



ANNUAL REPORT

1 JULY 2008 – 30 JUNE 2009

Electricity Retail Corporation

Synergy's 2008/09 Annual Report outlines our objectives, major activities and operations for the financial year ending 30 June 2009, as well as our performance targets for the year ahead.

All targets are consistent with the Government's policy and budgetary requirements.

Our current and future functions and responsibilities are defined in the Electricity Corporations Act 2005 (WA) and in the industry's governing legislation, the Electricity Industry Act 2004 (WA) (and subordinate instruments).

The Board of Directors is the governing body, appointed by the Minister for Energy and our Managing Director has overall responsibility for Synergy's day-to-day operations.

Synergy's accountability to Government is met through our:

- Strategic Development Plan and
- Statement of Corporate Intent

Both are agreed annually with the Minister.

Our Annual Report has been produced and provided to the Minister within the time specified by the Act and includes:

- statutory financial statements;
- statutory information required of any company under the Corporations Law;
- an overview of major achievements and an appraisal of future prospects;
- a comparison of performance with Statement of Corporate Intent targets and
- other information required by the Act to be included, such as the particulars of any directions given by the Minister.

CHAIRMAN'S REPORT

I am delighted to present Synergy's Annual Report for 2008/09. It has been a year of continued success, while laying a strong foundation for a future that will almost certainly involve a historically high level of industry change.

Delivering results

Synergy recorded an after tax profit of \$89.2 million, a significant improvement on the previous financial year. There are a number of factors attributable to Synergy's strong performance including one-off contributions received from the market. It is particularly pleasing Synergy's result includes a significant contribution to the bottom line over and above the margin allowed under the vesting contract and one off market factors. Synergy has therefore focused on its underlying or normalised performance which exceeded the budget for the year.

The result reflects Synergy maintaining its sales in the electricity market, despite the global financial crisis, gas sales increasing by 72% and the delivery of new products in the energy market, coupled with an improvement in Synergy's operational cost management.

As a result of Synergy's performance, it will pay a dividend to Government of \$44.6 million, in addition to the tax equivalent payments of \$36.3 million – returning \$80.9 million to the state.

A proud record

From its inception in April 2006, Synergy has recorded tremendous success in contributing to the development of Western Australia's energy market, in the interests of both customers and the state.

Fundamentally, Synergy's overarching role in the energy market is as an energy retailer. However, underpinning its success as a retailer is Synergy's ability to meet the demands of its customers. To that end, Synergy has been actively developing a broad and diverse supply portfolio, having entered power procurement agreements worth over \$15 billion.

This is delivering reliability and security of supply, and also cost competitive electricity in the wholesale electricity market, the benefits of which flow through to Synergy's customers. This procurement program will continue over coming years as Synergy works to meet Western Australia's increasing energy requirements.

The impact of climate change will substantially influence Synergy's procurement activities in future years, and a key component of those activities will be to increase Synergy's renewable energy portfolio. To that end, Synergy signed memoranda of understanding with New World Energy supporting the development of geothermal energy and Carnegie Corporation, supporting the development of wave energy.

Laying the foundation for the future

As a retailer, Synergy's focus on the delivery of efficient, reliable, secure and competitively priced generation is to ensure it is able to meet the needs and expectations of its customers. Delivering competitively priced energy, innovative energy solutions and outstanding customer service are fundamental to being a successful energy retailer.

Considerable effort has been dedicated to achieving Synergy's initial vision of becoming a brilliantly successful retailer, and through a comprehensive business transformation program, Synergy is fast developing into the retailer of the future.

Synergy is making necessary and fundamental changes to its business at a critical time in the energy industry, in which all participants across the whole value chain face vast and unprecedented challenges, driven by climate change and in the midst of a global economic crisis.

Synergy's transformation program is the key driver in meeting these challenges and responding to the ever changing needs of its customers.

Synergy has determined that nothing less than a fundamental transformation of the business of energy retailing is required to meet those challenges. However, Synergy believes the changes which will impact upon the industry, and Synergy's customers, create new opportunities to make it an energy retailer unlike any seen before.

On completion of its transformation, Synergy will be well prepared to respond to these unique challenges and deliver useful and meaningful solutions for customers.

In addition to delivering internal structural and system changes to become a more agile, responsive and customer focused business, Synergy is looking to expand the broad range of energy solutions available to customers to meet their needs in our carbon constrained environment.

Meeting unprecedented challenges

Climate change will continue to be an issue impacting all businesses into the future. The energy industry in particular is significantly impacted by our climate constrained environment, and the policy responses to address it. Synergy is cognisant of its obligations to its customers to deliver reliable and secure energy, while addressing this global challenge.

Synergy is at the forefront of providing environmental products and solutions, the centrepiece of which is an agreement with the Forest Products Commission to plant and maintain more than 6.5 million trees, from which Synergy will develop a suite of carbon solutions for customers.

Unlike retailers in other industries, Synergy is also working with its customers to help them consume less. Synergy has identified significant savings its customers can make by changing their attitude towards electricity consumption, and is delivering the tools, advice and products to help customers reduce their consumption.

The solid performance by Synergy during 2008/09 is a great credit to all staff at Synergy, led by Managing Director, Jim Mitchell and his executive team. They have been exceptional in a year of intense activity across the business. It is pleasing to record another year of success in both the delivery of our services and the return to the people of Western Australia through the dividend..

I would also like to acknowledge the commitment, contribution and support of my fellow directors throughout the year. Finally, I would like to thank the Minister for Energy and his staff for their continued support of Synergy's activities and achievements.

Michael Smith
Chairman

MANAGING DIRECTOR'S REPORT

2008/09 has been an extremely busy and very challenging year at Synergy, and significant progress was made towards our goal of transforming our business, to be a modern, efficient and agile organisation.

At the outset, I would like to thank every staff member at Synergy for their contribution during the year; our success is the result of the collective efforts of everyone in the business.

Our strong results have been achieved at a time of substantial change within the business, as well as significant policy changes impacting the energy industry locally and nationally.

Synergy's business transformation commenced in 2007, with a vast amount of work being undertaken during the year to realise our goal of streamlining our organisation, creating operational efficiencies, replacing our legacy technology with a new sophisticated customer management system and developing our people with the skills and tools to provide outstanding customer service.

It is to the credit of everyone in the business the changes we have achieved while progressing the development of new systems, and ensuring day-to-day business activities have been performed effectively.

During the year, the state government announced increases in tariffs, following the Electricity Retail Market Review conducted by the Office of Energy. For residential customers, these were the first increases since 1997 and are intended to eventually achieve cost reflective pricing. Synergy has advocated cost reflective pricing over a period of time and welcomes the Government's decision, however we appreciate the challenges these increases will bring to our customers and will work with customers to manage their energy use and cost.

Aware of these various challenges, Synergy has been focused on redefining itself and energy retailing to deliver solutions for customers to help them manage their energy consumption and costs.

Synergy has launched an Australian-first study being conducted by an energy retailer to help change electricity use in the home, with its Advanced Metering Proof of Concept Study. The study will assess the ability to change customer energy consumption behaviour through the provision information and benchmarks through state of the art technology channels including web, in-home displays and mobile communications.

In addition, Synergy is helping customers by facilitating competition in the wholesale generation sector. Generation and network costs make up the majority of the final cost of electricity, and through competitive tender processes, Synergy is striving to secure cost-competitive, secure generation, to minimise the impact of the cost of energy on customers.

Synergy is aware of the responsibility it has to all customers, and has developed an industry best practice financial hardship policy, the results of which have been a sharp fall in the number of customers disconnected. In fact, Synergy has recorded a fall in the number of customers disconnected each year since its inception. In addition, Synergy was integral to the implementation of the State Government's Hardship Utility Grant Scheme, which is assisting customers experiencing financial hardship to stay connected.

During the year, Synergy's customers were impacted when gas supplies were reduced as a result of an explosion at Varanus Island. Subsequently, Synergy was able to leverage its diverse and flexible

gas portfolio, where it could, to ensure it was not required to curtail any of its own customers throughout the gas shortage and could maintain all its contractual obligations. Synergy also did what it could to assist businesses who were not existing Synergy customers who were otherwise facing decreased or no gas supply, which ultimately enabled a number of businesses to continue operations and protected the jobs of many Western Australians.

The State Government has since established a Gas Supply and Emergency Management Committee to conduct a major review of the state's gas provisions, which Synergy is a member of.

A year of significant achievements was matched by the continued provision of quality service and the fulfilment of Synergy's obligations to its customers throughout the year. It is a tribute to all staff and I thank every one of them for their contribution during the year.

We are grateful for the support we have received from the Board, and the confidence they have shown in Synergy. I would like to acknowledge the Minister for Energy, Hon Peter Collier and his staff for their support during the year.

Synergy has established a strong platform to meet the many and varied challenges the future offers and we look forward to working with our customers to deliver innovative energy solutions.

James K Mitchell
Managing Director

ABOUT SYNERGY

Synergy is Western Australia's largest energy retailer, responsible for purchasing and retailing electricity to customers in the SouthWest Interconnected System (SWIS). It serves more than 970,000 industrial, commercial and residential customers.

Synergy sells approximately 80% of the electricity sold in the SWIS (franchise and competitive customers) and over 35% of the contestable gas load.

The organisation has a workforce of approximately 350 employees who possess outstanding technical knowledge and skills to assist customers.

The primary activities of Synergy include energy procurement, marketing, electricity and gas sales, customer service as well as billing and payment processing. Through these activities, Synergy receives approximately \$1.7 billion in revenue per annum.

The business operates a dedicated Contact Centre and an outbound teleservices group. In addition, Synergy services major customers' needs through a team of account managers.

OUR VISION

At its inception Synergy developed a vision to transform its retailing to meet its customers' future needs, leveraging the skills, experience and passion of its people, which it is on track to realising.

Beyond 2009/10, Synergy is preparing to address the emerging energy market, impacted by both local and global issues, and has determined nothing less than a fundamental transformation of the business of energy retailing is required to meet the anticipated challenges. While many of the challenges are obvious, Synergy believes the changes which will impact upon the industry, and Synergy's customers, creates unprecedented opportunities for growth.

Synergy's 2015 Vision is therefore to ***"Redefine energy retailing across the full value chainwith boundless opportunities"***.

Synergy's brand proposition has been reviewed to ensure alignment with this vision and is captured by the brand essence - "Energy solutions you can use".

OUR PRIORITIES

Synergy's Board and Executive have identified the objectives which collectively represent the strategic direction of the business, and will enable delivery of its current obligations.

While the Act dictates Synergy adopt clear commercial objectives, other imperatives, particularly the requirements of the Government with regard to the establishment of a reliable and secure electricity industry must also be taken into account.

Synergy has set three Strategic Objectives:

- Contribute to the creation of a competitive wholesale market;
- Be ready for increasing retail competition and
- Maximise the long term value of the business.

SYNERGY'S VALUES

The organisational values on which Synergy bases its reputation and with which it is delivering on its vision are:

- **Enterprising:** Enables the business to seize opportunities, move ahead, take the initiative, innovate and focus on being the experts in energy. Synergy supports a culture focused on the growth of the business, its people, the community, the environment and the State;
- **Quality Relationships:** Ensures Synergy focuses on establishing good relationships with each person with an interest in its business: Synergy understands the importance of good relationships with customers, staff, stakeholders, the community and the environment;
- **Spirit:** Is an intrinsic quality to enable Synergy to approach work with enthusiasm and eagerness. It breeds a culture of initiative, interest and “giving things a go” and
- **Integrity:** Is the foundation that grounds the business. Synergy will keep its promises and build trust with customers and stakeholders.

CORPORATE RESPONSIBILITIES

In carrying out its business, Synergy seeks to achieve an acceptable balance between the specific requirements established within the governing legislation, in particular, to maximise the long term value of the business, and the broader responsibilities adopted in being a good corporate citizen.

Social responsibilities

As a retailer of an essential service, Synergy impacts all households and many businesses throughout the South West Interconnected System (SWIS).

Relationships with communities are fostered both through commercial relationships and through the sponsorships and partnerships the business participates in each year.

Synergy is focused on providing its customers with the highest level of service. Synergy's Customer Charter details this commitment to residential and small use business customers.

Financial Hardship assistance

'Keeping Connected', Synergy's financial hardship policy, has been developed in association with representatives from WA's welfare sector, and in accordance with best practice guidelines. Endorsed by the Western Australian Council of Social Services and the Financial Councillors Association of Western Australia, Synergy's financial hardship policy was created to provide an extra level of support to customers experiencing genuine financial hardship.

In addition to its own financial assistance measures, Synergy is a participant on the Government's Utility Hardship Steering Committee which is involved in the development of Government initiatives intended to assist people experiencing financial hardship.

Environmental responsibilities

Synergy is committed to delivering innovative energy solutions for sustainable growth and minimising the environmental impact of its customers' use of energy. The business recognises Government and community expectations for optimum environmental management, in addition to

the mandated requirements, and will continue to develop products and initiatives to support these. The latter will include procurement arrangements which, subject to commercial viability, will see a greater proportion of wholesale energy acquired from more environmentally friendly sources such as natural gas, wind, solar and other renewables.

In addition, Synergy has clear obligations under the State Government's Greenhouse Initiative and the Federal Government's Mandated Renewable Energy Target (MRET) scheme.

Market responsibilities

Synergy recognises reliability and security of supply are key concerns for both the Government and customers. As the largest retailer in Western Australia, Synergy has a role to play in the future implementation of Government reforms.

The availability of competitively priced wholesale electricity is essential for a competitive retail market and Synergy has been active in securing increased wholesale competition within the market, ensuring its success as a retailer and the overall success of Western Australia's energy industry.

In supporting the continued development of a competitive energy industry in Western Australia, Synergy is:

- continuing to operate as a commercially viable, independent energy retailer;
- committed to the development of the Wholesale Electricity Market;
- working with the Office of Energy, the Independent Market Operator and the Economic Regulation Authority to further develop the market environment;
- complying with the requirements and facilitating the implementation of various industry codes and other instruments designed both to underpin the operation of the market and as measures to mitigate market power;
- operating in the franchise electricity retail market (<50MWh or approximately \$8,000 per annum spend on electricity) and
- competing in the contestable electricity and gas markets.

Ministerial Reporting

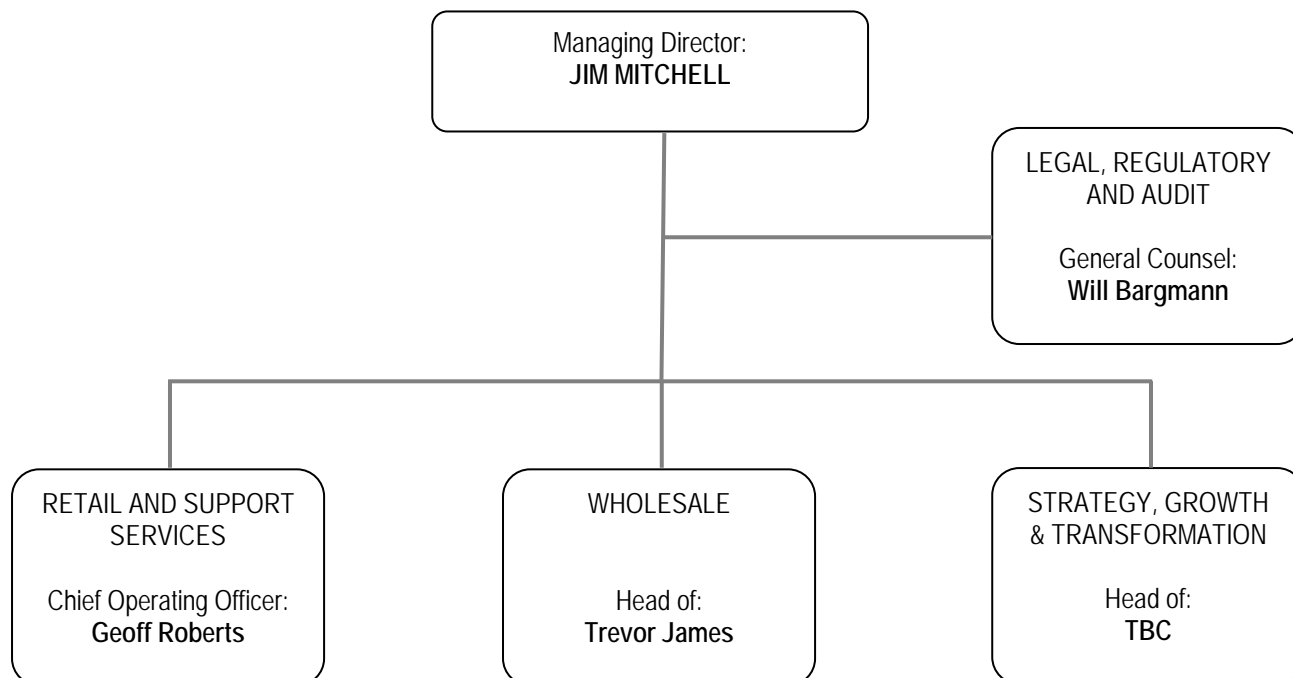
In line with the accountability provisions of the Electricity Corporations Act (WA) 2005, Synergy has provided the Minister with a quarterly report, for each of the first three quarters of the 2008/09 financial year, and this Annual Report details the entire 2008/09 financial year.

