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2008 - DECEMBER YEAR TO DATE REPORT ON PERFORMANCE

GENERAL RELEASE

This report has had matters deleted from it under section 109 of the Electricity Corporations Act 2005 (WA)

This performance report covers the 6-month period ending on 31 December 2008. For statistics prepared on a rolling 12-month basis, data prior to 1 July 2008 is used.

Business Results

Net loss after tax for the 6-month period was \$20.1M compared to MYR budgeted loss of \$18.0M.

Capital expenditure to date is \$28.0M with customer-driven projects comprising \$5.7M

Total debt of \$195.7M contributed to a debt/equity ratio of 83:17 (with leased liabilities).

Corporate Citizenship

The major highlight of the second quarter was the announcement of the construction of the West Pilbara Power Station in Karratha. The power station will be constructed, owned and operated by Canadian power company, ATCO Power.

The second major highlight was the public announcement of the Marble Bar and Nullagine Power Projects which will see the construction of 2 state-of-the-art hybrid solar/diesel power stations.

Horizon Power began a TV/print and radio advertising aimed at raising public awareness of safety issues associated with power infrastructure during the northern cyclone season.

Employee Safety

Horizon Power recorded one Lost Time injury and zero Medical Treatment injuries during the second quarter.

There was one Lost Time injury reported:

(1) Employee was descending the outside step of the Bentley office, slipped and fell hitting her head on the floor which resulted in lacerated forehead requiring stitches.

Stakeholder Service

Horizon Power recorded 3 negative Ministerials during the second quarter.

System Reliability

At the end of December, 20 of Horizon Power's current 34 reportable locations complied with reliability key performance indicators.

1.1 Balanced Scorecard

Monthly Performance Measures

Performance Measures	#	Status	FY 08/09 Target	Frequency	Year to Date Performance			Analysis/Action Items
					TARGET	ACTUAL	VAR	
Customer Value								
SAIDI Complying Town	1	RED	>28/34	Monthly	>26/34	20	-6	(1) Exmouth, Halls Creek, Beagle Bay, Lake Argyle, Laverton and Norseman became non-complying. (2) For 2007/08 there were 9 feeders exceeding utilisation compared to a target of 8. Corrective action is scheduled for these feeders prior to the 2008/09 peak loads. It should be noted that these feeders are not exceeding their rated capacity on a continual basis. They run within capacity 99% of the time. Next measure in June 2009. (3) The second quarter results remained consistent with a slight decrease in overall performance compared to the first quarter. Overall we met or exceeded set targets (= >90%) for each element including Complaint Handling, Billing and Credit Control internally and with the SLA data supplied from Synergy. (4) Betterways Program has been delivered. Commercial Contract ready for deployment. Commercial REBS due for launch in Feb 09.
Feeders Exceeding Utilisation Limits	2		<8	Yearly	<8	TBA		
% Compliance Against Customer Charter	3	GREEN	>90%	Monthly	>90%	95%	5%	
New Products Delivered to Market	4	GREEN	1	Yearly	1	1	0	
Community Value								
Notifiable Public Safety Incidents (number)	5	GREEN	<6	Monthly	1	0	1	(5) No Notifiable Public Safety Incidents reported in the last three months.
LTIFR (12-Month Moving Average)	6	RED	0.0	Monthly	0.0	3.7	-3.7	(6) One Lost Time Injury reported in the last three months.
AMIFR (12-Month Moving Average)	7	GREEN	<14.0	Monthly	<14.0	9.2	4.8	(7) No Medical Treatment Injuries reported in the last three months.
Remote and Indigenous communities regularised	8	GREEN	11	Monthly	0	0	0	(8) The TRRP 2 program to regularise power supplies to 12 town reserve communities is underway with design and scope of works complete for 3 Midwest communities, almost complete for 4 communities in Fitzroy Crossing and the commenced in 3 Gascoyne/Pilbara coastal communities. Synergy and Western Power have appointed Horizon Power to complete a regularisation program to the Ninga Mia community in Kalgoorlie. A project manager for ARCPSP Phase 2.1 to regularise power supplies to the Kalumburu and Noonkanbah Remote Aboriginal Communities has been appointed and work will commence later in the year. Horizon Power continues to negotiate with the Commonwealth to release funds for the next two towns. The HMS project to establish prepayment meters and systems to 12 Ngaanyatjarra communities in the Central Reserves is progressing with customer training documents being translated to the local language. The Eucla power and water project is progressing with OoE, Dept of Water and Dept of Health all consulted on the proposal and regulatory issues identified.
Training Programs - Indigenous and Other Trainees (number)	9	GREEN	>16	Monthly	>16	16	0	(9) The 16 trainees comprise of 12 Cert III and 4 ESOs.
Combined Residential & Business Customer Survey Rating (%)	10	GREEN	83%	Yearly	83%	84%	1%	(10) Synovate to commence new survey in Feb 09.

