



# ANNUAL REPORT

2015



**The Hon. Gladys Berejiklian MP**  
**Treasurer**  
52 Martin Place  
SYDNEY NSW 2000

**The Hon. Dominic Perrottet MP**  
**Minister for Finance, Services and Property**  
52 Martin Place  
SYDNEY NSW 2000

Dear Shareholders,

The Delta Electricity Annual Report is submitted by its Board for the period 1 July 2014 to 30 June 2015 as required under the Annual Report (Statutory Bodies) Act 1984.

The Annual Report covers the activities of Delta Electricity for the year and contains the Financial Statements for the period ended 30 June 2015.

The Annual Report was prepared in accordance with Section 24A of the State Owned Corporations Act 1989 and the Annual Reports (Statutory Bodies) Act 1984.

It is being submitted for presentation to Parliament.

Yours faithfully

A handwritten signature in black ink, appearing to read "Helen Garnett".

**Helen Garnett**  
PSM FTSE FAICD  
Chair

A handwritten signature in black ink, appearing to read "Greg Everett".

**Greg Everett**  
Chief Executive

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# 1 About Delta Electricity

At the end of 2014/15 Delta represented 7% of NSW generating capacity, with sufficient power to supply one million average-sized homes across Australia.

## WHO WE ARE

Delta Electricity is an electricity generator in Australia's National Electricity Market (NEM), with an installed capacity of more than 1,320 megawatts (MW). We operate as a Statutory State Owned Corporation under the Energy Services Corporations Act (1995) and the State Owned Corporations Act (1989), and in accordance with our annual Statement of Corporate Intent.

## WHAT WE DO

In 2014/15 Delta Electricity produced electricity from coal, gas, biomass and water. Our generators produced around 4% of the electricity needed by consumers in the NEM, which comprises all states and territories except Western Australia and the Northern Territory. Delta Electricity participates in the NEM by trading output from Vales Point Power Station. As a result of the NSW Energy Reform process, Delta Electricity's assets have progressively been offered for sale by the NSW Government.

## OUR LOCATIONS

As at 30 June 2015 Delta operated two power stations in NSW. Vales Point is a coal-fired power station providing a reliable supply of 24-hour, baseload electricity. Brown Mountain is a small hydro power station located near Cooma. It is a non-scheduled generator, and operates when the opportunity arises. Delta also manages the decommissioned Munmorah Power Station and associated land.

## OUR MISSION

In 2014/15 our mission was to generate electricity safely, reliably and competitively while respecting our workmates, customers, community and the environment.

## OUR PRINCIPAL FUNCTIONS

In 2014/15 our principal functions were to:

- establish, maintain and operate facilities for the generation of electricity and other forms of energy; and
- supply electricity and other forms of energy.

## OUR OBJECTIVES

In carrying out these principal functions, Delta Electricity was guided by the following objectives from the Energy Services Corporations Act (1995):

1. to operate efficient, safe and reliable facilities for the generation of electricity at a competitive cost;
2. to be a successful participant in the wholesale market for electricity;
3. to contribute to the development of low carbon emission electricity;
4. to promote the use of sustainable energy practices;
5. to protect the environment by conducting our operations in compliance with NSW environment laws;
6. to contribute to regional development and decentralisation in the way in which we operate; and
7. to improve the skills and work practices of our people to promote and enhance safety, productivity, efficiency and job satisfaction.

## LOCATIONS



Type	Unit Size	Total Units	Capacity
<b>Coal</b>			
Vales Point	660 MW	2	1,320 MW
<b>Gas</b>			
Colongra	168MW	4	671MW
<b>Hydro</b>			
Brown Mountain	1x 4.3MW and 1 x 400KW	2	4.7MW
<b>Total</b>			<b>1,996MW</b>

Note: The map shows Delta locations during the 2014/15 financial year. Munmorah was closed in July 2012. Colongra was sold to Snowy Hydro in January 2015.

# 2 Year in Review

## Chair and Chief Executive Report

During 2014/15 Delta Electricity faced continuing challenges arising from the transformation of Australia's energy industry in which coal's market share is diminishing as a result of the rising use of renewable energy sources, and demand for electricity remaining low after declining in recent years.

Consequently, for the 2014/15 financial year Delta made an operating loss of \$72.5 million before tax excluding financial instrument fair value movements, impairment and provisions related to property, plant and equipment and accounting losses on early debt repayment. The \$72.5 million operating loss was a significant improvement against Delta's budget, largely due to the sale of Colongra Power Station and a focus on realising overhead cost savings during the year.

### ENERGY REFORM AND THE MARKET

#### Market Conditions

Demand for electricity in NSW grew slightly in 2014/15, with total consumption 1.5% higher than 2013/14. This is the first time since 2008/09 that demand growth in NSW has been positive. However, growth is not forecast to continue at this level. The Australian Energy Market Operator (AEMO) forecasts 0.6% demand growth in NSW in the short term with no return to historical demand growth levels in its 10-year forecast period.

#### Regulation and Energy Reform

Throughout the year, Delta implemented changes to its business practices following the repeal of the carbon price by the Federal Government. Delta also prepared for legislative changes following the review of the Renewable Energy Target and the planned introduction of the safeguard mechanism, the final element of the Direct Action legislation.

#### Carbon Tax

The Clean Energy Legislation (Carbon Tax Repeal) Act 2014 (the Act) took effect from 1 July 2014. The Act also amended the Competition and Consumer Act 2010 (CCA) providing the Australian Competition and Consumer Commission (ACCC) with new powers to ensure that consumers received the benefits of the repeal. Delta Electricity fully complied with its obligations under the amended CCA, to provide the ACCC and electricity supply customers (including all NEM registered market customers) with carbon tax removal substantiation statements that detailed the methods used to pass through cost savings.

#### Renewable Energy Target

In June 2015, the Senate reduced Australia's 2020 Large-scale Renewable Energy Target (LRET) from 41,000 gigawatts hours (GWh) to 33,000GWh.<sup>1</sup>

1. GWh equals 1000 megawatt hours.

The LRET allows renewable energy generators to create large-scale generation certificates (LGCs) for every megawatt hour of renewable electricity they produce. Liable entities (generally electricity retailers) are obligated to purchase certificates and surrender them to the Clean Energy Regulator. The establishment of the revised LRET has removed uncertainty surrounding the future of the scheme. In response, the price of LGCs has increased from around \$35 in early 2015 to more than \$55 in August 2015.

Current total generation from annual large-scale renewables is around 16,000GWh and an additional 17,000GWh per annum of renewable generation will need to be commissioned to operate in the NEM by 2020 to reach the new target. This new generation exceeds demand growth in AEMO's medium growth forecast, exacerbating the excess supply in the NEM.

Renewable generation operates regardless of market prices and displaces energy supplied by coal and gas-fired generation. The additional renewable generation expected to be commissioned over the next five years will place downward pressure on wholesale electricity prices and potentially force the closure of more plants.

Delta currently creates around 26,000 LGCs per annum from the co-firing of biomass and the recent increase in the price of LGCs has enhanced the value of Delta's biomass co-firing activity.

#### Emissions Reduction Fund

The Federal Government has been working with businesses to implement the safeguard mechanism for the Emissions Reduction Fund.

The proposed safeguard mechanism is to encourage businesses not to increase emissions above historical levels. The safeguard mechanism will apply to direct emissions, including direct emissions from energy production, where a facility's emissions are above historical thresholds.

Delta Electricity supports setting a limit on emissions based on historical maximum emission levels to recognise the variable annual output of both renewable and conventional generators due to factors such as weather conditions, portfolio operations and market supply and demand.

#### SALE OF NSW GENERATORS

In May 2012 legislation was passed in the NSW Parliament to sell the State-owned generators.

During late 2012 the sales structure and strategy was developed. The sale of Delta's western assets, Mount Piper and Wallerawang power stations, was completed in September 2013. The sale process for Vales Point and Colongra power stations commenced after the subsequent sale of Macquarie Generation.

The sale of Colongra Power Station to Snowy Hydro was confirmed in December 2014 and completed on 30 January 2015. Eight employees transferred to Snowy Hydro with the station's property, plant, IT and contracts. The sale had no

impact on Delta's buffer zones and community access areas as only a small footprint of land around the station was sold.

Proceeds from the sale of the Colongra power station were used to retire Delta Electricity's debt, strengthening the State's financial position.

The sale of Colongra reduced the size of Delta's portfolio and increased reliance on Vales Point Power Station's plant performance to meet contracted energy sales.

The sale process for Vales Point Power Station began in March 2015 and it is anticipated that, should the sale proceed, it will be completed by the end of 2015. The non-operational Munmorah Power Station and hydro-powered Brown Mountain Power Station are excluded from the sale.

Delta has worked with the Government sale team to prepare sale related documentation and is continuing to facilitate other due diligence activities.

#### Brown Mountain

In December 2014, Delta Electricity took ownership of Brown Mountain Power Station. The station was previously part of Eraring Energy's renewables portfolio subsequently called Green State Power.

The hydro-powered station is located on the NSW South Coast. It began generating in 1943 and was originally owned and operated by the Bega Valley County Council.

It is a two-unit station with a total capacity of 4.7MW, powered by water released from Rutherford Creek and Cochrane Dam.

#### Munmorah

Munmorah Power Station was officially closed by Delta in July 2012, after 45 years of operation. Decommissioning activities to improve site safety and protection of the environment were completed in June 2014. In October 2014, Wyong Shire Council approved the development application for the demolition of the station and its surrounding structures. Delta has commenced planning for the demolition project, with work expected to begin by mid-2016.

#### ENVIRONMENTAL INITIATIVES

Delta continued to be involved in a range of environmental initiatives to ensure environmental compliance, for continual improvement and to optimise renewable energy resources.

Delta is involved with the CSIRO in the pilot scale carbon capture plant at Vales Point and with research into biomass pyrolysis with The Crucible Group. The pyrolysis process creates char from biomass, with higher energy content and fewer handling issues. When proven, The Crucible Group technology will allow Delta to co-fire an increased amount of biomass, as well as reduce wood waste going to landfill.

Over the last two years Delta's innovative biomass co-firing program has delivered an increase in the use of biomass, with a reduction in carbon intensity at Vales Point at minimal cost.

In addition, the biomass co-firing program has received industry recognition. The program was highly commended at the NSW

Government's 2014 Green Globe Awards and was one of 10 projects recognised at the inaugural Energy Productivity in Action event organised by the NSW Office of Environment and Heritage to acknowledge NSW businesses making significant energy productivity achievements.

Delta continues to provide industry leadership in sustainability. During 2014/15 Delta's Manager Sustainability, Justin Flood, was chair of the management committee of the Ash Development Association of Australia. Delta is active in the association in order to promote greater re-use of ash.

#### COMMUNITY ACTIVITIES

Delta has remained committed to engaging with our neighbours, stakeholders and communities to help us understand and respond to their interests and concerns. Should Vales Point Power Station be sold to the private sector, long-term and binding arrangements remain in place to ensure continued community access to sporting fields and facilities.

#### LOOKING AHEAD

Vales Point remains a well-maintained station with long-term fuel contracts in place and is an important generator in the NEM. The plant continues to perform well and robust maintenance plans are in place to ensure performance continues at the required level.

In addition, capital restructuring and extensive cost improvements have been made to improve the future competitiveness of the station.

#### Thank you

We would like to take the opportunity to thank all Delta staff for their continued commitment to the success of the business during a time of rapid change to our industry. Their contributions have been significant to Vales Point remaining a valuable participant in the Australian energy market.

Special thanks are also due to the members of Delta's executive team including Glenn Sharrock, David Hogg, Richard Street and John Bund who left the business during the financial year. Thank you for your dedicated service and commitment to Delta during a period of significant change.

# 3 Key Performance Indicators

	Unit	14/15	13/14 <sup>1</sup>	12/13	11/12	10/11
<b>Financial Statistics</b>						
Total Sales Revenue <sup>2</sup>	\$m	274.9	521.5	997.1	827.2	1,003.3
Earnings before Interest and Tax	\$m	(380.1)	66.9	143.7	118.3	(176.1)
Net Profit/(Loss) before Tax	\$m	(469.7)	4.2	72.2	39.4	(277.7)
Net Profit/(Loss) after Tax	\$m	(498.3)	18.0	86.1	(4.8)	(195.6)
Total Debt	\$m	0.0	656.9	819.0	855.4	849.6
Total Equity	\$m	13.1	18.3	309.0	255.1	511.2
Return on Assets (EBIT / Assets)	%	(117.1%)	6.4%	8.1%	6.8%	(8.1%)
Gearing (Debt / (Debt + Equity))	%	0.0%	97.3%	72.6%	77.0%	62.4%
Interest Cover (EBIT / Interest)	Times	(4.2)	1.1	2.0	1.5	(1.7)
Current Ratio (CA / CL)	%	3.7	1.8	1.8	1.9	1.8
<b>Operational Statistics</b>						
Production <sup>3</sup>	GWh	6,638	9,207	19,947	19,916	21,501
Equivalent Forced Outage Factor <sup>4</sup>	%	5.2	3.3	4.4	5.8	1.9
Availability <sup>4</sup>	%	79.5	93.5	89.3	84.8	91.4
Thermal Efficiency <sup>4</sup>	%	34.8	36.3	34.7	34.7	34.9
Coal Stockpile Levels <sup>5</sup>	\$m	32.4	25.2	41.0	43.7	23.1
<b>Employee Statistics</b>						
GWh/employee		22.4	28.2	30.8	30.5	32.0
Staff Numbers		296	327	647	653	671
Lost Time Injury Frequency Rate	Frequency rate	3.2	2.6	3.2	3.8	3.7
<b>Environmental Statistics</b>						
Licence Breaches		0	0	0	0	1

<sup>1</sup> Financial statistics are restated due to prior year adjustments.

<sup>2</sup> Includes revenue from Western Operations until 31 August 2013, Colongra Operations until 29 January 2015 and Brown Mountain Operations from 8 December 2014.

<sup>3</sup> Includes production from Western Operations until 31 August 2013, Colongra Operations until 29 January 2015 and Brown Mountain Operations from 8 December 2014.

<sup>4</sup> Vales Point and Colongra power stations only for 2013/14 and Vales Point only for 2014/15.

<sup>5</sup> Excludes Western Gentrader coal stockpiles from 1 March 2011 to 31 August 2013



# 4 Operations Report

## Vales Point

During 2014/15 Vales Point Power Station continued to perform to a high industry standard.

Vales Point sent out 6,558GWh of electricity and recorded a thermal efficiency of 34.76 %. Availability for the financial year was 79.45%, less than the previous year due to scheduled dual-unit outages at the station, the first significant outages since sale of Western assets in 2013.

Across a two-month period, both units were taken out of service and 15 major maintenance projects were completed including the replacement of the Unit 5 economiser elements.

The dual-unit outage also allowed maintenance work to be completed on plant such as the coal plant surge bin, switchboards, chimney stack and underground water conduits that support both units.

200 tonnes of shell and sentiment were removed from the inlet canal to increase cooling water efficiency.

Significant repairs were also made to the Unit 5 boiler in June 2014. Following this work, continued reliable boiler performance can be expected for the long term under normal operating conditions.

Delta's biomass program produced 26,371MWh of electricity through co-firing in 2014/15.

## Black Start

In May 2015, Delta worked closely with Snowy Hydro (the new owner of Colongra Power Station) to conduct a black-start test of Colongra and Vales Point Power Stations. The successful test means that, in the event of a system wide power failure, Delta and Snowy Hydro could return Vales Point to operation using power supplied to the station via the local high voltage transmission network from Colongra.

## Brown Mountain

Brown Mountain was vested to Delta Electricity from Green State Power in December 2014.

At the time Delta took ownership, Brown Mountain was in the midst of penstock repairs. Significant rainfall in early December caused dam levels to rise and work was suspended at the site until March 2015. In May the first of two penstocks was successfully repaired and returned to service in July 2015. The remaining penstock has now been repaired and the power station returned to full capacity.

Brown Mountain sent out 12.9GWh of electricity between December 2014 and June 2015.

## Security

In September, Australia's National Terrorism Public Alert System was raised from 'medium' to 'high' based on advice from security and intelligence agencies on the increased likelihood of a terrorist attack in Australia. With no specific threats to power stations, Delta Electricity's locations remain at the medium alert level with appropriate security in place.

## ENVIRONMENT

In 2014/15 Delta Electricity continued to focus on minimising environmental impacts associated with generating electricity. We also ensured that all our power stations operated to high environmental standards.

