STATISTICAL SUMMARY
Five Year Financial Summary

	UNIT	30/06/04	30/06/03	30/06/02	30/06/01	30/06/00
Sales Revenue	$'000	1,542,806	1,482,099	1,433,760	1,415,685	1,426,431
Total Revenue	$'000	1,774,534	1,697,900	1,601,236	1,573,833	1,575,202
Total Expenditure	$'000	1,275,185	1,234,597	1,148,083	1,126,464	1,107,260
Borrowing Costs	$'000	148,164	144,337	154,089	161,057	230,084
Income Tax Expense	$'000	109,604	96,901	91,342	98,121	83,828
EBIT	$'000	499,349	463,303	453,153	447,369	467,942
EBITDA	$'000	728,133	691,396	673,509	658,540	680,479
Net Profit after Income Tax Expense	$'000	241,581	222,065	207,722	188,191	154,030
Current Assets	$'000	366,693	347,239	332,937	345,749	307,468
Non-Current Assets	$'000	4,222,747	4,131,499	3,906,638	3,764,311	3,718,834
Total Assets	$'000	4,589,440	4,478,738	4,239,575	4,110,060	4,026,302
Current Liabilities	$'000	331,266	309,001	283,174	261,056	267,687
Non-Current Liabilities	$'000	2,666,734	2,717,596	2,609,220	2,593,586	2,598,305
Total Liabilities	$'000	2,998,000	3,026,597	2,892,394	2,854,642	2,865,992
Total Debt	$'000	2,325,855	2,416,341	2,332,777	2,363,884	2,434,761
Total Equity	$'000	1,591,440	1,452,141	1,347,181	1,255,418	1,160,310
Return on Assets *(EBITDA/average non-current assets)*	%	17.4	17.2	17.6	17.6	18.3
Return on Equity *(Net profit after income tax/total equity)*	%	15.2	15.3	15.4	15.0	13.3
Debt to Equity Ratio *(Capital structure geared to debt)*		59/41	62/38	63/37	65/35	68/32
Payments to Government	$'000	213,025	224,818	192,616	149,774	122,273

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year statistics.

WESTERN POWER CORPORATION

DIRECTORS' REPORT

FOR THE YEAR ENDED

30 JUNE 2004

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DIRECTORS' REPORT

The Board of Directors submits the financial accounts of Western Power Corporation ("the Corporation") for the financial year ended 30 June 2004 and reports as follows:

1. Directors

The names and details of the Directors in office at any time during the year or at the date of this Report are:

Neil Douglas Hamilton LLB - Chairman (Age 52)
Mr Hamilton was appointed to the Board as a Non-Executive Director in May 2002, Deputy Chair in February 2003 and as Chairman in February 2004. Mr Hamilton holds the Chairman positions of: Sons of Gwalia Ltd., Integrated Group Limited, D'Orsogna Limited, Iress Market Technology Ltd, Western Australian Land Authority (Land Corp) and the AFL Players Association Advisory Board. Mr Hamilton is the Managing Director of Chieftain Securities Limited and a Director of Insurance Australia Group Ltd and a number of private companies. Mr Hamilton's term expires on 31 December 2004.

Jennifer Anne Seabrook BComm, CA - Deputy Chair (Age 47)
Ms Seabrook was appointed to the Board as a Non-Executive Director in September 2001 and Deputy Chair in March 2004. Ms Seabrook is a member of the Federal Government's Takeovers Panel and the Western Australian Government's Pearling Industry Advisory Committee. Ms Seabrook is also a Director of Gresham Partners Ltd and Gresham Advisory Partners Ltd. Ms Seabrook's term expires on 30 June 2007.

Antonino (Tony) Mario Iannello BComm, FCPA, FAICD – Chief Executive Officer (Age 46)
Mr Iannello was appointed as Chief Executive Officer (CEO) taking up his appointment on 19 July 2004. Mr Iannello had a distinguished career at BankWest holding many senior positions, with most recently General Manager Finance and Corporate Services. Mr Iannello's term concludes on 30 June 2007.

Alan James Mulgrew BA - Director (Age 57)
Mr Mulgrew was appointed to the Board as a Non-Executive Director in September 2003. Mr Mulgrew is Chairman of Western Australian Tourism Commission and Western Carbon Pty Ltd. He is also Director of Strategic Solutions Pty Ltd, BAC Holdco Pty Ltd and Doric Group Pty Ltd. Mr Mulgrew also held a number of senior executive positions in airport management both in Australia and overseas. Mr Mulgrew's term expires on 30 June 2006.

Sue Alison Wilson LLB - Director (Age 43)
Ms Wilson was appointed to the Board as a Non-Executive Director in September 2003. Ms Wilson is General Counsel and Company Secretary at BankWest having previously worked as a partner in a major Western Australian law firm. Ms Wilson's term expires on 30 June 2006.

John Joseph O'Connor - Director (Age 65)
Mr O'Connor was appointed to the Board as a Non-Executive Director in December 2003. Mr O'Connor served as a Commissioner on the Australian Industrial Relations for eight years. Mr O'Connor's term expires on 31 December 2006.

Charlotte Ellen Stockwell BA, B.Ed (Hons), MLM - Director (Age 43)
Ms Stockwell was appointed to the Board as a Non-Executive Director in December 2003. Ms Stockwell is Chief Executive Officer Town of Kwinana, a trustee on the Committee for Economic Development of Australia (CEDA, WA) and a Director of Daughters of Charity Ltd. Ms Stockwell's term expires on 31 December 2006.

Malcolm Hugh Macpherson BSc, FAICD, FAus IMM, FTSE, Cert. Acctg. - Previous Chairman (Age 59)
Mr Macpherson was appointed to the Board as a Non-Executive Director and Chairman in May 2002 having been the inaugural Chairman of the Corporation from January 1995 until May 1999. Mr Macpherson resigned on 19 February 2004. Other Board positions held by Mr Macpherson at time of directorship were Director of Anaconda Nickel Limited, Chairman of the Cooperative Research Centre for Sustainable Minerals Processing and the Independent Living Centre of Western Australia (Inc), and a Member of the Senate of Murdoch University.

Mr AJ Mulgrew (Director) since 2 September 2003; Ms SA Wilson (Director) since 2 September 2003; Mr JJ O'Connor (Director) since 23 December 2003; Ms CE Stockwell (Director) since 23 December 2003; Mr MH Macpherson (Chairman) until 19 February 2004; Dr PJ Moy (Director) until 30 June 2004; Mr WJ Murphy (Director) until 31 August 2003; Dr WS van der Mye (CEO) until 19 February 2004; Mr HR Collins (CEO) from 23 February 2004 until 21 July 2004.

4. Corporate Governance Statement

This statement outlines the principle corporate governance practices that were followed during the 2003/2004 financial year. These practices are a framework to ensure that the business acts with high standards of corporate behaviour and in the best interests of its stakeholders.

On 31 March 2003 the ASX Corporate Governance Council issued "Ten Principles of Good Corporate Governance and Best Practice Recommendations" listed in the table below.

ASX Corporate Governance Principles

1	Lay solid foundations for management and oversight
2	Structure the Board to add value
3	Promote ethical and responsible decision-making
4	Safeguard integrity in financial reporting
5	Make timely and balanced disclosure
6	Respect the rights of shareholders
7	Recognise and manage risk
8	Encourage enhanced performance
9	Remunerate fairly and responsibly
10	Recognised the legitimate interests of stakeholders

The new corporate governance regime is effective for listed companies for the first financial year commencing after 1 January 2003, therefore impacting on the corporate governance statement for the 2003/2004 financial year.

The Corporation, whilst not obliged to follow the ASX ruling, seeks to adopt recognised best practice for publicly listed companies where it is relevant to do so and therefore acknowledges the recommendations and has included details of progress towards compliance with the ASX Best Practice Principles.

4.1 Board of Directors

Role of the Board

The Board of Directors is the governing body of the Corporation and is responsible to the Minister for Energy (the Minister) for the performance of the Corporation. Subject to the *Electricity Corporation Act 1994* (the Act), the Board has the authority to perform the functions, determine policies and control the affairs of the Corporation.

The Corporation's operating activities focus on ensuring safe, reliable and secure supplies of electricity, delivering consistently high levels of customer service and increasing the value of the Corporation. In undertaking these activities, an acceptable balance will be sought between the Corporation's three fundamental priorities:

- **Commercial requirements**: the Act requires the Corporation to act in accordance with prudent commercial principles and endeavour to make a profit consistent with maximising its long-term value.
- **Government policy**: as a State-owned enterprise, the Corporation must be mindful and supportive of Government policies that will impact on the Company's business operations. Accordingly, the Corporation will assist the Government to implement its polices and will act in accordance with the policies to the maximum extent possible, subject to other legislated requirements.

Paul John Moy BA Ec(Hons), PhD - Previous Director (Age 49)
Dr Moy was appointed to the Board as a Non-Executive Director in February 2003. Dr Moy resigned at the end of June 2004. Dr Moy is a former investment banker and was Chairman of the Innovation Investment Fund and a Director of Centennial Coal. Dr Moy has extensive experience as an investment banker and in utility reform and is a former member of the National Competition Council.

Warren John Murphy, BSc(Chem), FAICD - Previous Director (Age 58)
Mr Murphy was appointed to the Board as a Non-Executive Director in July 2000 and held the position until 31 August 2003. Other Board positions held by Mr Murphy at time of directorship were President of the Board of the Industrial Foundation for Accident Prevention and Chairman of the Leeuwin Ocean Ventures Foundation Limited.

Walter Stephen van der Mye BComm(Hons), PhD - Previous Chief Executive Officer (Age 56)
Dr van der Mye was appointed CEO in April 2003 and held this position until 19 February 2004. Other Board positions held by Dr van der Mye at time of directorship were Chairman of the Association of Power Exchanges, Director of the Bank of Cyprus Australia Pty Limited and Chairman of the Audit Committee, Director of Warrnambool Co-operative Society Limited and a Member of the Board Development Committee.

Harvey Russell Collins BBus, FCPA, FAICD, FSIA - Previous Chief Executive Officer (Age 55)
Mr Collins was appointed as interim CEO in February 2004. Mr Collins is Chairman of HBF and is a Director of the Government Employees Superannuation Board and Chieftain Securities Limited as well as several private companies. Mr Collin's term ended on 21 July 2004.

2. Committees

At the date of this Report, the Corporation had the Governance and Remuneration Committee, and the Audit and Risk Management Committee consisting of the following Directors:

Governance and Remuneration:	Mr ND Hamilton (Chairman), Ms SA Wilson, Mr JJ O'Connor
Audit and Risk Management:	Ms JA Seabrook (Chair), Mr AJ Mulgrew, Ms CE Stockwell

3. Meetings of Directors

The number of Directors' meetings (including meetings of committees) and number of meetings attended by each of the Directors during the financial year ended 30 June 2004 are:

	Board Meetings		**Governance & Remuneration Committee Meetings**		**Audit and Risk Management Committee Meetings**	
	A	**B**	**A**	**B**	**A**	**B**
Mr ND Hamilton	30	33	7	8	3	3
Ms JA Seabrook	27[1]	31	-	-	9	11
Mr AJ Mulgrew	26	29	-	-	8	8
Ms SA Wilson	25[2]	30	5	5	-	-
Mr JJ O'Connor	22	22	4	4	-	-
Ms CE Stockwell	16	22	-	-	2	3
Mr MH Macpherson	14	15	5	5	-	-
Dr PJ Moy	31	33	-	-	9	11
Mr WJ Murphy	1	3	1	2	-	-
Dr WS van der Mye	14	15	-	-	-	-
Mr HR Collins	16	17	-	-	-	-

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

Note: [1] Ms JA Seabrook did not participate in 2 meetings due to potential conflicts of interest.
[2] Ms SA Wilson did not participate in 1 meeting due to potential conflicts of interest.

- **Reliability and safety requirements**: The Act and related legislation and regulations require the Corporation to supply electricity in a safe and reliable manner. Since it was established, the Corporation has placed the safety of the public and its employees as its overarching value and has consistently sought to maximise reliability and security of supply consistent with its other obligations.

The Board, as part of its governance processes, has considered a Governance Charter that provides a delineation of responsibilities as to where those of the Board end and management's begin and have set out the accountabilities for the Board and management. However, the Board, when considering the formal adoption of the Charter, understood that the Corporation was to be disaggregated effective from the end of June 2004 and considered it was more appropriate that each of the successor entities should approve their own charter with the disaggregation plan deferred. The Charter will now be amended to reflect a new business structure that will be considered in the new financial year.

This does not formally comply with ASX Principle 1.

Role of the Chief Executive Officer

The primary responsibility of the CEO is to manage the day-to-day operations of the Corporation, under the direction of the Board and in conformity with the Act. The CEO is accountable for financial and operational performance, whilst maintaining sustainability and shaping the direction of the company in an operational sense.

Board Process

The Board is supported by an independent secretariat and it has established two formal Committees to assist in the execution of its responsibilities, an Audit and Risk Management Committee and a Governance and Remuneration Committee.

The effectiveness of each committee is regularly reviewed. In addition to the committees, the Board has established a framework for the Corporation management. It includes an Accountability Framework, Ethical Standards and systems of Internal Control and Risk Management.

Director Education

The Corporation has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the corporate entity concerning performance of directors. Directors also have the opportunity to visit facilities and meet with management to gain better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

This is consistent with ASX Principle 8.

Independent Professional Advice and Access to Company Information

Each director has right of access to all relevant company information and to the company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the Corporation's expense. A copy of the independent advice received by the director is available to all other members of the Board.

This is consistent with ASX Principle 2.

Composition of the Board

Legislation passed through Parliament during the year that increased the maximum number of non-executive directors by two. The Corporation's Board of Directors now comprises:

- The CEO,
- No less than four and no more than eight non-executive directors appointed by the Governor of Western Australia (the Governor) on the nomination of the Minister,

- The Governor appoints the Chairman and Deputy Chair, appointments in each case are made on the nomination of the Minister, and
- The CEO may not hold the positions of Chairman or Deputy Chair.

The Board meets monthly to address the strategic issues of the business and as needed special meetings are held to address urgent issues that are encountered during the year.

When a non-executive director position is vacant, the Board may recommend a candidate to the Minister. If the Minister chooses to make a nomination to the Governor, the Minister must ensure that:

- Each nomination is made only after consultation with the Board (except where the nominee was recommended by the Board), and
- The nominee is not a member of the Corporation's staff.

Non-executive directors are appointed for periods of up to three years and are eligible for reappointment. The Governor may, at any time, remove a director from office. The Governor need not give any reason for doing so. A director may resign from office by notice in writing delivered to the Minister.

The Act prohibits directors from:

- Making improper use of information or their position;
- Voting in matters where they have a material personal interest; and
- Furnishing false information.

The Act also prevents directors and their relations from receiving loans from the Corporation.

In the light of the above, all the Corporation non-executive directors are considered to be independent directors.

This is consistent with ASX Principle 2.

4.2 Role of the Committees

Audit and Risk Management Committee

The Audit and Risk Management Committee's role is to assess and report on:

- Financial reporting;
- Internal control structures;
- Risk management;
- Compliance framework; and
- Internal and external audit functions.

The Committee has unhindered access to management. Whenever the Audit and Risk Management Committee considers it necessary, it may consult any independent expert.

