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**FINANCIAL
REPORT**
For the year ended
30 June 2008

08

contents

Financial Report 2008

Directors' Report	- 2-8
Corporate Governance Statement	- 9-15
Financial Statements	- 16-32
Summary of Significant Accounting Policies	- 33-36
Directors Declaration	- 37
Corporate Directory	- 38
Independent Auditor's Report	- 39

directors' report

The Directors of Electricity Networks Corporation ('the Corporation') trading as Western Power, appointed by the Governor on the nomination of the Minister for Energy ('the Minister') under Section 8(1) of the Electricity Corporations Act 2005 (WA) ('the Act'), present their report for the year to 30 June 2008.

Directors

The names and details of the Directors in office during the year to 30 June 2008 are:

D Aberle
M Davies
S Farrier
K Field
P Mansell
J Seabrook

Principal Activities

The principal continuing functions of the Corporation are:

- / to manage, plan, develop, expand, enhance, improve and reinforce electricity transmission and distribution;
- / to provide and improve electricity transmission and distribution services;
- / to provide access to services of network infrastructure facilities as required and authorised by the Electricity Industry Act 2004 Part 8 (which relates to network access);
- / to provide services as required and authorised by the Electricity Industry Act 2004 Part 9 (which relates to the wholesale electricity market);
- / to provide services that improve the efficiency of electricity supply and the management of demand on electricity transmission and distribution systems; and
- / to provide ancillary services.

It is also the function of the Corporation to use or 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.

There have been no significant changes in the nature of the principal activities in the year to 30 June 2008.

Operating Results

The Corporation achieved a net profit after income tax of \$85,905,000 for the year to 30 June 2008 (2007: \$69,407,000).

Dividends

The Corporation paid a final dividend of \$17,573,500 on 31 December 2007 in respect of the year to 30 June 2007 (2006: \$8,533,500) and an interim dividend of \$26,400,000 on 30 June 2008 (2007: \$17,130,000) in respect of the year to 30 June 2008.

In addition to the above dividends, since the end of the financial year the Directors have recommended, subject to the approval of the Minister, the payment of a final dividend of \$16,552,500 in respect of the year to 30 June 2008.

Review of Operations

Information on the operations and financial position of the Corporation and its business strategies and prospects is set out in the review of operations and activities on pages 12 to 15 of this Annual Report.

Matters Subsequent to the End of the Financial Period

Since 30 June 2008, no matter or circumstance has occurred that has significantly, or may significantly, affect:

- a) The Corporation's operations in future financial years, or
- b) The results of those operations in future financial years, or
- c) The Corporation's state of affairs in future financial years.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the Corporation that were not finalised at the date of this report include the following matters.

The Corporation has committed to a significant investment program in order to meet its safety, reliability and efficiency requirements. The Corporation is reliant on funding from the shareholder to meet these and any additional regulatory requirements.

The Corporation will submit to the Economic Regulation Authority its proposed Access Arrangement for the period from 1 July 2009 to 30 June 2012. This is due on 1 October 2008 and will determine the future network access revenues for that three year period.

The International Financial Reporting Interpretations Committee ('IFRIC') are yet to complete their determination on the draft proposal D24 Customer Contributions. The existing draft recommendations would defer the recognition of revenue from customer contributions towards network access works over the useful life of those works.

The Directors have not included in this report any further information on the likely developments in the operations of the Corporation and the expected results of those operations in future years as they believe it would be likely to result in unreasonable prejudice to the Corporation.

Environmental Regulation

The Corporation is subject to significant environmental regulations in respect of its activities, in particular, the Environmental Protection Act 1986 (WA) (State legislation) and the Environment Protection and Biodiversity Conservation Act 1999 (Commonwealth legislation). There was one breach of regulations under these legislations in the year to 30 June 2008.

Qualifications and Experience of Directors

Peter Mansell

Year of birth: 1946

(Board chair, independent, non-executive director).

Appointed with effect from 1 April 2006.

The Board has recommended that the Minister nominate Mr Mansell for reappointment for a further term of 3 years commencing on 1 July 2008. The reappointment is yet to be confirmed. In the meantime, Mr Mansell continues in office by virtue of clause 2(3) of Schedule 1 of the Electricity Corporations Act 2005 (WA) (Act)

Qualifications and professional memberships

Bachelor of Commerce

Bachelor of Laws

Higher Diploma in Tax Law

Australian Institute of Company Directors

Law Society of Western Australia

Experience and expertise

Mr Mansell has practiced as a business lawyer for 34 years, and has a wide range of experience in corporate matters. He was a corporate and resources partner of legal firm Freehills from 1988 to 2004 and at various times was the Freehills National Chairman (1995-2000), Managing Partner of the Perth Office (1992-2002) and a member of the firm's National Board (1989-2002).

Other current directorships

West Australian Newspaper Holdings Ltd (Board chair)

Great Southern Ltd

OZ Minerals Ltd

Ferngrove Vineyards Ltd (Board chair)

ThinkSmart Ltd (Board chair)

Bunnings Property Management Ltd, the responsible entity for the Bunnings Warehouse Property Trust

Nyrstar NV

Former directorships in last three years

Foodland Associated Ltd until November 2005

Progressive Enterprises Holdings Ltd until November 2005

JDV Limited until August 2005

Tethyan Copper Company Ltd until May 2006

The Hoyts Corporation Pty Ltd until December 2006

Hardman Resources Ltd until December 2006

Zinifex Ltd until August 2008

Western Power Corporation until March 2006

Special responsibilities

Member of the People and Performance Committee

Jenny Seabrook

Year of birth: 1957

(Board deputy chair, independent, non-executive director).

Appointed with effect from 1 April 2006.

Qualifications and professional memberships

Bachelor of Commerce (UWA)

Associate Member of the Institute of Chartered Accountants Australia

Fellow of the Australian Institute of Company Directors

Senior Fellow of Financial Services Institute of Australasia

Experience and expertise

Ms Seabrook has practised as an investment banker, capital markets advisor and chartered accountant for over 25 years. She is currently a Special Advisor to Gresham Partners Limited and a non-executive director of a number of listed and unlisted corporations. She is also member of the Federal Government's Takeovers Panel and the Markets Policy Group for the Financial Services Institute of Australasia.

Other current directorships

West Australian Newspapers Holdings Limited
- non-executive director (from February 2006)

MG Kailis Holdings Pty Ltd
- non-executive director (from 25 January 2008)

BWA Managed Investments Limited
- non-executive director (from 1 January 2008)

St Andrew's Superannuation Services Limited
- non-executive director (from 1 January 2008)

Iluka Resources Limited
- non-executive director (from May 2008)

IRESS Market Technology Limited (from 20 August 2008)

Former directorships in last three years

Western Power Corporation
- non-executive director and deputy chair until March 2006

Gresham Advisory Partners Limited
- executive director (until January 2008)

Gresham Partners Limited
- executive director (until January 2008)

Special responsibilities

Chair of the Finance and Risk Committee

Member of the People and Performance Committee

Qualifications and Experience of Directors (continued)

Doug Aberle

Year of birth: 1953

(Chief Executive Officer / Managing Director).

Appointed with effect from 1 April 2006.

On 8 May 2007 the Governor reappointed Mr Aberle as a director for a three-year term commencing on 1 July 2007.

Qualifications and professional memberships

Bachelor of Engineering (Hons)

Master in Engineering Science

Chartered Professional Engineer

Fellow of the Institution of Engineers Australia

Fellow of the Australian Institute of Company Directors

Clinical Member of the Australian Association of Relationship Counsellors

Member of Gestalt Australia and New Zealand

Experience and expertise

Mr Aberle has a detailed knowledge of all aspects of the electricity industry having formerly filled the positions of General Manager for Networks, Chief Operating Officer, General Manager for Generation and General Manager for Transmission within the old Western Power Corporation. He was also Chairman of Integrated Power Services, a company jointly owned by Western Power Corporation and Halliburton, and was CEO of the South West Development Commission during a six-month secondment and is currently Deputy Chair of the Australian National Committee for CIGRE. He is also a qualified psychotherapist and a clinical member of the Australian Association of Relationship Counsellors and a College Member of Gestalt Australia and New Zealand.

Former directorships in last three years

South West Counselling Inc (not for profit)
(until December 2006)

Bright Telecommunications Pty Ltd (until December 2006)

Mervyn Davies

Year of birth: 1944

(independent, non-executive director).

Appointed with effect from 1 April 2006.

On 8 May 2007 the Governor reappointed Mr Davies as a director for a three-year term commencing on 1 July 2007.

Qualifications and professional memberships

Bachelor of Engineering (Hons)

Masters in Engineering Science

Bachelor of Commerce

Experience and expertise

Mr Davies has worked in all areas of electricity distribution and has extensive experience in managing both the financial and technical performance of the business. He has held senior management positions at Energy Australia, Australia's largest electricity distribution company and is formally qualified in both Engineering and Economics with experience at the business level in implementing the National Competition Reform Agenda for electricity.

Since leaving Energy Australia, Mr Davies has established and operated an engineering consultancy practice, specialising in electricity distribution system management. He has worked for electricity distributors in New South Wales and Queensland, the Independent Pricing and Regulatory Tribunal in New South Wales and for the Australian Competition and Consumer Commission.