Delta recorded no breaches of its Environmental Protection Licences and was not issued with any penalty infringement notices or prosecutions by the NSW Environment Protection Authority (EPA). There were two pollution complaints for the year relating to noise from the Vales Point operations. One related to noise emanating from a unit trip and the other was a general enquiry about power station noise and was unrelated to a specific event. In both instances Delta followed up and discussed the situation with the concerned residents and no further action was warranted. Carbon intensity increased slightly to 910 tCO<sub>2</sub>/MWh in 2014/15 from a historic low in 2013/14. Each month Delta published its routine pollution monitoring data as required by the Protection of the Environment Operations (POEO) Act at [de.com.au](http://de.com.au).

## Water

Vales Point power station primarily uses salt water for cooling, with a limited quantity of high quality water used for other services. The consumption of fresh water decreased from the previous year, with 250 megalitres of recycled water processed through the reverse osmosis (RO) plant instead of using town water.

## Ash recycling

Ash sales are improving resource reuse and enhancing the life of the ash storage repository. Total ash utilisation was impacted by a station outage in the second half of 2014 as ash supply chains operate on a just-in-time delivery basis. The overall utilisation rate remained about the same as last year and higher than in the years preceding that. More than half of bottom ash and around 22% of fly ash is now recycled. Delta continues to pursue other ash recycling opportunities

### Increased ash recycling

	2014/15	2013/14	2012/13	2011/12
<b>Ash recycled kT</b>	132	141	136	111
<b>% ash reused</b>	25%	26%	21%	20%

### Munmorah Demolition

The development application for the demolition of the site submitted by Delta Electricity to Wyong Shire Council included a Statement of Environmental Effects (SEE). The SEE describes the project, the potential impact on the local community and mitigation measures to minimise impacts to water, local traffic and from noise and dust.

Following its approval of the development application, Wyong Shire Council issued a set of conditions to be complied with to ensure any impacts are minimised.

### WRAPP

During 2014/15 Delta remained compliant with the NSW Government Waste Reduction and Purchasing Policy (WRAPP). A WRAPP Plan is in place with operational standards that applies to all employees and contractors employed at Delta facilities. The plan sets out the requirements for the management of waste and the purchase of materials at our facilities.

### Carbon capture plant

Delta has continued to support research activities to develop low emission technologies for coal-fired power stations. During the year, CSIRO successfully completed a demonstration of solar integrated post combustion CO<sub>2</sub> capture at the Vales Point Carbon Capture Pilot Plant Facility. Other collaborative projects include the investigation of emerging CO<sub>2</sub> capture technologies using solid adsorbent materials (CSIRO) and hollow fibre membranes (UNSW).

## SOCIAL PERFORMANCE

### Apprentices

During the year, Delta employed 24 apprentices at various stages of their studies across a range of trades.

Four first-year apprentices spent six months of 2015 at the new Hunter Valley Training Centre at Rutherford to learn essential workplace and safety skills before starting at Vales Point.

### Workplace Safety

Delta's commitment to workplace safety is outlined in our Work Health and Safety Policy published on [de.com.au](http://de.com.au).

During 2014/15 two lost time injuries (LTI) were recorded, with a total of 77 days lost from injury. In 2014/15 Delta achieved an:

- LTI Frequency Rate of 3.2, an increase from 2.6 in 2013/14 which was a historical low; and
- LTI Duration Rate of 38.5, compared to 2.5 in 2013/14.

### Delta Zero Incident Process Performance

In 2014/15 we continued to successfully implement the Delta Zero Incident Process (D-ZIP) Program. Over the 12-month period, the program made more than 3,412 contacts with staff and conducted more than 1,708 observations. Key results include:

- 98.29% of all critical behaviours observed were identified as safe behaviours; and
- 13 hard barriers were removed.

### Safety Culture

Management safety inspections continue to drive a positive safety culture across Delta. In 2014/15, 461 walk-downs were completed across the management group demonstrating their high level of commitment to OHS. In addition, each Executive Officer participated in detailed reviews of operational areas within Vales Point Power Station.

### OHS Compliance

Delta is a self-insurer under Section 211 of the Workers Compensation Act, and implemented an extensive audit schedule for the 2014/15 year in preparation for an on-site audit by Work Cover in August 2015. The areas audited reflected the National Self-Insurer Audit Tool criteria including:

- process control;
- management responsibility;
- OHS risk management;
- OHS management system; and
- measurement, evaluation and control.

Delta also reviewed the OHS Officer's duties under the New South Wales WHS Act to ensure that the activities undertaken satisfied the due diligence requirements.

### Managing Impairment

Delta continued drug and alcohol testing and pre-employment screening across the whole organisation. This continues to be well accepted by all personnel on Delta sites.

### Trades & Power Worker Model

A skills development model, known as the Maintenance Employee Competency Model (MECM), has been introduced for trades employees (electrical, mechanical and boilermaker) and non-trades employees (powerworkers). The model provides a career path for employees within their trade and across classifications. The MECM places an emphasis on building technical leadership and knowledge through the acquisition and use of a range of competencies which are aligned to Australian Electricity Supply Industry competencies.

### Health and Wellbeing

More than 47% of employees participated in a flu vaccination program and 100 employees opted for lung-health tests provided by a mobile respiratory screening service that visited the power station.

### New Enterprise Agreement

Management and staff together delivered a new enterprise award with no time lost in dispute. The new agreement covers 98% of employees and provides a 2.5% annual increase to wages and allowances. Negotiations were conducted in a spirit of cooperation throughout the process which achieved excellent outcomes. The agreement was accepted by 89% of employees who voted and expires in April 2019.

### Organisational Structure

Following the sale of Colongra and a voluntary redundancy program in our Sydney office, it was necessary to restructure Delta's operations into functional teams across its sites with single reporting lines.

### Supporting People with a Disability

In 2014/15 Delta continued to support employees with a work-related or non-work related disability. We engage the services of an occupational therapist to provide advice and assistance in this area, as required.

### Workforce Diversity

During the year Delta Electricity remained committed to supporting the principles of workforce diversity and the targets set by the NSW Government. These principles were incorporated into recruitment practices and all policies are consistent with these guiding fundamentals.

### Indigenous Support and Employment

In 2014/15 Delta supported indigenous employment to improve outcomes and ties with local indigenous communities. Each year Delta dedicates one potential apprenticeship position for a person from an Aboriginal or Torres Strait Islander background. This year we were again successful in recruiting an indigenous

apprentice. As part of our commitment to supporting the local indigenous community, Delta has for many years supported a NAIDOC event on the Central Coast. In 2015 we contributed a \$5,000 sponsorship. Delta also funded a \$2,500 undergraduate scholarship open to Aboriginal and Torres Strait Islander students at the University of Newcastle's Ourimbah Campus.

### Trends in the Representation of Workforce Diversity Groups

Workforce Diversity	Benchmark/ Target	2013	2014	2015
Women	50%	10.4%	13.1%	11.1%
Aboriginal People and Torres Strait Islanders	2.6%	1.3%	1.2%	3.9%
People whose First Language Spoken as a Child was not English	19.0%	4.9%	4.3%	4.5%
People with a Disability	N/A	4.9%	3.1%	3.4%
People with a Disability Requiring Work-Related Adjustment	1.5%	2.0%	1.5%	1.4%

### Trends in the Distribution of Workforce Diversity Groups

Workforce Diversity	Benchmark/ Target	2013	2014	2015
Women	100	100	98	102
Aboriginal People and Torres Strait Islanders	100	N/A	N/A	N/A
People whose First Language Spoken as a Child was not English	100	110	N/A	N/A
People with a Disability	100	103	N/A	N/A
People with a Disability Requiring Work-Related Adjustment	100	N/A	N/A	N/A

Note 1: A Distribution Index of 100 indicates that the centre of the distribution of the Workforce Diversity group across salary levels is equivalent to that of other staff. Values less than 100 mean that the Workforce Diversity group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the Workforce Diversity group is less concentrated at lower salary levels.

Note 2: The Distribution Index is not calculated where Workforce Diversity group or non- Workforce Diversity group numbers are less than 20.

### Respecting Cultural Diversity

Delta recognises the significance and benefits of cultural diversity in our organisation and the community in general.

Our Multicultural Policies and Services Program includes principles to ensure our recruitment practices are sensitive to cultural issues by ensuring clear and plain English is used to develop selection criteria and that there is recognition of prior learning for racial and ethnic minorities born overseas.

We also support cultural harmony by creating an environment where employees are free to practice their religious beliefs free of discrimination.

## COMMUNITY

### Stakeholder & Community Engagement

Delta is committed to engaging with its stakeholders and communities to help understand and respond to their interests and concerns. Our primary focus is communities and neighbours close to Vales Point Power Station in Mannering Park, Wyee Point, Summerland Point, Lake Munmorah, Budgewoi, Buff Point, Kingfisher Shores and Chain Valley Bay.

The Central Coast Community Access Regional Environment (CARE) Forum, formed in 1997, meets quarterly for briefings and site visits and to raise issues of interest and concern. Stakeholder and community representatives provide invaluable advice and input to help Delta remain a good community member and to minimise any operational impacts on its neighbours. Notes and presentations from the forum meetings are placed on Delta's website for access by the broader community.

Throughout the year Delta publishes a Community Newsletter in the local papers, providing snapshots of information for the community on Delta's operational, environmental and community performance.

In addition, Delta maintains a stakeholder database to assist in communicating and engaging a broad range of stakeholders and a 1800 recorded information line informs the public of any site operational issues that may have occurred.

As a measure of our strong relationship with our neighbours and the local communities, Delta receives only a very small number of enquiries and complaints each year. Complaints generally relate to minor issues such as graffiti on Delta property, tree management near Delta boundaries and intermittent noise from Vales Point Power Station. Delta has a commitment to responding quickly and appropriately to ensure we minimise local impacts.

### Air Quality Monitoring

The EPA analyses ambient air quality monitoring data collected in the Lake Macquarie and Wyong Local Government Areas (LGAs) and requested Delta to provide the ambient air quality monitoring data collected at the Wyee ambient air monitoring station from September 2013 onwards.

The EPA uses Delta's data, along with EPA and industry ambient air data collected in the Lake Macquarie and Wyong LGAs, to prepare monthly air quality reports, which summarise and analyse the regional air quality and meteorological information. The reports were developed in response to concerns raised by local government and the community regarding the perceived lack of monitoring and reporting of air quality in the Lake Macquarie and Wyong LGAs.

The Lake Macquarie Air Quality Reference Group (LMAQRG) is convened by Lake Macquarie City Council. The LMAQRG membership includes industry representatives and meets quarterly to discuss air quality issues in the Lake Macquarie LGA.

### Donations & Sponsorships

In 2014/15 Delta spent \$155,770 supporting a wide range of activities and projects covering arts, recreation, health, education, environment and tourism initiatives.

These sponsorships and donations actively contribute to our neighbours and communities and their ability to build capacity and resilience locally.

In the Central Coast and Lake Macquarie regions, our sponsorships have included LandCare, TidyTowns, Country Women's Association, Surf Lifesaving and Rescue Services, Rural Fire Services as well as a range of other environmental initiatives that acknowledge and support the unique coastal and lake location.

Delta continued its financial support of the Lake Macquarie Environmental Research Grants program. The program aims to support environmental management in the Lake Macquarie area and a Delta employee forms part of the selection committee.

Delta recognises the importance of a strong local economy and in the past year has sponsored local business initiatives including the Lake Macquarie Business Excellence Awards, the Wyong Chamber of Commerce Business Awards and the Northern Lakes Regional Business Awards.

Delta's commitment to education at all levels is demonstrated through our sponsorships of a wide range of groups from playgroups, primary and secondary schools and includes significant Delta scholarships at the University of Newcastle, Ourimbah Campus and Hunter TAFE. Delta also supports both the Lake Macquarie and Wyong Shire Council School Environment Awards.

In 2014/15 Delta commenced its schools safety program. Representatives from our Security and Sustainability teams, together with Tuggerah Local Area Command Youth Liaison Officers, have presented to local students on how to be "safety-smart" around power stations.

Delta also supported a range of arts and cultural activities including Sculptures on the Green, Swansea Christmas Carols, the Going off at the Swamp family festival at Koala Park and an annual Australia Day Big Breakfast at Mannering Park.

Delta's long term program for payroll giving and matching donations has complemented an ongoing staff commitment to support a wide range of charities. The matching donations program is established across Delta's workplaces. Charities including the Bill Walsh Cancer Fund, Careflight, Hunter Helicopter Rescue Service, the Smith Family and Camp Breakaway were supported generously by Delta staff, with Delta matching donations.

In addition, our employees raised around \$10,000 through events and other fundraising activities in support of Cancer Council, the Leukaemia Foundation and Movember (which supports men's health charities).

# 6 Governance

## The Board

The Board's governing role is determined by the State Owned Corporations Act, the Energy Services Corporations Act and Delta's Memorandum and Articles of Association. An annually approved Board Charter defines the duties and responsibilities of the Board in the context of its statutory framework and performing its key roles of approving strategy and monitoring performance.

The Board's performance agreement with Voting Shareholders is detailed in the Statement of Corporate Intent. It is agreed annually and monitored regularly. The performance requirements are reflected in the Chief Executive's own performance agreement and, where appropriate, cascaded to the management team.

## Board Composition and Directors

<b>Dr Helen Garnett</b> PSM FTSE FAICD	Chair and Director	Dr Garnett was appointed as Chair and a Director on 16 January 2012 for three years. Her term was extended by one year in January 2015.
<b>Mr Jon North</b> BA LLM	Director	Mr North was initially appointed as a Director on 1 May 2012 for three years. His term was extended in 2015 until 30 April 2018.
<b>Ms Christine Feldmanis</b> BCom, MAppFin, CPA FAICD, SFFIN	Director	Ms Feldmanis was appointed as a Director on 26 November 2012 for three years.
<b>Mr Greg Everett</b> BCom, MBA, GAICD	Chief Executive and Director	Mr Everett was appointed Chief Executive and Director on 17 July 2010 and re-appointed in July 2015.

## Meetings of the Board

During 2014/15 the Delta Electricity Board met regularly in Delta's Corporate Office or at a power station, according to the Charter for the Board. In addition, there were teleconferences and circulating resolutions to facilitate decisions on matters unable to be held until the next scheduled meeting.

## Director Meetings – 1 July 2014 to 30 June 2015

	Board Meetings <sup>1</sup>		Board Remuneration & Nomination Committee Meetings <sup>1</sup>		Board Audit Committee Meetings <sup>1</sup>		Board Environment OHS Committee Meetings <sup>1</sup>	
	A	B	A	B	A	B	A	B
Dr H Garnett	13	13	4	4				
Mr J North	13	13	4	4	5	5		
Mr G Everett	13	13					4	4
Ms C Feldmanis	13	13			5	5	4	4

## Notes

1. Column A is the number of meetings a Director was entitled to attend. Column. B is the number of meetings attended. Figures include seven teleconferences.

## Board Committees

In 2014/15 there were three Board Committees:

- Board Audit and Risk Committee;
- Board Environment, Occupational Health and Safety Committee; and
- Board Remuneration and Nomination Committee.

The terms of reference for each Board Committee were reviewed and approved by the Board during the year.

The primary purpose of each Board Committee is listed below.

#### Board Audit Committee

The purpose of this Committee is to assist the Board to discharge its responsibilities by reviewing:

- financial statements and financial management;
- activities related to internal audit;
- activities related to external audit;
- compliance with laws and regulations and Code of Conduct; and
- the effectiveness of Delta's business risk management framework and insurance arrangements.

#### Board Environment, Occupational Health and Safety Committee

The purpose of this Committee is to assist the Board to discharge its responsibilities by ensuring compliance with environment, sustainability and occupational health and safety policies and legislation.

#### Board Remuneration and Nomination Committee

The purpose of this Committee is to assist the Board to discharge its responsibilities by:

- advising the Board on remuneration, recruitment, retention, superannuation and termination of Executive Managers of the Corporation including but not limited to the amount of performance payments;
- advising the Board on workplace issues;
- enhancing the independence and objectivity of Board decisions on sensitive commercial and personal issues related to the Executive Managers of the Corporation;
- effectively linking remuneration strategy and policy to corporate business strategies and strategic performance;
- reviewing processes and controls to ensure the effective management of Delta's remuneration strategy, policy and practices in relation to legal and taxation requirements, corporate reporting obligations and overall corporate policy and direction; and
- ensuring the Board comprises individuals best able to discharge the responsibilities of Directors having regard to the strategic direction of the Corporation and the current skills and experience of the Board.

