FINANCIAL REPORT
2012/13

HORIZON POWER
energy for life

REGIONAL POWER CORPORATION
trading as Horizon Power

FINANCIAL STATEMENTS
for the year ended 30 June 2013

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2013

	Notes	30 June 2013 $'000	30 June 2012 $'000
Revenue	4	**366,768**	289,090
Other revenue	5	**154,025**	181,607
Total revenue		**520,793**	470,697
Electricity and fuel purchases	6	**(165,232)**	(136,679)
Employee benefits expense	6	**(61,335)**	(55,567)
Materials and Services	6	**(66,113)**	(66,765)
Depreciation and amortisation expense	6	**(60,952)**	(62,352)
Other expenses	6	**(20,975)**	(33,251)
Finance costs	6	**(73,588)**	(70,508)
Profit before income tax equivalent expense		**72,598**	45,575
Income tax equivalent expense	7(a)	**(21,399)**	(12,301)
Profit for the year		**51,199**	33,274
Other comprehensive income			
Items may be reclassified subsequently to Profit or Loss			
Cash flow hedges		**28**	197
Income tax relating to components of other comprehensive income	7(c)	**(8)**	1
Other comprehensive income for the year, net of tax		**20**	198
Total comprehensive income for the year		**51,219**	33,472

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

STATEMENT OF FINANCIAL POSITION
as at 30 June 2013

	Notes	30 June 2013 $'000	30 June 2012 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**30,576**	53,225
Receivables	9	**49,949**	32,438
Inventories	10	**13,018**	12,708
Derivative financial instruments	11	**658**	20
Intangible assets	12	**795**	276
Other current assets	13	**2,086**	1,505
Total current assets		**97,082**	100,172
Non-current assets			
Property, plant and equipment	14	**1,347,306**	1,162,318
Net deferred tax assets	15	**38,541**	29,872
Intangible assets	12	**9,697**	14,398
Total non-current assets		**1,395,544**	1,206,588
Total assets		**1,492,626**	1,306,760
LIABILITIES			
Current liabilities			
Payables	16	**79,109**	76,461
Derivative financial instruments	11	**-**	1,714
Current tax liabilities	15	**10,562**	11,651
Provisions	17	**26,421**	21,458
Other current liabilities	18	**35,663**	34,935
Interest bearing liabilities	19	**15,987**	14,533
Total current liabilities		**167,742**	160,752
Non-current liabilities			
Provisions	17	**19,543**	24,904
Retirement benefit obligations	20	**1,975**	2,132
Interest bearing liabilities	19	**986,385**	818,205
Payables	16	**522**	774
Total non-current liabilities		**1,008,425**	846,015
Total liabilities		**1,176,167**	1,006,767
Net assets		**316,459**	299,993
EQUITY			
Contributed equity	21	**243,122**	236,775
Reserves	22	**7**	(13)
Accumulated profits		**73,330**	63,231
Total equity		**316,459**	299,993

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

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2013

	Notes	Contributed equity $'000	Cash Flow Hedge Reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2011		230,933	(211)	29,957	260,679
Profit for the year		-	-	33,274	33,274
Other comprehensive income		-	198	-	198
Total comprehensive income for the year		**-**	**198**	**33,274**	**33,472**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	21	5,842	-	-	5,842
Total		5,842	-	-	5,842
Balance at 30 June 2012		**236,775**	**(13)**	**63,231**	**299,993**

	Notes	Contributed equity $'000	Cash Flow Hedge Reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2012		236,775	(13)	63,231	299,993
Profit for the year		-	-	51,199	51,199
Other comprehensive income		-	20	-	20
Total comprehensive income for the year		**-**	**20**	**51,199**	**51,219**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	21	6,347	-	-	6,347
Dividends paid		-	-	(41,100)	(41,100)
Total		6,347	-	(41,100)	(34,753)
Balance at 30 June 2013		**243,122**	**7**	**73,330**	**316,459**

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

STATEMENT OF CASH FLOWS
for the year ended 30 June 2013

	Notes	30 June 2013 $'000	30 June 2012 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**358,689**	298,023
Other Receipts		**154,000**	181,200
Net GST and Fuel Tax Credits Received		**21,705**	17,847
Interest received		**3,486**	4,504
Payments to suppliers and employees (inclusive of goods and services tax)		**(392,679)**	(348,851)
Borrowing Costs		**(71,275)**	(69,745)
Payments for financial assets at fair value through profit or loss		**(760)**	(430)
Income taxes paid		**(31,165)**	(20,263)
Net cash inflow from operating activities	30	**42,001**	62,285
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**213**	316
Payments for property, plant and equipment		**(240,300)**	(142,907)
Payments for intangible assets		**(1,825)**	(11,301)
Net cash outflow from investing activities		**(241,912)**	(153,892)
Cash flows from financing activities			
Proceeds from borrowings		**184,167**	74,602
Dividends paid		**(41,100)**	-
Developer and customer contributions to capital works		**26,742**	18,312
Proceeds from contributed equity		**7,620**	4,567
CES, customers' and contractors' (refunds)/deposits		**(167)**	89
Net cash inflow from financing activities		**177,262**	97,570
Net (decrease) increase in cash and cash equivalents		**(22,649)**	5,963
Cash and cash equivalents at the beginning of the financial year		**53,225**	47,262
Cash and cash equivalents at end of year	8	**30,576**	53,225

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

NOTES TO FINANCIAL STATEMENTS

1 Corporate information

The financial statements of Regional Power Corporation, trading as Horizon Power ("Horizon Power" or "the Corporation") for the year ended 30 June 2013, was authorised for issue in accordance with a resolution of the directors on 9 September 2013.

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.

2 Summary of significant accounting policies

(a) Basis of preparation

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 selected noncurrent assets, financial assets and financial liabilities. 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 2011 to 30 June 2012.

