Delta electricity

annual REPORT 2006

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The Hon. M Costa, MLC
Treasurer, Minister for Infrastructure, and Minister for the Hunter
Level 31, Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

The Hon. JJ Della Bosca, MLC
Minister for Finance, Minister for Commerce, Minister for Industrial Relations, Minister for Ageing, Minister for Disability Services
Level 30, Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Shareholders

It is with pleasure that the Board of Delta Electricity submits its Annual Report for the period of 1 July 2005 to 30 June 2006 as required under the Annual Reports (Statutory Bodies) Act 1984. The Annual Report covers the activities of Delta Electricity for the year and contains the Statement of Accounts for the period ended 30 June 2006.

The Annual Report includes a letter of submission to the voting shareholders and was prepared in accordance with Section 24A of the State Owned Corporations Act 1989 and the Annual Report (Statutory Bodies) Act 1984. It is being submitted for presentation to Parliament.

Yours faithfully

Peter Young, Chairman

Jim Henness, Chief Executive

Communication objectives

This year's Annual Report is a financial and compliance report, prepared to meet the requirements prescribed by the Annual Reports (Statutory Bodies) Act and Regulations.

It takes into account exemptions granted by the Treasurer in July 1997.

A separate sustainability report has been prepared consistent with the ESAA Code of Sustainable Practice, which provides guidelines for reporting on economic, social and environmental matters. The 2005/2006 Sustainability Report is available on CD and the Delta website – see www.de.com.au

Featured on the cover are, from left to right:

Second year apprentice Derryn Cluff, fourth year apprentices Michael Ramsden and Jeff Ramsden and Casual Administrative Assistant Katrina Phelan at Mt. Piper Power Station.

highlights
/ 2006

financial performance

Recorded highest ever before tax profit of $234 million.

marketing

Increased sales revenue through higher spot prices and contract and portfolio performance.

plant performance

Record level of production with a total of 21,948 GWh sent out.

plant improvements

Gained approval to upgrade each Mt. Piper unit to 750 MW.

Submitted 600 MW Munmorah gas turbine project for approval.

environmental management

Sourced waste water from Springvale mine for reuse at Wallerawang Power Station significantly reducing annual fresh water usage.

security

Upgraded security at all station facilities.

Gained certification to the standard AS/NZS 7799 – Information Security Management.

technology

Awarded 2006 Project of the Year by the Sydney Chapter of the Project Management Institute for new Marketing and Revenue System.

The National Electricity Market

Delta conducts its business in Australia's National Electricity market. The National Electricity Market was established when the electricity supply industry was reformed during the 1990s.

Previously, government authorities in the states and territories were responsible for all aspects of electricity supply in their individual jurisdictions. The reform program included deregulating the industry and interconnecting the electricity grids of the jurisdictions to facilitate inter-regional trade. The objectives of the reform were to improve cost and operational efficiency across the industry, increase competition between businesses providing the same services in the electricity supply chain and to provide choice for electricity consumers.

Institutions involved in the governance structure of the energy market are:

– The Ministerial Council on Energy, responsible for energy policy making and legislation;
– The Australian Competition and Consumer Commission, responsible for competition law enforcement;
– The Australian Energy Market Commission, responsible for rule making, market review and market development;
– The Australian Energy Regulator, responsible for making regulatory decisions under the National Electricity Rules and ensuring industry compliance with the rules;
– The National Electricity Market Management Company, responsible for the operation of the wholesale market and technical operations of the overall power system.

chairman's rep

In this, my third year as Chairman, I am delighted to report that Delta has achieved a record result with a net profit before tax of $234 million. Underlying portfolio performance was very strong and progress in developing a suite of new generation projects has been outstanding.

MARKET CONDITIONS

All regions experienced growth in energy demand with the highest growth experienced by Queensland and New South Wales. Maximum demand in winter and summer in all regions, except Tasmania, was at record levels.

There is a tightening supply/demand balance in NSW, Victoria and South Australia particularly on high demand days in summer. Inter-connectors alone cannot solve the national market wide supply/demand balance and uncertainty about the development, capacity and timing of both existing and new interconnectors complicates investment decisions.

The National Market Management Company's 2005 Statement of Opportunities formed the foundation for Delta's market scenario modelling in the year. The statement forecasts new supply to be required in all States, apart from Tasmania, in the next few years.

Delta is positioning itself to meet the need for new supply through investment in a range of new generation projects. These include upgrading the capacity of the two existing units at Mount Piper, building and operating two renewable energy facilities in partnership with the NSW Sugar Milling Co-operative and seeking development approval for three gas turbine plants. Gas turbine plants are the optimal response to peak demand requirements as they can be started and fully operational within a few hours.

INDUSTRY DEVELOPMENTS

The energy industry has undergone considerable structural adjustment since the mid 1990s and it is continuing. The most recent phases have been the vertical integration of generation and retail interests and convergence of electricity and gas interests. These recent changes have been driven by market forces in response to a maturing and competitive industry. Electricity consumption is estimated to have grown by around 50% in the past 15 years. The Australian Bureau of Agricultural and Resource Economics expects future electricity demand to grow by 70% between now and 2030. With an estimated $37 billion worth of investment required in energy infrastructure over the next 15 years, specific rules for the energy industry have the potential to significantly impact on the investment landscape.

As part of a new regulatory and governance framework for the industry, the Ministerial Council on Energy established the Australian Energy Market Commission in July 2005 to be the rule-maker for the National Energy Market. The Australian Energy Regulator, established on the same date, will gradually replace several jurisdictional regulators and become a "one stop shop" national regulator for the energy sector. It is expected that a single and independent regulator will reduce regulatory costs and uncertainty for business. The Australian Energy Regulator is progressively assuming state based regulatory functions on a staged basis.

In February 2006, the Council of Australian Governments announced the establishment of the Energy Reform Implementation Group to develop detailed implementation arrangements for further reforms to the energy market. The Group is examining arrangements for:

- achieving a national approach to planning, operation and regulation of transmission services;
- measures that may be required to address structural issues affecting ongoing competitiveness and efficiency of the electricity industry; and
- measures to ensure ongoing transparent and efficient financial markets to underpin energy markets.

The Group's final report is due by the end of 2006.

SECURITY

In light of concern about ensuring the security of critical infrastructure such as power stations, substantial works were undertaken through the year to upgrade security at all Delta sites following recommendations from an independent security audit review. Works included the installation of an integrated security management system, upgraded access control, more secure fencing, closed circuit television and improved security lighting.

GOVERNANCE AND RISK

Following the appointment of new Directors in March 2006, consideration was given to the structure and membership of Board Committees. As a result of this review, the number of Committees was reduced from four to three with the Board Audit Committee assuming the responsibilities of the Board Finance Committee.

The three Board Committees are:

(i) Board Audit and Finance Committee;

(ii) Board Environment, Occupational Health & Safety Committee; and

(iii) Board Remuneration and Staff Committee.

The Terms of Reference for each Board Committee were subsequently reviewed and approved by the Board in April 2006.

STRATEGIC DIRECTION

Industry forecasts of increasing tightness in electricity supply and demand present opportunities for Delta. With a number of new generation projects in development, Delta is well positioned to provide new capacity to support the National Electricity Market.

The issue of greenhouse gas emissions, and how best to minimize their impacts, remains the focus of public and political debate. Australia is a small contributor to global greenhouse gas emissions but coal fired electricity is Australia's main source of emissions. Delta's investment in gas-fired peaking plant and, jointly with the NSW Sugar Milling Co-operative, in the production of renewable energy from biomass, will result in the production of electricity while emitting significantly lower levels of greenhouse gases than coal fired power stations.

Other, longer term initiatives include Delta's contribution to research. As a participant in the Cooperative Research Centre for Coal in Sustainable Development, Delta is assisting with the development of Integrated Coal Gasification Combined Cycle technology. This is one of the most efficient and environmentally harmless ways of generating power using coal.

The technology has the potential to be readily adapted for near zero greenhouse gas emissions.

Human resource management is also a critical area of importance for the future. Safety is our top priority and a continued emphasis on this will be vital as we manage the potential for increased incidents associated with an ageing workforce.

A number of measures are being put in place to secure skilled people for the future, including more scholarships in engineering studies and a firm commitment to the sponsorship of apprentices.

BOARD CHANGES

In 2005-2006 we bade farewell to long serving Board Members. The Hon B.J. Unsworth was a foundation Board member, Mr Warwick Hilder joined the Board in November 1996 and Mr Ian Langdon was appointed in March 2000. The term of appointment for these three Directors expired in February 2006 and I thank them for their diligence and commitment to Delta over these years steering the organisation through a formative period. On behalf of the other Board members, I am very pleased to have welcomed two new members to the Board, Mr Michael Knight and Mr Paul Forward, and I look forward to working with them.

I am grateful to all Board members for their support throughout the year, and thank them for their sound stewardship of Delta, as evidenced by this year's excellent results. My thanks also to Jim Henness, Chief Executive, and his Executive team and to the staff of Delta Electricity who have provided the platform for the successes of 2005 – 2006. I am confident that we are well positioned to meet future challenges.

Peter Young, Chairman

chief executive

This has been an exceptionally successful year for Delta Electricity, producing an increase in revenue and delivering a net profit before tax of $234 million.

ACHIEVEMENTS

This year's exceptional financial results were driven primarily by high spot prices in October, November and December 2005, when NSW experienced high average prices due to unprecedented levels of demand.

We will return a record dividend to our shareholders of $132 million.

In a year of setting new benchmarks, a new record level of production was achieved, with 21,948 GWh of energy sent out consistent with a growing energy market. Munmorah Power Station increased its output compared to last year, with 1,416 GWh sent out. Wallerawang produced a record level of production in its 30 years of operation, with 5,560 GWh sent out.

Two years of development came to fruition when Delta's new Marketing and Revenue System went live in November 2005. The system integrates all of Delta's electricity markets bidding, contracting and settlements systems. The efforts of many talented Delta staff were recognised when the project was named 2006 Project of the Year by the Sydney Chapter of the Project Management Institute.

The protection of Delta's key information assets is an important component of the organisation's overall security strategy. In May 2006, Delta received formal notification of its certification to the standard AS/NZS 7799 – Information Security Management. Delta is one of only a few utilities in Australia that has been successful in achieving this goal to date.

CHALLENGES

Plant reliability is measured using an Equivalent Forced Outage Factor or EFOF. Unfortunately, this year's EFOF fell short of our target, primarily due to the constraints arising from control of the visibility of stack emissions at Vales Point Power Station. Excluding the contribution of these emissions, our EFOF result would have been well below target. The installation of fabric filters at Vales Point, the first of which is planned for early 2007, will secure the Station's reliability.

The ability to recruit and retain appropriately trained staff is vital to our capacity to satisfy our future business needs. A number of initiatives have been developed to help manage the emerging issues of an ageing workforce and skills shortages. For example, the number of engineering cadetships and scholarships offered has been doubled. We have also sponsored 22 apprentices with positions identified for suitable female and indigenous applicants.

A number of challenging issues arose throughout the year in ensuring adequate deliveries and stockpiling of coal of a suitable quality at all sites. These included mine closures, interruptions of rail delivery due to track repairs, technical problems at some mines and poor precipitability of some delivered coal. A number of options are being explored to secure access to this critical supply at competitive prices.

BUILDING CAPACITY

The National Electricity Market is a growing energy market, in particular, peak demand in NSW is growing much faster than average demand. To meet this growing demand, Delta is increasing the capacity of its generation portfolio through a number of initiatives.

The two existing Mt. Piper units, located near Lithgow, will be upgraded from 660 MW to 750 MW – a combined capacity increase of 180 MW.

In a joint venture, the NSW Sugar Milling Cooperative and Delta are building and will operate two 30 MW co-generation facilities within sugar mills at Condong and Broadwater on the north coast of New South Wales. The project is well advanced and the first of the two plants is expected to begin operation in September 2007, with the second due early in the following year.

Delta is also planning three new gas-fired peaking power stations which offer the optimal response to peak demand requirements. Planning approval for a 600 MW gas-fired facility located on the site of Munmorah Power Station has been sought.

WATER

Drought throughout NSW has required the careful management of water resources at all our sites. Measures at the Central Coast power stations include substituting fresh water with salt water where possible, reducing domestic consumption and assessing the feasibility of using recycled effluent. Total water use has been reduced by a third compared to the previous year and further savings are anticipated. Delta is continuing discussions about the feasibility of sourcing and using recycled water of sufficient purity for the demineralising plant.

Drought conditions in the Western Region mean that water levels in Lake Lyell near Lithgow have fallen. Built to supply the power station, the Lake has become a recreational amenity and various tourism businesses have

’s report

come to depend upon it. Delta recognises the impacts on the community and has worked with Council to minimise disruption to local tourism operators.

A number of initiatives have been developed to increase the security of water supply for power generation in the Western Region. Since November 2006, we have been able to source mine water from Springvale and Angus Place Mines, which reduces dependency on the Coxs River system. The feasibility of using water from the Clarence and Ivanhoe mines continues to be assessed. At this time, Delta Electricity has adequate supplies of water to continue production and will continue to monitor and blend water from its available sources.

SAFETY

Our overall objective is to ensure we have provided for the future skills requirements of the organisation – the right people, with the right skills and commitment, working safely in the right jobs.

Our target for a zero injury workplace is a bold one, and we continued to implement D-ZIP, a behavioural safety system, with all targets for training, observation and contacts exceeded. Unfortunately, despite these efforts, there were 10 lost time injuries which, although an improvement on the previous year, are still unacceptable. Nevertheless, each incident provides an opportunity to improve processes and the work environment with a view to progressively reducing hazards and at-risk behaviours.

ENVIRONMENT

Once again, Delta Electricity has met the certification requirements of the ISO 14001 for our Environmental Management System (EMS). Delta was the first NSW generator to achieve this certification.

There was one environmental licence breach when, in November 2005, a static ambient air monitoring station was inadvertently destroyed by a contractor engaged by a third party. A thorough investigation resulted in the implementation of processes which will minimise the risk of a similar incident.

ACKNOWLEDGEMENTS

1 March 2006 marked the 10th anniversary of the creation of the State Electricity Market, which evolved into the National Electricity Market. Since our formation 10 years ago, Delta has become one of the leading players in the Market, thanks to our people’s capacity to adapt to the ongoing change which characterises the sector and the adoption of efficiencies and innovations that keep us competitive.

I take this opportunity to express my gratitude to all staff who have helped achieve outstanding results in all areas of our business. I note, in particular, that during the year we said thank you and farewell to Peter McIlveen, who retired as Delta’s Corporate Secretary after an outstanding 45 year career in the industry.

I also thank our Board, past and present members, and especially Chairman Peter Young, for their thoughtful stewardship of Delta over the past year.

Jim Henness, Chief Executive

profile

Delta Electricity is an electricity generation company. We produce electricity from several facilities using diverse energy sources such as coal, water and biomass materials.

Most of our electricity is generated at four coal-fired power stations in New South Wales. These are Mt. Piper and Wallerawang near Lithgow and Munmorah and Vales Point on the Central Coast. Generation from the portfolio is coordinated, helping Delta to lower production cost, and respond to market demand and plant changes.

The capacity of Delta's coal-fired plant is 4,240 megawatts, which provides some 12% of electricity for the National Electricity Market covering all states and territories except Western Australia and the Northern Territory.

The remainder of Delta's electricity production is from renewable energy sources such as mini-hydro generators and co-firing biomass. Currently, this is small, but will to grow when new projects are completed.

Delta Electricity operates under the Energy Services Corporations Act 1995 and the State Owned Corporations Act 1989. The organisation was formed on 1 March 1996 as part of the NSW Government's restructure of the State's electricity industry. This restructure was in response to large scale changes in generation, transmission and supply of electricity in eastern Australia following the Federal Government's program of competition reform.

Delta Electricity's principal functions are to:

(a) establish, maintain and operate facilities for the generation of electricity and other forms of energy; and

(b) supply electricity and other forms of energy.

Guiding Delta in carrying out these functions are the following principal objectives:

(1) to be a successful business and, to this end, to:
   - (a) operate at least as efficiently as any other comparable business;
   - (b) to maximise the net worth of the State's investment in Delta; and
   - (c) to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates;

(2) to protect the environment by conducting its operations in compliance with the principles of ecologically sustainable development contained in section 6 (2) of the Protection of the Environmental Administration Act 1991;

(3) to exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates;

(4) to operate efficient, safe and reliable facilities for the generation of electricity;

(5) to be an efficient and responsible supplier of electricity;

(6) to be a successful participant in the wholesale market for electricity.

vision

Generating Performance Through Innovation

mission

To manage and grow the business in a safe, secure and environmentally responsible manner, with reliable plant, so that it generates consistent, superior dividends for the shareholder while recognising the interests of communities within which it operates.

values

– We provide excellent customer service.

– We live and work safely.

– We deliver outstanding business success.

– We promote high achievement.

– We behave with respect and integrity.

locations

Location	Unit Size	Total Units	Capacity
Coal			
Mt Piper	660 MW	2	1,320 MW
Vales Point	660 MW	2	1,320 MW
Wallerawang	500 MW	2	1,000 MW
Munmorah	300 MW	2	600 MW
			4,240 MW
Hydro			
Mt Piper	350 kW	1	350 kW
Chichester Dam	110 kW	1	110 kW
Dungog Water Treatment Plant	110 kW	1	110 kW
			570 kW

Biomass
Biomass operations at Wallerawang and Vales Point involve the addition of biomass materials to the coal being conveyed to the station for combustion. This activity does not change the capacity of the station. Output for 2005/2006 was 12.5 GWh.

/ KEY PERFORMANCE INDICATORS

TABLE ONE: **KEY PERFORMANCE INDICATORS – STATISTICAL SUMMARY**

	Unit	2005/2006*#	2004/2005*	2003/2004*	2002/2003 *	2001/2002
Financial Statistics						
Total Sales Revenue	$m	839.4	802.4	724.2	727.7	719.3
Earnings Before Interest and Tax	$m	282.6	236.1	177.3	173.2	200.6
Net Profit Before Tax	$m	234.7	180.5	111.0	102.0	142.4
Net Profit After Tax	$m	164.5	123.5	74.2	61.4	95.0
Total Debt	$m	583.0	579.7	642.8	784.3	728.6
Total Equity	$m	730.0	800.6	800.6	800.6	393.6
Return on Assets	%	13.2	12.5	9.4	8.6	12.6
Return on Equity	%	22.5	15.4	9.3	7.7	24.1
Gearing	%	44.4	42.0	44.5	49.5	64.9
Interest Cover	Times	5.9	4.3	2.7	2.4	3.4
Debt:Equity	%	79.9	72.4	80.3	98.0	185.1
Current Ratio		0.5	0.7	0.8	1.3	1.3
Operational Statistics						
Production	GWh	21,948	21,740	21,308	20,354	20,843
Equivalent Forced Outage Factor	%	3.9	4.5	1.7	1.7	0.9
Availability	%	86.5	87.0	92.9	88.8	90.4
Thermal Efficiency	%	35.0	35.4	35.5	35.3	35.0
Coal Stockpile Levels	$m	41.4	36.9	32.7	65.8	54.9
Employee Statistics						
GWh/employee		30.8	29.9	29.0	27.1	27.6
Staff Numbers		713	728	735	751	754
Training	Days/employee	6.0	4.7	5.8	5.9	7.1
Sick Leave	Days/employee	8.0	8.3	8.0	6.1	5.8
Safety	Frequency rate	7.0	4.1	8.8	8.7	4.7
Environment Statistics						
Licence Breaches	Number	1	2	1	0	0

* Figures relate to Delta Electricity's consolidated result.

\# Includes impact of Australian Equivalents to International Financial Reporting Standards.

operations
/ REVIEW

production

Delta achieved its highest level of production in 10 years of operation due to excellent plant performance and availability.

