



Annual Report

for trading period 1 April 2006 – 30 June 2006

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1 CHAIRMAN AND MANAGING DIRECTOR'S REPORT

We are pleased to present Horizon Power's inaugural annual report for the period since Horizon Power's inception on 1 April 2006 to 30 June 2006.

While it has been only three months since Horizon Power formally commenced operations as an independent business, the strength of our commitment to regional WA and our vision for its future is already clear.

The recent reform of the electricity industry in WA will deliver a range of benefits to consumers – and for regional Western Australians the biggest single benefit is the establishment of an electricity corporation with a strong local presence, focused solely on their needs.

Servicing the Pilbara, Kimberley, Gascoyne, Mid-West and Goldfields / Esperance regions, we supply electricity to over 30 towns and isolated communities spread across 80% of WA's land mass.

We are proud to support the communities in which we live, working with our customers face to face and making key business decisions on the ground. With that in mind, we've established our head office in Karratha, and we now have network managers based in Broome, Karratha and Esperance servicing key regional centres.

We will work closely with our communities, customers and all levels of government to develop service provision proposals that make commercial sense for Horizon Power and its customers and social and economic sense for government.

The Regional Power Procurement Program has seen significant progress in our partnering with Independent Power Producers (IPPs) to upgrade our power generation facilities in many isolated communities. New power stations in Gascoyne Junction, Laverton and Menzies achieved successful commercial operation during 2005/06. We've also begun work on a new power station in Broome, which is due to be commissioned in February 2007, and the Derby gas-fired and Looma diesel-fired stations due to come on line in April 2007 with two more in the Kimberley to be commissioned in mid 2007. Exmouth's new power station was commissioned in September 2006.

The Regional Power Procurement Program has seen the introduction of modern, efficient and lower emission power generating facilities to many communities. We will continually evaluate and review our plans to ensure they meet the needs of the business in a changing environment. To this end, we will consider over the course of this year, our strategies for managing our electricity generating and procurement needs to ensure they are consistent with the long-term strategies of the business.


We have developed the Network Asset and Works Management Master Plan 2006/07 with a focus on improving electricity network safety, reliability, quality and performance, and to improve service and maintenance practices to make our networks "Fit for Purpose".

Despite the challenges presented by this year's above average cyclone season, and often harsh environmental conditions, our network performance has already shown an improvement.

Looking ahead, we plan to spend \$177 million in conducting our business during the 2006/07 year. This will allow our systems to be expanded to meet expected growth, while improving reliability and public safety so that we are consistently meeting the expectations of our regulators and our customers.

The regions will reap the benefits of the new Horizon Power placing a greater emphasis on our involvement in local communities, improved communication with our customers and stakeholders and devolution of decision making to local staff. Strengthened management and systems will see improvements in service delivery and performance for years to come.

While we expect the 2006/07 financial year to be testing, it will mark a significant turning point in the delivery of essential services in regional WA. We are confident we can deliver on the expectations of our shareholder and stakeholders, and we look forward to the challenge of developing and strengthening our relationships with our customers.



BRENDAN HAMMOND
CHAIRMAN



ROD HAYES
MANAGING DIRECTOR

26 September 2006

2 OUR COMPANY

2.1 Our Profile

Horizon Power was launched as a new company on 1 April 2006. It was established as an outcome of the State Government's initiative to split Western Power into four separate entities. Three principally service the South West Interconnected System and Horizon Power services regional Western Australia.

Horizon Power operates across 80% of the Western Australian land mass (some 2.5 million km²) and services 27 non-interconnected systems and the Pilbara North West Interconnected System. Headquartered in Karratha, Horizon Power has over 200 employees located at 10 sites across the state.

Horizon Power:

- has net assets of \$100 million;
- has more than 36,000 industrial, business and residential customers;
- operates the North West Interconnected System in the Pilbara, and
- operates a growing number of non-interconnected systems across regional areas of the State.

2.2 Our Purpose

To improve the lives of our customers by meeting their energy needs and driving and facilitating regional development.

2.3 Our Goals

We have four key areas of emphasis:

Business Results

To enhance Horizon Power's profitability and build the value of the business.

Corporate Citizenship

To be a responsible corporate citizen that provides lasting improvements to the lives of regional Western Australians.

Organisational Capability

To ensure that Horizon Power has the capability to carry out its purpose.

Stakeholder Service

To enhance Horizon Power's value proposition in the understanding, management and satisfaction of present and future regional energy demands.

2.4 Our Values

Safety is our overarching concern.

We are dedicated to ensuring the safety of the public, our customers and our people.

Integrity

Horizon Power will build a reputation for trust and integrity by doing what we say we will.

Quality Relationships

Horizon Power values good personal and working relationships with our people and our stakeholders.

Leadership

Where we identify a need for change, Horizon Power will take a leadership role in achieving it.

Achievement

Horizon Power will achieve long-term business success by focussing on outcomes.

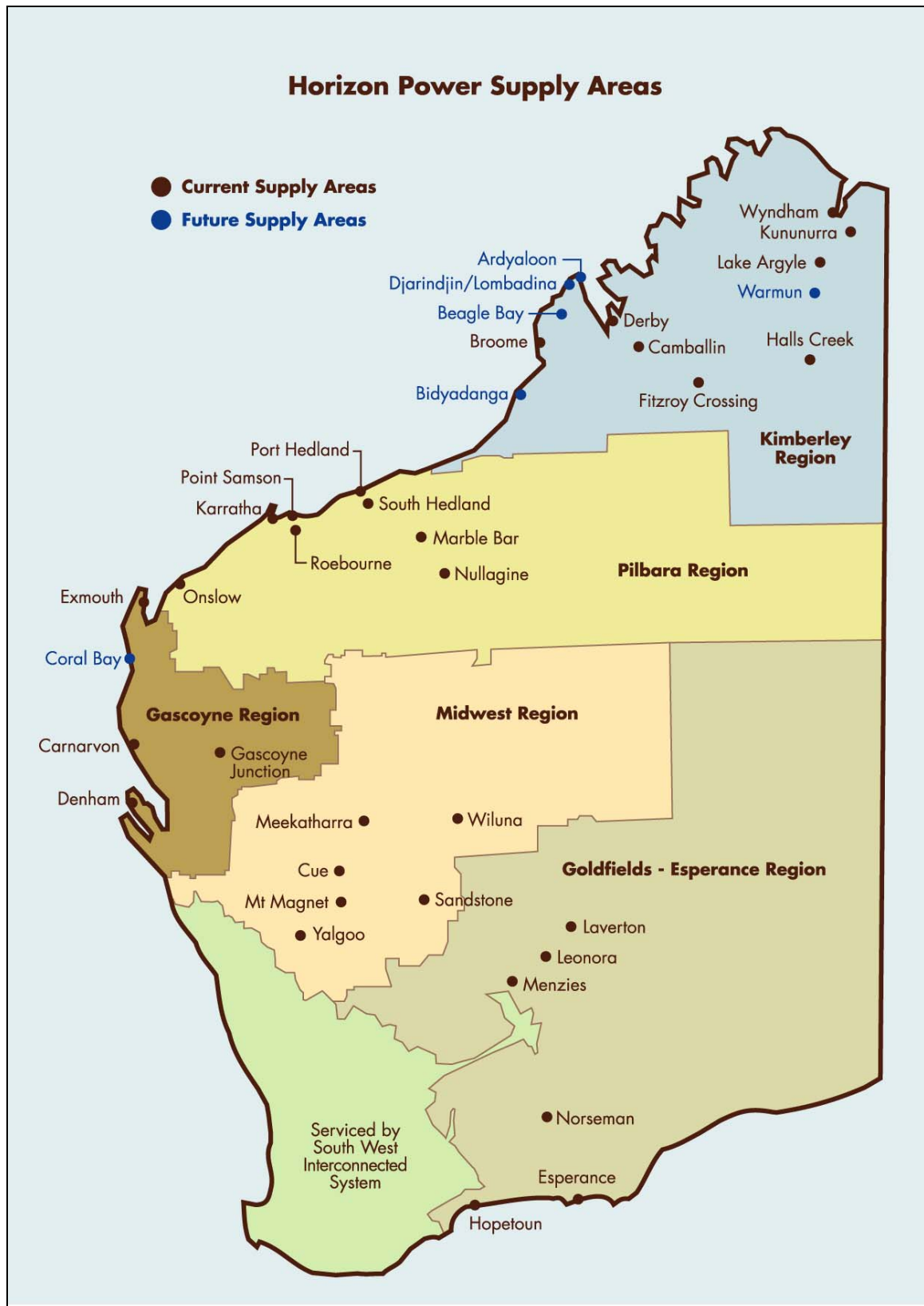
Commitment

Horizon Power will deliver on promises.

