



Annual Report 2007/08



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Chair and Executive Report

This year has seen a transition for the Independent Market Operator (IMO) from the implementation phase of the Wholesale Electricity Market in Western Australia to an operational role.

While the Reserve Capacity Mechanism of the Wholesale Electricity Market has functioned since 2005, the 2007/08 year represents the first full year of operation by the IMO of all functions of the market including the Short Term Energy Market.

The Reserve Capacity Mechanism continues to deliver sufficient capacity to meet Western Australia's impressive load growth. In 2007/08 the IMO awarded Capacity Credits to existing and new generating capacity and demand side management to meet the forecast demand for 2009/10.

Since its inception, the Wholesale Electricity Market has attracted strong interest in new generation from investors, with approximately 700 MW of new generation capacity in service and over 1100 MW of additional independent generation under construction. The share of market capacity for Verve Energy, the incumbent state-owned generator, is projected to be 60% by 2009/10, down from 90% at the start of the market.

New entry generation has delivered a diversity of plant sizes, technologies and fuel types comprising:

- 45% gas fired;
- 15% dual (gas and oil) fired;
- 25% coal fired; and
- 10% renewable.

Renewable energy capacity has doubled from 125 MW to 250 MW based on name plate capacity.

Since market commencement, six new generators and five new retailers/aggregators have either entered or are contracted to enter the Wholesale Electricity Market.

In addition, the energy trading regime of the Wholesale Electricity Market has been affected by several external disruptions and influences over the last 12 months, and has performed effectively throughout. For example, during two significant gas supply constraints during 2007/08, Market Participants suffered minimal disruption to trading and market prices continued to reflect market fundamentals.

Based on its eighteen months of experience in operating the Wholesale Electricity Market, the IMO has identified further initiatives to improve its performance as a market operator. These initiatives are:

- The IMO has recently published a market rules evolution plan that anticipates fifty five separate rule changes and proposes more than sixteen market development reviews. The IMO appreciates the strong support of the Market Advisory Committee in developing changes to the Market Rules.

- The IMO has commenced working on a development plan for the market systems that will ensure the operational risks associated with the market systems and IT infrastructure are managed effectively.

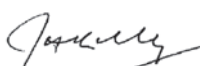
The IMO continued to prudently manage its financial performance with annual expenses of \$8,726,000 including \$2,986,000 of depreciation in 2007/08. This imposed a cost to Market Participants of 32.2 cents per megawatt hour.

As the Western Australian electricity industry evolves, so will the need for change in the Wholesale Electricity Market. The IMO believes that any fundamental change to the market in the future should be:

- signalled well in advance;
- built on the performance and successes of the current market; and
- designed to be consistent with the Market Objectives.

The successful implementation and ongoing operation of the Wholesale Electricity Market has been achieved with a significant amount of effort and support from Market Participants and stakeholders. The IMO appreciates their efforts in making the Western Australian market a more efficient place to trade.

Ms Anne Nolan, the inaugural CEO who played a significant role in the market implementation, departed during the year and was replaced, after an international search, by Mr Allan Dawson. It was also pleasing to be able to make internal appointments to replace other staff members that moved on. The strong performance of the IMO over the past year is a testament to the efforts of a very dedicated team that is strongly committed to working in the best interests of our customers, and of Western Australia.



John Kelly
Chairman



Allan Dawson
Chief Executive Officer

1. Corporate Profile

The IMO is an independent statutory authority that was established on 1 December 2004 to administer and operate the Wholesale Electricity Market of Western Australia.

The key roles and functions of the IMO are set out in the following instruments:

- Wholesale Electricity Market Rules
- *Electricity Industry (Wholesale Electricity Market) Regulations 2004*
- *Electricity Industry (Independent Market Operator) Regulations 2004*

1.1 Market Objectives

The *Electricity Industry Act 2004* sets the objectives of the Wholesale Electricity Market. These objectives are:

- To promote the economically efficient, safe and reliable production and supply of electricity and related services in the South West Inter-connected System (SWIS).
- To encourage competition among generators and retailers in the SWIS, including by facilitating efficient entry of new competitors.
- To avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions.
- To minimise the long-term cost of electricity supplied to customers from the SWIS.
- To encourage the taking of measures to manage the amount of electricity used and when it is used.

1.2 IMO Governance Framework

The IMO Board is the governing body, with authority to perform the functions, determine policies and control the affairs of the IMO.

The IMO Board is accountable to the Minister for Energy.

IMO Board members are:

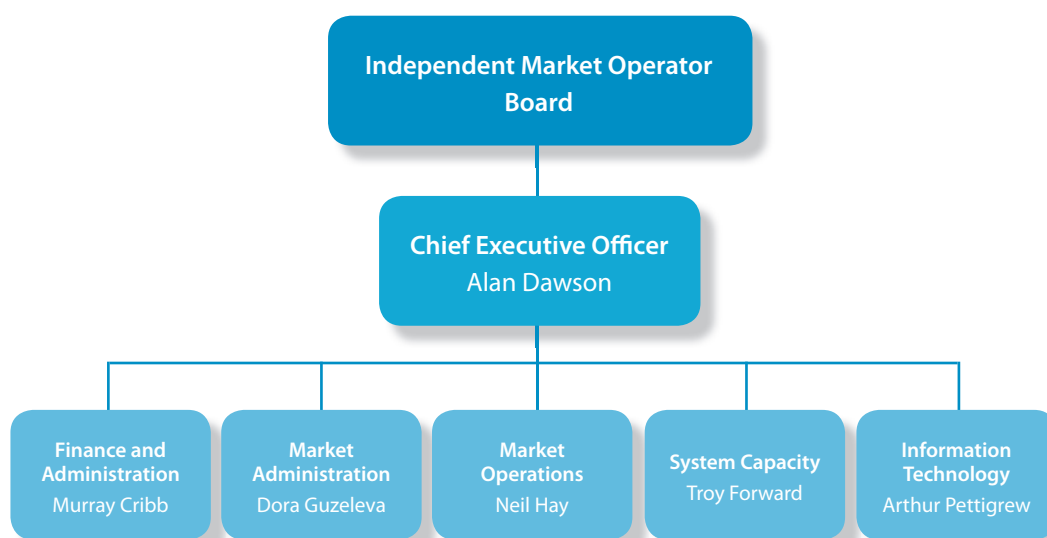
- John Kelly (Chairman);
- Shaun Dennison; and
- David Huggins.