Each of the quarterly reports for the 2008/09 reporting period was submitted to the Minister no later than one month following the end of the preceding reporting quarter and included:

- an overview of performance (including specific performance indicators);
- highlights of important achievements and
- consolidated financial statements with relevant accompanying notes.

SYNERGY'S ORGANISATIONAL STRUCTURE

During the year, a restructure of Synergy was undertaken to ensure it aligned with Synergy's strategic objectives of delivering the customer experience, improving its wholesale position and optimising business efficiency.



James K Mitchell, B.Comm, CPA, MAICD
Managing Director

Geoff Roberts, GAICD, FAIB
Chief Operating Officer

Trevor James, B.Bus, MFTA, MAICD, FCPA
Head of Wholesale

TBC
Head of Strategy, Growth and Transformation

Will Bargmann, BA, JD
General Counsel and Company Secretary

The key roles of each department are as follows:

Retail and Support Services

Retail and Support Services, reporting to the Chief Operating Officer (COO), is responsible for the smooth and efficient operations of the business and encompasses the Sales, Customer Service, Retail Operations, Marketing, Human Resources, Corporate Affairs and Finance and Business Support areas. The roles within each area include:

- **Sales:** responsible for the account management of key customer relationships and for delivering Synergy's overall sales strategy.
- **Customer Service:** assists Synergy's customers through a variety of channels, and includes Synergy's award winning contact centre as well as our new e-channel capability.
- **Retail Operations:** responsible for all back office customer operations including billing, credit management and resolution of more complex customer transactions.
- **Marketing:** responsible for the development and implementation of Synergy's marketing strategy which encompasses all brand and communication, market segmentation and product activities. Synergy's marketing strategy places a strong emphasis on understanding customer needs via its sophisticated approach to segmentation and in delivering energy solutions our customers can use.
- **Corporate Affairs:** responsible for internal and external corporate communications, sponsorship, government relations and public relations activities.
- **Finance and Business Support:** manages Synergy's accounting and financial reporting activities as well as all treasury functions, pricing, compliance and risk, and middle office tasks for wholesale trading and sales.
- **Human Resources:** responsible for all operational HR functions such as payroll, recruitment etc as well as organisational development functions such as directing cultural development, talent management and succession planning.

Wholesale

The Wholesale Department manages a diverse and growing portfolio of supply contracts for electrical energy generating capacity, gas supply, transport and environmental instruments. These contracts are mostly large scale and long term and form the basis of Synergy's product offerings to customers.

The Department seeks to ensure electricity supply contracts are negotiated to deliver the most secure, sustainable and least cost options to Synergy's customers, and works closely with Synergy's products and sales teams to provide competitive electricity supply to customer segments.

The Wholesale Department is also responsible for meeting Synergy's renewable energy requirements and responding to the outcomes of climate change policies and legislative changes.

Strategy, Growth and Transformation

This Department has overall responsibility for strategy development and pursuing strategic growth opportunities in redefining energy retailing, and includes delivering new customer solutions in areas such as energy efficiency, demand response, energy management and advanced metering, and working with Retail to bring these customer solutions and products to market readiness.

Legal, Regulatory and Audit

Legal, Regulatory and Audit provides advice on legal and contractual issues within Synergy, undertakes the company secretariat role, and provides advice on complex regulatory issues. The department is also responsible for the internal audit function.

Through internal audit the department reviews compliance with policies, operating principles and codes of conduct. Internal audit also assesses the efficacy of major internal controls and processes. The regulatory function monitors compliance with legislative and regulatory obligations applicable to Synergy, including the creation and management of training in key legal and regulatory areas. LRA in conjunction with other departments also makes submissions to and liaises on behalf of Synergy with regulatory bodies and other major stakeholders.

REPORT ON OPERATIONS

FINANCIAL

Synergy has delivered a net profit after tax of \$89.2 million for the 2008/09 financial year, an increase of \$49.6 million on the previous year.

Despite the impact of the global financial crisis, Synergy's revenue grew by seven per cent, driven by growth in both electricity and gas revenue. Synergy's electricity revenue growth includes tariff increases effective from 1 April 2009, while its growth in gas revenue reflects the expansion of Synergy's gas business.

Expenditure on core business activities remained consistent with 2007/08, after providing for labour increases arising from Synergy's collective agreement. Synergy's business transformation program will contribute to further reductions in cost to serve, which fell by one per cent during the year against the previous year.

The structure of the market again resulted in favourable one-off benefits. However, Synergy's own activities in the market have also contributed to its above budget performance. This is primarily driven by higher revenue in non-vesting electricity and gas retailing, improved wholesale cost of goods sold, reduced cost to serve and the development and sale of new products.

Synergy's net assets increased by over \$69 million compared to the same time last year, while there was no significant increases in liabilities. Synergy was able to improve its equity position by 34% to \$275 million. The growth in equity is important for providing a platform to continue entering long term power purchasing agreements.

OPERATIONAL

Synergy has continued to exceed its forecast measures in the Contact Centre performance.

In April, Synergy discontinued taking fault calls for Western Power, with the phase-out commencing in November. This has resulted in Synergy taking fewer calls in 2008/09 compared with previous years. A further reduction is expected in the following year, with additional on-line self service tools being made available to customers from Synergy's implementation of its new customer care and billing system.

Significant growth was experienced in the number of accredited renewable energy customers, driven mainly by an increase in customers under the Renewable Energy Buyback Scheme due predominantly to the Federal Government's rebate for the installation of photovoltaic systems.

Synergy experienced a slight fall in complaints to the Energy Ombudsman, despite making the services of the Ombudsman more widely known through its communications with customers. The number of complaints is expected to increase next year as a result of increased tariffs impacting customers' bills.

YEAR IN REVIEW

As Western Australia's largest energy retailer, Synergy has a significant role to play in Western Australia's wholesale electricity market, contributing to private investment in infrastructure development and renewable energy, and delivering competitive energy solutions to customers. It has been focused on these activities during 2008/09, as it strives to become a brilliantly successful retailer.

TRANSFORMING SYNERGY

In April 2006 Synergy commenced a journey of transformation to become a business that can enduringly provide Western Australians with quality, cost efficient, sustainable energy solutions.

Synergy's objective has been to build a strong operational foundation delivering significant benefits to customers through improved service and product offerings at a significantly lower cost to Synergy. As a result, the focus over the past 18 months has been the implementation of Project Columbus, providing the platform to become a brilliantly successful retailer by 2009.

The scope of Project Columbus includes the transformation of all customer facing areas of the business, from marketing to sales, project development, provisioning, customer service, billing and credit management.

Business strategies for these areas have been defined to include a new customer segmentation model, a cohesive service strategy and a new technology delivery model. The business processes relating to these areas have been re-engineered and the organisation structure, job roles and positions have also been redesigned.

During the past year Synergy has implemented a lean business operating model based on a high degree of standardisation across products, services and processes, with a focus on cost and operating efficiencies supported by a streamlined structure.

Synergy is committed to delivering value to the customer. Project Columbus will deliver simplified and more convenient ways for customers to engage through web self service and payment options such as direct debit. This will allow Synergy to focus on adding value where it matters, providing energy saving advice for example. Synergy's campaign and opportunities management system will also create a stronger sales focus and an ability to provide product and bundling options

Synergy has delivered Columbus in partnership with Accenture, SAP, Deloitte, with Tata Consulting Services (TCS), Stellar and Alphawest providing ongoing support services.

Upon completion Synergy will have a world class customer care and billing system which will provide customers with better service and more product options, reduce Synergy's operating costs and position Synergy to meet the challenges of the future.

COMMITTED TO CUSTOMERS

Serving more than 970,000 industrial, commercial and residential customers, Synergy appreciates the important role it plays in Western Australia's energy security, economic development and way of life. The activities of the business throughout the year, from procurement, to marketing, to sales, have been focused on customers, and delivering better service and support, products and information to customers.

SECURING ELECTRICITY SUPPLY

Synergy continues to develop new supply contracts to meet Western Australia's increasing energy needs, and during the year continued to progress procurement tenders to deliver new energy supplies beyond 2011/12.

Synergy also demonstrated its commitment to supporting new renewable energy ventures, by signing memoranda of understanding for the supply of new and emerging renewable energy technologies, namely with:

- New World Energy supporting the development of geothermal energy and
- Carnegie Corporation, supporting the development of wave energy.

New World Energy plan an initial demonstration geothermal electricity plant, generating electricity using steam produced from heat from beneath the surface of the earth, with commercial production of up to 100MW ramping up from the year 2014.

Carnegie is developing a large scale commercial demonstration wave energy electricity generation facility in the South West utilising its CETO wave energy technology. The first stage of the project will have generation capacity of 6MW, and subsequently be increased to a capacity of 50MW. Synergy will purchase the energy and environmental rights produced from the first stage of the project.

By supporting these technologies, Synergy is not only facilitating investment in research and development, but will also increase the diversity of its renewable energy portfolio if and when the technologies are available on commercial scales.

INCREASING GAS BUSINESS

As a dual-fuel energy provider, Synergy retails gas to customers who consume more than 180GJ per annum. While its presence in the gas market is still emerging, Synergy has increased gas sales by 72% compared to the previous financial year.

Synergy also works extensively with other industry participants in the development of the domestic gas market, and associated issues. Synergy participated on the Government's Gas Supply and Emergency Management Committee to review the security of the State's gas supplies and how any future gas supply disruptions are to be managed. It has also been an active participant in the Domgas Alliance, whose aims are to promote the diversity, affordability and security of domestic gas supplies in Western Australia.

ELECTRICITY RETAIL MARKET REVIEW

In February 2009, the State Government announced its response to the Electricity Retail Market Review, undertaken by the Office of Energy to review tariff arrangements. The report indicated all tariffs should increase from 2009 to move to cost-reflective levels.

The initial tariff increases occurred on 1 April 2009, the first increase of the household tariff since 1997. Synergy undertook an extensive communication campaign to help customers understand the increase to the electricity tariff, and to provide information to enable customers to take action to mitigate the tariff increases.

In addition to its other interactive online tools, Synergy also developed an online calculator, Bill Manager, which provided customers an indicative value of the tariff increase based on their current bill and offered specific actions customers could take to reduce the impact of higher costs.

ENERGY SOLUTIONS FOR CUSTOMERS

Synergy has introduced new products and undertaken education campaigns to assist customers in their energy management and to educate and inform customers on ways to reduce energy use.

Synergy has introduced new audit services for residential and business customers which provide an audit of the premises and compilation of a report detailing where energy is being used and strategies to reduce energy waste and save money.

Synergy also entered the solar photovoltaic market, partnering with Solar Unlimited to supply customers with solar solutions at their premises.

Synergy's information and advice have been provided through:

- Compact Fluorescent Light globe (CFL) campaign – encouraging the use of CFLs to reduce energy consumption. To complement its CFL campaign, Synergy launched a pilot CFL recycling initiative, funding various local government authorities to trial CFL recycling, to understand the ease by which households can responsibly dispose of CFL's, for the recycling of the globes and to prevent mercury contained in the CFLs contaminating the environment.
- A new 'Switch' campaign, highlighting the ease with which households can reduce their energy consumption, without impacting their lifestyle. This was complemented with an interactive web tool, Bill Manager, to educate customers about tariff increases and their indicative impact on individual accounts.
- Great Garden's Energy Efficiency Workshops
- Schools 'Switch Off' sponsorship

CUSTOMER SEMINARS

With the energy market undergoing significant changes, Synergy has held a series of industry seminars in Perth, Sydney and Melbourne to discuss the issues affecting the industry, and have a substantial impact on the largest energy consumers in the state.

The seminars provided national companies operating in Western Australia with an understanding of the issues unique to Western Australia's energy market, as well as nation-wide policy implications and their impact on customers, such as the Carbon Pollution Reduction Scheme.

CUSTOMER ADVOCACY COMMITTEE

Synergy established a Customer Advocacy Committee in 2007, and it has continued to meet on a regular basis to provide feedback to Synergy on operational issues including new products and services, changes to products and services and other decisions of Synergy impacting small use customers. The Committee met four times during the year.

FINANCIAL HARDSHIP ASSISTANCE

Synergy understands the importance of electricity for households, and in particular, the fact electricity accounts for a greater share of total expenditure by lower income and financially disadvantaged households.

Synergy has worked with the Office of Energy and Department for Child Protection to implement the Hardship Utility Grant Scheme, a State Government scheme which provides financial assistance to help financially disadvantaged customers manage their electricity bills to avoid disconnection.

In addition, Synergy has implemented the State Government's Hardship Efficiency Program, to provide tools for financially disadvantaged households take action to reduce energy consumption, in order to reduce ongoing energy costs.

Keeping Connected

These programs complement Synergy's industry best practice financial hardship policy, "Keeping Connected". The policy, which included the appointment of case support officers and incentives to maintain repayments, was developed in collaboration with key stakeholders and was endorsed by the Western Australian Council of Social Services and the Financial Counsellors' Association of Western Australia. As a result of the application of this policy, Synergy is helping customers in financial hardship manage their electricity bills, avoid long term debt and keep their electricity connected.

The program is run by Synergy's Case Support Officers (CSO's), a dedicated resource to assist customers who are struggling with ongoing financial hardship. They work with Financial Counsellors to provide assistance to customers by:

- Agreeing to a payment arrangement with the customer that realistically reflects their income
- Advising on access to available rebates and concessions
- Educating customers in energy efficiency to help manage their usage
- Providing ongoing support and advice while the customer is under case management
- Being flexible with customers' payment arrangements and renegotiating when necessary.

The program has been very successful in ensuring customers have access to electricity in difficult times. Since 2006, the number of customers disconnected for non payment has reduced by approximately 65%.

COMMITTED TO THE ENVIRONMENT

Synergy is mindful of the impact energy consumption has on the environment. As a result Synergy is showing leadership in the area of renewable energy and energy efficiency solutions, and in the challenge to reduce emissions through abatement strategies.

Forest Products Commission agreement

During the 2008/09 financial year Synergy entered into an agreement with the Forest Products Commission (FPC) to plant over 6.5 million trees in regional Western Australia in 2009 as a carbon abatement scheme. The FPC has been securing 5,000 hectares of land throughout the South West for the planting of eucalypts, equivalent to the size of twelve and a half Kings Parks.

The plantings also deliver supplementary farm benefits such as shelter for livestock, ongoing support for efforts to address land degradation, a reduction in soil salinity and will assist natural resource management issues.

The agreement will deliver tradeable permits under the proposed Carbon Pollution Reduction Scheme and increases the solutions Synergy can make available to customers to reduce their costs from energy consumption.

NaturalPower

In a carbon constrained environment, many customers are making a conscious decision to reduce their carbon footprint by purchasing energy generated from renewable sources. At 30 June 2009, Synergy had 7,011 NaturalPower customers, purchasing over 75GWh of renewable energy during the year. Every additional megawatt hour of renewable energy purchased, is one less required to be sourced from fossil fuels.

Synergy's NaturalPower is sourced from a portfolio of accredited renewable sources such as Emu Downs and Albany wind farms, and is fully accredited under the GreenPower Program, which assures the energy comes from accredited renewable sources and is contributing to the future of the renewable energy industry.

EasyGreen

Synergy also offers customers the opportunity to purchase a fixed amount of accredited renewable energy, through its EasyGreen product. Customers can opt to purchase ten dollar blocks of renewable electricity, allowing them to budget effectively whilst making a financial contribution to the development of accredited renewable energy projects. At 30 June 2009, Synergy had 1,234 EasyGreen customers, who purchased over 2.7GWh of accredited renewable energy during the year.

Earth Friendly

Customers can otherwise opt to be carbon neutral by purchasing Synergy's Earth Friendly product. Earth Friendly is certified under the Greenhouse Friendly Program, and guarantees a customer's energy use is offset by the equivalent investment in certified greenhouse gas reduction projects such as methane flaring. Synergy delivered over 8.7GWh of carbon neutral electricity to 745 EarthFriendly customers in 2008/2009.

Renewable Energy Buyback Scheme

As a result of government incentives, Synergy saw strong growth in installation of solar photovoltaic systems on households, and participation in Synergy's Renewable Energy Buyback Scheme (REBS).

In 2008/09 the number of customers participating in the scheme increased to 8,393 (including pending customers). The scheme contributed over 14.6MWh of energy to the SWIS.

Synergy is entering the solar photovoltaic market, and expects continuing demand for installations and participation in the REBS during the next financial year as a means to reduce the carbon footprint of households, and to mitigate the impact of tariff increases.

Energy Audits

During the financial year Synergy introduced its Energy Audit products, which provide residential and business customers with customised advice on how to reduce their energy consumption.

Synergy offers its Energy Audit service via its partner organisation Fieldforce Pty Ltd, which conducts the on-site audits at customer premises.

