



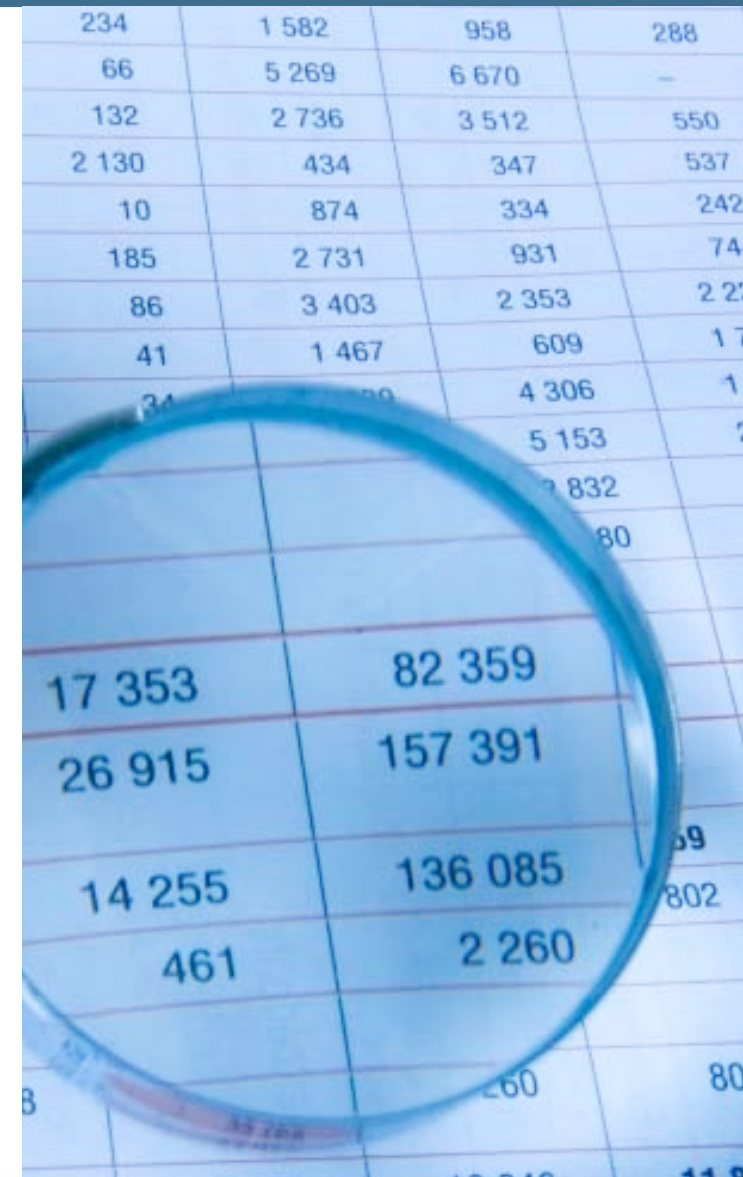
ANNUAL REPORT 11|12



Facts at a glance

Measure	Fact
Revenue	\$2.75 billion
Expenditure	\$2.63 billion
NPAT	\$85.4 million
Dividend	\$64.0 million
Operational Subsidy (Tariff adjustment payment)	\$317.3 million
~ 894,000	Number of residential customers
~ 92,000	Number of small business customers
~ 6 million	Number of bills issued by Synergy
~ 106,000	The average number of calls received each month by Synergy's contact centre.
~ 476	Number of staff employed by Synergy
11,605 GWh	Size of Synergy's electricity portfolio
65%	Synergy's share of the market in the South West Interconnected System
42%	Synergy's share of contestable electricity market
8%	Synergy's percentage of renewable energy
~ 311,000	Customers on concessions
92,356	Number of customers in Renewable Energy Buyback Scheme

Figures current as at 30 June 2012





Chairman's Report

It is a credit to the dedicated and committed team at Synergy that the board can report a much improved performance, particularly in the face of ongoing challenges in the energy industry.

The team at Synergy has worked hard to ensure processes, systems and service levels improved. At the same time, they have maintained their focus on ensuring the business adapted to changes in the industry, both from competitive forces and government policy changes.

As a government trading enterprise, Synergy is a somewhat complex organisation: we are owned by Western Australian taxpayers which in itself presents challenges with respect to shareholder expectations; we are operating in an aggressively contestable market competing with other retailers for the business of larger customers; we have an obligation imposed by the Electricity Corporations Act 2005 to operate with prudent commercial principles; and in the face of increasing tariffs and other cost of living pressures, we face intense scrutiny for our treatment of customers experiencing financial hardship.

Accordingly we strive to make a profit, taking into account that the subsidy we receive from the government is deemed revenue and without it we would make a loss. At the same time, Synergy is a unique retailer: we encourage our customers to use less of our product, not more.

The challenge we face is that we enter into long-term electricity supply agreements, while entering into short-term contracts with customers, and therefore face a risk of stranded supply if we lose customers to our competition.

Faced with these considerations, it is pleasing to acknowledge the terrific work of everyone at Synergy for the outstanding performance over the previous twelve months.

Synergy recorded a profit after tax of \$85.4 million. While this profit is welcome, it was only through the treatment of the subsidy from the state of \$317.3 million – making up the difference between current and cost-reflective tariffs – being treated as revenue that the profit was achieved. Without this subsidy, Synergy would have incurred a loss after tax of \$136.7 million. A loss of this magnitude is not a reflection on Synergy's performance, rather it reflects the fact that our regulated tariffs are not cost-reflective and highlights the fact that our customers continue to be significantly subsidised by Western Australian taxpayers in order to keep tariffs lower than they otherwise would be.

