

**Western Power Corporation
2003 Annual Report and
Environment / Social Review**

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OPERATIONS REVIEW

Year in review

Chairman's and Managing Director's Review

Focused in challenging times

"There is no doubt that the state's electricity sector has entered exciting and challenging times," Stephen van der Mye, Managing Director, Western Power.

The past 12 months have seen significant developments including the State Government's announcement of the upcoming formation of four new entities from Western Power and a planned wholesale electricity marketplace; continued deregulation of the energy market; and challenges posed to the state's power supplies from exceptionally severe bushfires and storms.

Against this industry backdrop, Western Power delivered its eighth straight year of record returns to the State Government. The company achieved a Debt to Equity ratio of 62/38 this year, a vast improvement on 80/20 in 1995/96.

A strong focus on controlling costs and increasing efficiencies across the company was critical in delivering our record annual result, in an environment of growing costs. We implemented firm strategies to ensure sustained strong performance and continuation of our pursuit to drive down the cost of electricity for customers across the state.

While high fuel costs remain a concern, innovative projects like the Cockburn One Power Station and both the Regional and South West Interconnected System power procurement processes are making good progress, all of which are pivotal to reducing the cost of producing electricity.

Meeting customer needs has long been a company focus and we are proud of our record in delivering competitive prices and reliable service. Virtually all customer groups have benefited from electricity price reductions, with average electricity prices reducing by nearly 18 per cent in real terms since 1995. Electricity tariffs remain unchanged again this year.

Safety continues to be the overriding priority for our people and our customers. Pleasingly, a constant focus on safety has resulted in the company's Lost Time Injury Frequency Rate (LTIFR) reaching its lowest point ever at 5.2 well below our target figure of 6. This is the lowest LTIFR level ever achieved by the company and is a credit to all Western Power people for their continuing focus and attention to safety.

The company has also achieved strong results across all areas of the business – operational, environmental and social.

Our performance is detailed here, using the sustainable business reporting framework for the fourth consecutive year. This approach reflects our ongoing commitment to delivering real benefits to Western Australia and we will continue to work with the communities in which we operate.

This year we have taken the further step of producing the Annual Report solely as an electronic document. We believe this medium sits well with our company's philosophies on open communication and efficient use of resources.

Open communication has also been integral to our work with the State Government's Electricity Reform Implementation Steering Committee (ERISC) and the Electricity Reform Implementation Unit (ERIU).

Key elements of the electricity reform program, announced in November 2002 by the Minister for Energy, Hon Eric Ripper MLA, include the transformation of Western Power into four separate state-owned entities- generation, networks, retail and regional power - over the next year and the establishment of a wholesale electricity market by July 2006.

Significant work has been undertaken by Western Power assisting ERISC and ERIU in market design and costing studies; developing transitional arrangements; and identifying issues that are likely to arise in the upcoming formation of the new entities.

The prospect of establishing four new, world's best practice companies is both exciting and challenging. Western Power's key reform priority is to assist with the establishment of the new businesses – structured to meet the needs of their customers, employees and the Western Australian Government. Our work with ERISC and ERIU is critical in this regard.

Natural elements have challenged power supplies across the state this summer / autumn, with exceptionally severe bushfires and storms causing widespread damage to the electricity network.

Western Power people worked tirelessly, often in appalling conditions, to restore power in near-metropolitan areas, the Mid West, coastal Mid West, Wheatbelt and Esperance.

This saw crews and call centre staff work 23 of the 25 weekends from December 2002 to the end of May 2003. It is particularly pleasing that we have been able to restore power and answer our customers' calls this year within the targets set in the company's Customer Charter, despite the difficult conditions.

Our performance for 2002/03 was marked by numerous milestones and highlights including:

- Capital expenditure of \$472.6 million, primarily in the generation and networks portfolios. Our capital works program is targeted at continuing to ensure reliability of supply to customers across the state as well as improving the environmental performance of our plant.
- Key works programs include the Pinjar to Cataby, Waterloo to Busselton and Moora to Wongan Hills networks projects.
- Our call centre achieved the Customer Service Council's Service Excellence 2002 award. Pleasingly, the team was commended on its ability to deal with a diverse range of clients in an efficient and considerate manner.
- A new electricity consumption peak of 2719 MW was recorded on 10 March 2003 in the South West Interconnected System – 7.1 per cent above the company's previous summer peak.
- Mid-May 2003 saw an operational milestone reached at Cockburn One Power Station, Western Power's new 240 MW combined cycle plant at Kwinana, with the gas turbine fired for the first time. The project remains on target for completion in late October 2003 ahead of the contracted date of 31 December 2003.
- Regional Power Procurement - Our Mid West and Esperance projects have now moved to the construction phase and are expected to be in operation in late 2003 and early 2004 respectively. Our Exmouth Power Purchase Agreement (PPA) is presently in the final stages of negotiation, with signing of the PPA anticipated early in the new financial year.
- The West Kimberley Power Project Reference Group has entered into negotiation with two bidders to supply Western Power's electricity requirements in the West Kimberley for the next 20 years. The successful bidder will build new gas-fired power stations at Broome, Derby, Fitzroy Crossing, Halls Creek and Camballin-Looma by 2005.
- SWIS Power Procurement - Stage one of the company's power procurement process for 240 MW to 260 MW of peaking generation for the state's South West Interconnected System is progressing through the final bid phase. It is intended that the final bidder will be appointed in late 2003 with new power stations available by the summer of 2005/06.

Environment / Social

- The Hotham-Williams Western Power Greening Challenge met its target on 11 August 2002, with the Minister for Energy planting the project's four millionth seedling.
- The last of the six turbines at the Esperance Nine Mile Beach wind farm was placed into position in late May 2003. The 3.6 MW wind farm is in its final stages of commissioning.
- Western Carbon Pty Ltd was established as a wholly owned subsidiary of Western Power on 1 July 2002. The subsidiary is developing the Integrated Wood Processing (IWP) Demonstration Plant in Narrogin. The IWP Plant was mechanically complete by June 2003. Once operational the plant will produce renewable electricity and activated carbon, with the potential to produce eucalyptus oil. The feedstock for the plant will be sustainable plantations of oil mallee trees. The plantations offer one solution to help fight salinity and waterlogging.
- The Western Power Parkland was officially opened by the Minister for Energy, Hon Eric Ripper MLA, and Environment Minister, Hon Dr Judy Edwards MLA, on 6 October 2002. More than 20,000 people attended the opening celebrations.
- A resounding 92 per cent of employees supported a new three year Certified Agreement, registered on 6 October 2002.
- Our record low Lost Time Injury Frequency Rate (LTIFR) result (at 5.2) is being further consolidated following the December 2002 introduction of HealthSmart - a new program providing practical advice on how to enjoy a healthy life at work and at play.
- The company's Managerial Leadership Initiative (MLI) front line employees program, was successfully completed by more than 1800 Western Power people. Their enhanced 'people' skills are ensuring effective leadership capabilities across all areas of the company.

Risk mitigation strategies are in place to manage Western Power's operational, environmental and business risks. Through this process we have identified a number of factors that could represent significant risk to the future achievement of key objectives for both Western Power and its successor entities. For example, we are in the process of renegotiating existing gas and coal contracts with a view to reducing fuel prices and increasing contract flexibility. Similarly, gas transport and prices, and the capacity issue of the Dampier to Bunbury Natural Gas Pipeline, are key concerns.

Other identified issues include the need to retire and replace ageing generation plant at Kwinana Power Station and Muja Power Station (units A and B); upcoming retirement of coal burning at Kwinana Power Station; and the need for additional generating capacity to meet continuing demand growth.

We extend our sincerest thanks to former Managing Director Mr David Eiszele who departed the company in December 2002 after 38 years' service at Western Power (and its predecessors, the State Electricity Commission and the State Energy Commission Western Australia), with nine as Managing Director. Mr Eiszele made an enormous contribution to the development of the energy industry in general and the success of Western Power in particular. The company has made great strides over the past decade and this is largely attributable to his drive and management skills.

On behalf of the Board of Western Power we would also like to pay tribute to Mr Dan Smetana whose term as Deputy Chairman expired during the year and to Mrs Carol Devitt who also concluded her term as Director.

Both Mr Smetana and Mrs Devitt were inaugural members of the Western Power Board. During their directorships, Mr Smetana and Mrs Devitt made significant contributions to key Board decisions and projects including the Albany Wind Farm, Bright Telecommunications, implementation of Western Power's Certified Agreement and commissioning of Collie Power Station.

During the year we welcomed the appointment of Director Mr Neil Hamilton as Deputy Chairman. Dr Paul Moy also joined the company's Board of Directors. Dr Moy has extensive experience advising the eastern states' electricity industry as a merchant banker and government representative.

Dr Stephen van der Mye was appointed as Western Power's new Managing Director in March 2003. Dr van der Mye's appointment was effective from 28 April 2003.

Dr van der Mye's most recent role was to establish the National Electricity Market Management Company (NEMMCO), the administrator and operator of the National Electricity Market.

He has extensive finance, minerals, processing and utility industry experience at board and executive levels in public and private companies. Dr van der Mye's skills and experience will be a tremendous asset to Western Power.

We sincerely thank our colleagues on the Board, the management team, and all Western Power people for their commitment to achieving the company's strategic intent, and in meeting our customers' energy needs.

We have stayed focused on delivering strong results across all areas of the business. That we were able to deliver these achievements within an environment of tremendous change is a testament to the hard work of all Western Power people. Our thanks and appreciation go to all those who have contributed in so many ways.

Our role for the next 12 months remains clear. Throughout the implementation of the state's electricity reform program we must stay focused on meeting our customers' needs for safe, economical and reliable power. We will maintain this focus, while continuing to deliver significant revenue payments to the State Government and contributing to Western Australia's economic and social development.

Malcolm H Macpherson
Chairman

Stephen van der Mye
Managing Director

Our company in 2003

Western Power is Western Australia's leading energy company. With operations across the state, Western Power owns four major power stations and 32 smaller power stations with a total generating capacity of 3,273 MW.

Western Power operates and maintains all except one of the major power stations, with Collie Power Station operated and maintained by a private company.

Western Power's 847,000 industrial, commercial and residential customers are supplied with electricity via two major interconnected networks, the South West Interconnected System (SWIS) and North West Interconnected System (NWIS). Smaller distribution networks supply power to customers in 28 remote areas.

Western Power owns about 56 per cent of electricity generation capacity in Western Australia with the remaining 44 per cent owned by private industry.

Western Power is a valuable State asset with an equity level of \$1.45 billion; assets of \$4.48 billion and an annual revenue of about \$1.70 billion.

Western Power pays to the State Government dividends, local government rates and charges and the equivalent of Commonwealth income tax.

Cash payments to government have totalled more than \$1,046 million since 1995. This is forecast to grow by \$602 million by 2005/06.

Electricity prices have fallen by an average of nearly 18% in real terms over the past decade and in 2001 the company gave assurances there would be no increase in tariff charges for the following three years.

The company is focused on the future and that focus includes a strong commitment to sustainable practices and to the development of renewable energy sources.

<<Map of Western Power operations in web version only>>

<<Graphic of Statement of Strategic Intent in web version only>>

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Electricity reform

On 25 November 2002 State Cabinet endorsed the next stage of an electricity reform program including the formation of Western Power into separate generation, networks, retail and regional businesses. To coordinate the next phase of reform implementation Western Power established a reform program team in December 2002.

The team's principal role is to ensure the successful implementation of the project plan developed by Western Power to enable a smooth and timely creation of the four new business entities by 1 July 2004. The team also is the link between the company and the Government's Electricity Reform Implementation Steering Committee (ERISC).

Our project plan is organised into 14 main work streams. Under the work streams there are in excess of 180 specific projects to be completed.

There is a considerable volume of work to be completed in a strict deadline, and we will strive to successfully complete the necessary work within the agreed tight timeframes and budgets. It will require dedicated people and resources and Western Power is committed to meeting the Government's objectives.

<<Electricity reform diagram in web version only>>

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Facing the challenges ahead

During the implementation of the electricity reform program, Western Power will face the dual challenge of assisting to deliver the reform program while continuing to operate in accordance with prescribed standards. Whilst the overall imperatives to reduce the cost of electricity, replace ageing assets, maintain reliable electricity supplies and provide consistently high levels of customer service remain, there are new challenges and issues driving the activities within each of the company's functional areas.

Within an environment of increased competition and the potential for new customers in the gas retailing market, Western Power Retail's ability to compete effectively will be reliant on its ability to acquire low cost energy. This represents the most significant challenge for the company's Retail business unit, in an increasingly competitive energy market.

The key business objectives for Western Power's Generation business unit remain to develop and implement price and fuel strategies to produce real reductions in the average sent out generation cost and minimize the impact on the environment from operations. Generation's ability to achieve these objectives depends on the extent to which it can secure new generation capacity and replace existing plant.

In conjunction with the above, Western Power is in the process of renegotiating existing gas and coal contracts with a view to reducing fuel prices and increasing contract flexibility.

In May 2003, Western Power's Board of Directors approved challenging the Gas Regulator's Final Decision in respect to Epic Energy's proposed Access Arrangements for the Dampier to Bunbury Natural Gas Pipeline (DBNGP). The Gas Regulator's Final Decision means that Western Power faces the prospect of substantial additional transportation costs as a result of the introduction of proposed new penalty surcharges.

The other major issue facing generation with respect to gas transportation is the need for pipeline expansion. While there is currently adequate gas transport capacity available, the DBNGP is approaching maximum capacity. Until the DBNGP is expanded, Western Power faces the prospect of needing to acquire a significant part of its peak generating fuel requirements from liquid fuels, at a substantial additional annual cost.

Western Power's existing coal contracts are also under renegotiation, given the need to achieve coal price reductions in the face of competition from gas suppliers. If the company is not successful in negotiating savings in its existing gas and coal contracts future forecast payments to Government and debt targets will come under severe pressure.

With the majority of Western Power's network assets built in the 1960s and 1970s, the company needs to invest considerable capital into the network infrastructure to connect new customers, supply the load growth of existing customers and to ensure the overall reliability of the network.

Over the next four years, we plan to spend around \$400 million and \$550 million on the transmission and distribution systems respectively to meet these needs. Western Power's ability to achieve continued increases in system reliability will however, come under increasing pressure with competing priorities for funds and limited capital.

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Review of operations

In a year that saw the Government's formal announcement of further reform in our industry, Western Power has remained focused on core business activities and the delivery of benefits to our customers, our stakeholder and our employees. This performance has also placed the company in a strong position to tackle challenges associated with the reform process.

Our focus on core activities has resulted in the best operating profit in the company's eight-year history. Net profit after tax for the year to 30 June 2003 was \$222.1 million, which was 6.9 per cent above the previous year, and 9.1 per cent above target.

Total Income was \$1,697.9 million, representing growth of 6.0 per cent above last year. Increased revenue from the sales of electricity was a major driver of this result. The year set new highs for both summer and winter peak demand for energy. This was reflected in strong growth in unit sales, which were 3.3 per cent above last year.

Miscellaneous revenue was also significantly higher than the previous year. The large increase reflects recognition for the first time of the value of vested electrical infrastructure assets. This resulted in a \$23.2 million increase in Developer and Customer Contributions.

Total expenditure excluding interest and income tax was \$1,234.6 million, an increase of \$86.5 million on the previous year. Increased energy demand resulted in higher costs for fuel and electricity purchases. Following the Windimurra Vanadium Projects owner's placing the project in a care and maintenance mode, Western Power has re-assessed the recoverable value of its joint venture assets servicing this project. This has resulted in an \$18.1 million increase in expenditure.

Labour and materials were \$41.5 million higher than last year. Unusually severe weather conditions throughout the year, driving higher than normal emergency response work, are a major cause of this increase. Planned variations in the Generation maintenance program also contributed to this increase.

Borrowing costs were \$9.8 million below the previous year primarily due to increased capitalised interest costs in relation to major works under construction. Income tax expense is \$5.6 million higher due to the improved operating result.

Gross payments to the State Government for the 2002/03 year totalled \$224.8 million an increase of \$32.2 million from the previous year.

Capital expenditure for the year amounted to \$472.6 million. Construction of Cockburn One combined cycle gas fired plant again dominated capital expenditure. The project is on target to be commissioned in the first half of the 2003/04 financial year.

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(Supported with photos from The West Australian, newspaper headlines and media statement headlines in web version)

Summer / Autumn storms

The sustained and selfless effort by Western Power crews working to restore power in near-metropolitan areas, the Mid West, coastal Mid West, Wheatbelt and Esperance over the Christmas period and the first few months of the new year was applauded by a number of our customers.

These extreme conditions saw crews and call centre staff work 23 of the 25 weekends from December 2002 to the end of May 2003. Feedback from rural business customers has cited the responsiveness of our crews and their willingness to work under pressure to restore power supplies as reasons for high praise. Field staff were well supported by call centre staff logging fault calls and responding to customer queries.

Fault repair crews faced a hail of damage after bushfires and storms, and responded with great stamina which saw:

- restoration of power supplies to Gingin and Mogumber after fires destroyed more than 80 power poles;
- restoration of power to Cervantes after wildfires destroyed powerlines and isolated the town;
- procurement and installation of temporary generation at Cervantes;
- repair of severe and widespread lightning damage in rural areas of Esperance;
- the willingness of South West crews to volunteer to help the restoration effort in the Mid West;
- working through Christmas Eve, Christmas Day and Boxing Day to repair hundreds of faults in the Wheatbelt and Mid West after severe thunderstorms;
- sustained and continuing effort to restore Wheatbelt and Mid West power supplies after a mini tornado and strong winds caused extensive damage; and
- the coordination of these efforts by control centre staff and the Crisis Coordination Committee.

Without doubt, it is the work of our lines crews, fault crews, their resource managers, network controllers and call centre staff that is mostly responsible for Western Power's reputation for excellence in our response to emergency situations.

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Our organisational structure

(graphic layout to be inserted in web version)

Increased efficiency

The state's energy needs are ever increasing, together with customer expectations for competitive pricing. Western Power's focus on meeting these demands has meant an ongoing commitment to increased efficiencies in the way we operate our business.

New plant and efficient use of fuels is the key to driving down the cost of generation, and ultimately, to our ongoing delivery of competitive electricity prices.

We have been able to drive down the cost of electricity since 1995, with average electricity prices reducing by nearly 18 per cent in real terms since that time. Electricity tariffs remain unchanged again this year.

A new electricity consumption peak of 2,719 MW was recorded on 10 March 2003 in the South West Interconnected System – 7.1 per cent above the company's previous summer peak. We are planning for future increases in the state's electricity consumption with the introduction of new efficient generating plant, either by entering into arrangements with the private sector or by building and owning these power stations ourselves.

Key Result Areas	2002/03		2001/02	2000/01
	Actual	Target	Actual	Actual
Benchmark Performance *				
Average unit cost (cents) (Total expenditure before tax / GWh sold)	10.8	10.4	10.5	10.6
Return on assets (%) (EBITDA / average non-current assets)	17.2	16.7	17.6	17.6
Debt to Equity Ratio (Capital structure geared to debt)	62/38	64/36	63/37	65/35
Return on equity (Net profit after income tax / total equity)	15.3	14.3	15.4	15.0

* Performance measures are inclusive of significant items which impact on financial results.

Cockburn One - most efficient generation 'jewel' in our crown.

Using modern technology, the power station maintains Western Power's position as an innovator for electricity generation and supply.

Cockburn One is our first combined cycle plant. Located in Kwinana, it has a generating capacity of 240 MW: 160 MW from the gas turbine and another 80 MW from the steam turbine using waste heat captured in the Heat Recovery Steam Generator.

The efficiency of this process is better than 50 per cent compared with less than 40 per cent from the gas turbine operating on its own.

There are environmental benefits from this process too, resulting in lower emissions.

Mid-May 2003 saw an operational milestone reached at Cockburn One, with the gas turbine fired for the first time. The project remains on target for completion in late October 2003 ahead of the contracted date of 31 December 2003.

Regional Power Procurement projects substantially reduce losses in regional power systems

The main objective of our regional power procurement projects is to replace ageing power stations across the state, with modern, efficient and reliable generating plant.

Western Power supplies 28 towns in regional areas of Western Australia. Many of these are powered by ageing diesel generation.

The State Government established the Regional Power Procurement Steering Committee in 1998, which includes the chief executive officers of Western Power and the Office of Energy. The Steering Committee is conducting competitive tender projects to select independent power producers to supply Western Power's electricity needs in three regions – the Mid West, Esperance and Exmouth.

In April 2002, the State Government requested Western Power develop and manage a power procurement process for the West Kimberley.

We will maintain our role as the supplier of electricity to customers in these regions.

Mid West

Western Power signed a 10-year power purchase agreement with StateWest Power Pty Ltd in August 2001 to supply power to the Mid West region. StateWest Power is building a gas-fired power station at Mt Magnet and diesel-fired power stations at Meekatharra, Cue, Yalgoo, Wiluna and Sandstone. The Mid West projects have now moved to the construction phase and are expected to be in operation in late 2003.

Esperance

In July 2002, Western Power executed an agreement with Burns and Roe Worley Developments Pty Ltd for the supply of electricity to Western Power in Esperance. Subsequently the company was re-named Esperance Power Station Pty Ltd and is now jointly owned by Burns and Roe Worley, Worley Limited and ANZ Infrastructure Services Ltd (ANZIS). Earthworks; civil and building works; and 33kV cable laying are presently underway at the new port power station site. The power station will be supplied with gas from a new 340km pipeline, presently under construction, from Kambalda to Esperance.

The power station is expected to be operational in the first quarter of 2004.

Exmouth

In December 2001 the Minister for Energy announced Burns and Roe Worley Developments Pty Ltd was the single preferred bidder for the supply of Western Power's electricity needs in Exmouth. The proposed power generation system is based on a new local, automated power station, using gas engine generators. The primary fuel for the power station will be compressed natural gas (CNG) and LPG will be used if there is a long-term interruption to the CNG supply.

The Exmouth Power Purchase Agreement is presently in the final stages of negotiations with preferred bidder Burns and Roe Worley.

West Kimberley Power Project

The West Kimberley Power Project Reference Group has entered into negotiations with joint preferred bidders, Energy Developments Ltd and Kimberley Power Pty Ltd. A single bidder will be selected from these two companies to supply Western Power's electricity requirements in the West Kimberley for the next 20 years. The single bidder is expected to be announced by the end of September 2003.

This follows detailed evaluation of 15 proposals from four bidders.

The successful bidder will build new gas-fired power stations at Broome, Derby, Fitzroy Crossing, Halls Creek and Camballin-Looma.

The result of this project will be improved power supplies for the five West Kimberley communities from 2005 and the introduction of a new fuel source into the region. For Western Power, the outcome will significantly reduce its \$20 million a year losses in the West Kimberley region.

South West Interconnected System Power Procurement – will deliver increased peaking and baseload capacity

The State Government announced two stages of public power procurement for the South West Interconnected System (SWIS) in June 2002.

Stage one of the power procurement process for 220MW to 260MW of peaking generation for the state's SWIS is progressing through the final bid phase. It is intended that the final bidder will be appointed in late 2003, with new power facilities available to supply power for the summer of 2005/06.

Stage two of the power procurement process, for the acquisition of 300MW to 330MW of baseload capacity, was launched in December 2002. Western Power received 13 expressions of interest and qualifying respondents will be asked to submit indicative bids.

Innovation - the way forward

The changing market environment and the need for efficiency improvements has led to the creation of an Innovation Section within our networks business. Being in the right shape – performance, mindset and organisation – means delivering a significant increase in value to our shareholder and customers.

Our Innovation Section aims to deliver, within a framework of managed risk-taking, successful step change innovations that create delivered value for Western Power. Projects involving process improvement, system design and application of new technology are promoted through an ideas-based culture.