Synergy also offers commercial and industrial customers Energy Audit services through its own specially trained employees. Using complex thermal imaging technology and best practice

management methods, the service has generated significant savings on energy costs for many business customers.

Globe Recycling Initiative

As part of Synergy's promotion of Compact Fluorescent Lights (CFL's), the corporation recognised the need for the community to have access to responsible disposal options for these globes, given their mercury content, and established a globe recycling pilot project. CFL recycling facilities were provided at selected local council sites in the metropolitan area.

The trial highlighted the need to provide the community with accessible recycling facilities for CFLs, and Synergy initiated collaboration with various entities to establish a more comprehensive globe recycling framework. Synergy is now working with the East Metropolitan Regional Council (EMRC), the Department of Environment and Conservation, the West Australian Local Government Association (WALGA) and recycling service provider CMA Ecocycle to establish and promote future CFL recycling options.

Internal Environmental Initiatives – Synergy's Green Team

Synergy's Green Team, an internal staff environmental committee, identifies and implements green initiatives at Synergy.

The committee comprises members from a cross section of Synergy departments, and staff are encouraged to make suggestions on potential actions to reduce Synergy's impact on the environment.

During 2008/09 the Green Team initiated carbon offsetting for Synergy's vehicle fleet, commenced a trial of LED lighting in the office to investigate potential energy savings and commissioned an environmental audit to be performed on the Synergy building to identify further cost and environmental savings.

The Green Team was also instrumental in supporting Synergy's centralised secure printing system, which has significantly reduced paper consumption and energy use and is being used as a case study for other businesses to consider.

COMMITTED TO THE COMMUNITY

As a retailer of an essential service, Synergy touches the lives of thousands of people every day. Synergy appreciates its responsibility to be community minded and make a difference in the communities within which it operates and belongs to.

Through its sponsorship program, and financial hardship scheme, Keeping Connected, Synergy is making a real contribution to the lives of customers as it works toward delivering on its social commitments.

Sponsorship

Synergy strives to be active in the community it belongs to and is proud to support community based initiatives which provide immediate and practical assistance and benefits, as well as long-term investment in the community.

Synergy's sponsorship is focused on two major areas; the broader category of Community, and Environment, Sustainability and Energy Innovation.

Environment, Sustainability and Energy Innovation

Landcare

As a sponsor of Landcare Australia since 2006 there is a high level of engagement between Synergy and Landcare to develop suitable pro-environmental programs which directly benefit the community and the environment. Through this sponsorship, Synergy has become involved in Great Gardens and the Baldvis Children's Forest and with these organisations successfully developed community workshops centred around conservation, sustainability and energy efficiency.

Synergy Energy Efficiency Workshops

In 2008 Synergy delivered a series of Energy Efficiency Workshops through Great Gardens. These free community workshops, provided throughout the SWIS, educate customers about using their garden as a natural air-conditioner.

At these entertaining workshops customers learn how sustainable design for the home and garden can save them energy, money and the environment. The Synergy Energy Efficiency Workshops are embraced by communities and are an important part of Synergy's suite of energy solutions to help customers manage their energy consumption.

Baldivis Children's Forest

The Baldivis Children's Forest is a unique plot of land located in the semi rural town of Baldivis approximately 60 kilometres south of Perth. A site that spans 20 hectares, it encompasses what remains of the Tuart Woodlands and a portion of the heritage listed Outridge Swamp. Synergy funding for 08/09 has enabled a dramatic expansion of on-ground vegetation and fauna conservation works at the Forest, feral bee control, the establishment of a highly successful community education program, walk trail upgrades and a school-based solar energy kit for Baldivis Primary school.

The Forest is an important place for children to learn about sustainability and renewable energy and the work conducted there is teaching the next generation how they can make a difference and conserve our environment.

Switch Off

Switch Off is a school based energy reduction competition launched in May, in which over 70 WA schools are competing to reduce their daily energy consumption. Created by La Salle College students Jessica Gill and Laura Ryan, the Switch Off competition is one of the biggest energy reduction competitions in WA.

The competition is educating WA students about the ease by which they can implement energy efficient practices in the classroom and around the school, and by changing their behaviour permanently, the cost savings which can be achieved while reducing their environmental footprint. Synergy's sponsorship of Switch Off ensures the energy efficient message directly reaches over 32,000 students in over 70 schools.

COMMUNITY

Starlight Children's Foundation

Synergy is helping to brighten the lives of seriously ill children through its sponsorship of the Starlight Children's Foundation. In 2008 Synergy became the first sponsor of the Starlight Express Room in WA. Located at Princess Margaret Hospital, the Starlight Express Room is a medical free respite for children and their families to escape, and for just a moment, forget about the treatment they are receiving.

In the Starlight Express Room Captain Starlight delivers a special brand of fun and entertainment, alongside the latest computer games, movies, crafts and activities. Kids too ill to leave their beds are also visited by Captain Starlight and can join in the fun via the daily Captain Starlight shows broadcast to their bedside TVs. The Starlight Express Room is one of many programs run by the Starlight Children's foundation.

Synergy Parkland

Synergy Parkland at King's Park is one of Perth's best-loved outdoor spaces, and free for everyone to enjoy all year round. It is a physical representation of our commitment to the people of WA, and to the environment. Synergy Parkland is Synergy's largest community partnership investment.

The Synergy Parkland is a family-friendly outdoor recreation area, and a great space for children to explore, learn, and play. Children can run headlong back in time, to follow the footprints of giant dinosaurs, and discover ancient fossils. Amongst the features are a 75m-long elevated walkway, a two-tiered island fort, large-scale replicas of local dinosaurs, a timber boardwalk, and an interactive water misting forest.

Many events throughout the year are held in the Parkland including the Synergy Gallipoli Run, outdoor movies, the Kings Park and Botanic Garden Festival and many family picnics.

Synergy Gallipoli Run

A record number of participants turned out to commemorate the ANZAC spirit at the 2009 Synergy Gallipoli Run. Held in the Synergy Parkland the Synergy Gallipoli Run was developed by Athletics WA, in conjunction with the RSL, to establish a major Western Australian run to celebrate the ANZAC spirit and provide a contemporary platform through which the community can show their support for the ANZAC tradition.

The event's focus is family involvement and participation, offering an opportunity to reaffirm WA's involvement in a healthy and enjoyable physical recreation; at the same time the event raises funds for the RSL and AthleticsWA.

Synergy has been involved in the Synergy Gallipoli Run since 2006; an eight kilometre event in recognition of the distance our ANZAC heroes were expected to march to achieve victory after landing at Gallipoli.

Kings Park Lights

Synergy and Channel 7 are joint sponsors of the Kings Park Lights, which light up the trees located on Fraser Avenue. Overlooking Perth city, the lights have become a familiar and beautiful sight for the people of Perth and attract both tourists and locals alike. The Lights are switched on in different colour themes to mark special days and raise awareness about not for profit charities.

Some of the special days illuminated in 08/09 were White Ribbon Day, Breast Cancer Global Illumination and World AIDS Day.

Western Australia Symphony Orchestra (WASO)

Sponsored by Synergy WASO is one of Western Australia's largest and busiest performing arts companies. Synergy's flagship WASO event is the Synergy Summer Symphony Series, a key event of the WASO season.

Synergy's sponsorship of WASO saw children and parents alike enjoy the Family Concert in the park at Clowning Around with Melvin Tix, while classical music lovers were impressed by Classical Spectacular which saw WASO and the Western Australian Youth Orchestra combine forces to create a massive orchestra spectacular. Those new to classical music enjoyed a mix of pop and classical music when Human Nature played their hits backed by the WASO, in what was one of the most popular concerts of the Synergy Summer Symphony Series.

Employees making a difference

Telethon 2008

Telethon is a Western Australian institution which touches the hearts of all Western Australians. In 2008/09 members of Synergy's contact centre volunteered in the Telethon phone room, to take pledges from generous Western Australians who contributed to the record breaking total of \$7,535,678. In addition Synergy also supplied the volunteer t-shirts to production crew and volunteers, whose energy and commitment is truly outstanding.

Synergy Spirit

In addition to Synergy's corporate sponsorships it has an internal outreach program, Synergy Spirit. Synergy Spirit is a staff-initiated program at Synergy which supports charitable causes through a number of internal fundraising activities. In addition to raising funds for its chosen charity Synergy Spirit educates staff about the charities it is supporting by raising awareness about the challenges and difficulties faced by people involved with the charities.

Synergy Spirit's fundraising activities are overseen by an internal committee and raised over \$10,000 during the year. The main recipients of Synergy Spirit's fundraising in 2008/09 were Cystic Fibrosis and the Paraplegic Benefit Fund WA.

Synergy Spirit also supports additional charitable events and community drives. In 2008/09 Synergy employees donated the energy of life in the Red Cross blood appeal, participated in Movember for Beyond Blue and The Prostate Cancer Foundation of Australia, and collected Christmas presents for the Variety WA Toybank.

COMMITTED TO OUR PEOPLE

Synergy's employees bring a wealth of commitment and experience to the business and are the driving force behind making Synergy a successful participant in, and an integral part of Western Australia's competitive energy market.

Recognising and rewarding the talent and effort of employees is important at Synergy.

Commitment and Expertise Awards

Synergy values the knowledge, experience and expertise of its people. The wealth of experience is recognised through Synergy's Commitment and Expertise Awards and acknowledges the rich heritage Synergy's people bring from their years at SECWA and Western Power. Employees who reach milestone periods in the business are recognised with a Commitment and Expertise Award. This year we recognised 26 long serving employees, who together have brought over 300 years experience to our business.

Leading Lights

The Leading Lights Employee Awards Program recognises staff who embrace the Synergy values of Enterprising, Quality Relationships, Spirit and Integrity, in their day to day work. The program recognises the staff who lead the way for Synergy on its journey to becoming a brilliantly successful retailer. The Leading Lights program was launched in 2007 to give staff the opportunity to recognise fellow employees for living the Synergy values every day and going the extra mile for customers. Synergy's Leading Lights are recognised each quarter, with annual awards presented each December.

Work – Life Balance

In 2007 Synergy put in place a Work/Life Balance Program which is designed to foster the well-being of our employees, to enable them to achieve a balance between their jobs, families and personal lives. Work/Life balance initiatives implemented at Synergy include Yoga classes for Synergy employees during lunch breaks and after-hours; ballroom dance lessons after hours, corporate blood drive as part of the Australian Red Cross, Club Red Winter Challenge, free influenza vaccinations for employees and fruit delivered to work to contribute to a healthy lifestyle. Over the next year there are plans to further develop Synergy's Work/Life Balance program by implementing a range of activities aimed at promoting employees commitment to activities outside of work, alleviate on-the-job stress, and improve job and overall life satisfaction.

Employee Assistance Program

If any staff member is experiencing difficulties in their home or work life Synergy offers an Employee Assistance Program, which includes up to three free confidential consultation sessions to employees to work through their personal problems.

THE YEAR AHEAD

Early in the next financial year, Synergy will be implementing its new customer care and billing platform, the preparation of which has been underway since 2007. Synergy is aware the implementation of a project of this scale can result in an impact on customer service, and has entered partnerships with a number of companies to ensure any impact on customers is minimised.

In addition, Synergy keenly awaits the outcomes of proposed federal legislative initiatives including the Government's legislation for a Carbon Pollution Reduction Scheme and increasing the mandatory renewable energy target.

At the time of reporting, the legislation was subject to passage through Federal Parliament, and the final outcome is uncertain. However, Synergy expects Australia is likely, in the near future, to have both a carbon emissions trading scheme and an increased mandatory renewable energy target. Synergy will continue the work it has already commenced to assist customers mitigate the impacts of these fundamental changes in energy policy.

Synergy will be also be undertaking a trial of advanced metering infrastructure, the first study in Australia by an energy retailer delivering such a comprehensive customer experience, testing and measuring the effectiveness of innovative technology, alternative time-of-use pricing and customer support. The study will include multiple channels of communicating with customers including through an In Home Display, an interactive website, email and SMS to encourage behavioural change.

In order to meet its supply obligations to customers, Synergy will also continue its procurement activities to secure reliable, diverse and sufficient supplies to meet customer demands.

In addition, Synergy is awaiting the outcome of the State Government's review of the financial situation of Verve Energy, the outcomes of which may influence Synergy's operations.

PERFORMANCE OVERVIEW

Synergy's corporate Key Performance Indicators (KPIs) have been selected with the aim of allowing the shareholder and management to effectively monitor progress at a corporate level.

Accordingly, the corporate measures will not reflect the detailed management requirements for measuring performance at an operational level.

The KPIs used for monitoring Synergy's corporate performance are based on the:

- costs and relevance of providing the information on an ongoing basis;
- different information requirements of the organisation and the shareholder;
- regulatory requirements and
- commercial sensitivity of the measures and the degree of exposure for those that could affect our competitive position.

In selecting these measures, discussions have been held with the Minister for Energy and his representatives within the Office of Energy whose views have been taken into account.

Operational Key Performance Indicators

	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Forecast
Contact Centre Effectiveness				
Total Number of Calls Received	2,260,361	1,848,844	1,083,434	784,817*
% of Calls not answered within 30 seconds from when a customer is connected	21%	15.76%	9.70%	20.0%
Average waiting time before a call is answered (seconds)	20	13.6	17.4	20
% of calls abandoned	5.0%	1.7%	2.28%	3.0%
Business Development and Innovation				
Number of dual-fuel customer accounts	118	219	213	213
Accredited renewable energy customers (NaturalPower; EasyGreen; REBS and Earth Friendly)	6,729	10,700	17,383	15,000
SmartPower customers	14,847	16,180	17,977	20,000
Customer Service				
Number of disputes involving the Energy Ombudsman	483	508	487	672

* Refer to Report on Operations (Page 14)

DIRECTORS' REPORT

The Synergy (Electricity Retail Corporation) Board of Directors present their report for the period 1 July 2008 to 30 June 2009.

BOARD OF DIRECTORS

Role of the Board

The Board of Directors is Synergy's governing body and responsible to the Minister for Energy (the Minister) for its performance. Subject to the Electricity Corporation Act 1995 (the Act), the Board has the authority to perform the functions, determine policies and control Synergy's affairs.

Composition of the Board

The Board of Directors comprises five non-executive Directors and one executive Director, the Managing Director.

DIRECTORS

The names and details of the Directors in office at any time during the period 1 July 2008 to 30 June 2009 are:

Michael Smith, FIMC, FAIM, FAMI – Director and Chairperson (Age 55)

Mr Smith, Managing Director of the Marketing Centre, was appointed Chairperson in March 2006. He has held several chairman and director positions since he began his career. Mr Smith's term expires on 31 March 2011.

Mr Smith also Chairs the Boards of iiNet, Scotch College and the Perth International Arts Festival and is a director of 7-Eleven Stores Pty Ltd, a chain of 378 convenience stores on Australia's east coast. He is also Vice President of the Australian Institute of Company Directors, a Fellow of the Australian Marketing Institute and Australian Institute of Management, an executive member of the American Marketing Association, a Chartered Management Consultant and Member of the Institute of Management Consultants.

Mr Smith was formerly the Chairperson and Director of the West Coast Eagles and a director of Indian Pacific Ltd and Home Building Society.

James Mitchell, B.Com CPA MAICD – Managing Director (Age 57)

Mr Mitchell was appointed as CEO Designate, Western Power Retail in February 2006 and was Synergy's Managing Director from 1 April 2006. Mr Mitchell is also Chairman of the Uniting Church Investment Fund Advisory Board for the Uniting Church's Western Australian Synod. Mr Mitchell's term expires in 2010.

Eric Hooper BA (Business), MBA, GAICD – Director and Deputy Chairperson (Age 51)

Mr Hooper was appointed to the board as a non-executive director in March 2006. Mr Hooper is also a director of Oceans Garden Inc, and consultant providing corporate finance advisory services. Mr Hooper's term expires in 2012.

Caryle Demarte PSM, BA, FAICD – Director (Age 61)

Ms Demarte was appointed to the Board as a Non-Executive Director in March 2006. Ms Demarte has served as a director of Yarra Valley Water and Aurora Energy and a Councillor of the Earth Resources Development Council, and was formerly a director of TXU Australia Customer Services Pty Ltd, Energy and Water Industry Ombudsman of Victoria, Energy Retailers Association of Australia and VENCORP. Ms Demarte's term expires in 2011.

Terri Reilly, BA, B Soc Wk, GAICD – Director (Age 53)

Ms Reilly was appointed to the Board as a non-executive director in March 2006. Ms Reilly is Chief Executive Officer of Relationships Australia (WA). Ms Reilly is a Director of Relationships Australia's National Board and a Director of Western Australian Council of Social Service Board (WACOSS). Ms Reilly also sits on state and national committees concerned with a range of community and clinical issues. Ms Reilly's term expires in 2010.

David Hunt, BA (Hons) – Director (Age 46)

Mr Hunt was appointed to the Board as a Non-Executive Director in November 2007.

