Connecting vibrant communities

Financial Report 2019/20

HORIZON POWER

Owned by the people of WA

Attachment B

Regional Power Corporation trading as Horizon Power

Financial Statements

For the year ended 30 June 2020

ABN: 57 955 011 697

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Cover image:
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Statement of Comprehensive Income

	Notes	30 June 2020 $'000	30 June 2019 $'000
Revenue	1	**364,976**	361,755
Other Income	2	**171,083**	198,138
Total income		**536,059**	559,893
Electricity and fuel purchases	3(b)	**(238,256)**	(232,165)
Employee benefits expense	3(b)	**(65,469)**	(62,262)
Materials and services	3(b)	**(53,500)**	(49,008)
Depreciation and amortisation expense	3(b)	**(96,467)**	(89,379)
Other expenses	3(b)	**(8,178)**	(12,480)
Finance costs	3(b)	**(62,366)**	(64,892)
Profit before income tax equivalent expense		**11,823**	49,707
Income tax equivalent expense	4(b)	**(2,915)**	(13,838)
Profit for the year		**8,908**	35,869
Other comprehensive income			
Items not to be reclassified subsequently to profit or loss			
Re-measurement of defined benefits plan		**(80)**	(157)
Tax equivalent on re-measurement of defined benefits plan	4(d)	**24**	47
		(56)	(110)
Other comprehensive loss for the year, net of tax equivalent		**(56)**	(110)
Total comprehensive income for the year		**8,852**	35,759

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

Statement of Financial Position

	Notes	30 June 2020 $'000	30 June 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	**89,919**	78,163
Receivables	7	**45,659**	57,635
Current tax equivalent assets	5	**6,412**	227
Inventories	8	**11,269**	11,300
Intangible assets	9	**1,659**	3,395
Other current assets		**3,999**	1,832
Total current assets		**158,917**	152,552
Non-current assets			
Property, plant and equipment	10	**1,576,026**	1,565,765
Intangible assets	9	**22,268**	14,866
Other non-current assets		**2,884**	451
Deferred tax equivalent assets	5	**41,785**	42,099
Total non-current assets		**1,642,963**	1,623,181
Total assets		**1,801,880**	1,775,733
LIABILITIES			
Current liabilities			
Payables	11	**74,717**	74,760
Provisions	12	**19,104**	18,488
Derivative financial instruments		**1,897**	185
Deferred Income	11	**6,722**	9,598
Interest bearing liabilities	13	**61,509**	111,390
Total current liabilities		**163,949**	214,421
Non-current liabilities			
Payables	11	**72,235**	73,929
Provisions	12	**11,475**	12,643
Retirement benefit obligations		**1,552**	1,518
Interest bearing liabilities	13	**956,750**	900,781
Total non-current liabilities		**1,042,012**	988,871
Total liabilities		**1,205,961**	1,203,292
Net assets		**595,919**	572,441
EQUITY			
Contributed equity	15	**392,097**	375,047
Retained earnings		**203,822**	197,394
Total equity		**595,919**	572,441

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

	Notes	Contributed equity $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2018		378,792	198,231	577,023
Profit for the year		-	35,869	35,869
Other comprehensive loss, net of tax equivalent		-	(110)	(110)
Total comprehensive income for the year		-	35,759	35,759
Transactions with owners in their capacity as owners:				
Return of equity, net of transaction costs and tax equivalent	15	(4,863)	-	(4,863)
Contributions of equity, net of transaction costs and tax equivalent	15	1,118	-	1,118
Dividends paid	16	-	(36,596)	(36,596)
Total		(3,745)	(36,596)	(40,341)
Balance at 30 June 2019		375,047	197,394	572,441
Balance at 1 July 2019		**375,047**	**197,394**	**572,441**
Profit for the year		**-**	**8,908**	**8,908**
Other comprehensive loss, net of tax equivalent		**-**	**(56)**	**(56)**
Total comprehensive income for the year		**-**	**8,852**	**8,852**
Transactions with owners in their capacity as owners:				
Net Contributions of equity, net of transaction costs and tax equivalent	15	**17,050**	**-**	**17,050**
Dividends paid	16	**-**	**(2,424)**	**(2,424)**
Total		**17,050**	**(2,424)**	**14,626**
Balance at 30 June 2020		**392,097**	**203,822**	**595,919**

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

Statement of Cash Flows

	Notes	30 June 2020 $'000	30 June 2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**406,156**	370,036
Developer and customer contributions		**10,099**	18,012
Receipts from tariff equalisation fund		**171,000**	198,000
Net GST and Fuel Tax Credits received		**8,867**	10,466
Interest received		**214**	157
Payments to suppliers and employees (inclusive of goods and services tax)		**(488,212)**	(470,529)
Finance costs paid		**(24,463)**	(25,974)
Receipts for financial assets at fair value through profit or loss		**1,712**	2,022
Income taxes equivalent paid		**(8,763)**	(46,563)
Net cash inflow from operating activities	6(c)	**76,610**	55,627
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**141**	178
Payments for property, plant and equipment		**(71,711)**	(84,222)
Net cash outflow used in investing activities		**(71,570)**	(84,044)
Cash flows from financing activities			
Proceeds from borrowings		**232,693**	219,922
Repayment of borrowings		**(240,497)**	(200,936)
Dividends paid		**(2,424)**	(36,596)
Net proceeds / (refund) from contributed equity		**17,050**	(3,745)
Customer Extension Scheme - refunds		**(106)**	(53)
Net cash inflow / (outflow) from financing activities		**6,716**	(21,408)
Net increase / (decrease) in cash and cash equivalents		**11,756**	(49,825)
Cash and cash equivalents at the beginning of the financial year		**78,163**	127,988
Cash and cash equivalents at end of year	6(b)	**89,919**	78,163

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

Contents of the notes to the financial statements

Notes to the financial statements

Basis of Preparation

Corporation Information

The financial statements of Regional Power Corporation, trading as Horizon Power ("Horizon Power" or "the Corporation") for the year ended 30 June 2020, were authorised for issue in accordance with a resolution of the Directors on 9 September 2020. The Directors have the power to amend and reissue the financial report.

Horizon Power is a Not-for-Profit Public Sector Entity incorporated under the *Electricity Corporations Act 2005* and domiciled in Australia. Its registered office is at 1 Stovehill Road, Karratha.

The Corporation principal activities include the generation, procurement, distribution and selling of electricity to residents and businesses in remote and regional Western Australia.

Basis of accounting

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the disclosure requirements of Schedule 4 of the *Electricity Corporations Act 2005*.

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

Statement of Compliance

The financial statements comply with Australian Accounting Standards, as applicable to not-for-profit entities.

Accrual accounting and historical cost convention

These financial statements have been prepared on the historical cost convention except for derivative financial instruments and certain employee benefit liabilities that are measured at their fair value as at the reporting date. The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods.

Comparative amounts

Comparative amounts are for the period from 1 July 2018 to 30 June 2019.

There have been minor reclassifications within the same group of accounts to align to current year presentation but no restatement of comparative figures.

Going Concern

These financial statements are prepared on the going concern basis. Horizon Power has reasonable grounds to believe it is able to pay its debts as and when they become due and payable (refer to Note 6(c)).

Foreign currency translation

The functional and presentation currency of Horizon Power is Australian dollars (AUD).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All monetary assets and monetary liabilities currency translation differences are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item. All other gains or losses arising on the translation of non-monetary items are recognised in profit or loss.

Significant accounting estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the bases of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The area where estimates and assumptions are significant to the financial statements as a higher degree of judgment or complexity is involved, are listed below and described in more detail in the related notes.

- Useful life of Property, plant and equipment (Note 10 (a) (vi)).
- Impairment of non-financial assets (Note 10 (a) (vii)).
- Provision for employee benefits – annual leave and long service leave (Note 12 (a) (i)).
- Provision for restoration and decommissioning costs (Note 12 (a) (ii)).
- Commitments (Note 22 (b) (i)).

New and amended accounting standards and interpretations

New and amended accounting standards adopted

In the current year, Horizon Power has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to Horizon Power's accounting policies.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaced all previous revenue requirements in Australian Accounting Standards and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 16 Leases. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

Under new AASB 15 the timing of revenue recognition remained materially unchanged for electricity sales and other income streams.

AASB 16 Leases

AASB 16 Leases requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under previous AASB 117 Leases. On the date of initial application of the standard (1st July 2019), Horizon Power recognised liabilities for remaining payments on leases previously classified as operating leases under AASB 117 Leases. Assets, representing the right to use the underlying assets during the lease term (i.e. the right-of-use asset), were recognised at an amount equal to the liability.

