



Our Ref: 5563

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Serving the Public Interest

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Chairman of Directors
Electricity Networks Corporation
363 Wellington Street
PERTH WA 6000

Dear Sir

**AUDIT OF SPECIAL PURPOSE FINANCIAL REPORT –
REGULATORY FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2009**

Attached is the opinion of the Deputy Auditor General on the Western Power Regulatory Financial Statements for the year ending 30 June 2009, prepared in accordance with the Economic Regulation Authority's Guidelines for Access Arrangement Information, together with the audited special purpose financial report.

This audit opinion and attached audited special purpose financial report replace those sent to you on 28 August 2009, which should be destroyed. Further information provided by staff of the Corporation has resulted in amendments to the statements previously audited. It is recommended that the process and basis for classifying costs be documented and approved by management, to ensure consistent reporting each year.

Feel free to contact me on 9222 7526 if you would like to discuss these matters further.

Yours faithfully

DON CUNNINGHAME FCPA CISA
ASSISTANT AUDITOR GENERAL
ASSURANCE SERVICES
21 December 2009

Attach



Auditor General

INDEPENDENT AUDIT REPORT

To the Directors of the Board of Electricity Networks Corporation and the Economic Regulation Authority

ELECTRICITY NETWORKS CORPORATION REGULATORY FINANCIAL STATEMENTS UNDER THE ELECTRICITY NETWORKS ACCESS CODE 2004 FOR THE YEAR ENDED 30 JUNE 2009

I have audited the Regulatory Financial Statements under the Electricity Networks Access Code 2004 prepared in accordance with the Guidelines for Access Arrangement Information, being a special purpose financial report, of the Electricity Networks Corporation for the year ended 30 June 2009.

Directors' Responsibility for the Financial Report

The directors of the Corporation are responsible for the preparation and presentation of the Regulatory Financial Statements in accordance with the Guidelines for Access Arrangement Information. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of Regulatory Financial Statements that are 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


My responsibility is to express an opinion on the Regulatory Financial Statements in accordance with the Guidelines for Access Arrangement Information 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.

The Regulatory Financial Statements may not be suitable for another purpose. My report is intended solely for Electricity Networks Corporation and the Economic Regulation Authority and should not be distributed to or used by parties other than Electricity Networks Corporation or the Economic Regulation Authority.

An audit does not guarantee that every amount and disclosure in the Regulatory Financial Statements 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 Regulatory Financial Statements.

Audit Opinion

In my opinion, the special purpose Regulatory Financial Statements of the Electricity Networks Corporation for the year ended 30 June 2009 are in accordance with the Guidelines for Access Arrangement Information and present fairly, in all material respects, financial information which is consistent with the stated accounting policies, principles and methods and is arithmetically accurate.



GLEN CLARKE
DEPUTY AUDITOR GENERAL
21 December 2009

**Western Power
Regulatory Financial Statements**

for the year ended 30 June 2009



Regulatory Financial Statements

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Regulatory Financial Statements for the year ended 30 June 2009

1. Profit and loss account (disaggregated) for the year ended 30 June 2009

Account Code	Description	Base Account \$000	Covered transmission \$000	Covered distribution \$000	System management \$000	Other \$000
1100	Network charges	807,529	207,063	482,175	5,950	112,341
1200	Contributions	288,908	62,213	221,402	-	5,293
1300	Gross proceeds from sale of asset	9,214	-	-	-	9,214
1400	Other revenue	4,180	-	-	-	4,180
	Total revenue	<u>1,109,831</u>	<u>269,276</u>	<u>703,577</u>	<u>5,950</u>	<u>131,028</u>
2100	Operating expenditure costs	(551,115)	(86,438)	(383,887)	(6,674)	(74,116)
	<i>Operations</i>	(93,417)	(18,291)	(23,754)	-	(51,372)
	<i>Maintenance</i>	(195,847)	(30,220)	(165,627)	-	-
	<i>Customer service and billing</i>	(28,393)	-	(24,833)	-	(3,560)
	<i>Corporate</i>	(113,437)	(24,560)	(69,830)	-	(19,047)
	<i>Other operating expenditure</i>	(120,021)	(13,367)	(99,843)	(6,674)	(137)
2200	Depreciation	(170,318)	(46,891)	(94,029)	-	(29,398)
2300	Bad debts	135	-	-	-	135
2400	Borrowing costs	(204,884)	(79,870)	(114,445)	-	(10,569)
2500	Book value of assets disposed	(7,192)	-	-	-	(7,192)
	Earnings before taxation	<u>176,457</u>	<u>56,077</u>	<u>111,216</u>	<u>(724)</u>	<u>9,888</u>
2600	Taxation	<u>(50,218)</u>	<u>(15,959)</u>	<u>(31,651)</u>	<u>206</u>	<u>(2,814)</u>
	Profit after taxation	<u>126,239</u>	<u>40,118</u>	<u>79,565</u>	<u>(518)</u>	<u>7,074</u>