Mr Hunt has worked in electricity and gas sectors in both Australia and New Zealand. During his time in the industry, Mr Hunt has held a range of senior executive roles, most recently as Chief Executive of Contact Energy in New Zealand.

He is currently a director of Concept Consulting Group, an energy consultancy business providing services to clients in the Asia-Pacific region. Mr Hunt's term expires in 2009.

COMMITTEES

Synergy operates a Human Resources and Remuneration Committee, an Audit and Legal Compliance Committee and a Nominations Committee consisting of the following Directors:

- Human Resources and Remuneration Committee members – Terri Reilly (Chair), Michael Smith, and Caryle Demarte.
- Audit and Legal Compliance Committee members – Eric Hooper (Chair), Caryle Demarte and David Hunt.
- Nominations Committee – Michael Smith (Chair) and Eric Hooper.

The Managing Director is not a member of, but has a standing invitation to the Human Resources and Remuneration Committee and the Audit and Legal Compliance Committee.

ROLE OF THE COMMITTEES

Human Resources and Remuneration Committee

The purpose of the Committee is to assist the Board to fulfil its corporate governance oversight responsibilities in relation to:

- the remuneration and other terms and conditions of service of Synergy staff pursuant to Section 18(2) of the Act;

- quality assurance relating to the integrity and probity of Synergy's remuneration policies and practices;
- quality assurance relating to occupational health & safety policies and programs;
- succession planning and nomination of directors and the chief executive officer in accordance with Section 8(5) and Section 14(2)(a) of the Act and
- review the performance of the Board and its Committees and the chief executive officer/managing director.

Audit and Legal Compliance Committee

The primary function of the Committee is to assist the Board in fulfilling its fiduciary duties and corporate governance and oversight responsibilities. The Committee will achieve this role by overseeing:

- the adequacy of the financial reporting, principles and policies, internal controls and procedures;
- the integrity and quality of financial statements and the independent audit of those statements;
- oversight of Synergy's business transformation program;
- compliance with the relevant regulatory and legal requirements;
- the internal audit function and
- the identification and management of business risks by Management.

DIRECTORS' MEETINGS

The number of meetings of the Board (including meetings of committees) and number of meetings attended by each of the Directors between 1 July 2008 and 30 June 2009 are as follows:

	Board Meetings		Human Resources and Remuneration Committee		Audit and Legal Compliance Committee	
	A	B	A	B	A	B
Michael Smith	11	11	6	6	0	0
Eric Hooper	9	11	0	0	10	12
Caryle Demarte	11	11	6	6	11	12
Terri Reilly	10	11	6	6	0	0
David Hunt	11	11	0	0	12	12
James Mitchell	11	11	6	6	12	12

A Number of meetings attended

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

Corporate Governance Statement

Corporate Governance Statement

This statement outlines the principal corporate governance practices Synergy's board followed during the reporting period 1 July 2008 to 30 June 2009.

Synergy is committed to acting responsibly, ethically and with the highest standards of integrity. This requires sound corporate governance principles and practices to be adopted by the board and implemented with commitment throughout the business.

The Synergy board considers that its governance practices comply with the recommendations of the ASX Corporate Governance Council Best Practice Recommendations.

1. Corporate governance at Synergy

Synergy is committed to a high level of corporate governance and promoting a culture of spirit, integrity, being enterprising and having quality relationships.

Synergy must comply with the Electricity Corporations Act 2005 (WA) (the 'Act') and other state and commonwealth laws. As a government trading enterprise, Synergy is not listed on the Australian Securities Exchange ('ASX'), but seeks to comply, to the extent applicable and not inconsistent with the requirements of the Act, with the ASX Corporate Governance Principles.

The ASX Principles require the board to consider the development and adoption of appropriate governance policies and practices founded on the ASX Principles. Details of Synergy's compliance with the ASX Principles are set out below and in the compliance checklist found at the end of this statement.

2. Board of Directors

2.1 Board role and responsibilities (ASX Principle 1.1)

As a statutory corporation, the respective duties and responsibilities of Synergy's board, managing director and executive officers are substantially set out in the Act.

Subject to the provisions of the Act, the board has overall responsibility for performing the functions, determining the policies and controlling the affairs of Synergy. Its central role is to set Synergy's strategic direction and to oversee its management and commercial activities.

Synergy has a Board Charter detailing its role, powers, duties and functions. In addition to matters required by law to be approved by the board, the following matters are reserved to the board:

- appointing the managing director - subject to the Minister's endorsement – and overseeing appointments of the managing director's direct reports
- providing strategic direction, approving policies and reviewing major decisions, including capital expenditure proposals
- approving budgets and monitoring senior executives' and financial performance
- overseeing compliance with internal processes and regulatory requirements and
- assessing board performance to ensure the board's effectiveness.

Responsibility for the management of Synergy's day-to-day operations is delegated to the managing director, who is accountable to the board. The board has also delegated a number of

responsibilities to its committees. The responsibilities of these committees are detailed in section 3 of this report.

2.2 Board composition (ASX Principles 2.1, 2.2, 2.3 & 2.6)

In accordance with the Act, the board must comprise not less than four and not more than six directors appointed by the Governor of Western Australia on the nomination of the Minister. In making nominations, the Minister is required to consult with the board. Where a vacancy occurs in the membership of the board, it may recommend a new candidate to the Minister.

At the date of this report the board has six members, of whom five are non-executive directors. The names of the directors in office at the date of this report, the date they were first appointed, and their biographical details are set on page 28 of this Annual Report.

The board considers all of the non-executive directors collectively bring the range of skills, knowledge and experience necessary to direct Synergy.

In assessing the composition of the board, the directors have regard to the following criteria

- the chair and the deputy chair must be independent, non-executive, directors
- the role of the chair and the CEO cannot be filled by the same person
- the CEO is to be resident in, or near, the town in which Synergy's head office is located
- the majority of the board should comprise independent directors and
- the board should have the required blend of qualifications, experience and expertise.

2.3 Director independence (ASX Principle 2.1 and 2.6)

The structure and composition of the board is prescribed by the Act. The independence of directors is, therefore, not a matter entirely in control of the board. However, the board Charter provides that in nominating candidate directors to the Minister, the board will have regard to the independence of prospective directors.

The board Charter further outlines the criteria to be considered in assessing director independence, which are based on the premise that a director, other than the managing director, must be independent of management and free of any business or other relationship that could materially interfere, or could reasonably be perceived to interfere, with the exercise of the director's unfettered and independent judgment.

None of the non-executive directors is considered to have a business, or other, relationship that could materially interfere, or could reasonably be perceived to interfere, with the exercise of the director's unfettered and independent judgment.

2.4 Conflicts of interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with Synergy's interests. The board has developed procedures to assist directors on disclosing potential conflicts of interest.

A director with an actual or potential conflict of interest in relation to a matter before the board is required to withdraw from the meeting while the matter is considered.

2.5 Terms of appointment, induction training and continuing education (ASX Principles 1.1)

Under the Act, a director holds office for such period, not exceeding three years, as is specified in the instrument of his or her appointment, and is eligible for reappointment. Periods of appointment will be structured to ensure approximately one-third of directors retire each year.

The recently created Nominations Committee oversees the establishment and implementation of an effective induction process for new directors and will review that process regularly. The induction process includes discussions with the managing director, senior management and relevant external stakeholders and provision of information on key corporate and board policies and strategic plans.

All directors are expected to undertake professional development to maintain the skills required to discharge their duties. Where this involves industry seminars and approved education courses, Synergy pays the cost, subject to the chair's approval. In addition, where skill gaps are identified, directors will be provided with appropriate resources and training.

2.6 Performance evaluation (ASX Principle 1.2, 1.3 & 2.5)

The responsibilities of Synergy's executive are well defined and documented through formal position descriptions, performance agreements and board-approved delegation of authority policies. Synergy has also developed an extensive performance management system for evaluating the performance of senior executives.

The HRRC reviews and makes recommendations to the board on the process for reviewing the performance of the managing director. The managing director's performance is judged against the approved strategic plan and the corporate and personal key performance indicators established for the managing director on an annual basis. The same process is adopted in the case of other senior executives, except that their performance is also judged against additional key performance indicators relating to their respective departments.

The Nominations Committee reviews the performance of the board and its Committees and the managing director.

2.7 Board access to information and professional advice (ASX Principle 2.6)

Directors have direct access to members of Synergy's management and information.

Directors may, in carrying out their duties owed to Synergy, seek external professional advice. They are entitled to reimbursement of all reasonable costs where a request for advice is approved by the chair. Where the chair proposes to seek external advice, he, or she will consult the deputy chair.

2.8 Directors' remuneration (ASX Principle 8.2)

The principles used to determine the nature and amount of remuneration of Directors is detailed in the Remuneration Report of the Annual Report. The HRRC is responsible for, among other matters, assisting the board in establishing remuneration policies and reviewing their effectiveness. The remuneration of non-executive directors is determined by the Minister.

There are no schemes for retirement benefits, other than superannuation, provided for any non-executive director.

2.9 Chair (ASX Principles 2.2 & 2.3)

The board chair, Mr Michael Smith, is an independent non-executive director. Under the Act, the Governor appoints the chair and deputy chair from the non-executive directors on the nomination of the Minister. In compliance with the Act, the board chair and the managing director are not the same person. The chair is responsible for leadership of the board, for the efficient organisation and conduct of the board's function and for the promotion of relations between board members and between the board and management that are open, cordial and conducive to productive co-operation. The chair's responsibilities are set out in more detail in the Board Charter.

Mr Smith is also chair/director of the companies listed on page 28 of the Annual Report. The board considers neither his chairmanship of the companies listed, nor any of his other directorship commitments as listed, interfere with the discharge of his duties to Synergy. The board is satisfied he commits the time necessary to discharge his role effectively.

2.10 Company Secretary

Synergy's company secretary is Mr Will Bargmann, who is also its general counsel. The appointment and removal of the Company Secretary is a matter for decision by the board. The company secretary is responsible for ensuring that board procedures are complied with and governance matters are addressed. All directors have access to the company secretary's advice and services.

2.11 Board meetings (ASX Principle 2.6)

The board meets at least eight times per year to address strategic issues and as needed to address urgent issues. Details of the number of board meetings and directors' attendance at these meetings are set out on page 30 of this annual report.

The board has adopted rules and procedures which govern the proceedings of board meetings in addition to the provisions in Schedule 1 of the Act.

Copies of board papers are circulated in advance of meetings. Directors are entitled to request additional information where they consider the information is necessary to support informed decision-making.

3. Board committees

3.1 Committees, membership and charters (ASX Principles 2.4, 2.6, 4.1,4.2, 4.3, 4.4, 8.1 & 8.3)

The board has established three committees to assist in the discharge of its responsibilities. These are:

- the Audit and Legal Compliance Committee ('ALCC');
- the Human Resources and Remuneration Committee ('HRRC') and
- the Nominations Committee.

Each of the committees has its charter that describe its role and duties. The Company Secretary provides secretariat services for each committee.

Minutes of all committee meetings are provided to the board and the proceedings of each meeting are reported by the respective committee chair at the next board meeting. A director may attend committee meetings even if he or she is not a member of the committee.

The number of committee meetings held during the year, and members' attendances at the meetings of the ALCC and HRRC are set out on page 30 of this annual report

3.2 Audit and Legal Compliance Committee (ASX Principles 4.1, 4.2, 4.3 & 4.4)

The role and membership of the ALCC is detailed on page 30 of the Annual Report.

3.3 Human Resources and Remuneration Committee (ASX Principles 2.4, 2.6, 8.1 & 8.3)

The role and membership of the HRRC is detailed on page 30 of the Annual Report.

4. Promoting responsible and ethical behaviour

4.1 Code of conduct (ASX Principles 3.1 & 3.3)

The board has also approved a code of conduct setting out minimum standards of conduct for all officers and employees of Synergy, as well as a legislative and regulatory compliance policy and a conflict of interest policy. The code of conduct outlines Synergy's position on a range of ethical and legal issues and summarises its policies on matters such as compliance with laws, occupational health and safety, corporate opportunity, confidentiality, protection of corporate assets and diversity in the workplace and responsibility for the environment.

The codes of conduct and the policies

- guide compliance with Synergy's legal and other obligations to its stakeholders, including the Minister and the Government, employees, customers, the community, unions and regulatory authorities and
- are designed to reflect Synergy's commitment to appropriate corporate practices.

Compliance with the principles contained within these documents will also assist Synergy in effectively managing risks and meeting its legal and compliance obligations. Synergy also has a public interest disclosure policy, the details of which are detailed in the Annual Report.

4.2 Ownership and dealing in securities (ASX Principles 3.2)

Synergy is not a listed entity and has no transferable securities. The potential for issues in relation to trading in other companies' shares while in possession of inside information is addressed in the statutory duties contained in the Act and further explained in an outline of the duties and obligations of directors and executive officers, a copy of which is provided to all directors and officers of Synergy. Synergy's conflict of interest policy also highlights the potential for issues to arise in this regard.

5. Shareholder

5.1 Shareholder communication (ASX Principles 6.1 & 6.2)

The Minister for Energy is the only shareholder of Synergy. As Synergy's governing body, the board is responsible to the Minister for its performance. The Minister has various rights set out in the Act in relation to certain aspects of Synergy, such as board nominations, approvals for certain transactions and access to information about Synergy.

The Act also imposes certain reporting obligations on Synergy. It must produce a strategic development plan ('SDP') and a statement of corporate intent ('SCI') each year. The SDP sets out Synergy's five-year economic and financial objectives, strategic result areas and associated

performance targets, as well as strategies. The SCI sets out Synergy's scope of activities, objectives and performance targets for the coming financial year and is consistent with the SDP. The SCI is tabled in Parliament after it has been agreed with the Minister and has received the Treasurer's endorsement.

In addition:

- Synergy provides quarterly and annual written reports to the Minister detailing its performance and progress made in fulfilling the agreed targets set in the SCI
- the Minister and the board must, at the request of either, consult on any aspect of Synergy's operation.

5.2 Continuous disclosure and market communications (ASX Principles 5.1 & 5.2)

Synergy is not a listed company and is not subject to disclosure obligations under the ASX Listing Rules. However, the Act imposes requirements on Synergy to report on a range of matters to the Minister.

6. Financial reporting (ASX Principles 7.3)

The Act requires the board to declare annually that Synergy's financial statements give, in all material respects, a true and fair view of its financial position and that its financial condition and operating results are in accordance with relevant accounting standards.

The CEO and the CFO have assured the board that Synergy's financial reports present a true and fair view, in all material respects, of its financial condition and operational results and are in accordance with relevant accounting standards and that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

7. External auditor relationship (ASX Principle 4.4 & 6)

The Act requires Synergy's financial statements to be audited by the Auditor General by 30 September each year. The Auditor General also reports to the Minister on whether he or she is of the opinion that the financial report is in accordance with the Act.

The ALCC oversees communications between the board, senior financial management, Legal, Regulatory and Audit Department, Compliance and Risk Department and the Auditor General in order to ensure all assistance necessary to complete the audit by the Auditor General is provided.

Synergy does not have control over the appointment (or selection) of the external auditor. This matter is prescribed by the Act.

8. Risk management (ASX Principles 7.1& 7.2)

Synergy has a comprehensive framework to manage its strategic, operational, regulatory and reporting risks. The corporate risk management policy sets out a methodology and process for identification of risks, outlines the accountabilities of management and contains procedures for reporting on risk issues throughout Synergy.

Synergy's executive and management are responsible for identifying risks and implementing strategies to mitigate them. The ALCC oversees the risk management framework and reviews the effectiveness of key mitigation strategies. Risk reviews are conducted at least annually to ensure

emerging risks, such as those from changes in market structure and design, organisational restructures and operational issues are identified and responses developed.

The CEO and the CFO have assured the board that Synergy's management of its material business risks is effective. In accordance with the Act, the Compliance and Risk Department makes recommendations to the board on the appropriate level of insurance cover for Synergy. Financial risk issues are managed through a treasury policy statement that requires reporting to the ALCC on treasury activities.

Corporate Governance Checklist

Although it is not a company listed on the Australian Securities Exchange and as such is not subject to the ASX Listing Rules, Synergy has voluntarily chosen to comply with the principles and recommendations of the ASX Corporate Governance Council in the most recent edition of its ASX Corporate Governance Principles and Recommendations (ASX Principles), where appropriate and relevant in Synergy's circumstances.

The following checklist reports on the extent to which Synergy has complied with the ASX Principles and explains the reasons for any non-compliance. This table cross-references to various sections of the corporate governance disclosure statement contained within this Annual Report.