The application of the new Accounting Standard resulted in an increase in both lease related assets and lease liabilities of $41.1 million. This also led to an increase in both deferred tax assets and liabilities of $12.3 million. These lease arrangements are primarily for the lease of power generation assets and properties.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1 July 2019 $'000
Other commitments as at 1 July 2019 (Note: 22(c)) (AASB 117)	2,695,068
Commitments that are not and do not contain lease (AASB 16)	(2,661,550)
Operating lease commitments as at 1 July 2019 (AASB 117)	33,518
Discounted* operating lease commitments (AASB 16)	25,409
Right-of-use assets: Power Purchase Agreements (AASB 16)	**25,409**
Operating lease commitments as at 1 July 2019 (Note: 22(d)) (AASB 117)	13,966
Operating lease commitments with option to extend as at 1 July 2019 (AASB 117)	21,219
Discounted* operating lease commitments (AASB 16)	16,097
Short-term leases and low value assets leases not recognised as a right-of-use asset (AASB 16)	(363)
Right-of-use assets: Properties (AASB 16)	**15,734**
Total Right-of-use assets	**41,143**
Lease Liabilities - current and non-current (AASB 16)	**(41,143)**
Adjustment to opening retained profits as at 1 July 2019	**-**

* applying discount rates to the portfolio of leases as provided by the Department of Treasury, Government of Western Australia, which are based on the remaining period of lease payments.

When adopting AASB 16 from 1 July 2019, Horizon Power has applied the following practical expedients:

- accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- not apply AASB 16 to contracts that were not identified as containing a lease.

Notes 5(b), 10(b) and 13(b) provide for details about amounts recognised in statement of financial position.

New accounting standards and interpretations not yet adopted

At the date of this financial report the following standard and interpretations, which may impact Horizon Power in the period of initial application, have been issued but are not yet effective.

Reference	Title	Summary	Application date of standard	Impact on Entity Financial Report	Application date for Entity
AASB 1059 AASB 2018-5	Service Concession Arrangements: Grantors Amendments to Australian Accounting Standards – Deferral of AASB 1059	The standard applies to both not-for-profit and for-profit public sector entities that are grantors in a service concession arrangement. These are arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector entity for a specified period of time and managing at least some of those services. The standard requires the grantor to: · recognise a service concession asset when the grantor controls the asset · reclassify an existing asset as a service concession asset when it meets the criteria for recognition as such an asset · initially measure a service concession asset at current replacement cost and account for it subsequently in accordance with AASB 116 Property Plant and Equipment or AASB 138 Intangible Assets, as appropriate · recognise a corresponding liability initially at the fair value of the service concession asset, adjusted for any other consideration between the grantor and the operator, and account for the liability using either or both of the financial liability model or grant of a right to the operator model, and · disclose sufficient information to enable users of the financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.	1 January 2020	The adoption of this standard will not have a material impact on Horizon Power.	1 July 2021
AASB 2018-7	Amendments to Australian Accounting Standards – Definition of Material [AASB 101 and AASB 108]	The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: · that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and · the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.	1 January 2020	The adoption of this standard will not have a material impact on Horizon Power.	1 July 2021

Profit for the reporting year

1. Revenue

(a) Accounting policy

(i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Horizon Power and the revenue can be reliably measured. It is valued at the fair value of the consideration received, or to be received, net of the amount of Goods and Services Tax (GST). The following specific recognition criteria must also be met before revenue is recognised.

(ii) Sale of electricity

Sale of electricity comprises revenue earned from the provision of electricity and is recognised when the electricity is provided. As at each reporting date, sales and other current assets incorporate amounts attributable to 'unbilled sales' which are an estimate of electricity delivered to customers that have not been billed at the reporting date.

(iii) Community service obligations

Community service obligations (CSOs) are obligations to perform functions, on behalf of the State Government, that are not in the commercial interests of Horizon Power. Where the Government agrees to reimburse Horizon Power for the cost of CSOs, the entitlement to reimbursement is recognised in the Statement of Comprehensive Income on a basis consistent with the associated CSO expenses. Horizon Power recognises revenue in respect of the reimbursement of CSOs including:

- Air conditioning subsidy for seniors;
- Aboriginal & Regional Communities Power Supply Project;
- Energy Assistance Payments;
- Dependent Child Rebates;
- Feed-in Tariff rebates;
- Tariff Adjustment Payments; and
- Tariff Migration Payments

(iv) Developer and customer contributions

Horizon Power receives contributions toward the extension of electricity infrastructure to facilitate network connection from both developers (who are not otherwise customers) and customers that require additional electricity infrastructure to support their need. Contributions can be in the form of either cash or assets and consist of:

- Work performed for developers - developers make cash contributions to Horizon Power for the construction of electricity infrastructure for property developments, for example within a subdivision;
- Gifted assets – electricity infrastructure (including power generation and transmission assets) constructed by a third party as part of a development project, such as for a subdivision. This infrastructure is then gifted to Horizon Power for ongoing operation and maintenance; and
- Upgrade and new connections - customers make cash contributions for the upgrade or extension of electricity infrastructure to existing lots or for the construction of electricity infrastructure to new lots in existing areas.

Cash contributions and gifted assets received from developers are recognised as revenue at their fair value when the related infrastructure is connected to the network in accordance with the terms of the contributions.

Where assets are transferred to Horizon Power with no requirement to provide services to the transferor, the asset and revenue are recognised at their fair value when the asset is transferred.

Where assets or cash contributions are transferred to Horizon Power and there is an ongoing requirement to provide electricity to the customer then the asset is recognised at its fair value and the related income is deferred and recognised over the useful life of the related asset, if material.

1. Revenue (continued)

(b) Amounts recognised in Statement of Comprehensive Income

	30 June 2020 $'000	30 June 2019 $'000
Revenue consists of the following items:		
Sale of electricity	**327,413**	313,140
Community service obligations revenue	**13,040**	7,354
Developer and customer contributions	**5,921**	25,884
Revenue from contract works	**1,671**	4,094
Others	**16,931**	11,283
	364,976	361,755

Sale of electricity includes billed and unbilled sales. Management has developed reporting tools that track ongoing consumption for customers with advanced meters resulting in a high level of accuracy in the evaluation of the unbilled electricity consumption. For the small number of customers not on advanced meters and unmetered consumption such as streetlights, various assumptions and financial models are used to determine the estimated unbilled consumption.

2. Other Income

(a) Accounting policy

Tariff Equalisation Fund

A significant portion of Horizon Power's income is derived from the Tariff Equalisation Fund (TEF). Electricity Networks Corporation, trading as Western Power, pays money into the TEF in amounts determined by the Treasurer and the Minister for Energy. This money is released to Horizon Power as determined by the Treasurer and the Minister for Energy and is recognised on a receipts basis.

(b) Amounts recognised in Statement of Comprehensive Income

	30 June 2020 $'000	30 June 2019 $'000
Tariff Equalisation Fund	**171,000**	198,000
Gain on disposal of property, plant and equipment	**83**	138
	171,083	198,138

3. Expenses

(a) Accounting policy

(i) Electricity and Fuel Purchases

Electricity and fuel purchases are those costs attributable to the integrated manufacturing process involved in the generation and transformation of electricity into a saleable commodity. It includes costs associated with purchasing fuel and electricity.

Electricity purchased from independent generators is recognised at the contracted price on an accruals basis.

Liquid fuel costs are assigned on the basis of weighted average cost. Gas costs comprise payments made under sale and purchase agreements.

Costs to operate and maintain the electricity transmission and distribution systems are recognised on an accruals basis.