Allan Dawson was appointed as Chief Executive Officer on 4 March 2008.

1. Independent Market Operator

1.3 IMO Organisational Structure

Figure 1. IMO Organisational Chart



1.4 Strategic Objectives

The IMO's Strategic Objectives

Operational Effectiveness and Efficiency

- The IMO team, and its systems and processes have strong integrity and operate effectively and efficiently.
- Generation and demand side management capacity is sufficient to meet demand.

Market Development

- Evolution of the Market is appropriate and is managed effectively.

Customer and Stakeholder Satisfaction

- The IMO is recognised as effectively managing its relationships and communications in support of the Market.

Financial Responsibility

- Market costs are minimised and funds are used effectively and prudently.

2. 2007/08 in Review

2.1 Key Performance Indicators 2007/08

Milestone Achievement	When	Status
Audit Certification of IMO Operations	1st quarter 2007/08	Achieved
Certification of IMO Market Systems	1st quarter 2007/08	Achieved
Satisfactorily Audited Change Control Process	1st quarter 2007/08	Achieved
Publication of Statement of Opportunities Report	July 2007	Achieved
Certification of Reserve Capacity	August 2007	Achieved
Confirmation of Certified Bilateral Capacity	August 2007	Achieved
Auction Notification (if required)	August 2007	N/A
Auction Outcomes Announced	September 2007	N/A
Reserve Capacity Target - Met	Summer 2007/08	Achieved
Reviews of Market Parameters	Within prescribed Rule timelines	Achieved
Market Development Reviews	1st and 2nd quarters of 2007/08	Achieved but not in targeted timeframes¹
Development and Delivery of Market Training Programs	4 per annum	Achieved

¹ The reserve capacity forecasting review was delayed due to the need to expand this review.

2. 2007/08 in Review

2.1 Key Performance Indicators 2007/08

Efficiency Target	Target	Outcome	Status
Market System Availability	80%	98.1%	Achieved
Market System Unscheduled Outages	<2%	1.00%	Achieved
Number of Market Suspensions	<6	1	Achieved
Number of IMO caused Settlement Errors	< 104 pa	18	Achieved
Settlement Timeline Breaches	<12	6	Achieved
Market Rule Non Compliance by the IMO	Declining	N/A	Achieved
IMO Initiation of Rule Change Time Extensions	< 15%	0%	Achieved
IMO Proposed Rule Changes proceed to Implementation	90%	100%	Achieved
Rule Changes do not cause Further Rule Amendments	100%	100%	Achieved
Trend in Market Fees	Decline in real terms	Increased	Not Achieved*
Fee Revenue Accuracy	1%	2.9%	Not Achieved**

* The IMO fee rate increased by 4.9% from 2006/07 to 2007/08. This resulted from an increase in the IMO budget from 2006/07 to 2007/08. The trend in the IMO fee rate since the market commenced operating is set out below:

Trend in IMO Fee rate	IMO Fee recovered Dollars per MWh
2006/07	\$0.307
2007/08	\$0.322
Projected for 2008/09	\$0.271

** Market fees exceeded target by 2.9%. This was influenced by stronger than forecasted electricity demand.

4. Corporate Governance

4.1 Legislative Framework

The IMO was established in December 2004 under the *Electricity Industry (Independent Market Operator) Regulations 2004*.

The IMO is a body corporate and its functions are conferred by the above Regulations, the *Electricity Industry (Wholesale Electricity Market) Regulations 2004* and the Wholesale Electricity Market Rules. It is responsible to the Minister for Energy.

The IMO is required under its Regulations to submit an operational plan for the following financial year to the Minister for Energy for approval by 30 April each year.

The Regulations exempt the IMO from the *Public Sector Management Act*, but require it to put in place minimum standards that reflect the principles of the Act and to report annually to the Commissioner for Public Sector Standards.

The IMO adopts financial reporting provisions equivalent to those of the Corporations Law and is exempt from the *Financial Management Act 2006*, but annual audits are conducted by the Auditor General in accordance with the *Auditor General Act 2006*.

4.2 Board of Directors

The IMO's governing body is a Board of three Directors appointed by, and responsible to, the Minister for Energy.

4.3 Code of Conduct and Minimum Standards

The Regulations under which the IMO operates require the Board to develop and establish minimum standards to apply to staff with regard to merit, equity and probity (IMO Human Resource Management and Development Standards), and a Code of Conduct, in consultation with the Commissioner for Public Sector Standards. The Regulations require a report to be submitted to the Minister for Energy and Commissioner for Public Sector Standards annually regarding the observance by members of staff of the Code of Conduct and the Standards.

There were no breaches of either the Human Resource Management and Development Standards or the Code of Conduct during the year.

4.4 Internal Audit

The IMO established an internal audit function during 2007/08, and adopted a Strategic Audit Plan covering the period 2008/09 – 2010/11.

4.5 Other

- The IMO is a "notifying authority" for the purposes of the *Corruption and Crime Commission Act* and the *Public Interest Disclosure Act*. There were no incidents requiring disclosure reports under this legislation during the year.
- The provisions of the *Freedom of Information Act 1992* apply to the IMO. During the year, no applications were received. A statement in accordance with the *Freedom of Information Act*, giving information about the IMO and making a Freedom of Information request is available on the IMO website.
- The State Records Commission approved the IMO's Recordkeeping Plan on 25 June 2008, satisfying the IMO's obligations under the *State Records Act 2000*.
- Under the *Electoral Act (1907)* the IMO is required to report on expenditure on advertising, market research, polling, direct mail and media advertising. Expenditure of \$17,777 was incurred on staff recruitment advertising and \$16,624 on tender advertising.
- The *Equal Opportunity Act 1994* requires the IMO to prepare and implement an equal opportunity management plan and report annually on progress with the plan. An EEO Management Plan was submitted in January 2008 and annual reporting obligations for 2007/08 were satisfied in July 2008.

5. Directors' Report

The Directors of the Independent Market Operator present their report for the 12 months to 30 June 2008.

Directors

The following were Directors of the IMO during the financial year to 30 June 2008.

John Kelly

- Appointed Director December 2004
- Appointed Chair April 2006
- Current term ends March 2009

Mr John Kelly has spent his working career in the power industry retiring from Western Power, as General Manager Distribution, in 2000. Mr Kelly was a member of the Electricity Reform Taskforce that provided a blueprint for a competitive electricity industry to Government in 2002. He became the independent member of the Electricity Reform Implementation Steering Committee.