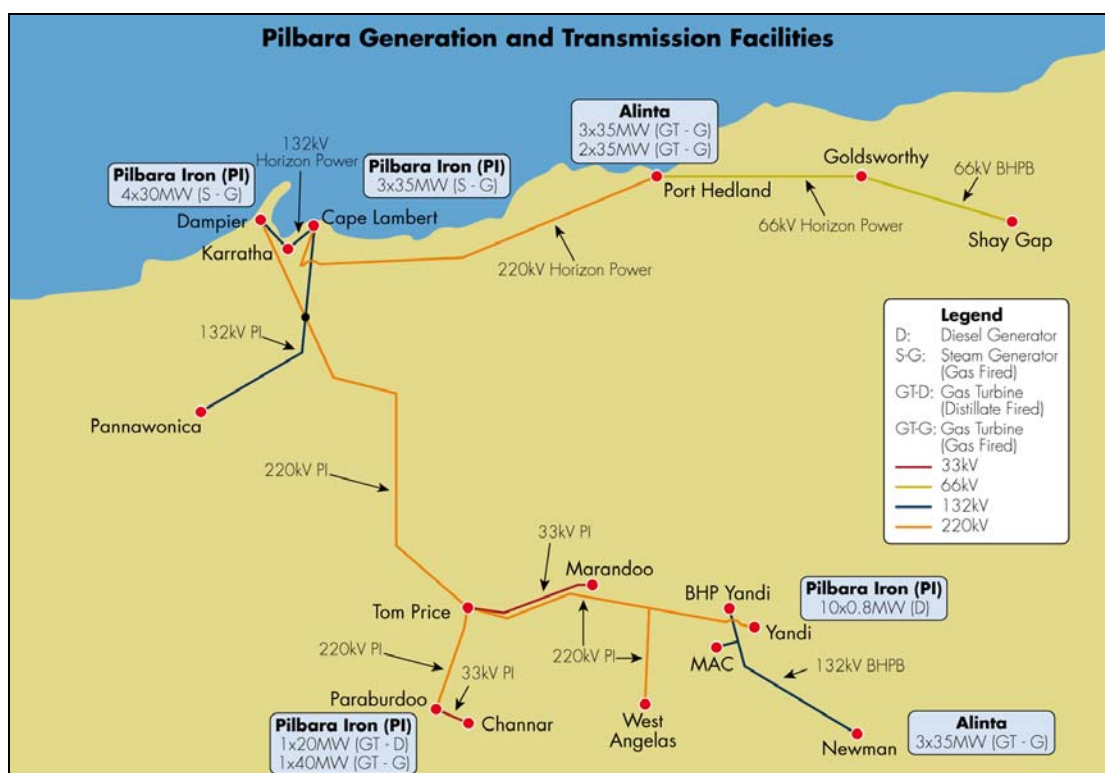
2.5 Areas of Operation

Horizon Power supplies regional and remote customers located outside of the South West of the State. It supplies about 12,000 customers in the North West Interconnected System (NWIS) and around 24,000 in 27 other remote towns referred to as the Non-Interconnected Systems (NIS).

Horizon Power Supply Areas



NWIS Network



North West Interconnected System

The NWIS comprises approximately 1,200 km of overhead transmission lines and 30 substations. Of these, Horizon Power owns 464 km of transmission lines and 9 substations.

The majority of the region's large electricity users are privately owned mines or related transport operations. Within the NWIS, Horizon Power retails energy in the townships of Karratha, Roebourne, Point Samson and Port Hedland. Horizon Power does not own any generating plant within the NWIS and contracts with other producers for electricity to meet its retail needs.

Horizon Power is reviewing generation options in the NWIS to provide cost effective continuity of supply as well as reviewing the operability of the NWIS.

Non-Interconnected Systems (NIS)

Horizon Power is a retailer of energy to a further 27 townships throughout regional WA, and will soon be the supplier of energy at 5 remote Aboriginal communities and Coral Bay under Government funded programs. Horizon Power is the owner and manager of distribution networks in each system and either owns or has contracted power generation.

Under the Regional Power Procurement Program (commenced in 1998), six new IPP power stations have been established in the Mid West, with others in Esperance, Exmouth, Gascoyne Junction, Laverton and Menzies. Construction is underway on five new IPP power stations in the Kimberley and negotiations are underway for new stations in Carnarvon, Coral Bay and two smaller remote communities.

2.6 Statement of Corporate Priorities

Horizon Power's corporate purpose encapsulates two fundamental and linked aspirations.

To improve the lives of our customers by meeting their energy needs and driving and facilitating regional development.

First and foremost, Horizon Power will strive to provide quality energy services and deliver on stakeholder commitments in respect to upgrading, expanding or developing these services.

By maintaining a safe environment, managing its operations and delivering on its commitments, Horizon Power will solidly establish and progressively enhance the equity of its brand.

In turn this corporate experience and credibility will be used to realise Horizon Power's strategy of proactively driving and facilitating regional development through the provision of the essential services required to support regional growth.

In order to achieve these aspirations, Horizon Power will focus on:

- achieving this in an environment where the safety of our staff and customers is our primary concern;
- ensuring our people have the necessary skills and resources to succeed in our purpose;
- earning our customers' respect through excellent customer service and fair but firm commercial discipline;
- balancing social, environmental and economic objectives; and
- maintaining excellent relationships with key private and government stakeholders so as to effect plans and impact regional development initiatives.

3 A NEW CORPORATION

As a new entity, Horizon Power has focussed on establishing a sound governance and management structure based on the needs of the new organisation. The State Government has appointed a strong Board to represent the interests of Horizon Power's customers. Four of the Board members are regionally based, complimented by two Perth based Directors.

3.1 The New Board

A new and vibrant Board of Directors has been appointed to provide Horizon Power with strategic direction and strong governance. The Board expects to meet at least bi-monthly and endeavour to hold a significant number of meetings in regional WA. This year will see meetings held in Karratha, Kununurra, Esperance and Broome.

The Board members of Horizon Power are:

Brendan Hammond (Chairman)

Appointed in December 2005 term expires on 31 March 2009

Alan Dundas (Deputy Chairman)

Appointed on 1 April 2006 term expires on 31 March 2009

Peter Yu

Appointed on 1 April 2006 term expires on 30 June 2008

Susan Bradley

Appointed on 1 April 2006 term expires on 30 June 2007

Tony Chilvers

Appointed on 1 April 2006 term expires on 30 June 2007

Rod Hayes (Managing Director)

Appointed on 1 April 2006 term expires on 30 June 2008

3.2 Company Secretary

Horizon Power's Company Secretary is:

Pete Feldhusen

Manager Corporate Services

3.3 Our Executive

The Executive Officers (Executive) of Horizon Power are:

Tony Cocks

General Manager Finance & Corporate Services

Mike Laughton-Smith

General Manager Generation & Technical Services

Darryn McDonald

General Manager Retail Services

David Martin

General Manager Public Affairs

Frank Tudor

General Manager, Commercial & Strategy

Ziggy Wilk

General Manager Network Customer Services

4 FINANCIAL SNAPSHOT

	\$'000
Revenue from ordinary activities	29,089
Cost of sales	34,765
Gross loss	(5,676)
Other income	3,274
Other expenses	11,068
Borrowing costs	3,869
Loss before income tax benefit	(17,339)
Income tax benefit gain	(5,260)
Loss for the period	(12,079)

5 OPERATIONAL HIGHLIGHTS

5.1 Operational Priorities

Horizon Power operates in an environment where the health and safety of our staff and customers is our primary concern. With this in mind, the business will continue to focus on improving the reliability and security of electricity supplies whilst ensuring staff and public safety.

