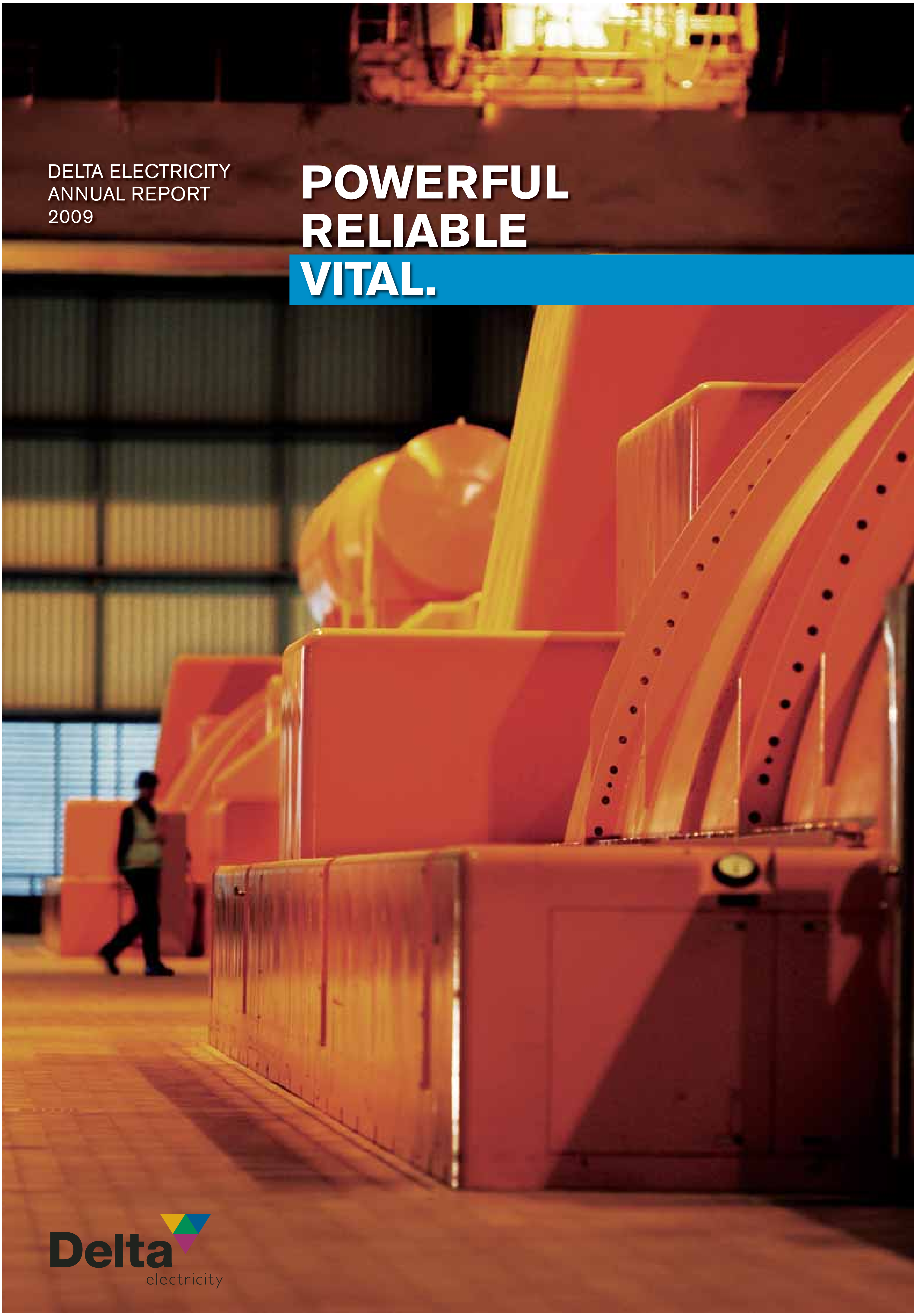
DELTA ELECTRICITY
ANNUAL REPORT
2009

POWERFUL
RELIABLE
VITAL.



Delta
electricity

COMMUNICATION OBJECTIVES

This Annual Report is a financial and compliance report, prepared to meet the requirements prescribed by the *Annual Reports (Statutory Bodies) Regulation 2005*. It takes into account exemptions granted by the Treasurer in July 1997. It is available on CD and on the website www.de.com.au.

The 2009 Sustainability Report will be prepared this year against the National Generator Forum standards derived from the Global Reporting Index and also in compliance with the Energy Supply Association of Australia (esaa) reporting standards. This report will be completed by December 2009 and made available on our website www.de.com.au.

The National Electricity Market

Australia's National Electricity Market was established when Australia's electricity supply industry was restructured during the 1990s. Previously, government authorities in the states and territories were responsible for all aspects of electricity supply in their individual jurisdictions. The restructure included disaggregating the industry and deregulating and interconnecting the electricity grids of the jurisdictions to facilitate inter-regional trade. The objectives were to improve cost and operational efficiency across the industry, increase competition between businesses providing the same services in the electricity supply chain, to provide choice for electricity consumers and to send appropriate market signals to new investors.

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

- 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 Australian Energy Market Operator, responsible for the operation of the wholesale market and technical operations of the overall power system; and
- the Ministerial Council on Energy, responsible for energy policy making and legislation.

CONTENTS

TABLES

LETTER TO VOTING SHAREHOLDERS

The Hon. Eric Roozendaal, MLC
Treasurer
Level 36 Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

The Hon. Joseph Tripodi, MP
Minister for Finance, Minister for Infrastructure,
Minister for Regulatory Reform, and Minister for Ports and Waterways
Level 31 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 2008 to 30 June 2009 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 2009.

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 d1984*. It is being submitted for presentation to Parliament.

Yours faithfully,

Peter Young, Chairman

Jim Henness, Chief Executive

HIGHLIGHTS

Financial Performance
- Profit before tax of $100.7 million

Plant Performance
- High level of production recorded with 23,746 GWh sent out
- Highest ever annual generation and highest availability since commissioning for Vales Point Power Station
- Longest continual run of operation for Munmorah Power Station of 146 days

Plant improvements
- Completed major life extension refurbishment at Wallerawang Power Station
- Upgraded Mt Piper Power Station's Unit 1 from 660 MW to 700 MW
- Undertook a major upgrade of Munmorah Power Station, replacing all condenser tubes and refurbishing the boiler and turbine

Development
- Australia's largest base-load renewable energy project launched
- Low emission Colongra gas turbines construction project exceeds milestones and under budget
- Gained approval for rail coal unloader for Mt Piper Power Station
- Gained approval for Stage 2 of Kerosene Vale ash repository
- Gained approval for Stage 2 of Bamarang gas turbine project
- Sought project approval for Stage 1 of Marulan gas turbine plant and concept approval for Stage 2
- Lodged preliminary environmental assessment for extension of Mt Piper Power Station, using gas or coal as fuel
- Lodged preliminary environmental assessment for refurbishment of Munmorah Power Station, using gas or coal as fuel

Environmental Management
- Researching post combustion carbon capture under Australian conditions jointly with CSIRO
- Further reduced use of drinking quality water with water reclamation plant installed at Vales Point Power Station
- Water quality and supply improved for Mt Piper Power Station with second reverse osmosis plant installed
- Retained ISO 14001 compliance, assuring best practice processes in environmental management

Safety
- Further reduction in lost time injury frequency rate

CHAIRMAN'S REPORT

NSW Energy Reform Program

In November 2008, the NSW Government announced a new phase of energy industry reform which aims to attract private sector investment in new electricity generation.

There are three key elements in the Government's plans for the electricity industry:

- selling the electricity trading rights of government-owned power stations, and their associated risks, to the private sector (the Gentrader proposal);
- selling the retail businesses of EnergyAustralia, Integral Energy and Country Energy; and
- selling potential power station development sites around the State.

Two of these proposals directly impact Delta's forward business plan.

Delta currently manages the trading of the energy produced at its power stations, and coordinates production across our portfolio of generators helping us lower production costs and allowing us to respond to market demand and plant changes. In preparation for the impact of Gentrader, Delta has undertaken due diligence work as well as an assessment of the new functions that will be required when Delta becomes a generation company managing long-term contracts with a Gentrader. As at 30 June 2009, further details of the likely contractual arrangements are still awaited.

In relation to development sites, Delta actively pursued planning approvals for new electricity generation facilities. Development consent was received for a gas turbine plant at Bamarang. Development applications were lodged for another gas turbine at Marulan, an extension of up to 2,000 MW at Mt Piper Power Station and the rehabilitation of generating units 3 and 4 at Munmorah Power Station. These four sites are part of the seven potential development sites that will be offered for sale to the private sector.

Emissions trading scheme

In July 2008, the Federal Government released the Carbon Pollution Reduction Scheme (CPRS) Green Paper which, for the first time in Australia, will make industries pay for the carbon emissions they generate. This is a significant policy proposal and, as one of Australia's largest electricity generators using fossil fuels, Delta has long recognised that climate change presents us with our most significant challenge. We have examined the implications for our business under a range of scenarios arising from introduction of an emissions trading scheme. We will continue to monitor the proposed legislation and its implications for Delta's business.

Expanded Renewable Energy Target

The Australian Government has set a target of 20% renewables in Australia's electricity mix by 2020. The Renewable Energy Target scheme guarantees a market for additional renewable energy generation, using a mechanism of tradeable Renewable Energy Certificates. It is expected that returns on investment in renewable energy, such as the sugar mills joint venture, will increase through our participation in the Renewable Energy Certificate market.

Transition strategies

Delta has begun implementing a number of strategies which will enable our business to make the transition to an economy that puts a price on carbon. These strategies include gas facilities, co-firing biomass with coal, renewable energy generation and carbon capture and storage.

The 667 MW Colongra gas turbine plant that Delta is constructing near the existing Munmorah Power Station is well advanced. This infrastructure project has progressed on time and within budget and will augment our base-load portfolio, offering peaking capacity for very hot summer days and cold winter periods. It will be fully operational in late 2009.

Delta has been conducting low level biomass co-firing trials at both Wallerawang and Vales Point power stations for some time. The co-milling method used currently involves adding a small percentage of finely chipped and shredded biomass onto the coal conveyors on top of the coal. This effectively replaces coal with a renewable energy fuel. We will investigate better methods of co-firing that are available using levels of biomass co-firing around 25% to 30%. Delta continues to investigate options to upgrade its level of biomass co-firing.

In November 2008, Delta was very proud to launch the largest base-load renewable energy project in Australia, which we manage in a joint venture with the NSW Sugar Milling Co-Operative. One of the reasons renewable energy cannot quickly and easily supplant fossil fuelled generation is that it is intermittent with estimated capacity factors for solar and wind of around 25% and 40% respectively. The two 30 MW co-generators installed at the Condong and Broadwater sugar mills generate base-load renewable energy from biomass fuels, mainly the waste from milling sugar cane, putting out sufficient energy to power 60,000 average homes.

“The past 12 months have seen significant State and Federal Government policy proposals that will have long-term implications for the broader economic and political context in which Delta Electricity operates. The global financial crisis also impacted the generation sector, with the energy demand growth trend slowing, resulting in a softer market.”

In conjunction with CSIRO, Delta continued its program to assess carbon capture and storage technology as an emission abatement option for its fossil fuel-fired power stations. A pilot plant at Munmorah Power Station was constructed, attracting interest from the international community. Data from the Munmorah research program will be analysed in order to develop a large scale demonstration carbon capture and storage plant. Delta also hosted an exploratory drilling operation conducted by the Department of Primary Industries at its Munmorah Power Station. The drilling is part of a State-wide program being undertaken by the Department to assess the potential for geological storage of carbon dioxide. These are long-term options to enable fossil fuel use until such time as new affordable technologies to produce base-load energy are developed.

Coal

While the policy environment aims to encourage the transition to a lower emission generation sector, the long life of existing generation assets and the current inability of renewables to meet base-load demand, means the transition will take place over an extended period of time. It is important to secure a reliable fuel supply at a competitive cost.

In a joint venture with the other state owned generators, Delta has commenced investigations into the feasibility of developing coal resources in western New South Wales. On 15 May 2009, the Minister for Mineral Resources, the Hon. Ian Macdonald, announced that the joint venture had been invited to apply for a coal exploration licence in the Cobbora area near Dunedoo.

In June 2009, Delta gained approval for the construction of a rail coal unloader near Mt Piper Power Station which will also ensure that competitively priced coal can be delivered to the power station.

Water

Water is the other natural resource which is vital to our operations. Although drought conditions have eased, water must be very carefully managed. The commissioning of a water reclamation plant at Vales Point Power Station with the capacity to produce 1.2 million litres a day was completed in October 2008. This innovation has significantly reduced the power station’s use of Central Coast drinking quality water.

In the Western Region, water quality and supply issues are closely monitored to ensure satisfactory plant performance. State Water released more supplies which eased pressure on the Oberon Dam supplies for Wallerawang Power Station, while the installation of a second reverse osmosis plant at Mt Piper enables water quality to be maintained. Delta continues to examine the feasibility of harvesting water from alternative sources.

Market

About 2,000 MW of gas fired new generation capacity was commissioned in NSW during 2008/2009, with another 2,000 MW of new generation capacity to be completed in the next 18 months. The commissioning of new generating plant in NSW over the summer period, coupled with slowing demand for energy and mild weather, contributed to lower spot prices in the second half of the year. With concerns easing about the impact of drought on the market, prices were down from the previous year. Until the market has certainty on both the design and timing of the emissions scheme, contract activity in the forward years will remain subdued.

Targets exceeded

With the number of challenging policy proposals has come another year of uncertainty for staff but there has been a determined focus on business as usual. It has been especially pleasing to see that the measures endorsed by the Board, to meet a strong target for availability, were effective. Thanks to the work of those who ensured the plant was efficiently maintained, the Delta generating portfolio returned significantly improved plant performance during 2008/2009 achieving an excellent availability figure of 86.8%.

Concern about climate change and the current financial crisis highlight the importance of Delta carefully managing environmental responsibilities. We will continue to fulfill our primary responsibility of producing a reliable supply of energy for hospitals, households, industry and small business while maintaining efforts to minimise the impacts of our operations on the environment.

I wish to thank my fellow Board members and Jim Henness, the Chief Executive, and his executive team for their stewardship during a challenging but ultimately rewarding year. To all Delta staff, thank you for your hard work and commitment throughout the year.

Peter Young
Chairman

CHIEF EXECUTIVE'S REPORT

We operate in a rapidly changing and unpredictable environment. This year, a series of major events and circumstances impacted on our business – the global financial crisis, the continuing drought, further energy industry reform, developments in the Commonwealth Government's Carbon Pollution Reduction Scheme and an increasing public concern about emissions from coal-fired electricity generation and the role of those emissions in climate change.

Most of these issues were outside the control of Delta and acted adversely on our market place. Nevertheless we continued with our approach of preparing for the future by significantly improving our plant availability and delivering major asset improvements across our portfolio. We made ourselves more reliable, less dependent on water availability, increased our production of renewable energy and continued our development with the CSIRO of a pilot carbon capture plant at Munmorah.

Improved performance

Delta's portfolio returned significantly improved plant performance during 2008/2009 and achieved production of 23,765 GWh for the year. The substantial refurbishment work undertaken at Vales Point the previous year was instrumental in the station achieving its highest ever availability. Also on the Central Coast, Unit 3 at Munmorah ran for 146 days without a shutdown – its longest continual run in over 40 years of operation.

Overall, Delta achieved an availability rate of 86.8% for the portfolio. We had challenged ourselves to improve on last year's result of 77.3%. We funded plant improvements and introduced an availability based incentive scheme for staff. Our aim was to focus everyone on ensuring our plant was available to meet contractual obligations and to have capacity available for the spot market. This was an excellent outcome and a great achievement by all involved.

Improved capacity

We implemented a series of successful refurbishment outages at our major power stations and construction of the 667 megawatt Colongra gas-fired power station continued on schedule for commissioning of all four units by November 2009.

Mt Piper Power Station's Unit 1 was successfully upgraded – raising capacity to 700 MW. The unit was returned to service after the upgrade and operated continuously throughout the winter.

Wallerawang Power Station Unit 7 underwent a major refurbishment. Condenser tubes, boiler tubing and some steam turbine blades were replaced. Since returning to service the unit has been able to achieve full capacity reliably and has operated at an availability in excess of 97%.

Munmorah Power Station Unit 3 had a planned major outage during which, all of the condenser tubes were replaced and the boiler and turbine were refurbished. On return to service the unit has been able to operate reliably at it 300 megawatt rating.

Completion of the Colongra gas-fired power station is on schedule and within budget. Construction of the first two units is complete and commissioning has been successful. The remaining two units will be commissioned by November 2009.

Reduced profit

The economic slowdown, the introduction of two new gas plants in NSW, a slowing demand for energy, increased wind capacity, and mild weather, all contributed to a very subdued spot market, particularly in the second half of the year when all these factors coincided. Consequently, financial returns were affected with profit disappointingly down on last year's outcome.

Increased water efficiency

The continuing lack of rain necessitated the development of alternative means to supplement water supplies to our plants. These initiatives make us more secure under prolonged drought conditions.

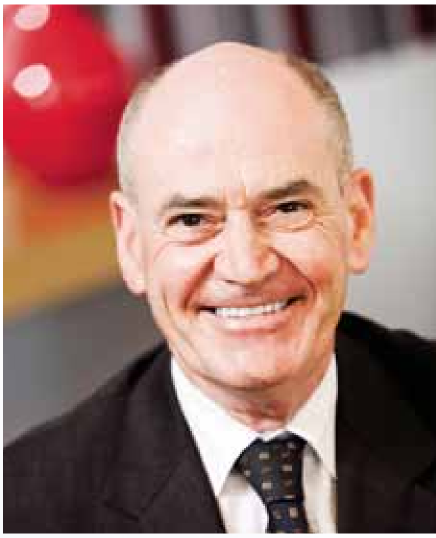
A water reclamation plant at Vales Point was commissioned in October 2008. It converts up to 230 million litres of treated sewage effluent a year into water suitable for use in industrial processes at the power station.

Oberon Dam (the Fish River supply), a major water supply for Wallerawang Power Station, reached an historical low of approximately 12% capacity. Delta's supply from this resource was restricted to 40% of the maximum allocation. In June 2009, State Water provided additional supply for Wallerawang, which provided some relief for the Oberon storage. The addition of a second reverse osmosis plant at Mt Piper improved the water quality and supply to the power station. This allowed Mt Piper to continue operation using the Coxs River as its primary supply.

Sustainability initiatives

Delta continues to seek ways to reduce the impact of our coal-fired generators and to improve sustainable power production. In partnership with CSIRO, we constructed a pilot plant at Munmorah and began an 18-month program to test the performance of ammonia-based, post-combustion carbon capture-technology. We also participated in a pilot-scale carbon capture project

“This year, a series of major events and circumstances impacted on our business... Nevertheless we continued with our approach of preparing for the future by significantly improving our plant availability and delivering major asset improvements across our portfolio.”



in the United States sponsored by the Electric Power Research Institute. An exploratory drilling operation was conducted by the Department of Primary Industries at Munmorah to assess the potential for geological storage of carbon dioxide.

Professor Tony Vassallo was appointed to the Delta funded Chair in Sustainable Energy Development at the University of Sydney in October 2008. The Chair has been established to develop and implement sustainable energy solutions. Delta is also supporting a PhD research program at the University of Sydney which is investigating the application of waste heat from power stations in the post-combustion carbon-capture process.

Generating more renewable energy

Delta continues to investigate options to increase our power generation from renewable sources. Small quantities of renewable electricity are produced at our coal-fired generators by co-firing renewable biomass fuels with coal. The biomass fuel includes sawmill residue (a by-product of sustainable plantation operations) and waste wood (from construction and demolition activities). This initiative also reduces waste by diverting these materials from landfills.

We are investigating ways of increasing our renewable energy production by improving biofuel processing and by expanding the range of sustainable biomass fuel supplies to include energy crops (such as mallee eucalypt plantations and residue from plantation forestry operations).

During the year, Delta participated in a study to assess the feasibility of solar thermal technology and identified suitable sites for its development in western NSW.

Supporting our communities

Delta continues to support the communities where we operate. We sponsored and supported a range of events, activities and facilities. We operate two community consultative groups of residents and stakeholders that live near our power stations: the Community Advisory Regional Environmental Forum (known as the CARE Forum) on the Central Coast and the Western Community Forum in the Western Region. We also support indigenous communities by providing Aboriginal and Torres Strait Islander apprenticeships and by sponsoring events which celebrate indigenous heritage on the Central Coast and in the Western Region.

Through its matching donation policy, Delta supports staff charitable donations. Around $50,000 in total was donated by Delta to several charities which are supported through staff weekly payroll deductions. Monies raised for catastrophes such as the earthquake in China and the Victorian bushfires were also matched, totaling around $75,000.

Safety commitment

Maintaining high safety standards is our most important management objective. This year, the five year anniversary of Delta Zero Incident Process, known as D-ZIP, which helps raise awareness of safe workplace behaviour, was celebrated. Safety systems were improved at all locations with initiatives such as implementing a new safety lock out system to isolate plant being repaired or maintained and by improving OH&S partnerships with contractors. Our lost time injury frequency rate improved, as it has done for the last three years. Importantly, there was also a reduction in the severity of injuries being sustained to very low levels.

Future challenges

The NSW Government has proposed to sell the trading rights of the activities of the generation businesses, as well as generation development sites, to the private sector. Each private sector trader would pay the government a fixed fee over the contract period in exchange for the trading rights. We will continue to work in with Government in meeting its timetable for completion of these activities.

The public debate about climate change and the passage of the Carbon Pollution Reduction Scheme through Federal Parliament increased public attention on Delta and other coal-fired power generators. We await further development of the Scheme to more fully prepare Delta’s response.

Acknowledgements and thanks

My thanks to Delta’s executive team and all staff for their contributions throughout the year.

Our hard work has helped us to achieve the important goals that we set ourselves and by these measures it has been a successful year. We have accomplished a great deal in difficult times.

I also thank our Board, especially Chairman Peter Young, for their expert guidance, leadership and support throughout the year.

Jim Henness

Jim Henness
Chief Executive

PROFILE

Delta Electricity is a state-owned electricity generation corporation. 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 Mount Piper and Wallerawang near Lithgow and Munmorah and Vales Point on the Central Coast.

The capacity of Delta's coal-fired plant is 4,320 megawatts which provides some 12% of electricity for the 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 is expected 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's principal functions are to:

- establish, maintain and operate facilities for the generation of electricity and other forms of energy; and
- 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; and
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 shareholders while recognising the interests of communities within which we operate.

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.

LOCATION

Location	Unit Size	Total Units	Capacity
Coal			
Mt Piper	700 MW	2	1,400 MW
Vales Point	660 MW	2	1,320 MW
Wallerawang	500 MW	2	1,000 MW
Munmorah	300 MW	2	600 MW
			4,320 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			
Condong	30 MW	1	30 MW
Broadwater	30 MW	1	
	8 MW	1	38 MW
			68 MW

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 2008/2009 was 1.322 GWh at Wallerawang and 2.565 GWh at Vales Point.