With the cost of electricity only destined to increase, the year ahead will pose challenges for our customers and therefore how we support those customers. In our business we see the effect of the two-speed economy in operation.

Whether it is households, small and medium enterprises or larger industrial and commercial businesses, there are some customers who are comfortable managing the increased costs for their electricity use, while there are others who find the impact of cost increases a real challenge.

Moreover, many of our residential customers are working in industries dealing with economic uncertainty and their employers are facing increased input costs, thus creating the potential for a hardship cycle.

Accordingly, we are committed to doing all we can to support our customers at all levels. We do this through various interactions: directly with our customers through hardship programs; by working with other utilities such as Western Power to educate and inform customers on ways to reduce their consumption; internally by reviewing our costs and maintaining an efficient operation; and through informing policy which may impact on our customers.

Ensuring our business is efficient is, of course, a fundamental customer service as the costs of our operations are either borne by our customers or through the subsidy funded by Western Australian taxpayers, making up the difference between the revenue from current tariffs and the potential revenue if tariffs were cost-reflective.

During the year the Economic Regulation Authority conducted an inquiry into the efficiency of Synergy's costs and tariffs. Importantly, the Authority found that Synergy's energy procurement, including procurement of renewable energy certificates, was efficient, an important finding considering energy procurement represents a significant portion of Synergy's costs. However, the Authority also found Synergy's actual operating costs sat above benchmark costs for the supply of retailer services.

Synergy has put significant effort into reducing costs and is implementing plans to achieve the benchmark costs over the next two years. Improving customer service will be a key to this objective. By efficiently and effectively responding to the needs of customers, we create opportunities to reduce costs.



Chairman's Report (contd)

A further challenge for Synergy is to retain existing customers and attract new ones in the very competitive large industrial and commercial electricity markets at a time when there is short-term oversupply. Oversupply in the market allows other competitors to use aggressive pricing strategies in order to gain market share. This will be most important for Synergy in light of our large industrial customer market share falling from 73% in 2007 to around 42% today.

On the other hand, Synergy has been successful in growing its gas business since contestable gas supply thresholds were reduced in July 2007. During the year, the board approved Synergy entering a new, significant gas supply contract with the Gorgon Joint Venture for 20 years, commencing in 2015. While this is a very significant and successful outcome Synergy acknowledges it will need to contract further long and short-term gas supplies in order to support future growth in its gas business.

The Synergy board is also appreciative of the efforts of everyone at Synergy to ensure compliance with the Clean Energy Future legislation and, importantly, to help prepare customers for the impact of the carbon price. This was a significant project with the legislative changes having a lasting impact. Synergy will continue to assist our customers' transition through this period.

In addition, we will monitor the potential for further legislative changes, such as to the mandatory renewable energy target, which may influence decisions with respect to short and long-term power supply agreements.

During the reporting period, we welcomed two new board members, Eddy Buckovic and Jan Kolbusz. I want to thank them and my other colleagues on the board for their ongoing support and contribution to our important deliberations. We understand that our business touches the lives of many businesses and every household in our area of operations.

Finally, I would like to acknowledge the outstanding efforts of our Chief Executive Officer, Trevor James, his executive and the whole team at Synergy. Together, they have committed 100% throughout the year and this is reflected in the results they have achieved as highlighted in this annual report.

Michael Smith
Chairman





Chief Executive Officer's Report

In reflecting on our performance over the previous twelve months it is important to commence by acknowledging all of my colleagues at Synergy for their commitment, hard work and customer focus during the 2011/12 year.

The year began with a change to Synergy's structure and the appointment of four new executives: Mr Donald MacKenzie General Manager Retail, Mr Karl Matacz Chief Financial Officer and General Manager of Business Services, Mr Alex Jones Chief Information Officer, and Mr Blair Stratton General Manager Strategy and Corporate Affairs. Two existing executives, Mr Will Bargmann and Mr Geoff Roberts, took the roles of General Manager Corporate Services and General Manager Energy Markets respectively.

There was one fundamental focus associated with these changes: to significantly improve our focus on our customers. For Synergy to retain the right to retail we must have a strong customer-focused culture that understands and delivers on community and commercial energy needs.

To that end I have been pleased with the progress we have made in achieving this goal. It is well known that during the twelve months prior we were beset with issues associated with our billing system. This year we have put a rigorous effort into addressing these issues, stabilising our billing system and focusing on meeting the needs and expectations of our customers. Having completed these operational improvements, it is important we renew our focus on our customers and meeting their expectations.

We have undertaken reviews of our rebates and concessions payments to ensure all customers are receiving the rebates and concessions to which they are entitled, and we have examined our systems and processes to ensure the protections afforded our life support customers are rigorous. We continue to monitor the performance of our systems, processes and service levels to ensure our customers receive the service they are rightly entitled to have.

The cessation of the feed-in tariff caused a substantial increase in work in customer facing areas, including processing of applications. Importantly, it is evident that the feed-in tariff provided great support for the development of the solar industry in Western Australia and the cessation of the incentive did not spell the end of the industry. A further 33,665 households installed photovoltaic systems during 2011/12, with 14,469 households installing systems between January and June 2012 – well after the cessation of the feed-in tariff. Over 92,000 households in the South West Interconnected System – or nearly ten percent of Synergy's customers – are now generating their own electricity, reducing demand from large-scale generation and reducing the amount they are spending with Synergy.