Mr Kelly has a Bachelor of Engineering (Mechanical), a Diploma in Business Management, is a Fellow of the Institute of Engineers Australia and a graduate of the Australian Institute of Company Directors.

Shaun Dennison

- Appointed Director March 2006
- Appointed Deputy Chair June 2006
- Current term ends March 2010

Mr Shaun Dennison has had 18 years experience in corporate advisory and project management roles with a focus on energy and water sector reform. He was appointed by the electricity industry as one of two independent members of the Information Exchange Committee, established under the National Electricity Rules.

Mr Dennison has a Bachelor of Commerce and is a Member of the Australian Institute of Company Directors.

David Huggins

- Appointed Director November 2006
- Current term ends November 2008

Mr David Huggins is a lawyer specialising in financial services industry regulation and compliance. He currently has his own legal practice and has previously held positions with the Australian Stock Exchange, Australian Securities Commission and a major law firm.

Mr Huggins has a Bachelor of Laws, Bachelor of Arts, is a Barrister and Solicitor of the Supreme Court of Western Australia and is a Member of the Australasian Compliance Institute.

Directors' Meetings

Attendances by Directors at meetings held during the financial year ending 30 June 2007 were:

	Meetings Attended	Meetings Eligible
John Kelly	13	13
Shaun Dennison	13	13
David Huggins	13	13

(this includes two special Board meetings held during 2007/08)

Principal Activities

The principal activity of the IMO during the year was the operation of the Wholesale Electricity Market.

Review of Operations

The IMO has operated during the period from July 2007 to June 2008 in accordance with its obligations under the *Electricity Industry (Independent Market Operator) Regulations 2004* and the Wholesale Electricity Market Rules.

The Minister of Energy issued no Ministerial Directions to the IMO in 2007/08.

Results of Operations

The Operating Result for the IMO for the year ending 30 June 2008 was a profit of \$2.2 million. As a consequence the equity position of the IMO increased in 2007/08. This outcome was better than expected largely due to higher than expected market fee and interest revenue, lower than budgeted expenditure on contingency provisions for legal disputes and contractor engagements, and less than expected expenditure on salaries.

In accordance with the Wholesale Electricity Market Rules, the profit of \$2.2 million will be applied as an adjustment to the IMO's budgeted revenue for 2009/10, thereby reducing the level of market fees (by \$2.2 million) that will be recovered from market participants in 2009/10.

5. Directors' Report

Dividends

There were no dividends paid or declared by the IMO.

Significant Changes in the IMO's State of Affairs

There were no significant changes to the state of affairs in IMO's operating environment during the financial year under review.

Matters or Circumstances that Arose which May Affect Future Financial Years

The IMO's Directors are of the opinion that no matters or circumstances have arisen since the end of the financial year or are likely to arise that will significantly affect (or have the potential to significantly affect) the IMO's operations, the results of those operations, or the state of affairs of the IMO in the financial year subsequent to 30 June 2008.

Environmental Regulations

Environmental regulations do not impact directly on the IMO's operations.

Indemnification and Insurance of Officers

During or since the end of the financial year, the IMO has not indemnified or, apart from under the terms of the Electricity Industry (Independent Market Operator) Regulations 2004, made a relevant agreement with any present or former IMO officer or auditor for indemnifying them against a liability.

During the reporting period the IMO was issued with a Directors and Officers Liability Insurance policy, which seeks to cover the Directors, the CEO, and any employee of the IMO for costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as an officer for the IMO. In accordance with Section 15 of the Statutory Corporations (Liability of Directors) Act 1996, the IMO has written to the Minister for Energy seeking approval to pay the premium.

Emoluments

In accordance with Section 13 (c) of Schedule 3 of the Electricity Industry (Independent Market Operator) Regulations 2004, included below is the nature and amount of each element of the emolument of each Director and each of the five named officers receiving the highest emolument.

Directors' Emoluments

The Minister for Energy determines the emolument of the Board of Directors. Details of emoluments provided to Directors during 2007/08 are:

	Primary Fees	Post-employment Superannuation	Total
John Kelly	\$64,792	\$5,831	\$70,623
Shaun Dennison	\$35,885	\$3,230	\$39,115
David Huggins	\$35,885	\$3,230	\$39,115

Director Benefits

During the financial year, no Director has received or became entitled to receive a benefit other than benefits disclosed in the financial statements as emoluments or the fixed salary of a full time employee of the IMO, by reason of a contract made by the IMO with the Director or with a firm of which he/she is a member, or with an entity in which he/she has a substantial financial interest.

5. Directors' Report

Executives' Emoluments

The Board, with the approval of the Minister for Energy, determines the emolument package of the Chief Executive Officer. The Board determined the terms and conditions of the other senior executives in 2007/08 based on benchmarking with other organisations and competitive requirements.

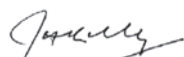
Details of emoluments provided to the named officers receiving the highest emolument during 2007/08 are:

	Salary	Post-employment Superannuation	Total
Dora Guzeleva	\$176,183	\$27,336	\$203,519
Anne Nolan*	\$162,846	\$16,560	\$179,406
Allan Dawson*	\$101,444	\$9,130	\$110,574
Patrick Peake	\$159,783	\$18,439	\$178,222
William Truscott	\$157,282	\$14,155	\$171,437
Arthur Pettigrew	\$139,169	\$24,732	\$163,901

* The previous Chief Executive Officer, Anne Nolan, resigned with effect from 7 December 2007 and was replaced by the current occupant, Allan Dawson, who commenced on 4 March 2008.

Resolution

This report is made in accordance with a resolution of the Board on 21 August 2008.