The increased efficiencies achievable by adopting an innovation aware mindset are epitomised by a planned upgrade project to the 132 kV power line between Southern Terminal and East Perth. To provide for an increased capacity on this line, a larger diameter conductor was required. This would mean unacceptable wind loads on the towers with prohibitive associated reinforcement costs to modify and/or replace some of the towers. The innovative solution to use a smaller diameter high temperature conductor which has been tested to meet Western Power's stringent requirements has identified savings of around \$5 million.

Benchmarking creates a community for best practice sharing

In March 2003, Western Power commenced participation in the Western Australian Benchmarking Consortium (WABC), which consists of several of the state's leading corporations, across industry segments.

Membership of the WABC is driven by our ongoing commitment to enhanced support service processes within Western Power with efficiencies that ultimately improve our overall organisational efficiency. The WABC is working to produce detailed process benchmarking of business support functions, including procurement, human resources and information technology systems. With open sharing of data and best practice among members, Western Power is excited by the scope of, and potential for, enhanced business transformation.

Service supplier accreditation helps mitigate risk

Increased efficiencies have also been achieved through a detailed risk minimisation strategy.

Using a cross-boundary project team, we worked with our 7000 plus service suppliers, inviting them to provide insurance and other information that would result in them becoming accredited suppliers to Western Power. This process has allowed us to proactively manage potentially significant increases in the company's insurance costs.

Innovative customer service

Western Power is strongly committed to helping every one of our customers and providing them with the highest level of service. Every day, we look forward to serving an average 15,000 customers across Western Australia, whether by phone, fax, internet or self-service.

This year, further innovative products and services are continuing to meet the changing needs of our diverse range of customers. A business may have highly advanced technology systems and quality processes, but its ultimate success depends upon the enthusiasm and dedication of its own team of people.

Western Power's people remain the "key ingredient" of our award-winning customer service.

Key Result Areas	2002/03		2001/02	2000/01
	Actual	Target	Actual	Actual
World Class Customer Satisfaction				
Average customer satisfaction (score out of five)	3.9	4.0	4.0	4.0
Reliability and Quality				
Perth CBD				
Outage duration (minutes) (Total duration of interruptions / customers per year)	6.8	14.0	1.1	28.4
CAIDI – average duration of incident (Total minutes / average number of customers)	21.2	30.0	11.1	78.5
SAIFI – average number of incidents (Total customers interrupted / average number of customers)	0.3	0.5	0.1	0.4
Metropolitan area				
Outage duration (minutes) (Total duration of interruptions / customers per year)	218.7*	99.0	108.0	115.4
CAIDI – average duration of incident (Total minutes / average number of customers)	122.4*	62.0	65.0	75.9
SAIFI – average number of incidents (Total customers interrupted / average number of customers)	1.8*	1.6	1.7	1.5
SWIS Rural / Country				
Outage duration (minutes) (Total duration of interruptions / customers per year)	247.0*	172.0	117.0	210.3
CAIDI – average duration of incident (Total minutes / average number of customers)	194.7*	101.0	85.8	119.7
SAIFI – average number of incidents (Total customers interrupted / average number of customers)	1.3*	1.7	1.5	1.8
Regional				
Outage duration (minutes) (Total duration of interruptions / customers per year)	314.5	300.0	365.3	334.1
CAIDI – average duration of incident (Total minutes / average number of customers)	43.9	50.0	50.3	53.4
SAIFI – average number of incidents (Total customers interrupted / average number of customers)	7.2	6.0	7.3	6.3
Pilbara				
Outage duration (minutes) (Total duration of interruptions / customers per year)	56.5	100.0	42.1	196.4
CAIDI – average duration of incident (Total minutes / average number of customers)	55.5	50.0	37.0	54.3
SAIFI – average number of incidents (Total customers interrupted / average number of customers)	1.0	2.0	1.1	3.6

* These figures reflect the impact of the exceptionally severe summer /autumn bushfires and storms that caused widespread damage to the state's electricity network. See page 8 for more details.

Customer Service Charter

In 2002 Western Power's Customer Call Centre managed a total of 1.7 million calls. This year, we handled more than 2.24 million calls, with the increase mainly due to challenges posed to the state's power supplies from exceptionally severe bushfires and storms. It is particularly pleasing that we have been able to restore power and answer our customers' calls this year within the targets set in the company's Customer Service Charter, despite the difficult conditions.

The charter was introduced in 1998 to demonstrate our public commitment to the service standards we offer customers. We developed our customer service measures based on advice from customers about the service standards of greatest importance to them.

With e-mail now a major communication channel for customers, we have introduced a new service standard requiring that e-mails are acknowledged within 48 hours (two working days) of receipt. Since its introduction in December 2002, our Customer Call Centre has achieved this standard.

An audit of the Customer Service Charter was completed in January 2003. We are pleased to report it was found that the charter has raised Western Power people's customer service awareness, with significant improvements in cross-company customer service delivery.

Western Power's Customer Service Charter and annual results are available on-line for our customers to easily understand the service levels they can expect when dealing with Western Power and to monitor our performance against these standards.

Customer Service Charter	2002/03		2001/02	2000/01
	Actual	Target	Actual	Actual
Restoration of unplanned outages within four hours – metro and major regional (%).	96.5	85.0	96.0	90.0
Restoration of unplanned outages within four hours – rural and remote (%).	91.5	85.0	95.0	79.0
Providing at least two working days' notice of scheduled power interruptions, including metro, regional, rural and remote (%).	100	100	100	100
Completing new connections within three working days for metro and major regional, and within five days for rural and remote (%).	91.3	95.0	92.0	84.0
Replacing faulty streetlights within five working days - metro and major regional (%).	97.6	100	99.0	91.0
Replacing faulty streetlights within nine working days – rural and remote areas (%).	93	100	-	-
Answering phone calls to our Customer Service Centre within 30 seconds (%).	92.2	100	94.0	75.0
Acknowledging the receipt of, or replying to, letters within five working days (%).	100	100	100	97
Acknowledging the receipt of, or replying to, e-mails within two working days (hrs).	30.24	48.0	-	-

Top honours from the Customer Service Council

We were honoured to win a prestigious business award from the Customer Service Council in 2002. Western Power was presented with the Service Excellence Award 2002 in the Branch/Division category. We competed against finalists from the state's retail, local government and public sector agencies.

The Customer Service Council was formed in June 2001 to promote excellent service and quality management within Western Australian organisations. Western Power needed to meet very high standards to win the award, according to the Customer Service Council. The judging panel was impressed that Western Power was showing consideration for every customer, from large corporations to elderly pensioners.

For example, Western Power's call centre rated very highly in the ability to effectively respond to people's enquiries, particularly during stormy weather and electricity supply faults. The judges also praised our strong investment in staff development programs, which recognise that people are the future of our organisation.

The Service Excellence Award 2002 is a testament to the valuable contribution of Western Power's retail business unit.

Over the past six years, our retail team has made a significant investment to upgrade our customer services, technology and processes. One of the many positive results of this upgrade is we are now able to answer up to 9,000 customer calls an hour during emergency situations.

Customers praise our “new-look” website

“Fast”, “easy” and “practical” were the key objectives for the creative Western Power team who redesigned our customer website.

They achieved their goal, with many customers reporting they enjoy using the “new-look” website.

More than 800 people answered an on-line opinion survey about the website. Most people (92 per cent) said the website was easy to use and 90 per cent quickly located the information they needed. Overall, 95 per cent of the respondents agreed they liked the website’s look and design.

Western Power is continuing to monitor and evaluate customer feedback to ensure our website remains topical, relevant and user-friendly.

New control systems mean quicker response to faults and other emergencies

As part of a \$16 million project at Western Power’s East Perth Control Centre, the Distribution Management System, when tested and commissioned in mid 2003, will see many older and less efficient systems replaced with new screen based network management systems.

The complete project incorporates the full integration of the company’s systems for distribution management (DMS), energy management (EMS) and supervisory control and data acquisition (SCADA).

The integration of these systems has involved significant business process reviews to realise maximum benefit from the technology changes, including the creation of databases, interfaces and software customisation.

GE Network Solutions was contracted to supply the DMS product software and EMS. Together with a state-of-the-art new SCADA, the systems will help us to maintain and improve the quality and reliability of supply to our customers particularly during adverse weather conditions and planned maintenance outages.

This is essential if Western Power is to satisfactorily continue our role of managing the safe, secure and economic operation of the South West Interconnected Generation, Transmission and Distribution systems.

State Underground Power Program is improving network operations and reducing faults

Since 1996, Western Power has managed the State Underground Power Program (SUPP) and has converted more than 29,000 homes and businesses from overhead power supplies to new underground connections.

This year the suburbs of Mount Lawley, West Leederville, Subiaco and East Victoria Park were involved in the project. In addition, three localised Enhancement Projects in Harvey, Pinjarra and South Terrace Fremantle have been completed.

In January this year, local governments were invited by the Office of Energy to submit expressions of interest for inclusion in Round Three of the program. New project areas have been selected in East Victoria Park, Shenton Park, City Beach, Gosnells, Fremantle, Como, Nedlands, Wembley Downs, Port Hedland and Highgate. The first of these projects will start in January 2004 and Round Three will take three years to complete.

With planning and estimating improving with experience, combined with fixed price contracting, performance of the project is continuously improving and is well on target to meet its goal of having 50 per cent of Perth suburbs connected to underground power by June 2010.

Pinjar-Cataby-Eneabba transmission lines

Western Power is building two new transmission lines from the company’s gas turbine generating station at Pinjar to its existing substations at Cataby and Eneabba.

These transmission lines form part of the planned transmission system development in the Great Northern Region of Western Australia.

At a cost of about \$60 million the new lines are a significant investment by Western Power in the provision of reliable, quality power supplies for the Mid West and northern Wheatbelt.

Southern Terminal to Cannington Terminal 330 kV transmission line

Perth's south-eastern corridor is providing a challenge for Western Power planners as increasing electricity demand follows rapid growth in the area.

To address the growing demand Western Power has begun planning for the construction of a new high voltage transmission line from Bibra Lake to the Cannington Terminal substation.

The new line is needed to guarantee adequate power supplies to the Cannington Terminal substation load area beyond the summer of 2005/06.

The new line will provide a high-voltage connection between Western Power's two major terminal substations in the south metropolitan region – Southern Terminal in Bibra Lake and Cannington Terminal in Cannington.

The chosen route minimises the impact of the line on the community and the environment while meeting the long-term requirement for extra power supplies in the Cannington Terminal load area.

The transmission line will cost about \$23 million to build and is a significant investment in the long-term reliability and quality of power supplies in the area.

The South Fremantle to O'Connor transmission line upgrade - tops trimmed in line touch-up.

Western Power began a maintenance program on the transmission line that runs between the South Fremantle and O'Connor substations using cranes to remove and replace the top sections of 50 year-old transmission towers.

A giant 100-tonne crane was used to remove the top of the steel lattice towers after trained technicians detached the conductors and lashed them to the lower half of the tower. A new 20-metre-high section was then hoisted into place, bolted into position and the conductors reattached.

The line has been in service since the construction of the South Fremantle Power Station in 1951 and has operated without incident since that time.

Waterloo to Busselton transmission line

In December 2002 Western Power began the construction of a new transmission line from Waterloo, near Bunbury, to Busselton to meet the growing demand for electricity in the South West of the state.

The new line should be operational by November 2003.

The line will increase the capacity of the electricity supply system in the South West, improving the system's ability to handle the energy demands of peak tourism periods.

In planning the line Western Power took into account environmental, social, economic and technical issues that would affect the project.

The new transmission line will improve the quality and reliability of power supplies to communities in the South West and Western Power has worked with these communities to ensure the construction of the line meets community requirements and expectations as much as possible.

East Perth to Cook Street 132 kV transmission line

Western Power is strengthening power supplies to the Perth central business district and West Perth district.

Demand for electricity in these areas is growing as new development and redevelopment projects continue and Western Power is adopting a responsible forward planning position to cater for the future power needs of our city.

A new 5.5 kilometre long high-voltage line will be built into the Cook Street zone substation in West Perth from the major East Perth switchyard. This project also is part of a bigger program to upgrade existing and ageing 66 kV infrastructure to 132 kV capacity as well as substations in strategic locations such as Cook Street.

The new East Perth-Cook Street transmission line is being put underground in the road reserve.

Before finalising the route, Western Power had discussions with the City of Perth, Town of Vincent, Westrail and Main Roads WA and spent considerable time and effort locating underground services such as gas and water, drainage pipes and power and telecommunications cables. The transmission line will be operational for the 2005/06 summer.

Easy Fault Reporter takes the guess work out of finding a fault

When storms and bushfires cut power, Western Power can receive many thousands of calls from customers in a matter of minutes.

In May Western Power introduced the Easy Fault Reporter card to assist mainly rural customers in providing the right information to Call Centre operators when reporting faults.

The card has space for the customer to write their meter and account numbers, plus the pole-number of any power poles on their property.

The Easy Fault Reporter helps Western Power locate a fault so if there are a large number of faults we can dispatch a fault crew to the right location as quickly as possible.

Commitments to Wheatbelt power supplies

Western Power's commitment to the Wheatbelt has seen expenditure on maintenance on the distribution network in country areas of the SWIS almost triple from \$9.3 million in 1999/00 to \$27.8 million this year.

The maintenance work is additional to the \$9.3 million cost of repairs to the network after severe storms and bushfires caused widespread disruptions to power during the latter part of last year and the early part of this year.

Almost \$3 million will be spent on a bulk pole reinforcement program on the electricity network in the Koorda region over the next three years. Reinforcing of the main Minnivale Feeder was completed this year and work is underway to reinforce other supply lines in the region.

Problems experienced in Toodyay in February this year led Western Power to conduct the study and reconfigure customer connections to the feeder, greatly improving the reliability of the line.

Western Power also installed a satellite-controlled automatic recloser on the Bejoording spur to reduce the duration of power interruptions caused by transient faults such as birds and wind-borne material coming into contact with the line.

New supply line for the Wheatbelt

As part of a drive to improve power supplies in the Wheatbelt, Western Power began the construction of the Moora to Wongan Hills 132 kV transmission line in December 2002.

The \$10 million project is a significant investment in the rural network providing both an increase in capacity and eventually, with the planned construction of the Wongan Hills substation enabling the shortening of a number of rural feeders, an improvement in supply reliability in the Wheatbelt.

The project included the installation of a new 33 kV feeder circuit at Moora substation, a 33 kV pole-top recloser at Wongan Hills, and temporary connections of the new line to the Moora feeder and to the Wongan Hills distribution network.

Work on the line was completed in June.

Temporary generation for Cervantes as fires surround the seaside hamlet

Power supplies to Cervantes were cut early on the morning 23 December 2002 by a large bushfire raging east of the town.

Due to the severity of the blaze Western Power was unable to start restoration work until the following day and plans were put in place to have emergency generation installed at the town-site.

Western Power delivered 12 temporary generating units to restore power to the seaside town close to midnight on 23 December 2002 and the units were progressively installed during the next day.

Back up lines-crews from Perth left for Cervantes to join what proved be a major and prolonged effort to rebuild the power line supplying the coastal town.

Switchroom in Carnarvon

A new \$1 million switchroom at the Carnarvon power station, was installed and commissioned in April this year to improve the town's power supply.

The switchroom incorporates the latest switchgear technology. Situated in the substation compound, the new switchroom replaces an ageing, 30-year-old open-air switchyard.

This equipment upgrade, coupled with other network enhancements during the year, will improve the reliability of the town's power supplies. It will also create a safer working environment for Western Power's local crews because the switchgear incorporates the latest safety features.

Helicopter patrols on Esperance's rural network

Trained Western Power operators used a helicopter to search powerlines for vegetation growing too close to lines and signs of damaged insulators, cross-arms and pole-top equipment in February this year.

This is the first year Western Power has used helicopters to patrol powerlines in the Esperance district. A fixed-winged plane has been used in the past. The benefit of patrolling with helicopters, over using fixed-wing planes, is that lines can be investigated at close range, by hovering over problem areas.

In less than a fortnight, more than 3,000 kilometres of powerlines were inspected 140 kilometres west of Esperance to Jerdacuttup, 130 kilometres north beyond Salmon Gums and 140 kilometres east beyond Condingup. Land-based vehicle patrols would take 12 months to cover the same area.

Armed with this information, Western Power prepared a works program to repair any damage and prune vegetation away from the lines to lessen the likelihood of power interruptions.

The helicopter patrols are part of the Esperance Rural Upgrade program. Completed in May this year, this multi-million dollar program commenced in 1998 and has involved a system-wide upgrade to improve the reliability of the extensive Esperance rural network.

Broome power demand

With electricity demand rising an average eight per cent a year in Broome, Western Power is taking steps to ensure that the area's power supplies are adequate as the town continues its strong growth.

In late May this year another three generating units were installed at the Broome Power Station making it capable of producing up to 25 MW, an increase of 30 per cent capacity.

Wyndham supply improvements

Additional back-up generation has been installed at Wyndham to supply power to the town in an event of an emergency.

Other elements of the program, designed to improve power supplies in Wyndham, include vegetation-clearing works, a bulk streetlight upgrade project and installation of bat and bird deterrents to the power lines. Together with a new remotely controlled automatic line recloser at Guda Guda, near Wyndham, this program will assist in improving the reliability and quality of the area's power supplies.

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Growing our business

We continue to explore new opportunities and our competitive strength is being rewarded with success.

Western Power looks beyond traditional business to explore new markets and new challenges. And the company continues to expand its traditional areas of business such as network and new energy products.

Western Power is actively anticipating and innovatively meeting our customers growing expectations and demand for choice.

Key Result Areas	2002/03		2001/02	2000/01
	Actual	Target	Actual	Actual
Business development				
Growth in revenue – SWIS (%)	3.4	0.5	1.2	1.3

Bright Telecommunications

Western Power's telecommunications offshoot Bright Telecommunications entered two new phases during the year.

Our initial Bright Service Pilot conducted in the South Perth and Como areas was well received with customer surveys indicating high levels of customer satisfaction (average 4.8 on a six-point scale). The Como/South Perth Service Pilot will continue until 31 December 2003, and in addition the size of the pilot network has been increased to include a section in Victoria Park.

The Bright project has benefited from a close association with the State Underground Power Program (SUPP); building a below-ground telecommunications network in the South Perth and Como areas as power supplies were put underground. However, Western Power was keen to deliver the benefits of the Bright services to people in areas where power supplies were unlikely to be put underground in the near future. During this past year Western Power has tested a new, low-visibility aerial optical fibre which is delivering broadband services to customers in the Victoria Park area.

In June this year Western Power and telecommunications giant Ericsson announced the start of one of Australia's first "Fibre to the Home" (FTTH) broadband projects. The network, installed in South Perth, is providing broadband services to residential and small business customers using the first Australian commercial pilot of Ericsson's Public Ethernet based FTTH broadband systems and services. The network takes optical fibre all the way to users' premises and delivers a dedicated 100 megabits per second (Mb/s) Ethernet link to every subscriber; many times faster than cable or digital subscriber line (DSL) connections. Ericsson has equipped broadband operators in Europe with similar FTTH broadband networks.

Renewable Energy Certificates

Western Power's Renewable Energy Certificates (RECs) procurement program is underway as we seek to meet our renewable energy requirements well into the future. In December 2002 we launched a public procurement program to acquire up to 90,000 RECs annually from private renewable energy generators. This is in addition to the RECs acquired from Western Power-owned renewable energy generation, through projects such as the Albany Wind Farm and Rockingham Solar Trough.

The company's RECs procurement program follows the Federal Government's legislation, passed in late 2000, to progressively increase the contribution of renewable energy sources in Australia by an additional 9,500 GWh by 2010. RECs are also acquired in support of Western Power's premium Green Power product, NaturalPower. Pleasingly, there has been an encouraging response to Western Power's RECs procurement program with substantially more RECs offered than sought. Final bids are expected by the end of 2003, with contracts targeted for approval around the first quarter of 2004.

Residential customers are also able to contribute to Western Power's RECs, through the company's Solar Hot Water Rebate program, launched in February 2002. By installing approved solar hot water heaters, customers can sell their rights to RECs to Western Power or a participating manufacturer and receive a discount on the purchase price of their solar hot water system. In the last twelve months, Western Power has expanded from working with one solar hot water system manufacturer to the four main manufacturers operating in Western Australia. Since the start of the Solar Hot Water Rebate program, Western Power has acquired more than 30,000 RECs from this source.

More businesses discover our "energy advantage"

Since 1997, Western Power has embraced the challenge of increased competition by offering a suite of new products and services tailored to large, medium and small business clients.

The State Government opened the electricity market to more competition in January 2003 when some 1,800 Western Australian small businesses that use 34 kW could choose their own electricity supplier. During this time of exciting change, Western Power has developed new competitive pricing options for this group of customers.

Small to medium businesses can now benefit from an energy review service, Western Power Energy Advantage. Through this new service, Western Power's energy consultants are showing customers how they can increase their business' energy efficiency and make significant savings on annual power costs.

Our Retail team has also established a dedicated team of telephone account managers who are delivering a personalised service to small business customers. These customers are welcome to contact their own Western Power Account Representative, who will help them to manage their electricity accounts more easily and efficiently.

Smartways to make a difference to your power at home

Through our Smartways campaign, Western Power continues to provide advice on saving money at home - from purchasing the correct appliances, to managing electricity consumption with simple tips, to considering the impact you may have on the environment. Smartways empowers customers to make a difference.

Ideal ideas for your home

The Western Power Ideal Home Show attracted a record of 23,000 visitors during the March long weekend. Western Power was well represented at the show, providing visitors with advice on 'cooking electric', Western Power's Solar Renewable Energy Certificates program, home insulation, SmartPower and electricity education

Energised by NaturalPower

From mining giants to the local corner store, more WA businesses are recognising the need to limit their impact on the environment.

Western Power is supporting business customers who are aiming to reduce their greenhouse gas emissions. This year, an increasing number of businesses purchased Western Power's renewable energy product, NaturalPower.

We are providing clean, green electricity from renewable sources through NaturalPower, including our solar plants in Kalbarri and Rockingham and our wind farm in Albany. NaturalPower is also available to Western Power's residential customers. Since it was introduced in March 2000, more than 820 customers have signed up for the product. Between them, they have saved an equivalent of 4,600 tonnes of carbon dioxide.

Our NaturalPower business customers include Central Park, Garden City Shopping Centre, the Department of Conservation and Land Management, the Cities of South Perth and Canning and the Shires of Serpentine-Jarrahdale, Chittering and Capel. We look forward to continuing to work with our customers and stakeholders in this journey towards sustainability.

From Thailand to Tuggerah – we're expanding our unregulated business

Our networks business development team is actively pursuing selective business opportunities in Western Australia, other states or at times overseas.

Operating under the brand name of Integrated Networks Services (INS), the team is focusing on providing a wide range of electrical services to commercial customers. This work includes engineering consulting services, construction and maintenance. The INS team has succeeded in developing and expanding Western Power's unregulated business beyond the borders of Western Australia. For example, we won a contract to provide technical expertise to the Provincial Electricity Authority in Thailand, along with Anderson/KPMG. Through this work, we were able to demonstrate industry best practice methods and innovation in delivering the best solution.

In another venture, we were successful in our bid to install a 132 kV capacitor bank for the utility TransGrid in Tuggerah NSW. It is an excellent step towards winning major works with other external clients.

Mid West Power and Gas project

Following a collapse in the price of vanadium pentoxide, management of the Windimurra Vanadium Project elected to shut down the project in February 2003, pending improved prices. An assessment of the Mid West Power and Gas project resulted in Western Power writing down its interest in the project by \$18.1 million. Western Power and its joint venture partners are optimistic that additional gas sales from the Mid West pipeline will be realised in the future.