The Audit and Risk Management Committee's role also includes:

- Approving the risk management and internal audit plan;
- Reviewing audit reports;
- Overseeing the Treasury function including debt, cash flow, interest and foreign currency management;
- Reviewing the quality and appropriateness of the accounting policies, practices, financial reporting disclosures and compliance with accounting standards and legislation requirements; and
- Liaising as appropriate with the Auditor General (or his designates).

The Audit and Risk Management Committee consists of three non-executive directors appointed by the Board (one as Chair).

Members of the Audit and Risk Management Committee during the year were:

Chairman - Ms JA Seabrook
Members - Mr AJ Mulgrew (appointed 2 September 2003)
- Ms CE Stockwell (appointed 23 December 2003)
- Dr PJ Moy (until 30 June 2004)
- Mr ND Hamilton (until 25 September 2003)

Governance and Remuneration Committee

The Governance and Remuneration Committee's role is to:

- Develop and review the Corporation's corporate governance framework and policies;
- Quality assurance relating to the integrity and probity of the Corporation's remuneration policies and practices;
- Succession planning and nomination of directors and the CEO in accordance with Section 7(3) and Section 13(2)(b) of the Act; and
- Review the performance of the Board and its Committees and the CEO.

The Governance and Remuneration Committee is made up of three non-executive directors appointed by the Board (one as Chairman).

Members of the Governance and Remuneration Committee during the year were:

Chairman - Mr ND Hamilton (appointed as Chairman 20 February 2004)
- Mr MH Macpherson (until 19 February 2004)
Members - Ms SA Wilson (appointed 2 September 2003)
- Mr JJ O'Connor (appointed 23 December 2003)
- Mr WJ Murphy (until 31 August 2003)
- Mr ND Hamilton (until 19 February 2004)

4.3 Remuneration

Remuneration of Specified Directors and Executives

The Governance and Remuneration Committee is responsible to the Board for the development and implementation of policy relating to remuneration and other terms and conditions of service for the employees of the Corporation.

Remuneration approval protocols are as follows:

Non-Executive Directors:	The Minister for Energy approves the remuneration of all non-executive directors.
CEO:	The Board subject to the concurrence of the Minister for Energy approves the remuneration of the CEO.
Executive Officers:	The Board on recommendation of the CEO approves the remuneration of all Executive Officers.

The remuneration policy is intended to ensure the emoluments properly reflect officers' duties, accountabilities and level of performance; that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Committee regularly seeks appropriate external advice and performance is reviewed annually.

Senior management leaders receive emoluments by way of a total employment package that includes: cash, vehicle, superannuation, other benefits and the full cost of fringe benefit tax. Movements are linked to market considerations, a structured performance appraisal system, the Corporation's financial performance and ability to pay. Executives and management, with the exception of the CEO participate in a plan that provides cash incentive based on the achievement of specific goals relating to the performance of the Corporation.

The structure and disclosure of the Corporation's remuneration of executive and non-executive directors is consistent with ASX Principle 9.

Details of the nature and amount of each element of the emolument for Specified Directors[(1)] during 2003/2004 are detailed below:

	Primary Benefits [a]			Post Employment Benefits [b]		Other Benefits	Total Benefits
	Salary & Fees $	Bonus $	Non-Monetary $	Super-annuation $	Retirement Benefits $	Termination Benefits $	Total $
Non-Executive Specified Directors							
Mr ND Hamilton [1] (Chairman)	63,719	-	668	5,866	-	-	70,253
Ms JA Seabrook [1,2] (Deputy Chair)	45,915	-	668	4,206	-	-	50,789
Mr AJ Mulgrew [1]	40,152	-	-	3,429	-	-	43,581
Ms SA Wilson [1]	33,157	-	-	9,590	-	-	42,747
Mr JJ O'Connor [1]	19,869	-	-	6,867	-	-	26,736
Ms CE Stockwell [1]	24,563	-	-	2,173	-	-	26,736
Mr MH Macpherson [1]	61,159	-	444	5,545	-	-	67,148
Dr PJ Moy [1]	46,014	-	-	4,142	-	-	50,156
Mr WJ Murphy [1]	6,564	-	112	601	-	-	7,277
Executive Specified Directors							
Mr HR Collins [1] (CEO)	120,523	-	743	10,5y98	-	-	131,864
Dr WS van der Mye [1] (CEO)	230,898	-	41,181	32,421	-	-	304,500
Total Specified Directors	**692,533**	**-**	**43,816**	**85,438**	**-**	**-**	**821,787**

1 Mr ND Hamilton (Chairman) since 20 February 2004; Ms JA Seabrook (Deputy Chair) since 2 March 2004; Mr AJ Mulgrew (Director) since 2 September 2003; Ms SA Wilson (Director) since 2 September 2003; Mr JJ O'Connor (Director) since 23 December 2003; Ms CE Stockwell (Director) since 23 December 2003; Mr MH Macpherson (Chairman) until 19 February 2004; Dr PJ Moy (Director) until 30 June 2004; Mr WJ Murphy (Director) until 31 August 2003; Mr HR Collins (CEO) from 23 February 2004 until 21 July 2004; Dr WS van der Mye (CEO) until 19 February 2004.

2 Ms JA Seabrook performed work on the Cronin Review Committee. A payment of $84,794 was made to Gresham Advisory Partners Limited for her services, which is not included in the table above. Ms JA Seabrook is a Director of Gresham Advisory Partners Limited.

a Primary Benefits represents Director fees and Executive salaries, performance bonus payments and non-monetary benefits, such as motor vehicle benefits and electricity benefits.

b Post Employment Benefits represents employer and employee contributed superannuation and retirement benefits.

(1) Specified Director means a person who was, at any time during the reporting period, a director of the Corporation.

Details of the nature and amount of each element of the emolument for Specified Executives[(2)] during 2003/2004 are detailed below:

	Primary Benefits[a]			Post Employment Benefits[b]		Other Benefits	Total Benefits
Specified Executives	Salary & Fees $	Bonus[1] $	Non-Monetary $	Super-annuation $	Retirement Benefits $	Termination Benefits $	Total $
Mr MD Chatfield * (General Manager Special Projects)	217,085	6,850	22,398	53,331	-	-	299,664
Mr N Ninkov (General Manager Corporate Finance)	221,949	6,850	29,361	26,824	-	-	284,984
Mr DT Aberle * (Chief Operating Officer, General Manager Generation)	211,567	6,850	21,604	36,077	-	-	276,098
Mr JE Lillywhite (General Manager Regional)	196,651	6,850	25,689	42,186	-	-	271,376
Mr M Hands (General Counsel)	161,867	11,850	28,497	21,253	-	-	223,467
Mr TH James * (Acting General Manager Retail)	148,356	6,850	19,090	31,356	-	-	205,652
Mr KD Bowron * (Acting General Manager Networks)	145,795	6,850	16,872	30,379	-	-	199,896
Ms MV Enders * (General Manager Shared Services)	112,244	6,850	48,339	14,043	7,534	-	189,010
Mr PR Oates * (General Manager Emerging Business)	84,957	6,850	12,471	30,004	175,290	379,536	689,108
Total Specified Executives	**1,500,471**	**66,650**	**224,321**	**285,453**	**182,824**	**379,536**	**2,639,255**

* Mr MD Chatfield (General Manager Special Projects) until 23 July 2004, Mr DT Aberle (Chief Operating Officer) since 22 February 2004; Mr TH James received $105,345 in his capacity as Acting General Manager Retail since 1 January 2004; Mr KD Bowron received $105,350 in his capacity as Acting General Manager Networks since 1 January 2004; Ms MV Enders (General Manager Shared Services) until 28 April 2004; Mr PR Oates (General Manager Emerging Business) until 31 December 2003.

[1] The Executives, with the exception of the CEO, participate in both an Executive and General Employee Incentive Performance Scheme. In accordance with these schemes, a payment of $6,850 was made in respect of the 2002/2003 financial year. Executives received no payment in respect of the 2003/2004 financial year under either scheme. Special recognition was provided however, to one Specified Executive involved with the successful renegotiation of the long-term gas supply contract with the North West Shelf Joint Venture partners.

[a] Primary Benefits represents Executive salaries, performance bonus payments and non-monetary benefits, such as motor vehicle benefits and electricity benefits.

[b] Post Employment Benefits represents employer and employee contributed superannuation and retirement benefits.

Review of Board Performance

The Corporation has processes in place to evaluate the performance of the Board, its Committees and Directors.

The Board when considering the recommendation to undertake an evaluation process during 2004 considered it was not appropriate it be undertaken knowing that disaggregation was to take effect from the end of June 2004. It was considered more appropriate that each of the successor entities develop their own processes using the Corporation structure as a starting point. With the disaggregation not proceeding as planned, an evaluation is expected to be undertaken in the new financial year.

This does not formally comply with ASX Principle 8.

[(2)] Specified Executive means a person who exercises significant influence over the management of the Corporation, employed at any time during the reporting period and not a Specified Director.

4.4 Risk Management

Processes and systems are in place to manage the Corporation's business, environmental and operational risks. This process was formalised during the year with the implementation of the Risk Management Framework and the Risk Management Statement. The Framework and Statement, which are consistent with Australian Standard "AS4360 Risk Management", provides a methodology and process for the identification, allocation and management of risk throughout the Corporation. Business Unit managers are responsible for implementing strategies to mitigate risks that have been classified as extreme or high. The Audit and Risk Management Committee oversees the Framework and reviews the effectiveness of key mitigation strategies. Risk reviews are conducted at least annually to ensure emerging risks, such as those from changes in market structure and design, organizational restructures, and operational issues are identified and responses developed.

This is consistent with ASX Principle 7.

Treasury Branch provides advice to business unit management and coordinates the findings of the various risk reviews undertaken. It makes recommendations to the Board on the appropriate level of insurance cover for the Corporation. Financial risk issues are managed through a Treasury Policy Statement that requires regular reporting to the Audit and Risk Management Committee on treasury activities.

4.5 Internal Control Framework

The Board is responsible for the overall internal control framework. While recognising that no cost effective internal control system can preclude all errors and irregularities, the rigour of regular assessment ensures performance is kept under review.

To monitor the performance and management of the Corporation, the Board has instigated an internal control framework covering financial reporting, quality of personnel, business unit controls and expenditure guidelines.

The Corporation's internal control system is based on:

- Written procedures, policies and guidelines;
- Organisational structures that provide an appropriate division of responsibility;
- A program of internal audit; and
- The careful selection and training of qualified personnel.

Financial Reporting

Actual financial results are reviewed against budget each month. Reports on performance, including financial statements, are produced quarterly and submitted to the Minister. Revised forecasts for the year are also prepared each quarter.

A five-year budget is produced annually from a comprehensive budgeting system and approved by directors. This is included in the Strategic Development Plan (SDP) produced by the Corporation each year.

Management is required to sign-off on a detailed questionnaire that covers: management of risks, overall control environment, regulatory areas and financial reporting. These support the sign-off by the CEO and General Manager Corporate Finance in the assurances provided to the Board for the full-year results.

This is consistent with ASX Principle 4 and 7.

Business Unit Controls

On a quarterly basis, business unit finance managers confirm the reasonableness and accuracy of their financial records. Half yearly, business unit finance managers confirm compliance with financial controls and procedures to support the Board's certification of the accounts.

Expenditure Guidelines

The Corporation has clearly defined guidelines for operating and capital expenditure. These include annual budgets, detailed appraisal and review procedures as well as formally stated levels of delegated financial authority approved by the Board. The Corporation must obtain the approval of the Minister for major strategic initiatives and any project involving expenditure greater than one per cent of the written down value of the Corporation's fixed assets.

Internal and External Audit

The internal audit function of the Corporation reports directly to the CEO and pursuant to a second reporting line, reports are made available to the Audit and Risk Management Committee, so that the internal audit objectives, plans and resources provide for adequate support of the Committee's own goals and objectives. The internal audit function is independent of the external audit and has full access to the Audit and Risk Management Committee, and to the staff and records of the Corporation.

The Act requires the Auditor General to complete an audit of the Corporation by 30 September each year. If this is not undertaken, an interim report is to be submitted to the Minister setting out the reasons for his inability to complete the audit by that date.

Quality of Personnel

The Corporation has a formal employee appraisal framework designed to see the cascading of the company's vision and goals – its strategic plan, linked into individual's achievement plans so ensuring the corporate goals are translated into action.

The Corporation has identified its concerns that some specialist skills have fallen to levels that potentially expose the organisation to additional risks. This matter has been raised with the new CEO. It is intended that special attention be given to identifying skill gaps, ensuring appropriate resourcing and succession-planning process are implemented.

Work is also being undertaken on ensuring the Corporation has the most appropriate reward system that will drive the performance of individuals and operations to achieve the objectives contained in the Strategic Development Plan.

4.6 Ethical Standards

The Corporation is mindful of its duties outlined in the Act and has developed a set of behavioural standards incorporating leadership principles and minimum standards applicable to the management of the staff as well as a Code of Conduct setting out minimum standards of conduct for all staff.

This is consistent with ASX Principle 3 and 10.

Conflicts of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Corporation. The Board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the Board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

4.7 Environment

Environmental Standards

The Corporation recognises that rigorous environmental management is critical to the sustainability of the business. Corporate policies and strategies are in place encompassing environmental management principles administered through a formal Environmental Management System (EMS). These principles include community consultation, planning, compliance and sustainable development with continuous improvement objectives. Adherence to environmental policies and implementation of the EMS are audited. Constraint of greenhouse gas emissions and enhancement of environmental reputation are included in the Corporation's corporate performance targets.

Environmental Regulation Performance

All Corporation sites are subject to a range of environmental regulations, both State and Federal, and some are also covered by specific environmental operating licences issued by the State. All performance obligations under these licences are monitored and reported, and may be subject to Government agency audit or inspection from time to time. Several environmental incidents have been reported to the Department of Environment and these are described in the Environmental Review section of the Annual Report. No actions have been taken against the Corporation by any Government agency for any breaches of environmental license conditions in the financial year ended 30 June 2004.

4.8 Communication with Shareholders

The Corporation's key stakeholder is the company's shareholder, the Minister, and therefore the Government of the day. A formal protocol has been developed to ensure that the most comprehensive levels of governance apply to communications with the Minister and his Office. The protocol specifically reflects the particular relationship that exists between a corporatised Government Trading Enterprise and the Government.

This is consistent with ASX Principle 6.

Overall, the protocol recognises that the Minister must receive information to enable him to discharge his duties. It seeks to ensure that this will be factual, timely and reflect the best available information at the time.

4.9 Other Accountability Measures

It is a requirement under the Act that the Corporation produces, annually, both a Statement of Corporate Intent, a one-year plan and a Strategic Development Plan, a five-year plan. These are to be agreed between the Minister and the Board with the concurrence of the Treasurer.

Strategic Development Plan

The Strategic Development Plan (SDP) is a confidential document. It sets out the Corporation's five-year economic and financial objectives, Strategic Result Areas and associated performance targets as well as strategies. The 2004/2005 SDP has been submitted to the Minister.

Statement of Corporate Intent

The Statement of Corporate Intent (SCI) sets out the Corporation's scope of activities, objectives and performance targets for the financial year ahead and is consistent with the SDP. The SCI is tabled in Parliament after agreement with the Minister and the Treasurer's concurrence. The 2003/2004 SCI is available from the Corporation.