John Kelly
Chair
17 September 2008



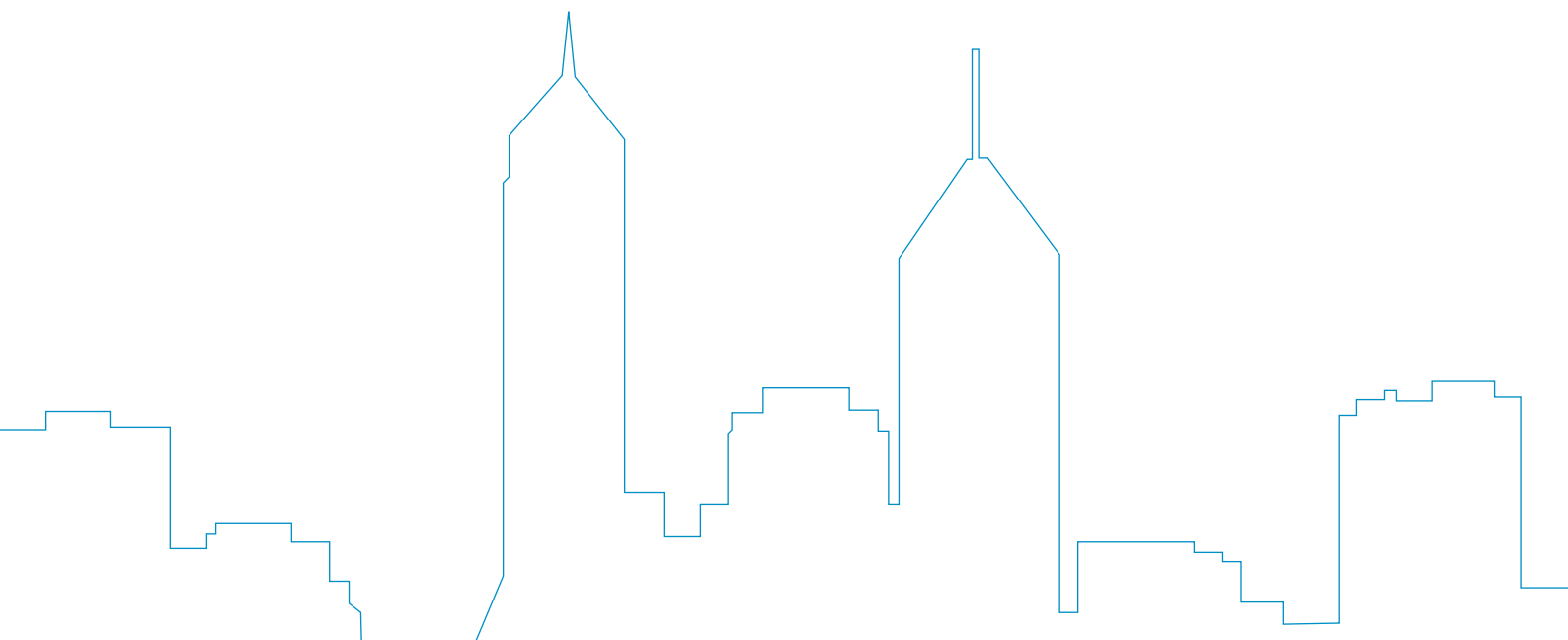
Shaun Dennison
Deputy Chair
17 September 2008

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Financial Statements

Year ended 30 June 2008



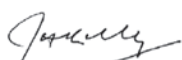
Independent Market Operator Directors' Declaration year ended 30 June 2008

The Directors declare that the financial statements and notes are in accordance with Electricity Industry (Independent Market Operator) Regulations 2004 and:

- (a) comply with Accounting Standards and the Corporations Regulations 2001; and
- (b) give a true and fair view of the financial position of the Independent Market Operator as at 30 June 2008 and of its performance for the period 1 July 2007 and 30 June 2008.

In the Directors' opinion there are reasonable grounds to believe that the Independent Market Operator will be able to pay its debts as and when they become due and payable.

This declaration has been made in accordance with a resolution of the Board of Directors.



John Kelly
DIRECTOR

17 September 2008



Shaun Dennison
DIRECTOR

17 September 2008

Independent Market Operator Income Statement year ended 30 June 2008

	Note	2008 \$000	2007 \$000
INCOME			
Revenue			
User charges and fees	3	10,657	7,706
Interest revenue	4	295	78
Other revenue	5	6	5
Total income		10,958	7,789
EXPENSES			
Expenses			
Loss on disposal of non-current assets	6	36	1
Employee benefits expense	7	2,772	2,475
Supplies and services	8	2,163	1,293
Depreciation and amortisation expense	9	2,986	1,438
Finance cost	10	388	429
Accommodation expenses	11	268	186
Other expenses	12	113	160
Total expenses		8,726	5,982
Profit for the year		2,232	1,807

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

Independent Market Operator

Balance Sheet year ended 30 June 2008

	Note	2008 \$000	2007 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	13	6,117	2,848
Receivables	14	1,729	1,743
Other assets	15	178	-
Total Current Assets		8,024	4,591
Non-Current Assets			
Property, plant and equipment	16	649	128
Intangible assets	17	4,866	6,954
Total Non-Current Assets		5,515	7,082
TOTAL ASSETS		13,539	11,673
LIABILITIES			
Current Liabilities			
Payables	18	348	640
Provisions	19	314	282
Borrowings	21	2,473	1,654
Other liabilities	20	206	-
Total Current Liabilities		3,341	2,576
Non-Current Liabilities			
Provisions	19	93	59
Borrowings	21	3,624	4,790
Total Non-Current Liabilities		3,717	4,849
Total LIABILITIES		7,058	7,425
NET ASSETS		6,481	4,248
EQUITY			
Retained earnings	22	6,481	4,248
Total EQUITY		6,481	4,248

The Balance Sheet should be read in conjunction with the accompanying notes.

Independent Market Operator

Statement of Changes in Equity for the year ended 30 June 2008

	Note	2008 \$000	2007 \$000
Balance of Equity at start of year	22	4,248	2,441
RETAINED EARNINGS			
Balance at start of year		4,248	2,441
Profit/(loss) for the year	34	2,232	1,807
Balance at end of year		6,481	4,248
Balance of Equity at end of year	22	6,481	4,248
Total income and expense for the year		2,232	1,807

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

Independent Market Operator

Cashflow Statement for the year ended 30 June 2008

	Note	2008 \$000	2007 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rendering of services		10,587	6,046
Other interest revenue		295	78
Goods and Services Tax receipts		84	41
Other receipts		6	5
Payments			
Employee benefits expense		(2,681)	(2,328)
Supplies and services		(2,269)	(1,535)
Finance cost		(388)	(429)
Accommodation expenses		(268)	(186)
Goods and Services Tax payments		(183)	70
Other expenses		(113)	(160)
Net cash provided by/(used in) Operating Activities	23 (b)	5,070	1,602
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current physical assets		(631)	(9)
Purchase of intangible assets		(823)	(3,961)
Net cash provided by/(used in) Investing Activities		(1,454)	(3,970)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from / Repayments to Borrowings		(347)	3,216
Net cash provided by/(used in) Financing Activities		(347)	3,216
Net increase/(decrease) in cash and cash equivalents		3,269	848
Cash and cash equivalents at the beginning of period		2,848	2,000
CASH AND CASH EQUIVALENT ASSETS AT THE END OF OF PERIOD	23 (a)	6,117	2,848

The Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the year ended 30 June 2008

The Independent Market Operator (IMO) was established on 1 December 2004. The IMO is a statutory corporation that was established by the Electricity Industry (Independent Market Operator) Regulations 2004 to administer and operate the Western Australian Wholesale Electricity Market.