There are no amounts in respect of Excluded Transmission and Excluded Distribution activities.

Total revenue of \$1,109,831,000 includes the gross sale proceeds of assets. As a result this differs by \$7,192,000 from the revenue reported in the general purpose financial report of Western Power.



Regulatory Financial Statements for the year ended 30 June 2009

2. Profit and loss (regulatory financial statement) for the year ended 30 June 2009

Covered transmission

Account Code	Description	Base Account \$000	Adjustment \$000	Regulatory Account \$000	Support Reference
1100	Network charges	207,063	-	207,063	
1200	Contributions	62,213	(46,743)	15,470	10, 11.1
	Total revenue	<u>269,276</u>	<u>(46,743)</u>	<u>222,533</u>	
2100	Operating expenditure costs	(86,438)	-	(86,438)	
	<i>Operations</i>	(18,291)	-	(18,291)	
	<i>Maintenance</i>	(30,220)	-	(30,220)	
	<i>Customer service and billing</i>	-	-	-	
	<i>Corporate</i>	(24,560)	-	(24,560)	
	<i>Other operating expenditure</i>	(13,367)	-	(13,367)	
2200	Depreciation	(46,891)	-	(46,891)	
2400	Borrowing costs	(79,870)	(14,068)	(93,938)	11.2
	Earnings before taxation	<u>56,077</u>	<u>(60,811)</u>	<u>(4,734)</u>	
2600	Taxation	(15,959)	17,306	1,347	11.3
	Profit after taxation	<u>40,118</u>	<u>(43,505)</u>	<u>(3,387)</u>	

Covered distribution

Account Code	Description	Base Account \$000	Adjustment \$000	Regulatory Account \$000	Support Reference
1100	Network charges	482,175	-	482,175	
1200	Contributions	221,402	(76,199)	145,203	10, 11.1
	Total revenue	<u>703,577</u>	<u>(76,199)</u>	<u>627,378</u>	
2100	Operating expenditure costs	(383,887)	-	(383,887)	
	<i>Operations</i>	(23,754)	-	(23,754)	
	<i>Maintenance</i>	(165,627)	-	(165,627)	
	<i>Customer service and billing</i>	(24,833)	-	(24,833)	
	<i>Corporate</i>	(69,830)	-	(69,830)	
	<i>Other operating expenditure</i>	(99,843)	-	(99,843)	
2200	Depreciation	(94,029)	-	(94,029)	
2400	Borrowing costs	(114,445)	-	(114,445)	
	Earnings before taxation	<u>111,216</u>	<u>(76,199)</u>	<u>35,017</u>	
2600	Taxation	(31,651)	21,685	(9,966)	11.3
	Profit after taxation	<u>79,565</u>	<u>(54,514)</u>	<u>25,051</u>	



Regulatory Financial Statements for the year ended 30 June 2009

3. Cash flow statement (disaggregated) for the year ended 30 June 2009

Account Code	Description	Base Account \$000	Covered transmission \$000	Covered distribution \$000	Other \$000
	Operating activities				
1100	Receipts	1,094,822			
2100	Payments	(932,481)			
	Net operating cash flow	<u>162,341</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Investing activities				
2700	Receipts	9,214			
2800	Payments	(905,536)			
	Net investing cash flow	<u>(896,322)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Financing activities				
2900-3100	Receipts	1,983,500			
3200	Payments	(1,231,379)			
	Net financing cash flow	<u>752,121</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Net increase in cash held	<u>18,140</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Cash at beginning of period	8,521			
	Cash at end of period	26,661			

Cash transactions are recorded collectively in one ledger account and are not able to be attributed to regulated activities.