#### Organisation Structure

##### Voting Shareholders

**The Hon. Gladys Berejiklian MP**

Treasurer

**The Hon. Dominic Perrottet MP**

Minister for Finance, Services and Property

##### Board of Directors

Dr H Garnett

Mr J North

Ms C Feldmanis

Mr G Everett

##### Executive Management Team

Senior Officer	Position	Qualifications
<b>Greg Everett</b>	Chief Executive	BCom, MBA, GAICD
<b>Anthony Callan</b>	General Manager – Marketing	BEng, MBA
<b>Vince Reedy</b>	Manager, Assets	BE(Hons), MBus&Tech
<b>Vince Azzopardi</b>	Chief Financial Officer	BAcc, CPA
<b>Jason Riley</b>	Chief Technology Officer	BAppSci (CompSci), GradCertBusAdm
<b>David Morris</b>	Manager, Production	BBus (Bus Mgt), MBA, MComLaw, AssDipEng (Elec ), GAICD
<b>Steve Gurney</b>	Manager, People and Culture	MAHRI, AIAMA
<b>Justin Flood</b>	Manager, Sustainability	BEng, MBA
<b>Ray Madden</b>	Corporate Secretary	BA (Hons), MBus, GradDipAppCorpGov, GAICD, ACIS

All Senior Officers report to the Chief Executive.

Notes:

The following executives finished employment with Delta in February 2015, following the completion of the sale of Colongra Power Station:

**Glenn Sharrock**, General Manager, Central Coast;

**David Hogg**, General Manager, Fuel and Environment;

**Richard Street**, Chief Financial Officer; and

**John Bund**, General Manager, Human Resources.

## SENIOR EXECUTIVE BANDS AND REMUNERATION

Band				As at 30 June 2015		As at 30 June 2014	
Band	Per annum range*			Female	Male	Female	Male
Above band 4	Above \$497,300				1		1
Band 4	\$430,451	to	\$497,300	-	1	-	1
Band 3	\$305,401	to	\$430,450	-	2	-	6
Band 2	\$242,801	to	\$305,400	-	7	-	4
Band 1	\$170,500	to	\$242,800	1	3	1	9
Totals				1	14	1	21
				15		22	

\*2014/15 rates

## AVERAGE SENIOR EXECUTIVE REMUNERATION

Band	Per annum range			Average remuneration for 2014/15 *	Average remuneration 2013/14
Above band 4				\$740,945	\$704,983
Band 4	\$430,451	to	\$497,300	\$473,728	\$450,247
Band 3	\$305,401	to	\$430,450	\$324,274	\$339,514
Band 2	\$242,801	to	\$305,400	\$261,365	\$266,520
Band 1	\$170,500	to	\$242,800	\$209,472	\$220,184

\*Includes additional pay week

In 2014/15, 4.7% of Delta Electricity's employee-related expenditure was related to senior executives compared with 4.7% in 2013/14.



### Managing organisational risk

In 2014/15 Delta Electricity's Risk Management Plan continued to conform to the Australian Standard AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines.

The Plan is structured to provide Delta Electricity and our employees with policy direction and a framework for identification, assessment and reporting of risk.

With the restructure of Delta's business following the sale of Colongra Power Station, a review of Delta's committee structure was completed. In response to this review management established an Executive Risk Committee to champion an active culture of risk management, facilitate the ongoing development of Delta's risk management policy and framework, and to absorb the risk activities of the specialist and generic risk committees.

Market risks dominate Delta's higher risk ratings, particularly due to rapid changes in the electricity market and Delta's limited influence as a small portfolio generator. All other strategic risks are assessed as tolerable or lower, with a mix of both preventative and corrective controls in existence. Strategic risks are assessed individually and as part of a portfolio of related risks, noting the interconnections with other strategic risks.

As part of Delta's annual insurance renewal program, reviews and valuations of risk exposures are undertaken. Delta Electricity is cooperatively engaged with our insurance providers to reduce risk exposures for key operating plant and equipment. Business continuity risks have been identified and action plans designed to return the business to normal operations after a Business Continuity Event.

During 2014/15 Delta Electricity's compliance framework ensured full compliance with all our legal and regulatory compliance obligations. This framework ensured that responsibilities relating to the accounting, auditing, governance activities and reporting practices of Delta Electricity were met.

All aspects of Delta's compliance and internal audit activities were monitored and reviewed through Executive and Board level committees. Delta's internal audit reviews assessed compliance with policies and procedures, as well as the efficiency, economy and effectiveness of management policies, practices and controls. Audit reports were submitted to the Board Audit and Risk Committee to ensure full awareness of internal audit activities, audit results and any remedial actions required.

### Annual Reporting Compliance

Approval was given by NSW 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 reporting requirements:

- budgets;
- research and development;
- land disposal;

- payment of accounts;
- time for payment of accounts;
- investment management performance; and
- liability management performance.

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

- summary review of operations;
- management and activities;
- consumer response; and
- report on risk management and insurance activities.

Other exemptions were approved subject to specific conditions 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 2014/15, Delta did not have any consultant related expenses.
- 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. In 2014/15, Delta did not control any other entities; and
- Financial statements of controlled entities: Delta Electricity is exempt from preparing manufacturing and trading statements, but required to prepare a summarised operating statement.

### Overseas Visits

No Delta employee travelled overseas for work purposes in 2014/15.

### Information Access under GIPA Act

During 2014/15 Delta Electricity received zero formal access applications under the terms of the Government Information (Public Access) Act 2009 (GIPA Act). Section 7(3) of the GIPA Act requires agencies such as Delta Electricity to annually review its program for the release of government information under the Act. Delta Electricity proactively releases information on our website in accordance with our obligations under the Act. We annually review our compliance with the GIPA Act using the Information and Privacy Commission compliance checklist for agencies and have met all obligations. Delta Electricity also submits an annual report on GIPA obligations. The GIPA Annual Report is provided directly to the Information and Privacy Commission and the Minister each year as required by the Act.



**Public Interest Disclosures under *PID* Act**

In compliance with Section 6D of the Public Interest Disclosures (PID) Act, Delta Electricity has a Standard which describes the internal reporting system for the reporting of public interest disclosures within our organisation. The Standard is designed to complement normal communication channels between employees, individuals, managers and team leaders.

In addition, Delta has taken action to meet our staff awareness obligations in compliance with Section 6E of the PID Act including briefing sessions and communications.

In the 2014/15 reporting period no Public Interest Disclosures were made to Delta.

# FINANCIAL STATEMENTS

**Statement of Financial Position**  
**As at 30 June 2015**

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		<b>Delta Electricity</b>	
		<b>June</b>	<b>June</b>
		<b>2015</b>	<b>2014</b>
			Restated*
		<b>\$'000</b>	<b>\$'000</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	7	165,593	132,279
Trade and Other Receivables	8(a)	33,260	37,303
Inventories	9	49,709	45,239
Other Financial Assets	10(a)	6,875	42,442
Other	11	5,011	1,949
<b>Total Current Assets</b>		<b>260,448</b>	<b>259,212</b>
<b>Non-Current Assets</b>			
Receivables	8(b)	182	291
Other Financial Assets	10(b)	2,313	317
Property, Plant and Equipment	13	45,650	735,527
Intangible Assets	14	1,695	2,457
Deferred Tax Assets	6(b)	14,244	54,984
<b>Total Non-Current Assets</b>		<b>64,084</b>	<b>793,576</b>
<b>Total Assets</b>		<b>324,532</b>	<b>1,052,788</b>
<b>Current Liabilities</b>			
Trade and Other Payables	15(a)	38,236	61,133
Borrowings	16(a)	-	8,142
Provisions	17(a)	24,299	63,477
Other Financial Liabilities	18(a)	6,088	7,308
Other	19(a)	2,186	780
<b>Total Current Liabilities</b>		<b>70,809</b>	<b>140,840</b>
<b>Non-Current Liabilities</b>			
Borrowings	16(b)	-	648,719
Deferred Tax Liabilities	6(b)	14,244	54,984
Provisions	17(b)	223,442	176,681
Other Financial Liabilities	18(b)	2,951	13,286
<b>Total Non-Current Liabilities</b>		<b>240,637</b>	<b>893,670</b>
<b>Total Liabilities</b>		<b>311,446</b>	<b>1,034,510</b>
<b>Net Assets</b>		<b>13,086</b>	<b>18,278</b>
<b>Equity</b>			
Contributed Equity	20(a)	786,036	226,248
Reserves	20(b)	7,932	63,130
Retained Profits	20(c)	(780,882)	(271,100)
<b>Total Equity</b>		<b>13,086</b>	<b>18,278</b>

\* Certain amounts shown here do not correspond to the 2014 Financial Statements due to prior year adjustments (refer Note 2 (d)) and reclassification following the sale of Colongra power station (refer Note 12).

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

**Statement of Comprehensive Income**  
**For the year ended 30 June 2015**

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**Delta Electricity**

**June**      **June**  
**2015**      **2014**  
Restated\*  
**\$'000**      **\$'000**

	Note		
<b>Continuing Operations</b>			
Revenue	3	<b>275,210</b>	439,389
Expenses, excluding finance costs	4	<b>(314,114)</b>	(466,996)
Revaluation of Property, Plant & Equipment	13	<b>(344,172)</b>	-
Finance Costs	5	<b>(84,878)</b>	(54,375)
Financial Instrument Fair Value Movements		<b>10,394</b>	(41,145)
<b>Profit/(Loss) from Continuing Operations before Income Tax Expense</b>		<b>(457,560)</b>	(123,127)
Income Tax Benefit/(Expense) on Profit/(Loss) from Continuing Operations	6(a)	<b>7,700</b>	14,695
<b>Profit/(Loss) from Continuing Operations after Income Tax</b>		<b>(449,860)</b>	(108,432)
<b>Discontinued Operations</b>			
Gain/(Loss) from Discontinued Operations after Income Tax	12(b)	<b>(48,417)</b>	126,433
<b>Profit/(Loss) for the Year</b>		<b>(498,277)</b>	18,001
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to Profit/(Loss)</b>			
Gain/(Loss) on Revaluation of Property, Plant & Equipment	20(b)	<b>(45,699)</b>	10,022
Actuarial Gain/(Loss) on Defined Benefit Superannuation Plans	20(c)	<b>(16,545)</b>	7,381
<b>Items that may be reclassified subsequently to Profit/(Loss)</b>			
Gain/(Loss) on Cash Flow Hedges Taken to Equity	20(b)	<b>(4,979)</b>	84,709
Cash Flow Hedges Transferred to Statement of Comprehensive Income	20(b)	<b>(28,069)</b>	(52,034)
Income Tax Benefit/(Expense) on Items of Other Comprehensive Income	6(a)	<b>28,589</b>	(13,778)
<b>Other Comprehensive Income/(Loss) for the Year, Net of Tax</b>		<b>(66,703)</b>	36,300
<b>Total Comprehensive Income/(Loss) for the Year</b>		<b>(564,980)</b>	54,301

\* Certain amounts shown here do not correspond to the 2014 Financial Statements due to prior year adjustments (refer Note 2 (d)) and reclassification following the sale of Colongra power station (refer Note 12).

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

**Statement of Changes In Equity**  
**For the year ended 30 June 2015**

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	Delta Electricity			2015		
	Contributed Equity \$'000	Asset Revaluation Reserve \$'000	Asset Revaluation Reserve of Discontinued Operation \$'000	Cash Flow Hedge Reserve \$'000	Retained Profits \$'000	Total \$'000
At 1 July 2014	226,248	47,408	-	15,722	(272,664)	16,714
Correction of Error, Net of Tax (Note 2 (d))					1,564	1,564
Restated at 1 July 2014	226,248	47,408	-	15,722	(271,100)	18,278
Profit/(Loss) for the Period	-	-	-	-	(498,277)	(498,277)
Other Comprehensive Income/(Loss)	-	(31,989)	-	(23,133)	(11,581)	(66,703)
<b>Total Comprehensive Income/(Loss) for the Period</b>	<b>-</b>	<b>(31,989)</b>	<b>-</b>	<b>(23,133)</b>	<b>(509,858)</b>	<b>(564,980)</b>
<b>Transfer of Asset Revaluation Reserve to Retained Earnings</b>	<b>-</b>	<b>(76)</b>	<b>-</b>	<b>-</b>	<b>76</b>	<b>-</b>
<b>Transactions with Owners in their capacity as Owners:</b>						
Shareholder Equity Contribution	559,831	-	-	-	-	559,831
Return of Capital to Shareholder	(43)	-	-	-	-	(43)
Dividends Paid/Payable	-	-	-	-	-	-
<b>At 30 June 2015</b>	<b>786,036</b>	<b>15,343</b>	<b>-</b>	<b>(7,411)</b>	<b>(780,882)</b>	<b>13,086</b>

	Delta Electricity			2014 Restated*		
	Contributed Equity \$'000	Asset Revaluation Reserve \$'000	Asset Revaluation Reserve of Discontinued Operation \$'000	Cash Flow Hedge Reserve \$'000	Retained Profits \$'000	Total \$'000
At 1 July 2013	532,865	40,393	1,978	(7,149)	(288,779)	279,308
Profit/(Loss) for the Period	-	-	-	-	18,001	18,001
Other Comprehensive Income/(Loss)	-	7,015	-	22,871	6,414	36,300
<b>Total Comprehensive Income/(Loss) for the Period</b>	<b>-</b>	<b>7,015</b>	<b>-</b>	<b>22,871</b>	<b>24,415</b>	<b>54,301</b>
<b>Removal of Asset Revaluation Reserve Attributable to Discontinued Operation</b>	<b>-</b>	<b>-</b>	<b>(1,978)</b>	<b>-</b>	<b>1,978</b>	<b>-</b>
<b>Transactions with Owners in their capacity as Owners:</b>						
Shareholder Equity Contribution	-	-	-	-	-	-
Return of Capital to Shareholder	(306,617)	-	-	-	-	(306,617)
Dividends Paid/Payable	-	-	-	-	(8,714)	(8,714)
<b>At 30 June 2014</b>	<b>226,248</b>	<b>47,408</b>	<b>-</b>	<b>15,722</b>	<b>(271,100)</b>	<b>18,278</b>

\* Certain amounts shown here do not correspond to the 2014 Financial Statements due to prior year adjustments (refer Note 2 (d)) and reclassification following the sale of Colongra power station (refer Note 12).

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

**Statement of Cash Flows**  
**For the year ended 30 June 2015**

		Delta Electricity <b>20</b>	
		June	June
		2015	2014
		\$'000	\$'000
	Note	Inflows (Outflows)	Inflows (Outflows)
<b>Cash Flows From Operating Activities</b>			
Cash Received from Customers		318,430	764,946
Interest Received		3,086	9,342
Cash Payments to Suppliers and Employees		(385,859)	(817,052)
Interest and Other Finance Costs Paid		(47,410)	(64,077)
<b>Net Cash Provided/(Used) by Operating Activities</b>	26(f)	<b>(111,753)</b>	<b>(106,841)</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from Sale of Property, Plant and Equipment		1,557	573
Payments for Property, Plant and Equipment		(28,892)	(13,438)
Payments for Intangibles		(5,611)	(826)
Net Proceeds from Sale of Power Stations		220,362	152,914
Payments to the Crown in relation to Sale of Power Stations		-	(21,880)
Payments to Employees in relation to Sale of Power Stations		(518)	(16,301)
Term Deposit Investments		-	(89,771)
Term Deposit Proceeds		10,744	114,803
<b>Net Cash Provided/(Used) by Investing Activities</b>		<b>197,642</b>	<b>126,074</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from Borrowings		42,296	-
Repayment of Borrowings		(354,433)	(161,726)
Payments to Reduce Outstanding Finance Lease Liability		(1,789)	(2,857)
Shareholder Equity Contributions		261,351	-
<b>Net Cash Provided/(Used) by Financing Activities</b>		<b>(52,575)</b>	<b>(164,583)</b>
Net Increase / (Decrease) in Cash and Cash Equivalents		33,314	(145,350)
Cash and Cash Equivalents at Beginning of Financial Year		132,279	277,629
<b>Cash and Cash Equivalents at End of the Year</b>	26(b)	<b>165,593</b>	<b>132,279</b>

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

## **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 statements of Delta Electricity for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the Directors on 14 September 2015.

On 15 November 2012, the New South Wales Government issued an announcement outlining its plan to dispose of the New South Wales electricity generators. On 2 September 2013, Delta Electricity's Mt Piper and Wallerawang (Delta West) power stations were sold to EnergyAustralia Pty Ltd.

On 8 December 2014, the remnant assets, rights and liabilities of Green State Power Pty Limited were vested to Delta Electricity under section 13 and Schedule 4 of the Electricity Generator Assets (Authorised Transactions) Act 2012 (NSW). Included in the transfer was Brown Mountain power station, a 4.95 MW hydro power station located at Bemboka in New South Wales.

On 30 January 2015, Delta Electricity's Colongra power station was sold to Snowy Hydro Limited. Refer to Note 12.

The New South Wales Government is committed to a process for the sale and disposal of Vales Point power station. At reporting date, the requirements of AASB 5 Non-Current Assets Held for Sale and Discontinued Operations regarding classification of assets and liabilities as 'held for sale', have not been met and the accounts have been prepared on a business as usual basis.

