

09|10



Synergy's 2009/10 Annual Report outlines our objectives, major activities and operations for the financial year ending 30 June 2010, as well as our performance targets for the year ahead.

All targets are consistent with the Government's policy and budgetary requirements.

Our current and future functions and responsibilities are defined in the Electricity Corporations Act 2005 (WA) and in the industry's governing legislation, the Electricity Industry Act 2004 (WA) (and subordinate instruments).

The Board of Directors is the governing body, appointed by the Minister for Energy and our Managing Director has overall responsibility for Synergy's day-to-day operations.

Synergy's accountability to Government is met through our:

- Strategic Development Plan and
- Statement of Corporate Intent

Both are submitted annually with the Minister.

Our Annual Report has been produced and provided to the Minister within the time specified by the Act and includes:

- statutory financial statements;
- statutory information required of any company under the Corporations Law;
- an overview of major achievements and an appraisal of future prospects;
- a comparison of performance with Statement of Corporate Intent targets and
- other information required by the Act to be included, such as the particulars of any directions given by the Minister.



Chairman's Report

It is a pleasure to present Synergy's Annual Report for 2009/10, a year of significant change at Synergy.

Synergy has delivered a net profit after tax of \$97.7 million for the year, an improvement of 9.5% on the previous year. This has been the result of effective cost management and securing the benefits of competitive tension in the wholesale electricity and gas markets. There has also again been one-off contributions received from the market.

Synergy's strong financial performance has supported the costs of integrating its transformation program in the business without the requirement for activating loan facilities.

Transforming Synergy

In 2007, Synergy determined it would undertake a transformation of its whole business operations to become a more efficient and agile business, better able to meet the diverse and evolving challenges and needs of our customers in the future.

A substantial aspect of this transformation program was the implementation of a new billing and customer relationship management system in August 2009, replacing multiple legacy systems. The new billing system will provide Synergy the ability to provide improved customer service and new and better products and services, setting Synergy up for a bright future.

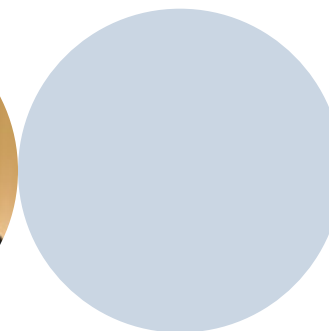
Inevitably, the implementation of the new system came with its challenges, with many of our customers experiencing unacceptable delays in receiving their bills, culminating in a significant increase in complaints. This of course has been extremely frustrating to our customers, and on behalf of the Board and everyone at Synergy, I thank those affected customers for their patience and understanding.

Synergy's vision to redefine energy retailing is focused on ensuring Synergy is responsive to the present and future needs of its customers. Our new billing and customer relationship management system is central to this. Nevertheless, as we progress towards achieving our vision, we accept we must rebuild trust with many customers who we may have disappointed during our transformation process.

Supporting our customers

Our customers, like energy consumers around the world, are facing an irreversible trend of rising energy prices which are having an increasing material impact on them. In the face of rising costs, Synergy is focused on assisting customers to manage their energy consumption and become more energy efficient, for both financial and environmental reasons.

A significant driver of rising energy costs is associated with Australia's greenhouse gas emissions and our collective desire to reduce emissions through cleaner energy sources and solutions and greater energy efficiency. The need to reduce our demand for carbon fuelled energy is driven by both the community's environmental aspirations, as well as policy initiatives.



Securing Western Australia's energy future

On that note, the Board of Synergy was delighted to endorse Synergy entering a power purchase agreement with Collgar Wind Farm, which will ensure the development of Western Australia's, and one of Australia's, largest wind farms. This project will, when completed, increase the total renewable energy generation in the SouthWest Interconnected System from five per cent to 8.9 per cent.

Of course, securing new supplies of cleaner energy will be a continuing challenge for Synergy, as will increasing energy efficiency throughout the community which has had an appetite for energy hungry appliances.

Synergy is cognisant of the challenge to acquire new sources and types of energy and reduce our carbon dependency, and will continue to explore opportunities to achieve increasing sources of renewable energy to help achieve Western Australia's contribution to the national 20% renewable energy target.

Policy measures

During the year, the State Government announced further tariff increases, which followed tariff increases in April and July 2009, the first residential tariff increase in over a decade. Synergy's Board supports the Government's desire to achieve cost reflective tariffs, which is sound economic policy. In addition, the Board supports the Government's initiatives, such as the hardship utility grant scheme and hardship efficiency program, as appropriate social policy measures to support customers experiencing financial hardship.

In light of the increasing challenges posed by escalating tariffs, the Government has announced a review of the structure of tariffs, and Synergy is working closely with Government and industry to develop and implement appropriate policy responses which deliver effective environmental, economic and social policy outcomes. Through working closely with its extensive customer base, Synergy is well placed to advise Government on developments in customer attitudes, behaviour and consumption patterns, to inform policy considerations.

Synergy is complementing these policy initiatives through its own programs of developing solutions to assist customers, particularly those experiencing financial hardship, to manage their energy consumption and expenditure. This will be an integral part of Synergy's activities as the community adjusts to our carbon constrained environment.

During the year, the Board also welcomed the announcement by the Minister for Energy that the Government would not remerge Verve and Synergy, following a review to identify the underlying causes of Verve Energy's financial position. Synergy has worked hard to establish itself as a leading, independent retailer, bringing competitive tension into the wholesale market, for the benefit of Synergy's customers.


While it has been a challenging year, Synergy is well prepared for the future. Notwithstanding the challenges of implementing a new billing system, and the associated issues arising from this, Synergy has remained focused on delivering a sustainable business for and on behalf of its shareholders.

On behalf of the Board, I offer my gratitude to our Managing Director, Jim Mitchell, the executive team, and all of the employees at Synergy for their dedication, commitment and hard work throughout the year, which has positioned Synergy for a successful future.

In addition, I acknowledge the contribution and support of my fellow directors throughout the past 12 months. I would like to thank Mr David Hunt, who left the Board during the year, for his service to Synergy. His contribution to the deliberations of the Board was invaluable.

Finally, I would like to thank the Minister for Energy and his staff for their continued support of Synergy's activities and achievements.

Michael Smith
Chairman



Synergy is working closely with Government and industry to develop and implement appropriate policy responses which deliver effective environmental, economic and social policy outcomes.

Managing Director's Report

The energy landscape in Western Australia is facing unprecedented change. Rising fuel, generation and distribution costs, as well as dealing with the challenge of climate change, are at the forefront of business planning for all participants in the energy sector.

Synergy has been focused on preparing for the new world of energy retailing, to assist customers navigate the changing energy landscape.

A significant milestone during the year was the implementation of its transformation program, entitled Project Columbus. Each and every member of staff at Synergy was intimately involved in this change program, which redefined our working environment, technology, strategy and processes. The transformation is fundamental to Synergy delivering the products and services required by customers in the rapidly changing energy market.

It is a credit to all of my colleagues at Synergy that Project Columbus has been successful by industry standards, although we are addressing expected issues arising from the implementation of the new billing and customer care system.

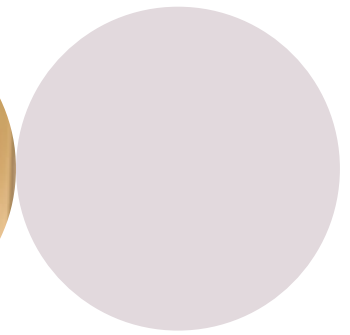
The management at Synergy acknowledge that the changes we have gone through have impacted a number of our customers, however we are confident we are quickly overcoming the issues experienced following implementation, and look forward to delivering new and better products and services which help our customers manage their energy use and expenditure.

As Managing Director, I acknowledge there has been an increase in the number of complaints Synergy received this year, and I apologise to those customers we have inconvenienced. Synergy decided to replace its legacy billing system with a modern, integrated world class system, one that is used by utilities around the world, to provide enhanced customer service. We are committed over coming years to honour our commitment to providing enhanced levels of service and rebuilding the trust of our customers.

A significant test of Synergy's new system was the implementation of three tariff increases, SmartPower tariff changes and the introduction of the new Feed-in-Tariff. This was coupled with changes to the Renewable Energy Buyback Scheme, the first substantial changes to be made to Synergy's new operating system following its implementation. The changes were implemented seamlessly, and on time, which is a great credit to our people.

Synergy is committed to assisting the most vulnerable in our community to manage their energy use and ensure they can continue to afford the cost of their energy consumption and use this essential commodity.

Indeed, Synergy prides itself on its industry best practice support for customers experiencing financial hardship. We have worked directly with customers as well as customer representative organisations, such as WACOSS, to ensure we are proactively supporting customers experiencing financial hardship. As a result, every year over the last four years, Synergy has reduced the number of customers disconnected, and has administered the Hardship Utility Grants Scheme on behalf of the State government for all customers for the last two years.



Synergy understands supporting customers will continue to be a core requirement of the business over coming years, in the face of increasing living costs. Synergy is working closely with the Office of Energy as it reviews alternative tariff regimes, and is continuing to monitor developments around the world, to ensure it is well placed to deliver new energy solutions to support customers in the rapidly changing environment of energy retailing.

One of the greatest challenges facing the energy industry is climate change. Synergy is committed to reducing its impact on the environment, and also encouraging and assisting its customers to do the same. It was therefore pleasing for Synergy to be shortlisted as a finalist in two separate categories in the 2009 WA Environment Awards, a finalist in the Government Leading by Example Category with the Forest Products Commission for its Carbon Permit Supply Agreement and in the Resource and Waste Category for its Compact Fluorescent Light recycling program.

Of course, there is much more work to be done. Synergy is pursuing new supply opportunities from renewable energy developments, while encouraging efficient use of energy as a means to reduce expenditure, as well as the impact of energy use on the environment.

During the year, Synergy also established key strategic partnerships in order to leverage the skills and expertise of other organisations to fulfil Synergy's obligations to its customers. Stellar, a leading global call centre and business process outsourcing provider, is providing selected contact centre services on an ongoing basis, providing jobs in Western Australia in the long term. Synergy selected Alphawest to be its local IT service partner, supporting Synergy's data centre and IT services over the next five years.

Synergy is also supporting the development of a new industry in Western Australia, with TCS, a global service provider, establishing a presence in the State. The partnership will develop new IT skills and expertise in Western Australia, and be a strong IT presence in Perth.