We have worked closely with the Economic Regulation Authority as part of their review of Synergy's costs and electricity tariffs. We are very mindful of our operating costs as they are ultimately borne by Synergy's customers, and we have worked fastidiously to achieve the state government's efficiency dividend, even identifying further savings beyond the dividend.





Chief Executive Officer's Report (contd)

Another major milestone during the year was to ensure compliance with the Clean Energy Future legislation which required a significant change program within Synergy, affecting most areas of the business and requiring various changes to Synergy's systems and processes. The Clean Energy Future legislation is a complex legal instrument which ultimately affects every Synergy customer. Moreover, due to the timing of the legislation passing through Federal Parliament, the project required a significant work program completed to a tight deadline and it is a credit to all involved at Synergy that the business was ready by 30 June 2012.

Of course, a major impact of the legislation is the imposition of a price on carbon, which has increased the price of electricity over and above the tariff increases. The latter have been driven by increased network, generation, renewable and other costs that make up the tariff. We are mindful of the impact these increases will have on our customers and the potential to increase financial hardship. We will therefore be maintaining a focus on supporting our customers as they make the necessary changes to accommodate these cost increases.

In light of this – and the fact that average household consumption increased by over 1,600KWh or 29% between 1996 and 2010 – Synergy has been actively engaged with Western Power in the Future Energy Alliance. The Future Energy Alliance aims to encourage and affect behavioural change to reduce energy consumption and reduce the amount households spend on energy consumption. This campaign will be increasingly important if Western Australian taxpayers are to reduce the subsidy they pay Synergy for the difference between current tariffs and cost-reflective tariffs.

This campaign, coupled with tariff changes, the proliferation of solar panel systems and milder weather, resulted in households reducing their energy consumption by nearly 5% in 2011/12, when compared to the previous year. This was only the second time average household consumption had fallen since 1996, the other being in 2002 by just 0.4%.

I am looking forward to the coming year being one in which we continue to improve customer service and, in so doing, identify further efficiency opportunities which benefit our business and ultimately our customers.

I would like to finally thank the board for its support throughout the year, my colleagues on the executive and the wonderful team at Synergy for their hard work, commitment and dedication to the organisation and its success.

Trevor James
Chief Executive Officer



About Synergy

Synergy's core business is to service customers through the purchase and sale of energy; these activities will always form the foundation of Synergy's business and strategy.

Synergy markets approximately 65% of the electricity sold in the South West Interconnected System (SWIS) to households and business customers and has a significant share of the contestable gas load in the industrial and commercial market.

The business carries this out with a workforce of approximately 476 people who possess appropriate knowledge and skills to assist customers and meet business needs.

OUR VISION

Synergy's strategy is a function of its core business and is developed from Synergy's statement of purpose:

"Synergy will maintain its position as Western Australia's largest energy retailer through procuring and selling electricity and gas to customers throughout the South West Interconnected System."

Synergy's strategic vision builds upon its core business of procuring and selling energy, envisaging Synergy as "the leading, customer-focused provider of energy solutions".

Synergy's underlying focus is on customer service and efficiently meeting the needs of its customers, particularly at a time of change in the energy industry beyond Synergy's control.

Synergy must strive to maintain a positive and trusting relationship with its customers, and ensure it is – not only nominally, but functionally – a customer focused energy retailer.

SYNERGY'S VALUES

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

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

About Synergy

CORPORATE RESPONSIBILITIES

The principal functions of Synergy are defined in the Electricity Corporations Act 2005, the Electricity Industry Act 2004 and relevant regulations and codes.

The functions of the corporation are to:

- i. supply electricity to consumers and services which improve the efficiency of electricity supply and the management of demand;
- ii. purchase or otherwise acquire electricity for the purposes of supplying electricity to customers;
- iii. provide ancillary services; and
- iv. acquire gas and supply it to consumers.

It is also the function of Synergy to:

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

In performing its functions, Synergy must act with prudent commercial principles and endeavour to make a profit, consistent with maximising its long-term value.

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

Financial Hardship assistance

Synergy's financial hardship policy, 'Keeping Connected', continues to provide valuable support to customers who face extreme financial hardship. The policy was developed in association with representatives from WA's community sector and in accordance with best practice guidelines. Endorsed by the Western Australian Council of Social Services and the Financial Counsellors Association of Western Australia, Synergy's financial hardship policy was created to provide an extra level of support to customers experiencing genuine financial hardship. Synergy's financial hardship policy is reviewed annually and this ensures it remains contemporary and meets the needs of Synergy's most vulnerable customers.

Ministerial Reporting

In line with the accountability provisions of the Electricity Corporations Act 2005, Synergy has provided the Minister for Energy with a quarterly report, for each of the first three quarters of the 2011/12 financial year, and this annual report details the entire 2011/12 financial year.

Each of the quarterly reports for the 2011/12 reporting period were submitted to the Minister no later than one month following the end of the preceding reporting quarter and included an overview of performance (including specific performance indicators) and highlights of important achievements.