## **2. Summary of Significant Accounting Policies**

The financial statements are general purpose financial statements 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 statements of Delta Electricity and the comparative information comply with Australian Accounting Standards. The financial statements also comply with International Financial Reporting Standards (IFRS).

### **(b) Basis of Accounting**

Delta Electricity's financial statements have 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. Assets and liabilities are measured at the recoverable amount. For the purposes of preparing the financial statements, Delta Electricity is a for-profit entity.

Despite continued subdued electricity market conditions, Delta Electricity's cash forecasts remain positive in the short to medium term. The positive cash forecast along with the retirement of Delta's debt provides management with assurance that Delta Electricity remains a going concern, and the financial statements have been prepared on a going concern basis.

## 2. Summary of Significant Accounting Policies (Contd.)

### (b) Basis of Accounting (Contd.)

#### (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*

- Carbon

Following the repeal of the carbon tax on 17 July 2014, Delta Electricity has not factored the impact of carbon into any forecasts used to value property, plant and equipment. The re-introduction of any carbon legislation could impact the carrying amount of Delta's assets.

- Cash Generating Units

For the purposes of assessing impairment to the value of Delta Electricity's property, plant and equipment under AASB 136 Impairment of Assets, each individual power station is defined as a cash generating unit on the basis that it is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

#### *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 17 and Note 21(b).

- Property, Plant and Equipment

In valuing power station plant and equipment at 30 June 2015, Delta Electricity has used the income approach to assess fair value under AASB 116 Property, Plant and Equipment. Refer to Note 13(a).

Estimates and assumptions are required when determining asset life and estimating the cash flows used in the income approach calculation. The calculation requires estimates which are subject to volatility in competitive energy and coal markets. The most vulnerable are forecasting the impact of long term electricity and fuel prices and production levels in an environment of predicting the timing of new entrants and technology improvements, the cost of operation and maintenance of power station assets, useful lives of the power station assets and determination of an appropriate discount factor. The consequences of these factors in particular may cause future asset values to materially change. Refer to Note 2(m), Note 2(p) and Note 13.

At 30 June 2015, a review of the useful life of Vales Point power station has resulted in a reduction to the end of power station life from 2028/29 to 2021/22. Delta Electricity will adjust future depreciation rates to reflect the reduced life of the power station accordingly.



## 2. Summary of Significant Accounting Policies (Contd.)

### (b) Basis of Accounting (Contd.)

#### (i) Significant Accounting Judgements, Estimates and Assumptions (Contd.)

##### *Significant Accounting Estimates and Assumptions (Contd.)*

- Property, Plant and Equipment (Contd.)

Following the recognition of a provision for demolition of Munmorah power station, Delta Electricity has revalued the Munmorah plant and equipment on the basis of the estimated salvage value available from the demolition. Estimates and assumptions including rates and transport costs for scrap materials and timing of recovery of salvaged items are required to determine the value.

Property valuations are determined by independent valuation using the market approach based on rates per hectare. All land is valued on the assumption that its highest and best use is for electricity generation for the foreseeable future.

During the year an adjustment was made to the Vales Point power station land estimate following a detailed review of land holdings at Vales Point power station. As a result, the Vales Point power station land holding has been reduced. Refer Note 13(a).

- Valuation of Long Dated Electricity Supply Contracts

Assumptions are required when determining the fair value of long dated electricity supply contracts. The assumptions are disclosed in Note 25.

- 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(r) and Note 17.

- 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(t) and Note 17.

- Provision for Munmorah Demolition

Estimates and assumptions relating to labour rates, cost escalation, timing of demolition work and the presence of hazardous materials are required when determining the value of the Munmorah provision for demolition. Delta Electricity has estimated the cost of demolition work based on specialist engineering reports. Refer to Note 17.

- Coal Stocks

Estimates and assumptions are required when determining coal stock quantities used in the calculation of coal stock inventory value. The nature of coal stockpiles, particularly in relation to density, makes independent determination of coal stock quantities difficult. Management estimates coal stock quantities after considering independent survey reports, coal deliveries, production output and power station performance. Refer to Note 9.

## 2. Summary of Significant Accounting Policies (Contd.)

### (b) Basis of Accounting (Contd.)

#### (i) Significant Accounting Judgements, Estimates and Assumptions (Contd.)

##### *Significant Accounting Estimates and Assumptions (Contd.)*

- Assets Attributable to Disposal Group Classified as Held for Sale

Estimates and assumptions are required when determining non-current assets held for sale. The calculation of fair value less costs to sell requires estimation of the expected sales price and expected transaction costs. These estimations are also required when performing impairment testing on the asset as the fair value less costs to sell is used to determine the asset recoverable amount.

A disposal group is made up of assets intended to be disposed of.

#### (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 2015. A summary of standards relevant to Delta Electricity is as follows:

- AASB 9 Financial Instruments

This standard applies to reporting periods beginning on or after 1 January 2018 and simplifies the classification and measurement of financial assets and liabilities and derecognition of financial instruments. The revised standard also specifies new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. The requirement for financial assets to be impaired based on a three stage 'expected loss' approach has also been included in the revised standard.

The potential effect of the revised standard on the financial statements has not yet been determined.

- AASB 15 Revenue from Contracts with Customers

This standard applies to reporting periods beginning on or after 1 January 2017 and amends the revenue recognition principle. The revised standard recognises revenue when control of a good or service transfers to a customer, rather than on transfer of risks and rewards, as is currently the case.

The potential effect of the revised standard on the financial statements has not yet been determined.

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

## 2. Summary of Significant Accounting Policies (Contd.)

### (c) Changes in Accounting Policies and Disclosures

In the current reporting period Delta Electricity has adopted the following new and revised Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2014:

- AASB 1031 Materiality
- AASB 2012-3 Amendments to Australian Accounting Standards [AASB 132] – Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 Amendments to Australian Accounting Standards [AASB 136] – Recoverable Amount Disclosures for Non-Financial Assets

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

The nature and impact of the new and revised Australian Accounting Standards is described below. The revised standards have not had any impact on Delta Electricity's financial performance or position.

- AASB 1031 Materiality

This standard has been revised and re-issued as a referencing standard until such time as it can be withdrawn. The standard previously provided extensive guidance on materiality and is referenced in all Australian Accounting Standards and Interpretations.

AASB 1031 has removed the guidance on materiality and replaced it with a reference to AASB 101 Presentation of Financial Statements, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors and the Framework for the Preparation and Presentation of Financial Statements, i.e. those standards and frameworks that contain guidance on materiality.

AASB 1031 will be withdrawn once references to AASB 1031 in all other standards and interpretations have been removed.

- AASB 2012-3 Amendments to Australian Accounting Standards [AASB 132] – Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 clarifies the meaning of 'currently has a legal right of set off' when applying the set off criteria for financial assets and financial liabilities in AASB 132 Financial Instruments: Presentation. The right of set off must not be contingent on a future event and must be legally enforceable in the normal course of business, in an event of default and in an event of insolvency and bankruptcy.

- AASB 2013-3 Amendments to Australian Accounting Standards [AASB 136] – Recoverable Amount Disclosures for Non-Financial Assets

AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments require additional disclosures about the level in the fair value hierarchy, including for level 2 and 3 a description of the valuation technique, change in valuation technique and reasons for change, and description of the key assumptions used and the discount rates used in the current and previous measurements.

Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015

Delta Electricity

2. Summary of Significant Accounting Policies (Contd.)

(d) Correction of an Error

At 30 June 2014, Delta Electricity's insurance provision incorrectly incorporated the actuarial assessment of the dust disease component of the workers compensation liability. As the dust disease liability had been transferred to the Electricity Assets Ministerial Holding Corporation on 2 August 2013, the liability should have excluded the dust disease component. As a consequence, expenses and provisions were overstated. The error was detected following receipt of the June 2015 actuarial report and has subsequently been corrected by restating each of the affected financial statement line items for the prior period as follows:

Impact on Statement of Financial Position:

	30 June 2014	Correction 2014	30 June 2014 Restated
	\$'000	\$'000	\$'000
Provisions	63,497	(20)	63,477
<b>Total Current Liabilities</b>	<b>140,860</b>	<b>(20)</b>	<b>140,840</b>
Provisions	178,225	(1,544)	176,681
<b>Total Non-Current Liabilities</b>	<b>895,214</b>	<b>(1,544)</b>	<b>893,670</b>
<b>Total Liabilities</b>	<b>1,036,074</b>	<b>(1,564)</b>	<b>1,034,510</b>
<b>Net Assets</b>	<b>16,714</b>	<b>1,564</b>	<b>18,278</b>
Retained Profits	(272,664)	1,564	(271,100)
<b>Total Equity</b>	<b>16,714</b>	<b>1,564</b>	<b>18,278</b>

Impact on Statement of Comprehensive Income:

	30 June 2014	Correction 2014	30 June 2014 Restated
	\$'000	\$'000	\$'000
Expenses, excluding finance costs	(468,560)	1,564	(466,996)
<b>Profit/(Loss) from Continuing Operations before Income Tax Expense</b>	<b>(124,691)</b>	<b>1,564</b>	<b>(123,127)</b>
<b>Profit/(Loss) from Continuing Operations after Income Tax Expense</b>	<b>(109,996)</b>	<b>1,564</b>	<b>(108,432)</b>
<b>Profit/(Loss) for the Year</b>	<b>16,437</b>	<b>1,564</b>	<b>18,001</b>
<b>Total Comprehensive Income/(Loss) for the Year</b>	<b>52,737</b>	<b>1,564</b>	<b>54,301</b>

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

**2. Summary of Significant Accounting Policies (Contd.)**

**(d) Correction of an Error (Contd.)**

**Impact on Statement of Changes in Equity:**

	30 June 2014	Correction 2014	30 June 2014 Restated
	\$'000	\$'000	\$'000
Profit/(Loss) for the Period	16,437	1,564	<b>18,001</b>
<b>Net Increase/(Decrease) in Equity</b>	<b>16,714</b>	<b>1,564</b>	<b>18,278</b>

The correction did not have any impact on the Statement of Cash Flows.

**(e) 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 and Services who hold the shares on behalf of the NSW Government. Each shareholder holds one \$1 share.

**(f) Hedging Reserve**

The hedging reserve is used to record the effective portion of gains or losses on cash flow hedges. Amounts are recognised in profit and loss when the associated hedge transaction affects profit and loss. Refer Note 2(h).

**(g) Asset Revaluation Reserve**

The asset revaluation reserve is used to record increments and decrements arising from the revaluation of non-current assets. Refer Note 2(m).

**(h) 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.

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 initially recorded at fair value and subsequently measured at amortised cost.

**2. Summary of Significant Accounting Policies (Contd.)****(h) Financial Assets and Financial Liabilities (Contd.)***Held to Maturity Investments*

Non derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when Delta Electricity has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method and is recognised in profit or loss.

*At Fair Value Through Profit or 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 or 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 or 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 or Loss category.

When a hedging instrument no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively and the cumulative gain or loss existing in equity at that time remains in equity and is transferred to Financial Instrument Fair Value Movements in profit and loss when the forecast transaction is ultimately recognised.

**Financial Liabilities**

Financial liabilities are categorised as follows:

*At Fair Value Through Profit or 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 or 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 or 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 or Loss category.

When a hedging instrument no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively and the cumulative gain or loss existing in equity at that time remains in equity and is transferred to Financial Instrument Fair Value Movements in profit and loss when the forecast transaction is ultimately recognised.

*Other Financial Liabilities*

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

## 2. Summary of Significant Accounting Policies (Contd.)

### (i) 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 rate 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 profit or loss through the amortisation process and when the liabilities are derecognised.

Fair value of interest bearing loans 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.

Borrowings are classified as current liabilities unless Delta Electricity has an unconditional right to defer settlement of the liability for at least 12 months.

### (j) Borrowing Costs

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

Costs associated with borrowings specifically financing qualifying assets are capitalised up to the date of completion of each qualifying asset to the extent those costs are recoverable. All other borrowing costs are expensed in the period they occur.

### (k) 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.

#### As a Lessee

Assets held under finance leases are initially recognised at their fair value or, if lower 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 Statement of Financial Position 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, or where shorter, the term of the relevant lease.

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.

## 2. Summary of Significant Accounting Policies (Contd.)

### (k) Leased Assets (Contd.)

#### As a Lessor

Assets subject to a finance lease are presented as a finance lease receivable in the Statement of Financial Position at an amount equal to the net investment in the lease.

Lease receipts are apportioned between interest income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of the asset.

### (l) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand along with short-term deposits and investments.

For the purposes of the Statement of Cash Flows, 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.

### (m) 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*, AASB 13 *Fair Value Measurement* and the New South Wales Treasury Accounting Policy for the Valuation of Physical Non-Current Assets at Fair Value. Fair value of power station plant and equipment is determined by using the income approach due to the absence of observable market prices. Valuation techniques and inputs for fair value measurement are reported to Delta Electricity's Board as part of Delta Electricity's asset valuation approval process.

The fair value of land is determined by independent valuation using the direct comparison approach based on rates per hectare due to the absence of observable market prices. A full valuation is completed every 3 years and an indexation factor applied in the intervening years. The last full valuation was completed by AssetVal Pty Ltd in April 2014.

Non-power station buildings and other plant and equipment are valued using the cost model.

In estimating the fair value of property, plant and equipment, the highest and best use is the existing use. There has been no change to the valuation techniques employed during the year.

Refer to Note 13 for further information regarding fair value.

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 in profit or loss when the increment reverses a revaluation decrement, in respect of an individual asset, previously recognised in profit or loss.

Revaluation decrements are generally recognised immediately in profit or loss. 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.



## 2. Summary of Significant Accounting Policies (Contd.)

### (m) Property, Plant and Equipment (Contd.)

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(p).

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 up to 50 years for operating coal fired power stations (2014: 50 years), up to 30 years for operating open cycle gas turbines (2014: 30 years) and from 5 to 30 years for other property, plant and equipment (2014: 5 to 30 years).

At 30 June 2015, a review of the useful life of Vales Point power station resulted in a reduction to the end of power station life from 2028/29 to 2021/22. Delta Electricity will adjust future depreciation rates to reflect the reduced life of the power station.

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.

### (n) Intangible Assets

Intangible assets comprise eligible computer software and carbon permits.

Computer software is stated at cost less accumulated amortisation and impairment and is amortised on a straight line basis over 4 years (2014: 4 years).

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss under the 'Expenses, excluding Finance Costs' line item.

**2. Summary of Significant Accounting Policies (Contd.)****(n) Intangible Assets (Contd.)**

Carbon permits are recorded at fair value in the Statement of Financial Position. Revaluation increments are recorded in an asset revaluation equity reserve and associated other comprehensive income, except to the extent that it reverses a revaluation decrement previously recognised in the Statement of Comprehensive Income. In this case, the increase in value is recognised in the Statement of Comprehensive Income to the extent of the deficit previously recognised. Any revaluation deficit is first offset against the previously recognised surplus carried in equity reserve and the remaining balance recognised in the Statement of Comprehensive Income.

**(o) Green Certificates**

Green certificates include large generation certificates, small technology certificates and energy saving certificates. The certificates are classified as other assets and recorded at fair value in the Statement of Financial Position with any gains or losses from changes in fair value taken to profit or loss. Fair value is calculated on the basis of observable market data where available.

**(p) Impairment**

At each reporting date, or during the year if an indication of impairment exists, 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. 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(m)).

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(m)).

## 2. Summary of Significant Accounting Policies (Contd.)

### (q) Assets Attributable to Disposal Group Classified as Held for Sale and Discontinued Operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use.

The assets and liabilities must be available for immediate sale and there must be a commitment to selling the asset either through entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Statement of Comprehensive Income.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

### (r) 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 any performance/business success payments related to the 2014/15 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 any performance/business success payments is settled within two months of reporting date.

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

The basis of the liabilities and contributions are:

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

Actuarial gains and losses on defined benefit superannuation schemes are recognised immediately in other comprehensive income in the year in which they occur. Superannuation entitlement details are provided in Note 21(b).

### (s) 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 profit or loss.

## **2. Summary of Significant Accounting Policies (Contd.)**

### **(t) 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 profit or loss 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.

### **(u) Fair Value Measurement**

Delta Electricity uses various methods in estimating the fair value of assets and liabilities recognised in the Statement of Financial Position. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the value is estimated using inputs for the asset or liability that are not based on observable market data.

For assets and liabilities recognised in the financial statements on a recurring basis, Delta Electricity determines whether transfers have occurred between levels in the fair value hierarchy by re-assessing categorisation at the end of the reporting period.

Delta Electricity management reviews the policies and procedures for both recurring and non-recurring fair value measurement at an early stage of the financial statement preparation process. A key factor in the determination of the appropriate valuation technique is the availability of observable and unobservable inputs to be utilised in the valuation.

