Independent Market Operator

FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2006

6. FINANCIAL STATEMENTS

DIRECTORS' DECLARATION
for the year ended 30 June 2006

The Directors declare that the financial statements and notes are in accordance with *Electricity Industry (Independent Market Operator) Regulations 2004* and:

(a) comply with Accounting Standards and the Corporations Regulations 2001; and

(b) give a true and fair view of the financial position of the Independent Market Operator as at 30 June 2006 and of its performance for the period 1 July 2005 to 30 June 2006.

In the Directors' opinion there are reasonable grounds to believe that the Independent Market Operator will be able to pay its debts as and when they become due and payable.

This declaration has been made in accordance with a resolution of the Board of Directors.

Shaun Dennison
DIRECTOR
14 September 2006

John Kelly
DIRECTOR
14 September 2006

INCOME STATEMENT
for the year ended 30 June 2006

	Note	2006 $000	2005 (7 months) $000
INCOME			
Revenue from continuing operations			
User charges and fees		–	2
Other revenue			
Government grants		4,343	1,276
Interest revenue		140	3
Total income		**4,483**	**1,281**
EXPENSES			
Employee benefits expense	2	1,080	79
Supplies and services	3	1,325	560
Depreciation expense	4	13	3
Accommodation expenses	5	118	20
Other expenses		100	25
Total expenses		**2,636**	**687**
PROFIT FOR THE PERIOD		**1,847**	**594**

The Income Statement should be read in conjunction with the accompanying notes.

BALANCE SHEET
for the year ended 30 June 2006

	Note	2006 $000	2005 $000
ASSETS			
Current Assets			
Cash and cash equivalents	6	3,995	793
Receivables	7	48	55
Other assets	8	39	21
Total Current Assets		4,082	869
Non-Current Assets			
Property, plant and equipment	9	149	34
Intangible assets	10	4,401	–
Total Non-Current Assets		4,550	34
TOTAL ASSETS		**8,632**	**903**
LIABILITIES			
Current Liabilities			
Payables	11	85	–
Provisions	12	176	5
Other liabilities	13	2,693	304
Total Current Liabilities		2,954	309
Non-Current Liabilities			
Provisions	12	9	–
Borrowings	14	3,228	–
Total Non-Current Liabilities		3,237	–
TOTAL LIABILITIES		**6,191**	**309**
NET ASSETS		**2,441**	**594**
EQUITY	15		
Retained earnings		2,441	594
TOTAL EQUITY		**2,441**	**594**

The Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2006

	Note	2006 $000	2005 $000
	15		
Balance of equity at start of period		**594**	**–**
RETAINED EARNINGS			
Balance at start of period		594	–
Profit/(loss) for the period		1,847	594
Balance at end of period		2,441	594
Balance of equity at end of period		**2,441**	**594**
Total income and expense for the period		**1,847**	**594**

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT
for the year ended 30 June 2006

	Note	2006 $000	2005 (7 months) $000
	16		
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Government grants		4,343	1,276
User charges and fees		–	2
Interest received		138	3
Goods and Services Tax receipts		780	10
Contractor bond receipts		1,995	–
Payments			
Employee benefits		(900)	(99)
Supplies and services		(852)	(323)
Accommodation		(130)	(2)
Other expenses		(98)	–
Goods and Services Tax payments		(773)	(38)
Net cash provided by operating activities		**4,503**	**829**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(128)	(36)
Payments for intangible assets		(4,401)	
Net cash used in investing activities		**(4,529)**	**(36)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		3,228	–
Net cash provided by financing activities		**3,228**	**–**
Net increase in cash and cash equivalents		**3,202**	**793**
Cash and cash equivalents at the beginning of period		793	–
CASH AND CASH EQUIVALENT ASSETS AT THE END OF PERIOD		**3,995**	**793**

The Cash Flow Statement should be read in conjunction with the accompanying notes.

The Independent Market Operator (IMO) was established on 1 December 2004. The IMO is a statutory corporation that was established by the *Electricity Industry (Independent Market Operator) Regulations 2004* to administer and operate the Western Australian Wholesale Electricity Market.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS), Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group (UIG) Interpretations and the *Electricity Industry (Independent Market Operator) Regulations 2004*.

(b) Basis of Preparation

The IMO has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', adjustments resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These accounts are the first financial statements of IMO to be prepared in accordance with AIFRS.

The accounting polices below have been consistently applied to all years presented. The IMO has elected to adopt the exemptions available under AASB 1 relating to AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement'. Reconciliations, where applicable, of the transition from previous Australian GAAP to AIFRS have been included in the notes to the financial statements.