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

(a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS), Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group (UIG) Interpretations and the Electricity Industry (Independent Market Operator) Regulations 2004.

In preparing these financial statements the IMO has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

The Australian Accounting Interpretations are adopted through AASB 1048 'Interpretation and application of Standards' and are classified into those corresponding to IASB Interpretations and those only applicable in Australia.

The AASB has decided to maintain statements of accounting concepts (SAC 1 and SAC 2) and has continued to revise and maintain accounting standards and the interpretations that are of particular relevance to the Australian environment, especially those that deal more specifically with not-for-profit entity issues and/or do not have an equivalent IASB Standard or Interpretation.

(b) Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention.

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

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

(c) Reporting Entity

The reporting entity is the Independent Market Operator.

(d) Income

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

User charges and fees

Revenue from rendering services and licenses is recognised when the IMO has delivered the service or issued the licence.

Interest

Interest revenue includes interest on moneys held on deposit with financial institutions and is recognised as it accrues.

Gains

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

Notes to the Financial Statements for the year ended 30 June 2008

(e) Income Tax

The IMO is established under the Electricity Industry (Independent Market Operator) Regulations 2004 and is provided sole provider status under Clause 19 of the Electricity Industry (Wholesale Electricity Market) Regulations 2004. Furthermore, the IMO is a not for profit organization and operates on a cost recovery basis. As a result, the IMO is not listed as a national tax equivalent regime ("NTER") and is not required to pay PAYG tax equivalents to the Treasurer.

(f) Borrowing Costs

Borrowing costs for qualifying assets are capitalised net of any investment income earned on the unexpected portion of the borrowings. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

(g) Property, Plant and Equipment

Capitalisation/Expensing of assets

Items of property, plant and equipment costing \$1,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than \$1,000 are expensed direct to the Income Statement (other than where they form part of a group of similar items which are significant in total).

Initial recognition and measurement

All items of property, plant and equipment are initially recognised at cost.

For items of property, plant and equipment acquired at no cost or for nominal cost, cost is their fair value at the date of acquisition.

Subsequent measurement

After recognition as an asset, the IMO uses the cost model for the measurement of property, plant and equipment. Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation on other assets is calculated using the straight-line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Furniture and equipment	5 years
Computer equipment	3 years
Leasehold improvements	10 years

(h) Intangible Assets

Capitalisation/Expensing of assets

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$5,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred of less than \$5,000 are immediately expensed directly to the Income Statement.

All acquired and internally developed intangible assets are initially measured at cost. For assets acquired at no cost or for nominal cost, cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Notes to the Financial Statements for the year ended 30 June 2008

(h) Intangible Assets (cont)

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight-line basis using rates which are reviewed annually. All intangible assets controlled by the IMO have a finite useful life and zero residual value. The expected useful lives for each class of intangible asset are:

Software 3 to 5 years

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

(i) Impairment of Assets

Property, plant and equipment and intangible assets are tested for any indication of impairment at each balance sheet date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the IMO is a not-for profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at each balance sheet date irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at each balance sheet date.

(j) Leases

The IMO has entered into operating lease arrangement for office accommodation where the lessors effectively retain all the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Income Statement over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

(k) Financial Instruments

The IMO has two categories of financial instrument:

- Financial assets (includes cash and cash equivalents, term deposits, receivables); and
- Non-trading financial liabilities (payables, WATC borrowings).

Initial recognition and measurement is at fair value. The transaction cost or face value is equivalent to the fair value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

Notes to the Financial Statements for the year ended 30 June 2008

(l) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise of cash on hand and short-term deposits with term of one month that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(m) Receivables

Receivable are recognised at the amounts receivable, as they are due for settlement no more than 30 days from the date of recognition.

The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written off. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the IMO will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

(n) Payables

Payables are recognised when the IMO becomes obliged to make future payments as a result of a purchase of assets or services at the amounts payable. The carrying amount is equivalent to fair value, as they are generally settled within 30 days.

(o) Borrowings

All loans are initially recognised at cost, being the fair value of the net proceeds received. Subsequent measurement is at amortised cost using the effective interest rate method.

(p) Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date.

(i) Provisions – Employee Benefits

Annual Leave and Long Service Leave

The liability for annual and long service leave expected to be settled within 12 months after the end of the balance sheet date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the end of the balance sheet date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the balance sheet date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted to present value using market yields at the balance sheet date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the IMO does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Superannuation

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new

Notes to the Financial Statements for the year ended 30 June 2008

(i) Provisions – Employee Benefits (cont)

Superannuation (cont)

members, or to the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension or the GSS Schemes became non contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). Both of these schemes are accumulation schemes. The Authority makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESBS Schemes.

The Pension Scheme and the pre-transfer benefit for employees who transferred to the GSS Scheme are defined benefit schemes. These benefits are wholly unfunded and the liabilities for future payments are provided for at balance sheet date. The liabilities under these schemes have been calculated separately for each scheme annually by Actuaries Mercer Human Resources Consulting using the projected unit credit method.

The expected future payments are discounted to present value using market yields at the balance sheet date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The GSS Scheme, the WSS Scheme, and the GESBS Scheme, where the current service superannuation charge is paid by the Authority to the GESB, are defined contribution schemes. The liabilities for current service superannuation charges under the GSS Scheme, the WSS Scheme, and the GESBS Scheme are extinguished by the concurrent payment of employer contributions to the GESB.

The Gold State Superannuation Scheme is a defined benefit scheme for the purposes of employees and whole of government reporting. However, from an agency perspective, apart from the transfer benefits, it is a defined contribution plan under AASB 119.