Horizon Power will place an emphasis on:

- meeting all statutory and regulatory obligations;
- ensuring the achievement of financial targets agreed with Government;
- building quality relationships with the Government and other key stakeholders; and
- developing a flexible approach to resourcing which maximises commercial focus and positions the business to be able to lead and contribute to regional and State development initiatives.

5.2 Business Highlights

As part of Horizon Power's commitment to improving the power supply to remote and regional areas of Western Australia, the company has undertaken considerable work facilitating new power stations, improving existing stations and developing new depots.

The West Kimberley Power Project

Work began in May 2006 on the new gas-fired Broome power station, with Western Australia's Energy Minister, the Hon Francis Logan MLA kicking off construction work with a soil-turning ceremony. The power station is expected to be commissioned in February 2007.

Three more gas-fired power stations will be built in Derby, Fitzroy Crossing and Halls Creek, and a diesel-fired station will be built in Looma. The Looma and Derby stations will be the first to come on line in April 2007, while the others will begin commercial operations in mid 2007.

The Exmouth Power Project

The new gas-fired power station in Exmouth was constructed during 2005/06 and commenced operations in September 2006.

Remote Towns Power Project

Three new power stations in Gascoyne Junction, Laverton and Menzies commenced operating in 2006.

Hopetoun Power Project

A new 1.9 MW "low-load" diesel power station and second wind turbine are being built to accommodate an increase in demand in Hopetoun. The new power station will be built by our renewable energy partner, Verve Energy, which will wholesale the electricity to Horizon Power to distribute and sell to our customers. The target date for commissioning is February 2007.

Coral Bay Power Project

The State Government has asked Horizon Power to take responsibility for power supplies in Coral Bay, including establishing a new wind/diesel generation system. A preferred site for the new station has been selected. It is planned to begin site works in late 2006, with commissioning targeted for mid 2007.

Aboriginal and Remote Communities Power Project

Horizon Power is working with Energy Generation Pty Ltd to develop new diesel-fired power stations to provide a reliable electricity supply to the remote communities of Bidyadanga, Ardyaloon, Beagle Bay, Djarindjin/Lombadina and Warmun. The first of the new power stations is planned to be commissioned in Warmun in late 2006 with the others to follow in 2007. Horizon Power will also upgrade the distribution networks to a safe and reliable standard and become the retailer of electricity in the communities at the State uniform tariff.

Town Reserves Regularisation Project and Horizon Metering Services

Horizon Power, in conjunction with the Department of Housing and Works, is upgrading power supplies to town reserve communities located in its service areas. This program also saw a new electricity metering service introduced by Horizon Power that supplies and installs pre-payment electricity meters in Indigenous communities.

Other activities

At the direction of the Minister for Energy, Horizon Power did not apply for a license to operate in the Pilbara town of Wittenoom. Horizon Power officially ceased operations on 1 July 2006 and removed the power system, including the power station, shortly after.

Planning has also begun on new depots for Esperance and Broome as part of improvements in customer service and operational efficiency and effectiveness in the towns. In both cases, the depots will be designed for easy customer access.

5.3 Safety

Horizon Power's customers expect a safe and reliable network and the company is working to ensure all steps are identified to appropriately mitigate any safety risk.

As part of Horizon Power's upgrade of the distribution network in areas surrounding Esperance, some 23,000 power poles and other structures will be inspected to ensure they comply with regulatory and safety requirements. Horizon Power has commenced a program to bring in additional resources to address any non-compliant network issues. It is expected the project will take four to five years to complete.

The upgrade of distribution networks in communities as part of the Town Reserves Regularisation Project will also improve the reliability and safety of the distribution networks, with infrastructure being placed underground.

Ongoing training is also important for improved safety. To this end, a team of Horizon Power linesmen competed in this year's Energy Industry Safety Field Days, held in Dubbo, to pit their skills against teams from other states in a competition that required them to assess and contain problems in two field scenarios. The competition honed the team's performance in hazardous situations as well as providing staff the opportunity to learn from the ideas and processes of linesmen around Australia.

Performance Indicators (Rolling 12 months)	Actual	Target
Lost Time Injury Frequency Rate (LTIs / million hours worked)	5.7	Less than 6
All Medical Frequency Rate	17.1	Less than 26

5.4 Environment

Horizon Power is committed to delivering a quality, reliable, electricity supply in an environmentally sustainable and responsible manner. The company recognises that our innovative programs and on-going management procedures must protect the rights of future generations to a sustainable and diverse natural environment. Horizon Power will look for every opportunity to enhance environmental performance and to contribute to sustainable practices.

Horizon Power is committed to measuring our environmental actions as a way of improving our performance, allocating resources efficiently and identifying areas of weakness. Our environmental performance is tracked using a number of performance indicators.

Greenhouse gas emissions

Horizon Power's key performance indicator for greenhouse gas emissions is carbon intensity, measured in emissions per unit of electricity sent out (kg CO₂e/kWh). The following table provides a breakdown of emissions, not only from electricity directly generated by Horizon Power, but also by organisations that generate electricity which the company on-sells, as well as fleet vehicle and office energy emissions.

Greenhouse gas emissions by source

Performance Indicator	Tonnes of Carbon Dioxide equivalents (CO ₂ -e)
Electricity generated for export/fleet vehicles (Internally produced)	36,958
Electricity purchased for sale/office energy use (Externally produced)	94,207
Total emissions allocated to kWh sent out	131,165

Performance Indicator	Kilograms of Carbon Dioxide equivalent per Kilowatt Hour (kg CO ₂ -e/kWh)
Overall carbon intensity	0.839

Abatement from renewable generation

Facility	Tonnes of Carbon Dioxide equivalents (CO ₂ -e)
Esperance wind farm	3,828
Denham wind farm	289
Hopetoun wind farm	131
Ord River Hydro	9,691
Carnarvon Solar Farm	5
TOTAL	13,939

Greenhouse Response

Horizon Power sold a total of 91 GWh in electricity during the reporting period. Direct greenhouse gas emissions associated with the electricity generated by Horizon Power amounted to 36,958 tonnes of carbon dioxide equivalent (CO₂-e). A further 94,207 tonnes of CO₂-e was generated by other entities from whom we purchased electricity to distribute to Horizon Power customers.

Renewable energy generation has led to the offset of 13,939 tonnes of CO₂-e. The net greenhouse gas emissions associated with the corporation's electricity sales in the reporting period is 131,165 tonnes.

Environmental licences held by Horizon Power	Total
Western Australia Department of Environmental Protection License	3
Department of Industry and Resources License to Store Dangerous Goods	14

Atmospheric emissions

Horizon Power's emission details are provided annually to the National Pollutant Inventory (NPI). This information can be accessed via <http://www.npi.gov.au>. The following tables provide information on the main atmospheric emissions from our major power stations.

Performance Indicators	Kgs emitted per MWh of electricity generated
Sulphur Dioxide Emissions by regional power stations.	0.33
Nitrogen Oxides Emissions by regional power stations.	15.82

Environmental investigations and monitoring

In May, Horizon Power approved \$185,000 worth of environmental investigations into contamination of decommissioned power station sites in the Mid West including Mt. Magnet, Cue, Wiluna, Meekatharra, Sandstone, Yalgoo and Esperance on the South coast. The investigations are part of a due diligence process to establish potential environmental and health risks for each site.

Horizon Power also undertook \$30,000 worth of groundwater monitoring and analysis for Exmouth and Carnarvon in April and in June approved \$8,000 for annual groundwater monitoring at Derby. The ongoing monitoring is mandated by the Department of Environment and Conservation.

A provision of \$7.2 million has been made for the decommissioning and remediation of old power station sites.