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

(b) Significant accounting estimates and judgements

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

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

(b) Significant accounting estimates and judgements (continued)

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

Significant accounting estimates judgements

• 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
ii) the agreements represent leases, the classification of the leases is as operating or finance (note 2(h)).

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

• Long Service Leave

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.

• 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 2013.

• Restoration and decommissioning

A provision has been made for the present value of anticipated costs of future restoration and decommissioning of generating plants and workshops. The provision includes future cost estimates associated with dismantling closure, decontamination and permanent storage of historical residues. The calculation of this provision requires assumptions such as application of environmental legislation, plant closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the Statement of Financial Position by adjusting both the expense or asset (if applicable) and provision. The related carrying amounts are disclosed in note 14 and note 17.

• Estimation of useful lives of assets

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

Depreciation charges are included in note 6.

(b) Significant accounting estimates and judgements (continued)

Significant accounting estimates judgements (continued)

• Estimation of Unread Sales

Unread sales represents 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 and budget data.

(c) Foreign currency translation

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

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

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

(d) Revenue recognition

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

Sale of electricity

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

Community service obligations

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

- Air conditioning subsidy for seniors;
- Pensioner concessions;
- Tariff migration;
- Aboriginal & Regional Communities Power Supply Project;
- Coral Bay electricity supply;
- Energy rebates;
- Dependant child rebates;
- Feed-in Tariff rebates;
- Tariff Adjustment Payments; and
- Cost of Living Assistance Payments

(d) Revenue recognition (continued)

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

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

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

(e) 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.

(f) Electricity, Fuel and Carbon Costs

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.

Fuel costs

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

Electricity costs

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

Carbon costs

Carbon costs are payable under the Federal Government's Clean Energy Future legislation.

Transmission and distribution operating costs

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

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

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

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

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

Deferred income tax 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.

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.

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

Other taxes

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

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

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

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

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

(h) Leases

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

Lease payments are apportioned between borrowing costs in the Statement of Comprehensive Income and reduction of the lease liability in the Statement of Financial Position so as to achieve a constant rate of interest on the remaining balance of the liability.

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

Horizon Power has recognised finance leases implicit in existing electricity purchase agreements in accordance with UIG Interpretation 4 “Determining whether an Arrangement contains a Lease” and AASB 117 “Leases”. Horizon Power does not have any other finance leases as at 30 June 2013.

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

(i) Impairment of assets

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

(j) Cash and cash equivalents

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

(k) *Receivables*

Trade receivables, which generally have 12 day terms for tariff customers, 7 to 14 day terms for contract customers and 30 to 90 days for non-energy customers, are recognised and carried at original invoice amount less an allowance for any impaired receivables.

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

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

(l) *Inventories*

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

- Liquid fuels - weighted average cost basis;
- Consumables - weighted average cost basis; and

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.

(m) *Interest in joint ventures*

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

Interest in joint venture operations

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

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

(n) Derivatives

Through its operations, Horizon Power is exposed to changes in interest rates, foreign exchange rates and commodity prices. These risks may be managed with the prudent use of derivative financial instruments such as commodity swaps, interest swaps and forward foreign exchange contracts. Horizon Power only uses derivatives in liquid markets and all hedge activities are conducted within Horizon Power's Board approved policy. Comprehensive systems are in place and compliance is monitored closely. Horizon Power uses derivatives solely for 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
- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or recognised liability.

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

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the Statement of Comprehensive Income, together with any changes in the fair value of the hedged asset or hedged

ability that are attributable to the hedged risk. There is no impact on the equity reserves. Horizon Power has not accounted for any derivative financial instruments that qualify for hedge accounting as fair value hedges.

Cash flow hedge

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

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

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

(n) Derivatives (continued)

Derivatives that do not qualify for hedge accounting

For derivatives that do not qualify for hedge accounting, any changes in fair value are recognised immediately in the Statement of Comprehensive Income.

Embedded derivatives

Derivatives embedded in contracts that change the nature of the host contract's risk are separately recorded at fair value with movements recorded in the Statement of Comprehensive Income.

(o) Property, plant and equipment

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

Acquisition of assets

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

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

Decommissioning costs

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

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

Depreciation

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

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

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

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

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

(o) Property, plant and equipment (continued)

Disposal of assets

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

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

(p) Intangible assets

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

Amortisation

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

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

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

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

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

Disposal of assets

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

(q) Payables

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

(r) Interest bearing liabilities

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

Any difference between the cost and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the interest-bearing liabilities using the effective interest method.

(s) Borrowing costs

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

Borrowing costs include:

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

(t) Provisions

Provisions are recognised when:

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

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

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

(ii) Decommissioning costs

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

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

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

(u) *Retirement benefit obligations*

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

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

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

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

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

Defined contribution superannuation plans

Obligations for contributions to defined contribution plans are recognised in the Statement of Comprehensive Income as incurred.

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

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

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

The defined benefits of the Pension Scheme 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 the Statement of Comprehensive Income.

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

(v) *Renewable Energy Certificates*

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

(v) *Renewable Energy Certificates (continued)*

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 Verve Energy for the acquisition of RECs. Horizon Power's liability is based on actual volume sales of electricity for the last calendar year multiplied by ORER specified Renewable Power Percentage for that year.

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

(w) *Contributed equity*

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

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

(x) *New and Revised Accounting Standards*

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.

(y) *New accounting standards and interpretations*

Applicable Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by Horizon Power for the annual reporting period ended 30 June 2013.