3. Expenses (continued)

(a) Accounting policy (continued)

(ii) Finance cost

Finance costs include:

- Amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- Amortisation of discounts or premiums relating to borrowings;
- Discount rate adjustment for the movement in present value over time in connection with the contributory extension scheme payables and decommissioning costs;
- Finance charges in respect of leases recognised;
- Interest on bank overdrafts, short-term and long-term borrowings; and
- Guarantee fees on borrowings from the Western Australian Treasury Corporation (WATC)

(b) Amounts recognised in Statement of Comprehensive Income

	30 June 2020 $'000	30 June 2019 $'000
Electricity and fuel purchases		
Electricity purchases	**183,106**	177,106
Fuel purchases	**54,832**	54,706
Water purchases	**318**	353
Total electricity and fuel purchases	**238,256**	232,165
Employee benefits expense		
Salaries, wages and allowances	**46,652**	44,790
Superannuation	**6,442**	6,064
Annual leave	**4,227**	3,992
Long service leave	**1,811**	1,680
Other related expenses	**6,337**	5,736
Total employee benefits expenses	**65,469**	62,262
Materials and services		
Contracted services	**25,736**	24,644
IT services	**7,471**	7,651
Consultants	**6,805**	2,831
Materials	**6,756**	7,560
Customer services	**2,709**	2,751
Other services	**4,023**	3,571
Total materials and services	**53,500**	49,008
Depreciation		
Plant and equipment	**59,216**	57,989
Right-of-use assets	**28,860**	25,231
Buildings	**2,440**	2,267
Total depreciation	**90,516**	85,487
Amortisation		
Computer software	**5,951**	3,892
Total amortization	**5,951**	3,892
Total depreciation and amortisation	**96,467**	89,379

3. Expenses (continued)

(b) Amounts recognised in Statement of Comprehensive Income (continued)

	30 June 2020 $'000	30 June 2019 $'000
Other expenses		
Property expenses	**4,220**	6,134
Provision for impairment of receivables	**3,546**	2,091
Loss on disposal of property, plant and equipment	**47**	-
Other	**365**	4,255
Total other expenses	**8,178**	12,480
Finance costs		
Lease liability interest	**33,199**	33,784
Interest on debts	**24,534**	26,296
Unwinding of discount on decommissioning provision	**142**	221
Unwinding of discount on contributory extension scheme	**9**	18
Interest other	**4,482**	4,573
Total finance costs	**62,366**	64,892

4. Income tax equivalent expense

(a) Accounting policy

(i) National Taxation Equivalent Regime and other taxes

The calculation of the liability in respect of Horizon Power's taxes is governed by the Income Tax Administration Acts and the National Taxation Equivalent Regime (NTER) guidelines as agreed by the Western Australian State Government.

Income tax on the Statement of Comprehensive Income for the reporting period comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in other comprehensive income.

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences are associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

4. Income tax equivalent expense (continued)

(a) Accounting policy (continued)

(i) National Taxation Equivalent Regime and other taxes

The carrying amount of deferred income tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Statement of Financial Position date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(ii) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

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

(b) Amounts recognised in Statement of Comprehensive Income

Income tax equivalent expense

	30 June 2020 $'000	30 June 2019 $'000
Current tax	**4,829**	14,002
Deferred tax	**(719)**	1,409
Adjustments for net deferred tax assets and liabilities of prior period	**1,033**	1,533
Adjustments for current tax of prior periods	**(2,228)**	(3,106)
	2,915	13,838
Deferred income tax equivalent expense/(benefit) included in income tax equivalent expense comprises:		
Decrease in deferred tax equivalent assets (note 5(b)(i))	**7,525**	9,452
Decrease in deferred tax equivalent liabilities (note 5(b)(ii))	**(8,244)**	(8,043)
	(719)	1,409

4. Income tax equivalent expense (continued)

(c) Numerical reconciliation of income tax equivalent expense to prima facie tax equivalent payable

	30 June 2020 $'000	30 June 2019 $'000
Profit before income tax equivalent expense	**11,823**	49,707
Tax at the Australian tax rate of 30.0% (2019 - 30.0%)	**3,547**	14,912
Non-temporary tax adjustments:		
Research and development	**521**	505
Non-deductible and other	**42**	(6)
Adjustments for tax of prior periods	**(1,195)**	(1,573)
Total income tax equivalent expense	**2,915**	13,838

(d) Amounts recognised directly in other comprehensive income

	30 June 2020 $'000	30 June 2019 $'000
Deferred tax equivalent arising in the reporting period and not recognised in profit / (loss) but directly credited / (debited) to other comprehensive income:		
Net deferred tax equivalent - recognised directly in other comprehensive income, in relation to:		
– Re-measurement on defined benefit plans	**24**	47
	24	47

Operational assets and liabilities

5. Tax equivalent assets and liabilities

(a) Accounting policy

Refer to note 4(a) for details of Horizon Power's 'deferred tax equivalents' accounting policy.

(b) Amounts recognised in statement of financial position

(i) Deferred tax assets

	30 June 2020 $'000	30 June 2019 $'000
The balance comprises temporary differences attributable to:		
Lease liabilities	**98,209**	94,042
Provisions	**11,210**	11,139
Community service obligation	**629**	548
Property, plant and equipment	**25**	27
	110,073	105,756
Other		
Accruals	**419**	438
Contributory extension scheme	**151**	149
Other	**519**	1
Sub-total other	**1,089**	588
Total deferred tax assets	**111,162**	106,344
Set-off of deferred tax liabilities pursuant to set-off provisions (note 5(b)(ii))	**(69,377)**	(64,245)
Net deferred tax assets	**41,785**	42,099

	30 June 2020 $'000	30 June 2019 $'000
Movements:		
Opening balance	**106,344**	115,805
Transition to AASB 16 Leases	**12,343**	-
Charged to profit or loss (note 4(b))	**(7,525)**	(9,452)
Adjustments for deferred tax equivalent assets of prior periods	**-**	(9)
	111,162	106,344

5. Tax equivalent assets and liabilities (continued)

(b) Amounts recognised in statement of financial position (continued)

(ii) Deferred tax equivalent liabilities

	30 June 2020 $'000	30 June 2019 $'000
The balance comprises temporary differences attributable to:		
Right-of-use assets	**67,637**	63,917
Other	**1,740**	328
Total deferred tax equivalent liabilities	**69,377**	64,245
Set-off of deferred tax equivalent assets pursuant to set-off provisions (note (5(b)(i))	**(69,377)**	(64,245)
Net deferred tax equivalent liabilities	**-**	-
Movements		
Opening balance at 1 July	**64,245**	70,810
Transition to AASB 16 Leases	**12,343**	-
Credited to profit or loss (note 4(b))	**(8,244)**	(8,043)
Adjustments for deferred tax liabilities of prior periods	**1,033**	1,478
	69,377	64,245

(iii) Current tax equivalent asset

	30 June 2020 $'000	30 June 2019 $'000
Income tax equivalent asset	**6,412**	227
	6,412	227

6. Cash and cash equivalents

(a) Accounting policy

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

(b) Amounts recognised in statement of financial position

	30 June 2020 $'000	30 June 2019 $'000
Cash in operational accounts	**74,919**	78,163
Short-term investment deposits	**15,000**	-
	89,919	78,163

Management assessed that the fair value of cash at bank and short-term investment deposits approximate their carrying amounts.

6. Cash and cash equivalents (continued)

(c) Reconciliation of profit after income tax equivalent expense to net cash inflow from operating activities

	30 June 2020 $'000	30 June 2019 $'000
Profit for the year	**8,908**	35,869
Depreciation and amortisation	**96,467**	89,379
Gifted assets	**(707)**	(229)
Net gain on sale of non-current assets	**(35)**	(138)
Impairment of receivables	**3,546**	2,091
Changes in operating assets and liabilities:		
Receivables	**20,179**	(6,158)
Inventories	**31**	802
Other current assets	**(428)**	(1,838)
Payables	**(43,742)**	(29,758)
Other current liabilities	**(2,876)**	(2,301)
Derivatives	**1,712**	1,666
Tax assets and liabilities	**(5,872)**	(32,723)
Employee provisions	**338**	14
Other provisions	**(911)**	(1,049)
Net cash inflow from operating activities	**76,610**	55,627*

As at June 2020, Horizon Power has a net current liability position of $5,032,000 (2019: $61,869,000). This has no impact on Horizon Power's ability to pay its debts over the next twelve months from the date those financial statements were authorised for issue. The above reconciliation indicates that the organisation's ongoing operations generate sufficient cash flow to cover its usual operations, to pay interest on its debts and to pay income taxes. In addition, under a Master Lending Agreement with the Western Australian Treasury Corporation, Horizon Power's borrowing facilities at June 2020 amounted to $711,050,000, including a working capital facility of $30,000,000. The undrawn debt facilities amounted to $20,154,000.

* Developer and customer contributions of $18,012,000 in financial year to 30 June 2019 have been reclassified from 'Cash flow from financing activities' to 'Cash flow from operating activities' in line with our revenue policy.

(d) Non-cash investing and financing activities

	30 June 2020 $'000	30 June 2019 $'000
Additions to Right-of-Use assets (note 10(b))	**42,029**	-
Gifted assets (note 10(b))	**707**	229
	42,736	229

7. Receivables

(a) Accounting policy

Trade receivables, which generally have 12 day terms for tariff customers, 7 to 14 day terms for contract customers and 30 to 90 days for non-energy customers, are recognised and carried at original invoice amount less an allowance for any impaired receivables. No interest is charged on current receivables.