5.5 Renewable energy (in partnership with our service providers)

Horizon Power is joining with business partners to meet its renewable energy obligations and to encourage the development of renewable energy resources in Western Australia.

Horizon Power has contracts in place to secure all of its obligations for the 2006 calendar year. While Horizon Power does not own any renewable energy projects, 100 per cent of its Renewable Energy Certificates will be sourced from renewable energy projects within its supply area. New renewable energy projects planned this year include expansion of the Hopetoun wind farm and new wind farm for Coral Bay to add to the existing Esperance, Hopetoun and Denham wind farms, of which Horizon Power is the sole customer. Horizon Power is also a major customer for the large scale, Ord hydro power station in the East Kimberley.

5.6 Caring for our people

Our people are critical to the success of our business. We will continue to build their capabilities and look at recruiting the best available. We have a number of programs in place to help achieve this.

Flexible Lineperson Retention Program

Horizon Power is developing an agreement and implementing arrangements with Western Power to allow Horizon Power linepersons and technical employees to transfer between the businesses without affecting entitlements. This will assist in retaining and attracting staff by building flexible working arrangements.

Human Resources (HR) Development Program

Building the skills and capabilities of staff will enable Horizon Power to meet the increased expectations of our stakeholders and make the most of the myriad opportunities that are present in regional WA. Attracting and retaining highly skilled personnel will require a new approach and the HR Development Program will include strategic programs to deliver a dedicated and skilled, customer oriented workforce.

Regional Attraction and Retention

Horizon Power has reviewed its existing Location, Electricity and Housing Allowances for employees at remote locations. The allowances have been enhanced and re-packaged to provide increased benefits and flexibility to employees. The initiative aims to support the recruitment of employees needed to deliver the Horizon Power Vision and to reduce employee turnover to improve performance and costs.

6 CORPORATE GOALS AND STRATEGIC OBJECTIVES

In meeting the expectations of our stakeholders, and in a manner that provides both a safe working environment and ensures the safety of our communities, Horizon Power will endeavour to realise a balance between four integrated business goals:

- Stakeholder Service;
- Corporate Citizenship;
- Business Results; and
- Organisational Capability.

6.1 Stakeholder Service

Horizon Power will commercially and efficiently deliver a reliable, targeted and tailored mix of value-adding products, services and competencies to all customers in regional and remote areas.

Undertakings Effecting Stakeholder Service

Reliability Performance

The provision of a safe, reliable and efficient energy service with first-rate customer service is at the very heart of everything we do.

Horizon Power is operating to meet the requirements of the *Electricity Industry (Network Quality and Reliability of Supply) Code 2005*. This code came into effect on 1 January 2006 and sets out the minimum quality and reliability standards the Corporation is expected to meet in its service areas.

The measures are an average over a rolling 12-month period. The largest contributor to the statistics during this period has been the unusually high number of cyclones that impacted on the northern part of the state in early 2006.

We are focussed on continuously improving the performance of our systems. To achieve this, we are finalising the Asset and Works Management Master Plan. This plan seeks to ensure the distribution and transmission networks are “fit for purpose” and:

- present low risk to the safety of our people and communities;
- supply quality and reliable power;
- are designed to grow at the same pace as our communities;
- represent value for money;
- are replaced before the end of their useful life;
- are proactively maintained to minimise points of failure; and
- comply with all regulations, codes and standards.

Three regions have been formed (Kimberley, Pilbara and South), to manage the network assets and each region is developing and implementing a region specific Asset Management Plan underpinned by the Master Plan. This decentralised management, with centralised support, will provide better-targeted and resourced reliability improvement initiatives. The plan will be regularly reviewed and updated.

PERFORMANCE INDICATORS	2005/2006	
	Actual	Target
SAIDI - Outage duration (minutes) <u>Total duration of interruptions (minutes)</u> Average number of customers interrupted	366	290
SAIFI – average number of incidents <u>Total number of interruptions x number of customers interrupted</u> Average number of customers	5.1	16
CAIDI – average duration of incident <u>Total duration of interruptions (minutes)</u> Total number of interruptions x number of customers interrupted	71.2	18.1

Note: Data is rolling 12 months to 30 June 2006.

Customer Charter Results

Performance Indicators	Actual	Target
Fault restoration within 4 hours	91%	85%
New connections	90%	within 5 working days
Streetlights restored (NWIS) *	66%	within 5 days
Streetlights restored (NIS) *	70%	within 9 days

* These results were heavily impacted by Tropical Cyclone Glenda that crossed the Pilbara coast on March 30.

North West Interconnected System (Pilbara) Opportunity

The Pilbara region continues to be a prime driver of economic growth in Western Australia. To underpin this growth, a reliable and stable electricity network is required to service existing mining, commercial and domestic operations and to encourage economic development.

However, the existing NWIS in the Pilbara is made up of a series of “unconnected” power systems, primarily developed independently to meet the large demand requirements of the separate owners (mostly mining companies). As a consequence, system issues persist. For example, there is no policy on spinning reserve, central control or coordinated planning for expansion. Horizon Power, working with like-minded NWIS stakeholders has achieved some success by connecting some of the isolated systems and entering into bilateral agreements to purchase electricity for distribution to primarily franchise customers.

Given its importance to the State and Pilbara stakeholders, the work on the NWIS will receive special attention and priority within Horizon Power to ensure that all reasonable means are used to address differential ownership barriers and develop optimal solutions for the greater good of the customers, the network and the ongoing prosperity of the region.

Independent Power Production (IPP)

Horizon Power has undertaken a regional power procurement strategy aimed at replacing aging generation facilities with new capacity installed, owned and operated by independent power producers as a part of an overall system designed, executed and controlled by Horizon Power.

Since 1998, Horizon Power has replaced 12 power stations with independent power producer facilities and is in the process of negotiating and implementing power purchase agreements that will result in the establishment of a further 8 power stations across the state to replace aging infrastructure in these towns.

East Kimberley Power System Study

A working group comprising the Department of Industry and Resources (DoIR), Kimberley Development Commission, Office of Energy, Water and Rivers Commission and Horizon Power has been formed to identify power system options to meet the needs of proposed developments in the East Kimberley region.

Developments such as Stage 2 of the Ord Irrigation Project and the needs of other key stakeholders will also be addressed in the review. Horizon Power is evaluating sustainable generating options for the East Kimberley, Wyndham and Kununurra factoring in the requirements of community and commercial issues in the region.

Port Hedland Undergrounding Project

Horizon Power initiated an intensive stakeholder engagement strategy to elicit stakeholder and community support for Port Hedland in the State Underground Power Program. The accomplishment of this project early next year will bring substantial benefits to the town.

Key Indicators of Stakeholder Service

Performance Indicators	Definition	Actual	Target
Operational Performance Complying towns/systems	Achievement of acceptable system reliability performance standards (as agreed or per the Reliability Code) for each township or integrated system	22	18/29
Corporate Reputation Corporate Reputation Index (%)	Perception of Horizon Power by regional customers and stakeholders (undertaken by an independent research agency).	58	58

6.2 CORPORATE CITIZENSHIP

Horizon Power will work with Government, customers and local stakeholders to proactively drive and deliver value from regional development in ways that are environmentally, socially and commercially sustainable.

Undertakings Effecting Corporate Citizenship***Aboriginal and Remote Communities Power Supply Project***

Aligned with the first element of Horizon Power's corporate purpose, and in consultation with the Office of Energy and the Commonwealth Department for Family, Community Services and Indigenous Affairs, Horizon Power is undertaking a joint project to upgrade the provision of electricity supply to five Kimberley Aboriginal communities: Ardyaloon; Beagle Bay; Bidyadanga; Djarindjin/Lombadina; and Warmun. It is expected that further phases of the project will extend to 10 other large permanent remote Aboriginal communities after 2007. Network upgrades in the five communities are expected to commence in 2006 and be completed in 2007.

Town Reserves Regularisation Project

The State Government requested Horizon Power to participate in the Town Reserves Regularisation Program, which is being managed by the Department of Housing and Works (DHW).