All power stations performed at a high standard for the year, with Wallerawang, built in the 1970s, producing a record 5,560 GWh.

With an output of 1,415 GWh, Munmorah Power Station produced more energy than in any year since 1994 and reliability was excellent.

The lowest availability, 76.8%, was at Vales Point, due mainly to managing the visibility of dust emissions. The installation of fabric filter technology planned for autumn and spring in 2007 will remove all load restrictions associated with coal supplies and precipitator problems at this power station.

Each of the power stations has rigorous asset management strategies for all the plant areas that impact on production. In the past year, all stations underwent maintenance and upgrades in accordance with these strategies. This ensured reliable operation during the periods of high market demand in the summer months.

An overland conveyor running from Munmorah to Vales Point was reversed following the closure of Munmorah Mine. Coal is now being delivered from the Vales Point stockpile to Munmorah. Using the conveyor reduces truck movements on local roads and secures coal supplies into Munmorah. This new arrangement supports the steadily increasing market requirements of Munmorah Power Station.

WATER

The state-wide drought has continued to impact on Delta's water storages for its Western power stations. The most significant issue in the past year has been the changing water quality, with higher levels of salinity. This has required changes in distribution between sources and the sites. The year saw the completion of a scheme, constructed jointly with Centennial Coal, to transfer mine water from the Springvale and Angus Place Collieries to Wallerawang Power Station. Investigations continue into the viability of sourcing additional mine water.

On the Central Coast, dams managed by the local water authority are now at critical levels. As Delta is part of the local community, it has introduced measures to reduce its potable water consumption. Fresh water consumption at Vales Point has been reduced by one third of the usage rates in the previous year. Further modest reductions are being achieved by replacing taps and toilet fittings with water saving hardware. Delta has worked with local government on the Central Coast to assess the feasibility of treating effluent and using the recycled water in the demineralising system that provides boiler water at Vales Point. Such an initiative will reduce the consumption of potable water by a further third.

ENVIRONMENTAL COMPLIANCE

Delta Electricity is committed to complying, and indeed exceeding, the statutory requirements set out in relevant legislation, regulations and the licences issued by various government authorities for the wide range of power generation activities.

These include the use of fuel and water, the management of air and water emissions, monitoring and other actions which aim to reduce the impact of generation activities on the environment and surrounding communities. Delta once again achieved certification under ISO 14001, for all operational sites. This international standard outlines recognised best practice in processes to manage environmental impacts.

Delta has implemented and fully complies with the NSW Government's Waste Reduction and Purchasing Policy (WRAPP). The biennial report to the Department of Environment and Conservation (NSW) was submitted in August 2005. A commitment to continuously improving waste management practice has resulted in the development of Operation Standards and Regional Waste Management Plans. These plans detail the requirements for the management of waste and the purchase of materials at various sites and facilities and apply to all employees and contractors employed at Delta Electricity.

A Global Waste Management contract covers our four power stations and this single contractor is responsible for managing the various waste streams (excluding ash) generated by the power stations.

Regrettably, there was one environmental licence breach in November 2005, when a passive nitrogen oxide and sulphur oxide monitoring station located in the Newnes State Forest and required under the Western Region power station licence was inadvertently destroyed during the demolition of a State Forests camp. There was some loss of data, but the site was immediately reinstated and a thorough investigation resulted in processes being established which will minimise the risk of a similar incident in the future.

COMMUNITY RELATIONS

While Delta's mission is to manage and grow the business in a safe, secure and environmentally responsible manner, it aims to do so while recognising the interests of the communities within which it operates. Community stakeholders expect Delta Electricity will be a good neighbour and an active corporate citizen and, through our community relations programs, we aim to meet these expectations.

The two coal-fired power stations located on the Central Coast are located within a rapidly expanding residential community adjacent to major lakes which are extensively used for leisure activities.

The power stations located in the Western Region are a significant economic contributor to the Lithgow district, which includes many small villages and hamlets. Mining is a major source of employment in this region and there is a growing interest in tourism, including using the dams (initially established to provide water for the power stations) for fishing, boating and other leisure activities.

In both regions, Delta engages with the local community about core activities such as managing stack emissions, ash disposal and using water efficiently. Matters affecting local amenity such as noise, coal trucks or the spilling of coal on roads must also be responsibly managed. As a major employer in these regions, Delta is also a focus for the provision of work experience, apprenticeship and employment opportunities.

Delta's community relations program is aimed at developing good relationships and open channels of communication with the community through engagement with and support for local community institutions.

Meetings are held regularly with the Community and Regional Environment Forum on the Central Coast, at which local community representatives and senior managers discuss a range of issues and jointly develop solutions. In the Western Region, meetings are held with groups of stakeholders concerned about specific issues, such as small business and tourism operators concerned about the impacts of the drought on lakes and rivers in the region.

Through a grants program tailored to the needs of the differing regions, Delta contributes to many of the activities that reflect the vibrancy of community life. Grants are provided to assist in building safe children's playgrounds, to improve popular recreational areas and to organise community celebrations. Volunteers such as Landcare groups, Surf Life Saving members and Tidy Town committees, as well as local business associations, youth initiatives and school communities are also supported. Funds donated by Delta staff to a wide range of charities are matched dollar for dollar.

new developments

Delta has a suite of initiatives which will increase the capacity of its generation portfolio to help meet forecasts of growth in energy demand, particularly in NSW.

Initiatives include several proposals for gas-fired power stations. Gas turbines are considered the optimal response to growth in peak demand, as they can be fully operational within a few hours, unlike coal-fired power stations. Peaking plant can also respond to system emergency needs as required. Due to their increased efficiencies, gas-fired power stations have the environmental advantage of producing significantly lower levels of greenhouse gas emissions than coal-fired power stations.

Two existing units at Mt. Piper are also being upgraded, which will result in an increase in capacity of up to 180 MW.

A joint venture with the New South Wales Sugar Milling Co-operative to develop two 30 MW co-generation facilities on the north coast of NSW is well advanced. This project will use sugar cane based materials as its primary fuel and will be one of the largest of its kind in Australia. In addition to using a renewable fuel to produce electricity, which releases lower levels of greenhouse gas, there are many other benefits arising from this partnership. These include new jobs in both regions and improved air quality in the Tweed and Richmond catchments as green sugar cane will no longer be burnt off.

New mini hydro projects proposed for Windamere and Glennies Creek have been delayed due to the current drought conditions.

TABLE TWO: **DEVELOPMENT PROJECTS**

Project	Description	Status as at 30 June 2006
Munmorah Open Cycle Gas Turbine Peaking Plant	600 MW, with stage one 300 MW to be operational by August 2009	Development approval pending
Bamarang	Approximately 400 MW of combined cycle gas plant	Public exhibition from 19 May to 19 June prior to preparation of submissions report
Big Hill/Marulan	Approximately 400 MW of combined cycle gas plant	Environmental assessment and community consultation underway
Mt. Piper Upgrade	Increase capacity of existing two units	Development Consent Received
Western Coal Rail Unloader	Rail loop and unloading facility for coal for Mt. Piper	Tender for environment assessment and community consultation issued
Sugar Mill Co-generation	Two 30 MW biomass fired co-generating plant	Construction phase commenced
Gunning Wind Farm	62 MW facility	Assessed as not commercially viable at this date

people

Staff safety remains a high priority, as well as how best to respond to the implications of an ageing Australian workforce and skills shortages arising from reduced interest in the traditional trades. Delta is investing in a number of initiatives with a view to addressing these matters, including increasing the total number of sponsored apprenticeships, cadetships and workplace experience opportunities and working to support the development and recruitment of graduate engineers from the regions around our power stations.

OCCUPATIONAL HEALTH AND SAFETY

Regrettably, there were 10 lost time injuries recorded in 2005/2006. Nevertheless, the following positive milestones were achieved in relation to days without a lost time injury:

- Mt. Piper Power Station exceeded 1,400 days.
- Corporate exceeded 700 days.

In recognition of the fact that both hazards in the workplace and unsafe work practices can result in injury, a behavioural safety program, known as D-ZIP, is the platform on which the organisation is developing a constantly improving safety culture. Delta has trained over 70% of its staff and a number of contractors as observers and by June 2006, 200 hard barriers to safety had been identified and removed. The organisation is also in the process of upgrading its safety system to meet the requirements of the new WorkCover self insurers safety model, in preparation for audit in 2007.

As at 30 June 2006, Delta Production (Western) maintained a five star safety rating and Delta Maintenance and Production (Central Coast) achieved a four star safety rating under the National Safety Council of Australia's safety award system.

As part of the Delta's commitment to exceed the standards required under Occupational Health & Safety regulations, risk assessment and consultation processes have been widely implemented and refined across each of the business units.

A trial program promoting healthy eating, exercise and lifestyle change was extended to the Western Region power stations, with positive feedback received from participants. To reduce their risk of becoming sick with flu, free influenza vaccinations were made available for all staff, with 228 people taking up this offer. 75 staff benefited from a scheme which offers staff a reimbursement for costs associated with improving cardio-vascular fitness through exercise activity.

A free employee assistance program is operated as part of Delta's commitment to employee wellbeing. This program provides employees and their families with professional and confidential counselling services on a range of matters.

EQUAL EMPLOYMENT OPPORTUNITY (EEO)

Delta Electricity is committed to providing all its employees with a safe working environment, fair systems of pay, reward and recognition which value the contribution of each employee as well as ensuring that all employees have access to ongoing professional development and training opportunities.

As an organisation Delta is guided by the principles of Equal Employment Opportunity although the electricity generation industry faces special challenges, such as relatively low rates of staff turnover, in meeting the targets set by the NSW Government. Table 3 below details the representation of EEO groups in Delta and compares these outcomes to the Government's benchmark or target. Delta is cognisant of the differences between the current levels of representation and the benchmark and has implemented a range of initiatives to address them.

For example, while just 7% of Delta employees are women, 20% of the staff nominated for Delta's accelerated development program are female.

Delta ensures that equal opportunities exist for people with a disability and has developed a Disability Plan 2004 - 2006 to assist in identifying and overcoming barriers to full participation. In the context of this plan, a major review of facilities was undertaken in 2005 - 2006 to assess the accessibility of our power stations and the provision of other facilities for people who are mobility impaired. Consequently, a number of actions to improve access were carried out immediately and with the remaining issues implemented within the prescribed timetable.

To contribute to the full economic and social participation of indigenous people, and recognising the challenges facing Aboriginal youth, Delta has dedicated 2 apprenticeship positions to a person from an indigenous background. This year, Delta was successful in recruiting 3 apprentices through the New Careers for Aboriginal People (NCAP) network, two working on the Central Coast and one in the Western region. During the year Delta also supported the indigenous community with the $5,000 sponsorship of a NAIDOC event on the Central Coast.

Delta Electricity recognises the importance and benefits, to our organisation and to the community at large, of cultural diversity. Delta Electricity's Ethnic Affairs Priority Statement and Implementation Plan includes objectives and targets relating to social justice, community harmony and cultural opportunities.

Major Planned Outcomes Planned for 2006/07

As part of Delta's ongoing commitment to oppose harassment, discrimination and bullying, a computer based training module has been developed to assist staff to recognise and address these issues. All staff will undertake the program during 2006/07.

Delta also has initiatives in place which will continue to foster links with local indigenous communities to improve employment opportunities and social outcomes.

The organisation will continue to implement strategies identified in its Ethnic Affairs Priority Statement and Disability Plan.

A total of 10 apprenticeship opportunities will again be made available in each region, with places identified for at least one female and two indigenous candidates.

TABLE THREE: **TRENDS IN THE REPRESENTATION OF EEO GROUPS**[1] % of total staff[2]

EEO Group	Whole of Government Benchmark or Target	2006	2005	2004	2003	2002	2001
Women	50%	7%	7%	7%	7%	8%	7%
Aboriginal people or Torres Strait Islanders	2%	0.6%	0.6%	0.4%	0.7%	1%	0.8%
People whose first language was not English	20%	5%	5%	5%	6%	5%	5%
People with a disability	12%	8%	7%	6%	9%	9%	8%
People with a disability requiring a work related adjustment	7%	3.4%	3.3%	2.7%	4.1%	3.8%	3.3%

TABLE FOUR: **TRENDS IN THE DISTRIBUTION OF EEO GROUPS**[1] Distribution Index[3]

EEO Group	Whole of Government Benchmark or Target	2006	2005	2004	2003	2002	2001
Women	100	98	98	99	98	96	98
Aboriginal people or Torres Strait Islanders[4]	100	n/a	n/a	n/a	n/a	n/a	n/a
People whose first language was not English	100	113	112	112	110	114	116
People with a disability	100	102	100	100	99	102	101
People with a disability requiring a work related adjustment	100	95	93	n/a	94	96	99

Explanatory Notes

1) Staff numbers are at 30 June 2006.
2) Excludes casual staff.
3) A Distribution Index of 100 indicates that the centre of the distribution of the EEO groups across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by the Office of the Director of Equal Opportunity in Public Employment.
4) The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

governance

THE STRUCTURE AND COMPOSITION OF THE BOARD

Appointment of Directors to the Board is governed by the State Owned Corporations Act and the Constitution. The Board of Delta Electricity is composed by the following method:

- the Chief Executive Officer;
- one Director appointed by the Voting Shareholders on the recommendation of a selection committee comprising:
  - (a) two persons nominated by the Portfolio Minister; and
  - (b) two persons nominated by the Labor Council of NSW, being persons selected by the committee from a panel of three persons nominated by the Labor Council; and
- at least two and not more than five other Directors appointed by the Voting Shareholders, at their discretion.

The Directors in office at 30 June 2006 are:

Mr Peter Young, Chairman and Director BSc, MBA
Mr Young was appointed on 1 June 2004 for a period ending 30 June 2007.

Mr Warren Phillips, Director FCPA, FCIS, AIMM, MAICD, Dip Comm
Mr Phillips was first appointed on 1 March 2000 and subsequently reappointed for period ending 31 August 2008.

Ms Sandra Moait, Director
Ms Moait was first appointed 18 September 2002 and subsequently re-appointed for period ending 31 August 2006 (subsequently re-appointed to 31 August 2008).

Mr Michael Knight, Director
Mr Knight was appointed on 20 March 2006 for a period ending 19 September 2008.

Mr Paul Forward, Director BCom, MCom, MSc
Mr Forward was appointed on 20 March 2006 for a period ending 19 September 2009.

Mr Jim Henness, Chief Executive Officer and Director
BSc, BE (Hons), MEngSc, MBA, FAICD
Mr Henness was appointed Chief Executive and Executive Director from 1 March 1996.

The terms of appointment for The Honourable Barrie J Unsworth, Mr Warwick Hilder and Mr Ian Langdon ended on 28 February 2006.

MEETINGS OF THE BOARD

The Board of Delta Electricity meets monthly or as required and follows meeting guidelines, set down to ensure all Directors are made aware of, and have available to them, all necessary information to participate in an informed discussion of all agenda items. Meetings are held either in the corporate office or at one of the power stations, allowing the Board to see the operation of the business. The attendance of Directors at these meetings is shown below. Committees of the Board meet quarterly or as required.

TABLE FIVE: **DIRECTORS' MEETINGS**

	Board Meetings		Board Remuneration & Staff Committee		Board Audit and Finance Committee		Board Environment, Occupational Health & Safety Committee		Board Finance Committee	
	A	B	A	B	A	B	A	B	A	B
Mr P Young	12	12	4	4						
Mr J Henness	12	12					4	4	3	3
Hon B Unsworth	8	8					3	3		
Mr W Hilder	8	8	3	3					2	2
Mr W Phillips	12	11	1	1	4	4			3	3
Mr I Langdon	8	8			3	3				
Ms S Moait	12	12	4	4	3	3	4	4		
Mr M Knight	3	3			1	1				
Mr P Forward	3	3			1	1				

Column A is the number of meetings a person was entitled to attend.

Column B is the number of those meetings attended.

Mr Paul Broad was appointed on 1 May 2006 but has yet to commence duties.

Board of Directors
Pictured from left to right: Mr Peter Young (Chairman), Mr Jim Henness (Chief Executive), Mr Warren Phillips, Ms Sandra Moait, Hon. Michael Knight, Mr Paul Forward, Mr Ray Madden (Corporate Secretary)

Board Committees

Following the appointment of new Directors in March 2006, consideration was given to the structure and membership of Board Committees. As a result of this review, the number of Committees was reduced from four to three, with the Board Audit Committee assuming the responsibilities of the Board Finance Committee.

The three Board Committees in place at the end of the year are:

(i) Board Audit and Finance Committee;
(ii) Board Environment, Occupational Health & Safety Committee; and
(iii) Board Remuneration & Staff Committee.

The Terms of Reference for each Board Committee were subsequently reviewed and approved by the Board in April 2006. The Board Committees and their functions are listed below.

Board Audit and Finance Committee

The purpose of the Committee is to provide a forum for communications between the Board, senior management and both the internal and external auditors. It also ensures the integrity of the internal audit function and that management practices and systems support the effective operation of Delta's risk management strategies, business continuity and fraud control plan. The Committee further reviews the adequacy of Delta's short and long-term finance and risk management strategies.

Membership
Warren Phillips (Convenor), Michael Knight and Paul Forward.

Board Remuneration & Staff Committee

The primary objectives of the Committee are to:

– provide advice to the Board on remuneration and associated issues;
– enhance the independence and objectivity of Board decisions on sensitive commercial and personal issues related to the executive managers of the Corporation;
– enable corporate and business strategies and plans, and remuneration strategy and policy to be effectively linked;
– ensure that the remuneration strategy, policy and practice complies with legal and taxation requirements, Corporation reporting obligations and overall Corporation policy and direction.

Membership
Peter Young (Convenor), Sandra Moait.

Board Environment, Occupational Health & Safety Committee

The primary objectives of the Committee are to assist the Board in discharging its responsibilities relating to compliance with environmental and occupational health and safety policies and legislation.

Membership
Sandra Moait (Convenor), Jim Henness.

MANAGING RISKS

Delta Electricity's Risk Management Plan was updated in January 2006 and conforms to the Australian Standard AS/NZS 4360:2004 Risk Management. The plan is structured to provide Delta Electricity and its employees with policy direction and a framework for the identification, assessment and reporting of risk. Delta Electricity promotes a proactive risk management culture with its employees to identify and report potential risks, as well as working in a risk awareness environment.

Delta Electricity's corporate risk management software supports a hierarchical framework which allows employees to identify, register and/or escalate risks to higher levels in the organisation for review, comment and action. The framework has been designed to allow elevation of risk information from plant owners through to executive members and to the Board if necessary. Key risks (operational and strategic) are reviewed and reported monthly at business unit level and monitored quarterly by Delta Electricity's Board.

In addition to risks being identified and monitored on an ongoing basis, strategies are formulated through the following:

– annual planning conference and development of the annual Strategic Plan;
– annual planning process which forecasts a 10 -year horizon; and
– annual asset management reviews.