These are outlined below:

Reference	Title	Summary	Application date of standard*	Impact on Entity financial report	Application date for Entity*
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities	1 January 2015	The impact if any is still to be assessed by Horizon Power	1 July 2015

(y) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Entity financial report	Application date for Entity*
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly- controlled Entities - Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128.	1 January 2013	The impact if any is still to be assessed by Horizon Power	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	The impact if any is still to be assessed by Horizon Power	1 July 2013

(y) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Entity financial report	Application date for Entity*
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	The impact if any is still to be assessed by Horizon Power	1 July 2013
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	The impact if any is still to be assessed by Horizon Power	1 July 2013

(y) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Entity financial report	Application date for Entity*
AASB 2012-2	Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities on the entity's financial position, when the offsetting criteria of AASB 132 are not all met.	1 January 2013	The impact if any is still to be assessed by Horizon Power	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: Repeat application of AASB 1 is permitted (AASB 1) Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).	1 January 2013	The impact if any is still to be assessed by Horizon Power	1 July 2013
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	AASB 2012-9 amends AASB 1048 Interpretation of Standards to evidence the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.	1 January 2013	The impact if any is still to be assessed by Horizon Power	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	The impact if any is still to be assessed by Horizon Power	1 July 2014

3 *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 interest rate risk, liquidity risk and credit risk. Horizon Power's policies for managing each of these risks are summarised below.

Horizon Power holds the following financial instruments:

	30 June 2013 $'000	30 June 2012 $'000
Financial assets		
Cash and cash equivalents	**30,576**	53,225
Trade and other receivables	**49,949**	32,438
Derivative financial instruments	**658**	20
	81,183	85,683
Financial liabilities		
Payables	**79,631**	77,235
Derivative financial instruments	**-**	1,714
Interest Bearing Liabilities	**1,002,372**	832,738
	1,082,003	911,687

(a) Market risk

(i) Foreign exchange risk

Horizon Power's exposure to foreign currency risk at the reporting date is low because all the transactions are denominated in Australian dollar (AUD) except for one small contract in United States dollar (USD). 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.

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

	30 June 2013 USD $'000	30 June 2012 USD $'000
Forward exchange contracts		
- buy foreign currency (cash flow hedges)	**76**	18,659

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Sensitivity

Based on the financial instruments held at 30 June 2013, had the Australian dollar weakened/strengthened by 10% against the USD with all other variables held constant, the impact on the group's equity for the year would have been AUD 6 thousand higher / AUD 5 thousand lower.

		Foreign exchange risk			
		-10%		+10%	
30 June 2013	Carrying amount	Impact on post-tax Profit	Impact on other components equity	Impact on post-tax Profit	Impact on other components equity
	$'000	$'000	$'000	$'000	$'000
Financial liabilities					
Forward foreign exchange contract (cash flow hedges)	**9**	**-**	**6**	**-**	**(5)**
Total increase/(decrease)		**-**	**6**	**-**	**(5)**
30 June 2012					
Financial liabilities					
Forward foreign exchange contract (cash flow hedges)	20	-	(1,416)	-	1,159
Total increase/(decrease)		-	(1,416)	-	1,159

(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 2013 Horizon Power has economically hedged 99,000 barrels at an average Australian dollar price of AUD 122.17 per barrel.

(a) Market risk (continued)

(ii) Commodity price risk (continued)

Sensitivity

At 30 June 2013, 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 876 thousand lower / AUD 876 thousand higher.

		Commodity price risk			
		-10%		+10%	
30 June 2013	Carrying amount	Impact on post-tax Profit	Impact on other components equity	Impact on post-tax Profit	Impact on other components equity
	$'000	$'000	$'000	$'000	$'000
Financial liabilities					
Commodity swaps	**649**	**(876)**	**(876)**	**876**	**876**
Total increase/(decrease)		**(876)**	**(876)**	**876**	**876**
30 June 2012					
Financial liabilities					
Commodity swaps	1,674	(896)	(896)	896	896
Total increase/(decrease)		(896)	(896)	896	896

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 2013		30 June 2012	
	Weighted average interest rate	**Balance**	Weighted average interest rate	Balance
	%	**$'000**	%	$'000
Financial Assets				
Cash and cash equivalents	**2.7%**	**30,576**	3.9%	53,225
Net exposure to cash flow interest rate risk		**30,576**		53,225

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

(a) Market risk (continued)

(iii) Interest rate risk (continued)

Sensitivity

At 30 June 2013, 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 214 thousand higher / AUD 214 thousand lower.

		Interest rate risk			
		-10%		+10%	
30 June 2013	Carrying amount	Impact on post-tax Profit	Impact on other components equity	Impact on post-tax Profit	Impact on other components equity
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	**30,576**	**(214)**	**(214)**	**214**	**214**
Total increase/(decrease)		**(214)**	**(214)**	**214**	**214**
30 June 2012					
Financial assets					
Cash and cash equivalents	53,225	(373)	(373)	373	373
Total increase/(decrease)		(373)	(373)	373	373

(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 not impaired are considered to be of high quality. Aggregates of such amounts are detailed in note 9.

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.

(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.