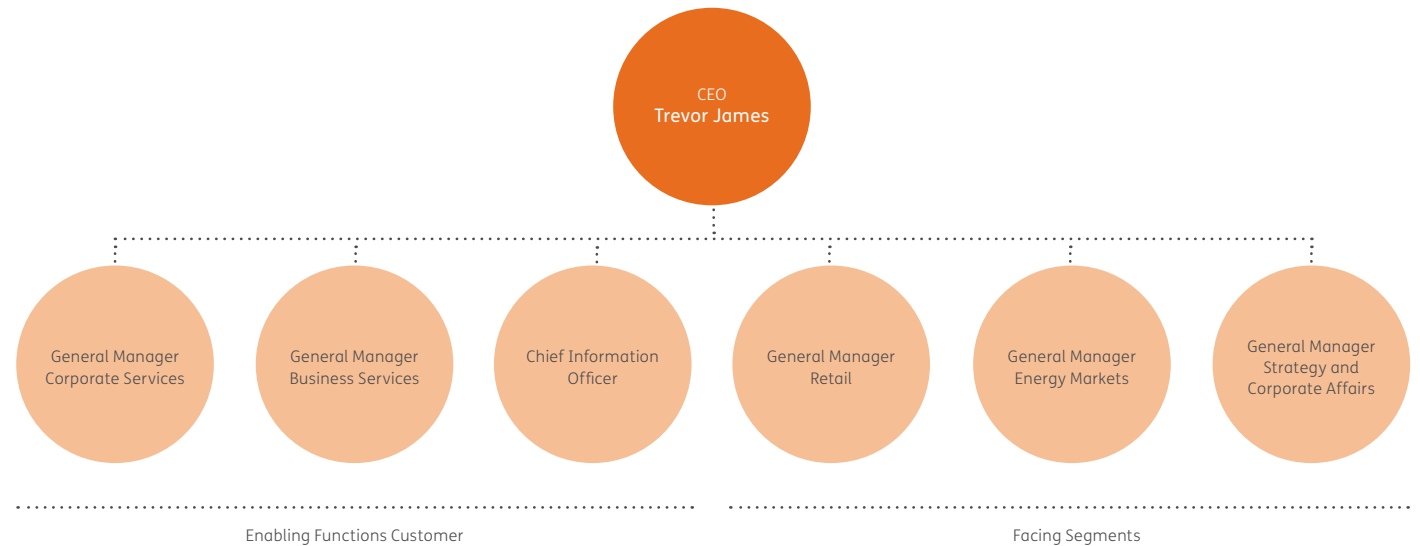


Synergy's Organisational Structure

Synergy's business is structured around the customer, through three clear business segments – Energy Markets, Retail, and Strategy & Corporate Affairs – and enabling functions that support these business segments: Transformation and Technology (under the Chief Information Officer), Corporate Services (incorporating Human Resources) and Business Services (under the General Manager Business Services) and Business Services (under the General Manager Business Services).

The organisational structure has clearly delineated roles and responsibilities for each of the business segments.

SYNERGY'S ORGANISATIONAL STRUCTURE 2011/12:



Synergy's Organisational Structure

The key roles during the year of each department were as follows:

Retail

Retail assists Synergy's customers through a variety of channels, and includes Synergy's contact centre and e-channel and all back office customer operations including billing, credit management and resolution of more complex customer transactions.

Energy Markets

Energy Markets services Synergy's contestable market customers, providing a suite of products and services to commercial electricity and gas customers within the SWIS, as well as the associated billing, accounts, account management and credit management services for this segment.

Strategy and Corporate Affairs

Synergy's external engagement with policy makers, media and government, as well as strategic long term forecasting and procurement in relation to gas and electricity contracts, oversight of the \$26.4 billion energy supply portfolio and organisational strategy is managed by the Strategy and Corporate Affairs department.

Business Services

The Business Services department provides Synergy with accounting services and financial oversight as well as building services ensuring Synergy has the infrastructure required to maintain its operations.

Corporate Services

Providing legal, regulatory, audit and human resource management services, the Corporate Services department supports all other departments within the organisation.

Transformation and Technology

The Transformation and Technology department provides and maintains the technology, systems and services required for Synergy's operations and communications.



Report on Operations

FINANCIAL

Synergy recorded a profit after tax of \$85.4 million, an improvement of \$9.1 million on the previous year. Revenue from sales of energy, including the Tariff Adjustment Payment, increased by 2.7% while the total cost of goods sold increased by 2.5%.

Following a restructure of its contractual arrangements with the Emu Downs Wind Farm on 1 July 2011, Synergy has recognised its contractual entitlement to energy from Emu Downs as an asset on its balance sheet together with an associated liability for committed payments under the contract. In addition to this contract Synergy has a committed energy portfolio of \$26 billion at 30 June 2012. This allows for increases to these commitments in order to meet the carbon tax obligations of electricity generators from 1 July 2012.

In addition to the carbon tax liabilities passed through to Synergy from electricity generators, Synergy also has an obligation from 1 July 2012 to meet any residual carbon tax liabilities for natural gas emissions from the sale of gas to its gas customers.

Net assets have increased by \$28.2 million as a result of the profit after tax for the year and the payment of a dividend of \$57.2 million in respect of the 2010/11 financial year.

OPERATIONAL

Following a challenging year in 2010/11 arising from factors associated with the implementation of a new billing system, the business returned towards expected service levels in 2011/12.

A clear indication of this was a 32% drop in complaints to the Energy Ombudsman, with a total of 2,281 complaints recorded. Complaints related to credit management activities, billing issues, estimated meter readings and high accounts.

Complaints provide Synergy with opportunities to improve its processes, as well as highlighting the ways in which Synergy can improve how it communicates with its customers.

The number of incoming calls fell by 11.46%. This is due to improved performance through changes to the billing system, as well as the suspension of the Feed-in Tariff scheme which had led to an increased number of calls during the previous financial year.

