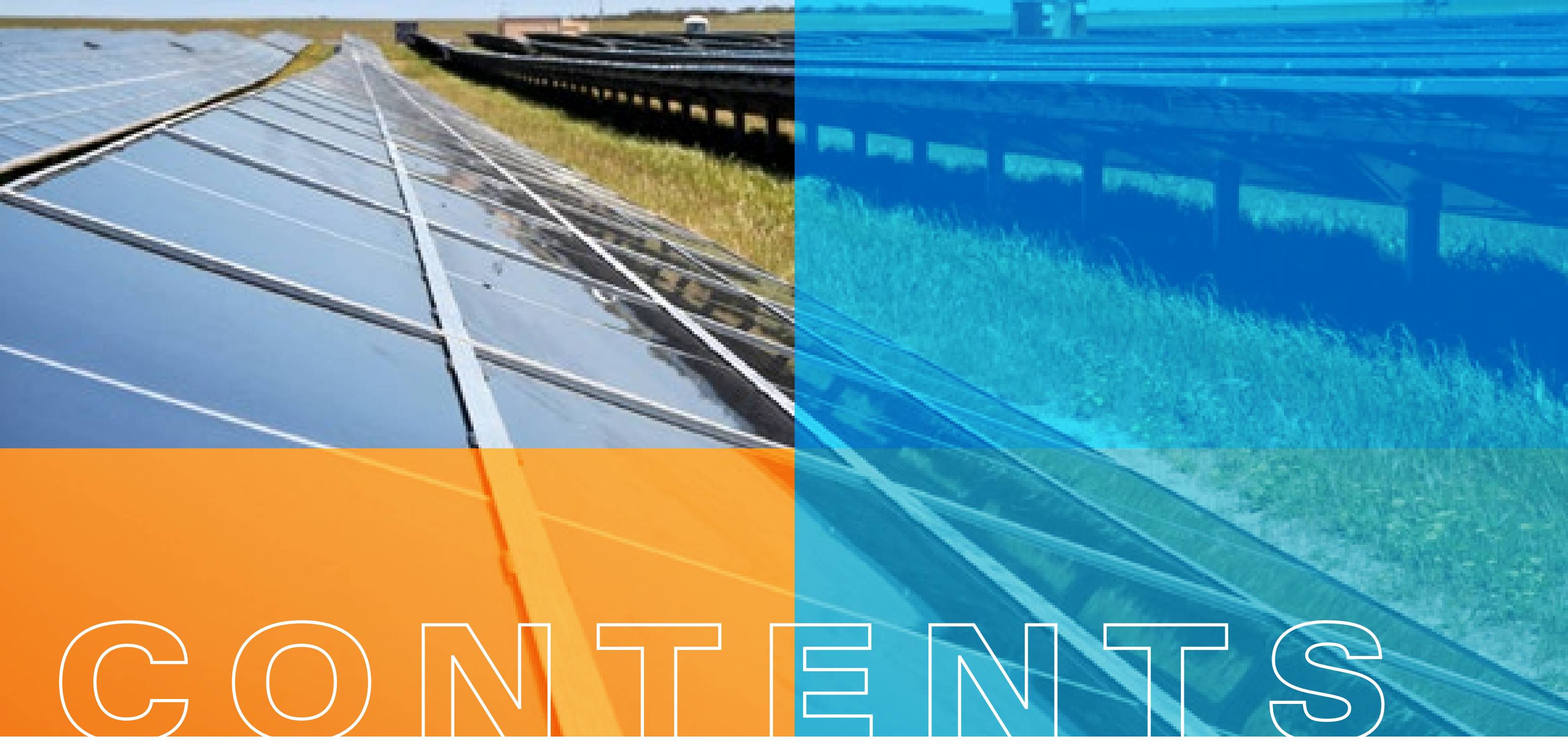
verve
ENERGY

SAFETY 2013
EFFICIENCY
RELIABILITY

ANNUAL REPORT 2012/2013



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Verve Energy

2013

RELIABILITY

Verve Energy is the leading generator of electricity in Western Australia, contributing to the welfare of households and businesses by providing safe, reliable and competitive energy.

Verve Energy's purpose is to commercially generate, market and sell electricity to retail customers and large users within the South West Interconnected System.

We own and operate an extensive and diverse portfolio of fossil fuelled and renewable power generating facilities located between Coral Bay in the north, Kalgoorlie in the east and Albany in the south, along with major generating sites in Collie, Kwinana and Pinjar.

Achievements 2012/2013

- Stable financial performance
- Group NPAT of $60.4 million
- Increased electricity sales volumes
- Forced Outage Factor reduced to 1.4%
- Plant availability increased to 88.7%
- Increased generation to 9,788GWh
- Solar farm and wind farm completed
- Renewable energy generation 111.8GWh (up from 88.1GWh)

Chairman's Report

I was very pleased to be appointed as the Chairman of Verve Energy effective 1 July 2013. In my role as Chairman of Synergy over the last six years, the major customer of Verve Energy, I have come to know the organisation and its people and have always held it in high regard.

1 July 2013 saw a substantial change for Verve Energy with four of its Board members leaving. I would like to acknowledge the contribution of Verve Energy's previous Chairman David Eiszele and former Directors Harvey Collins, Gaye McMath and Duncan Clegg.

I would also like to welcome to the Verve Energy Board four new Directors; Eric Hooper, Margaret Seares, Michael Goddard and Mark Chatfield and thank Keith Spence for his continuing role.

My time as Chairman has confirmed the view that I previously held that Verve Energy, as Western Australia's largest electricity generator, plays a critical role in the reliable, secure and efficient supply of electricity to the State.

Verve Energy has a large and diverse portfolio of generating plant backed by a strong, long term fuel position and is staffed by capable people and, on this basis, I believe its prospects for the future are positive.

Verve Energy's consolidated 2012/13 net profit after tax (NPAT) result of $60.4 million is a pleasing outcome in the context of the impairment associated with the Corporation's necessary acquisition of 100% of Vinalco Pty Ltd, the joint venture responsible for the Muja AB Project.

While Muja AB has presented Verve Energy with an extremely challenging set of circumstances, the organisation remains committed to completing the project and believes that Muja AB will return a profit over its operating life and increase the fuel security of the South West Interconnected System as we move into a challenging future gas contracting environment.

Verve Energy's electricity sales increased to 11,343GWh (2011/12: 10,673GWh) during a period of flat overall market growth; a 5% increase in energy market share for the year. This was a good result in a year where total system demand remained flat.

The performance of Verve Energy's generating portfolio was very pleasing. On the back of a sophisticated asset management program and steady maintenance investment over recent years, Verve Energy's forced outage rate has reduced to 1.40% and total availability improved to 88.7%, an excellent result when the age of Verve Energy's portfolio is taken into account.

2012/13 also saw the new High Efficiency Gas Turbines (HEGTs) enter the market with immediate results. Recent increases in the quantity of wind energy entering the electricity network has increased the load following burden placed on Verve Energy by the market.

Chairman’s Report continued

However, the HEGTs, since commencing commercial operation, have dramatically improved Verve Energy’s capability in this regard and also reduced the load following costs borne by the market.

I am also pleased to see that two renewable energy projects undertaken by Verve Energy in joint venture arrangements successfully entered commercial operation during the year. The 10MW Greenough River Solar Farm (GRSF) project, undertaken with GE Financial Services, is Australia’s first and largest utility scale solar farm and is a project that I am very proud to be associated with. The 55MW Mumbida Windfarm is a joint venture project with Infrastructure Capital Group and, along with the GRSF, supplies the Water Corporation’s Southern Seawater Desalination Plant. I would like to thank the Water Corporation and our Joint Venture Partners for their support.

Verve Energy also continued to make inroads during 2012/13 in regards to achieving a sustainable improvement to its safety performance. A new safety strategy was launched and the structure and resources available to support the Corporation’s journey to zero harm has been refreshed and improved. Key initiatives around the safe and efficient integration of contractors into Verve Energy’s operations and increased investment in safety related training and development of staff will undoubtedly bring about the safety improvement that is central to the organisation’s vision.

Looking ahead to 2014, the merger between Verve Energy and Synergy will bring about a further round of change for Verve Energy and the electricity sector broadly. The merging of Verve Energy and Synergy will result in the formation of a substantial integrated utility that will be ideally placed to play a major role in the development and implementation of the Government’s future energy policy while working to apply consistent downward pressure on electricity prices.

The new merged entity will seek to achieve this by optimising plant operations, ensuring the efficient procurement and use of fuels and making better long term decisions regarding the future development of new power projects. The new merged entity will retain core generation and retail business units that will work to achieve the highest possible standards of safety, customer service, reliability and efficiency. I look forward to the opportunities presented by the merger of Verve Energy and Synergy in 2014 and into the future.

In closing I would like to acknowledge the efforts of the staff of Verve Energy over the 2012/13 period and I thank you for your support since my commencement as Chairman on 1 July 2013.

Michael Smith
CHAIRMAN

Chief Executive Officer's Report

The year ended 30 June 2013 was a challenging but successful year for Verve Energy.

We recorded a consolidated net profit after tax (NPAT) for 2012/13 of $60.4 million; a stable result considering our 2011/12 NPAT was $61.3 million. This result includes the impact of consolidating Vinalco Energy Pty Ltd as a result of taking control over that entity as of 20 June 2013.

Our electricity sales volumes for 2012/13 increased 5% to 11,343GWh, however this increased sales volume was offset by lower sales prices resulting in flat performance on electricity sales revenue once the impact of carbon is removed. Although overall demand on the South West Interconnected System (SWIS) was estimated to be largely the same as for the 2011/12 financial year, outages at Independent Power Producer plants and improved market balancing arrangements provided Verve Energy with the opportunity to increase the utilisation of its generating assets.

As foreshadowed in our annual report for 2011/12, the carbon tax was introduced on 1 July 2012, with the effect of adding $224.5 million to our cost of production. This cost was fully recovered from our customers.

We invested $53.9 million of sustaining capital in our existing plant during 2012/13 in addition to maintenance expenditure of $142.1 million. Our carefully planned maintenance investment over recent years has been a contributor to our 2012/13 plant availability of 88.7%, an improvement of 81.1% from last year. Our forced outage factor was 1.40%, an improvement from 2.46% in the previous year. This is an excellent result and I look forward to continued strong performance in this area in coming years.

The State Government's announcement of the merger of Verve Energy and Synergy will result in Verve Energy's brand name being retired as we partner with Synergy to become an integrated electricity retail and generation business. The merger with Synergy is an exciting opportunity that will see the creation of a substantial new entity that will be focussed on leveraging off the achievements of both businesses to create a new corporation that ensures the safe, customer focused, reliable and efficient delivery of electricity to our customers.

On 1 July 2013 we welcomed a new Board which will guide both Verve Energy and Synergy towards the merger on 1 January 2014 and oversee the new Synergy. The new Board members are Michael Smith (Chairman), Eric Hooper, Margaret Seares, Michael Goddard, Mark Chatfield and Keith Spence (former Verve Energy Director). I would like to welcome the new Directors to Verve Energy - we look forward to their future guidance and support.

I would like to acknowledge the hard work and dedication of the former Board. Our former Chairman David Eiszele and Directors Harvey Collins, Gaye McMath and Duncan Clegg made a substantial contribution to Verve Energy during their terms.

Mindful of operating within our generation cap of 3,000MW and balancing ongoing costs against future market demand and available revenue, Verve Energy announced in June 2013 that it would retire the final stage of our Kwinana Power Station, Stage C, in October 2015.

Chief Executive Officer's Report continued

The Kwinana Power Station retirement will have a direct impact on up to 100 of our staff and will be a major focus area of our business over the next two years.

Our new corporate Strategy titled "Power-up" was launched in 2012/13 and is being rolled out across the business. We have more than 30 projects currently underway that will help us respond to changes in market conditions and meet our objectives to provide secure, affordable and cleaner energy for our State.

Our safety performance and progress on the journey to zero harm continues to be Verve Energy's key challenge and an area where we have significant scope for further improvement. As part of our Corporate Strategy we launched our Safety and Health Strategic Program to establish a pathway by which we will achieve the safety performance that we aspire to in coming years.

In the past year, Verve Energy delivered new projects into the marketplace through successful joint venture initiatives. In September 2012, we opened the 10MW Greenough River Solar Farm in the mid-west. This facility, the country's first utility scale solar farm, was developed through a Verve Energy and GE Financial Services joint venture.

In May 2013, the Mumbida Wind Farm, situated 40 kilormetres southeast of Geraldton, was completed and commissioned. Mumbida Wind Farm, a joint venture project between Verve Energy and Infrastructure Capital Group has a capacity of 55MW, enough to power about 35,000 average homes and displace 165,000 tonnes of greenhouse gas emissions each year. Mumbida Wind Farm is the biggest wind farm Verve Energy is involved in, surpassing our Albany, Esperance and Kalbarri wind farms in capacity.

Through a commercial off-take agreement with the Water Corporation, the output from both Greenough and Mumbida is used to offset part of the energy requirements of the Southern Seawater Desalination Plant.

I would like to thank the Water Corporation as well as our joint venture partners GE Financial Services and Infrastructure Capital Group for their support in these projects.

Verve Energy's investment with Inalco in the Vinalco Joint Venture that had planned to refurbish the four 60MW Muja Power Station Stage AB has been extremely challenging for all of us. We are pleased that Units 3 and 4 have been operating successfully since February 2013 and March 2013. Both units have been operating in accordance with contractual expectations, generating more than $25 million in revenue based on output of more than 200,000MWh since commissioning.

Verve Energy remains committed to the completion of Units and 1 and 2 and, despite the cost overruns that the project has experienced, we firmly believe that the project will deliver positive returns over its 15 year life.

Verve Energy continued to build relationships with the local communities of Kwinana, Collie and Albany where we operate our major facilities. We did this by offering support through a number of excellent sponsorship, scholarship and grant programs which focus on youth education, youth training and the environment. One of our major successes is the Verve Energy Collie Community Fund, through which we have granted more than $60,000 to local projects in the four years since it was established.

I would like to convey my thanks and appreciation to our greatest asset, our highly skilled and dedicated staff, for their efforts during the year and I look forward to their continued loyalty and support.

The 2012/13 year was a successful year for Verve Energy as we continued on our pathway to becoming a safer, more reliable and more efficient business.

Jason Waters
CHIEF EXECUTIVE OFFICER

Working with Us

At Verve Energy, our people make the difference.

We are working together to create a culture where safety comes first. We challenge ourselves with the goals we set. We respect the need to maintain a balance between work and family/social activities. We encourage and support our employees to make the best contribution they can to the success of our business.

As at 30 June 2013, Verve Energy had 642 employees across five sites in a broad range of disciplines.

We strive for a workplace culture where employees enjoy their work and take pride in what they do and achieve. We aim to deal fairly, respectfully and honestly with our employees. We value equal opportunity and workplace diversity, and we held Equal Employment Opportunity workshops across all sites in 2013 to ensure our employees are up to date with current legislation and Verve Energy values.

We hold a bi-annual Women's Networking Forum to assist and support growth and camaraderie amongst our female employees in our currently male dominated business. This initiative encourages any issues and questions to be raised in an open forum, as well as an opportunity for guest speakers to address the group with various presentations.

We have workforce planning and succession planning processes that help us identify and meet our capability requirements. We invest in our future through graduate programs, traineeships and apprenticeships at our power stations. We offer challenging work and where its desired and earned, career development and progression. Employees are encouraged and supported to continue with professional development through comprehensive training and our study assistance program.

We encourage communication and contact with our Executive team, and hold a bi-annual Leader Forum at which all leaders in the business are given updates on various projects and the opportunity to pose questions directly to the Executive team.

We are family friendly, providing a range of flexible work arrangements including part time work, job share arrangements, the ability to salary sacrifice for additional leave, and paid parental leave.

Our People and their Health and Safety

Safety is a key value for our organisation. Through working together, we strive towards achieving the highest possible standards in safety and health, and to continuously monitor and improve our performance to achieve our aspiration of zero harm.

During the year we continued to focus on the sustainable implementation and delivery of safety and health initiatives throughout the business. This was driven by two significant activities: alignment with the corporate vision, and the restructure of the Safety and Health function to operate as a key part of the Operations Team. The result has been an improved culture of openness in engagement and reporting, a focus on safety oriented leadership, and direct engagement with our workforce and contractor partners.

An upward injury trend throughout the year can be attributed to an increase in the number of employees and contractors associated with construction activities across the business, and an increase in visibility and transparency in reporting at our sites. Taking this into account, the business has recorded a 12% annual average reduction in our Total Recordable Injury Frequency Rate over the past five years.

Major activities during the past year have included:

- restructuring to deliver consistent safety and health improvements across operations;
- introducing a Head of Safety reporting to the Chief Operating Officer;
- increasing visibility of our leaders through direct front line engagement;
- developing site specific Safety and Health Management Plans;
- introducing random testing for alcohol and other drugs;
- developing a contractor "lifecycle" management framework and associated processes;
- increasing expectations and timeliness of open reporting and investigation of incidents;
- introducing high visibility protective clothing on our sites;
- increasing our focus on Safety and Health communication, consultation and engagement; and
- rationalising, simplifying and realigning past initiatives.

Over the last quarter of the fiscal year this resulted in:

- increased engagement with our contractor partners;
- better work front planning and supervision;
- increased trust and openness in reporting of high risk incidents; and
- stabilisation of all lagging indicators.

We believe we are in a strong position to capitalise on these renewed foundations and to continue gaining improvements to achieve our strategic objectives safely, reliably and efficiently.

	2008-09	2009-10	2010-11	2011-12	2012-13
Number of employees	593	612	622	595	642
TRIFR (Total Recordable Injury Frequency Rate)	27.3	18.4	13.7	4.5	10.6

Financial Performance

Financial Performance Summary	2012-13	2011-12	Comp
Revenue ($m)	1,603.6	1,338.9	↑
EBIT ($m)	203.3	208.6	↓
NPBT ($m)	115.6	103.2	↑
Net borrowings (excluding finance leases) ($m)	546.0	657.0	↓
Net assets ($m)	730.6	677.8	↑
Return on Capital Employed (%)	15.9	12.7	↑

Verve Energy's financial results for 2012/2013 were stable compared to the previous year, recording a Group Net Profit After Tax (NPAT) of $60.4 million on a total asset base of $2,825.3 million. Earnings Before Interest and Tax (EBIT) was $203.3 million, with revenue (excluding carbon tax recovery) increasing by 2.9% over the previous year, to a total of $1,378.3 million.

Verve Energy's financial results benefitted from a move to cost reflective pricing in the new competitive Load Following Ancillary Services market, allowing it to fully recover costs of providing this service. Other benefits to the financial year result included lower costs of producing electricity as Verve Energy's plant operated at greater capacity to cover independent power stations during outages, and lower materials, services and overhead expenditure as Verve Energy managed costs to its efficiency dividend targets. Offsetting some of the lower costs was a greater depreciation burden arising from commissioning of the High Efficiency Gas Turbines at Kwinana and an upwards revision of the decommissioning provision at June 2012.

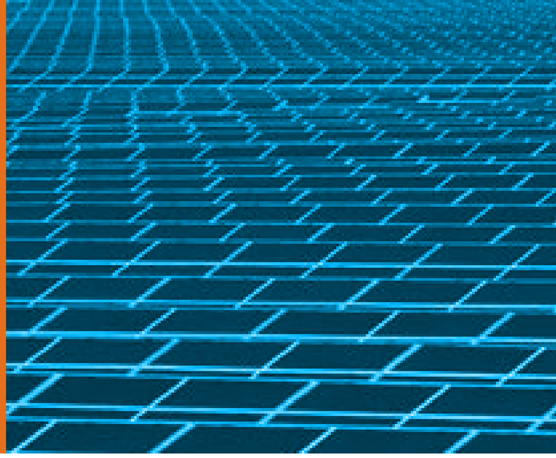
The greater profitability of Verve Energy allows for more tax to be paid to the State Government, with tax expense increasing by $13.3 million. The Board recommends a dividend to the State of $37.6 million in 2013/14 (compared with $39.8 million in 2012/13).