Other current directorships

Anrig Pty Ltd (Board chair)

Girna Engineering Management Services Pty Ltd (Board chair)

Former directorships in last three years

Western Power Corporation - non-executive director
(until March 2006)

Special responsibilities

Member of the Finance and Risk Committee

Qualifications and Experience of Directors (continued)

Sally Farrier

Year of birth: 1963
(independent, non-executive director).
Appointed with effect from 1 April 2006.

The Board has recommended that the Minister nominate Ms Farrier for reappointment for a further term of 3 years commencing on 1 July 2008. The reappointment is yet to be confirmed. In the meantime, Ms Farrier continues in office by virtue of clause 2(3) of Schedule 1 of the Act.

Qualifications and professional memberships

Bachelor of Engineering (Hons)
Masters of Business Administration
Post-Graduate Diploma in Finance and Investment Analysis
Member of the Institute of Company Directors
Fellow of the Financial Services Institute of Australasia

Experience and expertise

Ms Farrier commenced her career as a consulting engineer before moving on to general management consulting and corporate advisory. In recent years she has focused on design, evolution and implementation of economic regulation, risk allocation and strategic decision making, particularly in relation to the utilities and infrastructure sector. She is a member of the Victoria Water Trust Advisory Council and a member of the Gippsland Water Technical Review Committee.

Other current directorships

Farrier Swier Consulting Pty Ltd (from June 1999)
Hydro Electric Corporation (Hydro Tasmania)
(from December 2004)

Special responsibilities

Member of the Finance and Risk Committee

Karen Field

Year of birth: 1948
(independent, non-executive director).
Appointed with effect from 1 April 2006.

The Board has recommended that the Minister nominate Ms Field for reappointment for a further term of 3 years commencing on 1 July 2008. The reappointment is yet to be confirmed. In the meantime, Ms Field continues in office by virtue of clause 2(3) of Schedule 1 of the Act.

Qualifications and professional memberships

Bachelor of Economics

Experience and expertise

Ms Field has spent more than three decades in the mining industry and has a strong background in human resources and project management. She has held executive roles in a variety of mining industry sectors throughout Australia and in South America. Prior to returning to Australia to develop consultancy and directorship roles she was President of Minera Alumbra Ltd, an Argentine based management company established to develop and operate a large scale copper/gold mining project in north western Argentina.

Other current directorships

Sipa Resources Ltd
Water Corporation
Perilya Limited
Centre for Sustainable Resource Processing
Amana Living Incorporated (formerly Anglican Homes Inc.)
Special responsibilities
Chair of the People and Performance Committee

Qualifications and Experience of Company Secretary

Company Secretary

J Pease LLM

Mr Pease has a Master of Laws with Distinction from the University of Western Australia and prior to his appointment with the Corporation has been practising law as a barrister since the mid 1980's and held various in-house, private practice and government positions.

directors' report continued

Meetings of Directors

The number of meetings of the Board (including meetings of Committees) and number of meetings attended by each of the Directors for the year to 30 June 2008 are as follows:

Attendee	Board Meetings		People and Performance Committee		Finance and Risk Committee	
	A	B	A	B	A	B
DT Aberle	13	13	7	8	8	8
MJ Davies	12	13	n/a	n/a	8	8
S Farrier	13	13	n/a	n/a	8	8
K Field	13	13	8	8	n/a	n/a
PJ Mansell	11	13	8	8	n/a	n/a
JA Seabrook	13	13	7	8	8	8

A Number of meetings attended

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

Remuneration Report

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements

A. Principles Used to Determine the Nature and Amount of Remuneration

Remuneration approval protocols are as follows:

Non-Executive Directors

The Minister approves the remuneration of all non-executive directors.

Managing Director

The Board, subject to the concurrence of the Minister approves the remuneration of the Managing Director.

General Managers and Chief Financial Officer

The Board, on recommendation of the Managing Director approves the remuneration of all General Managers and Chief Financial Officer.

The Corporation's remuneration policy is to:

- / Provide market competitive remuneration to employees having regard to both the level of work assigned and the personal effectiveness in its performance;
- / Allocate remuneration to employees on the basis of merit and performance; and
- / Adopt individual performance measures that are linked to the Corporation's objectives.

Non-Executive Directors

The remuneration framework for non-executive directors incorporates a fixed remuneration and superannuation component.

Managing Director and Executives

The Managing Director and Executive Remuneration Framework is based on a Total Remuneration Structure which consists of two components:

- / A fixed remuneration component administered as total fixed remuneration, and
- / A variable remuneration component administered as short-term incentives.

Fixed Remuneration Component

This includes a base salary, superannuation and benefits to reflect the level of work, responsibility and personal competency in the role which may be delivered as a combination of cash and prescribed non-financial benefits at the individual's discretion. Total Fixed Remuneration is reviewed annually on the basis of competitive market movement and personal performance.

There are no guaranteed Fixed Remuneration increases included in any senior executives' contracts.

Variable Remuneration Component

This component is a cash-based incentive based on a three-tier performance target (two-tier in respect of the Managing Director) designed to drive successful performance outcomes and team congruence. Incentive payments are not guaranteed and are contingent on meeting the pre-determined performance targets agreed by the Board and senior management. Qualifying incentive payments are made annually in September.

Each year the Board will assess managements' overall performance in meeting agreed performance targets and determine the level of payment to be awarded.

directors' report continued

Remuneration Report (continued)

B. Details of Remuneration

Details of the remuneration of the Directors and Key Executives are set out in the following tables.

Remuneration of Directors

Name	Year	Salary and fees \$	Short-term incentive payments			Non-monetary benefits \$	Post Employment Super Annuation benefits \$	Other long term benefits \$	Termination benefits \$	Total benefits \$
			2006 \$	2007 \$	2008 \$					
DT Aberle	2008	331,132	-	-	61,994	34,854	55,867	-	-	483,847
	2007	298,959	14,140	99,854	-	31,772	49,105	-	-	493,830
MJ Davies	2008	-	-	-	-	-	60,180	-	-	60,180
	2007	7,404	-	-	-	-	52,546	-	-	59,950
S Farrier	2008	55,211	-	-	-	-	4,969	-	-	60,180
	2007	55,000	-	-	-	-	4,950	-	-	59,950
K Field	2008	35,961	-	-	-	-	24,219	-	-	60,180
	2007	7,404	-	-	-	-	52,546	-	-	59,950
PJ Mansell	2008	119,796	-	-	-	665	10,842	-	-	131,303
	2007	65,400	-	-	-	663	64,737	-	-	130,800
JA Seabrook	2008	74,623	-	-	-	665	6,776	-	-	82,064
	2007	73,183	-	-	-	663	6,646	-	-	80,492
	2008	616,723	-	-	61,994	36,184	162,853	-	-	877,754
	2007	507,350	14,140	99,854	-	33,098	230,530	-	-	884,972

The Short-term incentive payments for 2008 are in respect of amounts earned for the year to 30 June 2008. The amount included for Mr DT Aberle is subject to the approval of the Minister.

Remuneration of Key Executives

Name	Year	Salary and fees \$	Short-term incentive payments			Non-monetary benefits \$	Post Employment Super Annuation benefits \$	Other long term benefits \$	Termination benefits \$	Total benefits \$
			2006 \$	2007 \$	2008 \$					
K Brown	2008	105,911	-	-	39,861	25,243	139,608	-	-	310,623
	2007	128,475	8,523	54,664	-	22,189	110,630	-	-	324,481
A-M Clark	2008	260,201	-	-	46,647	49,657	26,560	-	-	383,065
	2007	245,171	8,325	59,541	-	32,900	23,491	-	-	369,428
M de Laeter	2008	236,236	-	-	36,902	34,613	28,543	-	-	336,294
	2007	300,917	6,555	50,578	-	14,687	25,060	-	-	397,797
GJ Monkhouse	2008	172,187	-	-	39,128	4,916	101,338	-	-	317,569
	2007	157,686	6,088	51,391	-	3,255	100,355	-	-	318,775
M Peacock	2008	266,680	-	-	48,954	27,580	30,109	-	-	373,323
	2007	236,757	8,055	58,817	-	27,485	23,548	-	-	354,662
J Pease	2008	184,271	-	-	39,312	26,132	45,413	-	-	295,128
	2007	185,889	2,970	24,769	-	26,089	18,845	-	-	258,562
M Sims (to 3 August 2007)	2008	17,598	-	-	-	2,669	1,668	-	304,519	326,454
	2007	163,434	4,325	-	-	3,371	26,270	-	-	197,400
P Southwell	2008	217,816	-	-	39,998	37,594	39,844	-	-	335,252
	2007	201,158	8,523	55,083	-	33,667	29,374	-	-	327,805
R White (to 20 April 2007)	2008	-	-	-	-	-	-	-	-	-
	2007	233,787	8,955	-	-	2,616	21,088	-	328,565	595,011
	2008	1,460,900	-	-	290,802	208,404	413,083	-	304,519	2,677,708
	2007	1,853,274	62,319	354,843	-	166,259	378,661	-	328,565	3,143,921

The Short-term incentive payments for 2008 are in respect of amounts earned for the year to 30 June 2008.

directors' report continued

Remuneration Report (continued)

C. Service Agreements

The remuneration and other terms of employment for the Directors, Managing Director and key management personnel are formalised in fixed term service agreements. The terms of these agreements relating to remuneration are set out below. Extensions to some service agreements are in progress pending formal approval.