KEY PERFORMANCE INDICATORS

TABLE ONE: KEY PERFORMANCE INDICATORS

	Unit	08/09	07/08*	06/07	05//06	04/05
Financial Statistics						
Total Sales Revenue	$m	983.1	1,008.40	874.1	839.4	802.4
Earnings before Interest and Tax	$m	146.4	212.1	244.9	282.6	236.1
Net Profit before Tax	$m	100.7	169.3	201	234.7	180.5
Net Profit after Tax	$m	75.3	113.7	139.9	164.5	123.5
Total Debt	$m	1302.4	776.2	660.3	583	579.7
Total Equity	$m	999.6	897	215.6	730	800.6
Return on Assets (EBIT/Assets)	%	4.5	7.7	7.6	13.2	12.5
Return on Equity (NPAT/Equity)	%	7.5	12.7	64.9	22.5	15.4
Gearing (Debt/Debt + Equity)	%	56.6	46.4	75.4	44.4	42.0
Interest Cover (EBIT/Interest)	Times	3.2	4.9	5.6	5.9	4.3
Debt:Equity (Debt/Equity)	%	130.4	86.5	306.2	79.9	72.4
Current Ratio (CA/CL)	%	0.7	0.4	0.4	0.5	0.7
Operational Statistics						
Production	GWh	23,746	24,054	21,952	21,948	21,740
Equivalent Forced Outage Factor	%	2.4	7.1	9	3.9	4.5
Availability	%	86.8	77.3	75.5	86.5	87
Thermal Efficiency	%	34.6	35	35.2	35	35.4
Coal Stockpile Levels	$m	81.8	69.8	61.5	41.4	36.9
Employee Statistics						
GWh/employee		32.1	33.1	30.8	30.8	29.9
Staff Numbers		741	726	713	713	728
Training Days/employee	Days/employee	6.4	5.8	7.1	6	4.7
Sick Leave Days/employee	Days/employee	12	10.8	9.4	8	8.3
Safety Frequency Rate	Frequency rate	4.8	4.9	5.6	7	4.1
Environmental Statistics						
Licence Breaches	Number	1	2	2	1	2

Financial statistics include the impact of Australian equivalents to International Financial Reporting Standards from 2005/2006
* Updated to reflect change in accounting policy for the treatment of actuarial gains and losses associated with deficit benefit superannuation schemes.

REVIEW OF OPERATIONS

Production

Delta's portfolio returned significantly improved plant performance during 2008/2009 with production of 23,746 GWh for the year. The two western power stations, Mt Piper and Wallerawang, each undertook major unit outages and other project works totalling in excess of $90 million, which was all completed prior to the peak summer and winter demand periods.

Mt Piper Power Station's Unit 1 successfully completed a major outage that included modifications to the plant that upgraded the unit's capacity from the original installed plant capacity of 660 MW to 700 MW. The unit was returned to service prior to winter and recorded a record overload capacity test in excess of 740 MW. Unit 1 has operated continuously as required by the market conditions throughout the winter.

Wallerawang Power Station's Unit 7 also underwent a major life extension/refurbishment outage during the spring. During the outage, the condenser tubes and major areas of boiler tubing were replaced, as well as a number of rows of blades in the steam turbine to address known reliability issues. Since its return to service in late 2008, the unit has operated with an availability in excess of 97%.

Unit 3 at Munmorah Power Station operated for its longest ever continual run of 146 days during the financial year, and was taken out of service at the end of this period for a major planned outage that involved replacing all of the condenser tubes, and refurbishment of the boiler and turbine.

Vales Point Power Station recorded its highest ever annual generation and its highest availability since commissioning.

The improved reliability of the Vales Point to Munmorah coal conveyor system ensured that the routine transport of coal by road into Munmorah, an area of concern in previous years, is no longer necessary.

The overall reliability of Delta's production portfolio is a major highlight for the 2008/2009 financial year, registering an availability factor of 86.8%. This achievement has resulted from a detailed focus on reliability over the past couple of years and reflects an increase on last year from 77.3%.

Delta's Condong and Broadwater renewable energy plants were officially opened in November 2008. Their combined output was 115,367 MWh of renewable energy to the end of the financial year. As the plants are accredited renewable energy facilities, 89,538 renewable energy certificates were created. Plant availability was lower than expected however, and the focus in 2008/2009 will be on improving reliability.

Pivotal to Delta's success is its ongoing commitment to safety across its whole business. This year, Delta has extensively reviewed its safety isolation procedures to align with industry best practice and will implement in early July 2009 a lock out isolation procedure. These enhancements to Delta's existing 5 Star National Safety Council of Australia rating will provide even greater levels of safety for all personnel who work on Delta sites.

Water management

Delta's Coxs River storages have remained at around 40% of capacity over the year. Unfortunately, the Oberon Dam (Fish River supply) continued to fall and by mid 2009, had reached an historical low of approximately 12% capacity. Our supply from this resource was restricted to 40% of the maximum allocation.

To ensure that production can be maintained as required at Western Region power stations, a second stage of the reverse osmosis plant at Mt Piper was commissioned in June 2009. This will allow Mt Piper to continue operation using the Coxs River as its primary supply.

This use of recycled water and other water saving measures at Vales Point have resulted in greatly reduced consumption of drinking quality water in power station operations.

The major proportion of the Fish River allocation is directed to Wallerawang. In June 2009, State Water sourced additional supply for Wallerawang and this has provided some relief for the Oberon storage.

On the Central Coast, the construction of a major water reclamation scheme was completed in October 2008. It has capacity to process 1.2 million litres of water a day. This use of recycled water and other water saving measures at Vales Point have resulted in greatly reduced consumption of drinking quality water in power station operations.

Environmental impacts management

Delta is committed to complying with all statutory requirements set out in the relevant legislation, regulations and licences issued by a number of government authorities. These cover the range of activities related to electricity generation. Delta also sets stringent organisational targets including targets to reduce fuel and water use and manage air and water emissions. We also undertake additional monitoring with the aim of reducing the impact of our operations on the environment and nearby communities.

This year has seen several changes in environmental reporting requirements. These include

- the cessation of the Greenhouse Challenge Plus program, including the Generator Efficiency Standard;
- commencement of National Greenhouse and Energy Reporting;
- addition of more assessable air pollutants under Load Based Licensing;
- inclusion of transfers to National Pollution Inventory reporting.

Delta maintained its environmental ISO 14001 accreditation. The ISO 14001 international standard outlines best practice processes to manage environmental impact. A surveillance audit was carried out on the Central Coast in 2009. All areas assessed during the course of the audit were found to be effective. The auditor noted that "Delta demonstrates an executive and senior management commitment and support to delivery of quality production outcomes taking into consideration applicable environmental aspects with the organisation's power generation management processes".

In May 2009, there was a reportable environmental incident when cooling water discharged from Wallerawang Power Station showed a slight exceedance of the upper pH limit. This was corrected by lowering the control set point. Delta has also investigated the feasibility of pH control at the licence discharge point.

Delta fully complies with the NSW Government's Waste Reduction and Purchasing Policy (WRAPP) and the corporate Sustainability Policy through its Corporate and Operational Standards. These standards outline processes that ensure the reduction of waste generated at Delta Electricity facilities. Responsibilities and accountabilities are documented and monitored, which ensures that all operations are in accordance with the appropriate legislation, licences and policies.

Our WRAPP Plan applies to all employees and contractors employed at Delta Electricity facilities and sets out requirements for the management of waste and the purchase of materials at those facilities. Delta Electricity has implemented innovative solutions to manage the various waste streams generated at its facilities. These are reported in detail in the biennial WRAPP Report (August 2009) and the annual Sustainability Report.

TABLE TWO: ENVIRONMENTAL INCIDENTS 2008/2009

Date	Environmental Incident	Authority	Response
May 2009	Cooling water discharged from Wallerawang showed a slight exceedance of the upper pH limit.	Department of Environment, Climate Change and Water.	Corrected by lowering the control set point. Investigating feasibility of pH control at the licence discharge point.

REVIEW OF OPERATIONS

(CONTINUED)

New developments

Colongra gas turbines

As at 30 June 2009, the Colongra gas fired power station was on budget and nearing completion. Erection works are complete on the first two units and they have been synchronised to the grid and operated at their registered maximum loads. A 13 minute fast start-up has been achieved, a milestone for this type of unit. It is anticipated that the second two units will be commissioned and available for operation in November 2009.

Bamarang gas turbines

Project approval was secured in early 2007 for Stage 1 of the Bamarang Gas Turbines Project. Delta was granted approval for Stage 2 of the project and the water pipeline infrastructure in October 2008. The gas pipeline route corridor option has been finalised with the required easement acquired and the pipeline licence obtained.

To enhance the capacity of the site and address possible limitations of the 132 kV approved transmission system for the project, Delta sought a modification to the existing approval for the option to develop a 330 kV connection to the existing TransGrid network. It is anticipated that project approval will be granted by the end of 2009.

Marulan gas turbines

Delta Electricity and EnergyAustralia submitted a joint development application for two gas turbines facilities at a site near the Marulan high voltage switchyard. The proposed Delta gas turbine facility will have the option to develop in two stages. Stage one consists of a peaking plant with two open cycle gas turbines. For stage two, the open cycle turbines can be converted or built as a combined cycle facility.

EnergyAustralia's proposed gas turbine plant is located at an adjacent site and consists of two open cycle gas turbines for peaking operation.

A submissions report addressing matters raised at the conclusion of the statutory public exhibition period of the environmental assessment report was lodged at the end of May 2009 seeking approval for the two gas turbine facilities, gas pipeline and other shared infrastructure between the two sites.

Mt Piper Power Station extension

Delta is currently seeking concept plan approval for the proposed Mt Piper Extension Power Station Project adjacent to the existing power station at Mt Piper, about 17 km north-west of Lithgow in the Central West region of NSW. The existing Mt Piper Power Station consists of two subcritical coal-fired units with a total capacity of 1,400 MW.

Approval is being sought for up to 2,000 MW of additional capacity that may use either gas or coal as the fuel. For gas, the extension would consist of a number of combined cycle gas turbines. If coal proceeded, the extension would consist of two ultra-supercritical units, the first of their type in Australia, to maximise thermal efficiency. Both the gas and coal-fired options will use air cooled condensers to minimise water usage and both will be designed for future carbon capture and storage when these technologies become commercially available.

The Preliminary Environmental Assessment was lodged with the Department of Planning in June 2009.

Munmorah Power Station rehabilitation

Following extensive studies on the condition and performance of Munmorah Power Station Units 3 and 4, a comprehensive work scope has been prepared for implementation under the proposed Munmorah Rehabilitation project.

The objectives of the project are to return the two units to their original unit capacity of 350 MW, to improve their efficiency and reliability and to extend their operating life by 20 years. These objectives will be achieved through the replacement of aged components with those of current improved design, including major turbine cylinders, boiler pressure parts and auxiliaries, station services and control systems. Provision will be made for gas and coal firing of the boilers and for future carbon capture and storage.

Project approval is being sought under Part 3A of the Environmental Planning and Assessment Act. The Preliminary Environmental Assessment was lodged with the Department of Planning in June 2009.

Western rail coal unloader

Delta's Western Region power stations are the only power stations in NSW which do not have a rail coal unloader. Following a comprehensive environmental assessment and community consultation, approval was granted in June 2009 to construct a new rail coal unloader facility near Mt Piper. The new facility will help ensure adequate and competitively priced supplies of coal for the existing Mt Piper and Wallerawang Power Stations.

Over 30 consent conditions have been included as part of the approval. These conditions require that stringent measures be put in place during both the construction and operating phases.

Research and development

One of Delta's key strategic goals is to strengthen our capability through research and development into sustainable energy. The following activities were undertaken in 2008/2009 as part of the strategy:

- Delta continued its program to assess carbon capture and storage technology as an emission abatement option for its fossil fuel-fired power stations. In conjunction with CSIRO, construction of a pilot plant at Munmorah Power Station was completed and an 18-month experimental program to test the performance of an ammonia-based post combustion carbon capture technology commenced. Data from the program will be used to inform the selection of technology for a large scale demonstration carbon capture and storage plant. We also kept pace with international carbon capture developments through participation in a pilot plant project in the United States sponsored by the Electric Power Research Institute.
- Delta hosted an exploratory drilling operation conducted by the Department of Primary Industries at its Munmorah Power Station. The drilling is part of a State wide program being undertaken by the department to assess the potential for geological storage of carbon dioxide.
- A PhD research program was established with the University of Sydney to investigate the application of waste heat from power stations in the post combustion carbon capture process. The project will run over three years.
- Delta participated in a study to assess the feasibility of solar thermal technology. The study identified that suitable sites for the development of solar thermal technology are available in western NSW, although the technology costs are higher than renewables such as wind and biomass.
- Delta is producing small quantities of renewable electricity at its coal-fired generators by co-firing quantities of renewable biomass fuels with coal. The biomass fuel includes sawmill residue, a by-product of sustainable plantation operations, and construction and demolition wood diverted from Sydney landfills.
- Investigations are being undertaken to significantly increase our renewable energy production by improved biofuel processing and expanding the source of sustainable biomass fuel supplies to include energy crops, such as mallee eucalypt plantations and residue from plantation forestry operations.
- Delta also supports research that will provide long-term benefits for the operation and maintenance of its existing generation fleet through sponsorship of the Electric Power Research Institute, Welding Technology Institute of Australia and Co-operative Research Centre for Integrated Engineering Asset Management. It is also sponsoring a PhD research project into management of trace elements in ash.
- We are very proud of our joint initiative with the University of Sydney to establish the Delta Electricity Chair in Sustainable Energy Development. Dr Anthony Vassallo was appointed to the Chair from a very strong field of candidates. He has worked previously with CSIRO and has consulted to our industry on new energy technologies, the promotion of sustainable energy research and its commercial application. We look forward to collaborating with Professor Vassallo on the further development and implementation of sustainable energy solutions.

REVIEW OF OPERATIONS

(CONTINUED)

TABLE THREE: PROGRESS ON NEW DEVELOPMENTS

Project	Description	Status as at 30 June 2009
Colongra Gas Turbine Peaking Plant	667 MW with stage one 334 MW to be operational by August 2009.	Construction well advanced.
Bamarang Gas Turbine Stage 2	Approximately 400 MW of combined cycle gas plant.	Development consent received.
Marulan Gas Turbine – in two stages	Approximately 400 MW of open cycle, and then in stage 2, converted to combined cycle gas plant.	Environmental assessments submitted. Awaiting development consent.
Western Rail Coal Unloader	Rail loop and unloading facility for coal for Mt Piper.	Development consent received .
Extension of Mt Piper Power Station	2000 MW of capacity fuelled by either gas or coal.	Preliminary environmental assessments submitted.
Refurbishment of Munmorah Power Station	700 MW of capacity fuelled by either gas or coal.	Preliminary environmental assessments submitted.

Marketing

The year was characterised by lower market prices, largely driven by the commissioning of new generating plant in NSW over the summer period. This increase in supply, coupled with slowing demand for energy and mild weather, contributed to spot prices being lower in the second half of the year.

With little volatility in the spot market, forward contract prices continued to ease through the year. The announced delay to the start of the Carbon Pollution Reduction Scheme renewed interest in 2010/2011 contracts, however, until the market has certainty on both the design and timing of the scheme, trading activity in the forward years will remain subdued.

Delta Electricity continued to be an active participant in the consultative process of energy policy and regulation development conducted by the energy market's regulatory authorities.

Community engagement

A focused approach to working effectively with community stakeholders requires the ongoing identification and engagement of potential stakeholders, an awareness of emerging community concerns and expectations, a range of good communication and relationship building strategies and effective measurement.

Through our sponsorship and donations investments in appropriate community activities, programs, services and facilities, Delta builds a positive relationship with different groups within the communities surrounding its operations. Senior managers attend many of the local events sponsored by Delta in both regions and we also arrange corporate events to launch new initiatives such as water recycling or new plant capacity. On these occasions, we are able to engage in informal dialogue with local stakeholders, such as residents living near our operations, local government decision-makers, business owners, school principals and volunteers in various community groups and services. Positive feedback is provided about Delta's investment in local community amenities, such as parks and facilities, as well as our support for the activities of Landcare, Tidy Towns and precinct committees.

Delta builds a positive relationship with different groups within the communities surrounding its operations.

Ongoing engagement with the local community interested in our operations is achieved through the CARE Forum, which is made up of residents and community stakeholders living near our power stations on the Central Coast and the Western Community Forum, comprising residents in the hamlets near our Western Region power stations. These two consultative groups meet with senior managers four times a year to hear about Delta's activities, any planned developments or progress on approved projects and also to raise issues of concern to community members.

This can lead to new initiatives to address community concerns and information about actions taken is then relayed back through community networks.

Not only are corporate donations made to charities assisting those affected by the earthquake in China and the Victorian bushfires, but staff are also generous in donating to their preferred charities throughout the year, through Delta's payroll deduction program.

Community consultation is an important part of the development approval process and when Delta is seeking approval to build new infrastructure or when our operations may impact on the community, a consultative plan is developed and implemented. Communications, about these projects is designed to provide information to interested parties.

In the 2008/2009 financial year, community consultation was undertaken as part of seeking development approval for the following proposals:

- the construction of an alternative high voltage connection to the Bamarang gas turbine facility;
- the delivery of components for the Colongra gas turbine project site which could cause local road closures;
- the construction of a gas turbine facility in the Marulan area;
- the extension to an ash storage facility known as Kerosene Vale;
- the extension of Mt Piper Power Station; and
- the refurbishment of Munmorah Power Station.

PEOPLE

Safety

Delta continued the program of Safety Excellence with further effort put into leadership development, communicating and reinforcing Delta's commitment to ensure that everyone is safe at work. This was coordinated across all management and staff levels within the organisation.

The behavioural-based safety system D-ZIP celebrated its five year anniversary. D-ZIP has led to the removal of a large number of barriers to safety and a greater awareness of at risk behaviours.

Following the trend of the past three years, the lost time injury frequency rate improved. A detailed analysis of all injuries has shown improvement in the number of injuries reported and a reduction in the severity of injuries being sustained.

Health and safety auditing has been undertaken covering all parts of the business. The audit schedule has been developed to address high risk areas of the business including fire, OHS Management System, contractor compliance and gap analysis to the National Audit Tool for Self Insurers.

Delta has been actively involved in improving the systems that provide for safety at all locations. This includes the implementation of a new isolation lock out system, improving disabled access to sites, developing documentation that is easier to understand and use and improving safety outcomes through partnerships with contractors.

As in previous years, Delta has welcomed a number of new employees to our organisation. To ensure they understand and engage with our strong safety culture regular reviews, new starter programs, induction and communication activities have been undertaken.

Following an incident in 2006, when two employees were hurt while working with hot ash, our Occupational Health and Safety systems were extensively reviewed in order to identify further measures to improve safety.

Skills for the future

There were 25 sponsored apprenticeships offered in the Western and Central Coast regions in 2009/2010 and of these, 15 were provided with a four-year apprenticeship opportunity.

Delta is committed to improving employment and community outcomes for the Indigenous community and dedicated two apprenticeship positions to a person from an Indigenous background. This year, Delta was successful in recruiting five Indigenous apprentices and all are on an indentured four year-apprenticeship.

Delta also recruited three female apprentices.

Delta sponsored 10 traineeships, four of which were Rigger Traineeships and six were Administration Traineeships. One of these traineeships was identified for a person with a disability.

There were 25 sponsored apprenticeships offered in the Western and Central Coast regions in 2009/2020 and of these, 15 were provided with a four-year apprenticeship opportunity.

Human resource systems development

Human resource management depends on a variety of systems to help support the effectiveness and well-being of staff. Delta has implemented an electronic performance management system and enhanced it in 2009 to provide for the staged introduction of behavioural competencies. This enhancement will allow for a greater alignment between the establishment and reporting of goals and improve operational performance.

Delta has also introduced an electronic leave system for annual and long service leave. This system will provide staff with more ready access to their leave records and assist Delta by reducing associated administration costs.

Workplace reform

During 2009, a new work model for Delta's Operator classification was negotiated for the Western Region. This model will assist the business by better matching staffing arrangements with operational requirements.

Before the end of June 2009, a new Enterprise Agreement was negotiated for Delta staff. The new agreement will apply for the next two years. It will enable more effective management of sick leave and also provide for the possibility of implementing a number of efficiency related measures related to work structures and classifications.

Employee health programs

Once again, influenza vaccinations were offered at no cost to staff. Around 250 staff members took advantage of this program. Also, because of the growing concern about the potential for a serious H1N1 influenza (Swine Flu) epidemic, an extensive internal communications program was implemented. A free, confidential counselling service is available for all staff and their families.

To encourage healthy levels of exercise, half the cost of engaging in aerobic fitness activity, up to $250 per year, is available to every staff member. Walking is the easiest of exercises and to encourage staff to take part in the 10,000 Steps program, free pedometers were distributed.

Equal Employment Opportunity

As an organisation, Delta fully supports the principles of Equal Employment Opportunity and the targets set by the NSW Government. However, the electricity generation industry is faced with particular challenges in meeting these targets, such as the relatively low rates of staff turnover and the higher number of men attracted to the trades and engineering professions.

Tables Four and Five detail the representation of nominated groups in Delta and compares these outcomes to the NSW Government's Equal Employment Opportunity targets. Taking into account the particular issues highlighted previously.

PEOPLE

(CONTINUED)

The pursuit of Equal Employment Opportunity principles remains a fundamental work practice within Delta. Through staff induction and ongoing training these principles are reinforced with staff and all policies and standards governing work are reviewed to ensure alignment to these principles. As noted before, while Delta supports and aligns itself with the Equal Employment Opportunity principles and targets set down by the NSW Government, low staff turnover has limited its ability to satisfy these targets. New opportunities have been geared for staff with special needs, including a 12 month traineeship for a person with a disability.

Ethnic Affairs Priority Statement

Delta has limited Ethnic Affairs Priority Statement responsibilities as we do not provide direct services to the community however, we recognise the importance and benefits of cultural diversity to our organisation and the community in general.

Delta's Ethnic Affairs Priority Statement includes objectives and targets relating to social justice, community harmony and cultural opportunities.

Delta achieved the outcomes outlined in its Ethnic Affairs Priority Statement.

Indigenous

Delta is committed to improving employment and community outcomes for the Indigenous community and dedicated two apprenticeship positions to a person from an Indigenous background. This year, Delta was successful in recruiting five Indigenous apprentices for an indentured four-year term.

In addition, Delta has also provided financial support to the Indigenous community with a sponsorship of a NAIDOC event and provision of a sponsorship for an Indigenous undergraduate on the Central Coast.

Women

Of all new employees engaged in 2008/2009, 25% were female. Three apprenticeship opportunities were accepted by young women.

Disability

Delta is committed to ensuring that equal opportunities exist for people with disabilities, enabling their maximum participation and contribution in the workforce. Our Disability Plan addresses three key result areas – employment, access and communication/reporting.

In recognition of the importance of ensuring equal opportunities for people with a disability, one traineeship was identified as available for a person with a disability. In addition, improvements were made to improve the accessibility of Delta worksites for those with a disability. In addition, new female and male amenities for persons with a disability were constructed.

Strategies for 2009/2010

- Delta's proposed Ethnic Affairs forward plan will include ensuring the continuance of merit based recruitment practices and that work arrangements are sensitive to and accommodate cultural and religious differences as appropriate.
- To ensure a workplace free of discrimination, harassment and bullying, mandatory training for all employees will be conducted by the Anti-Discrimination Board.
- Ongoing apprenticeship opportunities identified for people from an Indigenous background
- At least one traineeship opportunity is to be offered to a person with a disability.