(c) *Liquidity risk (continued)*

Financing arrangements

	30 June 2013 $'000	30 June 2012 $'000
6 months or less	**166,052**	128,560
6 - 12 months	**81,570**	59,746
1 - 5 years	**591,239**	583,480
Over 5 years	**758,455**	640,929
	1,597,316	1,412,715

4 *Revenue*

	30 June 2013 $'000	30 June 2012 $'000
Revenue consisted of the following items:		
Sale of electricity	**267,053**	225,174
Other		
Community service obligations revenue	**48,682**	31,796
Developer and customer contributions	**38,825**	21,443
Interest	**3,475**	4,231
Others	**8,195**	6,429
Change in fair value of derivatives	**538**	17
	99,715	63,916
	366,768	289,090

5 *Other revenue*

	30 June 2013 $'000	30 June 2012 $'000
Tariff Equalisation Fund	**154,000**	181,200
Gain on disposal of property, plant and equipment	**25**	39
Government grants	**-**	368
	154,025	181,607

6 Expenses

	30 June 2013 $'000	30 June 2012 $'000
Electricity & Fuel Purchases		
Electricity purchases	**128,411**	99,279
Fuel purchases	**36,590**	37,400
Water purchases	**231**	-
Total electricity & fuel purchases	**165,232**	136,679
Employee Benefit Expense		
Salaries, wages & allowance	**41,801**	40,219
Superannuation	**5,854**	4,490
Long service leave	**1,354**	1,759
Annual leave	**4,537**	3,876
Other related expenses	**7,789**	5,223
Total employee benefits expenses	**61,335**	55,567
Materials and Services		
Contracted services	**30,133**	33,615
Other services	**25,641**	23,260
Materials	**10,339**	9,890
Total materials & services	**66,113**	66,765
Depreciation		
Leasehold buildings	**1,320**	1,543
Plant and equipment	**27,361**	28,806
Equipment under finance leases	**25,979**	25,978
Total depreciation	**54,660**	56,327
Amortisation		
Computer software	**6,209**	5,940
Patents, trademarks and other rights	**83**	85
Total amortisation	**6,292**	6,025
Total depreciation and amortisation	**60,952**	62,352

	30 June 2013 $'000	30 June 2012 $'000
Other Expenses		
Loss on disposal of property, plant and equipment	**186**	39
Provision for impairment of receivables	**1,696**	1,276
Provision for decommissioning & site rehabilitation	**69**	(494)
Property expenses	**8,929**	9,229
Impairment of work in progress (note 14)	**-**	10,102
Other	**10,095**	13,099
Total other expenses	**20,975**	33,251
Finance Costs		
Interest on debts	**28,923**	24,317
Unwinding of discount on contributory extension scheme	**104**	133
Unwinding of discount of decommissioning provision	**524**	725
Finance lease interest	**44,037**	45,333
Total finance costs	**73,588**	70,508

7 Income tax equivalent expense

(a) Income tax equivalent expense

	30 June 2013 $'000	30 June 2012 $'000
Current tax	**28,453**	17,686
Deferred tax	**(6,649)**	(4,165)
Adjustments for net deferred tax assets and liabilities of prior period	**(2,028)**	522
Adjustments for current tax of prior periods	**1,623**	(1,742)
	21,399	12,301
Deferred income tax (revenue) included in income tax expense comprises:		
Decrease in deferred tax assets (note 15)	**557**	3,467
Decrease in deferred tax liabilities (note 15)	**(7,206)**	(7,632)
	(6,649)	(4,165)

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

	30 June 2013 $'000	30 June 2012 $'000
Profit from continuing operations before income tax expense	**72,598**	45,575
Tax at the Australian tax rate of 30.0% (2012 - 30.0%)	**21,780**	13,672
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	**20**	30
Sundry items	**4**	(181)
	21,804	13,521
Adjustments for tax of prior periods	**(405)**	(1,220)
Total Income tax equivalent expense	**21,399**	12,301

(c) Amounts recognised directly in equity

	30 June 2013 $'000	30 June 2012 $'000
Deferred tax arising in the reporting period and not recognised in net profit / (loss) but directly credited to equity:		
Net deferred tax – (debited)/credited directly to equity	**(8)**	1
	(8)	1

8 Cash and cash equivalents

	30 June 2013 $'000	30 June 2012 $'000
Cash at bank and in hand	**30,576**	53,225

9 Receivables

	30 June 2013 $'000	30 June 2012 $'000
NET RECEIVABLES		
Receivables - Energy – billed *(i)*	**24,390**	13,743
Receivables - Energy – unbilled *(ii)*	**14,061**	11,551
	38,451	25,294
Allowance for impairment of receivables - Energy	**(1,689)**	(954)
	36,762	24,340
Receivables - Non Energy *(i)*	**9,294**	4,978
Allowance for impairment of receivables - Non Energy	**(415)**	(332)
	8,879	4,646
Other Receivables		
Other receivables	**4,308**	3,452
	49,949	32,438

(i) Includes amounts due by Aboriginal communities of $1,030,214 (Energy: $813,443; Non Energy: $216,771) (2012: $828,975).

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

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

9 Receivables (continued)

(a) *Impaired trade receivables*

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

	30 June 2013 $'000	30 June 2012 $'000
At 1 July	**1,286**	1,672
Allowance for impairment recognised during the year	**1,767**	1,370
Receivables written off during the year as uncollectable	**(878)**	(1,662)
Receivables recovered during the year	**(71)**	(94)
At 30 June	**2,104**	1,286

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

(b) *Ageing of receivables*

	30 June 2013 $'000	30 June 2012 $'000
Energy receivables		
Not overdue	**21,387**	15,243
Overdue but not impaired		
0 - 28 days	**6,396**	3,883
29 - 56 days	**3,411**	1,299
57 - 90 days	**1,593**	1,079
+ 90 days	**3,975**	2,836
Past due and impaired	**1,689**	954
	38,451	25,294
Non-energy receivables		
Not overdue	**4,088**	3,372
Overdue but not impaired		
Overdue: 30 days	**685**	893
60 days	**3,240**	24
90 days	**9**	222
120 days	**218**	75
+ 120 days	**639**	31
Past due and impaired	**415**	361
	9,294	4,978