The percentage of customer calls not answered within 30 seconds increased from 22.9% to 25.1%, while the average waiting time before a customer spoke to an operator fell. The commencement of a first call resolution initiative, which required additional training for all contact centre staff during the year, has adversely affected customer service in the interim. Synergy's first call resolution initiative is intended to improve customer satisfaction, reduce complaints and reduce transaction costs.

YEAR IN REVIEW

As a retailer of energy, Synergy's operations affect every household and many businesses throughout the SWIS.

The team at Synergy has worked hard to stabilise the billing system while implementing changes to the system to accommodate state and federal policy initiatives.

A continuous improvement team has been established within the business to ensure appropriate and timely changes are made to systems and processes in order to meet customer expectations.

Changes to the Feed-in Tariff scheme were announced on 21 May 2011, with the scheme being suspended on 1 August 2011. Synergy has worked closely with the former Office of Energy, and subsequently the Public Utilities Office, to address issues associated with administration of the scheme.

A project was established to ensure compliance with the federal Clean Energy Future legislation, given the significance and complexity of the changes impacting all areas of Synergy's operations. Complying with the legislation impacted Synergy's billing, customer communications, systems and processes, contractual reviews, and staff training. The project took up significant resources within the business in order to be compliant with the legislation.

Despite the Clean Energy Future Legislation being passed, the federal mandatory renewable energy target of 20% of renewable energy being supplied by 2020 has been maintained. During the year, the construction of the Collgar Wind Farm was completed, for which Synergy receives all of the energy and associated renewable energy certificates.

Gas supply is integral to meeting Western Australia's energy needs, and Synergy has continued to achieve significant success in gas retailing. Accordingly, Synergy successfully concluded negotiations to enter a domestic gas contract agreement with the Gorgon Joint Venture participants. The contract will be vital to Synergy maintaining its successful activities in gas retailing.

Report on Operations

On 17 August 2011, the Minister for Energy launched Synergy's 'Powering WA's future' initiative at the 11th Energy in Western Australia Conference. Synergy released a prospectus at the Conference, in which existing and intending generation participants are invited to make submissions outlining capability and business concepts. The prospectus identifies Synergy's expected need to contract for midmerit/peaking energy requirements, and renewable energy supplies, and to foster relationships with current and potential suppliers.

As an energy retailer, Synergy must enter into long term procurement contracts while securing sales contracts of a short term nature. While the business continues to review its long term energy needs, the Western Australian energy market has been in a position of oversupply, allowing other competitors to use aggressive pricing strategies in order to gain market share. Synergy has been focused during the year on addressing these challenges in this competitive marketplace.

Synergy acknowledges the importance of a reliable electricity supply to life support customers, and it undertook a thorough and wide ranging review of the processes, systems and regulatory obligations with respect to these customers. The review took place following two separate incidents involving life support customers. While Synergy has maintained robust processes previously, all retail business processes were reviewed to identify further safeguards to put in place for registered life support customers.

Working with Western Power under the banner of the Future Energy Alliance, Synergy conducted a community engagement study with various households recruited to participate, in which the households undertook challenges to make behavioural changes to reduce their energy consumption. This has resulted in a public education campaign highlighting the ease with which households can make simple changes to reduce their consumption.

Synergy's sponsorships during 2011/12 included Starlight Children's Foundation, where Synergy is the largest sponsor of the Starlight Express Room in Princess Margaret Hospital, a fun space for seriously ill children and their families to enjoy during their treatments. Synergy also sponsors the Synergy Parkland in Kings Park and Great Gardens where the community has the opportunity to participate in free Synergy energy efficiency workshops held throughout the year.

Many staff at Synergy also volunteer their time participating in activities which support the WA community. Synergy Spirit, a staff initiated program, supports charitable causes throughout the year through various internal fundraising activities.

In 2011/12, the voluntary committee raised a combined \$13,000 for Organ Donation & Foundation of WA and the Association of the Advancement of Brain Injured Children.

The Synergy Spirit committee is dedicated to raising awareness about these important charities, ensuring that every dollar raised really does make a difference.



The Year Ahead

Synergy is ready to maintain its competitive position in the Western Australian market, which aligns to its statement of purpose to be WA's largest energy retailer through the procurement and sale of electricity and gas throughout the SWIS.

Synergy is dedicated to building market competitiveness, enhancing its capacity to compete through dynamic pricing, sales capability and proactive delivery.

Synergy will also continue to diversify its energy portfolio to improve security of supply to its customers.

Over the forthcoming year, Synergy will closely monitor the impact of the Clean Energy Future legislation and, in particular, speculation that the federal government may amend the mandatory renewable energy target, which would affect Synergy's future procurement considerations.

Support for customers will continue to be an ongoing focus for Synergy in light of the expectation that tariffs are likely to continue to increase.



Performance Overview

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

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

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

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

Operational Key Performance Indicators

	2009/10	2010/11	2011/12
Contact Centre Effectiveness			
Total number of calls received	1,257,153	1,439,432	1,274,463
% of calls not answered within 30 seconds from when a customer is connected	23%	22.9%	25.1%
Average waiting time before a call is answered (seconds)	44.1	40.2	35.2
Business Development and Innovation			
Number of customers utilising environmental products	27,107	66,822	100,790
NaturalPower	5,813	5,631	4,419
EasyGreen	1,095	1,837	3,415
REBS	19,536	58,691	92,356
Earth Friendly	663	663	600
Number of SmartPower customers	19,447	23,186	24,427
Customer Service			
Number of disputes involving the Energy Ombudsman	1,924	3,367	2,281

Directors' Report

BOARD OF DIRECTORS

Role of the Board

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

The board's central role is to set Synergy's strategic direction and to oversee its management and commercial activities.