Hamersley Iron Seven Mile Workshop

On 1 January 2003, Western Power signed a five-year Power Purchase Agreement to supply an annual electricity load of 4.7 GWh to Hamersley Iron's Seven Mile Railway Facility Workshop. Pleasingly, this contract was a result of our close working relationship with Hamersley Iron.

Natural Gas – A dual fuel retailer

The company is currently bound by a Government moratorium that prevents it from selling gas until 17 October 2003. This means that, only after this date, competitive gas from Western Power can be supplied to gas customers consuming more than one terajoule a year.

Although unable to supply gas contracts until October 2003, Western Power Retail has been actively marketing as an alternative natural gas retail supplier. In fact, a number of managed accounts have already signed contracts to take gas after October. The feedback received demonstrates that Western Power can offer gas customers substantial savings and still maintain its commercial requirements. The new gas business will be integrated within Western Power's existing retail operations so that customers benefit from seamless customer service. This is a positive outcome for both business customers and the Western Australian community as a whole.

Environment Review 2003

Working for a better environment

Western Power's customers expect the company to achieve environmental excellence and lead in the development of sustainable energy resources. Our environmental performance is tracked annually utilising a number of performance indicators. For 2002/03 our main environmental performance indicator is our greenhouse response, reported in detail in the Greenhouse Response section. Measuring performance against targets is an integral element of Western Power's continuous improvement process, assist the efficient allocation of resources and help identify areas of weakness.

Key Result Area	2002/03		2001/02	2000/01
Greenhouse Response	Actual	Target	Actual	Actual
Carbon intensity (kgCO ₂ e/kWh electricity sold)	0.95	0.97	0.92	0.96

Practical environmental care

Every Western Power site is unique when it comes to addressing environmental concerns. Their location, purpose, complexity and even the prevailing weather conditions all play a part in determining their environmental management.

We recognise that practical environmental care, through innovative programs and on-going management, will protect the right of future generations to a sustainable and diverse natural environment. In all areas of our operation from the management of our networks to the generation of power we are proud of the way we work with local communities and regulatory authorities to achieve the best results for the environment and community.

This commitment to environmental care and practical management in our operations is reflected in resources dedicated to managing our environmental impacts. In the 2002/03 financial year 19 full-time Western Power employees were dedicated to environmental project and management activities and an additional \$5 million was spent on environmental activities relating to major projects.

Additionally Western Power spent \$21.7 million on the development of renewable energy resources with 15 full-time employees dedicated to renewable energy projects.

Environmental Policy

Environmental Governance

Western Power's Environmental Governance framework is based on our organisational structure, policies, practices and responsibilities. We are committed to proactive environmental management through community consultation, planning, compliance, sustainable development and auditing for continuous improvement. Our Environmental Policy specifies our environmental responsibilities.

Western Power's Environmental Policy

Western Power's Environmental Policy is the formal expression of the principles to which the company commits in managing the impacts of operations on the physical environment.

The policy presents a practical, sustainable framework for the company's environmental activities, initiatives and obligations. It provides direction for all employees and contractors, outlining their environmental care responsibilities while representing Western Power.

The current Western Power Environmental Policy was launched in June 2000 and reviewed in November 2002. It is supported by the Renewable Energy Policy and recognises today's need for practical environmental care in order to protect the right of future generations to a sustainable and diverse natural environment. Western Power places a strong emphasis on the importance of leadership within the organisation, and by the organisation in the wider community.

Environmental Policy Statement

Excellence through practical environmental care

Western Power recognises the value of the environment to the community and future generations. We will work towards sustainable development by the responsible production, distribution and use of energy.

Our environmental objectives

Western Power will:

- Instil a sense of environmental responsibility amongst our people.
- Protect the natural and cultural environment in all our operations in a socially responsible manner.
- Embrace the principles of continual improvement, waste minimisation and pollution prevention.
- Continually improve our environmental management system.
- Meet all legal obligations and industry agreements both in letter and spirit.
- Establish, monitor and review environmental targets and publicly report environmental performance.
- Adopt cost-effective measures to abate greenhouse emissions as part of business decisions.
- Be a leader in the development and application of renewable and alternative energy.
- Communicate with and involve all interested people on environmental issues in an open and timely manner.

Our environmental responsibilities

Environmental leadership and adherence to this policy is the responsibility of all employees of the Corporation and its contractors. The development and implementation of environmental policy is the responsibility of the Environmental Executive Committee.

Environmental Management

Environmental Management System

An Environmental Management System (EMS) is a structured approach to identifying and managing environmental issues and impacts and ensuring continual improvement in environmental performance.

There are five basic elements of an EMS:

- Environmental policy and commitment;
- Inspection and review of environmental activities;
- Planning, implementation and operation of management processes;
- Measurement, monitoring, audits and reporting; and
- Management review and improvement.

The tool used to implement Western Power's EMS is EMISWeb, an internet-based software package built upon AS/NZS ISO 14001, the international standard for environmental management systems.

EMISWeb facilitates the identification and management of environmental issues and impacts; and the scheduling of environmental monitoring and compliance reporting to help prevent, control and reduce environmental harm.

Western Power has more than 280 operating sites registered on EMISWeb including power stations, depots, wind farms, communication sites, substations, decommissioned properties and more than 85,000 kilometres of line and cable.

To ensure effective due diligence and ownership of environmental responsibility, the EMS is developed at each site or region and coordinated by local or regional EMS Team Leaders.

During 2002/03, 21 EMS Team Leaders attended environmental workshops with the aim of achieving environmental excellence through increasing general environmental awareness, improving local implementation of the EMS and developing proficiency in the use of EMISWeb.

The ownership of environmental responsibility at site level allows the development of environmental management programs and initiatives that are specific to each site's operational activities.

Improving frontline environmental management

During 2002/03 we continued to improve frontline environmental management in our network operations with the review and implementation of a comprehensive suite of environmental policies and procedures. These provide detailed information to front-

line employees on how to manage a wide range of environmental issues. The guidelines were presented to 600 employees over a nine-week period, with each presentation adapted to meet the requirements of the audience.

The aim of the guidelines was to facilitate the integration of responsible environmental management within daily work activities and to ensure the prevention of adverse environmental impacts from our network operations.

Meeting international standards

Both Muja and Collie Power Stations have certified their environmental management systems to AS/NZS ISO 14001, the international standard in environmental management systems.

In order to maintain certification, independent, external auditors audit both sites on an annual basis.

Muja's ISO 14001 Environmental certification, first gained in June 2002, was maintained in 2003 with satisfactory surveillance audits in September 2002, February 2003 and June 2003.

Environmental audits – measuring our performance

Audits are an important tool that assists us to build and improve on our performance. In June 2002 an external audit of our Environmental Management System determined that all operational sites audited had achieved greater than 90 per cent implementation of the EMS. The audit also identified opportunities for improvement across a number of areas.

Further EMS audits were undertaken in 2003 to measure the degree of improvement at sites since the 2002 audit. The objectives of these audits were to:

- assess environmental due diligence;
- determine the degree of implementation of continuous improvement measures identified in the 2002 EMS Audit, in the specific areas of:
 - environmental management programs,
 - site based environmental training,
 - site / branch / business unit procedures,
 - incidents/emergency response,
 - monitoring,
 - non-conformances and
 - EMS documentation;
- contribute to the improvement of Western Power's EMS.

How is our EMS performing?

An initial internal audit was undertaken by qualified internal auditors between February and April 2003. To ensure an accurate reflection of our EMS, the audit covered 31 operational sites.

The audit included a review of EMS documentation relevant to each site as well as interviews with the site's EMS Team Leader and Environmental Coordinator.

Where there was a lack of evidence to indicate compliance with an audit criterion a note of non-conformance was issued.

The internal audit determined that 93 per cent of the gap identified in the previous year's audit had been closed.

This result was verified by a second, independent external audit conducted in June 2003.

ESAA Code audit

As a signatory to the Electricity Supply Association of Australia's (ESAA) Environmental Code of Practice Western Power is committed to the promotion of sustainable development, social responsibility and environmental and resource management in the production and delivery of electricity.

Each year our endeavours in these areas are reviewed to ensure that we are meeting our commitments. Internal auditors completed the audit of our performance in September 2002. The company's overall score was 4.2 (based on a scale of 0 to 5), which represented an improvement from last year's score of 3.9.

Comparing the scores to the average scores for all ESAA members, Western Power rated above average on all policies.

Code of Environmental Practice Audit Scores by Policy				
	ESAA overall average score	ESAA maximum score	ESAA minimum score	Western Power Score
Policy A – Sustainable Development	3.8	4.8	2.5	4.2
Policy B – Social Responsibility	3.7	4.6	2.0	4.3
Policy C – Environmental Management	3.5	4.9	1.4	4.1
Policy D – Resource Management	3.6	4.8	1.8	4.2
All policies	3.7	4.7	2.2	4.2

Environmental compliance

Western Power's operational sites are subject to a range of State and Federal environmental legislation. In addition some sites require State environmental licences. All performance obligations under these licences are monitored and reported and can be subject to Government agency audit or inspection. A summary of licences held by Western Power facilities is provided below.

Western Power Environmental Licences	
Environmental Licence	Total
Department of Environmental Protection Operating Licence	12
Department of Environmental Protection Petrol & Oil Trap Licence or Registration	5
Department of Infrastructure and Resources Licence to Store Dangerous Goods	32
Water & Rivers Commission Groundwater Well Licence	7
Water & Rivers Commission Underground Water Pollution Control Area Permit	4

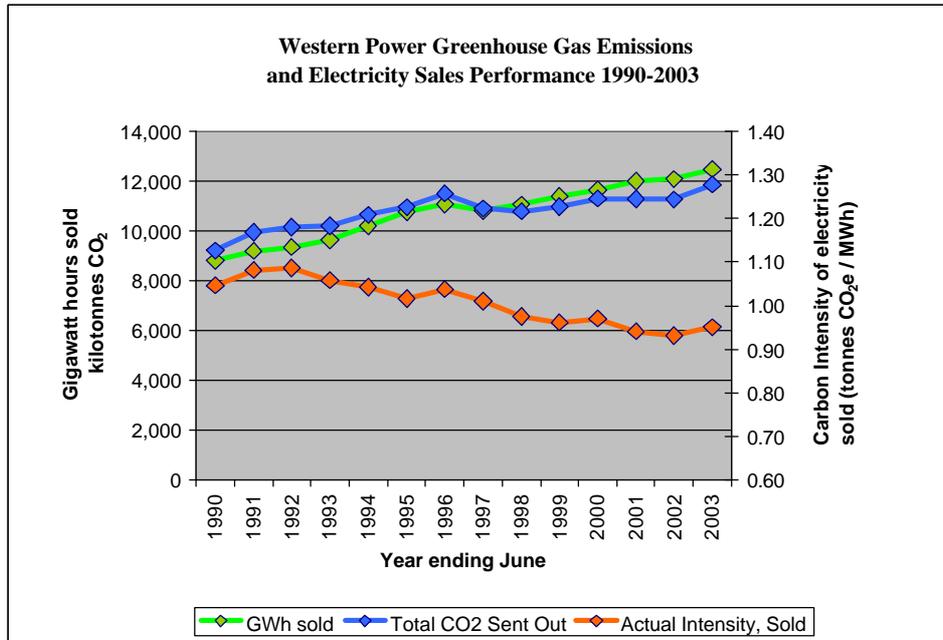
Western Power aims for practical environmental care at all times, at a minimum this involves complying with all licence and regulatory requirements. To assist staff in meeting this policy a new corporate environmental procedure was introduced in December 2002.

The procedure instructs EMS Team Leaders to conduct a licence compliance review for each environmental licence twice during the licence period.

Greenhouse Response

Western Power's total electricity sales grew by 3.3 per cent to a total of 12,475 GWh in 2002/03. In producing and supplying this electricity the company emitted 11.48 million tonnes of greenhouse gases directly from its own operations and an additional 0.51 million tonnes is estimated to have been emitted by other entities in producing electricity that was purchased by Western Power for on-sale to our customers.

Offsetting these emissions is 0.14 million tonnes of carbon dioxide estimated to have been absorbed by Western Power's tree plantation activities. The net greenhouse gas emission associated with the company's electricity sales in 2002/03 was 11.86 million tonnes. This is a five per cent increase on the previous year, largely the result of a high proportion of the increased generation coming from coal-fired plant.



As a consequence, the greenhouse intensity of electricity sold by Western Power increased marginally to 0.95 tonnes CO₂e/MWh. This should be reduced in the coming year as greenhouse gas-abating activities advanced during 2002/03 take effect. These include:

- Completion of the construction of the Cockburn One combined cycle gas turbine power station to commissioning stage. This high efficiency, gas-fired generator will produce substantially less greenhouse gases than the plant it replaces;
- Construction of the Integrated Wood Processing demonstration plant at Narrogin;
- The first full year's operation of the locally manufactured wind turbines at Exmouth and construction of a new 3.6 MW wind farm at Nine Mile Lagoon, Esperance;
- The start of a program to secure 90 GWh of renewable electricity production by independent generators in Western Australia;
- Commitment to the national Generator Efficiency Standards;
- Launch of Western Power's Energy Advantage scheme to provide energy management services to the small-to-medium enterprise sector; and
- Continuation of Western Power Energy Services to large customers.

Atmospheric emissions

Electricity generation is a major source of atmospheric emissions. With the closure of old plant, commissioning of new, efficient generating plant and increased development of renewable energy resources, we are reducing our atmospheric emissions.

The following tables provide information on the main atmospheric emissions from our major power stations.

Sulfur Dioxide emissions kgs emitted per MWh of electricity sent out	2002/03	2001/02	2000/01	1999/00	1998/99
Collie	5.3	5.3	6.1	6.0	-
Muja	6.0	6.0	6.9	6.8	7.0
Kwinana	2.1*	1.4	1.6	2.0	1.8
Pinjar Gas Turbine	0.0	0.0	0.0	0.0	0.0
Mungarra Gas Turbine	0.0	0.0	0.0	0.0	0.0
Regional power stations	1.2	1.3	1.3	1.4	1.5

*These emissions are due to the increase in coal use at Kwinana Power Station in comparison to last year.

Nitrogen Oxides emissions kgs emitted per MWh of electricity sent out	2002/03	2001/02	2000/01	1999/00	1998/99
Collie	3.3	3.2	4.7	4.6	-
Muja	3.9	3.8	3.9	3.8	3.9
Kwinana	3.2	3.1	3.0	3.2	3.2
Pinjar Gas Turbine	2.1	2.1	2.9	2.9	2.8
Mungarra Gas Turbine	2.2	2.2	3.0	2.9	-
Regional power stations	15.7	15.9	15.0	15.7	13.7

Particulate (coal only) emissions kgs emitted per MWh of electricity sent out	2002/03	2001/02	2000/01	1999/00	1998/99
Collie	0.2	0.2	0.2	0.2	-
Muja	9.0*	6.9	7.1	6.5	8.0
Kwinana	0.1	0.0	0.0	0.1	0.1
Pinjar Gas Turbine	-	-	-	-	-
Mungarra Gas Turbine	-	-	-	-	-
Regional power stations	-	-	-	-	-

**These emissions are principally due to increased coal usage on Muja AB stage relative to Muja CD stage in comparison to last year. Muja AB was commissioned in the 1960s and plans are in place to decommission those units in 2006.*

Western Power submits pollutant emissions information to the National Pollutant Inventory (NPI) each year. The NPI is a national database designed to provide the community with information on types and amounts of specified pollutants to the environment. Further information on Western Power's emissions as required by the NPI is available at <http://www.npi.gov.au>.

In liaison with relevant regulatory authorities we have continued to improve emission monitoring. In December 2002 Kwinana Power Station sought and received approval from the Department of the Environment for changes to the station's environmental monitoring system, which monitors and logs emissions and discharges from the site. This includes particulates (dust) and sulfur dioxide from the exhaust stacks and wastewater.

Resource and energy management

We are working towards being more accountable for our own energy use as well as the use and disposal of resources in our efforts to meet the energy demands of our customers.

For the first time, we have included our electricity consumption figures. In 2002/03 we used approximately 5,688 MWh of electricity in our head office facilities and a further 8,473 MWh at depots and offices around the state. Approximately 839,426 MWh was recorded as used in works, that is, the electricity consumed in our power stations to generate electricity.

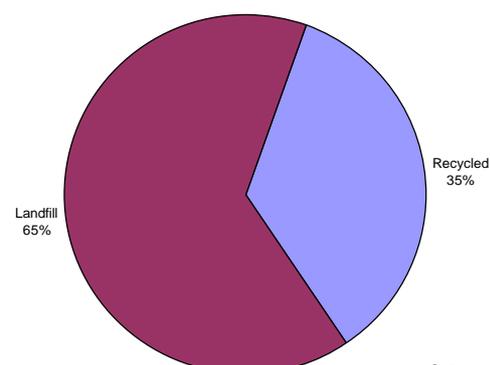
As an energy utility with 2,588 employees across the state, Western Power consumes a range of fuel resources that includes:

<i>Fuel consumption used for generation</i>	
Coal (tonnes)	4,931,000
Distillate and other fuel oils (tonnes)	64,791
Gas (TJ)	38,597
<i>Fuel consumption used for fleet vehicles</i>	
Diesel (tonnes)	2,995
Unleaded (tonnes)	1,342
LPG (TJ)	6

Coal is a major fuel source for electricity generation. While the use of coal is planned to be phased out at Kwinana Power Station in 2004, practical steps are being taken to find better ways of using coal for electricity generation. We are continuing our involvement in the CRC for Coal in Sustainable Development (CCSD), which is a jointly funded national research program into the sustainable use of coal. The program aims to improve the understanding of the place of coal in the transition to sustainable development, to improve the economic and environmental performance of current technologies and to reduce the risk in adopting emerging clean coal technologies.

Waste management

Supplying electricity across Western Australia to more than 840,000 customers, Western Power uses a large amount of resources and needs to manage a range of solid waste products including power poles, cable, metallic waste, office waste, tyres, plastic packaging, insulators and vegetation. In 2002/03 Western Power generated 3,170 tonnes of solid waste, of which 35 per cent was recycled.



Liquid wastes are mainly oil, but also include hazardous wastes such as solvents, coolants and acids. In 2002/03 we produced 380 tonnes of waste oil and also disposed of 62 tonnes of hazardous waste. Approximately 92 per cent of waste oils and more than 99 per cent of hazardous waste were recycled through authorised waste contractors with the remainder disposed of according to legislative requirements.

Fly ash management

Fly ash is a by-product from burning coal. In 2002/03 Western Power produced 200,765 tonnes of fly ash with 15 per cent being recycled and the remainder managed through on-site fly ash dams. Management of fly ash is reviewed regularly with new disposal options investigated and, where feasible and environmentally sound, implemented.

Western Power has signed a new contract with construction material manufacturer Boral to take fly ash from both Muja and Collie Power Stations. In 2002/03 13,688 tonnes of fly ash was sold, mainly used in the construction of new dams in the South West at Harvey, Wokalup and Samson Brook. The agreement with Boral is expected to increase the recycling of fly ash from both power stations resulting in reduced pressure on the stations' on-site disposal dams.

Perron Quarry is the main disposal point for fly ash from Kwinana Power Station. In line with Western Power's environmental policy of practical environmental care, the station has prepared a series of strategies to extend the life of Perron Quarry until coal burning ceases at the power station. The recommended strategy for management of fly ash from the station is focussed on its commercial reuse in turf farms and as a component of brick and tile manufacturing. In 2002/03 Kwinana Power Station recycled 62 per cent of the fly ash produced by the station.

Site stewardship

With approximately 3,000 sites across Western Australia, Western Power has a responsibility to pro-actively manage the relationship between these sites and the surrounding communities.

In November 2002 the Auditor General of Western Australia released a report reviewing land-holding Government agencies' management of land contamination on Government-owned or controlled sites. Ten agencies were reviewed based on how well advanced they were in identifying their contaminated sites and their ability to assess the associated health, environmental and financial risks.

Western Power was most able of those reviewed to identify their contaminated sites and was one of the two agencies found to have management policies, practices and systems in place that were generally consistent with best practice for the identification of contaminated sites and the assessment of associated risks.

Contaminated sites management

Belmont Depot – Remediation of Belmont depot is complete and agreement has been obtained from the Department of Environment (DoE) that the site is suitable for residential development. The site has been sold and records of all environmental work undertaken at the site disclosed to the new owners.

East Perth Power Station – A detailed site investigation has been completed and informal agreement obtained from the DoE, Department of Health (DoH) and Swan River Trust (SRT) on future site management requirements. Western Power is currently developing a site remediation and validation plan for submission to the DoE in order to obtain formal agreement. Western Power intends remediating the site to the DoE's residential guidelines, which will make it suitable for any of the currently proposed uses.

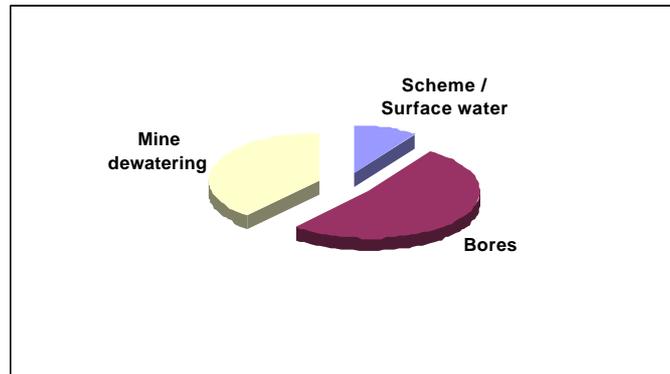
Carnarvon Power Station – Oil contamination under the power station is being monitored on a regular basis. Engineering changes are being made to the power station foundations to eliminate all possible pathways for oil escape and groundwater monitoring will continue.

Picton – In July 2002 the DoE received an anonymous letter stating that Western Power had dumped drums of "agent orange" and an amount of diesel containing aldrin (an organochlorine pesticide) on and near Picton Depot. Western Power engaged a consultant to investigate the claims. No evidence was found of "agent orange" being dumped but a quantity of hydrocarbon containing aldrin was found in soil in one area of the depot where this liquid was previously stored. Further investigation concluded that this contamination poses no short term risk to the environment. A management plan is currently being developed in consultation with the DoE.

Water management

Water is a required resource for the generation of electricity and Western Power uses a large amount of water at its power stations. The supply of water resources and the disposal of wastewater are managed through site specific plans in accordance with legislative and community requirements.

Western Power's total water consumption in 2002/03 was 17,803 ML, sourced predominantly from groundwater in the vicinity of the power stations, mine dewatering and some scheme supply.



Western Power water consumption by source

Expressed on a production basis, this translates to water resource usage at a rate of 1.5 ML/GWh of electricity sent out from Western Power's operations. This measure is one of a series of environmental performance indicators developed for the electricity industry by the Electricity Supply Association of Australia. Western Power has taken an active role in the development of these performance indicators and 2002/03 is the first year in which we have reported our water usage in this manner.

A total of 674 ML of saline water were discharged to the ocean from outfalls at Binningup and Kwinana.

We have continued to supplement the pools on the south branch of the Collie River during the summer with approximately 600 ML of water from Muja Power Station pumped into the river. This extra water means that these pools which may run dry through the summer remain full, keeping the river healthy and providing the local community with access to the river for recreational purposes.

Biodiversity management

Western Power's power station and network operations around the state cover approximately 3,846 hectares of land. We continue to actively work to safeguard Western Australia's unique environment and improve biodiversity around our sites. In 2002/03 we rehabilitated or protected approximately 1,046 hectares of land. This included the continued rehabilitation of a further eight hectares of gravel pits at Muja Power Station with weed control encouraging the return of native species.