Horizon Power applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, including unbilled amounts. To measure the expected credit losses, energy trade receivables and unbilled amounts have been grouped based on their credit risk characteristics, linked to actions taken by the credit team since the customer's invoices became overdue. Unbilled amounts from customers have substantially the same risk characteristics as the trade receivables for the same types of contracts.

The expected loss rates are based on the historical recovery rates achieved by the credit team on debtors in the relevant categories. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The expected loss rates for trade receivables are a reasonable approximation of the loss rates for unbilled amounts.

Non-energy trade receivables relate mainly to discrete transactions with customers. The expected credit loss rates are based on a review of individual debts outstanding, the risk profile of the customer and nature of transactions.

Other receivables are not considered at risk and therefore no expected loss allowance have been provided.

The amount of the impairment loss is recognised in Statement of Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in Statement of Comprehensive Income against 'impairment of receivables'.

(b) Amounts recognised in Statement of Financial Position

	30 June 2020 $'000	30 June 2019 $'000
Trade receivables		
Receivables - energy - billed (i)	**18,140**	24,230
Receivables - energy - unbilled	**20,011**	17,599
Total receivables energy	**38,151**	41,829
Allowance for impairment of receivables – energy	**(4,398)**	(3,580)
	33,753	38,249
Receivables - non-energy (i)	**2,693**	10,941
Allowance for impairment of receivables - non energy	**(836)**	(900)
	1,857	10,041
Other receivables (note 7(d))	**10,049**	9,345
Total receivables	**45,659**	57,635

(i) Includes amounts due from First Nations communities of $1,386,441 (Energy: $724,953; Non Energy: $661,488) (2019: $2,629,731).

7. Receivables (continued)

(b) Amounts recognised in Statement of Financial Position (continued)

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

	30 June 2020 $'000	30 June 2019 $'000
At 1 July	**4,480**	5,215
Allowance for impairment recognised during the year	**3,546**	2,091
Receivables written off during the year as uncollectable	**(2,792)**	(2,826)
At 30 June	**5,234**	4,480

The allowance for impaired receivables has been included in 'other expenses' in the Statement of Comprehensive Income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. All impairment losses relate to amounts due from contracts with customers.

COVID-19

Following the outbreak of COVID-19 and the resulting worsening of economic conditions impacting customers' ability to pay their accounts on time, Horizon Power has been experiencing longer accounts receivable turnover time and some have become overdue. That has led to an increase in the expected credit loss rates on accounts receivables.

There has also been an offsetting impact of State and Federal government support programs, including those that Horizon Power has administered on the State Government's behalf.

Up to the date these financial statements were authorised for issue, the impacts of the coronavirus on Horizon Power's customers' financial positions and the macro-economic conditions as a whole are still uncertain. Horizon Power will pay close attention to the continued economic impact of the coronavirus to its customers, perform further assessment of its impact and take relevant measures.

The loss allowance as at 30 June 2020 was determined as follows for both trade receivables and unbilled amounts:

30 June 2020 *Energy*	Trade Receivables $'000	Expected Loss Rate	Loss Allowance $'000
Not overdue	**19,489**	**1.6%**	**321**
Overdue			
Pre-disconnection	**8,792**	**5.2%**	**458**
Post-disconnection	**6,447**	**17.9%**	**1,151**
Special dispensation	**1,479**	**45.4%**	**672**
With collection agents	**987**	**85.0%**	**839**
Not recoverable	**957**	**100.0%**	**957**
Total	**38,151**	**11.5%**	**4,398**

Note: Not overdue amount includes unbilled amounts of $14,003,000.

Non- energy	Trade Receivables $'000	Expected Loss Rate	Loss Allowance $'000
Not overdue	**1,335**	**0.4%**	**6**
Overdue			
Government and related entities	**33**	**0.0%**	**-**
Low to moderate risk	**504**	**15.6%**	**78**
High risk	**457**	**85.0%**	**388**
Not recoverable	**364**	**100.0%**	**364**
Total	**2,693**	**31.0%**	**836**

7. Receivables (continued)

(c) Impaired trade receivables (continued)

30 June 2019 *Energy* **Status**	**Trade Receivables $'000**	**Expected Loss Rate**	**Loss Allowance $'000**
Not overdue	23,560	0.1%	31
Overdue			
Pre-disconnection	7,204	1.5%	110
Post-disconnection	4,667	7.1%	333
Special dispensation	4,501	30.9%	1,393
With collection agents	1,229	85.0%	1,045
Not Recoverable	668	100.0%	668
Total	**41,829**	**8.6%**	**3,580**

Not overdue amount includes unbilled amounts of $18,414,000.

Non-energy **Status**	**Trade Receivables $'000**	**Expected Loss Rate**	**Loss Allowance $'000**
Not overdue	9,724	0.1%	21
Overdue			
Government and related entities	116	0.0%	-
Low to Moderate risk	150	10.7%	16
High risk	591	85.1%	503
Not recoverable	360	100.0%	360
Total	**10,941**	**8.2%**	**900**

(d) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Corporation. No significant risk is believed to be attached to other receivables.

(e) Fair value

Due to the short-term nature of these receivables, their carrying amount is approximate to their fair value.

8. Inventories

(a) Accounting policy

Inventories are valued at the lower of cost and net realisable value. The cost incurred in bringing inventories to their present location and condition is assigned on a weighted average cost basis for liquid fuels and consumables.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(b) Amounts recognised in Statement of Financial Position

	30 June 2020 $'000	30 June 2019 $'000
Materials	**10,334**	10,291
Fuel	**935**	1,009
Total inventories	**11,269**	11,300

9. Intangible assets

(a) Accounting policy

Intangible assets acquired separately are capitalised at cost at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible asset.

(i) Renewable energy certificates

Under the *Renewable Energy (Electricity) Act 2000*, parties on grids of more than 100 MW making wholesale acquisitions of electricity (relevant acquisitions) are required to demonstrate that they are supporting the generation of renewable electricity by purchasing increasing amounts of renewable energy certificates (RECs). The Act imposes an annual liability, on a calendar year basis, by applying the specified Renewable Power Percentage and Small-Scale Technology Percentage to the relevant volume of electricity acquired.

These parties demonstrate compliance by surrendering RECs to the Office of the Renewable Energy Regulator (ORER): Large-Scale Generation Certificates are surrendered annually between 1 January and 14 February for the previous calendar year (compliance year). Small-Scale Technology Certificates are surrendered on a quarterly basis.

The RECs liability is extinguished by surrendering an equivalent number of RECs with a penalty applying for any shortfall. Horizon Power sources RECs from firm agreements and from the RECs spot market. Horizon Power's liability is based on actual volume of electricity acquired for the last calendar year multiplied by Clean Energy Regulator specified Renewable Power Percentage for that year. RECs purchased from external sources are recognised as intangible assets at their purchase price.

(ii) Amortisation

The useful lives of intangible assets are assessed to be either finite or indefinite. For intangible assets with finite useful lives, an amortisation expense is recognised in profit or loss over the useful lives of the assets.

The useful lives and amortisation of Horizon Power's major intangible asset classes are as follows:

Intangible asset	**Finite/infinite useful life**	**Amortisation method**	**Useful life**
Computer software	Finite	Straight-line method	5 years
Patents, trademarks and other rights	Finite	Straight-line method	10–15 years
Renewable Energy Certificates	Infinite	Not amortised	

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

(iii) Disposal of assets

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from de-recognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss when the asset is de-recognised.

(b) Amounts recognised in statement of financial position

(i) Current assets

Renewable energy certificates	**30 June 2020 $'000**	30 June 2019 $'000
Opening balance	**3,395**	1,201
Additions	**10,321**	12,869
Surrendered	**(12,057)**	(10,675)
Closing balance	**1,659**	3,395

9. Intangible assets (continued)

(b) Amounts recognised in statement of financial position (continued)

(ii) Non-current assets

	Patents, trademarks and other rights $'000	Computer software $'000	Total $'000
Year ended 30 June 2020			
Opening net carrying value	**1**	**14,865**	**14,866**
Transfers from WIP	**-**	**13,353**	**13,353**
Amortisation charge	**-**	**(5,951)**	**(5,951)**
Closing net carrying value	**1**	**22,267**	**22,268**
At 30 June 2020			
Cost	**19**	**80,004**	**80,023**
Accumulated amortisation	**(18)**	**(57,737)**	**(57,755)**
Net carrying value	**1**	**22,267**	**22,268**
Year ended 30 June 2019			
Opening net carrying value	2	5,908	5,910
Transfers from WIP	-	12,848	12,848
Amortisation charge	(1)	(3,891)	(3,892)
Closing net carrying value	1	14,865	14,866
At 30 June 2019			
Cost	19	66,652	66,671
Accumulated amortisation	(18)	(51,787)	(51,805)
Net carrying value	1	14,865	14,866

10. Property, plant and equipment

(a) Accounting policy

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. A gifted asset is recognised at fair value at its initial recognition (at the point of handover to Horizon Power) and depreciated over its useful life.