PJ Mansell, Chair of the Board and Non-Executive Director

Term of agreement commencing on 1 April 2006 and expiring on 30 June 2008.

JA Seabrook, Deputy Chair of the Board and Non-Executive Director

Term of agreement commencing on 1 April 2006 and expiring on 31 March 2009.

MJ Davies, Non-Executive Director

Term of agreement commencing on 1 July 2007 and expiring on 30 June 2010.

S Farrier, Non-Executive Director

Term of agreement commencing on 1 April 2006 and expiring on 30 June 2008.

K Field, Non-Executive Director

Term of agreement commencing on 1 April 2006 and expiring on 30 June 2008.

D T Aberle, Managing Director

On 8 May 2007 the Governor reappointed Mr Aberle as a director for a three-year term commencing on 1 July 2007.

K Brown, General Manager System Management
M de Laeter, General Manager Customer Services
P Southwell, General Manager Strategy and Corporate Affairs
A-M Clark, General Manager Service Delivery
GJ Monkhouse, General Manager Human Resources
M Peacock, Chief Financial Officer
J Pease, General Counsel and Company Secretary

Ongoing term of employment commencing 1 April 2006.

Insurance of Officers

The Corporation holds a Directors' and Officers' Liability Insurance Policy. This 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.

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

Auditor

Under the Corporation's enabling legislation, the Parliament has appointed the Office of the Auditor General for Western Australia as its independent auditor. The independent auditor is appointed under the Electricity Corporations Act 2005. This Act provides that the auditor can conduct audits in the manner he sees fit and is not subject to direction by any person about the way in which those powers are exercised.

Non-Audit Services

Details of the amounts paid or payable to the auditor and other audit practices engaged for audit services of the Corporation during the period are set out below. Neither of these audit firms has provided any non-audit services during period.


	Year to 30 June 2008	Year to 30 June 2007
Audit services:		
Office of the Auditor General		
Audit and review of financial reports	\$271,000	\$278,500

This report is made in accordance with a resolution of the Board of Directors.

Signed in Perth this 9th day of September 2008.



P Mansell
Chair of the Board



D Aberle
Managing Director

corporate governance statement

1. Corporate governance at Western Power

Western Power is committed to a high level of corporate governance and fostering a culture that values safety, ethical behaviour, integrity and respect.

This Statement reports on Western Power's key governance principles and practices. These principles are reviewed regularly and revised as appropriate to reflect changes in law and best practice in relation to corporate governance.

Western Power must comply with the Electricity Corporations Act 2005 (WA) (the 'Act') and other Australian laws. While Western Power is not listed on the Australian Securities Exchange ('ASX'), it seeks to comply, to the extent applicable and not inconsistent with the requirements of the Act, with the ASX Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council (second edition, August 2007) (ASX Principles).

The ASX Principles require the Board to consider the development and adoption of appropriate governance policies and practices founded on the ASX Principles. This year Western Power updated its governance policies and procedures to comply with the second edition of the ASX Principles. Details of Western Power's compliance with the ASX Principles are set out below and in the compliance checklist found on page 15 of this report and are published in the corporate governance section of Western Power's website (www.westernpower.com.au).

2. Board of Directors

2.1 Board role and responsibilities (ASX Principle 1.1)

As a statutory corporation, the respective duties and responsibilities of Western Power's Board and senior executives are substantially set out in the Act. Further details are provided below.

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

The Board has approved a Board Charter (a copy of which is available in the corporate governance section of Western Power's website) that details 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:

- / appointments to the position of the Chief Executive Officer (CEO) - subject to the Minister's endorsement - and oversight of appointments of the CEO'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 Western Power's day-to-day operations is delegated to the CEO, 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. Directors are 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. The Board may also recommend new directors to the Minister if a Board vacancy occurs.

At the date of this report the Board has six members, of whom five are non-executive directors. All of the current directors were appointed on 1 April 2006 following the disaggregation of the former Western Power Corporation. The names of the directors in office at the date of this report, the date they were first appointed, their status as non-executive, independent or executive directors and whether they are retiring by rotation and seeking re-appointment are set on page 8 of this annual Report. Biographical details for each director are set out on pages 3 to 5 of this Annual Report.

The Board considers that all of the non-executive directors, including those offering themselves for reappointment, collectively bring the range of skills, knowledge and experience necessary to direct Western Power.

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 Western Power'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.

Further details of the process for evaluating the range of skills, experience and expertise that will best complement Board effectiveness, with a view to ensuring that it has a proper understanding of, and the competence to deal with, the current and emerging issues of Western Power's business are available in the corporate governance section of Western Power's website.

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.

corporate governance statement continued

The Board Charter further outlines the criteria to be considered in assessing director independence, which are based on the premise that a 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.

The test of whether a business, or other, relationship is material is based on the nature of the relevant relationship and on the circumstances of the individual director. Materiality is considered from the perspective of Western Power, the persons or organisations with which the director has an association and from the perspective of the director. The Board considers that a customer, or supplier, is material where the amount receivable or payable, respectively, by Western Power in any 12 month period exceeds \$1.5 million. However, this threshold is not conclusive and the Board will examine both the qualitative and quantitative nature of a director's relationship with any particular customer or supplier when assessing director independence. If the threshold is exceeded, the Board will consider whether or not that materially affects the impartiality of the judgment of the director.

The Board has considered the independence of each of the directors in office at the date of this report and its determination is set out in the director profiles on pages 3 to 5 of this Annual Report. 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 Western Power's interests. The Board has developed procedures to assist directors on disclosing potential conflicts of interest¹.

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 Board succession planning

The People & Performance Committee ('P&PC') assists the Board with succession planning. The P&PC reviews the size and composition of the Board and the mix of existing and desired competencies across members and reports its conclusions to the Board annually.

Non-executive directors are appointed for a period of up to three years and are eligible for reappointment, but may be removed from office by the Governor at any time.

When a non-executive director position is vacant, the Board may recommend a candidate to the Minister who may then nominate the candidate to the Governor.

Criteria considered by the P&PC when evaluating prospective candidates are contained in the Board Charter, which is available in the corporate governance section of Western Power's website.

2.6 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 that approximately one-third of directors retire each year.

All non-executive directors are provided with a letter of appointment that sets out the terms of their appointment. For new appointments, Western Power intends that each letter of appointment will contain all of the information recommended by the ASX Principles (including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding involvement with committee work). However, not all of the letters of appointment provided to the existing non-executive directors contained all of the recommended content. This is because either:

- / at the time of appointment of the relevant directors, Western Power's policy of compliance with the ASX Principles had not been fully implemented
- / being the inaugural directors of Western Power, the information did not exist at the relevant time, e.g. details of meetings, committee work required, details of fellow directors; and
- / as Western Power is a statutory corporation, the information is contained in its enabling legislation, namely the Act, or is not relevant e.g. it does not have a constitution, disclosure of material person interests, powers and duties and trading policy (see part 4.2 of this governance statement).

The existing non-executive directors have since been given this information where it is relevant to Western Power as a statutory corporation.

The P&PC oversees establishment and implementation of an effective induction process for new directors and reviews that process regularly. The induction process includes discussions with the CEO, senior management and the external and internal auditors 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, Western Power 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.

Notes:

1. The relevant policies and procedures include Western Power's conflict of interest policy, an outline of the duties and obligations of directors and executive officers and a register of declared interests maintained by the Company Secretary and all Board and committee meetings having a standing agenda item for declarations of material personal interests to be made.

corporate governance statement continued

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

The performance of the Board as a whole and each of its committees are reviewed on a regular basis (at least annually) against the requirements of their respective charters. In addition, the individual performances of the Board Chair and the directors are also reviewed. The P&PC determines the evaluation process for the Board and individual directors. The performance evaluation of the Board as a whole and individual directors was conducted in (June/July 2008) and comprised:

- / a self-evaluation survey completed by individual directors
- / a questionnaire/feedback from senior executives in relation to their dealings and interface with the Board
- / individual discussions between the Board Chair and all directors and senior executives, using the summarised results of the completed surveys; and
- / a confidential report to the Board of the collated results of the process for discussion/consideration.

Further details of the Board and director evaluation process are available in the corporate governance section of Western Power's website. The Board reviews the performance of its committees annually, at its last meeting for each calendar year. In this reporting period, the Board reviewed reports from each of its committees in December 2007. The reports included the respective committee's:

- / assessment of its performance against the requirements of its charter
- / goals and objectives for the coming year
- / recommendations for any improvements to its charter deemed necessary or desirable.

The Board also informally reviews its performance on an ongoing basis, by way of a meeting critique conducted by a member of the Board at the close of each Board and Board committee meeting.

The P&PC reviews and makes recommendations to the Board on the process for reviewing the performance of the CEO. The CEO's performance is judged against the approved strategic plan and the corporate and personal key performance indicators established for the CEO 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 divisions.