Offset for transmission line projects

To meet the growing demand for electricity throughout Western Australia we have undertaken the construction of a number of new transmission lines during 2002/03. When assessing line routes we endeavour to minimise vegetation clearance and the impact of any clearance undertaken.

For example the Cataby-Eneabba transmission line traverses many kilometres of native vegetation, however the line is aligned with a firebreak to restrict vegetation disturbance as much as possible.

In line with our environmental policy and in liaison with the Department of Conservation and Land Management (CALM) we contributed to a trust administered by CALM on behalf of the Conservation Commission as an offset for the clearance of native vegetation. While the Conservation Commission will ultimately determine how this contribution is spent possibilities include the purchase of land or funding of conservation initiatives such as Western Shield.

Protecting native fauna

In a scene more suited to *Apocalypse Now* than a construction job, Western Power took to the skies to string powerlines over the Capel River in Capel. An environmental review of the line route of a new transmission line being built to cater for the growing power demand in the South West corner of the state highlighted that the new line would run directly through an important habitat of the endangered Western Ring-tailed Possum.

To avoid risking damage to the habitat by constructing the line through it Western Power contractors used a helicopter to construct the line over it. Specially supplied power poles, which are about 30 per cent taller than the other poles used, were erected about 200 metres either side of the river so it was possible to string the line across the river and high above the canopy and the habitat of the possums.

The annual fauna trapping undertaken around Muja Power Station in liaison with CALM continued with staff from CALM and the power station as well as volunteers spending a week in June 2003 trapping, tagging and releasing native fauna. The primary aim is to monitor the local population of Woylies, which were initially relocated to the forests adjacent to the power station in December 1998.

Environmentally Sensitive Areas (ESAs)

Western Power's transmission and distribution lines stretch for over 85,000 kilometres across the state. To manage areas containing rare flora along these lines and at operational sites, a system was set in place in 1996. Areas with rare flora were listed and signposted as Environmentally Sensitive Areas (ESAs).

Since 1996 the types of environmental issues that are managed as ESAs has grown from Declared Rare and Priority Flora, to now include:

- Threatened Ecological Communities
- Noxious Weeds
- Dieback Infestation
- Organic Farms and
- Wetlands

There are now 355 ESAs, which are marked on Western Power's electronic mapping systems and detailed in EMISWeb. ESA signs are put up at the site and site specific procedures written for any work that may be carried out there.

Organic farms were included as an ESA issue in September 2002. An organic or biodynamic farm must be certified through an approved certifying organisation to become an ESA. Organic farmers are informed of the ESA Program through their certifying organisations. The procedures for organic farms include no use of pesticides or herbicides. In the past year 61 organic farms have been registered as ESAs.

In April 2003, 206 wetlands were registered as ESAs. These include wetlands listed in the *Environmental Protection (Swan Coastal Plain Lakes) Policy 1992* and the *Environmental Protection (South West Agricultural Zone Wetlands) Policy 1997* that occur near Western Power facilities.

Environmental Incidents

Western Power's environmental management and emergency response procedures ensure that there is no long-term environmental damage from incidents. In 2002/03 41 incidents were recorded on Western Power's environmental management data system, EMISWeb. The most significant of these were:

Victoria Park Substation bunding

The Department of the Environment (DoE) issued a Field Notice in August 2002 regarding a damaged bund at Victoria Park Substation.

Western Power notified the DoE of fire damage to the substation after a fire destroyed the relay and metering room. The damage to the original transformer bunds was identified during the subsequent inspection.

Remedial work and the construction of new bunds around the existing two transformers was undertaken and completed in November 2002 after consultation with the DoE on the required standards.

Muja Power Station emissions exceedance

In accordance with our operating license, Western Power informed the DoE of emissions exceedances at Muja Power Station.

In September 2002 stack monitoring confirmed that problems with the rectifiers on Muja Unit 5 led to particulates being emitted in exceedance of 250mg/m³ as set out in condition A3(a) of Muja Power Station's operating license. The rectifiers were repaired and precipitator performance restored.

The DoE was informed in April 2003 that three of the six precipitators on Muja Unit 8 were out of service resulting in high levels of emissions from Stage D. M8 was taken offline and the precipitators repaired.

Kwinana Power Station oil and pulverised coal discharge

In July 2002 a waste disposal line to Kwinana Power Station's on-site Waste Disposal Facility (Swan Lake) ruptured at an elbow joint at the entry point to a covered channel. The rupture was due to corrosion and abrasion of the pipe joint by pulverised coal.

Oily water and pulverised coal leaked into the adjacent stormwater drain and finally discharged to Stage A/B cooling water discharge canal. Oil was skimmed from the canal using large booms and oil absorbent pads. It is estimated that approximately 50 litres of oily water was discharged to Cockburn Sound.

The spill response was witnessed and approved by a DoE representative.

Renewable Energy

Western Power is a leader in the development of renewable energy generation using wind and bio-energy technologies. We are also looking at new ways to meet our renewable energy obligations and to encourage the development of renewable energy resources in Western Australia.

In 2002/03 Western Power generated enough renewable energy from the Albany, Denham, Esperance (Ten Mile Lagoon) and Exmouth wind farms to create over 75,000 Renewable Energy Certificates (RECs). Over 90 per cent of Western Power's annual REC requirement was generated from our wind farms.

Encouraging renewable energy generation and use

Western Power launched a RECs procurement process to provide an opportunity for local renewable energy generators to supply up to 90,000 RECs per year and the associated energy, for a period of up to 10 years. This will provide a boost of approximately \$70 million to the local renewable energy industry.

Relaxed market access arrangements were introduced to support private renewable electricity generators. As the Government expanded the market for renewable electricity to all customers consuming more than 50,000kWh per year we developed and implemented Network Access arrangements for smaller renewable generators (less than 10MW in size). These new arrangements reduce the cost of matching generator output to loads supplied by that generator.

Considerable research was performed by a Western Power working group on the impact on the South-West Interconnected System (SWIS) of the integration of large amounts of renewable energy generation capacity. This research was prompted by several recent applications for access to the SWIS for wind energy projects.

As a result of this work an information paper was issued in November 2002 entitled 'Technical and Commercial Issues for the Access of Renewable Generation to the Western Power SouthWest System'. This paper helps clarify the access issues for independent suppliers of renewable energy and is available electronically on Western Power's website.

A major new arrangement was entered into with the solar hot water industry through the purchase of RECs associated with the sale of solar hot water heaters. This provided flow-on incentives for residential customers who choose solar hot water systems with electric boosters as opposed to solely electric hot water systems.

Bioenergy

Western Power's Demonstration Integrated Wood Processing Plant in Narrogin was mechanically complete in June 2003. The plant, which converts locally grown mallees into electricity, eucalyptus oil and activated carbon, will undergo staged commissioning and optimisation during 2003/04.

The project has actively involved the community throughout the planning and construction stages and will continue to work with local farmers to refine the supply of biomass feedstock. As part of this ongoing relationship Western Power is developing a machine for harvesting mallee trees in conjunction with the Oil Mallee Company.

The production of activated carbon as one of the products is a key factor to the financial viability of the project. The goal is to ensure that this type of generating plant can be developed to provide an economic solution to energy generation in regional areas. To achieve this goal Western Power has undertaken extensive investigations into the world market for activated carbon related to demand and quality of product.

Australian Greenhouse Office and AusIndustry funding was received for the construction of this innovative project which may provide a solution for reliable renewable energy in regional areas as well as land degradation.

To further develop and foster opportunities in integrated wood processing Western Power formed Western Carbon Pty Ltd, a wholly owned subsidiary, in 2002.

Solar energy

Western Power is continuing to monitor developments in solar energy technology. While commercial opportunities for the development of solar energy resources in Western Australia are currently limited, Western Power upgraded its Kalbarri Solar Photovoltaic System with a new sun tracking system during late 2002. The system is currently undergoing trials and aims to improve the output of the facility. Research on the Rockingham Solar Concentrator System continued during the year. Access is being provided to students of the Murdoch University, Rockingham Campus to further solar research.

Wind energy

Developing the wind resource at Esperance

A 3.6 MW wind farm was constructed at Nine Mile Beach in Esperance with commissioning completed in June 2003 following the dismantling of Australia's first commercial wind farm at Salmon Beach in Esperance in 2002.

The Nine Mile Beach Wind Farm consists of six 600 kW wind turbines mounted on towers measuring 46m in height. Adding to the output from the existing Ten Mile Lagoon Wind Farm, construction of the new wind farm means that the availability of wind energy in Esperance is now expected to reach 25 per cent of the town's requirements.

An advanced communication system was established between the two wind farms and the existing power station to make the Nine Mile Beach Wind Farm compatible with the new gas-fired power station in Esperance. The wind farm was built with support from the Federal Government through a Remote Renewable Power Generation Program (RRPGP) Grant.

In recognition of the ongoing support from the local community Western Power presented the Shire of Esperance with one of the turbines from the Salmon Beach Wind Farm for the local museum and handed over the Salmon Beach Wind Farm site in March 2003 for the establishment of a wind heritage precinct.

During its lifetime the Salmon Beach Wind Farm generated 12 GWh of electricity.

Albany Wind Farm

Western Power has improved the operation of the Albany Wind Farm with remote control of the wind farm from Perth established and an innovative control system being developed by Western Power and Enercon. These two systems will assist in improving the management of this renewable energy resource. Remote control of wind generation is essential in maintaining electricity supply integrity on an integrated system and the control system will provide voltage support for the system from the wind farm and help maintain the operation of the wind farm during some system faults.

The success of the Albany Wind Farm project was recognised when it was successfully nominated as a finalist in the national Banksia Environment Awards in 2002.

Wind/diesel systems

With significant improvements in technology, wind/diesel systems are becoming a viable option for clean, efficient energy generation in regional areas.

The wind/diesel system in Denham reached a number of milestones during the year with the newest two turbines, installed in 1999, exceeding one million KWh and achieving an annual availability of 99.5 per cent. Additionally the commissioning of a unique diesel generator with low loading capabilities and an improved control system was completed in June 2003. These improvements will significantly increase wind penetration into the Denham electricity system to above 40 per cent.

Approval for the construction of a high penetration 600 kW wind/diesel system in Hopetoun was received in March 2003. The project is on schedule with construction due to commence in August 2003. The system will supply up to 42 per cent of Hopetoun's annual electricity demand saving 400,000L of diesel fuel per annum.

Western Power is pursuing business opportunities with Powercorp Pty Ltd in high penetration wind-diesel systems, with applications for sites within Western Australia and Australia. Western Power and Powercorp are jointly developing a patent application for a unique frequency control system for wind/diesel systems.

Western Power is continuing to monitor sites around Augusta and Geraldton for potential wind energy resources. Wind monitoring is typically conducted for two years to reliably assess the wind resource at a site.

ENVIRONMENT AND THE COMMUNITY

Western Power's commitment to the environment goes beyond compliance to a dedication to making sure the impacts of our work do not leave a permanent mark. It extends to assisting with the rehabilitation of degraded farmland, to restoring areas of remnant vegetation and protecting native fauna and to striving to find ways to increase our reliance on energy generated from clean, green renewable sources.

The key to being able to meet our legislative obligations and the expectations of the community is community consultation. We believe that we have a responsibility, to not only tread lightly, but to be transparent in all our actions and operational decisions. By maintaining two-way communication with our stakeholders and the communities in which we operate we have been fortunate to receive our stakeholders' permission to work with them and for them in the communities in which they live.

Broome Bird Observatory

Western Power has continued to support the Broome Bird Observatory with a \$5,500 sponsorship to upgrade the solar power system at the remote Broome Bird Observatory. The environmentally friendly and low-operating cost system was originally designed and installed with Western Power's help in 1996.

The Observatory, a bird watching, education and research centre, collects vital scientific information on the migration paths of Australian wading birds between Australia and Siberia.

Western Power and Landcare

Landcare Australia Ltd applauded Western Power's innovative landcare project, the Greening Challenge, in August 2002 when we were recognised as one of Landcare's Diamond partners. This recognition places Western Power with only four other national companies and makes us the only state-based company contributing to Landcare in Australia at this level.

The cornerstone of Western Power's landcare activities has been the Western Power Greening Challenge, the largest volunteer-based revegetation project of its kind in Australia. In August 2002 Western Power, in partnership with the communities of the Hotham-Williams Catchment south-east of Perth and landcare agencies, achieved the goal of planting 4.2 million seedlings on degraded land by more than 5,000 Western Power and community volunteers since 1996.

On average more than 600,000 seedlings were planted each year with more than 80 species of trees and shrubs planted for diversity with a 75 per cent survival rate.

The success of the Greening Challenge attracted Commonwealth Natural Heritage Trust support in 1998 with a \$1.68 million grant to expand the project.

The project has contributed to an increased understanding of land degradation issues including salinity, soil erosion and waterlogging and the impact of the loss of biodiversity by both the local communities and the volunteers from Perth.

The outstanding success of the project has seen it expanded in 2003. With the continued support of volunteers the original "Greening Challenge" idea was expanded to provide support to five regions rather than the original single catchment area.

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Social Review 2003

LISTENING TO OUR COMMUNITY

Western Power is part of a diverse and interesting community, a community which we are proud to support.

We are enthusiastic in our encouragement of Western Australians in their endeavours in education, sport, the environment and the arts. This encouragement includes offering sponsorships to enrich people's lives, whether they are a young country cricketer with aspirations to play for Australia or a budding scientist studying at university.

Western Power has a history of contributing to the community. Not only do we think a contribution from a large company like Western Power is necessary, we also believe it is satisfying and rewarding.

Key Result Areas	2002/03		2001/02	2000/01
	Actual	Target	Actual	Actual
Corporate Reputation Index (% acceptance rating)	68.8	68.0	68.8	71.2
Stakeholder Opinion Index (% acceptance rating)	62.7	67.0	64.3	62.2
Balanced Media Report (% of total media reports)	77.0	79.0	81.0	82.0
Environmental Reputation*				
Internal (on scale of 5)	3.46	2.5	-*	-*
External (% favourable)	47	62	42	35

** In an effort to improve the usefulness of these indicators, the measurements have been changed limiting comparable results*

EDUCATION

Education is the mainstay of a fine community. We choose to help talented Western Australian youth with their education so they can fulfil their potential and realise their goals.

At Western Power we believe the bright, talented young people of today will help shape our society in the future. We offer educational help and opportunities in a variety of ways, some of which involve having lots of fun. And all of which are beneficial.

World of Energy provides learning fun

Our World of Energy in Fremantle, offers first class energy education programs to the school community. The centre promotes awareness and understanding of a variety of energy and environmental issues both through displays and 16 education programs.

This year, more than 19,500 students learned through the centre's hands-on programs, which are linked to the school curriculum. We also encourage children who need help with a science or maths project, to contact the World of Energy or our website.

Children aged 4 to 12 can become members of the Power Kids' Club which has a mascot called Socket – a big, friendly native mouse. There are now more than 5,500 members.

It's a buzz to be in The Power Kids' Club

“Hey there dude!” Throughout WA, some 5,500 children love to receive letters from Socket, our mighty mouse mascot. Socket is the ChairMouse of The Power Kids' Club. Western Power formed the kids' club in 2000 to teach children about electricity, renewable energy, natural resources, safety and the environment. “Power Kids” receive newsletters, puzzles, competitions and cool educational facts from Socket. They are also invited to email Socket and visit his colourful website.

The energetic, orange mouse never misses an opportunity to meet and greet his young fans. He invited all of the Power Kids to his first birthday party at the Western Power Parkland in Kings Park in October 2002. About 10,000 children and their families celebrated with Socket. One month later, Socket entertained hundreds of children at the Festival of the Wind in Esperance in November 2002. He is now looking forward to his second birthday bash at the Western Power Parkland later this year.

Solar Cook-Off for chefs and scientists

What better way to encourage kids to learn, than through food. Each year the World of Energy holds the Western Power Solar Cook-Off where primary school children learn the principles of solar energy and cook a meal of their choice.

Pizzas and nachos feature strongly at this fun event in which children build and use a solar oven. This year more than 150 children from 27 schools competed in the Solar Cook-Off.

School children were “shock proofed”

Our electrical safety program, ShockProof, was taken to more than 42,000 primary school students at 139 schools throughout the state to teach children how to be safe with electricity.

Shock Proof involves hands-on activities and role-playing with props so children learn the possible hazards of electricity in a fun way.

Sun shines on fun solar car race

Recognising the need for young people to be innovative about alternative ways to generate energy is the rationale behind our annual Solar Model Car Challenge. Competition was again fierce in the race which saw Morley Senior High School cross the winning line first, closely followed by Christ Church Grammar School.

More than 200 children from 42 schools gathered to pit their machines against each other in a bid to be the state's fastest and to compete in the national championships. Teams came from far and wide, including two teams from the Burringurrah Remote Community School, 1300km north-east of Perth.

It is an exciting event which gives secondary school students the chance to build and race model solar-powered cars in a fun and educational environment.

The three place-getters went on to compete in the Australian-International Solar Model Car Race which was won by Christ Church Grammar School in Sydney. This was the eleventh Solar Model Car Challenge.

SCHOLARSHIPS AND AWARDS

Esperance student wins scholarship

Each year since 1996, we have helped a young country student with the costs of university studies in engineering, commerce or marketing.

This year gifted Esperance teenager Brad Smith was awarded our Stuart Morgan Scholarship. It is the third year Esperance has produced the winner of this scholarship. Previous Esperance winners were Kate Layman (2002) and Sarah Mummé (2000).

The scholarship will help Brad fulfil a childhood wish – to help society and the environment. He is studying a combined engineering and science degrees course at the University of WA with plans to become an environmental engineer. Successful scholars like Brad will receive financial assistance for up to five years while they complete their degree.

Subiaco student wins Bruce Kirkwood scholarship

Western Power was also pleased to assist electrical and electronic engineering student Nada Dashlooty with her tertiary studies.

Nada, of Subiaco, was the winner of our Bruce Kirkwood Memorial Scholarship. The \$10,000 scholarship will help Nada in completing the fourth year of a five-year combined degrees course. Nada was the 11th recipient of the award.

The Bruce Kirkwood Memorial Scholarship was established in 1992 to honour the memory of the late Bruce Kirkwood, former Chief Executive Officer of the State Energy Commission of WA and energy expert of world standing.

We are pleased to provide support today, for the benefit of future generations.

AFS winner flies to Germany

We also see the value for young people to experience other peoples and cultures and so offer our AFS scholarship to teenage children of Western Power employees.

This year, Gerard Bloor left his home in Mandurah to spend a year in Germany where he will live with a host family, learn the language, attend school and experience German life while acting as an ambassador for Australia and Western Power. Gerard postponed plans to study architecture to embark on this year-long adventure.

And for our younger scientists

You're never too young to learn...so we encourage our very youngest discoverers and scientists. Since Scitech Discovery Centre opened its doors in 1988, Western Power has been a keen sponsor.

The Western Power Zone, comprising 13 exhibits, science theatre shows and the Scitech Roadshow bus which takes science to communities throughout the state, are the three aspects of the science educational centre which we support.

COMMUNITY ASSISTANCE

Western Power has been delighted to continue our long-term partnerships to support community and volunteer groups throughout Western Australia.

A community partnership, which brings joy and laughter to seriously ill children, is one which is tremendously worthwhile and undoubtably satisfying. Our support of the Starlight Children's Foundation and the new Starlight Express Van is one such sponsorship. We take pride in this project, which has given Western Power an opportunity to put something worthwhile back into the community.

Captain Starlight hits the road

Captain Starlight has hit the road in his Starlight Express Van, visiting hospitals and primary schools from Geraldton to Bunbury.

Seriously ill children in hospitals around the state can enjoy the magic of Captain Starlight, thanks to the sponsorship of Western Power. The Starlight Express Van will visit 128 locations, covering 20,000km to February 2004. The Express Van is an extension of the popular Starlight Express Room, a time-out zone for sick children run by the Starlight Children's Foundation.

The Van is brimming with games, arts and crafts, Nintendo, movies and magic tricks, all the tools Captain Starlight needs to entertain seriously ill and hospitalised children wherever he travels. Captain Starlight, who works on the premise that laughter is the best medicine, visits regions that traditionally lack the funding for such therapy. The Captain also takes the message to primary schools that sick children are not different, but unwell.

The Starlight Children's Foundation also grants wishes to hundreds of critically ill children. Last year, Western Power helped grant a teenager's wish to see the AFL Grand Final in Melbourne.

Western Power will sponsor the Express Van for three years.

Working to meet the power needs of all customers

Western Power is committed to helping to ease the burden of those facing financial hardship. We are assisting people who cannot afford to pay their own electricity accounts through our partnership with the Western Australian Council of Social Services (WACOSS).

For the past eight years, Western Power has provided an emergency relief fund to help those of our customers facing disconnection due to their limited financial means. This emergency fund, known as the Western Power Assist Scheme, is administered by Anglicare on behalf of WACOSS. The fund can be accessed by charitable organisations and relief agencies.

Up to five different rebates are available to eligible customers such as pensioners, veterans, senior citizens, people with a Department of Social Security-issued health care card and air-conditioning rebates for seniors in the North West of the state. Western Power manages these rebates which were worth \$31.2 million this financial year and were granted to more than 251,000 customers.

Safety awards benefit three worthy causes

Every year, we look forward to presenting awards to Western Power's safest employees. Our "safety winners" look forward to donating their award money to a charity of their own choice.

This year's outstanding safety performers were from Western Power's Pilbara Branch and Generation Maintenance Branch.

The two teams were presented with \$12,500 in total at the Western Power Safety and Health Awards in November 2002.

The winners from our Pilbara Branch donated \$5000 each to the Karratha Volunteer Fire Brigade and the Port Hedland Volunteer SES. Our Generation Maintenance team presented their prize money of \$2,500 to the Diabetes Research Foundation of WA. This donation has assisted with the establishment of a Centre for Diabetes Research in Perth.

A welcome sight for customers

Our Safety Watch-it Van is a welcome sight at shopping centres across the state. This year, more than 14,000 people visited the van to speak to our qualified electricians. The Safety Watch-it team provides a free safety check of most portable electrical appliances. They also take the van to retirement villages in the metropolitan area.

Even when an old electrical appliance is beyond repair, it can still meet a need. For example, many of our customers' old electric blankets find a good home with Perth volunteer wildlife carer groups. The Safety Watch-it team delivers the blankets for use by injured native birds, kangaroos and other marsupials.

Helping our colleagues and all Western Australians

When a Western Power staff member was seriously injured in the 2002 Bali bombing, her colleagues immediately organised a fund-raising appeal. In a single day, people across our company raised funds to help human resources officer Tracey Ball with her medical expenses. Tracey later said her colleagues' support was a key factor in her quick recovery and return to work.

The philanthropic spirit of Western Power people extends well beyond our own company. On the last Friday of every month, staff members exchange their work attire for more casual clothing and donate a gold coin to charity. Through these 'casual dress days', we have collected more than \$13,000 for a number of Western Australian charities this past year, including Telethon, Farmhand, People Who Care and the Multiple Sclerosis Society.

In addition, seven courageous employees agreed to go under the razor for a worthy cause in our fund-raising 'Shavathon' in November 2002. The brave group emerged from the Shavathon with shiny bare heads as well as more than \$6,315 that they donated to Canteen WA to help young people with cancer.

THE ARTS

Many thousands of Western Australians have enjoyed the boundless, creative energy and power of the state's finest arts performers, thanks to Western Power's support. This year, we were pleased to provide more opportunities for Western Australian artists to showcase their talents.

Celebrating 75 years of WA music making

It was a privilege to celebrate the 75th anniversary of the West Australian Symphony Orchestra at the 2003 Western Power Summer Symphony.

This year's summer symphonies were a resounding success, with thousands of music lovers relaxing in Kings Park while listening to the Western Power Symphony Under The Stars, the Western Power Family Concert and Pops in the Park. Western Power is proud of its close partnership with the West Australian Symphony Orchestra, a partnership that has spanned almost a decade.