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention.

(c) Revenue Recognition

Revenue from rendering services, licenses and from the disposal of assets, is recognised when the IMO has delivered the service, issued the licence or passed control of the asset to the customer.

Interest revenue includes interest on moneys held on deposit with financial institutions and is recognised as it accrues.

Grants from the State Government are recognised upon receipt. The purpose of the grants is to provide the IMO with initial funding until the commencement of the Wholesale Electricity Market.

(d) Borrowing Costs

Borrowing costs for qualifying assets are capitalised net of any investment income earned on the unexpended portion of the borrowings. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

(e) Property, plant and Equipment

Capitalisation/Expensing of Property, Plant and Equipment
The cost method of accounting is used for all acquisition of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Assets costing less than $1,000 are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Depreciation
All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. Depreciation on other assets is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Furniture and equipment	5 years
Computer equipment	3 years
Leasehold improvements	8 years

(f) Intangible Assets

Capitalisation/Expensing of Intangible Assets
Acquisitions of intangible assets costing over $5,000 and internally generated intangible assets costing over $5,000 are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred of less than $5,000 are immediately expensed directly to the Income Statement.

All acquired and internally developed intangible assets are initially measured at cost. For assets acquired at no cost or for nominal cost, cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

The carrying value of intangible assets is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight line basis using rates which are reviewed annually. All intangible assets controlled by the IMO have a finite useful life and zero residual value. The expected useful lives for each class of intangible asset are:

Software	3 to 5 years

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset. Software costing less than $5,000 is expensed in the year of acquisition.

(g) Impairment of Assets

Plant, equipment, furniture and fittings and intangible assets are tested for any indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the IMO is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated or where the replacement cost is falling. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Tests are undertaken at each reporting date for intangible assets with an indefinite useful life and intangible assets not yet available for use, irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at each reporting date.

(h) Leases

The IMO has entered into an operating lease arrangement for office accommodation where the lessors effectively retain all the risks and benefits incidental to ownership of the items held under the operating lease. Equal instalments of the lease payments are charged to the Income Statement over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

(i) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalent assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(j) Receivables

Receivables are recognised at the amounts receivable, as they are due for settlement no more than 30 days from the date of recognition.

The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the IMO will not be able to collect its debts. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Income Statement.

(k) Payables

Payables are recognised when the IMO becomes obliged to make future payments as a result of a purchase of assets or services at the amounts payable. The carrying amount is equivalent to fair value, as they are generally settled within 30 days.

(l) Contractors Bonds

Contractor bonds are security deposits for 'Reserve Capacity Security' from suppliers in accordance with Regulation 9 of the *Electricity Industry (Wholesale Electricity Market) Regulations 2004*. Bonds received are held in term deposits with the interest earned paid to the supplier. Unless the IMO has not drawn upon the security deposit as required by the Wholesale Electricity Market Rules, the deposit is returned to the contractor together with all interest that has not already been paid less any liabilities, expenses, fees, charges or taxes paid or payable in relation the security deposit or the closing of the account.

(m) Borrowings

All loans are initially recognised at cost, being the fair value of the net proceeds received. Subsequent measurement is at amortised cost using the effective interest rate method.

(n) Provisions

Provisions are liabilities of uncertain timing and amount. The IMO only recognises a provision where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably. Provisions are reviewed at each balance date and adjusted to reflect the current best estimate.

(i) Provisions – Employee Benefits

Annual Leave and Long Service Leave
The liability for annual and long service leave expected to be settled within 12 months after the end of the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the end of the reporting date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the reporting date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted to present value using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the IMO does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Superannuation
The Government Employees Superannuation Board (GESB) administers the Gold State and West State superannuation schemes.

Employees may contribute to the Gold State Superannuation Scheme, a defined benefit lump sum scheme now closed to new members or to a complying superannuation fund of their choice. All employees who do not contribute to either Gold State or another complying fund become non-contributory members of the West State Superannuation Scheme, an accumulation fund. The IMO contributes to this accumulation fund in compliance with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*.

The superannuation expense comprises the employer contributions paid to the Gold State Superannuation Scheme and the West State Superannuation Scheme. The superannuation expense does not include payment of pensions to retirees, as this does not constitute part of the cost of services provided by the IMO in the reporting period.

The liabilities for current service superannuation charges under the Gold State Superannuation Scheme and West State Superannuation Scheme are extinguished by the concurrent payment of employer contributions to the GESB.

(ii) Provisions Other

Employment On-Costs
Employment on-costs, including workers' compensation insurance and payroll tax, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'other expenses' and are not included as part of the IMO's 'Employee benefits expense' and the related liability is included in Employment on-costs provision.