Regulatory Financial Statements for the year ended 30 June 2009

4. Cash flow statement (regulatory financial statement) for the year ended 30 June 2009

Covered transmission

Account Code	Description	Base Account \$000	Adjustment \$000	Regulatory Account \$000
	Operating activities			
1100	Receipts			
2100	Payments			
	Net operating cash flow			
	Investing activities			
2700	Receipts			
2800	Payments			
	Net investing cash flow			
	Financing activities			
2900-3100	Receipts			
3200	Payments			
	Net financing cash flow			
	Net increase in cash held			

Covered distribution

Account Code	Description	Base Account \$000	Adjustment \$000	Regulatory Account \$000
	Operating activities			
1100	Receipts			
2100	Payments			
	Net operating cash flow			
	Investing activities			
2700	Receipts			
2800	Payments			
	Net investing cash flow			
	Financing activities			
2900-3100	Receipts			
3200	Payments			
	Net financing cash flow			
	Net increase in cash held			

Cash transactions are recorded collectively in one ledger account and are not able to be attributed to regulated activities.



Regulatory Financial Statements for the year ended 30 June 2009

5. Balance sheet (disaggregated) as at 30 June 2009

Account Code	Description	Base Account \$000	Covered transmission \$000	Covered distribution \$000	Other \$000
Current assets					
8100	Cash	26,661	6,665	19,996	-
8200	Receivables	39,426	9,567	28,702	1,157
8200	Prepayments	4,236	1,059	3,177	-
8200	Accrued revenue	92,816	23,204	69,612	-
8300	Inventories	83,288	-	-	83,288
	Total current assets	246,427	40,495	121,487	84,445
Non-current assets					
8400	Property plant and equipment	5,117,967	1,988,971	2,950,108	178,888
8200	Receivables	414	103	311	-
	Total non-current assets	5,118,381	1,989,074	2,950,419	178,888
	Total Assets	5,364,808	2,029,569	3,071,906	263,333
Current liabilities					
8600	Trade creditors and accruals	(227,261)	(55,143)	(165,430)	(6,688)
8900	Customer deposits	(100,926)	(22,393)	(74,814)	(3,719)
8700-8800	Provisions	(18,321)	(4,580)	(13,741)	-
	Total current liabilities	(346,508)	(82,116)	(253,985)	(10,407)
Non-current liabilities					
8500	Borrowings	(3,927,497)	(1,531,053)	(2,193,834)	(202,610)
8800	Retirement benefit obligations	(752)	-	-	(752)
8600	Trade creditors and accruals	(57,715)	(14,011)	(42,034)	(1,670)
8900	Customer deposits	(8,186)	(8,186)	-	-
8700	Provisions	(17,677)	(4,419)	(13,258)	-
	Total non-current liabilities	(4,011,827)	(1,557,669)	(2,249,126)	(205,032)
	Total liabilities	(4,358,335)	(1,639,785)	(2,503,111)	(215,439)
	Net assets/(liabilities)	1,006,473	389,784	568,795	47,894
Equity					
	Share capital	820,022			
	Accumulated profits	186,451			
	Total equity	1,006,473			
Accumulated profits & losses and reserves					
	At start of the year	98,159	11.4		
	Profit retained for the year	125,066			
	Distributions in the year	(36,774)			
	At end of the year	186,451			

There are no amounts in respect of Excluded Transmission and Excluded Distribution activities.

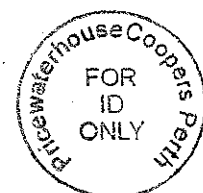


Regulatory Financial Statements for the year ended 30 June 2009

6. Balance sheet (regulatory financial statement) as at 30 June 2009

Covered transmission

Account		Base Account \$000	Adjustment \$000	Regulatory Account \$000	Support Reference
Code	Description				
Current assets					
8100	Cash	6,665	-	6,665	
8200	Receivables	9,567	-	9,567	
8200	Prepayments	1,059	-	1,059	
8200	Accrued revenue	23,204	-	23,204	
Total current assets		40,495	-	40,495	
Non-current assets					
8400	Property plant and equipment	1,988,971	(33,411)	1,955,560	11.2
8200	Receivables	103	-	103	
Total non-current assets		1,989,074	(33,411)	1,955,663	
Total Assets		2,029,569	(33,411)	1,996,158	
Current liabilities					
8600	Trade creditors and accruals	(55,143)	17,306	(37,837)	11.3
8900	Customer deposits	(22,393)	22,393	-	11.1
8700-8800	Provisions	(4,580)	-	(4,580)	
Total current liabilities		(82,116)	39,699	(42,417)	
Non-current liabilities					
8500	Borrowings	(1,531,053)	-	(1,531,053)	
8600	Trade creditors and accruals	(14,011)	-	(14,011)	
8900	Customer deposits	(8,186)	8,186	-	11.1
8700	Provisions	(4,419)	-	(4,419)	
Total non-current liabilities		(1,557,669)	8,186	(1,549,483)	
Total liabilities		(1,639,785)	47,885	(1,591,900)	
Net assets		389,784	14,474	404,258	