Delta Electricity has also developed a "Corporate Governance and Legal Compliance Plan" to ensure full compliance with obligations imposed on the organisation and its officers under legislation in the following areas:

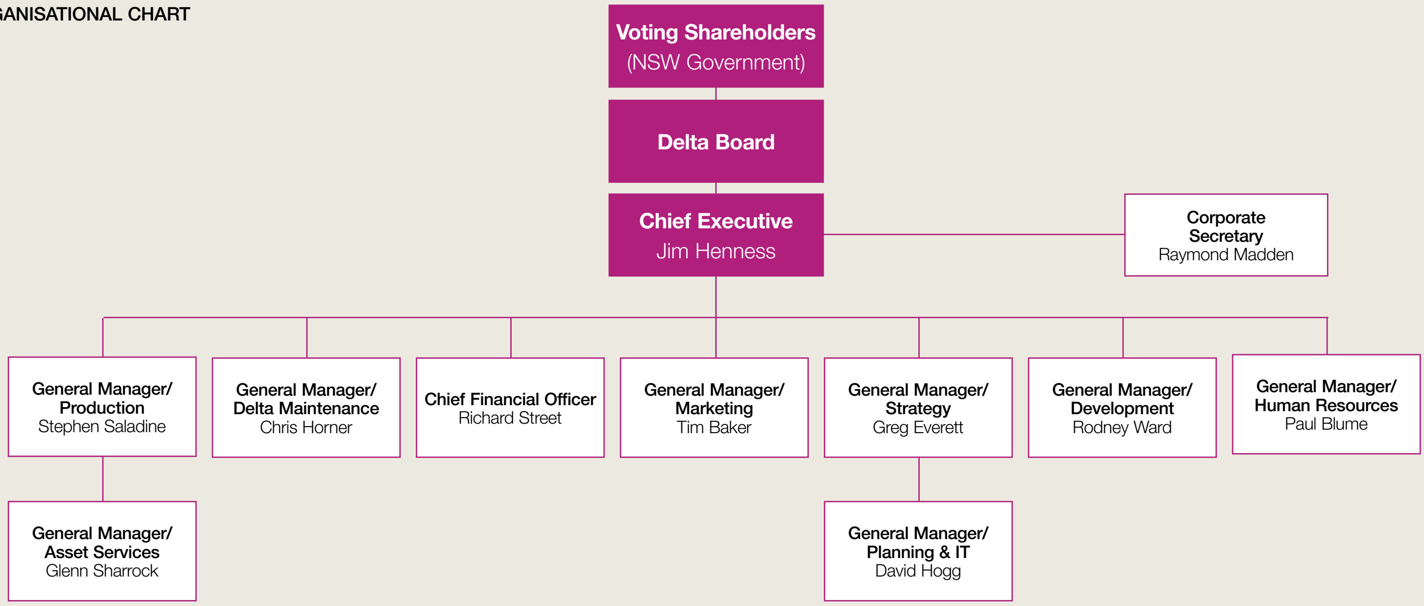
– corporate governance;
– trade practices;
– environmental law;
– occupational health and safety, and
– equal employment opportunity.

Internal procedures and controls over all commercial transactions are subject to regular review by internal and external auditing procedures. Both audit functions provide Delta Electricity with a basis for assessing and updating controls that govern commercial risk exposures.

As part of Delta Electricity's annual insurance renewal program, reviews and valuations of risk exposures are undertaken. Presentations are made to insurance providers that assess risk exposures, risk management practices and Delta Electricity's progress in implementing the recommendations of loss prevention surveys routinely conducted at power station sites. Delta Electricity is cooperatively engaged with its insurance providers to reduce risk exposures for key operating plant and equipment.

Delta has developed a comprehensive suite of policies and procedures for the management of those risks associated with the National Electricity Spot Market and electricity contracting. Electricity Markets Risk Management

ORGANISATIONAL CHART



(EMRM) policies and procedures are reviewed on a continuous basis to ensure that they effectively manage the risks associated with operations in this area. Compliance with policies and procedures is tracked through the Corporate Lawlex compliance management system and any non-compliance and breaches are recorded on a breach register and reported in accordance with established protocols.

EXECUTIVE MANAGEMENT

Executive Management Team

Jim Henness BSc, BE (Hons), MEngSc, MBA, FAICD
Chief Executive

Stephen Saladine BE (Hons)
General Manager/Production

Richard Street BEc, CA, MBA, GAICD
Chief Financial Officer

Rodney Ward BEng (Hons), MBA, FAICD, ASA, CPA
General Manager/Development

Greg Everett BComm, MBA, GAICD
General Manager/Strategy

David Hogg BE, GAICD
General Manager/Planning and Information Technology

Paul Blume BEc, Dip Labour Relations Law, Grad Cert Marketing, GAICD
General Manager/Human Resources

Tim Baker BSc, BEng (Hons), MBA, GAICD
General Manager/Marketing

Glenn Sharrock BSc, GCofM, AAICD
General Manager/Asset Services

Chris Horner B Eng, Marine Engineers Certificate
General Manager/Delta Maintenance

Ray Madden BA (Hons), MBus, Grad Dip AppCorpGov, ACIS
Corporate Secretary

Executive committees oversee the implementation of Board approved strategic and operational decisions and the day to day operation of the business. Table Six lists those committees and their membership.

Performance and numbers of executive officers

The performance payments listed in Table Seven were made soon after the end of the 2005/2006 financial year. They were accrued into that year's accounts.

The 2005/2006 performance payments were made up of the following components.

A Balanced Scorecard Payment based on one or more of the following:

– The result for a Delta overall Balanced Scorecard.
– The result for Business Unit Balanced Scorecards.

An Individual Performance Payment based on:

– individual performance (see criteria in table); and
– individual management and leadership performance.

TABLE SIX: **EXECUTIVE COMMITTEES**

Name and Title		A	B	C	D	E	F	G	H	I
Mr J Henness	Chief Executive	X	X	X	X	X	X	X	X	X
Mr S Saladine	General Manager/Production	X	X	X	X	X	X	X	X	X
Mr R Street	Chief Financial Officer	X		X		X	X	X	X	X
Mr G Everett	General Manager/Strategy	X	X	X		X		X	X	X
Mr T Baker	General Manager/Marketing	X		X		X		X	X	
Mr R Ward	General Manager/Development	X		X					X	X
Mr D Hogg	General Manager/Planning and Information Technology	X		X		X		X		
Mr P Blume	General Manager/Human Resources	X		X	X		X			
Mr C Horner	General Manager/Delta Maintenance	X		X	X	X	X			
Mr R Madden	Corporate Secretary	X		X		X				
Mr G Sharrock	General Manager/Asset Services	X	X	X	X		X	X	X	X
Mr N Taylor	Safety and Human Resources Manager				X					
Mr G Deans	Manager Environment		X							
D Krallis	Deloitte Touche Tohmatsu			X						

(A) Executive Management Committee
(B) Executive Environment Committee
(C) Executive Audit Committee
(D) Executive Occupational Health & Safety Committee
(E) Executive Information Technology Strategy Committee
(F) Executive Human Resources Committee
(G) Market Strategy Steering Committee
(H) Development Projects Steering Committee
(I) Executive Project Evaluation Committee

TABLE SEVEN: **EXECUTIVE REMUNERATION**

Name and Time in position	Position held as at 30 June 2006	Fixed Remuneration 2005/2006	Total Performance Related Payment 2005/2006	Individual Performance Criteria
Jim Henness *All of year*	Chief Executive	$429,545	$86,789	Assessment of performance by the Board against corporate performance indicators, including Delta's profit and plant performance and maintenance of effective external relationships.
Tim Baker *All of year*	General Manager/ Marketing	$255,962	$63,378	Implementation of strategic marketing initiatives and assessment against other performance agreement targets.
Stephen Saladine *Previously General Manager /Western*	General Manager/ Production (from 19.9.05)	$251,660	$59,938	Business unit financial management and plant performance and assessment against other performance agreement targets.
Greg Everett *All of year*	General Manager/ Strategy	$248,230	$58,938	Contracted coal purchases and assessment against other performance agreement targets.
Richard Street *All of year*	Chief Financial Officer	$235,069	$55,805	Management of financial projects and of the financial and management accounting function and assessment against other performance agreement targets.
Rodney Ward *All of year*	General Manager/ Business Development	$229,359	$53,285	Implementation and management of development projects and assessment against other performance agreement targets.

Number of Executive Officers	Total	Women
Number of executive officers with remuneration equal to or exceeding equivalent of SES Level 1 as at 30 June 2005/2006	28	0
Number of executive officers with remuneration equal to or exceeding equivalent of SES Level 1 as at 30 June 2004/2005	28	0

ANNUAL REPORTING COMPLIANCE

Delta is required to report on a range of matters which are covered by various Acts, including the Annual Reports (Statutory Bodies) Act, Regulations and Treasury and Premier's memoranda. The following information is provided in accordance with these requirements.

Consultants

TABLE EIGHT: **EXPENDITURE ON CONSULTANTS**

Consultants Equal To or More Than $30,000

Consultant	Cost ($)	Title/Nature
Environment		
URS	195,801.20	Provision of specialist environmental services.
Gutteridge, Haskins & Davey	415,733.92	Provision of specialist environmental services.
Gutteridge, Haskins & Davey	109,185.00	Ash transport and storage studies.
Parsons Brinckerhoff	211,230.00	Provision of specialist environmental services.
Sub total	931,950.12	
Finance and Accounting/Tax		
Deloitte Touche Tohmatsu	43,148.84	Professional consulting services.
Ernst & Young	35,000.00	Advice on Munmorah Gas Turbine Project*.
Sub total	78,148.84	
Management Services		
Marston	200,355.60	Coal resource studies.
Sinclair Knight Mertz	112,770.00	Advice on rail transport.
Sinclair Knight Mertz	202,236.00	Advice on Mt. Piper Upgrade.
Sinclair Knight Mertz	58,324.68	Advice on Munmorah Gas Turbine Project*.
Evans & Peck	145,939.83	Advice on commercial arrangements.
Parsons Brinckerhoff	216,550.48	Feasibility Study – Western Rail Unloader.
Burns & Roe Worley	487,606.18	Feasibility Study – Munmorah Upgrade.
PricewaterhouseCoopers	103,529.00	Advice on organisational structure.
Sub total	1,527,311.77	
Total Consultancies Equal to or more than $30,000	2,567,350.73	

Consultancies Less Than $30,000

Five consultancies were engaged to provide advice across a range of matters as follows:

Environment	10,500.00
Finance and Accounting/Tax	29,940.00
Management Services	33,295.65
Total Consultancies Less Than $30,000	73,735.65
Total Consultancies	2,611,146.38

* Note – expenditure of $313,034 in relation to Munmorah Gas Turbine project has been capitalised.

Cost of the Annual Report

The cost of producing this Annual Report was $37,719.

Exemption from the Reporting Provisions

Approval was given by the New South Wales Treasury under delegation from the Treasurer, the Hon. Michael Egan MLC, to exempt Delta Electricity for the year ended 30 June 1997 and subsequent financial years from the following financial requirements:

- Budgets
- Research and Development
- Land Disposal
- Payment of Accounts
- Time for Payment of Accounts
- Investment Management Performance; and
- Liability Management Performance.

Exemptions for the following annual reporting requirements were approved subject to the condition that comments and information relating to these items are disclosed in summarised form:

- Summary Review of Operations
- Management and Activities
- Consumer Response; and
- Report on Risk Management and Insurance Activities.

Other exemptions were approved subject to specific conditions:

Human Resources

Overseas visits with main purposes highlighted, are required to be disclosed.

Consultants

Total amount spent on consultants is to be disclosed, along with a summary of the main purposes of the engagements.

Disclosure of Controlled Entities

Names of the controlled entities are to be disclosed, along with a summarised disclosure of the controlled entities' objectives, operations and activities and measures of performance.

Freedom of Information

During 2005/2006, four applications were received. Two were received in the previous year. Delta Electricity's compliance with the Freedom of Information Act did not raise any major issues during the reporting period, nor did compliance with the Act have any prominent impact on Delta activities.

Delta Electricity has been working with the Heritage Office during 2005/06 to confirm the registration of the heritage assets under Delta's management and to develop Heritage Asset Management Strategies (HAMS) for those assets. The HAMS for Delta's heritage portfolio are currently nearing completion and are expected to be available for submission to the Heritage Office by the end of October 2006.

Heritage Assets

Delta is committed to comply with the State Owned Heritage Management Principles and Guidelines and the Heritage Act, 1977 and will continue to work with the Heritage Office in this regard through Delta's annual asset management review process. This process will ensure that Delta's heritage portfolio is integrated into Delta's business management system and effectively managed into the future.

The list of items registered with the Heritage Office is:

Barton Park Cemetery
Cox's River Convict Stockade
Hospital Farm Barn
Hospital Cottage
Mary Slaven's Grave
Thompson's Creek Sites and Graves
Wallerawang A and B Power Station Chimney Stack
Wallerawang Schoolhouse

Overseas Visits

During the year the following officers went overseas:

Name	Date of Travel	Purpose of Travel
Peter Tang	4/10/05 to 16/10/05	USA – CIGRE/IEEE symposium on transmission congestion management, SAS user group conference and a PowerWorld training session.
Andrew Davies	28/11/05 to 3/12/05	Tokyo – Toshiba Turbine Technical Training Course
Tim Baker	14/3/06 to 18/3/06	Germany and Crete – CIGRE Working Group meetings in Crete; Power Trader Conference in Frankfurt
Kelvin Roscarel	25/2/06 to 3/3/06	Tokyo – attend Toshiba Generator Technical Training Course
Brian Roby	9/5/06 to 11/5/06	Tokyo – Meeting with IHI re Mt. Piper Upgrade Project
Peter Young	16/6/06 to 27/6/06	UK and Europe – Inspection of Gas Turbine Manufacturing facilities
Jim Henness	16/6/06 to 27/6/06	UK and Europe – Inspection of Gas Turbine Manufacturing facilities

Promotion

The following publications are available to the public.

1996 Annual Report	Central Coast Operations
1997 Annual Report	Discovery of Electricity
1998 Annual Report	Electricity Generation
1999 Annual Report	Electricity in New South Wales
2000 Annual Report	Energy Expo
2001 Annual Report	Power from Coal
2002 Annual Report	Selenium Facts
2003 Annual Report	The History of Delta Electricity
2004 Annual Report	Western Operations
2005 Annual Report	Sunshine Energy – Co-generation Project
1996-1999 Environment Report	
2000 Environment Review	
2001 Environment Report	

financial / REPORT

CONTENTS

Delta Electricity

Balance Sheet

As at 30 June 2006

		CONSOLIDATED		PARENT ENTITY	
	Note	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
Current Assets					
Cash and Cash Equivalents	6	**29,504**	43,057	**29,166**	42,676
Trade and Other Receivables	7(a)	**99,559**	83,632	**98,956**	83,342
Inventories	8	**75,984**	69,432	**75,984**	69,432
Other Financial Assets	9(a)	**2,272**	–	**2,272**	–
Other	10(a)	**5,112**	6,635	**5,112**	6,635
Total Current Assets		**212,431**	202,756	**211,490**	202,085
Non-Current Assets					
Receivables	7(b)	**1,141**	1,152	**8,501**	7,222
Other Financial Assets	9(b)	**2,031**	–	**1,112**	–
Property, Plant and Equipment	11	**1,880,245**	1,654,407	**1,834,413**	1,649,270
Intangible Assets	12	**7,700**	6,872	**7,700**	6,872
Deferred Tax Assets	5(b)	**40,663**	34,979	**39,789**	34,979
Other	10(b)	**4,202**	–	**4,202**	–
Total Non-Current Assets		**1,935,982**	1,697,410	**1,895,717**	1,698,343
Total Assets		**2,148,413**	1,900,166	**2,107,207**	1,900,428
Current Liabilities					
Trade and Other Payables	13	**110,610**	94,202	**106,689**	93,995
Borrowings	14(a)	**75,882**	40,390	**75,882**	40,390
Current Income Tax Payable		**18,435**	19,535	**18,435**	19,535
Provisions	15(a)	**176,875**	168,576	**176,875**	168,576
Other Financial Liabilities	16(a)	**51,611**	–	**51,611**	–
Other	17	**465**	316	**465**	316
Total Current Liabilities		**433,878**	323,019	**429,957**	322,812
Non-Current Liabilities					
Borrowings	14(b)	**507,081**	539,277	**467,363**	535,444
Deferred Tax Liabilities	5(b)	**441,141**	367,980	**440,865**	367,980
Provisions	15(b)	**22,070**	65,648	**22,070**	65,648
Other Financial Liabilities	16(b)	**14,279**	–	**14,279**	–
Total Non-Current Liabilities		**984,571**	972,905	**944,577**	969,072
Total Liabilities		**1,418,449**	1,295,924	**1,374,534**	1,291,884
Net Assets		**729,964**	604,242	**732,673**	608,544
Equity					
Contributed Equity	18(a)	**175,376**	175,376	**175,376**	175,376
Reserves	18(b)	**495,848**	403,962	**495,420**	403,962
Retained Profits	18(c)	**58,740**	24,904	**61,877**	29,206
Total Equity		**729,964**	604,242	**732,673**	608,544

The accompanying Notes form an integral part of these Financial Statements.

Delta Electricity

Income Statement

For the Year Ended 30 June 2006

		CONSOLIDATED		PARENT ENTITY	
		2006	2005	**2006**	2005
	Note	**$'000**	$'000	**$'000**	$'000
Revenue and Other Operating Income	3	**888,571**	815,819	**887,625**	815,815
Expenses, excluding Finance Costs	4	**606,003**	607,348	**605,908**	605,792
Finance Costs		**47,820**	55,561	**47,820**	55,561
Profit Before Income Tax Expense		**234,748**	152,910	**233,897**	154,462
Income Tax Expense	5	**70,257**	46,046	**70,002**	46,046
Profit for the Period		**164,491**	106,864	**163,895**	108,416

The accompanying Notes form an integral part of these Financial Statements.

Statement of Changes in Equity

For the Year Ended 30 June 2006

	Note	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Total Equity at Beginning of Financial Year		**604,242**	620,866	**608,544**	623,616
Adjustments on Adoption of AASB 132 and AASB 139, net of tax, to:					
Retained Profits		**983**	–	**1,419**	–
Reserves		**(23,064)**	–	**(22,133)**	–
Adjustments on Adoption of UIG 1052 to:					
Retained Profits		**–**	–	**(1,005)**	–
Restated Total Equity at Beginning of Financial Year		**582,161**	620,866	**586,825**	623,616
Revaluation of Property, Plant and Equipment, net of tax		**136,500**	–	**136,500**	–
Changes in Fair Value of Cash Flow Hedges, net of tax		**(21,550)**	–	**(22,909)**	–
Net Income Recognised Directly in Equity		**114,950**	–	**113,591**	–
Profit for Financial Year		**164,491**	106,864	**163,895**	108,416
Total Recognised Income and Expense for Financial Year		**279,441**	106,864	**277,486**	108,416
Transactions with Equity Holders in Their Capacity as Equity Holders					
Dividends Provided for or Paid		**(131,638)**	(123,488)	**(131,638)**	(123,488)
Total Equity at End of Financial Year	18	**729,964**	604,242	**732,673**	608,544

The accompanying Notes form an integral part of these Financial Statements.

Cash Flow Statement

For the Year Ended 30 June 2006

	Note	CONSOLIDATED 2006 $'000 Inflows (Outflows)	CONSOLIDATED 2005 $'000 Inflows (Outflows)	PARENT ENTITY 2006 $'000 Inflows (Outflows)	PARENT ENTITY 2005 $'000 Inflows (Outflows)
Cash Flows From Operating Activities					
Cash Receipts from Customers		**956,051**	910,202	**952,405**	910,040
Interest Received		**2,782**	3,257	**2,769**	3,254
Cash Payments to Suppliers and Employees		**(662,757)**	(633,416)	**(658,854)**	(631,620)
Interest and Other Finance Costs Paid		**(49,849)**	(60,850)	**(49,849)**	(60,846)
Income Taxes Paid		**(43,680)**	(26,006)	**(43,680)**	(26,006)
Net Cash Provided/(Used) by Operating Activities	25(f)	**202,547**	193,187	**202,791**	194,822
Cash Flows from Investing Activities					
Proceeds from Sale of Property, Plant and Equipment		**1,198**	6,403	**1,198**	6,403
Payments for Property, Plant and Equipment		**(94,800)**	(38,954)	**(57,693)**	(35,013)
Payments for Intangible Assets		**(3,020)**	(3,787)	**(3,020)**	(3,787)
Advances to Subsidiary		**–**	–	**(1,422)**	(2,120)
Net Cash Provided/(Used) by Investing Activities		**(96,622)**	(36,338)	**(60,937)**	(34,517)
Cash Flows from Financing Activities					
Proceeds from Borrowings		**130,124**	3,832	**94,238**	–
Repayment of Borrowings		**(125,500)**	(67,424)	**(125,500)**	(67,424)
Dividends Paid		**(123,488)**	(74,170)	**(123,488)**	(74,170)
Net Cash Provided/(Used) by Financing Activities		**(118,864)**	(137,762)	**(154,750)**	(141,594)
Net Increase/(Decrease) in Cash and Cash Equivalents		**(12,939)**	19,087	**(12,896)**	18,711
Cash and Cash Equivalents at Beginning of Financial Year		**42,166**	23,079	**41,785**	23,074
Cash and Cash Equivalents at End of Financial Year	25(b)	**29,227**	42,166	**28,889**	41,785

The accompanying Notes form an integral part of these Financial Statements.