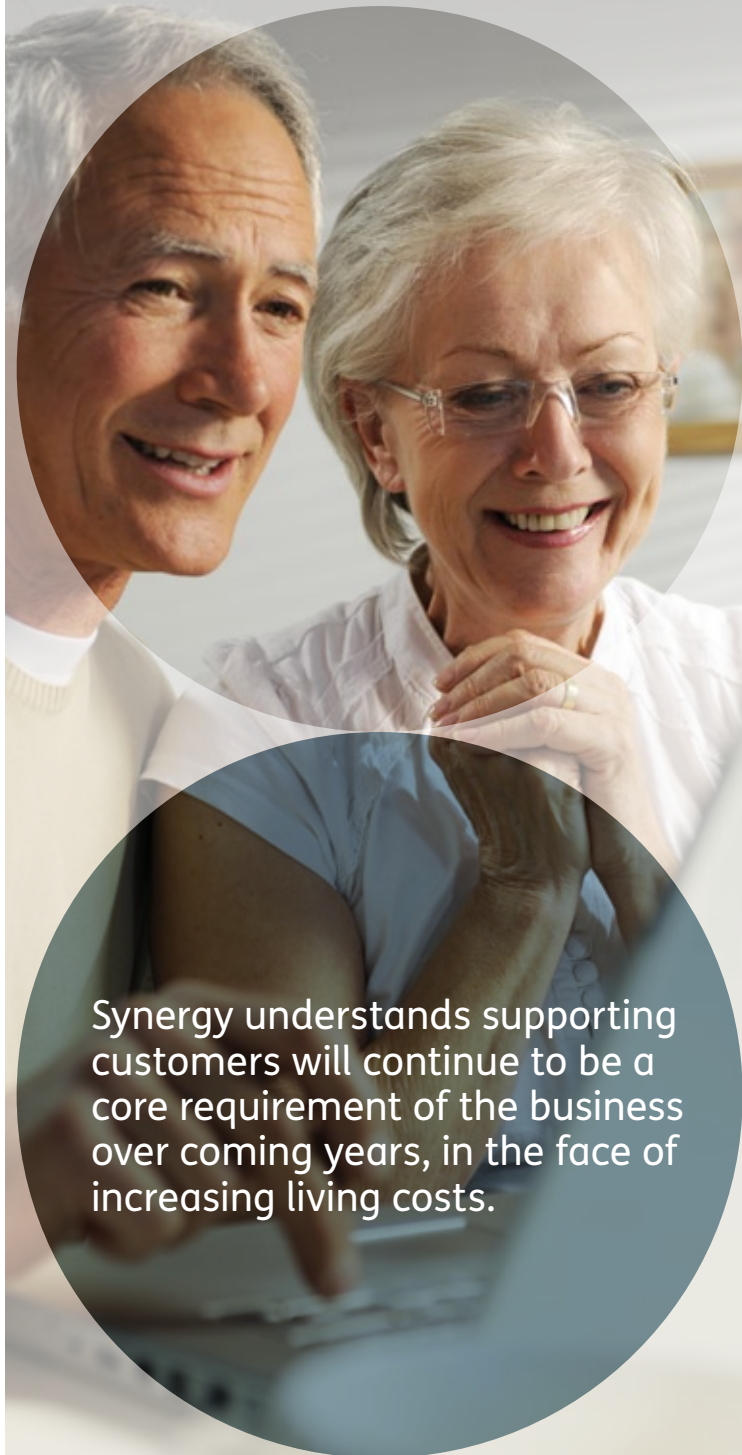
During the year, Synergy was very pleased to also be acknowledged by the Auditor General as a better practice agency for 2008-09. This reflects Synergy demonstrating good practice in managing its financial reporting and controls, producing quality and timely financial statements and exercising sound financial controls. This was the second consecutive year Synergy received this acknowledgement, which reflects Synergy's commitment to sound financial management on behalf of its shareholders.

With the amount of change and the level of activity we have seen at Synergy over the past twelve months, I want to express my gratitude to every member of our staff for their dedication, hard work, commitment to succeed and ongoing support. It has been a challenging, but also satisfying year, given the amount of change in terms of work volumes, projects completed and achievements fulfilled, particularly our successful implementation of Project Columbus.

On behalf of all of my colleagues at Synergy, I would like to thank the Board of Synergy for their support and the confidence they have shown in Synergy. I would like to acknowledge the Minister for Energy, Hon Peter Collier and his staff for their support and cooperation during the year.

While it has been a challenging year, Synergy has much to be proud of, and has established the platform to adapt to the changes facing the industry in order to deliver the products and services our customers demand and expect.

James K Mitchell
Managing Director



Synergy understands supporting customers will continue to be a core requirement of the business over coming years, in the face of increasing living costs.

About Synergy

Synergy is Western Australia's largest energy retailer, procuring and selling electricity and gas to customers throughout the SouthWest Interconnected System (SWIS), stretching from Kalbarri in the north, to Kalgoorlie in the east and Albany in the south. Synergy serves around one million industrial, commercial and residential customers within this jurisdiction.

Synergy sells approximately 80% of the electricity sold in the SWIS (franchise and competitive customers) and over 35% of the contestable gas load.

The organisation has a workforce of approximately 300 employees, and has also partnered with specialised service providers, to support the business' operations.

The primary activities of Synergy include energy procurement, marketing, electricity and gas sales, customer service as well as billing and payment processing. Through these activities, Synergy receives approximately \$2.2 billion in revenue per annum, which pays for the commodity cost of electricity, network tariffs, market fees and other costs of delivering reliable and secure energy to Western Australian homes and businesses.

Our Vision

Synergy's vision is to *"Redefine energy retailing across the full value chainwith boundless opportunities"*.

The traditional paradigm of Synergy purchasing a portfolio of electricity and billing its customers is being challenged by the increasing costs of generation fuels and capital costs as well as network access and transmission costs. With these increasing costs being passed on to customers, it is incumbent upon Synergy, as the state's largest retailer, to challenge the traditional concept of electricity retailing, and deliver new and alternative energy solutions, such as energy efficiency and embedded and distributed generation. It is anticipated that these solutions will become increasingly economic for customers to meet their energy requirements.

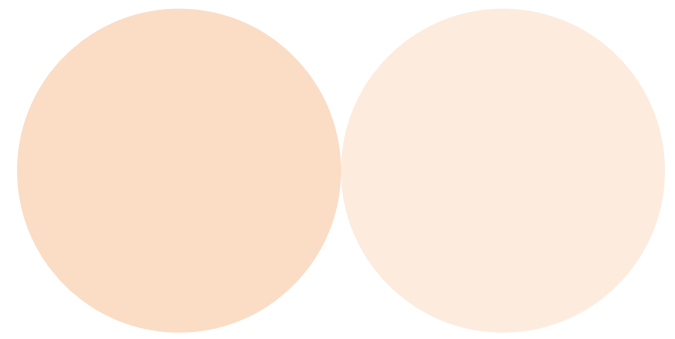
Redefining energy retailing will apply to Synergy's whole customer base, from household customers to the largest power and gas users.

The paradigm of electricity retailing is on a path of change. Synergy is redefining energy retailing to keep pace with that change to ensure value-based energy solutions are available to customers. Redefining energy retailing is fundamentally about expanding the range of services Synergy provides its customers and enhancing the underlying efficiency of our service delivery.

Synergy's Values

Synergy's values are embedded in the organisation. The organisational values on which Synergy bases its reputation and the guiding principles upon which staff and business operate, are:

- **Enterprising:** Enables the business to seize opportunities, move ahead, take the initiative, innovate and focus on being the experts in energy. Synergy supports a culture focused on the growth of the business, its people, the community, the environment and the State;
- **Quality Relationships:** Ensures Synergy focuses on establishing good relationships with each person with an interest in its business: Synergy understands the importance of good relationships with customers, staff, stakeholders, the community and the environment;
- **Spirit:** Is an intrinsic quality to enable Synergy to approach work with enthusiasm and eagerness. It breeds a culture of initiative, interest and "giving things a go" and
- **Integrity:** Is the foundation that grounds the business. Synergy will keep its promises and build trust with customers and stakeholders.



Corporate Responsibilities

In carrying out its business, Synergy seeks to achieve an acceptable balance between the specific requirements established within its governing legislation. In particular, to act with prudent commercial principles and maximise the long term value of the business, and the broader responsibilities as a government trading enterprise, and which are adopted in being a good corporate citizen.

Social responsibilities

As a retailer of an essential service, Synergy impacts all households and many businesses throughout the South West Interconnected System (SWIS).

Relationships with communities are fostered both through commercial relationships and through the sponsorships and partnerships the business participates in each year.

Synergy is focused on providing its customers with the highest level of service and its Customer Charter details this commitment to residential and small use business customers.

Financial Hardship assistance

'Keeping Connected', Synergy's financial hardship policy, has been developed in association with representatives from WA's welfare sector, and in accordance with best practice guidelines. Endorsed by the Western Australian Council of Social Services and the Financial Councillors Association of Western Australia, Synergy's financial hardship policy was created to provide an extra level of support to customers experiencing genuine financial hardship. Synergy's financial hardship policy is reviewed annually, to ensure it remains contemporary and is meeting the needs of Synergy's most vulnerable customers.

Environmental responsibilities

Synergy is committed to working towards a sustainable energy future by providing innovative energy choices for its customers. Synergy will pursue environmental initiatives that will benefit customers, stakeholders and staff.

Synergy has set objectives and identified initiatives in order to improve its environmental performance with regard to wholesale procurement, carbon emissions, internal business practices, customer communication and product development. One of Synergy's initiatives includes the execution of a transaction with the Forest Products Commission for the planting of 6.5 million trees in 2009 with the option for additional plantings in future years. Carbon credits generated from the plantation will be used to provide carbon offsets for retail customers in order to meet their requirements (voluntary or mandatory).

Synergy will also be an active participant in the development and implementation of new environmental policies, such as renewable energy targets, emissions trading and emission standards, and in particular, assist customers in managing the direct impacts of any such policy changes.

Market responsibilities

Synergy recognises reliability and security of supply are key concerns for both the Government and customers. As the largest retailer in Western Australia, Synergy has a substantial role to play in supporting the implementation of Government reforms, while ensuring the market operates successfully.

In supporting the continued development of a sustainable energy industry in Western Australia, Synergy is:

- continuing to operate as a commercially viable, independent energy retailer;
- committed to the development of the Wholesale Electricity Market;
- working with the Office of Energy, the Independent Market Operator and the Economic Regulation Authority to further develop the market environment;
- complying with the requirements and facilitating the implementation of various industry codes and other instruments designed both to underpin the operation of the market and as measures to mitigate market power;
- operating in the franchise electricity retail market, and
- competing in the contestable electricity and gas markets.

Ministerial Reporting

In line with the accountability provisions of the Electricity Corporations Act (WA) 2005, Synergy has provided the Minister with a quarterly report, for each of the first three quarters of the 2009/10 financial year. This Annual Report details the entire 2009/10 financial year.

Each of the quarterly reports for the 2009/10 reporting period were submitted to the Minister no later than one month following the end of the preceding reporting quarter and included:

- an overview of performance (including specific performance indicators);
- highlights of important achievements, and
- consolidated financial statements with relevant accompanying notes.

Synergy's Board

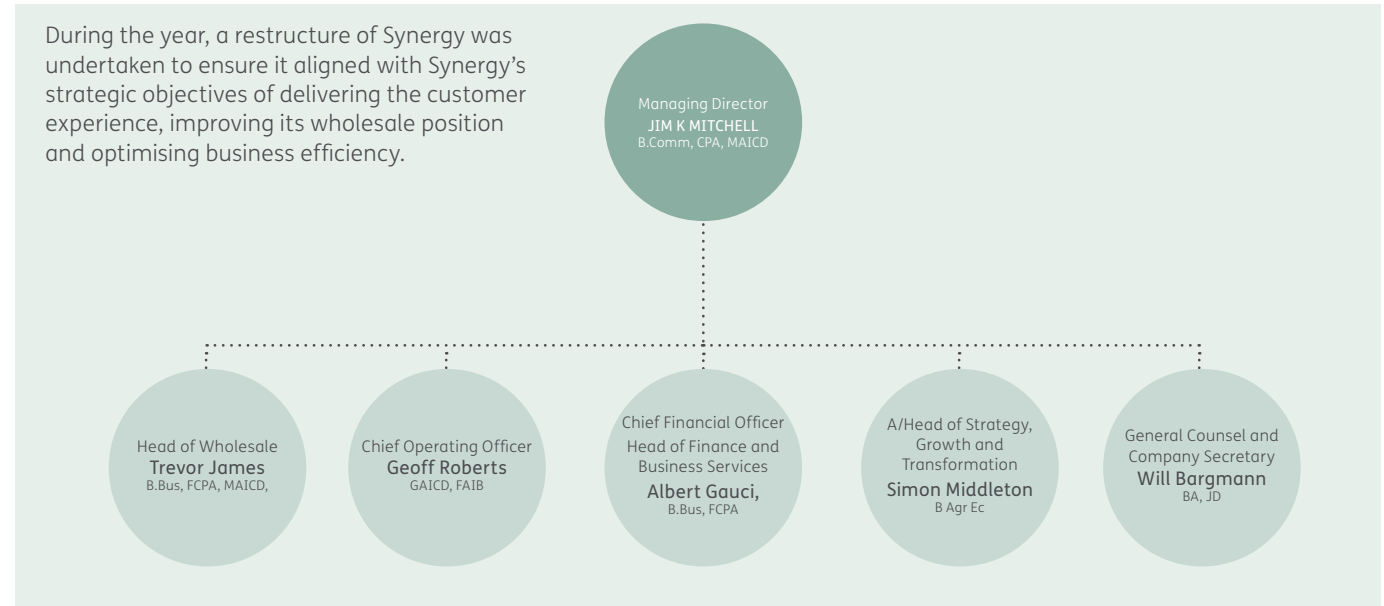
The Board of Directors is Synergy's governing body and is responsible to the Minister for Energy for Synergy's performance.