TABLE FOUR: TRENDS IN THE REPRESENTATION OF EEO GROUPS[1] % OF TOTAL STAFF[2]

Equal Employment Opportunity grou	Whole of Government Benchmark or Target	2009	2008	2007	2006	2005	2004
Women	50%	10%	9%	8%	7%	7%	7%
Aboriginal people or Torres Strait Islanders	2%	0.9%	0.7%	0.6%	0.6%	0.6%	0.4%
People whose language first spoken as a child was not English	20%	6%	6%	5%	5%	5%	5%
People with a disability	12%	6%	7%	8%	8%	7%	6%
People with a disability requiring a work related adjustment	7%	2.7%	3%	3.4%	3.4%	3.3%	2.7%

TABLE FIVE: TRENDS IN THE DISTRIBUTION OF EEO GROUPS [3, 4] DISTRIBUTION INDEX[3]

Equal Employment Opportunity group	Whole of Government Benchmark or Target	2009	2008	2007	2006	2005	2004
Women	100	91	93	93	98	98	99
Aboriginal people or Torres St rait Islanders	100	n/a	n/a	n/a	n/a	n/a	n/a
People whose language first spoken as a child was not English	100	109	106	109	113	112	112
People with a disability	100	100	99	101	102	100	100
People with a disability requiring a work related adjustment	100	n/a	n/a	93	95	93	n/a

Notes:

1. Staff numbers are as at 30 June 2009.
2. Excludes casual staff.
3. A distribution index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO groups tend 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 (ODEOPE).
4. The distribution index is not calculated where EEO group or non-EEO group numbers are less than 20.

GOVERNANCE


Jim Henness and Michael Knight

The structure and composition of the Board

Appointment of Directors to the Board is governed by the State Owned Corporations Act 1989 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 2009 are:

Mr Peter Young, *AM BSc, MBA*
Chairman and Director

Mr Young was first appointed on 1 June 2004 and subsequently reappointed for period ending 31 May 2010.

Mr Warren Phillips, *FCPA, FCIS, DipCom*
Director

Mr Phillips was first appointed on 1 March 2000 and subsequently reappointed for a period ending 31 August 2009.

Ms Sandra Moait
Director

Ms Moait was first appointed 18 September 2002 and subsequently reappointed for period ending 31 August 2010.

Mr Michael Knight, *AO*
Director

Mr Knight was appointed on 20 March 2006 for a period ending 19 September 2009.

Mr Paul Forward, *BCom, MCom, MSc*
Director

Mr Forward was appointed on 20 March 2006 for a period ending 19 September 2009.

Mr Loftus Harris, *BA, FAICD*
Director

Mr Harris was appointed on 1 October 2007 for a period ending 30 September 2010.

Mr Jim Henness, *BSc, BE (Hons), MEngSc, MBA, FAICD*
Chief Executive Officer and Director

Mr Henness was appointed Chief Executive and Executive Director from 1 March 1996.

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.

Board committees

The three Board committees in place at the end of the year were:

- Board Audit and Finance Committee;
- Board Environment, Occupational Health and Safety Committee; and
- Board Remuneration and Staff Committee.

The terms of reference for each Board committee were reviewed and approved by the Board in May 2009. The Board committees and their functions are listed on page 19.

Warren Phillips and Paul Forward

Loftus Harris, Peter Young and Sandra Moait

TABLE SIX: DIRECTOR MEETINGS

	Board Meetings		Board Remuneration and Staff Committee		Board Audit and Finance Committee		Board Environment, Occupational Health and Safety Committee	
	A	B	A	B	A	B	A	B
Mr P Young	11	11	4	4				
Mr W Phillips	11	11			5	5		
Ms S Moait	11	10	4	3			4	4
Mr M Knight	11	10			5	5		
Mr P Forward	11	11			5	5	4	4
Mr L Harris	11	11	4	4				
Mr J Henness	11	11					4	4

Note: Column A is the number of meetings that a Director was entitled to attend. Column B is the number of those meetings attended.

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 Environment, Occupational Health and 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), Paul Forward and Jim Henness.

Board Remuneration and 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 business strategies and plans and remuneration strategy and policy to be effectively linked.
- Review processes and controls relating to Delta's remuneration strategy, policy and practices in relation to legal and taxation requirements, Corporation reporting obligations and overall Corporation policy and direction.

Membership

Peter Young (Convenor), Sandra Moait and Loftus Harris.

Managing risks

Delta Electricity's Risk Management Plan 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 identification, assessment and reporting of risk.

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. Key risks (operational and strategic) are reviewed and reported monthly at business unit level and reported quarterly to Delta Electricity's Board.

GOVERNANCE

(CONTINUED)

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.

Business continuity risks have been identified and have action plans designed to return the business to normal operations in an effective and efficient manner.

Delta Electricity has a Corporate Governance and Legal Compliance Plan to ensure full compliance with obligations imposed on the organisation and its officers by all relevant legislation. The organisation's corporate compliance management software supports the centralised oversight of the discharge of all legal, regulatory and compliance obligations.

Delta Electricity's Board Audit and Finance Committee assists in fulfilling responsibilities in relation to the accounting, auditing and reporting practices of Delta Electricity. In relation to auditing, the Board Audit and Finance Committee oversees the internal audit function and liaises with the Auditor-General regarding external auditing matters.

The internal audit function within Delta Electricity provides an independent assessment of the control environment for the mitigation of risks. From these assessments, improved approaches for effective risk management and governance arrangements are implemented.

Each year an internal audit plan is prepared by internal audit and submitted to the Board Audit and Finance committee for approval. The plan is based on a risk assessment of our business operations and discussion with management.

The ensuing internal audit reviews confirm compliance with and assess the efficiency, economy and effectiveness of management policies, practises and controls. Following each review, a detailed report is prepared which provides an overall rating, audit findings, recommendations and action items to be implemented.

All audit reports are submitted to the Board Audit and Finance Committee so as to ensure the Committee is fully aware of internal audit activities in Delta Electricity, audit results and remedial action undertaken in regard to matters raised in audit reports.

Executive management team

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

John Bund, *BEc (Hons)*
General Manager/Human Resources

Anthony Callan, *BEng, MBA*
General Manager/Marketing

Greg Everett, *BCom, MBA, GAICD*
General Manager/Strategy

David Hogg, *BE, GAICD*
General Manager/Planning and Environment

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

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

Stephen Saladine, *BE (Hons)*
General Manager Production

Glenn Sharrock, *BSc, GCofM, GAICD*
General Manager/Central Coast Operations

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

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

TABLE SEVEN: 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 J Bund	General Manager/Human Resources	X		X	X		X			
Mr T Callan	General Manager/Marketing	X		X		X		X	X	
Mr G Everett	General Manager/Strategy	X	X	X		X		X	X	X
Mr D Hogg	General Manager/Planning and Environment	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 S Saladine	General Manager/Production	X	X	X	X	X	X	X	X	X
Mr G Sharrock	General Manager/Central Coast Operations	X	X	X	X		X	X	X	X
Mr R Street	Chief Financial Officer	X		X		X	X	X	X	X
Mr R Ward	General Manager/Development	X		X					X	X
Mr J Della Bosca	Occupational Health and Safety 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

Performance and numbers of executive officers

The performance payments listed in Table Eight were made soon after the end of the 2008/2009 financial year.

They were accrued into that year's accounts.

The 2008/2009 performance payments were made up of the following components.

A payment based on one or more for the following:

- the outcome of performance against a Delta overall balanced scorecard;
- the outcome of performance against business-unit-specific balanced scorecards;
- an individual performance payment based on:
  - individual performance (see criteria in Table Eight); and
  - individual management and leadership performance.

GOVERNANCE

(CONTINUED)

TABLE EIGHT: EXECUTIVE REMUNERATION

Name and Time in position	Position held as at 30 June 2009	Fixed Remuneration 2008/2009	Total Performance Related Payment 2008/2009	Individual Performance Criteria
Jim Henness All of year	Chief Executive	$497,804	$133,013	Assessment of performance by the Board against corporate performance indicators, including Delta's profit and plant performance and maintenance of effective external relationships.
Greg Everett All of year	General Manager/ Strategy	$312,194	$84,268	Contracted coal purchases and assessment against other performance agreement targets.
Stephen Saladine All of year	General Manager/ Production	$290,712	$79,976	Business unit financial management and plant performance and assessment against other performance agreement targets.
Richard Street All of year	Chief Financial Officer	$275,271	$71,755	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	$263,514	$57,972	Implementation and management of development projects and assessment against other performance agreement targets.
Chris Horner All of Year	General Manager/ Delta Maintenance	$238,115	$57,395	Business unit financial management and plant performance and assessment against other performance agreement targets.
David Hogg Five months	General Manager/ Planning and Environment	$248,400	$50,626	Management of safety and environment measures and assessment againt other performance agreement targets.
David Hogg Seven months	General Manager/ Planning and Information technology			
Glenn Sharrock All of Year	General Manager/ Central Coast Operations	$232,823	$52,652	Financial management and operational performance and assessment against other performance agreement targets.

TABLE NINE: NUMBER OF EXECUTIVE OFFICERS

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 2009.	36	0
Number of executive officers with remuneration equal to or exceeding equivalent of SES Level 1 as at 30 June 2008.	33	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 1984*, Regulations and Treasury and Premier's memoranda. The following information is provided in accordance with these requirements.

Exemption from the reporting provisions

Approval was given by the New South Wales Treasury under delegation from the then 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
- 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
- Report on Risk Management and Insurance Activities

Other exemptions were approved subject to specific conditions as follows:

Consultants

The total amount spent on consultants is required to be disclosed, along with a summary of the main purposes of engagements. In 2008/2009, expenditure on consultants totalled $2.467 million. The main purposes of these engagements were for environmental assessment services, feasibility studies, finance, accounting and management services.

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.

Financial statements of controlled entities

Exempt from preparing manufacturing and trading statements but required to prepare a summarised operating statement.

Human Resources – Overseas visits

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

TABLE TEN: OVERSEAS VISITS

Name	Date of Travel	Purpose of Travel
Tim Baker	20/8/2008 to 10/9/2008	Hong Kong – CIGRE Conference.
Peter Coombes	07/9/2008 to 16/9/2008	Canada – Visit post combustion capture equipment vendors.
Christian Reilly	18/10/2008 to 25/10/2008	Amsterdam – Meeting of the International Energy Agency (IEA). Task 32 Biomass Combustion and co-firing. Site inspections of European biomass co-firing sites.
Chris Horner	18/10/2008 to 25/10/2008	Amsterdam – Meeting of the International Energy Agency (IEA). Task 32 Biomass Combustion and co-firing. Site inspections of other European bio mass co-firing sites.
Peter Coombes	27/11/2008 to 5/12/2008	Tokyo – Visit post combustion capture equipment vendors.
Gordon Deans	27/11/2008 to 5/12/2008	Tokyo – Visit post combustion capture equipment vendors.

GOVERNANCE

(CONTINUED)

Cost of Annual Report

The cost of producing this annual report was $15,000.

Freedom of information

No direct applications for information were received under the terms of the *Freedom of Information Act 1989* although one application for information was made to Delta by a third party which had received a request for information.

Delta Electricity's compliance with the Freedom of Information Act did not raise any major issues during the reporting period, nor did the compliance with the Act have any prominent impact on Delta activities.

Heritage Assets

Delta's heritage portfolio is registered with the Heritage Office and consists of

- Barton Park cemetery
- Coxs River convict stockade
- Hospital farm barn
- Hospital cottage
- Mary Slaven's grave
- Thompsons Creek sites and graves
- Wallerawang A and B Power Station chimney stack
- Wallerawang schoolhouse

We are committed to complying with the State Owned Heritage Management Principles and Guidelines and the Heritage Act 1977 and continue to work with the Heritage Office as part of our annual asset management review process. The aim of this process is to ensure that our heritage portfolio is integrated into Delta's business management system and that all sites are effectively managed into the future.

Promotion

The following publications are available.

Information for the Public:

1996 Annual Report
1997 Annual Report
1998 Annual Report
1999 Annual Report
2000 Annual Report
2001 Annual Report
2002 Annual Report
2003 Annual Report
2004 Annual Report
2005 Annual Report
2006 Annual Report
2007 Annual Report
2008 Annual Report
1996-1999 Environment Report
2000 Environment Review
2001 Environment Report
2005 Sustainability Report
2006 Sustainability Report
2007 Sustainability Report
2008 Sustainability Report
Discovery of Electricity
Electricity Generation
Electricity in New South Wales
Energy Expo
Fact Sheet – Delta Electricity
Fact Sheet – Colongra Gas Turbines
Fact Sheet – Munmorah Carbon Capture Pilot Project
Fact Sheet – Vales Point Water Reclamation Plant
Power from Coal
Selenium Facts
The History of Delta Electricity
Western Operations
Sunshine Electricity- Renewable energy

Information for Delta Electricity staff:

Apprenticeships and Trainees Fact Sheet
Summer Internships Fact Sheet
New employee handbook
Code of Conduct booklet
Deltanet quarterly staff newsletter
Deltaweb – staff intranet
Family Care Link

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CREDIT
Designed and produced by **TONIC**CONNECTIVE™

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Vales Point Power Station
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Delta electricity

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FINANCIAL REPORTS 2009

DELTA ELECTRICITY

DELTA ELECTRICITY AUSTRALIA PTY. LTD

MID WEST PRIMARY PTY. LTD

DELTA ELECTRICITY

BALANCE SHEET

As at 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Current Assets					
Cash and Cash Equivalents	7	**15,229**	1,239	**12,461**	737
Trade and Other Receivables	8(a)	**114,252**	92,813	**162,127**	134,782
Inventories	9	**126,842**	108,132	**126,817**	107,212
Other Financial Assets	10(a)	**34,891**	1,291	**34,891**	1,062
Other	11(a)	**1,276**	4,557	**1,036**	4,557
Total Current Assets		**292,490**	208,032	**337,332**	248,350
Non-Current Assets					
Receivables	8(b)	**22,673**	2,492	**22,880**	1,398
Other Financial Assets	10(b)	**39,506**	5,318	**39,506**	333
Property, Plant and Equipment	12	**2,828,363**	2,451,990	**2,726,955**	2,346,578
Intangible Assets	13	**3,468**	4,440	**3,468**	4,440
Deferred Tax Assets	6(b)	**93,722**	63,533	**90,291**	62,870
Other	11(b)	**-**	3,061	**-**	3,061
Total Non-Current Assets		**2,987,732**	2,530,834	**2,883,100**	2,418,680
Total Assets		**3,280,222**	2,738,866	**3,220,432**	2,667,030
Current Liabilities					
Trade and Other Payables	14	**151,591**	150,803	**146,364**	149,480
Borrowings	15(a)	**123,866**	105,188	**119,898**	102,872
Income Tax Payable		**8,016**	31,874	**7,711**	31,807
Provisions	16(a)	**113,200**	167,776	**113,200**	167,776
Other Financial Liabilities	17(a)	**20,121**	109,579	**20,039**	109,579
Other	18(a)	**300**	131	**300**	131
Total Current Liabilities		**417,094**	565,351	**407,512**	561,645
Non-Current Liabilities					
Borrowings	15(b)	**1,178,560**	671,016	**1,113,849**	603,337
Deferred Tax Liabilities	6(b)	**584,877**	543,735	**584,868**	542,171
Provisions	16(b)	**97,423**	19,753	**97,423**	19,753
Other Financial Liabilities	17(b)	**1,330**	42,041	**-**	42,041
Other	18(b)	**1,307**	-	**1,307**	-
Total Non-Current Liabilities		**1,863,497**	1,276,545	**1,797,447**	1,207,302
Total Liabilities		**2,280,591**	1,841,896	**2,204,959**	1,768,947
Net Assets		**999,631**	896,970	**1,015,473**	898,083
Equity					
Contributed Equity	19(a)	**175,376**	175,376	**175,376**	175,376
Reserves	19(b)	**824,255**	673,060	**825,503**	669,789
Retained Profits	19(c)	**-**	48,534	**14,594**	52,918
Total Equity		**999,631**	896,970	**1,015,473**	898,083

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

DELTA ELECTRICITY

INCOME STATEMENT

For the Year Ended 30 June 2009

	Note	Consolidated		Parent Entity	
		2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Revenue	3	**1,004,587**	1,016,923	**997,375**	1,016,896
Expenses, excluding finance costs	4	**(874,549)**	(789,482)	**(856,481)**	(787,711)
Finance Costs	5	**(45,654)**	(42,861)	**(42,156)**	(42,861)
Profit Before Income Tax Expense and Financial Instrument Fair Value Movements		**84,384**	184,580	**98,738**	186,324
Income Tax Expense on Profit Before Financial Instrument Fair Value Movements	6	**(20,469)**	(60,158)	**(24,733)**	(60,681)
Profit Before Financial Instrument Fair Value Movements		**63,915**	124,422	**74,005**	125,643
Financial Instrument Fair Value Movements		**16,334**	(15,328)	**16,505**	(15,328)
Income Tax Expense on Financial Instrument Fair Value Movements	6	**(4,900)**	4,598	**(4,951)**	4,598
Profit for the Year		**75,349**	113,692	**85,559**	114,913

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

DELTA ELECTRICITY

STATEMENT OF RECOGNISED INCOME AND EXPENSES

For the Year Ended 30 June 2009

	Note	Consolidated		Parent Entity	
		2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Gain/(Loss) on Cash Flow Hedges Taken to Equity	19(b)	**255,451**	964,279	**262,454**	961,704
Cash Flow Hedges Transferred to Balance Sheet/ Income Statement	19(b)	**(38,480)**	1,563	**(39,028)**	2,263
Actuarial Gain/(Loss) on Defined Benefit Superannuation Plans	19(c)	**(93,351)**	(37,179)	**(93,351)**	(37,179)
Gain/(Loss) on Revaluation of Property	19(b)	**-**	60,000	**-**	60,000
Income Tax on Items Taken Directly to or Transferred from Equity	19	**(37,086)**	(296,599)	**(39,022)**	(296,036)
Net Income/(Expense) Recognised Directly to Equity		**86,534**	692,064	**91,053**	690,752
Profit/(Loss) for the Period	19(c)	**75,349**	113,692	**85,559**	114,913
Total Recognised Income and Expense for Period		**161,883**	805,756	**176,612**	805,665
Attributable to Equity Holders of Delta Electricity		**161,883**	805,756	**176,612**	805,665
Effect of Change in Accounting Policy					
Profit for the Period as Reported in 2008			87,667		88,888
Change of Policy - Superannuation Actuarial Losses			26,025		26,025
Restated Profit for the Period			113,692		114,913

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

DELTA ELECTRICITY

CASH FLOW STATEMENT

For the Year Ended 30 June 2009

	Note	Consolidated		Parent Entity	
		2009 $'000 Inflows (Outflows)	2008 $'000 Inflows (Outflows)	**2009 $'000 Inflows (Outflows)**	2008 $'000 Inflows (Outflows)
Cash Flows From Operating Activities					
Cash Received from Customers		**1,127,513**	1,167,532	**1,121,159**	1,165,309
Interest Received		**858**	850	**646**	823
Cash Payments to Suppliers and Employees		**(882,287)**	(843,672)	**(879,649)**	(838,415)
Interest and Other Finance Costs Paid		**(32,246)**	(44,529)	**(29,214)**	(44,529)
Income Taxes Paid		**(75,292)**	(41,041)	**(75,292)**	(41,041)
Net Cash Provided/(Used) by Operating Activities	26(f)	**138,546**	239,140	**137,650**	242,147
Cash Flows from Investing Activities					
Proceeds from Sale of Property, Plant and Equipment		**1,572**	1,249	**1,572**	1,249
Payments for Property, Plant and Equipment		**(401,899)**	(241,811)	**(393,944)**	(218,784)
Payments for Intangibles		**(2,015)**	(1,319)	**(2,015)**	(1,319)
Advances to Subsidiary		**-**	-	**(30,096)**	(25,206)
Advance to Jointly Controlled Entity		**(20,029)**	-	**-**	-
Proceeds from Joint Venture		**575**	-	**-**	-
Net Cash Provided/(Used) by Investing Activities		**(421,796)**	**(241,881)**	**(424,483)**	**(244,060)**
Cash Flows from Financing Activities					
Proceeds from Borrowings		**1,717,739**	1,282,124	**1,716,739**	1,280,807
Repayment of Borrowings		**(1,295,208)**	(1,165,221)	**(1,292,891)**	(1,165,221)
Payments to Reduce Outstanding Finance Lease Liability		**(489)**	-	**(489)**	-
Dividends Paid		**(124,422)**	(113,619)	**(124,422)**	(113,619)
Net Cash Provided/(Used) by Financing Activities		**297,620**	3,284	**298,937**	1,967
Net Increase/(Decrease) in Cash and Cash Equivalents		**14,370**	543	**12,104**	54
Cash and Cash Equivalents at Beginning of Financial Year		**859**	316	**357**	303
Cash and Cash Equivalents at End of the Year	26(b)	**15,229**	859	**12,461**	357

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

DELTA ELECTRICITY

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

1. CORPORATE INFORMATION

Delta Electricity is a statutory state owned corporation domiciled in New South Wales. The entity's Australian Business Number is 67 139 819 642.

The financial report of Delta Electricity for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 17 September 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, the New South Wales Public Finance and Audit Act and Regulation, and requirements of the State Owned Corporations Act, 1989 (as amended).

(a) Statement of Compliance

The financial report of the consolidated entity and Delta Electricity complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

(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.

(i) Significant Accounting Judgements, Estimates and Assumptions

In the application of Australian Accounting Standards 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.

Significant Accounting Judgements

The financial report has been prepared on a business as usual basis and does not take into account proposed reforms of the New South Wales electricity industry involving the private sector (refer to Note 28). The financial report does not include the potential effect of a future emissions trading scheme as there is significant uncertainty as to the impact of such a scheme on Delta Electricity at this stage.

Significant Accounting Estimates and Assumptions

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. Significant estimates and assumptions apply to the following items:

- Defined Benefit Superannuation Schemes

  Various actuarial assumptions are required when determining the value of defined benefit superannuation schemes. Refer to Note 11, Note 16 and Note 21(b).

- Property, Plant and Equipment

  Estimates and assumptions are required when determining asset life and calculating the recoverable amount for impairment testing. Calculation of recoverable amount requires estimation of future sales volume and price, estimation of cash flows associated with fuel supplies, power station operation and maintenance, and determination of an appropriate discount factor. The potential impact of a future emissions trading scheme has not been incorporated in the calculation of recoverable amount for impairment testing. Refer to Note 2(l), Note 2(o) and Note 12.

- Provision for Employee Benefits

  Estimates and assumptions are required for projected remuneration rates, discount rates and timing of entitlement use when determining the provision for employee benefits. Refer to Note 2(q) and Note 16.

- Provision for Insurance

  Various actuarial assumptions are required when determining the entity's insurance provision. These assumptions are determined by specialist service providers. Refer to Note 2(s) and Note 16.