Notes to and forming part of the Financial Report

1. CORPORATE INFORMATION

Delta Electricity is a statutory state owned corporation domiciled in New South Wales.

The financial report of Delta Electricity for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the Directors on 21 September 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"), Urgent Issues Group Consensus Views, relevant sections of the New South Wales Public Finance and Audit Act 1983 and the New South Wales Public Finance and Audit Regulation 2005, and requirements of the State Owned Corporations Act, 1989 (as amended).

(a) Statement of Compliance

International Financial Reporting Standards ("IFRSs") form the basis of Australian Accounting Standards adopted by the AASB, being Australian Equivalents to IFRSs ("AIFRS"). The financial report of the consolidated entity and Delta Electricity also comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

This is the consolidated entity's first financial report prepared in accordance with AIFRS and AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and Delta Electricity is provided in Note 30.

(b) Basis of Accounting

The financial report has been prepared in accordance with the principles of accrual accounting and the historical cost convention, and except where stated do not take into account current valuations. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of AIFRS management is required to make judgements, estimates and assumptions that affect the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2006, the comparative information presented in this financial report for the year ended 30 June 2006, and in the preparation of the opening AIFRS Balance Sheet at 1 July 2005, the consolidated entity's date of transition, except for the accounting policies in respect of financial instruments. The consolidated entity has not restated comparative information for financial instruments, including derivatives, as permitted under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. The accounting policies for financial instruments applicable to the comparative information and the impact of changes in these accounting policies on 1 July 2005, the date of transition for financial instruments, is discussed further in Notes 24 and 30.

In accordance with New South Wales Treasury mandates, Delta Electricity has early adopted AASB 2005-4 regarding restrictions to the AASB 139 fair value option, AASB 2005-6 regarding AASB 3 Business Combinations, and UIG 9 Reassessment of Embedded Derivatives from 1 July 2005.

Other accounting standards and UIG interpretations issued at reporting date that are not mandatory for the 30 June 2006 reporting period have not been early adopted. Future adoption of these standards and UIG interpretations on the relevant application date is not expected to change the entity's accounting policy but may affect the type of information disclosed in the financial report.

(c) Changes in Accounting Policies

Unless otherwise stated, the accounting policies adopted are consistent with those of the comparative year.

(d) Basis of Consolidation

The consolidated financial report incorporates the assets and liabilities of all entities controlled by Delta Electricity (parent entity) as at 30 June 2006 and the results of all controlled entities for the year then ended. Delta Electricity and its controlled entities together are referred to as the consolidated entity. The effect of transactions between entities in the consolidated entity are eliminated in full.

Delta Electricity has one controlled entity, Delta Electricity Australia Pty. Ltd, which is a wholly owned subsidiary.

(e) Investments in Subsidiary

Investments in the subsidiary are carried at cost of acquisition in Delta Electricity's financial report.

(f) Contributed Equity

Delta Electricity commenced operations on 1 March 1996. Under the terms of a Ministerial Order signed by the Honourable P.C. Scully Acting Minister for Energy and dated 1 March 1996, staff, assets, rights and liabilities were transferred from Pacific Power to Delta Electricity.

The State Owned Corporations Act, 1989 (as amended), requires Delta Electricity to have two voting shareholders. Current shareholders are the New South Wales Treasurer and the Special Minister of State. Each shareholder holds one $1 share.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the Income Statement through the amortisation process and when the liabilities are derecognised.

Fair value of interest bearing loans for disclosure purposes has been determined by Delta Electricity's treasury service provider who uses a discounted cash flow methodology to market value the financial instruments. The discount rate used is based on the zero curve derived from market rates prevailing at reporting date.

During the year, Delta Electricity actively managed its interest bearing liabilities against a benchmark in accordance with both Board approved policies and the Treasury Management Policy issued by New South Wales Treasury. New South Wales Treasury Corporation stock, interest rate and currency swaps, forward rate agreements and interest rate futures and options are available as a means of managing Delta Electricity's interest rate exposures. All gains and losses incurred in the use of these derivative instruments are recognised as part of finance costs in the Income Statement as incurred.

(h) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand along with short-term deposits and investments.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts and borrowings which are used in the cash management function on a day to day basis.

(i) Property, Plant and Equipment

Property, plant and equipment is recognised at fair value less accumulated depreciation and impairment in accordance with AASB 116 Property Plant and Equipment, AASB136 Impairment of Assets and the New South Wales Treasury Accounting Policy for the Valuation of Physical Non-Current Assets at Fair Value. Fair value of power station property, plant and equipment is determined by the depreciated replacement cost approach due to the absence of observable market prices.

Revaluations are made with sufficient regularity to ensure the carrying amount of property, plant and equipment does not differ materially from its fair value at reporting date.

Revaluation increments are generally credited directly to the asset revaluation reserve. A revaluation increment is only recognised immediately as revenue when the increment reverses a revaluation decrement, in respect of an individual asset, previously recognised as an expense in the Income Statement.

Revaluation decrements are generally recognised immediately as expenses in the Income Statement. A revaluation decrement is only recognised as a debit to the asset revaluation reserve when a credit balance for the same asset exists in the asset revaluation reserve.

Revaluation increments and decrements are offset against one another but only against the individual asset.

An item of property, plant and equipment is derecognised on disposal or when no further economic benefits are expected from its use or disposal. Upon disposal, any revaluation reserve related to the particular asset is transferred to retained profits. Any gain or loss on derecognition is included in profit or loss in the year the asset is derecognised.

The accounting policy for impairment of assets is included under Note 2(l).

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives of property, plant and equipment is 50 years for operating power stations (2005: 50 years) and ranges from 5 to 30 years for other property, plant and equipment (2005: 5 to 30 years).

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

Where material items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

(j) Intangible Assets

Intangible assets comprise eligible computer software. Computer software is stated at cost less accumulated amortisation and impairment and is amortised on a straight line basis over 2.5 years (2005: 2.5 years).

Amortisation is included in the Income Statement under the 'Expenses, excluding Finance Costs' line item.

(k) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, and gains and losses incurred in the use of derivative instruments for the management of interest rate exposure related to borrowed funds.

Costs associated with borrowings specifically financing qualifying assets are capitalised up to the date of completion of each qualifying asset to the extent those costs are recoverable. No borrowing costs were capitalised by the parent entity during the 2005/06 financial year (2005: $Nil). Delta Electricity Australia Pty. Ltd capitalised $1,704,000 in borrowing costs during 2005/06 (2005: $1,271,000).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment
At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is based on value in use and is determined at the cash generating unit level being the Delta Electricity entity. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the cash generating unit is estimated to be less than its carrying amount, the carrying amount of the cash generating unit is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease (refer Note 2(i)).

Where an impairment loss subsequently reverses, the carrying amount of the cash generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the cash generating unit in prior years. A reversal of an impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase (refer Note 2(i)).

(m) Joint Ventures
Interests in jointly controlled assets and operations of unincorporated joint ventures are reported in the financial report by including the entity's share of assets employed in the joint venture, the share of liabilities incurred in relation to the joint venture, the share of any expenses incurred in relation to the joint venture in their respective classification categories, and the share of income earned from the joint venture.

(n) Employee Benefits
The liability for wages and salaries at reporting date is recognised in current payables. The liability includes unpaid wages and salaries at reporting date and performance/business success payments related to the 2005/06 financial year. The liability is measured at the amounts expected to be paid when the liability is settled. The liability for wages and salaries is normally settled within 7 days of reporting date, while the liability for performance/business success payments is settled within two months of reporting date.

Delta Electricity makes provision through its Income Statement for its liability in respect of employee benefits for annual leave and long service leave. A calculation of the liability at reporting date is made each year for annual leave and long service leave employee benefits.

The basis of the liabilities and contributions are:

(i) For annual leave, the liability represents the amount which Delta Electricity has a present obligation to pay resulting from employees' services provided up to reporting date. The provision has been calculated at amounts based on expected future salary rates and includes related oncosts. Liabilities in excess of 12 months are discounted.

(ii) For long service leave, the liability represents the present value of expected future payments for long service leave, including projected remuneration rates. Associated oncosts are also included.

Superannuation entitlement details are provided in Note 20(b).

(o) Cash Management Funds
Cash management funds are stated at market values calculated by Delta Electricity's funds manager by referencing specific market quoted prices/yields prevailing at reporting date. Refer to Note 6.

Income earned from cash management funds is included as revenue in the Income Statement.

(p) Provisions
Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where it is expected that some or all of a provision is to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, material increases in the provision due to the passage of time are recognised as a finance cost.

There is some degree of uncertainty about the timing of the future payments and/or the amounts to be paid.

(q) Dividends
Provision is made for the amount of any dividend declared, determined or publicly recommended. Delta Electricity determines the level of dividend for the current financial year prior to reporting date as part of the Statement of Corporate Intent process. The Statement of Corporate Intent is a performance agreement between the Delta Electricity Board and the shareholders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Inventory Valuation
Inventories are carried at the lower of cost and net realisable value. Cost is allocated on an average basis for stores and materials and on a weighted average cost per tonne/litre basis for coal and other fuel stocks.

(s) Taxation
Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Income tax payments are made to the New South Wales Office of State Revenue under the National Tax Equivalent Regime (NTER).

Delta Electricity and its wholly resident subsidiary, Delta Electricity Australia Pty. Ltd formed a tax consolidated group on 1 July 2003 and are taxed as a single entity for the purposes of income tax.

Members of the group have entered into a tax sharing arrangement in order to limit the joint and several liability of each member of the tax consolidated group to their share of the head entity's tax liability should the head entity default on its tax payment obligations. At the reporting date, the possibility of default of taxes is remote.

In addition, there is a tax indemnity deed between the members of the group whereby the head entity agrees to indemnify and hold the subsidiary entity harmless against all and any obligations related to income taxes.

(t) Foreign Currency Translation
Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables at reporting date are translated at exchange rates current at reporting date. Exchange gains and losses are brought to account in determining the profit or loss for the year.

(u) Segment Reporting
Delta Electricity is an electricity generation corporation that operates in a single business and geographical segment. All production facilities are located in New South Wales.

(v) Revenue
Revenue from operating activities represents revenue earned from the sale of electricity and is recognised as it accrues. Revenue from outside operating activities includes rent and interest income on funds which are recognised as they accrue, and other miscellaneous income and proceeds from other operations which are recognised on performance of the service or delivery of the goods. Revenue is reported in Note 3.

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the ATO is included as a current asset or liability in the Balance Sheet. Cash flows are included in the Cash Flow Statement on a gross basis.

(x) Generating Costs
Generating costs represent all costs (raw materials, labour and overheads) associated with the production of electricity for sale in the National Electricity Market. Specific items requiring separate disclosure have been reported individually in Note 4.

(y) Comparative Figures
Where necessary, comparative information has been reclassified to enhance comparability in respect of changes in presentation adopted in the current year.

In accordance with AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards and NSW Treasury's indicative mandates, the date of transition to AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement was deferred to 1 July 2005. As a result, comparative information for these two standards is presented under the previous Australian Accounting Standards which applied to the year ended 30 June 2005.

(z) Presentation Currency and Rounding
Amounts shown in the financial report are in Australian dollars, rounded to the nearest thousand dollars, except where the disclosure of whole dollar amounts is appropriate.

Notes to and forming part of the Financial Report

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
3. REVENUE AND OTHER OPERATING INCOME				
Revenue from Operating Activities				
Sale of Electricity	**839,412**	802,367	**839,412**	802,367
Revenue from Outside Operating Activities				
Interest	**2,779**	3,374	**2,765**	3,370
Litigation Settlements	**597**	1,702	**597**	1,702
Proceeds from Other Operations	**2,024**	1,940	**2,024**	1,940
Royalties	**1,078**	713	**1,078**	713
Miscellaneous	**1,554**	855	**1,554**	855
Other Operating Income				
Defined Benefit Superannuation Schemes	**40,035**	–	**40,035**	–
Gains from Change in Fair Value of Derivative Instruments	**1,092**	–	**160**	–
Net Gain on Sale of Property, Plant and Equipment	**–**	4,868	**–**	4,868
Revenue and Other Operating Income	**888,571**	815,819	**887,625**	815,815
4. EXPENSES (EXCLUDING FINANCE COSTS)				
Generating Costs	**523,775**	507,069	**523,775**	507,069
Depreciation				
– Buildings	**1**	1	**1**	1
– Plant and Equipment	**67,035**	56,654	**67,035**	56,654
– Motor Vehicles	**692**	717	**692**	717
Amortisation of Intangible Assets				
– Computer Software	**1,738**	3,276	**1,738**	3,276
Loss on Sale of Assets	**179**	–	**179**	–
Superannuation Expenses				
– Defined Contribution Schemes	**738**	1,050	**738**	1,050
– Defined Benefit Schemes	**–**	23,669	**–**	23,669
Provision for Employee Benefits	**7,107**	9,951	**7,107**	9,951
Write down in Value of Inventories	**343**	386	**343**	386
Operating Lease Rental Expense	**744**	719	**744**	719
Auditors' Remuneration	**185**	149	**176**	147
Directors' Remuneration	**433**	439	**433**	439
Consultants Fees	**2,298**	1,100	**2,298**	1,100
Other Expenses	**735**	2,168	**649**	614
Expenses (excluding Finance Costs)	**606,003**	607,348	**605,908**	605,792

Auditors' Remuneration paid or payable in respect to the audit of the 2005/06 financial report is $160,000 (2005: $166,000).

Notes to and forming part of the Financial Report

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
5. INCOME TAX				
The major components of Income Tax for the year ended 30 June 2006 are as follows:				
(a) Income Tax Expense				
The major components of income tax expense are:				
Income Statement				
Current Income Tax				
Current income tax expense	**42,157**	35,924	**42,313**	36,031
Adjustments in respect of current income tax of previous years	**(154)**	180	**(154)**	180
Deferred Income Tax				
Origination and reversal of temporary differences (Note 5(b))	**28,254**	9,942	**27,843**	9,835
Income tax expense reported in Income Statement	**70,257**	46,046	**70,002**	46,046
Statement of Changes in Equity				
Deferred income tax related to items charged or credited directly to equity:				
Unrealised gain/(loss) on cash flow hedges (Note 18(b))	**(9,235)**	–	**(9,818)**	–
Net gain on revaluation of property, plant and equipment (Note 18(b))	**58,500**	–	**58,500**	–
Income tax expense reported in equity	**49,265**	–	**48,682**	–
Reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the organisation's effective income tax rate for the year ended 30 June 2006:				
Accounting profit before tax	**234,748**	152,910	**233,897**	154,462
Income tax at statutory rate of 30% (2005: 30%)	**70,424**	45,873	**70,169**	46,338
Non deductible expense – entertainment	**5**	7	**5**	7
Research and development	**(18)**	(14)	**(18)**	(14)
Tax loss not recognised	**–**	–	**–**	(465)
Adjustments in respect of current income tax of previous years	**(154)**	180	**(154)**	180
Income tax expense reported in Income Statement	**70,257**	46,046	**70,002**	46,046
(b) Deferred Income Tax				
Deferred income tax as at 30 June 2006 relates to the following:				
Deferred Income Tax Liabilities				
Balance Sheet				
Accelerated depreciation for tax purposes	**195,624**	183,895	**195,624**	183,895
Revaluations of property, plant and equipment	**231,626**	173,126	**231,626**	173,126
Inventory	**13,012**	11,351	**13,012**	11,351
Intangible assets	**(64)**	(429)	**(64)**	(429)
Derivative instruments	**1,291**	–	**1,015**	–
Other items	**(348)**	37	**(348)**	37
Gross deferred income tax liabilities	**441,141**	367,980	**440,865**	367,980
Income Statement				
Accelerated depreciation for tax purposes	**12,049**	15,083	**12,049**	15,083
Inventory	**1,661**	1,129	**1,661**	1,129
Derivative instruments – fair value movement	**249**	–	**157**	–
Other items	**–**	415	**–**	415
Deferred income tax expense	**13,959**	16,627	**13,867**	16,627

Notes to and forming part of the Financial Report

For Year Ended 30 June 2006

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
5. INCOME TAX (CONTINUED)				
(b) Deferred Income Tax (Continued)				
Deferred Income Tax Assets				
Balance Sheet				
Employee benefits	**868**	29,114	**868**	29,114
Provisions (excluding employee benefits)	**17,668**	3,626	**17,668**	3,626
Derivative instruments	**21,391**	1,232	**21,391**	1,232
Other items	**736**	1,007	**(138)**	1,007
Gross deferred income tax assets	**40,663**	34,979	**39,789**	34,979
Income Statement				
Employee benefits	**(158)**	(6,390)	**(158)**	(6,390)
Provisions (excluding employee benefits)	**14,363**	64	**14,363**	64
Derivative instruments – fair value movement	**(42)**	–	**(229)**	–
Other items	**132**	(359)	**–**	(466)
Deferred income tax expense	**14,295**	(6,685)	**13,976**	(6,792)
6. CASH AND CASH EQUIVALENTS				
Bank	**2,504**	474	**2,166**	93
Cash Management Funds	**27,000**	42,583	**27,000**	42,583
	29,504	43,057	**29,166**	42,676
7. TRADE AND OTHER RECEIVABLES				
(a) Current				
Trade Debtors	**96,361**	78,835	**96,361**	78,835
Other Debtors	**1,998**	4,098	**1,395**	3,808
Prepayments	**1,200**	699	**1,200**	699
	99,559	83,632	**98,956**	83,342
(b) Non-Current				
Advance to Wholly Owned Subsidiary	**–**	–	**7,369**	6,079
Other Debtors	**1,141**	1,152	**1,132**	1,143
	1,141	1,152	**8,501**	7,222

Trade and other debtors are carried at nominal amounts due less any provision for doubtful debts. Collectibility from debtors is reviewed on an ongoing basis and a provision for doubtful debts is recognised when reasonable doubt exists about the collectibility of the amount. There were no doubtful debts at reporting date (2005: $Nil).

Trade debtors incorporates electricity sales activities with participants in the National Electricity Market. Funds from trade debtors are receivable by no later than 21 working days after completion of the billing period. Board policies are in place for determining eligible counterparties and limits applying to those parties.

Current other debtors incorporate miscellaneous non-core activities undertaken by Delta Electricity. Amounts are due 30 days after invoicing.

Advance to wholly owned subsidiary represents the advance of funds to Delta Electricity Australia Pty. Ltd in accordance with the terms of a joint venture arrangement to develop renewable energy plant. The advance is presently interest free and is repayable on demand.

Non-current other debtors represent debtors with terms greater than one year from reporting date.