	ASX PRINCIPLE	Comply	Reference
Principle 1	Lay Solid foundations for management and oversight		
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions	✓	2.1, 2.5
1.2	Disclose the process for evaluating the performance of senior executives	✓	2.6
1.3	Provide the information indicated in the guide to reporting on ASX Principle 1	✓	2.6
Principle 2	Structure the Board to add value		
2.1	A majority of the board should be independent directors	✓	2.2, 2.3
2.2	The board chair should be an independent director	✓	2.2, 2.9
2.3	The roles of the board chair and CEO should not be exercised by the same individual	✓	2.3, 2.9
2.4	The board should establish a nomination committee	See Note 1	3.1
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors	✓	2.6
2.6	Provide the information indicated in the guide to reporting on ASX Principle 2	✓	2.2, 2.3, 2.7, 2.11, 3.1, 3.3
Principle 3	Promote ethical and responsible decision-making		
3.1	Establish a code of conduct and disclose the code or a summary of the code as to:		4.1
3.1.1	the practices necessary to maintain confidence in the company's integrity;		
3.1.2	the practices necessary to take into account Western Power's legal obligations and the reasonable expectations of its stakeholders	✓	
3.1.3	the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of the policy	See Note 2	4.2
3.3	Provide the information indicated in the guide to reporting on ASX Principle 3	✓	4.1
Principle 4	Safeguard integrity in financial reporting		
4.1	The board should establish an audit committee	✓	3.1, 3.2
4.2	Structure the audit committee so that it consists of: (i) only non-executive directors; (ii) a majority of independent directors; (iii) an independent chair, who is not the board chair; and (iv) at least 3 members.	✓	3.1, 3.2
4.3	The audit committee should have a formal charter	✓	3.1, 3.2
4.4	Provide the information indicated in the guide to reporting on ASX Principle 4	Note 3	3.1, 3.2
Principle 5	Make timely and balanced disclosure		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	Note 4	5.2
5.2	Provide the information indicated in the guide to reporting on ASX Principle 5	Note 4	5.2
Principle 6	Respect the rights of shareholders		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of the policy.	✓	5.1, 5.2
6.2	Provide the information indicated in the guide to reporting on ASX Principle 6	✓	5.1, 5.2
Principle 7	Recognise and manage risk		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	✓	8
7.2	The board should require management to design and implement the risk management and internal control system to manage Western Power's material business risks and report to it	✓	8

	on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of Western Power's management of its material business risks		
7.3	The board should disclose whether it has received assurance from the CEO and the CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✓	6, 8
Principle 8	Encourage enhanced performance		
8.1	The board should establish a remuneration committee.	✓	3.1, 3.3
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	✓	2.8
8.3	Provide the information indicated in the guide to reporting on ASX Principle 8	✓	3.1, 3.3

Notes:

1. While Synergy has established a Nomination Committee, it does not fully comply with recommendation 2.4 of the ASX Principles given the size and nature of the Synergy board, and the fact the board is ultimately determined by the Governor (on recommendation from the Minister).

2. ASX Principle 3.2 has no relevance to Synergy as it is not a publicly listed entity (see section 4.2 of the corporate governance statement).

3. The independence of committee members is influenced by the process of appointment of the directors to the board by the Governor and, therefore, the committee may not always have a majority of independent members. However, it currently does have the required majority. Under the Act, Synergy's external auditor is the WA Auditor General. Therefore, recommendations in the ASX Principles as to independence and evaluation of the external auditor are not relevant.

4. ASX Principle 5 has no relevance to Synergy as it is not a publicly listed entity and therefore is not subject to the ASX Listing Rules (see section 5.2 of the corporate governance report).

Remuneration Report

Principles Used to Determine the Nature and Amount of Remuneration

Remuneration approval protocols are as follows:

- **Specified Non-Executive Directors:** The Minister for Energy approves the remuneration of all Non-Executive Directors.
- **Managing Director:** The Board subject to the concurrence of the Minister for Energy approves the remuneration of the Managing Director (also referred to as the CEO).
- **Specified Executive Officers:** The Board on recommendation of the Managing Director approves the remuneration of all Specified Executive Officers.

The Remuneration Policy is to:

- remunerate individuals in accordance with performance and responsibility;
- ensure consistent decision making on individual remuneration adjustments;
- establish flexible remuneration arrangements and
- establish and maintain salary ranges comparable to other companies of similar size and industry.

Specified Non-Executive Directors

A non-executive director is to be paid out of the funds of the corporation such remuneration and allowances as are determined in the case of that director by the Minister.

Remuneration

Refer to emolument of Key Management Personnel.

Managing Director

Synergy Managing Director James K Mitchell is not paid an additional amount to sit on the Synergy Board.

COMPENSATION OF DIRECTORS AND EXECUTIVE DISCLOSURES

Service Agreements

James Mitchell, Managing Director

- Term of the Agreement – 5 years commencing from 1 April 2006.
- Notice period- 26 weeks written notice, or such shorter period as may be agreed, or remuneration in lieu of notice.
- Termination
 - Redundancy: should the Minister elect to merge, restructure, or dispose of the business of Synergy, will be by payment of the greater of the amount equivalent to the remuneration calculated over the balance of the period of this agreement, or a redundancy payment of 150% of annual salary, unless reasonable alternative employment with Synergy is obtained.
 - Poor performance: the lesser of either 13 weeks notice or remainder of the Agreement.
- Performance Pay- At the Board's discretion with the concurrence of the Minister, a payment of up to 37% remuneration can be made for the achievement of specific targets set by the Board.

Geoff Roberts, Chief Operating Officer

- Term of the Agreement – Not a fixed term contract
- Notice period- 4 weeks written notice, or such shorter period as may be agreed, or remuneration in lieu of notice.
- Termination
 - Redundancy: 12 weeks total fixed remuneration in lieu of notice and 3 weeks total fixed remuneration for every completed year of continuous service to a maximum of 87 weeks.
 - Incapacity or poor performance: 4 weeks notice, or without notice for serious misconduct.
 - Other than redundancy, incapacity, poor performance or serious misconduct: 26 weeks notice or 26 weeks total fixed remuneration as payment in lieu of notice.
- Performance Pay- At Risk Remuneration (ARR) will be variable from zero to a capped maximum, in accordance with the ARR scheme and based on the achievement of specific performance targets, as approved by the Board. ARR payments will range from zero for non performance, to 10% of total targeted remuneration for on-target performance, and ranging up to a capped maximum ARR payment of 20% of total targeted remuneration for exceeding performance targets.

Trevor James, Head of Wholesale

- Term of the Agreement – Not a fixed term contract
- Notice period- 4 weeks written notice, or such shorter period as may be agreed, or remuneration in lieu of notice.
- Termination
 - Redundancy: 12 weeks total fixed remuneration in lieu of notice and 3 weeks total fixed remuneration for every completed year of continuous service, to a maximum of 87 weeks.
 - Incapacity or poor performance: 4 weeks notice, or without notice for serious misconduct.
- Performance Pay- At Risk Remuneration (ARR) will be variable from zero to a capped maximum, in accordance with the ARR scheme and based on the achievement of specific performance targets, as approved by the Board. ARR payments will range from zero for non performance, to 10% of total targeted remuneration for on-target performance, and ranging up to a capped maximum ARR payment of 20% of total targeted remuneration for exceeding performance targets

Will Bargmann, General Counsel and Company Secretary

- Term of the Agreement- Not a fixed term contract
- Notice period- 4 weeks written notice, or such shorter period as may be agreed, or remuneration in lieu of notice.
- Termination
 - Redundancy: 12 weeks total fixed remuneration in lieu of notice and 3 weeks total fixed remuneration for every completed year of continuous service, to a maximum of 52 weeks.
 - Incapacity or poor performance: 4 weeks notice, or without notice for serious misconduct.
 - Other than redundancy, incapacity or poor performance: 52 weeks notice or 52 weeks total fixed remuneration as payment in lieu of notice.
- Performance Pay- At Risk Remuneration (ARR) will be variable from zero to a capped maximum, in accordance with the ARR scheme and based on the achievement of specific performance targets, as approved by the Board. ARR payments will range from zero for non performance, to 10% of total targeted remuneration for on-target performance, and ranging up to a capped maximum ARR payment of 20% of total targeted remuneration for exceeding performance targets.

Virginia Miltrup, Head of Human Resources & Organisational Development / Acting Head of Customer & Brand Equity (Ms Miltrup left Synergy in May 2009)

- Term of the Agreement- Not a fixed term contract
- Notice period- 4 weeks written notice, or such shorter period as may be agreed, or remuneration in lieu of notice.
- Termination
 - Redundancy: 12 weeks total fixed remuneration in lieu of notice and 3 weeks total fixed remuneration for every completed year of continuous service, to a maximum of 52 weeks.
 - Incapacity or poor performance: 4 weeks notice, or without notice for serious misconduct.

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Emolument of Key Management Personnel

The nature and amount of each element of the emolument for Key Management Personnel during 2008/09 are detailed in the attached Financial Statements.

Details of the nature and amount of each element of emolument for Key Management Personnel for the period 1 July 2008 – 30 June 2009 are detailed below

	Short Term Benefits			Post Employment Benefits	Other Benefits \$ '000	Termination Benefits \$ '000	Total Remuneration \$ '000
	Salary & Fees \$ '000	At Risk Remuneration \$ '000	Non Monetary \$ '000	Superannuation & Retirement \$ '000			
Non Executive Directors							
Michael Smith (Chairperson)	105			10			115
Eric Hooper	65			6			71
Terri Reilly	50			5			55
Caryle Demarte	50			5			55
David Hunt	50			5			55
Sub-Total Non Executive Directors	320			31			351
Executive Director							
James K Mitchell	359	98		49			506
Other Key Management Personnel							
Geoff Roberts – Chief Operating Officer	230	44		26			300
Trevor James – Head of Wholesale	291	28		23			342
Will Bargmann – General Counsel & Company Secretary	226	44		26			296
Tony Perrin – Head of Wholesale	132	00		11			143
Virginia Miltrup	209	36		22		100	367
Total	1767	250		188		100	2305

Indemnification of Directors and Officers

The Board has approved a Directors' and Officers' Liability Insurance Policy to ensure the Directors and Officers of the Corporation have 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 of the Corporation.

The Directors' and Officers' Liability Insurance Policy forms part of the Corporation's Third Party Liability Policy, and it is therefore not possible to determine the premium applicable.

At the date of this Report no claims have been made against the Directors and Officers component of the policy.

Review of Operations

The operations of the Corporation during the financial year and the results of those operations are discussed in the Chairman's Report, the Managing Director's Report and the Review of Operations.

Change in State of Affairs

There were no significant changes in the state of affairs of the Corporation during the financial year.

Principal Activities

The functions of the Corporation are —

- to supply electricity to consumers and services which improve the efficiency of electricity supply and the management of demand;
- to purchase or otherwise acquire electricity for the purposes of supplying electricity to customers;
- to provide ancillary services;
- by agreement with the Regional Power Corporation (Horizon), to provide retail support services to that corporation;
- to acquire gas and supply it to consumers;

It is also the function of the Corporation to use its expertise and resources to provide consultative, advisory or other services for profit; to develop and turn to account any technology, software or other intellectual property relating to the functions above; to manufacture and market any product relating to the functions above; or to exploit its fixed assets for profit so long as the proper performance of its functions are not affected.

The Corporation can do anything that it determines to be conducive or incidental to the performance of its function mentioned above.

The Corporation in performing its functions must act in accordance with prudent commercial principles and endeavour to make a profit, consistent with maximising its long-term value.

Likely Developments and Expected Results of Operations

Synergy has established an energy procurement process, which encompasses the securing of sufficient capacity and energy to meet customer sales and market obligations. Over the course of the next year, Synergy may enter into new wholesale supply contracts.

In addition, Synergy will be monitoring the progress of the Federal Government's proposed Carbon Pollution Reduction Scheme which, if passed by Federal Parliament, will have significant implications for Synergy's customers. Synergy is already preparing for a carbon trading scheme, as it expects such a scheme is inevitable, whether it is the proposed Carbon Pollution Reduction Scheme or an alternative model.

Ministerial Directions

Synergy has received no Ministerial Directions during the year.

Observance of the Code of Conduct

Section 33 of the Electricity Corporations Act 2005 (WA) ("Act") requires the Board of Synergy to provide to the Minister, at the same time as delivering its Annual Report, a separate report on the observance of its Code of Conduct by members of staff. The Board confirms, consistent with section 31 of the Act, Synergy's Code of Conduct was developed after consultation with the Commissioner for Public Sector Standards and was adopted by the Board at its meeting on 23 February 2009.

The Code of Conduct has been made available to all employees of Synergy and is available on Synergy's Intranet for employee reference. The Board under delegated authority, assign accountability through the Managing Director to formal leaders in the organisation to ensure observance of the standards of conduct and integrity by members of staff.

As at 30 June 2009 there were no reported incidents of staff members breaching the requirements of the Code of Conduct.

State Records Act 2000

Synergy maintains and supports quality record-keeping practices in its day-to-day business activities. All records are managed according to the requirements of the State Records Act 2000 and Synergy's approved Record Keeping plan. Regular reviews are conducted of the corporate record-keeping systems and practices to ensure their efficiency and effectiveness. New employees and contractors are provided with information on the record-keeping systems both at induction and at training in the use of the system. The training programs are reviewed on an ongoing basis to ensure they reflect any new business requirements.

Public Interest Disclosure

The Public Interest Disclosure Act came into effect 1 July 2003. The Act facilitates the disclosure of public interest information and provides protection for those making such disclosures and those who are subject to such disclosures. Synergy is committed to the aims and objectives of the Act.

In May 2006, a set of procedures was developed which outlined the manner in which Synergy will comply with its obligations under the Act. Public Interest Disclosure information is included in Synergy's induction program, procedures and staff information are posted on our intranet facility for staff to view. Synergy has appointed the Managing Director, the Company Secretary/General Counsel, Manager, Human Resources and Organisational Development and the Manager Internal Audit as Public Interest Disclosure Officers.

There were no disclosures made during 2008/09.

Disability Access Disclosure

At Synergy, we are committed to ensuring people with disabilities, their families and carers have equal access to our services and information.

In accordance with the Disability Services Act 1993, Synergy has developed a Disability Access and Inclusion Plan, which outlines various strategies with a purpose of improving access to services, premises and information.

The Disability Access and Inclusion Plan was created in consultation with key stakeholders and in the plan's implementation a working group was developed to oversee and monitor the overall execution of the plan's objectives.

The Disability Access and Inclusion Plan has six objectives, which include:

- The same opportunities as other people to access the services of, and any events organised by, a public authority.
- The same opportunities as other people to access the buildings and facilities of a public authority.
- Receive information from a public authority in a format that will enable them to access the information as readily as other people are able to access it.
- Receive the same quality and level of service from the staff of a public authority as other people receive from the staff of that public authority.
- The same opportunities as other people to make complaints to a public authority.
- The same opportunities as other people to participate in any public consultation by a public authority.

APPENDIX ONE – FINANCIAL STATEMENTS



Auditor General

INDEPENDENT AUDIT REPORT ON ELECTRICITY RETAIL CORPORATION (TRADING AS SYNERGY)

To the Parliament of Western Australia

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

Directors' Responsibility for the Financial Report

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

Summary of my Role

As required by the Electricity Corporations Act 2005, my responsibility is to express an opinion on the financial report based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer www.audit.wa.gov.au/pubs/AuditPracStatement_Feb09.pdf.

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

Audit Opinion

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

- (a) giving a true and fair view of the Corporation's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

COLIN MURPHY

AUDITOR GENERAL

26 August 2009



**Electricity Retail Corporation
Trading as Synergy**

(ABN 71 743 446 839)

Financial Statements for the Year Ended 30 June 2009



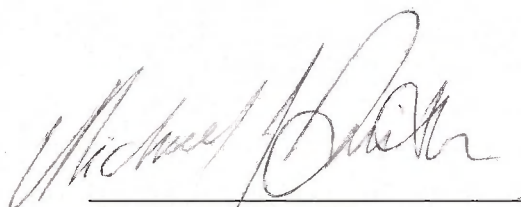
Director's Declaration

In accordance with a resolution of the Directors of Synergy, we declare that –

In the opinion of the Directors:

- (a) the financial statements and notes:
 - (i) comply with Australian Accounting Standards (including the Australian Accounting Interpretations);
 - (ii) are in accordance with Section 192, Schedule 4, Division 3 of the *Electricity Corporations Act 2005*;
 - (iii) give a true and fair view of Synergy's financial position as at 30 June 2009 and its performance, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due, in accordance with the existing structure of the Corporation.