For property, plant and equipment valuations, the approach, key assumptions and results of the valuations are analysed and reviewed by management and presented to the Board Audit and Risk Committee for endorsement prior to inclusion of the valuation in the annual financial statements. An external valuer is engaged to determine land valuations and is selected based on market knowledge, experience and professional standards.

Electricity derivative valuations are undertaken on a quarterly basis, the valuations are reviewed and analysed by management and explanations of fair value movements provided to the Board.

Refer Note 13 and Note 25 for further disclosures regarding fair value measurements of assets and liabilities.

**2. Summary of Significant Accounting Policies (Contd.)****(v) Carbon Emissions**

Prior to the repeal of the legislation in July 2014, Delta Electricity was a liable entity under the Clean Energy Act 2011 in relation to carbon emissions from power stations. Delta Electricity applies the 'Net Liability Offset Method' when accounting for carbon emissions.

A provision for the carbon liability has been recognised in accordance with AASB 137 and carbon permits held are recorded as intangible assets within the requirements of AASB 138. Refer Note 2(n). The carbon provision and carbon permit intangible assets are shown on a 'net' basis in the Statement of Financial Position.

The carbon liability reflects the best estimate of the obligation to purchase additional carbon permits to cover future emissions in excess of permits held at reporting date.

Carbon emission expense incurred is presented on a net basis in the Statement of Comprehensive Income offset against income generated on the carbon permits.

**(w) Dividends**

Provision is made for the amount of any dividend declared, determined or publicly recommended. Delta Electricity determines the level of dividend annually in consultation with the shareholder, primarily during preparation of the Statement of Corporate Intent. The Statement of Corporate Intent is a performance agreement between the Delta Electricity Board and the shareholders.

**(x) 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/gigajoule/litre basis for coal, gas and other fuel stocks.

**(y) Taxation**

Current and deferred income tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

Current income 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 income tax is provided on all temporary differences at the reporting date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes. The amount of deferred income 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 income 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. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

**2. Summary of Significant Accounting Policies (Contd.)****(z) 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.

**(aa) 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.

**(ab) 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, 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.

**(ac) Grants**

Grants are recognised in the Statement of Financial Position as a liability when the grant is received.

When the grant relates to an expense item, it is recognised in profit or loss over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to deferred income and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

**(ad) 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 Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

**(ae) 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.

**(af) Comparative Figures**

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

**(ag) Presentation Currency and Rounding**

Amounts shown in the financial statements are in Australian dollars, rounded to the nearest thousand dollars (\$000), except where the disclosure of whole dollar amounts is appropriate.

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>3. Revenue</b>		
<b>Sale of Electricity and Green Certificates</b>	<b>269,761</b>	419,456
<b>Other Revenue</b>		
Interest	<b>2,845</b>	9,484
Litigation Settlements	-	2
Insurance Recoupment	<b>284</b>	122
Proceeds from Other Operations	<b>351</b>	404
Royalties	<b>329</b>	356
Grants	<b>10</b>	37
Gain on Sale of Assets	<b>728</b>	-
Miscellaneous <sup>(i)</sup>	<b>902</b>	9,528
<b>Revenue</b>	<b>275,210</b>	439,389

<sup>(i)</sup> Miscellaneous revenue in 2014 includes an amount of \$8,158,000 received from NSW Treasury and represents the reimbursement of Delta's costs incurred during the March 2011 Gentrader transaction.

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>4. Expenses (excluding Finance Costs)</b>		
Generating Costs	<b>281,971</b>	270,138
Depreciation		
- Buildings	<b>48</b>	46
- Plant and Equipment	<b>14,143</b>	22,457
- Motor Vehicles	<b>393</b>	443
Amortisation of Intangible Assets		
- Computer Software	<b>1,149</b>	1,576
Bad Debts	-	1,652
Movement in Other Financial Liabilities - Other (Note 18)	-	6,466
Loss on Sale of Assets	-	200
Superannuation Expenses		
- Defined Contribution Schemes	<b>2,092</b>	2,453
- Defined Benefit Schemes	<b>9,624</b>	10,377
Provision for Employee Benefits	<b>3,848</b>	9,408
Carbon Emissions Expense <sup>(i)</sup>	<b>(1,453)</b>	139,288
Write down in Value of Inventories	<b>146</b>	484
Operating Lease Rental Expense	<b>1,451</b>	1,206
Auditors' Remuneration <sup>(ii)</sup>	<b>240</b>	244
Directors' Remuneration	<b>279</b>	322
Consultants Fees	-	12
Other Expenses	<b>183</b>	224
<b>Expenses (excluding Finance Costs)</b>	<b>314,114</b>	466,996

<sup>(i)</sup> The 2015 carbon emissions expense includes a credit of \$1,596,000 following a reassessment of the value of the carbon provision. Refer to note 17(c).

<sup>(ii)</sup> Auditors' Remuneration paid or payable in respect to the audit of the 2014/15 financial statements is \$255,200 (2014: \$260,200).



**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>5. Finance Costs</b>		
Interest on Bank Overdrafts and Borrowings	<b>79,708</b>	47,757
Unwinding of Discounts on Provisions	<b>667</b>	5,155
Other Finance Costs	<b>4,503</b>	1,463
<b>Finance Costs</b>	<b>84,878</b>	54,375

**6. Income Tax**

The major components of Income Tax for the year ended 30 June 2015 are as follows:

**(a) Income Tax Expense**

The major components of income tax expense are:

Income Tax Expense Recognised in Profit or Loss

*Current Income Tax*

Current income tax expense	<b>(31,372)</b>	(37,977)
Adjustments in respect of current income tax of previous years	<b>(597)</b>	1,237

*Deferred Income Tax*

Origination and reversal of temporary differences (Note 6(b))

- related to deferred tax liabilities	<b>(92,700)</b>	(14,140)
- related to deferred tax assets	<b>113,331</b>	36,442
Derecognition of deferred tax balances relating to Colongra Power Station	<b>39,927</b>	-
Recognition of deferred tax balances not previously recognised	-	660

<b>Current Income tax expense / (benefit) recognised in profit or loss</b>	<b>28,589</b>	(13,778)
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**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>6. Income Tax (Contd.)</b>		
<b>(a) Income Tax Expense (Contd.)</b>		
<u>Income Tax Recognised in Other Comprehensive Income</u>		
Deferred income tax related to items charged or credited directly outside profit or loss:		
Unrealised gain/(loss) on cash flow hedges (Note 20(b))	<b>(9,915)</b>	9,804
Net gain/(loss) on revaluation of property, plant and equipment (Note 20(b))	<b>(13,710)</b>	3,007
Actuarial gain/(loss) recognised	<b>(4,964)</b>	967
<b>Income tax expense / (benefit) recognised in other comprehensive income</b>	<b>(28,589)</b>	13,778

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 2015:

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>6. Income Tax (Contd.)</b>		
<b>(a) Income Tax Expense (Contd.)</b>		
<u>Income Tax Recognised in Profit or Loss</u>		
<b>Accounting profit before tax</b>	<b>(469,689)</b>	<b>4,222</b>
Income tax at statutory rate of 30% (2014: 30%)	<b>(140,906)</b>	<b>1,266</b>
Non deductible expense – entertainment	<b>2</b>	<b>6</b>
Profit attributable to operations not subject to income tax (Delta West)	<b>114</b>	<b>(36,406)</b>
Deductible expenses related to the sale of Colongra Power Station	<b>(38)</b>	<b>-</b>
Remeasurement of loans	<b>14,392</b>	<b>-</b>
Other	<b>-</b>	<b>(595)</b>
Reassessment of deferred tax asset <sup>(i)</sup>	<b>115,695</b>	<b>20,054</b>
Adjustments in respect of current income tax of previous years	<b>(597)</b>	<b>1,237</b>
Derecognition of deferred tax assets and deferred tax liabilities relating to Colongra Power Station	<b>39,927</b>	<b>-</b>
Derecognition of deferred tax assets and deferred tax liabilities relating to operations not subject to income tax (Delta West)	<b>-</b>	<b>660</b>
<b>Income tax expense / (benefit) recognised in profit or loss</b>	<b>28,589</b>	<b>(13,778)</b>

<sup>(i)</sup> Deferred tax assets of \$212,496,000 (2014: \$96,801,000) have been derecognised based on an assessment of the probability of deriving future tax profits against which the deferred tax assets can be utilised. The movement of \$115,695,000 (2014: \$20,054,000) represents an increase in the value of deferred tax assets previously derecognised.

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>6. Income Tax (Contd.)</b>		
<b>(b) Deferred Income Tax</b>		
Deferred income tax as at 30 June 2015 relates to the following:		
<u>Deferred Income Tax Liabilities</u>		
<i>Statement of Financial Position</i>		
Accelerated depreciation for tax purposes	<b>(14,978)</b>	(21,207)
Revaluations of property, plant and equipment	<b>15,312</b>	11,142
Inventory	<b>(9,855)</b>	(8,081)
Impairment of assets	<b>(1,966)</b>	(7,431)
Derivative instruments	<b>(2,756)</b>	(11,616)
Finance lease payable	-	(17,787)
Other items	<b>(1)</b>	(4)
<b>Gross deferred income tax liabilities</b>	<b>(14,244)</b>	(54,984)
<i>Profit or Loss</i>		
Accelerated depreciation for tax purposes	<b>(23,045)</b>	(609)
Revaluations of property, plant and equipment	<b>4,170</b>	(1,023)
Inventory	<b>(1,773)</b>	4,609
Impairment of assets	<b>116,290</b>	(2,785)
Derivative instruments – fair value movement	<b>(3,066)</b>	12,219
Finance lease payable	<b>445</b>	843
Other items	<b>(321)</b>	886
<b>Deferred income tax expense / (benefit)</b>	<b>92,700</b>	14,140

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>6. Income Tax (Contd.)</b>		
<b>(b) Deferred Income Tax (Contd.)</b>		
<u>Deferred Income Tax Assets</u>		
<i>Statement of Financial Position</i>		
Accelerated depreciation for tax purposes	<b>64,851</b>	-
Employee benefits	<b>65,394</b>	61,163
Provisions (excluding employee benefits)	<b>8,142</b>	7,964
Derivative instruments	<b>2,712</b>	1,358
Finance lease payable	-	27,363
Tax losses	<b>86,129</b>	53,930
Other items	<b>(488)</b>	7
Reassessment of deferred tax asset	<b>(212,496)</b>	(96,801)
<b>Gross deferred income tax assets</b>	<b>14,244</b>	54,984
<i>Profit or Loss</i>		
Employee benefits	<b>(785)</b>	2,331
Provisions (excluding employee benefits)	<b>229</b>	(15,750)
Derivative instruments – fair value movement	<b>3,691</b>	(102)
Finance lease payable	<b>(273)</b>	(920)
Other items	<b>(498)</b>	(1,947)
Reassessment of deferred tax asset	<b>(115,695)</b>	(20,054)
<b>Deferred income tax expense / (benefit)</b>	<b>(113,331)</b>	(36,442)

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>7. Cash and Cash Equivalents</b>		
Bank	<b>5,029</b>	14,581
Cash Management Funds	<b>160,564</b>	117,698
	<b>165,593</b>	132,279
<b>8. Trade and Other Receivables</b>		
<b>(a) Current</b>		
Trade Debtors	<b>30,488</b>	35,521
Other Debtors	<b>210</b>	373
Prepayments	<b>2,562</b>	1,409
	<b>33,260</b>	37,303
<b>(b) Non-Current</b>		
Prepayments	<b>182</b>	291
	<b>182</b>	291

Trade and other debtors are carried at nominal amounts due less an allowance for any uncollectible amounts. Collectability 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.

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.

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

Less than three months overdue	<b>2</b>	-
Three to six months overdue	-	-
Later than six months overdue	-	-
	<b>2</b>	-

Delta Electricity still considers that these amounts will be recoverable.

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>9. Inventories</b>		
Stores and Materials	<b>16,863</b>	18,304
Coal Stocks	<b>32,411</b>	25,246
Other Fuel Stocks	<b>435</b>	1,689
	<b>49,709</b>	45,239

**10. Other Financial Assets**

**(a) Current**

Electricity Contracts – cash flow hedges	-	22,145
Electricity Contracts – held for trading	<b>6,785</b>	9,553
Forward Foreign Exchange Contracts – held for trading	<b>90</b>	-
Held to Maturity Investments	-	10,744
	<b>6,875</b>	42,442

**(b) Non-Current**

Electricity Contracts – cash flow hedges	-	317
Electricity Contracts – held for trading	<b>2,313</b>	-
	<b>2,313</b>	317

Held to maturity investments in 2014 represents funds invested to meet the outstanding Delta West carbon liability. The liability was subsequently paid on 29 January 2015.

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

**11. Other Current Assets**

Refundable Security Deposits	<b>4</b>	-
Green Certificates	<b>158</b>	270
Miscellaneous	<b>4,849</b>	1,679
	<b>5,011</b>	1,949

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>12. Assets Attributable to Disposal Group Classified as Held for Sale and Discontinued Operations</b>		
<b>(a) Colongra Power Station</b>		
<b>(i) Details of Discontinued Operation</b>		
On 15 November 2012, the New South Wales Government issued an announcement outlining its plan to dispose of the New South Wales electricity generators. On 30 January 2015, Delta Electricity's Colongra power station was sold to Snowy Hydro Limited.		
<b>(ii) Financial Performance of Discontinued Operation</b>		
Revenue	<b>5,202</b>	4,702
Expenses, excluding Finance Costs	<b>(16,415)</b>	(11,617)
Finance costs	<b>(4,696)</b>	(8,335)
Financial Instrument Fair Value Movement	<b>3,780</b>	18,306
Profit / (Loss) from discontinued operation before income tax expense	<b>(12,129)</b>	3,056
Income Tax Benefit/(Expense) on Profit/(Loss) <sup>(i)</sup>	<b>(36,288)</b>	(917)
Profit / (loss) for the year from discontinued operation	<b>(48,417)</b>	2,139
<sup>(i)</sup> Includes \$39,927,000 for the write-off of the Colongra deferred tax asset and liability.		
<b>(iii) Net Cash Flows of Disposed Entity</b>		
Operating	<b>(8,121)</b>	(13,619)
Investing	<b>219,564</b>	(967)
Financing	<b>(1,789)</b>	(2,857)
Net cash inflow/(outflow)	<b>209,654</b>	(17,443)



**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>12. Assets Attributable to Disposal Group Classified as Held for Sale and Discontinued Operations (Contd.)</b>		
<b>Colongra Power Station (Contd.)</b>		
<b>(iv) Consideration Received</b>		
Cash (net of stamp duty and GST paid)	<b>220,362</b>	-
Less: Net Assets Disposed Of	<b>(221,494)</b>	-
Gain / (Loss) on Disposal Before Income Tax	<b>(1,132)</b>	-
Income Tax Benefit/(Expense)	<b>340</b>	-
Gain / (Loss) on Disposal	<b>(792)</b>	-
<b>(v) Net Cash Inflow on Disposal</b>		
Cash and Cash Equivalents Consideration	<b>220,362</b>	-
Reflected in the Statement of Cash Flows	<b>220,362</b>	-

**(b) Delta West Power Stations**

On 2 September 2013, the NSW Government sold Delta Electricity's Mt Piper and Wallerawang (Delta West) power stations to EnergyAustralia Pty Ltd for cash consideration of \$152,914,000. A gain on disposal of \$120,133,000 was recorded.

The gain from the discontinued operation after income tax for the period ended 30 June 2014 was \$124,294,000. There was no income tax attributable to the gain from discontinued operations as Delta West operations were removed from the National Tax Equivalent Regime (NTER) in May 2011 by NSW Treasury.

Net cash inflows of \$115,153,000 were recorded for the period ended 30 June 2014.

The net assets of the discontinued operation at 2 September 2013 were \$346,209,000.

There were no additional transactions relating to the disposal of the Delta West power stations during the current year.