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
8. INVENTORIES				
Stores and Materials	**32,612**	31,597	**32,612**	31,597
Coal Stocks	**41,382**	36,409	**41,382**	36,409
Other Fuel Stocks	**1,990**	1,426	**1,990**	1,426
	75,984	69,432	**75,984**	69,432
9. OTHER FINANCIAL ASSETS				
(a) Current				
Electricity Contracts	**2,262**	–	**2,262**	–
Other Derivatives	**10**	–	**10**	–
	2,272	–	**2,272**	–
(b) Non-Current				
Electricity Contracts	**1,112**	–	**1,112**	–
Interest Rate Swaps	**919**	–	**–**	–
	2,031	–	**1,112**	–

Refer to Note 24 for further information on Other Financial Assets.

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
10. OTHER ASSETS				
(a) Current				
Refundable Security Deposit	**5,092**	5,530	**5,092**	5,530
Miscellaneous	**20**	1,105	**20**	1,105
	5,112	6,635	**5,112**	6,635
(b) Non-Current				
Superannuation – Defined Benefit Schemes	**4,202**	–	**4,202**	–
	4,202	–	**4,202**	–

A refundable security deposit has been provided to satisfy a requirement under Delta Electricity's self insurer's licence for workers' compensation. This deposit can be redeemed in exchange for a bank guarantee.

11. PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation by Asset Classes

PARENT ENTITY Year ended 30 June 2006	Land $'000	Non Power Station – Buildings $'000	Power Stations – Plant and Equipment $'000	Other – Plant and Equipment $'000	Total $'000
Carrying amount at 1 July 2005	26,282	39	1,614,730	8,219	**1,649,270**
Additions	–	1	52,873	6,394	**59,268**
Revaluation	–	–	195,000	–	**195,000**
Disposals/Write-offs	–	–	–	(1,397)	**(1,397)**
Depreciation Expense	–	(1)	(65,659)	(2,068)	**(67,728)**
Carrying amount at 30 June 2006	**26,282**	**39**	**1,796,944**	**11,148**	**1,834,413**
At 1 July 2005					
Fair value	26,282	59	2,128,000	22,797	**2,177,138**
Accumulated depreciation and impairment	–	(20)	(513,270)	(14,578)	**(527,868)**
Net carrying amount	**26,282**	**39**	**1,614,730**	**8,219**	**1,649,270**
At 30 June 2006					
Fair value	26,282	60	2,237,200	27,793	**2,291,335**
Accumulated depreciation and impairment	–	(21)	(440,256)	(16,645)	**(456,922)**
Net carrying amount	**26,282**	**39**	**1,796,944**	**11,148**	**1,834,413**

The above table includes work in progress for plant and equipment of $57.4 million (2005: $43.0 million).

Revaluation of Power Stations Plant and Equipment
The Board of Delta Electricity approved a revaluation of $195.0 million as at 30 June 2006. The fair value was based on depreciated replacement cost estimates provided by Burns and Roe Worley. The revaluation increment to fair value was adjusted downwards to recoverable amount in accordance with the methodology and principles set out in Note 2(l).

CONSOLIDATED ENTITY Year ended 30 June 2006	Land $'000	Non Power Station – Buildings $'000	Power Stations – Plant and Equipment $'000	Other – Plant and Equipment $'000	Total $'000
Carrying amount at 1 July 2005	26,282	39	1,619,867	8,219	**1,654,407**
Additions	–	1	93,568	6,394	**99,963**
Revaluation	–	–	195,000	–	**195,000**
Disposals/Write-offs	–	–	–	(1,397)	**(1,397)**
Depreciation Expense	–	(1)	(65,659)	(2,068)	**(67,728)**
Carrying amount at 30 June 2006	**26,282**	**39**	**1,842,776**	**11,148**	**1,880,245**
At 1 July 2005					
Fair value	26,282	59	2,133,137	22,797	**2,182,275**
Accumulated depreciation and impairment	–	(20)	(513,270)	(14,578)	**(527,868)**
Net carrying amount	**26,282**	**39**	**1,619,867**	**8,219**	**1,654,407**
At 30 June 2006					
Fair value	26,282	60	2,283,032	27,793	**2,337,167**
Accumulated depreciation and impairment	–	(21)	(440,256)	(16,645)	**(456,922)**
Net carrying amount	**26,282**	**39**	**1,842,776**	**11,148**	**1,880,245**

The above table includes work in progress for plant and equipment of $103.2 million (2005: $48.1 million).

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliation by Asset Classes (Continued)

PARENT ENTITY Year ended 30 June 2005	Land $'000	Non Power Station – Buildings $'000	Power Stations – Plant and Equipment $'000	Other – Plant and Equipment $'000	Total $'000
Carrying amount at 1 July 2004	23,400	40	1,635,400	9,895	**1,668,735**
Additions	3,005	–	34,041	2,421	**39,467**
Disposals/Write-offs	(123)	–	–	(1,437)	**(1,560)**
Depreciation Expense	–	(1)	(54,711)	(2,660)	**(57,372)**
Carrying amount at 30 June 2005	**26,282**	**39**	**1,614,730**	**8,219**	**1,649,270**
At 1 July 2004					
Fair value	23,400	59	2,276,400	23,050	**2,322,909**
Accumulated depreciation and impairment	–	(19)	(641,000)	(13,155)	**(654,174)**
Net carrying amount	**23,400**	**40**	**1,635,400**	**9,895**	**1,668,735**
At 30 June 2005					
Fair value	26,282	59	2,128,000	22,797	**2,177,138**
Accumulated depreciation and impairment	–	(20)	(513,270)	(14,578)	**(527,868)**
Net carrying amount	**26,282**	**39**	**1,614,730**	**8,219**	**1,649,270**

CONSOLIDATED ENTITY Year ended 30 June 2005	Land $'000	Non Power Station – Buildings $'000	Power Stations – Plant and Equipment $'000	Other – Plant and Equipment $'000	Total $'000
Carrying amount at 1 July 2004	23,400	40	1,636,604	9,895	**1,669,939**
Additions	3,005	–	37,974	2,421	**43,400**
Disposals/Write-offs	(123)	–	–	(1,437)	**(1,560)**
Depreciation Expense	–	(1)	(54,711)	(2,660)	**(57,372)**
Carrying amount at 30 June 2005	**26,282**	**39**	**1,619,867**	**8,219**	**1,654,407**
At 1 July 2004					
Fair value	23,400	59	2,277,604	23,050	**2,324,113**
Accumulated depreciation and impairment	–	(19)	(641,000)	(13,155)	**(654,174)**
Net carrying amount	**23,400**	**40**	**1,636,604**	**9,895**	**1,669,939**
At 30 June 2005					
Fair value	26,282	59	2,133,137	22,797	**2,182,275**
Accumulated depreciation and impairment	–	(20)	(513,270)	(14,578)	**(527,868)**
Net carrying amount	**26,282**	**39**	**1,619,867**	**8,219**	**1,654,407**

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Carrying Amount of Asset Classes if Valued Using the Cost Model

If property, plant and equipment were measured using the cost model, the carrying amounts would be as follows:

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Land				
At cost	**8,633**	8,633	**8,633**	8,633
Total Land	**8,633**	8,633	**8,633**	8,633
Non Power Station – Buildings				
At cost	**60**	59	**60**	59
Less: accumulated depreciation	**(21)**	(20)	**(21)**	(20)
Total Buildings	**39**	39	**39**	39
Plant and Equipment				
Power Stations				
At cost	**1,520,999**	1,427,430	**1,475,168**	1,422,293
Less: accumulated depreciation	**(353,937)**	(307,959)	**(353,937)**	(307,959)
Total power stations	**1,167,062**	1,119,471	**1,121,231**	1,114,334
Other Plant and Equipment				
At cost	**27,793**	22,797	**27,793**	22,797
Less: accumulated depreciation	**(16,645)**	(14,578)	**(16,645)**	(14,578)
Total other plant and equipment	**11,148**	8,219	**11,148**	8,219
Total Plant and Equipment	**1,178,210**	1,127,690	**1,132,379**	1,122,553
Total Written Down Value of Property, Plant and Equipment	**1,186,882**	1,136,362	**1,141,051**	1,131,225

		CONSOLIDATED	PARENT ENTITY
	Software $'000	Total $'000	Total $'000
12. INTANGIBLE ASSETS			
Year ended 30 June 2006			
Carrying amount at 1 July 2005, net of accumulated amortisation	**6,872**	**6,872**	6,872
Additions			
– from internal development	**1,302**	**1,302**	1,302
– acquired externally	**1,264**	**1,264**	1,264
Amortisation	**(1,738)**	**(1,738)**	(1,738)
Carrying amount at 30 June 2006	**7,700**	**7,700**	7,700
At 1 July 2005			
Cost (gross carrying amount)	**18,268**	**18,268**	18,268
Accumulated amortisation	**(11,396)**	**(11,396)**	(11,396)
Net carrying amount	**6,872**	**6,872**	6,872
At 30 June 2006			
Cost (gross carrying amount)	**20,834**	**20,834**	20,834
Accumulated amortisation	**(13,134)**	**(13,134)**	(13,134)
Net carrying amount	**7,700**	**7,700**	7,700
Year ended 30 June 2005			
Carrying amount at 1 July 2004, net of accumulated amortisation	**5,950**	**5,950**	5,950
Additions			
– from internal development	**3,191**	**3,191**	3,191
– acquired externally	**1,007**	**1,007**	1,007
Amortisation	**(3,276)**	**(3,276)**	(3,276)
Carrying amount at 30 June 2005	**6,872**	**6,872**	6,872
At 1 July 2004			
Cost (gross carrying amount)	**14,071**	**14,071**	14,071
Accumulated amortisation	**(8,121)**	**(8,121)**	(8,121)
Net carrying amount	**5,950**	**5,950**	5,950
At 30 June 2005			
Cost (gross carrying amount)	**18,268**	**18,268**	18,268
Accumulated amortisation	**(11,396)**	**(11,396)**	(11,396)
Net carrying amount	**6,872**	**6,872**	6,872

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
13. TRADE AND OTHER PAYABLES				
Current				
Accounts Payable	**103,076**	83,754	**99,155**	83,547
Other Creditors	**7,534**	10,448	**7,534**	10,448
	110,610	94,202	**106,689**	93,995

Accounts payable represents amounts to be paid in the future for goods received and services provided at reporting date. These liabilities are usually settled within 42 days. Current other creditors represents interest due on borrowings which are payable within 6 months.

14. BORROWINGS				
(a) Current				
NSW Treasury Corporation Short-Term Loans	**75,882**	40,390	**75,882**	40,390
	75,882	40,390	**75,882**	40,390
(b) Non-Current				
NSW Treasury Corporation Loans	**467,363**	535,444	**467,363**	535,444
Bank Loans – secured	**39,718**	3,833	**–**	–
	507,081	539,277	**467,363**	535,444

At reporting date, Delta Electricity had Executive Council approval to borrow up to $1,000 million (2005: $1,000 million).

Maturing loans may be re-financed if the borrowing limit is not exceeded. As such, Borrowings initially deemed as non-current, with less than one year to maturity have been classified as non-current. At reporting date, there were no Borrowings due to mature within one year requiring classification as non-current (2005: $90,516,000).

Bank Loans relate to the participation of Delta Electricity Australia Pty. Ltd (wholly owned subsidiary) in a joint venture arrangement to develop renewable electricity generation plant. The Bank Loans are secured over the property of the borrower.

15. PROVISIONS				
(a) Current				
Dividend	**131,638**	123,488	**131,638**	123,488
Employee Benefits	**43,438**	43,269	**43,438**	43,269
Insurance	**1,799**	1,819	**1,799**	1,819
	176,875	168,576	**176,875**	168,576
(b) Non-Current				
Employee Benefits	**2,364**	2,319	**2,364**	2,319
Superannuation – Defined Benefit Schemes	**6,363**	49,094	**6,363**	49,094
Insurance	**13,343**	14,235	**13,343**	14,235
	22,070	65,648	**22,070**	65,648

On 31 August 1996, Delta Electricity obtained a Self Insurer's licence for Workers' Compensation. In accordance with the licence conditions Delta Electricity has a current provision of $561,000 (2005: $607,000) and a non-current provision of $3,651,000 (2005: $3,360,000) for workers' compensation included in the Insurance Provision.

Further details on employee benefits and superannuation are contained in Note 20.

15. PROVISIONS (CONTINUED)

(c) Movements in Provisions

Movements in each class of provision during the financial year, other than employee benefits and superannuation, are set out below:

			2006 $'000
Current	Dividend	Insurance	Total
Carrying amount at start of year	123,488	1,819	**125,307**
Add: Additional provision	131,638	1,996	**133,634**
Less: Payments	(123,488)	(2,016)	**(125,504)**
Carrying amount at end of year	**131,638**	**1,799**	**133,437**

Non-Current	Insurance	Total
Carrying amount at start of year	14,235	**14,235**
Discount adjustment	715	**715**
Less: Adjustment to assessed liability	(1,607)	**(1,607)**
Carrying amount at end of year	**13,343**	**13,343**

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
16. OTHER FINANCIAL LIABILITIES				
(a) Current				
Electricity Contracts	**51,611**	–	**51,611**	–
	51,611	–	**51,611**	–
(b) Non-Current				
Electricity Contracts	**14,279**	–	**14,279**	–
	14,279	–	**14,279**	–

Refer to Note 24 for further information on Other Financial Liabilities.

17. OTHER LIABILITIES				
Current				
Retentions	**–**	72	**–**	72
Miscellaneous	**465**	244	**465**	244
	465	316	**465**	316

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
18. EQUITY				
(a) Contributed Equity				
Balance at beginning of year	**175,376**	175,376	**175,376**	175,376
Return of Contributed Equity to Shareholder	**–**	–	**–**	–
Contributed Equity at end of year	**175,376**	175,376	**175,376**	175,376
(b) Reserves				
Asset Revaluation Reserve	**540,462**	403,962	**540,462**	403,962
Hedging Reserve	**(44,614)**	–	**(45,042)**	–
Total Reserves as per Balance Sheet	**495,848**	403,962	**495,420**	403,962
Asset Revaluation Reserve				
The asset revaluation reserve is used to record increments and decrements in the fair value of property, plant and equipment to the extent that they offset one another.				
Balance at beginning of year	**403,962**	403,962	**403,962**	403,962
Revaluation of Property, Plant and Equipment	**195,000**	–	**195,000**	–
Tax Effect of Revaluation of Property, Plant and Equipment	**(58,500)**	–	**(58,500)**	–
Asset Revaluation Reserve at end of year	**540,462**	403,962	**540,462**	403,962
Hedging Reserve				
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.				
Balance at beginning of year	**–**	–	**–**	–
Adjustments on adoption of AASB 132 and AASB 139, net of tax	**(23,064)**	–	**(22,133)**	–
Restated balance at beginning of year	**(23,064)**	–	**(22,133)**	–
Net Gains/(Losses) on Cash Flow Hedges	**(30,785)**	–	**(32,727)**	–
Tax Effect	**9,235**	–	**9,818**	–
Hedging Reserve at end of year	**(44,614)**	–	**(45,042)**	–
(c) Retained Profits				
Balance at beginning of year	**24,904**	41,528	**29,206**	44,278
Adjustments on adoption of AASB 132 and AASB 139, net of tax	**983**	–	**1,419**	–
Adjustments on adoption of UIG 1052	**–**	–	**(1,005)**	–
Restated balance at beginning of year	**25,887**	41,528	**29,620**	44,278
Profit for the Period after Related Income Tax Expense	**164,491**	106,864	**163,895**	108,416
Dividends provided for or paid	**(131,638)**	(123,488)	**(131,638)**	(123,488)
Retained Profits at end of year	**58,740**	24,904	**61,877**	29,206

19. JOINTLY CONTROLLED ASSETS AND OPERATIONS

(a) Description

Delta Electricity Australia Pty. Ltd, Delta Electricity's wholly owned subsidiary, is the consolidated entity's participant in a joint venture.

Name of Joint Venture	Principal Activity	OUTPUT INTEREST 2006 %	OUTPUT INTEREST 2005 %
Sunshine Electricity Joint Venture	Electricity Generation	50	50

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
(b) Share of Assets				
The subsidiary's interest in assets employed in the above jointly controlled assets joint venture is detailed below:				
Cash and Cash Equivalents	**–**	39	**–**	–
Trade and Other Receivables	**28**	51	**–**	–
Total Current Assets	**28**	90	**–**	–
Receivables	**9**	9	**–**	–
Property, Plant and Equipment	**45,832**	5,137	**–**	–
Total Non-Current Assets	**45,841**	5,146	**–**	–
Total Assets	**45,869**	5,236	**–**	–
(c) Share of Capital Commitments				
The capital commitments arising from the consolidated entity's interests in the joint venture are disclosed below:				
Plant and Equipment				
Payable no later than one year	**44,611**	53,117	**–**	–
Payable later than one, not later than five years	**2,424**	35,193	**–**	–
Payable later than 5 years	**–**	–	**–**	–
	47,035	88,310	**–**	–

Delta Electricity Australia Pty. Ltd expects to receive input tax credits from the Australian Taxation Office totalling $4,276,000 (2005: $8,028,000) for Goods and Services Tax paid for these commitments.

Other commitments are disclosed in Notes 21 and 22.

Notes to and forming part of the Financial Report

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
20. EMPLOYEE BENEFITS AND SUPERANNUATION				
(a) Employee Benefits				
The aggregate employee benefit liability excluding superannuation is composed of:				
Short-term Employee Benefits	**13,366**	14,132	**13,366**	14,132
Long-term Employee Benefits	**36,042**	35,515	**36,042**	35,515
	49,408	49,647	**49,408**	49,647

Short-term employee benefits includes performance and business success payments that are part of formal agreements with employees.

(b) Superannuation – Defined Benefit Schemes

(i) General Description of Plans

Defined benefits superannuation schemes are applicable to the parent entity only. As such, the information presented for the parent entity also applies to the consolidated entity.

Defined benefit superannuation schemes are administered by Pillar Administration on behalf of the SAS Trustee Corporation (STC). An actuarial review of superannuation liabilities for the defined benefit schemes was carried out by Mercer as at 30 June 2006.

The Pooled Fund (the Fund) holds in trust the investments of the closed NSW public sector superannuation schemes:

– State Authorities Superannuation Scheme (SASS)

– State Superannuation Scheme (SSS)

– State Authorities Non-contributory Superannuation Scheme (SANCS)

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. All of the schemes are closed to new members.

Actuarial gains and losses are recognised in profit and loss in the year they occur.

All Fund assets are invested by STC at arm's length through independent fund managers.