(ii) Provisions – Other

Employment On-Costs

Employment on-costs, including workers' compensation insurance and payroll tax, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred.

Employment on-costs are included as part of the IMO's 'Other expenses – employment on costs' and are not included as part of the IMO's 'Employee benefits expense' and the related liability is included in Employment on-costs provision.

(q) Accrued Salaries

Accrued salaries (refer note 20 'Other current liabilities') represent the amount due to staff but unpaid at the end of the financial year, as the pay date for the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a few days of the financial year-end. The IMO considers the carrying amount of accrued salaries to be equivalent to the net fair value.

(r) Comparative Figures

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

Notes to the Financial Statements for the year ended 30 June 2008

2. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The IMO has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2007:

1. AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]'). This Standard requires new disclosures in relation to financial instruments and while there is no financial impact, the changes have resulted in increased disclosures, both quantitative and qualitative, of the IMO's exposure to risks, including enhanced disclosure regarding components of the IMO's financial position and performance, and changes to the way of presenting certain items in the notes to the financial statements.

Future impact of Australian Accounting Standards not yet operative

The IMO cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation. Consequently, the IMO has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued but are not yet effective. These will be applied from their application date:

New or revised requirement	Effective for annual reporting periods beginning/ending on or after
AASB 101 'Presentation of Financial Statements' (September 2007). This Standard has been revised and will change the structure of the financial statements. These changes will require that owner changes in equity are presented separately from nonowner changes in equity. The IMO does not expect any financial impact when the Standard is first applied.	Beginning 1 January 2009. It is not expected the adoption of this standard will have a material effect to the IMO.
<p>Review of AAS 27 'Financial Reporting by Local Governments', 29 'Financial Reporting by Government Departments' and 31 'Financial Reporting by Governments'. The AASB has made the following pronouncements from its short term review of AAS 27, AAS 29 and AAS 31:</p> <p>AASB 1004 'Contributions' (December 2007). AASB 1050 'Administered Items' (December 2007). AASB 1051 'Land Under Roads' (December 2007). AASB 1052 'Disaggregated Disclosures' (December 2007).</p> <p>AASB 2007-9 'Amendments to Australian Accounting Standards arising from the review of AASs 27, 29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137] (December 2007).</p> <p>Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities (December 2007). The existing requirements in AAS 27, AAS 29 and AAS 31 have been transferred to the above new and existing topic-based Standards and Interpretation. These requirements remain substantively unchanged. AASB 1050, AASB 1051 and AASB 1052 only apply to government departments. The other Standards and Interpretation make some modifications to disclosures and provide additional guidance (for example, Australian Guidance to AASB 116 'Property, Plant and Equipment' in relation to heritage and cultural assets has been introduced), otherwise, there will be no financial impact.</p>	<p>Beginning 1 January 2009.</p> <p>It is not expected the adoption of this standard will have a material effect to the IMO.</p>

Accounting standards and interpretations which clearly will not have an impact on the IMO have not been included in the above analysis.

Notes to the Financial Statements for the year ended 30 June 2008

	2008 \$000	2007 \$000
3. User charges and fees		
Regulatory charge – registration fees	10	23
Regulatory charge – market fees	10,647	7,681
Regulatory charge - miscellaneous	-	2
	10,657	7,706
4. Interest revenue		
Interest on operating bank account	295	78
	295	78
5. Other revenue		
Other revenue	6	5
	6	5
6. Net gain/(loss) on disposal of non-current assets		
<u>Cost of Disposal of Non-Current Assets</u>		
Computer equipment	-	(1)
Office fitout	(36)	
<u>Proceeds from Disposal of Non-Current Assets</u>		
Computer equipment	-	-
Net Gain/(Loss)	(36)	(1)

Notes to the Financial Statements for the year ended 30 June 2008

	2008	2007
	\$000	\$000
7. Employee benefits expense		
Wages and salaries (a)	2,412	2,005
Superannuation – defined contribution plans	187	102
Superannuation – defined benefit plans	154	156
Annual Leave (b)	(10)	163
Long Service Leave (b)	29	49
	2,772	2,475

a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component.

b) Includes a superannuation contribution component.

Employment on-costs such as workers' compensation insurance are included at note 12 'Other Expenses'. The employment on-costs liability is included at note 19 'Provisions'.

8. Supplies and services

Communications	11	14
Data processing costs	35	3
Consultant and contractors	1,615	981
Recruitment costs (a)	130	41
Consumables	35	28
Insurance	47	55
Legal fees	93	63
Motor vehicle expenses	-	(3)
Travel	52	46
Other	145	65
Total (b), (c)	2,163	1,293

a) Increase in recruitment costs influenced by recruitment of replacement Chief Executive Officer in 2007/08.

b) Increase in 2007/08 over 2006/07 influenced by full year of market operations in 2007/08 compared to part year in 2006/07 (market commenced operating in September 2006).

c) Total expenditure of \$2,163,000 in 2007/08 was a saving of \$1,426,000 against the approved budget of \$3,589,000. Further detail is provided at Note 34.

Notes to the Financial Statements for the year ended 30 June 2008

	2008 \$000	2007 \$000
9. Depreciation and amortisation expense		
Depreciation		
Computer equipment	50	22
Office equipment	10	6
Furniture & fittings	1	-
Office fitout	14	2
Total depreciation	75	30
Amortisation		
Computer software	2,911	1,408
Total amortisation	2,911	1,408
Total depreciation and amortisation	2,986	1,438
10. Finance costs		
Interest on borrowings	388	429
	388	429
11. Accommodation expenses		
Lease rental and other accommodation expenses	263	178
Repairs and maintenance	2	3
Cleaning and security	3	5
	268	186
12. Other expenses		
Employment on-costs	-	22
Software maintenance	12	68
Repairs and maintenance	2	1
Other expenses	99	69
	113	160

Notes to the Financial Statements for the year ended 30 June 2008

	2008 \$000	2007 \$000
13. Cash and Cash Equivalents		
Cash at bank	1,487	2,848
Operating term deposit	4,630	-
	6,117	2,848
14. Receivables		
Current		
Accrued revenue	1,706	1,659
GST receivable - ATO	-	84
Trade debtors	23	-
	1,729	1,743
<i>Credit risk</i>		
Ageing of trade debtors past due but not impaired based on the information provided, at the balance sheet date:		
No more than 3 months	18	-
More than 3 months but less than 6 months	5	-
More than 6 months but less than 1 year	-	-
More than 1 year	-	-
	23	-
15. Other assets		
Current		
Prepayments	178	-
	178	-