(o) Comparative Figures

The IMO commenced operations on 1 December 2004 and comparative figures reflect seven months operations. Comparative figures have been restated on the AIFRS basis except for financial instruments information that has been prepared under the previous AGAAP Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments'. The transition date to AIFRS for financial instruments will be 1 July 2005 in accordance with AASB 1 paragraph 36A.

(p) Rounding

The financial statements are presented in Australian dollars and all amounts have been rounded to the nearest thousand dollars, or in certain cases, the nearest dollar.

(q) Future impact of Australian Accounting Standards not yet operative

The IMO cannot early adopt an Australian Accounting Standard or UIG Interpretation. Consequently, the IMO has not applied the following Australian Accounting Standards and UIG Interpretations that have been issued but are not yet effective.

These will be applied from their application date:

(a) AASB7 'Financial Instruments: Disclosures' (including consequential amendments in AASB2005-10 'Amendments to Australian Accounting Standards [AASB132, AASB101, AASB114, AASB117, AASB133, AASB139, AASB1, AASB4, AASB1023 and AASB1038]'). This Standard requires new disclosures in relation to financial instruments. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007. The Standard is considered to result in increased disclosures of an entity's risks, enhanced disclosure about components of a financial position and performance, and changes to the way of presenting financial statements, but otherwise there is no financial impact.

(b) AASB2005-9 'Amendments to Australian Accounting Standards [AASB4, AASB1023, AASB139 and AASB132]' (Financial guarantee contracts). The amend ment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an "insurance contract" under AASB4 'Insurance Contracts' or as a "financial guarantee contract" under AASB139 'Financial Instruments: Recognition and Measurement'. The IMO does not undertake these types of transactions resulting in no financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2006.

(c) UIG Interpretation 4 'Determining whether an Arrangement Contains a Lease'. This Interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purposes of applying AASB117 'Leases'. At reporting date, the IMO has not entered into any arrangements as specified in the Interpretation resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2006.

The following amendments are not applicable to the IMO as they will have no impact:

<u>AASB Amendment</u>	<u>Affected Standards</u>
2005-1	AASB139 *(Cash flow hedge accounting of forecast intra-group transactions)*
2005-5	'Amendments to Australian Accounting Standards [AASB1 and AASB139]'
2006-1	AASB121 *(Net investment in foreign operations)*
UIG 5	'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'.
UIG 6	'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment'.
UIG 7	'Applying the Restatement Approach under AASB129 Financial Reporting in Hyperinflationary Economies'.
UIG 8	'Accounting for Acquisitions - Recognition of Restructuring Costs as Liabilities'
UIG 9	'Accounting for Acquisitions - Recognition of Acquired Tax Losses'

	2006	2005 (7 months)
	$'000	$'000
2. EMPLOYEE BENEFITS EXPENSE		
Salaries	922	68
Superannuation	81	7
Annual leave	77	4
	1,080	**79**
3. SUPPLIES AND SERVICES		
Communications	10	3
Consultant and contractors	807	461
Consumables	31	20
Insurance	52	35
Legal fees	209	17
Motor vehicle expenses	1	-
Repairs and maintenance	1	-
Travel	22	6
Other	192	18
	1,325	**560**
4. DEPRECIATION EXPENSE		
Depreciation of computer equipment	9	2
Depreciation of office equipment	4	1
	13	**3**
5. ACCOMMODATION EXPENSE		
Office accommodation rental	90	18
Other office accommodation expenses	28	2
	118	**20**
6. CASH AND CASH EQUIVALENTS		**(not 7 months)**
Cash at bank	2,000	793
Term deposits	1,995	-
	3,995	**793**
7. RECEIVABLES		
Goods and Services Tax receivable	48	55
	48	**55**
8. OTHER ASSETS		
Prepayments	25	21
Interest receivable	2	–
Rental bond	12	–
	39	**21**

9. PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2006	Carrying amount at 1 July 2005 $'000	Additions $'000	Disposal $'000	Carrying amount at 30 June 2006 $'000
Office equipment and furniture				
At cost	21	5	–	26
Accumulated depreciation	(1)	(4)	–	(5)
Accumulated impairment losses	–	–	–	–
Carrying amount	**20**	**1**	–	**21**
Computer equipment				
At cost	16	37	–	53
Accumulated depreciation	(2)	(9)	–	(11)
Accumulated impairment losses	–		–	–
Carrying amount	**14**	**28**	–	**42**
Works in Progress				
Leasehold improvements at cost	–	86	–	86
Carrying amount	–	**86**	–	**86**
Total	**34**	**115**	–	**149**