				PARENT ENTITY	
	SASS $'000	**SANCS $'000**	**SSS $'000**	**2006 $'000**	2005 $'000
(ii) Reconciliation of the Assets and Liabilities Recognised in the Balance Sheet					
Present value of defined benefit obligations	93,442	17,031	169,579	**280,052**	280,826
Fair value of plan assets	(96,442)	(18,233)	(163,216)	**(277,891)**	(231,732)
(Asset)/liability disclosed in Balance Sheet	(3,000)	(1,202)	6,363	**2,161**	49,094
(iii) Movement in Liability/(Asset) Recognised in the Balance Sheet					
(Asset)/liability at beginning of year	11,001	3,256	34,837	**49,094**	32,286
Expense/(income) recognised in the Income Statement	(6,310)	(1,685)	(32,040)	**(40,035)**	23,669
Contributions	(7,691)	(2,773)	3,566	**(6,898)**	(6,861)
(Asset)/liability disclosed in Balance Sheet	(3,000)	(1,202)	6,363	**2,161**	49,094
(iv) Total Expense/(Income) Recognised in the Income Statement					
Current service cost	3,154	994	2,973	**7,121**	6,479
Interest on obligation	5,216	858	9,917	**15,991**	14,529
Expected return on plan assets	(5,766)	(1,045)	(10,778)	**(17,589)**	(14,644)
Net actuarial losses/(gains) recognised in year	(8,914)	(2,492)	(34,152)	**(45,558)**	17,305
Total included in Income Statement	(6,310)	(1,685)	(32,040)	**(40,035)**	23,669
(v) Actual Return on Plan Assets					
Actual Return on Plan Assets	11,894	2,277	22,021	**36,192**	26,123

20. EMPLOYEE BENEFITS AND SUPERANNUATION (CONTINUED)

(b) Superannuation – Defined Benefit Schemes (Continued)

(vi) Valuation Method and Principal Actuarial Assumptions at Reporting Date

Valuation Method
The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. The method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Economic Assumptions
The principal economic assumptions are outlined in the below table:

	2006 % pa	2005 % pa
Discount rate at 30 June	**5.9**	5.2
Expected return on plan assets at 30 June	**7.6**	7.3
Expected salary increases – to 2008	**4.0**	4.0
– thereafter	**3.5**	4.0
Expected rate of CPI increase	**2.5**	2.5

				PARENT ENTITY	
	SASS $'000	**SANCS $'000**	**SSS $'000**	**2006 $'000**	2005 $'000
(vii) Arrangements for Employer Contributions for Funding The following is a summary of the June 2006 financial position of the Fund calculated in accordance with AAS 25 Financial Reporting by Superannuation Plans.					
Accrued benefits	89,452	16,079	141,724	**247,255**	225,021
Net market value of Fund assets	(96,442)	(18,233)	(163,217)	**(277,892)**	(231,732)
(Surplus)/deficit	(6,990)	(2,154)	(21,493)	**(30,637)**	(6,711)

Recommended contribution rates for the entity are:

	SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions
2006	**1.9**	**2.5**	**1.6**
2005	1.9	2.5	1.6

The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the cost to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

The economic assumptions adopted for the last actuarial review of the Fund were:

Weighted Average Assumptions	**2006 % pa**	2005 % pa
Expected rate of return on Fund assets	**7.3**	7.0
Expected salary increase rate	**4.0**	4.0
Expected rate of CPI increase	**2.5**	2.5

(viii) Nature of Asset/Liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.

Notes to and forming part of the Financial Report

For Year Ended 30 June 2006

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
21. EXPENDITURE COMMITMENTS				
Expenditure contracted for at reporting date but not recognised as liabilities in the Balance Sheet:				
(a) Capital – Plant and Equipment				
Payable no later than one year	**76,229**	63,203	**31,618**	10,086
Payable later than one, not later than 5 years	**29,116**	35,339	**26,692**	146
Payable later than 5 years	**–**	–	**–**	–
	105,345	98,542	**58,310**	10,232
(b) Operating (excluding lease commitments) – Operational and Maintenance				
Payable no later than one year	**24,293**	18,115	**22,737**	18,100
Payable later than one, not later than 5 years	**16,818**	16,023	**16,088**	13,936
Payable later than 5 years	**2,081**	2,255	**–**	–
	43,192	36,393	**38,825**	32,036
(c) Intangible Assets – Computer Software				
Payable no later than one year	**151**	1,144	**151**	1,144
Payable later than one, not later than 5 years	**–**	–	**–**	–
Payable later than 5 years	**–**	–	**–**	–
	151	1,144	**151**	1,144

Delta Electricity expects to receive input tax credits from the Australian Taxation Office totalling $8,844,000 (2005: $3,946,000) for Goods and Services Tax paid for these commitments.

22. OPERATING LEASE COMMITMENTS

Future operating lease rentals contracted for at reporting date but not recognised as liabilities in the Balance Sheet:

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Payable no later than one year	**845**	828	**838**	821
Payable later than one, not later than 5 years	**1,401**	2,208	**1,371**	2,178
Payable later than 5 years	**289**	296	**–**	–
	2,535	3,332	**2,209**	2,999

Delta Electricity leases office accommodation under an operating lease expiring in December 2008. There is no option for renewal at the end of the lease period. Delta Electricity expects to receive input tax credits from the Australian Taxation Office totalling $201,000 (2005: $273,000) for Goods and Services Tax paid for these commitments.

23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no known contingent liabilities or contingent assets in existence at reporting date.

24. FINANCIAL INSTRUMENTS

(a) Derivative Instruments

(i) Interest Rate Swaps, Forward Rate Agreements, and Futures

Delta Electricity has a portfolio of debt consisting of short, medium and long-term borrowings. This debt is used to service the asset structure and ongoing activities of the organisation. Delta Electricity has identified interest rate risks associated with its debt portfolio. In managing the risks in accordance with Board approved limits, the organisation will be and is involved in derivative financial instruments. Derivative financial instruments including swaps, forward rate agreements, interest rate futures and forwards are used to alter and modify the natural risks inherent in the Balance Sheet.

24. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Derivative Instruments (Continued)

(i) Interest Rate Swaps, Forward Rate Agreements, and Futures (Continued)
The nominal principal amounts and periods of expiry for interest rate swaps and futures held at reporting date were:

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Interest Rate Swaps				
Less than one year	**–**	–	**–**	–
One to five years	**–**	–	**–**	–
Greater than five years	**70,000**	70,000	**–**	–
	70,000	70,000	**–**	–
Interest Rate Futures				
Less than one year*	**–**	(59,900)	**–**	(59,900)
One to five years*	**–**	–	**–**	–
Greater than five years*	**–**	–	**–**	–
	–	(59,900)	**–**	(59,900)

* positive amount indicates bought futures; negative amount indicates sold futures.

The total notional amount of interest rate swaps for the consolidated entity is $70,000,000 with Delta Electricity Australia Pty. Ltd receiving floating interest and paying fixed interest. At reporting date $61,877,000 of the total notional amount had been utilised.

These instruments are recognised on the Balance Sheet at fair value. The fair value of futures represents the margin call at reporting date. The fair value of interest rate swaps represents the amount Delta Electricity would expect to receive or pay on the termination of contracts at reporting date.

For instruments which qualify as cash flow hedges and meet the conditions of hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the Income Statement.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the year. For instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

(ii) Forward Foreign Exchange Contracts
In the normal course of business, Delta Electricity is required to purchase goods or services from overseas which require settlement in the supplier's local currency. Under Board approved policies, Delta Electricity hedges specific material foreign exchange commitments by use of forward foreign exchange contracts to protect the organisation from the effect of future exchange rate fluctuations. The contracts are timed to mature when overseas payments are made.

At reporting date, Delta Electricity had 8 (2005: 12) forward foreign exchange contracts. The values of these contracts are outlined in the table below:

	PARENT ENTITY			
	2006		2005	
Currency	**Number of Contracts**	**Currency Value**	Number of Contracts	Currency Value
USD	**1**	**115,400**	1	58,353
EUR	**2**	**605,861**	7	1,180,551
GBP	**2**	**64,572**	4	278,147
JPY	**3**	**54,908,000**	–	–

	CONSOLIDATED ENTITY			
	2006		2005	
Currency	**Number of Contracts**	**Currency Value**	Number of Contracts	Currency Value
USD	**1**	**115,400**	**1**	58,353
EUR	**2**	**605,861**	**7**	1,180,551
GBP	**2**	**64,572**	**4**	278,147
JPY	**3**	**54,908,000**	**–**	–

24. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Derivative Instruments (Continued)

(ii) Forward Foreign Exchange Contracts (Continued)
These instruments are recognised on the Balance Sheet at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For forward foreign exchange contracts which qualify as cash flow hedges and meet the conditions of hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the Income Statement.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the year. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the carrying amount of the good purchased when the future purchase actually occurs.

For forward foreign exchange contracts that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

(iii) Electricity Contracts
In the normal course of business, Delta Electricity enters into various types of contracts with electricity market counterparties to manage the risks associated with fluctuations in wholesale electricity market prices. These contracts are undertaken in accordance with Board approved policies.

The notional face value of electricity contracts are outlined in the following table:

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Less than one year	**614,477**	502,560	**614,477**	502,560
One to five years	**1,210,157**	444,092	**1,210,157**	444,092
Greater than five years	**872,855**	–	**872,855**	–
	2,697,489	946,652	**2,697,489**	946,652

Electricity contracts are recognised on the Balance Sheet at fair value. The fair value of electricity contracts is calculated by reference to observable market data where available supported by valuation techniques where appropriate.

Electricity contracts are classified as cash flow hedges where they hedge exposure to variability in cash flows related to forecast generation.

In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the change in fair value on an electricity contract (hedging instrument) that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the Income Statement.

If a hedged item is no longer expected to occur, the cumulative gain or loss recognised in equity is transferred to profit or loss for the year. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the Income Statement in the same year in which the forecast electricity generation occurs.

For electricity contracts that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit Risk Exposures

The credit risk on financial assets, apart from derivative instruments, which have been recognised on the Balance Sheet is generally the carrying amount, net of any provision for doubtful debts. The recognised financial assets of the Corporation include amounts receivable from government owned agencies (90.5%) and other debtors (9.5%).

The credit risk associated with electricity contracts is mitigated through the application of limits determined by a Board approved policy. These limits are based on the credit rating of the counterparty. In the absence of an acceptable public credit rating an internal credit rating is assigned on the advice of an external credit assessment specialist. The aggregate exposure on open electricity contracts at reporting date was $101.9 million (2005: $149.3 million).

Credit risk also arises from potential counterparty default on forward foreign exchange contracts. The Australian dollar value of this exposure at reporting date was $12,000 (2005: $Nil).

(c) Fair Values

Set out below is a comparison by category of carrying amounts and fair values of all financial instruments.

	CONSOLIDATED		PARENT ENTITY	
	Carrying Amount **2006** **$'000**	Fair Value 2006 $'000	Carrying Amount **2006** **$'000**	Fair Value 2006 $'000
Financial Assets				
Cash and Cash Equivalents	**29,504**	29,504	**29,166**	29,166
Trade Debtors	**96,361**	96,361	**96,361**	96,361
Other Receivables				
– Current	**1,998**	1,998	**1,395**	1,395
– Non-current	**1,141**	1,141	**8,501**	8,501
Electricity Contracts	**3,373**	3,373	**3,373**	3,373
Interest Rate Swaps	**919**	919	**–**	–
Forward Foreign Exchange Contracts	**10**	10	**10**	10
Other Miscellaneous				
– Current	**5,112**	5,112	**5,112**	5,112
Financial Liabilities				
Trade and Other Payables	**110,610**	110,610	**106,689**	106,689
Borrowings	**582,963**	590,638	**543,245**	550,920
Electricity Contracts	**65,890**	65,890	**65,890**	65,890

The carrying amount approximates the fair value for cash and cash equivalents, all receivables, other miscellaneous and trade and other payables. No financial assets are carried at values in excess of their fair value at reporting date.

The carrying value of electricity contracts includes $1,828,000 related to contracts which are held for trading. The remaining electricity contracts are subject to hedge accounting.

24. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Interest Rate Risk

The following table sets out the carrying amount by maturity of financial instruments exposed to interest rate risk at 30 June 2006.

PARENT ENTITY

	<1 year $'000	>1 <2 years $'000	>2 <3 years $'000	>3 <4 years $'000	>4 <5 years $'000	>5 years $'000	Carrying Amount $'000
				Financial instruments maturing in			
Financial Assets							
Floating Rate							
Cash and Cash Equivalents	29,166						29,166
Fixed Rate							
Other Debtors							
– Non Current		4					4
Other Miscellaneous							
– Current	5,092						5,092
Financial Liabilities							
Fixed Rate							
Borrowings	75,882	119,236			135,832	212,295	543,245

All other financial assets and liabilities are non-interest bearing.

The weighted average interest exposure on financial assets is 5.7% (2005: 5.6%), while weighted average interest exposure incorporating a government guarantee fee on financial liabilities is 8.2% (2005: 8.7%).

CONSOLIDATED

	<1 year $'000	>1 <2 years $'000	>2 <3 years $'000	>3 <4 years $'000	>4 <5 years $'000	>5 years $'000	Carrying Amount $'000
				Financial instruments maturing in			
Financial Assets							
Floating Rate							
Cash and Cash Equivalents	29,504						29,504
Fixed Rate							
Other Debtors							
– Non Current		4					4
Other Miscellaneous							
– Current	5,092						5,092
Financial Liabilities							
Fixed Rate							
Borrowings	115,600	119,236			135,832	212,295	582,963

All other financial assets and liabilities are non-interest bearing.

The weighted average interest exposure on financial assets is 5.7% (2005: 5.6%), while weighted average interest exposure incorporating a government guarantee fee on financial liabilities is 8.2% (2005: 8.6%).

24. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk Exposures and Fair Values at 30 June 2005

The consolidated entity exposure to interest rate risk for financial instruments and the aggregate net fair values of financial assets and liabilities at 30 June 2005 prepared in accordance with AAS 33 Presentation and Disclosure of Financial Instruments were:

2005

	Floating Interest $'000	Fixed interest and Electricity hedging contracts maturing in <1 year $'000	1-5 years $'000	>5 years $'000	Non-interest Bearing $'000	Carrying Amount $'000	Aggregate net fair value $'000
Financial Assets							
Cash	43,053				4	43,057	43,057
Trade Debtors					78,835	78,835	78,835
Other Debtors							
– Current					1,492	1,492	1,492
– Non Current			15		1,128	1,143	1,143
Forward Foreign Exchange Contracts					2,606	2,606	2,606
Other Miscellaneous							
– Current	910	5,530			195	6,635	6,635
– Non Current							
Financial Liabilities							
Accounts Payable					83,754	83,754	83,754
Other Creditors					7,650	7,650	7,650
Forward Foreign Exchange Contracts					2,798	2,798	2,798
Borrowings	3,833	130,906	139,135	305,793		579,667	605,205
Off – Statement of Financial Position Financial Instruments							
Financial Assets							
Futures#						919	919
Electricity Hedging Contracts (non-interest bearing)*		502,560	444,092			946,652	(10,834)
Financial Liabilities							
Interest Rate Swaps^	70,000			(70,000)			(1,955)
Futures#	(59,900)					(910)	(910)

* Notional Face Value

^ Notional principal amount - positive amount indicates interest is receivable; negative amount indicates interest is payable. Negative aggregate net fair value indicates the cost to terminate the transaction.

Notional principal amount – positive amount indicates bought futures; negative amount indicates sold futures. Carrying amount included in Current Accounts Payable/Receivable as applicable.

24. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Total Debt Maturity Table

Total debt outstanding and maturity at reporting date is as follows:

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Up to one year	**75,882**	130,906	**75,882**	130,906
Over one and up to two years	**158,954**	–	**119,236**	–
Over two years and up to five years	**135,832**	142,968	**135,832**	139,135
Over five years	**212,295**	305,793	**212,295**	305,793
	582,963	579,667	**543,245**	575,834

25. NOTES TO THE CASH FLOW STATEMENT

(a) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash at bank and in hand, short term deposits and short term investments, net of outstanding bank overdrafts and borrowings which are used in the cash management function on a day to day basis.

(b) Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents 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:

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Cash and Cash Equivalent Assets	**29,504**	43,057	**29,166**	42,676
Current Borrowings	**(277)**	(891)	**(277)**	(891)
Balance as per Cash Flow Statement	**29,227**	42,166	**28,889**	41,785

(c) Dividends and Taxes

No dividends were received during the period. Dividends paid by Delta Electricity during the period amounted to $123.5 million (2005: $74.2 million). Tax equivalent payments for the year were $43.7 million (2005: $26.0 million).

(d) Acquisitions and Disposal of Entities

There were no acquisitions or disposals during the year.

(e) Financing Arrangements

	CONSOLIDATED		PARENT ENTITY	
Facilities Available				
Bank Overdraft	**2,000**	2,000	**2,000**	2,000
NSW Treasury Corporation Loans	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Project Borrowing Facility	**70,000**	70,000	**–**	–
Bank Guarantee	**–**	100	**–**	100
Total Available	**1,072,000**	1,072,100	**1,002,000**	1,002,100
Facilities Utilised				
Bank Overdraft		–		–
NSW Treasury Corporation Loans	**543,245**	575,834	**543,245**	575,834
Project Borrowing Facility	**41,040**	5,250	**–**	–
Bank Guarantee	**–**	–	**–**	100
Total Utilised	**584,285**	581,084	**543,245**	575,934

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
25. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)				
(f) Reconciliation of Net Cash Provided/(Used) by Operating Activities to Profit for the Period after Related Income Tax Expense				
Profit for the Period	**164,491**	106,864	**163,895**	108,416
Add/(Less): Non-Cash Items				
Depreciation and Amortisation	**66,962**	58,703	**66,962**	58,703
Inventory Adjustments	**343**	386	**343**	386
Assets Written Off	**20**	24	**20**	24
Add/(Less): Items classified as Investing/Financing Activities				
(Gain)/Loss on Sale of Property, Plant and Equipment	**179**	(4,868)	**179**	(4,868)
Accounting (Gain)/Loss on Debt Re-financing	**1,791**	1,903	**1,791**	1,903
Net Cash Provided by Operating Activities Before Changes in Assets and Liabilities	**233,786**	163,012	**233,190**	164,564
Net Changes in Assets and Liabilities During the Period				
(Increase)/Decrease in Trade Debtors	**(17,823)**	(7,804)	**(17,823)**	(7,804)
(Increase)/Decrease in Other Receivables	**37**	(346)	**–**	(58)
(Increase)/Decrease in Inventories	**10,047**	(6,642)	**10,047**	(6,642)
(Increase)/Decrease in Other Assets	**532**	1,551	**839**	1,551
Increase/(Decrease) in Payables	**(2,515)**	2,742	**(2,570)**	2,537
Increase/(Decrease) in Income Tax Related Assets/Liabilities	**26,322**	20,041	**26,322**	20,041
Increase/(Decrease) in Other Liabilities	**(47,839)**	20,633	**(47,214)**	20,633
Net Cash Provided/(Used) by Operating Activities	**202,547**	193,187	**202,791**	194,822

26. RELATED PARTY DISCLOSURES

(a) Directors and Director-Related Entities

Some Directors of Delta Electricity hold directorships of other companies, some of which may have had transactions with Delta Electricity during the financial year. Any transactions with these entities would have been made in the normal course of business and on normal commercial terms and conditions. With respect to related entity transactions, no Director has declared that he/she has control or significant influence on the financial and/or operating policies of those companies in their dealings with Delta Electricity.

The Directors of Delta Electricity at 30 June 2006 were Mr PF Young, Mr JP Henness, Mr W Phillips, Ms S Moait, Hon MS Knight and Mr PJ Forward.

Mr JP Henness was a Director of Delta Electricity Australia Pty. Ltd for the full financial year. Mr PF Young was a Director of Delta Electricity Australia Pty. Ltd until 21 July 2005. Mr W Phillips was appointed Director of Delta Electricity Australia Pty. Ltd from 21 July 2005.

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
(b) Key Management Personnel Remuneration				
Short-term Employee Benefits	**3,227**	3,131	**3,227**	3,131
Post-employment Benefits	**295**	289	**295**	289
Other Long-term Benefits	**109**	146	**109**	146
Termination Benefits	**465**	–	**465**	–
Total	**4,096**	3,566	**4,096**	3,566

Key management personnel includes Directors and members of the Executive. Remuneration excludes insurance premiums paid by the parent entity in respect of directors' and officers' liability insurance as policies do not specify premiums paid in respect of individual directors and officers.

No additional remuneration is paid to key management personnel in relation to Delta Electricity Australia Pty. Ltd.

(c) Controlled Entities

Delta Electricity acquired the two issued $1 ordinary shares of Delta Electricity Australia Pty. Ltd in 1997.

The wholly owned subsidiary commenced commercial operations in 2002/03.

Delta Electricity Australia Pty. Ltd has entered into various agreements in respect of the Sunshine Electricity Joint Venture for the construction of renewable electricity generation plants at Condong and Broadwater. The terms of the construction and security agreements require Delta Electricity to make funding available to meet Delta Electricity Australia Pty. Ltd's contributions to total project costs. The funding is made available under a Deed of Capital Contribution with advances carrying no interest charge and are repayable on demand. Approval has been received from NSW Treasury to advance up to $43.8 million to Delta Electricity Australia Pty. Ltd for the purpose of the Sunshine Electricity Joint Venture.