- Advances to Subsidiaries

  The receivables from advances to subsidiary companies have been measured at nominal value because it is not possible to estimate reliably the cash flows or the expected life of the financial instrument (refer paragraph 9 of AASB 139 Financial Instruments: Recognition and Measurement – under the effective interest method).

(ii) New/Amended Accounting Standards

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ended 30 June 2009. A summary of relevant standards follows:

- *AASB 101 Presentation of Financial Statements*

  This standard applies to reporting periods beginning on or after 1 January 2009 and amends disclosure requirements related to financial statements.

- *AASB 123 Borrowing Costs*

  This standard applies to reporting periods beginning on or after 1 January 2009 and is not expected to have a material impact as Delta Electricity capitalises borrowing costs under the existing standard.

Other recently issued or amended standards are not expected to have a material impact on the entity.

(c) Changes in Accounting Policies

In accordance with NSW Treasury policy, Delta Electricity has changed its policy on the recognition of superannuation actuarial gains and losses. Such actuarial gains and losses are now recognised outside of profit or loss in the Statement of Recognised Income and Expense. Previously, actuarial gains and losses were recognised through profit and loss. Both options are permissible under AASB 119 *Employee Benefits*.

The change in policy has been adopted on the basis that recognition outside profit or loss provides reliable and more relevant information as it better reflects the nature of actuarial gains and losses. This is because actuarial gains/losses are re-measurements, based on assumptions that do not necessarily reflect the ultimate cost of providing superannuation.

Recognition outside of profit or loss also harmonises better with the Government Finance Statistics / GAAP comprehensive income presentation for the whole of government and general government sector, required under AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

For the Delta Electricity entity, the change in accounting policy increases 2009 profit for the year from \$14.2 million to \$79.6 million (2008: from \$88.9 million to \$114.9 million), by excluding from profit the superannuation actuarial loss line item (2009: \$93.4 million, 2008: \$37.2 million), along with associated and offsetting income tax revenue (2009: \$28.0 million, 2008: \$11.2 million). Both these items are now recognised in the Statement of Recognised Income and Expense rather than the Income Statement.

Unless otherwise stated, other 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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

by Delta Electricity (parent entity) as at 30 June 2009 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 two controlled entities: Delta Electricity Australia Pty. Ltd and Mid West Primary Pty Ltd. Both these entities are wholly owned subsidiaries.

(e) Investments in Subsidiaries

Investments in subsidiaries 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 Minister for Finance who hold the shares on behalf of the NSW Government. Each shareholder holds one $1 share.

(g) Financial Assets and Financial Liabilities

The classification of financial assets and financial liabilities depends on the nature of the item and is determined at the time of initial recognition. Further disclosure on financial assets and financial liabilities is included in Note 25.

<u>Financial Assets</u>

Financial assets are categorised as follows:

Cash and Cash Equivalents

Cash at bank and cash management funds are classified as cash and cash equivalents.

Loans and Receivables

Trade debtors, advances and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost.

At Fair Value Through Profit and Loss – Held for Trading

This category includes derivative financial instruments not designated or effective as a hedging instrument. These assets are recorded at fair value with any resultant gain or loss recognised in profit and loss.

Derivative Financial Instruments – Effective Hedges

This category includes derivative financial instruments used as cash flow hedges of highly probable forecast transactions or firm commitments. These assets are recorded at fair value. Changes in fair value of effective hedges are deferred in equity. The timing of the recognition in profit and loss depends on the nature of the hedging relationship. Ineffective hedges are classified as held for trading and included in the At Fair Value Through Profit and Loss category.

<u>Financial Liabilities</u>

Financial liabilities are categorised as follows:

At Fair Value Through Profit and Loss – Held for Trading

This category includes derivative financial instruments not designated or effective as a hedging instrument. These liabilities are recorded at fair value with any resultant gain or loss recognised in profit and loss.

Derivative Financial Instruments – Effective Hedges

This category includes derivative financial instruments used as cash flow hedges of highly probable forecast transactions or firm commitments. These liabilities are recorded at fair value. Changes in fair value of effective hedges are deferred in equity. The timing of the recognition in profit and loss depends on the nature of the hedging relationship. Ineffective hedges are classified as held for trading and included in the At Fair Value Through Profit and Loss category.

Other Financial Liabilities

Other financial liabilities include payables and borrowings. These liabilities are initially recorded at fair value and subsequently measured at amortised cost.

(h) Borrowings

All loans and borrowings are initially recognised at fair value being 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 coupon curve derived from market rates prevailing at reporting date.

(i) 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. Refer to Note 5.

(j) Leased Assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset. Operating lease payments are recognised as an expense on a straight line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expenses on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(k) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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. The definition of an asset for the purposes of offsetting revaluation increments and decrements in the asset revaluation reserve has been determined to be at the power station level. The rationale for this is that all components of the complex infrastructure asset must function and combine together to produce electricity.

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(o).

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. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The expected useful lives of property, plant and equipment is 50 years for operating power stations (2008: 50 years) and ranges from 5 to 30 years for other property, plant and equipment (2008: 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.

(m) 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 (2008: 2.5 years).

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

(n) Green Certificates

Green certificates include renewable energy certificates and New South Wales greenhouse abatement certificates. The certificates are classified as other assets and recorded at fair value on the balance sheet with any gains or losses from changes in fair value taken to profit and loss. Fair value is calculated on the basis of observable market data where available.

(o) 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(l)).

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(l)).

(p) 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.

Interests in jointly controlled entities are recognised by using the equity method of accounting.

(q) Employee Benefits

The liability for wages and salaries at reporting date is recognised in current trade and payables. The liability includes unpaid wages and salaries at reporting date and performance/business success payments related to the 2008/09 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'

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For the Year Ended 30 June 2009

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 21(b).

(r) 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 7.

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

(s) 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.

(t) 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. The dividend provision is based on Profit Before Financial Instrument Fair Value Movements.

(u) 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.

(v) 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 subsidiaries, Delta Electricity Australia Pty. Ltd and Mid West Primary Pty. Ltd are treated as a tax consolidated group 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 Delta Electricity and Delta Electricity Australia Pty. Ltd whereby Delta Electricity agrees to indemnify and hold Delta Electricity Australia Pty Ltd harmless against all and any obligations related to income taxes.

(w) 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.

(x) 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.

(y) Revenue

Revenue from the sale of electricity is recognised as it accrues. Other revenue 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.

(z) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- when the GST incurred on a purchase of goods and services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense as applicable; and
- receivables and payables, which 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.

(aa) 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.

(ab) Comparative Figures

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

Comparative information has been updated to reflect the change in accounting policy outlined in Note 2(c)

(ac) 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.

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For the Year Ended 30 June 2009

3. REVENUE

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Sale of Electricity	**983,127**	1,008,438	**976,133**	1,008,438
Other Revenue				
Interest	**863**	748	**645**	721
Litigation Settlements	**369**	103	**369**	103
Insurance Recoupment	**11,569**	-	**11,569**	-
Proceeds from Other Operations	**3,720**	3,052	**3,720**	3,052
Royalties	**635**	855	**635**	855
Grants	**500**	720	**500**	720
Defined Benefit Superannuation Schemes	**930**	1,788	**930**	1,788
Miscellaneous	**2,874**	1,219	**2,874**	1,219
Revenue	**1,004,587**	1,016,923	**997,375**	1,016,896

4. EXPENSES (EXCLUDING FINANCE COSTS)

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Generating Costs	**743,878**	673,072	**738,843**	673,294
Depreciation				
- Buildings	**1**	1	**1**	1
- Plant and Equipment	**95,524**	97,074	**92,772**	97,074
- Motor Vehicles	**783**	756	**783**	756
Amortisation of Intangible Assets				
- Computer Software	**3,042**	4,311	**3,042**	4,311
Impairment of Non Current Assets	**8,222**	-	**-**	-
Loss on Sale of Assets	**486**	524	**486**	524
Superannuation Expenses				
- Defined Contribution Schemes	**1,599**	1,106	**1,599**	1,106
- Defined Benefit Schemes	**1,768**	1,240	**1,768**	1,240
Provision for Employee Benefits	**12,797**	5,829	**12,797**	5,829
Write down in Value of Inventories	**186**	359	**186**	359
Operating Lease Rental Expense	**863**	732	**863**	732
Auditors' Remuneration	**174**	212	**162**	201
Directors' Remuneration	**493**	450	**493**	450
Consultants Fees	**2,467**	1,213	**1,831**	1,213
Other Expenses	**2,266**	2,603	**855**	621
Expenses (excluding Finance Costs)	**874,549**	789,482	**856,481**	787,711

Auditors' Remuneration paid or payable in respect to the audit of the 2008/09 financial report is $199,000 (2008: $207,000).

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

5. FINANCE COSTS

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Interest on Bank Overdrafts and Borrowings	**73,528**	56,156	**68,756**	50,126
Interest on Obligations Under Finance Leases	**3,189**	-	**3,189**	-
Unwinding of Discounts on Provisions	**872**	739	**872**	739
Other Finance Costs	**(9,172)**	(1,885)	**(9,943)**	(1,185)
Total Finance Costs	**68,417**	55,010	**62,874**	49,680
Less: Amounts included in the Cost of Qualifying Assets	**(22,763)**	(12,149)	**(20,718)**	(6,819)
Finance Costs	**45,654**	42,861	**42,156**	42,861

6. INCOME TAX

The major components of Income Tax for the year ended 30 June 2009 are as follows:

(a) Income Tax Expense

The major components of income tax expense are:

Income Statement	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current Income Tax				
Current income tax expense	**53,312**	76,179	**55,243**	76,782
Adjustments in respect of current income tax of previous years	**(1,809)**	8,924	**(1,811)**	8,924
Deferred Income Tax				
Origination and reversal of temporary differences (Note 6(b))	**(26,134)**	(29,543)	**(23,748)**	(29,623)
Income tax expense reported in Income Statement	**25,369**	55,560	**29,684**	56,083
Statement of Recognised Income and Expense				
Deferred income tax related to items charged or credited directly to equity:				
Unrealised gain/(loss) on cash flow hedges (Note 19(b))	**65,091**	289,753	**67,027**	289,190
Net gain on revaluation of property, plant and equipment (Note 19(b))	**-**	18,000	**-**	18,000
Actuarial Losses/(Gains) Recognised	**(28,005)**	(11,154)	**(28,005)**	(11,154)
Income tax expense reported in equity	**37,086**	296,599	**39,022**	296,036

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 2009:

Accounting profit before tax	**100,718**	169,252	**115,243**	170,996
Income tax at statutory rate of 30% (2008: 30%)	**30,215**	50,776	**34,573**	51,299
Non deductible expense - entertainment	**30**	7	**7**	7
Investment Allowance	**(2,834)**	-	**(2,834)**	-
Research and development	**(221)**	(95)	**(221)**	(95)
Adjustments in respect of current income tax of previous years	**(1,821)**	4,872	**(1,841)**	4,872
Income tax expense reported in Income Statement	**25,369**	55,560	**29,684**	56,083

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

6. INCOME TAX (CONTINUED)

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(b) Deferred Income Tax				
Deferred income tax as at 30 June 2009 relates to the following:				
Deferred Income Tax Liabilities				
Balance Sheet				
Accelerated depreciation for tax purposes	**224,756**	231,155	**224,756**	231,155
Revaluations of property, plant and equipment	**273,852**	287,969	**273,852**	287,969
Inventory	**25,462**	21,355	**25,455**	21,355
Intangible assets	**(2)**	(8)	**(2)**	(8)
Derivative instruments	**22,570**	3,255	**22,570**	1,691
Finance lease	**30,850**	-	**30,850**	-
Other items	**7,389**	9	**7,387**	9
Gross deferred income tax liabilities	**584,877**	543,735	**584,868**	542,171
Income Statement				
Accelerated depreciation for tax purposes	**(20,434)**	(19,991)	**(20,434)**	(19,991)
Inventory	**4,107**	2,466	**4,101**	2,466
Derivative instruments – fair value movement	**29,445**	(5,235)	**29,073**	(5,235)
Finance lease	**30,850**	-	**30,850**	-
Other items	**(823)**	(30)	**(824)**	(30)
Deferred income tax expense	**43,145**	(22,790)	**42,766**	(22,790)
Deferred Income Tax Assets				
Balance Sheet				
Employee benefits	**1,799**	987	**1,799**	987
Provisions (excluding employee benefits)	**43,800**	16,347	**43,800**	16,347
Derivative instruments	**13,800**	45,536	**13,375**	45,536
Revaluation of property, plant and equipment	**2,466**	-	**-**	-
Finance lease	**31,322**	-	**31,322**	-
Other items	**535**	663	**(5)**	-
Gross deferred income tax assets	**93,722**	63,533	**90,291**	62,870
Income Statement				
Employee benefits	**(813)**	(118)	**(813)**	(118)
Provisions (excluding employee benefits)	**(27,454)**	(8,595)	**(27,454)**	(8,595)
Derivative instruments – fair value movement	**(7,281)**	1,876	**(6,857)**	1,876
Revaluation of property, plant and equipment	**(2,466)**	-	**-**	-
Finance lease	**(31,322)**	-	**(31,322)**	-
Other items	**57**	84	**(68)**	4
Deferred income tax expense	**(69,279)**	(6,753)	**(66,514)**	(6,833)

7. CASH AND CASH EQUIVALENTS

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Bank	**14,695**	1,142	**11,927**	639
Cash Management Funds	**534**	97	**534**	98
	15,229	1,239	**12,461**	737

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

8. TRADE AND OTHER RECEIVABLES

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(a) Current				
Trade Debtors	**102,791**	89,646	**102,791**	89,646
Advances to Wholly Owned Subsidiaries	**-**	-	**50,166**	42,143
Other Debtors	**7,702**	2,472	**5,467**	2,298
Prepayments	**3,759**	695	**3,703**	695
	114,252	92,813	**162,127**	134,782
(b) Non-Current				
Advances to Wholly Owned Subsidiaries	**-**	-	**21,261**	-
Advance to Cobbora Coal Unit Trust	**20,028**	-	**-**	-
Other Debtors	**1,653**	2,492	**1,599**	1,398
Prepayments	**992**	-	**20**	-
	22,673	2,492	**22,880**	1,398

Trade and other debtors are carried at nominal amounts due less an allowance for any uncollectible amounts. Collectibility of trade and other debtors is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that Delta Electricity will not be able to collect the debt. There were no doubtful debts at reporting date (2008: $Nil).

Trade debtors incorporate 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.

Advances to wholly owned subsidiaries represents the advance of funds to Delta Electricity Australia Pty. Ltd and Mid West Primary Pty. Ltd in accordance with the terms of arrangements to develop and operate renewable energy plants, and exploration, investigation and operation of coal resources in NSW respectively. The advances are presently interest free and repayable on demand.

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

Consolidated current other debtors includes receivables of Delta Electricity's subsidiary (Mid West Primary Pty. Ltd) which is involved in the exploration, investigation and operation of coal resources in NSW.

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

Trade debtors and other receivables past due but not impaired are as follows:

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Less than three months overdue	**236**	50	**220**	50
Three to six months overdue	**-**	25	**-**	25
Later than six months overdue	**-**	-	**-**	-
	236	75	**220**	75

Delta Electricity still considers that these amounts will be recoverable.

9. INVENTORIES

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Stores and Materials	**41,968**	36,028	**41,968**	36,028
Coal Stocks	**81,775**	69,838	**81,775**	69,838
Other Fuel Stocks	**3,099**	2,266	**3,074**	1,346
	126,842	108,132	**126,817**	107,212

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

10. OTHER FINANCIAL ASSETS

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(a) Current				
Electricity Contracts – cash flow hedges	**34,689**	92	**34,689**	92
Electricity Contracts – held for trading	**-**	938	**-**	938
Interest Rate Swaps – cash flow hedges	**-**	229	**-**	-
Other Derivatives – held for trading	**202**	32	**202**	32
	34,891	1,291	**34,891**	1,062
(b) Non-Current				
Electricity Contracts – cash flow hedges	**39,506**	328	**39,506**	328
Interest Rate Swaps – cash flow hedges	**-**	4,985	**-**	-
Other Derivatives – held for trading	**-**	5	**-**	5
	39,506	5,318	**39,506**	333

Refer to Note 25 for further information on Other Financial Assets.

11. OTHER ASSETS

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(a) Current				
Green Certificates	**1,054**	3,611	**814**	3,611
Miscellaneous	**222**	946	**222**	946
	1,276	4,557	**1,036**	4,557
(b) Non-Current				
Superannuation – Defined Benefit Schemes	**-**	3,061	**-**	3,061
	-	3,061	**-**	3,061

Further details on superannuation are contained in Note 21(b).

12. PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation by Asset Classes	$'000				
Parent Entity **Year ended 30 June 2009**	**Land**	**Non Power Station – Buildings**	**Power Stations – Plant and Equipment**	**Other – Plant and Equipment**	**Total**
Carrying amount at 1 July 2008	49,216	37	2,287,444	9,881	**2,346,578**
Additions	544	-	469,291	7,387	**477,222**
Disposals/Write-offs	(235)	-	(976)	(2,078)	**(3,289)**
Depreciation Expense	-	(1)	(91,039)	(2,516)	**(93,556)**
Carrying amount at 30 June 2009	**49,525**	**36**	**2,664,720**	**12,674**	**2,726,955**
At 1 July 2008					
Gross replacement cost	49,216	60	9,769,959	27,256	**9,846,491**
Accumulated depreciation	-	(23)	(7,250,171)	(17,375)	**(7,267,569)**
Fair value	49,216	37	2,519,788	9,881	**2,578,922**
Accumulated impairment	-	-	(232,344)	-	**(232,344)**
Net carrying amount	**49,216**	**37**	**2,287,444**	**9,881**	**2,346,578**
At 30 June 2009					
Gross replacement cost	49,525	60	10,236,072	29,759	**10,315,416**
Accumulated depreciation	-	(24)	(7,354,771)	(17,085)	**(7,371,880)**
Fair value	49,525	36	2,881,301	12,674	**2,943,536**
Accumulated impairment	-	-	(216,581)	-	**(216,581)**
Net carrying amount	**49,525**	**36**	**2,664,720**	**12,674**	**2,726,955**

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliation by Asset Classes (Continued)

The previous tables include work in progress for plant and equipment of $510.1 million (2008: $232.4 million). Additions for Power Stations – Plant and Equipment during 2009 include an amount of $103,989,000 in relation to assets under a finance lease. The carrying amount of finance lease assets at 30 June 2009 was $102,834,000 (2008 $Nil).

Revaluation of Land and Power Stations Plant and Equipment

On 30 June 2008, the fair value of land and power stations plant and equipment was calculated by Rushton Valuers. Following determination of recoverable amount in accordance with the methodology and principles set out in Note 2(o), the revaluation increment to fair value was adjusted downwards to ensure carrying value would not exceed recoverable amount. A review of fair value and recoverable amount by management at 30 June 2009 confirmed the carrying amount of property, plant and equipment.

Consolidated Entity	$'000				
Year ended 30 June 2009	**Land**	**Non Power Station – Buildings**	**Power Stations – Plant and Equipment**	**Other – Plant and Equipment**	**Total**
Carrying amount at 1 July 2008	49,216	37	2,392,856	9,881	**2,451,990**
Additions	544	-	476,261	7,387	**484,192**
Impairment	-	-	(8,222)	-	**(8,222)**
Disposals/Write-offs	(235)	-	(976)	(2,078)	**(3,289)**
Depreciation Expense	-	(1)	(93,791)	(2,516)	**(96,308)**
Carrying amount at 30 June 2009	**49,525**	**36**	**2,766,128**	**12,674**	**2,828,363**
At 1 July 2008					
Gross replacement cost	49,216	60	9,875,371	27,256	**9,951,903**
Accumulated depreciation	-	(23)	(7,250,171)	(17,375)	**(7,267,569)**
Fair value	49,216	37	2,625,200	9,881	**2,684,334**
Accumulated impairment	-	-	(232,344)	-	**(232,344)**
Net carrying amount	**49,216**	**37**	**2,392,856**	**9,881**	**2,451,990**
At 30 June 2009					
Gross replacement cost	49,525	60	10,348,454	29,759	**10,427,798**
Accumulated depreciation	-	(24)	(7,357,524)	(17,085)	**(7,374,633)**
Fair value	49,525	36	2,990,930	12,674	**3,053,165**
Accumulated impairment	-	-	(224,802)	-	**(224,802)**
Net carrying amount	**49,525**	**36**	**2,766,128**	**12,674**	**2,828,363**

The above tables include work in progress for plant and equipment of $510.1 million (2008: $337.8 million). Additions for Power Station – Plant and Equipment during 2009 include an amount of $103,989,000 in relation to assets under a finance lease. The carrying amount of finance lease assets at 30 June 2009 was $102,834,000 (2008 $Nil).