L to R: Standing - Eric Hooper, Terri Reilly.
Seated - Caryle Demarte, Michael Smith and Jim Mitchell.

Synergy's Organisational Structure

During the year, a restructure of Synergy was undertaken to ensure it aligned with Synergy's strategic objectives of delivering the customer experience, improving its wholesale position and optimising business efficiency.



L to R: Standing - Geoff Roberts, Albert Gauci, Simon Middleton.
Seated - Will Bargmann, Jim Mitchell and Trevor James.



The key roles of each department are as follows:

Retail and Support Services

Retail and Support Services, reporting to the Chief Operating Officer (COO), is responsible for the smooth and efficient operations of the business and encompasses the Sales, Customer Service, Transformation and Technology, Marketing, Human Resources and Corporate Affairs areas. The roles within each area include:

- **Sales:** responsible for the account management of key customer relationships and for delivering Synergy's overall sales strategy.
- **Customer Service:** assists Synergy's customers through a variety of channels, and includes Synergy's contact centre and e-channel and all back office customer operations including billing, credit management and resolution of more complex customer transactions.
- **Technology and Transformation:** The Technology and Transformation (T&T) branch plays an increasingly important role. Its initiatives and innovative strategies aim to support and improve organisational processes and structure through seamlessly integrating the key components of business transformation technology, processes, and people. T&T manages business process streamlining and restructuring through negotiating smart outsourcing agreements and innovative ways for T&T to advance Synergy's strategic and business objectives and is accountable for the delivery of high-profile strategic projects.
- **Marketing:** responsible for the development and implementation of Synergy's marketing strategy which encompasses all brand and communication, market segmentation and product activities. Synergy's marketing strategy places a strong emphasis on understanding customer needs via its sophisticated approach to segmentation and in delivering energy solutions our customers can use.

- **Human Resources:** responsible for all operational HR functions such as payroll, recruitment etc as well as organisational development functions such as directing cultural development, talent management and succession planning.
- **Corporate Affairs:** responsible for internal and external corporate communications, sponsorship, government relations, public relations activities and customer complaints.

Finance and Business Services:

Reporting to the Chief Financial Officer, the Finance and Business Services Department manages Synergy's accounting and financial reporting activities as well as all treasury functions, pricing, compliance and risk, and middle office tasks for wholesale trading and sales.

Wholesale

The Wholesale Department manages a diverse and growing portfolio of supply contracts for electrical energy generating capacity, gas supply, transport and environmental instruments. These contracts are mostly large scale and long term and form the basis of Synergy's product offerings to customers.

The department seeks to ensure electricity supply contracts are negotiated to deliver the most secure, sustainable and least cost options to Synergy's customers, and works closely with Synergy's products and sales teams to provide competitive electricity supply to customer segments.

Wholesale is also responsible for meeting Synergy's renewable energy requirements and responding to the outcomes of climate change policies and legislative changes.

Strategy and Growth

This Department has overall responsibility for strategy development and pursuing strategic growth opportunities in the context of redefining energy retailing. It includes delivering new customer solutions in areas such as energy efficiency, demand response, energy management services and advanced metering, and working with Retail to bring these customer solutions and products to market readiness.

Legal, Regulatory and Audit

Legal, Regulatory and Audit (LRA) provides advice on legal and contractual issues within Synergy, undertakes the company secretariat role, and provides advice on complex regulatory issues. The department is also responsible for the internal audit function.

Through internal audit the department reviews compliance with policies, operating principles and codes of conduct. Internal audit also assesses the efficacy of major internal controls and processes. The regulatory function monitors compliance with legislative and regulatory obligations applicable to Synergy, including the creation and management of training in key legal and regulatory areas. LRA in conjunction with other departments also makes submissions to and liaises on behalf of Synergy with regulatory bodies and other major stakeholders.

Report on Operations

Financial

Synergy has delivered a net profit after tax of \$97.7 million for the 2009/10 financial year, an increase of \$8.5 million on the previous year.

Synergy has minimised the continued impact of the global financial crisis in the year by actively seeking increased margins and sales in both our electricity and gas markets. Total revenue has grown by 19%. Synergy's electricity revenue growth includes tariff increases effective on 1 July 2009 and 1 April 2010, while its growth in gas revenues reflect the continued expansion of Synergy's gas business.

Synergy's energy procurement activities have contributed to a growth of \$31 million in gross profit from last year whilst Synergy's transformation program has delivered a further reduction of five per cent in the cost to serve.

The structure of the market again resulted in favourable one-off benefits. However, Synergy's own activities in the market have also contributed to its performance. This is primarily driven by higher revenue in non-vesting electricity and gas retailing, improved wholesale cost of goods sold, reduced cost to serve and the development and sale of new products.

Synergy's net assets increased by over \$53 million compared to the same time last year and Synergy was able to improve its equity position by 19% to \$328 million.

Operational

As a result of implementing its new billing and customer care system, Synergy experienced reductions in some customer service levels. The implementation of the new system required all Synergy staff to undertake training and familiarise themselves with new processes. In addition, Stellar, which also commenced taking inbound calls for Synergy, was required to become familiar with Synergy's billing system and processes.

Synergy strives to answer each customer call within 30 seconds, and has set a benchmark to answer at least 80% of calls within this timeframe. In addition, Synergy strives to achieve an average waiting time of 20 seconds. Regrettably, Synergy did not answer 23% of incoming calls within 30 seconds, and the average waiting time before a call was answered was 44.1 seconds.

Synergy recorded a 16% increase in call volumes over the year, although this was skewed upwards following tariff increases where customers sought information about the increases and how they could manage their energy consumption. In addition, the increased call volumes have been driven by issues around the billing system, which also contributed to the reduction in performance levels.

An outcome of the reduced service levels has been an increase in the number of complaints to the Energy Ombudsman. While Synergy welcomes complaints as an opportunity to identify how it can deliver improved service levels to customers, Synergy sincerely apologises for the level of service it provided to those customers negatively impacted by its transformation program.


Synergy is confident of improving these service levels in future years, particularly with an improved customer platform, and improved self service features provided through Synergy's web site, which has been made available through Synergy's world class billing system.

Year In Review

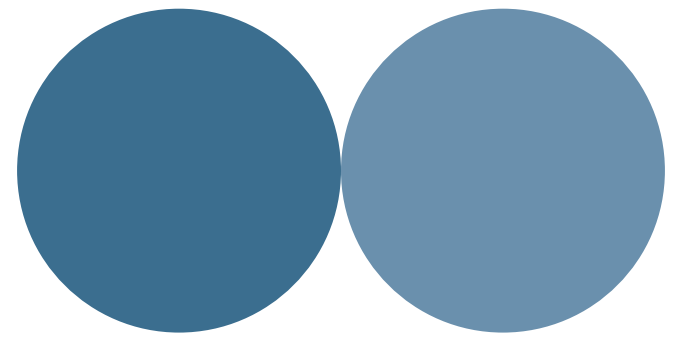
The core focus at Synergy during 2009/10 has been the implementation of its far reaching business transformation program, while continuing its business as normal activities, serving the needs of its customers.

Transforming Synergy

In August 2009, Synergy implemented a new SAP based billing and customer care system, a core component of its business transformation program which will position Synergy as a competition enabled, nimble retailer able to deliver more and better customer solutions.



Energy procurement activities have contributed to a growth of \$31 million in gross profit from last year whilst Synergy's transformation program has delivered a further reduction of five per cent in the cost to serve.



The implementation included the successful migration of over 1.4 million customer records from Synergy's previous legacy systems, delivering Synergy a world class operational platform which will be able to accommodate new services and technologies as they develop.

Through acquiring a SAP based system, used by leading utilities around the world, Synergy is able to leverage investment and innovation by other users of the platform in relation to market developments, system improvements as well as innovations in renewable and metering technologies, allowing Western Australia to stay at the forefront of developments in this rapidly changing sector.

The new IT platform also enables Synergy to deliver improved product and service offerings such as bill smoothing and customer self-service through its new integrated website.

Most importantly, the platform affords Synergy the flexibility to move into a broader range of energy efficiency and environmental product offerings that will enable a cleaner energy future for Western Australia. Enhanced customer segmentation capabilities will be progressively engaged to maximise the effective targeting of the new products and services.

The benefits of the new platform will continue to grow over coming years as customers take up the new services and product initiatives.

The implementation has achieved immediate success, with over 100,000 web based self service transactions having been undertaken, which could not previously be provided. Driving customers to utilising Synergy's web based self-service options provides opportunities for Synergy to better manage operational costs, which are ultimately borne by customers.

While the implementation of Synergy's billing system has been a success by industry standards, a portion of Synergy's customers have been negatively impacted through a delay in bills being issued, resulting in larger than normal bills

being received by those customers. Synergy has actively contacted, and worked closely with those customers, offering payment extensions to avoid the delayed bills affecting their ability to pay other expenses.

Over coming years, Synergy will be leveraging the benefits of its billing system by utilising the insights about customers and their energy requirements, developing tailored energy solutions including new products and services which may not have been envisaged previously in energy retailing.

Securing Electricity Supply

Synergy has continued to develop a secure and sustainable energy portfolio, aimed at balancing environmental, economic and security of supply requirements within the SWIS.

Most importantly, Synergy was instrumental in securing the development of Western Australia's largest wind farm, which will be built near Merredin. In March 2010, Synergy signed a contract with Collgar Wind Farm to purchase the renewable energy from the project, which will help progress Western Australia's contribution to the national 20% renewable energy target.

The 206 MW facility will generate over 790,000 MWh of renewable energy a year, enough to power around 125,000 homes and avoiding the emissions of 700,000 tonnes of CO₂, the equivalent of taking 160,000 cars off the road.

Full construction was due to commence in June 2010, with turbine installation due to commence in January 2011, and the expected initial operation commencing in August 2011.

In addition, Synergy announced during the year it had signed a contract with Verve Energy for the supply of 638 MW of capacity and associated electricity from its generators commencing in late 2011, as part of its 2008 supply procurement program.

Verve Energy has also been selected as a preferred tenderer for further electricity supplies from its existing generators, as part of Synergy's 2009 supply procurement program.

Verve was selected via a competitive tender process, and after consideration of cost, risk and reliability of supply was made. The tender process was conducted according to a Ministerial direction which ensures fellow State Government owned enterprise Verve Energy is not favoured and all tenderers are treated fairly.

Vesting Contract

Following a review of Verve Energy by Mr Peter Oates, Synergy has been working cooperatively with Verve Energy to develop a commercial contract to replace the residual energy under the current Vesting Contract.

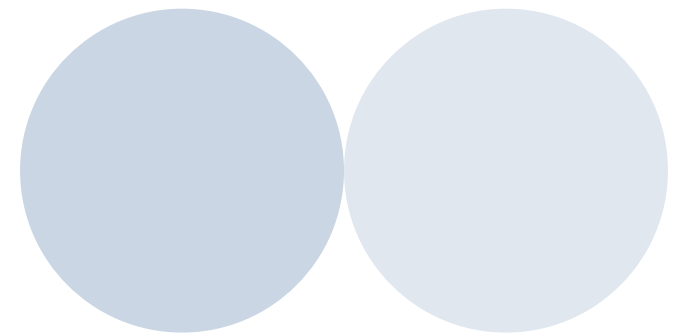
The Vesting contract was originally established at the commencement of Synergy and Verve Energy to manage the transition to a more commercial relationship between the two corporations, to stop potential abuse of market power and to facilitate the development of the Wholesale Electricity Market.

The process of displacing the Vesting Contract with the concurrent development of the Wholesale Electricity Market has seen a number of private sector generators enter the market including NewGen Power, Griffin Power and Collgar Wind Farm. This has enabled Synergy to develop a diverse wholesale portfolio that contributes to a reliable and competitively priced outcome for all Synergy customers.

Towards A Strategic Energy Initiative

Synergy strongly supports the development of a long term energy plan based around the continuing development of competitive markets to meet customer demand and the delivery of reliable, secure, competitive and clean energy.

Consequently, Synergy has been actively participating in the State Government's Strategic Energy Initiative 2030 which was established to address key areas of security and reliability, a cleaner energy future, infrastructure, energy supply and demand, regional and remote energy, and markets and regulation.