A description of the process for performance evaluation of the Board, its committees, individual directors and Western Power's senior executives appears in the corporate governance section of Western Power's website.

During July and August 2007 the performance of the CEO and other senior executives was evaluated in accordance with the process disclosed on Western Power's website.

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

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

Directors may, in carrying out their duties owed to Western Power, 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 Chair of the P&PC.

2.9 Directors' remuneration (ASX Principle 8.2)

The P&PC 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.

Western Power has a remuneration policy that distinguishes between the structure of non-executive and executive directors' remuneration. Details of remuneration policy, together with details of the remuneration paid to directors (executive and non-executive) and all executive officers of Western Power are set out on page 6 of this annual report.

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

2.10 Chair (ASX Principles 2.2 & 2.3)

The Board Chair, Mr P Mansell, 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 CEO 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 Mansell is also Chair/director of the companies listed on page 3 of this report. The Board considers that neither his chairmanship of the companies listed, nor any of his other directorship commitments as listed, interfere with the discharge of his duties to Western Power. The Board is satisfied that he commits the time necessary to discharge his role effectively.

2.11 Company Secretary (ASX Principle 2.5)

Western Power's Company Secretary is Mr J Pease, who is also its General Counsel. The qualifications and experience of Mr Pease are set out on page 5. 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 that governance matters are addressed. All directors have access to the Company Secretary's advice and services.

corporate governance statement continued

2.12 Board meetings (ASX Principle 2.6)

The Board meets at least 8 times per year to address strategic issues and as needed to address urgent issues. During the year ended 30 June 2008, the Board held 13 Board meetings. Details of directors' attendance at these meetings are set out on page 6 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.

In summary the procedure is as follows. The Chair sets the agenda for each meeting in consultation with the CEO. Any director may request additional matters to be placed on the agenda. Members of senior management attend meetings of the Board by invitation, but sessions are also scheduled at the beginning of each formal Board meeting for non-executive directors to meet without management present.

Copies of Board papers are circulated electronically 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 two committees to assist in the discharge of its responsibilities. These are:

- / the Finance & Risk Committee ('F&RC'); and
- / the People & Performance Committee ('P&PC').

Each of the committees has its own terms of reference 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 these meetings, are set out on page 6 of this annual report

3.2 Finance & Risk Committee (ASX Principles 4.1, 4.2, 4.3 & 4.4)

The role of the Finance & Risk Committee is to assist the Board to meet its oversight responsibilities in relation to Western Power's financial reporting, application of accounting policies, financial management and treasury function, internal control, risk management and compliance systems and the internal and external audit function. In doing so, the committee is to maintain free and open communication with the WA Auditor General, the internal auditors and management of Western Power. The committee's terms of reference, detailing its duties, are available in the corporate governance section of Western Power's website.

The members of the Finance & Risk Committee are Ms J Seabrook (Chair), Mr M Davies and Ms S Farrier.

The Auditor General, CEO, Chief Financial Officer ('CFO'), Manager Risk Assurance and Audit and General Counsel & Company Secretary attend committee meetings by invitation.

3.3 People & Performance Committee (ASX Principles 2.4, 2.6, 8.1 & 8.3)

The role of the People & Performance Committee is to assist the Board to meet its oversight responsibilities in relation to Western Power's governance practices, review Board composition and succession planning for the Board and CEO and assist the Board in establishing remuneration, incentives and human resources policies and a performance review framework.

The committee's terms of reference, detailing its duties, are available in the corporate governance section of Western Power's website.

The members of the People & Performance Committee are Ms K Field (Chair), Mr P Mansell and Ms J Seabrook.

The CEO, General Manager Human Resources and General Counsel & Company Secretary attend committee meetings by invitation.

corporate governance statement continued

4. Promoting responsible and ethical behaviour

4.1 Code of conduct and whistleblower policy (ASX Principles 3.1 & 3.3)

The Board has approved a code of conduct for directors and executive officers to promote ethical and responsible decision-making.

The Board has also approved a code of conduct setting out minimum standards of conduct for all officers and employees of Western Power, as well as a legislative and regulatory compliance policy and a conflict of interest policy. The code of conduct outlines Western Power'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.

A copy of these codes of conduct and policies is available in the corporate governance section of Western Power's website.

The codes of conduct and the policies

- / guide compliance with Western Power'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 Western Power's commitment to appropriate corporate practices.

Compliance with the principles contained within these documents will also assist Western Power in effectively managing risks and meeting its legal and compliance obligations.

Western Power also has a policy on whistleblowing. The purpose of the policy is to help detect and address misconduct, help provide an environment in which persons feel able to raise issues of concern to them and Western Power and help protect people who report misconduct in good faith.

In accordance with the Act, the Board has also adopted minimum standards of merit, equity and probity applicable to management of Western Power's staff and a joint policy on staff transfers. The latter has been approved by the Minister and ensures that staff of Western Power and the other electricity corporations created by the Act have the opportunity to move between the corporations and their respective subsidiaries without loss of entitlements.

4.2 Ownership and dealing in securities (ASX Principles 3.2)

Western Power 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 Western Power. Western Power'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 Western Power. As the Western Power'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 Western Power, such as Board nominations, approvals for certain transactions and access to information about Western Power.

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

- / Western Power 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 Western Power's operation.

Western Power has established a formal protocol to ensure comprehensive and effective communication with the Minister and the Minister's office. The protocol reflects the particular relationship between Western Power (being a statutory corporation) and the Government and recognises that the Minister must receive information to enable the Minister to discharge the Minister's duties.

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

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

The Finance & Risk Committee monitors the systems and processes Western Power has in place to achieve compliance with, among other matters, its reporting requirements. In December 2006 the Board approved a legislative and regulatory compliance policy that is designed to ensure that all Western Power employees are aware of its various legislative obligations, including those relating to disclosure and reporting. The policy establishes a framework that, when fully implemented, will:

- / identify the relevant obligations and allocate responsibility for compliance;
- / provide education for all affected staff to ensure that there is an awareness of the compliance requirement;
- / ensure that compliance breaches are reported and remedial action monitored; and
- / review the effectiveness of the framework on a regular basis.

corporate governance statement continued

6. Financial reporting (ASX Principles 4.1 & 7.3)

The Act requires the Board to declare annually that Western Power'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 Western Power'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 that Western Power's financial statements are 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 Finance & Risk Committee oversees communications between the Board, senior financial management, Risk Assurance and Audit and the Auditor General in order to ensure that all assistance that is necessary to complete the audit by the Auditor General is provided.

Western Power does not have control over the appointment (or selection) of the external auditor because this is a matter prescribed by the Act.

8. Risk management (ASX Principles 7.1 & 7.2)

Western Power 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 Western Power. A description of the corporate risk management policy and internal control systems is available in the Corporate Governance section of Western Power's website.

Divisional general managers are responsible for identifying risks and implementing strategies to mitigate them. The Finance & Risk Committee 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 Western Power's management of its material business risks is effective.

In accordance with the Act, the Treasury Branch makes recommendations to the Board on the appropriate level of insurance cover for Western Power. Financial risk issues are managed through a treasury policy statement that requires regular reporting to the Finance & Risk Committee on treasury activities.

9. Environmental responsibility

Western Power recognises that environmental management is critical to the sustainability of its business. Corporate policies and strategies are in place encompassing environmental management principles administered through a formal Environmental Management System. These principles include community consultation, planning, compliance and sustainable development with continuous improvement objectives. Adherence to environmental policies and implementation of the Environmental Management System are audited.

All of Western Power's sites are subject to a range of environmental regulations, both State and Federal, and some are also covered by specific Ministerial conditions and environmental operating licences issued by the State. All performance obligations under these regulations, conditions and licences are monitored, audited and reported, and may be subject to Government agency audit or inspection from time to time.

corporate governance statement continued

10. ASX Principles checklist

As Western Power has chosen to comply with the ASX Principles, it will also report on the extent that it has complied with them. The following table reports on the extent to which Western Power has complied with the ASX Principles and explains the reasons for any non-compliance