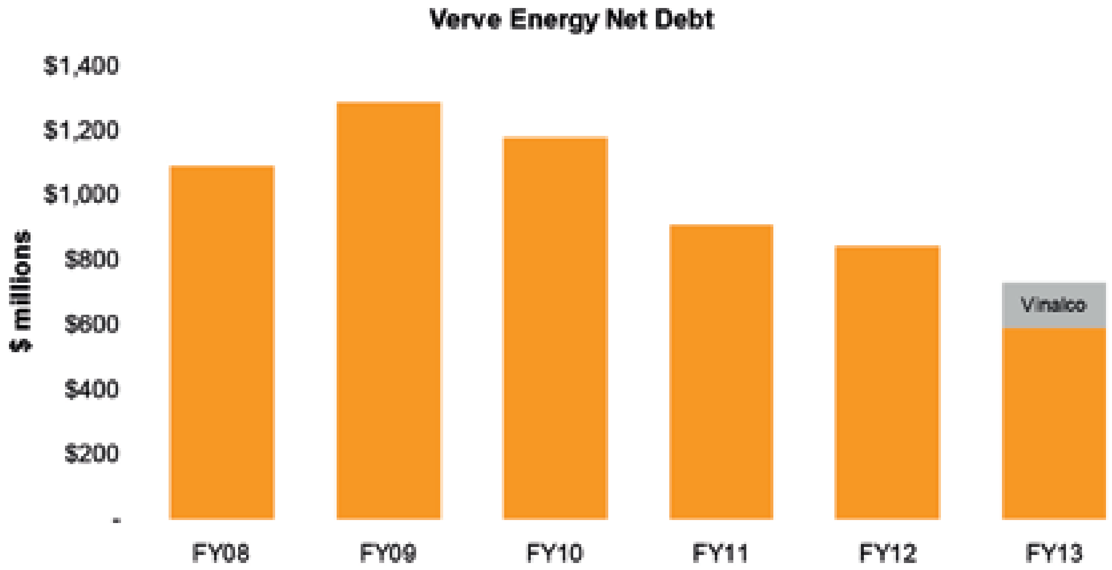
Verve Energy acquired control over Vinalco Energy in June 2013 and consequently has consolidated the assets and liabilities of that entity into its consolidated financial position. Upon acquisition of Vinalco the assets were brought to account at fair value which resulted in an impairment of $75.5 million at Group level. This valuation at 20 June 2013 was at a time when the future funding of the project was uncertain and the refurbishment of Muja A was incomplete. The future valuation of the project is expected to be different once construction risk is removed and the refurbished units are operating reliably.

At 30 June 2013, Vinalco had liabilities, net of cash, of $257.2 million including $115 million due to Verve Energy. Combined with the essential capital contribution from Verve Energy of $23 million, the total expended in Vinalco was $280.2 million. This was represented by the book value of plant and equipment (prior to impairment) of $228.6 million; trade receivables, inventories and other working capital of $14.9 million; and accumulated losses prior to impairment of $36.7 million. The above has been adjusted to the fair value of assets and liabilities as per note 19 in the notes to the financial statements.

Despite consolidating approximately $148.4 million of net project financing onto its balance sheet, Verve Energy nevertheless continues to operate in a commercially responsible manner and has steadily reduced its State Net Debt position over the preceding years.

Financial Performance continued





Efficiency Dividends

Efficiency Dividends Summary	2012-13 $ million	2011-12 $ million
Efficiency Dividend Target	295.3	315.1
Actual Performance	293.9	307.8
Achievement (Ahead of Target)	**1.4**	**7.3**

In April 2011 the State Government introduced a 5% efficiency dividend (expenditure reduction) to be applied to Verve Energy's operating expenditure on the basis that the reduction in expenditure would not reduce services or negatively impact customers. Verve Energy was given a direction to deliver savings of $65 million over four years, thereby increasing tax and dividend payments to Government over the same period. In April 2012, Verve Energy received notification of a further efficiency dividend to be applied to operating expenditure totalling $33 million, bringing to $98 million the total required savings over the five year period to 30 June 2016. Verve Energy measures delivery of the efficiency dividend by setting targets adjusting its pre-existing expenditure budget (baseline) by the $98 million efficiency dividend.

After the first two years of the efficiency dividend, Verve Energy is $8.7 million ahead of where it planned to be against the five year target. We have achieved this by:

- reducing costs;
- deferring feasibility studies into new renewable energy projects due to lower forecast electricity demand on the South West Interconnected System in the near future; and
- deferring low risk maintenance projects where it has been safe to do so and is in line with the planned outage program.

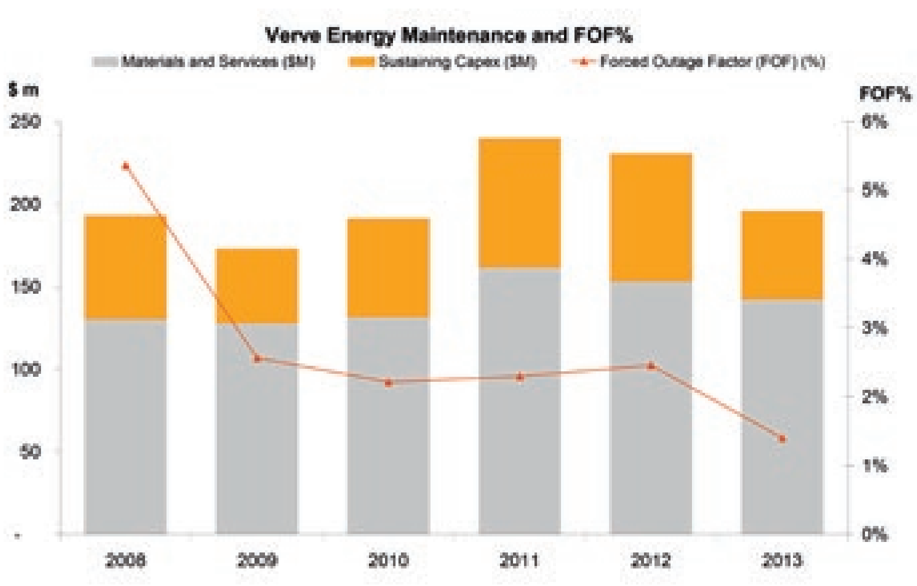
Operational Performance

Verve Energy is the largest electricity generator in the South West Interconnected System (SWIS), which has almost one million customers.

Verve Energy's capability to operate a diverse range of plant using different fuels contributes to the reliability of supply within the SWIS.

Our performance is driven by our three goals - safety, efficiency and reliability.

Verve Energy has approximately 3,000 megawatts of installed generating capacity, and generated 9,788GWh in 2012/13.



Operational Performance Highlights

- $62 million invested in capital assets
- $142.1 million spent on maintenance for efficiency and reliability
- Generation of 9,788GWh
- Improved plant availability - 81.1% to 88.7%
- Forced Outage Factor reduced from 2.46% to 1.4%
- Renewable energy generation 111.8GWh (up from 88.1GWh)

Verve Energy delivered a strong operational performance during the past year.

The implementation of a structured asset management program and plant maintenance regime resulted in improved reliability of supply and the efficient production of electricity. This is reflected in our results - plant availability increased from 81.1% to 88.7% and our unplanned outages (forced outage factor) fell from 2.5% to 1.4%.

During the past year Verve Energy generated 9,788GWh of electricity, compared to 8,834GWh in 2011/12.

EFFICIENCY

Operational Performance continued

SAFETY

Verve Energy spent $142.1 million on operational materials and services as part of our maintenance and outage program, and invested another $62 million on our existing capital assets, which takes the total expenditure on plant and equipment to $204.1 million. Of this expenditure, $7.3 million relates to the completion of the High Efficiency Gas Turbines (HEGTs) at Kwinana which were commissioned early in the financial year and $53.9 million of the balance spent predominantly on sustaining capital expenditure in conjunction with our maintenance programs.

We produced 111.8GWh of renewable energy compared to 88.1GWh the previous year. Renewable production will further increase as our new renewable energy facilities operate for a full year. Through joint ventures with private sector investors, Verve Energy completed the 10MW Greenough River Solar Farm in September 2012, and the 55MW Mumbida Wind Farm in May 2013.

In June 2013, Verve Energy announced the final phase of decommissioning Kwinana Power Station (KPS), with the retirement of Stage C scheduled for 30 September 2015. Verve Energy will continue to operate Stage C safely and reliably until the plant's retirement. The long term future of KPS was evaluated against the need to invest in other generation options such as renewables, coal, gas and fuel and multi-fuel alternatives, and Verve Energy's requirement to operate within a 3,000MW generation cap. Our workforce will be assisted during the transition period to closure.

The two units of Muja B were brought back into service after refurbishment in February and March 2013, adding another 110MW to Verve Energy's capacity while benefiting the State through enhanced energy security. The organisation is now focussed on finishing the works on the Muja A units and returning the Muja AB facility to full availability in 2014.

At Muja, the Unit 6 major overhaul was completed. This investment will improve performance and further extend the life of the unit.

To increase stored gas and gas supply flexibility, Verve Energy secured a commercial arrangement with APA to store and extract gas from the Mondarra Gas Storage facility. The facility, located in the mid-west and connected to two gas pipelines, is undergoing expansion and is scheduled to open in September 2013. This arrangement provides a contingency for Verve Energy and the State in the event of a gas supply shortage, and the day-to-day flexibility to match Verve Energy's gas supply with demand.

Our HEGTs at Kwinana have demonstrated significant fuel savings and good hot weather performance since commencing commercial operation in September 2012. The HEGTs rapid start up (from cold to full load in 11 minutes) has proved a good fit with Verve Energy's activities in the market.

An Operations Structure Review was undertaken to identify initiatives that would boost the performance of the Operations Business Unit. From this review, 12 key projects were initiated to address the organisational structures of our power stations, the frequency of major outages, and improving business processes, engineering governance and process safety. Four of the projects are complete, and others are well underway and scheduled to be completed in the next financial year.

Operational Performance continued

Key Facts	2012-13	2011-12	Comp
Supply of electricity (GWh)	11,343	10,763	↑
Generated (GWh)	9,788	8,834	↑
Used in works (GWh)	626	580	
Electricity generation sent out (GWh)	9,162	8,254	↑
Purchased (GWh)	2,182	2,509	↓
Renewable energy generation wind (GWh)	111.8	88.1	↑
Forced Outage Factor (FOF) (%)[1]	1.40	2.46	↓
Plant availability (%)[2]	88.7	81.1	↑
Capacity factor (%)[3]	34.5	32.9	↑
Thermal efficiency (%)[4]	31.3	32.1	↓
Total Greenhouse Gas Emissions (million tonnes CO_2-e)	8.6	7.5	↑
Carbon Intensity (kgCO_2e/kWh electricity sent out)	0.894	0.909	↓
Number of Environmental Incidents	10	4	↑
Number of RECS (excl Nine Mile Wind Farm)	62,829	74,894	↓

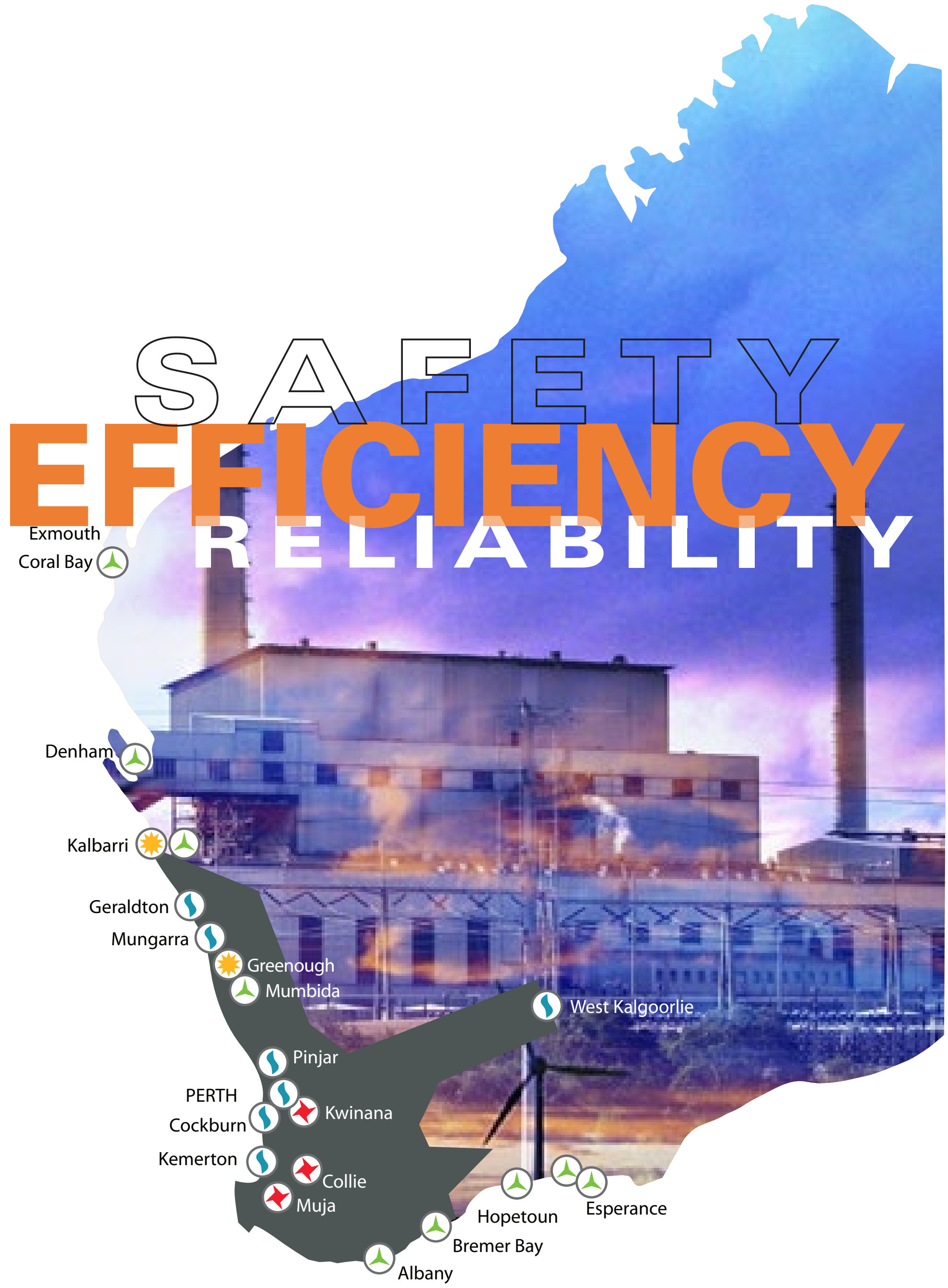
1. Forced Outage Factor: Measure of losses of generation due to forced outages.
2. Plant availability: Amount of time plant was available to operate during the year.
3. Capacity factor: Energy produced as a percentage of the energy the plant could have produced while available.
4. Thermal efficiency: Output as a percentage of energy input.

RELIABILITY

Our Assets

Generating plant	Fuel	Capacity (kW)	Acquired/ commissioned
Collie	Coal	340,000	1999
Cockburn	Gas	240,000	2003
Muja AB	Coal/heavy fuel oil	240,000	1965, retired 2007, partially refurbished 2013.
Muja C	Coal/heavy fuel oil	400,000	1981
Muja D	Coal/heavy fuel oil	454,000	1985-86
Kwinana C	Coal/gas/fuel oil	400,000	1976-78
Kwinana gas turbine	Gas/distillate	21,000	1972
Mungarra gas turbines	Gas	112,000	1990-91
Pinjar gas turbines	Gas/distillate	586,000	1990-96
Worsley	Gas	60,000	2000
West Kalgoorlie gas turbines	Distillate	62,000	1984-90
Geraldton gas turbine	Gas/distillate	21,000	1973
HEGTs	Gas/distillate	200,000	2012
Albany Wind Farm Phase 1 – 12 turbines Phase 2 – 6 turbines	Wind	36,000	2002 Phase 1, 2012 Phase 2.
Bremer Bay – 1 turbine	Wind/diesel	600	2004
Coral Bay – 3 turbines	Wind/diesel	600	2007
Denham – 4 turbines	Wind/diesel	1,000	1997, 1998, 2007
Esperance – 15 turbines	Wind	5,625	1993 & 2002
Greenough River Solar Farm	Solar	10,000	2012
Hopetoun – 2 turbines	Wind/diesel	1,200	2004 & 2007
Kalbarri – 2 turbines	Wind	1,600	2008
Mumbida Wind Farm – 22 turbines	Wind	55,000	2013

Verve Energy Sites



South West Interconnected System (SWIS)

Thermal Generating Station

Wind Farm

Gas Turbine Generating Station

Solar (Photovoltaic) Generating Station

Our Market

Verve Energy provides 52% of the generating capacity in the South West Interconnected System (SWIS) which covers the south west corner of the State, north to Kalbarri, east to Kalgoorlie and south to Albany, where the bulk of WA's load is located.

Verve Energy sells the majority of its electricity through bilateral contracts held with SWIS electricity retailers. Currently, a large proportion of these bilateral contract sales are to Synergy under the Replacement Vesting Contract and major bilateral contracts awarded to Verve Energy under the displacement tender process that existed under the original Vesting Contract mechanism. The remainder of Verve Energy's electricity production is sold on the Wholesale Electricity Market (WEM) to market participants via Short Term Energy Market (STEM) and Balancing Market trades.

For some years, the combination of low overnight electricity demand, increased penetration of wind farm generation, and an excess of base-load capacity in the SWIS, has resulted in Verve Energy frequently operating its low cost base-load portfolio in a sub-optimal manner with frequent starts and low capacity factors. In July 2012, the Independent Market Operator introduced competitive balancing and load following ancillary service market operations to the WEM. This opened up the opportunity for Independent Power Producers (IPPs) to participate in the provision of these services, and enables Verve Energy to be more adequately compensated for providing such system support services than it has in the past. As the balancing market has matured, an increasingly active response by IPPs to pricing signals has seen a reduction in the overnight decommitment of Verve Energy's base-load coal plant.

Sustainability Report

Verve Energy is committed to minimising the impact of its operations on the environment while supporting the current and future needs of the West Australian community.

We recognise the following core pillars of our environmental management system:

1. minimisation of waste, emissions and pollution;
2. protection of the natural environment and cultural heritage; and
3. compliance with relevant environmental legal requirements and corporate commitments.

Highlights

- The annual ISO14001 surveillance audit of Verve Energy's Environmental Management System (EMS) for Muja Power Station, Kwinana Power Station and Perth Office conducted by certifying authority Bureau Veritas, found no major or minor non-conformances.
- A strategic program to renew Verve Energy's Environmental Management System commenced.
- Greenough River Solar Farm commenced operation.
- Mumbida Wind Farm commenced operation.

Sustainable energy expansion

Our existing renewable energy portfolio, which includes wind farms, a solar photovoltaic farm, and wind-diesel systems in remote locations, reduces the amount of greenhouse gases by over 200,000 tonnes of CO_2e a year compared to conventional systems. We have renewable energy facilities in Esperance, Hopetoun, Bremer Bay, Albany, Kalbarri, Denham, Coral Bay, and Greenough and Mumbida near Geraldton.

Through a joint venture, the 10MW Greenough River Solar Farm, near Geraldton, was completed in September 2012. It comprises 150,000 thin film solar panels and is the largest solar facility in Australia. Through another joint venture, the 22 turbine 55MW Mumbida Wind Farm, near Geraldton, was completed and commissioned in May 2013.

Environmental Management System (EMS)

Verve Energy has developed and implemented an Environmental Management System (EMS) in accordance with the international environmental management standard AS/NZS ISO14001:2004. The EMS is designed to manage our environmental impacts in a responsible manner. The EMS provides a structured process to assess and manage environmental risks within Verve Energy, and ensures continual improvement in environmental performance.

Our Environmental Policy drives the implementation of the EMS, and encourages the Corporation to strive for environmental excellence. This Policy has recently been reviewed and refreshed to ensure its objectives align with Verve Energy's future direction.

Sustainability Report continued

Verve Energy utilises an electronic database system (EMISWeb) to facilitate the implementation of its EMS. It is accessible to all people who work on behalf of Verve Energy via the company intranet and is kept up to date by our Environmental Officers.

Verve Energy has commenced a project to renew the EMS. This will incorporate a review of the system to ensure it meets the current and future requirements of Verve Energy.

Auditing for continuous improvement

Internal and external auditing is a key component of the continual improvement of Verve Energy's EMS.

Internal Legal and Other Requirements audits were conducted in February 2013 and March 2013. The objective of each audit was to determine the level of compliance to all relevant environmental legislation, environmental licence conditions and other requirements applying to all licensed Verve Energy sites. Two major and nineteen minor non-conformances were issued, the majority of which were administrative in nature. Corrective actions are being implemented to address the non-conformances.