As Western Australia's largest energy retailer, the outcomes of the Government's Strategic Energy Initiative 2030 will have implications for Synergy, and it looks forward to making a positive contribution to the continuing deliberations, with a view to being a major participant in delivering a reliable, secure, competitive and clean energy future for its customers.

Perth Solar City

Synergy is working with Western Power as a member of the Perth Solar City Consortium. Perth Solar City is an exciting \$73.5 million initiative designed to help communities rethink the way they produce, use and save energy.

During the trial Synergy will be testing and measuring the effectiveness of innovative technology to participants assisting in making positive changes to the way they use electricity.

Synergy is committed in the Perth Solar City program to deliver products and services including:

- Time-of-use tariffs to at least 8500 customers
- In-home-displays to approximately 2500 customers
- Joint participation in a Western Power/Synergy direct load control trial involving 750 residential customers.

Synergy had previously been investigating customer behavioural studies through a proof of concept study, and will seek to redeploy what it had developed under this study into the Perth Solar City initiative.

Aligning Synergy to the Perth Solar City initiative will enable Western Power and Synergy to work more closely together in order to demonstrate the benefits of a holistic approach to the deployment of advanced metering and in-home displays. This will ultimately assist the State Government as it makes a final decision in regard to any advanced metering rollout across the State which demonstrates the combined benefits delivered through the whole value chain, including generation, distribution and transmission, and retailing.

Residential Renewable Energy Generation

Through Synergy's Renewable Energy Buyback Scheme, as well as State and federal government incentives, there has been a substantial increase in the number of households in the SWIS installing solar photovoltaic systems.

The number of customers participating in Synergy's REBS has increased by over 1,700% in the two years since 1 July 2008, with growth expected to continue in the face of increasing tariffs, and with the introduction of a net feed-in-tariff. In 2009/10, Synergy had 19,536 customers participating in the REBS.

Green Products

In a carbon constrained environment, many customers are making a conscious decision to reduce their carbon footprint by purchasing energy generated from renewable sources, or products which offset the environmental impact of their energy consumption.

Synergy's NaturalPower is sourced from a portfolio of accredited renewable sources such as Emu Downs and Albany wind farms, and is fully accredited under the GreenPower Program, which assures the energy comes from accredited renewable sources and is contributing to the future of the renewable energy industry. At 30 June 2010, Synergy had 5,831 NaturalPower customers.

Synergy also offers customers the opportunity to purchase a fixed amount of accredited renewable energy, through its EasyGreen product. Customers can purchase ten dollar blocks of renewable electricity, allowing them to budget effectively whilst making a financial contribution to the development of accredited renewable energy projects. At 30 June 2010, Synergy had 1,095 EasyGreen customers.

Alternatively, customers can be carbon neutral by purchasing Synergy's EarthFriendly product. EarthFriendly is certified under the Greenhouse Friendly Program, and guarantees a customer's energy use is offset by the equivalent investment in certified greenhouse gas reduction projects. Synergy had 663 EarthFriendly customers in 2009/10.

The number of customers purchasing NaturalPower, EasyGreen and EarthFriendly has fallen over the previous two years, which is due to the rising costs of providing energy.

NABERS Rating

Synergy was awarded a five star NABERS energy rating for its head office, for the efficient use of energy, office design and powering the building on 100% NaturalPower. Through the achievement of this rating, Synergy is demonstrating it is practising what it is espousing to its customers, and is showcasing its initiatives to corporate customers for consideration in their own activities.

A range of green initiatives in the Synergy building have helped Synergy to achieve this excellent rating, including the installation of energy efficient air conditioning and lights, use of multi functional printers, intelligent lighting systems, waste separation processes and the use of recycled material in building fit outs.

Community Investment

As a retailer of an essential service, Synergy touches the lives of thousands of people every day. Synergy appreciates its responsibility to be community minded and make a difference in the communities within which it operates and belongs to.

Through its sponsorship program, and financial hardship scheme, Keeping Connected, Synergy is making a real contribution to the lives of customers as it works toward delivering on its social commitments.

Synergy strives to be active in the community it belongs to and is proud to support community based initiatives which provide immediate and practical assistance and benefits, as well as long-term investment in the community.



Synergy was awarded a five star NABERS energy rating for its head office, for the efficient use of energy, office design and powering the building on 100% NaturalPower.

A child lying in a field of daisies, with a flower near their ear.

Landcare

As a sponsor of Landcare Australia since 2006 there is a high level of engagement between Synergy and Landcare to develop suitable pro-environmental programs which directly benefit the community and the environment. Through this sponsorship, Synergy has become involved with Great Gardens to successfully developed community workshops centred on conservation, sustainability and energy efficiency and Cottesloe Coastcare to restore the Mudurup Rocks area.

Synergy Energy Efficiency Workshops

In 2009/10 Synergy delivered a series of Energy Efficiency Workshops through Great Gardens. These free community workshops, provided throughout the SWIS, educate customers about using their garden as a natural air-conditioner.

At these entertaining workshops customers learn how sustainable design for the home and garden can save them energy, money and the environment. The Synergy Energy Efficiency Workshops are embraced by communities and are an important part of Synergy's suite of energy solutions to help customers manage their energy consumption.

Cottesloe Coastcare

Synergy's partnership with Cottesloe Coastcare involved the restoration of the Mudurup Rocks area at Cottesloe Beach. Mudurup Rocks is the limestone promontory on the southwest side of the Cottesloe Surf Lifesaving Club. It is a listed site of Aboriginal significance, and is a small but special site of remnant local vegetation, where 23 local plant species are represented.

Work to restore the area was carried out by Cottesloe Coastcare volunteers, school groups and Synergy employees and involved the protection of valuable remnant vegetation, enhancement of biodiversity, planting of 4000 local native species and erosion control at this fragile coastal site.

Switch Off

In 2009/10 Synergy ran the Switch Off competition for the first time. Switch Off is a school based energy reduction program, which saw over 60 WA schools competing to reduce their daily energy consumption. Created by La Salle College students Jessica Gill and Laura Ryan, the Switch Off competition is one of the biggest energy reduction competitions in WA.

The competition is educating WA students about the ease by which they can implement energy efficient practices in the classroom and around the school. By changing their behaviour permanently, cost savings can be achieved while reducing their environmental footprint.

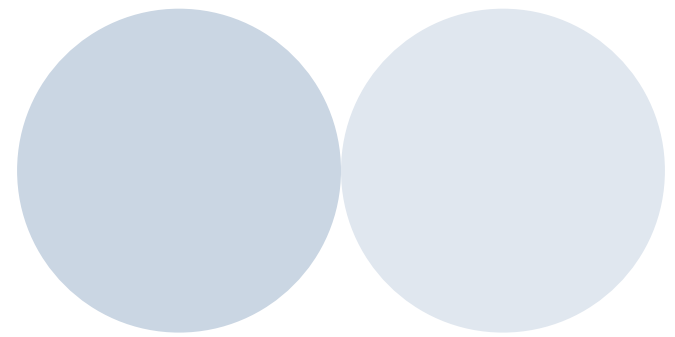
Switch Off is helping to make a real difference to the energy consumption of WA schools. In 2009 Quinns Beach Primary School won, managing to reduce their energy use by 29.41% over the competition period.

Synergy's sponsorship of Switch Off ensures the energy efficient message directly reached over 32,000 students in over 60 schools.

Starlight Children's Foundation

Synergy is helping to brighten the lives of seriously ill children through its sponsorship of the Starlight Children's Foundation and is the major sponsor of the Starlight Express Room in WA. Located at Princess Margaret Hospital, the Starlight Express Room is a medical free respite for children and their families to escape, and for just a moment, forget about the treatment they are receiving.

In the Starlight Express Room Captain Starlight delivers a special brand of fun and entertainment, alongside the latest computer games, movies, crafts and activities. Kids too ill to leave their beds are also visited by Captain Starlight and can join in the fun via the daily Captain Starlight shows broadcast to their bedside TVs. The Starlight Express Room is one of many programs run by the Starlight Children's foundation.



Synergy Parkland

Synergy Parkland at King's Park is one of Perth's best-loved outdoor spaces, and free for everyone to enjoy all year round. It is a physical representation of our commitment to the people of WA, and to the environment. Synergy Parkland is Synergy's largest community partnership investment.

The Synergy Parkland is a family-friendly outdoor recreation area, and a great space for children to explore, learn, and play. Children can run headlong back in time, to follow the footprints of giant dinosaurs, and discover ancient fossils. Amongst the features are a 75m-long elevated walkway, a two-tiered island fort, large-scale replicas of local dinosaurs, a timber Boardwalk, and an interactive water misting forest.

Many events throughout the year are held in the Parkland including the Synergy Gallipoli Run, outdoor movies, the Kings Park and Botanic Garden Festival and many family picnics.

Synergy Gallipoli Run

Members of Perth's running community turned out to commemorate the ANZAC spirit at the 2010 Synergy Gallipoli Run, an eight kilometre event similar to the distance our ANZAC heroes were expected to march to achieve victory after landing at Gallipoli.

Held in the Synergy Parkland, the Synergy Gallipoli Run was developed by Athletics WA, in conjunction with the RSL, to establish a major Western Australian run to celebrate the ANZAC spirit and provide a contemporary platform through which the community can show their support for the ANZAC tradition.

The event's focus is family involvement and participation, offering an opportunity to reaffirm WA's involvement in a healthy and enjoyable physical recreation; at the same time the event raises funds for the RSL and Athletics WA. Synergy has been involved in the Synergy Gallipoli Run since 2006.

Perth International Arts Festival

For the first time in 2010 Synergy signed on as a major sponsor of the Perth International Arts Festival. Through the sponsorship, Synergy commissioned The Society, a true theatre hybrid from Norway, and as part of Synergy's ongoing commitment to the environment, ensured for the first time all Perth Festival events were powered by Synergy's NaturalPower®.

Our People

Synergy employees bring a wealth of commitment and experience to the business and are the driving force behind making Synergy a successful participant in, and an integral part of, Western Australia's competitive energy market.

Enterprising, Quality Relationships, Integrity and Spirit are the four important values which guide the actions of employees in all aspects of working life and provide the foundation to deliver the best possible customer service and energy solutions.

Listening To Our People

OEP

Synergy is committed to listening to its people to obtain their feedback on Synergy's strategic intent, culture and behaviours and business processes. Twice a year, Synergy conducts an Organisational Effectiveness Profile (OEP) survey, which is designed to provide a holistic view of organisational effectiveness and assess the drivers of Synergy's business processes and systems and strategic intent, critical to overall employee engagement. This provides a view of underlying issues impacting the organisation, team and individual performance.

The survey provides insightful data in comparison to previous surveys and enables effective action planning at all levels through a simple visual traffic light system. It has been an effective mechanism to drive change and improvement within the organisation and respond to employee issues.

Staff And Leadership Forums

Each quarter, employees are invited to participate in Synergy's Staff Forums, which comprise of presentations from people within and outside the business about projects, initiatives and professional development. The forums also provide an opportunity for question and answer sessions and also to get everyone together to celebrate Synergy's achievements and discuss challenges facing the business and employees. In addition, Synergy holds a quarterly forum of its Leadership Team, aimed at discussing strategy, improving performance, and other topical issues.

The forums also provide an opportunity for networking and encourage employees to develop professional relationships and networking skills.

Rewarding Our People

Commitment And Expertise Awards

Synergy values the knowledge, experience and expertise of its people. The wealth of experience is recognised through Synergy's Commitment and Expertise Awards and acknowledges the rich heritage some of Synergy's long-standing people bring from their years at SECWA and Western Power. Employees who reach milestone periods in the business are recognised with a Commitment and Expertise Award. This year we recognised 26 long serving employees, who together have brought over 300 years' experience to our business.

Leading Lights

The Leading Lights Employee Awards Program recognises staff who embrace the Synergy values of Enterprising, Quality Relationships, Spirit and Integrity, in their day to day work. The program recognises the staff who lead the way for Synergy on its journey to becoming a brilliantly successful retailer. The Leading Lights program was launched in 2007 to give staff the opportunity to recognise fellow employees for living the Synergy values every day and going the extra mile for customers. Synergy's Leading Lights are recognised each quarter, with annual awards presented each December.