Composition of the Board

From 1 July 2011, the board of directors comprised four non-executive directors until 12 December 2011. From 13 December 2011, the board of directors comprised six non-executive directors.

DIRECTORS

The names and details of the directors in office at any time during the period 1 July 2011 to 30 June 2012 are:

Michael Smith, FAICD, FIMC, FAIM, FAMI Director and Chairperson (Age 58)

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

Mr Smith chairs the boards of iiNet and the Lionel Samson Sadleirs Group. He is the State President and a national director of The Australian Institute of Company Directors, Deputy Chairman of Automotive Holdings, a director of 7-Eleven and a board member of Giving West.

Mr Smith was formerly the chair and director of the West Coast Eagles, chair of the Perth International Arts Festival, and a director of Indian Pacific Ltd and Home Building Society.

Mr Smith was first appointed Chairperson in March 2006 and his term expires in June 2013.

Eric Hooper BA (Business), MBA, FAICD Director and Deputy Chairperson (Age 54)

Mr Hooper was appointed to the board as a non-executive director in March 2006.

Mr Hooper is also a director of Ocean Gardens Inc, a director of RC Sadleir Pty Limited, and a consultant providing corporate finance advisory services.

Mr Hooper's term expires in 2015.

Mr Eddy Buckovic BSc (Hons) Director (Age 46)

Mr Buckovic was appointed to the board as a non-executive director in December 2011. Mr Buckovic has worked in a range of upstream and commercial roles with BP, Woodside and BHP Billiton in the oil and gas sector, and the wholesale energy markets across the eastern seaboard with TXU Australia. Mr Buckovic is currently a consultant providing technical and commercial advisory services to the oil and gas sector and utilities industries.

Mr Buckovic's term expires in 2013.

Caryle Demarte PSM, BA, FAICD Director (Age 64)

Ms Demarte was appointed to the board as a non-executive director in March 2006.

Ms Demarte is a director of Yarra Valley Water and Aurora Energy and has served as a Councillor of the Earth Resources Development Council, a director of TXU Australia Customer Services Pty Ltd, Energy and Water Industry Ombudsman of Victoria, Energy Retailers Association of Australia and VENCORP.

Ms Demarte's term expires in 2014.

Mr Jan Kolbusz BSc, MIS, FAICD Director (Age 50)

Mr Jan Kolbusz was appointed to the board as a non-executive director in December 2011. Mr Kolbusz is currently the Managing Director of Decimal Pty Ltd, and formerly the founding Chairman of Stripe Capital. Mr Kolbusz was formerly the Chief Operating Officer of Sealcorp Holdings, Director of Consulting at Ernst & Young and previously with USA-based Baxter Travenol.

Mr Kolbusz's term expires in 2014.

Margaret Seares AO, MA, PhD (UWA), FAICD Director (Age 64)

Dr Seares was appointed to the board as a non-executive director in September 2010. Dr Seares has served as Senior Deputy Vice Chancellor of The University of Western Australia, Chief Executive of the Western Australian Department for the Arts, and Chair of the Australia Council.

Dr Seares is the chair of the Perth International Arts Festival and is a director of the Education Investment Fund, the National Research Infrastructure Council, the Council of Scotch College (WA), and the Telethon Institute for Child Health Research

Dr Seares' term expires in 2012.

Directors' Report

COMMITTEES

Synergy operates three committees - human resources and remuneration committee (HRRC), audit and legal compliance committee (ALCC), and nominations committee (NC) - which consist of the following directors:

- HRRC members - Margaret Seares (Chair), Michael Smith, Caryle Demarte and Jan Kolbusz.
- ALCC members - Eric Hooper (Chair), Caryle Demarte, Michael Smith and Eddy Buckovic.
- NC - Michael Smith (Chair) and Eric Hooper.

ROLE OF THE COMMITTEES

Human Resources and Remuneration Committee

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

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

Audit and Legal Compliance Committee

The primary function of the committee is to assist the board in fulfilling its fiduciary duties and corporate governance and oversight responsibilities. The committee achieves this role by overseeing:

- the adequacy of the financial reporting, principles and policies, internal controls and procedures;
- the integrity and quality of financial statements and the independent audit of those statements;
- compliance with the relevant regulatory and legal requirements;
- the internal audit function;
- the identification and management of business risks by management; and
- that Synergy aims to achieve best practice where appropriate.

Nominations Committee

The primary function of the committee is to assist the board in reviewing board and committee composition, performance and succession planning. This purpose includes identifying, evaluating and recommending candidates for the board. The committee achieves this role by overseeing:

- the size and composition of the board and board committees;
- the selection, appointment and retirement of directors;
- the necessary and desirable competencies of directors;
- board succession plans that maintain an appropriate balance of skills on the board and the periodic review of those plans;
- a process for the evaluation of the performance of the board, non-executive board members and board committees; and
- an induction programme for directors.

Directors' Report

DIRECTORS' MEETINGS

The number of meetings of the board (including meetings of committees) and number of meetings attended by each of the directors between 1 July 2011 and 30 June 2012 are as follows:

	Board Meetings		Human Resources and Remuneration Committee		Audit and Legal Compliance Committee	
	A	B	A	B	A	B
Michael Smith	11	11	4	4	5	6
Eric Hooper	10	11	N/A	N/A	6	6
Caryle Demarte	9	11	2	4	5	6
Margaret Seares	11	11	4	4	N/A	N/A
Jan Kolbusz	5	6	2	2	N/A	N/A
Eddie Buckovic	5	6	N/A	N/A	3	3

A Number of meetings attended

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

Corporate Governance Statement

This statement outlines the principal corporate governance practices Synergy's board followed during the reporting period 1 July 2011 to 30 June 2012.