Under this program, Horizon Power will assume responsibility for the distribution and retail of electricity in 15 Aboriginal Town Reserve communities, initially in the Kimberley region. These communities already receive supply from Horizon Power's existing power station in the towns.

The project involves installing individual pre-payment meters (PPMs), upgrading (or rebuilding) and taking responsibility for the community electricity distribution system, and providing retail services to occupants of each dwelling. This project will run over the next two years. The State Government funds the program via the DHW.

Coral Bay

The Government is funding a new power system at Coral Bay. Horizon Power will install a new electricity network for the settlement and our renewable energy partner, Verve Energy, will construct a wind-diesel generating system. Horizon Power will assume responsibility as the retailer and provide electricity to customers at Uniform Tariff rates. The project should be completed in mid-2007.

Renewable Energy

There are five wind farms operating in Horizon Power systems across the State and another planned for Coral Bay. Horizon Power is a major customer of the Ord Hydro power station, which supplies the company's needs for Wyndham and Kununurra. A private solar energy farm, commissioned in October 2005, has been contracted to supply electricity in Carnarvon.

Horizon Power has structured its Power Purchase Agreements with independent power producers to allow for renewable energy to form a part of the generating capacity. Private investment in small domestic renewable energy systems is also being supported by the introduction of a buyback scheme.

Horizon Power will support the identification and development of other renewable projects in its systems.

Key Indicators of Corporate Citizenship

Performance Indicators	Definition	Actual	Target
Regulatory Compliance Number of notifiable breaches	The number of notifiable regulatory breaches arising from Horizon Power's activities or response that could attract a penalty.	0	0

6.3 Business Results

Horizon Power is committed to constantly improving the efficiency with which it delivers its products and services. Horizon Power will maintain effective financial management and governance systems that will assist in building the value of Horizon Power for its owner.

Undertakings Effecting Business Results

Funding and Revenue

Horizon Power is funded through four discrete funding and revenue streams.

Firstly, Horizon Power derives a key stream of revenue from electricity sales, power services and ancillary charges to customers under gazetted and commercial terms.

Secondly, and perhaps, fundamentally, the Tariff Equalisation Fund provides a transparent mechanism by which Government funds the Uniform Tariff Policy, which provides subsidised electricity to the residents of regional WA. This open subsidy allows Horizon Power to operate under strict commercial disciplines while overtly displaying the mechanism by which a non-commercial aspect of the business is accounted for.

The third stream of funding recognises the initially uncommercial nature of many regional development projects. Community Service Obligation (CSO) payments are provided by Government to enable Horizon Power to apply commercial rigour to state and regional development projects that are either initiated by Government or by Horizon Power in consultation with Government and regional stakeholders.

Fourthly, in consultation with Government, where required and appropriate, Horizon Power will seek to access external funding to develop projects involving regional stakeholders and business counterparties.

Horizon Power's Capital Program

In addition to normal capital expenditure relating to asset replacement and system enhancement which caters for increases in electrical demand and improved supply reliability, the budget forecasts include capital expenditure relating to the following matters:

- Significant Government-funded expenditure on capital projects associated with the Aboriginal and Remote Communities Power Supply Project and Town Reserves Regularisation Project;
- Connection of the power stations being constructed in the West Kimberley (Broome, Looma, Derby, Fitzroy Crossing and Halls Creek) and other systems, with their respective networks;
- Undergrounding of the Port Hedland network through the State Underground Power Project;
- Extending Supervisory Control and Data Acquisition (SCADA) visibility to the Kimberley network;
- Establishing a new northern regional office in Broome; and
- Establishing a new southern regional office in Esperance.

Diesel Prices and Excise

The cost of diesel fuel, a significant input to Horizon Power operations, has continued to exceed projections. Higher fuel prices and unfavourable exchange rate movements have increased fuel purchase costs for Horizon Power-owned generators and for purchases from independent power producers.

Horizon Power purchased approximately 51 million litres of diesel in 2005/06, but this will fall to 35 million litres in 2006/07 and to insignificant levels in later years as the transition to contractor-owned and operated power stations is completed. After this transition has been completed however, Horizon Power will still have exposure to diesel prices through various power purchase agreements equivalent to approximately 20 million litres per annum.

Key Indicators of Business Results

1 April 2006 – 30 June 2006

Performance Indicators	Definition	Actual	Target
EBIT	Earnings before Interest and Tax. (Total Income - Total Expenditure)	(\$13.5 M)	(\$21.3)
Average unit cost	Total Operating Expenditure (excl interest) / Total Sales (kWh).	30.9 cents/kWh	30.7 cents/kWh
Average Selling Price	Sales \$ / Total Sales kWh	15.1 cents/kWh	14.5 cents/kWh

6.4 Organisational Capability

Horizon Power will base its success on being a business that is agile, urgent, professional and commercially focussed.

Undertakings Effecting Organisational Capability

Developing Retail Functionality

The underlying objective of the Retail business is to better serve Horizon Power's customers. The Retail group will drive the business strategies for developing new and improved services and products ensuring the satisfaction of our customers.

Horizon Metering Services

Horizon Power has launched a new business activity that will provide pre-payment electricity and metering services to third parties. The Bunuba and Junjuwa communities in Fitzroy Crossing were the first two communities to implement this service in June 2006. The new business will develop contract-based metering services for Indigenous communities on request.

Doing Business Smarter

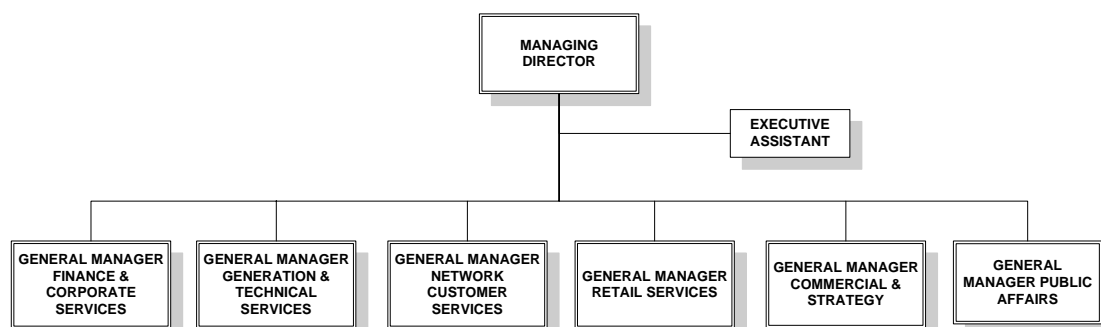
The formation of Horizon Power presents many opportunities to streamline and improve many inherited business processes. The “Doing Business Smarter” project was initiated to harvest ideas from staff that will improve service delivery, contribute to better business outcomes and reduce costs. Many improvements have already been implemented, with others currently being developed and assessed.

Network Asset Management Focus and Devolved Structure

A greater emphasis has been placed on improving asset management practices and devolving asset management decisions to a local level. A new structure has been implemented that provides for key network asset management decision makers to be located in major regional centres meaning local decisions will be made by local managers with specific knowledge of local conditions and issues. A greater emphasis has been placed on ensuring network infrastructure is fit for purpose and plans have been drawn up for a more proactive approach to improving and maintaining network infrastructure.

Workforce

Horizon Power’s management structure recognises the distinct responsibilities of retail, network and generation inherent in a vertically integrated business.



The new structure places a greater emphasis on customer and stakeholder engagement, having a local presence with decision-making authority, and facilitation of regional development.