Health And Wellbeing

Wellness Committee

In 2007 Synergy put in place a Work/Life Balance Program which is designed to foster the wellbeing of our employees, to enable them to achieve a balance between their jobs, families and personal lives.

The Wellness Committee is in charge of Synergy's Work/Life Balance Program and the committee implemented a range of activities in 2009/10 to promote a healthy lifestyle and employees commitment to activities outside of work, alleviate on-the-job stress, and improve job and overall life satisfaction.

In the past year, the Wellness Committee ran lunch time yoga classes and ran a fun and active whole of business team building afternoon. The committee also covers the cost for employees to take part in lunch time sports programs and offers free influenza vaccinations.

Employee Assistance Program

If any staff member is experiencing difficulties in their home or work life, Synergy offers an Employee Assistance Program, which includes up to three free confidential consultation sessions to employees to work through their personal problems.

Our People In The Community

Synergy Spirit

In addition to Synergy's corporate sponsorships it has an internal outreach program, Synergy Spirit.

Synergy Spirit is a staff-initiated program at Synergy which supports charitable causes through a number of internal fundraising activities. In addition to raising funds for its chosen charity, Synergy Spirit educates staff about the charities it is supporting by raising awareness about the challenges and difficulties faced by people involved with the charities.

The main recipients of Synergy Spirit's fundraising in 2009/10 were Down Syndrome WA and the Epilepsy Foundation WA. Synergy Spirit also ensures staff get involved on other charitable events and in 2009/10 participated in the Cancer Council's Biggest Morning Tea, Loud Shirt Day, where funds went towards the Telethon Speech and Hearing Centre for Children and collected presents for the Variety WA Toybank at Christmas.

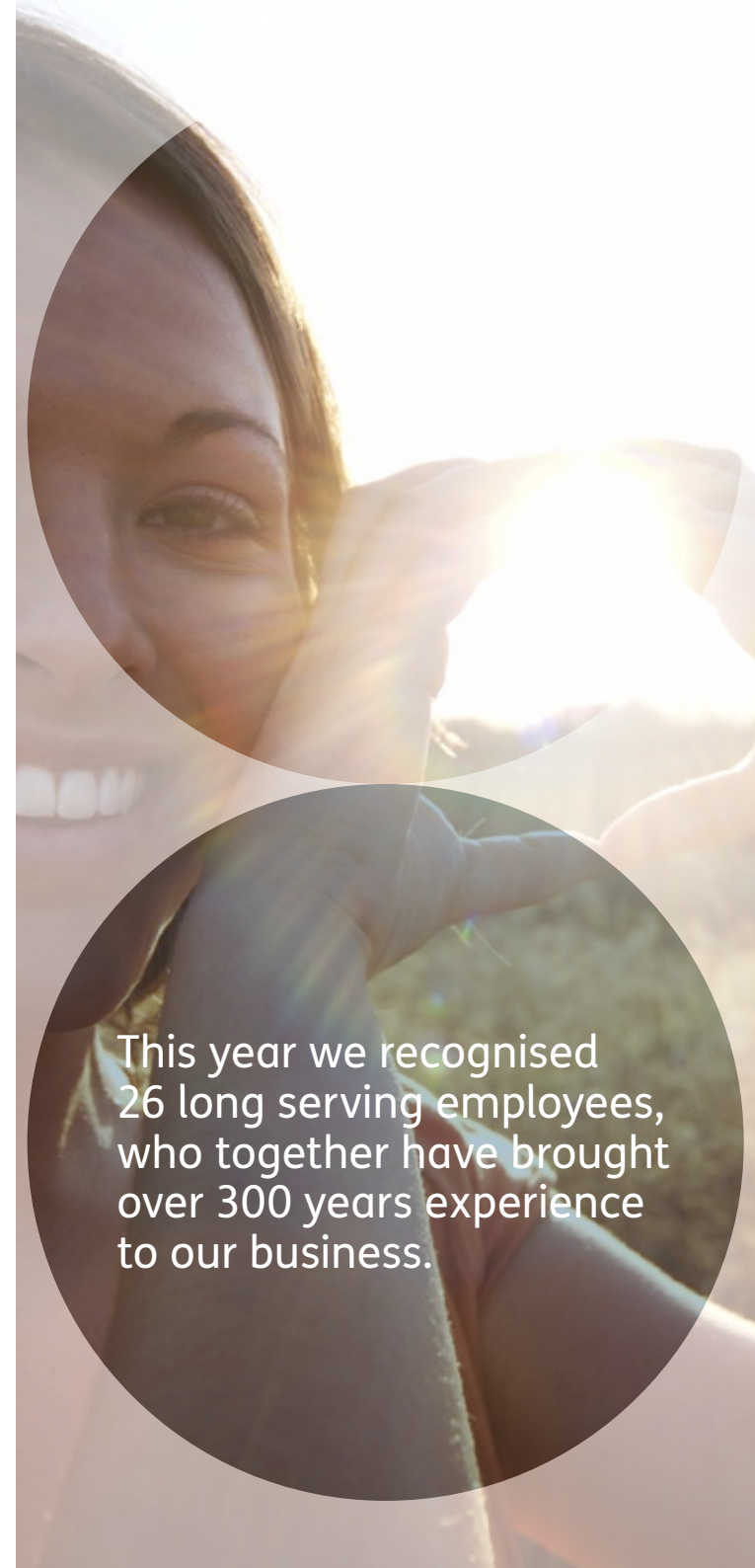
Volunteering

Synergy supports employees who give back to the community and provides a number of volunteering opportunities through its Corporate Sponsorships.

Synergy's staff volunteering program, Get Connected is an initiative through its sponsorship of the Starlight Children's Foundation. Employees, with a colleague, spend their time in the Starlight Express Room delivering arts and crafts activities to the children.

Employees also volunteered in Starlight Day, shaking tins in the CBD and raising awareness about the Starlight Children's Foundation.

In 2009/10, employees also volunteered through Landcare Australia's Cottesloe Coastcare Group and helped to restore the area around Mudurup Rocks at Cottesloe Beach.



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The Year Ahead

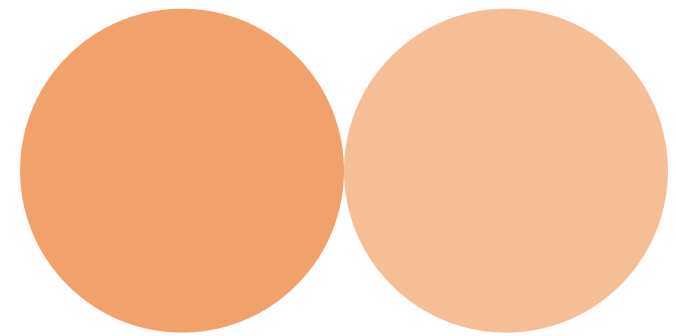
The previous year was focused on the implementation of Synergy's change program, including its new billing and customer care system. Synergy's focus in the year ahead will be on securing the benefits of the new system implementation, in the interests of customers.

Climate change will continue to be a significant issue facing the global community, and Synergy is preparing for policy changes which are aimed at reducing greenhouse gas emissions, which may ultimately impact business operations, including Synergy's operational costs and profitability. Synergy has been focused on driving energy efficiency across its customer base, and this will continue to be a priority in the year ahead.

Synergy also anticipates there may be changes arising from the review of Verve Energy, and the outcomes of the State Government's Strategic Energy Initiative, which is currently under development.



Synergy has been focused on driving energy efficiency across its customer base, and this will continue to be a priority in the year ahead.



Performance Overview

Synergy's corporate Key Performance Indicators (KPIs) have been selected with the aim of allowing the shareholder and management to effectively monitor progress at a corporate level.

Accordingly, the corporate measures will not reflect the detailed management requirements for measuring performance at an operational level.

The KPIs used for monitoring Synergy's corporate performance are based on:

- costs and relevance of providing the information on an ongoing basis;
- different information requirements of the organisation and the shareholder;
- regulatory requirements; and
- commercial sensitivity of the measures and the degree of exposure for those that could affect our competitive position.

Operational Key Performance Indicators

	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Forecast
Contact Centre Effectiveness				
Total Number of Calls Received	1,848,844	1,083,434	1,257,153	1,354,233
% of Calls not answered within 30 seconds from when a customer is connected	15.76%	9.70%	23%	20.0%
Average waiting time before a call is answered (seconds)	13.6	17.4	44.1	20
% of calls abandoned	1.7%	2.28%	3.1%	3.0%
Business Development and Innovation				
Accredited renewable energy customers:	10,700	17,383	27,107	39,500
NaturalPower	7,571	7,011	5,813	7,500
EasyGreen	1,228	1,234	1,095	1,500
REBS	1,033	8,393	19,536	30,000
Earth Friendly	868	745	663	500
SmartPower customers	16,180	17,977	19,447	25,000
Customer Service				
Number of disputes involving the Energy Ombudsman	508	487	1,924	1,440

* Refer to Report on Operations (Page 10)

Directors' Report

The Synergy (Electricity Retail Corporation) Board of Directors presents their report for the period 1 July 2009 to 30 June 2010.

Board of Directors

Role of the Board

The Board of Directors is Synergy's governing body and responsible to the Minister for Energy (the Minister) for its performance. Subject to the Electricity Corporation Act 2005 (the Act), the Board has the authority to perform the functions, determine policies and control Synergy's affairs.

Composition of the Board

The Board of Directors comprises five non-executive directors and one executive director, the Managing Director.

Directors

The names and details of the Directors in office at any time during the period 1 July 2009 to 30 June 2010 are:

Michael Smith, FAICD, FIMC, FAIM, FAMI Director and Chairperson (Age 56)

Mr Smith is the Managing Director of the Black House, which consults to a number of leading Australian companies. He has held several Chairman and director positions since he began his career.

Mr Smith also Chairs the Boards of iiNet, Australia's second largest internet service provider; and Perth International Arts Festival. He is also a director of AHG Group Ltd, 7-Eleven Stores and Vice President of the Australian Institute of Company Directors WA.

Mr Smith was first appointed Chairperson in March 2006 and his term expires on 31 March 2011.

James Mitchell, B.Com CPA MAICD Managing Director (Age 58)

Mr Mitchell was appointed as CEO Designate, Western Power Retail in February 2006 and has been Synergy's Managing Director since 1 April 2006. Mr Mitchell is also Chairman of the Uniting Church Investment Fund Advisory Board for the Uniting Church's Western Australian Synod. Mr Mitchell's term expires in 2010.

Eric Hooper BA (Business), MBA, GAICD Director and Deputy Chairperson (Age 52)

Mr Hooper was appointed to the Board as a non-executive director in March 2006. Mr Hooper is also a director of Ocean Gardens Inc, and consultant providing corporate finance advisory services. Mr Hooper's term expires in 2012.

Caryle Demarte PSM, BA, FAICD – Director (Age 62)

Ms Demarte was appointed to the Board as a non-executive director in March 2006. Ms Demarte has served as a director of Yarra Valley Water and Aurora Energy and a Councillor of the Earth Resources Development Council. Ms Demarte was also formerly a director of TXU Australia Customer Services Pty Ltd, Energy and Water Industry Ombudsman of Victoria, Energy Retailers Association of Australia and VENCORP. Ms Demarte's term expires in 2011.

Terri Reilly, BA, B Soc Wk, GAICD – Director (Age 54)

Ms Reilly was appointed to the Board as a non-executive director in March 2006. Ms Reilly is Chief Executive Officer of Relationships Australia (WA). Ms Reilly is a Director of Relationships Australia's National Board and a Director of Western Australian Council of Social Service Board (WACOSS). Ms Reilly also sits on state and national committees concerned with a range of community and clinical issues. Ms Reilly's term expires in 2010.

David Hunt, BA (Hons) – Director (Age 47)

Mr Hunt was appointed to the Board as a non-executive director in November 2007, until 2010.

Mr Hunt has worked in electricity and gas sectors in both Australia and New Zealand. During his time in the industry, Mr Hunt held a range of senior executive roles, most recently as Chief Executive of Contact Energy in New Zealand. He is a director of Concept Consulting Group, an energy consultancy business providing services to clients in the Asia-Pacific region.