For and on behalf of the Board,



Mr Michael Smith
Chairman

Date 25/8/2009



Mr James K Mitchell
Managing Director

Date 25/8/2009



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Income Statement

For the Year Ended 30 June 2009

	NOTES	30/06/09 \$'000	30/06/08 \$'000
Revenue	2	1,745,041	1,633,815
Other Income	3	13,827	10,975
Cost of Sales	4	(1,518,703)	(1,480,641)
Employee Benefits Expense	5	(40,228)	(34,474)
Materials & Services	5	(67,045)	(66,148)
Depreciation & Amortisation	5	(1,949)	(1,848)
Other expenses	5	(5,347)	(5,099)
Profit Before Income Tax Equivalent Expense		<u>125,596</u>	<u>56,580</u>
Income Tax Equivalent Expense	6	(36,356)	(16,971)
Profit After Income Tax Equivalent Expense		<u><u>89,240</u></u>	<u><u>39,609</u></u>

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



Balance Sheet

As At 30 June 2009

	NOTES	30/06/09 \$'000	30/06/08 \$'000
CURRENT ASSETS			
Cash and Cash Equivalents	7	141,205	106,552
Trade and Other Receivables	8	265,254	255,953
Intangible Assets	9	16,412	17,380
Inventories (at cost)		13,094	11,700
Financial Assets	10	2,503	8,583
Other Assets	11	1,247	291
Total Current Assets		439,715	400,459
NON-CURRENT ASSETS			
Property, Plant and Equipment	12	9,246	9,981
Intangible Assets	13	36,083	4,269
Financial Assets	10	53,786	53,766
Other Assets	11	11,194	-
Deferred Tax Assets	14	7,333	6,442
Total Non-Current Assets		117,642	74,458
Total Assets		557,357	474,917
CURRENT LIABILITIES			
Trade and Other Payables	15	243,615	258,297
Tax Liabilities	14	22,638	110
Provisions	16	9,607	5,617
Total Current Liabilities		275,860	264,024
NON-CURRENT LIABILITIES			
Deferred Tax Liabilities	14	195	256
Provisions	16	6,231	5,001
Total Non-Current Liabilities		6,426	5,257
Total Liabilities		282,286	269,281
NET ASSETS		275,071	205,636
EQUITY			
Contributed Equity	17	136,560	136,560
Retained Earnings	17	138,511	69,076
TOTAL EQUITY		275,071	205,636

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



Cash Flow Statement

For the Year Ended 30 June 2009

	NOTES	30/06/09 \$'000	30/06/08 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,867,776	1,750,669
Interest Received		10,132	8,722
Other operating receipts		32,589	47,015
Energy Purchases and Network Access Costs		(1,535,754)	(1,421,682)
Payments to Employees and Suppliers		(276,034)	(275,157)
Lease Expenses		(2,478)	(2,234)
Income Tax Equivalent Payments		(11,745)	(34,185)
Goods and Services Tax Received/(Paid)		(4,197)	(14,126)
NET CASH FLOWS FROM OPERATING ACTIVITIES	22	80,289	59,022
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from (Payments for) Investments		5,995	(59,860)
Payment for Plant and Equipment		(301)	(568)
Payment for Leasehold Improvements		(83)	-
Payment for Intangible Assets		(32,649)	(2,866)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(27,038)	(63,294)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends Paid		(19,805)	(22,612)
Customer and Contractor Deposits		1,207	493
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(18,598)	(22,119)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		34,653	(26,391)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		106,552	132,943
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	22	141,205	106,552

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



Statement of Changes in Equity

For the Year Ended 30 June 2009

	NOTES	30/06/09 \$'000	30/06/08 \$'000
Retained Earnings:-			
Retained Earnings at beginning of the year	17	69,076	52,079
Profit after Income Tax Equivalent Expense	17	89,240	39,609
Dividends Paid		(19,805)	(22,612)
Retained Earnings at end of the year		<u>138,511</u>	<u>69,076</u>
Contributed Equity:-			
Contributed Equity at beginning of the year	17	<u>136,560</u>	<u>136,560</u>
Contributed Equity at end of the year		<u>136,560</u>	<u>136,560</u>
EQUITY AT END OF THE YEAR		<u><u>275,071</u></u>	<u><u>205,636</u></u>

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



Notes to the Financial Statements

For the Year Ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

The financial statements of Electricity Retail Corporation trading as Synergy for the year ended 30 June 2009 were authorised for issue in accordance with a resolution of the Directors on 25 August 2009.

Synergy came into operation on 1 April 2006 as a result of legislation passed in September 2005 allowing for the disaggregation of Western Power Corporation into four separate entities.

The principal function of Synergy is to supply electricity to consumers in the South West Interconnected System (SWIS), which, extends between Kalbarri, Albany and Kalgoorlie.

(a) Basis of Preparation

The financial statements have been prepared as a general purpose financial report in accordance with the Australian Accounting Standards, the Framework and other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the disclosure requirements of Schedule 4 of the Electricity Corporations Act 2005.

The financial statements have been prepared on an accrual basis and are based on historical cost basis except for financial instruments, which are measured at fair value.

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

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

(b) Statement of Compliance

The financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS).

(c) Comparative Information

Comparative information is for the period 1 July 2007 to 30 June 2008. Balance Sheet comparatives are for 30 June 2008.

(d) Reporting Period

The reporting period is for the year ended 30 June 2009.



Notes to the Financial Statements

For the Year Ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Synergy and the revenue can be reliably measured. It is valued at the fair value of the consideration received, or to be received net of the amount of goods and services tax.

i. Sales of Energy

Sales of energy comprise revenue earned from the provision of electricity, gas and products and services to entities outside the economic entity and is recognised when the energy is provided.

Revenue recognised represents the sum of invoices raised and the movement in the estimated unread energy consumption. Unread energy consumption represents the estimated value of metered electricity and gas provided to customers but not invoiced. This assessment is based on historical data.

ii. Other Income

Other income comprises revenue earned from the provision of activities incidental to the core activities of Synergy. Other income may include:

- Gain on Sale of Non-Current Assets, and
- Interest

(f) Community Service Obligations

Community Service Obligations (CSOs) are obligations to perform functions, on behalf of the State Government, that are not in the commercial interests of Synergy to perform. Where the Government agrees to reimburse Synergy for the cost of CSOs, the entitlement to reimbursement is recognised in the income statement on a basis consistent with the associated CSO expenses. Synergy is reimbursed for the following CSO's:

- Supply charge rebates
- Caravan park rebates, and
- Air conditioning subsidy for seniors.

(g) Cost of Sales

Cost of sales are those costs directly attributable to the acquisition for sale of energy.

(h) Current Assets and Current Liabilities

Current assets and current liabilities are recognised on the basis of assets expected to be realised or consumed, and liabilities expected to be settled within twelve months from the reporting date.

(i) Cash and Cash Equivalents

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

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as mentioned above.

(j) Trade and Other Receivables

Trade receivables, which generally have 20-30 day terms, are recognised at fair value and subsequently measured at amortised cost, less a provision for any irrecoverable amounts (impairment of receivables). This provision is raised when collection of the full amount is no longer probable.

Notes to the Financial Statements

For the Year Ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Collectability of trade and other receivables are reviewed on an ongoing basis. Bad debts are written off against the provision when identified.

(k) Intangible Assets

i. Software

Research and Development Costs

Research costs are recognised in the income statement when incurred. Development expenditure incurred is capitalised when its future recoverability can reasonably be regarded as assured.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting period indicating that the carrying value may not be recoverable.

Amortisation

Following the initial recognition of development expenditure the cost model is applied whereby the asset is stated at cost less accumulated amortisation.

The useful life of Synergy's software is calculated using the straight-line method as follows:

Software	2.5-10 years
----------	--------------

Work-In-Progress

Work-in-progress is not amortised until the assets are completed.

ii. Renewable Energy Certificates

The Renewable Energy (Electricity) Act that took effect on 1 April 2001 requires electricity wholesale purchasers to source specified amounts of electricity from Renewable Energy (RE) sources. The Act imposes an annual liability, on a calendar year basis, by applying the specified Renewable Power Percentage to relevant wholesale acquisitions.

The RE liability is extinguished by annual surrender of an equivalent number of Renewable Energy Certificates (RECs) with a penalty applying for any shortfall. Synergy's liability is recognised at the average market price of REC purchased for the period. The liability is expensed in the income statement.

Synergy extinguishes its REC liability by the surrender of RECs that are purchased in the open market. RECs purchased from external sources are recognised as current intangible asset at their purchase price.

Disposal of Assets

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising from the derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income statement when the asset is derecognised.

(l) Prepayments

Prepaid expenses are recognised in the income statement in the reporting period in which the associated benefit is consumed.



Notes to the Financial Statements

For the Year Ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Property, Plant and Equipment

Property, plant and equipment is carried at cost less accumulated depreciation and impairment losses.

i. Acquisition of Assets

The cost method of accounting is used for all acquisitions of assets. Cost is determined as the fair value of the asset given at the date of acquisition plus costs incidental to the acquisition.

ii. Depreciation

Plant and equipment is depreciated using the straight-line method over their remaining useful lives.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives of Synergy's major plant and equipment classes are as follows:

Plant and Equipment	3.5 – 10 years
Leasehold Improvements	10 years

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

iii. Disposal of Assets

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

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

iv. Work-In-Progress

Work-in-progress is not amortised until the assets are completed.

(n) Impairment of Assets

At each reporting date Synergy assesses whether there is any indication that an asset may be impaired, that is events or changes in circumstances indicate the carrying value may not be recoverable. Where an indicator of impairment exists, Synergy makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

Reversals of Impairment

Impairment losses in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Impairment losses in respect of other assets other than those assets held for trading are reversed if there has been a change in the estimates used to determine the recoverable amount.

(o) Trade and Other Payables

These amounts represent liabilities for goods and services provided to Synergy as at the end of the reporting period that are unpaid. The amounts are unsecured and the carrying amount is equivalent to fair value, as they are settled within prescribed periods.



Notes to the Financial Statements

For the Year Ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Synergy's operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are recognised in the income statement in the reporting periods in which they are incurred.

Leases where the lessee has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased plant and equipment and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance cost. The plant and equipment acquired under the finance lease is depreciated over the shorter of the asset's useful life and the lease term.

(q) National Taxation Equivalent Regime

Synergy operates under the National Taxation Equivalent Regime (NTER) environment. Under this regime, tax equivalent payments are remitted to the State Treasury, however Synergy's tax is subject to Australian Taxation Office (ATO) administration. The calculation of the liability in respect of these taxes is governed by the Income Tax Administration Acts and the NTER guidelines as agreed by the State Government

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets or liabilities are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets or liabilities are reduced to the extent that it is no longer probable that the related tax effects will be realised.

(r) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except where the GST incurred on a purchase of goods and services is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable or payable to the ATO is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a net basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO, are classified as operating cash flows.

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

Notes to the Financial Statements

For the Year Ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Provisions

Provisions are liabilities of uncertain timing and amount. They are recognised when Synergy:

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

i. Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are recommended by the Board to the Minister and that the Minister in concurrence with the Treasurer accepts the recommendation as per the Electricity Corporations Act 2005.

ii. Employee Benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government securities, which have terms to maturity approximating the terms of the related liability.

Termination Benefits

Termination benefits are recognised as an expense when Synergy is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for redundancies are recognised by Synergy once a position that has become redundant has been identified and the associated costs can be reliably estimated.

iii. Retirement Benefit Obligations

All employees of Synergy are entitled to benefits upon retirement, disablement or death from one of many superannuation plans, which may include a defined contribution section, a defined benefit section, or both. The defined benefit Scheme is closed to new members.

Defined Contribution Superannuation Plans

Obligations for contributions to defined contribution plans are recognised in the income statement as incurred.

Defined Benefit Superannuation Plans

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

The present value of the defined benefit obligations is based upon expected future payments and is calculated using discounted cash flows consistent with the Projected Unit Credit method. Consideration is given to the expected future wages and salaries level, experience of employee

Notes to the Financial Statements

For the Year Ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

departures and periods of service.

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

The defined benefits of the Pension Scheme and Gold State Scheme are wholly unfunded. Synergy meets the costs of these benefits when the employee leaves the service of Synergy.

Actuarial gains and losses arising from experience adjustments and changes in actuarial adjustments are recognised immediately in the income statement.

Future taxes are not met by Synergy (the benefit paid is an untaxed amount to the employee) and so no allowance has been made for future taxes in measuring the net liability.

An actuarial review was conducted by PricewaterhouseCoopers for the year ended 30 June 2009 using the membership data as at 31 March 2009 as it is not expected the membership data to be materially different as at 30 June 2009.

(t) Held to Maturity Investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Synergy's management has the positive intention and ability to hold to maturity. Held to Maturity investments are initially recognised at fair value plus transaction costs. After initial recognition they are carried at amortised cost using the effective interest method.

(u) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(v) Comparative Figures

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

(w) Financial Instruments

Synergy has five categories of financial instruments disaggregated into the following classes:

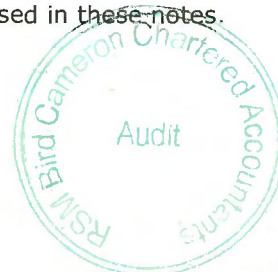
Financial Assets

- Cash and Cash equivalents
- Trade and Other Receivables
- Held to Maturity Investments
- Security Deposit

Financial Liabilities

- Trade and Other Payables

The measurement bases used for each category of financial instruments are disclosed in these notes.



Notes to the Financial Statements

For the Year Ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Critical accounting judgements, estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(i) Leases

- Synergy has considered a number of contractual arrangements in applying the accounting policy. The assessment of these contractual arrangements requires a degree of judgement as to whether the significant risks and rewards of ownership of an asset are substantially transferred to other entities. The classification of a contractual arrangement could materially change the balance sheet of Synergy.

(ii) Held-to-maturity investments

- The Board have reviewed Synergy's Bonds and Floating Rate Notes as 'held-to-maturity' financial assets in light of its capital maintenance and liquidity requirements and have confirmed Synergy's positive intention and ability to hold such investments to maturity. If Synergy fails to keep these investments to maturity other than for specific circumstances explained in AASB 139, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

At reporting date, the fair value would decrease by \$3.7M with a corresponding entry against contributed equity if the class of Held to Maturity Investments is reclassified as available-for-sale.

At reporting date, the total value of Held to Maturity Investments amounted to \$53.9M.

(y) Disclosure of changes in accounting policy and estimates

- (i) Future impact of Australian Accounting Standards, applicable to Synergy but not yet operative:

The following Australian Accounting Standards and Interpretations listed below were in issue but not yet effective:

Reference	Title	Summary	Application Date	Expected Impact
AASB 101	Presentation of Financial Statements	This standard requires new disclosures in the financial statements.	1 July 2009	The structure of the financial statements will change. These changes will require that owner changes in equity are presented separately from non-owner changes in equity. Synergy does not expect any financial impact when the Standard is first applied.

Notes to the Financial Statements

For the Year Ended 30 June 2009

	30/06/09 \$'000	30/06/08 \$'000
2 REVENUE		
Sales of Energy	1,724,073	1,612,457
Account Fees	12,737	12,734
Product & Services	8,231	8,624
	<u>1,745,041</u>	<u>1,633,815</u>
3 OTHER INCOME		
Interest	9,819	9,302
Other	4,008	1,673
	<u>13,827</u>	<u>10,975</u>
4 COST OF SALES		
Energy Purchases	910,167	936,789
Network Access Costs	585,178	525,357
Renewable Energy Certificates	23,358	18,495
	<u>1,518,703</u>	<u>1,480,641</u>



Notes to the Financial Statements

For the Year Ended 30 June 2009

	30/06/09 \$'000	30/06/08 \$'000
5 EXPENSES		
Profit before Income Tax Equivalent Expense includes the following specific items:		
Employee Benefits Expense		
Wages and Salaries and Other Related Benefits	36,790	31,424
Superannuation Costs	3,438	3,050
	<u>40,228</u>	<u>34,474</u>
Materials & Services		
Metering	5,836	6,202
Administration	28,770	26,819
Communications	3,477	3,405
Support Services	8,468	7,190
Other	20,494	22,532
	<u>67,045</u>	<u>66,148</u>
Depreciation & Amortisation		
Intangible Assets	835	777
Plant and Equipment	710	687
Leasehold Improvements	404	384
	<u>1,949</u>	<u>1,848</u>
Other Expenses		
Provision for Impairment of receivables	2,422	1,794
Derivative Loss	-	1,116
Loss on Disposal Plant & Equipment	5	10
Operating Lease Rentals	1,798	1,438
Audit Services - Office of the Auditor General	131	50
Other	991	691
	<u>5,347</u>	<u>5,099</u>



Notes to the Financial Statements

For the Year Ended 30 June 2009

30/06/09
\$'000

30/06/08
\$'000

6 INCOME TAX EQUIVALENT EXPENSE

Income Statement

The Prima Facie Tax on Profit is Reconciled to Income Tax Provided in the Financial Statements as follows:

Profit Before Income Tax Equivalent Expense	125,596	56,580
Income Tax Calculated at 30%	37,679	16,974
Tax Effect of Non Assessable Differences		
- Research and Development	(308)	-
- Other	43	31
Total Tax Effect of Non Assessable Differences	(265)	31
Under/(Over) Income Tax Provided in Prior Years	(1,058)	(34)
Income Tax Equivalent Expense	36,356	16,971

Income Statement

Current Income Tax

- Current Income Tax Expense	38,290	15,359
- Under/(Over) Income Tax Provided in Prior Years	(1,058)	(34)
Deferred Income Tax		
- Relating to Origination & Reversal of Temporary Differences	(876)	1,646
	36,356	16,971

Deferred Income Tax Relating to Origination & Reversal of Temporary Differences is as follows:

- Decrease/(Increase) in Deferred Tax Assets	(785)	1,824
- Increase/(Decrease) in Deferred Tax Liabilities	(91)	(178)
	(876)	1,646

Decrease/(Increase) in Deferred Tax Assets relate to the following:

- Intangibles	213	432
- Provisions	(1,430)	4
- CSO Rebates	640	1,290
- Other	(208)	98
	(785)	1,824

Increase/(Decrease) in Deferred Tax Liabilities relate to the following:

- Embedded Derivative	-	(335)
- Interest Receivable	(91)	157
	(91)	(178)

Notes to the Financial Statements

For the Year Ended 30 June 2009

	30/06/09	30/06/08
	\$'000	\$'000
CURRENT ASSETS		
7 CASH AND CASH EQUIVALENTS		
Cash at Bank	9,105	6,093
Domestic Currency Deposits	132,100	100,459
	<u>141,205</u>	<u>106,552</u>
8 TRADE AND OTHER RECEIVABLES		
Trade Receivables	97,377	100,537
Estimated Value of Unbilled Energy	157,070	137,949
Provision for Impairment of Receivables	(2,301)	(2,752)
	<u>252,146</u>	<u>235,734</u>
Other Receivables	13,108	20,219
	<u>265,254</u>	<u>255,953</u>

Trade receivables are non-interest bearing and are generally paid on 20 to 30 day settlement terms. In determining the recoverability of a trade receivable, Synergy regularly reviews any change in the credit quality of the trade receivable from the date credit was initially granted and a provision for impairment is then recognised based on the review conducted.