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

**13. Property, Plant and Equipment**

**(a) Reconciliation by Asset Classes**

<b>\$'000</b>					
<b>Year ended 30 June 2015</b>	<b>Land</b>	<b>Non Power Station – Buildings</b>	<b>Power Stations – Plant and Equipment</b>	<b>Other – Plant and Equipment</b>	<b>Total</b>
Carrying amount at 1 July 2014	<b>28,404</b>	<b>110</b>	<b>703,108</b>	<b>3,905</b>	<b>735,527</b>
Additions	22	10	27,550	1,030	<b>28,612</b>
Revaluation	(4,094)	-	(368,923)	-	<b>(373,017)</b>
Disposals/Write-offs	(466)	(3)	(319,323)	(1,146)	<b>(320,938)</b>
Depreciation Expense	-	(45)	(23,511)	(978)	<b>(24,534)</b>
Carrying amount at 30 June 2015	<b>23,866</b>	<b>72</b>	<b>18,901</b>	<b>2,811</b>	<b>45,650</b>
<b>At 1 July 2014</b>					
Gross carrying amount	28,404	282	703,108	17,750	<b>749,544</b>
Accumulated depreciation and impairment	-	(172)	-	(13,845)	<b>(14,017)</b>
Net carrying amount	<b>28,404</b>	<b>110</b>	<b>703,108</b>	<b>3,905</b>	<b>735,527</b>
<b>At 30 June 2015</b>					
Gross carrying amount	23,866	276	18,901	15,445	<b>58,488</b>
Accumulated depreciation and impairment	-	(204)	-	(12,634)	<b>(12,838)</b>
Net carrying amount	<b>23,866</b>	<b>72</b>	<b>18,901</b>	<b>2,811</b>	<b>45,650</b>

The above tables include work in progress for plant and equipment of \$4,152,000 (2014: \$16,217,000). The carrying amount of finance lease assets at 30 June 2015 was \$Nil following the sale of Colongra power station (2014: \$59,289,000).

On 29 December 2014, following the execution of a Sale and Purchase Agreement (SPA) with Snowy Hydro Limited for the sale of Colongra power station, the Colongra power station property, plant and equipment was classified as held for sale under AASB 5 Non-Current Assets Held for Sale and Discontinued Operations. Immediately prior to the held for sale classification, the property, plant and equipment was revalued to fair value based on the purchase price in the SPA. The resulting revaluation increment of \$2,239,000 was recognised in the Statement of Comprehensive Income as a reversal of prior year impairments.

**13. Property, Plant and Equipment (Contd.)****(a) Reconciliation by Asset Classes (Contd.)**

At 30 June 2015, the fair value of power station plant and equipment was calculated using the income approach permitted under AASB 116 and New South Wales Treasury Accounting Policy for the Valuation of Physical Non-Current Assets at Fair Value. The calculation resulted in a revaluation decrement of \$371,163,000 (2014: increment \$34,972,000) to the value of power station plant and equipment. Of the decrement, \$27,227,000 was reversed against asset revaluation reserves, while the remaining \$343,936,000 was recognised as an expense in the Statement of Comprehensive Income.

Land was valued using the market approach and resulted in a decrement of \$4,094,000 (2014: \$7,834,000). The decrement was related to a reclassification of land from Colongra power station to Munmorah power station during the year, an adjustment to the land estimate at Vales Point power station following a detailed review of land holdings and a revaluation following the signing of a contract for the sale of land at Big Hill. Of the decrement, \$3,857,000 was reversed against asset revaluation reserves, while the remaining \$237,000 was recognised as an expense in the Statement of Comprehensive Income.

Following the revaluations, management is not aware of any further indicators of impairment that would require an impairment test to be carried out in accordance with AASB 136.

Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015

Delta Electricity

13. Property, Plant and Equipment (Contd.)

(a) Reconciliation by Asset Classes (Contd.)

\$'000					
Year ended 30 June 2014	Land	Non Power Station – Buildings	Power Stations – Plant and Equipment	Other – Plant and Equipment	Total
Carrying amount at 1 July 2013	36,206	156	697,473	4,840	<b>738,675</b>
Additions	32	-	10,885	1,874	<b>12,791</b>
Revaluation <sup>(i)</sup>	(7,834)	-	34,972	-	<b>27,138</b>
Disposals/Write-offs	-	-	-	(1,380)	<b>(1,380)</b>
Depreciation Expense	-	(46)	(40,222)	(1,429)	<b>(41,697)</b>
Carrying amount at 30 June 2014	<b>28,404</b>	<b>110</b>	<b>703,108</b>	<b>3,905</b>	<b>735,527</b>
<b>At 1 July 2013</b>					
Gross carrying amount	44,277	282	697,473	28,753	<b>770,785</b>
Accumulated depreciation and impairment	-	(126)	-	(21,060)	<b>(21,186)</b>
Discontinued operations (Note 12)	(8,071)	-	-	(2,853)	<b>(10,924)</b>
Net carrying amount	<b>36,206</b>	<b>156</b>	<b>697,473</b>	<b>4,840</b>	<b>738,675</b>
<b>At 30 June 2014</b>					
Gross carrying amount	28,404	282	703,108	17,750	<b>749,544</b>
Accumulated depreciation and impairment	-	(172)	-	(13,845)	<b>(14,017)</b>
Net carrying amount	<b>28,404</b>	<b>110</b>	<b>703,108</b>	<b>3,905</b>	<b>735,527</b>

<sup>(i)</sup> On 30 June 2014, the fair value power station plant and equipment was calculated using the income approach permitted under AASB 116 and New South Wales Treasury Accounting Policy for the Valuation of Physical Non-Current Assets at Fair Value. The calculation resulted in a revaluation increment of \$34,972,000 to the value of Delta Electricity's Vales Point and Colongra power stations. Land was valued using the market approach and resulted in a decrement of \$7,834,000.

Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015

Delta Electricity

**13. Property, Plant and Equipment (Contd.)**

**(a) Reconciliation by Asset Classes (Contd.)**

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

	2015 \$'000	2014 \$'000
<b>Land</b>		
At cost	3,538	3,562
<b>Total Land</b>	<b>3,538</b>	<b>3,562</b>
<b>Non Power Station - Buildings</b>		
At cost	294	287
Less: accumulated depreciation	(222)	(177)
<b>Total Buildings</b>	<b>72</b>	<b>110</b>
<b>Plant and Equipment</b>		
Power Stations		
At cost	795,035	1,253,769
Less: accumulated depreciation and impairment	(410,059)	(525,213)
Total power stations	384,976	728,556
Other Plant and Equipment		
At cost	15,444	17,751
Less: accumulated depreciation and impairment	(12,634)	(13,847)
Total other plant and equipment	2,810	3,904
<b>Total Plant and Equipment</b>	<b>387,858</b>	<b>732,570</b>
<b>Total Written Down Value of Property, Plant and Equipment</b>	<b>391,396</b>	<b>736,132</b>

### 13. Property, Plant and Equipment (Contd.)

#### (b) Fair Value Measurement

The following tables provide an analysis of property, plant and equipment measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The tables exclude non-power station buildings and other plant and equipment which is valued using the cost model.

				2015 \$'000
	Level 1	Level 2	Level 3	Total
<b>Property, Plant and Equipment</b>				
Land	985	22,881	-	<b>23,866</b>
Plant and Equipment	-	-	18,901	<b>18,901</b>
Total	985	22,881	18,901	<b>42,767</b>

There were no transfers between Levels during the year.

				2014 \$'000
	Level 1	Level 2	Level 3	Total
<b>Property, Plant and Equipment</b>				
Land	-	28,404	-	<b>28,404</b>
Plant and Equipment	-	-	703,108	<b>703,108</b>
Total	-	28,404	703,108	<b>731,512</b>

There were no transfers between Levels during the year.

### 13. Property, Plant and Equipment (Contd.)

#### (b) Fair Value Measurement (Contd.)

Quantitative information about the significant unobservable inputs used in determining the Level 3 fair value measurement of Plant and Equipment is summarised in the following tables.

2015	Valuation Technique	Significant Unobservable Inputs	Range of inputs
Plant and Equipment	Discounted cash flow: The valuation model considers the present value of the net cash flows expected to be generated by the plant and equipment. The expected net cash flows are discounted using a risk-adjusted discount rate.	Risk adjusted discount rate	9.1% - 11.4%
		Estimated forward electricity price	\$35/MWh - \$43/MWh
		Estimated forward coal price	\$57/t - \$64/t
		Estimated forward production of electricity	6,517GWh - 7,558GWh
		Estimated salvage scrap prices for steel and copper	Steel \$100/t to \$390/t Copper \$5,950/t to \$6,550/t

The estimated fair value would increase (decrease) if:

- The risk adjusted discount rate was lower (higher);
- The estimated forward electricity price was higher (lower);
- The estimated forward coal price was lower (higher);
- The estimated forward production of electricity was higher (lower); or
- The estimated forward price for steel and copper was higher (lower);

There were no significant inter-relationships between unobservable inputs that materially affect fair value.

2014	Valuation Technique	Significant Unobservable Inputs	Range of inputs
Plant and Equipment	Discounted cash flow: The valuation model considers the present value of the net cash flows expected to be generated by the plant and equipment. The expected net cash flows are discounted using a risk-adjusted discount rate.	Risk adjusted discount rate	9.7% - 12.7%
		Estimated forward electricity price	\$35/MWh - \$77/MWh
		Estimated forward cap price	\$2.58/MWh-\$18.19/MWh
		Estimated forward coal price	\$55/t - \$75/t
		Estimated forward production of electricity	6,550GWh - 7,600GWh

The estimated fair value would increase (decrease) if:

- The risk adjusted discount rate was lower (higher);
- The estimated forward electricity price was higher (lower);
- The estimated forward cap price was higher (lower);
- The estimated forward coal price was lower (higher); or
- The estimated forward production of electricity was higher (lower).

There were no significant inter-relationships between unobservable inputs that materially affect fair value.

### 13. Property, Plant and Equipment (Contd.)

#### (b) Fair Value Measurement (Contd.)

The following table shows movements in Level 3 property, plant and equipment during the year.

	2015 \$'000	2014 \$'000
Balance at beginning of year	703,108	697,473
Total gains/(losses)		
▪ Revaluation decrement recognised in profit and loss	(341,696)	17,116
▪ Depreciation expense recognised in profit and loss	(23,511)	(40,222)
▪ Revaluation decrement recognised in other comprehensive income	(27,227)	17,856
Additions	27,550	10,885
Disposals/Write-offs	(319,323)	-
Balance at end of year	18,901	703,108



**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

**14. Intangible Assets**

**Delta Electricity**

<b>Year Ended 30 June 2015</b>	<b>Software \$'000</b>	<b>Total \$'000</b>
Carrying amount at 1 July 2014, net of accumulated amortisation	2,457	<b>2,457</b>
Additions		
- acquired externally	387	<b>387</b>
Amortisation	(1,149)	<b>(1,149)</b>
Carrying amount at 30 June 2015	<b>1,695</b>	<b>1,695</b>
<b>At 1 July 2014</b>		
Cost (gross carrying amount)	19,942	<b>19,942</b>
Accumulated amortisation	(17,485)	<b>(17,485)</b>
Net carrying amount	<b>2,457</b>	<b>2,457</b>
<b>At 30 June 2015</b>		
Cost (gross carrying amount)	20,329	<b>20,329</b>
Accumulated amortisation	(18,634)	<b>(18,634)</b>
Net carrying amount	<b>1,695</b>	<b>1,695</b>
<b>Year Ended 30 June 2014</b>		
Carrying amount at 1 July 2013, net of accumulated amortisation	3,478	3,478
Additions		
- from internal development	14	14
- acquired externally	786	786
Disposals/Write-offs	(245)	(245)
Amortisation	(1,576)	(1,576)
Carrying amount at 30 June 2014	2,457	2,457
<b>At 1 July 2013</b>		
Cost (gross carrying amount)	19,387	19,387
Accumulated amortisation	(15,909)	(15,909)
Net carrying amount	3,478	3,478
<b>At 30 June 2014</b>		
Cost (gross carrying amount)	19,942	19,942
Accumulated amortisation	(17,485)	(17,485)
Net carrying amount	2,457	2,457

Delta Electricity purchased 282,400 Australian Carbon Credit Units at a total cost of \$5,224,000 in 2015. The units were subsequently surrendered to acquit part of Delta Electricity's 2013/14 carbon liability. There were no carbon permit purchases in 2014.

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>15. Trade and Other Payables</b>		
<b>(a) Current</b>		
Trade Payables	<b>38,236</b>	52,564
Other Creditors	-	8,569
	<b>38,236</b>	61,133

Trade payables represent 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 represent interest due on borrowings which are payable within 6 months.

**16. Borrowings**

**(a) Current**

NSW Treasury Corporation Short-Term Loans	-	4,994
Finance Lease Liabilities	-	3,148
	-	8,142

**(b) Non-Current**

NSW Treasury Corporation Loans	-	560,657
Finance Lease Liabilities	-	88,062
	-	648,719

At reporting date, Delta Electricity had Executive Council approval to borrow up to \$1,528 million (2014: \$1,830 million).

Maturing loans may be re-financed if the borrowing limit is not exceeded, at the discretion of Delta Electricity. As such, Borrowings that are expected to mature within the next 12 months that management expect to rollover for at least another 12 months from reporting date, have been classified as non-current. At reporting date, there were \$Nil borrowings due to mature within one year requiring classification as non-current (2014: \$105,471,000).

On 30 January 2015, debt with a face value of \$309,256,000 was repaid following the sale of Colongra power station and receipt of a \$150,000,000 equity injection from NSW Treasury. On 29 May 2015, the Crown assumed the remaining \$258,502,000 of NSW Treasury Corporation loans. The assumption of debt was designated as an equity transfer under New South Wales Treasury Accounting Policy TPP09-03: Contributions by Owners Made to Wholly-Owned Public Sector Entities.

Finance lease liabilities in 2014 relate to the Colongra power station gas pipeline. The finance lease liability was extinguished on the sale of Colongra power station.

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>17. Provisions</b>		
<b>(a) Current</b>		
Employee Benefits	<b>23,697</b>	26,006
Insurance	<b>397</b>	500
Carbon Emissions	-	36,971
Munmorah Demolition	<b>205</b>	-
	<b>24,299</b>	63,477
<b>(b) Non-Current</b>		
Employee Benefits	<b>837</b>	990
Superannuation – Defined Benefit Schemes	<b>193,444</b>	174,246
Insurance	<b>2,224</b>	1,445
Munmorah Demolition	<b>26,937</b>	-
	<b>223,442</b>	176,681

Actuarial reviews of the employee benefit provision and employee and contractor related accident and injury provision were carried out by David A Zaman Pty Ltd as at 30 June 2015.

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 \$397,000 (2014: \$500,000) and a non-current provision of \$2,224,000 (2014: \$1,445,000) for workers' compensation has been included in the insurance provision.

Delta Electricity has recognised a provision for the demolition of Munmorah power station. The value of the provision has been determined based on a specialist engineering report which estimates the cost of the demolition. The demolition cash flows are estimated to occur from the 2015/16 financial year to the 2018/19 financial year. The value of the provision is based on a discount rate of 2.4%.

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

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

**17. Provisions (Contd.)**

**(c) Movements in Provisions**

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

				2015 \$'000
<b>Current</b>				
	<b>Carbon Emissions</b>	<b>Munmorah Demolition</b>	<b>Insurance</b>	<b>Total</b>
Carrying amount at start of year	36,971	-	500	<b>37,471</b>
Additional provision	-	205	328	<b>533</b>
Discount adjustment	615	-	52	<b>667</b>
Payments	(35,490)	-	(483)	<b>(35,973)</b>
Unused amounts reversed	(2,096)	-	-	<b>(2,096)</b>
Carrying amount at end of year	-	<b>205</b>	<b>397</b>	<b>602</b>
<b>Non-Current</b>				
		<b>Munmorah Demolition</b>	<b>Insurance</b>	<b>Total</b>
Carrying amount at start of year		-	1,445	<b>1,445</b>
Additional provision		26,937	779	<b>27,716</b>
Carrying amount at end of year		<b>26,937</b>	<b>2,224</b>	<b>29,161</b>

During the year, Delta Electricity acquired carbon permits at a discount of \$1,596,000 below the value of the carbon liability recorded in the carbon provision. As the carbon permits reduced the payment required to settle the carbon liability, the value of the carbon provision was reduced by \$1,596,000.

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>18. Other Financial Liabilities</b>		
<b>(a) Current</b>		
Electricity Contracts – cash flow hedges	<b>5,834</b>	-
Electricity Contracts – held for trading	<b>254</b>	7,268
Forward Foreign Exchange Contracts – held for trading	-	40
	<b>6,088</b>	7,308
<b>(b) Non-Current</b>		
Electricity Contracts – cash flow hedges	<b>2,951</b>	-
Electricity Contracts – held for trading	-	13,243
Forward Foreign Exchange Contracts – held for trading	-	43
	<b>2,951</b>	13,286

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

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>19. Other Liabilities</b>		
<b>(a) Current</b>		
Deferred Revenue – Grants	-	10
Amounts Received in Advance	162	74
Miscellaneous	2,024	696
	<b>2,186</b>	<b>780</b>

Deferred revenue in 2014 related to funds received and to be used to offset expenses associated with the investigation of carbon capture and storage initiatives. The project was subsequently terminated on 21 July 2014.