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliation by Asset Classes (Continued)

Parent Entity Year ended 30 June 2008	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 2007	26,326	38	2,099,055	9,009	**2,134,428**
Additions	4,818	-	242,725	4,372	**251,915**
Revaluation	18,352	-	273,992	-	**292,344**
Impairment	-	-	(232,344)	-	**(232,344)**
Disposals/Write-offs	(280)	-	(188)	(1,466)	**(1,934)**
Depreciation Expense	-	(1)	(95,796)	(2,034)	**(97,831)**
Carrying amount at 30 June 2008	**49,216**	**37**	**2,287,444**	**9,881**	**2,346,578**
At 1 July 2007					
Fair value	26,326	60	2,458,439	26,052	**2,510,877**
Accumulated depreciation and impairment	-	(22)	(359,384)	(17,043)	**(376,449)**
Net carrying amount	**26,326**	**38**	**2,099,055**	**9,009**	**2,134,428**
At 30 June 2008					
Gross replacement cost	49,216	60	9,769,959	27,256	**9,846,491**
Accumulated depreciation	-	(23)	(7,250,171)	(17,375)	**(7,267,569)**
Fair value	49,216	37	2,519,788	9,881	**2,578,922**
Accumulated impairment	-	-	(232,344)	-	**(232,344)**
Net carrying amount	**49,216**	**37**	**2,287,444**	**9,881**	**2,346,578**

Consolidated Entity Year ended 30 June 2008	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 2007	26,326	38	2,184,367	9,009	**2,219,740**
Additions	4,818	-	262,825	4,372	**272,015**
Revaluation	18,352	-	273,992	-	**292,344**
Impairment	-	-	(232,344)	-	**(232,344)**
Disposals/Write-offs	(280)	-	(188)	(1,466)	**(1,934)**
Depreciation Expense	-	(1)	(95,796)	(2,034)	**(97,831)**
Carrying amount at 30 June 2008	**49,216**	**37**	**2,392,856**	**9,881**	**2,451,990**
At 1 July 2007					
Fair value	26,326	60	2,543,751	26,052	**2,596,189**
Accumulated depreciation and impairment	-	(22)	(359,384)	(17,043)	**(376,449)**
Net carrying amount	**26,326**	**38**	**2,184,367**	**9,009**	**2,219,740**
At 30 June 2008					
Gross replacement cost	49,216	60	9,875,371	27,256	**9,951,903**
Accumulated depreciation	-	(23)	(7,250,171)	(17,375)	**(7,267,569)**
Fair value	49,216	37	2,625,200	9,881	**2,684,334**
Accumulated impairment	-	-	(232,344)	-	**(232,344)**
Net carrying amount	**49,216**	**37**	**2,392,856**	**9,881**	**2,451,990**

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

12. 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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Land				
At cost	**13,772**	13,463	**13,772**	13,463
Total Land	**13,772**	13,463	**13,772**	13,463
Non Power Station – Buildings				
At cost	**60**	60	**60**	60
Less: accumulated depreciation	**(24)**	(23)	**(24)**	(23)
Total Buildings	**36**	37	**36**	37
Plant and Equipment				
Power Stations				
At cost	**2,398,820**	1,925,737	**2,286,438**	1,820,325
Less: accumulated depreciation and impairment	**(511,029)**	(458,273)	**(500,054)**	(458,273)
Total power stations	**1,887,791**	1,467,464	**1,786,384**	1,362,052
Other Plant and Equipment				
At cost	**29,759**	27,256	**29,759**	27,256
Less: accumulated depreciation	**(17,085)**	(17,375)	**(17,085)**	(17,375)
Total other plant and equipment	**12,674**	9,881	**12,674**	9,881
Total Plant and Equipment	**1,900,465**	1,477,345	**1,799,058**	1,371,933
Total Written Down Value of Property, Plant and Equipment	**1,914,273**	1,490,845	**1,812,866**	1,385,433

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For the Year Ended 30 June 2009

13. INTANGIBLE ASSETS

	Software $'000	Consolidated Total $'000	Parent Entity Total $'000
Year ended 30 June 2009			
Carrying amount at 1 July 2008, net of accumulated amortisation	4,440	4,440	4,440
Additions			
- from internal development	144	144	144
- acquired externally	1,926	1,926	1,926
Amortisation	(3,042)	(3,042)	(3,042)
Carrying amount at 30 June 2009	3,468	3,468	3,468
At 1 July 2008			
Cost (gross carrying amount)	25,073	25,073	25,073
Accumulated amortisation	(20,633)	(20,633)	(20,633)
Net carrying amount	4,440	4,440	4,440
At 30 June 2009			
Cost (gross carrying amount)	27,143	27,143	27,143
Accumulated amortisation	(23,675)	(23,675)	(23,675)
Net carrying amount	3,468	3,468	3,468
Year ended 30 June 2008			
Carrying amount at 1 July 2007, net of accumulated amortisation	7,534	7,534	7,534
Additions			
- from internal development	387	387	387
- acquired externally	830	830	830
Amortisation	(4,311)	(4,311)	(4,311)
Carrying amount at 30 June 2008	4,440	4,440	4,440
At 1 July 2007			
Cost (gross carrying amount)	23,856	23,856	23,856
Accumulated amortisation	(16,322)	(16,322)	(16,322)
Net carrying amount	7,534	7,534	7,534
At 30 June 2008			
Cost (gross carrying amount)	25,073	25,073	25,073
Accumulated amortisation	(20,633)	(20,633)	(20,633)
Net carrying amount	4,440	4,440	4,440

14. TRADE AND OTHER PAYABLES

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current				
Accounts Payable	137,395	142,073	132,638	140,750
Other Creditors	14,196	8,730	13,726	8,730
	151,591	150,803	146,364	149,480

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

15. BORROWINGS

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(a) Current				
NSW Treasury Corporation Short-Term Loans	**117,886**	102,872	**117,886**	102,872
Bank Loans - secured	**3,968**	2,316	**-**	-
Finance Lease Liabilities	**2,012**	-	**2,012**	-
	123,866	105,188	**119,898**	102,872
(b) Non-Current				
NSW Treasury Corporation Loans	**1,012,520**	603,337	**1,012,520**	603,337
Bank Loans - secured	**64,711**	67,679	**-**	-
Finance Lease Liabilities	**101,329**	-	**101,329**	-
	1,178,560	671,016	**1,113,849**	603,337

At reporting date, Delta Electricity had Executive Council approval to borrow up to $1,680 million (2008: $1,680 million).

Maturing loans may be re-financed if the borrowing limit is not exceeded. As such, Borrowings initially deemed as non-current, which now have less than one year to maturity have been classified as non-current. At reporting date, there were $42,196,000 of borrowings due to mature within one year requiring classification as non-current (2008: Nil).

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

Further details on finance lease liabilities are presented in Note 23(a).

16. PROVISIONS

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(a) Current				
Dividend	**59,221**	124,422	**59,221**	124,422
Employee Benefits	**49,788**	39,786	**49,788**	39,786
Insurance	**4,191**	3,568	**4,191**	3,568
	113,200	167,776	**113,200**	167,776
(b) Non-Current				
Employee Benefits	**727**	5,173	**727**	5,173
Superannuation – Defined Benefit Schemes	**85,595**	1,984	**85,595**	1,984
Insurance	**11,101**	12,596	**11,101**	12,596
	97,423	19,753	**97,423**	19,753

Delta Electricity's insurance provision covers assessed employee and contractor related accident and injury liabilities at reporting date. In accordance with conditions associated with Delta Electricity's Self Insurer's licence for Workers' Compensation, a current provision of $709,000 (2008: $1,002,000) and a non-current provision of $4,691,000 (2008: $4,555,000) for workers' compensation has been included in the insurance provision.

An actuarial review of employee benefits was carried out by David A Zaman Pty Ltd as at 30 June 2009.

Further details on employee benefits and superannuation are contained in Note 21.

(c) Movements in Provisions

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

			2009 $'000
Current	**Dividend**	**Insurance**	**Total**
Carrying amount at start of year	124,422	3,568	127,990
Additional provision	59,221	2,667	61,888
Payments	(124,422)	(2,044)	(126,466)
Carrying amount at end of year	**59,221**	**4,191**	**63,412**
Non-Current		**Insurance**	**Total**
Carrying amount at start of year		12,596	12,596
Discount adjustment		872	872
Adjustment to assessed liability		(2,367)	(2,367)
Carrying amount at end of year		**11,101**	**11,101**

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For the Year Ended 30 June 2009

17. OTHER FINANCIAL LIABILITIES

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(a) Current				
Electricity Contracts – cash flow hedges	**412**	97,619	**412**	97,619
Electricity Contracts – held for trading	**16,938**	543	**16,938**	543
Forward Foreign Exchange Contracts – cash flow hedges	**292**	10,617	**292**	10,617
Forward Foreign Exchange Contracts – held for trading	**1,455**	782	**1,455**	782
Interest Rate Swap – cash flow hedges	**82**	-	**-**	-
Other Derivatives – held for trading	**942**	18	**942**	18
	20,121	109,579	**20,039**	109,579
(b) Non-Current				
Electricity Contracts – cash flow hedges	**-**	41,314	**-**	41,314
Forward Foreign Exchange Contracts – cash flow hedges	**-**	724	**-**	724
Forward Foreign Exchange Contracts – held for trading	**-**	3	**-**	3
Interest Rate Swap – cash flow hedges	**1,330**	-	**-**	-
	1,330	42,041	**-**	42,041

Refer to Note 25 for further information on Other Financial Liabilities.

18. OTHER LIABILITIES

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(a) Current				
Miscellaneous	**300**	131	**300**	131
	300	131	**300**	131
(b) Non Current				
Miscellaneous	**1,307**	-	**1,307**	-
	1,307	-	**1,307**	-

19. EQUITY

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(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	**774,002**	774,687	**774,002**	774,687
Hedging Reserve	**50,253**	(101,627)	**51,501**	(104,898)
Reserves at end of year	**824,255**	673,060	**825,503**	669,789

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.

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For the Year Ended 30 June 2009

19. EQUITY (CONTINUED)

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Balance at beginning of year	**774,686**	732,758	**774,686**	732,758
Revaluation	**-**	292,344	**-**	292,344
Impairment	**-**	(232,344)	**-**	(232,344)
Tax Effect	**-**	(18,000)	**-**	(18,000)
Depreciation transfer	**(684)**	(71)	**(684)**	(71)
Asset Revaluation Reserve at end of year	**774,002**	774,687	**774,002**	774,687

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.

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Balance at beginning of year	**(101,627)**	(777,716)	**(104,898)**	(779,675)
Gains / (Losses) Recognised on Cash Flow Hedges:				
Electricity Contracts	**242,880**	957,512	**242,880**	957,512
Forward Foreign Exchange Contracts	**19,574**	4,192	**19,574**	4,192
Interest Rate Swaps	**(7,003)**	2,575	**-**	-
Tax Effect	**(76,635)**	(289,284)	**(78,736)**	(288,511)
Transferred to Profit or Loss				
Electricity Contracts	**(30,505)**	(653)	**(30,505)**	(653)
Future Foreign Exchange Contracts	**69**	-	**69**	-
Interest Rate Swaps	**942**	-	**-**	-
Tax Effect	**8,848**	196	**9,131**	196
Transferred to Initial Carrying Amount of Hedged Item				
Forward Foreign Exchange Contracts	**(8,592)**	2,916	**(8,592)**	2,916
Interest Rate Swaps	**(394)**	(700)	**-**	-
Tax Effect	**2,696**	(665)	**2,578**	(875)
Hedging Reserve at end of year	**50,253**	(101,627)	**51,501**	(104,898)

Gains / (losses) transferred from equity into profit or loss during the period are included in the Income Statement under revenue, expenses, finance costs and income tax expense on profit before financial instrument fair value movements.

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(c) Retained Profits				
Balance at beginning of year	**48,534**	85,218	**52,918**	88,381
Superannuation actuarial Gains/(Losses)	**(93,351)**	(37,179)	**(93,351)**	(37,179)
Tax Effect	**28,005**	11,154	**28,005**	11,154
Profit for the Period after Related Income Tax Expense	**75,349**	113,692	**85,559**	114,913
Dividends provided for or paid	**(59,221)**	(124,422)	**(59,221)**	(124,422)
Depreciation transfer	**684**	71	**684**	71
Retained Profits at end of year	**-**	48,534	**14,594**	52,918

20. JOINTLY CONTROLLED ASSETS AND OPERATIONS

(a) Description

Delta Electricity Australia Pty. Ltd and Mid West Primary Pty. Ltd, Delta Electricity's wholly owned subsidiaries, are the consolidated entity's participants in joint ventures.

		Output Interest	
Name of Joint Venture	**Principal Activity**	**2009 %**	2008 %
Sunshine Electricity Joint Venture	Electricity Generation	50.0	50.0
Cobbora Joint Venture	Exploration, investigation and operation of coal resources in NSW	38.3	-

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

20. JOINTLY CONTROLLED ASSETS AND OPERATIONS (CONTINUED)

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(b) Share of Assets				
The subsidiaries' interest in assets employed in the above jointly controlled assets joint ventures are detailed below:				
Cash and Cash Equivalents	**370**	20	**-**	-
Trade and Other Receivables	**2,731**	191	**-**	-
Inventories	**25**	920	**-**	-
Other	**240**	-	**-**	-
Total Current Assets	**3,366**	1,131	**-**	-
Receivables	**1,026**	1,094	**-**	-
Property, Plant and Equipment	**100,236**	105,190	**-**	-
Total Non-Current Assets	**101,262**	106,284	**-**	-
Total Assets	**104,628**	107,415	**-**	-

(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	**28**	2,302	**-**	-
Payable later than one, not later than five years	**-**	-	**-**	-
Payable later than 5 years	**-**	-	**-**	-
	28	2,302	**-**	-

Delta Electricity Australia Pty. Ltd expects to receive input tax credits from the Australian Taxation Office totalling $2,500 (2008: $209,000) for Goods and Services Tax paid for these commitments.

Other commitments are disclosed in Notes 22 and 23.

21. EMPLOYEE BENEFITS AND SUPERANNUATION

(a) Employee Benefits

The aggregate employee benefit liability excluding superannuation is composed of:

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Short-term Employee Benefits	**25,286**	13,677	**25,286**	13,677
Long-term Employee Benefits	**37,658**	34,556	**37,658**	34,556
	62,944	48,233	**62,944**	48,233

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 Information and 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 2009.

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)

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

21. EMPLOYEE BENEFITS AND SUPERANNUATION (CONTINUED)

(b) Superannuation – Defined Benefit Schemes (Continued)

(i) General Information and Description of Plans (Continued)

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.

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

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

	Parent Entity				
	SASS $'000	**SANCS $'000**	**SSS $'000**	**2009 $'000**	2008 $'000
(ii) Reconciliation of the Present Value of the Defined Benefit Obligation					
Present value of partly funded defined benefit obligations at beginning of the year	96,637	17,816	176,787	**291,240**	282,591
Current service cost	3,029	919	1,798	**5,746**	5,828
Interest cost	6,188	1,120	11,430	**18,738**	17,768
Contributions by fund participants	1,684	-	2,066	**3,750**	3,664
Actuarial (gains)/losses	2,745	1,533	43,077	**47,355**	(5,847)
Benefits paid	(3,421)	(818)	(10,543)	**(14,782)**	(12,763)
Present value of partly funded defined benefit obligations at end of year	106,862	20,570	224,615	**352,047**	291,241
(iii) Reconciliation of the Fair Value of Fund Assets					
Fair value of Fund assets at beginning of the year	99,222	18,293	174,803	**292,318**	312,025
Expected return on fund assets	8,017	1,471	14,158	**23,646**	24,144
Actuarial gains / (losses)	(15,705)	(3,271)	(27,020)	**(45,996)**	(43,026)
Employer contributions	3,358	626	3,532	**7,516**	8,274
Contributions by Fund participants	1,684	-	2,066	**3,750**	3,664
Benefits paid	(3,421)	(818)	(10,543)	**(14,782)**	(12,763)
Fair value of Fund assets at end of the year	93,155	16,301	156,996	**266,452**	292,318

	Parent Entity				
	SASS $'000	**SANCS $'000**	**SSS $'000**	**2009 $'000**	2008 $'000
(iv) Reconciliation of the Assets and Liabilities Recognised in the Balance Sheet					
Present value of partly funded defined benefit obligations at end of year	106,862	20,570	224,615	**352,047**	291,241
Fair value of Fund assets at end of year	(93,155)	(16,301)	(156,996)	**(266,452)**	(292,318)
Net Liability/(Asset) recognised in balance sheet at end of year	13,707	4,269	67,619	**85,595**	(1,077)
(v) Expense/(Income) Recognised in Income Statement					
Current service cost	3,029	919	1,798	**5,746**	5,828
Interest cost	6,188	1,120	11,430	**18,738**	17,768
Expected return on Fund assets (net of expenses)	(8,017)	(1,471)	(14,158)	**(23,646)**	(24,144)
Expense/(income) recognised	1,200	568	(930)	**838**	(548)
(vi) Amounts recognised in the Statement of Recognised Income and Expense					
Actuarial (gains)/losses	18,450	4,804	70,097	**93,351**	37,179

The cumulative amount of actuarial losses recognised in the Statement of Recognised Income and Expense since 1 July 2004 is $76.7 million.

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For the Year Ended 30 June 2009

21. EMPLOYEE BENEFITS AND SUPERANNUATION (CONTINUED)

(b) Superannuation – Defined Benefit Schemes (Continued)

	2009 %	2008 %
(vii) Fund Assets		
The percentage investment in each asset class at reporting date:		
Australian equities	**32.1**	31.6
Overseas equities	**26.0**	25.4
Australian fixed interest securities	**6.2**	7.4
Overseas fixed interest securities	**4.7**	7.5
Property	**10.0**	11.0
Cash	**8.0**	6.1
Other	**13.0**	11.0

			Parent Entity		
	SASS $'000	**SANCS $'000**	**SSS $'000**	**2009 $'000**	2008 $'000
(viii) Actual Return on Fund Assets					
Actual return on Fund assets	(9,793)	(1,801)	(17,131)	**(28,725)**	(20,261)

			Parent Entity		
	SASS $'000	**SANCS $'000**	**SSS $'000**	**2009 $'000**	2008 $'000
(ix) Historical Information					
Current Information					
Present value of defined benefit obligation	106,862	20,570	224,615	**352,047**	291,241
Fair value of Fund assets	(93,155)	(16,301)	(156,996)	**(266,452)**	(292,318)
(Surplus)/Deficit in Fund	13,707	4,269	67,619	**85,595**	(1,077)
Experience adjustments – Fund liabilities	2,745	1,533	43,077	**47,355**	(5,847)
Experience adjustments – Fund assets	15,705	3,271	27,020	**45,996**	43,026

	Parent Entity	
	2007 $'000	2006 $'000
Prior Year Information		
Present value of defined benefit obligation	282,590	280,052
Fair value of Fund assets	(312,025)	(277,891)
(Surplus)/Deficit in Fund	(29,435)	2,161
Experience adjustments – Fund liabilities	(10,575)	(20,689)
Experience adjustments – Fund assets	(14,963)	(24,869)

			Parent Entity		
	SASS $'000	**SANCS $'000**	**SSS $'000**	**2009 $'000**	2008 $'000
(x) Expected Contributions					
Expected employer contributions	3,199	1,070	3,306	**7,575**	7,414

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For the Year Ended 30 June 2009

21. EMPLOYEE BENEFITS AND SUPERANNUATION (CONTINUED)

(b) Superannuation – Defined Benefit Schemes (Continued)

(xi) 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:

	2009 % pa	2008 % pa
Salary increase rate (excluding promotional increases)*	**3.5**	3.5
Rate of CPI Increase	**2.5**	2.5
Expected rate of return on assets	**8.1**	-
Expected rate of return on assets backing current pension liabilities	**-**	8.3
Expected rate of return on assets backing other liabilities	**-**	7.3
Discount rate	**5.6**	6.6

*The salary increase rate assumes productivity gains.

(xii) Funding Arrangements for Employer Contributions

Surplus/Deficit

The following is a summary of the June 2009 financial position of the Fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*.

	Parent Entity				
	SASS $'000	**SANCS $'000**	**SSS $'000**	**2009 $'000**	2008 $'000
Accrued benefits	97,724	18,703	161,282	**277,709**	277,577
Net market value of Fund assets	(93,155)	(16,301)	(156,996)	**(266,452)**	(292,318)
Net (Surplus)/deficit	4,569	2,402	4,286	**11,257**	(14,741)

Contribution Recommendation

Recommended contribution rates for the entity are:

	SASS multiple of member contributions	**SANCS** % member salary	**SSS** multiple of member contributions
2009	**1.9**	**2.5**	**1.6**
2008	1.9	2.5	1.6

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

21. EMPLOYEE BENEFITS AND SUPERANNUATION (CONTINUED)

(b) Superannuation – Defined Benefit Schemes (Continued)

Funding Method

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.

Economic Assumptions

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

Weighted Average Assumptions	**2009 % pa**	2008 % pa
Expected rate of return on Fund assets backing current pension liabilities	**8.3**	7.7
Expected rate of return on Fund assets backing other liabilities	**7.3**	7.0
Expected salary increase rate	**4.0**	4.0
Expected rate of CPI increase	**2.5**	2.5

(xiii) 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.

22. EXPENDITURE COMMITMENTS

Expenditure contracted for at reporting date but not recognised as liabilities in the Balance Sheet:	**Consolidated**		**Parent Entity**	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(a) Capital - Plant and Equipment				
Payable no later than one year	**62,972**	297,497	**62,944**	295,195
Payable later than one, not later than 5 years	**1,095**	25,578	**1,095**	25,578
Payable later than 5 years	**-**	-	**-**	-
	64,067	323,075	**64,039**	320,773
(b) Operating (excluding lease commitments) - Operational and Maintenance				
Payable no later than one year	**56,046**	27,047	**52,211**	26,677
Payable later than one, not later than 5 years	**80,415**	19,031	**79,082**	17,656
Payable later than 5 years	**7,082**	3,494	**3,905**	-
	143,543	49,572	**135,198**	44,333

Delta Electricity expects to receive input tax credits from the Australian Taxation Office totalling $18,025,000 (2008: $33,169,000) for Goods and Services Tax paid for these commitments.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

23. LEASES

(a) Finance Lease

Delta Electricity has entered into a finance lease related to a major item of power station plant and equipment. The lease term is 20 years with provision for three five year extensions to the lease term. Information related to finance lease payments is presented in the following table:

	Minimum Future Lease Payments				Present Value of Minimum Future Lease Payments			
	Consolidated		Parent Entity		Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
No later than 1 year	**11,213**	-	**11,213**	-	**2,012**	-	**2,012**	-
Later than 1 year and not later than 5 years	**44,852**	-	**44,852**	-	**10,118**	-	**10,118**	-
Later than five years	**164,350**	-	**164,350**	-	**91,211**	-	**91,211**	-
Minimum future lease payments	**220,415**	-	**220,415**	-	**103,341**	-	**103,341**	-
Less future finance charges	**(117,074)**	-	**(117,074)**	-	**-**	-	**-**	-
Present value of minimum lease payments	**103,341**	-	**103,341**	-	**103,341**	-	**103,341**	-
Included in the financial statements as: (refer Note15)								
Current borrowings					**2,012**	-	**2,012**	-
Non-current borrowings					**101,329**	-	**101,329**	-
					103,341	-	**103,341**	-

(b) Operating Leases

Delta Electricity leases office accommodation under an operating lease expiring in January 2014. Future operating lease rentals contracted for at reporting date but not recognised as liabilities in the Balance Sheet:

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Payable no later than one year	**1,142**	449	**1,134**	441
Payable later than one, not later than 5 years	**4,532**	32	**4,500**	-
Payable later than 5 years	**264**	272	**-**	-
	5,938	753	**5,634**	441

Delta Electricity expects to receive input tax credits from the Australian Taxation Office totalling $512,000 (2008: $40,000) for Goods and Services Tax paid for these commitments.

24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

At the reporting date Delta Electricity Australia Pty. Ltd (wholly owned subsidiary) has not resolved final settlement terms with the construction contractor for the Condong and Broadwater co-generation plants. At the reporting date it is not possible to quantify the amount of any potential asset or liability that may arise on final settlement of the construction contract.

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

25. FINANCIAL INSTRUMENTS

(a) Capital Risk Management

Delta Electricity manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through optimisation of debt and equity balance. Delta Electricity's capital structure is reviewed each year as part of the development and finalisation of the Statement of Corporate Intent which is a high level agreement between the Board and shareholders. In addition, Delta Electricity complies with the requirements of the Capital Structure Policy for Government Businesses administered by New South Wales Treasury and borrowing limits approved under the Pubic Authorities (Financial Arrangements) Act 1987. The Capital Structure Policy for Government Businesses is one of the key policy mechanisms which help to ensure that Government businesses operate on a commercial basis and make appropriate investment decisions.

The capital structure consists of cash and cash equivalents, borrowings and total equity consisting of contributed equity, reserves and retained profits as disclosed in Note 7, Note 15, and Note 19 respectively.

Operating cash flows are used to maintain and expand the organisation's operating capacity as well as make routine outflows related to taxation, dividends and repayment of borrowings. Borrowings are sourced from New South Wales Treasury Corporation unless specific approval is granted under the Pubic Authorities (Financial Arrangements) Act 1987 to source private borrowings.

The overall strategy remains unchanged from 2008.