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

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

1. Corporate governance at Synergy

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

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

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

Directors' Report

2. Board of Directors

2.1 Board role and responsibilities (ASX Principle 1.1)

As a statutory corporation, the respective duties and responsibilities of Synergy's board, chief executive officer and executive officers are substantially set out in the Act.

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

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

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

Responsibility for the management of Synergy's day-to-day operations is delegated to the chief executive officer, who is accountable to the board. The board has also

delegated a number of responsibilities to its committees. The responsibilities of these committees are detailed in section 3 of this report.

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

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

At the date of this report the board has six members, all of whom are non-executive directors. The names of the directors in office at the date of this report, the date they were first appointed, and their biographical details are set on pages 16 and 17 of this annual report.

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

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

- the chair and the deputy chair must be independent, non-executive, directors;
- the role of the chair and the chief executive officer cannot be filled by the same person;
- the majority of the board should comprise independent directors; and
- the board should have the required blend of qualifications, experience and expertise.

2.3 Director independence (ASX Principle 2.1 and 2.6)

The structure and composition of the board is prescribed by the Act. The independence of directors is, therefore, not a matter entirely in control of the board.

However, the board charter provides that in nominating candidate directors to the Minister, the board will have regard to the independence of prospective directors.

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

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

2.4 Conflicts of interest

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

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

Directors' Report

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

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

The nominations committee oversees the establishment and implementation of an effective induction process for new directors and will review that process regularly.

The induction process includes discussions with the chief executive officer, senior management and relevant external stakeholders and provision of information on key corporate and board policies and strategic plans.

All directors are expected to undertake professional development to maintain the skills required to discharge their duties. Where this involves industry seminars and approved education courses, Synergy pays the cost, subject to the chair's approval.

In addition, where skill gaps are identified, directors will be provided with appropriate resources and training.

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

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

The HRRC reviews and makes recommendations to the board on the process for reviewing the performance of the chief executive officer. The chief executive officer's

performance is judged against the approved strategic plan and the corporate and personal key performance indicators established for the chief executive officer on an annual basis. The same process is adopted in the case of other senior executives, except that their performance is also judged against additional key performance indicators relating to their respective departments.

The board and each of its committees periodically assesses its own respective performance.

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

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

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

2.8 Directors' remuneration (ASX Principle 8.2)

The principles used to determine the nature and amount of remuneration of directors is detailed in the remuneration report of Synergy's annual report. The HRRC is responsible for, among other matters, assisting the board in establishing remuneration policies and reviewing their effectiveness. The remuneration of nonexecutive directors is determined by the Minister.

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

2.9 Chair (ASX Principles 2.2 & 2.3)

The board chair, Mr Michael Smith, is an independent non-executive director. Under the Act, the Governor appoints the chair and deputy chair from the non-executive directors on the nomination of the Minister. In compliance with the Act, the board chair and the chief executive officer are not the same person. The chair is responsible for leadership of the board, for the efficient organisation and conduct of the board's function and for the promotion of relations between board members and between the board and management that are open, cordial and conducive to productive cooperation. The chair's responsibilities are set out in more detail in the board charter.

Mr Smith is also chair/director of the companies listed on page 16 of this annual report. The board considers neither his chairmanship of the companies listed, nor any of his other directorship commitments as listed, interfere with the discharge of his duties to Synergy. The board is satisfied he commits the time necessary to discharge his role effectively.

2.10 Company Secretary

Synergy's company secretary is Mr Will Bargmann, who is also its general manager corporate services. The appointment and removal of the company secretary is a matter for decision by the board. The company secretary is responsible for ensuring that board procedures are complied with and governance matters are addressed. All directors have access to the company secretary's advice and services.

Directors' Report

2.11 Board meetings (ASX Principle 2.6)

The board meets at least eight times per year to address strategic issues and as needed to address urgent issues. Details of the number of board meetings and directors' attendance at these meetings are set out on page 19 of this annual report.

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

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

3. Board committees

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

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

- the ALCC;
- the HRRC; and
- the NC.

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

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

The number of committee meetings held during the year, and members' attendances at the meetings of the ALCC and HRRC are set out on page 19 of this annual report.

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

The role and membership of the ALCC is detailed on page 18 of this annual report.

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

The role and membership of the HRRC is detailed on page 17 of this annual report.

3.4 Nominations Committee (ASX Principles 2.4, 8.2)

The role and membership of the NC is detailed on page 18 of this annual report.

4. Promoting responsible and ethical behaviour

4.1 Code of conduct (ASX Principles 3.1 & 3.3)

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

The codes of conduct and the policies:

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

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

4.2 Ownership and dealing in securities (ASX Principles 3.2)

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

5. Shareholder

5.1 Shareholder communication (ASX Principles 6.1 & 6.2)

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

Directors' Report

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

In addition:

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

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

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

6. Financial reporting (ASX Principles 7.3)

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

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

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

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

The ALCC oversees communications between the board, senior financial management, legal, regulatory and audit group, business services department and the OAG to ensure all assistance necessary to complete the audit by the Auditor General is provided.

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

8. Risk management (ASX Principles 7.1& 7.2)

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



Directors' Report

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

The chief executive officer and the chief financial officer have assured the board that Synergy's management of its material business risks is effective. In accordance with the Act, the business services department makes recommendations to the board on the appropriate level of insurance cover for Synergy. Financial risk issues are managed through a treasury policy statement that requires reporting to the ALCC on treasury activities.