(i) Acquisition of assets

The cost method of accounting is used for all acquisitions of assets. Cost is determined as the fair value of the asset given at the date of acquisition plus costs incidental to the acquisition. Direct costs and associated indirect costs in respect of assets being constructed, are capitalised.

Costs are only capitalised when it is probable that future economic benefits will flow from the establishment of the asset and the cost of the asset can be reliably measured.

(ii) Decommissioning costs

Upon recognition of an item of property, plant and equipment, the cost of the item includes the anticipated costs of dismantling and removing the asset, and restoring the site on which it is located, discounted to their present value as at the relevant date of acquisition.

(iii) Capitalisation of borrowing costs

Horizon Power, as a Not-for-Profit Public Sector Entity, has elected to expense borrowing costs in the period incurred under AASB 123.

10. Property, plant and equipment (continued)

(a) Accounting policy (continued)

(iv) Depreciation

Discrete assets that are not subject to continual extension and modification are depreciated using the straight-line method. Such assets include power stations, the transmission network and buildings.

Other assets, primarily the electricity distribution network that are continually extended and modified, are depreciated using the reducing balance method. Land is not depreciated.

The useful lives of Horizon Power's major property, plant and equipment classes are as follows:

Buildings	25 - 40 years
Plant and equipment	4 - 50 years
Equipment under leases	based on term of contract (10 to 20 years)
Leasehold improvements	2 – 20 years
Construction in progress	no depreciation

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

(v) Disposal of assets

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. Any gain or loss arising from de-recognition of an asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss when the asset is derecognised.

(vi) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience. Leased equipment is depreciated over the useful life of the asset. However if there is no reasonable certainty that Horizon Power will obtain ownership by the end of the lease term, the leased equipment is depreciated over the shorter of the estimated useful life of the asset and the lease term. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary, discussed further in (vii) below.

Depreciation charges are included in note 3.

(vii) Impairment of assets

At each reporting date Horizon Power assesses whether there is any indication that an asset may be impaired, that is, where events or changes in circumstances indicate the carrying value exceeds recoverable amount. The assessment includes an evaluation of conditions specific to Horizon Power and to the particular asset that may lead to impairment and include product and manufacturing performance, technology, economic and political environments and future product expectation. Where an indicator of impairment exists, Horizon Power makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in profit or loss.

There were no indicators of impairment to property, plant and equipment and intangible assets at 30 June 2020 (2019: nil).

Climate Change

Horizon Power has assessed climate-related risks impact on recognised assets, including impact on assets impairment and changes in the useful life of assets.

Carbon Pricing

At the end of 30 June 2020 Horizon Power's property, plant and equipment (including right-of-use assets) includes circa ~$0.6 billion of assets that generate CO2 emissions. The introduction of Carbon Pricing or Carbon Tax or a government directive to limit the use of fossil fuel electricity generation assets might have potential impact on these assets' values or their useful economic life. However, as at 30 June 2020, the likelihood of the introduction of a carbon energy reform is remote.

10. Property, plant and equipment (continued)

(a) Accounting policy (continued)

(vii) Impairment of assets (continued)

Meanwhile, Horizon Power will continue to monitor its carbon emissions and will aim at reducing emissions by energy transformation. One of the key Horizon Power guiding principles is to improve shared environment for the future, by finding cleaner, greener energy solutions and to reduce the carbon intensity. Horizon Power will continue to assess both the useful life and carrying amount of carbon generating assets, in line with these principles.

Natural Disasters

Horizon Power owns assets that can be impacted by acute and extreme weather conditions, such as cyclones or bushfires. However, these are uncertain future events and do not have a known impact on the lifecycle of the assets in question.

Under Australian Accounting Standards no provisions are allowed against future losses resulting from uncertain future events.

Based on the above, there were no indicators of impairment to property, plant and equipment due to Climate Change at 30 June 2020 (2019: nil).

(b) Amounts recognised in statement of financial position

	Freehold land $'000	Buildings $'000	Plant Equipment $'000	Work in Progress $'000	Right-of-Use: Power Purchase Agreements* $'000	Right-of-Use: Properties $'000	Total $'000
Year ended 30 June 2020							
Opening net carrying value	12,115	51,788	1,174,892	114,682	212,288	-	1,565,765
Transition to AASB 16					25,409	15,734	41,143
Additions	-	-	1,471	70,736	886	-	73,093
Transfers	-	3,169	70,742	(87,264)	-	-	(13,353)
Disposals	-	-	(106)	-	-	-	(106)
Depreciation charge	-	(2,440)	(59,216)	-	(27,096)	(1,764)	(90,516)
Closing net carrying value	12,115	52,517	1,187,783	98,154	211,487	13,970	1,576,026
At 30 June 2020							
Cost	12,115	75,291	1,654,382	98,154	500,541	15,734	2,356,217
Accumulated depreciation	-	(22,774)	(466,599)	-	(289,054)	(1,764)	(780,191)
Net carrying value	12,115	52,517	1,187,783	98,154	211,487	13,970	1,576,026

Horizon Power receives non-cash capital contributions in the form of gifted assets. The fair value of the non-cash capital contributions included in the additions to plant and equipment in 2020 was $707,426 (2019: $229,071).

Plant and equipment includes depreciated costs associated with the decommissioning of relevant assets of $4,596,495 (2019: $4,836,495).

10. Property, plant and equipment (continued)

(b) Amounts recognised in statement of financial position (continued)

	Freehold land $'000	Buildings and leasehold improvements $'000	Plant and equipment $'000	Work in Progress $'000	Equipment under finance lease * $'000	Total $'000
Year ended 30 June 2019						
Opening net carrying value	12,117	52,524	1,108,657	169,774	237,519	1,580,591
Additions	-	-	4,005	79,545	-	83,550
Transfers	-	1,531	120,258	(134,637)	-	(12,848)
Disposals	(2)	-	(39)	-	-	(41)
Depreciation charge	-	(2,267)	(57,989)	-	(25,231)	(85,487)
Closing net carrying value	12,115	51,788	1,174,892	114,682	212,288	1,565,765
At 30 June 2019						
Cost	12,115	72,122	1,583,071	114,682	474,246	2,256,236
Accumulated depreciation	-	(20,334)	(408,179)	-	(261,958)	(690,471)
Net carrying value	12,115	51,788	1,174,892	114,682	212,288	1,565,765

* Following the adoption of AASB 16 Leases, the closing balance of Equipment under finance lease as at 30 June 2019 has been carried forward and restated as Right of Use: Power Purchase Agreements

11. Payables

(a) Accounting policy

These amounts represent liabilities for goods and services provided to Horizon Power prior to the end of the reporting period that are unpaid. The amounts are unsecured and are settled within prescribed periods.

Payables are non-interest bearing and are generally settled on 30 day terms. Other payables are non-interest bearing and generally have settlement terms between 14 and 30 days. Due to the short term nature of these payables (including the current portion of the Contributory Extension Scheme), their carrying value approximates their fair value.

Contributory extension scheme (CES) payables represent amounts received from customers to extend specific electricity supplies. These deposits are progressively refunded as other customers are connected to existing supply extension schemes. By 2022, when the scheme finishes, all scheme members will have their contributions refunded. The non-current portion of the CES payables is stated at fair value, which is estimated as the present value of future cash flows, discounted at the applicable Commonwealth Zero Coupon rates at the end of the reporting date.

(b) Amounts recognised in statement of financial position

(i) Current liabilities

	30 June 2020 $'000	30 June 2019 $'000
Payables	**73,315**	73,057
Contributory extension scheme payables	**668**	655
Other payables	**734**	1,048
	74,717	74,760
Deferred Income	**6,722**	9,598

11. Payables (continued)

(b) Amounts recognised in statement of financial position (continued)

(ii) Non-current liabilities

	30 June 2020 $'000	30 June 2019 $'000
Deferred Income *	**72,196**	73,853
Contributory extension scheme payables	**39**	76
	72,235	73,929

* In accordance with the 'Developer and customer contributions' policy (Note 1 (a) (iv)), amounts for connection and network services received in advance are recognised over the life of the relevant contracts.