Regulatory Financial Statements for the year ended 30 June 2009

6. Balance sheet (regulatory financial statement)

Covered distribution

Account Code	Description	Base Account \$000	Adjustment \$000	Regulatory Account \$000	Support Reference
	Current assets				
8100	Cash	19,996	-	19,996	
8200	Receivables	28,702	-	28,702	
8200	Prepayments	3,177	-	3,177	
8200	Accrued revenue	69,612	-	69,612	
	Total current assets	121,487	-	121,487	
	Non-current assets				
8400	Property plant and equipment	2,950,108	-	2,950,108	
8200	Receivables	311	-	311	
	Total non-current assets	2,950,419	-	2,950,419	
	Total Assets	3,071,906	-	3,071,906	
	Current liabilities				
8600	Trade creditors and accruals	(165,430)	21,685	(143,745)	11.3
8900	Customer deposits	(74,814)	74,814	-	11.1
8700-8800	Provisions	(13,741)	-	(13,741)	
	Total current liabilities	(253,985)	96,499	(157,486)	
	Non-current liabilities				
8500	Borrowings	(2,193,834)	-	(2,193,834)	
8600	Trade creditors and accruals	(42,034)	-	(42,034)	
8700	Provisions	(13,258)	-	(13,258)	
	Total non-current liabilities	(2,249,126)	-	(2,249,126)	
	Total liabilities	(2,503,111)	96,499	(2,406,612)	
	Net assets	568,795	96,499	665,294	

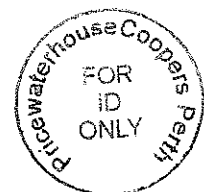


Regulatory Financial Statements for the year ended 30 June 2009

7. Capital expenditure (disaggregated) for the year ended 30 June 2009

Description	Base Account \$000	Covered transmission \$000	Covered distribution \$000	Other \$000
Capital additions				
<i>Capacity Expansion</i>	189,029	127,912	61,117	-
<i>Customer Access</i>	288,772	43,999	244,773	-
<i>Generation Driven</i>	102,302	102,302	-	-
<i>Asset Replacement</i>	88,939	24,897	64,042	-
<i>Regulatory Compliance</i>	65,014	6,912	58,102	-
<i>SUPP</i>	22,927	-	22,927	-
<i>RPIP</i>	23,866	-	23,866	-
<i>Reliability Driven</i>	34,055	7,050	27,005	-
<i>Metering</i>	13,994	-	13,994	-
<i>SCAD/Comms</i>	6,579	4,605	1,974	-
<i>Gifted Assets</i>	71,961	-	71,961	-
<i>Admin & Support</i>	32,845	8,200	24,600	45
<i>IT & Market Reform</i>	44,505	6,900	20,700	16,905
<i>Mobile Plant & Vehicles</i>	32,615	-	-	32,615
Total additions	<u>1,017,403</u>	<u>332,777</u>	<u>635,061</u>	<u>49,565</u>

There are no amounts in respect of Excluded Transmission and Excluded Distribution activities.