ASX Principle	Reference	Comply	
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, 2.6, 3.1	Note 1
1.2	Disclose the process for evaluating the performance of senior executives.	2.7	
1.3	Provide the information indicated in the guide to reporting on ASX Principle 1.	2.7	
Principle 2	Structure the Board to add value		
2.1	A majority of the board should be independent directors.	2.2, 2.3	<input checked="" type="checkbox"/>
2.2	The board chair should be an independent director.	2.2, 2.3, 2.10	<input checked="" type="checkbox"/>
2.3	The roles of the board chair and CEO should not be exercised by the same individual.	2.2, 2.10	<input checked="" type="checkbox"/>
2.4	The board should establish a nomination committee.	3.1, 3.3	Note 2
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.		
2.6	Provide the information indicated in the guide to reporting on ASX Principle 2.	2.2, 2.3, 2.5, 2.8, 2.12, 3.1, 3.3	<input checked="" type="checkbox"/>
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:		
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.	4.1	<input checked="" type="checkbox"/>
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.	4.2	Note 3
3.3	Provide the information indicated in the guide to reporting on ASX Principle 3.	4.1, 4.2	<input checked="" type="checkbox"/>
Principle 4	Safeguard integrity in financial reporting		
4.1	The board should establish an audit committee.	3.1, 3.2	<input checked="" type="checkbox"/>
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	<input checked="" type="checkbox"/>
4.3	The audit committee should have a formal charter.	3.1, 3.2	<input checked="" type="checkbox"/>
4.4	Provide the information indicated in the guide to reporting on ASX Principle 4.	3.1, 3.2, 7, Note 4	<input checked="" type="checkbox"/>
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.	5.1, 5.2	Note 5
5.2	Provide the information indicated in the guide to reporting on ASX Principle 5.	5.1, 5.2	Note 5
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, 7	<input checked="" type="checkbox"/>
6.2	Provide the information indicated in the guide to reporting on ASX Principle 6.	5.1, 7	<input checked="" type="checkbox"/>
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	<input checked="" type="checkbox"/>
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 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 <i>Corporations Act</i> 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	<input checked="" type="checkbox"/>
7.4	Provide the information indicated in the guide to reporting on ASX Principle 7.	8	<input checked="" type="checkbox"/>
Principle 8	Encourage enhanced performance		
8.1	The board should establish a remuneration committee.	3.1, 3.3	<input checked="" type="checkbox"/>
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Remuneration report	<input checked="" type="checkbox"/>
8.3	Provide the information indicated in the guide to reporting on ASX Principle 8.	3.1, 3.3, Remuneration report	<input checked="" type="checkbox"/>

Notes:

- The letter of appointment given to the current, inaugural, directors of Western Power did not contain all of the information recommended in this ASX Principle (see section 2.6 of the corporate governance report).
- Parts of recommendation 2.4 of the ASX Principles are not applicable to Western Power to the extent that the composition of the Board is ultimately determined by the Governor (on recommendation from the Minister).
- ASX Principle 3.2 has no relevance to Western Power as it is not a publicly listed entity (see section 4.2 of the corporate governance report).
- 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, Western Power'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.
- ASX Principle 5 has no relevance to Western Power 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).

financial statements

CONTENTS

Income statement	- 17
Statement of recognised income and expense	- 17
Balance sheet	- 18
Cash flow statement	- 19
Notes to the financial statements	- 20-32
Summary of significant accounting policies	- 33-36
Directors' declaration	- 37
Corporate Directory	- 38
Independent auditor's report	- 39

Electricity Networks Corporation is incorporated and domiciled in Australia. Its registered office and principal place of business is:

363 Wellington Street, Perth
Western Australia 6000

A description of the nature of the Corporation's operations and its principal activities is included in the review of operations and activities on pages 12 to 15 of the Annual Report and in the Directors' Report on page 2, neither of which are part of these financial statements.

The financial report covers the Electricity Networks Corporation as an individual entity. These financial statements were authorised for issue by the Directors on 21st August 2008. The Directors' have the power to amend and reissue the financial report.

Through the use of the internet we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the Corporation. All press releases, financial reports and other information are available by request at the above address and at our website www.westernpower.com.au.

income statement

For the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Revenue	1	932,361	797,187
Other income		6,410	5,064
Raw materials and consumables used		(358,119)	(312,736)
Employee benefit expenses		(109,950)	(78,078)
Payments to defined contribution plans		(16,702)	(16,558)
Cost of defined benefit plans	6(d)	822	(2,611)
Operating lease payments		(4,506)	(4,297)
Payments for audit services		(300)	(250)
Impairment of inventories		-	(2,421)
Other expenses		(11,786)	(10,550)
Total expenses		(500,541)	(427,501)
Earnings before interest, taxes, depreciation and amortisation		438,230	374,750
Depreciation and amortisation expense		(144,718)	(134,399)
Borrowing costs		(172,630)	(141,015)
Profit before income tax expense		120,882	99,336
Income tax expense	2(a)	(34,977)	(29,929)
Profit for the year		85,905	69,407

All activities relate to continuing operations.

statement of recognised income and expense

For the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Net gains/(losses) taken to equity in respect of cash flow hedges	7	983	(1,348)
Actuarial losses on retirement benefit obligations	7	-	(3,099)
Net income recognised directly in equity		983	(4,447)
Profit for the year		85,905	69,407
Total recognised income and expense for the year		86,888	64,960

These statements should be read in conjunction with the attached notes to the financial statements set out on pages 20 to 32.

balance sheet

As at 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Current assets			
Cash and cash equivalents	3(a)	8,521	5,785
Trade and other receivables	3(a)	122,496	84,278
Inventories		65,618	66,974
Derivative financial instruments	3(a)	322	193
Current tax assets		10,534	6,642
Total current assets		207,491	163,872
Non-current assets			
Trade and other receivables	3(a)	151	1,819
Property, plant and equipment	4	4,255,939	3,606,473
Intangible assets	4	34,094	21,655
Deferred tax assets	2(d)	-	21,866
Derivative financial instruments	3(a)	997	507
Total non-current assets		4,291,181	3,652,320
Total assets		4,498,672	3,816,192
Current liabilities			
Trade and other payables	3(a)	174,829	126,423
Provisions	5	15,329	20,988
Derivative financial instruments	3(a)	2,287	2,604
Deferred income		236,620	158,633
Total current liabilities		429,065	308,648
Non-current liabilities			
Borrowings	3(a)	3,118,398	2,551,980
Retirement benefit obligations	6	276	37,165
Trade and other payables	3(a)	11,409	11,815
Provisions	5	14,679	9,795
Deferred tax liabilities	2(d)	8,944	-
Derivative financial instruments	3(a)	550	879
Deferred income		1,413	31,097
Total non-current liabilities		3,155,669	2,642,731
Total liabilities		3,584,734	2,951,379
Net assets		913,938	864,813
Equity			
Contributed equity	7	813,371	807,161
Reserve	7	(14)	(997)
Retained profits	7	100,581	58,649
Total equity		913,938	864,813

This statement should be read in conjunction with the attached notes to the financial statements set out on pages 20 to 32.

cash flow statement

For the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Cash flows from operating activities			
Profit before taxation		120,882	99,336
Adjustments for:			
Depreciation		144,718	134,399
Gains on disposal of property, plant and equipment		(3,720)	(4,957)
Non-cash capital contributions		(20,315)	(21,993)
(Increase)/decrease in trade and other receivables		(38,156)	21,152
Decrease/(increase) in inventories		1,356	(5,700)
Increase in trade payables		39,083	41,065
Cash generated from operations		243,848	263,302
Income taxes paid		(7,938)	-
Net cash generated from operating activities		235,910	263,302
Cash flows from investing activities			
Purchase of property, plant and equipment		(769,610)	(701,350)
Proceeds from sale of property, plant and equipment		7,004	6,551
Proceeds from sale of subsidiary entity		-	4,000
Net cash used in investing activities		(762,606)	(690,799)
Cash flows from financing activities			
Proceeds from long-term borrowings		2,530,368	2,143,300
Repayments of long-term borrowings		(1,783,823)	(1,625,568)
Interest received		987	833
Interest paid		(180,127)	(116,238)
Proceeds from contributed equity		6,000	6,000
Distributions to equity holder		(43,973)	(25,664)
Net cash generated from financing activities		529,432	382,663
Net increase/(decrease) in cash and cash equivalents		2,736	(44,834)
Cash and cash equivalents at beginning of the year		5,785	50,619
Cash and cash equivalents at end of the year	3(a)	8,521	5,785

This statement should be read in conjunction with the attached notes to the financial statements set out on pages 20 to 32.

notes to the financial statements

1. Revenue

Revenue from continuing activities

	2008 \$'000	2007 \$'000
Sales revenue		
Network services revenue	776,016	648,845
Developer and customer contributions	155,358	147,509
Interest received	987	833
Total revenue	932,361	797,187

Underlying earnings

Annual network target revenue (primarily made up of Electricity Transmission Revenue and Developer and Customer Contribution Revenue) is derived each year by the Corporation. Electricity Transmission Revenue is earned at tariff rates approved by the Economic Regulatory Authority. Variations from this target revenue can occur as a result of variations in:

- / volume of electricity transported across the network
- / actual developer and customer contributions received

The financial impacts of these variations are adjusted in future network charges.

