearing liabilities using the effective interest method.

(i) Lease

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 recognizing 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 profit or loss and reduction of the lease liability in the Statement of Financial Position so as to achieve a constant rate of interest on the remaining balance of the liability.

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

Horizon Power has recognised finance leases implicit in existing electricity purchase agreements in accordance with UIG Interpretation 4 "Determining whether an Arrangement contains a Lease" and AASB 117 "Leases". Horizon Power does not have any other finance leases as at 30 June 2016.

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 leases payments are representative of the pattern of benefits derived from the leased assets and accordingly are recognised in profit or loss in the reporting periods in which they are incurred.

16. Interest bearing liabilities (continue)

(b) Amounts recognised in statement of financial position

Current liabilities

	30 June 2016 $'000	30 June 2015 $'000
Unsecured		
Finance lease liabilities (note 26)	**20,805**	19,211
	20,805	19,211

Non-current liabilities

	30 June 2016 $'000	30 June 2015 $'000
Secured		
WATC loans (i)	**713,400**	702,641
Unsecured		
Finance lease liabilities (note 26)	**352,397**	373,202
	1,065,797	1,075,843

(i) Non-current loans of $713,400 thousand (2015: $702,641 thousand) includes an amount of $121,000 thousand (2015: $72,091 thousand) that will become due and payable during the 2017 reporting year. The fair value of WATC loans are $758,109 thousand (2015: $734,959 thousand).

A master lending agreement with the WATC, an entity owned by the Western Australian State Government, allows Horizon Power the unequivocal right to refinance all or any part of maturing debt at regular intervals.

It is Horizon Power's expectation that this amount will be refinanced under the master lending agreement rather than repaid, and therefore has been classified as non-current.

The approval of Horizon Power's forecast borrowing requirements for the next four years, including no repayment of amounts classified as non-current above, contained within the Western Australian State Budget handed down in May 2016.

Horizon Power's borrowing limits are detailed in Note 6(c).

17. Retirement benefit obligations

(a) Accounting policy

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

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

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

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

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

17. Retirement benefit obligations (continue)

(i) Defined contribution superannuation plans

Obligations for contributions to defined contribution plans are recognised in profit or loss as incurred.

(ii) Defined benefit superannuation plans

A provision in respect of the defined benefit superannuation plans is recognised in the Statement of Financial Position and is measured at the present value of the defined benefit obligations, based upon services provided up to the reporting date, plus/less unrecognised actuarial gains/losses less the fair value of the superannuation plans' assets at that date.

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.

The defined benefits of the Pension Scheme and the Gold State Superannuation Scheme are wholly unfunded. Horizon Power contributes, as required, to meet the benefits paid.

Actuarial gains and losses arising from experience adjustments and changes in actuarial adjustments are recognised immediately in Other Comprehensive Income.

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

(b) Amounts recognised in statement of financial position

The amounts recognised in the Statement of Financial Position are determined as follows:

	30 June 2016 $'000	30 June 2015 $'000
Present value of unfunded obligations (i)	**1,724**	2,018
Net liability in the statement of financial position	**1,724**	2,018

(i) The present value of the retirement benefit obligations liability was addressed by Mercer Consulting (Australia) Pty Ltd at 30 June 2016 as required under AASB119. For the period 1 July 2015 to 30 June 2016, a provision has been increased to account for the decrease in value of this liability over this period.

(c) Reconciliations

	30 June 2016 $'000	30 June 2015 $'000
Reconciliation of the present value of the defined benefit obligation		
Balance at the beginning of the year	**2,018**	1,875
Interest cost	**53**	65
Actuarial (gains) / losses	**66**	139
Benefits paid	**(413)**	(61)
Balance at the end of the year	**1,724**	2,018

17. Retirement benefit obligations (continue)

(d) Amounts recognised in the Profit or loss

The amounts recognised in Profit or Loss is as follows:

	30 June 2016 $'000	30 June 2015 $'000
Interest costs	**53**	65
Total amounts recognised in Profit or Loss	**53**	65

(e) The amounts recognised in Other Comprehensive Income are as follows:

	30 June 2016 $'000	30 June 2015 $'000
Actuarial (gain) / losses	**66**	139
Total amounts recognised in Other Comprehensive Income	**66**	139

(f) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	30 June 2016	30 June 2015	30 June 2014
Discount rate	**2.3%**	2.7%	3.7%
Future salary increases	**2.5% - 3.5%**	4.0%	5.0%
Expected future pension increases	**2.5%**	2.5%	2.5%

The discount rate is based on the Government bond maturing in April 2025. The decrement rates used are based on those used at the last actuarial valuation for the Schemes.

(g) 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 previous page.

(h) Historic summary

	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Defined benefit plan obligation	1,724	2,018	1,875	1,975	2,132
Deficit	**1,724**	2,018	1,875	1,975	2,132
Experience adjustments arising on Plan liabilities (gain)/loss	**-**	-	-	-	5

(i) Nature of benefits provided

Horizon Power participates in two defined benefit plans consisting of the Pension Scheme and the prior service component of the Gold State Super. The Schemes, which are now closed, are wholly unfunded.

Pension Scheme

The employer-financed benefit is a pension benefit payable on retirement, death or invalidity, or a lump sum benefit on resignation.

Gold State Super

Some former Pension Scheme members have transferred to Gold State Super. In respect of their transferred benefit the members receive a lump sum benefit at retirement, death or invalidity which is related to their salary during their employment and indexed during any deferral period after leaving public sector employment.

17. Retirement benefit obligations (continue)

(j) Regulatory framework

Pension Scheme

The Scheme operates under the State Superannuation Act 2000 (Western Australia) and the State Superannuation Regulations 2001 (Western Australia). Although the scheme is not formally subject to the Superannuation Industry (Supervision) (SIS) legislation, the Western Australian government has undertaken (in a Heads of Government Agreement) to operate the scheme in accordance with the spirit of the SIS legislation.

As an exempt public sector superannuation scheme (as defined in the SIS legislation), the scheme is not subject to any minimum funding requirements.

As a constitutionally protected scheme, the scheme is not required to pay tax.

Gold State Super

The Scheme operates under the State Superannuation Act 2000 (Western Australia) and the State Superannuation Regulations 2001 (Western Australia). Although the scheme is not formally subject to the Superannuation Industry (Supervision) (SIS) legislation, the Western Australian government has undertaken (in a Heads of Government Agreement) to operate the scheme in accordance with the spirit of the SIS legislation.

(k) Other entities' responsibilities for governance of the Scheme

Pension Scheme

The Government Employees Superannuation Board (GESB) is the Scheme's Trustee and is responsible for the governance of the Scheme. As Trustee, GESB has a legal obligation to act solely in the best interests of Scheme beneficiaries. GESB has the following roles:

- Administration of the Scheme and payment to the beneficiaries when required in accordance with

  the Scheme rules;
- Management and investment of the Scheme assets (although the liabilities in this report are not supported by assets); and
- Compliance with the Heads of Government Agreement referred to above.

Gold State Super

The Government Employees Superannuation Board (GESB) is the Scheme's Trustee and is responsible for the governance of the Scheme. As Trustee, GESB has a legal obligation to act solely in the best interests of Scheme beneficiaries. GESB has the following roles:

- Administration of the Scheme and payment to the beneficiaries when required in accordance with the Scheme rules;
- Management and investment of the Scheme assets (although the liabilities in this report are not supported by assets); and
- Compliance with the Heads of Government Agreement referred to above.

(l) Risks

Pension Scheme

There are a number of risks to which the Scheme exposes Horizon Power. The more significant risks relating to the defined benefits are:

Legislative risk – the risk that legislative changes could be made which increase the cost of providing the defined benefits.

Pensioner Mortality risk – the risk that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period.

Inflation risk – the risk that inflation is higher than anticipated, increasing pension payments, and the associated employer contributions.