'The Bakery' - a new hot-box for the contemporary arts

Inside a darkened building in Northbridge's nightclub strip, a group of young Western Australians has created an artistic masterpiece. The energetic team has transformed an empty Western Power building in James Street into a lively performance venue for the ARTRAGE Festival and other cultural events.

ARTRAGE organisers named the building 'The Bakery' because it used to be a patisserie shop before Western Power assumed ownership. Through this project, Western Power has provided a rare venue for local up-and-coming artists. Thanks to the Western Power sponsorship, ARTRAGE has a four-year lease on the premises, providing an inner-city home for the contemporary arts community.

Young people helped redevelop the building as part of a Work for the Dole program. Some 30 young people enjoyed learning new skills – from artist liaison to building to reception work – during the creation of The Bakery.

Commonwealth funding was obtained for the Work for the Dole program through a relationship between ARTRAGE and The Gowrie WA Inc. In recognition of The Bakery project, ARTRAGE and The Gowrie WA Inc were awarded with the Work for the Dole Achievement Award 2002.

Live theatre in the heart of the city

Western Power is helping to bring entertaining live theatre to the people of Perth at an affordable price.

For the past seven years, we have been an enthusiastic supporter of Handzon Theatre Company's popular lunchtime plays in the city.

Every winter, people are invited to watch a 30-minute live show while enjoying hot, nourishing soup served in a Western Power mug. At the price of only \$6, it's a perfect way to unwind and forget the wintry weather!

Awarded for our commitment to the arts

Western Power was honoured to be recognised by the Western Australian State Arts Sponsorship Scheme Awards for 2001/02. We were nominated for the prestige partnership award, 'Outstanding long-term partnership with the arts', for our sponsorship of the West Australian Symphony Orchestra. Western Power also received a Partnership Endorsement of State Arts Sponsor for our support of the Handzon Theatre Company Inc's "Lunchtime Theatre".

Our other arts and community partnerships this year included:

- The Bunbury Regional Entertainment Centre
- the Pilbara Festival of Lights in Karratha and Port Hedland
- the Cossack Arts Awards
- the Perth Zoo
- the Kings Park Lights (with Channel 7)
- "Bigger than Star Wars" Christmas Lights Competition (with Channel 7 and The West Australian)

WESTERN POWER PARKLAND

Have you ever met a Muttaborrasaurus dinosaur?

Once upon a time, about 110 million years ago, a powerful dinosaur roamed through the open woods in a part of the world that is now Western Australia.

Children are learning about the Muttaborrasaurus dinosaur by exploring a fascinating lifelike replica in the new Western Power Parkland in Kings Park. We have enjoyed the opportunity to help recreate an ancient world of prehistoric native animals and plants, working in close partnership with the Kings Park Botanic Gardens and Parks Authority.

Our exciting, interactive play equipment has been designed to stir the imagination of children, to encourage their respect of the environment and to teach them how plants and animals have evolved through the forces of nature, through the effect of the sun and wind.

At the Western Power Parkland, children can play on a life-size model of the largest bird that ever lived on earth, the Gigagoose. Standing at 2.5 metres tall, the Gigagoose lived about one million years in what is now known as the Tanami Desert, which stretches across northern Western Australia and the Northern Territory.

The Parkland also includes a rare Wollemi Pine, a beautiful maidenhair tree that originated in the dinosaur age and remains unchanged by time. Young visitors love to explore our giant windy walkway and island fort too.

In creating the new Parkland, Western Power has restored the Arthur Fairall Playground, a well-loved area of Kings Park. Throughout the construction project, we endeavoured to keep true to the vision of Arthur Fairall, the late Kings Park superintendent who wanted children to discover and appreciate the beauty of nature.

The Western Power Parkland was officially opened by the Minister for Energy, Hon Eric Ripper MLA, and Minister for Environment Dr Judy Edwards MLA in October 2002. More than 20,000 people attended the opening celebrations over four days. We raised money for Telethon during the special events at the Western Power Parkland. It was a pleasure to present more than \$21,000 to Telethon to help children in need.

SPORT

We are proud to encourage and promote our many talented sports people, both at the top, state level with the Western Warriors cricket team, and at a grass roots level with junior regional cricket and netball.

Western Power again enjoyed a successful partnership with the WA Cricket Association (WACA) encompassing principal sponsorship of the Western Warriors and the hugely successful Regional Junior Cricket Program.

It's a great way for a Western Australian company like Western Power to invest in the future of our state.

We sponsor kids' cricket in the bush

We've always said, if you keep cricket healthy in the bush, it's healthy in the towns and it's healthy at the WACA.

The Regional Junior Cricket Program, gives children in country areas access to cricket coaching at a level equal to their city counterparts.

Regional Development Officers promote junior cricket by taking coaching clinics for school children, junior cricket clubs and coaches in six country regions - the Great Southern, Mid West, South West, Central Districts, Wheatbelt and the Goldfields.

This is the sixth year we have sponsored the program.

One of the highlights of the program was Country Day at the Cricket when an excited group of 120 young country kids played cricket during a lunchbreak of the Third Test between Australia and England, before a crowd of 20,000 spectators in December.

It was an inspiring event for the young cricketers, some of whom had never been to the city before.

The kids also had a chance to bowl a few balls to Western Warrior's skipper Mike Hussey, who was called up as twelfth man for the Aussies in the Test.

At the end of the season, six young cricketers are named Western Power Regional Junior Cricketers of the Year and given cricket bats autographed by the Western Warriors. Smiles couldn't have been broader.

Western Power also padded up for another innings to support Eastern Goldfields Cricket Association. More than 500 junior and senior cricketers in the Eastern Goldfields benefited from our support of the 2002/03 season. Western Power started batting for Goldfields cricket in 2001 when it first signed up as a major sponsor.

Western Power Days score for netball

Hundreds of young netball enthusiasts around the state benefited from Western Power's support of netball with many going on to become champion players.

We sponsor State Development Camps and Western Power Days coaching clinics, through our partnership with WA Netball. This program aims to improve players' skills and recognise talented players.

This is the eighth year the Western Power-sponsored program has boosted netball in the state.

Menzies Classic bike race

In June, the Western Power Menzies Classic cycle race from Menzies to Kalgoorlie attracted 123 riders.

With the backing of Western Power over the last three years, the race has become the richest handicap road cycle race in Australia with a \$25,000 prize pool.

The first Menzies to Kalgoorlie race in 1928 was held over 86 miles (137km) of gravel, sand and mud.

We also supported:

- Goldfields Football League
- Esperance District Football Club
- Port Hedland Black Rock Stakes

CARING FOR OUR PEOPLE

The welfare of our people is the number one concern for Western Power. We consider our people to be our biggest asset and endeavour to invest in their well-being – not only in terms of safety, but also health.

We recognise that by improving the quality of working life we improve business performance and by identifying health risks we reduce illness and injury.

We will continue to give all employees access to training in leadership and skills development, to increase skills and enhance expertise. Western Power is keen to create a supportive work environment in which everyone, on all levels, can contribute, work to their fullest potential and find work satisfying and enjoyable.

Western Power has many initiatives in place to promote these values.

Key Result Areas	2002/03		2001/02	2000/01
	Actual	Target	Actual	Actual
Lost Time Injury Frequency Rate (LTIs / million hours worked)	5.2	<6.0	6.2	8.0
Safety Audits Company-wide average audit result (%)	66.0	75.0	-	-
Organisational Culture Employee Opinion Survey result (score out of six)	4.7	5.0	4.7	4.7

Safety and Health

Western Power has placed significant focus on embedding Safety and Health values into the company through the implementation of its revised Safety and Health Management System and Audit program. This has been reflected in the performance against our key indicators. The Lost Time Injury Frequency Rate (LTIFR) is 5.2 against a target of less than 6. This is the lowest LTIFR level ever achieved by the company and is a credit to all Western Power people for their continuing focus and attention to safety.

The 2003 Safety Audit result shows that 81 per cent of all ratings given were either ‘satisfactory’ or above, which reflects a sound level of compliance with the Safety and Health Management System.

Executive Sub-Committee on Occupational Safety and Health

Since the inception of this sub-committee a number of critical safety and health issues have been dealt with through cross-boundary teams.

The Safety and Health Audit System was reviewed and a new audit tool was implemented together with a plan for delivering audit services throughout the business. A cross business unit team undertook the review with assistance from the Industrial Foundation for Accident Prevention (IFAP). Twenty employees were trained in the revised process to complement external auditors from IFAP.

A behavioural-based safety program was designed in keeping with the company’s Managerial Leadership Initiative principles. This entails all business units being responsible for the identification and implementation of their own safety observation programs. Compiling a list of behaviours and the development of a system for observing and measuring these behaviours was included in the program. In addition, a survey of the safety leadership behaviours demonstrated by all formal leaders has been created to support the system and this will be implemented in the next financial year.

A review of reporting resulted in five measures to describe performance being identified. These are the LTI Frequency, the Safety Leadership Survey, All Medical Frequency, Percentage Observations for Behavioural Based Safety and the Safety Audit.

Managerial Leadership Initiative

More than 1800 employees successfully completed the company’s Frontline Managerial Leadership Initiative (MLI) program, which further developed effective leadership capabilities throughout Western Power. Improvements to our employee and organisational development have continued through the MLI.

HealthSmart for work and play

Last December we launched HealthSmart, an on-going motivational education program to encourage Western Power people to live healthily and safely.

HealthSmart programs educate employees on a range of health and safety topics from managing stress to eating for vitality. There are presentations, activities, special bulletins and a web-based HealthNews publication to provide all the facts.

HealthSmart has offered blood pressure, cholesterol, lung and general health checks, an eight-week weight loss program and a four-week quit smoking program. These programs have been regularly oversubscribed, reflecting employees' keen interest in their health. HBF has been helping us to bring this practical program to employees.

Apprentices and trainees

We are keen to foster the development of our employees' skills and to recognise their achievements.

Western Power is one of the state's largest employers of apprentices and trainees. During the year we employed 37 trade apprentices and 55 trainees. These included 21 Western Power employee apprentices, 16 group-training (hired in) apprentices, and 50 trainee distribution workers. Twenty of the trainee distribution workers were recruited as new employees.

Our apprentices and trainees were involved in a broad range of construction and maintenance projects during the year, typically involving Western Power's electricity network across the state.

Each year the best of these apprentices and trainees are recognised with achievement awards.

New benefit fund

In January, Western Power introduced a three-year company funded death benefit insurance policy for all employees. The policy applies 24 hours a day, seven days a week, worldwide.

New Certified Agreement

Western Power has negotiated a new three-year Certified Agreement with the Australian Services Union and Communications Electrical and Plumbing Union, which will give employees pay increases of four per cent per annum. More than 90 per cent of our employees approved the new Agreement.

Employee Opinion Survey

Our sixth annual organisational culture Employee Opinion Survey (EOS) was conducted this year to provide a measure of our workplace culture. The survey is undertaken annually as part of Western Power's commitment to continuous improvement in workplace culture. In 2003 changes were made to the EOS to improve alignment with the company's Managerial Leadership Initiative and external benchmarks. To allow comparison of results with previous years, the majority of existing questions were retained.

Eleven of the 20 cultural areas covered in the 2003 EOS provided the opportunity to benchmark our results against 270 companies across Australia, including 18 energy utilities in both the public and private sector. This comparison showed that we have maintained Western Power's position as the highest performer in the two areas of *customer awareness* and *customer focus*. The external consulting group that compiled the benchmarking report also indicated that Western Power sits in the top 25 per cent in the four areas of:

- *priority given to safety and wellbeing;*
- *formal leaders ensuring importance is placed on effective employee skills;*
- *formal leaders providing opportunities for 'upward' communication;*
- *discussion of differences in a positive and open way.*

Improvements were recorded in most areas covered in the survey. This reflects a positive trend over five consecutive years.

Corporate Governance

This statement outlines the main Corporate Governance practices that were in place throughout the financial year. These practices are dealt with under the following headings: Board of Directors and its Committees; Internal Control Framework; Ethical and Environmental Standards; Risk Management and Other Accountability Measures.

Board of Directors and its Committees

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

During the year an independent review of the governance structure and operation of the Board was undertaken. This resulted in changes to the committee structure and the secretariat support arrangements. The Board is now supported by two Committees to assist in the execution of its responsibilities. These are the Audit and Risk Management Committee and the Governance and Remuneration Committee. The Audit and Risk Management Committee replaced the Audit Committee and the Finance Committee in February 2003. These committees have written charters which are reviewed on a regular basis. The effectiveness of each committee is regularly reviewed. In addition to the sub committees, the Board has established a framework for Western Power management. It includes Ethical Standards and systems of Internal Control and Risk Management.

Composition of the Board

The Western Power Board of Directors comprises:

- No less than four and no more than six non-executive directors appointed by the Governor of Western Australia (the Governor) on the nomination of the Minister, and
- The Managing Director who may not hold the positions of Chairman or Deputy Chairman.

The directors at the date of this statement are identified in the Directors' Report. The Board generally meets monthly and as required.

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

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

Non-executive directors are appointed for periods of up to three years and are eligible for reappointment. The Governor may, at any time, remove a director from office. The Governor need not give any reason for doing so. The Governor appoints a non-executive director as Chairman and another as Deputy Chairman. Appointments in each case are made on the nomination of the Minister.

The Act prohibits directors from:

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

The Act also prevents directors and their relations from receiving loans from Western Power.

Independent Professional Advice and Access to Company Information

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

Audit and Risk Management Committee

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

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

in respect to the present organisational structure and future structures as they are introduced until new legislation is in place.

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

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

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

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

Members of the Audit and Risk Management Committee are:

Chairman	-	Ms JA Seabrook (appointed 19 February 2003)
Members	-	Mr ND Hamilton (appointed 19 February 2003)
	-	Dr PJ Moy (appointed 19 February 2003)

Governance and Remuneration Committee

The Governance and Remuneration Committee's role is to:

- Develop and review Western Power's corporate governance framework and policies;
- Quality assurance relating to the integrity and probity of Western Power's remuneration policies and practices;
- Succession planning and nomination of directors and the chief executive officer in accordance with Section 7(3) and Section 13(2)(b) of the Act; and
- Review the performance of the Board and its Committees and the Chief Executive Officer/Managing Director.

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

Members of the Governance and Remuneration Committee are:

Chairman	-	Mr MH Macpherson
Members	-	Mr ND Hamilton (appointed 19 February 2003)
	-	Mr WJ Murphy
	-	Mrs CA Devitt (until 31 December 2002)
	-	Mr DR Eiszele (Managing Director until 16 December 2002)

Audit and Finance Committees

In February 2003 the Audit and Risk Management Committee was created amalgamating the roles of the Audit and Finance Committees.

The Members of the Audit Committee until its amalgamation with the Audit and Risk Management Committee were:

Chairman	-	Mrs CA Devitt (until 31 December 2002)
Members	-	Ms JA Seabrook
	-	Mr DR Eiszele (Managing Director until 16 December 2002)

The Members of the Finance Committee until its amalgamation with the Audit and Risk Management Committee were:

Chairman	-	Mr DA Smetana (until 31 January 2003)
Members	-	Mr WJ Murphy
	-	Ms JA Seabrook
	-	Mr DR Eiszele (Managing Director until 16 December 2002)

Australian Stock Exchange (ASX) Corporate Governance Council

On 31 March 2003 the ASX Corporate Governance Council issued "Ten Principles of Good Corporate Governance and Best Practice Recommendations". The new corporate governance regime is effective for listed companies for the first financial year commencing after 1 January 2003, therefore impacting on the corporate governance statement for the 2003/04 financial year.

The Corporation, whilst not obliged to follow the ASX ruling, seeks to adopt recognised best practice for publicly listed companies where it is relevant to do so and therefore acknowledges the recommendations and will endeavour to ensure compliance by the end of the 2003/04 financial year.

Internal Control Framework

The Board is responsible for the overall internal control framework. As part of this the Board is developing a formal, self-assessment review process to evaluate the performance of directors and the Corporation. While recognising that no cost effective internal control system can preclude all errors and irregularities, the rigour of regular assessment ensures performance is kept under review.

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

Western Power's internal control system is based on:

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

Financial Reporting

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

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

Quality of Personnel

Employee performance is managed through a framework, which links managerial leadership and interpersonal skills with strong people skills. This framework and its supporting systems drive quality and consistency of leadership across the Corporation. The systems include a performance management system, in which performance is monitored against agreed targets as well as recruitment, remuneration, employee development and related systems that support clarity of accountability and leadership in employee performance.

Business Unit Controls

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

Expenditure Guidelines

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

Ethical and Environmental Standards

The Act sets out the duties of directors, the Managing Director, executive officers and members of staff. Within Western Power, a set of behavioural standards incorporating leadership principles and minimum standards applicable to the management of the staff have been developed as well as a Code of Conduct setting out minimum standards of conduct for all staff.

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

Risk Management

Processes and systems are in place to manage Western Power's business, environmental and operational risks. This process was formalised during the year with the implementation of the Risk Management Framework and the Risk Management Statement. The Framework and Statement, which are consistent with Australian Standard "AS4360 Risk Management", provides a methodology and process for the identification, allocation and management of risk throughout Western Power. Business unit managers are responsible for implementing strategies to mitigate risks that have been classified as extreme or high. The Audit and Risk Management Committee oversees the Framework and reviews the effectiveness of key mitigation strategies.

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

Other Accountability Measures

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

Statement of Corporate Intent

The Statement of Corporate Intent (SCI) sets out Western Power's scope of activities, objectives and performance targets for the financial year ahead and is consistent with the Strategic Development Plan (SDP). The SCI is tabled in Parliament after agreement with the Minister and the Treasurer's concurrence. The 2002/03 Statement of Corporate Intent is available from Western Power.

Strategic Development Plan

The SDP is a confidential document. It sets out the Corporation's five-year economic and financial objectives, Strategic Result Areas and associated performance targets as well as strategies. The Board must ensure that the SDP reflects prudent commercial principles and is consistent with maximising the long-term value of the Corporation.

Facts and figures

GENERATING PLANT

	Fuel	Capacity (kW)	Acquired or Commissioned	Energy Generated 2002 / 03 (GWh)
South West Interconnected System				
Collie	Coal	330,000	1999	2,359.4
Muja A & B	Coal & Heavy Fuel Oil	240,000	1965	1,473.7
Muja C	Coal & Heavy Fuel Oil	400,000	1981	1,948.3
Muja D	Coal & Heavy Fuel Oil	400,000	1985 - 86	3,029.8
Kwinana A & C	Coal, Gas & Fuel Oil	640,000	1970 - 78	1,974.7
Kwinana B	Gas & Fuel Oil	240,000	1970 - 73	359.1
Kwinana Gas Turbine	Gas & Distillate	21,000	1972	0.8
Geraldton Gas Turbine	Gas & Distillate	21,000	1973	0.1
Kalgoorlie Gas Turbines	Distillate	62,000	1984 - 90	0.9
Mungarra Gas Turbines	Gas	112,000	1990 - 91	287.0
Pinjar Gas Turbines	Gas & Distillate	586,000	1990 - 96	484.6
Wellington Dam	Hydro	2,000	1992	-
Worsley (50% Joint Venture Share)	Gas	60,000	2000	493.4
Tiwest	Gas	36,000	1999	144.1
Albany Wind Farm	Wind	22,000	2002	68.5
		3,172,000		12,624.4
Non-Interconnected System				
Broome	Distillate	18,060	1976	43.1
Camballin	Distillate	888	1976	2.0
Carnarvon	Gas or Distillate	15,265	1981	42.7
Cue	Distillate	1,152	1973	1.6
Denham	Wind & Distillate	705 1,994	1998 1973	1.2 3.3
Derby	Distillate	10,180	1973	29.0
Esperance	Wind & Distillate	2,025 17,182	1993 1970	5.4 56.1
Exmouth	Distillate	3,400	1977	18.4
Fitzroy Crossing	Distillate	2,584	1976	9.9
Gascoyne Junction	Distillate	280	1973	0.4
Halls Creek	Distillate	2,624	1970	8.1
Hopetoun	Distillate	936	1976	2.7
Kununurra	Distillate	12,400	1970	0.2
Lake Argyle	Distillate	180	1985	-
Laverton	Distillate	1,724	1994	2.9
Marble Bar	Distillate	1,038	1973	2.1
Meekatharra	Distillate	2,880	1973	7.7
Menzies	Distillate	350	1977	0.5
Mount Magnet	Distillate	2,504	1976	5.4
Nullagine	Distillate	618	1973	0.8
Sandstone	Distillate	300	1975	0.5
Wiluna	Distillate	1,014	1973	2.1
Wittenoom	Distillate	228	1975	0.1
Wyndham*	Distillate	-	2000	-
Yalgoo	Distillate	285	1973	0.7
		100,796		246.9
TOTAL		3,272,796		12,871.3

*Wyndham stand-by generating capacity provided with hire plant.

OTHER ASSETS

	Overhead	Underground
South West Interconnected System Transmission Lines		

330 kV (km)	842	
220 kV (km)	654	
132 kV (km)	3,805	11
66 kV (km)	1,154	22

South West Interconnected System Distribution Network

High voltage mains (km)	58,366	3,131
Low voltage mains (km)	9,850	7,419
Total transformer capacity (MVA)	4,997	
Streetlights	182,797	

Pilbara Interconnected System Transmission Lines

220 kV (km)	197
132 kV (km)	71
66 kV (km)	151
33 kV (km)	27

Pilbara Distribution System

High voltage mains (km)	362	44
Low voltage mains (km)	167	87
Streetlights	3668	

Regional Distribution System

High voltage mains (km)	4,410	72
Low voltage mains (km)	532	137
Streetlights	7,204	

Western Power Workforce

	At 30 June 2003	At 30 June 2002	At 30 June 2001
Office of the Managing Director	60	61	-
Commercial Services Business Unit	436	450	-
Emerging Business Business Unit	29	22	-
Generation Business Unit	473	471	472
Networks Business Unit	1,235	1,201	1,484
Pilbara Branch	27	30	37
Regional Branch	113	111	122
Retail Business Unit	213	217	187
Corporate	-	-	270
Externally seconded	2	-	1
Total	2,588	2,563	2,573

PRODUCTION AND DISTRIBUTION	2002/03	2001/02	2000/01	1999/00	1998/99
Electricity Generation					
Generation - thermal, diesel, wind (GWh)	12,871.3	12,392.0	12,167.3	12,344.9	12,158.1
Used in works (GWh)	837.7	826.0	828.5	853.6	803.8
Purchased (GWh)	1,502.5	1,557.0	1,698.9	1,134.7	1,072.7
Sent out (GWh)	13,536.0	13,123.0	13,037.7	12,626.0	12,427.0
Cold weather maximum demand (MW generated)	2,308	2,223	2,243	2,156	2,126
Hot weather maximum demand (MW generated)	2,719	2,473	2,538	2,508	2,331
Peak load interconnected system (MW generated)	2,719	2,473	2,538	2,508	2,331
Interconnected generation capacity winter capability (MW)	3,172	3,172	3,150	3,150	3,210
Thermal efficiency for kWh generated (%)	31.0	31.4	31.3	31.6	32.4
Fuel Consumption Used for Generation:					
Coal ('000 tonnes)	4,931	4,718	4,605	4,729	4,365
Distillate and other fuel oils (tonnes)	64,791	60,821	60,647	62,807	69,913
Gas (TJ)	38,597	36,038	38,284	36,061	41,039
Distribution – South West Interconnected System					
Sent out (GWh)	12,879.0	12,498.3	12,438.8	12,047.1	11,835.8
Line loss (GWh)	1,016.7	997.4	1,000.0	956.6	968.1
Sold to customers (GWh)	11,862.3	11,500.9	11,438.8	11,090.5	10,867.7
Distribution - Non-Interconnected System and Pilbara					
Sent out (GWh)	657.0	625.0	598.9	578.9	591.0
Line loss (GWh)	44.0	44.6	41.0	34.2	52.0
Sold to customers (GWh)	613.0	580.4	557.9	544.7	539.0
Customer Accounts at 30 June	847,058	828,113	810,568	794,746	775,602

Please note: Sales to customers include electricity generated by Western Power and electricity purchased from independent generators.