**20. Equity**

**(a) Contributed Equity**

Balance at beginning of year	<b>226,248</b>	532,865
Shareholder Equity Contribution <sup>(i)</sup>	<b>559,831</b>	-
Return of Capital to Shareholder <sup>(ii)</sup>	<b>(43)</b>	(306,617)
Contributed Equity at end of year	<b>786,036</b>	226,248

<sup>(i)</sup> Comprises a \$150,000,000 deposit from the Crown on 22 January 2015 and a \$298,480,000 assumption of debt by the Crown on 29 May 2015 to support Delta Electricity's capital structure, \$94,211,000 of cash vested from Macquarie Generation on 29 January 2015 and \$17,140,000 of assets, rights and liabilities vested from Green State Power Pty Limited on 8 December 2014.

<sup>(ii)</sup> During the year, Delta Electricity transferred \$43,000 of land to the Roads and Maritime Services (RMS), which represents an equity transfer under NSW Treasury accounting policy. In 2014, similar equity transfers included transfer of the Delta West Gentrader deposit liability to the Crown of \$315,076,000, the Delta West Gentrader finance lease transaction repatriated to the Crown of \$23,440,000 less the transfer of the Delta West defined benefit superannuation liability to SAS Trustee Corporation of \$31,899,000.

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>20. Equity (Contd.)</b>		
<b>(b) Reserves</b>		
Asset Revaluation Reserve	<b>15,343</b>	47,408
Hedging Reserve	<b>(7,411)</b>	15,722
Reserves at end of year	<b>7,932</b>	63,130

*Asset Revaluation Reserve*

The asset revaluation reserve is used to record increments and decrements in the fair value of property, plant and equipment to the extent that they offset one another.

Balance at beginning of year	<b>47,408</b>	42,371
Revaluation	<b>10,758</b>	10,022
Impairment	<b>(41,842)</b>	-
Munmorah Demolition	<b>(14,615)</b>	-
Tax Effect	<b>13,710</b>	(3,007)
Removal of Asset Revaluation Reserve Attributable to Discontinued Operation <sup>(i)</sup>	<b>(76)</b>	(1,978)
Asset Revaluation Reserve at end of year	<b>15,343</b>	47,408

<sup>(i)</sup> Represents the transfer of remaining asset revaluation reserves to retained earnings following the sale of Colongra power station (2015) and the Mt Piper and Wallerawang power stations (2014).

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>20. Equity (Contd.)</b>		
<b>(b) Reserves (Contd.)</b>		
<i>Hedging Reserve</i>		
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.		
Balance at beginning of year	<b>15,722</b>	(7,149)
Gains / (Losses) Recognised on Cash Flow Hedges:		
Electricity Contracts	<b>(4,979)</b>	84,709
Tax Effect	<b>1,494</b>	(25,414)
Transferred to Profit or Loss – Sale of Electricity	-	-
Electricity Contracts	<b>(20,349)</b>	(52,034)
Tax Effect	<b>6,105</b>	15,610
Transferred to Profit or Loss on Cessation of Hedge Accounting – Financial Instrument Fair Value Movements		
Electricity Contracts	<b>(7,720)</b>	-
Tax Effect	<b>2,316</b>	-
Hedging Reserve at end of year	<b>(7,411)</b>	15,722

Gains / (losses) transferred from equity into profit or loss during the period is included in the Statement of Comprehensive Income.



**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>20. Equity (Contd.)</b>		
<b>(c) Retained Profits</b>		
Balance at beginning of year	<b>(271,100)</b>	(288,779)
Superannuation actuarial gains/(losses)	<b>(16,545)</b>	7,381
Tax effect	<b>4,964</b>	(967)
Profit/(Loss) for the year	<b>(498,277)</b>	18,001
Dividends provided for or paid	-	(8,714)
Transfer from Asset Revaluation Reserve	<b>76</b>	1,978
Retained Profits at end of year	<b>(780,882)</b>	(271,100)

**21. Employee Benefits and Superannuation**

**(a) Employee Benefits**

The aggregate employee benefit liability excluding superannuation is composed of:

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Short-term Employee Benefits	<b>6,394</b>	10,115
Long-term Employee Benefits	<b>18,553</b>	20,297
	<b>24,947</b>	30,412

Short-term employee benefits represent the amount expected to be settled within 12 months and includes leave entitlements, performance and business success payments that are part of formal agreements with employees for both continuing and discontinuing operations. Long-term employee benefits represent leave entitlements expected to be settled later than 12 months for both continuing and discontinuing operations.

## 21. Employee Benefits and Superannuation (Contd.)

### (b) Superannuation – Defined Benefit Schemes

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

Defined benefit superannuation schemes are administered by Pillar Administration on behalf of the SAS Trustee Corporation (STC). The following information related to defined benefit superannuation schemes has been prepared by an external actuary, Mercer.

#### Nature of Benefits Provided by the Fund

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

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS)

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. All of the schemes are closed to new members.

#### Regulatory Framework

The schemes in the Pooled Fund are established and governed by the following NSW legislation: Superannuation Act 1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities Non-Contributory Superannuation Scheme Act 1987, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the Commonwealth Superannuation Industry (Supervision) Act 1993 (SIS). The SIS legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that member's benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee's Board adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2012. The next actuarial investigation is due as at 30 June 2015 and the report is expected to be released by the end of 2015.

## 21. Employee Benefits and Superannuation (Contd.)

### (b) Superannuation – Defined Benefit Schemes (Contd.)

#### (i) General Information and Description of Plans (Contd.)

##### Other Entities Responsible for Governance of the Fund

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- Management and investment of the fund assets; and
- Compliance with other applicable regulations.

##### Risks

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- Investment risk – The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- Longevity risk – The risk that pensioners live longer than assumed, increasing future pensions.
- Pension indexation risk – The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- Salary growth risk – The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- Legislative risk – The risk that legislative changes could be made which increases the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

##### Significant Events

There were no fund amendments, curtailments or settlements during the year.

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

**21. Employee Benefits and Superannuation (Contd.)**

**(b) Superannuation – Defined Benefit Schemes (Contd.)**

			Delta Electricity		
	SASS	SANCS	SSS	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>(ii) Reconciliation of the Net Defined Benefit Liability/(Asset)</b>					
Net Defined Benefit Liability/(Asset) at start of year	16,905	5,091	152,250	<b>174,246</b>	<b>211,993</b>
Current service cost	1,203	523	1,865	<b>3,591</b>	<b>4,161</b>
Net Interest on the net defined liability/(asset)	573	172	5,383	<b>6,128</b>	<b>6,945</b>
Actual return on fund assets less interest income	(5,330)	(627)	(15,320)	<b>(21,277)</b>	<b>(18,567)</b>
Actuarial (gains)/losses arising from changes in demographic assumptions	405	91	(926)	<b>(430)</b>	-
Actuarial (gains)/losses arising from changes in financial assumptions	4,460	485	31,695	<b>36,640</b>	<b>18,889</b>
Actuarial (gains)/losses arising from liability experience	3,401	194	(1,983)	<b>1,612</b>	<b>(7,703)</b>
Employer contributions	(1,726)	(473)	(1,598)	<b>(3,797)</b>	<b>(9,572)</b>
Equity transfer to NSW Treasury – Delta West sale	-	-	-	-	<b>(31,900)</b>
Effects of transfers in/out due to business combinations and disposals – Colongra sale	-	(53)	(3,216)	<b>(3,269)</b>	-
Net Defined Benefit Liability/(Asset) at end of year	19,891	5,403	168,150	<b>193,444</b>	<b>174,246</b>

Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015

Delta Electricity

21. Employee Benefits and Superannuation (Contd.)

(b) Superannuation – Defined Benefit Schemes (Contd.)

				Delta Electricity	
	SASS	SANCS	SSS	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000
(iii) Reconciliation of the Fair Value of Fund Assets					
Fair value of fund assets at start of year	66,051	7,374	193,884	267,309	325,041
Interest income	2,327	259	6,728	9,314	9,639
Actual return on fund assets less interest income	5,330	627	15,320	21,277	18,567
Employer contributions	1,726	473	1,598	3,797	9,572
Contributions by participants	762	-	833	1,595	3,076
Benefits paid	(1,547)	(809)	(10,293)	(12,649)	(99,662)
Taxes, premiums & expenses paid	1,199	246	1,659	3,104	1,076
Transfers in/out due to business combinations and disposals – Colongra sale	-	(176)	(1,955)	(2,131)	-
Fair value of fund assets at end of year	75,848	7,994	207,774	291,616	267,309

Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015

Delta Electricity

21. Employee Benefits and Superannuation (Contd.)

(b) Superannuation – Defined Benefit Schemes (Contd.)

			Delta Electricity		
	SASS	SANCS	SSS	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>(iv) Reconciliation of the Defined Benefit Obligation</b>					
Present value of defined benefit obligations at start of year	82,956	12,465	346,134	<b>441,555</b>	537,034
Current service cost	1,203	523	1,866	<b>3,592</b>	4,161
Interest cost	2,900	431	12,110	<b>15,441</b>	16,584
Contributions by participants	762	-	833	<b>1,595</b>	3,076
Actuarial (gains)/losses arising from changes in demographic assumptions	405	91	(926)	<b>(430)</b>	-
Actuarial (gains)/losses arising from changes in financial assumptions	4,460	485	31,695	<b>36,640</b>	18,889
Actuarial (gains)/losses arising from liability experience	3,401	194	(1,983)	<b>1,612</b>	(7,703)
Equity transfer to NSW Treasury – Delta West sale	-	-	-	-	(31,900)
Benefits paid	(1,547)	(809)	(10,293)	<b>(12,649)</b>	(99,662)
Taxes, premiums & expenses paid	1,199	246	1,659	<b>3,104</b>	1,076
Transfers in/out due to business combinations and disposals – Colongra sale	-	(229)	(5,171)	<b>(5,400)</b>	-
Present value of defined benefit obligations at end of year	95,739	13,397	375,924	<b>485,060</b>	441,555

(v) Reconciliation of the Effect of the Asset Ceiling

There is no effect of the asset ceiling on the defined benefit liability.

Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015

Delta Electricity

21. Employee Benefits and Superannuation (Contd.)

(b) Superannuation – Defined Benefit Schemes (Contd.)

(vi) Fair Value of Fund Assets

All Pooled Fund assets are invested by STC at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

	Total (A\$'000)	Quoted prices in active markets for identical assets Level 1 (A\$'000)	Significant observable inputs Level 2 (A\$'000)	Unobservable inputs Level 3 (A\$'000)
Short term securities	2,641,516	95,603	2,545,913	-
Australian fixed interest securities	2,656,598	958	2,638,759	16,881
International fixed interest securities	1,003,849	(110)	1,003,959	-
Australian equities	10,406,940	9,898,541	503,999	4,400
International equities	13,111,481	9,963,287	2,585,150	563,044
Property	3,452,609	948,421	718,406	1,785,782
Alternatives	7,170,187	622,102	3,020,225	3,527,860
Total	40,443,180	21,528,802	13,016,411	5,897,967

The percentage invested in each asset class at reporting date is:

	2015 %	2014 %
Short term securities	6.5	6.5
Australian fixed interest securities	6.6	6.2
International fixed interest securities	2.5	2.3
Australian equities	25.7	30.9
International equities	32.4	28.8
Property	8.6	8.6
Alternatives	17.7	16.7
Total	100.0	100.0

\*Additional to the assets disclosed above, at 30 June 2015 the Pooled Fund has provisions for receivables/(payables) estimated to be around \$1.74 billion, giving estimated assets totalling around \$42.2 billion.

## 21. Employee Benefits and Superannuation (Contd.)

### (b) Superannuation – Defined Benefit Schemes (Contd.)

#### (vi) Fair Value of Fund Assets (Contd.)

Level 1 – quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.

Level 2 – inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts containing where quoted prices are available in active markets for identical assets or liabilities.

Level 3 – inputs for the asset or liability that are not based on observable market prices. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

The fair value of the Pooled Fund assets as at 30 June 2015 include \$209.2 million in NSW Government bonds.

#### (vii) Significant Actuarial Assumptions at Reporting Date

	2015	2014
Discount rate	3.03%	3.57%
Salary increase rate (excluding promotional increases)	2.50% pa for 2015/2016 to 2018/19; 3.50% pa for 2019/2020 to 2024/2025; 3.50% pa thereafter	2.27% for 2014/2015; 2.50% pa for 2015/2016 to 2017/18; 3.00% pa for 2018/2019 to 2022/2023; 3.50% pa thereafter
Rate of CPI increase	2.50% for 2015/16; 2.75% pa for 2016/17 to 2017/18; 2.50% pa thereafter	2.50%
Pensioner mortality	As per 2012 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the Trustee's website. The report shows the pension mortality rate for each age.	As per 2012 Actuarial Investigation of the Pooled Fund



Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015

Delta Electricity

21. Employee Benefits and Superannuation (Contd.)

(b) Superannuation – Defined Benefit Schemes (Contd.)

(viii) Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2015 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2015.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

	Base Case	Scenario A -1.0% Discount Rate	Scenario B +1.0% Discount Rate
Discount rate	3.03%	2.03%	4.03%
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above	As above
Defined benefit obligation (A'\$000)	485,060	562,752	422,527
	Base Case	Scenario C +0.5% Rate of CPI increase	Scenario D -0.5% Rate of CPI increase
Discount rate	As above	As above	As above
Rate of CPI increase	As above	As above plus 0.5% pa	As above less 0.5% pa
Salary inflation rate	As above	As above	As above
Defined benefit obligation (A'\$000)	485,060	517,909	455,275
	Base Case	Scenario E +0.5% Salary increase rate	Scenario F -0.5% Salary increase rate
Discount rate	As above	As above	As above
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above plus 0.5% pa	As above less 0.5% pa
Defined benefit obligation (A'\$000)	485,060	488,922	481,351
	Base Case	Scenario G +5% Pensioner mortality rates	Scenario H -5% Pensioner mortality rates
Defined benefit obligation (A'\$000)	485,060	480,140	490,269

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

## 21. Employee Benefits and Superannuation (Contd.)

### (b) Superannuation – Defined Benefit Schemes (Contd.)

#### (ix) Asset and Liability Matching Strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

#### (x) Funding Arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2012. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2012. The next actuarial investigation is due as at 30 June 2015 and the report is expected to be released by the end of 2015.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

#### (xi) Surplus/Deficit

	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Delta Electricity</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>2015</b>	2014
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	\$'000

The following is a summary of the 30 June 2015 financial position of the fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

Accrued benefits*	68,963	9,606	188,407	<b>266,976</b>	255,722
Net market value of fund assets	(75,848)	(7,994)	(207,774)	<b>(291,616)</b>	(267,309)
Net (surplus)/deficit	(6,885)	1,612	(19,367)	<b>(24,640)</b>	(11,587)

\*There is no allowance for a contribution tax provision within the Accrued Benefits figure for AAS 25. Allowance for contributions tax is made when setting the contribution rates.

#### (xii) Contribution Recommendations

Recommended contribution rates for the entity are:

	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	multiple of member contributions	% member salary	multiple of member contributions
<b>2015</b>	<b>1.9</b>	<b>2.5</b>	<b>1.6</b>
2014	1.9	2.5	1.6

## 21. Employee Benefits and Superannuation (Contd.)

### (b) Superannuation – Defined Benefit Schemes (Contd.)

#### (xiii) Economic Assumptions

The economic assumptions adopted for the 2012 triennial actuarial review of the fund were:

Weighted Average Assumptions	2015 % pa	2014 % pa
Expected rate of return on fund assets backing current pension liabilities	8.3	8.3
Expected rate of return on fund assets backing other liabilities	7.3	7.3
Expected salary increase rate*	2.7	2.7
Expected rate of CPI increase	2.5	2.5

\* The expected salary increase rate assumes 2.7% pa to 30 June 2018 then 4.0% pa

#### (xiv) Expected Contributions

	SASS \$'000	SANCS \$'000	SSS \$'000	Delta Electricity	
				2015 \$'000	2014 \$'000
Expected employer contributions to be paid in the next reporting period	1,447	452	1,292	3,191	6,314

#### (xv) Maturity Profile of Defined Benefit Obligation

The weighted average duration of the defined benefit obligation is 14.2 years.

Notes to and Forming Part of the Financial Statements  
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Delta Electricity

21. Employee Benefits and Superannuation (Contd.)

(b) Superannuation – Defined Benefit Schemes (Contd.)