1.1 Balanced Scorecard
Monthly Performance Measures

Performance Measures	#	Status	FY 08/09 Target	Frequency	Year to Date Performance			Analysis/Action Items
					TARGET	ACTUAL	VAR	
Operating Impacts								
Pollution Intensity (kg/MWh generated)	11	GREEN	20.7	Monthly	20.7	19.1	1.6	(11) The Pollution Intensity Indicator is exhibiting a slight upwards trend. This may be due to seasonal variations associated with generator efficiency.
Greenhouse Intensity (kg CO2/kWh sold)	12	AMBER	0.80	Yearly	0.80	0.84	-0.04	(12) The indicator is calculated from 2007/08 data. The indicator includes generation, T&D losses, vehicle fleet and upstream emissions.
Fuel Conversion Efficiency (MJ/kWh)	13	AMBER	12.55	Yearly	12.55	12.72	-0.17	(13) Calculated from 2007/2008 data.
Electricity Generation from Renewable Sources (GWh)	14	GREEN	82.0	Monthly	41.0	45.1	4.1	(14) Renewable Energy is provided by East Kimberley, Denham, Hopetoun, Coral Bay, Esperance, Exmouth, Kununurra, Wyndham and Carnarvon Solar Farm.
Customer Impacts								
Green Product Delivered to Market	15	GREEN	1	Yearly	0	0	0	(15) Legal issues have been resolved, and full market launch will occur in Feb 09.
Surveyed Awareness	16	GREEN	65%	Yearly	65%	65%	0%	(16) Synovate to commence new survey in Feb 09.
Business Value								
EBITDA (\$M) (Target is MYR budget)	17	RED	22.4	Monthly	10.8	7.3	-3.5	(17) Please refer to section 2.1 for details.
Cumulative new sales margin (\$M)	18	RED	6.1	Monthly	3.0	1.3	-1.7	(18) Woodside supplied under interim agreement subject to finalisation of a clause on drawing of the \$0.5M security deposit in the event of default in payment.
NPV of Approved Investments (\$M)	19		75.0	Yearly	75.0	TBA		(19) Calculation will be performed after 2008/2009 financial year end.
Average revenue received (cents/kWh)	20	GREEN	28.3	Monthly	28.5	29.8	1.3	(20) The key driver for the favourable variance is higher fixed capacity charge per unit sold to contract customer due to lower than budgeted sales volume.
Average unit cost (cents/kWh)	21	RED	27.4	Monthly	27.5	30.0	-2.5	(21) The key driver is higher fixed cost per unit due to lower than budgeted sales volume.
Business Capability								
Corporate Reputation Index (%)	22	GREEN	73%	Yearly	73%	73%	0%	(22) Last measured in November 2008.
Employee Opinion on Organisational Image - Employee Engagement	23	GREEN	62%	Yearly	62%	89%	27%	(23) Pulse survey results received in August 2008.
Employee Perception Survey Rating - Staff Satisfaction Index	24	GREEN	70%	Yearly	70%	79%	9%	(24) Pulse survey results received in August 2008.
Planned Training Programs Delivered (%)	25	GREEN	90%	Monthly	75%	77%	2%	(25) Courses for 2008 have finished. 2 courses to be run in February 2009.
Course Evaluation Rating	26	GREEN	>4.5	Monthly	>4.5	4.5	0.0	(26) Courses for 2008 have finished. 2 courses to be run in February 2009.

GREEN Monthly and YTD performance is on track.

AMBER Monthly and YTD performance slightly below target.

RED Monthly and YTD performance significantly below target.

2.1 Business Results -- Profit & Loss

	Year to Date
	ACT \$M
<i>INCOME</i>	
Sales of Electricity	62.7
TEF Revenue	36.0
Miscellaneous Revenue	11.5
CSO Revenue	11.7
Developer and Customer Contribution Revenue	3.8
TOTAL INCOME	125.7
<i>EXPENDITURE</i>	
Fuel and Electricity Purchases	
Gas	18.5
Fuel Oil	4.2
Fuel Hedging - Unrealised Loss/(Profit)	6.5
Electricity Purchases	66.5
Electricity - Finance Lease Adjustment	-18.9
Total Fuel and Electricity Purchases	76.8
Total Operating Labour and Materials	41.6
Total Depreciation and Others	15.0
TOTAL EXPENDITURE	133.4
EARNINGS BEFORE INTEREST & TAX	-7.7
Interest Expenses and Income Tax	12.4
PROFIT/(LOSS) AFTER TAX	-20.1

Year to Date Analysis

Horizon Power ended the period to December 2008 with a Net Loss of \$20.1M.