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 Western Power Corporation during the financial year ended 30 June 2003 is disclosed as follows:

Advertising Agencies: \$400,848.85 - The Brand Agency Pty Ltd, 303, Atticus Communications, Shearman Communications (WA) Pty Ltd and TMP Worldwide Pty Ltd.

Market Research Organisations: \$522,922.92 - Market Equity Pty Ltd, Neo Knowledge and Data Analysis Aust. Pty Ltd.

Media Advertising Organisations: \$1,938,960.45 - Media Decisions WA

Direct Mail: \$7,550.00 – Hermes Precisa Pty Ltd

Polling: \$7,399.09 - Australian Electoral Commission (AEC)

Total expenditure was \$ 2,877,681.31

Glossary

CAIDI	Total outage duration minutes/average number of customers.
CO₂	Carbon Dioxide.
CO₂e	Carbon Dioxide equivalent The amount of carbon dioxide that has the same global warming effect as a mixture of greenhouse gases.
EMS	Environmental Management System.
EMISWeb	Electronic environmental management information system.
GW	Gigawatt. A measure of electrical power. Equivalent to one million kilowatts.
GWh	Gigawatt-hour. One Gwh = 1000 MWh or one million kilowatt-hours.
ISO 14001	International Standards Organisation 14001. The international standard for environmental management systems.
kV	Kilovolt One kV = 1000 volts. A volt is the unit of potential of electric pressure.
kW	Kilowatt. One kW = 1000 watts. A watt is the rate at which electrical energy is produced or used.
kWh	Kilowatt-hour. The standard unit of energy, equivalent to the consumption rate of one kilowatt for one hour. Commonly used as the 'unit' of electrical energy.
MVA	Megavolts-ampere. The product of the voltage rating (kV) and the current rating (kA). Used to represent the rating of electrical equipment such as transformers.
MW	Megawatt One MW = 1000 kW or one million watts.
MWh	Megawatt-hour. One MWh = 1000 kWh.
NO_x	Nitrogen Oxides. A term used for a mixture of nitrogen oxides.
SAIFI	Total customers interrupted/average number of customers.
SO₂	Sulfur Dioxide
Spinning Reserve	The amount of instantly available spare generation capacity on the system at any one moment.
SWIS	South West Interconnected System
TJ	Terajoule. One TJ = one million, million joules, or 10 ¹² joules. Used to indicate the energy content of gas.

APPENDIX A

Western Power Corporation Financial Review 2003

STATISTICAL SUMMARY

Five Year Financial Summary

	UNIT	30/06/03	30/06/02	30/06/01	30/06/00	30/06/99
Sales Revenue	\$'000	1,482,099	1,433,760	1,415,685	1,426,431	1,357,687
Total Revenue	\$'000	1,697,900	1,601,236	1,573,833	1,575,202	1,624,472
Total Expenditure	\$'000	1,234,597	1,148,083	1,126,464	1,107,260	1,121,940
Borrowing Costs	\$'000	144,337	154,089	161,057	230,084	279,163
Income Tax Expense	\$'000	96,901	91,342	98,121	83,828	82,273
EBIT	\$'000	463,303	453,153	447,369	467,942	502,532
EBITDA	\$'000	691,396	673,509	658,540	680,479	656,862
Net Profit after Income Tax Expense	\$'000	222,065	207,722	188,191	154,030	141,096
Current Assets	\$'000	347,239	332,937	345,749	307,468	292,080
Non-Current Assets	\$'000	4,131,499	3,906,638	3,764,311	3,718,834	3,726,149
Total Assets	\$'000	4,478,738	4,239,575	4,110,060	4,026,302	4,018,229
Current Liabilities	\$'000	309,001	283,174	261,056	267,687	290,232
Non-Current Liabilities	\$'000	2,717,596	2,609,220	2,593,586	2,598,305	2,680,460
Total Liabilities	\$'000	3,026,597	2,892,394	2,854,642	2,865,992	2,970,692
Total Debt	\$'000	2,416,341	2,332,777	2,363,884	2,434,761	2,537,574
Total Equity	\$'000	1,452,141	1,347,181	1,255,418	1,160,310	1,047,537
Return on Assets <i>(EBITDA/average non-current assets)</i>	%	17.2	17.6	17.6	18.3	17.6
Return on Equity <i>(Net profit after income tax/total equity)</i>	%	15.3	15.4	15.0	13.3	13.5
Debt to Equity Ratio <i>(Capital structure geared to debt)</i>		62/38	63/37	65/35	68/32	71/29
Payments to Government	\$'000	224,818	192,616	149,774	122,273	107,738

WESTERN POWER CORPORATION

***FINANCIAL REPORT
FOR THE YEAR ENDED
30 June 2003***

DIRECTORS' REPORT

The Board of Directors submits the financial accounts of Western Power Corporation ("the Corporation") for the financial year ended 30 June 2003 and reports as follows:

Directors

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

Malcolm Hugh Macpherson BSc, FAICD, FAus IMM, FTSE, Cert. Acctg. - Chairman (Age 58)

Mr Macpherson was appointed to the Board as a Non-Executive Director and Chairman in May 2002 and had been inaugural Chairman of the Western Power Corporation Board from January 1995 until May 1999. Mr Macpherson has had extensive experience in the mineral resources industry at both the operational and executive level. Mr Macpherson is a Director of Anaconda Nickel Limited; Chairman of the Cooperative Research Centre for Sustainable Minerals Processing and the Independent Living Centre of Western Australia (Inc); and a Member of the Senate of Murdoch University. Mr Macpherson's term expires on 31 December 2004.

Neil Douglas Hamilton LLB - Deputy Chairman (Age 51)

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

Walter Stephen van der Mye BComm(Hons), PhD - Managing Director (Age 55)

Dr van der Mye was appointed Managing Director and Chief Executive Officer of Western Power Corporation in April 2003. Dr van der Mye's previous role was as Managing Director and Chief Executive Officer of the National Electricity Market Management Company Limited, the administrator and operator of the National Electricity Market. Dr van der Mye is Chairman of the Association of Power Exchanges; Director of the Bank of Cyprus Australia Pty Limited and Chairman of the Audit Committee; Director of Warrnambool Co-operative Society Limited and a Member of the Board Development Committee. Dr van der Mye is also a Member of the Electricity Reform Implementation Steering Committee.

Paul John Moy BA Ec(Hons), PhD - Director (Age 48)

Dr Moy was appointed to the Board as a Non-Executive Director in February 2003. Dr Moy is a former investment banker and was Chairman of the Innovation Investment Fund and a Director of Centennial Coal. Dr Moy has extensive experience advising the eastern states electricity industry as an investment banker. Dr Moy has extensive experience in utility reform and is a former member of the National Competition Council. Dr Moy's term expires on 31 December 2005.

Warren John Murphy, BSc(Chem), FAICD - Director (Age 57)

Mr Murphy was appointed to the Board as a Non-Executive Director in July 2000. Mr Murphy retired from Wesfarmers Ltd where he was Executive Director of Corporate Affairs, and Managing Director of Wesfarmers Bunnings Ltd. Mr Murphy is President of the Board of the Industrial Foundation for Accident Prevention and Chairman of the Leeuwin Ocean Ventures Foundation Limited. Mr Murphy's term expired on 30 June 2003.

Jennifer Anne Seabrook BComm - Director (Age 46)

Ms Seabrook was appointed to the Board as a Non-Executive Director in September 2001. Ms Seabrook is a member of the Takeovers Panel and the Western Australian Government's Pearling Industry Advisory Committee. Ms Seabrook is also a Director of Gresham Partners Ltd and Gresham Advisory Partners Ltd. Ms Seabrook's term expires on 30 June 2004.

Directors (continued)

Nenad Ninkov BEc(Hons), Grad Dip Finance - Previous Acting Chief Executive Officer (Age 45)

Mr Ninkov acted Chief Executive Officer of Western Power Corporation from mid December 2002 until late April 2003. Mr Ninkov joined the State Electricity Commission of Western Australia in 1980 as the Manager Corporate Development having previously worked at Western Australian Government Railways and the Office of Economic Development and Department of Resources Development. In January 1995, Mr Ninkov was appointed General Manager Corporate Strategy of Western Power Corporation and is currently General Manager Corporate Finance.

Daniel Alexander Smetana Dip Comm, FCPA, FAIM, FAICD - Previous Deputy Chairman (Age 59)

Mr Smetana was appointed to the inaugural Board as a Non-Executive Director in January 1995 and held this position until 31 January 2003. Mr Smetana has been Chairman of Joyce Corporation Ltd since 1984. Mr Smetana is past President of the Industrial Foundation for Accident Prevention; Director of the West Australian Symphony Orchestra; Director of Edge Employment Solutions Incorporated; Western Australia Chairman of the Defence Reserves Support Council and National Councillor; Vice President and a Councillor of the Federation of Western Australia Police & Citizens Youth Clubs (Inc); Deputy Chairman of Youth Charities Trust Inc; Chairman of the Department of Training and Employment Science & Technology Advisory Group; and Chairman of Bedshed Franchisors (WA) Pty Ltd.

Carol Anne Devitt BComm(Hons), MPhil(Oxon), MAICD - Previous Director (Age 50)

Mrs Devitt was appointed to the inaugural Board as a Non-Executive Director in January 1995 and held this position until 31 December 2002. Mrs Devitt is a former Rhodes Scholar who read in management studies at Oxford University. Mrs Devitt is Chairman of the South West Development Commission; a member of the Edith Cowan University South West Campus (Bunbury) Advisory Board; and a Member of the Wesley College Council.

David Russell Eiszele MBus, Dip Civ Eng, CP Eng, FIEAust, F.I.E.E, FAIM, FAICD - Previous Managing Director (Age 62)

Mr Eiszele was appointed as inaugural Managing Director of Western Power Corporation in January 1995 and held this position until 16 December 2002. Mr Eiszele is a past Chairman of the Electricity Supply Association of Australia. Other directorships include the Boards of the Industrial Foundation for Accident Prevention and Western Australia Treasury Corporation and a membership of the Business Council of Australia and World Business Council for Sustainable Development.

Committees

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

Governance and Remuneration: Mr MH Macpherson (Chairman), Mr ND Hamilton, Mr WJ Murphy

Audit and Risk Management : Ms JA Seabrook (Chairman), Mr ND Hamilton, Dr PJ Moy

In February 2003 the Audit and Risk Management Committee was created amalgamating the roles of the Audit and Finance Committees.

Meetings of Directors

The number of Directors' meetings (including meetings of committees) and number of meetings attended by each of the Directors during the financial year ended 30 June 2003 are:

	Board Meetings		Governance & Remuneration Committee Meetings		Audit and Risk Management Committee Meetings		Audit Committee Meetings		Finance Committee Meetings	
	A	B	A	B	A	B	A	B	A	B
Mr MH Macpherson	15	15	6	6	-	-	-	-	-	-
Mr ND Hamilton	14	15	2	3	2	2	-	-	-	-
Dr PJ Moy	6	8	-	-	2	2	-	-	-	-
Mr WJ Murphy	13	15	6	6	-	-	-	-	3	3
Ms JA Seabrook	15	15	-	-	2	2	3	3	3	3
Dr WS van der Mye	3	3	-	-	-	-	-	-	-	-
Mr N Ninkov	5	5	-	-	-	-	-	-	-	-
Mr DA Smetana	6	6	-	-	-	-	-	-	3	3
Mrs CA Devitt	6	6	3	3	-	-	3	3	-	-
Mr DR Eiszele	5	5	2	2	-	-	2	2	2	2

A - Number of meetings attended

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

Note: Mr DR Eiszele (Managing Director) until 16 December 2002; Mrs CA Devitt (Director) until 31 December 2002; Mr DA Smetana (Deputy Chairman) until 31 January 2003; Mr N Ninkov (Acting Chief Executive Officer) from 16 December 2002 until 24 April 2003; Dr PJ Moy since 4 February 2003; Dr WS van der Mye since 28 April 2003.

Directors' and Executive Officers' Remuneration

The Governance and Remuneration Committee is responsible to the Board for the development and implementation of policy relating to the remuneration and other terms and conditions of service of the Managing Director, Non-Executive Directors, senior Executives and staff of the Corporation. The Committee oversees the application of the policy and obtains the concurrence of the Minister for Energy in relation to matters pertaining to Directors of the Corporation.

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

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

Directors' and Executive Officers' Remuneration (continued)

Details of the nature and amount of each element of the emolument of each Director during 2002/03 are detailed below:

	Base (1) \$	Superannuation Contributions (2) \$	Terminations (3) \$	Other (4) \$	Total \$
Non-Executive Directors					
Mr MH Macpherson	91,551	8,306	-	663	100,520
Mr ND Hamilton	38,869	3,559	-	663	43,091
Dr PJ Moy *	15,021	1,352	-	-	16,373
Mr WJ Murphy	38,742	3,560	-	661	42,963
Ms JA Seabrook	38,858	7,108	-	661	46,627
Mr DA Smetana *	23,929	2,182	-	406	26,517
Mrs CA Devitt *	20,568	1,867	-	263	22,698
Executive Directors					
Dr WS van der Mye *	58,842	1,618	-	9,540	70,000
Mr N Ninkov *	131,690	8,733	-	7,807	148,230
Mr DR Eiszele *	583,573	26,451	496,053	21,774	1,127,851

- (1) Base represents Director fees and Executive salaries including accrued leave entitlements on termination.
- (2) Superannuation represents employer contributions.
- (3) Terminations represent severance, telephone, personal computer and motor vehicle benefits.
- (4) Other represents motor vehicle (including fringe benefit cost), productivity/performance payments and electricity benefits.

* Mr DR Eiszele (Managing Director) until 16 December 2002; Mrs CA Devitt (Director) until 31 December 2002; Mr DA Smetana (Deputy Chairman) until 31 January 2003; Mr N Ninkov (Acting Chief Executive Officer) from 16 December 2002 until 24 April 2003; Dr PJ Moy since 4 February 2003; Dr WS van der Mye since 28 April 2003.

Directors' and Executive Officers' Remuneration (continued)

Details of the nature and amount of each element of the emolument of each of the senior Executive Officers during 2002/03 are detailed below:

	Base (1) \$	Superannuation Contributions (2) \$	Terminations (3) \$	Other (4) \$	Total \$
Executive Officers					
Mr GR Gillies	268,107	35,045	-	34,848	338,000
Mr N Ninkov *	259,520	25,089	-	32,620	317,229
Mr MD Chatfield	201,162	37,979	-	40,810	279,951
Mr JE Lillywhite	176,808	40,109	-	37,963	254,880
Mr PR Oates	177,631	37,854	-	35,600	251,085
Mr DT Aberle	180,417	35,322	-	34,487	250,226
Mr M Hands	150,334	21,090	-	39,302	210,726
Ms MV Enders	131,247	15,651	-	63,519	210,417

(1) Base represents Director fees and Executive salaries including accrued leave entitlements on termination.

(2) Superannuation represents employer contributions.

(3) Terminations represent severance, telephone, personal computer and motor vehicle benefits.

(4) Other represents motor vehicle (including fringe benefit cost), productivity/performance payments and electricity benefits.

* Includes remuneration whilst Acting Chief Executive Officer from 16 December 2002 until 24 April 2003 (refer previous table).

Principal Activities

The Corporation:

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

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

Operating Results

For the financial year ended 30 June 2003, the Corporation achieved a net profit after income tax of \$222.1 million.

Dividends Paid or Recommended

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

- an interim dividend of \$58.4 million in respect of the period ended 31 December 2002, paid on 27 June 2003.
- a final dividend of a further \$55.6 million in respect of the financial year ended 30 June 2003, recommended to be paid during December 2003.

Review of Operations

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

Change in State of Affairs

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

- Significant progress was made in the development of the State Government's electricity reform program during 2002/03. On 15 October 2002, the Electricity Reform Task Force (ERTF) presented its final recommendations to the Minister for Energy. Key recommendations included the disaggregation of the Corporation into four corporatised government entities (generation, networks, retail and regional), the establishment of a wholesale market, putting in place new access arrangements for electricity networks, a reduction in the contestability threshold to 5.7 kW average load from 1 January 2005, an increase in consumer protection measures and steps to encourage the use of renewable energy. State Cabinet endorsed the ERTF's broad recommendations on 25 November 2002 and requested further studies on the cost of reform and wholesale market structure. Following consideration of further studies, Cabinet endorsed the electricity reform program on 30 June 2003.
Legislation will be needed to implement the reforms. The Government has announced that this legislation will be introduced into State Parliament during 2003/2004.
- During January 2003 the electricity market was further deregulated to incorporate 34kW customers. The latest tranche of deregulation entails 1800 customers. The total deregulated market now represents 51% of sales volume.
- In 1999 the Australian Gas Light Company (AGL) and the Corporation constructed a 360 kilometer gas pipeline and power station to supply electricity and gas to the Windimurra Vanadium Project (WVP), approximately 80 kilometers south-east of Mt Magnet. The owners' interest in the project is held in three unincorporated Joint Ventures for the separate activities of power generation, gas trading and pipeline ownership. In February 2003 the WVP owner's placed the project in a care and maintenance mode. During March 2003 the Directors of the Corporation re-assessed the recoverable amount of the joint venture assets and based on this assessment have written down assets by \$18.1 million to their recoverable amount of \$8.1 million.
- During May 2003 the high efficiency 240MW gas fired Cockburn 1 combined cycle installation generated its first output. Commissioning of the steam turbine is in progress and will be followed by extensive performance testing of the facility. The construction cost to date is \$275.7 million and completion will occur ahead of the contracted date of December 2003. This combined cycle unit replaces two aging natural gas and oil fired 120MW generating units at Kwinana Power Station and will result in a significant efficiency improvement in electricity generation.

Events Subsequent to Balance Date

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

Likely Developments and Expected Results of Operations

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

- On 30 June 2003, State Cabinet endorsed the electricity reform program, which broadly involves the disaggregation of the Corporation into four new corporatised government entities, the introduction of a wholesale market and a reduction in the contestability threshold. Further details can be found under the heading “Change in State of Affairs”. With a representative on the Electricity Reform Implementation Steering Committee, the Corporation will work to assist in the implementation of the reform program over the coming months and years.
- On 23 May 2003, the Gas Access Regulator issued his Final Decision on Epic Energy's proposed Access Arrangement for the Dampier to Bunbury Natural Gas Pipeline (DBNGP). Approval of a revised Access Arrangement is uncertain, and the prospect for a capacity expansion of the DBNGP is unknown. Initial analysis indicates that if the Regulator's decision were implemented as it currently stands it is likely to result in a substantial increase in gas transportation costs to the Corporation in future years.
- The Corporation is currently undertaking a telecommunications initiative under the brand “Bright Telecommunications”. The project involves the deployment of a high-speed telecommunications network in conjunction with retrospective undergrounding of low voltage distribution assets. In addition, a low visibility aerial deployment trial has commenced in Victoria Park. To date the Corporation has invested \$18.1 million. The pilot phase has been substantially completed and a detailed independent review of the project is being undertaken to determine the economic viability of the project and its future. A decision on the future of the project cannot be made until that review is complete. Subsequently the Directors will reassess the carrying value of the project.

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

Environmental Regulation Performance

All the Corporation sites are subject to a range of environmental regulations, both State and Federal, and some are also covered by specific environmental operating licences issued by the State. All performance obligations under these licences are monitored and reported, and may be subject to Government agency audit or inspection from time to time. No actions have been taken against the Corporation by any Government agency for any breaches of environmental license conditions in the financial year ended 30 June 2003. Several environmental incidents have been reported to the Department of Environment and these are described in the Environmental Review section of the Annual Report.

Directors' Benefits

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

Directors' Interest in Contracts

During the financial year, the Corporation did not enter into any contracts with entities in which Directors declared an interest, except as set out in Note 29 to the financial statements, that forms an integral part of this Report.

Indemnification of Directors and Officers

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

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

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

Rounding of Amounts

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

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

Mr MH MACPHERSON

Chairman

28 July 2003

Dr WS VAN DER MYE

Managing Director

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- (a) the financial statements and associated notes comply with the Accounting Standards in Australia and Urgent Issues Group Consensus Views;
- (b) the statement of financial performance is drawn up so as to give a true and fair view of the net profit of the Corporation for the financial year ended 30 June 2003;
- (c) the statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Corporation as at 30 June 2003, and;
- (d) at the date of this statement there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

For and on behalf of the Board,

Mr MH MACPHERSON
Chairman

Dr WS VAN DER MYE
Managing Director

28 July 2003

INDEPENDENT AUDIT REPORT ON WESTERN POWER CORPORATION



AUDITOR GENERAL

INDEPENDENT AUDIT REPORT ON WESTERN POWER CORPORATION

To the Parliament of Western Australia

Audit Opinion

In my opinion, the financial statements of Western Power Corporation are properly drawn up:

- (a) so as to give a true and fair view of:
 - (i) the Corporation's financial position at June 30, 2003 and of its performance for the financial year ended on that date; and
 - (ii) the other matters required by schedule 3 of the Electricity Corporation Act 1994 to be dealt with in the financial statements;
- (b) in accordance with the provisions of the Electricity Corporation Act 1994; and
- (c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

Scope

The Board's Role

The Board of Directors is responsible for the financial statements.

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

Summary of my Role

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

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

A handwritten signature in black ink, appearing to read 'D D R Pearson'.