In addition, the Corporation provides written quarterly and annual reports to the Minister detailing its performance and progress made in fulfilling the agreed targets set in the SCI. The 2004/2005 SCI has been submitted to the Minister.

The Board and management receive written monthly performance reports covering a diverse range of financial and non-financial matters.

Section 34 of the Act requires the Corporation to obtain approval of the Minister before entering into a transaction, which is the greater of one per cent of the written down value of the Corporation's fixed assets and investment in the last audited accounts. The Minister is also required to be consulted on any major initiatives or items of significant public interest under Section 36 of the Act. Section 71 of the Act requires that the Corporation must keep the Minister reasonably informed of the operations, financial performance and financial position of the Corporation.

5. Principal Activities

The Corporation's functions are:

- generates, acquires, exchanges, transports, distributes, markets and otherwise supplies electricity to commercial, industrial and residential customers throughout Western Australia;
- undertakes, maintains and operates the facilities and equipment required for such purposes;
- develops and turns to account, technology, software and other intellectual property that relate to activities referred to above;
- manufactures and markets products that relate to these activities; and
- uses its expertise and resources to provide consultative and other advisory services for profit.

There have been no significant changes in the nature of the principal activities during the financial year.

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

6. Operating Results

For the financial year ended 30 June 2004, the Corporation achieved a net profit after income tax of $241.6 million.

7. Dividends Paid or Recommended

Dividends paid or recommended by the Corporation since the end of the previous financial year were:

- an interim dividend of $62.3 million in respect of the period ended 31 December 2003, paid on 30 June 2004.
- a final dividend of a further $41.2 million in respect of the financial year ended 30 June 2004, recommended to be paid during December 2004.

8. Review of Operations

The operations of the Corporation during the financial year and the result of those operations are discussed in the Chairman's and CEO's Review, Financial Review section and Review of Operations section of the Annual Report.

9. Change in State of Affairs

There were no significant changes in the state of affairs of the Corporation during the financial year, except as noted below:

- A new agreement was signed on 4 March 2004 securing long term supplies of natural gas from North West Shelf. The new agreement was applicable from 1 January 2003 and resulted in a significant benefit to gas costs.
- In October 2003 Cockburn 1, a 240 MW gas fired combined cycle was commissioned. This will result in a significant efficiency improvement in electricity generation.
- Stage 1 of the South West Interconnected System Power Procurement process for new peaking capacity was successfully completed in early October 2003, with Transfield Services Limited selected as the Corporation's Preferred Bidder to build, own and operate two open cycle gas turbines in the Kemerton Industrial Park, 140 km south of Perth. Construction and commissioning of the units will be completed by October 2005 ahead of the 2005/2006 summer peak demand.
- The Esperance Power Project was successfully completed on 23 March 2004 when the Corporation's Esperance power station ceased operations. The old power station has been replaced by a new privately owned and operated gas fired power station located at the Esperance port. The Esperance Power Project resulted in the biggest ever investment in Esperance. The $106 million project, funded with both private and public investment, included: the Corporation's new Nine Mile Beach wind farm ($10.6 million) and distribution network upgrades ($6 million); together with private investment in a new gas fired power station ($45 million) and extension of the Goldfields gas pipeline from Kambalda to Esperance ($45 million).

- From November 2003 through to February 2004 six new power stations were commissioned in the Mid West at Cue, Yalgoo, Meekatharra, Mt Magnet, Wiluna and Sandstone. The stations are owned and operated by StateWest Power.
- On 16 September 2003 Energy Minister, Eric Ripper announced the State Government's endorsement of the contractual arrangements between the Corporation and Exmouth Power Station Pty Ltd to supply electricity in Exmouth. The 18-year contract will see a new 6 MW gas-fired power station constructed, expanding to 8.5 MW with the town's growth.
- In late February 2004, the Corporation announced the development of a stand by fuel agreement with Wesfarmers and Alinta which allows for the provision of up to 45 TJ/d of standby gas supply to maintain reliable power supplies during periods of unusually high demand. Exercising this agreement will give the Corporation the equivalent of 200 MW of gas capacity during times of gas constraint.
- For the majority of 2003/2004 the Corporation has been actively preparing for the implementation of State Government policy to disaggregate the Corporation into four separate entities. On 28 February 2004, the State Government publicly announced its decision to indefinitely defer legislation to establish the successor entities to the Corporation. Since that time the Corporation has continued to work with State Government to establish a revised electricity reform program.
- On 25 June 2004 the Top Up And Spill market was launched. This will provide an interim means of trading in a wholesale electricity market until the State Government has determined the form of the more extensive market it intends to implement in 2006.

10. Events Subsequent to Balance Date

Other than as disclosed below, there has not arisen in the interval between the end of the financial year and the date of this Report any matter or circumstance likely, in the opinion of the Directors, to affect significantly the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation in subsequent financial years.

- On 2 July 2004, the Corporation announced that five new power stations will be built at various West Kimberley towns. A 20-year power purchase agreement with Energy Developments Ltd will see new gas-fired power stations at Broome, Derby, Fitzroy Crossing and Halls Creek and a diesel station at Looma.
- Since late 1999 the Corporation has been trialing a telecommunications initiative under the name "Bright Telecommunications". The aim of the pilot project was to develop a new broadband access network providing customers with fully independent telephony services, affordable high-speed internet access and other advanced services. The pilot project involved the deployment of a broadband access network in conjunction with the undergrounding of low voltage distribution assets. This included conducting service trials in the suburbs of South Perth and Como. In addition, a low visibility aerial deployment trial was completed in the suburb of Victoria Park.

  The pilot phase of this project was completed during 2003/2004 and the results assessed, including the requirements to progress to a full commercial operation. On 21 July 2004 the Directors decided to close the project. Directors have subsequently assessed the disposal value of the assets as up to $1 million, but because the costs associated with an orderly wind up of operations are anticipated to exceed the sale proceeds, the recoverable amount of these assets has been assessed as zero. Based on this assessment the Directors have written down the assets by $23.1 million to their recoverable amount.

  The financial impact for the year ended 30 June 2004 was a $23.1 million increase in other expenditure from ordinary activities.
- On 6 August 2004 State Government approved the construction of an open cycle gas turbine. The new peaking plant is scheduled to be built for the summer of 2006/2007. The Corporation will consider options on how to best deliver this peaking plant, while reviewing long-term issues around replacement of aging plant.

11. Likely Developments and Expected Results of Operations

The most significant future developments for the Corporation are noted below:

- The Corporation's total capital program of $418.6 million in 2004/2005 represents an $82 million (or 24%) increase over the 2003/2004 program and is a substantial stimulus for the State's electricity supply system. The Corporation's capital program includes $274.6 million for transmission and distribution projects in 2004/2005, a $41 million (or 18%) increase over 2003/2004. The program provides for works to enhance the capacity of the electricity system as well as to improve the quality, reliability and safety of supply. Within this allocation is a special fund totaling $12 million to address rural reliability and safety issues, including those raised by the Director of Energy Safety.
- In conjunction with the State Government, the Corporation will be undertaking work on the development and establishment of a wholesale electricity market for the SWIS, the implementation of transitional market arrangements to apply while the wholesale market is being developed, the establishment of approved network access arrangements and facilitation of the reduction in the contestability threshold to 5.7 kW average annual load.
- The Corporation has commenced a tender process for its long term coal requirements with the aim of improving the competitiveness of its coal fired power stations in the new Western Australian electricity market. A request for proposal was issued in July. The process envisages working with coal suppliers to determine the most economically and technically efficient outcome for the Corporation and its customers. The process is targeted to be concluded by the end of the financial year.
- In anticipation of a tight supply demand balance for the summer of 2004/2005 the Corporation is pursuing a range of initiatives to ensure the Corporation has access to the maximum available generation capacity for next summer's peak demand. Initiatives include:
    - Comprehensive overhaul work at Muja and Kwinana Power Stations. The work at Kwinana will reinstate the ability to burn liquid fuels at the power station giving another 120 MW of capacity and, more importantly, giving us more flexibility and diversity in terms of managing fuel supplies. Consistent with this liquid fuel is being stockpiled for next summer and environmental approval has been granted to extend coal burning at Kwinana Power Station until 31 December 2004. In addition, environmental approval for continued use of coal and liquid fuels at Kwinana Power Station is being sort from the Department of Environmental Protection, until such time as gas supplies are guaranteed.
    - Installation of inlet misting sprays on the Corporation's gas turbines at Pinjar enabling greater capacity of up to 50 MW. The water will cool the air intake, improving the efficiency of the plant.
    - Short term hire of second hand gas turbines with a view to installing at Pinjar and utilizing existing spare generator step up transformer capacity.
    - Purchase of additional electricity from the Parkeston Power Station in Kalgoorlie. Discussions are at an advanced stage with TransAlta Energy and Newmont Australia.
    - Customer tender process for obtaining up to 40 MW of curtailable customer load is in progress.
- On 31 March 2004, the Corporation announced the launch of the program to procure the next tranche of base load power for the South-West Interconnected Grid. The process is expected to see the commercial operation of a major new power station by the end of 2008 to serve growing demand from business and householders in the South-West of the State.
- The Corporation has been negotiating with bidders participating in the Dampier-Bunbury Natural Gas Pipeline (DBNGP) sale process. It is anticipated that the negotiations and the sale process will be concluded during 2004/2005. It is expected this will provide greater surety for shipping of gas to the South-West of Western Australia.

- In anticipation of the conversion from Australian to International accounting standards the Corporation has commenced transitioning its accounting policies and financial reporting from current Australian accounting standards to Australian equivalents of International Financial Reporting Standards. The financial implications of this transition are currently being assessed.

The Directors have not included in this Report any further information on the likely developments in the operations of the Corporation, the carrying value of the Corporation assets and the expected results of those operations in future years due to the uncertainty surrounding the potential impact of the electricity reform program discussed above.

12. Directors' Benefits

During the financial year, no Director (other than that disclosed above) has received or become entitled to receive a benefit, other than benefits disclosed in the financial statements as emoluments or the fixed salary of a full-time employee of the Corporation, by reason of a contract made by the Corporation with the Director or with a firm of which he/she is a member, or with an entity in which he/she has a substantial financial interest.

13. Indemnification of Directors and Officers

During the financial year the Directors' and Officers' Liability Insurance Policy was renewed to ensure that the Directors and Officers of the Corporation had adequate coverage. The cover will pay on behalf of the Corporation, or Directors and Officers of the Corporation, losses arising from a claim or claims made against them jointly or severally during the period of insurance by reason of any wrongful act (as defined by the policy) in the capacity of Director or Officer of the Corporation.

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

At the date of this Report no claims have been made against the policy.

14. Rounding of Amounts

The Corporation satisfies the requirements of clause 32 of Schedule 3 contained in the *Electricity Corporation Act 1994* and accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

Signed in accordance with a resolution of the Board of Directors.

Mr ND HAMILTON	**Mr AM IANNELLO**
Chairman	*Chief Executive Officer*

15 September 2004

WESTERN POWER CORPORATION

FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2004

WESTERN POWER CORPORATION
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

	NOTES	30/06/04 $'000	*30/06/03 $'000*
Sales of Electricity		1,542,806	*1,482,099*
Less: Cost of Sales	**2**	1,074,754	*1,044,308*
Gross Profit		468,052	*437,791*
Plus: Other Revenue from Ordinary Activities	**3**	231,728	*215,801*
Less: Other Expenditure from Ordinary Activities	**4**	200,431	*190,289*
Less: Borrowing Costs	**5**	148,164	*144,337*
Profit from Ordinary Activities Before Income Tax Expense	**6**	351,185	*318,966*
Less: Income Tax Expense	**7**	109,604	*96,901*
NET PROFIT		241,581	*222,065*

This statement should be read in conjunction with the attached Notes to the Financial Statements set out on pages 4 to 42.

WESTERN POWER CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	NOTES	30/06/04 $'000	*30/06/03 $'000*
CURRENT ASSETS			
Cash Assets	**9**	29,549	*29,101*
Receivables	**10**	216,722	*203,932*
Inventories	**11**	103,416	*105,804*
Other	**13**	17,006	*8,402*
Total Current Assets		366,693	*347,239*
NON-CURRENT ASSETS			
Property, Plant and Equipment	**14**	4,130,296	*4,041,782*
Future Income Tax Benefit		76,497	*63,290*
Other Financial Assets	**12**	1,342	*5,003*
Other	**13**	14,612	*21,424*
Total Non-Current Assets		4,222,747	*4,131,499*
Total Assets		4,589,440	*4,478,738*
CURRENT LIABILITIES			
Payables	**15**	124,590	*110,602*
Tax Liabilities	**16**	56,696	*44,432*
Provisions	**17**	112,462	*107,936*
Other		37,518	*46,031*
Total Current Liabilities		331,266	*309,001*
NON-CURRENT LIABILITIES			
Payables	**15**	32,783	*33,689*
Interest Bearing Liabilities	**18**	2,325,855	*2,416,341*
Tax Liabilities	**16**	144,096	*128,156*
Provisions	**17**	149,984	*131,328*
Other		14,016	*8,082*
Total Non-Current Liabilities		2,666,734	*2,717,596*
Total Liabilities		2,998,000	*3,026,597*
NET ASSETS		1,591,440	*1,452,141*
EQUITY			
Contributed Equity	**19**	10,757	*9,526*
Retained Profits	**19**	1,580,683	*1,442,615*
TOTAL EQUITY		1,591,440	*1,452,141*

This statement should be read in conjunction with the attached Notes to the Financial Statements set out on pages 4 to 42.

WESTERN POWER CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004

	NOTES	30/06/04 $'000	*30/06/03 $'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts in the Course of Operations		1,705,058	*1,636,903*
Other Operating Revenue from Ordinary Activities		145,690	*99,476*
Interest Received		1,447	*811*
Payments to Employees and Suppliers		(1,065,108)	*(1,027,849)*
Borrowing Costs Paid		(191,677)	*(159,091)*
Lease Expenses		(6,482)	*(5,174)*
Income Tax Paid		(93,638)	*(104,457)*
Goods & Services Tax Paid		(66,938)	*(49,941)*
NET CASH INFLOWS FROM OPERATING ACTIVITIES	**24**	428,352	*390,678*
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Investments in Other Entities		1,773	*229*
Payment for Property, Plant and Equipment		(315,947)	*(445,846)*
Proceeds from Sale of Property, Plant and Equipment		13,316	*16,940*
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		(300,858)	*(428,677)*
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends Paid		(117,900)	*(119,068)*
Proceeds from Interest Bearing Liabilities		1,014,612	*1,004,609*
Repayment of Interest Bearing Liabilities		(1,101,365)	*(906,332)*
CES, Customers' and Contractors' Deposits		(1,104)	*(2,115)*
Developer and Customer Contributions to Capital Works		77,618	*71,121*
Proceeds from Contributed Equity		1,231	*2,336*
NET CASH INFLOWS/(OUTFLOWS) FROM FINANCING ACTIVITIES		(126,908)	*50,551*
NET INCREASE IN CASH ASSETS HELD		586	*12,552*
CASH ASSETS AT BEGINNING OF FINANCIAL YEAR		29,101	*16,511*
Effects of Exchange Rate Changes on Cash Assets		(138)	*38*
CASH AT END OF THE FINANCIAL YEAR	**24**	29,549	*29,101*

This statement should be read in conjunction with the attached Notes to the Financial Statements set out on pages 4 to 42.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation

The financial statements are a general purpose financial report which has been prepared in accordance with relevant Australian Accounting Standards, Urgent Issues Group Consensus Views and the disclosure requirements of Schedule 3 of the Electricity Corporation Act 1994.