12. Provisions

(a) Accounting policy

Provisions are recognised when:

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

(i) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include annual leave and long service leave.

Liabilities arising in respect of any employee benefits expected to be settled within twelve months from the reporting date are measured at their nominal amount based on remuneration rates that are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. The present value of future cash outflows is determined using the projected unit credit method.

A provision for the on-costs attributable to annual leave and unconditional long service leave benefits is recognised in other provisions, not as employee benefits.

Estimates and assumptions

Long Service Leave

Estimations and assumptions used in calculating the Corporation's long service leave provision include expected future salary rates, employee retention rates and expected future payments. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. Changes in these estimations and assumptions impact on the carrying amount of the long service leave provision.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because Horizon Power has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Annual Leave

For annual leave not expected to be wholly settled before 12 months after the end of the reporting period, estimations and assumptions used in calculating the Corporation's annual leave provision include expected future salary increases and employee retention rates. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

12. Provisions (continued)

(a) Accounting policy (continued)

Termination benefits

Termination benefits are payable when employment is terminated by the company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Horizon Power recognises termination benefits at the earlier of the following dates: (a) when Horizon Power can no longer withdraw the offer of those benefits (b) when Horizon Power recognises a cost for restructuring that is within the scope of AASB 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(ii) Restoration and decommissioning

Provision is made for the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of decommissioning activities includes the removal of generating facilities and restoration of affected areas, including the treatment of contaminated sites.

Typically, the obligation arises when the asset is installed at the location. When the provision is initially recognised, the estimated cost is capitalised by increasing the carrying amount of the related generating facility.

Over time, the provision is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised in generating assets is depreciated over the useful life of the related assets.

Costs incurred that relate to an existing condition caused by past operations are expensed.

Estimates and assumptions

A provision has been made for the present value of anticipated costs of future restoration and decommissioning of generating plants and workshops. The provision includes future cost estimates associated with dismantling closure, decontamination and permanent storage of historical residues. The calculation of this provision requires assumptions such as application of environmental legislation, plant closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised by adjusting both the expense or asset (if applicable) and provision. The related carrying amounts are disclosed within Property, Plant and Equipment in note 10.

(b) Amounts recognised in statement of financial position

Current liabilities	30 June 2020 $'000	30 June 2019 $'000
Long service leave	**6,890**	6,889
Annual leave	**4,358**	4,314
Decommissioning and rehabilitation	**3,722**	3,926
Other provisions	**4,134**	3,359
	19,104	18,488

Non-Current liabilities	30 June 2020 $'000	30 June 2019 $'000
Long service leave	**1,414**	1,220
Decommissioning and rehabilitation	**9,816**	11,213
Other provisions	**245**	210
	11,475	12,643

12. Provisions (continued)

(b) Amounts recognised in statement of financial position (continued)

Movements in provisions - decommissioning and rehabilitation	30 June 2020 $'000	30 June 2019 $'000
Carrying amount at start of year	**15,139**	16,189
Payments/other sacrifices of economic benefits	**(2,500)**	(5,045)
Changes in assumptions	**757**	3,774
Unwinding of discount	**142**	221
Carrying amount at end of year	**13,538**	15,139
Comprised of:		
Current	**3,722**	3,926
Non-Current	**9,816**	11,213
	13,538	15,139

Movements in provisions - other provisions	30 June 2020 $'000	30 June 2019 $'000
Carrying amount at start of year	**3,569**	3,488
Additional provisions recognised	**1,839**	1,010
Payments / other sacrifices of economic benefits	**(1,029)**	(929)
Carrying amount at end of year	**4,379**	3,569
Comprised of:		
Current	**4,134**	3,359
Non-Current	**245**	210
	4,379	3,569

The annual leave benefits are reported as current because Horizon Power does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period. Based on past experience annual and long service leave benefits are expected to be taken or paid as follows.

	30 June 2020 $'000	30 June 2019 $'000
Annual Leave		
Annual leave expected to be settled within 12 months	**3,106**	2,809
Annual leave expected to be settled after 12 months	**1,252**	1,505
	4,358	4,314

	30 June 2020 $'000	30 June 2019 $'000
Long Service Leave		
Long service leave expected to be settled within 12 months	**2,550**	2,694
Long service leave expected to be settled after 12 months	**5,754**	5,415
	8,304	8,109

13. Interest bearing liabilities

(a) Accounting policy

All interest-bearing liabilities are initially recognised at fair value net of transaction costs incurred. Subsequent to initial recognition interest-bearing liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Any difference between the cost and the redemption amount is recognised in profit or loss over the period of the interest-bearing liabilities using the effective interest method.

(i) Lease

Leases that convey the right of control of an identified asset for a period of time in exchange for consideration are brought to account by recognising a right-of-use asset and lease liability. Recognition occurs at the commencement date or at initial application date of the lease equal to the present value of the minimum lease payments or, if lower, the fair value of the leased item.

Lease payments are apportioned between borrowing costs in Statement of Comprehensive Income and reduction of the lease liability in the Statement of Financial Position so as to achieve a constant rate of interest on the remaining balance of the liability.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if ownership is not transferred to Horizon Power.

Horizon Power has recognised leases implicit in existing contracts in accordance with AASB 16 Leases.

Horizon Power has not recognised short-term leases and leases for which the underlying asset is of low value in accordance with recognition exemptions under AASB 16 Leases.

In accordance to AASB 108, Horizon Power has elected to treat modifications to lease arrangement that do not result in a change in the lease classification as a re-measurement of the original lease arrangement. Horizon Power will re-measure the lease liability using the original interest rate implicit in the lease and the revised minimum lease payments. Any change in the lease liability would be recognised against the carrying amount of the right-of-use asset.

(b) Amounts recognised in statement of financial position

Current liabilities	30 June 2020 $'000	30 June 2019 $'000
Secured		
WATC loans (i)	**31,546**	86,350
Unsecured		
Lease liabilities (note 22 (b))	**29,963**	25,040
	61,509	111,390

Non-Current liabilities	30 June 2020 $'000	30 June 2019 $'000
Secured		
WATC loans (ii)	**659,350**	612,350
Unsecured		
Lease liabilities (note 22 (b))	**297,400**	288,431
	956,750	900,781

(i) The fair value of WATC current loans are $31,551,983 (2019: $86,458,455).

(ii) The fair value of WATC Non-current loans are $ 708,354,941 (2019: $656,958,001).

13. Interest bearing liabilities (continued)

(b) Amounts recognised in statement of financial position (continued)

A master lending agreement with the WATC, an entity owned by the Western Australian State Government, allows Horizon Power the unequivocal right to refinance all or any part of maturing debt at regular intervals.

As at 30 June 2020, the non-current WATC loans of $659.4 million included an amount of $98.4 million that will mature during 2020/2021 reporting year. It is Horizon Power's intention to exercise the unequivocal right under the master lending agreement to refinance this amount and therefore it has been classified as non-current.

The approval of Horizon Power's forecast borrowing requirements for the next four years, including no repayment of amounts classified as non-current above, contained within the Western Australian State Budget handed down in December 2019.

Horizon Power's borrowing limits are detailed in Note 6(c).

14. Financial risk management

Horizon Power's principal financial instruments comprise receivables, payables, interest-bearing borrowings, derivatives and cash and cash equivalents.

Horizon Power has developed a Financial Risk Management policy to provide a framework through which Horizon Power maintains the appropriate level of control over financial and associated risks. The Treasury Management Committee oversees treasury functions on behalf of the Board to ensure that significant financial and associated risks are managed through a use of various financial instruments.

The main risks arising from Horizon Power's financial instruments are market risk, liquidity risk and credit risk. Horizon Power's policies for managing each of these risks are summarised below.

Horizon Power holds the following financial instruments:

	30 June 2020 $'000	30 June 2019 $'000
Financial assets		
Cash and cash equivalents	**89,919**	78,163
Trade and other receivables	**45,659**	57,635
	135,578	135,798
Financial liabilities		
Payables	**74,717**	74,760
Derivative financial instruments	**1,897**	185
Interest bearing liabilities	**1,018,259**	1,012,171
	1,094,873	1,087,116

(a) Market risk

(i) Foreign exchange risk

Horizon Power's exposure to foreign currency risk at the current reporting date is low because all the transactions were denominated in Australian dollar (AUD). Exchange rate exposures are managed by the Horizon Power Treasury group within approved policy parameters utilising forward foreign exchange contracts.