17. Retirement benefit obligations (continue)

Gold State Super

There are a number of risks to which the Scheme exposes Horizon Power. The more significant risks relating to the defined benefits are:

Inflation risk – the risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and the associated employer contributions.

Legislative risk – the risk that legislative changes could be made which increase the cost of providing the defined benefits.

(m) Significant events

There were no plan amendments, curtailments or settlements during the year under the Pension Scheme or Gold State Super.

(n) Effect of Asset Ceiling

The asset ceiling has no impact on the net defined benefit liability under the Pension Scheme or Gold State Super.

(o) Fair value of Scheme assets

There are no assets in Gold State Super for current employees to support the transferred benefits. Hence there is/are:

- No fair value of Scheme assets;
- No asset allocation of Scheme assets;
- No financial instruments issued by the employer;
- No assets used by the employer;
- No asset-liability matching strategies.

(p) Sensitivity Analysis

Pension Scheme

The defined benefit obligation as at 30 June 2016 under several scenarios is presented below.

Scenario A and B relate to discount rate sensitivity. Scenario C and D relate to expected pension increase rate sensitivity.

Scenario A: 0.5% pa lower discount rate assumption

Scenario B: 0.5% pa higher discount rate assumption

Scenario C: 0.5% pa lower expected pension increase rate assumption

Scenario D: 0.5% pa higher expected pension increase rate assumption

Pension Scheme	**Base Case**	**Scenario A**	**Scenario B**	**Scenario C**	**Scenario D**
		-0.5%pa discount rate	+0.5%pa discount rate	-0.5%pa pension increase rate	+0.5%pa pension increase rate
Discount rate	2.26% pa	1.76% pa	2.76% pa	2.26% pa	2.26% pa
Pension increase rate	2.50% pa	2.50% pa	2.50% pa	2.00% pa	3.00% pa
Defined benefit obligation (A $'000s)	1,462	1,557	1,376	1,375	1,556

17. Retirement benefit obligations (continued)

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other obligations.

Gold State Super

The defined benefit obligation as at 30 June 2016 under several scenarios is presented below.

Scenario A and B relate to discount rate sensitivity. Scenario C and D relate to expected salary increase rate sensitivity.

Scenario A: 0.5% pa lower discount rate assumption

Scenario B: 0.5% pa higher discount rate assumption

Scenario C: 0.5% pa lower expected salary increase rate assumption

Scenario D: 0.5% pa higher expected salary increase rate assumption

Gold State Super	**Base Case**	**Scenario A**	**Scenario B**	**Scenario C**	**Scenario D**
		-0.5%pa discount rate	+0.5%pa discount rate	-0.5%pa salary increase rate	+0.5%pa salary increase rate
Discount rate	2.26% pa	1.76% pa	2.76% pa	2.26% pa	2.26% pa
Salary increase rate	3.50% pa	3.50% pa	3.50% pa	3.00% pa	4.00% pa
Defined benefit obligation (A $'000s)	262	267	257	258	266

The defined benefit obligation has been recalculated by changing the assumptions as outlined above whilst retaining all other obligations.

(q) Funding arrangements

The employer contributes, as required, to meet the benefits paid from both the Pension scheme and Gold State Super scheme.

(r) Expected contributions

	30 June 2017 $'000
Gold State Super	**58**
Pension Scheme	**64**
	122

(s) Maturity profile of defined benefit obligation

Pension scheme

The weighted average duration of Horizon Power's defined benefit obligation is 12.60 years (2015:12.80 years).

Gold State Super

The weighted average duration of Horizon Power's defined benefit obligation is 3.70 years (2015: 3.10 years).

Risk

18. Financial risk management

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

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

The main risks arising from Horizon Power's financial instruments are market 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 2016 $'000	30 June 2015 $'000
Financial assets		
Cash and cash equivalents	**6,400**	10,539
Derivative financial instruments	**241**	-
Trade and other receivables	**40,594**	46,230
	47,235	56,769
Financial liabilities		
Payables	**77,962**	73,047
Derivative financial instruments	**-**	685
Interest bearing liabilities	**1,086,602**	1,095,054
	1,164,564	1,168,786

(a) Market risk

(i) Foreign exchange risk

Horizon Power's exposure to foreign currency risk at the current reporting date is low because all the transactions were denominated in Australian dollar (AUD). Exchange rate exposures are managed by the 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.