Factors influencing the results are:

- (1) Hedging loss due to unfavourable oil price movement.
- (2) The milder weather than anticipated and adverse economic conditions have negative impact to sales.
- (3) Miscellaneous revenue included the sales of gas which was offset by higher gas costs.

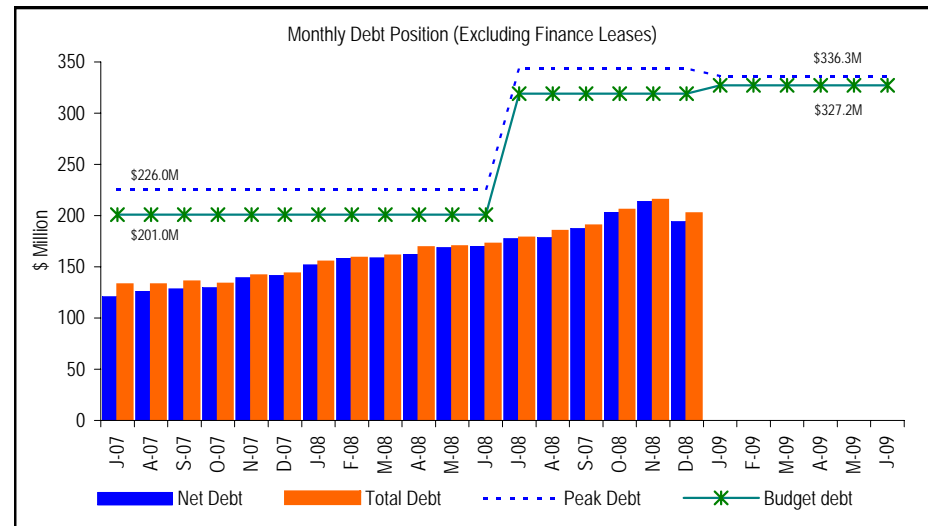
2.2 Business Results -- Balance Sheet

Balance Sheet

	Opening 1-Jul	31-Dec Closing	Movement
			VAR \$M
ASSETS			
Current Assets			
Cash Assets	2.3	7.9	5.6
Receivables	32.8	21.7	-11.1
Inventories	7.5	8.1	0.6
Current Tax	0.0	0.0	0.0
Other	0.3	1.2	0.9
Total Current Assets	42.9	38.9	-4.0
Non-Current Assets			
Property, Plant & Equipment	314.0	322.4	8.4
Future Income Tax Benefit	115.3	124.0	8.7
Leased Assets	329.2	319.9	-9.3
Other	0.0	0.0	0.0
Total Non-Current Assets	758.5	766.3	7.8
TOTAL ASSETS	801.4	805.2	3.8
LIABILITIES			
Current Liabilities			
Payables	43.7	35.5	-8.2
Tax Liabilities	-0.7	1.0	1.7
Interest Bearing Liabilities	53.1	46.5	-6.6
Leased Liabilities	8.7	8.7	0.0
Provisions	7.8	6.9	-0.9
Derivatives	0.0	6.5	6.5
Other	5.9	10.5	4.6
Total Current Liabilities	118.5	115.6	-2.9
Non-Current Liabilities			
Payables	0.0	0.0	0.0
Interest Bearing Liabilities	119.5	149.2	29.7
Tax Liabilities	99.6	99.6	0.0
Provisions	11.1	12.4	1.3
Leased Liabilities	326.7	322.5	-4.2
Other	1.1	1.1	0.0
Total Non-Current Liabilities	558.0	584.8	26.8
TOTAL LIABILITIES	676.5	700.4	23.9
EQUITY			
Contributed Equity	130.1	130.1	0.0
Retained Profits (Accumulated Loss)	-5.2	-25.3	-20.1
TOTAL EQUITY	124.9	104.8	-20.1

YTD Analysis - Balance Sheet

- (1) The decrease in Leased Assets by \$9.3M is accounted for by the YTD depreciation expenses. Leased Liabilities reduced by \$4.2M as a result of net interests and lease payments for the year.
- (2) Movement in cash assets and interest bearing liabilities reflect the application of funds for daily operations and capital works.
- (3) Receipts of \$7.2M from EDL (liquidated damages) and \$7.4M from Pilbara Iron (gas curtailment arrangement) in July 08 contributed to the lower balance of Receivables by \$11.1M. These two transactions were accounted for in June 08.
- (4) Payables dropped \$8.2M reflecting subsequent payments for electricity and gas purchases, office relocation project and software upgrade accrued in June 08.
- (5) No change noted for contributed equity.