It is the policy of Horizon Power to enter into forward foreign exchange contracts to cover significant foreign currency payments and receipts.

Although diesel fuel payments are made in Australian dollars, the relevant wholesale market for Gasoil is denominated in USD and as such, there is an indirect exposure to the AUD/USD exchange rate.

This exposure is managed by the use of AUD denominated Gasoil commodity swaps to hedge against increases in wholesale crude oil prices and falls in the AUD/USD exchange rate.

14. Financial risk management (continued)

(a) Market risk (continued)

(ii) Commodity price risk

Commodity price risk represents the extent to which movements in commodity prices will impact Horizon Power results. Horizon Power is exposed to commodity price risk for distillate fuel (Gasoil).

Horizon Power is exposed to fluctuations in the Gasoil price through the purchase of fuel for its diesel power stations as well as fuel consumed by its power producers.

Horizon Power deals in Gasoil commodity swaps for the purpose of providing an economic hedge against Gasoil costs. The limits of this trading are set by the Board.

At 30 June 2020 Horizon Power has economically hedged 61,860 barrels at an average Australian dollar price of AUD $100.90 per barrel.

Sensitivity

At 30 June 2020, if commodity prices had decreased/increased by 10 percent from the year end rates with all other variables held constant, the impact on Horizon Power's post tax profit for the year would have been not significant (less than $1 million).

(iii) Interest rate risk

Horizon Power's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations.

Horizon Power's borrowings obtained through the WATC include loans at fixed and floating rates with varying maturities, except for a working capital facility of $30 million that has a variable interest rate linked to movements in Reserve Bank of Australia. The risk on the fixed interest rate debts is managed through portfolio diversification and variation in maturity dates.

At balance date Horizon Power had the following financial assets and financial liabilities exposed to Australian variable interest rate risk.

	30 June 2020		30 June 2019	
	Weighted average interest rate %	**Balance $'000**	Weighted average interest rate %	Balance $'000
Financial Assets				
Cash and cash equivalents	**0.4%**	**89,919**	1.34%	78,163
Financial Liabilities				
WATC Loans	**1.11%**	**(16,546)**	2.11%	(30,000)
Net exposure to cash flow interest rate risk		**73,373**		48,163

Horizon Power's policy is to manage its finance costs using fixed debt with the objective of achieving cost effective outcomes whilst managing interest rate risk to avoid uncertainty and volatility in the market place.

Horizon Power constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions and alternative financing.

Sensitivity

At 30 June 2020, if interest rates had decreased/increased by 100 basis points from the year end rates with all other variables held constant, the impact on Horizon Power's post tax profit for the year would have been not significant (less than $1 million).

(b) Credit risk

Horizon Power operates predominantly within the electricity generation, transmission, distribution and sales industry and accordingly is exposed to risks affecting that industry. The maximum exposure to this industry risk is the carrying value of trade debtors, before allowance is made for impairment of receivables.

Credit risk in respect of trade receivable are detailed in note 7(c).

14. Financial risk management (continued)

(a) Credit risk (continued)

Horizon Power follows stringent credit control and management procedures in reviewing and monitoring debtor accounts.

With respect to credit risk arising from cash and cash equivalents, Horizon Power's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of the cash and cash equivalents.

Horizon Power maintains cash and cash equivalents through highly rated financial institutions.

(b) Liquidity risk

Horizon Power's objective is to ensure adequate funding is available at all times, to meet the commitment of Horizon Power, as they arise.

The table below reflects the contractual maturity of financial liabilities, including estimated interest payments. These include payables and interest-bearing borrowings.

Financing arrangements

At 30 June 2020	Within one year $'000	Later than one year but not later than five years $'000	Later than five years $'000	Total $'000
Liabilities				
Interest-bearing loans and borrowings	**115,945**	**351,245**	**300,130**	**767,320**
Lease Liabilities	**60,330**	**230,397**	**186,998**	**477,725**
Trade and other payables	**72,851**	**-**	**-**	**72,851**
Derivatives	**1,897**	**-**	**-**	**1,897**
Other financial liabilities	**668**	**39**	**-**	**707**
Total liabilities	**251,691**	**581,681**	**487,128**	**1,320,500**

At 30 June 2019	Within one year $'000	Later than one year but not later than five years $'000	Later than five years $'000	Total $'000
Liabilities				
Interest-bearing loans and borrowings	178,092	362,264	255,512	795,868
Leases	56,401	220,121	207,057	483,579
Trade and other payables	68,470	-	-	68,470
Derivatives	185	-	-	185
Other financial liabilities	655	76	-	731
Total liabilities	303,803	582,461	462,569	1,348,833

Equity

15. Contributed equity

(a) Accounting policy

AASB Interpretation 1038 'Contributions by Owners Made to Wholly Owned Public Sector Entities' requires transfers, other than as a result of a restructure of administrative arrangements, in the nature of equity contributions to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital contributions have been credited directly to Contributed Equity.

Transfer of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

(b) Amounts recognised in statement of financial position

	30 June 2020 $'000	30 June 2019 $'000
Opening Balance	**375,047**	378,792
Equity contribution / (net refund) during the financial year	**17,050**	(3,745)
Total contributed equity at the end of the financial year (i)	**392,097**	375,047

(i) In the year ended 30 June 2020 and 30 June 2019, the increase / (decrease) in contributed equity was in respect of the following:

	30 June 2020 $'000	30 June 2019 $'000
Pilbara Underground Power Project Phase 2	**-**	(4,863)
Mid-west gas pipeline loans interest recoupment	**-**	1,118
Mid-West Pipeline Joint Venture	**17,050**	-
Total increase in contributed equity	**17,050**	(3,745)

16. Dividends

Horizon Power's dividend policy is to pay 75 per cent of the Net Profit After Tax plus any special dividend. Dividends are subject to a solvency test and declared in consultation with the Minister for Energy.

	30 June 2020 $'000	30 June 2019 $'000
Final dividend for previous financial year	**1,324**	22,706
Interim dividend	**-**	13,890
Special dividend	**1,100**	-
Dividends paid	**2,424**	36,596

Horizon Power paid interim dividend for year ended 30 June 2020 of $5,160,000 on 3 August 2020.

17. Interests in joint operations

(a) Accounting policy

Interest in joint arrangements

Joint arrangements are contractual arrangements in which Horizon Power and other parties undertake an economic activity subject to joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Interest in joint venture operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Where material, Horizon Power recognises in its financial statements:

- Assets controlled by Horizon Power in the joint operations;
- Liabilities incurred by Horizon Power in relation to the joint operations;
- Expenses incurred by Horizon Power in relation to the joint operations; and
- Share of income earned from the joint operations.

Jointly controlled operations

Name of entity	Name of entity	Output Interest
Mid-West Pipeline Joint Venture	Gas Transportation in the Mid-West and Hill 60 Pipelines	50%

In July 2019 there was an equity injection of $17,050,000 from the State Government which was used to repay maturing Mid-West gas pipeline loans of same amount. As a consequence, Horizon Power's share in the joint venture increased to 50%.

Horizon Power's assets employed in the above jointly controlled operations have been fully depreciated as at 30 June 2019. The balance of this joint operation is owned by Australian Pipeline Ltd.

Other information

18. Key management personnel remuneration

Horizon Power's key management personnel has been determined to be the State Cabinet Ministers, members and senior officers of Horizon Power. However, Horizon Power is not obligated to compensate Ministers and therefore disclosures in relation to Ministers' compensation may be found in the Annual Report of State Finances.

Total compensation of key management personnel, comprising Directors and senior officers of Horizon Power for the reporting period are presented below.

	30 June 2020 $'000	30 June 2019 $'000
Short-term employee benefits	**3,017**	2,880
Post-employment benefits	**289**	265
Payment of unused leave on termination	**228**	571
Payment in lieu of notice	**77**	375
Termination benefits	**467**	-
Total compensation of key management personnel	**4,078**	4,091

Further details of key management personnel remuneration are disclosed in the Board report section of the annual report.

19. Related party transactions

Related parties of Horizon Power include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all key management personnel and their close family members, and their controlled or jointly controlled entities;
- other departments and statutory authorities, including their related bodies, that are included in the whole of government consolidated financial statements;
- associates and joint ventures of an entity that are included in the whole of Government consolidated financial statements; and
- the Government Employees Superannuation Board (GESB).

