Esperance Power Project solar farm

Regional Power Corporation trading as Horizon Power Financial Statements

For the year ended 30 June 2021

ABN: 57 955 011 697

Table of Contents

Statement of Comprehensive Income	103
Statement of Financial Position	104
Statement of Changes in Equity	105
Statement of Cash Flows	106
Notes to the Financial Statements	108
Directors' Declaration	151
Independent Auditor's Report	152

Statement of Comprehensive Income

	Notes	30 June 2021 $'000	30 June 2020 $'000
Revenue	1	353,535	364,976
Other Income	2	185,076	171,083
Total income		538,611	536,059
Electricity and fuel purchases	3(b)	(226,936)	(238,256)
Employee benefits expense	3(b)	(71,510)	(65,469)
Materials and services	3(b)	(47,996)	(53,500)
Depreciation and amortisation expense	3(b)	(99,066)	(96,467)
Other expenses	3(b)	(11,082)	(8,178)
Finance costs	3(b)	(57,885)	(62,366)
Profit before income tax equivalent expense		24,136	11,823
Income tax equivalent expense	4(b)	(7,184)	(2,915)
Profit for the year		16,952	8,908
Other comprehensive income			
Items not to be reclassified subsequently to profit or loss			
Re-measurement of defined benefits plan		131	(80)
Tax equivalent on re-measurement of defined benefits plan	4(d)	(39)	24
		92	(56)
Other comprehensive loss for the year, net of tax equivalent		92	(56)
Total comprehensive income for the year		17,044	8,852

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

Statement of Financial Position

	Notes	30 June 2021 $'000	30 June 2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	144,868	89,919
Receivables	7	40,811	45,659
Current tax equivalent assets	5	1,633	6,412
Inventories	8	11,605	11,269
Intangible assets	9	1,173	1,659
Derivative financial instruments		1,469	-
Other current assets		3,308	3,999
Total current assets		204,867	158,917
Non-current assets			
Property, plant and equipment	10	1,565,812	1,576,026
Intangible assets	9	32,749	22,268
Investment in joint venture	17	518	-
Other non-current assets		3,639	2,884
Deferred tax equivalent assets	5	44,797	41,785
Total non-current assets		1,647,515	1,642,963
Total assets		1,852,382	1,801,880
LIABILITIES			
Current liabilities			
Payables	11	78,722	74,717
Provisions	12	19,156	19,104
Derivative financial instruments		-	1,897
Contract liabilities	11	9,813	6,722
Interest bearing liabilities	13	89,728	61,509
Total current liabilities		197,419	163,949
Non-current liabilities			
Payables	11	70,444	72,235
Provisions	12	13,549	11,475
Retirement benefit obligations		1,364	1,552
Interest bearing liabilities	13	963,325	956,750
Total non-current liabilities		1,048,682	1,042,012
Total liabilities		1,246,101	1,205,961
Net assets		606,281	595,919
EQUITY			
Contributed equity	15	392,097	392,097
Retained earnings		214,184	203,822
Total equity		606,281	595,919

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 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		-	(2,424)	(2,424)
Total		17,050	(2,424)	14,626
Balance at 30 June 2020		392,097	203,822	595,919
Balance at 1 July 2020		**392,097**	**203,822**	**595,919**
Profit for the year		**-**	**16,952**	**16,952**
Other comprehensive profit, net of tax equivalent		**-**	**92**	**92**
Total comprehensive income for the year		**-**	**17,044**	**17,044**
Transactions with owners in their capacity as owners:				
Net contributions of equity, net of transaction costs and tax equivalent	**15**	**-**	**-**	**-**
Dividends paid		**-**	**(6,682)**	**(6,682)**
Total		**-**	**(6,682)**	**(6,682)**
Balance at 30 June 2021		**392,097**	**214,184**	**606,281**

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

Statement of Cash Flows

	Notes	**30 June 2021 $'000**	30 June 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**381,529**	406,156
Developer and customer contributions		**8,747**	10,099
Receipts from Tariff Equalisation Fund		**185,000**	171,000
Net GST and Fuel Tax Credits received		**10,043**	8,867
Interest received		**106**	214
Payments to suppliers and employees (inclusive of goods and services tax)		**(459,850)**	(488,212)
Finance costs paid		**(23,529)**	(24,463)
Receipts/(payments) for financial assets at fair value through profit or loss		**(279)**	1,712
Income taxes equivalent paid		**(5,456)**	(8,763)
Net cash inflow from operating activities	6(c)	**96,311**	76,610
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**76**	141
Payments for property, plant and equipment		**(95,339)**	(71,711)
Investment in joint venture		**(499)**	-
Net cash outflow used in investing activities		**(95,762)**	(71,570)
Cash flows from financing activities			
Proceeds from borrowings		**95,000**	232,693
Repayment of borrowings		**(33,908)**	(240,497)
Dividends paid		**(6,682)**	(2,424)
Net proceeds from contributed equity		**-**	17,050
Customer Extension Scheme - refunds		**(10)**	(106)
Net cash inflow from financing activities		**54,400**	6,716
Net increase in cash and cash equivalents		**54,949**	11,756
Cash and cash equivalents at the beginning of the financial year		**89,919**	78,163
Cash and cash equivalents at end of year	6(b)	**144,868**	89,919