An internal EMS audit concluded in May 2013 for power stations owned and operated by Verve Energy. The audit was undertaken to determine compliance with ISO14001, and to confirm that an appropriate level of management is being implemented to control environmental risks. The audit also verified environmental due diligence, corporate governance and continual improvement of the EMS at these sites.

The audit covered current ISO14001 certified sites and Gas Turbine and Sustainable Operations (GT&SO). GT&SO was included in this audit to determine the gaps that need to be addressed for GT&SO to achieve ISO14001 certification. The audit revealed an acceptable level of compliance with ISO14001 at certified sites. A plan is currently being implemented to address the issues found at GT&SO to enable certification to ISO14001 in the near future.

The external surveillance audit of ISO14001 certified sites was conducted in May 2013. The audit was conducted by a Bureau Veritas EMS auditor, and identified no major or minor non-conformances. This was a significant improvement on the seven minor non-conformances identified in the corresponding audit in 2012.

Emissions reduction

To improve our environmental performance, Verve Energy has in place a three-part strategy:

- close selected coal-fired and less efficient gas-fired generating units and replace them with new technologies;
- upgrade a range of units to improve their efficiency; and
- build renewable energy facilities.

The commitment to this strategy is evidenced by the following developments in the past year:

- High Efficiency Gas Turbines commencing operations at Kwinana;
- Greenough River Solar Farm commencing operations; and
- Mumbida Wind Farm commencing operations.

Greenhouse gas emissions

In accordance with the ***National Greenhouse and Energy Reporting Act 2007***, Verve Energy reports its annual greenhouse gas emissions, energy production and energy consumption. Details are provided at www.climatechange.gov.au/reporting.

In 2012/13, Verve Energy emissions were approximately 8.6 million tonnes of CO_2e, compared to approximately 7.5 million tonnes of CO_2e in the previous year. This increase in emissions resulted from an increase in electricity generated at Verve Energy power stations.

Sustainability Report continued

The Clean Energy Regulator (CER) commissioned an audit of the covered carbon emissions reported for the 2011/12 period for Muja and Collie power stations. The audit was conducted by BDO, which is approved by the CER as carbon auditors.

Verve Energy submitted its Interim Emission Number (IEN) before the 15 June 2013 deadline as required under the *Clean Energy Act 2011*. The IEN represents 75% of Verve Energy's estimated emissions for the 2012/13 period. Details of all IEN reports are available on the Liable Entity Public Information Database available at www.cleanenergyregulator.gov.au.

Details of other emissions, such as sulphur dioxide, oxides of nitrogen, particulates and metals are provided annually by Verve Energy to the National Pollutant Inventory (www.npi.gov.au).

Environmental incidents

There were ten environmental incidents that required reporting to the regulator during the past year.

A brief description of these is as follows:

- two incidents involving exceedances of licence conditions related to the temperature differential in the cooling water discharge canal of Cockburn Power Station;
- two incidents resulting from the spillage of flyash, leading to a minor discharge into the cooling water discharge canal at Kwinana Power Station;
- exceedance of the dust emission limit for Stage C at Kwinana Power Station;
- two incidents resulting in leakage of flyash from the flyash transport line to Perron Quarry;
- exceedance of the residual chlorine cooling water discharge limit for the HEGTs due to a incorrect high reading caused by a fault in the online analyser;
- leakage of mineral oil from the variable bleed valve actuator on HEGT GT 3; and
- leakage of insulation oil from a Western Power transformer at Muja Power Station.

Update on remediation works for Kwinana tank spillage

As previously reported, a release of approximately 523,000 litres of diesel occurred on 30 June 2012 through a valve located on the lower south-east wall of Strategic Oil Reserve (SOR) Tank 8 at Kwinana Power Station. Diesel entered the subsurface via a number of pathways. Operations were suspended immediately and emergency spill management was implemented. Extensive recovery and remediation work has continued unabated since the discovery of the spill. On 6 August 2012, the site was classified 'Contaminated – Remediation Required' under the *Contaminated Sites Act 2006*. A Contaminated Sites Auditor has been appointed to oversee the site investigations and remediation.

By the end of June 2013, approximately 228,000L of diesel had been recovered from the subsurface, representing approximately 43% of the originally released volume. Taking into account the volume of diesel immediately recovered from SOR bund drains and the estimated diesel mass absorbed to bund soils, the potential volume of diesel remaining in the subsurface has decreased to approximately 122,000L (24% of the original spill volume). Further investigation and remediation work is being undertaken.

EFFICIENCY

Community Partnerships

Verve Energy recognises that long-term and meaningful relationships with the communities where our plant is located are fundamental to maintaining our 'licence to operate'.

We seek to achieve these relationships by understanding and managing the impacts we may have on our communities, and through the development of programs that deliver mutual benefits.

Our community relations strategy has three focus areas that are aligned with Verve Energy's business strategy:

- youth education;
- youth training; and
- environment.

Our partnership focus is primarily on the Collie and Kwinana-Rockingham areas where our major gas and coal-fired power stations are located.

Through the Verve Energy Collie Community Fund, our highly successful community partnership program, we have granted nearly $60,000 to local projects, groups and individuals in the past four years since this Fund was established.

Some of the projects that received our support during the year include:

- Collie Riding for the Disabled Association of WA
- Collie Wildlife Care
- Collie Family Centre
- Wilson Park Primary School
- Collie Scouts
- Our Community Garden Collie

Other programs to receive Verve Energy support include:

Environment

- Kwinana Coast Care Dune Rehabilitation Program
- Town of Kwinana Adopt a Beach Program

Youth Education and Training

- Collie Youth Driver Training Program
- Educational scholarships for Kwinana's Gilmore College
- Clontarf Academy for Aboriginal boys at Gilmore College
- Educational scholarships for Collie Senior High School
- Engineering complex at Curtin University

Community-Based

- The Eternal Flame in Geraldton
- Verve Energy Albany Port to Point Fun Run

Community Partnerships continued

Our workplace giving program, VEGAS, continues to grow with more than 120 employees donating to charity directly from their salaries. The Royal Flying Doctor Service, Princess Margaret Hospital and WA Cancer Council are the main beneficiaries and each has received close to $65,000 over three years.

Our Volunteer Leave scheme, which allows employees one day of paid leave per year to undertake volunteer work, is in its second year. Employees have volunteered their time for a range of not-for-profit organisations like Men of the Trees, Collie Lions Club, Friends of the Cape to Cape and the Rockingham Regional Environment Centre.

Contribution by region

The total value of our community support during the year in each region was:

Collie	$71,296
Kwinana/Rockingham	$115,801
Albany	$23,001
Geraldton	$1,700
WA General Support	$222,666
Total Support	**$434,464**

SUSTAINABILITY

Statutory Information

Corporate Governance Standards

The *Electricity Corporations Act 2005* established the Electricity Generation Corporation (trading as Verve Energy) as a statutory corporation. Section 61 requires Verve Energy to act in accordance with prudent commercial principles.

Verve Energy's Corporate Governance Framework sets out the systems and processes by which Verve Energy is directed and managed. It encourages the creation of value, and provides accountability and control systems commensurate with the risk involved.

Verve Energy therefore adopts recognised best practice, standards and guidelines for corporate governance as outlined in the:

- Australian Securities Exchange Corporate Governance Council Principles and Recommendations as applicable to a Public Sector Enterprise;
- Australian Standards; and
- Government of Western Australia Corporate Governance Guidelines for WA Public Sector Chief Executive Officers.

Our Code of Conduct and Integrity sets out minimum standards for appropriate ethical and professional behaviour for all employees.

Risk Management

Our Risk Management Policy and Risk Management Framework provide the formal base for Verve Energy's practices of assessing, monitoring and managing risks in a structured and systematic manner. These documents are consistent with AS/NZS ISO 31000:2009 Risk Management - Principles and Guidelines.

Risk management is a fundamental activity in Verve Energy, with risk management integrated into our major business processes. There is engagement at all levels within the organisation to minimise risks in all our activities.

Risk Profiling

A rolling risk profiling program ensures that the key activities and operations of Verve Energy's diverse portfolio are subject to risk assessment. The risk profiles provide an opportunity to not only identify and assess risks, but also to track the progress of agreed risk reduction strategies. Our Manager Audit and Risk monitors the progression of these tasks.

During the year:

- the Executive engaged in regular risk profiling sessions to ensure that risks facing the organisation are mitigated to an acceptable level, where practicable; and
- the risk profiles of our major generating assets were reviewed on a regular basis.

Regular reports on risk management activities, risk profiles and risk trending were presented throughout the year to the Board and the Audit and Risk Management Committee.

Statutory Information continued

Risk Management Practices

Risk management practices continue to be embedded and enhanced throughout the business, and these include:

- a Risk Management Integration Group, which provides support to the broader risk management function in integrating risk management across Verve Energy;
- active Risk Advocates, who translate the organisational risk processes into each Business Unit's risk activities;
- ongoing risk management training and communications; and
- renewed focus on enhancing our risk resilience solutions, particularly business recovery and continuity.

State Records Act 2000

Verve Energy maintains and supports 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 Verve Energy's approved record keeping plan (the Plan). Regular reviews are conducted of the corporate record keeping systems and practices to ensure their efficiency and effectiveness. New employees are provided with training at induction in the use of the record keeping system, the Plan and their roles and responsibilities in regard to compliance with the Plan. The training programs are reviewed on an ongoing basis to ensure they reflect any new business requirements.

Western Australian Electoral Act 1907

In accordance with the requirements of Section 175ZE of the *Western Australian Electoral Act 1907*, the following information in respect to expenditures (excluding GST) incurred by, or on behalf of Verve Energy, from 1 July 2012 to 30 June 2013 is disclosed as follows:

Market research organisation	$0
Media advertising agencies	$32,890
Total expenditure	$32,890

SAFETY

Key Personnel

Executive

Jason Waters – Chief Executive Officer

Kurt Baker – General Manager Trading and Fuel

Wally Borovac – Chief Financial Officer

Barry Ford – Chief Operating Officer

Derek Noakes – General Manager Corporate Services

Stephanie Unwin – General Manager Strategy and Business Development

Board

Michael Smith – Chairman

Eric Hooper – Director (Deputy Chairman)

Mark Chatfield – Director

Michael Goddard – Director

Margaret Seares – Director

Keith Spence – Director

EFFICIENCY

Glossary

CO_2e	Carbon dioxide equivalent
EBIT	Earnings Before Interest and Tax
EMS	Environmental Management System
FOF	Forced Outage Factor
GW	Gigawatt (1 million kilowatts)
GWh	Gigawatt hour (1 million kilowatt hours)
HEGT	High Efficiency Gas Turbine
IMO	Independent Market Operator
MW	Megawatt (1,000 kilowatts/ 1 million watts)
MWh	Megawatt hour (1,000 kilowatt hours)
NPAT	Net Profit After Tax
NPBT	Net Profit Before Tax
REC	Renewable Energy Certificate
Solar PV	Solar photovoltaic
STEM	Short Term Energy Market
SWIS	South West Interconnected System
WEM	Wholesale Electricity Market
TRIFR	Total Recordable Injury Frequency Rate

Verve Energy Annual Financial Report

30 June 2013

Electricity Generation Corporation (trading as Verve Energy)
ABN 586 738 30106

1. Directors

The Directors of Electricity Generation Corporation trading as Verve Energy ("the Corporation") at any time during or since the end of the financial year are:

Name, qualifications and independence status	Age	Experience, special responsibilities and other directorships
Mr Michael John Smith FAICD, FIMC, FAIM, FAMI Chairperson Independent Non-Executive Director	59	Mr Smith was appointed as a Non-Executive Director and Chairperson in July 2013. His current term expires in June 2016. He was appointed Chairperson of the Synergy Board in March 2006. Mr Smith is the Managing Director of Black House, a strategic development consulting firm. In addition to being a Non-Executive Director of 7-Eleven Stores Pty Ltd, Mr Smith chairs the boards of iiNet Limited, the Lionel Samson Sadleirs Group, the Australian Institute of Company Directors and is Deputy Chairman of Automotive Holdings Group Limited.
Mr Eric Raymond Hooper BBus, MBA, FAICD Deputy Chairperson Independent Non-Executive Director	55	Mr Hooper was appointed as a Non-Executive Director and Deputy Chairperson in July 2013. His current term expires in June 2016. He was appointed Deputy Chairperson of the Synergy Board in March 2006. Mr Hooper operates a corporate advisory consultancy business specialising in health and aged care. He is a Director of Ocean Gardens Incorporated, a Director of RC Sadleir Pty Ltd and was formerly the Chief Financial Officer for St John of God Healthcare.
Mr Mark Douglas Chatfield BEng, Grad Dip Bus Independent Non-Executive Director	59	Mr Chatfield was appointed as a Non-Executive Director in July 2013. His current term expires in June 2015. Mr Chatfield is an Executive Director of ACIL Allen Consulting Pty Ltd. He has extensive experience in the energy industry in Australia and also undertaken operations in Asia and Africa. Mr Chatfield is a former Chief Executive Officer of CS Energy and General Manager of the Generation Business Unit at Western Power Corporation. He currently is a Non-Executive Director of Entree Gold Inc (Australia) and PacMag Metals Limited.
Mr Michael John Goddard BCom, MPhil, MBA, CPA Independent Non-Executive Director	66	Mr Goddard was appointed as a Non-Executive Director in July 2013. His current term expires in June 2015. Mr Goddard is a consultant to McRae Investments Pty Ltd and has over 25 years' experience in financial, taxation and international trade. He is a former Director and Chief Financial Officer of Clough Engineering Limited, and former Director of Finance and Planning for Bunnings Limited.
Prof Margaret Seares AO MA, PhD (UWA), FAICD Independent Non-Executive Director	64	Professor Seares was appointed as a Non-Executive Director in July 2013. Her current term expires in June 2015. Professor Seares has served as Senior Deputy Vice Chancellor of The University of Western Australia, Chief Executive of the Western Australian Department for the Arts and Chairperson of the Australia Council. Professor Seares was appointed Chairperson of the Perth International Arts Festival in 2012 and is a Non-Executive Director of the Education Investment Fund, the Chamber of Arts and Culture, and the Bond University Council. She was made an Officer of the Order of Australia in 2003 in recognition of her work for the arts and education.

1. Directors continued

Name, qualifications and independence status	Age	Experience, special responsibilities and other directorships
Mr Keith William Spence BSc (Hons) Independent Non-Executive Director	59	Mr Spence was appointed as a Non-Executive Director of the Verve Energy Board in May 2009. His current term expires in March 2014. Mr Spence has over 30 years' experience in the oil and gas industry, with extensive knowledge of energy and engineering matters. Mr Spence chairs the Board of the National Offshore Petroleum Safety and Environmental Management Authority, the State Training Board of WA, the Industry Advisory Board of the Australian Centre for Energy and Process Training, Clough Limited and Geodynamics Limited. Mr Spence is also a Director of Oil Search Limited.
Mr David Russell Eiszele MBus, FAICD, FIE Chairperson Independent Non-Executive Director	72	Mr Eiszele was appointed as a Non-Executive Director of the Verve Energy Board in February 2009. He resigned from the Board on 30 June 2013.
Mr Harvey Russell Collins BBus, FCPA, FAICD Deputy Chairperson Independent Non-Executive Director	64	Mr Collins was appointed as a Non-Executive Director of the Verve Energy Board in April 2006. He resigned from the Board in June 2013.
Mr Duncan Paul Clegg PhD, BSc (Hons) MICE, MAICD Independent Non-Executive Director	59	Mr Clegg was appointed as a Non Executive-Director of the Verve Energy Board in October 2011. He ceased to be a director on 30 June 2013.
Ms Gaye Marie McMath BComm, MBA, AMP, FCPA, FAICD Independent Non-Executive Director	54	Ms McMath was appointed as a Non-Executive Director of the Verve Energy Board in May 2009. She ceased to be a director on 30 June 2013.

2. Company Secretary

Ms Stephanie Unwin B Econ LLB held the position of General Counsel and Company Secretary from April 2008 until September 2012. In September 2012 Ms Unwin was appointed to the position of General Manager Strategy and Business Development and retired as Company Secretary on 16 September 2012.

Ms Lynn Carstairs BA LLB has been acting in the position of General Counsel and Company Secretary since September 2012. Ms Carstairs was appointed Verve Energy's Corporate Lawyer in April 2010 and is a commercial lawyer.

3. Directors' Meeting

The number of Directors' meetings (including meetings of Board committees) and number of meetings attended by each of the Directors of the Corporation during the financial year are:

Director	Board Meetings		Remuneration and Development Committee Meetings		Audit and Risk Management Committee Meetings		Sustainability Committee Meetings	
	A (1)	B (1)	A	B	A	B	A	B
Mr Keith William Spence	12	14	3	3	-	-	3	3
Mr David Russell Eiszele	13	14	3	3	1	1	2	3
Mr Harvey Russell Collins	13	14	-	-	6	6	-	-
Mr Duncan Paul Clegg	13	14	-	-	6	6	3	3
Ms Gaye Marie McMath	14	14	-	-	6	6	-	-

A – Number of meetings attended

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

(1) In addition to these, 3 Board meetings were held via circular resolution.

4. Corporate Governance Statement

This statement outlines the main corporate governance practices in place throughout the financial period, which comply with the ASX Corporate Governance Council Recommendations except for ASX Listing Rule continuous disclosure compliance requirements for a listed company.

4.1 Board of Directors

Role of the Board

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

In fulfilment of this role, the Board is responsible for the overall corporate governance of the Corporation including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing and removing the Chief Executive Officer, creating succession policies for senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal controls and management information systems.

The Board has delegated responsibility for operation and administration of the Corporation to the Chief Executive Officer and management. Responsibilities are delineated by formal authority delegations.

To assist in the execution of its responsibilities, the Board has established three committees: the Remuneration and Development Committee ("RDC"), the Audit and Risk Management Committee ("ARMC") and the Sustainability Committee ("SC"). These committees have written mandates and operating procedures. The Board has established a framework for the management of the Corporation including a system of internal control, a business risk management process and appropriate policies.

The full Board schedules 11 meetings each year, plus strategy meetings, meetings by circular resolution and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for the meetings is prepared in conjunction with the Chairperson, Chief Executive Officer and Company Secretary. The Chief Executive Officer's report which includes a financial report and a safety report is a standing agenda item. Submissions are circulated in advance. Executives are regularly invited to present at Board meetings and Directors have other opportunities, including visits to business operations, for contact with a wider group of employees and key stakeholders.

Director education

The Corporation provides induction material to educate new Directors about the nature of the business. Directors also have the opportunity to visit business operations and meet with management to gain a better understanding of the business.

Independent professional advice and access to Corporation information

Each Director has the right to access all relevant Corporation information and to the Corporation's executives and, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified advisor at the Corporation's expense. The Director must consult with an independent advisor suitably qualified in the relevant field, and obtain the Chairperson's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other members of the Board.

Composition of the Board

The names of the Directors of the Corporation in office at the date of this report are set out in Section 1 of this report. The composition of the Board is determined under the Act using the following principles:

- No less than four and no more than six Directors appointed by the Governor of Western Australia ("the Governor") on the nomination of the Minister for Energy ("the Minister").
- The Governor appoints the Chairperson and Deputy Chairperson. Appointments in each case are made on nomination by the Minister.
- The Chief Executive Officer may be a Director of the Corporation.
- Other than the Chief Executive Officer, a member of staff of the Corporation is not to be a Director of the Corporation.

4.2 Nomination of a Director

In making nominations for appointment to the Board of the Corporation, the Minister ensures that:

- Each nomination is made only after consultation with the Board; and
- Where a vacancy occurs, the Board may recommend a candidate to the Minister.

4.3 Remuneration and Development Committee

The Remuneration and Development Committee ("the RDC") is a committee of the Board established under Section 13 of the Act. The RDC reviews and makes recommendations to the Board on remuneration matters and policies applicable to staff of the Corporation.

The members of the RDC during the year were:

- Mr David Russell Eiszele – Non-Executive Chairperson
- Mr Keith William Spence – Independent Non-Executive Director

The Board policy is that the RDC will be comprised entirely of independent Non-Executive Directors. Any person may be invited to RDC meetings, but not necessarily for the full duration of meetings. A standing invitation is issued to the Chief Executive Officer and General Manager Corporate Services.

The RDC meets at least three times a year unless otherwise required. The RDC met three times during the period and the RDC members' attendance record is disclosed in the table of Directors' meetings in Section 3 of this report.