The ageing of trade receivables is as follows:

0 - 23 days	66,917	74,851
24 - 48 days *	21,517	18,352
49 - 76 days *	2,808	2,494
77 - 109 days *	1,884	1,721
More than 109 days *	1,914	374
More than 109 days ^	2,337	2,745
	<u>97,377</u>	<u>100,537</u>
* past due but not impaired		
^ past due and impaired		

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

Opening Balance	(2,752)	(3,216)
Provision for impairment recognised during the year	(2,422)	(1,794)
Net Receivables written off during the year	2,873	2,258
	<u>(2,301)</u>	<u>(2,752)</u>



Notes to the Financial Statements

For the Year Ended 30 June 2009

	30/06/09 \$'000	30/06/08 \$'000
9 INTANGIBLE ASSETS		
Renewable Energy Certificates	16,387	17,358
Emission Reduction Units	25	22
	<u>16,412</u>	<u>17,380</u>

Reconciliation

Reconciliations of the carrying amounts for each class of current intangible assets are set out below:

Renewable Energy Certificates

Opening Balance	17,358	11,671
Purchased	20,550	20,050
Surrendered	(21,521)	(14,363)
	<u>16,387</u>	<u>17,358</u>

Emission Reduction Units

Opening Balance	22	28
Purchased	90	45
Applied	(87)	(51)
	<u>25</u>	<u>22</u>

10 FINANCIAL ASSETS

Current

Held-to-Maturity Investments	2,503	8,583
	<u>2,503</u>	<u>8,583</u>

Non Current

Held-to-Maturity Investments	51,414	51,394
Security Deposit #	2,372	2,372
	<u>53,786</u>	<u>53,766</u>

The security deposit represents the cash deposit held with the IMO and is recognised at cost with interest earned at prevailing interest rates.

11 OTHER ASSETS

Current

Prepayments	1,247	291
	<u>1,247</u>	<u>291</u>

Non Current

Prepayments	11,194	-
	<u>11,194</u>	<u>-</u>



Notes to the Financial Statements

For the Year Ended 30 June 2009

	30/06/09 \$'000	30/06/08 \$'000
NON CURRENT ASSETS		
12 PROPERTY, PLANT AND EQUIPMENT		
Plant and Equipment		
Plant and Equipment - at Cost	7,411	7,118
Accumulated Depreciation	(1,482)	(775)
	<u>5,929</u>	<u>6,343</u>
Reconciliation		
Reconciliations of the carrying amounts for plant and equipment are set out below:		
Plant and Equipment		
Opening Balance	6,343	3,314
Additions	301	568
Reclassified from Leasehold Improvements	-	3,158
Disposals	(5)	(10)
Depreciation	(710)	(687)
	<u>5,929</u>	<u>6,343</u>
Leasehold Improvements		
Leasehold Improvements - at Cost	4,124	4,040
Accumulated Depreciation	(807)	(402)
	<u>3,317</u>	<u>3,638</u>
Reconciliation		
Reconciliations of the carrying amounts for leasehold improvements are set out below:		
Leasehold Improvements		
Opening Balance	3,638	7,905
Reclassified to Plant & Equipment	-	(3,158)
Additions	83	-
Adjustment	-	(725)
Depreciation	(404)	(384)
	<u>3,317</u>	<u>3,638</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>9,246</u>	<u>9,981</u>



Notes to the Financial Statements

For the Year Ended 30 June 2009

	30/06/09 \$'000	30/06/08 \$'000
13 INTANGIBLE ASSETS		
Computer Software	42,149	9,502
Accumulated Amortisation	(3,848)	(3,015)
Accumulated Impairment	(2,218)	(2,218)
	<u>36,083</u>	<u>4,269</u>
Reconciliation		
Reconciliations of the carrying amount for non-current intangible assets is set out below:		
<u>Computer Software - Assets</u>		
Opening Balance	3,148	808
Additions	179	3,130
Adjustment	-	(13)
Amortisation	(835)	(777)
	<u>2,492</u>	<u>3,148</u>
<u>Computer Software - Work In Progress</u>		
Opening Balance	1,121	1,372
Additions	32,649	2,879
Transfer to Computer Software - Assets	(179)	(3,130)
	<u>33,591</u>	<u>1,121</u>
TOTAL INTANGIBLE ASSETS	<u>36,083</u>	<u>4,269</u>



Notes to the Financial Statements

For the Year Ended 30 June 2009

	30/06/09 \$'000	30/06/08 \$'000
14 TAX LIABILITIES / ASSETS		
<u>Current</u>		
Income Tax Payable	22,524	-
Other	114	110
	<u>22,638</u>	<u>110</u>
<u>Non-Current</u>		
Deferred Tax Assets	7,333	6,442
Deferred Tax Liabilities	195	256
Net Deferred Tax Assets	<u>7,528</u>	<u>6,698</u>
Deferred Tax Liabilities		
Deferred Tax Liabilities relate to the following:		
Interest Receivable	195	256
	<u>195</u>	<u>256</u>
Deferred Tax Assets		
Deferred Tax Assets relate to the following:		
Intangibles	20	233
Provisions	4,752	3,185
Provision for Impairment of Receivables	690	826
CSO Rebates	525	1,165
Other	1,346	1,033
	<u>7,333</u>	<u>6,442</u>



Notes to the Financial Statements

For the Year Ended 30 June 2009

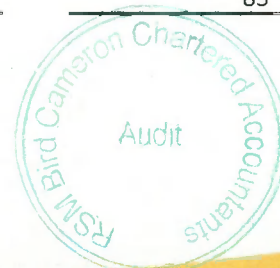
	30/06/09 \$'000	30/06/08 \$'000
CURRENT LIABILITIES		
15 TRADE AND OTHER PAYABLES		
Trade Payables	238,279	252,627
Other Payables	5,336	5,670
	<u>243,615</u>	<u>258,297</u>
16 PROVISIONS		
Provision for:		
Employee Benefits	9,309	5,322
Other	298	295
	<u>9,607</u>	<u>5,617</u>
Reconciliation		
Reconciliations of the carrying amounts for each class of provision is set out below:		
<u>Employee Benefits</u>		
Opening Balance	5,322	5,457
Provisions	7,938	4,914
Payments	(3,951)	(5,049)
Closing Balance	<u>9,309</u>	<u>5,322</u>
<u>Other</u>		
Opening Balance	295	315
Provisions	3	(20)
Closing Balance	<u>298</u>	<u>295</u>



Notes to the Financial Statements

For the Year Ended 30 June 2009

	30/06/09 \$'000	30/06/08 \$'000
NON-CURRENT LIABILITIES		
16 PROVISIONS (continued)		
Provision for:		
Employee Benefits	1,709	1,217
Retirement Benefit Obligations	4,406	3,701
Other	116	83
	<u>6,231</u>	<u>5,001</u>
Reconciliation		
Reconciliations of the carrying amounts for each class of provision is set out below:		
Employee Benefits		
Opening Balance	1,217	979
Provisions	492	238
Closing Balance	<u>1,709</u>	<u>1,217</u>
Retirement Benefit Obligations		
Present Value of Unfunded Obligations	4,406	3,701
	<u>4,406</u>	<u>3,701</u>
Reconciliation of Movement in the Present Value of the Unfunded Obligations Recognised in the balance sheet		
Opening Balance	3,701	3,350
Current Service Cost	69	125
Interest Cost	242	189
Actuarial (Gains) / Losses on Liabilities	394	329
Benefits paid	-	(292)
Closing Balance	<u>4,406</u>	<u>3,701</u>
Amounts Recognised in the Income Statement		
Current Service Cost	69	125
Interest Cost	242	189
Actuarial (Gains) / Losses Recognised	394	329
	<u>705</u>	<u>643</u>
Historic Summary		
Defined Benefit Plan Obligation 30/06/09	4,406	
Defined Benefit Plan Obligation 30/06/08	3,701	
Defined Benefit Plan Obligation 30/06/07	3,350	
Defined Benefit Plan Obligation 30/06/06	3,697	
Experience Adj arising on plan liabilities (gain)/loss 30/06/09	(892)	
Experience Adj arising on plan liabilities (gain)/loss 30/06/08	287	
Experience Adj arising on plan liabilities (gain)/loss 30/06/07	(533)	
Experience Adj arising on plan liabilities (gain)/loss 30/06/06	N/A	*
* Experience adjustment arising on plan liabilities as at 30/06/06 not available.		
Principal Actuarial Assumptions		
Discount Rate	5.50%	6.50%
Expected Future Salary Increases	4.50%	4.50%
Expected Future Pension Increases	3.00%	3.00%
Other		
Opening Balance	83	67
Provisions	33	16
Closing Balance	<u>116</u>	<u>83</u>



Notes to the Financial Statements

For the Year Ended 30 June 2009

	30/06/09 \$'000	30/06/08 \$'000
17 EQUITY		
<u>Contributed Equity</u>		
Contributed Equity-Beginning of the Year	136,560	136,560
Contributed Equity-End of the Year	136,560	136,560
<u>Retained Earnings</u>		
Retained Earnings-Beginning of the Year	69,076	52,079
Profit After Income Tax Equivalent Expense	89,240	39,609
Dividends Paid *	(19,805)	(22,612)
Retained Earnings-End of the Year	138,511	69,076
TOTAL EQUITY	275,071	205,636

***Dividends Not Recognised at Year End**

The dividend is recognised in the reporting period in which the dividends are recommended by the Board to the Minister and the Minister in concurrence with the Treasurer, accepts the recommendation as per the Electricity Corporations Act 2005.

The Board will recommend a dividend payment of \$44.6M to the Minister for the year ended 30 June 2009. (As per the Statement of Corporate Intent 50% of Profit After Income Tax Equivalent Expense)



Notes to the Financial Statements

For the Year Ended 30 June 2009

	30/06/09 \$'000	30/06/08 \$'000
18 COMMITMENTS		
<u>Leases</u>		
Operating Leases:		
Within one year	23,550	12,986
Later than one year and not later than five years	233,375	188,555
After more than five years	355,441	265,908
Total minimum lease payments	<u>612,366</u>	<u>467,449</u>

Leasing arrangements

Operating Leases:

Operating leases relate to the purchase of Energy, Capacity and Renewable Energy Certificates with lease terms ranging between 10 to 25 years with various suppliers. Synergy also leases the office building under an operating lease for an initial lease term of 10 years with Synergy having two options to extend for a further 5 years each.

Finance Leases:

Synergy currently has no future committed finance lease arrangements.



Notes to the Financial Statements

For the Year Ended 30 June 2009

18 COMMITMENTS (continued)

	30/06/09 \$'000	30/06/08 \$'000
OTHER COMMITMENTS		
Intangible Assets:		
Not later than one year	23,966	12,591
Later than one year and not later than five years	236,830	132,086
Later than five years	662,552	174,839
	<u>923,348</u>	<u>319,516</u>

These commitments include the purchase of renewable energy certificates as a result of Synergy's requirement to source specified amounts of electricity from renewable energy sources as described in Note 1 and software systems.

Energy Procurement Contracts:

Not later than one year	303,611	122,900
Later than one year and not later than five years	2,492,796	1,866,962
Later than five years	11,235,798	9,170,907
	<u>14,032,205</u>	<u>11,160,769</u>

These commitments consist of energy purchase agreements entered into for trading purposes and other related products.

Other:

Not later than one year	13,041	-
Later than one year and not later than five years	43,478	-
Later than five years	6,448	-
	<u>62,967</u>	<u>-</u>

These commitments relate to commitments for IT & contact centre support services.

19 CONTINGENT LIABILITIES AND ASSETS

Synergy's policy is to disclose details of contingent liabilities and contingent assets where the probability of future payments/receipts is not considered remote, as well as details of contingent liabilities and contingent assets, which although considered remote, the Directors of Synergy consider should be disclosed. As at 30 June 2009 there are no contingent assets or liabilities to be disclosed.



Notes to the Financial Statements

For the Year Ended 30 June 2009

20 KEY MANAGEMENT PERSONNEL REMUNERATION

Principles Used to Determine the Nature and Amount of Compensation

Compensation approval protocols are as follows:

- Non-Executive Directors: The Minister for Energy approves the compensation of all non-executive directors.
- Managing Director: The Board subject to the concurrence of the Minister for Energy approves the compensation of the Managing Director.
- Executive Officers: The Board is to determine the remuneration and other terms and conditions of service.

The Compensation policy is designed to:

- Compensate individuals in accordance with performance and responsibility;
- Ensure consistent decision making in individual compensation adjustments;
- Establish flexible compensation arrangements; and
- Establish and maintain salary ranges comparable to other companies of similar size and industry.

Non-Executive Directors

Payment to specified non-executive directors consists of a base fee and superannuation.

Managing Director and Executives

The Managing Director and Executives pay and reward framework has the following components:

- Base pay
- Selection of prescribed non-financial benefits
- Superannuation, and
- An annual at risk remuneration element

At Risk Remuneration

The At Risk Remuneration (ARR) scheme is self funding, therefore the amount of funds available will depend on the actual Net Profit After Tax (NPAT) exceeding budget.

More specific details per Key Management Personnel in relation to the ARR are noted in the Service Agreement section of this note.

The targets on which the ARR element is based are listed below:

Indicator

- Financial Performance
- Customer Service and Loyalty
- Individual Department Performance Metrics



Notes to the Financial Statements

For the Year Ended 30 June 2009

20 KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

Service Agreements

James Mitchell, Managing Director

- **Term of the Agreement** – 5 years commencing from 1 April 2006.
- **Notice period**- 26 weeks written notice, or such shorter period as may be agreed, or remuneration in lieu of notice.
- **Termination**
 - Redundancy: should the Minister elect to merge, restructure, or dispose of the business of Synergy, will be by payment of the greater of the amount equivalent to the remuneration calculated over the balance of the period of this agreement, or a redundancy payment of 150% of annual salary, unless reasonable alternative employment with Synergy is obtained.
 - Poor performance: the lesser of either 13 weeks notice or remainder of the Agreement.
- **Performance Pay**- At the Board's discretion with the concurrence of the Minister, a payment of up to 37% remuneration can be made for the achievement of specific targets set by the Board.

Geoff Roberts, Chief Operating Officer (previously Head of Retail)

- **Term of the Agreement** – Not a fixed term contract
- **Notice period**- 4 weeks written notice, or such shorter period as may be agreed, or remuneration in lieu of notice.
- **Termination**
 - Redundancy: 12 weeks total fixed remuneration in lieu of notice and 3 weeks total fixed remuneration for every completed year of continuous service to a maximum of 87 weeks.
 - Incapacity or poor performance: 4 weeks notice, or without notice for serious misconduct.
 - Other than redundancy, incapacity, poor performance or serious misconduct: 26 weeks notice or 26 weeks total fixed remuneration as payment in lieu of notice.
- **Performance Pay**- At Risk Remuneration (ARR) will be variable from zero to a capped maximum, in accordance with the ARR scheme and based on the achievement of specific performance targets, as approved by the Board. ARR payments will range from zero for non performance, to 10% of total targeted remuneration for on-target performance, and ranging up to a capped maximum ARR payment of 20% of total targeted remuneration for exceeding performance targets.

Trevor James, Head of Wholesale

- **Term of the Agreement** – Not a fixed term contract
- **Notice period**- 4 weeks written notice, or such shorter period as may be agreed, or remuneration in lieu of notice.
- **Termination**
 - Redundancy: 12 weeks total fixed remuneration in lieu of notice and 3 weeks total fixed remuneration for every completed year of continuous service, to a maximum of 87 weeks.
 - Incapacity or poor performance: 4 weeks notice, or without notice for serious misconduct.
- **Performance Pay**- At Risk Remuneration (ARR) will be variable from zero to a capped maximum, in accordance with the ARR scheme and based on the achievement of specific performance targets, as approved by the Board. ARR payments will range from zero for non performance, to 10% of total targeted remuneration for on-target performance, and ranging up to a capped maximum ARR payment of 20% of total targeted remuneration for exceeding performance targets.