Regulatory Financial Statements for the year ended 30 June 2009

8. Capital expenditure (regulatory financial statement) for the year ended 30 June 2009

Covered transmission

Description	Base Account \$000	Adjustment \$000	Regulatory Account \$000	Support Reference
Asset categories				
Capacity Expansion	127,912	(3,769)	124,143	
Customer Access	43,999	(3,125)	40,874	
Generation Driven	102,302	(6,670)	95,632	
Asset Replacement	24,897	(193)	24,704	
Regulatory Compliance	6,912	(311)	6,601	
Reliability Driven	7,050	-	7,050	
SCAD/Comms	4,605	-	4,605	
Admin & Support	8,200	-	8,200	
IT & Market Reform	6,900	-	6,900	
Total capex	332,777	(14,068)	318,709	11.2
Asset reason				
Growth	274,213	(13,564)	260,649	
Replacement and renewal	24,897	(193)	24,704	
Improvement in service	11,655	-	11,655	
Compliance	6,912	(311)	6,601	
Corporate	15,100	-	15,100	
Total capex	332,777	(14,068)	318,709	

Covered distribution

Description	Base Account \$000	Adjustment \$000	Regulatory Account \$000
Asset categories			
Capacity Expansion	61,117	-	61,117
Customer Access	244,773	-	244,773
Asset Replacement	64,042	-	64,042
Regulatory Compliance	58,102	-	58,102
SUPP	22,927	-	22,927
RPIP	23,866	-	23,866
Reliability Driven	27,005	-	27,005
Metering	13,994	-	13,994
SCADA/Comms	1,974	-	1,974
Gifted Assets	71,961	-	71,961
Admin & Support	24,600	-	24,600
IT & Market Reform	20,700	-	20,700
Total capex	635,061	-	635,061
Asset reason			
Growth	377,851	-	377,851
Replacement and renewal	100,963	-	100,963
Improvement in service	52,845	-	52,845
Compliance	58,102	-	58,102
Corporate	45,300	-	45,300
Total capex	635,061	-	635,061



Regulatory Financial Statements for the year ended 30 June 2009

9. Operating expenditure (disaggregated) for the year ended 30 June 2009

Description	Covered transmission \$000	Covered distribution \$000	System management \$000	Other \$000	Total \$000
Directly attributed costs					
<i>Operations</i>	(18,291)	(23,754)	-	(51,372)	(93,417)
<i>Maintenance</i>	(30,220)	(165,627)	-	-	(195,847)
<i>Customer service and billing</i>	-	(24,833)	-	(3,560)	(28,393)
<i>Corporate</i>	(24,560)	(69,830)	-	(19,047)	(113,437)
<i>Other operating expenditure</i>	(13,367)	(27,843)	(6,674)	(137)	(48,021)
Total directly attributed costs	(86,438)	(311,887)	(6,674)	(74,116)	(479,115)
Causally allocated costs					
<i>Other operating expenditure</i>	-	(72,000)	-	-	(72,000)
Total causally allocated costs	-	(72,000)	-	-	(72,000)
Total	(86,438)	(383,887)	(6,674)	(74,116)	(551,115)

There are no amounts in respect of Excluded Transmission and Excluded Distribution activities.



Regulatory Financial Statements for the year ended 30 June 2009

10. Contributions for the year ended 30 June 2009

Covered transmission

Reason for contribution	Contribution amount \$000
<i>Asset relocation</i>	8,814
<i>Comm sys mobile radios</i>	51
<i>Customer access</i>	33,303
<i>Generation driven</i>	567
<i>Generator access</i>	18,547
<i>Regulatory compliance</i>	100
<i>System reinforcement</i>	831
Total contribution	<u><u>62,213</u></u>

Covered distribution

Reason for contribution	Contribution amount \$000
<i>Customer access</i>	132,313
<i>Generator access</i>	252
<i>Metering</i>	309
<i>Underground cables</i>	16,567
<i>Vested assets</i>	71,961
Total contribution	<u><u>221,402</u></u>



Regulatory Financial Statements for the year ended 30 June 2009

11. Regulatory Adjustments Working Papers

Adjustments for year ended 30 June 2009

Description	Base Account \$000	Covered transmission \$000	Covered distribution \$000	Other \$000
11.1 Developer Contributions	288,908	62,213	221,402	5,293
<i>less opening deferred revenue</i>	(228,335)	(77,322)	(151,013)	-
<i>add closing deferred revenue</i>	109,112	30,579	74,814	3,719
<i>Net movement in the year</i>	(119,223)	(46,743)	(76,199)	3,719
Total Contributions Received	169,685	15,470	145,203	9,012
11.2 Capitalised borrowing costs b/fwc	19,343	19,343	-	-
<i>Net movement in the year</i>	14,068	14,068	-	-
Capitalised borrowing costs c/fwc	33,411	33,411	-	-

11.3 Tax is calculated on Regulatory Adjustments at a rate of 30% with timing differences notionally allocated.

11.4 Adjustments have been made to the opening balances reported in respect of the following amounts.

Opening deferred revenue

The opening deferred revenue of \$228,335,000 has been reduced by \$9,698,000 in respect of amounts receivable which were incorrectly recognised at 30 June 2008 in the general purpose financial statements.