Corporate Governance Checklist

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

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

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

Directors' Report

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

Directors' Report

Principle 8	Encourage enhanced performance		
8.1	The Board should establish a remuneration committee.	✓	3.1, 3.3
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	✓	2.8
8.3	Provide the information indicated in the guide to reporting on ASX Principle 8	✓	3.1, 3.3

Notes:

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

Directors' Report

Remuneration Report

Principles Used to Determine the Nature and Amount of Remuneration Remuneration approval protocols are as follows:

- **Specified non-executive directors:** The Minister for Energy approves the remuneration of all non-executive directors.
- **Chief executive officer:** The board subject to the concurrence of the Minister for Energy approves the remuneration of the chief executive officer.
- **Specified executive officers:** The board on recommendation of the chief executive officer approves the remuneration of all specified executive officers.

The remuneration policy is to:

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

Specified non-executive directors

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

Remuneration

The remuneration of directors and key management personnel is detailed in the Financial Statements.

COMPENSATION OF DIRECTORS AND EXECUTIVE DISCLOSURES

Service Agreements

It is Synergy's policy that contracts of employment for key managers excluding the executive are unlimited in term but generally these contracts are capable of termination by the key managers on four weeks' notice and Synergy retains the right to terminate the contract immediately by making payment equal to a maximum of 87 weeks pay in lieu of notice. The key managers are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The chief executive officer has a contract of employment that commenced on 1 April 2011 with Synergy. The contract specifies the duties and obligations to be fulfilled by the chief executive officer. The chief executive officer's contract of employment terminates on 31 March 2013. At any time prior to this date, the contract can be terminated providing 26 weeks' notice by either party.

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

Emolument of Key Management Personnel

The nature and amount of each element of the emolument for key management personnel during 2010/11 and 2011/12 are detailed in the attached Financial Statements.



Directors' Report

Indemnification of Directors and Officers

The board has approved a directors and officers liability insurance policy to ensure the directors and officers of the Corporation have adequate coverage.

The cover, which costs \$27,900 per annum, will pay on behalf of Synergy, or directors and officers of Synergy, losses arising from a claim or claims made against them jointly or severally during the period of insurance by reason of any wrongful act (as defined by the policy) in the capacity of director or officer of Synergy.

At the date of this report no claims have been made against the directors and officers component of the policy.

Review of Operations

The operations of Synergy during the financial year and the results of those operations are discussed in the chairman's report, the chief executive officer's report and the review of operations.

Change in State of Affairs

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

Principal Activities

The functions of Synergy are detailed under Synergy's Corporate Responsibilities.

Likely Developments and Expected Results of Operations

Synergy will continue to monitor changes to state and federal policies and legislation which may impact Synergy's operations, and make any requisite changes.

Ministerial Directions

No Ministerial Directions were received by Synergy during the year.

Observance of the Code of Conduct

Section 33 of the Electricity Corporations Act 2005 (the Act) requires the board of Synergy to provide to the Minister, at the same time as delivering its Annual Report, a separate report on the observance of its Code of Conduct by members of staff.

The board confirms, consistent with section 31 of the Act, Synergy's Code of Conduct was developed after consultation with the Commissioner for Public Sector Standards and was adopted by the board at its meeting on 23 February 2009.

The Code of Conduct has been made available to all employees of Synergy and is available on Synergy's Intranet for employee reference. The board, under delegated authority, assign accountability through the chief executive officer to formal leaders

in the organisation to ensure observance of the standards of conduct and integrity by members of staff.

As at 30 June 2012, there were no reported incidents of staff members breaching the requirements of the Code of Conduct.

State Records Act 2000

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

Western Australian Electoral Act 1907

In accordance with the requirements of Section 175ZE of the Western Australian Electoral Act 1907, the following information in respect to expenditures (excluding GST) incurred by, or on behalf of, Synergy during the period 1 July 2011 to 30 June 2012 was:

- Advertising agencies: \$744,540 - Cubed, 303
- Market research organisations: \$583,895 - Synovate Pty Ltd, Taylor Nelson, Painted Dog, David Reid
- Direct mail organisations: \$54,580 - Australia Post, Salmat
- Media advertising organisations: \$520,985 - Market United
- Total expenditure was \$1,904,000

Directors' Report

The above expenditure does not include Synergy's contribution to the Future Energy Alliance (FEA) as part of the State Government's Switch to the Future energy saving campaign. The following information regarding expenditure incurred by, or on behalf of, Synergy for FEA purposes during the period of 1 July 2011 to 30 June 2012 was:

- Advertising agencies: \$481,499 – 303 Advertising Pty Ltd, Market United
- Market research organisations: \$579,423 – Taylor Nelson, 303 Advertising Pty Ltd, Media Decisions
- Direct mail organisations: \$34,551 – 303 Advertising Pty Ltd
- Media advertising organisations: \$195,527 – Media Decisions
- Total expenditure was \$1,291,000

Public Interest Disclosure

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

In May 2006, a set of procedures was developed which outlined the manner in which Synergy will comply with its obligations under the Public Interest Disclosure Act. Public Interest Disclosure information is included in Synergy's induction program, procedures and staff information is posted on our intranet facility for staff to view. Synergy has appointed the chief executive officer, the company secretary/general counsel, manager human resources and organisational development and the manager internal audit as public interest disclosure officers.

There were no disclosures made during 2011/12.

Disability Access Disclosure

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

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

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

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

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