(d) Related Party Transactions

The following table provides details of transactions that were entered into with related parties:

Related Party		Advance to related parties $000	Sales to related parties $000	Amounts owed by related parties $000	Amounts owed to related parties $000
Consolidated					
Sunshine Electricity Joint Venture	**2006**	**250**	**5**	**–**	**25**
	2005	1,553	–	–	–
Parent Entity					
Delta Electricity Australia Pty. Ltd	**2006**	**1,255**	**942**	**7,333**	**–**
	2005	2,100	–	6,079	–

27. EVENTS OCCURRING AFTER REPORTING DATE

There were no significant events occurring after reporting date.

28. CROSS BORDER LEASE

Delta Electricity has entered into several arrangements designed to optimise investment in Mt Piper Power Station. These arrangements have been executed through a series of agreements which in legal form constitute lease, prepayment and deposit transactions. These arrangements will run until 2 January 2020 and include options allowing Delta Electricity to purchase the assets at the end of the term. The substance and commercial effect of these transactions is to leave Delta Electricity with uninterrupted use and control of the associated infrastructure (subject to the satisfaction of the transaction's contractual obligations), which remains on the Balance Sheet. The benefits derived by Delta Electricity were brought to account on inception of the arrangement.

No significant credit risk or concentration of credit risk arises as a consequence of these arrangements.

29. SUNSHINE ELECTRICITY JOINT VENTURE POWER PURCHASE AGREEMENT

Delta Electricity has entered into a fifteen year Power Purchase Agreement with Sunshine Electricity Joint Venture to purchase electricity and renewable energy certificates from the renewable electricity generation plants being constructed at sugar milling plants located at Condong and Broadwater in northern New South Wales. The Power Purchase Agreement only becomes operable when the plants achieve a prescribed level of technical performance.

Under the terms of the Power Purchase Agreement it is possible that Delta Electricity may incur a liability in respect of a minimum electricity charge payable to Sunshine Electricity Joint Venture in a limited range of events relating to fuel availability and suppressed electricity and renewable energy certificate prices. The probability is remote and any assessment of such a liability could only be undertaken at the time of a minimum electricity payment event as it would be dependent on projections of production volumes and electricity and renewable energy certificate prices prevailing at the time.

Notes to and forming part of the Financial Report

30. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under previous Australian Generally Accepted Accounting Principles (AGAAP) are illustrated below:

(a) Reconciliation of Key Aggregates

Reconciliation of Total Equity Under Previous AGAAP to Total Equity Under AIFRS (excluding AASB 139)

		CONSOLIDATED		PARENT ENTITY	
	Notes	30 June 2005** $'000	1 July 2004* $'000	30 June 2005** $'000	1 July 2004* $'000
Total Equity Under AGAAP		**800,596**	**800,596**	**804,898**	**803,346**
Adjustments to Retained Profits					
Defined Benefit Superannuation Adjustment	1	(55,805)	(28,235)	(55,805)	(28,235)
Effect of Discounting on Accumulated Annual Leave	2	194	195	194	195
Tax Effect Adjustment	3	32,383	21,436	32,383	21,436
Adjustments to Asset Revaluation Reserve					
Tax Effect Adjustment	3	(173,126)	(173,126)	(173,126)	(173,126)
Total Equity Under AIFRS		**604,242**	**620,866**	**608,544**	**623,616**

* Adjustments as at the date of transition

** Cumulative adjustments as at date of transition plus the year ended 30 June 2005

Reconciliation of Profit from Ordinary Activities after Related Income Tax Expense Under Previous AGAAP to Profit for the Period Under AIFRS

Year Ended 30 June 2005	Notes	CONSOLIDATED $'000	PARENT ENTITY $'000
Profit from Ordinary Activities after Related Income Tax Expense Under AGAAP		**123,488**	**125,040**
Defined Benefit Superannuation	1	(27,570)	(27,570)
Accumulated Annual Leave	2	(1)	(1)
Income Tax Expense	3	10,947	10,947
Profit for the Period after Related Income Tax Expense Under AIFRS		**106,864**	**108,416**

Notes to tables

1. AASB 119 Employee Benefits requires the defined benefit superannuation obligation to be discounted using the government bond rate as at each reporting date, rather than the long-term expected rate of return on plan assets. This change increases the defined benefit superannuation liability (or decreases the asset for overfunded positions) and changes the quantum of superannuation expense.
2. AASB 119 Employee Benefits requires present value measurement for all long-term employee benefits. AGAAP required wages, salaries, annual leave and sick leave to be measured at nominal value in all circumstances. Delta Electricity has accumulated annual leave benefits expected to be taken beyond 12 months and accordingly these benefits are now measured at present value, rather than nominal value, thereby decreasing the employee benefits liability and changing the quantum of annual leave expense.
3. AASB 112 Income Taxes uses a balance sheet approach which requires the differences between the accounting and tax value of assets and liabilities to be recognised as deferred tax assets or liabilities. AGAAP used an operating statement method that accounted for tax by adjusting accounting profit for temporary and permanent differences to derive taxable income. The AASB 112 approach alters the quantum and timing of tax assets and liabilities recognised. In particular, the balance sheet approach results in the recognition of a deferred tax liability in relation to revalued assets that were generally not recognised under AGAAP. This also changes the quantum and timing of the tax expense.

30. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) Financial Instruments

In accordance with NSW Treasury's indicative mandates, Delta Electricity applied the exemption provided in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement for the financial year ended 30 June 2005. These Standards apply from 1 July 2005. The principle affect of applying these accounting standards is that a number of financial instruments previously not recognised on the Balance Sheet are now recognised on the Balance Sheet at fair value. Movements in the fair value of these financial instruments are recognised through profit or loss unless the requirements for hedge accounting are satisfied which will result in movements in fair value being recognised in the hedging reserve under equity. The impact on the Balance Sheet at 1 July 2005 is outlined in the following table:

	CONSOLIDATED $'000	PARENT ENTITY $'000
Current Assets		
Other Financial Assets	1,399	1,399
Non-Current Assets		
Other Financial Assets	1,560	1,560
Deferred Tax Assets	9,465	8,878
Total Assets	12,424	11,837
Current Liabilities		
Other Financial Liabilities	23,440	23,440
Non-Current Liabilities		
Other Financial Liabilities	11,065	9,111
Total Liabilities	34,505	32,551
Net Assets	**(22,081)**	**(20,714)**
Equity		
Retained Profits	983	1,419
Hedging Reserve	(23,064)	(22,133)
Total Equity	**(22,081)**	**(20,714)**

END OF AUDITED FINANCIAL REPORT

Statement by Members of the Board

Pursuant to Section 41C of the Public Finance and Audit Act, 1983, and in accordance with a resolution of Delta Electricity, we declare on behalf of Delta Electricity that in our opinion:

1. The accompanying Financial Statements exhibit a true and fair view of the financial position of Delta Electricity as at 30 June, 2006 and its performance for the year ended on that date.
2. The accompanying Financial Statements are a general purpose financial report which has been prepared in accordance with applicable accounting standards and other mandatory professional reporting requirements, the provisions of the State Owned Corporations Act, 1989, including Part 3 of the Public Finance and Audit Act, 1983, and the Public Finance and Audit Regulation, 2005.
3. At the date of this statement, there are reasonable grounds to believe that Delta Electricity will be able to pay its debts as and when they become due and payable.
4. We are not aware of any circumstances at the date of this declaration that would render any particulars included in the financial report to be misleading or inaccurate.

Peter Young
CHAIRMAN

21 September 2006

Jim Henness
CHIEF EXECUTIVE

21 September 2006

AUDITOR-GENERAL
NEW SOUTH WALES

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

DELTA ELECTRICITY

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of Delta Electricity (the Corporation):

- presents fairly the Corporation's and the consolidated entity's (defined below) financial position as at 30 June 2006 and their performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005.*

My opinion should be read in conjunction with the rest of this report.

Scope

The Financial Report and the Directors' Responsibility

The financial report comprises the balance sheets, income statements, statements of changes in equity, cash flow statements and accompanying notes to the financial statements for the Corporation and consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises the Corporation and the entities it controlled during the financial year.

The directors of the Corporation are responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and reasonableness of significant accounting estimates made by the directors in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the directors had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Corporation or its controlled entities,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.

A T Whitfield

A T Whitfield, FCA
Acting Auditor-General

SYDNEY
21 September 2006

Delta Electricity Australia Pty. Ltd

Balance Sheet

As at 30 June 2006

	Note	2006 $	2005 $
Current Assets			
Cash and Cash Equivalents	6	**337,346**	381,457
Trade and Other Receivables	7(a)	**631,019**	289,894
Total Current Assets		**968,365**	671,351
Non-Current Assets			
Receivables	7(b)	**9,000**	9,000
Other Financial Assets	8	**919,007**	–
Property, Plant and Equipment	9	**45,831,351**	5,137,103
Deferred Tax Assets	5(b)	**874,325**	–
Total Non-Current Assets		**47,633,683**	5,146,103
Total Assets		**48,602,048**	5,817,454
Current Liabilities			
Trade and Other Payables	10(a)	**3,946,588**	206,616
Total Current Liabilities		**3,946,588**	206,616
Non-Current Liabilities			
Payables	10(b)	**7,369,549**	6,078,749
Borrowings	11	**39,718,217**	3,832,604
Deferred Tax Liabilities	5(b)	**275,702**	–
Total Non-Current Liabilities		**47,363,468**	9,911,353
Total Liabilities		**51,310,056**	10,117,969
Net Assets		**(2,708,008)**	(4,300,515)
Equity			
Contributed Equity	12(a)	**2**	2
Reserves	12(b)	**428,353**	–
Retained Profits	12(c)	**(3,136,363)**	(4,300,517)
Total Equity		**(2,708,008)**	(4,300,515)

The accompanying Notes form an integral part of these Financial Statements.

Income Statement

For the Year Ended 30 June 2006

	Note	2006 $	2005 $
Revenue and Other Operating Income	3	**945,880**	3,477
Expenses, excluding Finance Costs	4	**94,853**	1,555,481
Finance Costs		**–**	–
Profit/(Loss) Before Income Tax Expense		**851,027**	(1,552,004)
Income Tax Expense	5	**255,308**	–
Profit/(Loss) for the Period		**595,719**	(1,552,004)

The accompanying Notes form an integral part of these Financial Statements.

Statement of Changes in Equity

For the Year Ended 30 June 2006

	Note	2006 $	2005 $
Total Equity at Beginning of Financial Year		**(4,300,515)**	(2,748,511)
Adjustments on Adoption of AASB 132 and AASB 139, net of tax, to:			
Retained Profits		**(437,799)**	–
Reserves		**(930,686)**	–
Adjustments on Adoption of UIG 1052 to:			
Retained Profits		**1,006,233**	–
Restated Total Equity at Beginning of Financial Year		**(4,662,767)**	(2,748,511)
Changes in Fair Value of Cash Flow Hedges, net of tax		**1,359,040**	–
Net Income Recognised Directly in Equity		**1,359,040**	–
Profit/(Loss) for Financial Year		**595,719**	(1,552,004)
Total Recognised Income and Expense for Financial Year		**1,954,759**	(1,552,004)
Transactions with Equity Holders in Their Capacity as Equity Holders			
Dividends Provided for or Paid		**–**	–
Total Equity at End of Financial Year	12	**(2,708,008)**	(4,300,515)

The accompanying Notes form an integral part of these Financial Statements.

Delta Electricity Australia Pty. Ltd

Cash Flow Statement

For the Year Ended 30 June 2006

	Note	**2006 $ Inflows (Outflows)**	2005 $ Inflows (Outflows)
Cash Flows From Operating Activities			
Cash Received from Customers		**3,645,880**	161,758
Interest Received		**13,379**	3,477
Cash Payments to Suppliers and Employees		**(3,904,011)**	(1,799,344)
Net Cash Provided/(Used) by Operating Activities	18(f)	**(244,752)**	(1,634,109)
Cash Flows from Investing Activities			
Payments for Property, Plant and Equipment		**(37,107,124)**	(3,941,986)
Net Cash Provided/(Used) by Investing Activities		**(37,107,124)**	(3,941,986)
Cash Flows from Financing Activities			
Proceeds from Advance from Parent		**1,422,151**	2,120,000
Proceeds from Borrowings		**35,885,614**	3,832,604
Net Cash Provided/(Used) by Financing Activities		**37,307,765**	5,952,604
Net Increase/(Decrease) in Cash and Cash Equivalents		**(44,111)**	376,509
Cash and Cash Equivalents at Beginning of Financial Year		**381,457**	4,948
Cash and Cash Equivalents at End of Financial Year	18(b)	**337,346**	381,457

The accompanying Notes form an integral part of these Financial Statements.

Notes to and forming part of the Financial Report

1. CORPORATE INFORMATION

Delta Electricity Australia Pty. Ltd is domiciled in New South Wales and is a wholly owned subsidiary of Delta Electricity which is a New South Wales statutory state owned corporation.

The financial report of Delta Electricity Australia Pty. Ltd for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the Directors on 21 September 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"), Urgent Issues Group Consensus Views, relevant sections of the New South Wales Public Finance and Audit Act 1983 and the New South Wales Public Finance and Audit Regulation 2005, and requirements of the State Owned Corporations Act, 1989 (as amended).

(a) Statement of Compliance

International Financial Reporting Standards ("IFRSs") form the basis of Australian Accounting Standards adopted by the AASB, being Australian Equivalents to IFRSs ("AIFRS"). The financial report of Delta Electricity Australia Pty. Ltd also complies with IFRSs and interpretations adopted by the International Accounting Standards Board.

This is the entity's first financial report prepared in accordance with AIFRS and AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied. An explanation on how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of Delta Electricity Australia Pty. Ltd is provided in Note 21.

(b) Basis of Accounting

The financial report has been prepared in accordance with the principles of accrual accounting and the historical cost convention, and except where stated do not take into account current valuations. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of AIFRS management is required to make judgements, estimates and assumptions that affect the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2006, the comparative information presented in this financial report for the year ended 30 June 2006, and in the preparation of the opening AIFRS balance sheet at 1 July 2005, the entity's date of transition, except for the accounting policies in respect of financial instruments. Delta Electricity Australia Pty. Ltd has not restated comparative information for financial instruments, including derivatives, as permitted under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. The accounting policies for financial instruments applicable to the comparative information and the impact of changes in these accounting policies on 1 July 2005, the date of transition for financial instruments, is discussed further in Notes 17 and 21.

In accordance with New South Wales Treasury mandates, Delta Electricity Australia Pty. Ltd has early adopted AASB 2005-4 regarding restrictions to the AASB 139 fair value option, AASB 2005-6 regarding AASB 3 Business Combinations, and UIG 9 Reassessment of Embedded Derivatives from 1 July 2005.

Other accounting standards and UIG interpretations issued at reporting date that are not mandatory for the 30 June 2006 reporting period have not been early adopted. Future adoption of these standards and UIG interpretations on the relevant application date is not expected to change the entity's accounting policy but may affect the type of information disclosed in the financial report.

(c) Changes in Accounting Policies

Unless otherwise stated, the accounting policies adopted are consistent with those of the comparative year.

(d) Going Concern

The financial report of Delta Electricity Australia Pty. Ltd has been prepared on a going concern basis. The company is a participant in a joint venture operation involved in the design, construction and operation of renewable energy generation plant. Under the terms of a Deed of Capital Contribution agreement, Delta Electricity (parent entity) is required to provide necessary funding to Delta Electricity Australia Pty. Ltd during the establishment and construction phase. Delta Electricity Australia Pty. Ltd is expected to commence earning revenue from operations on completion of generation plant construction.

(e) Contributed Equity

Delta Electricity Australia Pty. Ltd was acquired on 15 December 1997 and is a wholly owned subsidiary of Delta Electricity. The company commenced commercial operations on 1 July 2002.

(f) Joint Ventures

Interests in jointly controlled assets and operations of unincorporated joint ventures are reported in the financial report by including the entity's share of assets employed in the joint venture, the share of liabilities incurred in relation to the joint venture, the share of any expenses incurred in relation to the joint venture in their respective classification categories, and the share of income earned from the joint venture. Details of the joint venture operation are set out in Note 13.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Borrowings
All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the Income Statement through the amortisation process and when the liabilities are derecognised.

Refer to Note 11.

(h) Cash and Cash Equivalents
Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand along with short-term deposits and investments.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts and borrowings which are used in the cash management function on a day to day basis.

(i) Property, Plant and Equipment
Property, plant and equipment is recognised at fair value less accumulated depreciation and impairment in accordance with AASB 116 Property Plant and Equipment, AASB136 Impairment of Assets and the New South Wales Treasury Accounting Policy for the Valuation of Physical Non-Current Assets at Fair Value. During the construction phase, acquisition cost represents fair value.

The accounting policy for impairment of assets is included under Note 2(k).

(j) Borrowing Costs
Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, and gains and losses incurred in the use of derivative instruments for the management of interest rate exposure related to borrowed funds.

Costs associated with borrowings specifically financing qualifying assets are capitalised up to the date of completion of each qualifying asset to the extent those costs are recoverable. A total of $1,704,459 (2005: $1,270,595) in borrowing costs were capitalised during the 2005/06 financial year.

(k) Impairment
At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is based on value in use and is determined at the cash generating unit level being the Delta Electricity Australia Pty. Ltd entity. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the cash generating unit is estimated to be less than its carrying amount, the carrying amount of the cash generating unit is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the cash generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the cash generating unit in prior years. A reversal of an impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(l) Dividends
Provision is made for the amount of any dividend declared, determined or publicly recommended prior to reporting date.

(m) Taxation
Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Taxation (continued)

Income tax payments are made to the New South Wales Office of State Revenue under the National Tax Equivalent Regime (NTER).

Delta Electricity Australia Pty. Ltd and its parent (Delta Electricity) formed a tax consolidated group on 1 July 2003 and are taxed as a single entity for the purposes of income tax. Delta Electricity is the head entity.

Transition to the amended UIG 1052 Tax Consolidation Accounting resulted in an adjustment of $1,006,234 to Retained Profits on 1 July 2005 to recognise the entity's Deferred Tax Assets (previously recognised in the head entity) at that date. Refer to Note 12(c).

Members of the group have entered into a tax sharing arrangement in order to limit the joint and several liability of each member of the tax consolidated group to their share of the head entity's tax liability should the head entity default on its tax payment obligations. At the reporting date, the possibility of default of taxes is remote.

In addition, there is a tax indemnity deed between the members of the group whereby the head entity agrees to indemnify and hold the subsidiary entity harmless against all and any obligations related to income taxes.

(n) Segment Reporting

Delta Electricity Australia Pty. Ltd is an electricity generation corporation that operates in a single business and geographical segment. All production facilities will be located in New South Wales.

(o) Revenue

Interest income on cash reserves is recognised as it accrues. Revenue from operating activities will commence on completion of electricity generation plant construction.

(p) Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the ATO is included as a current asset or liability in the Balance Sheet. Cash flows are included in the Cash Flow Statement on a gross basis.

(q) Comparative Figures

Where necessary, comparative information has been reclassified to enhance comparability in respect of changes in presentation adopted in the current year.

In accordance with AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards and NSW Treasury's indicative mandates, the date of transition to AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement was deferred to 1 July 2005. As a result, comparative information for these two standards is presented under the previous Australian Accounting Standards which applied to the year ended 30 June 2005.

(r) Presentation Currency and Rounding

Amounts shown in the financial report are in Australian dollars, rounded to the nearest dollar.