4.4 Remuneration Report

4.4.1 Principles of compensation

The Minister determines the remuneration and allowances of a Non-Executive Director. In the case of the Chief Executive Officer, the Board fixes the remuneration with the concurrence of the Minister.

The Board, on recommendation of the Chief Executive Officer, approves compensation levels for executives. Remuneration for key executives of the Corporation is competitively set to attract and retain appropriately qualified and experienced executives, reward the achievement of key targets and strategic objectives, and achieve the broader outcome of creation of value for our owner.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis including accrued annual leave and long service leave entitlements and fringe benefit taxation charges related to employee benefits), as well as the Corporation's contributions to superannuation funds.

Service contracts

Contracts of employment for executive officers, excluding the Chief Executive Officer, are unlimited in term but generally these contracts are capable of termination by the executive officers on four weeks' notice, and the Corporation retains the right to terminate the contract immediately by making payment equal to a maximum of 52 weeks pay in lieu of notice. The executive officers are also entitled to receive, on termination of employment, their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The Chief Executive Officer has a contract of employment with the Corporation that commenced on 1 May 2012. The contract specifies the duties and obligations to be fulfilled by the Chief Executive Officer and provides that the Board and Chief Executive Officer will, early in each financial year, consult and agree on the objectives for achievement during that year.

The Chief Executive Officer's contract of employment terminates on 30 April 2014. At any time prior to this date the contract can be terminated either by the Corporation providing 12 months notice, or the Chief Executive Officer providing six months notice.

All contracts provide for no entitlement to termination payments in the event of termination for serious misconduct.

Non-Executive Directors

The Minister determines total compensation for all Non-Executive Directors. During the year, Directors' base fees were set at $53,750 per annum plus 9% superannuation. The Chairperson received $112,517 per annum plus 9% superannuation. The Deputy Chairperson received $69,875 per annum plus 9% superannuation. Non-Executive Directors do not receive performance related compensation. Directors' fees cover all main Board activities and membership of committees.

4.4.2 Directors' and Executive Officers' remuneration

Details of the nature and amount of each major element of remuneration of each Director of the Corporation and each of the five named Corporation Executives who receive the highest remuneration are:

		Salary & fees[1] $	Short-term cash incentive $	Super-annuation benefits $	Term-ination Payment $	Other $	Total $
Non–Executive Directors							
Mr David Eiszele (Chairperson)	2013	112,517	-	12,998	-	31,903[3]	157,418
	2012	103,555	-	9,320	-	-	112,875
Mr Harvey Collins (Deputy Chairperson)	2013	69,875	-	6,289	-	-	76,164
	2012	71,208	-	6,289	-	-	77,497
Mr Keith Spence	2013	53,750		4,838	-	-	58,588
	2012	53,750	-	4,838	-	-	58,588
Ms Gaye McMath	2013	53,750	-	4,838	-	-	58,588
	2012	53,750	-	4,838	-	-	58,588
Mr Duncan Clegg	2013	53,750	-	4,838	-	-	58,588
	2012	36,645	-	3,220	-	-	39,865
Executives							
Mr Jason Waters (Chief Executive Officer)	2013	465,000	-	25,000	-	22,357[2]	512,357
	2012	373,086	-	27,186	-	88,616[2]	488,888
Mr Wally Borovac (Chief Financial Officer)	2013	369,642	-	25,000	-	5,838[2]	400,480
	2012	349,466	-	31,653	-	29,293[2]	410,412
Mr Derek Noakes (General Manager Corporate Services)	2013	367,065	-	24,818	-	12,168[2]	404,051
	2012	349,587	-	32,001	-	31,117[2]	412,705
Mr Kurt Baker (General Manager Trading and Fuel since 1 July 2012)	2013	308,317	-	24,683	-	49,468[2]	382,468
	2012	193,285	-	19,868	-	7,569[2]	220,722
Mr Ross Stidolph (Chief Operating Officer until 19 October 2012)	2013	199,185	-	25,000	115,239	-	339,424
	2012	380,494	-	24,588	-	15,851[2]	420,933

Note:

1. Comprises, salary and fees and salary sacrificed benefits (including superannuation), where applicable.
2. Other remuneration relates to net movement in annual leave and long service leave liabilities which were recorded in the profit or loss.
3. Other remuneration relates to underpayment in relation to previous year.

4.5 Audit and Risk Management Committee

The Audit and Risk Management Committee ("the ARMC") is a committee of the Board established under Section 13 of the Act. The purpose of the ARMC is to assist the Board to fulfil its corporate governance and oversight responsibilities relating to the reporting of financial information, internal control, compliance, risk management process and system, and audit.

The ARMC has a documented charter, approved by the Board. All members must be Non-Executive Directors with a majority being independent. The Chairperson may not be the Chairperson of the Board. The ARMC is responsible for ensuring the establishment and maintenance of a framework of internal control and compliance with appropriate ethical standards.

The members of the ARMC during the year were:

- Mr Harvey Russell Collins (Chairperson) – Independent Non-Executive Director
- Ms Gaye Marie McMath – Independent Non-Executive Director
- Mr Duncan Paul Clegg – Independent Non-Executive Director

The ARMC is authorised to investigate any activity within its terms of reference. The ARMC recommends to the Corporation appropriate actions emanating from these investigations. The ARMC has unrestricted access to staff, records, external or internal auditors, risk assessment and assurance and senior management as appropriate. The ARMC is also authorised to obtain outside legal or other independent professional advice from appropriate external advisors if it considers this necessary. The ARMC meets from time to time with these external advisers without management being present.

The internal and external auditors, the Chief Executive Officer, Chief Financial Officer, General Manager Corporate Services, Manager Audit & Risk and other staff as required are invited to ARMC meetings. The ARMC met 6 times during the year and the ARMC members' attendance record is disclosed in the table of Directors' meetings under Section 3 of this report.

4.6 Risk Management

Oversight of the Risk Management Framework

Assisted by the ARMC, the Board oversees the establishment, implementation and maintenance of the Risk Management Framework and monitors its effectiveness. Management has established and implemented the Risk Management Framework for assessing, monitoring and managing risks, in a structured and systematic manner, consistent with AS/NZS 31000:2009 Risk Management – Principles and Guidelines.

The Risk Management Framework is designed to encourage and support the development of an appropriately risk aware culture within the business and to assist the Corporation to realise the benefits that will accrue from a conscious, structured and dynamic approach to the management of risk.

The Risk Management Policy sets out the objectives of, outcomes from, and principles of risk management within the Corporation. Risk management is integrated into the major business processes.

All managers are responsible and accountable for identifying, evaluating and managing the risks within their area of business.

Risk profile

The Board, through the ARMC, receives a regular report on the status of significant risks and implementation strategies to mitigate those risks.

The ARMC provides governance oversight on risk management processes, and also guidance and support to the Manager Audit and Risk in the implementation of, and application of, the Risk Management Framework.

Quality of employees

Sound recruitment and selection processes are followed to ensure that new employees meet quality standards. Corporation policies set appropriate employee behaviours that must be followed. Formal performance appraisals are conducted annually with most employees. Training and development needs are combined into these performance appraisals and individual development plans. A succession plan is also in place to ensure that the Corporation is prepared in the event that vacancies occur in key positions.

Financial reporting

The Chief Executive Officer and the Chief Financial Officer have declared in writing to the Board that the Corporation's financial reports are 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.

Monthly actual results are reported against budgets approved by the Directors, and revised forecasts for the year are prepared during the year.

Environmental regulation

The Corporation's operations are subject to significant environmental regulation under both Commonwealth and State legislation.

The Corporation is committed to achieving a high standard of environmental performance. To this end it has established an Environmental Management System ("the EMS") built upon the principles of ISO 14001, and the International EMS Standard. The EMS provides a structured process to assess and manage environmental risks, and it is designed to continually improve environmental performance and fulfil the Corporation's due diligence requirements. The Corporation's Environmental Policy is the cornerstone of the EMS.

To enable it to meet its responsibilities, the Corporation has established a regular internal reporting process as part of its EMS. On a quarterly basis the executive team and Board of Directors receive a report on environmental performance that includes results of environmental audits and incidents. Compliance with licence requirements and environmental legislation was met during the year.

Further information on the Corporation's performance is given in the Operations Review.

Internal audit

The internal audit function also assists the Board to discharge its fiduciary and corporate governance responsibilities. It reports on functional matters directly to the Chairperson of the ARMC.

With respect to risk management, it assists the organisation in identifying and evaluating significant exposure to risks, and contributing to the improvement of risk management and control systems by testing the quality and integrity of controls mitigating the risks. The ARMC is responsible for approving the annual internal audit program and reviewing the internal audit function performance.

Conflict of interest

Directors must keep the Corporation advised, on an ongoing basis, of any interest that could potentially conflict with the Corporation. The Board has developed procedures for Directors to disclose potential conflicts of interest and related interests. Where the Board believes that a significant conflict exists for a Director on a Board matter, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

4.7 Sustainability Committee

The Sustainability Committee ("SC") is a committee of the Board established under Section 13 of the Act. The purpose of the SC is to assist the Board to fulfil its responsibilities in relation to safety, health, environmental and sustainability matters. The SC has documented terms of reference, approved by the Board. All members of the SC must be Non-Executive Directors with a majority being independent, and the Chairperson of the SC must be an independent Director who is not the Chairperson of the Board. The functions and duties of the SC have no overlap with the ARMC, and to the extent of any conflict the governance oversight of the ARMC prevails.

The members of the SC during the year were:

- Mr Duncan Paul Clegg (SC Chairperson) - Independent Non-Executive Director
- Mr Keith William Spence - Independent Non-Executive Director
- Mr David Russell Eiszele - Independent Non-Executive Director

Within the scope of its terms of reference, the SC may investigate any matter and recommend to the Corporation appropriate actions resulting from those investigations. The SC has access to staff, records and facilities as required to perform its functions. The SC is also able to obtain external accounting, legal, compliance, risk management or other professional advice as it determines necessary to carry out its duties.

The Chief Executive Officer, the Chief Operating Officer and the General Manager Corporate Services have standing invitations to attend SC meetings. The Head of Safety and the Environmental Manager are invited to attend SC meetings.

The SC was formed during the year and met 3 times. The SC members' attendance record is disclosed in the table of Directors' meetings in Section 3 of this report.

4.8 Ethical standards

Code of Conduct and Integrity

Pursuant to Section 31 of the Act, the Corporation has prepared and issued a code of conduct setting out minimum standards of conduct and integrity that are to be observed by all employees including Board members. The code of conduct has been developed to ensure the Corporation manages its employees in a prudent and equitable manner.

In summary, the code of conduct requires that all Corporation employees obey all applicable laws, regulations, rules and other instructions, uphold the Corporation's values and follow all lawful directions. It is available to all staff on the Corporation's intranet and is also included in inductions for new employees. Everyone in the Corporation is expected to uphold these behaviours and standards.

Leaders within the Corporation are expected to model and uphold the behaviours and standards outlined in the code of conduct and to also ensure that their staff are accountable. Fair Treatment Advisors and Public Interest Disclosure ("PID") Officers are in place for employees to contact regarding any workplace issues.

Training was conducted on Workplace Diversity, Equal Opportunity and Behaviour for all employees this year. This covered discrimination, harassment, bullying, offensive material, social media, employee rights and responsibilities, and consequences of unacceptable behaviour. Awareness training on how to resolve issues in the workplace and use of the Fair Treatment system was conducted at the same time. Formal Leaders were given specific training on their role in investigating and resolving issues in the workplace under the Fair Treatment System. Refresher training was also conducted with all Fair Treatment Advisers. Due to an increased emphasis on reporting, during the year 14 issues were raised through the Fair Treatment System. All of these have been resolved.

4.9 Communication with Owner

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

5. Principal activities

The principal activities of the Corporation during the course of the year are listed below.

- Generate, purchase or otherwise acquire, and supply electricity from various sources of energy including renewable sources.
- Acquire, transport and supply gas and steam.
- Acquire, develop, operate and supply energy efficient technologies.
- Provide ancillary services.
- Provide Regional Power Corporation consultative and advisory services in relation to electricity generation and on their behalf operate and maintain electricity generation plant or equipment.
- Undertake, maintain and operate any works, system, facilities, apparatus or equipment required for the above.

Objectives

As the largest electricity supplier in Western Australia, Verve Energy seeks to meet the expectations of its stakeholders, including customers, suppliers, staff, and the Government as owner, regulator and policy maker.

Our long term vision is to provide secure, affordable and cleaner energy for our State while meeting our core objectives of safety, reliability and efficiency. To achieve this vision, we are focusing on optimising our performance through the following strategies.

- Safety – provide a safe place to work by ensuring a proactive safety leadership culture and providing guidelines, resources and training to maintain the highest standards of safety.
- Reliability – continue the reliable and efficient generation of electricity through clear plant missions and optimised plant maintenance.
- People – recruit, develop and retain the right people in the right places with the right skills who are aligned with and capable of delivering Verve Energy's desired vision, objectives and culture; with safety as the overarching core value.
- Operations – ensure an efficient, diversified, emission efficient and market-appropriate portfolio to meet all availability and reliability requirements.
- Environment – improve Verve Energy's environmental performance and work towards a long term goal of reducing the carbon footprint and being socially responsible.
- Financial – achieve economic profits through continuous efficiency improvements and to ensure Verve Energy has the ability to fund its renewal and growth aspirations.
- Trading and Fuel – participate in competitive energy markets, ensure a secure, diverse and well price contracted fuel position and achieve commercial results through trading activities.
- Reputation and communication – maintain constructive and productive relationships with all stakeholders.

6. Dividends

On 31 October 2012, the Corporation received the Minister's approval in accordance with section 126(3)(b) of the Act to pay a final dividend equal to 65% of its net profit after tax for the year ended 30 June 2012. The dividend payment of $39,800,000 was made on 27 December 2012.

The Board of the Corporation recommends a final dividend of $37,600,000 in respect of the year ended 30 June 2013. This dividend is subject to the Minister's approval and will be accounted for when the approval is obtained.

7. Ministerial Order and Direction

In addition to those disclosed in other sections, the Corporation received a Ministerial Direction on 26 September 2012 which requires the Corporation to reduce its operating expenditure over the four-year forecast period between 2013 and 2016.

8. Events after the Reporting Period

On 10 April 2013, the Premier announced the merger of Verve Energy with the Electricity Retail Corporation (Synergy). In accordance with this announcement, a common board for both Verve Energy and Synergy was put in place on 1 July 2013 for the period 1 July 2013 to 31 December 2013 (the interim merger period), prior to full merger on 1 January 2014.

On the 12 September 2013, the State Government announced the approval for Verve Energy to complete the refurbishment of the Muja AB Power Station.

During this year, the Corporation was successful in the WA Court of Appeal with regard to the interpretation of the long term agreement for the supply of gas allowing damages to be recovered for the failure to supply gas as required by the agreement in the period June 2008 to September 2008. On 12 September 2013 Verve Energy and North West Shelf gas sellers were both granted special leave of appeal by the Court of Appeal to take the matter to the High Court.

Other than those disclosed above, there are no significant events after the reporting period.

9. Likely developments

On 28 June 2013, the Minister issued a formal Ministerial Direction which required Verve Energy to comply with a set of interim merger objectives and set out the areas that are excluded where pursuit of the interim merger objectives will carry a material risk of exposing the Corporation and/or the State to actions under the Competition and Consumer Act 2010, and/or private sector participants reducing their activity in electricity or gas markets as a result of concern of anti-competitive conduct as a result of the merger.

10. Indemnification of Directors and Officers

During the reporting period, a Directors' and Officers' Liability Insurance Policy was maintained at a premium cost of $64,630 (2012: $60,495) to ensure that the Directors and Officers had adequate coverage. The policy indemnifies Directors and Officers of the Corporation from 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 in the policy) in their capacity as a Director or Officer of the Corporation.

11. Non-audit services

During the reporting period the contractor to the Corporation's external auditor did not perform any other services for the Corporation in addition to their statutory duties.

12. Rounding off

The Corporation has rounded off amounts in the financial report and Directors' report to the nearest thousand dollars unless otherwise stated.

This report is made with a resolution of the Directors:

CHAIRMAN

DIRECTOR

Dated 25 September 2013 at Perth

Statements of Comprehensive Income

FOR THE REPORTING PERIOD ENDED 30 JUNE 2013

EFFICIENCY SAFETY RELIABILITY 2013

	Note	Group		Corporation	
		2013	2012	2013	2012
		$'000	$'000	$'000	$'000
Income					
Revenue	5	1,603,577	1,338,850	1,600,704	1,338,850
Other income	6	3,099	13,979	3,099	13,979
Total income		**1,606,676**	**1,352,829**	**1,603,803**	**1,352,829**
Expenses					
Fuel and electricity purchases		(868,721)	(696,502)	(866,665)	(696,502)
Raw materials and services used		(151,378)	(156,770)	(151,608)	(156,770)
Employee expenses		(105,352)	(105,866)	(105,339)	(105,866)
Impairment losses	9	(75,536)	(14,466)	(104,246)	(24,466)
Depreciation and amortisation		(155,076)	(122,729)	(154,882)	(122,729)
Other expenses		(47,340)	(47,899)	(47,154)	(47,899)
Total expenses		**(1,403,403)**	**(1,144,232)**	**(1,429,894)**	**(1,154,232)**
Result from operating activities		**203,273**	**208,597**	**173,909**	**198,597**
Finance income		11,543	9,725	11,538	9,725
Finance expenses		(95,676)	(89,281)	(95,452)	(89,281)
Net finance expense	7	**(84,133)**	**(79,556)**	**(83,914)**	**(79,556)**
Share of loss of joint venture entities	20	(3,523)	(25,819)	-	-
Profit before income tax		**115,617**	**103,222**	**89,995**	**119,041**
Income tax expense	10	(55,234)	(41,957)	(32,144)	(41,957)
Profit for the financial year and attributable to the owner of the Corporation		**60,383**	**61,265**	**57,851**	**77,084**
Other comprehensive income which may be reclassified subsequently to profit or loss					
Effective portion of changes in fair value of cash flow hedges		1,566	(2,101)	1,566	(2,101)
Net change in fair value of cash flow hedges transferred to profit or loss		764	1,487	764	1,487
Net change in fair value of cash flow hedges transferred to property, plant and equipment		217	3,286	217	3,286
Share of other comprehensive income of joint venture entities	20	3,412	(8,691)	-	-
Income tax effect on other comprehensive income	22	(765)	(802)	(765)	(802)
Other comprehensive income for the year, net of income tax		**5,194**	**(6,821)**	**1,782**	**1,870**
Total comprehensive income for the financial year		**65,577**	**54,444**	**59,633**	**78,954**

The statements of comprehensive income are to be read in conjunction with the notes of the financial statements.