Notes to the Financial Statements

For the Year Ended 30 June 2009

20 KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

Virginia Miltrup, Acting Head of Customer & Brand Equity (employment ceased May 2009)

- **Term of the Agreement-** Not a fixed term contract
- **Notice period-** 4 weeks written notice, or such shorter period as may be agreed, or remuneration in lieu of notice.
- **Termination**
 - Redundancy: 12 weeks total fixed remuneration in lieu of notice and 3 weeks total fixed remuneration for every completed year of continuous service, to a maximum of 52 weeks.
 - Incapacity or poor performance: 4 weeks notice, or without notice for serious misconduct.
 - Other than redundancy, incapacity or poor performance: 52 weeks notice or 52 weeks total fixed remuneration as payment in lieu of notice.
- **Performance Pay-** At Risk Remuneration (ARR) will be variable from zero to a capped maximum, in accordance with the ARR scheme and based on the achievement of specific performance targets, as approved by the Board. ARR payments will range from zero for non performance, to 10% of total targeted remuneration for on-target performance, and ranging up to a capped maximum ARR payment of 20% of total targeted remuneration for exceeding performance targets.

Will Bargmann, Head of Legal, Regulatory and Audit

- **Term of the Agreement-** Not a fixed term contract
- **Notice period-** 4 weeks written notice, or such shorter period as may be agreed, or remuneration in lieu of notice.
- **Termination**
 - Redundancy: 12 weeks total fixed remuneration in lieu of notice and 3 weeks total fixed remuneration for every completed year of continuous service, to a maximum of 52 weeks.
 - Incapacity or poor performance: 4 weeks notice, or without notice for serious misconduct.
 - Other than redundancy, incapacity or poor performance: 52 weeks notice or 52 weeks total fixed remuneration as payment in lieu of notice.
- **Performance Pay-** At Risk Remuneration (ARR) will be variable from zero to a capped maximum, in accordance with the ARR scheme and based on the achievement of specific performance targets, as approved by the Board. ARR payments will range from zero for non performance, to 10% of total targeted remuneration for on-target performance, and ranging up to a capped maximum ARR payment of 20% of total targeted remuneration for exceeding performance targets.



Notes to the Financial Statements

For the Year Ended 30 June 2009

20 KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

Details of the nature and amount of emolument for Key Management Personnel for the period 1 July 2008 – 30 June 2009 are detailed below:

	Short Term Benefits		Post Employment Benefits			
	Salary & Fees \$ '000	At Risk Remuneration \$ '000	Non-Monetary \$ '000	Superannuation & Retirement \$ '000	Other Benefits \$ '000	Termination Benefits \$ '000
Non-Executive Directors						
Michael Smith (Chairperson)	105	-	-	10	-	-
Eric Hooper	65	-	-	6	-	-
Terril Reilly	50	-	-	5	-	-
Caryle Demarte	50	-	-	5	-	-
David Hunt	50	-	-	5	-	-
Sub-Total Non-Executive Directors	320	-	-	31	-	-
Executive Director						
James K Mitchell	359	98	-	49	-	-
Other Key Management Personnel						
Geoff Roberts, Chief Operating Officer ^	230	44	-	26	-	-
Trevor James, Head of Wholesale +	291	28	-	23	-	-
Tony Perrin, Head of Wholesale ++	132	-	-	11	-	-
Virginia Miltrup, A/Head of Customer & Brand Equity #	209	36	-	22	-	100
Will Bargmann, Head of Legal, Regulatory & Audit	226	44	-	26	-	-
TOTAL	1,767	250	-	188	-	100
						2,305

^ Geoff Roberts commenced as Chief Operating Officer May 2009

+ Trevor James commenced as Acting Head of Wholesale July 2008 and was permanently appointed Head of Wholesale May 2009

++ Tony Perrin resigned as Head of Wholesale November 2008

Virginia Miltrup's employment ceased as Acting Head of Customer & Brand Equity May 2009



Notes to the Financial Statements

For the Year Ended 30 June 2009

20 KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

Details of the nature and amount of each element of emolument for Key Management Personnel for the period 1 July 2007 – 30 June 2008 are detailed below:

	Short Term Benefits			Post Employment Benefits		Termination Benefits \$ '000	Total Remuneration \$ '000
	Salary & Fees \$ '000	At Risk Remuneration \$ '000	Non-Monetary \$ '000	Superannuation & Retirement \$ '000	Other Benefits \$ '000		
Non-Executive Directors							
Michael Smith (Chairperson)	105	-	-	9	-	-	114
Eric Hooper	65	-	-	6	-	-	71
Terri Reilly	50	-	-	4	-	-	54
Caryle Demarte	50	-	-	4	-	-	54
Craig Coleman +	6	-	-	1	-	-	7
David Hunt ++	31	-	-	3	-	-	34
Sub-Total Non-Executive Directors	307	-	-	27	-	-	334
Executive Director							
James K Mitchell	337	117	-	38	-	-	492
Other Key Management Personnel							
Russell Mitchell, Head of Customer & Brand Equity *	140	-	-	13	-	-	153
Virginia Miltup, A/Head of Customer & Brand Equity **	31	41	-	3	-	-	75
Trevor James, Head of Business Services	248	77	-	38	-	-	363
Geoff Roberts, Head of Retail	199	62	-	18	-	-	279
Tony Perrin, Head of Wholesale	214	67	-	22	-	-	303
TOTAL	1,476	364	-	159	-	-	1,999

+ Craig Coleman resigned as a Non-Executive Director August 2007

++ David Hunt commenced as a Non-Executive Director November 2007

* Russell Mitchell resigned as Head of Customer & Brand Equity December 2007

** Virginia Miltup commenced as Acting Head of Customer & Brand Equity April 2008



Notes to the Financial Statements

For the Year Ended 30 June 2009

21 FINANCIAL INSTRUMENTS

Financial Risk Management - Overview

Synergy's Board has overall responsibility for risk management. To assist in fulfilling this role, the Board has established an Audit & Legal Compliance Committee (ALCC) and a Treasury Management Committee (TMC). The ALCC oversees and monitors Synergy's treasury activities through the TMC. The Treasury Policy Statement establishes the framework for managing financial risks faced by Synergy. Adherence to this policy ensures that, at all times, Synergy maintains the appropriate level of control over financial risks to ensure compliance with its strategic core values, as defined in the Corporate Strategic Plan.

Synergy's financial instruments consist mainly of short-term deposits with banks, held to maturity investments and receivables and payables. The main risks Synergy is exposed to are credit, liquidity and market risk.

a) Credit Risk

Credit risk is caused by a counterparty to a financial transaction being unable or unwilling to meet their financial obligation resulting in financial loss to Synergy. Synergy's maximum exposure on current receivables is the carrying amount net of provision for impaired receivables. Customers include both domestic and commercial customers who are billed and settlement is expected within prescribed settlement terms.

Synergy's credit control policy ensures that credit facilities are provided only to business customers with an appropriate credit history. The Credit Control Steering Committee oversees the credit management process and meets monthly to review aged receivables and proposed write-offs. Receivables balances are monitored on an ongoing basis by the credit management section.

In addition, Synergy's Cash and Cash equivalents and Held to Maturity investments are placed with approved financial and non-financial counterparties that maintain a minimum Standard and Poor's credit rating of A-.

b) Liquidity Risk

Synergy's exposure to liquidity risk arises when it is unable to meet its financial obligations in the course of operating as a business. Synergy's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or other related costs. Synergy aims to achieve the optimum level of cash holding, to mitigate the threat of liquidity risk, while maximizing the return on available funds.

Synergy actively manages its working capital requirements through cash flow forecasts to identify expected inflows and outflows and has the flexibility to liquidate a portion of its investments in a short time frame, if required. Synergy also maintains a short-term funding facility with Western Australia Treasury Corporation (WATC); Bank Guarantee Facility with ANZ Banking Group Limited and an Intra Day Credit Accommodation Facility with Commonwealth Bank of Australia and these facilities are used by Synergy to manage its liquidity risk.

c) Market Risk

Market Risk relates to fair values or future cash flows of a financial instrument fluctuating due to changes in market prices and it comprises of currency risk, interest rate risk and other price risk. Synergy's objective is to manage and control market risk exposures within acceptable parameters. The market risks Synergy is exposed to are interest rate risk and other price risk.



Notes to the Financial Statements

For the Year Ended 30 June 2009

21 FINANCIAL INSTRUMENTS (continued)

(i) Interest Rate Risk

Interest rate risk reflects the possible exposure to fluctuations in the fair value or future cash flows of Synergy's financial instruments due to adverse movements in interest rates. Synergy's investment portfolio including Cash and Cash Equivalents, Security Deposits and Held to Maturity Investments are exposed to interest rate movements.

Synergy invests in short term instruments, allowing Synergy to maximise any favourable movement in interest rates. Synergy's initial investments are placed with approved financial and non-financial counterparties that have a minimum Standard and Poor's credit rating of A-.

As at 30 June 2009 Synergy has no borrowings.

(ii) Other Price Risk

Other price risk reflects the possible exposure to fluctuations in the fair value or future cash flows of Synergy's financial instruments depending on the financial viability of the underlying corporate issuers. Synergy is exposed to fluctuations in the market prices of Held to Maturity investments.

Synergy's investment strategy provides guidelines for minimizing price volatility by restricting investments to issuers that have a minimum Standard and Poor's credit rating of A-.

b) Liquidity Risk

The following are the contractual maturities of financial liabilities

30/06/09

Financial Liabilities

Trade and Other Payables

Carrying Amount \$'000	1 year or less \$'000	1 - 2 years \$'000	2 - 5 years \$'000	More than 5 years \$'000
243,615	243,615	-	-	-
243,615	243,615	-	-	-

30/06/08

Financial Liabilities

Trade and Other Payables

Carrying Amount \$'000	1 year or less \$'000	1 - 2 years \$'000	2 - 5 years \$'000	More than 5 years \$'000
258,297	258,297	-	-	-
258,297	258,297	-	-	-



Notes to the Financial Statements

For the Year Ended 30 June 2009

21 FINANCIAL INSTRUMENTS (continued)

c i) Interest Rate Risk

Interest Rate Exposure

30/06/09	Weighted Effective Interest Rate	Floating Interest Rate \$'000	Fixed Rate Within 1 Year \$'000	Floating Interest Rate Maturing						Total \$'000
				Within 1 Year \$'000	1-2 Years \$'000	2-3 Years \$'000	3-4 Years \$'000	4-5 Years \$'000	Over 5 Years \$'000	
Financial Assets										
Cash at Bank	2.90%	9,105	-	-	-	-	-	-	-	9,105
Fixed Term Deposits	3.44%	-	132,100	-	-	-	-	-	-	132,100
Held to Maturity Investments	3.61%	-	-	7,505	17,966	16,445	12,001	-	-	53,917
Security Deposit	3.15%	2,372	-	-	-	-	-	-	-	2,372
TOTAL		11,477	132,100	7,505	17,966	16,445	12,001	-	-	197,494

30/06/08	Weighted Effective Interest Rate	Floating Interest Rate \$'000	Fixed Rate Within 1 Year \$'000	Floating Interest Rate Maturing						Total \$'000
				Within 1 Year \$'000	1-2 Years \$'000	2-3 Years \$'000	3-4 Years \$'000	4-5 Years \$'000	Over 5 Years \$'000	
Financial Assets										
Cash at Bank	7.00%	6,093	-	-	-	-	-	-	-	6,093
Fixed Term Deposits	7.44%	-	100,459	-	-	-	-	-	-	100,459
Held to Maturity Investments	8.12%	-	-	8,583	5,003	17,949	16,438	12,004	-	59,977
Security Deposit	7.56%	2,372	-	-	-	-	-	-	-	2,372
TOTAL		8,465	100,459	8,583	5,003	17,949	16,438	12,004	-	168,901

Interest Rate Risk Sensitivity Analysis

30/06/09

Carrying Amount \$'000	-1% change		+1% change	
	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000

Financial Assets

Cash and Cash Equivalents	141,205	(1,412)	(1,412)	1,412	1,412
Held to Maturity Investments	53,917	(539)	(539)	539	539
Security Deposit	2,372	(24)	(24)	24	24
TOTAL	197,494	(1,975)	(1,975)	1,975	1,975

30/06/08

Carrying Amount \$'000	-1% change		+1% change	
	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000

Financial Assets

Cash and cash equivalents	106,552	(1,066)	(1,066)	1,066	1,066
Held to Maturity Investments	59,977	(600)	(600)	600	600
Security Deposit	2,372	(24)	(24)	24	24
TOTAL	168,901	(1,690)	(1,690)	1,690	1,690



Notes to the Financial Statements

For the Year Ended 30 June 2009

21 FINANCIAL INSTRUMENTS (continued)

A sensitivity of 100 basis points or 1% has been selected for the interest rate risk sensitivity analysis as this depicts the anticipated movement in interest rates. The global financial crisis has created a significant deterioration in world economic conditions and as a result Australia, like all countries, is experiencing a marked slowdown in economic activity. The Reserve Bank of Australia (RBA) has been aggressively cutting the Cash Rate in an attempt to provide monetary stimulus to the economy. The RBA has reduced interest rates by a total of 425 basis points or 4.25% over the last ten months (i.e. September 2008 to June 2009). This has led to a significant easing of inflationary pressures. The expectation is that further decreases (if required) would be less aggressive as the slowdown in economic activity stabilises.

c ii) Other Price Risk

Other Price Risk Sensitivity Analysis

30/06/09

Carrying Amount \$'000	-5% change		+5% change	
	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000

Financial Assets

Held to Maturity Investments

53,917	(2,696)	(2,696)	2,696	2,696
53,917	(2,696)	(2,696)	2,696	2,696

30/06/08

Carrying Amount \$'000	-5% change		+5% change	
	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000

Financial Assets

Held to Maturity Investments

59,977	(2,999)	(2,999)	2,999	2,999
59,977	(2,999)	(2,999)	2,999	2,999

The sensitivity analysis above has been determined based on the exposure to possible fluctuations in the fair value or future cash flows of floating rate notes and fixed rate bonds. The market prices or values of these financial instruments are dependent on the financial viability of the underlying corporate issuers at reporting date. The financial viability of the corporate issuers is reflected in their credit rating and any upgrade or downgrade by the credit rating agencies has a direct impact on the financial instrument's market price at reporting date.

A sensitivity of 5% has been selected to measure the possible movement in value at reporting date. In view of the fact that Synergy minimises market price volatility by restricting investments to issuers that have a minimum Standard and Poor's credit rating of A-, Synergy believes that any movement will be sufficiently captured within these parameters.



Notes to the Financial Statements

For the Year Ended 30 June 2009

22 RECONCILIATION OF PROFIT AFTER INCOME TAX EQUIVALENT EXPENSE TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	30/06/09 \$'000	30/06/08 \$'000
Profit After Income Tax Equivalent Expense	89,240	39,609
<i>Add/(less) non-cash items:</i>		
Depreciation	1,114	1,071
Amortisation - Intangible Assets	835	777
Written Down Value of Non Current Assets Sold	5	10
Fair Value Adjustment - Embedded Derivative	-	1,116
Unwinding of Discount - Held to Maturity Investments	64	(116)
<i>Change in assets and liabilities:</i>		
(Increase) / Decrease in Receivables	(15,258)	(5,367)
(Increase) / Decrease in Prepayments	(12,150)	1,217
Increase / (Decrease) in Trade Payables	8,316	57,000
(Increase) / Decrease in Security Deposits	-	12,570
Increase / (Decrease) in Employee Provisions	5,183	454
(Increase) / Decrease in Inventories	(1,394)	(11,572)
(Increase) / Decrease in Intangibles	(20,537)	(20,065)
Increase / (Decrease) in Other Provisions	37	(4)
(Increase) / Decrease in Accrued Interest Receivable	223	(464)
Increase / (Decrease) in Income Taxes Payable	24,611	(17,214)
Net Cash Provided by Operating Activities	<u>80,289</u>	<u>59,022</u>
 Reconciliation of Cash and Cash Equivalents at End of Year		
Cash at Bank	9,105	6,093
Domestic Currency Deposits	132,100	100,459
Cash and Cash Equivalents at End of Year	<u>141,205</u>	<u>106,552</u>

Credit Standby Facilities

Synergy has a master lending agreement in place with the Western Australian Treasury Corporation. This agreement gives Synergy access to a number of debt facilities with a total limit of \$100 million.

23 ECONOMIC DEPENDENCY

Synergy has a significant economic dependency on energy supply from Electricity Generation Corporation (Verve Energy) as per the vesting contract and access from Electricity Networks Corporation (Western Power).

24 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance likely, in the opinion of the Directors, to affect significantly the operations of Synergy, the results of those operations, or the state of affairs of Synergy.