The revenue reported in these financial statements does not include any revenue adjustments arising from variations occurring in the previous financial year as these price adjustments are included in the distribution and transmission charges to customers in future periods. These adjustments are included in the Underlying Earnings of the Corporation, which are reported in the Performance Review section of the Annual Report.

notes to the financial statements continued

2. Income Tax

(a) Income tax expense

	2008 \$'000	2007 \$'000
Current tax	5,701	9,609
Deferred tax	29,779	20,320
Adjustment for current tax of prior periods	(503)	-
	34,977	29,929

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

	2008 \$'000	2007 \$'000
Profit from continuing operations before income tax expense	120,882	99,336
Tax at the Australian rate of 30% (2007: 30%)	36,265	29,801
Tax effect of:		
Non deductible expenses	172	128
Tax exempt income	(540)	-
Tax incentives	(212)	-
Recognition of previously unrecognised tax losses	(205)	-
Adjustment for current tax of prior years	(503)	-
	34,977	29,929

(c) Amounts recognised directly in equity

	2008 \$'000	2007 \$'000
Deferred tax	(422)	1,906
	(422)	1,906

(d) Deferred tax

The balance in deferred tax assets comprises temporary differences attributable to:

	2008 \$'000	2007 \$'000
Provisions for employee benefits	18,052	27,280
Property, plant and equipment	(26,284)	(4,824)
Contributory Extension Scheme	(3,371)	(3,821)
Other temporary differences	3,081	1,325
Amounts recognised in the income statement	(8,522)	19,960
Actuarial adjustment to retirement benefit obligations	-	1,328
Other temporary differences	(422)	578
Amounts recognised directly in equity	(422)	1,906
Total amounts recognised	(8,944)	21,866

notes to the financial statements continued

3. Financial Instruments

The Corporation uses a range of financial instruments, such as borrowings, trade and other payables and receivables, cash and derivative financial instruments to support the operations of the business.

(a) Financial Assets and Liabilities

	Notes	2008		2007	
		Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
Financial assets					
Cash and cash equivalents		8,521	-	5,785	-
Trade and other receivables		122,496	151	84,278	1,819
Derivative financial instruments		322	997	193	507
Interest rate swaps		194	974	-	507
Forward exchange contracts		128	23	193	-
Total financial assets		131,339	1,148	90,256	2,326
Financial liabilities					
Trade payables and accruals		139,043	-	96,271	-
Other payables		32,097	-	27,783	-
Contributory Extension Scheme	3(b)	3,689	11,409	2,369	11,815
Trade and other payables		174,829	11,409	126,423	11,815
Borrowings	3(c)	-	3,118,398	-	2,551,980
Derivative financial Instruments		2,287	550	2,604	879
Interest rate swaps		-	-	-	90
Forward exchange contracts		2,287	550	2,604	789
Total financial liabilities		177,116	3,130,357	129,027	2,564,674

Except as detailed below, the above carrying amounts represent the fair value of the financial assets and liabilities.

The fair value of Contributory Extension Scheme payments at 30 June 2008 is \$19,805,000 (30 June 2007: \$19,027,000), determined by applying prevailing interest rates to the expected future payments.

The fair value of derivative financial instruments is determined as the amount at which the instrument could be exchanged, or liability settled in a current transaction between willing parties, after allowing for transaction costs.

(b) Contributory Extension Scheme

Contributory Extension Scheme payables represent contributions received from customers to extend specific electricity supplies. These contributions are refunded at the end of the contribution period unless other customers connect to the extensions. By 2023, when the Scheme finishes, all Scheme members will have their contributions refunded.

(c) Borrowings

Borrowings include accrued interest and are governed by a facility agreement that provides the Corporation with the full discretion to refinance all or any part of maturing debt. Accordingly, borrowings with a maturity date of less than 12 months have been classified as non-current borrowings. It is intended to refinance all domestic currency loans maturing over the next 12 months under the facility agreement.

The Corporation has a borrowing facility with Western Australian Treasury Corporation with a limit of \$4,000,000,000 (30 June 2007: \$3,000,000,000). As at 30 June 2008 the unused portion of this facility was \$918,000,000 (30 June 2007: \$480,000,000). This was \$163,400,000 (30 June 2007: \$134,000,000) below the forecast borrowings in the Strategic Development Plan. The planned usage of the facility is governed by the Strategic Development Plan agreed with the Minister of Energy.

notes to the financial statements continued

3. Financial Instruments (continued)

(d) Financial Risk Management

The Corporation uses a range of derivative financial instruments to hedge cash flow exposures to movements in interest rates and exchange rates that arise from its operational activities. Credit, liquidity and market risk management is carried out in accordance with Board approved policies which are reviewed annually.

(e) Financial Risk Factors

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation provides credit on 14 and 30 day instalment payment terms. Credit risk is actively managed through the use of credit ratings, approved policies and monthly reporting to the Board. The Corporation manages the quality of financial assets and its concentrations of credit risk by reference to external credit ratings, where available, or to historic information on counterparty default rates. Unconditional bank guarantees or cash deposits are also obtained where necessary. The carrying amounts of financial assets recognised in the balance sheet best represent the Corporations maximum exposure to credit risk at the reporting date.

The Corporation operates a formalised process to manage the collection of debts through regular reminders and renegotiations. This process allows appropriate legal action to be taken where necessary.

Financial assets past due and not impaired

An analysis of financial assets past due and not impaired is provided in the following table. At 30 June 2008 the Corporation held guarantees amounting to \$114,600,000 in respect of these amounts (2007: \$57,770,000).

Financial Assets past due	2008 \$'000	2007 \$'000
Trade and other receivables		
less than 60 days overdue	3,755	4,928
less than 90 days overdue	637	934
more than 90 days overdue	17,746	2,512
	22,138	8,374

Financial assets past due and impaired

The change in value of the financial assets determined as impaired due to uncertainty of collection is provided in the following table.

Financial Assets past due	Trade and other Receivables \$'000
At 1 July 2006	1,557
Provision for impairment recognised during the year	186
Amounts written off during the year as uncollectable	(253)
At 30 June 2007	1,490
Provision for impairment recognised during the year	746
Amounts written off during the year as uncollectable	(241)
At 30 June 2008	1,995

There is no collateral security in place in respect of these amounts. There are no material amounts of past due financial assets whose terms have been renegotiated.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is governed by the Treasury Management Framework which requires active management of cash and ensures adequate facilities are in place to satisfy ongoing funding requirements.

notes to the financial statements continued

3. Financial Instruments (continued)

(e) Financial Risk Factors (continued)

	Fixed rate borrowings \$'000	Floating rate notes \$'000	Interest rate swaps \$'000	Contributory Extension Scheme \$'000	Others \$'000	Total \$'000
as at 30 June 2008						
Weighted average interest rate	6.4%	7.0%	0.6%	12.4%	-	
Undiscounted contractual cash flows maturing:						
within one year	591,056	140,785	(787)	3,689	173,427	908,170
between 2-5 years	1,603,043	512,474	(849)	8,570	550	2,123,788
in more than 5 years	1,012,517	-	-	14,074	-	1,026,591
Total contractual cash flows	3,206,616	653,259	(1,636)	26,333	173,977	4,058,549
Effect of discount rates	(715,434)	(89,169)	150	(11,235)	-	(815,688)
Total financial liabilities	2,491,182	564,090	(1,486)	15,098	173,977	3,242,861
as at 30 June 2007						
Weighted average interest rate	6.3%	6.3%	0.1%	12.2%	-	
Undiscounted contractual cash flows maturing:						
within one year	607,270	11,369	(95)	2,368	126,658	747,570
between 2-5 years	1,402,022	209,067	(407)	8,637	879	1,620,198
in more than 5 years	920,231	-	-	15,913	-	936,144
Total contractual cash flows	2,929,523	220,436	(502)	26,918	127,537	3,303,912
Effect of discount rates	(598,964)	(46,577)	70	(12,734)	-	(658,205)
Total financial liabilities	2,330,559	173,859	(432)	14,184	127,537	2,645,707

Borrowing facilities are in Australian dollars and may be drawn at any time with an average maturity of 2.3 years (2007: 3.6 years).

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation has exposures to movements in interest rate and exchange rate markets.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Corporation has a debt management strategy to minimise the cost of borrowing through the active management of interest rate exposures. Debt maturity guidelines are set to ensure that the Corporation is not exposed to excess risk from interest rate volatility. Interest rate forecasts are continuously monitored and, where appropriate, exposures to interest rates are managed through the use of Board-approved hedging instruments.

notes to the financial statements continued

3. Financial Instruments (continued)

(e) Financial Risk Factors (continued)

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk in the Corporation arises from future commercial transactions expressed in foreign currency, principally the purchase of capital equipment. The Corporation's foreign exchange risk management strategy aims to provide certainty of prices at the most efficient cost. Foreign currency exposures are managed through the use of foreign exchange contracts. The Corporation's exposure to foreign currency risk at the reporting date is as follows:

	30 June 2008				30 June 2007			
	Euro \$'000	US Dollars \$'000	Swedish Krone \$'000	Canadian Dollar \$'000	Euro \$'000	US Dollars \$'000	Swedish Krone \$'000	Canadian Dollar \$'000
all figures are Australian dollar value								
Weighted average exchange rate	0.5652	0.8852	5.4707	n/a	0.5665	0.8331	5.4286	0.8908
Forward exchange contracts maturing within one year	28,583	4,902	12,655	-	24,908	11,933	1,324	2,492
between 2-5 years	20,589	-	996	-	9,749	-	-	-

25

notes to the financial statements continued

3. Financial Instruments (continued)

(e) Financial Risk Factors (continued)

Sensitivity Analysis

The following tables summarise the potential impact on financial assets and financial liabilities of the Corporation to movements in interest rate risk and foreign currency risk. The assumptions used are based on management's best estimate of a reasonably possible movement given current market conditions.