These financial statements have been prepared on the basis of historical costs and, except where stated, do not take into account changing money values or current valuations of non-current assets.

1.2 Revenue Recognition

1.2.1 Sales of Electricity

Sales of electricity comprises revenue earned from the provision of electricity to entities outside the economic entity and is recognised when the electricity is provided. As at each reporting date, sales and trade debtors incorporate amounts attributable to 'unread sales', which are an estimate of electricity delivered to customers, which has not been billed at the reporting date.

1.2.2 Other Revenue from Ordinary Activities

Revenue is recognised to the extent it is probable the economic benefits will flow to the Corporation and that it 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.

Other revenue from ordinary activities includes:
- Account Fees
- Business Ventures
- Developer and Customer Contributions
- External Chargeable Works
- Generation Fuel Sales
- Grant Received
- Interest
- Lease Renewal Incentive
- Network Access Charges
- Proceeds on Sale of Non-Current Assets
- Property Rent, and
- Renewable Energy Certificates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3 Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recovered from, or paid to, the ATO are classified as operating cash flows.

1.4 Receivables

Trade debtors to be settled within 30 days are carried at amounts due. A provision for doubtful debts is raised where some doubt as to collection exists. The provision for doubtful debts is based on an analysis of bad debts experience and current economic conditions.

Collectability of trade debtors is reviewed on an ongoing basis. Debts, which are known to be irrecoverable, are written off.

1.5 Cost of Sales

Cost of sales is those costs attributable to the integrated manufacturing process involved in the generation and transformation of electricity into a saleable good.

1.5.1 Fuel Costs

Costs for coal are assigned on the basis of weighted average cost. Gas costs comprise payments made under the contract for minimum take or pay and the drawdown of prepaid gas. Prepaid gas is assigned at its holding cost.

1.6 Borrowing Costs

Borrowing costs are recognised as expenses in the reporting period in which they are incurred, except where they are included in the costs of qualifying assets as described in Note 1.9.1.

Borrowing costs are capitalised at the weighted average interest rate applicable to the Corporation's outstanding borrowings during the period of capitalisation. The weighted average interest rate used during the reporting period was 6.5% (02/03: 6.7%). Capitalisation ceases when the activities necessary to prepare the asset for use are substantially completed.

Borrowing costs include:

- Interest on bank overdrafts, short-term and long-term borrowings
- Amortisation of discounts relating to borrowings
- Amortisation of ancillary costs incurred in connection with the arrangement of borrowings
- Finance lease charges
- Exchange differences arising from foreign currency borrowings
- Unrealised and realised gains and losses on bond futures contracts, and
- Amortisation of realised gains and losses on forward rate agreements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.7 Current Assets and Current Liabilities

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

1.8 Cash Assets

For purposes of the statement of cash flows, cash assets include deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of any outstanding bank overdraft.

1.9 Property, Plant and Equipment

1.9.1 Capitalisation of Borrowing Costs

Borrowing costs are capitalised during the construction of major capital projects that have construction periods extending beyond one year. Capitalised borrowing costs are broadly determined as the amount of borrowing costs that would have been avoided, but for the construction of the asset.

1.9.2 Acquisition of Assets

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

The Corporation is a statutory corporation subject to the requirements of the Electricity Corporation Act 1994 and came into existence on 1 January 1995. The electricity functions and assets of the State Energy Commission of Western Australia (SECWA) were transferred to the Corporation on this date. The assets acquired were brought to account at their written down accounting value in the books as at 31 December 1994.

Direct costs together with associated indirect costs in respect of assets being constructed, are capitalised.

1.9.3 Recoverable Amount of Non-Current Assets

The carrying amounts of non-current assets are reviewed annually to determine whether they are in excess of their recoverable amount. If the carrying amounts of non-current assets exceed the recoverable amount, the assets are written down to the lower amount. The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

In assessing recoverable amount of non-current assets the relevant cash flows have been based on projected financial results and an assumed terminal value. These cashflows have been discounted to their present value using rates that reflect asset specific risk. The range used is from a minimum of 6.9% to a maximum of 10.8%.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Property, Plant and Equipment (continued)

1.9.4 Depreciation

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

Other assets, primarily the electricity distribution network, which are continually extended and modified, are depreciated using the reducing balance method.

The useful lives of the Corporation's major asset classes are as follows:

Plant and Equipment	240-540 months
Buildings	480 months
Leasehold Improvements	120 months

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

1.9.5 Leased Assets

Leases of plant and equipment under which the Corporation assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are brought to account by recording an initial asset and liability equal to the present value of the minimum lease payments including any guaranteed residual values. Leased assets are amortised over their expected useful lives. Lease payments are allocated between interest expense in the statement of financial performance and reduction of lease liability in the statement of financial position.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the statement of financial performance in the reporting periods in which they are incurred.

1.10 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is assigned on the basis of weighted average cost. A provision is maintained to allow for the diminution in value of inventories due to obsolescence and items being surplus to requirements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.11 Controlled Entities

1.11.1 Joint Venture Operations

The Corporation's interests in unincorporated joint ventures are brought to account by including amounts in the following categories in the statement of financial performance and the statement of financial position:

- Each of the individual assets employed in the joint ventures
- Liabilities incurred by the Corporation in relation to the joint ventures
- Expenses incurred in relation to the joint ventures, and
- Revenue from the sale of output.

1.11.2 Joint Venture Entities

The investment in joint venture entities is carried at the lower of cost and recoverable amount.

1.11.3 Associate Entities

The investment in associates is carried at the lower of cost and recoverable amount. Dividend income is brought to account at the time it is declared.

1.12 Trade and Other Creditors

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

1.13 Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

1.13.1 Dividends

A provision for dividends payable is recognised in the reporting period in which they are declared, for the entire amount declared but undistributed, regardless of the extent to which they will be paid in cash.

1.13.2 Employee Entitlements

Provision is made for employee entitlements accumulated as a result of employees rendering services up to the reporting date. These entitlements include annual leave and long service leave including relevant on-costs.

Liabilities arising in respect of annual leave, long service leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amount based on remuneration rates which are expected to be paid when the liability is settled. All other employee entitlement 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. In determining the present value of future cash outflows, the market yield as at the reporting date on selected commonwealth government securities, which have terms to maturity approximating the terms of the related liability, are used.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.13 Provisions (continued)

1.13.3 Superannuation

The Corporation has a liability in respect to employees who are members of the Superannuation and Family Benefits Act Scheme. This scheme is closed to new members. The Corporation's liability is in respect of the employer portion of any amounts that are payable to scheme members in their retirement.

The balance of the provision is actuarially reviewed at the conclusion of each financial year; PriceWaterhouseCoopers performed an actuarial review as at 30 June 2004.

1.13.4 Decommissioning Costs

As generation plant nears the end of its useful life a provision is made for anticipated costs of restoration and rehabilitation. Restoration and rehabilitation costs are calculated and spread over the remaining life of the asset on a straight-line method.

1.14 Foreign Exchange

As a policy objective, the Corporation has eliminated its exposure to foreign currencies, except for minor exposures arising through the normal course of business.

Foreign exchange transactions are brought to account to conform to Accounting Standard AASB 1012 "Foreign Currency Translation". Specific treatment of these transactions is stated below:

1.14.1 Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At the reporting date, amounts payable and receivable in foreign currencies are translated into Australian currency at rates of exchange current at that date and the resulting exchange differences are brought to account in determining the profit or loss for the reporting period.

1.14.2 Specific Commitments

Gains or losses arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions are deferred and included in the measurement of the purchase or sale. In the case of hedges of monetary items, exchange gains or losses are brought to account in the reporting period in which the exchange rate changes.

1.14.3 General Commitments

Exchange gains or losses on hedge transactions, other than those covered above, are brought to account in the statement of financial performance in the reporting period in which exchange rates change.

1.14.4 Speculative Commitments

The Corporation does not undertake speculative transactions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.15 Derivative Financial Instruments

Through its operations, the Corporation is exposed to changes in foreign exchange rates, interest rates and commodity prices. These risks are managed with the prudent use of derivative products. The Corporation only uses derivatives in highly liquid markets and all hedge activities are conducted within Board approved policy. Comprehensive systems are in place and compliance is monitored closely. The Corporation uses derivatives solely for hedging and not for speculative purposes.

Gains and losses on derivatives used as hedges are accounted for on the same basis as the underlying physical exposures they are hedging. Accordingly, hedge gains and losses are included in the statement of financial performance when the gains and losses arising on the related primary exposures are recognised.

Gains and losses related to hedges for qualifying assets in respect of firm commitments are deferred and recognised as adjustments of carrying amounts when the hedged transaction occurs.

The Corporation uses the following derivative financial instruments to hedge risks - interest rate swaps, cross currency swaps, commodity swaps, forward foreign exchange contracts, forward rate agreements, foreign currency and commodity options, and bond futures contracts.

1.15.1 Interest Rate Swaps

Interest payments and receipts under interest rate swap contracts are recognised on an accrual basis in the statement of financial performance as an adjustment to borrowing costs during the reporting period.

1.15.2 Cross Currency Swaps

Interest payments and receipts under cross currency swaps are recognised on an accrual basis in the statement of financial performance. The carrying amounts of cross currency swaps, which comprise net receivables and payables are included in the statement of financial position.

1.15.3 Commodity Swaps

Gains or losses arising upon entering into commodity swaps intended to hedge the purchase of commodities are recognised as adjustments to the carrying amount of the asset.

1.15.4 Forward Foreign Exchange Contracts

The accounting for forward foreign exchange contracts is set out in Note 1.14.

1.15.5 Forward Rate Agreements

Realised gains or losses on forward rate agreements are deferred in the statement of financial position and amortised to the statement of financial performance over the underlying term of the agreement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.15 Derivative Financial Instruments (continued)

1.15.6 Foreign Currency and Commodity Options

The premium paid on foreign currency and commodity options is amortised over the period of the contracts and together with any realised gains or losses on exercising the options, is included in the measurement of the purchase.

1.15.7 Bond Futures Contracts

Unrealised and realised gains and losses arising from entering into bond futures contracts are recognised in the statement of financial performance as an adjustment to borrowing costs in the reporting period they arise.

1.16 National Taxation Equivalent Regime

The Corporation entered into the National Taxation Equivalent Regime (NTER) environment on 1 July 2001 having previously operated under the state-based Taxation Equivalent Regime. While tax equivalent payments will continue to be remitted to State Treasury, the Corporation’s tax is subject to Australian Taxation Office administration. The calculation of the liability in respect of these taxes is governed by the Income Tax Administration Acts and the NTER guidelines as agreed by the State Government.

The Corporation has adopted the liability method of tax effect accounting procedures whereby the income tax expense shown in the statement of financial performance is based on the net profit before income tax adjusted for permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of net profit before income tax and taxable income, are brought to account as either a provision for deferred income tax or as an asset described as future income tax benefit at the rate of income tax applicable to the reporting period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future tax benefits in relation to tax losses are not brought to account unless the benefit can be regarded as being virtually certain of realisation.

1.17 Prepayments

Current and non-current prepayments comprise fuel for generation, lease and other payments. Prepaid expenses are charged to the statement of financial performance in the reporting period in which the associated benefit is consumed.

1.18 Community Service Obligations

Non-commercial activities performed on behalf of the State Government are collectively referred to as Community Service Obligations (CSO’s). Where the Government agrees to reimburse the Corporation for the cost of CSO’s, the entitlement to reimbursement is recognised in the statement of financial performance on a basis consistent with the associated CSO expenses. As at 30 June 2004 the Corporation recognised an entitlement of $34.7 million (02/03: $34.6 million) for the reimbursement of CSO’s.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.19 Repairs and Maintenance

Maintenance, repair costs and minor renewals are charged as expenses as incurred.

1.20 Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

1.21 Renewable Energy Certificates

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

The RE liability is extinguished by annual surrender of an equivalent number of Renewable Energy Certificates (REC's), with a penalty applying for any shortfall. The Corporation's liability is recognised at a value equivalent to the REC penalty. For the financial year ended 30 June 2004, $5.8 million (02/03: $3.9 million) has been recognised as an expense in relation to the Corporation's renewable energy obligation.

The Corporation extinguishes its REC liability by the surrender of REC's that are either self produced or purchased in the open market. Self-produced REC's are recognised as an asset at a value equivalent to its net realisable value. REC's purchased from external sources are recognised as an asset at their purchase price.

	30/06/04 $'000	*30/06/03* *$'000*
2. COST OF SALES		
Fuel and Electricity Purchases	524,314	*522,259*
Labour, Materials and Services	321,464	*300,898*
Depreciation	218,526	*214,504*
Other	10,450	*6,647*
	1,074,754	*1,044,308*

3. OTHER REVENUE FROM ORDINARY ACTIVITIES

Revenue from Operating Activities		
Developer and Customer Contributions	98,449	*95,260*
External Chargeable Works	32,793	*25,660*
Network Access Charges	17,050	*15,192*
Account Fees	11,500	*9,270*
Revenue from Non-Operating Activities		
Generation Fuel Sales	21,521	*20,730*
Proceeds on Sale of Non-Current Assets	13,522	*16,701*
Business Ventures	8,891	*11,321*
Renewable Energy Certificates	3,340	*3,060*
Lease Renewal Incentive	3,328	*2,829*
Grant Received	2,164	*4,410*
Interest	1,659	*718*
Property Rent	422	*438*
Other	17,089	*10,212*
	231,728	*215,801*

4. OTHER EXPENDITURE FROM ORDINARY ACTIVITIES

Labour, Materials and Services	105,449	*113,882*
Write Down of Plant and Equipment to Recoverable Amount	23,081	*18,086*
Generation Fuel Costs	17,359	*16,746*
Depreciation	10,258	*13,589*
Written Down Value on Sale of Non-Current Assets	9,826	*7,250*
Operating Lease Rentals	6,482	*5,174*
Write Down of Power Station Fuel Inventory	5,825	-
Renewable Energy Certificates	5,800	*3,883*
Bad Debts Written Off	1,968	*3,397*
Write Down of Other Financial Assets	1,646	-
Other	12,737	*8,282*
	200,431	*190,289*

5. BORROWING COSTS

	30/06/04 $'000	*30/06/03 $'000*
Domestic Currency Loans	151,038	*154,015*
Currency and Interest Rate Swaps	(3)	*851*
Forward Rate Agreements	(291)	*(2)*
Other	406	-
	151,150	*154,864*
Government Loan Guarantee Charge	4,046	*4,214*
	155,196	*159,078*
Less: Capitalised Borrowing Costs	7,032	*14,741*
	148,164	*144,337*

6. PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE

	30/06/04 $'000	*30/06/03 $'000*
Profit Before Income Tax Expense is Arrived at After:		
Crediting the Following Items		
Net Profit/(Loss) on Sale of Non-Current Assets		
- Property, Plant and Equipment	3,712	*9,451*
- Investments	(16)	-
Charging the Following Items		
Bad Debts		
- Written off to the Statement of Financial Performance	1,968	*3,397*
- Increase/(Decrease) in Provision for Doubtful Debts	315	*(128)*
Depreciation and Amortisation		
- Plant and Equipment	219,775	*216,570*
- Buildings	10,639	*14,125*
- Capitalised	(1,676)	*(2,647)*
- Leasehold Improvements	46	*45*
Leasing Costs		
- Operating Lease Rentals	6,482	*5,174*
Auditors' Remuneration		
Audit Services		
- Auditors of the Corporation	230	*215*

Significant Items

2003/2004

Fuel Price Renegotiation

During the financial year ended 30 June 2004 fuel and electricity purchases increased from $522.3 million to $524.3 million. This increase was less than proportional to the rate of increase in sales, due mainly to renegotiated contracts, some of which related to the prior year. The financial impact was brought to account in the current year.

6. PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE (continued)

Significant Items (continued)

2003/2004 (continued)

Write-Down of Plant and Equipment to Recoverable Amount

Since late 1999 the Corporation has been trialling a telecommunications initiative under the name "Bright Telecommunications". The aim of the pilot project was to develop a new broadband access network providing customers with fully independent telephony services, affordable high-speed internet access and other advanced services. The pilot project involved the deployment of a broadband access network in conjunction with the undergrounding of low voltage distribution assets. This included conducting service trials in the suburbs of South Perth and Como. In addition, a low visibility aerial deployment trial was completed in the suburb of Victoria Park.

The pilot phase of this project was completed during 2003/2004 and the results assessed, including the requirements to progress to a full commercial operation. On 21 July 2004 the Directors decided to close the project. Directors have subsequently assessed the disposal value of the assets as up to $1 million, but because the costs associated with an orderly wind up of operations are anticipated to exceed the sale proceeds, the recoverable amount of these assets has been assessed as zero. Based on this assessment the Directors have written down the assets by $23.1 million to their recoverable amount.

The financial impact for the year ended 30 June 2004 was a $23.1 million increase in other expenditure from ordinary activities.

2002/2003

Developer and Customer Contributions

During the financial year ended 30 June 2003 the value of vested electrical infrastructure assets was recognised for the first time. The ability to vest these assets arose from a change in practice in 1999/2000.

The financial impact for the year ended 30 June 2003 was a $23.2 million increase in developer and customer contributions revenue from ordinary activities, $1.2 million increase in depreciation and $22.0 million increase in plant and equipment capital cost.

Write-Down of Plant and Equipment to Recoverable Amount

In 1999 the Australian Gas Light Company (AGL) and the Corporation constructed a 360 kilometre gas pipeline and power station to supply electricity and gas to the Windimurra Vanadium Project (WVP), approximately 80 kilometres south-east of Mt Magnet. The owners' interest in the project is held in three unincorporated joint ventures for the separate activities of power generation, gas trading and pipeline ownership.

In February 2003 the WVP owner's placed the project in a care and maintenance mode. The Directors of the Corporation have since re-assessed the recoverable amount of the joint venture assets and based on this assessment have written down assets by $18.1 million to their recoverable amount of $8.1 million. The discount rate used in determining the recoverable amount was 7.0%.

The financial impact for the year ended 30 June 2003 was an $18.1 million net increase in other expenditure from ordinary activities.

6. PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE (continued)

Significant Items (continued)
2002/2003 (continued)
Demonstration Integrated Wood Processing Project
This project involves a pilot plant being established in Narrogin with the aim of investigating the viability of using existing but unproven technology to convert mallee eucalypt feedstock into several commercial products. Construction of the plant was completed during the financial year ended 30 June 2003 and is currently being commissioned. The pilot plant is not of a scale to be economically feasible, and involves innovation and technical risk.

The financial impact for the year ended 30 June 2003 was a $7.8 million increase in other expenditure from ordinary activities.

7. INCOME TAX EXPENSE

		30/06/04 $'000	***30/06/03 $'000***
The Prima Facie Tax on Profit is Reconciled to Income Tax Provided in the Accounts as follows:			
Profit Before Income Tax Expense		351,185	*318,966*
Income Tax Calculated at 30%		105,356	*95,690*
Tax Effect of Permanent Differences			
- Provision for Decommissioning Costs		3,238	*3,203*
- Non-Assessable Profit on Sale of Non-Current Assets		(424)	*(2,618)*
- Research and Developments Costs		(450)	*(502)*
- Non-Deductible Depreciation of Buildings		580	*905*
- Other		1,304	*223*
Total Tax Effect of Permanent Differences		4,248	*1,211*
Income Tax Expense		109,604	*96,901*
Total Income Tax Expense Comprises the Following:			
Additions to:	Provision for Income Tax	106,871	*88,325*
	Provision for Deferred Income Tax	15,940	*20,282*
	Future Income Tax Benefit	(13,207)	*(11,706)*
		109,604	*96,901*

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. SEGMENT INFORMATION

	GENERATION		TRANSMISSION		DISTRIBUTION and SALES		PILBARA POWER		REGIONAL POWER		CONSOLIDATED	
	30/06/04 $'000	*30/06/03 $'000*	30/06/04 $'000	*30/06/03 $'000*	30/06/04 $'000	*30/06/03 $'000*	30/06/04 $'000	*30/06/03 $'000*	30/06/04 $'000	*30/06/03 $'000*	30/06/04 $'000	*30/06/03 $'000*
STATEMENT OF FINANCIAL PERFORMANCE												
External Revenue	47,312	*45,966*	23,923	*12,678*	1,556,397	*1,494,968*	43,040	*41,548*	64,598	*62,741*	1,735,270	*1,657,901*
Inter-Segment Revenue	781,604	*748,363*	164,270	*159,706*	-	-	-	-	-	-	945,874	*908,069*
Total Segment Revenue	828,916	*794,329*	188,193	*172,384*	1,556,397	*1,494,968*	43,040	*41,548*	64,598	*62,741*	2,681,144	*2,565,970*
Unallocated Revenue											39,264	*39,999*
Total Revenue											2,720,408	*2,605,969*
External Expenditure	(675,328)	*(659,006)*	(72,071)	*(65,364)*	(235,955)	*(221,620)*	(20,201)	*(19,228)*	(96,276)	*(106,582)*	(1,099,831)	*(1,071,800)*
Inter-Segment Expenditure	(22,136)	*(20,259)*	(573)	*(2,797)*	(909,047)	*(871,396)*	(7,050)	*(7,418)*	(7,068)	*(6,199)*	(945,874)	*(908,069)*
Total Segment Expenditure	(697,464)	*(679,265)*	(72,644)	*(68,161)*	(1,145,002)	*(1,093,016)*	(27,251)	*(26,646)*	(103,344)	*(112,781)*	(2,045,705)	*(1,979,869)*
Unallocated Expenditure											(175,354)	*(162,797)*
Total Expenditure											(2,221,059)	*(2,142,666)*
Segment Results	131,452	*115,064*	115,549	*104,223*	411,395	*401,952*	15,789	*14,902*	(38,746)	*(50,040)*	499,349	*463,303*
Borrowing Costs											(148,164)	*(144,337)*
Profit from Ordinary Activities before Income Tax Expense											351,185	*318,966*
Income Tax Expense											(109,604)	*(96,901)*
NET PROFIT											241,581	*222,065*
Depreciation	123,043	*117,519*	28,163	*26,844*	45,140	*41,965*	3,354	*3,295*	6,709	*16,689*	228,784	*228,093*

8. SEGMENT INFORMATION (continued)

	GENERATION		TRANSMISSION		DISTRIBUTION and SALES		PILBARA POWER		REGIONAL POWER		CONSOLIDATED	
	30/06/04 $'000	*30/06/03 $'000*	30/06/04 $'000	*30/06/03 $'000*	30/06/04 $'000	*30/06/03 $'000*	30/06/04 $'000	*30/06/03 $'000*	30/06/04 $'000	*30/06/03 $'000*	30/06/04 $'000	*30/06/03 $'000*
STATEMENT OF FINANCIAL POSITION												
Segment Assets	1,701,444	*1,804,583*	928,625	*845,786*	1,552,278	*1,421,648*	103,338	*103,006*	106,489	*102,347*	4,392,174	*4,277,370*
Unallocated Assets											197,266	*201,368*
Segment Liabilities	(257,647)	*(246,089)*	(104,130)	*(93,016)*	(214,167)	*(189,431)*	(4,819)	*(5,945)*	(21,468)	*(18,941)*	(602,231)	*(553,422)*
Unallocated Liabilities											(69,914)	*(56,834)*
Net Assets Before Borrowings	1,443,797	*1,558,494*	824,495	*752,770*	1,338,111	*1,232,217*	98,519	*97,061*	85,021	*83,406*	3,917,295	*3,868,482*
Borrowings											(2,325,855)	*(2,416,341)*
NET ASSETS											1,591,440	*1,452,141*
Acquisitions of Non-Current Assets	31,647	*176,797*	95,113	*96,188*	143,610	*144,379*	4,737	*2,964*	12,784	*8,666*	326,896	*472,550*

Segment Reporting
Segment revenues, expenditures, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise corporate revenues, expenditures, assets and liabilities.

Western Power Corporation operates as a vertically integrated business, but in accordance with the disclosure requirements of the Electricity Corporation Act 1994 the following segments are presented -
Industry Segment
The major products/services from which the above segments derive revenue are:
Generation - Generates and sells electricity to the Distribution and Sales segment;
Transmission - Transports electricity from generators to the Distribution and Sales segment and third party users;
Distribution and Sales - Purchases, distributes and sells electricity to customers in the South West Interconnected System;
Pilbara Power - Purchases, transports, distributes and sells electricity in Western Australia's Pilbara System; and
Regional Power - Generates, purchases, distributes and sells electricity in Western Australia's remote areas.

Geographical Segments
The Corporation operates entirely in Australia.

Significant inter-segment revenues are earned by the Generation and Transmission segments. Inter-segment Generation revenues are based on the current internal pricing mechanisms and inter-segment Transmission revenues are based on published network access price schedules.

NOTES TO THE FINANCIAL STATEMENTS (continued)

	30/06/04 $'000	*30/06/03 $'000*
9. CASH ASSETS		
Cash at Bank	26,390	*11,080*
Domestic Currency Deposits	3,000	*18,000*
Foreign Currency Deposits	159	*21*
	29,549	*29,101*
10. RECEIVABLES		
Trade Debtors	208,368	*199,929*
Less: Provision for Doubtful Debts	3,405	*3,090*
	204,963	*196,839*
Other Debtors	11,759	*7,093*
	216,722	*203,932*
11. INVENTORIES		
Power Station Fuels - at Cost	38,550	*49,549*
Power Station Fuels - at Net Realisable Value *	9,684	*5,245*
Material Stores - at Cost	53,184	*49,309*
Less: Provision for Obsolete Stock	884	*224*
	52,300	*49,085*
Work in Progress - at Cost	363	*438*
Renewable Energy Certificates	2,519	*1,487*
	103,416	*105,804*

* *In the financial year ended 30 June 2004 inventory was written down by $5.8 million to its net realisable value to reflect that it will be held for delivery against firm sales contracts.*

	30/06/04 $'000	*30/06/03 $'000*
12. OTHER FINANCIAL ASSETS		
Non-Current		
Investment in Associate Entities	-	*2,690*
Other *	1,342	*2,313*
	1,342	*5,003*

* *In the financial year ended 30 June 2004 the investment shares in Ceramic Fuel Cells Limited were written down by $1.0 million to its share issue price of $1.00.*

	30/06/04 $'000	*30/06/03 $'000*
13. OTHER ASSETS		
Current		
Prepayments	17,006	*8,402*
Non-Current		
Prepayments	13,936	*17,430*
Other	676	*3,994*
	14,612	*21,424*
14. PROPERTY, PLANT AND EQUIPMENT		
Plant and Equipment		
Plant and Equipment - at Cost	5,793,836	*5,392,845*
Less: Accumulated Depreciation	2,316,422	*2,117,750*
Plant and Equipment - at Cost	3,477,414	*3,275,095*
Plant and Equipment - at Recoverable Amount	8,077	*8,077*
Less: Accumulated Depreciation	731	*-*
Plant and Equipment - at Recoverable Amount	7,346	*8,077*
Plant and Equipment - Net Book Value	3,484,760	*3,283,172*
Land - Net Book Value	39,554	*27,478*
Buildings		
Buildings	308,100	*240,153*
Less: Accumulated Depreciation	122,847	*112,310*
Buildings - Net Book Value	185,253	*127,843*
Leasehold Improvements		
Leasehold Improvements	458	*458*
Less: Accumulated Depreciation	115	*69*
Leasehold Improvements - Net Book Value	343	*389*
Works under Construction - Net Book Value	420,386	*602,900*
TOTAL PROPERTY, PLANT AND EQUIPMENT	4,130,296	*4,041,782*

VALUATIONS

An independent valuation of land and buildings on the basis of current use for land and market value for buildings was conducted. The independent valuation valued land and buildings at $426.0 million as at 30 June 2004.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	30/06/04 $'000	*30/06/03 $'000*
Plant and Equipment		
Opening Balance	3,283,172	*3,309,544*
Additions	435,076	*212,502*
Disposals	(7,239)	*(4,218)*
Depreciation	(219,775)	*(216,570)*
Write Down to Recoverable Amount	(6,474)	*(18,086)*
Plant and Equipment - Net Book Value	3,484,760	*3,283,172*
Land		
Opening Balance	27,478	*26,823*
Additions	12,686	*2,765*
Disposals	(610)	*(2,110)*
Land - Net Book Value	39,554	*27,478*
Buildings		
Opening Balance	127,843	*140,820*
Additions	68,236	*2,070*
Disposals	(187)	*(922)*
Depreciation	(10,639)	*(14,125)*
Buildings - Net Book Value	185,253	*127,843*
Leasehold Improvements		
Opening Balance	389	*472*
Additions	-	*(38)*
Amortisation	(46)	*(45)*
Leasehold Improvements - Net Book Value	343	*389*
Works under Construction		
Opening Balance	602,900	*348,111*
Additions	(165,907)	*254,789*
Write Down to Recoverable Amount	(16,607)	*-*
Works Under Construction - Net Book Value	420,386	*602,900*
TOTAL PROPERTY, PLANT AND EQUIPMENT	4,130,296	*4,041,782*

15. PAYABLES

	30/06/04 $'000	*30/06/03 $'000*
Current		
Trade Creditors	113,107	*99,369*
Other Creditors	11,483	*11,233*
	124,590	*110,602*
Non-Current		
Contributory Extension Scheme (CES) *	32,783	*33,689*

* *This represents contributions 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 had their contributions refunded.*

16. TAX LIABILITIES

	30/06/04 $'000	*30/06/03 $'000*
Current		
Income Tax Provision	42,177	*28,944*
Goods and Services Tax	13,357	*14,298*
Other	1,162	*1,190*
	56,696	*44,432*
Non-Current		
Deferred Income Tax	144,096	*128,156*