Workforce Snapshot

Horizon Power Workforce Distribution as at 30 June 2006	
Managing Director's Office	2
Commercial and Strategic Services	7
Network Customer Services	82
Finance and Corporate Services	37
Generation and Technical Services	49
Public Affairs	8
Retail	5
TOTAL	190

7 FACTS AND FIGURES

Asset Snapshot as at 30 June 2006

	Overhead (km)	Underground (km)
Transmission Lines		
6.6 kV	148	0
33 kV	26	0
132 kV	71	0
220 kV	200	0
Total Transmission Lines	446	0
Distribution Lines		
High Voltage	2,603	175
Low Voltage	711	307
Total Distribution Lines	3,314	482

Other

Transformer Capacity (kVA)	276,352
Street Lights	11,589

Power Generated and Purchased April 2006 – 30 June 2006

Town	Generated Power (kWhs)	Wind Power Generated (kWhs)	Purchased Power (kWhs)	Total Generated or Purchased (kWhs)	Used in Works (kWhs)	Sent Out (kWhs)
Broome	11,879,587		12,604,400	24,483,987	349,609	24,134,378
Camballin	477,706			477,706	8,874	468,832
Carnarvon	10,278,242			10,278,242	472,942	9,805,300
Cue			418,594	418,594		418,594
Denham	815,188	398,141		1,213,329	11,503	1,201,826
Derby	6,403,066			6,403,066	243,248	6,159,818
Esperance			17,663,541	17,663,541		17,663,541
Exmouth	4,348,129			4,348,129	83,867	4,264,262
Fitzroy Crossing	2,341,391			2,341,391	36,995	2,304,396
Gascoyne Junction			120,939	120,939		120,939
Halls Creek	2,066,420			2,066,420	10,480	2,055,940
Hopetoun	891,137	213,448		1,104,585	6,960	1,097,625
Kununurra	23,351		11,964,751	11,988,102	1,072,316	10,915,786
Lake Argyle			61,074	61,074		61,074
Laverton			706,254	706,254		706,254
Leonora			2,235,687	2,235,687		2,235,687
Marble Bar	337,853			337,853	1,473	336,380
Meekatharra			1,426,108	1,426,108		1,426,108
Menzies			128,522	128,522		128,522
Mount Magnet			986,525	986,525		986,525
Norseman			1,327,083	1,327,083		1,327,083
Nullagine	209,670			209,670	7,583	202,087
Onslow			1,070,432	1,070,432		1,070,432
Sandstone			170,882	170,882		170,882
Wiluna			492,822	492,822		492,822
Wittenoom	15,004			15,004	1,362	13,642
Wyndham	59,075		1,506,108	1,565,183	40,900	1,524,283
Yalgoo			178,400	178,400		178,400
NWIS			69,950,144	69,950,144		69,950,144
Total	40,145,819	611,589	123,012,266	163,769,674	2,348,112	161,421,562

Power Distributed

Sent out - GWh	163.8
Line Loss - GWh	15.5
Sold to customers - GWh	148.2

8 GLOSSARY

CAIDI	Total outage duration minutes/average number of customers.
CO₂	Carbon Dioxide.
CO₂e	Carbon Dioxide equivalent The amount of carbon dioxide that has the same global warming effect as a mixture of greenhouse gases.
GW	Gigawatt. A measure of electrical power. Equivalent to one million kilowatts.
GWh	Gigawatt-hour. One Gwh = 1000 MWh or one million kilowatt-hours.
IPP	Independent Power Producer. A company that generates electricity and provides to Horizon Power.
kV	Kilovolt One kV = 1000 volts. A volt is the unit of potential of electric pressure.
kW	Kilowatt. One kW = 1000 watts. A watt is the rate at which electrical energy is produced or used.
kWh	Kilowatt-hour. The standard unit of energy, equivalent to the consumption rate of one kilowatt for one hour. Commonly used as the 'unit' of electrical energy.
MW	Megawatt One MW = 1000 kW or one million watts.
MWh	Megawatt-hour. One MWh = 1000 kWh.
Non Interconnected System or NIS	A stand alone supply system servicing an isolated community comprising power station and distribution network.
NO_x	Nitrogen Oxides. A term used for a mixture of nitrogen oxides.
NWIS	North West Interconnected System
SAIFI	Total customers interrupted/average number of customers
SAIDI	Total duration of interruptions /average number of customers interrupted

SO₂	Sulfur Dioxide
Spinning Reserve	The amount of instantly available spare generation capacity on the system at any one moment.
SWIS	South West Interconnected System
TJ	Terajoule. One TJ = one million, million joules, or 10 ¹² joules. Used to indicate the energy content of gas.

DIRECTORS REPORT

The Board of Directors present their report on the Regional Power Corporation, trading as Horizon Power, ABN 57 955 011 697, for the reporting period 1 April 2006 to 30 June 2006.

1 THE BOARD

Role of the Board

The Board of Directors is the governing body of the Corporation and is responsible to the Minister for Energy (“the Minister”) for the performance of the Corporation.

Composition of the Board

In accordance with the *Electricity Corporations Act 2005* (the Act), Horizon Power is to have a Board of between four and six directors appointed by the Governor on the nomination of the Minister. The Chief Executive Officer may be a Director.

In making nominations for the Board, the Minister is to ensure that each nomination is made only after consultation with the Board. A majority of the Board must comprise Directors that are resident in an area of the State not serviced by the South West Interconnected System.

Directors

The following persons have been appointed as the inaugural Horizon Power Board.

Brendan Hammond (Chairman)

Mr Hammond brings with him a wealth of experience as Horizon Power’s inaugural Chairman. He has worked in large mining corporations for most of his career, progressing through all levels of line management, and until recently served as Managing Director of Argyle Diamond Mines in Western Australia. He is a visionary leader with a track record of effecting large-scale organisational change.

Alan Dundas (Deputy Chairman)

Mr Dundas has accumulated more than 28 years of experience in the mining industry both in Australia and overseas, most recently with Western Mining Corporation where he has served in senior management and Board roles. He brings to Horizon Power a proven track record in management and strategic planning.

Mr Dundas is a member of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Mining and Metallurgy. He has also held company representative roles with the Chamber of Minerals and Energy in Western Australia and the Northern Territory.

Peter Yu

Mr Yu owns a consultancy company and specialises in providing strategic policy advice at the senior executive level in both the public and private sector.

He has a strong interest and involvement in Indigenous governance, and in promoting the development of commercial partnership relationships between corporate and Aboriginal interests. Past roles have included positions with the Kimberley Land Council and the Kimberley Development Commission.

His current positions include Chairman of the Aboriginal Housing and Infrastructure Council (WA) and Board member of the State Housing Commission, Lingiari Foundation and Lingiari Policy Centre. He also serves on the Board of Trustees for the West Australian Museum.

Susan Bradley

Ms Bradley's extensive business and community experience in the Kimberley has included owning and operating cattle stations, farms on the Ord Irrigation Area and a caravan park in Kununurra.

She has lived in the Kimberley for more than 35 years and held positions including the Wyndham-East Kimberley Shire President, Chair of the Ord Development Study, Inaugural Chairman of the Kimberley Development Commission and Chair of the Kimberley Regional Water Resources Development Study. She is a Justice of the Peace, a Civil Marriage Celebrant and a member of the Children's Court.

Ms Bradley is presently General Manager of two North Kimberley Dunkeld Pastoral Company Pty.Ltd. properties, and Ellenbrae Station Pty.Ltd. She is a Director of the Kimberley Foundation Australia Ltd.

Tony Chilvers

Mr Chilvers is a solicitor with his own Karratha-based legal practice. He has lived and worked in the North West of Western Australia for more than 22 years and has a demonstrated knowledge of the concerns and interests of both residents and small businesses in the region.

Mr Chilvers has a strong commitment to the development of the Pilbara region, and to improving services and benefits to the communities in the North West.

Rod Hayes (Managing Director)

Mr Hayes comes to Horizon Power with almost ten years of experience in Australia's utilities sector and a record of strong and dynamic leadership.

Before joining Horizon Power, he served for more than three years as the Chief Executive Officer of the Gladstone Area Water Board, a government-owned commercialised business servicing one of Queensland's biggest coastal cities.

As Chief Executive, Mr Hayes led the utility through its biggest challenge – transforming the organisation from an engineering-focused utility to a progressive business focused on commercial returns. Mr Hayes also brings previous experience in senior management roles in the electricity sector, after spending several years with Tasmanian electricity distribution and retail company Aurora Energy.

Mr Hayes is a Fellow of the Australian Institute of Management.