Statements of Financial Position

FOR THE REPORTING PERIOD ENDED 30 JUNE 2013

	Note	Group 2013 $'000	Group 2012 $'000	Corporation 2013 $'000	Corporation 2012 $'000
Assets					
Cash and cash equivalents	*11*	244,187	125,246	233,562	125,246
Trade and other receivables	*12*	227,877	143,156	257,577	143,156
Prepayments		24,528	24,943	23,757	24,943
Lease receivable	*13*	2,799	2,663	2,799	2,663
Inventories	*14*	144,000	128,348	139,613	128,348
Derivative financial instruments	*15*	1,618	75	1,618	75
Investment	*16*	166	166	166	166
Total current assets		**645,175**	**424,597**	**659,092**	**424,597**
Trade and other receivables	*12*	20,546	33,242	20,546	33,242
Prepayments		50,736	-	50,736	-
Lease receivable	*13*	4,755	7,554	4,755	7,554
Derivative financial instruments	*15*	1,328	-	1,328	-
Property, plant and equipment	*17*	2,017,677	2,023,442	1,888,248	2,023,442
Intangible assets	*18*	52,850	771	4,050	771
Investments in subsidiaries	*19*	-	-	-	-
Investments in joint venture entities	*20*	32,207	7,310	38,194	28,113
Total non-current assets		**2,180,099**	**2,072,319**	**2,007,857**	**2,093,122**
Total assets		**2,825,274**	**2,496,916**	**2,666,949**	**2,517,719**
Liabilities					
Derivative financial instruments	*15*	13,203	1,535	13,203	1,535
Trade and other payables	*23*	335,322	177,998	326,665	177,998
Income tax payable		38,172	-	38,172	-
Interest-bearing loans and borrowings	*24*	185,639	144,196	159,131	144,196
Employee benefits	*25*	39,586	35,935	39,586	35,935
Provisions	*26*	6,110	3,139	6,110	3,139
Total current liabilities		**618,032**	**362,803**	**582,867**	**362,803**
Derivative financial instruments	*15*	1,806	2,605	1,806	2,605
Deferred tax liabilities	*22*	42,507	38,630	19,417	38,630
Interest-bearing loans and borrowings	*24*	791,385	826,005	666,873	826,005
Employee benefits	*25*	28,772	31,508	28,772	31,508
Provisions	*26*	612,221	557,555	612,221	547,972
Total non-current liabilities		**1,476,691**	**1,456,303**	**1,329,089**	**1,446,720**
Total liabilities		**2,094,723**	**1,819,106**	**1,911,956**	**1,809,523**
Net assets		**730,551**	**677,810**	**754,993**	**708,196**
Equity					
Contributed equity	*27*	943,227	916,263	943,227	916,263
Reserves	*27*	(5,646)	(10,840)	(367)	(2,149)
Accumulated losses	*27*	(207,030)	(227,613)	(187,867)	(205,918)
Total equity		**730,551**	**677,810**	**754,993**	**708,196**

The statement of financial position is to be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity - Group

FOR THE REPORTING PERIOD ENDED 30 JUNE 2013

	Contributed Equity $'000	Hedging Reserve $'000	Accumulated Losses $'000	Total $'000
Balance at 1 July 2011	**882,442**	**(4,019)**	**(205,478)**	**672,945**
Transactions with the owner				
Contribution by the owner	33,821	-	-	33,821
Dividend payment	-	-	(83,400)	(83,400)
Comprehensive income for the year				
Profit	-	-	61,265	61,265
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	-	(2,101)	-	(2,101)
Change in fair value of cash flow hedges transferred to profit or loss	-	1,487	-	1,487
Change in fair value of cash flow hedges transferred to property, plant and equipment	-	3,286	-	3,286
Share of other comprehensive income of joint venture entities		(8,691)		(8,691)
Income tax effect on other comprehensive income	-	(802)	-	(802)
Total other comprehensive income	-	(6,821)	-	(6,821)
Total comprehensive income for the year	-	(6,821)	61,265	54,444
Balance at 30 June 2012	**916,263**	**(10,840)**	**(227,613)**	**677,810**
Balance at 1 July 2012	**916,263**	**(10,840)**	**(227,613)**	**677,810**
Transactions with the owner				
Contribution by the owner	26,964	-	-	26,964
Dividend payment	-	-	(39,800)	(39,800)
Comprehensive income for the year				
Profit	-	-	60,383	60,383
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	-	1,566	-	1,566
Change in fair value of cash flow hedges transferred to profit or loss	-	764	-	764
Change in fair value of cash flow hedges transferred to property, plant and equipment	-	217	-	217
Share of other comprehensive income of joint venture entities	-	3,412	-	3,412
Income tax effect on other comprehensive income	-	(765)	-	(765)
Total other comprehensive income	-	5,194	-	5,194
Total comprehensive income for the year	-	5,194	60,383	65,577
Balance at 30 June 2013	**943,227**	**(5,646)**	**(207,030)**	**730,551**

The statements of changes in equity are to be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity - Corporation

FOR THE REPORTING PERIOD ENDED 30 JUNE 2013

	Contributed Equity $'000	Hedging Reserve $'000	Accumulated Losses $'000	Total $'000
Balance at 1 July 2011	**882,442**	**(4,019)**	**(199,602)**	**678,821**
Transactions with the owner				
Contribution by the owner	33,821	-	-	33,821
Dividend payment	-	-	(83,400)	(83,400)
Comprehensive income for the year				
Profit	-	-	77,084	77,084
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	-	(2,101)	-	(2,101)
Change in fair value of cash flow hedges transferred to profit or loss	-	1,487	-	1,487
Change in fair value of cash flow hedges transferred to property, plant and equipment	-	3,286	-	3,286
Income tax effect on other comprehensive income	-	(802)	-	(802)
Total other comprehensive income	-	1,870	-	1,870
Total comprehensive income for the year	-	1,870	77,084	78,954
Balance at 30 June 2012	**916,263**	**(2,149)**	**(205,918)**	**708,196**
Balance at 1 July 2012	**916,263**	**(2,149)**	**(205,918)**	**708,196**
Transactions with the owner				
Contribution by the owner	26,964	-	-	26,964
Dividend payment	-	-	(39,800)	(39,800)
Comprehensive income for the year				
Profit	-	-	57,851	57,851
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	-	1,566	-	1,566
Change in fair value of cash flow hedges transferred to profit or loss	-	764	-	764
Change in fair value of cash flow hedges transferred to property, plant and equipment	-	217	-	217
Income tax effect on other comprehensive income	-	(765)	-	(765)
Total other comprehensive income	-	1,782	-	1,782
Total comprehensive income for the year	-	1,782	57,851	59,633
Balance at 30 June 2013	**943,227**	**(367)**	**(187,867)**	**754,993**

The statements of changes in equity are to be read in conjunction with the notes to the financial statements.

Statements of Cash Flows

FOR THE REPORTING PERIOD ENDED 30 JUNE 2013

	Note	Group 2013 $'000	Group 2012 $'000	Corporation 2013 $'000	Corporation 2012 $'000
Cash flows from operating activities					
Cash receipts from customers		1,534,486	1,319,597	1,524,962	1,319,597
Cash paid to suppliers and employees		(1,070,009)	(920,725)	(1,068,896)	(920,725)
Dividend paid		(39,800)	(83,400)	(39,800)	(83,400)
Interest received		11,186	9,090	11,181	9,090
Interest paid		(75,250)	(82,025)	(75,026)	(82,025)
Income tax paid		(13,946)	-	(13,946)	-
Net cash from operating activities	*11*	**346,667**	**242,537**	**338,475**	**242,537**
Cash flows from investing activities					
Investments in joint ventures		(39,161)	(36,491)	(39,161)	(36,491)
Payment for property, plant and equipment		(74,108)	(177,967)	(73,885)	(177,967)
Proceeds from disposal of assets		120	383	120	383
Net cash inflow on business combination	*19*	6,455	-	-	-
Net cash used in investing activities		**(106,694)**	**(214,075)**	**(112,926)**	**(214,075)**
Cash flows from financing activities					
Proceeds from borrowing		15,000	124,999	15,000	124,999
Repayment of borrowing		(162,996)	(205,140)	(159,197)	(205,140)
Contribution by the owner		26,964	33,821	26,964	33,821
Net cash used in financing activities		**(121,032)**	**(46,320)**	**(117,233)**	**(46,320)**
Net increase/(decrease) in cash and cash equivalents		118,941	(17,858)	108,316	(17,858)
Cash and cash equivalents at beginning of reporting period		125,246	143,104	125,246	143,104
Cash and cash equivalents at end of reporting period	*11*	**244,187**	**125,246**	**233,562**	**125,246**

The statements of cash flows are to be read in conjunction with the notes to the financial statements.

1. Reporting Entity

Electricity Generation Corporation trading as Verve Energy ("the Corporation") is a Corporation incorporated under the ***Electricity Corporations Act 2005*** ("the Act") and domiciled in Australia. The consolidated financial statements of the Corporation for the financial year ended 30 June 2013 comprises of the Corporation and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Corporation's interest in joint ventures.

The Corporation is a not-for-profit entity and is primarily involved in generation and supply of electricity, trading of energy, supply of gas and steam and provision of ancillary services as well as consultative and advising services.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Electricity Corporations Act 2005 ("the Act"). The Act is specifically aligned and cross referenced to the *Corporations Act 2001*.

The consolidated financial statements were approved by the Board of Directors on 25 September 2013.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments which are measured at fair value;
- investments other than those in subsidiaries or joint venture entities are measured at fair value;
- defined benefit obligations are measured at the present value of future benefits that employees have earned in the current and prior periods, less the fair value of any plan assets.

The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Corporation's functional currency. In preparing the consolidated financial statements, all financial information presented in Australian dollars has been rounded off to the nearest thousand dollars unless otherwise stated.

(d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in the following notes.

- Note 15 - Derivative financial instruments
- Note 17 and 3(d) - Property, plant and equipment
- Note 18 - Intangible assets
- Note 19 and 3(a) - Acquisition and incorporation of subsidiaries
- Note 25 - Employee benefits
- Note 26 - Provisions
- Note 28 - Financial instruments

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date; that is when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the Group's existing equity interest in the acquiree; less
- the net recognised amount (at fair value) of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration is recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity accounted investee if the Group retains joint control or significant influence over the investee (see Note 3(a)(iv)).

(iv) Investments in jointly controlled entities (equity accounted investee)

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in jointly controlled entities, including partnerships, are accounted for using the equity method and are initially recognised at cost.

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Corporation, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds the carrying amount of its interest in an equity accounted investee, the carrying amount of that interest, including any long-term interests that form part thereof, is reduced to zero, and the recognition of future losses is discontinued except to the extent the Corporation has an obligation or has made payments on behalf of the investee.

(v) Jointly controlled operations and assets

The interest of the Corporation in jointly controlled operations and assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities, at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated into the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss and are reported on a net basis.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise of cash and cash equivalents, trade and other receivables, investment in equity securities, trade and other payables and interest bearing loans and borrowings.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at the trade date, which is the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

The Group's investment in equity securities is classified as available-for-sale financial assets. Subsequent to initial recognition, the available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Cash and cash equivalents comprise of cash at bank and call deposits.

Trade and other receivables are stated at their amortised cost using the effective interest method less impairment losses (see accounting policy 3(g)).

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30-day terms.

Financial guarantee contracts are recognised as financial liabilities at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less any accumulated amortisation where appropriate.

Interest bearing loans and borrowings are stated at their amortised cost using the effective interest method.

Accounting for finance income and expenses is discussed in note 3(l).

(ii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency, commodity and interest rate risk exposures. The Group also enters into electricity derivatives in accordance with its electricity trading policy. The component of a contract which meets the definition of an embedded derivative is separated from the host contract and accounted for separately if:

- the economic characteristics and risks of the host contract and the embedded derivative are not closely related; and
- the host contract is not accounted for at fair value.

Embedded electricity derivatives are the contract-for-difference component of some electricity trading contracts which the Group has entered into.

Derivatives are recognised initially at fair value. Attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

The Group designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges). The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

On entering into a hedge relationship, the Group determines whether hedge accounting is applied. Where hedge accounting applies, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Other derivatives

When a derivative financial instrument is not designated in a qualifying hedge relationship, all changes in the fair value are recognised immediately in profit or loss (fair value through profit or loss: FVTPL).

Separable embedded derivative

Changes in the fair value of separable embedded derivatives are recognised in profit or loss immediately.

(d) Property, plant and equipment

(i) Recognition and measurement

Capital items of property, plant and equipment are initially recognised at cost and subsequently measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs, directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation of an asset starts when it is available for use; that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows.

Buildings	10 – 40 years
Plant and equipment	2 – 45 years
Leased plant	25 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(e) Intangible assets and goodwill

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill upon recognition, see note 3(a).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees the carrying amount of goodwill is included in the carrying amount of the investment and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole.

(ii) Other intangible assets

Recognition and measurement

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation

Intangible assets are amortised in the profit or loss on a straight-line basis over their estimated useful lives from the date that they are available for use, except for sales and purchase agreements, which are amortised using the unit of production method. The estimated useful lives for the current and comparative periods are as follows.

Computer software	2 – 3 years
Exclusive rights	2 – 14 years
Sales and purchase agreements	10 – 15 years

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost method, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

(g) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in other comprehensive income is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at the end of each reporting period.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and asset groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. The Corporation uses the depreciated replacement costs as value in use for the purpose of assessing for impairment. The net present value of future cash flows is used as a cross-check whereby the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The other entities of the Group use the discounted cash flow method to assess the impairment to their non-current assets.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

(h) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit superannuation funds is calculated separately for each fund by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any fund assets is deducted.

The discount rate is the yield at the end of the reporting period on government bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary.

When the benefits of a fund are increased, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the fund or reductions in future contributions to the fund. Past service cost is the increase in the present value of the defined benefit obligation for employee services in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service costs may either be positive (where benefits are introduced or increased) or negative (where existing benefits are reduced).

The Group recognises all actuarial gains and losses arising from defined benefit plans in employee expenses in profit or loss.

(iii) Long service leave

The Group's net obligation in respect of long service leave is the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(v) Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided up to the end of the reporting period and are calculated at undiscounted amounts based on remuneration wages and salary rates that the Group expects to pay.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Decommissioning cost

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration is recognised when the construction of a power station or other asset on the land is completed.

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the end of the reporting period, based on current legal requirements and technology. The present value is recalculated at the end of each reporting period with key assumptions such as future restoration costs, discount rate and consumer price index reviewed and updated at the same time. Any change in the provision as a result of change in such assumptions is adjusted to the cost of the provision's underlying assets.

The amount of the provision for future restoration costs is capitalised into the cost of related assets and is depreciated in accordance with the policy set out in note 3(d). The unwinding of the effect of discounting on the provision is recognised as a finance expense.

(j) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. It is measured at the fair value of the consideration received, or to be received, net of the amount of goods and services tax.

(i) Sales of electricity

Sales of electricity comprise revenue earned from the provision of electricity products and is recognised when the electricity is provided. With the introduction of carbon tax, this year Sales of electricity includes an amount for carbon tax passed onto customers.

(ii) Other energy sales

Other energy sales comprise revenue earned from sales of fuel, steam, renewable energy certificates, spinning reserve and other related goods and services. Other energy sales are recognised when the significant risks and rewards of ownership have been transferred to the customers.

(iii) Contributions received

Contributions received from developers/customers toward the construction of infrastructure are recognised as revenue to the extent of the works completed.

(iv) Contract works

Revenue is recognised by reference to the stage of completion. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(v) Government grants

An unconditional government grant is recognised as revenue when the grant becomes receivable.

(k) Leases

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

Lessor

Leases are classified as finance leases if the Group as the lessor transfers substantially all risks and rewards incidental to the ownership of the underlying assets. Upon commencement of the lease, the underlying assets are derecognised and lease receivables are recognised at the present value of the minimum lease payments. The lease receivables are subsequently carried at amortised cost.

Lessee

Leases in terms of which the Group as the lessee assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon the commencement of the lease term, a finance lease is recognised as an asset and a liability measured at an amount equal to the lower of the fair value of the underlying asset and the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and no lease assets are recognised on the Group's statements of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense and spread over the lease term.

(l) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions and net foreign exchange losses. Interest expense is recognised in profit or loss as it accrues, using the effective interest method.

(m) Income tax

The Corporation operates under the National Taxation Equivalent Regime (NTER) environment. While tax equivalent payments will continue to be remitted to State Treasury, the Corporation's tax is subject to Australian Taxation Office (ATO) administration. The calculation of the liability in respect of income tax is governed by the Income Tax Administration Acts and the NTER guidelines as agreed by the State Government.

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statements of financial position.

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

(o) Borrowing costs

The Corporation capitalises borrowing costs with respect to property, plant and equipment and intangibles that are qualifying assets. Other borrowing costs are expensed.

(p) New accounting standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for future reporting periods but available for early-adoption. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- AASB 9 *Financial Instruments* (2010), AASB 9 *Financial Instruments* (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additional requirements relating to the financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual period beginning on or after 1 January 2015 with early adoption permitted. The adoption AASB 9 (2010 and 2009) is not expected to have material impact on the Group.

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities* (2011) and AASB 2012-10 *Amendments to Australian Accounting Standards.*

For the Group, these standards are effective for annual periods beginning on or after 1 January 2014.

AASB 10 introduces a single control model to determine whether an investee should be consolidated. The adoption of AASB 10 is unlikely to have any material impact on the Group.

Under AASB 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

- The Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.
- The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity accounted.

The Group's joint arrangements need to be reassessed to determine the type of such arrangements. Joint arrangements previously classified as joint operation or assets might need to reclassified which will result in change to the accounting for such arrangements.

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries and interests in joint arrangements in comparison with the existing disclosures. AASB 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

- AASB 13 *Fair Value Management* (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurements guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The Group is currently reviewing its methodologies in determining fair values (see note 4). AASB 13 is effective for annual periods beginning on or after 1 January 2013.

- AASB 119 *Employee Benefits* (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two and removes the accounting policy choice for recognition of actuarial gains and losses for defined benefit obligations. Currently actuarial gains and losses are recorded in profit or loss. Under the amended standard, such gains and losses will be recognised in other comprehensive income. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013.

- AASB 1055 *Budgetary Reporting*

AASB 1055 requires budgeted financial statements which are originally presented to the parliament be disclosed in the financial statements for the reporting period. Explanation of major variances between the budgeted information and the actual results needs to be provided. AASB 1055 is effective for annual periods beginning on or after 1 July 2014 and does not require comparative information.

4. Determination of fair values

A number of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

(ii) Intangible assets

The fair value of sales and purchases agreements acquired in a business combination is determined by using the incremental cash flow method by comparing the market prices against the contract prices under such agreements.

(iii) Investment in equity securities

An investment in equity securities is classified as an available-for-sale financial asset and its fair value is determined by reference to its quoted market bid price as at the end of the reporting period without any deduction for transaction costs.

(iv) Derivatives

Generally, the fair values of derivatives in active markets are based on quoted market prices at the end of the reporting period. Where the entity enters into derivatives that are not traded in active markets (for example, over-the-counter derivatives), fair values are determined by using valuation techniques consistent with established valuation methodology and general market practice applicable to each instrument/market.

The fair value of forward exchange contracts is derived by discounting the difference between the market quoted forward price and the contractual forward price. Alternatively it is calculated as the difference between the discounted contractual forward price and the current spot rate.

For interest rate swaps and embedded interest rate swaps, market prices (or, dealer quotes) are used to calculate the present value of the estimated future cash flows.

The fair value of the embedded electricity derivative is determined by reference to forward price estimates based on the Corporation's internal contracts and other market estimates.

The fair value of commodity swaps and embedded commodity derivatives are estimated using the present value of the estimated future cash flows using available forward market prices. Where commodity derivative instruments used by the entity are not regularly traded and have no observable forward market prices, dealer quotes are utilised.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the end of the reporting period. Where other pricing models are used, inputs are based on market related data at the end of the reporting period.

(v) Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is considered to reflect the fair value.

(vi) Interest bearing loans and borrowings

Fair value is calculated based on the present value of expected future principal and interest cash flows, discounted at the market interest rate at the end of the reporting period.

(vii) Financial guarantee liabilities

For financial guarantee liabilities, the fair value at initial recognition is the higher of following:

- the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee; and
- the estimated exposure under the guarantee which is based on outstanding exposure of the debt instrument and the historical default rates of comparable companies rated by Standard & Poors.

(viii) Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements.