As at 30 June 2005	Carrying amount at 1 Dec 2004 $'000	Additions $'000	Disposal $'000	Carrying amount at 30 June 2005 $'000
Office equipment and furniture				
At cost	–	21	–	21
Accumulated depreciation	–	(1)	–	(1)
Accumulated impairment losses	–	–	–	–
Carrying amount	–	**20**	–	**20**
Computer equipment				
At cost	–	16	–	16
Accumulated depreciation	–	(2)	–	(2)
Accumulated impairment losses	–		–	–
Carrying amount	**–**	**14**	**–**	**14**
Total	**–**	**34**	**–**	**34**

There were no indications of impairment to property, plant and equipment at 30 June 2006.

10. INTANGIBLE ASSETS

As at 30 June 2006	Carrying amount at 1 July 2005 $'000	Additions $'000	Disposal $'000	Carrying amount at 30 June 2006 $'000
Works in Progress				
Computer software at cost	–	4,401	–	4,401
Carrying amount	–	**4,401**	–	**4,401**
Total	–	**4,401**	–	**4,401**

There were no indications of impairment to intangible assets at 30 June 2006.

11. PAYABLES

	2006 $'000	2005 $'000
Trade payables	85	–
	85	–

12. PROVISIONS

	2006 $'000	2005 $'000
(a) Provision for Employee Benefits		
Current		
Annual leave	134	4
Long service leave	23	–
	157	4
Non-Current		
Long service leave	9	–
	9	–
Total employee benefit provision	**166**	**4**
(b) Other Provisions		
Current		
Employee on-cost	19	1
Total other provisions	**19**	**1**

The settlement of annual leave liabilities gives rise to the payment of employment on-costs including superannuation and workers compensation premiums. The liability for such on-costs is included here.

	2006 $'000	2005 $'000

13. OTHER LIABILITIES

	2006 $'000	2005 $'000
Accrued expenses	698	304
Contractor bonds	1,995	–
	2,693	**304**

Contractor bonds represent security deposits as Reserve Capacity Security from suppliers in accordance with Regulation 9 of the *Electricity Industry (Wholesale Electricity Market) Regulations 2004*. Refer to note 1(l).

14. BORROWINGS

	2006 $'000	2005 $'000
WA Treasury Corporation Loan	3,228	–
	3,228	**–**

15. EQUITY

	2006 $'000	2005 $'000
Retained Earnings		
Opening balance	594	–
Profit for the period	1,847	594
Closing balance	**2,441**	**594**

Equity represents the residual interest in the net assets of the IMO. The Government holds the equity interest in the IMO on behalf of the community.

16. NOTES TO THE CASH FLOW STATEMENT

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	2006 $'000	2005 $'000 (7 months)
Cash and cash equivalents	3,995	793
	3,995	**793**

Reconciliation of profit to net cash flows provided by operating activities

	2006 $'000	2005 $'000 (7 months)
Profit for the period	**1,847**	**594**
Non-cash items:		
Depreciation and amortisation expense	13	3
(Increase)/decrease in assets:		
Other current assets	(18)	(21)
Increase/(decrease) in liabilities:		
Payables	479	276
Provisions	180	5
Other liabilities	1,995	–
Net GST receipts/(payments)	152	10
Change in GST in receivables/payables	(145)	(38)
Net cash provided by operating activities	**4,503**	**829**

	2006 $'000	2005 $'000
17. COMMITMENTS		
(a) Lease Commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised in the financial statements as liabilities are payable as follows:		
- Within 1 year	120	55
- Later than 1 year and not later than 5 years	733	36
- Later than 5 years and not later than ten years	122	–
	975	**91**
Representing:		
Non-cancellable operating leases	975	91
	975	**91**
(b) Capital Commitments		
Commitments in relation to capital expenditure for the Wholesale Electricity Market System contracted for at the reporting date but not recognised as liabilities are payable as follows:		
- Within 1 year	4,351	–
	4,351	–

18. REMUNERATION OF AUDITOR

The remuneration of the auditors includes fees paid for auditing the accounts and financial statements as set out below:

	2006 $'000	2005 $'000
Office of the Auditor General	15	8
	15	**8**

19. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Directors' Remuneration

Total fees, salaries, employer's contributions to superannuation and fringe benefits received or due and receivable for the financial year by:

	2006 $'000	2005 $'000
John Kelly (Chairman)	44	20
Anne Nolan (Previous Chair)	–	–
Shaun Dennison (Director)	10	–
Danielle McGrath (Director)	10	–
	64	**20**

Four non-executive directors on the Board have held office during the reporting period. One executive director was a full time public servant and, therefore, did not receive any benefits as a director.