L to R: Eric Hooper, Terri Reilly, Caryle Demarte, Michael Smith and Jim Mitchell.



Committees

Synergy operates a Human Resources and Remuneration Committee, an Audit and Legal Compliance Committee and a Nominations Committee consisting of the following Directors:

- Human Resources and Remuneration Committee members – Terri Reilly (Chair), Michael Smith, and Caryle Demarte.
- Audit and Legal Compliance Committee members – Eric Hooper (Chair), Caryle Demarte and Michael Smith.
- Nominations Committee – Michael Smith (Chair) and Eric Hooper.

The Managing Director is not a member of, but has a standing invitation to the Human Resources and Remuneration Committee and the Audit and Legal Compliance Committee.

Role of the Committees

Human Resources and Remuneration Committee

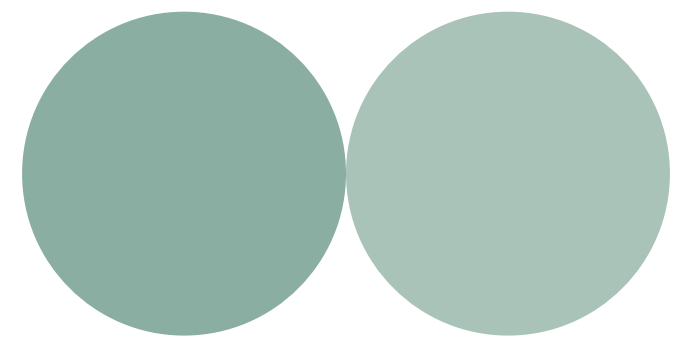
The purpose of the Committee is to assist the Board to fulfil its corporate governance oversight responsibilities in relation to:

- the remuneration and other terms and conditions of service of Synergy staff pursuant to Section 18(2) of the Act;
- quality assurance relating to the integrity and probity of Synergy's remuneration policies and practices;
- quality assurance relating to occupational health & safety policies and programs;
- succession planning and nomination of directors and the chief executive officer in accordance with Section 8(5) and Section 14(2)(a) of the Act; and
- review the performance of the Board and its Committees and the Chief Executive Officer/Managing Director.

Audit and Legal Compliance Committee

The primary function of the Committee is to assist the Board in fulfilling its fiduciary duties and corporate governance and oversight responsibilities. The Committee will achieve this role by overseeing:

- the adequacy of the financial reporting, principles and policies, internal controls and procedures;
- the integrity and quality of financial statements and the independent audit of those statements;
- oversight of Synergy's business transformation program;
- compliance with the relevant regulatory and legal requirements;
- the internal audit function and
- the identification and management of business risks by Management.



Directors' Meetings

The number of meetings of the Board (including meetings of committees) and number of meetings attended by each of the Directors between 1 July 2009 and 30 June 2010 are as follows:

	Board Meetings		Human Resources and Remuneration Committee		Audit and Legal Compliance Committee	
	A	B	A	B	A	B
Michael Smith	11	11	3	4	2	2
Eric Hooper	11	11	0	0	9	9
Caryle Demarte	8	11	4	4	6	9
Terri Reilly	10	11	4	4	0	0
David Hunt	8	8	0	0	8	8
Jim Mitchell	10	11	4	4	8	9

A Number of meetings attended

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

Corporate Governance Statement

This statement outlines the principal corporate governance practices Synergy's Board followed during the reporting period 1 July 2009 to 30 June 2010.

Synergy is committed to acting responsibly, ethically and with the highest standards of integrity. This requires sound corporate governance principles and practices to be adopted by the Board and implemented with commitment throughout the business.

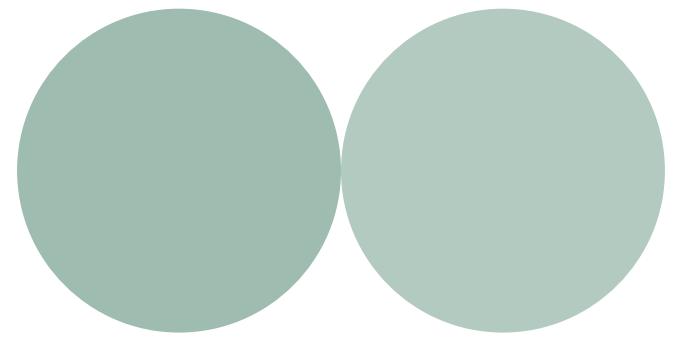
The Synergy Board considers that its governance practices comply with the recommendations of the ASX Corporate Governance Council Best Practice Recommendations.

1. Corporate governance at Synergy

Synergy is committed to a high level of corporate governance and promoting a culture of spirit, integrity, being enterprising and having quality relationships.

Synergy must comply with the Electricity Corporations Act 2005 (WA) (the 'Act') and other state and commonwealth laws. As a government trading enterprise, Synergy is not listed on the Australian Securities Exchange ('ASX'), but seeks to comply, to the extent applicable and not inconsistent with the requirements of the Act, with the ASX Corporate Governance Principles.

The ASX Principles require the Board to consider the development and adoption of appropriate governance policies and practices founded on the ASX Principles. Details of Synergy's compliance with the ASX Principles are set out below and in the compliance checklist found at the end of this statement.



2. Board of Directors

2.1 Board role and responsibilities (ASX Principle 1.1)

As a statutory corporation, the respective duties and responsibilities of Synergy's Board, Managing Director and executive officers are substantially set out in the Act.

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

Synergy has a Board Charter detailing its role, powers, duties and functions. In addition to matters required by law to be approved by the Board, the following matters are reserved to the Board:

- appointing the Managing Director - subject to the Minister's endorsement – and overseeing appointments of the Managing Director's direct reports;
- providing strategic direction, approving policies and reviewing major decisions, including capital expenditure proposals;
- approving budgets and monitoring senior executives' and financial performance;
- overseeing compliance with internal processes and regulatory requirements; and
- assessing Board performance to ensure the Board's effectiveness.

Responsibility for the management of Synergy's day-to-day operations is delegated to the Managing Director, who is accountable to the Board. The Board has also delegated a number of responsibilities to its committees. The responsibilities of these committees are detailed in section 3 of this report.

2.2 Board composition (ASX Principles 2.1, 2.2, 2.3 & 2.6)

In accordance with the Act, the Board must comprise not less than four and not more than six directors appointed by the Governor of Western Australia on the nomination of the Minister. In making nominations, the Minister is required to consult with the Board. Where a vacancy occurs in the membership of the Board, it may recommend a new candidate to the Minister.

At the date of this report the Board has five members, of whom four are non-executive directors. The names of the directors in office at the date of this report, the date they were first appointed, and their biographical details are set on page 25 of this Annual Report.

The Board considers all of the non-executive directors collectively bring the range of skills, knowledge and experience necessary to direct Synergy.

In assessing the composition of the Board, the directors have regard to the following criteria

- the Chair and the Deputy Chair must be independent, non-executive, directors
- the role of the Chair and the Managing Director cannot be filled by the same person
- the Managing Director is to be resident in, or near, the town in which Synergy's head office is located
- the majority of the Board should comprise independent directors and
- the Board should have the required blend of qualifications, experience and expertise.

2.3 Director independence (ASX Principle 2.1 and 2.6)

The structure and composition of the Board is prescribed by the Act. The independence of directors is, therefore, not a matter entirely in control of the Board. However, the Board Charter provides that in nominating candidate directors to the Minister, the Board will have regard to the independence of prospective directors.

The Board Charter further outlines the criteria to be considered in assessing director independence, which are based on the premise that a director, other than the Managing Director, must be independent of management and free of any business or other relationship that could materially interfere, or could reasonably be perceived to interfere, with the exercise of the director's unfettered and independent judgment.

None of the non-executive directors is considered to have a business, or other, relationship that could materially interfere, or could reasonably be perceived to interfere, with the exercise of the director's unfettered and independent judgment.

2.4 Conflicts of interest

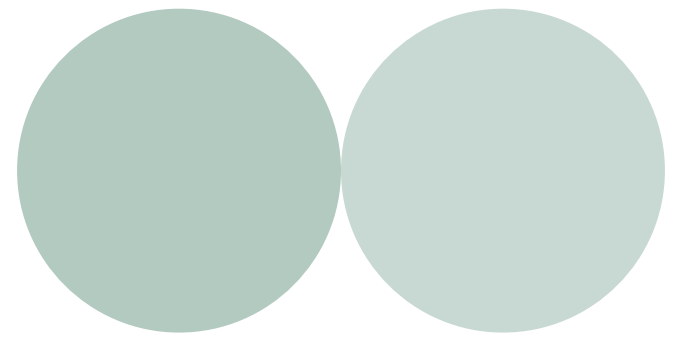
Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with Synergy's interests. The Board has developed procedures to assist directors on disclosing potential conflicts of interest.

A director with an actual or potential conflict of interest in relation to a matter before the Board is required to withdraw from the meeting while the matter is considered.

2.5 Terms of appointment, induction training and continuing education (ASX Principles 1.1)

Under the Act, a director holds office for such period, not exceeding three years, as is specified in the instrument of his or her appointment, and is eligible for reappointment. Periods of appointment will be structured to ensure approximately one-third of directors retire each year.

The Nominations Committee oversees the establishment and implementation of an effective induction process for new directors and will review that process regularly. The induction process includes discussions with the Managing Director, senior management and relevant external stakeholders and provision of information on key corporate and Board policies and strategic plans.



All directors are expected to undertake professional development to maintain the skills required to discharge their duties. Where this involves industry seminars and approved education courses, Synergy pays the cost, subject to the Chair's approval. In addition, where skill gaps are identified, directors will be provided with appropriate resources and training.

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

The responsibilities of Synergy's executive are well defined and documented through formal position descriptions, performance agreements and Board-approved delegation of authority policies. Synergy has also developed an extensive performance management system for evaluating the performance of senior executives.

The HRRC reviews and makes recommendations to the Board on the process for reviewing the performance of the Managing Director. The Managing Director's performance is judged against the approved strategic plan and the corporate and personal key performance indicators established for the Managing Director on an annual basis. The same process is adopted in the case of other senior executives, except that their performance is also judged against additional key performance indicators relating to their respective departments.

The Nominations Committee reviews the performance of the Board and its committees.

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

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

Directors may, in carrying out their duties owed to Synergy, seek external professional advice. They are entitled to reimbursement of all reasonable costs where a request for advice is approved by the Chair. Where the Chair proposes to seek external advice, he, or she will consult the Deputy Chair.

2.8 Directors' remuneration (ASX Principle 8.2)

The principles used to determine the nature and amount of remuneration of Directors is detailed in the Remuneration Report of the Annual Report. The HRRC is responsible for, among other matters, assisting the Board in establishing remuneration policies and reviewing their effectiveness. The remuneration of non-executive directors is determined by the Minister.

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

2.9 Chair (ASX Principles 2.2 & 2.3)

The Board Chair, Mr Michael Smith, is an independent non-executive director. Under the Act, the Governor appoints the Chair and Deputy Chair from the non-executive directors on the nomination of the Minister. In compliance with the Act, the Board Chair and the Managing Director are not the same person. The Chair is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function and for the promotion of relations between Board members and between the Board and management that are open, cordial and conducive to productive co-operation. The Chair's responsibilities are set out in more detail in the Board Charter.

Mr Smith is also Chair/Director of the companies listed on page 25 of the Annual Report. The Board considers neither his Chairmanship of the companies listed, nor any of his other directorship commitments as listed, interfere with the discharge of his duties to Synergy. The Board is satisfied he commits the time necessary to discharge his role effectively.

2.10 Company Secretary

Synergy's Company Secretary is Mr Will Bargmann, who is also its General Counsel. The appointment and removal of the Company Secretary is a matter for decision by the Board. The Company Secretary is responsible for ensuring that Board procedures are complied with and governance matters are addressed. All directors have access to the Company Secretary's advice and services.

2.11 Board meetings (ASX Principle 2.6)

The Board meets at least eight times per year to address strategic issues and as needed to address urgent issues. Details of the number of Board meetings and directors' attendance at these meetings are set out on page 27 of this annual report.

The Board has adopted rules and procedures which govern the proceedings of Board meetings in addition to the provisions in Schedule 1 of the Act.