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

(c) Other receivables

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

(d) Fair value and credit risk

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

10 Inventories

	30 June 2013 $'000	30 June 2012 $'000
Fuel	**72**	919
Materials	**12,946**	11,789
	13,018	12,708

11 Derivative financial instruments

	30 June 2013 $'000	30 June 2012 $'000
Current assets		
Forward exchange contracts - cash flow hedges	**9**	-
Commodity swaps	**649**	20
Total current derivative financial instrument assets	**658**	20
Current liabilities		
Forward exchange contracts - cash flow hedges (a)(ii)	**-**	(19)
Commodity swaps - cash flow hedges (a)(i)	**-**	(1,695)
Total current derivative financial instrument liabilities	**-**	(1,714)
	658	(1,694)

(a) Instruments used by Horizon Power

(i) Commodity Swaps - cash flow hedges

Horizon Power is exposed to movements in the GasOil price through the purchase of fuel for its diesel power stations as well as fuel consumption by its power producers. Horizon Power has entered into AUD denominated commodity swaps to hedge against increases in wholesale crude oil prices and falls in the AUD/USD exchange rate. Horizon Power's policy is to hedge forecasted fuel cost for 1 year forward at 95% of forecast. In the year ended 30 June 2013 an unrealised gain of $649,000 was recognised in the Statement of Comprehensive Income.

(a) Instruments used by Horizon Power (continued)

(ii) Forward exchange contracts - cash flow hedges

In order to protect against exchange rate movements, Horizon Power entered into forward exchange contracts. These contracts are hedging known purchases for the 2013 financial year. The contracts are timed to mature when the materials have been delivered and passed testing.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flow occurs, the initial measurement of the component recognised in the Statement of Financial Position is adjusted by the related amount deferred in equity. In the year ended 30 June 2013 a revaluation gain of $28,000 was recognised directly in equity. There was no hedge ineffectiveness in the current year.

12 Intangible assets

Current assets

	Renewable Energy Certificates	Total
	$'000	$'000
30 June 2013		
Opening balance	**276**	**276**
Additions	**6,366**	**6,366**
Surrendered	**(5,847)**	**(5,847)**
Closing balance	**795**	**795**
30 June 2012		
Opening balance	201	201
Additions	3,851	3,851
Surrendered	(3,776)	(3,776)
Closing balance	276	276

Non-current assets

	Patents, trademarks and other rights $'000	Software $'000	Total $'000
Year ended 30 June 2013			
Opening net book amount	**1,023**	**13,375**	**14,398**
Additions - acquisition	**-**	**1,591**	**1,591**
Amortisation charge	**(83)**	**(6,209)**	**(6,292)**
Closing net book amount	**940**	**8,757**	**9,697**
At 30 June 2013			
Cost	**1,242**	**27,941**	**29,183**
Accumulated amortisation	**(302)**	**(19,184)**	**(19,486)**
Net book amount	**940**	**8,757**	**9,697**
Year ended 30 June 2012			
Opening net book amount	1,071	7,864	8,935
Additions - acquisition	37	11,451	11,488
Amortisation charge	(85)	(5,940)	(6,025)
Closing net book amount	1,023	13,375	14,398
At 1 July 2012			
Cost	1,242	26,350	27,592
Accumulation amortisation and impairment	(219)	(12,975)	(13,194)
Net book amount	1,023	13,375	14,398

13 *Other current assets*

	30 June 2013 $'000	30 June 2012 $'000
Other assets	**172**	200
Prepayments	**1,914**	1,305
	2,086	1,505

14 Property, plant and equipment

	Freehold land	Leasehold buildings	Plant and equipment	Equipment under finance lease at cost	Total
	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2013					
Opening net book amount	**10,997**	**36,755**	**728,223**	**386,343**	**1,162,318**
Additions	**-**	**354**	**239,639**	**-**	**239,993**
Disposals	**-**	**(63)**	**(282)**	**-**	**(345)**
Depreciation charge	**-**	**(1,320)**	**(27,361)**	**(25,979)**	**(54,660)**
Closing net book amount	**10,997**	**35,726**	**940,219**	**360,364**	**1,347,306**
At 30 June 2013					
Cost	**10,997**	**43,728**	**1,070,315**	**487,586**	**1,612,626**
Accumulated depreciation	**-**	**(8,002)**	**(130,096)**	**(127,222)**	**(265,320)**
Net book amount	**10,997**	**35,726**	**940,219**	**360,364**	**1,347,306**

Expenditure recognised in plant and equipment in the course of construction is $442,178,262.

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 2013 was $8,534,037.

	Freehold land	Leasehold buildings	Plant and equipment	Equipment under finance lease at cost	Total
	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2012					
Opening net book amount	7,967	33,476	612,708	412,321	1,066,472
Additions	3,030	4,822	157,721	-	165,573
Disposals	-	-	(315)	-	(315)
Work in progress written off	-	-	(2,983)	-	(2,983)
Impairment of work in progress	-	-	(10,102)	-	(10,102)
Depreciation charge	-	(1,543)	(28,806)	(25,978)	(56,327)
Closing net book amount	10,997	36,755	728,223	386,343	1,162,318
At 30 June 2012					
Cost or fair value	10,997	43,437	831,228	487,586	1,373,248
Accumulated depreciation	-	(6,682)	(103,005)	(101,243)	(210,930)
Net book amount	10,997	36,755	728,223	386,343	1,162,318

Expenditure recognised in plant and equipment in the course of construction is $238,113,313. In 2012, $10.1M of work-in-progress was impaired relating to the Pilbara Underground Power Project and was included in Note 6. An additional $7.3M, of which $3.0M was accounted for as work-in-progress in 2012, relating to the same project was expensed due to adding no value to the on-going project and the majority of the cost was included under 'Contracted services' in Note 6.

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 2012 was $1,999,684.