	2006 $	2005 $
3. REVENUE AND OTHER OPERATING INCOME		
Revenue from Outside Operating Activities		
Interest	**13,379**	3,477
Other Operating Income		
Gains from Change in Fair Value of Derivative Instruments	**932,501**	–
Revenue and Other Operating Income	**945,880**	3,477
4. EXPENSES (EXCLUDING FINANCE COSTS)		
Administration Costs	**8,916**	1,933
Other Expenses	**85,937**	1,553,548
Expenses (excluding Finance Costs)	**94,853**	1,555,481

Auditors' Remuneration paid or payable in respect to the audit of the 2005/06 financial statements is $9,000 (2005: $6,900).

Notes to and forming part of the Financial Report

For Year Ended 30 June 2006

	2006 $	2005 $
5. INCOME TAX		
The major components of Income Tax for the year ended 30 June 2006 are as follows:		
(a) Income Tax Expense		
The major components of income tax expense are:		
Income Statement		
Current Income Tax Expense	(156,351)	–
Deferred Income Tax Expense – temporary differences (Note 5(b))	411,659	–
Income tax expense reported in Income Statement	255,308	–
Statement of Changes in Equity		
Deferred income tax related to items charged or credited directly to equity:		
Unrealised gain/(loss) on cash flow hedges (Note 12(b))	582,446	–
Income tax expense reported in equity	582,446	–
Reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the organisation's effective income tax rate for the year ended 30 June 2006:		
Accounting profit before tax	851,027	–
Income tax at statutory rate of 30% (2005: 30%)	255,308	–
Adjustments in respect of current income tax of previous years	–	–
Income tax expense reported in Income Statement	255,308	–
(b) Deferred Income Tax		
Deferred income tax as at 30 June 2006 relates to the following:		
Deferred Income Tax Liabilities		
Balance Sheet		
Derivative instruments (Note 8)	275,702	–
Gross deferred income tax liabilities	275,702	–
Income Statement		
Derivative instruments – fair value movement	92,122	–
Deferred income tax expense	92,122	–
Deferred Income Tax Assets		
Balance Sheet		
Adjustments on adoption of UIG 1052 Tax Consolidation Accounting (Note 2(m))	1,006,234	–
Joint venture expenses – currently deductible	(131,909)	–
Gross deferred income tax assets	874,325	–
Income Statement		
Derivative instruments – fair value movement	187,628	–
Joint venture expenses – currently deductible	131,909	–
Deferred income tax expense	319,537	–
6. CASH AND CASH EQUIVALENTS		
Bank	337,346	381,457
	337,346	381,457

	2006 $	2005 $
7. TRADE AND OTHER RECEIVABLES		
(a) Current		
Advance Receivable from Parent	**25,000**	–
Other Receivables	**606,019**	289,894
	631,019	289,894
(b) Non-Current		
Other Receivables	**9,000**	9,000
	9,000	9,000

Advance Receivable from Parent and Other Receivables are carried at nominal amounts due less any provision for doubtful debts. Collectibility from debtors is reviewed on an ongoing basis and a provision for doubtful debts is recognised when reasonable doubt exists about the collectibility of the amount. There were no doubtful debts at reporting date (2005: $Nil). Funds from current receivables are due within 42 days of reporting date.

8. OTHER FINANCIAL ASSETS – NON-CURRENT

	2006 $	2005 $
Interest Rate Swaps	**919,007**	–
	919,007	–

Refer to Note 17 for further information on Other Financial Assets.

9. PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation by Asset Classes

Year ended 30 June 2006	Power Stations – Plant and Equipment	Total $
Carrying amount at 1 July 2005	5,137,103	**5,137,103**
Additions	40,694,248	**40,694,248**
Depreciation Expense	–	**–**
Carrying amount at 30 June 2006	**45,831,351**	**45,831,351**
At 1 July 2005		
Fair value	5,137,103	**5,137,103**
Accumulated depreciation and impairment	–	**–**
Net carrying amount	**5,137,103**	**5,137,103**
At 30 June 2006		
Fair value	45,831,351	**45,831,351**
Accumulated depreciation and impairment	–	**–**
Net carrying amount	**45,831,351**	**45,831,351**

The above table includes work in progress for plant and equipment of $45,831,351 (2005: $5,137,103). All plant and equipment is currently under construction.

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliation by Asset Classes (Continued)

Year ended 30 June 2005	Power Stations – Plant and Equipment	Total $
Carrying amount at 1 July 2004	1,204,116	**1,204,116**
Additions	3,932,987	**3,932,987**
Depreciation Expense	–	**–**
Carrying amount at 30 June 2005	**5,137,103**	**5,137,103**
At 1 July 2004		
Fair value	1,204,116	**1,204,116**
Accumulated depreciation and impairment	–	**–**
Net carrying amount	**1,204,116**	**1,204,116**
At 30 June 2005		
Fair value	5,137,103	**5,137,103**
Accumulated depreciation and impairment	–	**–**
Net carrying amount	**5,137,103**	**5,137,103**

	2006 $	2005 $
(b) Carrying Amount of Asset Classes if Valued Using the Cost Model		
If property, plant and equipment were measured using the cost model, the carrying amounts would be as follows:		
Power Stations Plant and Equipment		
At cost	**45,831,351**	5,137,103
Less: accumulated depreciation	**–**	–
Total Written Down Value of Property, Plant and Equipment	**45,831,351**	5,137,103
10. TRADE AND OTHER PAYABLES		
(a) Current		
Accounts Payable	**3,946,588**	206,616
	3,946,588	206,616

Accounts Payable represents amounts to be paid in the future for goods received and services provided at reporting date. These liabilities are usually settled within 30 days.

(b) Non-Current		
Advance from Parent Entity	**7,369,549**	6,078,749
	7,369,549	6,078,749

Under the terms of a Deed of Capital Contribution agreement dated 11 October 2001, Delta Electricity (parent entity) is required to provide specified funding to Delta Electricity Australia Pty. Ltd to enable the company's participation in a joint venture operation. Funding is currently provided as an interest free advance and is repayable on demand.

Delta Electricity has current approval under the Public Authorities (Financial Arrangements) Act to advance up to $43.8 million to Delta Electricity Australia Pty. Ltd. At reporting date, $7,369,549 (2005: $6,078,749) of this limit had been utilised.

11. BORROWINGS		
Bank Loans – secured	**39,718,217**	3,832,604
	39,718,217	3,832,604

The Bank Loans are secured over the property of Delta Electricity Australia Pty. Ltd. Following practical completion of generation plant construction, bank loan repayments are scheduled at six monthly intervals.

Notes to and forming part of the Financial Report

	2006 $	2005 $
12. EQUITY		
(a) Contributed Equity		
Balance at beginning of year	**2**	2
Share capital paid up by parent entity	**–**	–
Contributed Equity at end of year	**2**	2

(b) Reserves

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

	2006 $	2005 $
Balance at beginning of year	**–**	–
Adjustments on adoption of AASB 132 and AASB 139, net of tax (Note 21(a))	**(930,686)**	–
Restated balance at beginning of year	**(930,686)**	–
Net Gains on Cash Flow Hedges	**1,941,485**	–
Tax Effect (Note 5(a))	**(582,446)**	–
Hedging Reserve at end of year	**428,353**	–

(c) Retained Profits

	2006 $	2005 $
Balance at beginning of year	**(4,300,517)**	(2,748,513)
Adjustments on adoption of AASB 132 and AASB 139, net of tax (Note 21(a))	**(437,799)**	–
Adjustments on adoption of UIG 1052 Tax Consolidation Accounting (Note 2(m))	**1,006,234**	–
Restated balance at beginning of year	**(3,732,082)**	(2,748,513)
Profit/(Loss) for the Period after Related Income Tax Expense	**595,719**	(1,552,004)
Retained Profits/(Losses) at end of year	**(3,136,363)**	(4,300,517)

13. JOINTLY CONTROLLED ASSETS AND OPERATIONS

(a) Description
The principal activity of Delta Electricity Australia Pty. Ltd is the participation in a joint venture operation called Sunshine Electricity to design, construct and operate renewable energy generation capacity in New South Wales.

Delta Electricity Australia Pty. Ltd has a 50% participating interest in the joint venture and is entitled to 50% of the output. The remaining 50% participating interest is held by Sunshine Renewable Energy Pty. Ltd.

Delta Electricity Australia Pty. Ltd has acquired one of the two $1 ordinary shares in Sunshine Electricity Management Pty. Ltd. The remaining $1 ordinary share was acquired by Sunshine Renewable Energy Pty. Ltd. Sunshine Electricity Management Pty. Ltd was established specifically as an agent for the joint venture partners.

(b) Share of Assets
The entity's interest in assets employed in the jointly controlled assets joint venture is detailed below:

	2006 $	2005 $
Cash and Cash Equivalents	**416**	39,107
Trade and Other Receivables	**27,736**	50,932
Total Current Assets	**28,152**	90,039
Receivables	**9,000**	9,000
Property, Plant and Equipment	**45,831,351**	5,137,103
Total Non-Current Assets	**45,840,351**	5,146,103
Total Assets	**45,868,503**	5,236,142

	2006 $	2005 $
14. EXPENDITURE COMMITMENTS		
Expenditure contracted for at reporting date but not recognised as liabilities in the Balance Sheet:		
(a) Capital – Plant and Equipment		
Payable no later than one year	**44,610,611**	53,117,350
Payable later than one, not later than 5 years	**2,424,035**	35,193,070
Payable later than 5 years	**–**	–
	47,034,646	88,310,420
(b) Operating (excluding lease commitments) – Operational and Maintenance		
Payable no later than one year	**1,555,982**	15,371
Payable later than one, not later than 5 years	**729,500**	2,086,866
Payable later than 5 years	**2,080,500**	2,255,029
	4,365,982	4,357,266

Delta Electricity Australia Pty. Ltd expects to receive input tax credits from the Australian Taxation Office totalling $4,407,539 (2005: $8,159,882) for Goods and Services Tax paid for these commitments.

15. OPERATING LEASE COMMITMENTS
Future operating lease rentals contracted for at reporting date but not recognised as liabilities in the Balance Sheet:

	2006 $	2005 $
Payable no later than one year	**7,136**	6,962
Payable later than one, not later than 5 years	**30,375**	29,634
Payable later than 5 years	**288,538**	296,415
	326,049	333,011

Delta Electricity Australia Pty. Ltd has entered into a number of leases in respect of the Sunshine Electricity Joint Venture to support operating activities. The leases have varying terms, escalation clauses and renewal rights and are due to expire within 19 to 45 years. Delta Electricity Australia Pty. Ltd expects to receive input tax credits from the Australian Taxation Office totalling $29,641 (2005: $30,274) for Goods and Services Tax paid for these commitments.

16. CONTINGENT LIABILITIES AND CONTINGENT ASSETS
There were no known contingent liabilities or contingent assets in existence at reporting date.

17. FINANCIAL INSTRUMENTS

(a) Derivative Instruments
Delta Electricity Australia Pty. Ltd has entered into three long term interest rate swaps for the duration of its externally funded debt. The swaps are used to alter and modify the natural risks inherent in the Balance Sheet.

	2006 $	2005 $
Interest Rate Swaps		
Less than one year	**–**	–
One to five years	**–**	–
Greater than five years	**70,000**	70,000
	70,000	70,000

The total notional amount of interest rate swaps is $70,000,000 with Delta Electricity Australia Pty. Ltd receiving floating interest and paying fixed interest. At reporting date $61,877,000 of the total notional amount had been activated.

The instruments are recognised on the Balance Sheet at fair value as measured by the instrument providers.

For interest rate swaps which qualify as cash flow hedges and meet the conditions of hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the Income Statement.

At reporting date, two interest rate swaps qualified as fully effective hedges with the remaining interest rate swap being assessed as ineffective.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the year. For interest rate swaps that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

17. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit Risk Exposures

The credit risk on financial assets which have been recognised on the Balance Sheet is generally the carrying amount.

(c) Fair Values

Set out below is a comparison by category of carrying amounts and fair values of all financial instruments.

	Carrying Amount 2006 $	Fair Value 2006 $
Financial Assets		
Cash and Cash Equivalents	337,346	337,346
Receivables		
– Current	631,019	631,019
– Non-current	9,000	9,000
Interest Rate Swaps	919,007	919,007
Financial Liabilities		
Accounts Payable	3,946,588	3,946,588
Advance from Parent	7,369,549	7,369,549
Borrowings	39,718,217	39,718,217

No financial assets are carried at values in excess of their fair value at reporting date.

(d) Interest Rate Risk

The following table sets out the carrying amount by maturity of financial instruments exposed to interest rate risk at 30 June 2006.

	Financial instruments maturing in						Carrying
	<1 year $	>1 <2 years $	>2 <3 years $	>3 <4 years $	>4 <5 years $	>5 years $	Amount $
Financial Assets							
Floating Rate							
Cash and Cash Equivalents	337,346						337,346
Financial Liabilities							
Fixed Rate							
Borrowings	39,718,217						39,718,217

All other financial assets and financial liabilities are non-interest bearing.

The weighted average interest exposure on financial assets is 5.0% (2005: 4.1%). The weighted average interest exposure on financial liabilities (net of interest rate swaps) is 7.3% (2005: 7.3%).

(e) Interest Rate Risk Exposures and Fair Values at 30 June 2005

The exposure to interest rate risk for financial instruments and the aggregate net fair values of financial assets and liabilities at 30 June 2005 prepared in accordance with AAS 33 Presentation and Disclosure of Financial Instruments were:

	Floating	Interest Rate Swaps maturing in			Non-interest	Carrying	Aggregate
	Interest $	<1 year $	1-5 years $	>5 years $	Bearing $	Amount $	Net Fair Value $
Financial Assets							
Cash	381,457					381,457	381,457
Other Receivables					289,894	289,894	289,894
Financial Liabilities							
Accounts Payable					206,616	206,616	206,616
Advance from Parent					6,078,749	6,078,749	6,078,749
Borrowings	3,832,604					3,832,604	3,832,604
Off – Statement of Financial Position Financial Instruments							
Financial Liabilities							
Interest Rate Swaps^	70,000,000			(70,000,000)			(1,954,980)

^ Notional principal amount – positive amount indicates interest is receivable; negative amount indicates interest is payable. Negative aggregate net fair value indicates the cost to terminate the transaction.

18. NOTES TO THE CASH FLOW STATEMENT

(a) Cash and Cash Equivalents
For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash at bank and in hand, short term deposits and short term investments, net of outstanding bank overdrafts and borrowings which are used in the cash management function on a day to day basis.

(b) Reconciliation of Cash and Cash Equivalents
Cash and cash equivalents 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 $	2005 $
Cash and Cash Equivalent Assets	**337,346**	381,457
Balance as per Cash Flow Statement	**337,346**	381,457

(c) Dividends and Taxes
No dividends were received during the period (2005: $Nil). There were no dividend or tax equivalent payments during the period (2005: $Nil).

(d) Acquisitions and Disposal of Entities
There were no acquisitions or disposals during the year.

(e) Financing Arrangements

Facilities Available		
Project Borrowing Facility	**70,000,000**	70,000,000
Total Available	**70,000,000**	70,000,000
Facilities Utilised		
Project Borrowing Facility	**41,039,837**	5,149,224
Total Utilised	**41,039,837**	5,149,224

(f) Reconciliation of Net Cash Provided/(Used) by Operating Activities to Profit/(Loss) for the Period after Related Income Tax Expense

Profit/(Loss) for the Period after Related Income Tax Expense	**595,719**	(1,552,004)
Net Changes in Assets and Liabilities During the Period		
(Increase)/Decrease in Other Receivables	**37,026**	(287,606)
(Increase)/Decrease in Other Assets	**(307,073)**	–
Increase/(Decrease) in Payables	**55,004**	205,501
Increase/(Decrease) in Other Liabilities	**(625,428)**	–
Net Cash Provided/(Used) by Operating Activities	**(244,752)**	(1,634,109)

19. RELATED PARTY DISCLOSURES

(a) Key Management Personnel
The Directors of the entity during the financial year were:

Mr PF Young (to 21 July 2005)
Mr JP Henness
Mr W Phillips (from 21 July 2005)

The above officers are also Directors of the parent entity. No additional remuneration is provided for being a Director of Delta Electricity Australia Pty. Ltd.

(b) Ultimate Parent Entity
The ultimate parent entity at reporting date is Delta Electricity.

19. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Related Party Transactions

The following table provides details of transactions that were entered into with related parties:

Related Party		Advance to related parties $	Advance from related parties $	Purchases/ (Sales) from related parties $	Amounts owed to related parties $
Delta Electricity	**2006**	**–**	**1,254,537**	**941,783**	**7,333,286**
	2005	–	2,100,000	–	6,078,749
Sunshine Electricity Joint Venture	**2006**	**250,000**	**–**	**4,633**	**25,000**
	2005	1,553,000	–	–	–

20. EVENTS OCCURRING AFTER REPORTING DATE

There were no significant events occurring after reporting date.

21. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Financial Instruments

In accordance with NSW Treasury's indicative mandates, Delta Electricity Australia Pty. Ltd applied the exemption provided in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement for the financial year ended 30 June 2005. These Standards apply from 1 July 2005. The principle affect of applying these accounting standards is that some financial instruments previously not recognised on the Balance Sheet are now recognised on the Balance Sheet at fair value. Movements in the fair value of these financial instruments are recognised through profit or loss unless the requirements for hedge accounting are satisfied which will result in movements in fair value being recognised in the hedging reserve under equity. The impact on the Balance Sheet at 1 July 2005 is outlined in the following table:

	$
Non-Current Assets	
Deferred Tax Assets	586,494
Total Assets	586,494
Non-Current Liabilities	
Other Financial Liabilities	1,954,979
Total Liabilities	1,954,979
Net Assets	**(1,368,485)**
Equity	
Retained Profits	(437,799)
Hedging Reserve	(930,686)
Total Equity	**(1,368,485)**

(b) Other Accounting Standards

There was no impact on the balances, transactions or cash flows of Delta Electricity Australia Pty. Ltd on transition to other AIFRS standards.

END OF AUDITED FINANCIAL REPORT

Statement by Members of the Board

Pursuant to Section 41C of the Public Finance and Audit Act, 1983, and in accordance with a resolution of Delta Electricity Australia Pty. Ltd, we declare on behalf of Delta Electricity Australia Pty. Ltd that in our opinion:

1. The accompanying Financial Statements exhibit a true and fair view of the financial position of Delta Electricity Australia Pty. Ltd as at 30 June, 2006 and its performance for the year ended on that date.
2. The accompanying Financial Statements are a general purpose financial report which has been prepared in accordance with applicable accounting standards and other mandatory professional reporting requirements, the provisions of the State Owned Corporations Act, 1989, including Part 3 of the Public Finance and Audit Act, 1983, and the Public Finance and Audit Regulation, 2005.
3. At the date of this statement, there are reasonable grounds to believe that Delta Electricity Australia Pty. Ltd will be able to pay its debts as and when they become due and payable.
4. We are not aware of any circumstances at the date of this declaration that would render any particulars included in the financial report to be misleading or inaccurate.

Warren Phillips
DIRECTOR

21 September 2006

Jim Henness
DIRECTOR

21 September 2006

AUDITOR-GENERAL NEW SOUTH WALES

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

DELTA ELECTRICITY AUSTRALIA PTY LTD

To Members of the New South Wales Parliament

Audit Opinion

In my opinion the financial report of Delta Electricity Australia Pty Ltd (the Company):

- presents fairly the Company's financial position as at 30 June 2006 and its performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act), and the *Public Finance and Audit Regulation 2005.*

My opinion should be read in conjunction with the rest of this report.

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for the Company for the year ended 30 June 2006.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the directors had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Company,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.

A T Whitfield, FCA
Acting Auditor-General

SYDNEY
21 September 2006

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DESIGNED AND PRODUCED BY ROSS BARR & ASSOCIATES PTY LIMITED

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ISSN 1327-6557