Sensitivity Analysis	Carrying Amount \$'000	Interest rate risk				Foreign currency risk			
		Impact on post-tax profit +/- 1% \$'000		Impact on equity +/- 1% \$'000		Impact on post-tax profit +/- 10% \$'000		Impact on equity post-tax +/- 10% \$'000	
as at 30 June 2008									
Financial assets									
Cash and cash equivalents	8,521	80	(80)	80	(80)	-	-	-	-
Trade and other receivables	122,647	-	-	-	-	-	-	-	-
Derivatives - FX Contracts ²	151	-	-	-	-	-	-	(1,252)	1,531
Derivatives - Interest Rate Swaps ³	1,168	54	(54)	160	(160)	-	-	-	-
Financial liabilities									
Trade payables and other payables	186,238	-	-	-	-	-	-	-	-
Borrowings ¹	3,118,398	(5,630)	5,630	(5,630)	5,630	-	-	-	-
Derivatives - FX Contracts ²	2,837	-	-	-	-	-	-	(4,257)	5,204
Derivatives - Interest Rate Swaps ³	-	-	-	-	-	-	-	-	-

Sensitivity Analysis	Carrying Amount \$'000	Interest rate risk				Foreign currency risk			
		Impact on post-tax profit +/- 1% \$'000		Impact on equity +/- 1% \$'000		Impact on post-tax profit +/- 10% \$'000		Impact on equity post-tax +/- 10% \$'000	
as at 30 June 2007									
Financial assets									
Cash and cash equivalents	5,785	39	(39)	39	(39)	-	-	-	-
Trade and other receivables	86,097	-	-	-	-	-	-	-	-
Derivatives - FX Contracts ²	193	-	-	-	-	-	-	(305)	249
Derivatives - Interest Rate Swaps ³	507	20	(20)	82	(82)	-	-	-	-
Financial liabilities									
Trade payables and other payables	138,238	-	-	-	-	-	-	-	-
Borrowings ¹	2,551,980	(1,730)	1,730	(1,730)	1,730	-	-	-	-
Derivatives - FX Contracts ²	3,393	-	-	-	-	-	-	(4,346)	5,312
Derivatives - Interest Rate Swaps ³	90	33	(33)	124	(124)	-	-	-	-

1 In line with the Board approved Treasury Policy, the majority of the Corporations borrowings are at fixed interest rates. Interest rate risk exposure is limited to the Corporations floating rate borrowings of \$563.3m (2007: \$173.3m).

2 Derivatives – FX contracts are all designated as cash flow hedges and used to hedge against foreign exchange risk arising from the future purchase of capital equipment in foreign currencies. There is no profit and loss sensitivity as the hedges are 100% effective.

3 Derivatives – Interest Rate Swaps are all designated as cash flow hedges and used to hedge against floating interest exposures. All interest rate swaps have remained 100% effective throughout the financial year. A shift in interest rates of +/- 1% results in an impact on derivative valuation of \$106k/\$(106k) and on realised receipts/(payments) during the period of \$54k/\$(54k).

notes to the financial statements continued

4. Property, Plant and Equipment And Intangible Assets

	Land \$'000	Buildings \$'000	Plant & Equipment \$'000	Works under Construction \$'000	Property Plant & Equipment \$'000	Intangible Assets \$'000
Cost at 1 July 2006	43,765	43,372	2,387,373	583,735	3,058,245	14,340
Additions	22,464	9,325	703,550	(28,686)	706,653	21,626
Disposals	(1)	-	(8,747)	-	(8,748)	(33)
Cost at 30 June 2007	66,228	52,697	3,082,176	555,049	3,756,150	35,933
Additions	10,691	5,990	529,508	234,765	780,954	31,077
Disposals	-	-	(6,736)	-	(6,736)	-
Cost at 30 June 2008	76,919	58,687	3,604,948	789,814	4,530,368	67,010
Accumulated depreciation at 1 July 2006	-	1,021	25,672	-	26,693	1,677
Depreciation charge for the year	-	4,260	120,318	-	124,578	12,601
Disposals	-	-	(1,594)	-	(1,594)	-
Accumulated depreciation at 30 June 2007	-	5,281	144,396	-	149,677	14,278
Depreciation charge for the year	-	4,573	123,631	-	128,204	18,637
Disposals	-	-	(3,452)	-	(3,452)	-
Accumulated depreciation at 30 June 2008	-	9,854	264,575	-	274,429	32,915
Net book value at 30 June 2008	76,919	48,833	3,340,373	789,814	4,255,939	34,095
Net book value at 30 June 2007	66,228	47,416	2,937,780	555,049	3,606,473	21,655
Net book value at 1 July 2006	43,765	42,351	2,361,701	583,735	3,031,552	12,663

The Corporation is a statutory corporation subject to the requirements of the Electricity Corporations Act 2005 ('the Act'). The electricity networks, functions, and assets of Western Power Corporation were transferred, on disaggregation, to the Corporation on 1 April 2006 at written-down value by virtue of a transfer order issued by the Minister for Energy under Section 147(1) of the Act.

(a) Revision of estimated useful lives

The Corporations annual review of depreciation rates has increased the maximum useful life of certain distribution substation plant, lines and cables from 40 to 50 years. This adjustment has resulted in an estimated reduction in the depreciation charge for this reporting period, and each future reporting period, of approximately \$18,000,000.

(b) Capitalised borrowing costs

Additions include borrowing costs of \$12,020,235 (2007: \$7,325,000) attributable to assets in the course of construction and capitalised in the period at a weighted average interest rate of 6.5 per cent (2007: 6.3 per cent).

(c) Contributed assets

The Corporation receives non-cash capital contributions in the form of gifted network assets. The fair value of the non-cash capital contributions included in additions to works under construction in the year was \$ 20,315,000 (2007: \$21,993,000).

notes to the financial statements continued

5. Provisions

	Employee benefits \$'000	Environmental provisions \$'000	Total \$'000
At 1 July 2006	25,964	4,247	30,211
Additions in the year	5,567	1,135	6,702
Utilised in the year	(5,919)	(211)	(6,130)
At 30 June 2007	25,612	5,171	30,783
Additions in the year	4,535	-	4,535
Utilised in the year	(3,772)	(1,538)	(5,310)
At 30 June 2008	26,375	3,633	30,008

Provisions have been analysed between current and non-current as follows:

	2008 \$'000	2007 \$'000
Current	15,329	20,988
Non-current	14,679	9,795
	30,008	30,783

The environmental provisions relate to estimated costs on essential safety expenditure. The assessment of these costs is subject to periodic reviews that may result in the amount being revised. It is currently estimated that substantially all of this provision will be utilised within the next two years.

6. Retirement Benefit Obligations

	2008 \$'000	2007 \$'000
Present value of unfunded defined benefit obligations	276	37,165
Present value of funded defined benefit obligations	1,335	1,888
Fair value of plan assets	(1,808)	(2,264)
Plan assets not recognised	473	376
Recognised liability for defined benefit obligations	276	37,165
Current	276	-
Non-current	-	37,165
	276	37,165

(a) Defined benefit obligations

The Corporation contributes to both defined contribution and defined benefit sections of the Pension Scheme, the Gold State Superannuation Scheme and the Western Power Superannuation Fund.

Contributions to the defined contribution sections of these schemes are fixed and the Corporation's legal and constructive obligation is limited to these contributions.

The defined benefit sections provide either a pension or lump sum benefit based upon years of service and final average salary, averaged over a number of years in accordance with the relevant governing rules. Each of the defined benefit sections is closed to new members and the Western Power Superannuation Fund was closed to further contributions from its existing members from 18 May 2006. Employees now have the choice of superannuation fund to contribute to.

notes to the financial statements continued

6. Retirement Benefit Obligations (continued)

(a) Defined benefit obligations (continued)

The defined benefit sections in each scheme have both funded and unfunded liabilities. The Corporation's only liability in respect of these defined benefits sections is in respect of the cost of unfunded benefits payable as they fall due on the retirement of plan members.

The Corporation paid \$35,818,343 to the Government Employees Superannuation Board on 17 November 2007 to settle its future liability existing at 30 June 2007 for retired members on the Pension Scheme and the unfunded past service liability of current members of the Gold State Superannuation Scheme. The remaining liability of the Corporation relates only to the current service cost of plan members which is payable annually to the Government Employees Superannuation Board.