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

Contents of the notes to the financial statements

Basis of Preparation **108**
Corporation Information 108
Basis of accounting 108
Significant accounting estimates and judgments 109
New and amended accounting standards and interpretations 110

Profit for the reporting year **113**
1. Revenue 113
2. Other Income 115
3. Expenses 115
4. Income tax equivalent expense 117

Operational assets and liabilities **120**
5. Tax equivalent assets and liabilities 120
6. Cash and cash equivalents 122
7. Receivables 123
8. Inventories 127
9. Intangible assets 127
10. Property, plant and equipment 130
11. Payables 134
12. Provisions 135
13. Interest-bearing liabilities 138
14. Financial risk management 140

Equity **144**
15. Contributed equity 144
16. Dividends 144
17. Interests in joint operations and joint venture 145

Other information **146**
18. Key management personnel remuneration 146
19. Related party transactions 146
20. Contingencies 148
21. Remuneration of auditors 148
22. Commitments 149
23. Economic dependency 150
24. Subsequent Events 150

Directors' declaration **151**

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 2021, were authorised for issue in accordance with a resolution of the Directors on 7 September 2021. 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's 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 as well as the *Electricity Corporations Act 2005*.

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 2019 to 30 June 2020.

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 prevailing 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 prevailing 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.

- Unbilled Sales (Note 1(c)).
- 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

Horizon Power has applied the following standards and amendments for the first time for its annual reporting period commencing 1 July 2020:

Reference	Title	Summary	Application date of standard	Impact on Entity Financial Report	Application date for Entity
AASB 2018-7	**Amendments to Australian Accounting Standards – Definition of Materiality [AASB 101 and AASB 108]**	The AASB has made amendments to AASB 101 Presentation of Financial Statements and AASB 108 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 AASB 101 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 these amendments did not have a material impact on Horizon Power.	1 July 2020
AASB 2019-3	**Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform – [AASB 7, AASB 9 and AASB 139]**	The amendments made to AASB 7 Financial Instruments: Disclosures, AASB 9 Financial Instruments and AASB 139 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.	1 January 2020	The adoption of these amendments did not have a material impact on Horizon Power.	1 July 2020

Horizon Power also elected to adopt the following amendments early:

Reference	Title	Summary	Application date of standard	Impact on Entity Financial Report	Application date for Entity
AASB 2020-1	**Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current [AASB 101]**	The narrow-scope amendments to AASB 101 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waver or a breach of covenant). The amendments also clarify what AASB 101 means when it refers to the 'settlement' of a liability.	1 January 2023	Horizon Power already classify liabilities as non-current when rights exist to extend those liabilities at the end of the reporting period.	1 July 2023
AASB 2020-6	**Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date [AASB 101]**	The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.			

New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been adopted early by Horizon Power. The assessment of the impact of these new standards and interpretations is set out below. These standards are not expected to have a material impact on the Corporation in the current or future reporting periods or on foreseeable future transactions.

Reference	Title	Summary	Application date of standard	Impact on Entity Financial Report	Application date for Entity
AASB 2020-8	**Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform Phase 2 [AASB 9, AASB 139, AASB 7, AASB 4 and AASB 16]**	In September 2020, the AASB made further amendments to AASB 9, AASB 139, AASB 7, AASB 4 and AASB 16 to address issues that arise during the reform of an interest rate benchmark (IBOR), including the replacement of one benchmark with an alternative. The amendments: • provide practical expedients to account for changes in the basis for determining contractual cash flows as a result of IBOR reform under AASB 9, AASB 4 and AASB 16 • provide additional temporary reliefs from applying specific hedge accounting requirements to hedging relationships that are directly affected by IBOR reform, and • require additional disclosures, including information about new risks arising from the IBOR reform, how the entity manages transition to the alternative benchmark rate(s) and quantitative information about derivatives and non-derivatives that have yet to transition. Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries with foreign debt exposures.	1 January 2021	The adoption of these amendments will not have a material impact on Horizon Power.	1 July 2021

Reference	Title	Summary	Application date of standard	Impact on Entity Financial Report	Application date for Entity
AASB 2020-3	**Amendments to Australian Accounting Standards – Annual Improvements to IFRS Standards 2018–2020 and Other Amendments [AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 and AASB 141]**	• AASB 116 Property, Plant and Equipment (PP&E) – prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. • AASB 137 – clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022	The adoption of these amendments will not have a material impact on Horizon Power.	1 July 2022

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 of Western Australia (State Government), that are not in the commercial interests of Horizon Power. Where the State 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;
- Remote Essential Services Operating Subsidies;
- 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 developer and customer contributions toward the extension of electricity infrastructure to facilitate network connection. 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 within a subdivision;
- Handover works - developers have the option to independently construct electricity infrastructure within a subdivision. Upon approval by Horizon Power of the completed work, these network assets are vested in Horizon Power; and
- Upgrade and new connections - customers (including generators) 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.

1. Revenue (continued)

(a) Accounting policy (continued)

(iv) Developer and customer contributions (continued)

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

(v) Network revenue

Network revenue is recognised when the service is provided to the customer, which is at the time the network is used. The consideration invoiced for network services consists mainly of fixed access charge.