17. PROVISIONS

	30/06/04 $'000	*30/06/03 $'000*
Current		
Provision for:		
Dividends		
Opening Balance	55,600	*60,618*
Provisions		
Final Dividend	41,213	*55,600*
Interim Dividend	62,300	*58,450*
Payments	(117,900)	*(119,068)*
Closing Balance	41,213	*55,600*
Employee Entitlements	58,356	*45,063*
Decommissioning Costs *		
Opening Balance	7,273	*7,653*
Provisions	5,149	*(60)*
Payments	(583)	*(320)*
Closing Balance	11,839	*7,273*
Other		
Opening Balance	-	*260*
Provisions **	1,318	*(160)*
Payments	(264)	*(100)*
Closing Balance	1,054	-
	112,462	*107,936*

* *This item represents estimated costs of rehabilitation and disposal of the decommissioned East Perth, Bunbury and South Fremantle Power Stations; and an estimate for the decommissioning costs of Kwinana Stage B and specific Regional generating assets.*

** *This includes a provision of $0.8 million for Tenterden and Bridgetown Bushfires, which were formerly a contingent liability. Under its insurance arrangements, the provision raised represents the Corporation's maximum capped liability of $1.0 million, less payments to 30 June 2004.*

17. PROVISIONS (continued)

	30/06/04 $'000	*30/06/03 $'000*
Non-Current		
Provision for:		
Employee Entitlements	19,342	*19,940*
Superannuation		
Opening Balance	51,045	*48,561*
Provisions	21,633	*22,076*
Payments	(18,002)	*(19,592)*
Closing Balance	54,676	*51,045*
Decommissioning Costs *		
Opening Balance	55,814	*55,914*
Provisions	16,151	*(100)*
Payments	-	-
Closing Balance	71,965	*55,814*
Other		
Opening Balance	4,529	*2,281*
Provisions	(528)	*2,248*
Payments	-	-
Closing Balance	4,001	*4,529*
	149,984	*131,328*

* *This item represents estimated costs of rehabilitation and disposal of the decommissioned South Fremantle Power Station; and an estimate for the decommissioning costs of Kwinana Stages A and B, Muja Stages A and B and specific Regional generating assets.*

18. INTEREST BEARING LIABILITIES

	30/06/04 $'000	*30/06/03 $'000*
Non-Current		
Domestic Currency Loans	2,325,855	*2,416,341*

The above liabilities are ultimately secured by Government Guarantee.

All interest-bearing liabilities are governed by a facility agreement, which provides the Corporation with the full discretion to refinance all or any part of maturing debt. The amount of any current interest bearing liabilities therefore, represents the total debt expected to be repaid within twelve months, with all remaining debt classified as non-current. For interest bearing liabilities maturing over the next twelve months it is the intention of the Corporation to refinance all maturing debt under the facility agreement.

19. EQUITY

	30/06/04 $'000	*30/06/03 $'000*
Retained Profits at the Beginning of the Financial Year	1,442,615	*1,339,991*
Less: Adjustment Arising from Adoption of Revised Acc Std AASB 1028 "Employee Benefits"	-	*5,391*
Adjusted Opening Balance	1,442,615	*1,334,600*
Net Profit After Income Tax Expense	241,581	*222,065*
Less: Dividends Provided for or Paid	103,513	*114,050*
Retained Profits at the End of the Financial Year	1,580,683	*1,442,615*
Contributed Equity *	10,757	*9,526*
Total Equity	1,591,440	*1,452,141*

* *This amount represents the State Government's equity contribution to the Corporation in support of the Mid West Gas Lateral and Tubridgi to Onslow Gas Pipeline projects, the undergrounding of a 132kV transmission line to Burswood and the Esperance nine mile beach wind farm. No shares have been allotted or issued for the equity contribution.*

20. LEASE LIABILITY AND LEASE COMMITMENTS

Future Lease Commitments

Operating Leases:

	30/06/04 $'000	*30/06/03 $'000*
Not later than one year	6,744	*5,784*
Later than one year and not later than five years	9,915	*11,901*
Later than five years	1,430	*1,515*
	18,089	*19,200*

The future operating lease commitments reported above represent lease payments determined at the inception of the lease.

Future operating lease commitments however, are largely contingent on the level of short-term interest rates at the time the lease payment is due. Using the short-term interest rates applicable at 30 June 2004, future operating lease commitments are estimated to be $17.8 million (02/03: $18.7 million).

21. CAPITAL EXPENDITURE COMMITMENTS

Total capital commitments contracted for at balance date, including the retrospective underground project and other major capital expenditure programs, but not provided for in the accounts is as follows:

Future Capital Commitments

	30/06/04 $'000	*30/06/03 $'000*
Not later than one year	78,754	*29,664*
Later than one year and not later than five years	5,596	*18,346*
Later than five years	-	*-*
	84,350	*48,010*

22. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Corporation's policy is to disclose details of contingent liabilities and contingent assets where the probability of future payments/receipts is not considered remote, as well as details of contingent liabilities and contingent assets, which although considered remote, the Directors consider should be disclosed.

The Directors of the Corporation are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required.

Contingent liabilities considered remote

Epic Energy

A dispute currently exists between Epic Energy (WA) Transmission Pty Ltd (Epic Energy) and the Corporation regarding the price of gas transmission. Under Section 20 of the Dampier to Bunbury Pipeline Act, Epic Energy is obliged to offer to shippers with existing transmission contracts a variation of those contracts to incorporate the "statutory price" for the relevant service. The "statutory price" is the price a person could insist upon paying if entering, at that time, into a contract for the service concerned.

From 1 January 2000, Epic Energy has invoiced the Corporation at $1.18 per gigajoule (as escalated). The Corporation has disputed these invoices and has only processed for payment the undisputed portion of $1.00 per gigajoule (as escalated). The disputed portion of approximately $0.18 per gigajoule has been excluded from the Corporation's accounting records.

The "statutory price" was specified by Regulation until the approved Access Arrangement for the Dampier to Bunbury natural gas pipeline came into effect on 13 January 2004. However, such approval has created legal uncertainty as to the parties rights' in respect to "statutory price" and proposed Regulations once approved will provide a process by which the dispute may be resolved. Notwithstanding, Epic Energy and the Corporation have subsequently agreed to an interim tariff on a without prejudice basis that has been effective since 1 January 2004. The interim tariff has been used to determine the amount of the contingent liability since 1 January 2004.

The maximum amount of contingent liability that may become payable as a result of the above is $23.5 million.

It is currently unresolved between Epic Energy and the Corporation whether an offer under Section 20 has been made and accepted.

Newmont Power Pty Ltd

An action against the Corporation as fifth defendant has been undertaken by Newmont Power Pty Ltd for damage to a power station as a result of alleged breach of the Interim Access Agreement. At the time of making this statement we are unable to ascertain the quantum.

Contractual Breach

An action against the Corporation has been undertaken by the former Chief Executive Officer, Dr WS van der Mye seeking additional employment payments of $462,011 and unquantified amounts for breach of contract, interest and legal costs.

The allegation is strongly denied and the action is being vigorously defended.

Contingent Assets

As at the reporting date there are no contingent assets.

23. REMUNERATION OF DIRECTORS AND EXECUTIVE DISCLOSURES

Remuneration of Directors and Executives

The Governance and Remuneration Committee is responsible to the Board for the development and implementation of policy relating to remuneration and other terms and conditions of service for the employees of the Corporation.

Remuneration approval protocols are as follows:

Non-Executive Directors	The Minister for Energy approves the remuneration of all Non-Executive Directors.
Chief Executive Officer (CEO)	The Board subject to the concurrence of the Minister for Energy approves the remuneration of the CEO.
Executive Officers	The Board on recommendation of the CEO approves the remuneration of all Executive Officers.

The remuneration policy is intended to ensure the emoluments properly reflect officers' duties, accountabilities and level of performance; that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Committee regularly seeks appropriate independent external advice with performance and movement reviewed annually.

Non-Executive Directors

The Board submits a recommendation to the Minister for Energy for Non-Executive Directors. The Minister approved effective from 1 January 2004 the remuneration level that for the first time included a committee fee component - in recognition of the significant additional workload of Directors associated with the restructuring of the utility together with the establishment of the associated market and other critical factors requiring greater Board attention.

Non-Executive Directors do not receive any retirement benefits other than compulsory superannuation entitlements.

Chief Executive Officer and Executive Officers

The CEO and Executive Officers receive emoluments by way of a total employment package that includes: cash, vehicle, superannuation, other benefits and the full cost of fringe benefit tax. Movements are linked to market considerations, a structured performance appraisal system, the Corporation's financial performance and ability to pay.

Embedded in the Corporation's legislation is the requirement to make a profit and maximize the long-term value of the Corporation. This aim is the focus of the Corporation's long-term strategic framework and has been the underlying focus for the Corporation's performance pay plans.

Executive Officers, with the exception of the CEO, participate in an incentive scheme that has been based on the improved long-term value of the Corporation - specifically, the scheme awards 0.1% of the Corporation's improvement in economic profit[1] to Executives. This scheme is only triggered after a minimum annual improvement in EP of $6.0 million, however any payment under the Executive Scheme is at the Board's absolute discretion. Executive Officers' also participate in the General Employee Incentive Performance Scheme, with employees sharing a bonus pool that is determined by 25% of the improvement in economic profit adjusted for the benefit of company tax.

The Board approved the continuing use of the existing schemes for 2003/2004. In July 2004, the Board accepted the Government's view, as our shareholder that it no longer supports the payment of any Executive Performance Payment for 2003/2004.

[1] Economic Profit (EP) is equal to Earnings Before Interest and Tax (EBIT) less notional tax and capital charge. Capital charge is an allocation based on the capital employed, that being total assets less non-interest bearing liabilities.

23. REMUNERATION OF DIRECTORS AND EXECUTIVE DISCLOSURES (continued)

Chief Executive Officer and Executive Officers (continued)

The Board instigated a review of the present scheme and its structure - considering the Corporation needed to move and position executive remuneration to incorporate 'an at risk element' that is paid based on a combination of the company's key result areas and the individual's success in meeting their own performance objectives.

Details of the nature and amount of each element of the emolument for Specified Directors[(2)] during 2003/2004 are detailed below:

	Primary Benefits[a]			Post Employment Benefits[b]		Other Benefits	Total Benefits
	Salary & Fees $	Bonus $	Non-Monetary $	Super-annuation $	Retirement Benefits $	Termination Benefits $	Total $
Non-Executive Specified Directors							
Mr ND Hamilton [1] (Chairman)	63,719	-	668	5,866	-	-	70,253
Ms JA Seabrook [1,2] (Deputy Chair)	45,915	-	668	4,206	-	-	50,789
Mr AJ Mulgrew [1]	40,152	-	-	3,429	-	-	43,581
Ms SA Wilson [1]	33,157	-	-	9,590	-	-	42,747
Mr JJ O'Connor [1]	19,869	-	-	6,867	-	-	26,736
Ms CE Stockwell [1]	24,563	-	-	2,173	-	-	26,736
Mr MH Macpherson [1]	61,159	-	444	5,545	-	-	67,148
Dr PJ Moy [1]	46,014	-	-	4,142	-	-	50,156
Mr WJ Murphy [1]	6,564	-	112	601	-	-	7,277
Executive Specified Directors							
Mr HR Collins [1] (CEO)	120,523	-	743	10,598	-	-	131,864
Dr WS van der Mye [1] (CEO)	230,898	-	41,181	32,421	-	-	304,500
Total Specified Directors	**692,533**	**-**	**43,816**	**85,438**	**-**	**-**	**821,787**

[1] Mr ND Hamilton (Chairman) since 20 February 2004; Ms JA Seabrook (Deputy Chair) since 2 March 2004; Mr AJ Mulgrew (Director) since 2 September 2003; Ms SA Wilson (Director) since 2 September 2003; Mr JJ O'Connor (Director) since 23 December 2003; Ms CE Stockwell (Director) since 23 December 2003; Mr MH Macpherson (Chairman) until 19 February 2004; Dr PJ Moy (Director) until 30 June 2004; Mr WJ Murphy (Director) until 31 August 2003; Mr HR Collins (CEO) from 23 February 2004 until 21 July 2004; Dr WS van der Mye (CEO) until 19 February 2004.

[2] Ms JA Seabrook performed work on the Cronin Review Committee. A payment of $84,794 was made to Gresham Advisory Partners Limited for her services, which is not included in the table above. Ms JA Seabrook is a Director of Gresham Advisory Partners Limited.

[a] Primary Benefits represents Director fees and Executive salaries, performance bonus payments and non-monetary benefits, such as motor vehicle benefits and electricity benefits.

[b] Post Employment Benefits represents employer and employee contributed superannuation and retirement benefits.

(2) Specified Director means a person who was, at any time during the reporting period, a Director of the Corporation.

23. REMUNERATION OF DIRECTORS AND EXECUTIVE DISCLOSURES (continued)

Details of the nature and amount of each element of the emolument for Specified Executives[(3)] during 2003/2004 are detailed below:

	Primary Benefits[a]			Post Employment Benefits[b]		Other Benefits	Total Benefits
Specified Executives	**Salary & Fees $**	**Bonus[1] $**	**Non-Monetary $**	**Super-annuation $**	**Retirement Benefits $**	**Termination Benefits $**	**Total $**
Mr MD Chatfield * (General Manager Special Projects)	217,085	6,850	22,398	53,331	-	-	299,664
Mr N Ninkov (General Manager Corporate Finance)	221,949	6,850	29,361	26,824	-	-	284,984
Mr DT Aberle * (Chief Operating Officer, General Manager Generation)	211,567	6,850	21,604	36,077	-	-	276,098
Mr JE Lillywhite (General Manager Regional)	196,651	6,850	25,689	42,186	-	-	271,376
Mr M Hands (General Counsel)	161,867	11,850	28,497	21,253	-	-	223,467
Mr TH James * (Acting General Manager Retail)	148,356	6,850	19,090	31,356	-	-	205,652
Mr KD Bowron * (Acting General Manager Networks)	145,795	6,850	16,872	30,379	-	-	199,896
Ms MV Enders * (General Manager Shared Services)	112,244	6,850	48,339	14,043	7,534	-	189,010
Mr PR Oates * (General Manager Emerging Business)	84,957	6,850	12,471	30,004	175,290	379,536	689,108
Total Specified Executives	**1,500,471**	**66,650**	**224,321**	**285,453**	**182,824**	**379,536**	**2,639,255**

* Mr MD Chatfield (General Manager Special Projects) until 23 July 2004, Mr DT Aberle (Chief Operating Officer) since 22 February 2004; Mr TH James received $105,345 in his capacity as Acting General Manager Retail since 1 January 2004; Mr KD Bowron received $105,350 in his capacity as Acting General Manager Networks since 1 January 2004; Ms MV Enders (General Manager Shared Services) until 28 April 2004; Mr PR Oates (General Manager Emerging Business) until 31 December 2003.

[1] The Executives, with the exception of the CEO, participate in both an Executive and General Employee Incentive Performance Scheme. In accordance with these schemes, a payment of $6,850 was made in respect of the 2002/2003 financial year. Executives received no payment in respect of the 2003/2004 financial year under either scheme. Special recognition was provided however, to one Specified Executive involved with the successful renegotiation of the long-term gas supply contract with the North West Shelf Joint Venture partners.