(b) Categories of Financial Instruments

The carrying amounts of Delta Electricity's financial instruments are outlined in the following table:

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Financial Assets				
Cash and Cash Equivalents	**15,229**	1,239	**12,461**	737
Loans and Receivables	**128,540**	94,882	**178,008**	135,883
Derivative Instruments – Designated in Hedge Accounting Relationships	**74,195**	5,634	**74,195**	420
Derivative Instruments – Held for Trading	**202**	975	**202**	975
	218,166	102,730	**264,866**	138,015
Financial Liabilities				
Payables and Borrowings	**1,453,497**	926,569	**1,379,591**	855,250
Derivative Instruments – Designated in Hedge Accounting Relationships	**2,116**	150,274	**704**	150,274
Derivative Instruments – Held for Trading	**19,335**	1,346	**19,335**	1,346
	1,474,948	1,078,189	**1,399,630**	1,006,870

(c) Financial Risk Management Objectives

Delta Electricity's activities expose the organisation to a variety of financial risks including market risk (currency, interest and price risk), credit risk and liquidity risk. The organisation aims to minimise the effects of these risks by using a range of derivative financial instruments. The use of financial instruments is governed by Board approved policies which are reviewed annually or as required. Compliance with policies is reviewed on a continuous basis and is subject to routine audit.

Delta Electricity does not enter into or trade financial instruments for speculative purposes.

(d) Foreign Currency Risk Management

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 foreign exchange commitments greater than AUD250,000 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 22 (2008: 63) forward foreign exchange contracts. The values of these contracts are outlined in the table below:

	Parent Entity			
		2009		2008
Currency	**Number of Contracts**	**Currency Value**	Number of Contracts	Currency Value
USD	**1**	**205,000**	-	-
EUR	**13**	**8,874,664**	31	26,470,007
JPY	**6**	**649,157,730**	7	860,585,100
CHF	**2**	**597,761**	25	121,424,000

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

25. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Foreign Currency Risk Management (Continued)

	Consolidated Entity			
	2009		2008	
Currency	**Number of Contracts**	**Currency Value**	Number of Contracts	Currency Value
USD	**1**	**205,000**	-	-
EUR	**13**	**8,874,664**	31	26,470,007
JPY	**6**	**649,157,730**	7	860,585,100
CHF	**2**	**597,761**	25	121,424,000

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.

A 10% strengthening/(weakening) of the Australian dollar against the relevant foreign currencies would decrease/(increase) post tax profit by $679,000/($829,000) (2008: $585,000/($715,000)) and decrease/(increase) other equity (tax effected) by $893,000/($1,091,000) (2008: $10,456, 000/($12,780,000)). The sensitivity reflects management's view of the reasonably possible movement in the Australian dollar against the relevant foreign currencies at balance date which is based on advice from Delta Electricity's service provider. The sensitivity assumes all other variables remain constant.

(e) Interest Rate Risk Management

Delta Electricity has a finance lease and a portfolio of debt consisting of short, medium and long-term borrowings. These financial liabilities are used to service the asset structure and ongoing activities of the organisation. Delta Electricity has identified interest rate risks associated with these financial liabilities.

New South Wales Treasury Corporation (TCorp) manages interest rate risk exposures applicable to specific borrowings of Delta Electricity in accordance with Board approved policies and a debt portfolio mandate agreed between the two parties. TCorp receives a fee for this service which may include a performance component where TCorp is able to add value by achieving a reduction in Delta Electricity's debt costs against an agreed benchmark. TCorp uses derivatives, primarily interest rate futures, to establish short term (tactical) and longer term (strategic) positions within agreed tolerance limits to manage portfolio duration and maturity profiles. At reporting date the carrying value of borrowings and derivatives (net of funds held at call) managed by TCorp stood at $1,118,891,000 (2008: $704,919,000).

The nominal principal amounts and periods of expiry for interest rate swaps and futures held at reporting date were:

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Interest Rate Swaps				
Less than one year	**3,789**	2,968	**-**	-
One to five years	**19,368**	17,559	**-**	-
Greater than five years	**41,559**	47,157	**-**	-
	64,716	67,684	**-**	-
Interest Rate Futures				
Less than one year*	**(46,000)**	(301,000)	**(46,000)**	(301,000)
One to five years*	**-**	13,300	**-**	13,300
Greater than five years*	**(2,500)**	37,200	**(2,500)**	37,200
	(48,500)	(250,500)	**(48,500)**	(250,500)

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

25. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk Management (Continued)

The total notional amount of interest rate swaps for the consolidated entity is $64,716,000 with Delta Electricity Australia Pty. Ltd receiving floating interest and paying fixed interest.

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 the entity 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.

For Delta Electricity, the weighted average interest exposure on financial assets is 2.4% (2008: 6.3%), while weighted average interest exposure incorporating a government guarantee fee on financial liabilities is 6.9% (2008: 7.0%).

For the consolidated entity, the weighted average interest exposure on financial assets is 2.4% (2008: 6.4%), while weighted average interest exposure incorporating a government guarantee fee on financial liabilities is 6.9% (2008: 7.2%).

A 1.0% increase/(decrease) in interest rates would decrease/(increase) post tax profit by $519,000 (2008: $2,310,000). The sensitivity reflects management's view of the reasonably possible movement in interest rates as at balance date which is based on advice from Delta Electricity's debt management service provider. The sensitivity percentage is derived from historically based volatility information calculated over a ten year period. The sensitivity assumes that all other variables remain constant.

(f) Electricity Price Risk Management

Delta Electricity sells all generated electricity to the National Electricity Market. The wholesale price for generated electricity is based on numerous supply and demand factors and can be extremely volatile. In the normal course of business, Delta Electricity enters into various types of derivative contracts with electricity market counterparties to manage the risks associated with fluctuations in wholesale electricity prices. These contracts are undertaken in accordance with Board approved policies. The policies permit the active hedging of price and volume related to forecast electricity generation within prescribed limits.

The fair value of electricity derivative contracts are outlined in the following table:

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Less than one year*	**(17,339)**	97,132	**(17,339)**	97,132
One to five years*	**(39,506)**	40,986	**(39,506)**	40,986
Greater than five years*	**-**	-	**-**	-
	(56,845)	138,118	**(56,845)**	138,118

* positive amount indicates net liability; negative amount indicates net asset.

Electricity contracts are recognised on the Balance Sheet at fair value. The fair value of short to medium term electricity contracts is calculated by reference to observable market data where available supported by valuation techniques where appropriate. Fair value for long dated electricity contracts is calculated using an input cost plus margin model.

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.

Management has assessed the possible changes in both forward and spot electricity prices over a financial year based on historical data and future expectations. If forward electricity prices had changed by plus or minus 10% for the year and with all other variables are held constant, post tax profit would have increased/(decreased) by ($792,000) (2008: $65,000) and equity (tax effected) by ($56,650,000) (2008: $56,875,000).

25. FINANCIAL INSTRUMENTS (CONTINUED)

(g) Oil Price Risk Management

Delta Electricity utilises significant levels of oil in the electricity generation process. The wholesale price of oil is based on world wide supply and demand factors and can be extremely volatile. In the normal course of business, Delta Electricity can enter into derivative contracts such as commodity swaps to manage the risks associated with fluctuations in wholesale oil prices. These contracts are undertaken in accordance with Board approved policies which require economic hedging when total oil exposure reaches a specified level.

The notional face value of oil commodity swaps are outlined in the following table:

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Less than one year	**6,173**	2,028	**6,173**	2,028
One to five years	**-**	-	**-**	-
Greater than five years	**-**	-	**-**	-
	6,173	2,028	**6,173**	2,028

Commodity swaps are recognised on the Balance Sheet at fair value. The fair value of commodity swaps is calculated by reference to quoted rates at reporting dates.

For commodity 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.

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 commodity 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.

A 20% increase/(decrease) in oil prices would increase/(decrease) post tax profit by $735,000 (2008: (10% increase/(decrease) $150,000). The sensitivity reflects management's view of the reasonably possible movement in oil commodity prices as at balance date which is based on advice from Delta Electricity's service provider. The sensitivity assumes all other variables remain constant.

(h) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the organisation.

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 allowance for doubtful debts. The recognised financial assets of the Corporation include amounts receivable from government owned agencies (68.6%) and other debtors (31.4%).

The majority of credit risk for the organisation is related to receivables from the sale of generated electricity supplied to the National Electricity Market (NEM) and derivative electricity contracts. The credit risk associated with supply of physical electricity to the NEM is considered minimal due to prudential requirements needed by participants prior to registration in the market. The credit risk associated with derivative 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. Credit risk exposure and counterparty credit ratings are continuously monitored with monthly reporting to the Board. The aggregate exposure on open electricity contracts at reporting date was $164.3 million (2008: $61.8 million).

Credit risk also arises from potential counterparty default on forward foreign exchange contracts and commodity swap contracts. The value of this exposure at reporting date was $304,000 (2008: $21,000).

(i) Liquidity Risk Management

Delta Electricity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The organisation maintains adequate reserves, flexible banking facilities and has reserve borrowing facilities in place to manage additional funding required from time to time. The extent of these facilities is disclosed in Note 26(e).

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

25. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Liquidity Risk Management (Continued)

The following tables set out the remaining undiscounted contractual maturity for financial liabilities.

	Maturity Dates			Total
	< 1 year	1 – 5 years	> 5 years	
Parent Entity	$'000	$'000	$'000	$'000
2009				
Financial Liabilities				
Variable interest rate instruments	91,079	-	-	91,079
Fixed interest rate instruments	140,989	716,000	681,457	1,538,446
Non-interest bearing instruments	145,844	-	-	145,844
Derivative instruments	20,493	-	-	20,493
	398,405	716,000	681,457	1,795,862
2008				
Financial Liabilities				
Variable interest rate instruments	25,030	-	-	25,030
Fixed interest rate instruments	116,235	451,153	317,204	884,592
Non-interest bearing instruments	149,042	-	-	149,042
Derivative instruments	117,952	48,578	-	166,530
	408,259	499,731	317,204	1,225,194
Consolidated				
2009				
Financial Liabilities				
Variable interest rate instruments	91,079	-	-	91,079
Fixed interest rate instruments	144,957	733,559	728,608	1,607,124
Non-interest bearing instruments	151,071	-	-	151,071
Derivative instruments	20,575	422	908	21,905
	407,682	733,981	729,516	1,871,179
2008				
Financial Liabilities				
Variable interest rate instruments	25,030	-	-	25,030
Fixed interest rate instruments	118,551	466,661	369,375	954,587
Non-interest bearing instruments	150,366	-	-	150,366
Derivative instruments	117,952	48,578	-	166,530
	411,899	515,239	369,375	1,296,513

(j) Fair Value of Financial Instruments

Management considers that the carrying amounts of financial assets and liabilities in the financial statements approximate fair value except as disclosed in the following table:

	Parent Entity			
	Carrying Amount		Fair Value	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Financial Liabilities				
Borrowings	**1,130,406**	706,209	**1,155,658**	694,446

	Consolidated Entity			
	Carrying Amount		Fair Value	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Financial Liabilities				
Borrowings	**1,199,085**	776,204	**1,224,337**	764,441

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

25. FINANCIAL INSTRUMENTS (CONTINUED)

(k) Total Debt Maturity Table

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

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Up to one year	**164,050**	105,188	**160,081**	102,872
Over one and up to two years	**250,654**	44,778	**246,865**	41,810
Over two years and up to five years	**297,847**	317,998	**284,077**	305,458
Over five years	**486,534**	308,240	**439,383**	256,069
	1,199,085	776,204	**1,130,406**	706,209

26. 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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Cash and Cash Equivalent Assets	**15,229**	1,239	**12,461**	737
Current Borrowings	**-**	(380)	**-**	(380)
Balance as per Cash Flow Statement	**15,229**	859	**12,461**	357

Current borrowings reflect a NSW Treasury Corporation call facility used in the management of cash on a day to day basis.

(c) Dividends and Taxes

No dividends were received during the period. Dividends paid by Delta Electricity during the period amounted to $124.4 million (2008: $113.6 million). Tax equivalent payments for the year were $75.3 million (2008: $41.0 million).

(d) Acquisitions and Disposal of Entities

There were no acquisitions or disposals of entities during the year.

(e) Financing Arrangements

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Facilities Available				
Bank Overdraft	**2,050**	2,000	**2,000**	2,000
NSW Treasury Corporation Loans	**1,680,000**	1,680,000	**1,680,000**	1,680,000
Project Borrowing Facility	**69,134**	70,000	**-**	-
Total Available	**1,751,184**	1,752,000	**1,682,000**	1,682,000
Facilities Utilised				
Bank Overdraft	**-**	-	**-**	-
NSW Treasury Corporation Loans	**1,130,406**	706,209	**1,130,406**	706,209
Project Borrowing Facility	**68,679**	69,995	**-**	-
Total Utilised	**1,199,085**	776,204	**1,130,406**	706,209

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

26. NOTES TO THE CASH FLOW STATEMENT

(f) Reconciliation of Profit for the Year after Related Income Tax Expense to Net Cash Provided/(Used) by Operating Activities	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Profit for the Period	**75,349**	113,692	**85,559**	114,913
Add/(Less): Non-Cash Items				
Depreciation and Amortisation	**99,638**	101,107	**96,885**	101,107
Inventory Adjustments	**186**	359	**186**	359
Impairment and Write-Off of Non Current Assets	**9,334**	2,092	**1,112**	2,092
Share of (Profit) / Loss Associated with Equity Method of Accounting	**1**	-	**-**	-
Add/(Less): Items classified as Investing/Financing Activities				
(Gain)/Loss on Sale of Property, Plant and Equipment	**477**	1,088	**477**	1,088
Accounting (Gain)/Loss on Debt Re-financing	**-**	19	**-**	19
Net Cash Provided by Operating Activities Before Changes in Assets and Liabilities	**184,985**	218,357	**184,219**	219,578
Net Changes in Assets and Liabilities During the Period				
(Increase)/Decrease in Trade Debtors	**9,936**	345,691	**9,837**	345,691
(Increase)/Decrease in Other Receivables	**(1,598)**	(3,572)	**(1,077)**	(2,625)
(Increase)/Decrease in Inventories	**(17,138)**	(22,571)	**(18,724)**	(21,920)
(Increase)/Decrease in Other Assets	**3,394**	30,059	**3,223**	30,059
Increase/(Decrease) in Payables	**8,930**	(336,902)	**6,050**	(337,238)
Increase/(Decrease) in Income Tax Related Assets/Liabilities	**(49,694)**	3,364	**(45,609)**	3,888
Increase/(Decrease) in Other Liabilities	**(269)**	4,714	**(269)**	4,714
Net Cash Provided/(Used) by Operating Activities	**138,546**	239,140	**137,650**	242,147

27. 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.

As part of Delta Electricity's Board governance, Directors are required to nominate business relationships and dealings in which the Director may have a personal interest that does or could conflict with his/her Director's duties. Additionally, Directors are required to disclose other directorships and committee memberships.

These disclosures are retained in a register maintained by the Corporate Secretary which is submitted quarterly to the Board for verification. At each meeting of the Board, a standing agenda item of Directors' interests allows the opportunity for Directors to disclose any additional conflicts relative to the matters being considered in the meeting.

Should a Director have previously declared a conflict of interest, then papers related to that matter are excluded from that Director's papers. When the matter is considered by the Board, the Director leaves the meeting and does not participate in the discussion and resolution of the matter.

The Directors of Delta Electricity at 30 June 2009 were Mr PF Young AM, Mr JP Henness, Mr WL Phillips, Ms SM Moait, Hon MS Knight, Mr PJ Forward and Mr LW Harris.

Mr WL Phillips and Mr JP Henness were Directors of Delta Electricity Australia Pty. Ltd for the full financial year.

Mr WL Phillips and Mr JP Henness were Directors of Mid West Primary Pty. Ltd from August 2008.

(b) Key Management Personnel Remuneration

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Short-term Employee Benefits	**3,777**	3,670	**3,777**	3,670
Post-employment Benefits	**230**	230	**230**	230
Other Long-term Benefits	**227**	471	**227**	471
Total	**4,234**	4,371	**4,234**	4,371

Key management personnel include 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 and Mid West Primary Pty. Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

26. NOTES TO THE CASH FLOW STATEMENT

(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 $50.0 million (2008: $48.8 million) to Delta Electricity Australia Pty. Ltd for the purpose of the Sunshine Electricity Joint Venture. There was a minor exceedence of this limit at 30 June 2009 and Delta Electricity is undertaking action to address the matter.

Delta Electricity acquired the one issued $1 ordinary share of Mid West Primary Pty. Ltd in 2008. The wholly owned subsidiary commenced commercial operations in 2008/09. Mid West Primary Pty. Ltd has executed a number of agreements relating to the exploration, investigation and operation of coal resources in NSW. Approval has been received from NSW Treasury to advance up to $65 million (2008: Nil) to Mid West Primary Pty. Ltd for this purpose.

(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	Purchases/ (Sales) to related parties $000	Amounts owed by related parties $000	Amounts owed to related parties $000
Consolidated					
Joint Ventures	**2009**	**1,726**	**-**	**-**	**1,463**
	2008	555	-	-	40
Parent Entity					
Delta Electricity Australia Pty. Ltd	**2009**	**8,023**	**3,871**	**50,166**	**-**
	2008	24,551	(1,109)	42,143	-
Mid West Primary Pty. Ltd	**2009**	**21,261**	**-**	**21,261**	**-**
	2008	-	-	-	-

28. EVENTS OCCURRING AFTER REPORTING DATE

On 10 September 2009, the NSW Government released its Energy Reform Transaction Strategy, which adopted a "dual track" process involving a trade sale and a potential Initial Public Offering of selected assets. The Government's reforms include maintaining public ownership of existing power stations and electricity transmission and distribution networks; transferring the electricity retailing operations of EnergyAustralia, Integral Energy and Country Energy to the private sector; selling a number of potential development sites for new power stations; and contracting to the private sector the right to sell electricity produced by the State-owned generators, namely Delta Electricity, Macquarie Generation and Eraring Energy (the Gentrader model).

There were no other significant events occurring after reporting date.

29. 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 1 January 2017 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.

30. 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. The Power Purchase Agreement became operable when the Sunshine Electricity Joint Venture achieved project practical completion in November 2008.

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.

END OF AUDITED FINANCIAL REPORT

STATEMENT BY MEMBERS OF THE BOARD

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 Report exhibits a true and fair view of the financial position of Delta Electricity as at 30 June, 2009 and its performance for the year ended on that date.

2. The accompanying Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, the New South Wales Public Finance and Audit Act and Regulation, and requirements of the State Owned Corporations Act, 1989 (as amended).

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 AM
CHAIRMAN
17 September 2009

Jim Henness
Jim Henness
CHIEF EXECUTIVE
17 September 2009

INDEPENDENT AUDITOR'S REPORT

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Delta Electricity

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Delta Electricity (the Corporation), which comprises the balance sheets as at 30 June 2009, the income statements, statements of recognised income and expense and cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Corporation and the consolidated entity as at 30 June 2009, and their financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005
- complies with International Financial Reporting Standards as disclosed in Note 2(a).

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

Significant uncertainty regarding the effect of changes in forecast cash flows

Without qualification to the opinion expressed above, I draw attention to Note 2(b)(i) to the financial statements. The carrying value of the Corporation's power stations - plant and equipment is determined using estimated discounted cash flows. These estimations are subject to volatility, particularly from the potential impacts of the Federal Government's proposed Carbon Pollution Reduction Scheme (the Scheme). The ultimate extent of the impact of the Scheme cannot presently be determined and this creates a significant uncertainty as to whether the estimated discounted cash flows referred to above will be realised.

Directors' Responsibility for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *State Owned Corporations Act 1989*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that the financial report complies with International Financial Reporting Standards.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

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

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.

Peter Achterstraat
Auditor-General

17 September 2009
SYDNEY

DELTA ELECTRICITY AUSTRALIA PTY. LTD

BALANCE SHEET

As at 30 June 2009

	Note	2009 $'000	2008 $'000
Current Assets			
Cash and Cash Equivalents	7	**2,408**	502
Trade and Other Receivables	8(a)	**1,785**	214
Inventories	9	**25**	920
Other Financial Assets	10(a)	**-**	229
Other	11	**240**	-
Total Current Assets		**4,458**	1,865
Non-Current Assets			
Receivables	8(b)	**1,026**	1,094
Other Financial Assets	10(b)	**-**	4,985
Property, Plant and Equipment	12	**100,236**	105,190
Deferred Tax Assets	6(b)	**3,431**	663
Total Non-Current Assets		**104,693**	111,932
Total Assets		**109,151**	113,797
Current Liabilities			
Trade and Other Payables	13	**55,142**	43,507
Borrowings	14(a)	**3,968**	2,316
Other Financial Liabilities	15(a)	**82**	-
Total Current Liabilities		**59,192**	45,823
Non-Current Liabilities			
Borrowings	14(b)	**64,711**	67,679
Deferred Tax Liabilities	6(b)	**9**	1,564
Other Financial Liabilities	15(b)	**1,330**	-
Total Non-Current Liabilities		**66,050**	69,243
Total Liabilities		**125,242**	115,066
Net Assets		**(16,091)**	(1,269)
Equity			
Contributed Equity	16(a)	**-**	-
Reserves	16(b)	**(1,248)**	3,270
Retained Profits	16(c)	**(14,843)**	(4,539)
Total Equity		**(16,091)**	(1,269)

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

DELTA ELECTRICITY AUSTRALIA PTY. LTD

INCOME STATEMENT

For the Year Ended 30 June 2009

	Note	2009 $'000	2008 $'000
Revenue	3	**10,904**	27
Expenses, excluding finance costs	4	**(21,929)**	(1,994)
Finance Costs	5	**(3,498)**	-
Profit/(Loss) Before Income Tax Expense and Financial Instrument Fair Value Movements		**(14,523)**	(1,967)
Income Tax Expense on Profit/(Loss) Before Financial Instrument Fair Value Movements	6	**4,339**	590
Profit/(Loss) Before Financial Instrument Fair Value Movements		**(10,184)**	(1,377)
Financial Instrument Fair Value Movements		**(171)**	-
Income Tax Expense on Financial Instrument Fair Value Movements	6	**51**	-
Profit/(Loss) for the Year		**(10,304)**	(1,377)

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

DELTA ELECTRICITY AUSTRALIA PTY. LTD

STATEMENT OF RECOGNISED INCOME AND EXPENSES

For the Year Ended 30 June 2009

		2009 $'000	2008 $'000
Gain/(Loss) on Cash Flow Hedges Taken to Equity	16(b)	**(7,002)**	2,575
Cash Flow Hedges Transferred to Balance Sheet/Income Statement	16(b)	**548**	(700)
Income Tax on Items Taken Directly to or Transferred from Equity	16(b)	**1,936**	(563)
Net Income/(Expense) Recognised Directly to Equity		**(4,518)**	1,312
Profit/(Loss) for the Period	16(c)	**(10,304)**	(1,377)
Total Recognised Income and Expense for the Period		**(14,822)**	(65)
Attributable to Equity Holders of Delta Electricity Australia Pty. Ltd		**(14,822)**	(65)

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

CASH FLOW STATEMENT

For the Year Ended 30 June 2009

	Note	**2009 $'000 Inflows (Outflows)**	2008 $'000 Inflows (Outflows)
Cash Flows From Operating Activities			
Cash Received from Customers		**9,856**	2,223
Interest Received		**212**	27
Cash Payments to Suppliers and Employees		**(6,942)**	(5,479)
Interest and Other Finance Costs Paid		**(3,032)**	-
Net Cash Provided/(Used) by Operating Activities	22(f)	**94**	(3,229)
Cash Flows from Investing Activities			
Payments for Property, Plant and Equipment		**(6,938)**	(22,805)
Net Cash Provided/(Used) by Investing Activities		**(6,938)**	(22,805)
Cash Flows from Financing Activities			
Proceeds from Advance from Parent		**10,067**	25,206
Proceeds from Borrowings		**1,000**	1,317
Repayment of Borrowings		**(2,317)**	-
Net Cash Provided/(Used) by Financing Activities		**8,750**	26,523
Net Increase/(Decrease) in Cash and Cash Equivalents		**1,906**	489
Cash and Cash Equivalents at Beginning of Financial Year		**502**	13
Cash and Cash Equivalents at End of the Year	22(b)	**2,408**	502

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

1. CORPORATE INFORMATION

Delta Electricity Australia Pty. Ltd (ACN 074 408 923) is a 'for profit' entity 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 entity's Australian Business Number is 26 074 408 923.