19. Related party transactions (continued)

Transactions with State Government related entities include the sale of electricity in the ordinary course of business on normal commercial terms. Other significant transactions include:

Government Entities	Details of Transactions	Transactions during 2019/20 Payment $000	Receipt $000	Amount owed by Horizon Power $ 000	Commitments $000	Refer to note
Western Power	Purchase of inventories	5,631	-	29	386	-
	Purchase of services	1,114	-	-	13	-
	Sale of services	-	2,154	-	-	-
Synergy	Purchase of power	29,550	842	386	-	-
Western Australia Treasury Corporation	Loans	240,497	232,693	690,896	-	Note 13
	Borrowing costs	24,463	4,540	-	-	Note 3
	Services	-	140	6	-	-
Water Corporation	Water supply to power stations	622	102	-	57	-
Department of Treasury	Tariff Equalisation Fund	-	171,000	-	-	Note 2 (b)
	Community Service Obligations	-	17,569	-	-	Note 1 (b)
	Small Business and Charity Tariff Offset / Energy Assistance Payment	-	14,789	-	-	-
	Equity injections	-	17,050	-	-	Note 15

Horizon Power had no material related party transactions with Ministers, Senior Officers or their close family members or their controlled or jointly controlled entities. However, Horizon Power may be providing electricity services to the above related parties on an arm's length basis.

20. Contingencies

(i) Contingent liabilities

Horizon Power did not have any contingent liabilities as at 30 June 2020 (30 June 2019: nil).

(ii) Contingent assets

Horizon Power did not have any contingent assets as at 30 June 2020 (30 June 2019: nil).

(iii) Contaminated sites

Under the *Contaminated Sites Act 2003*, the Corporation is required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC). In accordance with the Act, DEC classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as contaminated and remediation required or possibly contaminated and investigation required, Horizon Power may have a liability in respect of investigation or remediation expenses. All contaminated sites are provided for as per note 12.

(iv) Asbestos management

A number of the properties, including power stations and residential accommodations, owned by Horizon Power have asbestos containing materials. Horizon Power has a robust management and monitoring process in place for the on-going identification and risk assessment of asbestos hazards and implements safe systems of works during any repair, maintenance and demolition works at these sites. Horizon Power complies with the relevant regulations, including the Code of Practice for the Management and Control of Asbestos in Workplaces and commissions compliance surveys on a regular basis. Our long term objective is the removal of asbestos materials from all our sites.

There is currently no claim against Horizon Power from current or past employees and contractors for illnesses arising from exposure to asbestos that is not covered by RiskCover. Should any claim arise in the future, Horizon Power is likely to be appropriately covered by its workers' compensation and public liability insurance, or RiskCover.

21. Remuneration of auditors

	30 June 2020 $'000	30 June 2019 $'000
Audit of financial statements	**220**	220
	220	220

(i) Audit services

Under the Act, the Auditor General of Western Australian has been appointed Horizon Power's independent auditor. During the year, the above fees were paid, or due and payable, for audit services provided by the Office of Auditor General.

(ii) Non-audit services

Neither the Office of Auditor General nor their agents provided non-audit services during the year ended 30 June 2020 (2019: Nil).

22. Commitments

(a) Capital commitments

	30 June 2020 $'000	30 June 2019 $'000
Within one year	**23,061**	18,545
	23,061	18,545

(i) At 30 June 2020 capital expenditure commitments principally related to Dampier to Karratha Capacity Upgrade ($10,952,000), Esperance Power Station ($2,283,000), Grid Automation ($2,108,000), Roebourne Substation Replacement ($1,218,000), Utility Grade Off Grid SPS ($711,000) and Customer Experience Program ($711,000).

(ii) At 30 June 2019 capital expenditure commitments related to Onslow - DER ($7,600,000), Roy Hill (2,479,000), Utility Grade off Grid ($1,296,000), MPS Esperance Utility Grade ($879,000), SCADA System Replacement ($731,000).

(b) Energy Procurement Commitments

Leases liabilities

Leases relate to the right of control the use of an identified asset for a period of time in exchange consideration in accordance with Australian Accounting Standards Board 16 Leases.

Judgments

Horizon Power has entered into power purchase agreements relating to specific generating facilities and property lease agreements. Horizon Power has assessed whether the agreements is, or contains, a lease.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception, including whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Under certain lease arrangements, Horizon Power has the option to purchase the underlying assets.

22. Commitments (continued)

(b) Energy Procurement Commitments (continued)

	30 June 2020 $'000	30 June 2019 $'000
Commitments in relation to leases are payable as follows:		
Within one year	**60,330**	56,401
Later than one year but not later than five years	**230,397**	220,121
Later than five years	**186,998**	207,057
Minimum lease payments	**477,725**	483,579
Future finance charges	**(150,362)**	(170,108)
Recognised as a liability	**327,363**	313,471
Representing lease liabilities:		
Current (note 13 (b))	**29,963**	25,040
Non-current (note 13 (b))	**297,400**	288,431
	327,363	313,471

Forecast energy procurement requirements are not included in the above commitments.

(c) Other commitments

These commitments consist of contractual obligations in respect of fixed charges relating to the purchase of electricity, gas and renewable energy certificates, which are not defined as lease.

	30 June 2020 $'000	30 June 2019 $'000
Within one year	**124,836**	150,813
Later than one year but not later than five years	**442,482**	554,990
Later than five years	**1,930,694**	1,989,265
	2,498,012	2,695,068

Following the introduction of AASB 16 Leases, last year commitments related to operating leases have been recognised as Right-of-Use assets and Lease Liabilities in the year ended 30 June 2020, including Midwest Power Station and Karratha Gas Pipeline.

22. Commitments (continued)

(d) Other lease commitments

Horizon Power has commitments to property leases as at 30 June 2020. Lease rentals are subject to half yearly and yearly reviews. Horizon Power has elected the practical expedients under AASB 16 Leases on low value and short-term leases to be excluded from being accounted for as right-of-use assets and leases liabilities respectively.

	30 June 2020 $'000	30 June 2019 $'000
Commitments for other lease payable are as follows:		
Within one year	**233**	2,163
Later than one year but not later than five years	**62**	6,015
Later than five years	**56**	5,788
	351	13,966

Following the introduction of AASB 16 Leases, last year commitments related to operating leases have been recognised as Right-of-Use assets and Lease Liabilities in the year ended 30 June 2020, including commercial and residential properties.

23. Economic dependency

A significant portion of Horizon Power's revenue is derived from the Tariff Equalisation Fund (TEF), which is provided in accordance with the *Electricity Industry Act 2004*. Western Power pays money into the TEF in amounts determined by the Treasurer and the Minister for Energy. This money is released to Horizon Power as determined by the Treasurer. Horizon Power has a significant dependency on the sufficient and timely flow of these funds to effectively remain a going concern entity to continue carrying out its objectives, obligations and commitments in the foreseeable future. Horizon Power began receiving revenue from the Tariff Equalisation Fund from October 2006.

24. Subsequent Events

There has not arisen in the interval between the end of the reporting period and the date of this report any matter or circumstance likely, in the opinion of the Horizon Power Board, to affect significantly the operations of Horizon Power, the results of those operations, or the state of affairs of Horizon Power in subsequent reporting periods.

Directors' Declaration

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

In the opinion of the Directors:

a) the financial statements and notes of the Corporation are in accordance with Schedule 4 of the *Electricity Corporations Act 2005*, including:

   i. giving a true and fair view of the Corporation's financial position as at 30 June 2020 and of its performance for the 12-month period ended on that date; and

   ii. complying with Accounting Standards, AASB Interpretations and Corporations Regulations; and

b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable

On behalf of the Board

Samantha Tough

Samantha Tough
Chairperson

Peter Oates
Deputy Chairperson

9 September 2020

Independent Auditor's Report

Auditor General

To the Parliament of Western Australia

Regional Power Corporation Trading as Horizon Power

Opinion

I have audited the financial report of regional Power Corporation trading as Horizon Power (the Corporation), which comprises the Statement of Financial Position as at 30 June 2020, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- giving a true and fair view of the Corporation's financial position as at 30 June 2020 and of its performance for the year then ended; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Corporation in accordance with the Auditor General Act 2006 and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics of Professional Accountants* (the Code) that are relevant to my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibility of the Directors for the Financial Report

The directors of the Corporation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and schedule 4 of the *Electricity Corporations Act 2005*. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Corporation.

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of my responsibilities for the audit of the financial statements is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of my auditor's report.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Corporation for the year ended 30 June 2020 included on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on the website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

CAROLINE SPENCER
AUDITOR GENERAL FOR WESTERN AUSTRALIA
Perth, Western Australia
14 September 2020

HORIZON POWER

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Owned by the people of WA