Company Secretary

Peter Feldhusen

Mr Feldhusen is Horizon Power's Manager Corporate Services. He has held Board, Secretarial, Financial and Operating Management positions in a number of mining, legal and utility organisations. Mr Feldhusen joined Horizon Power from Western Power where he held the position of Manager Finance and Corporate Services for the Regional Business Unit, before which he was Manager Risk Assurance and Audit for Western Power Corporation.

Attendance at Board Meetings

The Board meets bi-monthly.

	Board Meetings	
	A	B
Mr Brendan Hammond (Chairman)	6	6
Mr Alan Dundas (Deputy Chairman)	6	6
Mr Peter Yu	6	6
Ms Susan Bradley	6	6
Mr Anthony Chilvers	6	6
Mr Rod Hayes	6	6

A - Number of meetings attended.

B - Number of meetings eligible to attend during the time the Director held office during the year.

2 AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee (ARMC) is a Committee of the Board of Directors of Horizon Power. The Committee's role is to assist the Board to discharge its responsibility of oversight and corporate governance of the organisation. In doing so, the Committee is responsible to the Board. A specialist adviser, Angela Riley, who has a strong financial and auditing background, chairs the Committee.

Directors Alan Dundas and Peter Yu make up the membership of the ARMC.

A key role of the Committee is to provide reasonable assurance to Directors that Horizon Power's core business goals and objectives are being achieved in an efficient and economical manner, within an appropriate framework of internal control and risk management.

Financial Reporting

The Audit and Risk Management Committee performs an overview function in financial reporting as follows:

- Consider the appropriateness of Horizon Power's accounting policies and principles.
- Assess significant estimates and judgements in the financial reports.
- Review management's process for ensuring compliance with laws, regulations and other requirements relating to the external reporting of Horizon Power.
- Assess information from the internal and external auditors regarding the quality of financial reports.
- Review the management of Treasury operations.

Internal Control and Risk Management

The ARMC provides oversight of the identification of risks and threats to Horizon Power, and the processes by which those risks and threats are managed. The Committee also assesses and adds value to Horizon Power's corporate governance, including its systems of internal control and internal audit function.

ARMC Meetings Attended

	Audit and Risk Management Committee Meetings	
	A	B
Mr Alan Dundas	2	2
Mr Peter Yu	2	2
Angela Riley *	2	2

A - Number of meetings attended.

B - Number of meetings eligible to attend during the time the Director held office during the year.

* Specialist Adviser to the Board appointed to enable the Board to prudently discharge its Audit and Risk obligations.

3 REVIEW OF OPERATIONS DURING THE YEAR

Principal Activities

The principal functions of Horizon Power are:

- to generate, purchase or otherwise acquire electricity from sources of energy, including renewable sources;
- to manage, plan, develop, expand, enhance, improve and reinforce electricity transmission and distribution systems, and provide and improve electricity transmission and distribution services; and
- to supply to consumers electricity and services which improve the efficiency of electricity supply.

Horizon Power also performs other duties as described in the Act in accordance with prudent commercial principles and must endeavor to make a profit to maximise its long-term value.

Restriction on area in which Horizon Power may operate

Within Western Australia, the performance of Horizon Power's functions relating to electricity and provision of telecommunication services is limited to electricity systems in those parts of the State that are not served by the South West Interconnected System.

Financial Performance

The net loss for the three-month period ended 30 June 2006 was \$12.1 million. This outcome was within expectations established with the Government during preparations for the creation of Horizon Power. Importantly, the net loss reflects no income from the State Government during the initial three months of operations to subsidise the maintenance of uniform electricity tariffs to regional customers. It is expected that income from the Tariff Equalisation Fund (that has been established for this purpose) will commence in 2006/07.

Horizon Power ended the period with capital employed of \$301.8 million, a small increase of \$0.7 million over the three months. Included in capital employed are interest-bearing liabilities of \$201.3 million, an increase of \$11.4 million since 1 April 2006. Again, this increase was within expectations. The ratio of interest-bearing liabilities to capital employed as at 30 June 2006 was 66.7%.

Expenditure on capital work activity was \$7.0 million during the three months. This was below expectations due to delays in the timing of some projects. The majority of activity was focused on the expansion and upgrading of the electricity networks, including interconnection of new independent power producers and undergrounding of power supplies in Port Hedland.

Further information on the operations of the business is available from the body of the attached Annual Report.

Dividends

No dividends have been paid or recommended in respect of the three month period ended 30 June 2006.

Significant Changes in Horizon Power's State of Affairs

In the opinion of the Director's, there were no significant changes in the Corporation's state of affairs during the reporting period.

Significant Events after Balance Date

- Around midnight on Saturday 26 August, power supply was cut from Ord Hydro power station that supplies electricity to Horizon Power for distribution to the East Kimberley communities of Wyndham, Kununurra and Lake Argyle Village. The Ord hydro power station was flooded and supplies to these communities has been provided by Horizon Power back-up supplies since. At time of reporting, it was not clear how soon the situation would return to normal. The additional cost of providing back-up supplies is estimated at over \$1 million per month.

Except for the items discussed above, no other matter or circumstance has arisen after 30 June that has significantly affected or may significantly affect:

- (i) Horizon Power's operations in future financial years;
- (ii) the results of those operations in future financial years; or
- (iii) Horizon Power's state of affairs in future financial years.

Likely Developments and Future Results

The most significant future developments for the Corporation are noted below.

Horizon Power is on track to decommission its power stations in Exmouth, Broome, Derby, Fitzroy Crossing, Halls Creek and Looma during the course of the next financial year. It will then purchase its electricity requirements in these towns from new power stations being established by Independent Power Producers, as part of the Regional Power Procurement Program.

Horizon Power is preparing to assume responsibility for the supply, distribution and retailing of electricity in Coral Bay, Warmun and a number of other Aboriginal communities as part of Government commitments to improve power supplies to those communities.

Environmental Regulation and Performance

Horizon Power acts responsibly to ensure compliance to all state and federal environmental Acts and regulations that apply.

The main environmental legislation that impacts on its operation is the *Environmental Protection Act 1986*. This is an Act of the Western Australian parliament and gives rise to many regulations with the main ones referred to below.

(Controlled Waste) Regulations 2004 specifies that certain wastes (used lube oil, transformer oil, interceptor wastes, oil filters, lead-acid batteries, etc) are carried only by licensed carriers and that any facility that regularly produces them has a generator identification number. Horizon Power employs two experienced companies to perform this service, Nationwide and Intercon Logistics.

(Noise) Regulations 1997. Until recently, Horizon Power (and previously Western power) was operating several regional power stations under exemption from these regulations. The exemptions were provided whilst Horizon Power / Western Power has been conducting the Regional Power Procurement Program (commenced 1998), which aims to replace or upgrade the non-conforming power stations with more modern, efficient and environmentally friendlier facilities.

Other state and federal regulations and Acts that Horizon Power operates to, but which have a lesser impact on the business include:

- *(Unauthorized Discharge) Regulations 2004;*
- *Contaminated Sites Act 2003* (soon to be proclaimed);
- *Dangerous Goods Safety Act 2004;*
- *Explosive and Dangerous Goods Act 1961;* and
- *Environmental Protection and Biodiversity Conservation Act 1999.*

Horizon Power has site-specific licenses to operate power stations at Broome, Derby and Carnarvon. These licenses contain specific requirements that must be met in order to continue operating. The conditions include reporting air emissions, testing stacks annually for emissions, guidelines for storing liquid fuels and chemicals and supplying an annual report to the Department of Environment and Conservation on power station operations.

Code of Conduct

Horizon Power has introduced a Code of Conduct, (available at www.horizonpower.com.au) which sets down standards for ethical and professional behavior for employees (including Directors). It sets out the fundamental values, which form the basis of, and underpins, Horizon Power's business relationships.

The Code abides by standards established by the Commissioner for Public Standards.

No breaches of the Code were recorded during the reporting period.

4 REMUNERATION REPORT

Principles used to determine remuneration.