5. Revenue

	Group		Corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Energy sale - electricity	1,410,461	1,197,700	1,407,588	1,197,700
Energy sale - others	191,491	135,367	191,491	135,367
Contract works	1,612	5,772	1,612	5,772
Government grants	13	11	13	11
	1,603,577	**1,338,850**	**1,600,704**	**1,338,850**

6. Other income

	Group		Corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Insurance recovery	-	4,223	-	4,223
Development fees on projects	-	2,535	-	2,535
Miscellaneous income	3,099	7,221	3,099	7,221
	3,099	**13,979**	**3,099**	**13,979**

7. Net finance expense

		Group		Corporation	
	Note	2013	2012	2013	2012
		$'000	$'000	$'000	$'000
Interest income		11,543	9,725	11,538	9,725
Finance lease interest expense		(28,191)	(28,343)	(28,191)	(28,343)
Interest and finance charges on loans and borrowings		(50,063)	(51,050)	(49,839)	(51,050)
Unwinding of discount on provisions	*26*	(16,593)	(8,401)	(16,593)	(8,401)
Loss on interest rate swaps		(562)	(287)	(562)	(287)
Foreign exchange loss		(202)	(1,200)	(202)	(1,200)
Loss on embedded interest rate swaps		(65)	-	(65)	-
		(84,133)	**(79,556)**	**(83,914)**	**(79,556)**

8. Auditor's remuneration

	Group		Corporation	
	2013	2012	2013	2012
Audit of financial statements	$'000	$'000	$'000	$'000
Auditors of the corporation	232	198	222	198
Other auditors	20	-	-	-
	252	**198**	**222**	**198**

9. Profit before income tax

	Note	Group 2013 $'000	Group 2012 $'000	Corporation 2013 $'000	Corporation 2012 $'000
Impairment losses					
Work under construction	*17*	-	(4,466)	-	(4,466)
Investments in subsidiary	*19*	-	-	(29,080)	-
Intragroup receivables	*28*	-	-	(76,966)	-
Goodwill	*18*	(76,966)	-	-	
Amortisation of financial guarantee		-	-	1,800	-
Remeasurement of existing interest in subsidiary acquired	*19*	(4,570)	-	-	-
Derecognise the financial guarantee liability	*19*	6,000	-	-	-
Investments in joint venture entities	*20*	-	(10,000)	-	(20,000)
		(75,536)	*(14,466)*	*(104,246)*	*(24,466)*
Impairment loss on trade receivables (recognised in other expenses)	*28*	(1,584)	-	(1,584)	-
Write back of inventories – fuel		-	(837)	-	(837)
Operating lease expense		(2,377)	(3,538)	(2,373)	(3,538)
Contribution to defined contribution superannuation plans		(9,660)	(15,344)	(9,653)	(15,344)

10. Income tax expense

	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current tax expense	(52,122)	-	(52,122)	-
Deferred tax expense				
Origination and reversal of temporary differences	22,076	(7,023)	45,166	(7,023)
Tax loss utilised	(25,188)	(34,934)	(25,188)	(34,934)
	(3,112)	(41,957)	19,978	(41,957)
Income tax expense in profit or loss	**(55,234)**	**(41,957)**	**(32,144)**	**(41,957)**
Profit before income tax	*115,617*	*103,222*	*89,995*	*119,041*
Income tax using the domestic Corporation tax rate of 30%	(34,685)	(30,967)	(26,999)	(35,714)
Effect of:				
Exempt / (non-deductible) items	(21)	12	(21)	12
Over provided tax benefit in respect of prior year	(2,941)	(255)	(2,941)	(255)
Recognition of previously unrecognised deductible temporary differences	6,000	-	6,000	-
Deductible temporary differences not recognised	(23,587)	(10,747)	(8,183)	(6,000)
Income tax expense	**(55,234)**	**(41,957)**	**(32,144)**	**(41,957)**

As at 30 June 2013, deferred tax assets have not been recognised in respect of deductible temporary differences of $100,319,000 for the Group and $27,280,000 for the Corporation (2012: $41,695,000 for the Group and $20,000,000 for the Corporation) as it was not probable that in the foreseeable future sufficient income of that category would be generated for such temporary differences to be reversed.

11. Cash and cash equivalents

	Note	Group 2013 $'000	Group 2012 $'000	Corporation 2013 $'000	Corporation 2012 $'000
Cash at bank and on hand		12,046	4,889	1,421	4,889
Call deposits		232,141	120,357	232,141	120,357
		244,187	**125,246**	**233,562**	**125,246**
Reconciliation of cash flows from operating activities					
Cash flows from operating activities					
Profit for the period		60,383	61,265	57,851	77,084
Adjustments for:					
Loss on disposal of property, plant and equipment		688	305	688	305
Derecognition of decommissioning liability	*26(i)*	(928)	3,805	(928)	3,805
Depreciation and amortisation		155,076	122,729	154,882	122,729
Impairment loss on trade receivables	*9*	1,584	-	1,584	-
Impairment losses	*9*	75,536	14,466	104,246	24,466
Write-down of inventories	*9*	-	837	-	837
Unwinding of discount on long-term provisions	*7*	16,593	8,401	16,593	8,401
Loss on embedded derivatives		10,655	-	10,655	-
Share of loss of joint venture entities	*20*	3,523	25,819	-	-
		323,110	237,627	345,571	237,627
Changes in trade and other receivables		(169,417)	(29,311)	(176,253)	(29,311)
Changes in inventories		(11,111)	427	(11,264)	427
Changes in derivative financial instruments and investment		(114)	528	(114)	528
Changes in tax assets and liabilities		41,288	41,957	18,198	41,957
Changes in trade and other payables		106,570	(30,513)	105,996	(30,513)
Changes in provisions and others		56,341	21,822	56,341	21,822
Net cash from operating activities		**346,667**	**242,537**	**338,475**	**242,537**

12. Trade and other receivables

	Group 2013 $'000	Group 2012 $'000	Corporation 2013 $'000	Corporation 2012 $'000
Current				
Trade receivables (net of impairment)	223,472	133,402	214,676	133,402
Intragroup receivables (net of impairment)	-	-	38,496	-
Other receivables	1,126	3,195	1,126	3,195
Deposits	3,279	6,559	3,279	6,559
	227,877	**143,156**	**257,577**	**143,156**
Non-current trade receivables	**20,546**	**33,242**	**20,546**	**33,242**
Total trade and other receivables	**248,423**	**176,398**	**278,123**	**176,398**

13. Lease receivable – Group and Corporation

The lease receivable is to be received as follows:

	2013			2012		
	Gross investments	Unearned interest income	Principal	Gross investments	Unearned interest income	Principal
	$'000	$'000	$'000	$'000	$'000	$'000
Less than one year	3,585	786	2,799	3,790	1,127	2,663
Between one and five years	5,259	504	4,755	8,844	1,290	7,554
	8,844	**1,290**	**7,554**	**12,634**	**2,417**	**10,217**

The lease relates to a licensing arrangement entered into for a period of five years starting from 1 March 2011 whereby the Corporation grants a licence to a customer to operate one of its electricity generating plants. The Corporation concluded that this licensing arrangement contains a lease which was classified as a finance lease. The Corporation's exposure to credit risks and impairment losses related to the lease receivable is disclosed in note 28.

14. Inventories

	Group		Corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Fuels	96,056	81,623	93,154	81,623
Raw materials	47,944	46,725	46,459	46,725
	144,000	**128,348**	**139,613**	**128,348**

Fuel oil inventories of the Group and the Corporation amounting to $20,714,000 (2012: $20,714,000) were carried at net realisable value.

15. Derivative financial instruments - Group and Corporation

	2013	2012
	$'000	$'000
Current assets		
Forward exchange contracts - cash flow hedge[(b)]	139	6
Forward exchange contracts - FVTPL[(b)]	118	4
Electricity derivatives - embedded[(c)]	1,361	-
Interest rate swaps - embedded[(c)]	-	65
	1,618	**75**
Non-current assets		
Forward exchange contracts - cash flow hedge[(b)]	1,328	-
	1,328	-
Current Liability		
Forward exchange contracts - cash flow hedge[(b)]	186	469
Electricity derivatives - embedded[(c)]	13,017	1,066
	13,203	**1,535**
Non-current Liability		
Forward exchange contracts - cash flow hedge[(b)]	138	588
Interest rate swaps - cash flow hedge[(a)]	1,668	2,017
	1,806	**2,605**

The Corporation is party to derivative financial instruments in the normal course of business to hedge exposure to fluctuations in interest rates and foreign exchange rates in accordance with the Corporation's financial risk management policies, which do not permit any speculative trading. In addition, some electricity trading contracts the Corporation enters into have embedded derivatives within them.

(a) Interest rate swap

The Corporation has entered into interest rate swap contracts to hedge against interest rate movements. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income. Where the Corporation considers an interest rate swap to be an ineffective hedge, the gain or loss from remeasuring the derivative at fair value is recognised in profit or loss.

(b) Forward exchange contracts

The Corporation has entered into forward exchange contracts to hedge against exchange rate movements. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income. Where the Corporation considers forward exchange contracts to be an ineffective hedge, the gain or loss from remeasuring the derivative at fair value is recognised in profit or loss.

(c) Embedded derivatives

Where the Corporation has contractual arrangements that have the same characteristics as stand-alone derivatives which are not closely related to the host contract, such arrangements are treated as embedded derivatives.

Embedded electricity derivatives are the contract-for-difference component of some electricity trading contracts the Corporation has entered into.

Embedded interest rate swaps are the component of a power purchase agreement which is exposed to interest rate movements.

Embedded derrivatives are separated from their host contract and accounted for at fair value. The change in fair value is recognised immediately in profit or loss.

16. Investment - Group and Corporation

	2013 $'000	2012 $'000
Listed equity security available for sale	166	166

17. Property, plant and equipment

Group

	Land	Building	Plant & equipment	Works under construction	Leased plant[a]	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At cost						
Balance at 1 July 2011	6,488	136,319	1,709,147	345,901	186,535	2,384,390
Additions	-	-	-	175,306	-	175,306
Transfers[b] (note 18)	-	7,410	57,809	(65,264)	-	(45)
Disposals/write-off	-	-	(1,030)	(4,466)	-	(5,496)
Decommissioning adjustment (note 26 (i))	-	-	228,331	-	-	228,331
Balance at 30 June 2012	6,488	143,729	1,994,257	451,477	186,535	2,782,486
Balance at 1 July 2012	6,488	143,729	1,994,257	451,477	186,535	2,782,486
Acquisitions through business combinations (note 19)	-	-	70,800	58,600	-	129,400
Additions	-	-	-	68,392	-	68,392
Transfers[b] (note 18)	-	4,909	435,362	(444,757)	-	(4,486)
Disposals/write-off	-	-	(277)	(1,419)	-	(1,696)
Decommissioning adjustment (note 26 (i))	-	-	(43,671)	-	-	(43,671)
Balance at 30 June 2013	6,488	148,638	2,456,471	132,293	186,535	2,930,425
Depreciation and impairment losses						
Balance at 1 July 2011	-	(39,021)	(560,651)	-	(39,838)	(639,510)
Depreciation charge for the year	-	(7,424)	(106,725)	-	(7,586)	(121,735)
Disposals/write-off	-	-	342	-	-	342
Decommissioning adjustment (note 26 (i))	-	-	1,859	-	-	1,859
Balance at 30 June 2012	-	(46,445)	(665,175)	-	(47,424)	(759,044)
Balance at 1 July 2012	-	(46,445)	(665,175)	-	(47,424)	(759,044)
Depreciation charge for the year	-	(6,024)	(140,257)	-	(7,588)	(153,869)
Disposals/write-off	-	-	165	-	-	165
Balance at 30 June 2013	-	(52,469)	(805,267)	-	(55,012)	(912,748)
Carrying amount						
At 30 June 2011	**6,488**	**97,298**	**1,148,496**	**345,901**	**146,697**	**1,744,880**
At 30 June 2012	**6,488**	**97,284**	**1,329,082**	**451,477**	**139,111**	**2,023,442**
At 30 June 2013	**6,488**	**96,169**	**1,651,204**	**132,293**	**131,523**	**2,017,677**

Corporation

	Land $'000	Building $'000	Plant & equipment $'000	Works under construction $'000	Leased plant[(a)] $'000	Total $'000
At cost						
Balance at 1 July 2011	6,488	136,319	1,709,147	345,901	186,535	2,384,390
Additions	-	-	-	175,306	-	175,306
Transfers[(b)] (note 18)	-	7,410	57,809	(65,264)	-	(45)
Disposals/write-off	-	-	(1,030)	(4,466)	-	(5,496)
Decommissioning adjustment (note 26 (i))	-	-	228,331	-	-	228,331
Balance at 30 June 2012	6,488	143,729	1,994,257	451,477	186,535	2,782,486
Balance at 1 July 2012	6,488	143,729	1,994,257	451,477	186,535	2,782,486
Additions	-	-	-	68,169	-	68,169
Transfers[(b)] (note 18)	-	4,909	435,362	(444,757)	-	(4,486)
Disposals/write-off	-	-	(277)	(1,419)	-	(1,696)
Decommissioning adjustment (note 26 (i))	-	-	(43,671)	-	-	(43,671)
Balance at 30 June 2013	6,488	148,638	2,385,671	73,470	186,535	2,800,802
Depreciation and impairment losses						
Balance at 1 July 2011	-	(39,021)	(560,651)	-	(39,838)	(639,510)
Depreciation charge for the year	-	(7,424)	(106,725)	-	(7,586)	(121,735)
Disposals/write-off	-	-	342	-	-	342
Decommissioning adjustment (note 26 (i))	-	-	1,859	-	-	1,859
Balance at 30 June 2012	-	(46,445)	(665,175)	-	(47,424)	(759,044)
Balance at 1 July 2012	-	(46,445)	(665,175)	-	(47,424)	(759,044)
Depreciation charge for the year	-	(6,024)	(140,063)	-	(7,588)	(153,675)
Disposals/write-off	-	-	165	-	-	165
Balance at 30 June 2013	-	(52,469)	(805,073)	-	(55,012)	(912,554)
Carrying amount						
At 30 June 2011	**6,488**	**97,298**	**1,148,496**	**345,901**	**146,697**	**1,744,880**
At 30 June 2012	**6,488**	**97,284**	**1,329,082**	**451,477**	**139,111**	**2,023,442**
At 30 June 2013	**6,488**	**96,169**	**1,580,598**	**73,470**	**131,523**	**1,888,248**

(a) Leased plant

The Corporation has applied *Interpretation 4 Determining whether an Arrangement contains a Lease*, which was effective 1 January 2006, and has determined that a Power Purchase Agreement the Corporation has with its supplier contains a lease arrangement. The lease has been recognised as a finance lease in accordance with AASB 117 *Leases*.

(b) Transfers

There are transfers of $4,486,000 (2012: $45,000) from works under construction to Intangible assets in 2013 (note 18).

18. Intangible assets

Group

	Computer software $'000	Exclusive rights $'000	Sales & purchase agreements $'000	Goodwill $'000	Total $'000
At cost					
Balance at 1 July 2011	5,829	537	-	-	6,366
Transfers from works under construction (note 17)	45	-	-	-	45
Balance at 30 June 2012	5,874	537	-	-	6,411
Balance at 1 July 2012	5,874	537	-	-	6,411
Transfers from works under construction (note 17)	4,486	-	-	-	4,486
Acquisitions through business combinations (note 19)	-	-	48,800	76,966	125,766
Balance at 30 June 2013	10,360	537	48,800	76,966	136,663
Amortisation					
Balance at 1 July 2011	(4,353)	(293)	-	-	(4,646)
Amortisation for the year	(940)	(54)	-	-	(994)
Balance at 30 June 2012	(5,293)	(347)	-	-	(5,640)
Balance at 1 July 2012	(5,293)	(347)	-	-	(5,640)
Amortisation for the year	(1,151)	(56)	-	-	(1,207)
Impairment loss (note 9)	-	-	-	(76,966)	(76,966)
Balance at 30 June 2013	(6,444)	(403)	-	(76,966)	(83,813)
Carrying amount					
At 30 June 2011	**1,476**	**244**	**-**	**-**	**1,720**
At 30 June 2012	**581**	**190**	**-**	**-**	**771**
At 30 June 2013	**3,916**	**134**	**48,800**	**-**	**52,850**

Sales and purchase agreements pertain to long-term agreements of a subsidiary to sell electricity to its customers and purchase fuel from its suppliers.

Corporation

	Computer software $'000	Exclusive rights $'000	Total $'000
At cost			
Balance at 1 July 2011	5,829	537	6,366
Transfers from works under construction (note 17)	45	-	45
Balance at 30 June 2012	5,874	537	6,411
Balance at 1 July 2012	5,874	537	6,411
Transfers from works under construction (note 17)	4,486	-	4,486
Balance at 30 June 2013	10,360	537	10,897
Amortisation			
Balance at 1 July 2011	(4,353)	(293)	(4,646)
Amortisation for the year	(940)	(54)	(994)
Balance at 30 June 2012	(5,293)	(347)	(5,640)
Balance at 1 July 2012	(5,293)	(347)	(5,640)
Amortisation for the year	(1,151)	(56)	(1,207)
Balance at 30 June 2013	(6,444)	(403)	(6,847)
Carrying amount			
At 30 June 2011	**1,476**	**244**	**1,720**
At 30 June 2012	**581**	**190**	**771**
At 30 June 2013	**3,916**	**134**	**4,050**

19. Acquisition and incorporation of subsidiaries

Acquisition of subsidiary in 2013

On 20 June 2013, the Group obtained control of Vinalco Energy Pty Ltd (the company) by acquiring the remaining 50 percent voting right with the payment of $1. As a result of the acquisition, the Group holds 100% equity interest in the company and became the sole beneficiary of Vinalco Energy Trust of which Vinalco Energy Pty Ltd is the trustee (collectively referred to as Vinalco).

Identifiable assets acquired and liabilities assumed are as follows:

	$'000
Cash and cash equivalents	6,455
Inventories	4,541
Trade receivables	16,402
Property, plant and equipment	129,400
Intangible assets	48,800
Trade and other payables	(127,745)
Secured borrowings	(154,819)
	(76,966)

The above assets have been brought to account at fair value at the time of acquisition. The book value of the underlying plant and equipment held by Vinalco was $228,600,000 which was taken up at fair value of $129,400,000.

The intangible assets represent the value of certain contracts which are not reflected on the balance sheet of Vinalco. At the time of acquisition there was uncertainty around the future funding of the project and this uncertainty had an impact on certain parameters in the valuation. The future value of the project will be dependent on the successful completion of the project and future market conditions.

The trade receivables were expected to be collectable in full at the acquisition date. The secured liabilities include an adjustment of $10.2 million reflecting the fair value of interest rate swaps used to hedge the liability.

From the acquisition date to 30 June 2013, Vinalco contributed revenue of $2,873,000 and resulted in a profit of $435,000 to the Group's results. If the acquisition had occurred on 1 July 2012, management estimates that the consolidated revenue would have been $1,652,389,000 and the impact on the Group's consolidated profit would have been immaterial.

If new information is obtained within one year from the acquisition date in relation to facts and circumstances existing at acquisition date which identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

Impairment loss recognised for the Group is reconciled as follows:

	Note	**$'000**
Impairment on goodwill[1]	***9, 18***	76,966
Remeasurement of existing interest in the subsidiary[2]	***9, 20***	4,570
Derecognise the financial guarantee liability[3]	***9***	(6,000)
Total impairment loss		75,536

Note:

1. As a result of the acquisition, goodwill of $76,966,000 was recognised and was fully impaired (note 18). The recoverable amount of the goodwill is assessed based on the value in use of the cash generating unit, being the subsidiary, to which the goodwill is allocated to. A post-tax discount rate of 10.5% was used and cash flows are based on financial model over the project life of 15 years. The growth rate is limited to inflation in accordance with the sales and purchase agreements with third parties.
2. At the date of acquisition, the carrying value of the Group's equity interest in Vinalco was $4,570,000 (note 20) compared to the fair value of nil. As a result, a impairment loss of $4,570,000 was recognised in profit or loss.
3. Upon consolidation, the financial guarantee liability (note 23) was derecognised as the underlying secured borrowings were fully recognised on the Group's balance sheet (note 24) and as a result a gain of $6,000,000 was recognised in profit or loss.

Investments in subsidiaries - Corporation

	Note	2013 $'000	2012 $'000
Cost of investments		29,080	-
Impairment loss	*9*	(29,080)	-
Net carrying value		-	-

Movements in investments in subsidiaries - Corporation

	Note	2013 $'000	2012 $'000
Opening balance		-	-
Transfer from investments in joint venture entities	*20*	29,080	-
Impairment loss	*9*	(29,080)	-
Net carrying value		-	-

Incorporation of subsidiary in 2013

Verve Energy is a participant in the South West CO_2 Geosequestration Hub Joint Venture which was a successful party in the Federal Government's Carbon Capture and Storage Flagships Programme to investigate the feasibility of carbon storage in the lower Lesueur geological formation north of Harvey in the South West of Western Australia. South West Hub Pty Ltd has been established as a wholly owned subsidiary of the Corporation to act as manager on behalf of the unincorporated joint venture for the purpose of carrying out the commercial activities of the project (note 20).

20. Interest in joint venture entities

	Group		Corporation	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cost of investments	58,194	48,113	58,194	48,113
Accumulated losses recognised	(25,987)	(40,803)	(20,000)	(20,000)
Net carrying value	**32,207**	**7,310**	**38,194**	**28,113**

Movements in investments in joint venture entities:

	Note	Group		Corporation	
		2013 $'000	2012 $'000	2013 $'000	2012 $'000
Opening balance		7,310	5,746	28,113	11,622
Capital contributions to joint venture entities		39,161	36,491	39,161	36,491
Impairment loss recognised in profit or loss*	*9*	-	(10,000)	-	(20,000)
Share of loss recognised in profit or loss for current reporting period		(3,523)	(25,819)	-	-
Share of gain/(loss) recognised in equity for current reporting period		3,412	(8,691)	-	-
Transfer (from)/ to provision	*26(iii)*	(9,583)	9,583	-	-
Transfer to investments in subsidiaries on acquisition	*19*	(4,570)	-	(29,080)	-
		32,207	**7,310**	**38,194**	**28,113**

* The carrying value of investments, after deducting the share of losses, is compared with the recoverable value and any excess is recognised as an impairment loss in profit or loss. One of the Corporation's joint ventures involves renewable technology which would not have been commercially viable without the Government's financial assistance. The Government assistance was provided in the form of an investment which will not be recovered through normal commercial activity and is impaired.