D D R PEARSON
AUDITOR GENERAL
July 29, 2003

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2003

	NOTES	30/06/03 \$'000	30/06/02 \$'000
Sales of Electricity		1,482,099	1,433,760
<i>Less:</i> Cost of Sales	2	1,044,308	989,870
Gross Profit		437,791	443,890
<i>Plus:</i> Other Revenue from Ordinary Activities	3	215,801	167,476
<i>Less:</i> Other Expenditure from Ordinary Activities	4	190,289	158,213
<i>Less:</i> Borrowing Costs	5	144,337	154,089
Profit from Ordinary Activities before Income Tax Expense	6	318,966	299,064
<i>Less:</i> Income Tax Expense	7	96,901	91,342
NET PROFIT		222,065	207,722

This statement should be read in conjunction with the attached Notes to the Financial Statements set out on pages 14 to 50.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2003

	NOTES	30/06/03 \$'000	30/06/02 \$'000
<u>Current Assets</u>			
Cash Assets	9	29,101	16,511
Receivables	10	203,932	197,855
Inventories	11	105,804	111,925
Other Financial Assets	12	-	429
Other	13	8,402	6,217
Total Current Assets		347,239	332,937
<u>Non-Current Assets</u>			
Property, Plant and Equipment	14	4,041,782	3,825,770
Future Income Tax Benefit		63,290	51,583
Other Financial Assets	12	5,003	4,702
Other	13	21,424	24,583
Total Non-Current Assets		4,131,499	3,906,638
TOTAL ASSETS		4,478,738	4,239,575
<u>Current Liabilities</u>			
Payables	15	110,602	71,870
Tax Liabilities	16	44,432	60,157
Provisions	17	107,936	108,424
Other		46,031	42,723
Total Current Liabilities		309,001	283,174
<u>Non-Current Liabilities</u>			
Payables	15	33,689	34,964
Interest Bearing Liabilities	18	2,416,341	2,332,777
Tax Liabilities	16	128,156	107,874
Provisions	17	131,328	120,907
Other		8,082	12,698
Total Non-Current Liabilities		2,717,596	2,609,220
TOTAL LIABILITIES		3,026,597	2,892,394
NET ASSETS		1,452,141	1,347,181
<u>Equity</u>			
Contributed Equity	19	9,526	7,190
Retained Profits	19	1,442,615	1,339,991
TOTAL EQUITY		1,452,141	1,347,181

This statement should be read in conjunction with the attached Notes to the Financial Statements set out on pages 14 to 50.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2003**

	NOTES	30/06/03 \$'000	30/06/02 \$'000
<u>Cash Flows from Operating Activities</u>			
Receipts in the Course of Operations		1,636,903	1,583,900
Other Revenue from Ordinary Activities		99,476	92,882
Interest Received		811	1,142
Payments to Employees and Suppliers		(1,045,935)	(987,207)
Borrowing Costs Paid		(159,091)	(121,051)
Lease Expenses		(5,174)	(4,732)
Income Tax Paid		(104,457)	(88,108)
Goods & Services Tax Paid		(49,941)	(51,595)
Net Cash Inflows from Operating Activities	24	372,592	425,231
<u>Cash Flows from Investing Activities</u>			
Proceeds/(Payment) for Investment in Other Entities		229	(268)
Payment for Property, Plant and Equipment		(451,357)	(349,890)
Proceeds from Sale of Property, Plant and Equipment		16,940	12,876
Net Cash Outflows from Investing Activities		(434,188)	(337,282)
<u>Cash Flows from Financing Activities</u>			
Dividends Paid		(119,068)	(103,375)
Proceeds from Interest Bearing Liabilities		1,004,609	836,456
Repayment of Interest Bearing Liabilities		(906,332)	(863,701)
CES, Customers' and Contractors' Deposits		(2,115)	(2,199)
Non-Refundable Customer Contributions to Capital Works		94,718	54,516
Proceeds from Contributed Equity		2,336	1,013
Net Cash Inflows/(Outflows) from Financing Activities		74,148	(77,290)
NET INCREASE/(DECREASE) IN CASH ASSETS HELD		12,552	10,659
Cash Assets at Beginning of Financial Year		16,511	5,857
Effects of Exchange Rate Changes on Cash		38	(5)
CASH ASSETS AT END OF FINANCIAL YEAR	24	29,101	16,511

This statement should be read in conjunction with the attached Notes to the Financial Statements set out on pages 14 to 50.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation

1.1.1 Basis of Preparation

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

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

1.1.2 Change in Accounting Policy

The accounting policies adopted are consistent with those of the previous year except for the accounting policy with respect to the provision for employee entitlements.

Employee Entitlements

The Corporation has applied the revised Accounting Standard AASB 1028 "Employee Benefits" for the first time from 1 July 2002. Previously, the Corporation measured the provision for employee entitlements based on remuneration rates at the date of the recognition of the liability. In accordance with the requirements of the revised Standard, the provision for employee entitlements is now measured based on the remuneration rates expected to be paid when the liability is settled.

The effect of the revised policy has been to decrease retained profits and increase employee entitlement liabilities at the beginning of the financial year by \$5.4 million. In addition, current years profits have decreased by \$0.8 million due to an increase in the employee entitlements expense. Current and non-current employee entitlement provisions at 30 June 2003 have both increased by \$0.4 million each as a result of the change in accounting policy.

1.2 Revenue Recognition

1.2.1 Sales of Electricity

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Revenue Recognition (continued)

1.2.2 Other Revenue from Ordinary Activities

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

Other revenue from ordinary activities includes:

- Account Fees
- Business Ventures
- Developer and Customer Contributions
- External Chargeable Works
- Generation Fuel Sales
- Grant Received
- Interest
- Network Access Charges
- Proceeds on Sale of Non-Current Assets, and
- Property Rent

1.3 Goods and Services Tax

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

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

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

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

1.4 Receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.5 Cost of Sales

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

1.5.1 Fuel Costs

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

1.6 Borrowing Costs

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

Borrowing costs are capitalised at the weighted average interest rate applicable to the Corporation's outstanding borrowings during the period of capitalisation. The weighted average interest rate used during the financial year was 6.7% (2002: 6.7%). Capitalisation ceases when the activities necessary to prepare the asset for use are substantially completed.

Borrowing costs include:

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

1.7 Current Assets and Current Liabilities

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

1.8 Cash Assets

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Property, Plant and Equipment

1.9.1 Capitalisation of Borrowing Costs

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

1.9.2 Acquisition of Assets

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

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

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

1.9.3 Recoverable Amount of Non-Current Assets

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

In assessing recoverable amount of non-current assets the relevant cash flows have been based on projected financial results and an assumed terminal value. These cashflows have been discounted at a rate of 7.0% to their present value.

1.9.4 Depreciation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Property, Plant and Equipment (continued)

1.9.5 Leased Assets

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

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

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

1.10 Inventories

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

1.11 Joint Venture Operations and Associate Entities

1.11.1 Joint Venture Operations

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

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

1.11.2 Associate Entities

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

1.12 Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the Corporation prior to the end of the financial year, which are unpaid. The amounts are unsecured and are settled within prescribed periods.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.13 Provisions

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

1.13.1 Dividends

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

1.13.2 Employee Entitlements

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

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

1.13.3 Superannuation

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

The balance of the provision is actuarially reviewed at the conclusion of each financial year; PriceWaterhouseCoopers performed an actuarial review as at 30 June 2003.

1.13.4 Decommissioning Costs

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.14 Foreign Exchange

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

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

1.14.1 Transactions

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

1.14.2 Specific Commitments

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

1.14.3 General Commitments

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

1.14.4 Speculative Commitments

The Corporation does not undertake speculative transactions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.15 Derivative Financial Instruments

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

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

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

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

1.15.1 Interest Rate Swaps

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

1.15.2 Cross Currency Swaps

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

1.15.3 Commodity Swaps

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

1.15.4 Forward Foreign Exchange Contracts

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

1.15.5 Forward Rate Agreements

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

1.15.6 Foreign Currency and Commodity Options

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.15 Derivative Financial Instruments (continued)

1.15.7 Bond Futures Contracts

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

1.16 National Taxation Equivalent Regime (NTER)

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

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

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

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

1.17 Prepayments

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

1.18 Community Service Obligations

Non-commercial activities performed on behalf of the State Government are collectively referred to as Community Service Obligations (CSO's). Where the Government agrees to reimburse the Corporation for the cost of CSO's, the entitlement to reimbursement is recognised in the statement of financial performance on a basis consistent with the associated CSO expenses. For the financial year ended 30 June 2003, \$33.5 million (2002: \$31.4 million) has been reimbursed with respect to costs associated with supply charge rebates.

1.19 Repairs and Maintenance

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.20 Comparatives

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

1.21 Renewable Energy Certificates

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

The RE liability is extinguished by annual surrender of an equivalent number of Renewable Energy Certificates (REC's), with a penalty applying for any shortfall. The Corporation's liability is recognised at a value equivalent to the REC penalty. For the financial year ended 30 June 2003, \$3.9 million (2002: \$2.2 million) has been recognised as an expense in relation to the Corporation's renewable energy obligation.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

	30/06/03	30/06/02
	\$'000	\$'000
2. Cost of Sales		
Fuel and Electricity Purchases	522,259	489,624
Labour, Materials and Services	300,898	281,373
Depreciation	214,504	209,178
Other	6,647	9,695
	<u>1,044,308</u>	<u>989,870</u>
3. Other Revenue from Ordinary Activities		
<u>Revenue from Operating Activities</u> –		
Developer and Customer Contributions	95,260	58,539
External Chargeable Works	25,660	18,376
Network Access Charges	15,192	11,223
Account Fees	9,270	8,294
<u>Revenue from Non Operating Activities</u> –		
Generation Fuel Sales	20,730	20,523
Proceeds on Sale of Non-Current Assets	16,701	12,869
Business Ventures	11,321	14,988
Grant Received	4,410	-
Interest	718	1,210
Property Rent	438	552
Other	16,101	20,902
	<u>215,801</u>	<u>167,476</u>
4. Other Expenditure from Ordinary Activities		
Labour, Materials and Services	113,882	91,914
Write Down of Plant & Equipment to Recoverable Amount	18,086	-
Generation Fuel Costs	16,746	16,790
Depreciation	13,589	11,178
Written Down Value on Sale of Non-Current Assets	7,250	9,711
Write Down of Power Station Fuel Inventory	-	6,185
Bad Debts Written Off	3,397	4,698
Other	17,339	17,737
	<u>190,289</u>	<u>158,213</u>
5. Borrowing Costs		
Domestic Currency Loans	154,015	152,573
Interest Rate Swaps	851	945
Futures	-	142
Forward Rate Agreement	(2)	73
	<u>154,864</u>	<u>153,733</u>
Government Loan Guarantee Charge	4,214	4,085
	<u>159,078</u>	<u>157,818</u>
<i>Less: Capitalised Borrowing Costs</i>	<u>14,741</u>	<u>3,729</u>
	<u>144,337</u>	<u>154,089</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

	30/06/03 \$'000	30/06/02 \$'000
6. Profit from Ordinary Activities before Income Tax Expense		
Profit before Income Tax Expense is arrived at after:		
<u>Crediting the following items</u> –		
Net Profit on Sale of Non-Current Assets	9,451	3,158
<u>Charging the following items</u> –		
Bad Debts		
- Written off to the Statement of Financial Performance	3,397	4,698
- Increase (Decrease) in Provision for Doubtful Debts	(128)	(68)
Depreciation & Amortisation		
- Plant and Equipment	216,570	214,161
- Buildings	14,125	9,680
- Capitalised	(2,647)	(3,509)
- Leasehold Improvements	45	24
Leasing Costs		
- Operating Lease Rentals	5,174	4,732
Auditors' Remuneration		
Audit Services		
- Auditors of the Corporation	215	205

Significant items

2002/03

Developer and Customer Contributions

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

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

Write-down of plant and equipment to recoverable amount

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Profit from Ordinary Activities before Income Tax Expense (continued)

Significant items (continued) –

2002/03 (continued)

Demonstration Integrated Wood Processing (IWP) Project

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

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

2001/02

South West Interconnected System (SWIS) – Generating Assets

During the financial year ended 30 June 2002 the State Government endorsed a program for the procurement of new privately owned generating plant in the SWIS. This resulted in an increase to the useful life of Kwinana Power Station and Muja Power Station Stages A and B and the subsequent raising of a \$19.2 million provision for the demolition and site clean up of Muja Power Station Stages A and B.

The financial impact for the year ended 30 June 2002 was an \$8.7 million net reduction in depreciation expense comprising a reduction of \$12.5 million for increased useful life and an increase of \$3.8 million in respect of further decommissioning provisions.

Regional – Generating Assets

During the financial year ended 30 June 2002 a review of Regional generating assets was undertaken by the Corporation based on the expected dates Independent Power Producers would be in a position to take over power generation responsibility. This resulted in a reduction to the useful life of specific Regional generating plants and the subsequent raising of a \$9.7 million provision for the demolition and site clean up of these plants.

The financial impact for the year ended 30 June 2002 was an \$11.6 million increase in depreciation expense comprising increases of \$7.3 million for reduced useful life and \$4.3 million in respect of decommissioning provisions.

Capitalised Indirect Costs

During the financial year ended 30 June 2002 the application of the policy on capitalisation of indirect costs, as outlined in accounting policy Note 1.9.2, was expanded to incorporate relevant indirect costs of network construction activity.

The financial impact for the year ended 30 June 2002 was a \$19.4 million increase in the capitalisation of indirect costs.

NOTES TO THE FINANCIAL STATEMENTS (continued)

	30/06/03	30/06/02
	\$'000	\$'000
7. Income Tax Expense		
The prima facie tax on profit is reconciled to the income tax provided in the accounts as follows:		
Profit Before Income Tax Expense	318,966	299,064
Income Tax calculated at 30%	95,690	89,719
<u>Tax Effect of Permanent Differences</u>		
- Provision for Decommissioning Costs	3,203	3,203
- Non-deductible Depreciation of Buildings	905	(9)
- Non-assessable Profit on Sale of Assets	(2,618)	(1,169)
- Research and Development Costs	(502)	(854)
- Other	223	452
Total Tax Effect of Permanent Differences	1,211	1,623
INCOME TAX EXPENSE	96,901	91,342
<u>Total Income Tax Comprises the Following:</u>		
<i>Additions to :</i> Provision for Income Tax	88,325	85,151
Provision for Deferred Income Tax	20,282	12,895
Future Income Tax Benefit	(11,706)	(6,704)
	96,901	91,342

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Segment Information

	GENERATION		TRANSMISSION		DISTRIBUTION and SALES		PILBARA POWER		REGIONAL POWER		CONSOLIDATED	
	30/06/03 \$'000	30/06/02 \$'000	30/06/03 \$'000	30/06/02 \$'000	30/06/03 \$'000	30/06/02 \$'000	30/06/03 \$'000	30/06/02 \$'000	30/06/03 \$'000	30/06/02 \$'000	30/06/03 \$'000	30/06/02 \$'000
<u>Statement of Financial Performance</u>												
External Revenue	45,966	44,211	12,678	14,658	1,494,968	1,410,535	41,548	40,788	62,741	60,421	1,657,901	1,570,613
Inter-segment Revenue	748,363	741,097	159,706	155,798	-	-	-	-	-	-	908,069	896,895
Total Segment Revenue	794,329	785,308	172,384	170,456	1,494,968	1,410,535	41,548	40,788	62,741	60,421	2,565,970	2,467,508
Unallocated Revenue											39,999	30,623
Total Revenue											2,605,969	2,498,131
External Expenditure	(659,006)	(611,950)	(65,364)	(77,501)	(221,620)	(207,048)	(19,228)	(20,998)	(106,582)	(101,583)	(1,071,800)	(1,019,080)
Inter-segment Expenditure	(20,259)	(20,034)	(2,797)	(1,262)	(871,396)	(862,207)	(7,418)	(5,779)	(6,199)	(7,613)	(908,069)	(896,895)
Total Segment Expenditure	(679,265)	(631,984)	(68,161)	(78,763)	(1,093,016)	(1,069,255)	(26,646)	(26,777)	(112,781)	(109,196)	(1,979,869)	(1,915,975)
Unallocated Expenditure											(162,797)	(129,003)
Total Expenditure											(2,142,666)	(2,044,978)
Segment Results	115,064	153,324	104,223	91,693	401,952	341,280	14,902	14,011	(50,040)	(48,775)	463,303	453,153
Borrowing Costs											(144,337)	(154,089)
Profit from Ordinary Activities before Income Tax Expense											318,966	299,064
Income Tax Expense											(96,901)	(91,342)
NET PROFIT											222,065	207,722
Depreciation	117,519	112,132	26,844	26,853	41,965	37,520	3,295	3,266	16,689	17,821	228,093	220,356

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Segment Information (continued)

	GENERATION		TRANSMISSION		DISTRIBUTION and SALES		PILBARA POWER		REGIONAL POWER		CONSOLIDATED	
	30/06/03 \$'000	30/06/02 \$'000	30/06/03 \$'000	30/06/02 \$'000	30/06/03 \$'000	30/06/02 \$'000	30/06/03 \$'000	30/06/02 \$'000	30/06/03 \$'000	30/06/02 \$'000	30/06/03 \$'000	30/06/02 \$'000
<u>Statement of Financial Position</u>												
Segment Assets	1,804,583	1,747,943	845,786	771,996	1,421,648	1,307,509	103,006	103,336	102,347	104,966	4,277,370	4,035,750
Unallocated Assets											201,368	203,825
Segment Liabilities	(246,089)	(233,177)	(93,016)	(71,645)	(189,431)	(196,435)	(5,945)	(7,197)	(18,941)	(11,866)	(553,422)	(520,320)
Unallocated Liabilities											(56,834)	(39,297)
Net Assets Before Borrowings	1,558,494	1,514,766	752,770	700,351	1,232,217	1,111,074	97,061	96,139	83,406	93,100	3,868,482	3,679,958
Borrowings											(2,416,341)	(2,332,777)
NET ASSETS											1,452,141	1,347,181
Acquisition of Non-Current Assets	176,797	110,409	96,188	40,564	144,379	131,804	2,964	2,365	8,666	9,667	472,550	326,590

Segment Reporting

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

The Corporation operates as a vertically integrated business, but in accordance with the disclosure requirements of the Electricity Corporation Act 1994 the following segments are presented -

Industry Segment

The major products/services from which the above segments derive revenue are:

- Generation - Generates and sells electricity to the Distribution and Sales segment;
- Transmission - Transports electricity from generators to the Distribution and Sales segment and third party users;
- Distribution and Sales - Purchases, distributes and sells electricity to customers in the South West Interconnected System;
- Pilbara Power - Purchases, transports, distributes and sells electricity in Western Australia's Pilbara System; and
- Regional Power - Generates, purchases, distributes and sells electricity in Western Australia's remote areas.

Geographical Segments

The Corporation operates entirely in Australia.

Significant inter-segment revenues are earned by the Generation and Transmission segments. Inter-segment Generation revenues are based on competitive market assumptions and inter-segment Transmission revenues are based on published network access price schedules.

NOTES TO THE FINANCIAL STATEMENTS (continued)

	30/06/03	30/06/02
	\$'000	\$'000
9. Cash Assets		
Cash at Bank	11,080	2,452
Domestic Currency Deposits	18,000	14,000
Foreign Currency Deposits	21	59
	<hr/>	<hr/>
	29,101	16,511
	<hr/> <hr/>	<hr/> <hr/>
10. Receivables		
Trade Debtors	199,929	194,837
<i>Less:</i> Provision for Doubtful Debts	3,090	3,218
	<hr/>	<hr/>
	196,839	191,619
Other Debtors	7,093	6,236
	<hr/>	<hr/>
	203,932	197,855
	<hr/> <hr/>	<hr/> <hr/>
11. Inventories		
Power Station Fuels – at cost	49,549	46,369
Power Station Fuels – at net realisable value *	5,245	8,757
Material Stores – at cost	49,309	59,067
<i>Less:</i> Provision for Obsolete Stock	224	2,967
	<hr/>	<hr/>
	49,085	56,100
Work in Progress – at cost	438	480
Renewable Energy Certificates	1,487	219
	<hr/>	<hr/>
	105,804	111,925
	<hr/> <hr/>	<hr/> <hr/>
* <i>In the financial year ended 30 June 2002 inventory was written down by \$6.2 million to its net realisable value to reflect that it will be held for delivery against firm sales contracts.</i>		
12. Other Financial Assets		
<u>Current</u>		
Monies Held in Trust	-	429
	<hr/>	<hr/>
<u>Non-Current</u>		
Investment in Associate Entities	2,690	2,389
Other	2,313	2,313
	<hr/>	<hr/>
	5,003	4,702
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)

	30/06/03	30/06/02
	\$'000	\$'000
13. Other Assets		
<u>Current</u>		
Prepayments	8,402	6,217
	<hr/>	<hr/>
<u>Non-Current</u>		
Prepayments	17,430	20,774
Other	3,994	3,809
	<hr/>	<hr/>
	<hr/>	<hr/>
	21,424	24,583
	<hr/>	<hr/>
14. Property, Plant and Equipment		
<u>Plant and Equipment</u>		
Plant and Equipment at cost	5,392,845	5,216,147
Less: Accumulated Depreciation	2,117,750	1,906,603
	<hr/>	<hr/>
Plant and Equipment – at cost	3,275,095	3,309,544
Plant and Equipment – at recoverable amount	8,077	-
	<hr/>	<hr/>
Plant and Equipment – Net Book Value	3,283,172	3,309,544
	<hr/>	<hr/>
Land at cost– Net Book Value	27,478	26,823
	<hr/>	<hr/>
<u>Buildings</u>		
Buildings at cost	240,153	245,653
Less: Accumulated Depreciation	112,310	104,833
	<hr/>	<hr/>
Buildings – Net Book Value	127,843	140,820
	<hr/>	<hr/>
<u>Leasehold Improvements</u>		
Leasehold Improvements at cost	458	496
Less: Accumulated Depreciation	69	24
	<hr/>	<hr/>
Leasehold Improvements – Net Book Value	389	472
	<hr/>	<hr/>
Works Under Construction at cost– Net Book Value	602,900	348,111
	<hr/>	<hr/>
	<hr/>	<hr/>
	4,041,782	3,825,770
	<hr/>	<hr/>

Valuations

The Valuer General's Office conducted an independent valuation of land and buildings on the basis of current use for land and market value for buildings. The independent valuation valued land and buildings at \$310.6 million as at 30 June 2001.

NOTES TO THE FINANCIAL STATEMENTS (continued)

	30/06/03	30/06/02
	\$'000	\$'000
14. Property, Plant and Equipment (continued)		
Reconciliation		
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
<u>Plant and Equipment</u>		
Opening Balance	5,216,147	5,035,316
Additions	212,502	227,072
Disposals	(9,641)	(46,241)
Write Down to Recoverable Amount	(18,086)	-
	5,400,922	5,216,147
<i>Less: Accumulated Depreciation</i>		
Opening Balance	1,906,603	1,730,648
Depreciation	216,570	214,161
Disposals	(5,423)	(38,206)
	2,117,750	1,906,603
Plant and Equipment – Net Book Value	3,283,172	3,309,544
<u>Land – at cost</u>		
Opening Balance	26,823	23,557
Additions	2,765	3,697
Disposals	(2,110)	(431)
	27,478	26,823
Land – Net Book Value	27,478	26,823
<u>Buildings – at cost</u>		
Opening Balance	245,653	247,974
Additions	2,070	2,627
Disposals	(7,570)	(4,948)
	240,153	245,653
<i>Less: Accumulated Depreciation</i>		
Opening Balance	104,833	98,856
Depreciation	14,125	9,680
Disposals	(6,648)	(3,703)
	112,310	104,833
Buildings – Net Book Value	127,843	140,820

NOTES TO THE FINANCIAL STATEMENTS (continued)

	30/06/03	30/06/02
	\$'000	\$'000
14. Property, Plant and Equipment (continued)		
<u>Leasehold Improvements – at cost</u>		
Opening Balance	496	-
Additions	(38)	496
	458	496
Closing Balance	458	496
<i>Less: Accumulated Amortisation</i>		
Opening Balance	24	-
Amortisation	45	24
	69	24
Closing Balance	69	24
Leasehold Improvements – Net Book Value	389	472
Works Under Construction	602,900	348,111
	4,041,782	3,825,770
15. Payables		
<u>Current</u>		
Trade Creditors	99,369	62,664
Other Creditors	11,233	9,206
	110,602	71,870
<u>Non-Current</u>		
Contributory Extension Scheme (CES) *	33,689	34,964
* <i>This represents contributions received from consumers to extend specific electricity supplies. These deposits are progressively refunded to customers as other consumers are connected to existing supply extension schemes.</i>		
16. Tax Liabilities		
<u>Current</u>		
Income Tax Provision	28,944	45,076
Goods and Services Tax	14,298	14,728
Other	1,190	353
	44,432	60,157
<u>Non-Current</u>		
Deferred Income Tax Provision	128,156	107,874

NOTES TO THE FINANCIAL STATEMENTS (continued)

	30/06/03	30/06/02
	\$'000	\$'000
17. Provisions		
<u>Current</u>		
Provision for		
<u>Dividends</u>		
Opening Balance	60,618	47,021
Provisions		
Final Dividend	55,600	60,618
Interim Dividend	58,450	56,354
Payments	<u>(119,068)</u>	<u>(103,375)</u>
Closing Balance	55,600	60,618
<u>Employee Entitlements</u>	45,063	39,893
<u>Decommissioning Costs</u> *		
Opening Balance	7,653	10,821
Provisions	(60)	-
Payments	<u>(320)</u>	<u>(3,168)</u>
Closing Balance	7,273	7,653
<u>Other</u>		
Opening Balance	260	-
Provisions	(160)	260
Payments	<u>(100)</u>	-
Closing Balance	-	260
	<hr/>	<hr/>
	107,936	108,424
	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

	30/06/03 \$'000	30/06/02 \$'000
17. Provisions (continued)		
<u>Non-Current</u>		
Provision for		
<u>Employee Entitlements</u>	19,940	14,151
<u>Superannuation</u>		
Opening Balance	48,561	45,386
Provisions	22,076	16,228
Payments	(19,592)	(13,053)
Closing Balance	51,045	48,561
<u>Decommissioning Costs</u> *		
Opening Balance	55,914	26,984
Provisions	(100)	28,930
Payments	-	-
Closing Balance	55,814	55,914
<u>Other</u>		
Opening Balance	2,281	-
Provisions	2,248	2,281
Payments	-	-
Closing Balance	4,529	2,281
	131,328	120,907

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

18. Interest Bearing Liabilities

Non-Current

Domestic Currency Loans	2,416,341	2,332,777
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The above liabilities are ultimately secured by Government Guarantee.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

	30/06/03 \$'000	30/06/02 \$'000
19. Equity		
Retained Profits at the Beginning of the Financial Year	1,339,991	1,249,241
<i>Less:</i> Adjustment arising from adoption of revised Accounting Standard AASB 1028 "Employee Benefits" (Note 1.1.2)	5,391	-
Adjusted Opening Balance	1,334,600	1,249,241
Net Profit After Income Tax Expense	222,065	207,722
<i>Less:</i> Dividends Provided for or Paid	114,050	116,972
Retained Profits at the End of the Financial Year	1,442,615	1,339,991
Contributed Equity *	9,526	7,190
TOTAL EQUITY	1,452,141	1,347,181

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

20. Lease Liabilities and Lease Commitments

Future Lease Commitments

Operating Leases:

Not later than one year	5,784	5,431
Later than one year and not later than five years	11,901	16,917
Later than five years	1,515	1,948
	19,200	24,296

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

Future operating lease commitments however, are largely contingent on the level of short term interest rates at the time the lease payment is due. Using the short-term interest rates applicable at 30 June 2003, future operating lease commitments are estimated to be \$18.7 million (2002: \$23.6 million).