Accumulated profits

The accumulated profits of \$98,159,000 have been reduced by \$2,408,000 in respect of the following prior period amounts.

Accumulated profits prior to 30 June 2008 have been increased by \$14,073,000 in respect of increases in the estimate of unbilled revenue.

Accumulated profits prior to 30 June 2008 have been reduced by \$6,457,000 in respect of the cost of customer funded projects that had been abandoned prior to 30 June 2008.

Accumulated profits prior to 30 June 2008 have been reduced by \$10,024,000 to correct an overstatement in the treatment of capitalised repair costs.



Regulatory Financial Statements for the year ended 30 June 2009

Summary of significant accounting policies

This is a special purpose financial report prepared for the sole purpose of the Guidelines for Access Arrangement Information 2008. The accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the reporting periods presented unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with Australian Accounting Standards ('AIFRS') and Urgent Issue Group Interpretations adopted by the Australian Accounting Standards Board ('AASB'), as modified by the Guidelines for Access Arrangement Information 2008, with the exception of the disclosure requirements in the following pronouncements:

AASB101 - Presentation of Financial Statements
AASB107 - Cash Flow Statements
AASB108 - Accounting Policies, Changes in Accounting Estimates and Errors
AASB7 - Financial Instruments: Disclosures
AASB114 - Segment Reporting
AASB124 - Related Party Disclosures
AASB139 - Financial Instruments: Recognition and Measurement
AASB1031 - Materiality
AASB1048 - Interpretation and Application of Standards
UIG Interpretation 1017 - Developer and Customer Contributions for Connection to a Price-Regulated Network

The modifications to AIFRS as required by the Guidelines for Access Arrangement Information 2008 include:

Any interest (or like allowance) incurred during construction is expensed;
Asset revaluations or adjustments for impairment are only recognised in accordance with the provisions for redundant capital under sections 6.61 to 6.32 of the Access Code;
Goodwill and any related impairments are not recognised; and
Disaggregated financial information has been provided in accordance with the business segments outlined in the Guidelines for Access Arrangement Information 2008.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Functional and presentation currency

This financial report is presented in Australian dollars, which is the functional and presentation currency of the Corporation.

Rounding

All financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

Cost allocations

Costs that cannot be directly attributed to an operating segment are allocated 75% to Distribution and 25% to Transmission Covered Activities in line with the assumptions in the 2008 Access Arrangement.

Foreign currencies

Transactions in currency other than the functional currency of the Corporation are translated at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at closing exchange rates. All foreign currency translation differences are recognised in the income statement except when deferred in equity for translation differences of qualifying cash flow hedges.

Revenue recognition

Revenues primarily represent the sales value derived from the transmission and distribution of electricity and the provision of related services and is measured at the fair value of the consideration received or receivable.

The Corporation is subject to a regulatory agreement, which determines the revenues receivable for its services. No liabilities are recognised when revenues received or receivable exceed the maximum amount permitted by regulatory agreement and adjustments will be made to future prices to reflect this over-recovery. Similarly, no assets are recognised when a regulatory agreement permits adjustments to be made to future prices in respect of an under-recovery of permitted revenues.

Developer and customer contributions

The Corporation receives developer and customer contributions toward the extension of electricity infrastructure to facilitate network connection. Contributions can be in the form of either cash contributions or handover works (vested assets). Contributions are recognised when received.



Regulatory Financial Statements for the year ended 30 June 2009

Summary of significant accounting policies (continued)

Income taxes

Income taxes on the profit or loss for the reporting period comprise 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. Current tax is the expected tax payable on the taxable income for the reporting period 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.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the tax balances relate to the same taxation authority.

GST

Amounts in the income statement are shown excluding GST. Amounts in the balance sheet and cash flow statement are shown inclusive of any related GST.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Inventories

Inventories are stated at the lower of weighted average purchase cost and net realisable value.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes all expenditure directly attributable to the acquisition or construction of the asset.