Investments in joint venture entities are as follows:

	Country of incorporation	Reporting date	Ownership interest 2013	Ownership interest 2012
Vinalco Energy Pty Ltd[1]	Australia	30 June	-	50%
Mumbida Wind Farm Holdings Pty Ltd[2]	Australia	30 June	50%	50%
South West Solar Development Holdings Pty Ltd[3]	Australia	30 June	50%	50%
South West CO_2 Geosequestration Hub JV[4]	N/A	30 June	100%	-

Summary financial information for equity-accounted joint venture entities, not adjusted for the percentage of ownership held by the Corporation:

	2013 $'000	2012 $'000
Current assets	27,488	45,714
Non-current assets	195,527	254,173
Current liabilities	(6,249)	(29,041)
Non-current liabilities	(169,383)	(292,215)
Income	18,529	1,165
Expenses	(8,762)	(36,911)
Profit/(loss)	9,767	(35,746)

1. Vinalco Energy Pty Ltd was formed in August 2010 to refurbish and subsequently operate the Muja AB plant. Vinalco Energy Pty Ltd became a wholly owned subsidiary of the Corporation during this financial year. Refer to note 19.
2. Mumbida Wind Farm Holdings Pty Ltd and its subsidiary, Mumbida Wind Farm Pty Ltd (the Mumbida Group) were incorporated in November 2010.
3. South West Solar Development Holdings Pty Ltd and its subsidiary, Greenough River Solar Farm Pty Ltd (the Solar Group) were incorporated in August 2011.
4. South West CO_2 Geosequestration Hub Joint Venture is an unincorporated joint venture funded by State Government and Federal Government to investigate the feasibility of carbon storage in the lower Lesueur geological formation north of Harvey in the South West of Western Australia (note 19).

21. Interest in joint venture operation

The Corporation has a 50% interest in an unincorporated joint venture operation, South West Cogeneration joint venture, a 120 MW cogeneration facility on the site of Worsley Alumina Refinery in the South West of Western Australia. The output of the facility, thermal energy and electricity, is sold to Worsley Alumina Refinery and other energy customers. Within the terms of the joint venture agreement pre-emptive rights exist in regard to the disposal of either party's interest.

22. Deferred tax assets and liabilities

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other receivables	475	-	(29)	-	446	-
Lease receivable	175	321	-	-	175	321
Inventories	734	734	(27,946)	(24,481)	(27,212)	(23,747)
Derivative financial instruments	3,618	1,220	-	-	3,618	1,220
Investment	6,236	236	-	-	6,236	236
Property, plant and equipment	-	-	(169,003)	(179,663)	(169,003)	(179,663)
Intangibles	1,282	314	-	-	1,282	314
Trade and other payables	76	221	-	-	76	221
Finance lease liability	56,045	56,395	-	-	56,045	56,395
Employee benefits	20,507	20,233	-	-	20,507	20,233
Provisions	71,493	60,652	(6,170)	-	65,323	60,652
Tax loss carry-forwards	-	25,188	-	-	-	25,188
Net tax assets / (liabilities)	160,641	165,514	(203,148)	(204,144)	(42,507)	(38,630)
Set off of tax	(160,641)	(165,514)	160,641	165,514	-	-
	-	**-**	**(42,507)**	**(38,630)**	**(42,507)**	**(38,630)**

Movement in temporary differences during the year:

	Balance 30 June 2011	Recognised in Profit or loss	Recognised in Other comprehensive income	Balance 30 June 2012	Recognised in Profit or loss	Recognised in Other comprehensive income	Balance 30 June 2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other receivables	57	(57)	-	-	446	-	446
Lease receivable	(3,828)	4,149	-	321	(146)	-	175
Inventories	734	(24,481)	-	(23,747)	(3,465)	-	(27,212)
Derivative financial instruments	1,864	158	(802)	1,220	3,163	(765)	3,618
Investment	236	-	-	236	6,000	-	6,236
Property, plant and equipment	(187,978)	8,315	-	(179,663)	10,660	-	(169,003)
Intangibles	420	(106)	-	314	968	-	1,282
Trade and other payables	475	(254)	-	221	(145)	-	76
Finance lease liability	56,659	(264)	-	56,395	(350)	-	56,045
Employee benefits	18,621	1,612	-	20,233	274	-	20,507
Provisions	56,747	3,905	-	60,652	4,671	-	65,323
Tax loss carry-forwards	60,122	(34,934)	-	25,188	(25,188)	-	-
Net tax assets / (liabilities)	**4,129**	**(41,957)**	**(802)**	**(38,630)**	**(3,112)**	**(765)**	**(42,507)**

Corporation

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other receivables	23,565	-	(29)	-	23,536	-
Lease receivable	175	321	-	-	175	321
Inventories	734	734	(27,946)	(24,481)	(27,212)	(23,747)
Derivative financial instruments	3,618	1,220	-	-	3,618	1,220
Investment	6,236	236	-	-	6,236	236
Property, plant and equipment	-	-	(169,003)	(179,663)	(169,003)	(179,663)
Intangibles	1,282	314	-	-	1,282	314
Trade and other payables	76	221	-	-	76	221
Finance lease liability	56,045	56,395	-	-	56,045	56,395
Employee benefits	20,507	20,233	-	-	20,507	20,233
Provisions	71,493	60,652	(6,170)	-	65,323	60,652
Tax loss carry-forwards	-	25,188	-	-	-	25,188
Net tax assets / (liabilities)	183,731	165,514	(203,148)	(204,144)	(19,417)	(38,630)
Set off of tax	(183,731)	(165,514)	183,731	165,514	-	-
	-	**-**	**(19,417)**	**(38,630)**	**(19,417)**	**(38,630)**

Movement in temporary differences during the year:

	Balance 30 June 2011	Recognised in Profit or loss	Recognised in Other comprehensive income	Balance 30 June 2012	Recognised in Profit or loss	Recognised in Other comprehensive income	Balance 30 June 2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other receivables	57	(57)	-	-	23,536	-	23,536
Lease receivable	(3,828)	4,149	-	321	(146)	-	175
Inventories	734	(24,481)	-	(23,747)	(3,465)	-	(27,212)
Derivative financial instruments	1,864	158	(802)	1,220	3,163	(765)	3,618
Investment	236	-	-	236	6,000	-	6,236
Property, plant and equipment	(187,978)	8,315	-	(179,663)	10,660	-	(169,003)
Intangibles	420	(106)	-	314	968	-	1,282
Trade and other payables	475	(254)	-	221	(145)	-	76
Finance lease liability	56,659	(264)	-	56,395	(350)	-	56,045
Employee benefits	18,621	1,612	-	20,233	274	-	20,507
Provisions	56,747	3,905	-	60,652	4,671	-	65,323
Tax loss carry-forwards	60,122	(34,934)	-	25,188	(25,188)	-	-
Net tax assets / (liabilities)	**4,129**	**(41,957)**	**(802)**	**(38,630)**	**19,978**	**(765)**	**(19,417)**

23. Trade and other payables

	Group		Corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trade payables and accrued operating expense	313,313	156,567	300,884	156,567
Financial guarantee liability	-	6,000	4,200	6,000
Other payables	1,839	2,747	1,411	2,747
Deferred income	6,404	2,800	6,404	2,800
Interest accrued	13,766	9,884	13,766	9,884
	335,322	**177,998**	**326,665**	**177,998**

The financial guarantee liability relates to the guarantee in relation to borrowings by one of the Corporation's subsidiaries whereby the Corporation has undertaken to repay any outstanding amounts of such borrowings in an event of default by the borrower. This subsidiary was previously a joint venture entity recognised using the equity method of accounting. In the consolidated financial statements of the Group for this year, the underlying secured borrowings were fully recognised on the balance sheet and disclosed at note 24 and as a result, this guarantee liability was derecognised in the Group.

24. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Corporation's interest-bearing loans and borrowings. For more information about the exposure to interest rate and foreign currency risk, see note 28 – Financial instruments.

	Effective Interest Rate	Group		Corporation	
		2013	2012	2013	2012
		$'000	$'000	$'000	$'000
Current liabilities					
Finance lease liabilities	*15.06%*	1,537	1,167	1,537	1,167
Unsecured loans and borrowings	*4.10% - 6.16%*	157,594	143,029	157,594	143,029
Secured borrowings	*8.31%*	26,508	-	-	-
		185,639	**144,196**	**159,131**	**144,196**
Non-current liabilities					
Finance lease liabilities	*15.06%*	185,279	186,816	185,279	186,816
Unsecured loans and borrowings	*3.95% - 7.15%*	481,594	639,189	481,594	639,189
Secured borrowings	*8.31%*	124,512	-	-	-
		791,385	**826,005**	**666,873**	**826,005**
Funding facilities at reporting period					
Total facilities available		1,540,802	1,400,000	1,400,000	1,400,000
Facilities utilised		(779,990)	(782,218)	(639,188)	(782,218)
Facilities not utilised		**760,812**	**617,782**	**760,812**	**617,782**

Secured loans and borrowings

Secured borrowings are secured over the assets of one of the Corporation's subsidiaries.

Finance lease liabilities - Group and Corporation

Finance lease liabilities of the Corporation are payable as follows:

	2013			2012		
	Gross investments	Unearned interest income	Principal	Gross investments	Unearned interest income	Principal
	$'000	$'000	$'000	$'000	$'000	$'000
Less than one year	29,528	27,991	1,537	29,358	28,191	1,167
Between one and five years	119,823	108,602	11,221	119,136	110,110	9,026
More than five years	387,545	213,487	174,058	417,761	239,971	177,790
	536,896	**350,080**	**186,816**	**566,255**	**378,272**	**187,983**

The lease relates to a power purchase arrangement which is not the legal form of a lease, however the Corporation concluded that the arrangement contains a lease of the equipment, because fulfilment of the arrangement is economically dependent on the use of the equipment and it is unlikely that any parties other than the Corporation will receive more than an insignificant part of the output. The lease was classified as a finance lease. The Corporation could not reliably estimate the relative fair value of the lease element and other elements of the required payments. Therefore at the inception of the lease the Corporation recognised an asset and a liability at an amount equal to the estimated fair value of the equipment (note 17). The imputed finance expense on the liability was determined based on the effective interest rate of the lease liability.

25. Employee benefits

	Group		Corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current liabilities				
Salaries and wages accrued	7,626	7,132	7,626	7,132
Liability for long service leave	17,282	15,474	17,282	15,474
Liability for annual leave	14,678	13,329	14,678	13,329
	39,586	**35,935**	**39,586**	**35,935**
Non-current liabilities				
Recognised liability for defined benefit obligations	27,315	29,930	27,315	29,930
Liability for long service leave	1,457	1,578	1,457	1,578
	28,772	**31,508**	**28,772**	**31,508**

Above current liabilities are expected to be settled within one year while the non-current liabilities are expected to be settled after one year except for the liability for long service leave which is expected to be settled as follows:

	Group		Corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Expected to be settled within one year	5,611	4,967	5,611	4,967
Expected to be settled after one year	13,128	12,085	13,128	12,085
	18,739	**17,052**	**18,739**	**17,052**

Liability for defined benefit obligations - Group and Corporation

Some of the Corporation's former and current employees are members of two defined benefit superannuation funds (Pension Scheme and Gold State Super) that provide defined benefit amounts for employees upon retirement. There are no plan assets and the Corporation is expected to meet the cost of the retirement benefit obligations as they fall due.

The liability for defined benefit obligations is reviewed and recalculated by the Government Employees Superannuation Board (GESB) at the end of each reporting period.

	2013 $'000	2012 $'000
Defined benefit obligations		
Amount at the end of reporting period		
Net liabilities	27,315	29,930
Changes in the present value of the defined benefit obligations are as follows:		
Defined benefit obligations opening balance	29,930	23,495
Interest cost	832	1,201
Actuarial (gain)/loss	(2,127)	8,194
Service cost	83	50
Benefits paid	(1,403)	(3,010)
Defined benefit obligations ending balance	27,315	29,930
Amount recognised in profit or loss:		
Interest cost	832	1,201
Actuarial (gain)/loss	(2,127)	8,194
Service cost	83	50
Recognised in profit or loss as employee expenses	(1,212)	9,445

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

	2013	2012
Discount rate at 30 June	3.38%	2.84%
Expected salary increases	5.00%	5.50%
Expected pension increase rate	2.50%	2.50%

Information for the current reporting period and previous four annual reporting periods:

	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
Present value of defined benefit obligation	27,315	29,930	23,495	22,200	18,624
Experience adjustment arising on the plan obligation - loss	46	161	631	3,630	897

26. Provisions

	Group 2013 $'000	Group 2012 $'000	Corporation 2013 $'000	Corporation 2012 $'000
Provisions - current				
Decommissioning provision (i)	**6,110**	**3,139**	**6,110**	**3,139**
Provisions - non current				
Decommissioning provision (i)	387,124	421,926	387,124	421,926
Gas agreement (ii)	225,097	126,046	225,097	126,046
Share of losses in joint venture (ii)	-	9,583	-	-
	612,221	**557,555**	**612,221**	**547,972**
Total provisions	**618,331**	**560,694**	**618,331**	**551,111**

(i) Decommissioning provision – Group and Corporation	Note	2013 $'000	2012 $'000
Beginning balance		425,065	182,669
Provisions used during the period		(32)	-
Unwinding of discount on provisions	7	12,800	8,401
Changes in assumptions recognised in profit or loss		(928)	3,805
Changes in assumptions recognised in property, plant and equipment	17	(43,671)	230,190
Balance at the end of reporting period		**393,234**	**425,065**

The Corporation estimates the future removal cost of generating facilities at the completion of the construction of the assets. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating costs, future removal technologies in determining removal cost, and asset specific discount rates to determine the present value of these cash flows. Such assumptions are reviewed and updated at least once a year at the end of each reporting period.

In the prior year, the Corporation engaged an independent expert to estimate the future decommissioning costs. The mid point of the estimate range, which represents the probability weighted average of the possible scenarios, estimated by the expert, was adopted as the basis for calculating the provision.

Because of the long-term nature of the liability, there is significant estimation risk around the estimated decommissioning costs that will be incurred. The Corporation has assumed the sites will be restored using the technology and materials that are available currently.

(ii) Provision for gas agreement – Group and Corporation	Note	2013 $'000	2012 $'000
Beginning balance		126,046	-
Unwinding of discount on provisions	7	3,793	-
Amount recognised in profit or loss		95,258	126,046
Ending balance		**225,097**	**126,046**

Under a long term agreement, the Corporation entered into in 2012, the Corporation has been receiving gas from a counterparty and is obliged to return such gas in the future. The ending balance represents the value of the obligation of returning such gas. The gas agreement was entered into for the purpose of providing flexibility in managing the Corporation's fuel requirements, thereby enhancing energy security.

(iii) Share of loss in joint venture – Group	Note	2013 $'000	2012 $'000
Beginning balance		9,583	-
Transfer (to)/from investments in joint venture entities	20	(9,583)	9,583
Ending balance		-	**9,583**

In the prior year, the Group's share of losses of a joint venture entity was in excess of the carrying amount of the investment. Accordingly, the investment has been written down to nil through share of losses (note 20) and the excess losses were recognised as a provision due to the fact a financial guarantee was provided in relation to the joint venture (note 23).

The following assumptions were used for calculating the provisions.

	2013	2012
Discount rate	3.76%	3.04%
Inflation rate	1.42% - 3.00%	2.31% - 3.11%

27. Contributed equity and reserves

Contributed equity

The initial contribution by the owner, the State Government of Western Australia, was made up of Western Power Corporation's assets, after deducting the liabilities that were transferred from Western Power Corporation to the Corporation on 1 April 2006.

Cash contributions received in the current year were in relation to the Corporation's investment in renewable energy projects through joint ventures, being the Mumbida Group and Solar Group.

Hedging reserve

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

Dividend

On 27 December 2012, the Corporation paid a final dividend amounting to $39,800,000 in relation to the year ended 30 June 2012 (2012: $83,400,000 paid in relation to the year ended 30 June 2011 on 29 December 2011).

The Board of the Corporation recommends a final dividend of $37,600,000 in respect of the year ended 30 June 2013. This dividend is subject to the Minister's approval and will be accounted for when the approval is obtained.

28. Financial instruments

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk;
- operational risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk.

Overview

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Management Committee ("ARMC"), which is responsible for monitoring the effectiveness of risk management policies and processes. The ARMC reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Group to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The ARMC oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the risk management framework in relation to the risks faced by the Group. The ARMC is assisted in its governance oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the ARMC.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, receivables from customers and derivative instruments.

Trade, lease and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, where available. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the Board; these limits are reviewed annually. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis or with a security in an acceptable form. The Group regularly reviews the credit worthiness of its counterparties, unless they are a Government Trading Entity owned by the Western Australian Government, which under its incorporating legislation carries implicit financial support from its owner.

Approximately 70% (2012: 70%) of the Group's revenue is attributable to sales transactions with a fellow Government Trading Entity and therefore such sales are not considered to be subject to any material credit risk.

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. This allowance is a specific loss component that relates to individual significant exposures.

Investments and derivative financial assets

Investments are allowed only in liquid securities and only with counterparties that have a credit rating in accordance with the Group's policy. Management does not expect any counterparty to fail to meet its obligations. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments in the balance sheet, less any collateral held as security. Other than the embedded derivatives, the Group only transacts in derivative financial instruments with financial institutions with a credit rating of A (Standard and Poors or its equivalent from other rating agencies) or better.

Financial guarantee

Credit risk also arises in relation to the financial guarantee granted by the Group (note 23).

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure in respect of recognised financial assets.

The Group's maximum exposure to credit risk in respect of recognised financial assets at the reporting date was:

		Group		Corporation	
	Note	**2013**	**2012**	**2013**	**2012**
		$'000	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	***11***	244,187	125,246	233,562	125,246
Trade receivables (net of impairment)	***12***	244,018	166,644	235,222	166,644
Intragroup receivables	***12***	-	-	38,496	-
Other receivables (net of impairment)	***12***	1,126	3,195	1,126	3,195
Deposits	***12***	3,279	6,559	3,279	6,559
Lease receivable	***13***	7,554	10,217	7,554	10,217
Derivative financial assets	***15***	2,946	75	2,946	75
Available-for-sale financial assets	***16***	166	166	166	166
		503,276	**312,102**	**522,351**	**312,102**

In addition to the above, the Corporation also has credit exposure arising from the financial guarantee granted in relation to a subsidiary (note 23). The maximum credit exposure in relation to the financial guarantee is equal to the outstanding borrowings by the subsidiary which amounted to $149,765,000 as at the reporting date (2012: $158,004,000).

The Group and the Corporation's most significant customer, Electricity Retail Corporation (Synergy), accounts for $130,889,483 of the trade receivables carrying amount at 30 June 2013 (2012: $153,271,755).

The ageing of the trade and intra group receivables balance at the reporting date was:

	2013		2012	
Group	**Gross**	**Allowance for impairment**	**Gross**	**Allowance for impairment**
	$'000	**$'000**	**$'000**	**$'000**
Not past due#	239,160	-	165,113	-
Past due 0-30 days*	4,440	-	861	-
Past due 31-90 days*	234	(3)	442	-
More than 90 days*	1,768	(1,581)	228	-
	245,602	(1,584)	166,644	-

Corporation	2013 Gross $'000	2013 Allowance for impairment $'000	2012 Gross $'000	2012 Allowance for impairment $'000
Not past due#,&	345,826	(76,966)	165,113	-
Past due 0-30 days*	4,440	-	861	-
Past due 31-90 days*	234	(3)	442	-
More than 90 days*	1,768	(1,581)	228	-
	352,268	(78,550)	166,644	-

Includes receivables of $33,242,000 (2012: $38,136,000), of which the credit terms were amended for such amount plus interest to be repaid over 36 instalments starting from January 2013.