21. Capital Expenditure Commitments

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

Future Capital Commitments

Not later than one year	29,664	197,007
Later than one year and not later than five years	18,346	59,617
Later than five years	-	-
	48,010	256,624

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Contingent Liabilities and Contingent Assets

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

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

Contingent liabilities considered remote

Epic Energy

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

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

The maximum amount of contingent liability that may become payable as a result of the above is \$20.5 million.

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

Contingent assets not considered remote

Tax treatment of unread sales

A transitional issue has arisen with the Corporation entering into the National Taxation Equivalent Regime (NTER) environment on 1 July 2001, having previously operated under the state-based Taxation Equivalent Regime (TER). The Corporation's 2001-2002 assessable income contains a potential timing difference relating to the recognition of unread sales. Pursuant to the TER, such sales were treated as derived for tax purposes in the year the electricity was provided to the customer. For NTER purposes however, unread sales should be treated as assessable for tax purposes in the year in which the income is actually billed to the customer.

Given the transitional nature of the issue for which no guidance exists, the Corporation is seeking confirmation from the Australian Taxation Office of the proposed tax treatment before any adjustment is recognised. To date no confirmation has been received.

The proposed treatment would result in the recognition of a receivable for \$25.6 million with a corresponding increase in tax liability.

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Remuneration of Directors and Executive Officers

The Minister for Energy determines remuneration of Non-Executive Directors and the Managing Director. The Board oversees the remuneration policy for the Managing Director and senior Executives. Directors receive no income from the Corporation other than revealed below.

	30/06/03 \$'000	30/06/02 \$'000
The total income received or due and receivable by Directors from the Corporation and related parties.	1,645	692
The total income received or due and receivable from the Corporation and related parties by Executive Officers, including the Managing Director, whose remuneration was at least \$100,000.	9,512	7,599

The number of Directors whose total income received or due and receivable for the financial year falls within the following bands:

	NUMBER	NUMBER
\$1 – \$10,000	-	1
\$10,001 – \$20,000	1	1
\$20,001 – \$30,000	2	1
\$30,001 – \$40,000	-	1
\$40,001 – \$50,000	3	3
\$60,001 – \$70,000	1	-
\$80,001 – \$90,000	-	1
\$100,001 – \$110,000	1	-
\$140,001 – \$150,000	1	-
\$400,001 – \$410,000	-	1
\$1,120,001 – \$1,130,000	1 *	-

* *The income of one position (2002: none) has increased by a termination payment.*

The number of Executive Officers whose total income, including motor vehicles, superannuation and associated taxes, received or receivable for the financial year falls within the following bands :

\$100,001 – \$110,000	-	2
\$120,001 – \$130,000	1	4
\$130,001 – \$140,000	4	4
\$140,001 – \$150,000	4	15
\$150,001 – \$160,000	11	5 *
\$160,001 – \$170,000	10	1
\$170,001 – \$180,000	2	1
\$180,001 – \$190,000	2	-
\$190,001 – \$200,000	1 *	2
\$200,001 – \$210,000	1	2
\$210,001 – \$220,000	3	-
\$230,001 – \$240,000	-	4
\$250,001 – \$260,000	4 *	1
\$270,001 – \$280,000	1	-
\$310,001 – \$320,000	1	-
\$330,001 – \$340,000	1 *	-
\$400,001 – \$410,000	-	1
\$520,001 – \$530,000	-	1 *
\$1,120,001 – \$1,130,000	1 *	-

* *The income of two positions (2002: two) has increased by the payout of accrued leave whilst two positions (2002: one) has increased by a termination payment. The remuneration ranges containing these positions are indicated.*

NOTES TO THE FINANCIAL STATEMENTS (continued)

	30/06/03	30/06/02
	\$'000	\$'000
24. Reconciliation of Net Profit after Income Tax to Net Cash Provided by Operating Activities		
NET PROFIT	222,065	207,722
<i>Add/(less) items classified as investing/financing activities:</i>		
Proceeds on Sale of Non-Current Assets	(16,701)	(12,869)
Written Down Value on Sale of Non-Current Assets	7,250	9,711
Share of Associates' Net (Profit)/Loss	(101)	(1,021)
Developer and Customer Contributions	(93,314)	(54,939)
Foreign Exchange (Gains)/Losses	(17)	(121)
Capitalised Borrowing Costs	(14,741)	(3,729)
<i>Add/(less) non-cash items:</i>		
Depreciation	228,048	220,332
Amortisation – Leasehold Improvements	45	24
<i>Change in assets and liabilities:</i>		
(Increase)/Decrease in Debtors	(7,303)	3,709
(Increase)/Decrease in Prepayments	1,158	7,996
Increase/(Decrease) in Payables	36,013	7,467
(Increase)/Decrease in Inventories	6,121	3,366
Increase/(Decrease) in Employee Provisions	9,303	7,727
Increase/(Decrease) in Other Provisions	1,508	28,303
(Increase)/Decrease in Other Deferred Expenses	-	(2)
(Increase)/Decrease in Accrued Interest Receivable	93	(68)
Increase/(Decrease) in Deferred Income	722	(1,611)
Increase/(Decrease) in Income Taxes Payable	(7,557)	3,234
Net Cash Provided by Operating Activities	372,592	425,231
<u>Reconciliation of Cash Assets at the End of the Financial Year</u>		
Cash at Bank	11,080	2,452
Domestic Currency Deposits	18,000	14,000
Foreign Currency Deposits	21	59
Cash Assets at End of Financial Year	29,101	16,511

Credit Standby Facilities

The Corporation has in place two borrowing facilities with Western Australian Treasury Corporation, a AUD fixed rate with a limit of \$3,100 million, and a short term US facility with a limit of \$205 million USD. As at 30 June 2003 the unused portion of the AUD facility was \$683 million and the USD facility was undrawn.

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

In addition to the above the Corporation has arranged a stand-by overdraft facility of \$2.0 million with its bankers. As at 30 June 2003 the overdraft facility was undrawn.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Financial Instruments

(a) Interest Rate Risk

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

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

Forward rate agreements are used to manage interest rate exposures on Domestic Currency Loans. Under a forward rate agreement, the Corporation agrees to exchange on a specified settlement date, the difference between an agreed interest rate and a floating interest rate calculated by reference to an agreed notional principal amount. These agreements fix interest rates on Domestic Currency Loans to provide protection against increasing interest rates. No Forward Rate Agreements were outstanding at 30 June 2003 (2002: nil).

Bond futures contracts are used to manage the strategic positioning of the Domestic Currency Loans portfolio. Under a bond futures transaction, the Corporation agrees to buy or sell a specific quantity of bond futures contracts at an agreed price on a fixed settlement date. The Corporation only transacts in financial bond futures through the Sydney Futures Exchange. These contracts allow a physical debt position to be replicated at a lower cost than is possible by buying and selling physical bonds. No Bond Futures Contracts were outstanding at 30 June 2003 (2002: nil).

Cross currency swap contracts are used to hedge Foreign Currency Loans. Under cross currency swaps, the Corporation initially exchanges a principal amount in foreign currency for a principal amount in Australian dollars. At specified intervals the Corporation pays interest amounts in Australian dollars and receives interest in foreign currency. The principal and interest exchanges are matched to the exchanges on Foreign Currency Loans. Cross currency swaps allow the Corporation to borrow offshore and minimise exposure to foreign interest rates and exchange rate fluctuations. Cross currency swaps are normally arranged for a period of three years. No Cross Currency Swaps were outstanding at 30 June 2003 (2002: nil).

The subsequent tables summarise the Corporation's exposure to interest rate risk, and the weighted average interest rates on financial instruments at balance date. The following financial instruments, where they are not interest bearing, are omitted: Receivables, Accounts Payable, Dividends Payable and Annual Leave Employee Entitlements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Financial Instruments (continued)

(a) Interest Rate Risk (continued)

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

30/06/02	Weighted Average Interest Rate ¹	Floating Interest Rate \$'000	Fixed Interest Rate Maturing			Total \$'000
			Within One year \$'000	One to Five years \$'000	Over Five years \$'000	
Financial Assets						
Cash at Bank	4.50%	2,452	-	-	-	2,452
Domestic Currency Deposits	4.65%	14,000	-	-	-	14,000
Investments	4.64%	429	-	-	-	429
Foreign Currency Deposits	1.75%	59	-	-	-	59
Interest Rate Swaps ²	4.36%	121,100	-	-	-	121,100
Forward Borrowing Agrmt ⁴	6.64%	35,000	-	-	-	35,000
TOTAL ASSETS		173,040	-	-	-	173,040
Financial Liabilities						
Employee Entitlements						
Long Service Leave	6.00%	26,964	-	-	-	26,964
Domestic Currency Loans						
Short Term	4.74%	113,300	-	-	-	113,300
Long Term ³	6.77%	-	226,436	979,490	1,013,551	2,219,477
Interest Rate Swaps ²	5.60%	-	-	67,800	53,300	121,100
Forward Borrowing Agrmt ⁴	6.64%	-	-	-	35,000	35,000
TOTAL LIABILITIES		140,264	226,436	1,047,290	1,101,851	2,515,841

¹ For floating interest rates this represents the most recent determined rate converted to the effective annual rate. The frequency of renegotiation for floating rates varies from daily to half yearly depending on the instrument. For fixed interest rates this represents the effective annual interest rate.

² Notional principal.

³ Long term debt has an initial maturity period of greater than one year.

⁴ Forward Borrowing Agreements were arranged with Western Australia Treasury Corporation. On the pre-arranged due date, funds will be drawn down at the agreed interest rate and terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Financial Instruments (continued)

(b) Foreign Exchange Risk

The Corporation is exposed to foreign exchange risk through Foreign Currency Loans and anticipated future transactions.

Foreign Currency Loans

Foreign Currency Loans are used by the Corporation as an additional source of finance. Cross currency swaps are used to manage foreign currency exposure on Foreign Currency Loans. No Foreign Currency Loans were outstanding at 30 June 2003 (2002: nil).

Hedges of Anticipated Future Transactions

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

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

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

Currency	30/06/03 \$'000	30/06/02 \$'000
Europe Euro	-	59
United States Dollar	21	-
Total Foreign Currency Deposits	21	59

The foreign currency deposits are utilised to pay invoices from foreign suppliers. The deposits are replenished when a firm order has been placed with the supplier or the future commitment can be reliably measured. In line with Note 1.14.2, any gain or loss on these hedges has been deferred and will be recognised in the financial statements at the time the underlying transaction occurs. No hedges were outstanding at 30 June 2003 (2002: gain of \$0.002 million).

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Financial Instruments (continued)

(b) Foreign Exchange Risk (continued)

30/06/03	Weighted Average Exchange Rate		Buy \$'000	Sell \$'000
	Buy	Sell		
Within one year:				
Swiss Franc	0.8383	-	2,936	-
Europe Euro	0.5558	-	3,600	-
United States Dollar	0.5342	-	13,352	-
Japanese Yen	78.02	-	2,191	-
Total			22,079	

30/06/02	Weighted Average Exchange Rate		Buy \$'000	Sell \$'000
	Buy	Sell		
Within one year:				
Swiss Franc	0.8690	-	64,284	-
Europe Euro	0.5818	-	18,042	-
United States Dollar	0.5018	-	16,575	-
Within two years:				
Swiss Franc	0.8399	-	4,216	-
Europe Euro	0.5713	-	2,710	-
United States Dollar	0.5019	-	9,625	-
Total			115,452	-

In line with Note 1.14.2, any gain or loss on these hedges has been deferred and will be recognised in the financial statements at the time the underlying transaction occurs. The net deferred loss on these hedges at balance date was \$3.8 million (2002: loss of \$0.7 million).

No foreign currency options were outstanding at 30 June 2003 (2002: nil).

Commodity Price Exposures

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Financial Instruments (continued)

(b) Foreign Exchange Risk (continued)

Commodity Price Exposures (continued)

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

Hedging of Commodity Purchases	30/06/03 \$'000	30/06/02 \$'000
3 months or less	3,831	5,364
Over 3 to 12 months	4,085	1,447
Total	7,916	6,811

In line with note 1.14.2, any gain or loss on these hedges has been deferred and will be recognised in the financial statements at the time the underlying transaction occurs. The net deferred loss on the commodity hedges at balance date was \$0.2 million (2002: loss of \$0.2 million).

(c) Credit Risk

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

Financial Assets

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

To minimise credit risk on large contract customers, collateral in the form of a bank guarantee or a security deposit equivalent to one electricity consumption period is obtained. Due to the Corporation's large customer base of over 847,000 customers, the Corporation is not materially exposed to any individual customer or group of customers.

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

Derivative Financial Instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Financial Instruments (continued)

(c) Credit Risk (continued)

Derivative Financial Instruments	30/06/03 \$'000	30/06/02 \$'000
Commodity Swaps	21	195
Foreign Exchange Contracts	-	3,394
Bond Futures Contracts ¹	-	-
Interest Rate Swaps	585	1,847
Total	606	5,436

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

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

(d) Net Fair Value of Financial Instruments

The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged, or liability settled in a current transaction between willing parties after allowing for transaction costs. The carrying amounts and estimated net fair values of financial assets and financial liabilities, including derivative contracts, held at balance date are provided in the next table. The following financial instruments, where carrying amounts approximate net fair values, are omitted: Cash at Bank, Domestic and Foreign Currency Deposits, Receivables, Accounts Payable and Employee Entitlements.

	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	30/06/03 \$'000	30/06/03 \$'000	30/06/02 \$'000	30/06/02 \$'000
<u>Financial Assets</u>				
Interest Rate Swaps	-	585	-	1,847
Foreign Exchange Contracts	-	-	-	755
TOTAL ASSETS	-	585	-	2,602
<u>Financial Liabilities</u>				
Contributory Extension Scheme	34,350	19,900	36,051	18,666
Foreign Exchange Contracts	3,787	3,591	732	-
Domestic Currency Loans				
Short Term	163,300	164,549	113,300	114,692
Long Term	2,253,041	2,410,444	2,219,477	2,291,124
Forward Borrowing Agreement	-	-	-	100
Interest Rate Swaps	-	4,864	-	1,264
Commodity Swaps	176	234	232	205
Commodity Options	-	8	-	-
TOTAL LIABILITIES	2,454,654	2,603,590	2,369,792	2,426,051

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Financial Instruments (continued)

(d) Net Fair Value of Financial Instruments (continued)

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

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

Foreign Exchange Contracts are valued at quoted market prices.

The net fair value of Interest Rate Swaps and Commodity Swaps has been calculated by discounting future cash flows at market rates applicable at the reporting date.

The Contributory Extension Scheme consists of a large number of non-interest bearing 30 year refundable deposits, the last of which is due to expire in 2021. The net fair value of the scheme has been calculated by discounting the expected future payment at the same interest rates used to value Domestic Currency Loans.

Domestic Currency Loans are arranged through Western Australian Treasury Corporation. The net fair value of these loans has been calculated by discounting future cash flows using interest rates currently offered to the Corporation for debt of the same remaining maturities plus costs expected to be incurred were the liability to be settled.

(e) Miscellaneous

Put option

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

If the option was exercised on the 30 June 2003 it would have no value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Interest in Joint Venture Operations

The South West Cogeneration Joint Venture is a joint venture between Origin Energy SWC Ltd and the Corporation, who own, as equal tenants-in-common, a 120MW cogeneration facility on the site of the Worsley Alumina Refinery in the South West of Western Australia. The output of the facility, thermal energy and electricity, is sold to the refinery and other energy customers.

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

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

	30/06/03 \$000	30/06/02 \$000
<u>Current Assets</u>		
Cash Assets	284	205
Trade Debtors	1,199	2,096
<i>Less: Provision for Doubtful Debts</i>	-	-
	1,199	2,096
Inventories	252	224
Prepayments	101	877
Total Current Assets	1,836	3,402
<u>Non-Current Assets</u>		
Works Under Construction	2,434	2
Plant and Equipment - at cost	44,528	70,691
<i>Less: Accumulated Depreciation</i>	14,115	9,900
	30,413	60,791
Plant and Equipment - at recoverable amount	8,077	-
<i>Less: Accumulated Depreciation</i>	-	-
	8,077	-
Total Non-Current Assets	40,924	60,793
TOTAL ASSETS	42,760	64,195
<u>Current Liabilities</u>		
Payables	1,126	1,143
Total Current Liabilities	1,126	1,143
TOTAL LIABILITIES	1,126	1,143

There are no contingent liabilities and capital expenditure commitments relating to the joint ventures as at 30 June 2003.

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Associate Entities

Enercon Power Corporation and the Corporation each hold a 50% ownership in Wind Energy Corporation. The company was formed in August 2000 and focuses on business opportunities relating to large-scale wind farms operating in parallel with an interconnected electricity grid, and hybrid power systems for remote and regional applications that utilise renewable energy technologies.

As at 30 June 2003 the Corporation has invested \$675,000 in Wind Energy Corporation; however no adjustment has been made to reflect its financial performance to 30 June 2003 as the value is immaterial in relation to the Corporation's operation (2002: \$475,000).

Halliburton Australia Pty Ltd and the Corporation each hold a 50% ownership interest in Integrated Power Services Pty Ltd (IPS). The company was formed in February 1998, and is a provider of energy services to the mining process industry, and utilities service sector. As at 30 June 2003 the Corporation has invested \$350,000 in the company (2002: \$350,000).

The equity method has not been adopted as, at balance date, the Corporation's interest was immaterial in the context of the Corporation's operations. The Corporation's investment in IPS is measured at cost. Information relating to IPS is set out below.

Name of Company	Principal Activity	Ownership Interest		Carrying Amount	
		30/06/03	30/06/02	30/06/03 \$	30/06/02 \$
Integrated Power Services Pty Ltd	Provider of energy services to mining and process industry	50%	50%	2,014,519	1,913,938

Share of Associate's Results	30/06/03 \$	30/06/02 \$
Net Profit/(Loss) Before Income Tax Expense	(359,048)	3,926,976
Income Tax Expense	-	1,214,504
Share of Net Profit/(Loss) of Associate	(179,524)	1,356,236

Aggregate Carrying Amount of Associate	Retained Profits \$	Other Reserves \$	Cost \$	Total Carrying Amount \$
Balance at the Beginning of the Financial Year	1,563,938	-	350,000	1,913,938
Movements During the Financial Year				
Adjustment for Share of Net Profit 2001/2002	280,105	-	-	280,105
Share of Net Profit/(Loss)	(179,524)	-	-	(179,524)
Investments Acquired	-	-	-	-
Investments Sold	-	-	-	-
Dividends Received and Receivable	-	-	-	-
Balance at End of the Financial Year	1,664,519	-	350,000	2,014,519

Summary of Performance and Financial Summary of Associate	30/06/03 \$	30/06/02 \$
Total Assets	5,972,013	10,146,734
Total Liabilities	1,942,975	5,758,648
Net Profit/(Loss) After Income Tax Expense	(359,048)	2,712,472

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Interest in Controlled Entities

The Corporation formed a wholly owned subsidiary Western Carbon Pty Ltd in July 2002 to pursue the development of new and existing technologies associated with a demonstration Integrated Wood Processing plant. When complete the plant will process plantation grown mallee trees to produce activated carbon, eucalyptus oil and electricity.

As at 30 June 2003, the subsidiary has undertaken no transactions and therefore there is no impact on the financial statements of the Corporation.

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

As at 30 June 2003, the subsidiary has undertaken no transactions and therefore there is no impact on the financial statements of the Corporation.

29. Related Party Disclosures

Directors

The following persons held the position of Director of the Corporation during the financial year:

Mr MH Macpherson

Mr ND Hamilton

Dr PJ Moy (appointed 4 February 2003)

Mr WJ Murphy

Ms JA Seabrook

Dr WS van der Mye (appointed 28 April 2003)

Mr N Ninkov (16 December 2002 until 24 April 2003)

Mr DA Smetana (until 31 January 2003)

Mrs CA Devitt (until 31 December 2002)

Mr DR Eiszele (until 16 December 2002)

NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Related Party Disclosures (continued)

Director Transactions

The Directors of the Corporation, or their Director-related entities, conduct transactions within normal employee, customer or supplier relationships. The terms and conditions of such transactions are no more favourable than those that it is reasonable to expect the Corporation would have adopted if dealing with the Director or Director-related entity at arms length in similar circumstances.

Mr ND Hamilton is a Director of the Controlled Entity Bright Telecommunications Pty Ltd, but receives no fees for his services.

Mr WJ Murphy is a Director of the Controlled Entity Western Carbon Pty Ltd, but receives no fees for his services.

Mrs CA Devitt was a Director of the Controlled Entity Western Carbon Pty Ltd, but received no fees for her services.

Mr DR Eiszlele was a Director of the Associate Entity Wind Energy Corporation, but received no fees for his services.

Transactions with Related Parties

For the purposes of these financial statements the following entities are deemed to be related parties:

Integrated Power Services Pty Ltd (IPS)
Wind Energy Corporation

During the year the Corporation purchased maintenance services totalling \$9,183,794 (2002: \$7,492,554) from, and sold labour services of \$12,590 (2002: \$165,170) to Integrated Power Services Pty Ltd. The amounts receivable and payable in the Corporation's financial statements to Integrated Power Services Pty Ltd are nil (2002: \$1,642) and \$3,191,647 (2002: \$1,618,844) respectively. No dividends have been received or are receivable from IPS.

The value of transactions between Wind Energy Corporation and the Corporation during the 30 June 2003 financial year is not disclosed because it is immaterial in relation to the Corporation's operations.

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

30. Economic Dependency

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