(vi) Revenue from contract works

Revenue from contract works is recognised at the time the product or services have been delivered to the customer.

(vii) Revenue from grants

Grants are recognised upon achievement of funding agreement milestones.

(b) Amounts recognised in Statement of Comprehensive Income

	30 June 2021 $'000	30 June 2020 $'000
Revenue consists of the following items:		
Sale of electricity	**322,897**	327,413
Community service obligations revenue	**6,098**	13,040
Developer and customer contributions	**2,139**	5,921
Network revenue	**12,535**	12,943
Revenue from contract works	**2,538**	1,671
Grants	**1,438**	522
Unrealised hedging gain	**1,469**	-
Others	**4,421**	3,466
	353,535	364,976

(c) Critical accounting judgments

Sale of electricity includes billed and unbilled sales. Following the rollout of the Advanced Metering Infrastructure, 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 2021 $'000	30 June 2020 $'000
Tariff Equalisation Fund	**185,000**	171,000
Gain on disposal of property, plant and equipment	**76**	83
	185,076	171,083

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 accrual basis.

(ii) Finance costs

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 2021 $'000	30 June 2020 $'000
Electricity and fuel purchases		
Electricity purchases	**175,413**	183,106
Fuel purchases	**51,140**	54,832
Water purchases	**383**	318
Total electricity and fuel purchases	**226,936**	238,256
Employee benefits expense		
Salaries, wages and allowances	**49,547**	46,652
Superannuation	**7,065**	6,442
Annual leave	**4,885**	4,227
Long service leave	**2,534**	1,811
Other related expenses	**7,479**	6,337
Total employee benefits expenses	**71,510**	65,469
Materials and services		
Contracted services	**23,835**	25,736
Materials	**6,965**	6,756
IT Services	**6,798**	7,471
Consultant services	**4,505**	6,805
Customer services	**2,793**	2,709
Other services	**3,100**	4,023
Total materials and services	**47,996**	53,500
Depreciation		
Plant and equipment	**58,758**	59,216
Right-of-use assets	**29,680**	28,860
Buildings	**2,459**	2,440
Total depreciation	**90,897**	90,516
Amortisation		
Computer software	**8,169**	5,951
Total amortisation	**8,169**	5,951
Total depreciation and amortisation	**99,066**	96,467
Other expenses		
Property expenses	**4,840**	4,220
Provision for impairment of receivables	**1,624**	3,546
Loss on disposal of property, plant and equipment	**-**	47
Other	**4,618**	365
Total other expenses	**11,082**	8,178
Finance costs		
Lease liability interest	**30,583**	33,199
Interest on debts	**22,826**	24,534
Unwinding of discount on decommissioning provision	**86**	142
Unwinding of discount on contributory extension scheme	**4**	9
Interest Other	**4,386**	4,482
Total finance costs	**57,885**	62,366

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.

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.

Unrecognised 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.

4. Income tax equivalent expense (continued)

(a) Accounting policy (continued)

(i) National Taxation Equivalent Regime and other taxes (continued)

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 2021 $'000	30 June 2020 $'000
Current tax	**10,723**	4,829
Deferred tax	**(2,841)**	(719)
Adjustments for net deferred tax assets and liabilities of prior period	**(171)**	1,033
Adjustments for current tax of prior periods	**(527)**	(2,228)
	7,184	2,915
Deferred income tax equivalent expense/(benefit) included in income tax equivalent expense comprises:		
Decrease in deferred tax equivalent assets (Note 5(b)(i))	**5,776**	7,525
Decrease in deferred tax equivalent liabilities (Note 5(b)(ii))	**(8,617)**	(8,244)
	(2,841)	(719)

4. Income tax equivalent expense (continued)

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

	30 June 2021 $'000	30 June 2020 $'000
Profit before income tax equivalent expense	**24,136**	11,823
Tax at the Australian tax rate of 30.0% (2020 - 30.0%)	**7,241**	3,547
Non-temporary tax adjustments:		
Research and Development non-deductible depreciation	**601**	521
Non-deductible and other	**40**	42
Adjustments for net deferred tax assets and liabilities of prior period	**(171)**	1,033
Adjustments for current tax of prior periods	**(527)**	(2,228)
Total income tax equivalent expense	**7,184**	2,915

(d) Amounts recognised directly in other comprehensive income

	30 June 2021 $'000	30 June 2020 $'000
Deferred tax equivalent arising in the reporting period and not recognised in profit/(loss) but directly credited to other comprehensive income:		
Net deferred tax equivalent - recognised directly in other comprehensive income, in relation to:		
– Re-measurement on defined benefit plans	**(39)**	24
	(39)	24

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 2021 $'000	30 June 2020 $'000
The balance comprises temporary differences attributable to:		
Lease liabilities	**90,320**	98,209
Provisions	**11,901**	11,210
Community service obligation	**3,254**	629
Property, plant and equipment	**25**	25
	105,500	110,073
Other		
Accruals	**214**	419
Contributory extension scheme	**153**	151
Other	**(480)**	519
Sub-total other	**(113)**	1,089
Total deferred tax assets	**105,387**	111,162
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 5(b)(ii))	**(60,590)**	(69,377)
Net deferred tax assets	**44,797**	41,785