& Includes intragroup balance of $115,462,000 for which payment has been deferred until the subsidiary is in a position to repay the balance. An impairment loss of $76,966,000 was provided for against this balance.

* Out of these balances, $4,245,000 (2012: $60,000) were covered by collateral in the form of bank guarantees and cash deposits held by the Corporation. As at the end of the reporting period, the Corporation held collateral of $10,911,000 (2012: $31,473,000) in the form of bank guarantees and cash deposits.

The movement in the allowance for impairment in respect of trade and intragroup receivables during the year was as follows:

	Note	Group 2013 $'000	Group 2012 $'000	Corporation 2013 $'000	Corporation 2012 $'000
Beginning balance		-	(189)	-	(189)
Impairment loss recognised on the face of profit or loss	*9*	-	-	(76,966)	-
Impairment loss recognised in other expenses	*9*	(1,584)	-	(1,584)	-
Impairment loss utilised		-	189	-	189
Ending balance		**(1,584)**	**-**	**(78,550)**	**-**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of derivative financial assets and all financial liabilities, including estimated interest payments and excluding the impact of netting agreements. This table also indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur.

Group 30 June 2013	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	5+ years $'000
Derivative financial assets							
Forward exchange contract – cashflow hedge							
Inflow	1,467	24,325	192	1,304	10,793	12,036	-
Outflow	-	(22,747)	(180)	(1,174)	(9,940)	(11,453)	-
	1,467	1,578	12	130	853	583	-
Derivative financial liabilities							
Forward exchange contract – cashflow hedge							
Inflow	-	1,359	379	386	594	-	-
Outflow	(324)	(1,692)	(473)	(481)	(738)	-	-
Interest rate swaps – cashflow hedge	(1,668)	(1,876)	(313)	(338)	(641)	(584)	-
Electricity derivatives – embedded	(13,017)	(41,692)	50	50	(1,658)	3,701	(43,836)
	(15,009)	(43,901)	(357)	(383)	(2,443)	3,117	(43,836)
Non-derivative financial liabilities							
Finance lease	(186,816)	(536,896)	(14,743)	(14,785)	(29,698)	(90,124)	(387,546)
Interest-bearing loans and borrowings	(790,208)	(902,787)	(125,886)	(104,214)	(156,177)	(506,153)	(10,357)
Trade and other payables	(335,322)	(335,322)	(210,317)	(125,005)	-	-	-
Financial guarantee liability	-	-	-	-	-	-	-
	(1,312,346)	(1,775,005)	(350,946)	(244,004)	(185,875)	(596,277)	(397,903)
Total	(1,325,888)	(1,817,328)	(351,291)	(244,257)	(187,465)	(592,577)	(441,739)

Group 30 June 2012	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	5+ years $'000
Derivative financial assets							
Forward exchange contract – cashflow hedge							
Inflow	6	132	132	-	-	-	-
Outflow	-	(126)	(126)	-	-	-	-
	6	6	6	-	-	-	-
Derivative financial liabilities							
Forward exchange contract – cashflow hedge							
Inflow	-	16,255	4,776	375	841	513	9,750
Outflow	(1,057)	(19,001)	(5,173)	(503)	(1,134)	(738)	(11,453)
Interest rate swaps – cashflow hedge	(2,017)	(2,766)	(221)	(287)	(602)	(1,605)	(51)
Electricity derivatives – embedded	(1,066)	(1,188)	(164)	(152)	(216)	(364)	(292)
	(4,140)	(6,700)	(782)	(567)	(1,111)	(2,194)	(2,046)
Non-derivative financial liabilities							
Finance lease	(187,983)	(566,255)	(14,658)	(14,700)	(29,528)	(89,608)	(417,761)
Interest-bearing loans and borrowings	(782,218)	(944,615)	(69,064)	(122,053)	(196,909)	(389,705)	(166,884)
Trade and other payables	(171,998)	(171,998)	(140,933)	(31,065)	-	-	-
Financial guarantee liability	(6,000)	(158,004)	(257,004)	-	-	-	-
	(1,148,199)	(1,840,872)	(481,659)	(167,818)	(226,437)	(479,313)	(584,645)
Total	(1,152,333)	(1,847,566)	(482,435)	(168,385)	(227,548)	(481,507)	(586,691)

Corporation 30 June 2013	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	5+ years $'000
Derivative financial assets							
Forward exchange contract – cashflow hedge							
Inflow	1,467	24,325	192	1,304	10,793	12,036	-
Outflow	-	(22,747)	(180)	(1,174)	(9,940)	(11,453)	-
	1,467	1,578	12	130	853	583	-
Derivative financial liabilities							
Forward exchange contract – cashflow hedge							
Inflow	-	1,359	379	386	594	-	-
Outflow	(324)	(1,692)	(473)	(481)	(738)	-	-
Interest rate swaps – cashflow hedge	(1,668)	(1,876)	(313)	(338)	(641)	(584)	-
Electricity derivatives – embedded	(13,017)	(41,692)	50	50	(1,658)	3,701	(43,836)
	(15,009)	(43,901)	(357)	(383)	(2,443)	3,117	(43,836)
Non-derivative financial liabilities							
Finance lease	(186,816)	(536,896)	(14,743)	(14,785)	(29,698)	(90,124)	(387,546)
Interest-bearing loans and borrowings	(639,188)	(749,405)	(106,512)	(88,995)	(122,577)	(420,964)	(10,357)
Trade and other payables	(322,465)	(322,465)	(204,179)	(118,286)	-	-	-
Financial guarantee liability	(4,200)	(149,765)	(149,765)	-	-	-	-
	(1,152,669)	(1,758,531)	(475,199)	(222,066)	(152,275)	(511,088)	(397,903)
Total	(1,166,211)	(1,800,854)	(475,544)	(222,319)	(153,865)	(507,388)	(441,739)

Corporation 30 June 2012	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	5+ years $'000
Derivative financial assets							
Forward exchange contract – cashflow hedge							
Inflow	6	132	132	-	-	-	-
Outflow	-	(126)	(126)	-	-	-	-
	6	6	6	-	-	-	-
Derivative financial liabilities							
Forward exchange contract – cashflow hedge							
Inflow	-	16,255	4,776	375	841	513	9,750
Outflow	(1,057)	(19,001)	(5,173)	(503)	(1,134)	(738)	(11,453)
Interest rate swaps – cashflow hedge	(2,017)	(2,766)	(221)	(287)	(602)	(1,605)	(51)
Electricity derivatives – embedded	(1,066)	(1,188)	(164)	(152)	(216)	(364)	(292)
	(4,140)	(6,700)	(782)	(567)	(1,111)	(2,194)	(2,046)
Non-derivative financial liabilities							
Finance lease	(187,983)	(566,255)	(14,658)	(14,700)	(29,528)	(89,608)	(417,761)
Interest-bearing loans and borrowings	(782,218)	(944,615)	(69,064)	(122,053)	(196,909)	(389,705)	(166,884)
Trade and other payables	(171,998)	(171,998)	(140,933)	(31,065)	-	-	-
Financial guarantee liability	(6,000)	(158,004)	(257,004)	-	-	-	-
	(1,148,199)	(1,840,872)	(481,659)	(167,818)	(226,437)	(479,313)	(584,645)
Total	(1,152,333)	(1,847,566)	(482,435)	(168,385)	(227,548)	(481,507)	(586,691)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group enters into derivatives in order to manage market risks. All such transactions are carried out within the guidelines set by the Treasury Management Committee. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

Interest rate risk

The Group's policy is to limit its exposure to changes in interest rates on borrowings to certain percentages in accordance with the duration of the borrowing. This is achieved by largely borrowing at fixed interest rates or entering into interest rate swaps.

Profile

At the reporting date the interest rate profile of the Corporation's interest-bearing financial instruments was:

	Group		Corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Fixed rate instruments				
Financial assets	227,245	119,523	227,245	119,523
Financial liabilities	(957,024)	(950,201)	(806,004)	(950,201)
	(729,779)	**(830,678)**	**(578,759)**	**(830,678)**
Variable rate instruments				
Financial assets	29,467	22,564	17,150	22,564
Financial liabilities	(21,668)	(22,017)	(21,668)	(22,017)
	7,799	**547**	**(4,518)**	**547**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rate at the reporting date will not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit or loss and other comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2012.

		-100 basis points		+100 basis points	
Group	Carrying amount	Profit	Other Comprehensive Income	Profit	Other Comprehensive Income
	$'000	$'000	$'000	$'000	$'000
2013					
Cash and cash equivalents	29,467	(295)	-	295	-
Interest rate swaps	(1,668)	-	(609)	-	588
Unsecured loans and borrowings	(20,000)	200	-	(200)	-
Interest rate swaps – embedded	-	-	-	-	-
2012					
Cash and cash equivalents	22,499	(225)	-	225	-
Interest rate swaps	(2,017)	-	(803)	-	769
Unsecured loans and borrowings	(20,000)	200	-	(200)	-
Interest rate swaps - embedded	65	1	-	(1)	-

Corporation	Carrying amount	-100 basis points		+100 basis points	
		Profit	Other Comprehensive Income	Profit	Other Comprehensive Income
	$'000	$'000	$'000	$'000	$'000
2013					
Cash and cash equivalents	17,150	(172)	-	172	-
Interest rate swaps	(1,668)	-	(609)	-	588
Unsecured loans and borrowings	(20,000)	200	-	(200)	-
Interest rate swaps – embedded	-	-	-	-	-
2012					
Cash and cash equivalents	22,499	(225)	-	225	-
Interest rate swaps	(2,017)	-	(803)	-	769
Unsecured loans and borrowings	(20,000)	200	-	(200)	-
Interest rate swaps - embedded	65	1	-	(1)	-

Currency risk

Profile

The Group is exposed to foreign currency risk mainly on purchases that are denominated in a currency other than the Australian dollar. The currencies giving rise to this risk are primarily Euro, US Dollar, Pound Sterling, and the Japanese Yen. The exposure of other Group entities to currency risk is immaterial.

Where necessary, the forward exchange contracts are rolled over at maturity.

At any point in time, the Group hedges 100% of its estimated foreign currency exposure in respect of purchases forecasted to take place within 2 years. The Group uses forward exchange contracts to hedge its foreign currency risk. The Group classifies such forward exchange contracts as cash flow hedges and states them at fair value.

Exposure to currency risk

The Group's exposure to foreign currency risk at end of the reporting period was as follows, based on notional amounts:

Group and Corporation	USD	EURO	GBP
30 June 2013 (AUD'000s)			
Estimated forecast purchases	(13,205)	(12,015)	-
Forward exchange contracts	13,205	12,015	-
Net exposure	-	-	-
30 June 2012 (AUD'000s)			
Estimated forecast purchases	(14,774)	(1,477)	(1,333)
Forward exchange contracts	14,774	1,477	1,333
Net exposure	-	-	-

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2013	**2012**	**2013**	**2012**
USD	1.0271	1.0320	0.9138	1.0240
EURO	0.7945	0.7716	0.7023	0.8088
GBP	0.6549	0.6515	0.6009	0.6519

Sensitivity analysis

A 10 percent strengthening/weakening of the Australian dollar against the following currencies at 30 June 2013 would have increased / (decreased) profit or loss and other comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2012.

	-10%		+10%	
Group and Corporation	**Profit**	**Other Comprehensive Income**	**Profit**	**Other Comprehensive Income**
	$'000	**$'000**	**$'000**	**$'000**
2013				
USD	105	1,301	(86)	(1,064)
EUR	15	1,181	(15)	(1,181)
2012				
USD	132	1,454	(108)	(1,190)
GBP	-	133	-	(133)
EUR	1	146	(1)	(146)

Other market price risk

Profile

The Group enters into commodity swap contracts to economically hedge its exposure on commodity price risk arising from its expected purchase of fuel. Commodity risk also arises from an embedded commodity derivative.

The Group is also exposed to equity price risk on its investment in equity securities.

Sensitivity analysis

A change of 10% in the market price of commodity/equity would have increased / (decreased) profit or loss and other comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular interest rates and foreign exchange rates, remain constant. The analysis was performed on the same basis for 2012.

		-10%		+10%	
Group and Corporation	**Carrying amount**	**Profit**	**Other Comprehensive Income**	**Profit**	**Other Comprehensive Income**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
2013					
Investment	166	(17)	-	17	-
Embedded electricity derivative	(11,656)	20,533	-	(20,533)	-
2012					
Investment	166	(17)	-	17	-
Embedded electricity derivative	(1,066)	791	-	(791)	-

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness.

In relation to fuel contracts the Group is exposed to single sources of supply in relation to both its coal and gas supplies. As such these suppliers represent a single source of failure and management seeks to protect itself by endeavouring to include protective rights under its supply contracts. Despite these contractual rights the Group cannot entirely ensure that the supplier will continue to supply. Many contractual remedies require the Group to incur additional costs, some of which may not be recoverable, which may in turn impact the Group's future profitability and cashflows. From time to time the Group enters into discussions with its suppliers to address any potential interruptions to supply.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. The responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

Fair values

Fair values versus carrying amounts

Other than disclosed below, the carrying values of the financial assets and liabilities approximate the fair values as at 30 June 2013:

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	$'000	$'000	$'000	$'000
Unsecured loans and borrowings – Group and Corporation (note 24)	639,188	690,983	782,218	831,923

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the Western Australian Treasury Corporation yield curve at the end of the reporting period plus an appropriate credit spread, and were as follows:

	2013	2012
Derivative financial instruments	2.75% - 3.33%	3.44% - 3.50%
Interest-bearing loans and borrowings	2.75% - 3.60%	3.50% - 3.73%

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by reference to the degree to which the fair value is observable. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs from the asset or liability that are not based on observable market data (unobservable inputs)

Group and Corporation	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2013					
Investment	16	166	-	-	166
Forward exchange contracts	15	-	1,260	-	1,260
Interest rate swaps	15	-	(1,668)	-	(1,668)
Interest rate swaps – embedded	15	-	-	-	-
Electricity derivatives – embedded	15	-	-	(11,656)	(11,656)
2012					
Investment	16	166	-	-	166
Forward exchange contracts	15	-	(1,047)	-	(1,047)
Interest rate swaps	15	-	(2,017)	-	(2,017)
Interest rate swaps – embedded	15		65	-	65
Electricity derivatives – embedded	15	-	-	(1,066)	(1,066)

In relation to the above level 3 fair value hierarchies, a loss of $10,590,000 was recognised in profit or loss for the year ended 30 June 2013 (2012: $532,000 loss), representing the movement in the net liabilities for embedded electricity derivatives.

The impact on the fair value of embedded electricity derivatives as a result of changes in the unobservable inputs (internally projected forward electricity price) is shown in the sensitivity analysis under "other market price risk".

29. Operating leases

Leases as lessee	Group 2013 $'000	Group 2012 $'000	Corporation 2013 $'000	Corporation 2012 $'000
Non-cancellable operating lease rentals are payable as follows:				
Less than one year	1,683	1,811	1,683	1,811
Between one and five years	2,281	3,685	2,281	3,685
	3,964	**5,496**	**3,964**	**5,496**

30. Capital and other commitments

	Group		Corporation	
Leases as lessee	**2013**	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Non-cancellable operating lease rentals are payable as follows:				
Less than one year	48,555	68,348	47,109	68,348
Between one and five years	12,991	310	12,991	310
	61,546	**68,658**	**60,100**	**68,658**
Committed operating expenditures (excluding operating leases stated in note 29) are payable as follows:				
Less than one year	58,245	21,391	52,919	21,391
Between one and five years	27,443	21,210	27,443	21,210
	85,688	**42,601**	**80,362**	**42,601**

31. Contingencies

The Corporation provides for the restoration of its power station sites including any environmental rehabilitation as required by various environmental regulations (and as disclosed in note 26). Based on management's best estimates and assumptions, the Corporation has made adequate provision to cover these anticipated restoration costs. However many of these costs will be incurred at some time in the future and as such, the provisions will be subject to changes due to significant estimation risk surrounding such estimates and assumptions. In addition there may be residual environmental obligations on sites which have been declared rehabilitated, and to the extent that these may arise, represent contingent liabilities to the Corporation. Management does not have any means of quantifying this residual exposure.

The Corporation operates a portfolio of thermal power stations of varying ages. Many of these power stations utilised asbestos for its insulation and fire resistant qualities prior to the market becoming aware of the dangers of asbestos. The Corporation has a current asbestos management process in place and addresses these risks on an ongoing basis. However, diseases which emanate from asbestos, such as asbestosis may take many years to develop. As such the Corporation may have a liability to those workers and other contractors who came in contact with asbestos at one of its power stations in the past. Whilst there is workers' compensation insurance and in some cases public liability insurance which covers the workers and contractors, not all of this liability is insured. As such the Corporation has a contingent liability for undiagnosed illnesses which may arise from exposure to asbestos at one of its sites. The quantum of this contingent liability is extremely uncertain and cannot be quantified with any accuracy.

The Corporation has granted a financial guarantee in relation to a subsidiary entity and has recognised the fair value of the financial guarantee liability in note 23. The maximum exposure arising from this guarantee is disclosed in "Exposure to credit risk" section of note 28.

One of the joint venture entities, in which the Corporation holds a 50% equity interest, has received a claim for additional costs from its Engineering Procurement and Construction (EPC) provider in the amount of $9.3 million. This amount is in dispute and has not been brought to account by the joint venture as it is unlikely the counterparty will be successful in its claims. The Corporation is not directly liable for the amount.

On 30 June 2012, there was a discharge from a fuel tank at the Kwinana Power Station, which resulted in a spillage of approximately 523 kilolitres of diesel. The final amount of expenditure required to recover the diesel, remediate the site in future years and conditions environmental authorities might impose on the Corporation might be different to the amount that was recorded in the financial statements by the end of the current reporting period.

During this year, the Corporation was successful in the WA Court of Appeal with regard to the interpretation of the long term agreement for the supply of gas allowing damages to be recovered for the failure to supply gas as required by the agreement in the period June 2008 to September 2008. Verve Energy was awarded a sum of $9.2 million plus interest in addition to the $1.2 million the trial judge awarded to Verve Energy for a shortfall in gas supplied under the agreement in January 2008. On 12 September 2013 Verve Energy and North West Shelf gas sellers were both granted special leave of appeal by the Court of Appeal to take the matter to the High Court. The quantum in issue in Verve Energy's appeal is additional damages in excess of $20 million and concerns whether a limitation of liability clause applies to Verve Energy's claim for money paid for gas under duress. The Sellers' appeal seeks to reduce the amount of the award back to the original $1.2 million on the basis that no damages were payable under the agreement for the failure to supply gas in June-September 2008.

32. Events after the Reporting Period

On 10 April 2013, the Premier announced the merger of the Verve Energy with the Electricity Retail Corporation (Synergy). In accordance with this announcement, a common board for both Verve Energy and Synergy was put in place on 1 July 2013 for the period 1 July to 31 December 2013 (the interim merger period), prior to full merger on 1 January 2014.

On 12 September 2013, the State Government announced the approval for Verve Energy to complete the refurbishment of the Muja AB Power Station.

Other than those disclosed above, there are no significant events after the reporting period.

Directors' Declaration

1 In the opinion of the Directors of Electricity Generation Corporation trading as Verve Energy ('the Corporation'):

(a) the consolidated financial statements and notes are in accordance with the *Electricity Corporations Act 2005*, including:

(i) giving a true and fair view of the financial positions of the Group and the Corporation as at 30 June 2013 and of performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), and the *Electricity Corporations Act 2005*; and

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

2 The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2013 pursuant to the *Electricity Corporations Act 2005*.

Dated 25 September 2013 at Perth

Signed in accordance with a resolution of the Directors:

MICHAEL SMITH
CHAIRMAN

ERIC HOOPER
DIRECTOR

Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

ELECTRICITY GENERATION CORPORATION (TRADING AS VERVE ENERGY)

I have audited the financial report of the Electricity Generation Corporation. The financial report comprises the Statement of Financial Position as at 30 June 2012, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, Notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

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

Auditor's Responsibility
As required by the Electricity Corporations Act 2005, my responsibility is to express an opinion on the financial report based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence
In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing Standards, and other relevant ethical requirements.

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

(a) giving a true and fair view of the Corporation's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Electricity Generation Corporation for the year ended 30 June 2012 included on the Corporation's website. The Corporation's directors and management are responsible for the integrity of the Corporation's website. I have not been engaged to report on the integrity of the Corporation's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
31 August 2012