[a] Primary Benefits represents Executive salaries, performance bonus payments and non-monetary benefits, such as motor vehicle benefits and electricity benefits.

[b] Post Employment Benefits represents employer and employee contributed superannuation and retirement benefits.

[(3)] Specified Executive means a person who exercises significant influence over the management of the Corporation, employed at any time during the reporting period and not a Specified Director.

24. RECONCILIATION OF NET PROFIT AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	30/06/04 $'000	*30/06/03 $'000*
Net Profit	241,581	*222,065*
Add/(less) items classified as investing/financing activities:		
Proceeds on Sale of Non-Current Assets	(13,522)	*(16,701)*
Written Down Value on Sale of Non-Current Assets	9,826	*7,250*
Share of Associates Net (Profit)/Loss	225	*(101)*
Developer and Customer Contributions	(74,501)	*(69,717)*
Foreign Exchange (Gains)/Losses	3,446	*(17)*
Capitalised Borrowing Costs	(7,032)	*(14,741)*
Add/(less) non-cash items:		
Depreciation	228,738	*228,048*
Amortisation - Leasehold Improvements	46	*45*
Write down of PP&E and Other Financial Assets	24,727	*18,086*
Contributed Assets	(13,031)	*(23,597)*
Change in assets and liabilities:		
(Increase)/Decrease in Debtors	(7,987)	*(7,303)*
(Increase)/Decrease in Prepayments	(5,107)	*1,158*
Increase/(Decrease) in Accounts Payable	(14,393)	*36,013*
(Increase)/Decrease in Inventories	2,386	*6,121*
Increase/(Decrease) in Employee Provisions	14,830	*9,303*
Increase/(Decrease) in Other Provisions	13	*1,508*
(Increase)/Decrease in Accrued Interest Receivable	(212)	*93*
Increase/(Decrease) in Deferred Income	22,353	*722*
Increase/(Decrease) in Income Taxes Payable	15,966	*(7,557)*
Net Cash Provided by Operating Activities	428,352	*390,678*

Reconciliation of Cash Assets at the End of the Financial Year		
Cash at Bank	26,390	*11,080*
Domestic Currency Deposits	3,000	*18,000*
Foreign Currency Deposits	159	*21*
Cash Assets at End of the Financial Year	29,549	*29,101*

Credit Standby Facilities

The Corporation has in place two borrowing facilities with Western Australian Treasury Corporation, a AUD fixed rate facility with a limit of $3,100 million, and a short term US facility with a limit of $205 million USD. As at 30 June 2004 the unused portion of the AUD facility was $774.0 million and the USD facility was undrawn.

The planned usage of the facilities is governed by the Corporation's Strategic Development Plan agreed with the Minister of Energy.

The Corporation has an intraday credit arrangement of $6.0 million with its bankers. As at 30 June 2004 the credit facility was undrawn.

In addition to the above the Corporation has arranged a stand-by overdraft facility of $2.0 million with its bankers. As at 30 June 2004 the overdraft facility was undrawn.

25. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The Corporation is exposed to interest rate risk through primary financial assets and liabilities, modified through derivative financial instruments such as interest rate swaps, forward rate agreements, bond futures contracts and cross currency swaps.

Interest rate swap contracts are used to manage interest rate exposures. Under an interest rate swap contract, the Corporation agrees to exchange at specified intervals, the differences between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. These contracts convert a portion of floating interest rate exposures to fixed interest rate exposures to reduce the volatility of interest costs between reporting dates.

Forward rate agreements are used to manage interest rate exposures on domestic currency loans. Under a forward rate agreement, the Corporation agrees to exchange on a specified settlement date, the difference between an agreed interest rate and a floating interest rate calculated by reference to an agreed notional principal amount. These agreements fix interest rates on domestic currency loans to provide protection against increasing interest rates. No forward rate agreements were outstanding as at 30 June 2004 (02/03: nil).

Bond futures contracts are used to manage the strategic positioning of the domestic currency loans portfolio. Under a bond futures transaction, the Corporation agrees to buy or sell a specific quantity of bond futures contracts at an agreed price on a fixed settlement date. The Corporation only transacts in financial bond futures through the Sydney Futures Exchange. These contracts allow a physical debt position to be replicated at a lower cost than is possible by buying and selling physical bonds. No bond futures contracts were outstanding as at 30 June 2004 (02/03: nil).

Cross currency swap contracts are used to hedge foreign currency loans. Under cross currency swaps, the Corporation initially exchanges a principal amount in foreign currency for a principal amount in Australian dollars. At specified intervals the Corporation pays interest amounts in Australian dollars and receives interest in foreign currency. The principal and interest exchanges are matched to the exchanges on foreign currency loans. Cross currency swaps allow the Corporation to borrow offshore and minimise exposure to foreign interest rates and exchange rate fluctuations. Cross currency swaps are normally arranged for a period of three years. No cross currency swaps were outstanding as at 30 June 2004 (02/03: nil).

The subsequent tables summarise the Corporation's exposure to interest rate risk, and the weighted average interest rates on financial instruments at the reporting date. The following financial instruments, where they are not interest bearing, are omitted: receivables, accounts payable, dividends payable and annual leave employee entitlements.

25. FINANCIAL INSTRUMENTS (continued)

(a) Interest Rate Risk (continued)

30/06/04	Weighted Average Interest Rate[1]	Floating Interest Rate $'000	Fixed Interest Rate Maturing Within One Year $'000	One to Five Years $'000	Over Five Years $'000	Total $'000
Financial Assets						
Cash at Bank	5.00%	26,390	-	-	-	26,390
Domestic Currency Deposits	5.17%	3,000	-	-	-	3,000
Foreign Currency Deposits	-	159	-	-	-	159
Interest Rate Swaps[2]	5.66%	245,400	-	-	-	245,400
TOTAL ASSETS		**274,949**	**-**	**-**	**-**	**274,949**
Financial Liabilities						
Employee Entitlements						
Long Service Leave	5.47%	37,794	-	-	-	37,794
Domestic Currency Loans						
Short Term	5.50%	215,300	-	-	-	215,300
Long Term[3]	6.61%	-	308,286	1,206,268	596,001	2,110,555
Interest Rate Swaps[2]	5.14%	-	67,100	135,000	43,300	245,400
TOTAL LIABILITIES		**253,094**	**375,386**	**1,341,268**	**639,301**	**2,609,049**

30/06/03	*Weighted Average Interest Rate[1]*	*Floating Interest Rate $'000*	*Fixed Interest Rate Maturing Within One Year $'000*	*One to Five Years $'000*	*Over Five Years $'000*	*Total $'000*
Financial Assets						
Cash at Bank	*4.50%*	*11,080*	-	-	-	*11,080*
Domestic Currency Deposits	*4.65%*	*18,000*	-	-	-	*18,000*
Foreign Currency Deposits	-	*21*	-	-	-	*21*
Interest Rate Swaps[2]	*4.78%*	*245,100*	-	-	-	*245,100*
TOTAL ASSETS		***274,201***	**-**	**-**	**-**	***274,201***
Financial Liabilities						
Employee Entitlements						
Long Service Leave	*4.20%*	*34,803*	-	-	-	*34,803*
Domestic Currency Loans						
Short Term	*4.77%*	*163,300*	-	-	-	*163,300*
Long Term[3]	*6.66%*	-	*232,486*	*1,153,504*	*867,051*	*2,253,041*
Interest Rate Swaps[2]	*5.14%*	-	*10,000*	*181,800*	*53,300*	*245,100*
TOTAL LIABILITIES		***198,103***	***242,486***	***1,335,304***	***920,351***	***2,696,244***

[1] For floating interest rates this represents the most recent determined rate converted to the effective annual rate. The frequency of renegotiation for floating rates varies from daily to half yearly depending on the instrument. For fixed interest rates this represents the effective annual interest rate.
[2] Notional principal.
[3] Long term debt has an initial maturity period of greater than one year.

25. FINANCIAL INSTRUMENTS (continued)

(b) Foreign Exchange Risk

The Corporation is exposed to foreign exchange risk through foreign currency loans and anticipated future transactions.

Foreign Currency Loans

Foreign currency loans are used by the Corporation as an additional source of finance. Cross currency swaps are used to manage foreign currency exposure on foreign currency loans. No foreign currency loans were outstanding as at 30 June 2004 (02/03: nil).

Hedges of Anticipated Future Transactions

The purpose of the Corporation's foreign currency hedging activities is to protect against the risk that the eventual Australian dollar outflows for purchases of equipment and services will be adversely affected by changes in exchange rates.

The Corporation hedges this risk by purchasing foreign currency and holding it on deposit or by entering into forward foreign exchange agreements and foreign currency options.

The following table summarises the foreign currency amounts held on deposit, in Australian dollar equivalents using rates current at the reporting date.

Currency	**30/06/04 $'000**	***30/06/03 $'000***
Europe Euro	110	-
United States Dollar	49	*21*
Total Foreign Currency Deposits	**159**	***21***

The foreign currency deposits are utilised to pay invoices from foreign suppliers. The deposits are replenished when a firm order has been placed with the supplier or the future commitment can be reliably measured. In line with Note 1.14.2, any gain or loss on these hedges has been deferred and will be recognised in the financial statements at the time the underlying transaction occurs. No hedges were outstanding as at 30 June 2004 (02/03: nil).

The following tables summarise, by currency, the Australian dollar value of forward foreign exchange agreements. Foreign currency amounts are translated at rates current at the reporting date. The 'Buy' amount represents the Australian dollar equivalent of commitments to purchase foreign currencies, and the 'Sell' amount represents the Australian dollar equivalent of commitments to sell foreign currencies.

25. FINANCIAL INSTRUMENTS (continued)

(b) Foreign Exchange Risk (continued)

30/06/04	Weighted Average Exchange Rate Buy	Weighted Average Exchange Rate Sell	Buy $'000	Sell $'000
Within one year:				
Swiss Franc	0.9770	-	362	-
Europe Euro	0.5954	-	2,052	-
United States Dollar	0.6006	-	2,635	-
Japanese Yen	0.4114	-	2,238	-
Total			**7,287**	**-**

30/06/03	*Weighted Average Exchange Rate Buy*	*Weighted Average Exchange Rate Sell*	*Buy $'000*	*Sell $'000*
Within one year:				
Swiss Franc	*0.8383*	-	*2,936*	-
Europe Euro	*0.5558*	-	*3,600*	-
United States Dollar	*0.5342*	-	*13,352*	-
Japanese Yen	*78.0200*	-	*2,191*	-
Total			***22,079***	**-**

In line with Note 1.14.2, any gain or loss on these hedges has been deferred and will be recognised in the financial statements at the time the underlying transaction occurs. The net deferred loss on these hedges as at 30 June 2004 was $0.5 million (02/03: loss of $3.8 million).

No foreign currency options were outstanding as at 30 June 2004 (02/03: nil).

Commodity Price Exposures
The Corporation is exposed to fluctuations in the price of commodities associated with the purchase of materials. In addition, as these commodities are priced in United States dollars, a foreign exchange risk also exists.

The Corporation manages these risks by the use of commodity swaps and commodity options. Where these derivatives are settled in United States dollars the foreign currency risk is managed by entering into forward foreign exchange contracts and foreign currency options.

The notional amounts and maturity dates for the commodity hedge contracts are as follows:

Hedging of Commodity Purchases	30/06/04 $'000	*30/06/03 $'000*
3 months or less	10,590	*3,831*
Over 3 to 12 months	4,348	*4,085*
Total	**14,938**	***7,916***

In line with note 1.14.2, any gain or loss on these hedges has been deferred and will be recognised in the financial statements at the time the underlying transaction occurs. The net deferred loss on the commodity hedges as at 30 June 2004 was $3.4 million (02/03: loss of $0.2 million).

25. FINANCIAL INSTRUMENTS (continued)

(c) Credit Risk

Credit risk represents the extent of credit related losses that the Corporation may be subject to on amounts to be received from financial assets or exchanged under derivative financial instruments.

Financial Assets

The Corporation's maximum credit risk on current receivables is the carrying amount net of the provision for doubtful debts. The Corporation's electricity customer base consists of customers who are billed on a tariff based system, and customers billed under specific contract terms. Tariff customers include both domestic and commercial customers who are billed either monthly or every two months, and are required to settle accounts within 21 days. Contract customers are billed monthly and are required to settle their accounts in the time period specified by the individual contract, with most customers on 14 day terms.

To minimise credit risk on large contract customers, collateral in the form of a bank guarantee or a security deposit equivalent to one electricity consumption period is obtained. Due to the Corporation's large customer base of over 867,000 customers, the Corporation is not materially exposed to any individual customer or group of customers.

In respect of investments, credit risk is minimised by the Corporation's practice to deal only with major banks that are highly rated by Standard & Poor's or Moody's Investor Services and are regulated by the Australian Prudential Regulation Authority.

Derivative Financial Instruments

The credit risk on derivative financial instruments is represented by the net fair value of contracts with a positive fair value at the reporting date. The notional amounts of derivatives are not a measure of this exposure.

The following table summarises the Corporation's credit risk on derivative financial instruments at the reporting date.

Derivative Financial Instruments	**30/06/04 $'000**	***30/06/03 $'000***
Commodity Swaps	3,409	*21*
Foreign Exchange Contracts	307	-
Bond Futures Contracts [1]	-	-
Interest Rate Swaps	3,320	*585*
Total	**7,036**	***606***

[1] The credit risk associated with bond futures contracts is negligible as contracts are collateralised by cash, with any changes in the market value of contracts being settled on a daily basis with the clearing house.

The Corporation does not expect any counterparty to fail given the policy to deal in derivatives only with counterparties that are recognised financial intermediaries and possess a credit rating of A (Standard & Poor's) or A2 (Moody's Investor Services) or better.

25. FINANCIAL INSTRUMENTS (continued)

(d) Net Fair Value of Financial Instruments

The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged, or liability settled in a current transaction between willing parties after allowing for transaction costs. The carrying amounts and estimated net fair values of financial assets and financial liabilities, including derivative contracts, held at the reporting date are provided in the next table. The following financial instruments, where carrying amounts approximate net fair values, are omitted: cash at bank, domestic and foreign currency deposits, receivables, accounts payable and employee entitlements.

	Carrying Amount 30/06/04 $'000	**Net Fair Value 30/06/04 $'000**	***Carrying Amount 30/06/03 $'000***	***Net Fair Value 30/06/03 $'000***
Financial Assets				
Interest Rate Swaps	-	3,320	*-*	*585*
Commodity Swaps	3,423	3,409	*-*	*-*
Foreign Exchange Contracts	208	307	*-*	*-*
TOTAL ASSETS	**3,631**	**7,036**	***-***	***585***
Financial Liabilities				
Contributory Extension Scheme	33,357	18,911	*34,350*	*19,900*
Foreign Exchange Contracts	677	399	*3,787*	*3,591*
Domestic Currency Loans				
Short Term	215,300	217,732	*163,300*	*164,549*
Long Term	2,110,555	2,180,240	*2,253,041*	*2,410,444*
Interest Rate Swaps	-	1,360	*-*	*4,864*
Commodity Swaps	-	-	*176*	*234*
Commodity Options	-	-	*-*	*8*
TOTAL LIABILITIES	**2,359,889**	**2,418,642**	***2,454,654***	***2,603,590***

The Corporation has not written its financial liabilities up or financial assets down, to their estimated fair value as it expects to realise the carrying amount fully, by holding them to maturity.