No depreciation is provided on freehold land and assets in the course of construction. Depreciation is calculated on all other assets at rates estimated to write off their costs using a straight-line method over the following estimated useful economic lives. The assets received on disaggregation of Western Power Corporation are depreciated over their residual useful economic lives.

Depreciation periods for categories of assets	Years
Buildings	40
Substation plant, overhead lines and cables	50
Protection, control and communication equipment	40
Plant and equipment	10
Leasehold improvements	10
Computer equipment	3
Office equipment	up to 10
Motor vehicles	5

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

Intangible assets

Intangible assets represent identifiable internal capitalised software costs and are recorded at historic cost less accumulated amortisation.

Internally generated intangible assets are recognised only if an asset is created that can be identified; it is probable that the asset created will generate future economic benefits; and that the development cost of the asset can be measured reliably. Where no internally generated asset can be recognised the development expenditure is recorded in the income statement. Capitalised software is amortised on a straight-line basis over two and a half years. This rate is reviewed on an annual basis. An intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are recognised in the income statement.



Regulatory Financial Statements for the year ended 30 June 2009

Summary of significant accounting policies (continued)

Financial assets and liabilities

Cash and cash equivalents comprise cash at bank and other short-term deposits that have an original maturity of three months or less and bank overdrafts.

Trade and other receivables are non-interest bearing, unsecured and are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment.

Trade and other receivables are determined to be impaired when there is objective evidence that the Corporation will not be able to collect all amounts due. The amount impaired is the difference between the carrying value of the receivable and the net present value of estimated future cash flows discounted at the original effective interest rate. Amounts impaired are reflected in the income statement. When a trade receivable for which an impairment provision has been recognised becomes uncollectible in a subsequent period it is written off against the provision account. Subsequent recoveries of amounts written off are credited in the income statement.

Trade and other payables are non-interest bearing, unsecured and are initially recognised at fair value and subsequently measured at amortised cost.

Borrowings are initially recognised at fair value net of transaction costs incurred and are then subsequently measured at amortised cost using the effective interest method.

Borrowing costs are recognised in the income statement as an expense when incurred.

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured to their fair value at each reporting date. Changes in the fair value of derivative financial instruments are included in the income statement to the extent that hedge accounting is not applied. Fair value is based on quoted market prices at the reporting date. Financial instruments are derecognised when the Corporation no longer controls the contractual rights that comprise the financial instrument.

Hedge accounting and derivative financial instruments

For all derivative transactions designated as a cash flow hedge, the portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised in the income statement immediately. When the cash flows occur, the amount that has been deferred is transferred either to the carrying value of the asset, in the case of non-financial assets, or the income statement as appropriate.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in equity is immediately transferred to the income statement.

Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects the market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Wages and salaries, annual leave

Liabilities arising in respect of employee benefits that are expected to be settled within 12 months of the reporting date are recognised in other payables and are measured at their nominal amount based on remuneration rates that are expected to be paid when the liabilities are settled.

Long service leave

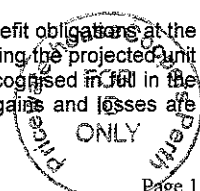
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Expected future payments are discounted using the Commonwealth Bond rates whose terms most closely match the terms of the related liabilities.

Retirement benefit obligations

Contributions to defined contribution plans are recognised in the income statement as they become payable.

A liability or asset in respect of funded defined benefit superannuation plans is recognised in the balance sheet and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the funds assets at that date and any unrecognised past service cost.

The retirement benefit obligations recognised in the balance sheet represent the present value of the defined benefit obligations at the reporting date. The cost of providing benefits in respect of defined benefit superannuation plans is determined using the projected unit credit method with actuarial valuations being carried out at each balance sheet date. Current service cost is recognised in full in the income statement in the period in which the obligation increases as a result of employee services. Actuarial gains and losses are recognised directly in equity.



Regulatory Financial Statements for the year ended 30 June 2009

Directors' Declaration

This is a special purpose financial report prepared for the purposes of the Guidelines for Access Arrangement Information 2008.

In the directors' opinion the financial statements and the Summary of Significant Accounting Policies set out on pages 3 to 18 have been prepared in accordance with the Guidelines for Access Arrangement Information 2008, and comply with Accounting Standards and other mandatory professional reporting requirements as detailed above.

This declaration is made in accordance with a resolution of the board meeting dated 8 December 2009.



Mr P Mansell
Board Chair



Mr D Aberle
Managing Director