15 *Tax assets and liabilities*

Deferred tax assets

	30 June 2013 $'000	30 June 2012 $'000
The Balance Comprises Temporary Differences Attributable To:		
Provisions	**14,970**	14,934
Property, plant and equipment	**2,628**	-
Community Service Obligation	**850**	
Power Purchase Agreements classified as finance leases	**127,807**	132,167
	146,255	147,101
Other		
Contributory extension scheme	**98**	65
Accruals	**367**	116
Derivatives	**507**	514
Other	**5**	1
Sub-total other	**977**	696
Total deferred tax assets	**147,232**	147,797
Set-off of deferred tax liabilities pursuant to set-off provisions	**(108,691)**	(117,925)
Net deferred tax assets	**38,541**	29,872
Movements:		
Opening balance	**147,797**	150,971
Charged/credited:		
- to other comprehensive income	**(557)**	(3,467)
- directly to equity	**(8)**	(1)
Adjustments for deferred tax assets of prior periods	**-**	(93)
Acquisition or disposal of deferred tax assets	**-**	387
	147,232	147,797

Deferred tax liabilities

	30 June 2013 $'000	30 June 2012 $'000
The Balance Comprises Temporary Differences Attributable To:		
Consumable stocks	**582**	422
Property, plant and equipment	**-**	185
Power Purchase Agreements classified as finance lease	**108,109**	115,903
	108,691	116,510
Other		
Community Service Obligation	**-**	1,019
Research and development	**-**	396
Sub-total other	**-**	1,415
Total deferred tax liabilities	**108,691**	117,925
Set-off of deferred tax liabilities pursuant to set-off provisions (note 15)	**(108,691)**	(117,925)
Net deferred tax liabilities	**-**	-
Movements:		
Opening balance at 1 July	**117,925**	124,914
Credited to the Statement of Comprehensive Income (note 7)	**(7,206)**	(7,632)
Adjustments for deferred tax liabilities of prior periods	**(2,028)**	429
Acquisition or disposal of deferred tax liabilities	**-**	214
	108,691	117,925

Current tax liabilities

	30 June 2013 $'000	30 June 2012 $'000
Income tax	**10,562**	11,651

16 *Payables*

Current Liabilities

	30 June 2013 $'000	30 June 2012 $'000
Payables *(i)*	**77,599**	74,904
Other payables *(i)*	**819**	1,055
Contributory extension scheme payables *(ii)*	**691**	502
	79,109	76,461

Non current liabilities

	30 June 2013 $'000	30 June 2012 $'000
Contributory extension scheme payables *(ii)*	**522**	774
	522	774

(i) *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 these Payables (including the current portion of the Contributory Extension Scheme), their carrying value is approximate to their fair value.*

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

17 Provisions

Current liabilities

	30 June 2013 $'000	30 June 2012 $'000
Long service leave	**4,236**	4,488
Annual leave	**5,541**	5,076
Decommissioning and rehabilitation *(i)*	**15,126**	10,417
Other provisions	**1,518**	1,477
	26,421	21,458

Movements in provisions - Decommissioning and Rehabilitation

	30 June 2013 $'000	30 June 2012 $'000
Carrying amount at start of year	**10,417**	7,605
Reclassification from non current liabilities	**6,755**	4,027
Payments / other sacrifices of economic benefits	**(2,046)**	(1,215)
Carrying amount at end of year	**15,126**	10,417

Movements in provisions – Other Provisions

	30 June 2013 $'000	30 June 2012 $'000
Carrying amount at start of year	**1,477**	1,295
Reclassification from non current liabilities	**35**	235
Additional provisions recognised	**698**	600
Payments / other sacrifices of economic benefits	**(692)**	(653)
Carrying amount at end of year	**1,518**	1,477

Non current liabilities

	30 June 2013 $'000	30 June 2012 $'000
Long Service Leave	**2,715**	2,063
Decommissioning and Rehabilitation *(i)*	**16,347**	22,508
Other provisions	**481**	333
	19,543	24,904

Movements in provisions - Decommissioning and Rehabilitation

	30 June 2013 $'000	30 June 2012 $'000
Carrying amount at start of year	**22,508**	25,078
Reclassification to current liabilities	**(6,755)**	(4,027)
Additional provisions recognised	**1,131**	732
Unwinding of discount	**(537)**	725
	16,347	22,508

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

Movements in provisions - Other Provisions

	30 June 2013 $'000	30 June 2012 $'000
Carrying amount at start of year	**333**	328
Reclassification to current liabilities	**(35)**	(235)
Additional provisions recognised	**183**	240
	481	333

18 Other current liabilities

	30 June 2013 $'000	30 June 2012 $'000
Deferred developer and customer contributions *(i)*	**35,663**	34,935
	35,663	34,935

(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. More information can be found in note 2(d).

19 Interest bearing liabilities

Current liabilities

	30 June 2013 $'000	30 June 2012 $'000
Unsecured		
Finance lease liabilities	**15,987**	14,533
	15,987	14,533

Non-current liabilities

	30 June 2013 $'000	30 June 2012 $'000
Secured		
WATC loans *(i)*	**576,348**	392,181
Unsecured		
Finance lease liabilities	**410,037**	426,024
	986,385	818,205

(i) For the year ended 30 June 2012, WATC loans of $40,833 thousand was reclassified to non-current liabilities as this amount was re-financed under the terms of the master lending agreement.

Non-current loans of $576,348 thousand (2012: $392,181 thousand) includes an amount of $80,574 thousand (2012: $40,833 thousand) that will become due and payable during the 2014 reporting year. 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. This is supported by:

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

(iii) The approval of Horizon Power's forecast borrowing requirements for the next four years, including no repayment of amounts classified as non-current above, within the Western Australian State Budget handed down in June 2013.

20 Retirement benefit obligations

(a) Statement of Financial Position amounts

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

	30 June 2013 $'000	30 June 2012 $'000
Present value of unfunded obligations (i)	**1,975**	2,132
Net liability in the Statement of Financial Position	**1,975**	2,132

(i) The present value of the retirement benefit obligations liability was addressed by Mercer Consulting (Australia) Pty Ltd at 30 June 2013 as required under AASB119. For the period 1 July 2012 to 30 June 2013, a provision has been reduced to account for the decrease in value of this liability over this period.