3.1 Summary of Acronyms & References

Acronyms	Explanation
KPI Definitions in the SDP	
Achievement of Service Standards (%)	Achievement of customer service performance through measurement of the number of incidents of non-conformance with customer charter. Performance over 12 months expressed as a percentage.
AMIFR - All Medical Frequency Rate	The number of medicals (workers compensation claims) per one million hours worked. Reported as a 12 month average. Formula: Total # of Medicals / One Million Hours worked.
Average Revenue Received (c/kWh)	Total operating revenue from all sources / Total Sales (KWh)
Average Unit Cost (c/kWh)	Total operating expenditure (excluding interest) / Total Sales (KWh)
Combined Residential & Business Customer Survey Rating (%)	Customer satisfaction survey undertaken on annual basis by external agency.
Complying Towns/Systems (number)	Achievement of acceptable system reliability performance standards (as agreed or per the Reliability Code) for each township or integrated system. Number of complying towns or systems / total number of towns or systems.
Corporate Reputation Index (%)	Corporate reputation measured by an annual survey of regional customers and stakeholders. Result expressed as a percentage.
Course Evaluation Score	At the completion of each training course the attendees will rate its effectiveness. Overall satisfaction/evaluation score of all training programs delivered, as measured by attendees.
Customer Awareness Survey	Use the reputation measure "Encouraging customers to conserve electricity thereby helping to minimise the environmental impact of electricity generation" from the independent survey results. Proportion of customers with a positive view of Horizon Power's performance expressed as a percentage.
Electricity Generation from Renewable Sources (GWh)	Total number of MWh's produced from renewable sources.
Employee Perception Survey Rating	Employee survey undertaken by a respected external organisation to determine the proportion of staff that view employment with Horizon Power as an overall positive experience. Formula: Measurement of total survey performance expressed as a percentage.
Feeders Exceeding Utilisation Limits	Number of feeders which exceeded their designed utilisation level as specified in the Network Asset Management Plan.
Fuel Conversion Efficiency (MJ/KWh)	Efficiency of energy conversion from all sources used to meet electricity sales. Total energy consumed in fuel for generation divided by total sent out KWh.
Greenhouse Intensity (kg CO2-e/KWh sold)	Total number of Kilograms of CO2 equivalents produced, divided by the number of KWh's of electricity sold by Horizon Power.
Green Products to Market	The total number of new green energy products released to HP's customer groups over 12 months.
LTIFR - Lost Time Injury Frequency Rate	The number of lost time injuries per one million hours worked. Reported as a 12 month average. Formula: Lost Time Injuries / One Million Hours worked.
New customer sales (GWh)	Number of GWh's sold to new connections within the financial year.
Pollution Intensity (kg/MWh)	Total Kilograms of pollutants emitted divided by MWh's of electricity produced from Horizon Power plants that meet National Pollution Inventory criteria.
Products to Market	The total number of new energy products released to HP's customer groups over 12 months.
Profitability	Achieving and EBITDA performance in excess of the efficient running of the business.
Public Safety Incidents (number)	Number of incidents caused by Horizon Power asset or people failing to perform at an appropriate standard that resulted in, or had potential to result in, an injury to a member of the public.
Remote and indigenous communities (number)	Power supply regularisation to number of remote and indigenous communities per year.
Stakeholder Satisfaction Index (%)	Proportion of stakeholders with a positive view of Horizon Power's performance, expressed as a percentage.
Training Programs - Indigenous and Other Trainees (number)	Number of indigenous or local people in a Horizon Power training program.
General Definitions	
ARCPSP	Aboriginal and Remote Communities Power Supply Program
Average Selling Price c/kWh	Selling Price is an average of all selling prices. Formula: Total Sales (cents) / Total Sales Units in kWh.
CAIDI	Customer Average Interruption Duration Index
CES	Customer Extension Scheme
Debt to Equity (%)	Debt/(Debt + Equity)*100
EBIT	Earnings before Interest and Tax. Formula: Total Income - Total Expenditure.
EBITDA (\$M)	Earnings before interest, taxation, depreciation and amortisation
Energy Sent Out	Number of energy (MWh) entering the transmission grid from a generation plant
ENMAC	Name of an application
ERA	Economic Regulation Authority of Western Australia
FACSA	Department of Families, Community Services and Indigenous Affairs
FTE	Full Time Equivalents
IPP	Independent Power Producer
Line Losses	The % of energy lost from transmission and distribution of electricity to the customer
Negative Ministerial (#)	A complaint or issue submitted via or by the Minister

3.1 Summary of Acronyms & References

Acronyms	Explanation
Net Debt Levels (\$M)	Borrowings - Cash
NMS	Network Management System
NWIS	North West Interconnected System
PPA	Power Purchaser Agreement
Return on Assets (ebilda/nca)	The return on assets employed by the business. Formula: EBITDA / Total Non Current Assets.
Return on Equity (%)	$((\text{Operating Result})/\text{Equity}) * 100$
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCI	Statement of Corporate Intent
SDP	Strategic Development Plan
SLA	Service Level Agreements
TCS	Trouble Call System
TEF	Tariff Equalisation Fund
WK IPP	West Kimberley Power Project