As at 30 June 2016, Horizon Power did not hold any forward foreign exchange contracts nor were exposed to any foreign exchange risk.

(ii) Commodity price risk

Commodity price risk represents the extent to which movements in commodity prices will impact Horizon Power results. Horizon Power is exposed to commodity price risk for distillate fuel (Gasoil).
Horizon Power is exposed to fluctuations in the Gasoil price through the purchase of fuel for its diesel power stations as well as fuel consumed by its power producers. Although diesel fuel payments are made in Australian dollars, the relevant wholesale market for Gasoil is denominated in USD and as such, there is an indirect exposure to the AUD/USD exchange rate.

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

Horizon Power deals in Gasoil commodity swaps for the purpose of providing an economic hedge against Gasoil costs. The limits of this trading are set by the Board.
At 30 June 2016 Horizon Power has economically hedged 68,700 barrels at an average Australian dollar price of AUD 78.21 per barrel.

18. Financial risk management (continue)

(a) Market risk (continued)

Sensitivity

At 30 June 2016, if commodity prices had decreased/increased by 10 percent from the year end rates with all other variables held constant, Horizon Power's post tax profit for the year would have been AUD 393 thousand lower / AUD 393 thousand higher.

(ii) Commodity price risk (continued)

		Commodity price risk			
		-10%		**+10%**	
30 June 2016	Carrying amount $'000	Impact on post-tax Profit $'000	Impact on other components equity $'000	Impact on post-tax Profit $'000	Impact on other components equity $'000
Financial assets					
Commodity swaps	**241**	**-**	**(393)**	**-**	**393**
Total increase/ (decrease)		**-**	**(393)**	**-**	**393**

		Commodity price risk			
		-10%		**+10%**	
30 June 2015	Carrying amount $'000	Impact on post-tax Profit $'000	Impact on other components equity $'000	Impact on post-tax Profit $'000	Impact on other components equity $'000
Financial liabilities					
Commodity swaps	(685)	-	(697)	-	697
Total increase/ (decrease)		-	(697)	-	697

(iii) Interest rate risk

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

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

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

	30 June 2016		30 June 2015	
	Weighted average interest rate %	**Balance $'000**	Weighted average interest rate %	Balance $'000
Financial Assets				
Cash and cash equivalents	**1.70%**	**6,400**	1.95%	10,539
Net exposure to cash flow interest rate risk		**6,400**		10,539

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

18. Financial risk management (continue)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

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

Sensitivity

At 30 June 2016, if interest rates had increased/decreased by 100 basis points from the year end rates with all other variables held constant, Horizon Power's post tax profit for the year would have been AUD 45 thousand higher / AUD 45 thousand lower.

		Interest rate risk			
		-100 bps		**+100 bps**	
30 June 2016	Carrying amount $'000	Impact on post-tax Profit $'000	Impact on other components equity $'000	Impact on post-tax Profit $'000	Impact on other components equity $'000
Financial assets					
Cash and cash equivalents	**6,400**	**(45)**	**-**	**45**	**-**
Total increase/ (decrease)		**(45)**	**-**	**45**	**-**

		Interest rate risk			
		-100 bps		**+100 bps**	
30 June 2015	Carrying amount $'000	Impact on post-tax Profit $'000	Impact on other components equity $'000	Impact on post-tax Profit $'000	Impact on other components equity $'000
Financial assets					
Cash and cash equivalents	10,539	(74)	-	74	-
Total increase/ (decrease)		(74)	-	74	-

(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.

Trade and other receivables that are neither past due nor impaired are considered to be of high quality. Aggregates of such amounts are detailed in note 7(b).