Notes to the Financial Statements for the year ended 30 June 2008

16. Property, plant and equipment

Plant & equipment

At cost

85 43

Accumulated depreciation

(21) (11)

64 32

Furniture & fittings

At cost

- 1

Accumulated depreciation

- -

- 1

Computer equipment

At cost

201 87

Accumulated depreciation

(81) (32)

120 55

Office fit-out

At cost

475 42

Accumulated depreciation

(10) (2)

465 40

Works in progress

Leasehold improvement at cost

- -

- -

Total

At cost

761 173

Accumulated depreciation

(112) (45)

649 128

Notes to the Financial Statements for the year ended 30 June 2008

Reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the reporting period are set out below:

	Plant & equipment	Furniture & fittings	Computer equipment	Office Fitout	Works in Progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000
2008						
Carrying amount at start of year	32	1	55	40	-	128
Additions	42	-	115	475	-	632
Disposal	-	(1)	-	(36)	-	(37)
Depreciation	(10)	-	(50)	(14)	-	(74)
Carrying amount at end of year	64	-	120	465	-	649
2007						
Carrying amount at start of year	20	1	42	-	86	149
Additions	18	-	35	42	(86)	9
Disposal	-	-	(1)	-	-	(1)
Depreciation	(6)	-	(21)	(2)	-	(29)
Carrying amount at end of year	32	1	55	40	-	128

There were no indication of impairment of plant and equipment at 30 June 2008.

2008	2007
\$000	\$000

17. Intangible assets

Computer software

At cost	9,185	8,362
Accumulated amortisation	(4,319)	(1,408)
	4,866	6,954

Notes to the Financial Statements for the year ended 30 June 2008

	2008 \$000	2007 \$000
Reconciliation		
<i>Computer Software</i>		
Carrying amount at start of year	6,954	4,401
Additions	823	3,961
Disposal	-	-
Depreciation	(2,911)	(1,408)
Carrying amount at end of year	4,866	6,954

There were no indications of impairment to intangible assets at 30 June 2008.

18. Payables

<i>Current</i>		
Trade payable	305	3
Salaries and Other expenses	77	490
Sundry creditors	2	-
GST payable	(36)	147
	348	640

19. Provisions

Current

Employee benefits provision

Annual leave (a)	246	227
Long service leave (b)	51	52
	297	279

Other provisions

Employment on-cost (c)	17	3
	17	3
	314	282

Non-Current

Employee benefits provision

Long service leave (b)	88	58
	88	58

Other provisions

Employment on-cost (c)	5	1
	5	1
	93	59

Notes to the Financial Statements for the year ended 30 June 2008

	2008	2007
	\$000	\$000
(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after balance sheet date. Assessments indicate that actual settlement of the liabilities will occur as follows:		
Within 12 months of balance sheet date	148	130
More than 12 months from the balance sheet date	98	97
	246	227
(b) Assessments indicate that actual settlement of the liabilities will occur as follows:		
Within 12 months of balance sheet date	51	46
More than 12 months from the balance sheet date	88	64
	139	110
(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation premiums and payroll tax. The associated expense is included at note 12.		

20. Other Liabilities

Current		
Other – Market Participants	206	-
	206	

21. Borrowings

WA Treasury Corporation Loan:		
Current	2,473	1,654
Non-current	3,624	4,790
Total	6,097	6,444

Borrowings are short term cash advances and fixed rate term Australian Dollar loans from Western Australian Treasury Corporation with the weighted average interest rate of 6.25%.

Notes to the Financial Statements for the year ended 30 June 2008

	2008 \$000	2007 \$000
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22. Equity

Equity represents the residual interest in the net assets of the IMO. The Government holds the equity interest in the IMO on behalf of the community.

Retained earnings

Balance at start of year	4,248	2,441
Result for the period	2,232	1,807
Balance at end of year	6,481	4,248

23. Notes to the Cash Flow Statement

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

Cash and cash equivalents	6,117	2,848
	6,117	2,848

(b) Reconciliation of profit to net cash flows provided by operating activities

Profit for the period	2,232	1,807
Non-cash items		
Depreciation and amortisation expense	2,986	1,438
Loss on disposal of assets	36	-
(Increase)/decrease in assets:		
Receivable	(70)	(1,659)
Other current assets	34	39
Increase/(decrease) in liabilities:		
Payables	92	(82)
Provisions	91	156
Other liabilities	(232)	(208)
Change in GST receivable/(payable)	84	505
Net GST receipts/(payments)	(183)	(394)
Net cash provided by/(used in) operating activities	5,070	1,602

Notes to the Financial Statements for the year ended 30 June 2008

	2008 \$000	2007 \$000
24. Commitments		
(a) Lease commitments		
Commitments in relation to leases contracted for at the balance sheet date but not recognised in the financial statements as liabilities are payable as follows:		
- Within one year	140	132
- Later than one year and not later than five years	367	570
- Later than 5 years	-	259
	507	961
Representing:		
- Non-cancellable operating leases	507	961
	507	961
(b) Capital expenditure commitments		
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Intangible assets		
- Within 1 year	-	383
	-	383
The capital commitments include amounts for:		
Wholesale Electricity Market System	-	383
	-	383

25. Contingent liabilities and contingent assets

The IMO has no contingent liabilities and contingent assets as at balance sheet date.

26. Events occurring after the balance sheet date

The IMO is unaware of any event occurring after balance sheet date that would materially affect the financial statements.

Notes to the Financial Statements for the year ended 30 June 2008

27. Financial instruments

(a) Financial Risk Management Objective and Policies

Financial instruments held by the IMO are cash and cash equivalents, receivables, payables and borrowings. The IMO has limited exposure to financial risks. The IMO's overall risk management program focuses on managing the risks identified below.

Credit risk

The IMO trades only with recognised, creditworthy third parties. The IMO has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the IMO's exposure to bad debts is minimal. There are no significant concentrations of credit risk.

Liquidity risk

The IMO has appropriate procedures to manage cash flows by monitoring forecast to ensure that sufficient funds are available to meet its commitments.