(b) Reconciliations

	30 June 2013 $'000	30 June 2012 $'000
Reconciliation of the present value of the defined benefit obligation		
Balance at the beginning of the year	**2,132**	2,305
Interest cost	**59**	94
Actuarial (gains) / losses	**(157)**	184
Benefits paid	**(59)**	(451)
Balance at the end of the year	**1,975**	2,132

(c) Amounts recognised in Statement of Comprehensive Income

The amounts recognised in the Statement of Comprehensive Income are as follows:

	30 June 2013 $'000	30 June 2012 $'000
Interest cost	**59**	94
Actuarial (gains) / losses	**(157)**	184
Total included in employee benefits expense	**(98)**	278

(d) *Principal actuarial assumptions*

The principal actuarial assumptions used were as follows:

	30 June 2013	30 June 2012
Discount rate	**3.4%**	2.8%
Future salary increases	**5.0%**	5.5%
Expected future pension increases	**2.5%**	2.5%

(e) *Employer contributions*

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

(f) *Historic summary*

	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
Defined benefit plan obligation	**1,975**	2,132	2,305	2,382	-
Deficit	**1,975**	2,132	2,305	2,382	-
Experience adjustments arising on Plan liabilities (gain)/loss	**-**	5	52	279	-

21 *Contributed equity*

	30 June 2013 $'000	30 June 2012 $'000
Ordinary shares	**236,775**	230,933
Equity contribution during the financial year	**6,347**	5,842
Total contributed equity at the end of the financial year *(i)*	**243,122**	236,775

(i) In the year ended 30 June 2013, the increase in Government's equity of $5.2 million was in support of the Aboriginal and Remote Communities Supply Project 2.1A and loan interest recoupment of $1.1 million was in respect of the Midwest gas pipeline loans.

In the year ended June 2012, the increase in Government's equity contribution related to $2.5 million in support of the Murchison-Radio-astronomy Observatory Power Station, loan interest recoupment of $2.0 million in respect of the Midwest gas pipeline loans and funding of $1.3 million in respect of the Aboriginal and Remote Communities Power Supply Project Phase 2.

22 *Reserves*

	30 June 2013 $'000	30 June 2012 $'000
Hedging reserve - cash flow hedges	**7**	(13)
	7	(13)

23 *Key management personnel disclosures*

(a) Directors

B Hammond	Chairman
I Mickel	Director
R Johnson	Director
L Craigie	Director
R Wheatley	Director
D Powell	Special Advisor to the Board
I Fletcher	Special Advisor to the Board

(b) Other key management personnel

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

F Tudor	Managing Director Elect
B Hamilton	General Manager Corporate Services
S Devon	General Manager Commercial and Business Development
Z Wilk	General Manager Operations
T Brereton	General Manager Engineering and Projects
J Deacon	General Manager Knowledge and Technology
D Tovey	General Manager Corporate Affairs / Company Secretary

(c) Key management personnel compensation

Principles used to determine the nature and amount of compensation

Compensation approval protocols are as follows:

The compensation policy is to:

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

Non executive Directors

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

(c) *Key management personnel compensation (continued)*

Managing Director and Executives

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

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

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

Total fixed remuneration

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

Non financial benefits

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

Superannuation

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

Details of remuneration

(a) *Non-executive directors' remuneration*

2013

Name	Cash salary and fees $	Superannuation $	Total $
B Hammond	95,000	8,550	103,550
I Mickel	58,500	5,265	63,765
R Johnston	45,000	4,050	49,050
L Craigie	45,000	4,050	49,050
R Wheatley	26,654	2,399	29,053
Total	270,154	24,314	294,468

(a) Non-executive directors' remuneration (continued)

2012

Name	Cash salary and fees $	Superannuation $	Total $
B Hammond	95,000	8,550	103,550
I Mickel	45,000	4,050	49,050
R Johnston	45,000	4,050	49,050
L Craigie	32,019	2,882	34,901
S Bradley (Retired 30/09/11)	12,981	1,168	14,149
J Elkington (Retired 23/02/12)	31,154	2,807	33,961
Total	261,154	23,507	284,661

(b) Executives' remuneration

2013

Name	**Cash salary and fees $**	**Superannuation $**	**Total $**
F Tudor *(i)*	**431,192**	**38,807**	**469,999**
B Hamilton	**342,279**	**30,805**	**373,084**
S Devon	**313,756**	**28,238**	**341,994**
Z Wilk *(ii)*	**425,308**	**25,000**	**450,308**
T Brereton	**316,994**	**25,000**	**341,994**
J Deacon	**290,790**	**26,171**	**316,961**
D Tovey	**274,347**	**24,691**	**299,038**
Total	**2,394,666**	**198,712**	**2,593,378**

2012

Name	Cash salary and fees $	Superannuation $	Total $
F Tudor *(i)*	447,729	40,292	488,021
B Hamilton	330,275	29,725	360,000
S Devon	302,752	27,248	330,000
Z Wilk *(ii)*	334,073	30,067	364,140
P Jensen (resigned 15/03/12)	425,189	38,267	463,456
T Brereton (appointed 15/03/12)	148,730	13,386	162,116
J Deacon	275,229	24,771	300,000
D Tovey	262,802	23,652	286,454
Total	2,526,779	227,408	2,754,187

(i) In addition to cash remuneration paid, a regional travel allowance was provided to the Managing Director of $40,000 (2012 $40,000).