Net fair values of financial instruments are determined on the following basis:

- Foreign exchange contracts are valued at quoted market prices.
- The net fair value of interest rate swaps and commodity swaps has been calculated by discounting future cash flows at market rates applicable at the reporting date.
- The contributory extension scheme consists of a large number of non-interest bearing 30 year refundable deposits, the last of which is due to expire in 2022. The net fair value of the scheme has been calculated by discounting the expected future payment at the same interest rates used to value domestic currency loans.
- Domestic currency loans are arranged through Western Australian Treasury Corporation. The net fair value of these loans has been calculated by discounting future cash flows using interest rates currently offered to the Corporation for debt of the same remaining maturities plus costs expected to be incurred were the liability to be settled.

(e) Miscellaneous

Put option

Uecomm Operations Pty Ltd has a put option to the Corporation. The option can be exercised up to 23 April 2007 should a significant change in the control environment of Uecomm Limited occur. If the option is exercised, the Corporation will be required to purchase customer contracts from Uecomm Operations Pty Ltd.

If the option was exercised on the 30 June 2004 it would have no value.

26. INTERESTS IN JOINT VENTURES

The South West Cogeneration Joint Venture is a joint venture between Origin Energy SWC Ltd and the Corporation, who own, as equal tenants-in-common, a 120MW cogeneration facility on the site of the Worsley Alumina Refinery in the South West of Western Australia. Within the terms of the joint venture agreement a pre-emption right exists in regard to the disposal of either parties' interest. The output of the facility, thermal energy and electricity, is sold to the refinery and other energy customers.

APT Pipelines (WA) Pty Ltd and the Corporation, own as equal tenants-in-common, and share in output (29.2% WPC/70.8% APT) a gas pipeline taking gas from the Dampier Bunbury Natural Gas Pipeline (DBNGP) to the power station at Vanadium Australia Pty Ltd's (VAPL) mine at Windimurra. AGL Power Generation (Mid West) Pty Ltd and the Corporation own and operate the power station at Windimurra, as equal tenants-in-common. AGL Gas Trading Pty Ltd and the Corporation formed a joint venture as equal tenants-in-common to facilitate the transportation of gas via the DBNGP to the Mid West pipeline, then sell the gas to VAPL. Within the terms of the joint venture agreements a pre-emption right exists in regard to the disposal of either parties' interest. Refer to Note 6 for details regarding the decision by the Directors of the Corporation in February 2003 to re-assess the recoverable amount of the joint venture assets.

Included in the assets and liabilities of the Corporation are the following items which represent the Corporation's interest in the assets and liabilities employed in the joint ventures, recorded in accordance with the accounting policies described in Note 1.11.1.

	30/06/04 $'000	***30/06/03 $'000***
Current Assets		
Cash Assets	88	*284*
Trade Debtors	1,298	*1,199*
Less: Provision for Doubtful Debts	-	-
	1,298	*1,199*
Inventories	266	*252*
Prepayments	-	*101*
Total Current Assets	1,652	*1,836*
Non-Current Assets		
Works Under Construction	78	*2,434*
Plant and Equipment - at Cost	46,929	*44,528*
Less: Accumulated Depreciation	16,813	*14,115*
	30,116	*30,413*
Plant and Equipment - at Recoverable Amount	8,077	*8,077*
Less: Accumulated Depreciation	731	-
	7,346	*8,077*
Total Non-Current Assets	37,540	*40,924*
TOTAL ASSETS	**39,192**	***42,760***
Current Liabilities		
Payables	1,178	*1,126*
Total Current Liabilities	1,178	*1,126*
TOTAL LIABILITIES	**1,178**	***1,126***

There are no contingent liabilities and capital expenditure commitments relating to the joint ventures as at 30 June 2004.

27. ASSOCIATE AND JOINT VENTURE ENTITIES

Halliburton Australia Pty Ltd and the Corporation each held a 50% ownership interest in Integrated Power Services Pty Ltd (IPS). The company was formed in February 1998, and is a provider of energy services to the mining process industry, and utilities service sector. During the financial year ended 30 June 2004 the Corporation sold its 50% ownership interest in IPS.

As at 30 June 2004 IPS is no longer an associate of the Corporation (02/03: $350,000). The information relating to IPS is set out below.

Name of Company	Principal Activity	Ownership Interest		Carrying Amount	
		30/06/04	*30/06/03*	30/06/04 $	*30/06/03 $*
Integrated Power Services Pty Ltd	Provider of energy services to mining and process industry	-	*50%*	-	*2,014,519*

Share of Associate's Results	30/06/04 $	*30/06/03 $*
Share of Net Profit/(Loss) Before Income Tax Expense	(36,058)	*(190,113)*
Share of Income Tax Expense	-	*(178,120)*
Share of Net Profit/(Loss) After Income Tax Expense	**(36,058)**	***(368,233)***

Aggregate Carrying Amount of Associate	Retained Profits $	Other Reserves $	Cost $	Total Carrying Amount $
Balance at the Beginning of the Fin. Year	1,664,519	-	350,000	2,014,519
Movements During the Financial Year				
Adjustment for Share of Net Profit 02/03	(188,709)	-	-	(188,709)
Share of Net Profit/(Loss)	(36,058)	-	-	(36,058)
Investments Acquired	-	-	-	-
Dividends Received and Receivable	-	-	-	-
Proceeds from Sale of Investment	(1,463,632)	-	(310,000)	(1,773,632)
Loss on Sale of Investment	(16,120)	-	-	(16,120)
Balance at End of the Financial Year	**(40,000)**	**-**	**40,000**	**-**

Summary of Performance and Financial Summary of Associate	30/06/04 $	*30/06/03 $*
Total Assets	-	*5,610,123*
Total Liabilities	-	*1,958,503*
Net Profit/(Loss) After Income Tax Expense	(72,115)	*(736,466)*

27. ASSOCIATE AND JOINT VENTURE ENTITIES (continued)

Enercon Power Corporation and the Corporation each held a 50% ownership in Wind Energy Corporation. Within the terms of the shareholder agreement a pre-emption right exists in regard to the disposal of either parties' interest. The company was formed in August 2000 and focuses on business opportunities relating to large-scale wind farms operating in parallel with an interconnected electricity grid, and hybrid power systems for remote and regional applications that utilise renewable energy technologies.

As at 30 June 2004 the Directors of the Corporation have re-assessed the recoverable amount of Wind Energy Corporation and based on this assessment have written down the investment by $675,000 to its recoverable amount of zero (02/03: $675,000).

United KG Pty Ltd and the Corporation jointly have agreed in June 2004 to provide design and construction services of high voltage electrical equipment to Electranet Transmission Services Pty Ltd for the Mannum Substation upgrade in South Australia.

The equity method has not been adopted as at 30 June 2004 because the Corporation's interest in the joint venture entity was immaterial in the context of the Corporation's operations.

28. INTERESTS IN CONTROLLED ENTITIES

The Corporation formed a wholly owned subsidiary Western Carbon Pty Ltd in July 2002 to pursue the development of new and existing technologies associated with a demonstration integrated wood processing plant. Commissioning of the demonstration plant is expected to occur in February 2005. When complete the plant will process plantation grown mallee trees to produce activated carbon, eucalyptus oil and electricity.

As at 30 June 2004, the subsidiary has undertaken no transactions and therefore there is no impact on the financial statements of the Corporation.

The Corporation formed a wholly owned subsidiary Bright Telecommunications Pty Ltd in December 2002 to develop a new broadband access network, subject to the successful completion of a pilot project being conducted by the Corporation. The network is intended to provide customers with fully independent telephony services, affordable high-speed internet access and other advanced services, such as digital video.

Refer to Note 6 for details regarding the decision by the Directors of the Corporation to close the "Bright Project".

As at 30 June 2004 the assets and liabilities of the "Bright Project" are held by the Corporation. The subsidiary however has undertaken no transactions and therefore has no impact on the financial statements of the Corporation.

29. RELATED PARTY DISCLOSURES

Transactions with Related Parties

For the purposes of these financial statements the following entities are deemed to be related parties:
- Integrated Power Services Pty Ltd (IPS) (50% share sold during the financial year)
- Wind Energy Corporation

During the financial year ended 30 June 2004 the Corporation purchased maintenance services totalling $3,986,448 (02/03: $9,183,794) from, and sold labour services of $1,100 (02/03: $12,590) to Integrated Power Services Pty Ltd. The amounts receivable and payable in the Corporation's financial statements to Integrated Power Services Pty Ltd are nil (02/03: nil) and $758,028 (02/03: $3,191,647) respectively. No dividends have been received or are receivable from IPS.

The value of transactions between the Corporation and Wind Energy Corporation during the 30 June 2004 financial year is not disclosed because it is immaterial in relation to the Corporation's operations.

Trading between the Corporation and the related parties is undertaken on an arm's length basis, on commercial terms and conditions.

30. ECONOMIC DEPENDENCY

The Corporation has a significant economic dependency on gas supply and transportation capacity from North West Shelf Joint Ventures and Epic Energy (WA) Transmission Pty Ltd respectively. In addition, the Corporation is solely dependent on coal supplies from Wesfarmers Premier Coal Ltd and Griffin Coal Mining Company Pty Ltd.

31. EVENTS SUBSEQUENT TO BALANCE DATE

Write-Down of Plant & Equipment to Recoverable Amount

On 21 July 2004 the Directors of the Corporation decided to close the "Bright Project", a telecommunications initiative that the Corporation has been trialling since late 1999. Directors have subsequently assessed the disposal value of the assets as up to $1 million, but because the costs associated with an orderly wind up of operations are anticipated to exceed the sale proceeds, the recoverable amount of these assets has been assessed as zero. Based on this assessment the Directors have written down the assets by $23.1 million to their recoverable amount. Refer to Note 6 for further details.

The financial impact of $23.1 million increase in other expenditure from ordinary activities has been recognised in the financial statements for the year ended 30 June 2004.

Construction of New Power Stations

On 2 July 2004 the Corporation announced that five new power stations will be built at various West Kimberley towns. A 20-year power purchase agreement with Energy Developments Ltd will see new gas-fired power stations at Broome, Derby, Fitzroy Crossing and Halls Creek; and a diesel station at Looma.

On 6 August 2004 the State Government approved the construction of an open cycle gas turbine. The new peaking plant is scheduled to be built for the summer of 2006/2007.

The financial impact of the above transactions have not been recognised in the financial statements for the year ended 30 June 2004.

32. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

The Corporation has commenced transitioning its accounting policies and financial reporting from current Australian accounting standards to Australian equivalents of International Financial Reporting Standards (IFRS). The Corporation has allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As a result of this work the Corporation has graded impact areas as either high, medium or low and has established project work streams to address each of the areas in order of priority as represented by the gradings. An IFRS project team has been established to manage the progress of these work streams. As the Corporation has a 30 June year-end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the Corporation prepares its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on future financial reports of the Corporation. At this stage the Corporation has not been able to reliably quantify the impact.

Developer and Customer Contributions
As required by UIG 17 "Developer and Customer Contributions in Price Regulated Industries" the Corporation presently recognises all developer and customer contributions as revenue upon receipt. There is no IAS equivalent to this UIG. Accordingly the accounting treatment for developer and customer contributions will need to be developed based on the International Accounting Standards Board Framework. In particular, consideration will need to be given to the definition and recognition criteria for assets. As the price regulated environment restricts the Corporation from earning a return of or return on contributed assets, it is unclear whether the contributed assets will meet the definition of assets under the International Accounting Standards Board Framework. This issue is subject to further analysis within the Network industry.

Intangible Assets – Renewable Energy Certificates
Under the Australian equivalent to IAS 38 "Intangible Assets", the value inherent in internally generated Renewable Energy Certificates (REC's) is not recognised until the REC is sold or surrendered. This will result in a change in the Corporation's current accounting policy which allows for the immediate recognition of internally generated REC's as inventory.

Impairment of Assets
Under the Australian equivalent to IAS 36 "Impairment of Assets" the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the Corporation's current accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows.

Income Taxes
Under the Australian equivalent to IAS 12 "Income Taxes", the Corporation will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the statement of financial position or a tax-based balance sheet.

Decommissioning Costs
Under the Australian equivalent to IAS 16 "Property, Plant and Equipment", the cost of an item of property, plant and equipment must include the cost of dismantling and removing the asset and restoring the site on which it is located. This will result in a change in the Corporation's current accounting policy which recognises a decommissioning provision toward the end of the useful life of an asset. The initial adjustment on transition will be against retained earnings and subsequent adjustments will be to net profit or loss for the period.

32. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS (continued)

Classification of Financial Instruments
Under AASB 139 "Financial Instruments: Recognition and Measurement", financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are:
- loans and receivables (measured at amortised cost);
- held to maturity (measured at amortised cost);
- held for trading (measured at fair value with fair value changes charged to net profit or loss);
- available for sale (measured at fair value with fair value changes taken to equity); and
- non-trading liabilities (measured at amortised cost).

This will result in a change in the current accounting policy that does not seek to classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised in the statement of financial position.

Hedge Accounting
Under AASB 139 "Financial Instruments: Recognition and Measurement" in order to achieve a qualifying hedge, the entity is required to meet the following criteria:
- identify the type of hedge (fair value or cash flow);
- identify the hedged item or transaction;
- identify the nature of the risk being hedged;
- identify the hedging instrument;
- demonstrate that the hedge has and will continue to be highly effective; and
- document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

If the Corporation's hedges do not meet the AASB 139 requirements, hedge accounting will no longer be able to be applied to the Corporation's derivative contracts and all gains and losses on the contracts will be recognised in net profit or loss for the period.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Western Power Corporation, we declare that -

In the opinion of the Directors:

(a) the financial statements and associated notes comply with the accounting standards and Urgent Issues Group Consensus Views;

(b) the statement of financial performance is drawn up so as to give a true and fair view of the net profit of the Corporation for the financial year ended 30 June 2004;

(c) the statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Corporation as at 30 June 2004, and;

(d) at the date of this statement there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due, in accordance with the structure of the Corporation existing as at 30 June 2004.

For and on behalf of the Board,

Mr ND HAMILTON	**Mr AM IANNELLO**
Chairman	*Chief Executive Officer*

15 September 2004

AUDITOR **GENERAL**

INDEPENDENT AUDIT REPORT ON WESTERN POWER CORPORATION

To the Parliament of Western Australia

Audit Opinion
In my opinion, the financial report of Western Power Corporation is in accordance with:

(a) schedule 3 of the Electricity Corporation Act 1994, including:
   (i) giving a true and fair view of the Corporation's financial position at June 30, 2004 and of its performance for the financial year ended on that date; and
   (ii) complying with Accounting Standards in Australia; and

(b) other mandatory professional reporting requirements in Australia.

Scope
The Board's Role
The Board of Directors is responsible for the financial report.

The financial report consists of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, accompanying Notes and Directors' Declaration.

Summary of my Role
As required by the Electricity Corporation Act 1994, I have independently audited the financial report to express an opinion on it. This was done by looking at a sample of the evidence.

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

D D R PEARSON
AUDITOR GENERAL
September 17, 2004

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