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

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

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

18. Financial risk management (continue)

(c) Liquidity risk

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

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

Financing arrangements

At 30 June 2016	**Within one year**	**Later than one year but not later than five years**	**Later than five years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Liabilities				
Interest-bearing loans and borrowings	**125,328**	**403,874**	**309,790**	**838,992**
Other financial liabilities	**516**	**246**	**25**	**787**
Trade and other payables	**70,377**	**-**	**-**	**70,377**
Finance lease	**57,844**	**219,446**	**368,590**	**645,880**
Total liabilities	**254,065**	**623,566**	**678,405**	**1,556,036**

At 30 June 2015	Within one year	Later than one year but not later than five years	Later than five years	Total
	$'000	$'000	$'000	$'000
Liabilities				
Interest-bearing loans and borrowings	74,073	424,468	347,438	845,979
Other financial liabilities	603	225	50	878
Trade and other payables	65,993	-	-	65,993
Finance lease	58,312	223,339	422,540	704,191
Derivatives and embedded derivatives	(685)	-	-	(685)
Total liabilities	198,296	648,032	770,028	1,616,356

Equity

19. Contributed equity

(a) Accounting policy

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.

(b) Amounts recognised in statement of financial position

	30 June 2016 $'000	30 June 2015 $'000
Opening Balance	**265,568**	253,683
Equity contribution during the financial year	**44,239**	11,885
Total contributed equity at the end of the financial year (i)	**309,807**	265,568

In the year ended 30 June 2016, the increase in contributed equity was in respect of the following (i) Pilbara Underground Power Project Phase 2 - $25.0 million (2015: $10.0 million); (ii) Murchison Radio Observatory project - $12.6 million; (iii) Aboriginal and Remote Communities CSO - $4.5 million; (iv) Midwest gas pipeline loans interest recoupment of $1.1 million (2015: $1.1 million); (v) Aboriginal and Remote Communities Supply Project 2.1A - $1.0 million (2015: $0.8 million).

20. Interests in joint operations

(a) Accounting policy

Interest in joint arrangements

Joint arrangements are contractual arrangements in which Horizon Power and other parties undertake an economic activity subject to joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Interest in joint venture operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Where material, Horizon Power recognises in its financial statements:

Assets controlled by Horizon Power in the joint operations;

Liabilities incurred by Horizon Power in relation to the joint operations;

Expenses incurred by Horizon Power in relation to the joint operations; and

Share of income earned from the joint operations.

20. Interests in joint operations (continue)

Jointly controlled operations

Name of entity	Name of entity	Output Interest
Mid-West Pipeline Joint Venture	Gas Transportation in the Mid-West and Hill 60 Pipelines	29.2%

Horizon Power's assets employed in the above jointly controlled operations have been fully depreciated as at 30 June 2016. The balance of this joint operation is owned by Australian Pipeline Ltd.

Other information

21. Pilbara Underground Power Project (PUPP)

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

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

	30 June 2016 $'000	30 June 2015 $'000
The following items relating to PUPP are included in the financial statements:		
Plant and equipment	**168,228**	139,162
Trade payables	**(1,321)**	(1,514)
	166,907	137,648

22. Related party transactions

Other than as disclosed in Note 23 Horizon Power did not transact with key management personnel or their related parties during the reporting period. As at 30 June 2016, Horizon Power did not need to recognise any assets or liabilities arising from transactions with key management personnel or related parties.

23. Key management personnel disclosures

The key personnel remuneration is disclosed in the Board Report section of the Annual Report

24. Contingencies

(i) Contingent liabilities

Horizon Power did not have any contingent liabilities as at 30 June 2016.

(ii) Contingent assets

Horizon Power did not have any contingent assets as at 30 June 2016.

(iii) Contaminated sites

Under the Contaminated Sites Act 2003, the Corporation is required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC). In accordance with the Act, DEC classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as contaminated and remediation required or possibly contaminated and investigation required, Horizon Power may have a liability in respect of investigation or remediation expenses. All contaminated sites are provided for as per note 14.