(ii) In addition to cash remuneration paid, non-monetary benefits such as housing and air-conditioning subsidies were provided to one executive key management personnel for the higher cost of living in regional areas. These benefits were, Z Wilk $74,010 (2013) and $ 111,069 (2012). These benefits are common to a wide range of industries operating in regional locations.

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

24 Contingencies

(a) Contingent liabilities

Horizon Power did not have any contingent liabilities as at 30 June 2013.

(b) Contingent assets

Horizon Power did not have any contingent assets as at 30 June 2013.

(c) Contaminated sites

Under the Contaminated Sites Act 2003, the Corporation is required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC). In accordance with the Act, DEC classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as contaminated and remediation required or possibly contaminated and investigation required, Horizon Power may have a liability in respect of investigation or remediation expenses. All contaminated sites are provided for as per note 17.

25 Remuneration of auditors

	30 June 2013 $'000	30 June 2012 $'000
Audit of financial reports	**176**	169
	176	169

26 Commitments

(a) Capital commitments

	30 June 2013 $'000	30 June 2012 $'000
Within one year	**91,670**	54,001
Later than one year but not later than five years	**-**	9,431
Later than five years	**-**	-
	91,670	63,432

(i) At 30 June 2013 capital expenditure commitments principally related to South Hedland Temporary Generation Project ($61.9 million), Pilbara Underground Power Project ($11.8 million), Aboriginal and Remote Communities Power Supply Project Phase 2 ($9.1 million) and Mungallah Power Station Project ($5.1 million).

(ii) At 30 June 2012 capital expenditure commitments principally related to Pilbara Underground Power Project ($22.5 million), Karratha Temporary Generation Project ($16.4 million), Business Transformation projects ($8.7 million) and Aboriginal and Remote Communities Power Supply Project Phase 2 ($8 million).

(b) Operating commitments

	30 June 2013 $'000	30 June 2012 $'000
Within one year	**59,789**	31,544
Later than one year but not later than five years	**160,719**	102,216
Later than five years	**226,665**	102,607
	447,173	236,367

(i) These commitments consist of contractual obligations in respect of fixed charges relating to the purchase of electricity, gas and renewable energy certificates.

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

(ii) The comparative amounts for the year ended 30 June 2012 have been restated to align with current year presentation.

(c) Lease commitments

(i) Operating leases

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

In addition, Horizon Power has commitments to property leases as at 30 June 2013. Lease rentals are subject to half yearly and yearly reviews.

	30 June 2013 $'000	30 June 2012 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**4,548**	2,749
Later than one year but not later than five years	**6,159**	6,103
Later than five years	**819**	1,037
	11,526	9,889

(c) Lease commitments (continued)

(ii) Finance leases

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

	30 June 2013 $'000	30 June 2012 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**58,571**	58,571
Later than one year but not later than five years	**230,803**	233,298
Later than five years	**531,960**	588,036
Minimum lease payments	**821,334**	879,905
Future finance charges	**(395,310)**	(439,348)
Recognised as a liability	**426,024**	440,557
Representing lease liabilities:		
Current (note 19)	**15,987**	14,533
Non-current (note 19)	**410,037**	426,024
	426,024	440,557

27 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 2013 $'000	30 June 2012 $'000
The following items relating to PUPP are included in the Financial Statements:		
Plant and equipment	**121,228**	84,939
Reduction in interest bearing loans and investment on term deposits	**-**	32,918
Trade payables	**(6,107)**	(17,857)
	115,121	100,000

28 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 2013, Horizon Power did not need to recognise any assets or liabilities arising from transactions with key management personnel or related parties.

29 Interests in joint ventures

(a) 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 interest in assets employed in the above jointly controlled operations is detailed below. The amounts are included in the financial statements under their respective asset categories. The balance of this Joint Venture is owned by Australian Pipeline Ltd:

	30 June 2013 $'000	30 June 2012 $'000
Hill 60 Extension	**11**	141
Total property, plant and equipment	**11**	141

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

	30 June 2013 $'000	30 June 2012 $'000
Profit for the year	**51,199**	33,274
Depreciation and amortisation	**60,952**	62,352
Work-in-progress written off	**-**	4,308
Developer and customer contributions	**(39,375)**	(21,443)
Net (gain) loss on sale of non-current assets	**161**	-
Change in operating assets and liabilities:		
(Increase) / decrease in other receivables	**(14,008)**	8,896
(Increase) / decrease in inventories	**(1,373)**	(383)
(Increase) / decrease in other assets	**(566)**	(423)
(Decrease) / increase in other payables	**(2,201)**	(18,411)
(Decrease) / increase in derivatives	**(2,332)**	1,870
(Decrease) / increase in income tax liabilities	**(9,759)**	(7,962)
(Decrease) / increase in employee provisions	**756**	1,191
(Decrease) increase in other provisions	**(1,453)**	(984)
Net cash inflow (outflow) from operating activities	**42,001**	62,285

As at 30 June 2013, Horizon Power's loans from the Western Australian Treasury Corporation amounted to $576,348,000, The borrowing limit for the year ended 30 June 2013 was $667.8 M.

31 Non-cash investing and financing activities

	30 June 2013 $'000	30 June 2012 $'000
Gifted Assets	**8,534**	1,999
	8,534	1,999

32 Economic dependency

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

33 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. The financial report comprises the Statement of Financial Position as at 30 June 2013, 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.

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
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.

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.

7th Floor Albert Facey House 469 Wellington Street Perth MAIL TO: Perth BC PO Box 8489 Perth WA 6849 TEL: 08 6557 7500 FAX: 08 6557 7600

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 2013 and of its performance for the year ended on that date; and
(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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 2013 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
11 September 2013

HORIZON POWER

energy for life

Administration Centre

18 Brodie Hall Drive
Technology Park
Bentley WA 6102

PO Box 1066 Bentley DC WA 6983

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