	30 June 2021 $'000	30 June 2020 $'000
Movements:		
Opening balance	**111,162**	106,344
Transition to AASB 16 Leases	**-**	12,343
Charged to profit or loss (Note 4(b))	**(5,776)**	(7,525)
Adjustments for deferred tax equivalent assets of prior periods	**1**	-
	105,387	111,162

5. Tax equivalent assets and liabilities (continued)

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

(ii) Deferred tax equivalent liabilities

	30 June 2021 $'000	30 June 2020 $'000
The balance comprises temporary differences attributable to:		
Right-of-use assets	**60,316**	67,637
Other	**274**	1,740
Total deferred tax equivalent liabilities	**60,590**	69,377
Set-off of deferred tax equivalent assets pursuant to set-off provisions (Note (5(b)(i))	**(60,590)**	(69,377)
Net deferred tax equivalent liabilities	**-**	-

	30 June 2021 $'000	30 June 2020 $'000
Movements		
Opening balance at 1 July	**69,377**	64,245
Transition to AASB 16 Leases	**-**	12,343
Credited to profit or loss (Note 4(b))	**(8,617)**	(8,244)
Adjustments for deferred tax liabilities of prior periods	**(170)**	1,033
	60,590	69,377

(iii) Current tax equivalent asset

	30 June 2021 $'000	30 June 2020 $'000
Income tax equivalent asset	**1,633**	6,412
	1,633	6,412

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 2021 $'000	30 June 2020 $'000
Cash in operational accounts	**136,868**	74,919
Short-term investment deposits	**8,000**	15,000
	144,868	89,919

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

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

	30 June 2021 $'000	30 June 2020 $'000
Profit for the year	**16,952**	8,908
Depreciation and amortisation	**99,066**	96,467
Gifted assets	**-**	(707)
Share of profit from joint venture	**(19)**	-
Net gain on sale of non-current assets	**(76)**	(35)
Impairment of receivables	**1,624**	3,546
Changes in operating assets and liabilities:		
Receivables	**2,655**	20,179
Inventories	**(335)**	31
Other current assets	**1,174**	(428)
Payables	**(28,244)**	(43,742)
Other current liabilities	**3,084**	(2,876)
Derivatives	**(3,366)**	1,712
Tax assets and liabilities	**1,766**	(5,872)
Employee provisions	**145**	338
Other provisions	**1,885**	(911)
Net cash inflow from operating activities	**96,311**	76,610

As at 30 June 2021, Horizon Power has a net current asset position of $7,448,000 (2020 net current liability: $5,032,000). 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 over the next 12 months from the date the financial statements were authorised for issue. In addition, under a Master Lending Agreement with the Western Australian Treasury Corporation, Horizon Power's borrowing facilities at 30 June 2021 amounted to $839,921,000, including a working capital facility of $30,000,000.

6. Cash and cash equivalents (continued)

(d) Non-cash investing and financing activities

	30 June 2021 $'000	30 June 2020 $'000
Additions to Right-of-Use assets (Note 10(b))	**2,215**	42,029
Gifted assets (Note 10(b))	**-**	707
	2,215	42,736

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 Financial Instruments simplified approach to measuring expected credit losses which use 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 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 has been provided.

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 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 uncollectible 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'.

7. Receivables (continued)

(b) Amounts recognised in Statement of Financial Position

	30 June 2021 $'000	30 June 2020 $'000
Receivables		
Receivables - energy - billed	**19,862**	18,140
Receivables - energy - unbilled (i)	**20,760**	20,011
Total receivables energy	**40,622**	38,151
Allowance for impairment of receivables – energy	**(4,791)**	(4,398)
	35,831	33,753
Receivables - non-energy	**3,377**	2,693
Allowance for impairment of receivables - non-energy	**(811)**	(836)
	2,566	1,857
Other receivables (Note 7(d))	**2,414**	10,049
Total receivables	**40,811**	45,659

(i) Receivables - energy incorporate amounts attributable to 'unbilled sales'. Following the rollout of the Advanced Metering Infrastructure, 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.

7. Receivables (continued)

(c) Impaired trade receivables

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

	30 June 2021 $'000	30 June 2020 $'000
At 1 July	5,234	4,480
Allowance for impairment recognised during the year	1,624	3,546
Receivables written off during the year as uncollectable	(1,256)	(2,792)
At 30 June	5,602	5,234

The creation and release of 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.

The loss allowance as at 30 June 2021 was determined as follows for both trade receivables and unbilled amounts:

30 June 2021

Energy

Status	Total Energy Receivables $'000	Expected Loss Rate	Loss Allowance $'000
Not overdue	15,279	0.3%	48
Overdue			
Pre-disconnection	15,286	5.3%	808
Post-disconnection	6,584	20.2%	1,331
Special dispensation	1,662	55.4%	921
With collection agents	854	85.0%	726
Not recoverable	957	100.0%	957
Total	40,622	11.8%	4,791

Non-energy

Status	Total Non-energy Receivables $'000	Expected Loss Rate	Loss Allowance $'000
Not overdue	1,942	1.0%	20
Overdue			
Government and related entities	25	0.0%	0
Low to moderate risk	478	6.9%	33
High risk	574	69.7%	400
Not recoverable	358	100.0%	358
Total	3,377	24.0%	811

7. Receivables (continued)

(c) Impaired trade receivables (continued)

30 June 2020

Energy

Status	Total Energy 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

Non-energy

Status	Total Non-energy 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

(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 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 of inventories is based on the weighted average cost principle, and includes cost incurred in bringing inventories to their present location and condition.