The Corporation also funds a defined benefit scheme for seven members administered by AustralianSuper. At 31 December 2007 the scheme assets attributable to these members of \$1,808,000 exceeded its obligations by \$473,000. The Corporation is currently not contributing to the plan and has no means of recovering the surplus. The assets of this scheme consist of the following:

	2008 \$'000	2007 \$'000
Equity securities	1,157	1,449
Property	181	226
Bonds	217	272
Other securities	217	272
Cash	36	45
	1,808	2,264

(b) Movement in the liability for defined benefit obligations

Changes in the present value of the defined benefit obligations are as follows:

	Unfunded plans		Funded plans	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance at the beginning of the year	37,165	32,655	1,888	1,403
Amounts transferred out	(36,067)	-	-	-
Past service cost	(1,098)	-	-	-
Current service cost	276	811	-	-
Interest cost	-	1,800	-	-
Actuarial losses for the year	-	4,428	-	485
Benefits paid	-	(2,529)	(553)	-
Net liability in the balance sheet	276	37,165	1,335	1,888

(c) Movement in plan assets

	2008 \$'000	2007 \$'000
Funded plans		
Fair value of plan assets at the beginning of the year	2,264	1,991
Benefits paid by the plan	(553)	-
Expected return on plan assets	97	273
Fair value of plan assets at the end of the year	1,808	2,264

notes to the financial statements continued

6. Retirement Benefit Obligations (continued)

(d) Amounts recognised in the income statement

	2008 \$'000	2007 \$'000
Unfunded plans		
Past service cost	(1,098)	-
Current service cost	276	811
Interest cost	-	1,800
Total included in employee benefit expenses	(822)	2,611

(e) Amounts recognised directly in equity

	2008 \$'000	2007 \$'000
Net actuarial losses recognised in the year	-	(4,428)
Total included in employee benefits expense	-	(4,428)

(f) Principal actuarial assumptions

The principal actuarial assumptions used, expressed as weighted averages, were as follows:

	2008 \$'000	2007 \$'000
Discount rate	5.7%	6.0%
Expected return on plan assets	13.7%	13.7%
Expected future salary increases	5.3%	4.5%
Expected future pension increases	2.5%	2.5%

7. Contributed Equity and Reserves

	Contributed equity \$'000	Hedging reserve \$'000	Retained profits \$'000	Total \$'000
At 1 July 2006	801,161	351	18,005	819,517
Profit for the financial year	-	-	69,407	69,407
Contributions received in the year	6,000	-	-	6,000
Distributions to equity holders	-	-	(25,664)	(25,664)
Losses on cash flow hedges	-	(1,348)	-	(1,348)
Actuarial adjustments to retirement benefit obligations	-	-	(3,099)	(3,099)
At 30 June 2007	807,161	(997)	58,649	864,813
Profit for the financial year	-	-	85,905	85,905
Contributions received in the year	6,210	-	-	6,210
Distributions to equity holders	-	-	(43,973)	(43,973)
Gains on cash flow hedges	-	983	-	983
At 30 June 2008	813,371	(14)	100,581	913,938

notes to the financial statements continued

7. Contributed Equity and Reserves (continued)

Contributed equity

Contributed equity represents contributions made by the State Government. No shares have been allotted or issued.

Hedging reserve

The hedging reserve represents the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Retained profits

Distributions to equity holders are in respect of dividends declared in the period on retained profits for year to 30 June 2007 and an interim dividend on 30th June 2008 in respect of the year to 30 June 2008.

8. Contingencies

Contingent liabilities

Toodyay bushfire

Western Power has received a number of claims for compensation arising from a bushfire at Toodyay. An investigation report into the cause of the fire was provided to Energy Safety in late July 2007. Whilst the report concluded that a number of factors, including extreme weather conditions, contributed to clashing conductors which, in turn, started the fire, there were no findings that support a claim of negligence on Western Power's part.

Western Power is engaged in without prejudice negotiations with claimants on the basis that there is no finding of negligence, but it acknowledges that the fire was started by its asset. Given the ongoing negotiations, it is not practicable to disclose an estimated value of the contingent liability. However, it is confirmed that:

- / settlement of the respective claims will not have a material impact on the Corporation;
- / timing of the final resolution of all claims is uncertain and will depend on the progress of negotiations with individual claimants;
- / the final value of the settlement with each claimant will vary based on individual circumstances; and
- / all claims are covered by insurance.

9. Commitments

Lease commitments

Operating Leases

The Corporation leases premises under a non-cancellable operating lease expiring within five years. The Corporation also leases motor vehicles and equipment under cancellable operating leases requiring no more than six months notice of termination.

Commitments to minimum lease payments in relation to non-cancellable operating leases are as follows:

	2008 \$'000	2007 \$'000
Payable within one year	583	736
Payable later than one year but not later than 5 years	2,636	2,002
Payable in more than 5 years	-	558
	3,219	3,296

notes to the financial statements continued

9. Commitments (continued)

Capital commitments

Capital expenditure on Property, Plant and Equipment contracted for at the reporting date but not recognised as liabilities is as follows:

	2008 \$'000	2007 \$'000
Payable within one year	182,575	288,018
Payable later than one year but not later than 5 years	36,374	15,864
	218,949	303,882

Other expenditure commitments

The Corporation has the following commitments to pay Tariff Equalisation Contributions:

	2008 \$'000	2007 \$'000
Payable within one year	72,000	71,600
Payable later than one year but not later than 5 years	-	72,000
	72,000	143,600

10. Events Occurring After the Balance Sheet Date

There are no matters or circumstances that have arisen in the interval between the end of the reporting period and the date of this report that are likely, in the opinion of the Directors, to affect significantly the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation, in subsequent financial years.

summary of significant accounting policies

The accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the reporting periods presented unless otherwise stated.

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards ('AIFRS') and Urgent Issue Group Interpretations adopted by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of Schedule 4 of the Electricity Corporations Act 2005. The Corporation has been determined to be a not-for-profit entity and accordingly applies the not-for-profit elections available in the Australian Accounting Standards where applicable.

Historical cost convention

These financial statements have been prepared under the historical cost convention except for derivative financial instruments, that are measured at fair value, and certain non-current financial assets and liabilities that are measured at amortised cost.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. There are no areas considered to require a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

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.

Comparative amounts

Comparative amounts are for the year to 30 June 2007.

Working capital

At 30 June 2008 the Corporation reported a working capital deficiency of \$221,574,000 (30 June 2007: \$144,776,000). Current liabilities include deferred income relating to developer and customer contributions to the value of \$236,620,000 (30 June 2007: \$158,633,000), which will not require an outflow of cash resources. When these amounts are excluded, working capital shows current assets exceeding current liabilities by \$15,046,000 (30 June 2007: \$13,857,000).

(b) 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.

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

summary of significant accounting policies continued

(d) Income tax

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.

(e) 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.

(f) 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.

(g) Inventories

Inventories are stated at the lower of weighted average purchase cost and current replacement cost.

(h) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses. 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.

(i) Intangible assets

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

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.

(j) Impairment of assets

At each reporting date, the Corporation considers any indicators of impairment to its assets. Impairments are calculated as the difference between the carrying value of each individual asset and its recoverable amount, if lower. Where such an asset does not generate cash flows that are independent from other assets an estimate of recoverable amount is determined for the cash-generating unit to which that asset belongs. Impairment losses are recognised in the income statement and, where material, are disclosed separately.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is determined using the depreciated replacement cost of the asset.

summary of significant accounting policies continued

(k) 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 directly attributable to the acquisition, construction or production of qualifying assets (being assets that necessarily take a substantial period of time to get ready for their intended use or sale) are added to their cost. Such additions cease when the assets are substantially ready for their intended use or sale. All other 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.

(l) 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.

(m) 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.

(n) 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 (note 5) 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.

summary of significant accounting policies continued

(o) Dividends

Dividends approved but not distributed at the reporting date are recognised in the reporting period in which the dividends are authorised by the Minister and are no longer at the discretion of the Corporation.

(p) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Corporation's assessment of the impact of these new standards and interpretation is set out below.

Revised AASB101 Presentation of Financial Statements

A revised AASB101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of recognised income and expense but will not affect any of the amounts recognised in the financial statements. If the Corporation makes a prior period adjustment or reclassifies items in the financial statements it will need to disclose a third statement of the restated financial position at the beginning of the comparative period. The Corporation intends to apply the revised standard from 1 July 2009.

Revised AASB123 Borrowing Costs

The revised AASB123 is applicable to annual reporting periods commencing on or after 1 January 2009. It removes the option to expense all borrowing costs and when adopted will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact from this revision on the financial report of the Corporation as the existing policy of the Corporation is to capitalise borrowing costs relating to qualifying assets.

directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes comply with the accounting standards
- (b) the financial statements and notes give a true and fair view
- (c) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable
- (d) the financial statements comply with Schedule 4 of the Electricity Corporations Act 2005.

This declaration is made in accordance with a resolution of the Directors dated 9th September 2008.



P Mansell
Chair of the Board



D Aberle
Managing Director

corporate directory

Directors

P Mansell

Chair of the Board

D Aberle

Managing Director

M Davies

S Farrier

K Field

J Seabrook

38

General Counsel and Company Secretary

J Pease

Divisional General Managers

K Brown

General Manager System Management

AM Clark

General Manager Service Delivery

M de Laeter

General Manager Customer Services

G Monkhouse

General Manager Human Resources

M Peacock

Chief Financial Officer

P Southwell

General Manager Strategy and Corporate Affairs

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Auditor General

INDEPENDENT AUDIT REPORT ON ELECTRICITY NETWORKS CORPORATION

To the Parliament of Western Australia

I have audited the financial report of the Electricity Networks Corporation, which comprises the Balance Sheet as at 30 June 2008, and the Income Statement, Statement of Recognised Income and Expense 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 Networks Corporation 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 "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

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

Audit Opinion

In my opinion, the financial report of the Electricity Networks Corporation is in accordance with schedule 4 of the Electricity Corporations Act 2005, including:

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

COLIN MURPHY
AUDITOR GENERAL
12 September 2008