Copies of Board papers are circulated in advance of meetings. Directors are entitled to request additional information where they consider the information is necessary to support informed decision-making.

3. Board committees

3.1 Committees, membership and charters (ASX Principles 2.4, 2.6, 4.1, 4.2, 4.3, 4.4, 8.1 & 8.3)

The Board has established three committees to assist in the discharge of its responsibilities. These are:

- the Audit and Legal Compliance Committee ('ALCC');
- the Human Resources and Remuneration Committee ('HRRC') and
- the Nominations Committee.

Each of the committees has its charter that describes its role and duties. The Company Secretary provides secretariat services for each committee.

Minutes of all committee meetings are provided to the Board and the proceedings of each meeting are reported by the respective committee Chair at the next Board meeting. A director may attend committee meetings even if he or she is not a member of the committee.



The number of committee meetings held during the year, and members' attendances at the meetings of the ALCC and HRRC are set out on page 27 of this Annual Report

3.2 Audit and Legal Compliance Committee (ASX Principles 4.1, 4.2, 4.3 & 4.4)

The role and membership of the ALCC is detailed on pages 26 and 27 of the Annual Report.

3.3 Human Resources and Remuneration Committee (ASX Principles 2.4, 2.6, 8.1 & 8.3)

The role and membership of the HRRC is detailed on page 26 of the Annual Report.

4. Promoting responsible and ethical behaviour

4.1 Code of conduct (ASX Principles 3.1 & 3.3)

The Board has also approved a code of conduct setting out minimum standards of conduct for all officers and employees of Synergy, as well as a legislative and regulatory compliance policy and a conflict of interest policy. The code of conduct outlines Synergy's position on a range of ethical and legal issues and summarises its policies on matters such as compliance with laws, occupational health and safety, corporate opportunity, confidentiality, protection of corporate assets and diversity in the workplace and responsibility for the environment.

The codes of conduct and the policies

- guide compliance with Synergy's legal and other obligations to its stakeholders, including the Minister and the Government, employees, customers, the community, unions and regulatory authorities and
- are designed to reflect Synergy's commitment to appropriate corporate practices.

Compliance with the principles contained within these documents will also assist Synergy in effectively managing risks and meeting its legal and compliance obligations. Synergy also has a public interest disclosure policy, the details of which are detailed in the Annual Report.

4.2 Ownership and dealing in securities (ASX Principles 3.2)

Synergy is not a listed entity and has no transferable securities. The potential for issues in relation to trading in other companies' shares while in possession of inside information is addressed in the statutory duties contained in the Act and further explained in an outline of the duties and obligations of directors and executive officers, a copy of which is provided to all directors and officers of Synergy. Synergy's conflict of interest policy also highlights the potential for issues to arise in this regard.

5. Shareholder

5.1 Shareholder communication (ASX Principles 6.1 & 6.2)

The Minister for Energy is the only shareholder of Synergy. As Synergy's governing body, the Board is responsible to the Minister for its performance. The Minister has various rights set out in the Act in relation to certain aspects of Synergy, such as Board nominations, approvals for certain transactions and access to information about Synergy.

The Act also imposes certain reporting obligations on Synergy. It must produce a strategic development plan ('SDP') and a statement of corporate intent ('SCI') each year. The SDP sets out Synergy's five-year economic and financial objectives, strategic result areas and associated performance targets, as well as strategies. The SCI sets out Synergy's scope of activities, objectives and performance targets for the coming financial year and is consistent with the SDP. The SCI is tabled in Parliament after it has been agreed with the Minister and has received the Treasurer's endorsement.

In addition:

- Synergy provides quarterly and annual written reports to the Minister detailing its performance and progress made in fulfilling the agreed targets set in the SCI
- the Minister and the Board must, at the request of either, consult on any aspect of Synergy's operation.

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

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

6. Financial reporting (ASX Principles 7.3)

The Act requires the Board to declare annually that Synergy's financial statements give, in all material respects, a true and fair view of its financial position and that its financial condition and operating results are in accordance with relevant accounting standards.

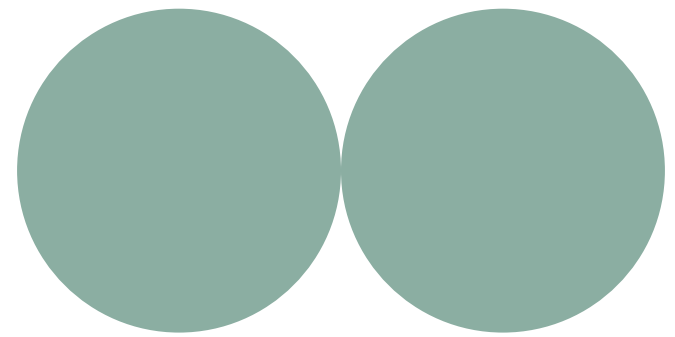
The Managing Director and the CFO have assured the Board that Synergy's financial reports present a true and fair view, in all material respects, of its financial condition and operational results and are in accordance with relevant accounting standards. The Board has also been assured that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

7. External auditor relationship (ASX Principle 4.4 & 6)

The Act requires Synergy's financial statements to be audited by the Auditor General by 30 September each year. The Auditor General also reports to the Minister on whether he or she is of the opinion that the financial report is in accordance with the Act.

The ALCC oversees communications between the Board, senior financial management, Legal, Regulatory and Audit department, Finance and Business Services Department and the Auditor General in order to ensure all assistance necessary to complete the audit by the Auditor General is provided.

Synergy does not have control over the appointment (or selection) of the external auditor. This matter is prescribed by the Act.



8. Risk management (ASX Principles 7.1& 7.2)

Synergy has a comprehensive framework to manage its strategic, operational, regulatory and reporting risks. The corporate risk management policy sets out a methodology and process for identification of risks, outlines the accountabilities of management and contains procedures for reporting on risk issues throughout Synergy.

Synergy's executive and management are responsible for identifying risks and implementing strategies to mitigate them. The ALCC oversees the risk management framework and reviews the effectiveness of key mitigation strategies. Risk reviews are conducted at least annually to ensure emerging risks, such as those from changes in market structure and design, organisational restructures and operational issues are identified and responses developed.

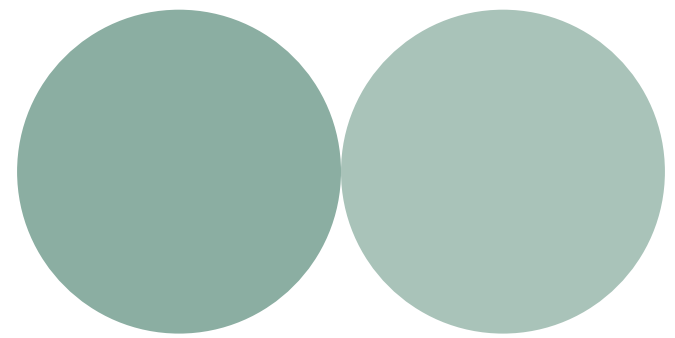
The Managing Director and the CFO have assured the Board that Synergy's management of its material business risks is effective. In accordance with the Act, the Finance and Business Services Department makes recommendations to the Board on the appropriate level of insurance cover for Synergy. Financial risk issues are managed through a treasury policy statement that requires reporting to the ALCC on treasury activities.

Corporate Governance Checklist

Although it is not a company listed on the Australian Securities Exchange and as such is not subject to the ASX Listing Rules, Synergy has voluntarily chosen to comply with the principles and recommendations of the ASX Corporate Governance Council in the most recent edition of its ASX Corporate Governance Principles and Recommendations (ASX Principles), where appropriate and relevant in Synergy's circumstances.

The following checklist reports on the extent to which Synergy has complied with the ASX Principles and explains the reasons for any non-compliance. This table cross-references to various sections of the corporate governance disclosure statement contained within this Annual Report.

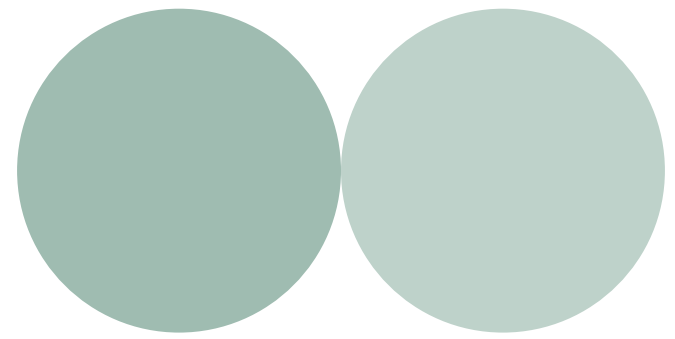
	ASX PRINCIPLE	Comply	Reference
Principle 1	Lay Solid foundations for management and oversight		
	1.1 Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions	✓	2.1, 2.5
	1.2 Disclose the process for evaluating the performance of senior executives	✓	2.6
	1.3 Provide the information indicated in the guide to reporting on ASX Principle 1	✓	2.6
Principle 2	Structure the Board to add value		
	2.1 A majority of the Board should be independent directors	✓	2.2, 2.3
	2.2 The Board Chair should be an independent director	✓	2.2, 2.9
	2.3 The roles of the Board Chair and CEO should not be exercised by the same individual	✓	2.3, 2.9
	2.4 The Board should establish a nomination committee	See Note 1	3.1
	2.5 Disclose the process for evaluating the performance of the Board, its committees and individual directors	✓	2.6
	2.6 Provide the information indicated in the guide to reporting on ASX Principle 2	✓	2.2, 2.3, 2.7, 2.11, 3.1, 3.3
Principle 3	Promote ethical and responsible decision-making		
	3.1 Establish a code of conduct and disclose the code or a summary of the code as to:	✓	4.1
	3.1.1 the practices necessary to maintain confidence in the company's integrity;		
	3.1.2 the practices necessary to take into account Synergy's legal obligations and the reasonable expectations of its stakeholders		
	3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
	3.2 Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of the policy	See Note 2	4.2
	3.3 Provide the information indicated in the guide to reporting on ASX Principle 3	✓	4.1



Principle 4	Safeguard integrity in financial reporting		
4.1	The Board should establish an audit committee	✓	3.1, 3.2
4.2	Structure the audit committee so that it consists of: (i) only non-executive directors; (ii) a majority of independent directors; (iii) an independent Chair, who is not the Board Chair; and (iv) at least 3 members.	✓	3.1, 3.2
4.3	The audit committee should have a formal charter	✓	3.1, 3.2
4.4	Provide the information indicated in the guide to reporting on ASX Principle 4	Note 3	3.1, 3.2
Principle 5	Make timely and balanced disclosure		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	Note 4	5.2
5.2	Provide the information indicated in the guide to reporting on ASX Principle 5	Note 4	5.2
Principle 6	Respect the rights of shareholders		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of the policy.	✓	5.1, 5.2
6.2	Provide the information indicated in the guide to reporting on ASX Principle 6	✓	5.1, 5.2
Principle 7	Recognise and manage risk		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	✓	8
7.2	The Board should require management to design and implement the risk management and internal control system to manage Synergy's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of Synergy's management of its material business risks.	✓	8
7.3	The Board should disclose whether it has received assurance from the CEO and the CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✓	6, 8
Principle 8	Encourage enhanced performance		
8.1	The Board should establish a remuneration committee.	✓	3.1, 3.3
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	✓	2.8
8.3	Provide the information indicated in the guide to reporting on ASX Principle 8	✓	3.1, 3.3

Notes:

1. While Synergy has established a Nomination Committee, it does not fully comply with recommendation 2.4 of the ASX Principles given the size and nature of the Synergy Board, and the fact the Board is ultimately determined by the Governor (on recommendation from the Minister).
2. ASX Principle 3.2 has no relevance to Synergy as it is not a publicly listed entity (see section 4.2 of the corporate governance statement).
3. The independence of committee members is influenced by the process of appointment of the directors to the Board by the Governor and, therefore, the committee may not always have a majority of independent members. However, it currently does have the required majority. Under the Act, Synergy's external auditor is the WA Auditor General. Therefore, recommendations in the ASX Principles as to independence and evaluation of the external auditor are not relevant.
4. ASX Principle 5 has no relevance to Synergy as it is not a publicly listed entity and therefore is not subject to the ASX Listing Rules (see section 5.2 of the corporate governance report).