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 2021 $'000	30 June 2020 $'000
Materials	**10,770**	10,334
Fuel	**835**	935
Total inventories	**11,605**	11,269

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) Computer software

Computer software expenditure is capitalised at historical cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is included in intangible assets only when it is probable the item associated with the cost will generate future economic benefits and the expenditure can be measured reliably.

Internally generated computer software is recognised only if an asset is created that can be identified; it is probable the asset created will generate future economic benefits; and the development cost of the asset can be measured reliably. Where no internally generated asset can be recognised the development cost is expensed to the profit or loss.

(ii) Patents, trademarks and other rights

Patents, trademarks and other rights are capitalised at historical cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is included in intangible assets only when it is probable the item associated with the cost will generate future economic benefits and the expenditure can be measured reliably.

9. Intangible assets (continued)

(a) Accounting policy (continued)

(iii) 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 REC's liability is extinguished by surrendering an equivalent number of RECs, with a penalty applying for any shortfall. Horizon Power has a contract with the Electricity Retail and Generation Corporation, trading as Synergy, for the acquisition of RECs. Horizon Power's liability is based on actual volume of electricity acquired for the last calendar year multiplied by ORER-specified Renewable Power Percentage for that year. RECs purchased from external sources are recognised as intangible assets at their purchase price.

(iv) 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.

(v) Disposal of assets

An intangible asset is de-recognised 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.

9. Intangible assets (continued)

(b) Amounts recognised in Statement of Financial Position

(i) Current assets

Renewable energy certificates	30 June 2021 $'000	30 June 2020 $'000
Opening balance	**1,659**	3,395
Additions	**9,749**	10,321
Surrendered	**(10,235)**	(12,057)
Closing balance	**1,173**	1,659

(ii) Non-current assets

	Patents, trademarks and other rights $'000	Computer software $'000	Total $'000
Year ended 30 June 2021			
Opening carrying amount	**1**	**22,267**	**22,268**
Transfers from WIP	**-**	**18,650**	**18,650**
Amortisation charge	**(1)**	**(8,168)**	**(8,169)**
Closing carrying amount	**-**	**32,749**	**32,749**
At 30 June 2021			
Cost	**19**	**98,654**	**98,673**
Accumulated amortisation	**(19)**	**(65,905)**	**(65 ,924)**
Carrying amount	**-**	**32,749**	**32,749**
Year ended 30 June 2020			
Opening carrying amount	1	14,865	14,866
Transfers from WIP	-	13,353	13,353
Amortisation charge	-	(5,951)	(5,951)
Closing carrying amount	1	22,267	22,268
At 30 June 2020			
Cost	19	80,004	80,023
Accumulated amortisation	(18)	(57,737)	(57,755)
Carrying amount	1	22,267	22,268

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 attributed to the asset 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 Borrowing Costs.

(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 assets 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
- 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 de-recognised 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 de-recognised.

10. Property, plant and equipment (continued)

(a) Accounting policy (continued)

(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.

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 the recoverable amount. The assessment includes an evaluation of conditions specific to Horizon Power and to the particular asset that may lead to impairment and includes 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 2021 (2020: nil).

Climate Change

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

Carbon Pricing

At 30 June 2021 Horizon Power reports include estimated circa $0.5 billion of assets that generate or relate to CO_2 emissions, including owned and leased electricity generation assets (including power purchase agreements). The introduction of Carbon Pricing or Carbon Tax might have a potential impact on either the value or remaining useful economic life of these assets. However, as of 30 June 2021, the likelihood of the introduction of a carbon energy reform is considered remote and the shape of future arrangements is not clear.

Meanwhile, Horizon Power will continue to monitor its carbon emissions and will aim to reduce emissions by energy transformation. One of the key Horizon Power Guiding Principles is to improve the shared environment for the future, by finding cleaner, greener energy solutions and to reduce the carbon intensity.

10. Property, plant and equipment (continued)

(a) Accounting policy (continued)

(vii) Impairment of assets (continued)

Chronic 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 chronic nature.

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 2021 (2020: nil).

(viii) Right-of-use assets

Recognition and Measurement

Horizon Power assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Horizon Power recognises right-of-use (ROU) assets at the commencement date of the lease. ROU assets are measured at cost, net of accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Horizon Power has lease contracts for power purchase agreements and office and residential properties. Horizon Power also has leases of equipment with terms of less than 12 months or with low value, to which Horizon Power applies the short-term and lease of low-value recognition exemptions.

ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Power purchase agreements	based on term of contract (10 to 20 years)
• Office and residential properties	2 – 10 years

10. Property, plant and equipment (continued)

(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 2021							
Opening carrying amount	12,115	52,517	1,187,783	98,154	211,487	13,970	1,576,026
Additions	-	-	868	93,187	-	2,215	96,270
Transfers	-	276	67,142	(86,068)	-	-	(18,650)
Lease adjustments	-	-	-	-	3,063	-	3,063
Depreciation charge	-	(2,459)	(58,758)	-	(28,129)	(1,551)	(90,897)
Closing carrying amount	12,115	50,334	1,197,035	105,273	186,421	14,634	1,565,812
At 30 June 2021							
Cost	12,115	75,567	1,721,926	105,273	503,266	17,220	2,435,367
Accumulated depreciation	-	(25,233)	(524,891)	-	(316,845)	(2,586)	(869,555)
Carrying amount	12,115	50,334	1,197,035	105,273	186,421	14,634	1,565,812

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 2021 was nil (2020: $707,000).

Plant and equipment include capitalised decommissioning costs of $ 4,603,000 (2020: $4,596,000).

	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 carrying amount	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 book amount	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 book amount	12,115	52,517	1,187,783	98,154	211,487	13,970	1,576,026

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 [CES]), their carrying value approximates their fair value.

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 2021 $'000	30 June 2020 $'000
Payables	73,441	73,315
Contributory extension scheme payables	693	668
Other payables	4,588	734
	78,722	74,717
Contract liabilities	9,813	6,722

(ii) Non-current liabilities

	30 June 2021 $'000	30 June 2020 $'000
Contract liabilities	70,437	72,196
Contributory extension scheme payables	7	39
	70,444	72,235

Contract liabilities under Non-current liabilities refer to upfront payments for the use of Horizon Power's network assets and are amortised over the term of the agreements.

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 12 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*

Estimates 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 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)

(i) Employee benefits (continued)

- *Termination benefits*

Termination benefits are payable when employment is terminated by the Corporation 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.

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.

12. Provisions (continued)

(b) Amounts recognised in Statement of Financial Position

Current liabilities	30 June 2021 $'000	30 June 2020 $'000
Long service leave	7,189	6,890
Annual leave	5,153	4,358
Decommissioning and rehabilitation	2,028	3,722
Other provisions	4,786	4,134
	19,156	19,104

Non-Current liabilities	30 June 2021 $'000	30 June 2020 $'000
Long service leave	1,828	1,414
Decommissioning and rehabilitation	11,400	9,816
Other provisions	321	245
	13,549	11,475

Movements in provisions - decommissioning and rehabilitation	30 June 2021 $'000	30 June 2020 $'000
Carrying amount at start of year	13,538	15,139
Payments/other sacrifices of economic benefits	(1,064)	(2,500)
Changes in assumptions	868	757
Unwinding of discount	86	142
Carrying amount at end of year	13,428	13,538
Comprised of:		
Current	2,028	3,722
Non-Current	11,400	9,816
	13,428	13,538

Movements in provisions – other provisions	30 June 2021 $'000	30 June 2020 $'000
Carrying amount at start of year	4,379	3,569
Additional provisions recognised	4,005	1,839
Payments/other sacrifices of economic benefits	(3,277)	(1,029)
Carrying amount at end of year	5,107	4,379
Comprised of:		
Current	4,786	4,134
Non-Current	321	245
	5,107	4,379

12. Provisions (continued)

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

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 2021 $'000	30 June 2020 $'000
Annual Leave		
Annual leave expected to be settled within 12 months	3,674	3,106
Annual leave expected to be settled after 12 months	1,479	1,252
	5,153	4,358

	30 June 2021 $'000	30 June 2020 $'000
Long Service Leave		
Long service leave expected to be settled within 12 months	2,673	2,550
Long service leave expected to be settled after 12 months	6,344	5,754
	9,017	8,304

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) Leases

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 at an amount 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 the 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.

13. Interest-bearing liabilities (continued)

(a) Accounting policy (continued)

(i) Leases (continued)

In accordance to AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, Horizon Power has elected to treat modifications to lease arrangements 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 2021 $'000	30 June 2020 $'000
Secured		
WATC loans (i)	**55,000**	31,546
Unsecured		
Lease liabilities (Note 21 (b))	**34,728**	29,963
	89,728	61,509

Non-Current liabilities	30 June 2021 $'000	30 June 2020 $'000
Secured		
WATC loans (ii)	**696,988**	659,350
Unsecured		
Lease liabilities (Note 21 (b))	**266,337**	297,400
	963,325	956,750

(i) The fair value of WATC current loans is $55,003,000 (2020: $31,552,000).

(ii) The fair value of WATC Non-current loans is $729,259,000 (2020: $708,355,000).

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 2021, the non-current WATC loans of $721,988,000 included an amount of $104,153,000 that will become due and payable during the 2021/2022 reporting year. It is Horizon Power's expectation that this amount will be refinanced under the master lending agreement rather than repaid, and therefore 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, is contained within the Western Australian State Budget handed down in December 2020.