25. Remuneration of auditors

	30 June 2016 $'000	30 June 2015 $'000
Audit of financial reports	**208**	203
	208	203

26. Commitments

(a) Capital commitments

	30 June 2016 $'000	30 June 2015 $'000
Within one year	**34,686**	26,984
	34,686	26,984

(i) At 30 June 2016 capital expenditure commitments principally related to Pilbara Power Project ($11.2 million), Kununurra Generation Project ($5.9 million), Pilbara Underground Power Project ($4.9 million), Murchison Radio Observatory Power Station ($3.2 million) and Advanced Metering Infrastructure ($2.3 million).

(ii) At 30 June 2015 capital expenditure commitments principally related to Hedland Power Precinct Project ($8.6 million), Pilbara Underground Power Project ($5.8 million) and Advanced Metering Infrastructure ($7.8 million).

(b) Energy Procurement Commitments

(i) Finance leases commitments

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

Judgments

• *Lease Commitments*

Horizon Power has entered into power purchase agreements relating to specific generating facilities. Horizon Power has assessed whether:

i) the agreements represent leases; and where
ii) the agreements represent leases, the classification of the leases as operating or finance (note 16(a)).

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

	30 June 2016 $'000	30 June 2015 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**57,844**	58,313
Later than one year but not later than five years	**219,446**	223,338
Later than five years	**368,590**	422,540
Minimum lease payments	**645,880**	704,191
Future finance charges	**(272,678)**	(311,778)
Recognised as a liability	**373,202**	392,413
Representing lease liabilities:		
Current (note 16(b))	**20,805**	19,211
Non-current (note 16(b))	**352,397**	373,202
	373,202	392,413

Forecast energy procurement requirements are not included in the above commitments.

26. Commitments (continued)

(ii) Other commitments

These commitments consist of contractual obligations in respect of fixed charges relating to the purchase of electricity, gas and renewable energy certificates, which are not finance leases.

	30 June 2016 $'000	30 June 2015 $'000
Within one year	**61,689**	77,253
Later than one year but not later than five years	**545,163**	576,516
Later than five years	**2,289,623**	2,342,811
	2,896,475	2,996,580

(iii) 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 un-remedied default.

(c) Rental operating lease commitments

Horizon Power has commitments to property leases as at 30 June 2016. Lease rentals are subject to half yearly and yearly reviews.

	30 June 2016 $'000	30 June 2015 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**1,513**	1,441
Later than one year but not later than five years	**1,217**	3,323
Later than five years	**322**	414
	3,052	5,178

27. Economic dependency

A significant portion of Horizon Power's revenue is derived from the Tariff Equalisation Fund (TEF), which is provided in accordance with the Electricity Industry Act 2004. Western Power pays money into the Tariff Equalisation Fund in amounts determined by the Treasurer and the Minister for Energy. This money is released to Horizon Power as determined by the Treasurer. Horizon Power has a significant dependency on the sufficient and timely flow of these funds to effectively remain a going concern entity to continue carrying out its objectives, obligations and commitments in the foreseeable future. Horizon Power began receiving revenue from the Tariff Equalisation Fund from October 2006.

28. 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.

Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

REGIONAL POWER CORPORATION (TRADING AS HORIZON POWER)

I have audited the financial report of the Regional Power Corporation (Trading as Horizon Power). The financial report comprises the Statement of Financial Position as at 30 June 2016, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, Notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

Opinion

In my opinion, the financial report of the Regional Power Corporation 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 2016 and of its performance for the year ended on that date; and

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

Directors' Responsibility for the Financial Report

The directors of the Regional Power Corporation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Electricity Corporations Act 2005, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the audit of the Financial Report

As required by the Electricity Corporations Act 2005, my responsibility is to express an opinion on the financial report based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Independence
In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing Standards, and other relevant ethical requirements.

Matters Relating to the Electronic Publication of the Audited Financial Report
This auditor's report relates to the financial report of the Regional Power Corporation for the year ended 30 June 2016 included on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
9 September 2016