The financial report of Delta Electricity Australia Pty. Ltd for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 17 September 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, the New South Wales Public Finance and Audit Act and Regulation, and requirements of the State Owned Corporations Act, 1989 (as amended).

(a) Statement of Compliance

The financial report of Delta Electricity Australia Pty. Ltd complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

(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.

(i) Significant Accounting Judgements, Estimates and Assumptions

In the application of Australian Accounting Standards 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.

Significant Accounting Judgements

The financial report has been prepared on a business as usual basis and does not take into account proposed reforms of the New South Wales electricity industry involving the private sector (refer to Note 24). The financial report does not include the potential effect of a future emissions trading scheme as there is significant uncertainty as to the impact of such a scheme on Delta Electricity Australia Pty. Ltd at this stage.

Significant Accounting Estimates and Assumptions

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. Significant estimates and assumptions apply to the following:

- *Property, Plant and Equipment*

  Estimates and assumptions are required when determining asset life and calculating the recoverable amount for impairment testing. Calculation of recoverable amount requires estimation of future sale volume and price, estimation of cash flows associated with fuel supplies, power station operation and maintenance, and determination of an appropriate discount factor. The potential impact of a future emissions trading scheme has not been incorporated in the calculation of recoverable amount for impairment testing. Refer to Note 2(k), Note 2(l) and Note 12.

(ii) New/Amended Accounting Standards

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ended 30 June 2009. A summary of relevant standards follows:

- *AASB 101 Presentation of Financial Statements*

  This standard applies to reporting periods beginning on or after 1 January 2009 and amends disclosure requirements related to financial statements.

- *AASB 123 Borrowing Costs*

  This standard applies to reporting periods beginning on or after 1 January 2009 and is not expected to have any material impact as Delta Electricity Australia Pty. Ltd capitalises borrowing costs under the existing standard.

Other recently issued or amended standards are not expected to have a material impact on the entity.

(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. Ongoing support during the initial stages of operation after practical completion of plant and equipment will be provided by Delta Electricity (parent entity).

(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 17.

(g) Financial Assets and Financial Liabilities

The classification of financial assets and financial liabilities depends on the nature of the item and is determined at the time of initial recognition. Further disclosure on financial assets and financial liabilities is included in Note 21.

Financial Assets

Financial assets are categorised as follows:

Cash and Cash Equivalents

Cash at bank and cash management funds are classified as cash and cash equivalents.

Loans and Receivables

Trade debtors, advances and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost.

At Fair Value Through Profit and Loss – Held for Trading

This category includes derivative financial instruments not designated or effective as a hedging instrument. These assets are recorded at fair value with any resultant gain or loss recognised in profit and loss.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments – Effective Hedges

This category includes derivative financial instruments used as cash flow hedges of highly probable forecast transactions or firm commitments. These assets are recorded at fair value. Changes in fair value of effective hedges are deferred in equity. The timing of the recognition in profit and loss depends on the nature of the hedging relationship. Ineffective hedges are classified as held for trading and included in the at fair value through profit and loss category.

Financial Liabilities

Financial liabilities are categorised as follows:

At Fair Value Through Profit and Loss – Held for Trading

This category includes derivative financial instruments not designated or effective as a hedging instrument. These liabilities are recorded at fair value with any resultant gain or loss recognised in profit and loss.

Derivative Financial Instruments – Effective Hedges

This category includes derivative financial instruments used as cash flow hedges of highly probable forecast transactions or firm commitments. These liabilities are recorded at fair value. Changes in fair value of effective hedges are deferred in equity. The timing of the recognition in profit and loss depends on the nature of the hedging relationship. Ineffective hedges are classified as held for trading and included in the at fair value through profit and loss category.

Other Financial Liabilities

Other financial liabilities include payables and borrowings. These liabilities are initially recorded at fair value and subsequently measured at amortised cost.

(h) Borrowings

All loans and borrowings are initially recognised at fair value being 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 14.

(i) 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. Refer Note 5.

(j) 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.

(k) 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. As the plants were commissioned during 2008/09 acquisition cost represents fair value.

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 power station property, plant and equipment is 30 years (2008: not applicable).

(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.

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.

(m) Green Certificates

Green certificates include renewable energy certificates and New South Wales greenhouse abatement certificates. The certificates are classified as other assets and recorded at fair value on the balance sheet with any gains or losses from changes in fair value taken to profit and loss. Fair value is calculated on the basis of observable market data where available.

(n) Dividends

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

(o) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

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 Australia Pty. Ltd is part of the Delta Electricity (parent entity) tax consolidated group which is taxed as a single entity for the purposes of income tax. Delta Electricity is the head entity.

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 Delta Electricity Australia Pty. Ltd and Delta Electricity whereby the head entity agrees to indemnify and hold Delta Electricity Australia Pty. Ltd harmless against all and any obligations related to income taxes.

(p) Segment Reporting

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

(q) Revenue

Revenue from the sale of electricity is recognised as it accrues.

Interest income on cash reserves is recognised as it accrues. Revenue is reported in Note 3.

(r) 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.

(s) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- when the GST incurred on a purchase of goods and services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense as applicable; and
- receivables and payables, which 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.

(t) Comparative Figures

Where necessary, comparative information has been reclassified to enhance comparability in respect of changes in presentation adopted in the current year. Refer Notes 4 and 5.

(u) 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.

3. REVENUE

	2009 $'000	2008 $'000
Sale of Electricity and Green Certificates	**10,687**	–
Other Revenue		
Interest	**217**	27
Revenue	**10,904**	27

4. EXPENSES (EXCLUDING FINANCE COSTS)

	2009 $'000	2008 $'000
Administration Costs	**4**	346
Auditors' Remuneration	**12**	11
Generating Costs	**9,740**	1,457
Depreciation	**2,752**	–
Impairment of Non Current Assets	**8,222**	–
Other Expenses	**1,199**	180
Expenses (excluding Finance Costs)	**21,929**	1,994

Auditors' Remuneration paid or payable in respect to the audit of the 2008/09 financial report is $18,000 (2008: $12,000).

5. FINANCE COSTS

	2009 $'000	2008 $'000
Interest on Bank Overdrafts and Borrowings	**5,166**	6,030
Other Finance Costs	**378**	(700)
Total Finance Costs	**5,544**	5,330
Less: Amounts included in the Cost of Qualifying Assets	**(2,046)**	(5,330)
Finance Costs	**3,498**	–

6. INCOME TAX

The major components of Income Tax for the year ended 30 June 2009 are as follows:

(a) Income Tax Expense

The major components of income tax expense are:

Income Statement	**2009 $'000**	2008 $'000
Current Income Tax Expense	**(2,003)**	(670)
Deferred Income Tax Expense – temporary differences (Note 6(b))	**(2,387)**	80
Income tax expense reported in Income Statement	**(4,390)**	(590)
Statement of Recognised Income and Expense		
Deferred income tax related to items charged or credited directly to equity:		
Unrealised gain/(loss) on cash flow hedges (Note 16(b))	**(1,936)**	563
Income tax expense reported in equity	**(1,936)**	563

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 2009:

Accounting profit/(loss) before tax	**(14,694)**	(1,967)
Income tax at statutory rate of 30% (2008: 30%)	**(4,408)**	(590)
Adjustments in respect of current income tax of previous years	**18**	–
Income tax expense reported in Income Statement	**(4,390)**	(590)

(b) Deferred Income Tax

Deferred income tax as at 30 June 2009 relates to the following:

Deferred Income Tax Liabilities		
Balance Sheet		
Inventory	**7**	–
Derivative instruments	**–**	1,564
Other items	**2**	–
Gross deferred income tax liabilities	**9**	1,564
Income Statement		
Inventory	**7**	–
Derivative instruments – fair value movement	**373**	–
Other items	**2**	–
Deferred income tax expense	**382**	–
Deferred Income Tax Assets		
Balance Sheet		
Revaluation of property, plant and equipment	**2,466**	–
Derivative instruments	**424**	–
Other items	**541**	–
Joint venture expenses – currently deductible	**–**	663
Gross deferred income tax assets	**3,431**	663
Income Statement		
Revaluation of property, plant and equipment	**(2,466)**	–
Joint venture expenses – currently deductible	**–**	80
Derivative instruments	**(424)**	–
Other items	**121**	–
Deferred income tax expense	**(2,769)**	80

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

7. CASH AND CASH EQUIVALENTS

	2009 $'000	2008 $'000
Bank	**2,408**	502
	2,408	502

8. TRADE AND OTHER RECEIVABLES

	2009 $'000	2008 $'000
(a) Current		
Advance Receivable from Parent	**–**	40
Trade Debtors	**161**	–
Other Debtors	**1,568**	174
Prepayments	**56**	–
	1,785	214
(b) Non-Current		
Other Receivables	**54**	1,094
Prepayments	**972**	–
	1,026	1,094

Trade and Other Receivables are carried at nominal amounts due less an allowance for any uncollectible amounts. Collectability from debtors is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that Delta Electricity Australia Pty. Ltd will not be able to collect the debt. There were no doubtful debts at reporting date (2008: $Nil). Funds from current receivables are due within 42 days of reporting date.

Trade debtors and other receivables past due but not impaired are as follows:

	2009	2008
Less than three months overdue	**16**	–
Three to six months overdue	**–**	–
Later than six months overdue	**–**	–
	16	–

Delta Electricity Australia Pty. Ltd still considers that these amounts will be recoverable.

9. INVENTORIES

	2009 $'000	2008 $'000
Fuel Stocks	**25**	920
	25	920

10. OTHER FINANCIAL ASSETS

	2009 $'000	2008 $'000
(a) Current		
Interest Rate Swaps – cash flow hedges	**–**	229
	–	229
(b) Non-Current		
Interest Rate Swaps – cash flow hedges	**–**	4,985
	–	4,985

Refer to Note 21 for further information on Other Financial Assets.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

11. OTHER CURRENT ASSETS

	2009 $'000	2008 $'000
Green Certificates	**240**	–
	240	–

12. PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation by Asset Classes

Year ended 30 June 2009	Power Stations – Plant and Equipment	Total $'000
Carrying amount at 1 July 2008	105,190	**105,190**
Additions	6,020	**6,020**
Impairment	(8,222)	**(8,222)**
Depreciation Expense	(2,752)	**(2,752)**
Carrying amount at 30 June 2009	**100,236**	**100,236**
At 1 July 2008		
Gross replacement cost	105,190	**105,190**
Accumulated depreciation	–	**–**
Fair value	105,190	**105,190**
Accumulated impairment	–	**–**
Net carrying amount	**105,190**	**105,190**
At 30 June 2009		
Gross replacement cost	111,210	**111,210**
Accumulated depreciation	(2,752)	**(2,752)**
Fair value	108,458	**108,458**
Accumulated impairment	(8,222)	**(8,222)**
Net carrying amount	**100,236**	**100,236**

The above table includes work in progress for plant and equipment of $49,000 (2008: $105,190,000).

Impairment of Power Stations Plant and Equipment

Following the determination of recoverable amount in accordance with the methodology and principles set out in Note 2(l), carrying value was adjusted downwards by $8,222,000 so as not to exceed recoverable amount. Determination of recoverable amount excluded any impact from the introduction of an emissions trading scheme. The recoverable amount would be expected to improve significantly if an emissions trading scheme was introduced.

Year ended 30 June 2008	Power Stations – Plant and Equipment	Total $'000
Carrying amount at 1 July 2007	85,312	**85,312**
Additions	19,878	**19,878**
Depreciation Expense	–	**–**
Carrying amount at 30 June 2008	**105,190**	**105,190**
At 1 July 2007		
Fair value	85,312	**85,312**
Accumulated impairment	–	**–**
Net carrying amount	**85,312**	**85,312**
At 30 June 2008		
Fair value	105,190	**105,190**
Accumulated impairment	–	**–**
Net carrying amount	**105,190**	**105,190**

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

12. 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:

	2009 $'000	2008 $'000
Power Stations Plant and Equipment		
At cost	**111,210**	105,190
Less: accumulated depreciation and impairment	**(10,974)**	–
Total Written Down Value of Property, Plant and Equipment	**100,236**	105,190

13. CURRENT TRADE AND OTHER PAYABLES

	2009 $'000	2008 $'000
Accounts Payable	**4,506**	1,364
Other Creditors	**470**	–
Payable to Parent Entity	**50,166**	42,143
	55,142	43,507

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. Other creditors represents interest due on borrowings which are payable within six months.

Under the terms of a Deed of Capital, Contribution agreement dated 11 October 2001, Delta Electricity (parent entity) 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 $50 million (2008: $48.8 million) to Delta Electricity Australia Pty. Ltd. At reporting date, $50,166,000 (2008: $42,143,000) of this limit had been utilised. Delta Electricity is undertaking action to resolve the minor exceedence of the limit.

14. BORROWINGS

	2009 $'000	2008 $'000
(a) Current		
Working Capital Facility – secured	**1,000**	–
Bank Loans – secured	**2,968**	2,316
	3,968	2,316
(b) Non-Current		
Bank Loans – secured	**64,711**	67,679
	64,711	67,679

The Bank Loans and the Working Capital Facility are secured over the property of Delta Electricity Australia Pty. Ltd (refer Note 12). The limit on Working Capital Facility is $1.5 million. These facilities are covered by a specific Public Authorities (Financial Arrangements) Act approval for $70.0 million.

15. OTHER FINANCIAL LIABILITIES

	2009 $'000	2008 $'000
(a) Current		
Interest Rate Swaps – cash flow hedges	**82**	–
	82	–
(b) Non-Current		
Interest Rate Swaps – cash flow hedges	**1,330**	–
	1,330	–

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

16. EQUITY

	2009 $'000	2008 $'000
(a) Contributed Equity		
Balance at beginning of year	**0.002**	0.002
Share capital paid up by parent entity	**–**	–
Contributed Equity at end of year	**0.002**	0.002

(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.

	2009 $'000	2008 $'000
Balance at beginning of year	**3,270**	1,958
Gain on Cash Flow Hedges		
Interest Rate Swaps	**(7,002)**	2,575
Tax Effect	**2,101**	(773)
Transferred to Profit or Loss		
Interest Rate Swaps	**942**	–
Tax Effect	**(283)**	–
Transferred to Initial Carrying Amount of Hedged Item		
Interest Rate Swaps	**(394)**	(700)
Tax Effect	**118**	210
Hedging Reserve at end of year	**(1,248)**	3,270

	2009 $'000	2008 $'000
(c) Retained Profits		
Balance at beginning of year	**(4,539)**	(3,162)
Profit/(Loss) for the Period after Related Income Tax Expense	**(10,304)**	(1,377)
Retained Profits/(Losses) at end of year	**(14,843)**	(4,539)

17. 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:

	2009 $'000	2008 $'000
Cash and Cash Equivalents	**10**	20
Inventories	**25**	920
Trade and Other Receivables	**1,785**	191
Other	**240**	–
Total Current Assets	**2,060**	1,131
Receivables	**1,026**	1,094
Property, Plant and Equipment	**100,236**	105,190
Total Non-Current Assets	**101,262**	106,284
Total Assets	**103,322**	107,415

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

18. EXPENDITURE COMMITMENTS

Expenditure contracted for at reporting date but not recognised as liabilities in the Balance Sheet:

	2009 $'000	2008 $'000
(a) Capital – Plant and Equipment		
Payable no later than one year	**28**	2,302
Payable later than one, not later than 5 years	**–**	–
Payable later than 5 years	**–**	–
	28	2,302
(b) Operating (excluding lease commitments) – Operational and Maintenance		
Payable no later than one year	**359**	370
Payable later than one, not later than 5 years	**1,333**	1,375
Payable later than 5 years	**3,177**	3,494
	4,869	5,239

Delta Electricity Australia Pty. Ltd expects to receive input tax credits from the Australian Taxation Office totalling $2,500 (2008: $209,000) for Goods and Services Tax paid for these commitments.

19. OPERATING LEASE COMMITMENTS

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

	2009 $'000	2008 $'000
Payable no later than one year	**8**	7
Payable later than one, not later than 5 years	**33**	32
Payable later than 5 years	**264**	272
	305	311

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 16 to 42 years. Delta Electricity Australia Pty. Ltd expects to receive input tax credits from the Australian Taxation Office totalling $28,000 (2008: $28,000) for Goods and Services Tax paid for these commitments.

20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

At the reporting date Delta Electricity Australia Pty. Ltd has not resolved final settlement terms with the construction contractor for the Condong and Broadwater co-generation plants. At the reporting date it is not possible to quantify the amount of any potential asset or liability that may arise on final settlement of the construction contract.

21. FINANCIAL INSTRUMENTS

(a) Capital Risk Management

Delta Electricity Australia Pty. Ltd manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through optimisation of debt and equity balance. The capital structure is reviewed each year as part of the development and finalisation of the business plan and budget.

The capital structure consists of cash and cash equivalents, borrowings and total equity consisting of contributed equity, reserves and retained profits as disclosed in Note 7, Note 14, and Note 16 respectively.

The overall strategy remains unchanged from 2008.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

21. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Categories of Financial Instruments

The carrying amounts of Delta Electricity Australia Pty. Ltd's financial instruments are outlined in the following table. Management considers that the carrying amounts of financial assets and liabilities in the financial statements approximate fair value.

	2009 $'000	2008 $'000
Financial Assets		
Cash and Cash Equivalents	**2,408**	502
Loans and Receivables	**1,424**	1,182
Derivative Instruments – Designated in Hedge Accounting Relationships	**–**	5,214
	3,832	6,898
Financial Liabilities		
Derivative Instruments – Designated in Hedge Accounting Relationships	**1,412**	–
Payables and Borrowings	**123,821**	113,502
	125,233	113,502

(c) Financial Risk Management Objectives

Delta Electricity Australia Pty. Ltd's current activities expose the organisation to a variety of financial risks including market risk (interest risk), credit risk and liquidity risk. The organisation aims to minimise the effects of these risks by using approved derivative financial instruments where appropriate. Delta Electricity Australia Pty. Ltd does not enter into or trade financial instruments for speculative purposes.

(d) Interest Rate Risk Management

Delta Electricity Australia Pty. Ltd debt is in the form of bank loans taken out to fund construction of electricity generation facilities. The entity has entered into three long term interest rate swaps for the duration of its externally funded debt with the aim of fixing interest payments. The swaps are used to alter and modify the natural risks inherent in the Balance Sheet.

The nominal principal amounts and periods of expiry for interest rate swaps held at reporting date were:

	2009 $'000	2008 $'000
Interest Rate Swaps		
Less than one year	**3,789**	2,968
One to five years	**19,368**	17,559
Greater than five years	**41,559**	47,157
	64,716	67,684

The total notional amount of interest rate swaps is $64,716,000 with Delta Electricity Australia Pty. Ltd receiving floating interest and paying fixed interest.

These instruments are recognised on the Balance Sheet at fair value. The fair value of interest rate swaps represents the amount Delta Electricity Australia Pty. Ltd 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.

The weighted average interest exposure on financial assets is 2.3% (2008: 6.5%), while weighted average interest exposure on financial liabilities is 7.1% (2008: 7.5%).

A 1.0% increase/(decrease) in interest rates would decrease/(increase) post tax profit by $464,000 (2008: $2,000) and decrease/(increase) other equity (tax effected) by $453,000 (2008: $16,000).

(e) Credit Risk Exposures

The credit risk on financial assets which have been recognised on the Balance Sheet is generally the carrying amount. The credit risk is regarded as minimal as cash and receivables are currently held with creditworthy counterparties.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

21. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Liquidity Risk Management

Delta Electricity Australia Pty. Ltd manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring that sufficient funding facilities are available. The following table sets out the remaining contractual maturity for financial liabilities.

	Maturity Dates			
	< 1 year $'000	1-5 years $'000	> 5 years $'000	**Total** $'000
2009				
Financial Liabilities				
Fixed interest rate instruments	3,968	17,559	47,152	68,679
Non-interest bearing instruments	55,142	-	-	55,142
Derivative Instruments	82	422	908	1,412
	59,192	17,981	48,060	125,233
2008				
Financial Liabilities				
Fixed interest rate instruments	2,316	15,508	52,171	69,995
Non-interest bearing instruments	43,507	-	-	43,507
	45,823	15,508	52,171	113,502

22. 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:

	2009 $'000	2008 $'000
Cash and Cash Equivalent Assets	**2,408**	502
Balance as per Cash Flow Statement	**2,408**	502

(c) Dividends and Taxes

No dividends were received during the period (2008: $Nil). There were no dividend or tax equivalent payments during the period (2008: $Nil).

(d) Acquisitions and Disposal of Entities

There were no acquisitions or disposals during the year.

(e) Financing Arrangements

	2009 $'000	2008 $'000
Facilities Available		
Bank Overdraft	**50**	
Working Facility	**1,450**	–
Project Borrowing Facility	**67,684**	70,000
	69,184	70,000
Facilities Utilised		
Bank Overdraft	**–**	–
Working Facility	**1,000**	–
Project Borrowing Facility	**67,679**	69,995
	68,679	69,995

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

22. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

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

	2009 $'000	2008 $'000
Profit/(Loss) for the Period after Related Income Tax Expense	**(10,304)**	(1,377)
Add/(Less): Non-Cash Items		
Depreciation, Amortisation and Asset Impairment	**10,975**	–
Net Cash Provided by Operating Activities Before Changes in Assets and Liabilities	**671**	(1,377)
Net Changes in Assets and Liabilities During the Period		
(Increase)/Decrease in Trade Debtors	**99**	–
(Increase)/Decrease in Other Debtors	**(478)**	(947)
(Increase)/Decrease in Inventories	**1,586**	(651)
(Increase)/Decrease in Other Assets	**171**	–
Increase/(Decrease) in Payables	**2,435**	336
Increase/(Decrease) in Income Tax Related Assets/Liabilities	**(4,390)**	(590)
Net Cash Provided/(Used) by Operating Activities	**94**	(3,229)

23. RELATED PARTY DISCLOSURES

(a) Key Management Personnel

The Directors of the entity at 30 June 2009 were Mr JP Henness and Mr WL Phillips. Mr JP Henness and Mr WL Phillips were Directors for the full financial year.

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.