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 2021 $'000	30 June 2020 $'000
Financial assets		
Cash and cash equivalents	**144,868**	89,919
Trade and other receivables	**40,811**	45,659
Derivative financial instruments	**1,469**	-
	187,148	135,578
Financial liabilities		
Payables	**78,722**	74,717
Derivative financial instruments	**-**	1,897
Interest bearing liabilities	**1,053,053**	1,018,259
	1,131,775	1,094,873

(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 dollars (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 United States dollars (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 2021 Horizon Power has economically hedged 64,207 barrels at an average price of AUD $81.49 per barrel.

Sensitivity

At 30 June 2021, if commodity prices had decreased/increased by 10% 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 not been 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. Borrowings with floating debts, including a working capital facility of $30 million, have variable interest rates linked to movements in Reserve Bank of Australia rates. 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 exposed to Australian variable interest rate risk.

	30 June 2021		30 June 2020	
	Weighted average interest rate %	**Balance $'000**	Weighted average interest rate %	Balance $'000
Financial Assets				
Cash and cash equivalents	**0.09%**	**144,868**	0.4%	89,919
Financial Liabilities				
WATC Loans	**1.03%**	**(86,734)**	1.11%	(66,790)
Net exposure to cash flow interest rate risk		**58,134**		23,129

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 marketplace.

14. Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

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 2021, 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 not been 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 is detailed in Note 7(c).

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.

14. Financial risk management (continued)

(c) Liquidity risk

Horizon Power's objective is to ensure adequate funding is available at all times, to meet the commitments 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 2021	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	**106,344**	**318,580**	**354,641**	**779,565**
Lease liabilities	**34,728**	**153,174**	**113,163**	**301,065**
Trade and other payables	**73,224**	**-**	**-**	**73,224**
Other financial liabilities	**693**	**7**	**-**	**700**
Total liabilities	**214,989**	**471,761**	**467,804**	**1,154,554**

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
Leases	29,963	143,833	153,567	327,363
Trade and other payables	72,851	-	-	72,851
Derivatives	1,897	-	-	1,897
Other financial liabilities	668	39	-	707
Total liabilities	221,324	495,117	453,697	1,170,138

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 State 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, is designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

(b) Amounts recognised in Statement of Financial Position

	30 June 2021 $'000	30 June 2020 $'000
Opening Balance	**392,097**	375,047
Equity contribution during the financial year	**-**	17,050
Total contributed equity at the end of the financial year (i)	**392,097**	392,097

(i) In the year ended 30 June 2021 and 30 June 2020, the increase in contributed equity was in respect of the following:

	30 June 2021 $'000	30 June 2020 $'000
Mid-West Pipeline Joint Venture	**-**	17,050
Total increase in contributed equity	**-**	17,050

16. Dividends

Horizon Power's dividend policy is to pay 75% 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 2021 $'000	30 June 2020 $'000
Final dividend for previous financial year	**1,522**	1,324
Interim dividend for previous financial year	**5,160**	-
Special dividend	**-**	1,100
Dividends paid	**6,682**	2,424

17. Interests in joint operations and joint venture

(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.

To the extent the joint arrangement provides Horizon Power with rights to the individual assets and obligations arising from the joint arrangement, the arrangement is classified as a joint operation, and as such Horizon Power recognises its share of the operations assets, liabilities, revenue and expenses, including those incurred jointly. To the extent the joint arrangement provides Horizon Power with rights to the net assets of the arrangement, the investment is classified as a joint venture and accounted for using the equity method.

Jointly controlled operations

Jointly controlled operations	Principal activity	% of ownership interest
Mid-West Pipeline Joint Venture	Gas transportation in the Mid-West and Hill 60 Pipelines	50%

Horizon Power has a 50% ownership interest in the Mid-West Pipeline pursuant to an unincorporated Joint Venture Agreement dated 13 January 1999. The remaining 50% interest is owned by APT Pipelines (WA) Pty Limited. The Mid-West pipeline is a 376 km natural gas pipeline that extends from the Dampier to Bunbury Natural Gas Pipeline to the town of Mount Magnet and to the Windimurra Vanadium Project.

Horizon Power's assets employed in the above jointly controlled operations have been fully depreciated as at 30 June 2019.

Interests in joint venture

Name of entity	Principal activity	% of ownership interest
Boundary Power Pty Ltd	Manufacture and sale of Standalone Power Systems	50%

Boundary Power Pty Ltd, was established in November 2020 as a 50%/50% Incorporated Joint Venture with Ampcontrol Ltd.

The movement in the net carrying value of investment in Boundary Power Pty Ltd is shown below:

	$'000
Balance as at 1 July 2020	-
Investment	499
Share of profit for the year	19
Balance as at 30 June 2021	518

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 2021 $'000	30 June 2020 $'000
Short-term employee benefits	**3,115**	2,418
Post-employment benefits	**229**	231
Payment of unused leave on termination	**-**	228
Payment in lieu of notice	**-**	77
Termination benefits	**-**	467
Total compensation of key management personnel	**3,344**	3,421

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:

	Details of Transactions	Transactions during 2020/21 Payment $'000	Receipt $'000	Amount owed by Horizon Power $'000	Commitments $'000	Refer to Note
Joint Venture						
Boundary Power Pty Ltd	Purchase of Standalone Power Systems	1,300	-	-	7,926	
	Equity investment	499	-	-	-	Note 17
Government Entities						
Western Power	Purchase of inventories	4,485	-	59	409	
	Purchase of services	1,286	-	-	81	
	Sale of services	-	2,822	-	-	
Synergy	Purchase of power	24,172	-	20	-	
	Sale of services	-	712	-	-	
Western Australia Treasury Corporation	Debts	33,908	95,000	751,988	-	Note 13
	Finance Costs	23,119	7	-	-	Note 3
	Services	95	70	-	46	
Water Corporation	Water supply	654	233	-	83	
Department of Treasury	Tariff Equalisation Fund	-	185,000	-	-	Note 2 (b)
	Community Service Obligations	-	14,328	-	-	
	WA Government's residential and small business and charity COVID-19 relief measures	-	27,697	-	-	Note 15
Other Related Parties						
Esperance Tjaltjraak Native Title Aboriginal Corporation	Payment for services received from related party such as training	55	-	-	-	
Australian Renewable Energy Agency (ARENA)	Grant received from related party	-	441	-	-	

Horizon Power had no material related party transactions with Ministers, Senior Officers or their close family members or their controlled or jointly controlled entities, other than as disclosed above.

20. Contingencies

(i) Contingent liabilities

Horizon Power did not have any contingent liabilities as at 30 June 2021 (30 June 2020: nil).

(ii) Contingent assets

Horizon Power did not have any contingent assets as at 30 June 2021 (30 June 2020: 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 ongoing 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 2021 $'000	30 June 2020 $'000
Audit of financial statements	225	220
	225	220

(i) Audit services

Under the Act, the Auditor General of Western Australian has been appointed as Horizon Power's independent auditor. During the year, the above fees were paid, or are before 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 2021 (2020: Nil).

22. Commitments

(a) Capital commitments

	30 June 2021 $'000	30 June 2020 $'000
Within one year	**44,248**	23,061
	44,248	23,061

(i) At 30 June 2021, capital expenditure commitments principally related to Standalone Power Systems ($8,935,000), Energy Storage in Regional Towns ($6,138,000), Denham Power Station ($4,886,000), Denham Hydrogen Demonstration ($4,192,000), Esperance Power Station ($3,190,000), Wedgefield Replacement ($2,946,000), Remote Communities Centralised Solar ($2,002,000) and Grid Automation ($1,979,000).

(ii) 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).

(b) Energy Procurement Commitments

(i) Lease commitments

Leases relate to the right of control over the use of an identified asset for a period of time in exchange for consideration in accordance with the AASB 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 agreement 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.

	30 June 2021 $'000	30 June 2020 $'000
Commitments in relation to leases are payable as follows:		
Within one year	**61,954**	60,330
Later than one year but not later than five years	**223,474**	230,397
Later than five years	**132,898**	186,998
Minimum lease payments	**418,326**	477,725
Future finance charges	**(117,261)**	(150,362)
Recognised as a liability	**301,065**	327,363
Representing lease liabilities:		
Current (Note 13 (b))	**34,728**	29,963
Non-current (Note 13 (b))	**266,337**	297,400
	301,065	327,363

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

22. Commitments (continued)

(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 leases.

	30 June 2021 $'000	30 June 2020 $'000
Within one year	**126,138**	124,836
Later than one year but not later than five years	**428,208**	442,482
Later than five years	**1,839,858**	1,930,694
	2,394,204	2,498,012

(d) Other lease commitments

Horizon Power has commitments to leases of low-value IT equipment and to property leases as of 30 June 2021 that do not qualify as Right-of-Use assets under AASB 16 Leases. Property lease rentals are subject to half yearly and yearly reviews.

	30 June 2021 $'000	30 June 2020 $'000
Commitments for other lease payable are as follows:		
Within one year	**637**	233
Later than one year but not later than five years	**593**	62
Later than five years	**15**	56
	1,245	351

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 TEF 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* (WA), including:

   i) giving a true and fair view of the Corporation's financial position as at 30 June 2021 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
Chair

Peter Oates
Deputy Chair

7 September 2021

Independent Auditor's Report

Auditor General

INDEPENDENT AUDITOR'S OPINION
2021
Regional Power Corporation trading as Horizon Power

To the Parliament of Western Australia

Opinion

I have audited the financial statements of Regional Power Corporation trading as Horizon Power (the Corporation), which comprises the Statement of Financial Position as at 30 June 2021, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In my opinion, the accompanying financial statements of the Corporation is prepared in accordance with Schedule 4 of the *Electricity Corporation Act 2005* including:

- giving a true and fair view of the Corporation's financial position as at 30 June 2021 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 Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including independence Standards)* (the Code) that are relevant to my audit of the financial statements. 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.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Corporation's annual report for the year ended 30 June 2021, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and accordingly, I do not express any form of assurance conclusion thereon.

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, 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 responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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. Misstatements 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 statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial statements is located at 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 statements

This auditor's report relates to the financial statements of Regional Power Corporation trading as Horizon Power for the year ended 30 June 2021 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 statements described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements 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 statements to confirm the information contained in this website version of the financial statements.

Caroline Spencer
Auditor General for Western Australia
Perth, Western Australia
8 September 2021