Remuneration Report

Principles Used to Determine the Nature and Amount of Remuneration

Remuneration approval protocols are as follows:

- **Specified non-executive directors:** The Minister for Energy approves the remuneration of all non-executive directors.
- **Managing Director:** The Board subject to the concurrence of the Minister for Energy approves the remuneration of the Managing Director (also referred to as the CEO).
- **Specified Executive Officers:** The Board on recommendation of the Managing Director approves the remuneration of all Specified Executive Officers.

The Remuneration Policy is to:

- remunerate individuals in accordance with performance and responsibility;
- ensure consistent decision making on individual remuneration adjustments;
- establish flexible remuneration arrangements and
- establish and maintain salary ranges comparable to other companies of similar size and industry.

Specified non-executive directors

A non-executive director is to be paid out of the funds of the corporation such remuneration and allowances as are determined in the case of that director by the Minister.

Remuneration

Refer to emolument of Key Management Personnel.

Managing Director

Synergy Managing Director James K Mitchell is not paid an additional amount to sit on the Synergy Board.

Compensation of Directors and Executive Disclosures

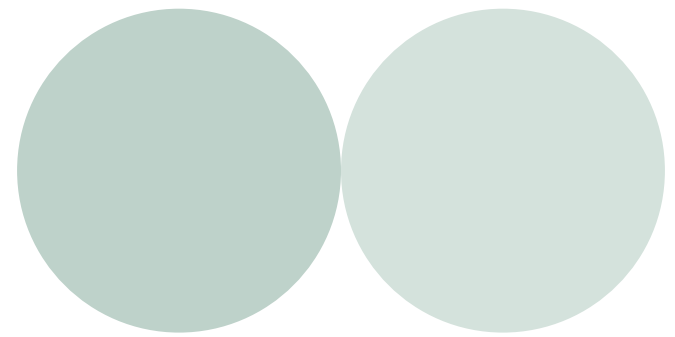
Service Agreements

James Mitchell, Managing Director

- Term of the Agreement – 5 years commencing from 1 April 2006.
- Notice period – 26 weeks written notice, or such shorter period as may be agreed, or remuneration in lieu of notice.
- Termination
 - Redundancy: should the Minister elect to merge, restructure, or dispose of the business of Synergy, will be by payment of the greater of the amount equivalent to the remuneration calculated over the balance of the period of this agreement, or a redundancy payment of 150% of annual salary, unless reasonable alternative employment with Synergy is obtained.
 - Poor performance: the lesser of either 13 weeks notice or remainder of the Agreement.
- Performance Pay – At the Board's discretion with the concurrence of the Minister, a payment of up to 37% remuneration can be made for the achievement of specific targets set by the Board.

Geoff Roberts, Chief Operating Officer

- Term of the Agreement – Not a fixed term contract
- Notice period – 4 weeks written notice, or such shorter period as may be agreed, or remuneration in lieu of notice.
- Termination
 - Redundancy: 12 weeks total fixed remuneration in lieu of notice and 3 weeks total fixed remuneration for every completed year of continuous service to a maximum of 87 weeks.
 - Incapacity or poor performance: 4 weeks notice, or without notice for serious misconduct.
 - Other than redundancy, incapacity, poor performance or serious misconduct: 26 weeks notice or 26 weeks total fixed remuneration as payment in lieu of notice.
- Performance Pay – At Risk Remuneration (ARR) will be variable from zero to a capped maximum, in accordance with the ARR scheme and based on the achievement of specific performance targets, as approved by the Board. ARR payments will range from zero for non performance, to 10% of total targeted remuneration for on-target performance, and ranging up to a capped maximum ARR payment of 20% of total targeted remuneration for exceeding performance targets.



Trevor James, Head of Wholesale

- Term of the Agreement – Not a fixed term contract
- Notice period- 4 weeks written notice, or such shorter period as may be agreed, or remuneration in lieu of notice.
- Termination
 - Redundancy: 12 weeks total fixed remuneration in lieu of notice and 3 weeks total fixed remuneration for every completed year of continuous service, to a maximum of 87 weeks.
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Will Bargmann, General Counsel and Company Secretary

- Term of the Agreement- Not a fixed term contract
- Notice period- 4 weeks written notice, or such shorter period as may be agreed, or remuneration in lieu of notice.
- Termination
 - Redundancy: 12 weeks total fixed remuneration in lieu of notice and 3 weeks total fixed remuneration for every completed year of continuous service, to a maximum of 52 weeks.
 - Incapacity or poor performance: 4 weeks notice, or without notice for serious misconduct.
 - Other than redundancy, incapacity or poor performance: 52 weeks notice or 52 weeks total fixed remuneration as payment in lieu of notice.

- Performance Pay- At Risk Remuneration (ARR) will be variable from zero to a capped maximum, in accordance with the ARR scheme and based on the achievement of specific performance targets, as approved by the Board. ARR payments will range from zero for non performance, to 10% of total targeted remuneration for on-target performance, and ranging up to a capped maximum ARR payment of 20% of total targeted remuneration for exceeding performance targets.

Albert Gauci, Chief Financial Officer

- Term of the Agreement- Not a fixed term contract
- Notice period- 4 weeks written notice, or such shorter period as may be agreed, or remuneration in lieu of notice.
- Termination
 - Redundancy: 12 weeks total fixed remuneration in lieu of notice and 3 weeks total fixed remuneration for every completed year of continuous service, to a maximum of 52 weeks.
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Simon Middleton, A/Head of Strategy and Growth

- Term of the Agreement- Not a fixed term contract
- Notice period- 4 weeks written notice, or such shorter period as may be agreed, or remuneration in lieu of notice.
- Termination
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Emolument of Key Management Personnel

The nature and amount of each element of the emolument for Key Management Personnel during 2009/10 are detailed in the attached Financial Statements.

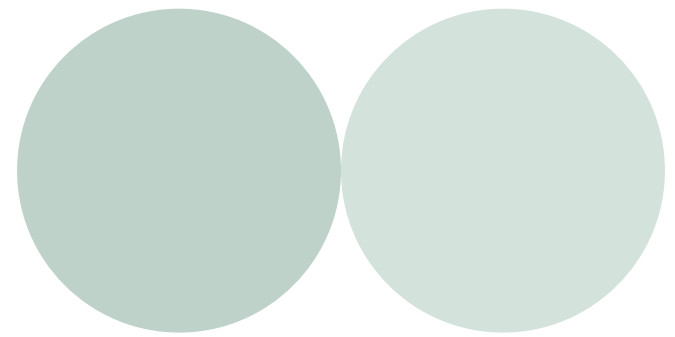
Details of the nature and amount of each element of emolument for Key Management Personnel for the period 1 July 2009 – 30 June 2010 are detailed below:

	Short Term Benefits			Post Employment Benefits			Total Remuneration \$ '000
	Salary & Fees \$ '000	At Risk Remuneration \$ '000	Non Monetary \$ '000	Superannuation & Retirement \$ '000	Other Benefits \$ '000	Termination Benefits \$ '000	
Non Executive Directors							
Michael Smith (Chairperson)	105			10			115
Eric Hooper	65			6			71
Terri Reilly	50			5			55
Caryle Demarte	50			5			55
David Hunt*	40			4			44
Sub-Total Non Executive Directors	310			30			340
Executive Director							
James K Mitchell	363			42	11		416
Other Key Management Personnel							
Geoff Roberts – Chief Operating Officer	292			30			322
Albert Gauci – Head of Finance and Business Services / CFO ^	237			25			262
Trevor James – Head of Wholesale	300			23			323
Simon Middleton – Acting Head of Strategy and Growth #	207			21			228
Will Bargmann – Legal Counsel	244			26			270
Total	1953			197	11	100	2161

* David Hunt resigned from the Board 30 March 2010

^ Albert Gauci commenced as Head of Finance and Business Services / CFO in November 2009

Simon Middleton commenced as Acting Head of Strategy and Growth in November 2009



Indemnification of Directors and Officers

The Board has approved a Directors' and Officers' Liability Insurance Policy to ensure the Directors and Officers of the Corporation have 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 Directors and Officers component of the policy.

Review of Operations

The operations of the Corporation during the financial year and the results of those operations are discussed in the Chairman's Report, the Managing Director's Report and the Review of Operations.

Change in State of Affairs

There were no significant changes in the state of affairs of the Corporation during the financial year.

Principal Activities

The functions of the Corporation are —

- to supply electricity to consumers and services which improve the efficiency of electricity supply and the management of demand;
- to purchase or otherwise acquire electricity for the purposes of supplying electricity to customers;
- to provide ancillary services;
- by agreement with the Regional Power Corporation (Horizon), to provide retail support services to that corporation;
- to acquire gas and supply it to consumers;

It is also the function of the Corporation to use its expertise and resources to provide consultative, advisory or other services for profit; to develop and turn to account any technology, software or other intellectual property relating to the functions above; to manufacture and market any product relating to the functions above; or to exploit its fixed assets for profit so long as the proper performance of its functions are not affected.

The Corporation can do anything that it determines to be conducive or incidental to the performance of its function mentioned above.

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

Likely Developments and Expected Results of Operations

Synergy will be monitoring the progress of State and federal policy decisions, which are likely to impact Synergy's operations. With a renewable energy target of 20% by 2020, Synergy will continue to be seeking new sources of renewable energy.

Ministerial Directions

Synergy has received no Ministerial Directions during the year.

Observance of the Code of Conduct

Section 33 of the Electricity Corporations Act 2005 (WA) ("Act") requires the Board of Synergy to provide to the Minister, at the same time as delivering its Annual Report, a separate report on the observance of its Code of Conduct by members of staff. The Board confirms, consistent with section 31 of the Act, Synergy's Code of Conduct was developed after consultation with the Commissioner for Public Sector Standards and was adopted by the Board at its meeting on 23 February 2009.

The Code of Conduct has been made available to all employees of Synergy and is available on Synergy's Intranet for employee reference. The Board, under delegated authority, assign accountability through the Managing Director to formal leaders in the organisation to ensure observance of the standards of conduct and integrity by members of staff.

As at 30 June 2010, there were no reported incidents of staff members breaching the requirements of the Code of Conduct.

State Records Act 2000

Synergy maintains and supports quality record-keeping practices in its day-to-day business activities. All records are managed according to the requirements of the State Records Act 2000 and Synergy's approved Record Keeping plan. Regular reviews are conducted of the corporate record-keeping systems and practices to ensure their efficiency and effectiveness. New employees and contractors are provided with information on the record-keeping systems both at induction and at training in the use of the system. The training programs are reviewed on an ongoing basis to ensure they reflect any new business requirements.

Public Interest Disclosure

The Public Interest Disclosure Act came into effect 1 July 2003. The Act facilitates the disclosure of public interest information and provides protection for those making such disclosures and those who are subject to such disclosures. Synergy is committed to the aims and objectives of the Act.

In May 2006, a set of procedures was developed which outlined the manner in which Synergy will comply with its obligations under the Act. Public Interest Disclosure information is included in Synergy's induction program, procedures and staff information is posted on our intranet facility for staff to view. Synergy has appointed the Managing Director, the Company Secretary/General Counsel, Manager Human Resources and Organisational Development and the Manager Internal Audit as Public Interest Disclosure Officers.

There were no disclosures made during 2009/10.

Disability Access Disclosure

Synergy is committed to ensuring people with disabilities, their families and carers have equal access to our services and information.

In accordance with the Disability Services Act 1993, Synergy has developed a Disability Access and Inclusion Plan, which outlines various strategies with a purpose of improving access to services, premises and information.

The Disability Access and Inclusion Plan was created in consultation with key stakeholders and in the plan's implementation a working group was developed to oversee and monitor the overall execution of the plan's objectives.

The Disability Access and Inclusion Plan has six objectives, which include:

- The same opportunities as other people to access the services of, and any events organised by, a public authority.
- The same opportunities as other people to access the buildings and facilities of a public authority.
- Receive information from a public authority in a format that will enable them to access the information as readily as other people are able to access it.
- Receive the same quality and level of service from the staff of a public authority as other people receive from the staff of that public authority.
- The same opportunities as other people to make complaints to a public authority.
- The same opportunities as other people to participate in any public consultation by a public authority.