(c) Related Party Transactions

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

Related Party		Advance to related parties $'000	Advance from related parties $'000	Purchases / (Sales) from related parties $'000	Amounts owed to related parties $'000
Delta Electricity	**2009**	**–**	**8,023**	**(3,871)**	**(50,166)**
	2008	–	24,551	1,109	42,143
Sunshine Electricity Joint Venture	**2009**	**263**	**–**	**–**	**–**
	2008	555	-	-	40

24. EVENTS OCCURRING AFTER REPORTING DATE

On 10 September 2009, the NSW Government released its Energy Reform Transaction Strategy, which adopted a "dual track" process involving a trade sale and a potential Initial Public Offering of selected assets. The Government's reforms include maintaining public ownership of existing power stations and electricity transmission and distribution networks; transferring the electricity retailing operations of EnergyAustralia, Integral Energy and Country Energy to the private sector; selling a number of potential development sites for new power stations; and contracting to the private sector the right to sell electricity produced by the State-owned generators, namely Delta Electricity, Macquarie Generation and Eraring Energy (the Gentrader model).

There were no other significant events occurring after reporting date.

END OF AUDITED FINANCIAL REPORT

DELTA ELECTRICITY AUSTRALIA PTY. LTD

STATEMENT BY MEMBERS OF THE BOARD

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 Report exhibits a true and fair view of the financial position of Delta Electricity Australia Pty. Ltd as at 30 June, 2009 and its performance for the year ended on that date.

2. The accompanying Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, the New South Wales Public Finance and Audit Act and Regulation, and requirements of the State Owned Corporations Act, 1989 (as amended).

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.

W. Z. Phillips

Warren Phillips
DIRECTOR
17 September 2009

Jim Henness

Jim Henness
DIRECTOR
17 September 2009

INDEPENDENT AUDITOR'S REPORT

AUDITOR-GENERAL
NEW SOUTH WALES

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Delta Electricity Australia Pty Ltd

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Delta Electricity Australia Pty Ltd (the Company), which comprises the balance sheet as at 30 June 2009, the income statement, the statement of recognised income and expense for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Company as at 30 June 2009, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.
- complies with International Financial Reporting Standards as disclosed in Note 2(a).

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

Significant uncertainty regarding the effect of changes in forecast cash flows

Without qualification to the opinion expressed above, I draw attention to Note 2(b)(i) to the financial report. The carrying value of the Company's power stations - plant and equipment is determined using estimated discounted cash flows. These estimations are subject to volatility, particularly from the potential impacts of the Federal Government's proposed Carbon Pollution Reduction Scheme (the Scheme). The ultimate extent of the impact of the Scheme cannot presently be determined and this creates a significant uncertainty as to whether the estimated discounted cash flows referred to above will be realised.

The Directors' Responsibility for the Financial Report

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that the financial report complies with International Financial Reporting Standards.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.

Peter Achterstraat

Peter Achterstraat
Auditor-General

17 September 2009
SYDNEY

MID WEST PRIMARY PTY. LTD

BALANCE SHEET

As at 30 June 2009

	Note	2009 $
Current Assets		
Cash and Cash Equivalents	6	**360,038**
Trade and Other Receivables	7(a)	**2,408,284**
Total Current Assets		**2,768,322**
Non-Current Assets		
Receivables	7(b)	**20,027,711**
Investments Accounted for Using the Equity Method	8	**576**
Total Non-Current Assets		**20,028,287**
Total Assets		**22,796,609**
Current Liabilities		
Trade and Other Payables	9	**23,414,083**
Total Current Liabilities		**23,414,083**
Total Liabilities		**23,414,083**
Net Assets		**(617,474)**
Equity		
Contributed Equity	10(a)	**1**
Retained Profits	10(b)	**(617,475)**
Total Equity		**(617,474)**

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

MID WEST PRIMARY PTY. LTD

INCOME STATEMENT

For the Period Ended 30 June 2009

	Note	2009 $
Revenue	3	**1,164**
Expenses	4	**(849,871)**
Share of Profit/(Losses) on Investments Accounted for Using the Equity Method	8	**(575)**
Profit/(Loss) Before Income Tax Expense		**(849,282)**
Income Tax Revenue / (Expense)	5	**231,807**
Profit/(Loss) for the Period		**(617,475)**

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

MID WEST PRIMARY PTY. LTD

STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the Period Ended 30 June 2009

	Note	2009 $
Net Income/(Expense) Recognised Directly in Equity		**-**
Profit/(Loss) for the Period	10(b)	**(617,475)**
Total Recognised Income and Expense for the Period		**(617,475)**
Attributable to Equity Holders of Mid West Primary Pty. Ltd		**(617,475)**

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

MID WEST PRIMARY PTY. LTD

CASH FLOW STATEMENT

For the Period Ended 30 June 2009

	Note	2009 $ Inflows (Outflows)
Cash Flows From Operating Activities		
Interest Received		1,164
Cash Payments to Suppliers and Employees		(216,506)
Net Cash Provided/(Used) by Operating Activities	15(e)	(215,342)
Cash Flows from Investing Activities		
Investment in Associates and Jointly Controlled Entity		(1,151)
Advance to Jointly Controlled Entity		(20,027,711)
Proceeds from Joint Venture		574,880
Net Cash Provided/(Used) by Investing Activities		(19,453,982)
Cash Flows from Financing Activities		
Proceeds from Issue of Share		1
Proceeds from Advance from Parent		20,029,361
Net Cash Provided/(Used) by Financing Activities		20,029,362
Net Increase/(Decrease) in Cash and Cash Equivalents		360,038
Cash and Cash Equivalents at Beginning of the Period		-
Cash and Cash Equivalents at End of the Period	15(b)	360,038

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

MID WEST PRIMARY PTY. LTD

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Period Ended 30 June 2009

1. CORPORATE INFORMATION

Mid West Primary Pty. Ltd (ACN 130 271 546) is a 'for profit' entity 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 entity's Australian Business Number is 72 130 271 546.

The financial report of Mid West Primary Pty. Ltd for the period ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 17 September 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, the New South Wales Public Finance and Audit Act and Regulation, and requirements of the State Owned Corporations Act, 1989 (as amended).

(a) Statement of Compliance

The financial report of Mid West Primary Pty. Ltd complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

(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.

(i) Significant Accounting Judgements, Estimates and Assumptions

In the application of Australian Accounting Standards 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.

Significant Accounting Judgements

The financial report has been prepared on a business as usual basis and does not take into account proposed reforms of the New South Wales electricity industry involving the private sector (refer to Note 17).

Significant Accounting Estimates and Assumptions

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. Limited estimates and assumptions are required while the entity is in the initial stages of operation.

The non-current receivable from the Cobbora Coal Unit Trust has been measured at nominal value because it is not possible to estimate reliably the cash flows or the expected life of the financial instrument (refer paragraph 9 of *AASB 139 Financial Instruments: Recognition and Measurement* - under the effective interest method).

(ii) New/Amended Accounting Standards

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ended 30 June 2009. The amended standard expected to have an impact is:

- *AASB 101 Presentation of Financial Statements*

  This standard applies to reporting periods beginning on or after 1 January 2009 and amends disclosure requirements related to financial statements.

Other recently issued or amended standards are not expected to have a material impact on the entity.

(c) Going Concern

The financial report of Mid West Primary Pty. Ltd has been prepared on a going concern basis. The company is involved in the exploration, investigation and operation of coal resources in New South Wales. Support during the initial stages of operation will be provided by Delta Electricity (parent entity). Losses are expected during the initial stages of operation with ongoing support being provided by Delta Electricity (parent entity) in accordance with approvals under the Public Authorities (Financial Arrangements) Act.

(d) Contributed Equity

Mid West Primary Pty. Ltd was established on 7 August 2008 and is a wholly owned subsidiary of Delta Electricity which holds one share.

(e) 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 operations are set out in Note 11.

Interests in jointly controlled entities are recognised by using the equity method of accounting. Details of jointly controlled entities are set out in Note 8.

(f) Associates

An associate is an entity over which Mid West Primary Pty. Ltd has significant interest and that is neither a subsidiary nor an interest in a joint venture. The results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting. Under the equity method, investments are carried on the balance sheet at cost as adjusted for post acquisition changes in the share of net assets of the associate.

(g) Financial Assets and Financial Liabilities

The classification of financial assets and financial liabilities depends on the nature of the item and is determined at the time of initial recognition. Further disclosure on financial assets and financial liabilities is included in Note 14.

<u>Financial Assets</u>

Financial assets are categorised as follows:

Cash and Cash Equivalents

Cash at bank and cash management funds are classified as cash and cash equivalents.

Loans and Receivables

Trade debtors, advances and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Period Ended 30 June 2009

At Fair Value Through Profit and Loss – Held for Trading

This category includes derivative financial instruments not designated or effective as a hedging instrument. These assets are recorded at fair value with any resultant gain or loss recognised in profit and loss.

Derivative Financial Instruments – Effective Hedges

This category includes derivative financial instruments used as cash flow hedges of highly probable forecast transactions or firm commitments. These assets are recorded at fair value. Changes in fair value of effective hedges are deferred in equity. The timing of the recognition in profit and loss depends on the nature of the hedging relationship. Ineffective hedges are classified as held for trading and included in the at fair value through profit and loss category.

Financial Liabilities

Financial liabilities are categorised as follows:

At Fair Value Through Profit and Loss – Held for Trading

This category includes derivative financial instruments not designated or effective as a hedging instrument. These liabilities are recorded at fair value with any resultant gain or loss recognised in profit and loss.

Derivative Financial Instruments – Effective Hedges

This category includes derivative financial instruments used as cash flow hedges of highly probable forecast transactions or firm commitments. These liabilities are recorded at fair value. Changes in fair value of effective hedges are deferred in equity. The timing of the recognition in profit and loss depends on the nature of the hedging relationship. Ineffective hedges are classified as held for trading and included in the at fair value through profit and loss category.

Other Financial Liabilities

Other financial liabilities include payables and borrowings. These liabilities are initially recorded at fair value and subsequently measured at amortised cost.

(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) 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.

(j) Dividends

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

(k) Taxation

Income tax on profit or loss for the period 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 period, 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).

Mid West Primary Pty. Ltd is part of the Delta Electricity tax consolidated group for 2008/09. The group is taxed as a single entity for the purposes of income tax with Delta Electricity being the head entity.

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.

(l) Segment Reporting

Mid West Primary Pty. Ltd is involved in coal resource exploration and investigation. The company operates in a single business and geographical segment with all activities located in New South Wales.

(m) Revenue

Interest income on cash reserves is recognised as it accrues.

(n) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- when the GST incurred on a purchase of goods and services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense as applicable; and
- receivables and payables, which 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.

(o) Comparative Figures

No comparative figures are shown as Mid West Primary Pty. Ltd was established on 7 August 2008.

(p) Presentation Currency and Rounding

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

3. REVENUE

	2009 $
Interest	1,164
Revenue	1,164

4. EXPENSES

	2009 $
Consultants' Fees	636,350
Other Expenses	213,521
Expenses	849,871

5. INCOME TAX

The major components of Income Tax for the period ended 30 June 2009 are as follows:

(a) Income Tax Expense

The major components of income tax expense are:

Income Statement	2009 $
Current Income Tax Expense	(231,807)
Deferred Income Tax Expense – temporary differences	-
Income tax expense reported in Income Statement	(231,807)

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 period ended 30 June 2009:

Accounting profit/(loss) before tax	(849,282)
Income tax at statutory rate of 30%	(254,785)
Non-deductible expenses	22,978
Income tax expense reported in Income Statement	(231,807)

6. CASH AND CASH EQUIVALENTS

	2009 $
Bank	360,038
	360,038

7. TRADE AND OTHER RECEIVABLES

	2009 $
(a) Current	
Advance Receivable from Parent	1,463,000
Cobbora Joint Venture	945,284
	2,408,284
(b) Non-Current	
Advance to Cobbora Coal Unit Trust	20,027,711
	20,027,711

Trade and Other Receivables are carried at nominal amounts due less an allowance for any uncollectible amounts. Collectibility from receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that Mid West Primary Pty. Ltd will not be able to collect the debt. There were no doubtful debts at reporting date.

There were no trade debtors and other receivables past due or impaired at reporting date.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Carrying Amount

	2009 $
Investments in Associates (unlisted)	576
Investment in Jointly Controlled Entity (unlisted)	-
	576

(b) Associates and Jointly Controlled Entity

Mid West Primary Pty. Ltd has invested in the following entities involved in the exploration and investigation of coal resources in NSW:

Name of Entity	Type	Ownership Interest
Cobbora Management Company Pty Ltd	Associate	38.3%
CCP Holdings Pty Ltd	Associate	33.3%
Cobbora Coal Unit Trust	Jointly Controlled Entity	38.3%

CCP Holdings Pty Ltd and the Cobbora Coal Unit Trust were established on 5 September 2008 while Cobbora Management Company Pty Ltd was established on 11 February 2009. CCP Holdings Pty Ltd is a trustee for the Cobbora Coal Unit Trust while the Cobbora Management Company Pty Ltd performs the role of manager for the Cobbora Unincorporated Joint Venture (Note 11).

(c) Reconciliation of Movement in Investments using the Equity Method:

	2009 $
Balance on Establishment	-
Additions - Cobbora Coal Unit Trust	575
- CCP Holdings Pty Ltd	1
- Cobbora Management Company Pty Ltd	575
Share of Profit/(Loss) for the Period – Cobbora Coal Unit Trust	(575)
Balance at End of the Period	576

(d) Summarised Financial Information of Associates and Jointly Controlled Entity

The Associate entities recorded no profit during the 2008/09 financial year and had no liabilities. Total assets were $1,503 with Mid West Primary Pty. Ltd's share being $576.

Summarised information related to Mid West Primary Pty. Ltd's share of the Cobbora Coal Unit Trust is set out below:

	2009 $
Current Assets	3,555,796
Non Current Assets	16,412,286
Current Liabilities	20,089,561
Non Current Liabilities	464
Revenue	91,049
Expenses	266,075

The unrecognised share of losses at 30 June 2009 was $121,944.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

9. CURRENT TRADE AND OTHER PAYABLES

	2009 $
Accounts Payable	2,153,529
Advance from Parent Entity	21,260,554
	23,414,083

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.

Delta Electricity currently provides funding to Mid West Primary Pty. Ltd through an interest free advance which is repayable on demand. Delta Electricity has current approval under the Public Authorities (Financial Arrangements) Act to advance up to $65.0 million to Mid West Primary Pty. Ltd. At reporting date, $21,260,554 of this limit had been utilised.

10. EQUITY

	2009 $
(a) Contributed Equity	
Balance at beginning of the period	-
Share capital paid up by parent entity	1
Contributed Equity at end of the period	1
(b) Retained Profits	
Balance at beginning of the period	-
Profit/(Loss) for the Period after Related Income Tax Expense	(617,475)
Retained Profits/(Losses) at end of the period	(617,475)

11. JOINTLY CONTROLLED ASSETS AND OPERATIONS

(a) Description

Mid West Primary Pty. Ltd participates in a joint venture operation called the Cobbora Unincorporated Joint Venture which is involved in the exploration, investigation and operation of coal resources in NSW.

Mid West Primary Pty. Ltd has a 38.3% participating interest in the joint venture and is entitled to 38.3% of the output. The remaining participating interests are held by Midwest Development Corporation Pty. Ltd and Rocky Point Holdings Pty. Ltd.

(b) Share of Assets

The entity's interest in assets employed in the jointly controlled assets joint venture is detailed below:

	2009 $
Cash and Cash Equivalents	359,553
Trade and Other Receivables	945,284
Total Current Assets	1,304,837
Total Non-Current Assets	-
Total Assets	1,304,837

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

12. EXPENDITURE COMMITMENTS

Expenditure contracted for at reporting date requiring contribution of funds by Mid West Primary Pty. Ltd but not recognised as liabilities in the Balance Sheet:

	2009 $
Payable no later than one year	3,397,363
Payable later than one, not later than 5 years	-
Payable later than 5 years	-
	3,397,363

Mid West Primary Pty. Ltd expects to receive input tax credits from the Australian Taxation Office totalling $79,250 for Goods and Services Tax paid for these commitments.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

14. FINANCIAL INSTRUMENTS

(a) Capital Risk Management

Mid West Primary Pty. Ltd manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through optimisation of debt and equity balance. The capital structure is reviewed each year as part of the development and finalisation of the business plan and budget.

The capital structure consists of cash and cash equivalents and total equity consisting of contributed equity and retained profits. During the initial phase of operation, funds are sourced from advances from Delta Electricity (the parent company).

(b) Categories of Financial Instruments

The carrying amounts of Mid West Primary Pty. Ltd's financial instruments are outlined in the following table. Management considers that the carrying amounts of financial assets and liabilities in the financial statements approximate fair value.

	2009 $
Financial Assets	
Cash and Cash Equivalents	360,038
Advances and Receivables	22,423,992
	22,784,030
Financial Liabilities	
Payables and Advances	23,414,083
	23,414,083

(c) Financial Risk Management Objectives

Mid West Primary Pty. Ltd's principal financial instruments comprise cash, receivables and payables. Current activities expose the organisation to a variety of financial risks including market risk (interest risk), credit risk and liquidity risk. The organisation aims to minimise the effects of these risks by depositing funds with reputable financial institutions, dealing with creditworthy counterparties and ensuring access to funding is available. Mid West Primary Pty. Ltd does not enter into or trade financial instruments for speculative purposes.

(d) Interest Rate Risk Management

Interest rate risk is currently minimal with Mid West Primary Pty. Ltd sourcing required funds via interest free advances from Delta Electricity (parent entity). Interest risk arises from the exposure of cash and cash equivalents to market interest rates. These funds are held with reputable financial institutions.

The weighted average interest exposure on interest bearing financial assets is 3.0% with there being no current interest rate exposure for reported financial liabilities.

A 1.0% increase/(decrease) in interest rates would increase/(decrease) post tax profit by $2,500.

MID WEST PRIMARY PTY. LTD

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

14. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Credit Risk Exposures

The credit risk on financial assets which have been recognised on the Balance Sheet is generally the carrying amount. The credit risk is regarded as minimal as cash and receivables are currently held with creditworthy counterparties.

(f) Liquidity Risk Management

Mid West Primary Pty. Ltd manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring that sufficient funding facilities are available. The following table set out the remaining contractual maturity for financial liabilities.

	Maturity Dates			Total
	< 1 year $	1 – 5 years $	> 5 years $	$
2009				
Financial Liabilities				
Fixed interest rate instruments	-	-	-	-
Non-interest bearing instruments	23,414,083	-	-	23,414,083
	23,414,083	-	-	23,414,083

15. 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 period as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	2009 $
Cash and Cash Equivalent Assets	**360,038**
Balance as per Cash Flow Statement	**360,038**

(c) Dividends and Taxes

No dividends were received during the period. There were no dividend or tax equivalent payments during the period.

(d) Acquisitions and Disposal of Entities

There were no acquisitions or disposals during the period.

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

	2009 $
Profit/(Loss) for the Period after Related Income Tax Expense	**(617,475)**
Share of (Profit)/Loss on Investments Accounted for Using the Equity Method	**575**
Net Changes in Assets and Liabilities During the Period	
(Increase)/Decrease in Trade and Other Receivables	**(43,144)**
Increase/(Decrease) in Payables	**444,702**
Net Cash Provided/(Used) by Operating Activities	**(215,342)**

MID WEST PRIMARY PTY. LTD

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the Year Ended 30 June 2009

16. RELATED PARTY DISCLOSURES

(a) Key Management Personnel

The Directors of the entity at 30 June 2009 were Mr JP Henness and Mr WL Phillips. Mr JP Henness and Mr WL Phillips have been directors since establishment of the company.

The above officers are also Directors of the parent entity. No additional remuneration is provided for being a Director of Mid West Primary Pty. Ltd.

Mr RP Madden, who is an employee of the parent entity, acts as Secretary of Mid West Primary Pty. Ltd.

(b) Ultimate Parent Entity

The ultimate parent entity at reporting date is Delta Electricity.

(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 $	Equity acquisition in/(from) related parties $	Amounts owed to related parties $
Delta Electricity	**2009**	**-**	**21,260,554**	**(1)**	**21,260,554**
Joint Ventures	**2009**	**21,490,711**	**-**	**575**	**1,463,000**
Associates	**2009**	**-**	**-**	**576**	**-**

Further information on the related parties of Mid West Primary Pty. Ltd is included at Note 8, Note 9 and Note 11.

17. EVENTS OCCURRING AFTER REPORTING DATE

On 10 September 2009, the NSW Government released its Energy Reform Transaction Strategy, which adopted a “dual track” process involving a trade sale and a potential Initial Public Offering of selected assets. The Government’s reforms include maintaining public ownership of existing power stations and electricity transmission and distribution networks; transferring the electricity retailing operations of EnergyAustralia, Integral Energy and Country Energy to the private sector; selling a number of potential development sites for new power stations; and contracting to the private sector the right to sell electricity produced by the State-owned generators, namely Delta Electricity, Macquarie Generation and Eraring Energy (the Gentrader model).

There were no other significant events occurring after reporting date.

END OF AUDITED FINANCIAL REPORT

MID WEST PRIMARY PTY. LTD

STATEMENT BY MEMBERS OF THE BOARD

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 Mid West Primary Pty. Ltd, we declare on behalf of Mid West Primary Pty. Ltd that in our opinion:

1. The accompanying Financial Report exhibits a true and fair view of the financial position of Mid West Primary Pty. Ltd as at 30 June, 2009 and its performance for the year ended on that date.

2. The accompanying Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, the New South Wales Public Finance and Audit Act and Regulation, and requirements of the State Owned Corporations Act, 1989 (as amended).

3. At the date of this statement, there are reasonable grounds to believe that Mid West Primary 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
17 September 2009

Jim Henness
DIRECTOR
17 September 2009

MID WEST PRIMARY PTY. LTD

INDEPENDENT AUDITOR'S REPORT

AUDITOR-GENERAL NEW SOUTH WALES

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Mid West Primary Pty Ltd

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Mid West Primary Pty Ltd (the Company), which comprises the balance sheet as at 30 June 2009, the income statement, statement of recognised income and expense and cash flow statement for the period then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Company as at 30 June 2009, and its financial performance for the period then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.
- complies with International Financial Reporting Standards as disclosed in Note 2(a).

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

Directors' Responsibility for the Financial Report

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that the financial report complies with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

MID WEST PRIMARY PTY. LTD

INDEPENDENT AUDITOR'S REPORT

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.

Peter Achterstraat
Auditor-General

17 September 2009
SYDNEY

Contact

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1800 115 277

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175 Liverpool Street, Sydney NSW 2000
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Facsimile 02 9285 2777
Office Hours 8.30am – 5.00pm

Mt Piper Power Station
350 Boulder Road, Portland NSW 2847
Telephone 02 6354 8111
Facsimile 02 6354 8112
Office Hours 7.45am – 4.00pm

Munmorah Power Station
Scenic Drive, Doyalson NSW 2262
Telephone 02 4390 1611
Facsimile 02 4390 1642
Office Hours 7.45am – 4.00pm

Vales Point Power Station
Vales Road, Mannering Park NSW 2259
Telephone 02 4352 6111
Facsimile 02 4352 6007
Office Hours 7.45am – 4.00pm

Wallerawang Power Station
1 Main Street, Wallerawang NSW 2845
Telephone 02 6352 8611
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Office Hours 7.45am – 4.00pm

Delta Maintenance
Munmorah Power Station
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Telephone 02 4390 1606
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Office Hours 7.45am – 4.00pm

Delta electricity

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