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

Key Management Personnel Remuneration

Managing Director

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

Non-Executive Directors

Payment to non-executive directors consists of base remuneration and superannuation.

Managing Director and Executives

The managing director and executives compensation framework is based upon total target remuneration that includes:

Total fixed remuneration structured with:

- Cash;
- Selection of prescribed non-financial benefits;
- Superannuation; and
- Cost of the fringe benefit tax.

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

Annual At Risk Remuneration (ARR) Element

At the Board's discretion, with the concurrence of the Minister, the Managing Director and General Managers are eligible for incentive payments for achievement of specific performance targets covering Horizon Power's major measurable outcomes, in line with the Strategic Development Plan Balanced Scorecard of key performance indicator's including:

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

The first determination of ARR will be for the 15-month period ending on 30 June 2007.

Details of Compensation

Non-executive directors' remuneration 30 June 2006	Primary			Post-employment			Total
	Salary & fees	Bonus	Non-monetary	Super-annuation	Pre-scribed benefits	Other	
	\$	\$	\$	\$	\$	\$	
B Hammond (*)	39,308	-	166	3,552	-	-	43,026
A Dundas	14,847	-	166	1,350	-	-	16,363
P Yu	11,249	-	-	1,013	-	-	12,262
S Bradley	11,096	-	166	1,013	-	-	12,275
T Chivers	11,249	-	-	1,013	-	-	12,262
TOTAL	87,749	-	498	7,941	-	-	96,188

Executives' remuneration 30 June 2006	Primary			Post-employment			Total
	Salary & fees	Bonus	Non-monetary	Super-annuation	Pre-scribed benefits	Other	
	\$	\$	\$	\$	\$	\$	
R Hayes	76,248	-	16,741	12,600	-	-	105,589
T Cocks	31,203	-	7,658	7,184	-	-	46,045
M Laughton-Smith	42,514	-	166	6,582	-	-	49,262
D McDonald	50,674	-	16,583	6,517	-	-	73,774
D Martin	30,436	-	500	3,177	-	-	34,113
F Tudor	44,996	-	-	4,049	-	-	49,045
Z Wilk	38,726	-	13,493	6,562	-	-	58,781
TOTAL	314,797	-	55,141	46,671	-	-	416,609

(*) B Hammond (Chairman) was appointed in December 2005. In April 2006 he received payment of directors fees for services rendered in February and March 2006.

The non-executive directors of Horizon Power during the period were:

- B Hammond - Chairman
- A Dundas – Deputy Chariman
- P Yu – Director
- S Bradley - Director
- T Chilvers - Director

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

- R Hayes – Managing Director
- T Cocks – General Manager Finance & Corporate Services
- M Laughton-Smith – General Manager Generation & Technical Services
- D McDonald – General Manager Retail
- D Martin – General Manager Public Affairs
- F Tudor – General Manager Commercial & Strategy
- Z Wilk – General Manager Network Customer Services

5 STATE RECORDS ACT 2000

Horizon Power maintains and supports quality record-keeping practices in its day-to-day business activities.

The function of managing records resides within the Finance and Corporate Services Division of Horizon Power. During the disaggregation of Western Power, those record-keeping systems and records relevant to the new Horizon Power business were transferred from Western Power together with a copy of Western Power's approved Record-Keeping Plan. This plan remains in force until updated and submitted to the State Records Office by Horizon Power within the required timeframe.

The record-keeping plan ensures all records are managed according to the requirements of the State Records Act 2000 and demonstrates an ongoing commitment to the training of staff in record-keeping principles and practices. Record-keeping systems and practices are regularly reviewed to ensure their efficiency and effectiveness.

6 WESTERN AUSTRALIAN ELECTORAL ACT 1907

In accordance with the requirements of Section 175ZE of the *Western Australian Electoral Act 1907*, the following information in respect to expenditures (excluding GST) incurred by, or on behalf of, Regional Power Corporation during the financial period ended 30 June 2006 is as follows:

Advertising Agencies \$11,240.59	Mindfield Group Pty Ltd
Market Research Organisations \$839.96	Rehame Australia Monitoring Service
Direct Mail Organisations \$169.55	Hermes Precisa Pty Ltd
Media Advertising Organisations \$54,874.13	Media Decisions WA Market Creations Pty Ltd TMP Worldwide Pty Ltd

7 DISABILITY ACCESS INCLUSION PLAN

Horizon Power will prepare a Disability Access and Inclusion Plan in accordance with the *Disability Services Act 1993*. The plan will facilitate the provision of accessible services, facilities and information for people with disabilities. As an interim measure, Horizon Power has adopted the Western Power Plan.

8 MINISTERIAL DIRECTION

The following Ministerial Direction was received by Western Power on 8 November 2005 and has been included in this report as the matter it applies to is relevant to the reporting period of this report.

ELECTRICITY CORPORATION ACT 1994

MINISTERIAL DIRECTION

I, Alan Carpenter MLA hereby direct, pursuant to section 66 of the *Electricity Corporation Act 1994*, Western Power not to apply under the *Electricity Industry Act 2004* for a generation licence, a distribution licence, a retail licence or an integrated regional licence (as those classifications are defined in section 4 of the *Electricity Industry Act 2004*) which if granted would apply on or after 1 July 2006 to the town of Wittenoom.

**Alan Carpenter MLA
MINISTER FOR ENERGY**

9 PUBLIC INTEREST DISCLOSURES

As a new organisation, Horizon Power is working with a number of agencies to develop best practice processes and procedures to comply with various corporate obligations. One of these obligations is contained within the *Public Interest Disclosure (PID) Act 2003*.

The PID Act enables employees to make disclosures about improper conduct within the organisation and aims to ensure openness and accountability in government by encouraging people to make disclosures and protecting them when they do. Horizon Power supports the principles of this plan and has commenced developing appropriate procedures and processes to comply with the Act.

10 INDEMNIFICATION OF DIRECTORS AND OFFICERS

During the financial year the Directors' and Officers' Liability Insurance Policy was obtained to ensure that the Directors and Officers of the Corporation had adequate coverage. The cover will pay on behalf of the Corporation, or Directors and Officers of the Corporation, losses arising from a claim or claims made against them jointly or severally during the period of insurance by reason of any wrongful act (as defined by the policy) in the capacity of Director or Officer.

The Directors' and Officers' Liability Insurance Policy forms part of the Corporation's Third Party Liability Policy. At the date of this report no claims have been made against the Directors and Officers component of the Policy.

On behalf of the Board



BRENDAN HAMMOND
CHAIRMAN



ROD HAYES
MANAGING DIRECTOR

26 September 2006

FINANCIAL REPORT

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Regional Power Corporation (trading as Horizon Power), we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Corporation are in accordance with Schedule 4 of the Electricity Corporations Act 2005, including:
 - (i) giving a true and fair view of the Corporation's financial position as at 30 June 2006 and of its performance for the three month period ended on that date; and
 - (ii) complying with Accounting Standards, Urgent Issues Group Interpretations and Corporations Regulations; and
- (b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

On behalf of the Board



BRENDAN HAMMOND
CHAIRMAN



ROD HAYES
MANAGING DIRECTOR

26 September 2006



AUDITOR GENERAL

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

To the Parliament of Western Australia

Audit Opinion

In my opinion, the financial report of the Regional Power Corporation (trading as Horizon Power) is in accordance with:

- (a) Schedule 3 of the Electricity Corporations Act 2005, including:
 - (i) giving a true and fair view of the Corporation's position at 30 June 2006 and of performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards in Australia; and
- (b) other mandatory professional reporting requirements in Australia.

Scope

The Board of Directors is responsible for the financial report.

The financial report consists of the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, accompanying Notes and Directors' Declaration.

Summary of my Role

As required by the Electricity Corporations Act 2005, I have independently audited the financial report to express an opinion on it. This was done by testing selected samples of the evidence. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

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

A handwritten signature in black ink, appearing to read 'D D R Pearson'.

D D R PEARSON
AUDITOR GENERAL
27 September 2006

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 APRIL 2006 TO 30 JUNE 2006