Market risk

The IMO exposure to market risk for changes in interest rates relate primarily to the long- term debt obligations. The IMO's borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are at fixed rates with varying maturities. The risk is managed by WATC through portfolio diversification and variation in maturity dates. Otherwise, the IMO is not exposed to interest rate risks.

(b) Financial Instrument Disclosures

Interest rate risk exposure

The following table details the IMO's exposure to interest rate risk as at the balance sheet date:

	Weighted Average Effective Interest Rate	Fixed Interest	Variable Interest Bearing	Non-Interest Bearing	Total
2008	%	\$000	\$000	\$000	\$000
<i>Financial Assets</i>					
Cash and cash equivalents	7.05	-	6,116	1	6,117
Receivables	N/a	-		1,729	1,729
		-	6,116	1,730	7,846
<i>Financial Liabilities</i>					
Payables	N/a	-	-	59	59
Borrowings	6.25	6,097	-	-	6,097
		6,097	-	59	6,156

Notes to the Financial Statements for the year ended 30 June 2008

	Weighted Average Effective Interest Rate	Fixed Interest Bearing	Variable Interest Bearing	Non-Interest Bearing	Total
2007	%	\$000	\$000	\$000	\$000
<i>Financial Assets</i>					
Cash and cash equivalents	5.75	-	2,848	-	2,848
Receivables	N/a	-	-	1,743	1,743
		-	2,848	1,743	4,591
<i>Financial Liabilities</i>					
Payables	N/a	-	-	150	150
Borrowings	6.03	6,444	-	-	6,444
		6,444	-	150	6,594

Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the IMO's financial assets and liabilities at the balance sheet date on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	Carrying amount	-1% change		+1% change	
		Profit	Equity	Profit	Equity
2008	\$000	\$000	\$000	\$000	\$000
<i>Financial Assets</i>					
Cash and cash equivalents	6,116	(61)	(61)	61	61
Total increase/(decrease)		(61)	(61)	61	61

	Carrying amount	-1% change		+1% change	
		Profit	Equity	Profit	Equity
2007	\$000	\$000	\$000	\$000	\$000
<i>Financial Assets</i>					
Cash and cash equivalents	2,848	(28)	(28)	28	28
Total increase/(decrease)		(28)	(28)	28	28

Borrowings are short term cash advances and fixed term loans and are excluded from the sensitivity analysis.

Notes to the Financial Statements for the year ended 30 June 2008

	2008	2007
	\$000	\$000

Fair Values

All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in Note 2 to the financial statements.

28. Key management personnel compensation

(a) Directors' remuneration

Total fees, salaries, employer's contributions to superannuation and fringe benefits received or due and receivable for the financial year by:

John Kelly (Chairman)	71	71
David Huggins (Director)	39	23
Shaun Dennison (Director)	39	39
Danielle McGrath (Director)	-	3
	149	136

Danielle McGrath resigned as a Director during 2006/2007. David Huggins was appointed as a Director effective from 20 November 2006.

(b) Remuneration of senior officer

The senior officer whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year fall within the following bands are:

Income Band (\$)		
330,001 – 340,000	1	1
The total remuneration of the senior officer is:	337	335

The position of senior officer was occupied by three individuals over the reporting period as a result of the resignation of the Chief Executive Officer in December 2007. The total remuneration includes the superannuation expense incurred by the IMO in respect of the senior officer.

29. Remuneration of auditors

Remuneration payable to the Auditor General for the financial year is as follows:

Auditing the accounts, financial statements and performance indicators	25	20
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Notes to the Financial Statements for the year ended 30 June 2008

	2008	2007
	\$000	\$000

30. Related bodies

The IMO has no related bodies.

31. Affiliated bodies

The IMO has no affiliated bodies.

32. Segment reporting

The IMO operates within one geographical sector (Western Australia) and in one business segment.

33. Supplementary financial information

Write-off

Property written-off by the IMO during the financial year

36

1

The IMO shifted to alternate accommodation during the reporting period. As a consequence leasehold improvements relating to the previous premises were required to be written off.

34. Explanatory Note

The Operating Result for the IMO for the year ending 30 June 2008 was a profit of \$2.2 million. This outcome was better than expected largely due to higher than expected market fee and interest revenue, lower than budgeted expenditure on contingency provisions for legal disputes and contractor's engagements, and less than expected expenditure on salaries.

In accordance with the wholesale electricity market rules, the IMO is required to return operating surpluses to market participants via adjustments to subsequent year budgets. Accordingly, the profit of \$2.2 million will be applied as an adjustment to the IMO's budgeted revenue for 2009/10.

Notes to the Financial Statements for the year ended 30 June 2008

35. Bank Security Deposits and Guarantees

In accordance with the Electricity Industry (Wholesale Electricity Market) Regulations 2004, the IMO requires market participants to deposit financial securities into a Trust Fund Bank Account maintained by the IMO, or provide the IMO with Deed of Bank Undertaking that authorises the IMO to withdraw funds from the participants bank account directly. The purpose of the security deposit or the bank guarantee is to provide a readily accessible fund that the IMO can draw on in the event that a participant fails to meet financial or performance targets.

(a) Bank Security Deposits

The security deposits are held on trust by the IMO and are not IMO monies, although the IMO has the right to draw on the funds. Accordingly, the value of the security deposits which as at 30 June 2008 amounted to \$21,615,785 (2007: \$30,110,000) is not included in the asset values reported in the balance sheet values in these financial statements.

(b) Bank Guarantees

Similarly, the value of Bank Undertakings which as at 30 June 2008 amounted to \$83,717,075 (2007: \$17,791,420) is also excluded from the balance sheet reported amounts.



Auditor General

INDEPENDENT AUDIT REPORT ON THE INDEPENDENT MARKET OPERATOR

To the Parliament of Western Australia

I have audited the financial report of the Independent Market Operator, which comprises the Balance Sheet as at 30 June 2008, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory Notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

The Directors of the Independent Market Operator are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Electricity Industry (Independent Market Operator) Regulations 2004. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Summary of my Role

As required by the Electricity Industry (Independent Market Operator) Regulations 2004, my responsibility is to express an opinion on the financial report based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/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.

Audit Opinion

In my opinion, the financial report of the Independent Market Operator is in accordance with Schedule 3 of the Electricity Industry (Independent Market Operator) Regulations 2004, including:

- (a) giving a true and fair view of the Independent Market Operator's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

COLIN MURPHY
AUDITOR GENERAL
24 September 2008