Anne Nolan resigned as a Director during the reporting period.

(b) Remuneration of Senior Executives

The number of Senior Executives whose total fees, salaries, employer's contributions to superannuation and fringe benefits received, fall within each band of income of $10,000 are as follows:

$	2006	2005
60,001 – 70,000	1	-

The total remuneration of the Senior Executive was $61,000.

The total remuneration included the superannuation expense incurred.

20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The IMO has no contingent liabilities or contingent assets at the reporting date.

21. EVENTS OCURRING AFTER THE REPORTING DATE

The IMO is unaware of any event occurring after the reporting date that would materially affect the financial statements.

22. SEGMENT REPORTING

The IMO operates within one geographical sector (Western Australia) and in one business segment. Accordingly, the provision of segment information is not required.

23. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

Financial instruments held by the IMO are cash and cash equivalents, receivables and payables. The IMO has limited exposure to financial risks. The IMO's overall risk management program focuses on managing the risks identified below.

Credit risk
The IMO trades only with recognised, creditworthy third parties. The IMO has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the IMO's exposure to bad debts is minimal. There are no significant concentrations of credit risk.

Liquidity risk
The IMO has appropriate procedures to manage cash flows by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Interest rate risk
The IMO exposure to market risk for changes in interest rates relate primarily to the long term debt obligations. The IMO's borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are at fixed rates with varying maturities. The risk is managed by WATC though portfolio diversification and variation in maturity dates. Otherwise, the IMO is not exposed to interest rate risks.

(b) Financial Instrument disclosures

Financial instrument information for the year ended 2005 has been prepared under the previous AGAAP Australian Accounting Standard AAS33 'Presentation and Disclosure of Financial Instruments'. Financial instrument information from 1 July 2005 has been prepared under AASB132 'Financial Instruments: Presentation' and AASB139 'Financial Instruments: Recognition and Measurement'.

Interest Rate Risk Exposure
The following table details the IMO's exposure to interest rate risk as at the reporting date:

	Weighted Average Effective Interest Rate %	Fixed Interest Bearing $000	Variable Interest Bearing $000	Non-Interest Bearing $000	Total $000
2006					
Financial Assets					
Cash and cash equivalents	5.50	1,995	2,000	–	3,995
Receivables	N/A	–	–	48	48
		1,995	**2,000**	**48**	**4,043**
Financial Liabilities					
Payables	N/A	–	–	85	85
Borrowings	5.61	3,228	–	-	3,228
		3,228	–	**85**	**3,313**

23. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Instrument disclosures (cont'd)

	Weighted Average Effective Interest Rate %	Variable Interest Bearing $000	Non-Interest Bearing $000	Total $000
2005				
Financial Assets				
Cash and cash equivalents	4.75	793	-	793
Receivables	N/A	-	55	55
		793	**55**	**848**

Fair Values
The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values.

24. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNALTIONAL FINANCIAL REPORTING STANDARDS

Australia adopted Australian Equivalents to International Financial Reporting Standards (AIFRS) for reporting periods beginning on or after 1 January 2005. The IMO has adopted these standards for the first time for the year ended 30 June 2006.

AASB 1047 'Disclosure of the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' requires disclosure of any know or reliably estimable information about the impacts on the financial statements had they been prepared using AIFRSs.

(a) Reconciliation of Total Equity at the date of transition to AIFRS – 1 July 2004 (AASB 1.39(a)(i))

The IMO was established on 1 December 2004. The above reconciliation is not applicable in this instance.

(b) Reconciliation of Total Equity at the end of the last reporting period under previous AGAAP – 30 June 2005 (AASB 1.39(a)(ii))

There were no adjustments made as required by AASB 1.39(a)(ii) for the IMO as at 30 June 2005. The above reconciliation is not applicable in this instance.

(c) Reconciliation of Income Statement (Profit or Loss) for the year ended 30 June 2005 (AASB 1.39(b))

Under AASB 101 and 119, employee on-cost expense of $25,000 was reclassified from 'employee benefit expenses' to 'other expenses'. There were no other adjustments made as required by AASB 1.39(b) for the IMO as at 30 June 2005 to the Income Statement.

(d) Reconciliation of Cash Flow Statement for the year ended 30 June 2005 (AASB 1.40)

There were no adjustments made as required by AASB 1.40 for the IMO as at 30 June 2005 in relation to the Cash Flow Statement. The above reconciliation is not applicable in this instance.