	SASS \$'000	SANCS \$'000	SSS \$'000	2015 \$'000	2014 \$'000
<b>(xvi) Profit and Loss Impact</b>					
Current service cost	1,203	523	1,866	<b>3,592</b>	4,161
Net interest	572	172	5,383	<b>6,127</b>	6,944
Effects of transfers in/out due to business combinations and disposals – Colongra sale	-	(53)	(3,216)	<b>(3,269)</b>	-
Defined benefit cost	1,775	642	4,033	<b>6,450</b>	11,105
<b>(xvii) Other Comprehensive Income</b>					
Actuarial (gains)/losses on liabilities	8,266	770	28,786	<b>37,822</b>	11,186
Actual return on fund assets less interest income	(5,330)	(627)	(15,320)	<b>(21,277)</b>	(18,567)
Total remeasurement in Other Comprehensive Income	2,936	143	13,466	<b>16,545</b>	(7,381)
Equity transfer to NSW Treasury – Delta West sale	-	-	-	-	(31,900)

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>22. Capital Expenditure Commitments</b>		
Capital expenditure contracted for at reporting date but not recognised as liabilities in the Statement of Financial Position is as follows:		
Payable no later than 1 year	<b>10,792</b>	15,034
Payable later than 1, not later than 5 years	<b>326</b>	12,666
Payable later than 5 years	-	-
	<b>11,118</b>	27,700

Delta Electricity expects to receive input tax credits from the Australian Taxation Office totalling \$1,011,000 (2014: \$2,518,000) for Goods and Services Tax paid for these commitments.

At reporting date there were no expenditure commitments contracted for but not recognised in the Statement of Financial Position in relation to intangible assets.

**23. Operating Leases**

Delta Electricity leases office accommodation under an operating lease expiring in April 2016. Future operating lease rentals contracted for at reporting date but not recognised as liabilities in the Statement of Financial Position:

Payable no later than 1 year	<b>1,438</b>	1,227
	<b>1,438</b>	1,227

Delta Electricity expects to receive input tax credits from the Australian Taxation Office totalling \$131,000 (2014: \$112,000) for Goods and Services Tax paid for these commitments.

**24. Contingent Liabilities and Contingent Assets**

*Voluntary Redundancy and Transfer Payments*

On 15 November 2012, the New South Wales Government issued an announcement outlining its plan to dispose of the New South Wales electricity generators. This process is continuing in relation to Vales Point power station.

A total of 18 Sydney office employees have accepted an offer of voluntary redundancy in the event that the sale of Vales Point is successful. The voluntary redundancy is contingent on the completion of the sale and the purchaser electing not to take on the employment of the nominated employees. The cost of the voluntary redundancy is estimated at \$9.4 million.

Vales Point staff transferring to a purchaser in the event of a sale will be entitled to transfer payments and the option of cashing out annual and long service leave entitlements. The cost of transfer payments is estimated at approximately \$14.2 million while the cost of the payout of leave entitlements will depend on the number of staff selecting this option.

## **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 normally 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 *Public 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. A capital structure review was undertaken on completion of the Colongra power station sale at the end of January 2015. On 29 May 2015, the Crown assumed Delta Electricity's remaining NSW Treasury Corporation loans. The assumption of debt was designated as an equity transfer under New South Wales Treasury Accounting Policy TPP09-03: Contributions by Owners Made to Wholly-Owned Public Sector Entities.

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 16, and Note 20 respectively.

Operating cash flows are used to maintain 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 *Public Authorities (Financial Arrangements) Act 1987* to source private borrowings.

**Notes to and Forming Part of the Financial Statements  
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**Delta Electricity**

**25. Financial Instruments (Contd.)**

**(b) Categories of Financial Instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet where Delta Electricity currently has a legal enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The carrying amounts of Delta Electricity's financial instruments, including amounts offset in the balance sheet, are outlined in the following tables.

2015

	Effects of Offsetting on the Balance Sheet			Related Amounts not Offset		
	Gross Amounts	Gross Amounts Set Off in the Balance Sheet	Net Amounts Presented in the Balance Sheet	Amounts Subject to Master Netting Arrangements	Financial Instrument Collateral	Net Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>						
Cash and Cash Equivalents	165,593	-	165,593	-	(1,610)	163,983
Loans and Other Receivables	35,882	(328)	35,554	-	-	35,554
Derivative Instruments – Designated in Hedge Accounting Relationships	402	(402)	-	-	-	-
Derivative Instruments – Held for Trading	9,188	-	9,188	-	-	9,188
<b>Total Financial Assets</b>	<b>211,065</b>	<b>(730)</b>	<b>210,335</b>	<b>-</b>	<b>(1,610)</b>	<b>208,725</b>
<b>Financial Liabilities</b>						
Payables and Other Borrowings	36,233	(328)	35,905	-	(1,610)	34,295
Derivative Instruments – Designated in Hedge Accounting Relationships	9,187	(402)	8,785	-	-	8,785
Derivative Instruments – Held for Trading	254	-	254	-	-	254
<b>Total Financial Liabilities</b>	<b>45,674</b>	<b>(730)</b>	<b>44,944</b>	<b>-</b>	<b>(1,610)</b>	<b>43,334</b>

**Notes to and Forming Part of the Financial Statements  
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**Delta Electricity**

**25. Financial Instruments (Contd.)**

**(b) Categories of Financial Instruments (Contd.)**

2014

	Effects of Offsetting on the Balance Sheet			Related Amounts not Offset		
	Gross Amounts	Gross Amounts Set Off in the Balance Sheet	Net Amounts Presented in the Balance Sheet	Amounts Subject to Master Netting Arrangements	Financial Instrument Collateral	Net Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>						
Cash and Cash Equivalents	132,279	-	132,279	-	(119)	132,160
Held to Maturity <sup>(i)</sup> Investments	10,744	-	10,744	-	-	10,744
Loans and Other Receivables	38,129	(556)	37,573	-	-	37,573
Derivative Instruments – Designated in Hedge Accounting Relationships	22,485	(23)	22,462	-	-	22,462
Derivative Instruments – Held for Trading	9,553	-	9,553	-	-	9,553
<b>Total Financial Assets</b>	<b>213,190</b>	<b>(579)</b>	<b>212,611</b>	<b>-</b>	<b>(119)</b>	<b>212,492</b>
<b>Financial Liabilities</b>						
Payables and Other Borrowings	625,120	(556)	624,564	-	(119)	624,445
Finance Lease Payable	91,210	-	91,210	-	-	91,210
Derivative Instruments – Designated in Hedge Accounting Relationships	23	(23)	-	-	-	-
Derivative Instruments – Held for Trading	20,594	-	20,594	-	-	20,594
<b>Total Financial Liabilities</b>	<b>736,947</b>	<b>(579)</b>	<b>736,368</b>	<b>-</b>	<b>(119)</b>	<b>736,249</b>

<sup>(i)</sup> Held to maturity investments represent funds invested to meet the outstanding Delta West carbon liability. The liability was paid on 29 January 2015.



**25. Financial Instruments (Contd.)****(c) Financial Risk Management Objectives**

Delta Electricity's activities expose the organisation to a variety of financial risks including market risk (currency, interest rate 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.

Forward foreign exchange contracts are recognised in the Statement of Financial Position at fair value. Fair value 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 (other comprehensive income) and the ineffective portion is recognised in profit or loss.

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.

At reporting date, Delta Electricity had two (2014: two) forward foreign exchange contracts. The value of the contracts was USD 820,000 (2014: USD 1,008,510)

A 10% strengthening/(weakening) of the Australian dollar against the relevant foreign currency would decrease/(increase) post tax profit by \$68,000/(\$83,000) (2014: \$68,000/(\$83,000)). The sensitivity reflects management's view of the reasonably possible movement in the Australian dollar against the relevant foreign currency 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**

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. At reporting date the carrying value of borrowings managed by TCorp stood at \$Nil (2014: \$564,614,000).

**Notes to and Forming Part of the Financial Statements  
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**Delta Electricity**

**25. Financial Instruments (Contd.)**

**(e) Interest Rate Risk Management (Contd.)**

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

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
<b>Interest Rate Futures</b>		
Less than 1 year*	-	-
One to 5 years*	-	-
Greater than 5 years*	-	(43,200)
	-	(43,200)

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

Interest rate risk management instruments are recognised in the Statement of Financial Position 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 (other comprehensive income) and the ineffective portion is recognised in profit or loss.

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 2.6% (2014: 2.8%), while weighted average interest exposure incorporating a government guarantee fee on financial liabilities is Nil% (2014: 8.1%).

A 1.0% increase/(decrease) in interest rates would increase/(decrease) post tax profit by \$1,192,000 (2014: \$1,800,000 decrease). 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.

## 25. Financial Instruments (Contd.)

### (f) Electricity Price Risk Management

Delta Electricity sells electricity generated by its Central Coast power stations 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 values of electricity derivative contracts are outlined in the following table:

	2015 \$'000	2014 \$'000
Less than 1 year*	697	24,430
One to 5 years*	(638)	(12,926)
Greater than 5 years*	-	-
	59	11,504

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

Electricity derivative contracts are recognised in the Statement of Financial Position at fair value. The fair value of electricity contracts is calculated by reference to observable market data where available, supported by valuation techniques where appropriate.

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

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

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 profit or loss 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.

At reporting date, the fair value of electricity contracts is \$59,000. With all other variables held constant, an increase of 10% in forward electricity prices would increase post tax profit by \$14,063,000 (2014: \$7,777,000) while a reduction of 10% in forward electricity prices would decrease post tax profit by \$8,385,000 (2014: increase of \$2,174,000). An increase/(decrease) of 10% in forward electricity prices would result in a decrease/(increase) to equity (tax effected) of \$12,393,000 (2014: \$9,133,000).

**25. Financial Instruments (Contd.)****(g) 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 in the Statement of Financial Position 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 85.37% (2014: 59.81%) and other debtors 14.63% (2014: 40.19%).

The majority of credit risk for the organisation is related to receivables from the sale of 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 regular reporting to the Board. The aggregate exposure on open electricity contracts at reporting date was \$51,300,000 (2014: \$132,500,000).

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 \$90,000 (2014: \$Nil).

## 25. Financial Instruments (Contd.)

### (h) 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).

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

	Maturity Dates			Total
	< 1 year \$'000	1 – 5 years \$'000	> 5 years \$'000	\$'000
<b>2015</b>				
<b>Financial Liabilities</b>				
Variable interest rate instruments	-	-	-	-
Fixed interest rate instruments	-	-	-	-
Non-interest bearing instruments	<b>35,905</b>	-	-	<b>35,905</b>
Derivative instruments	<b>6,211</b>	<b>3,070</b>	-	<b>9,281</b>
	<b>42,116</b>	<b>3,070</b>	-	<b>45,186</b>
<b>2014</b>				
<b>Financial Liabilities</b>				
Variable interest rate instruments	-	-	-	-
Fixed interest rate instruments	148,546	422,622	278,112	849,280
Non-interest bearing instruments	58,913	-	-	58,913
Derivative instruments	12,459	13,962	-	26,421
	219,918	436,584	278,112	934,614

**Notes to and Forming Part of the Financial Statements  
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**Delta Electricity**

**25. Financial Instruments (Contd.)**

**(i) Fair Value Measurements of Financial Instruments Recognised in the Statement of Financial Position**

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:

	Carrying Amount		Fair Value	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<i>Financial Liabilities</i>				
Borrowings – NSW Treasury Corporation Loans	-	565,651	-	619,474

The fair value of TCorp borrowings is determined using a discounted cash flow valuation technique. As no active market exists, market yields used for valuing TCorp borrowings are derived from yields for similar debt securities issued by TCorp. The fair value of TCorp borrowings are deemed to be Level 2.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

				2015 \$'000
	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Cash Management Funds	-	160,564	-	160,564
Derivative Instruments				
Electricity Contracts – long term	-	2,312	-	2,312
Electricity Contracts – short/medium term	-	6,785	-	6,785
Other	90	-	-	90
Total	90	169,661	-	169,751
<b>Financial Liabilities</b>				
Derivative Instruments				
Electricity Contracts – long term	-	2,951	-	2,951
Electricity Contracts – short/medium term	-	6,088	-	6,088
Total	-	9,039	-	9,039

- (i) Cash management funds represent TCorp Hour Glass investments. The fair value of Hour-Glass investments is based on the entity's share of the market value of the underlying assets of the facility using 'redemption' pricing'. Prices are observable, however, no active market exists for these investments as they are only accessible to government agencies.

**Notes to and Forming Part of the Financial Statements  
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**Delta Electricity**

**25. Financial Instruments (Contd.)**

**(i) Fair Value Measurements of Financial Instruments Recognised in the Statement of Financial Position (Contd.)**

				<b>2014</b>
				<b>\$'000</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>				
Cash Management Funds	-	117,698		117,698
Held to Maturity Investments	10,744	-	-	10,744
Derivative Instruments				
Electricity Contracts – long term	-	317	-	317
Electricity Contracts – short/medium term	-	31,698		31,698
Total	10,744	149,713	-	160,457
<b>Financial Liabilities</b>				
Derivative Instruments				
Electricity Contracts – long term	-	13,243	-	13,243
Electricity Contracts – short/medium term	-	7,268	-	7,268
Other	83	-	-	83
Total	83	20,511	-	20,594

There were no transfers between Levels during the year.

The following table shows movements in Level 3 financial instruments.

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of year	-	39,461
Gains/(losses) recognised in profit or loss	-	(39,592)
Transfers to other categories	-	131
Balance at end of year	-	-

The amount of the gains/(losses) recognised in profit or loss that is attributable to the change in unrealised gains/losses relating to assets and liabilities held at the end of the reporting period is \$Nil (2014: (\$34,993,000)).

## 25. Financial Instruments (Contd.)

### (i) Fair Value Measurements of Financial Instruments Recognised in the Statement of Financial Position (Contd.)

The following table shows the sensitivity of fair values of the long term derivative contracts to reasonable possible alternative assumptions as at 30 June 2015.

	Reflected in Profit or (Loss)	
	Change -10% \$'000	Change +10% \$'000
<b>2015</b>		
Electricity Contracts - long term (NSW pool price)	(13,700)	21,812
<b>2014</b>		
Electricity Contracts - long term (NSW pool price)	(455)	14,671

### (j) Total Debt Maturity Table

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

	2015 \$'000	2014 \$'000
Up to 1 year	-	110,465
Over 1 and up to 2 years	-	102,784
Over 2 years and up to 5 years	-	198,782
Over 5 years	-	153,620
	-	565,651

Maturing loans may be re-financed if the borrowing limit is not exceeded. As such, borrowings initially deemed as non-current, which have less than one year to maturity may be classified as non-current when the borrowings are expected to rollover for at least another 12 months from reporting date. Refer Note 16.

On 30 January 2015, debt with a carrying value of \$308,000,000 was repaid following the sale of Colongra power station and receipt of a \$150,000,000 equity injection from the Crown. On 29 May 2015, the Crown assumed the remaining debt with a carrying value of \$260,658,000 of NSW Treasury Corporation loans. The assumption of debt was designated as an equity transfer under New South Wales Treasury Accounting Policy TPP09-03: Contributions by Owners Made to Wholly-Owned Public Sector Entities.



**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

**26. Notes to the Statement of Cash Flows**

**(a) Cash and Cash Equivalents**

For the purposes of the Statement of Cash Flows, 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 Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Cash and Cash Equivalent Assets	<b>165,593</b>	132,279
<b>Balance as per Statement of Cash Flows</b>	<b>165,593</b>	132,279

**(c) Dividends and Taxes**

No dividends were received during the period. Dividends paid by Delta Electricity during the period amounted to \$Nil (2014: \$8.7 million). The dividend payment in 2014 was not a physical cash transfer but was offset against amounts receivable from the NSW Government in relation to Gentrader capacity charges.

Tax equivalent payments for the year were \$Nil (2014: \$Nil). There were no tax refunds received during the year (2014: \$Nil).

**(d) Acquisitions and Disposal of Entities**

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

**(e) Financing Arrangements**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Facilities Available		
Bank Overdraft	<b>2,000</b>	2,000
NSW Treasury Corporation Loans	<b>1,528,000</b>	1,830,000
<b>Total Available</b>	<b>1,530,000</b>	1,832,000
Facilities Utilised		
NSW Treasury Corporation Loans	-	565,651
<b>Total Utilised</b>	-	565,651

**Notes to and Forming Part of the Financial Statements  
For Year Ended 30 June 2015**

**Delta Electricity**

**26. Notes to the Statement of Cash Flows (Contd.)**

**(f) Reconciliation of Profit/(Loss) for the Year to Net Cash Provided/(Used) by Operating Activities**

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>Profit/(Loss) for the Year</b>	<b>(498,277)</b>	16,437
Add/(Less): Non-Cash Items		
Depreciation and Amortisation	<b>25,264</b>	42,790
Financing Charges on Debt Repayment	<b>37,822</b>	-
Inventory Adjustments	<b>145</b>	480
Impairment and Write-Off / (reversal) of Non Current Assets	<b>342,086</b>	(17,116)
Impairment of Receivables/Bad Debts	-	1,652
Fair Value Derivative Movements	<b>(14,175)</b>	-
Net Change in Hedge Reserve	<b>9,336</b>	51,866
Add/(Less): Items classified as Investing/Financing Activities		
(Gain)/Loss on Sale of Property, Plant and Equipment	<b>404</b>	(119,933)
Accounting (Gain)/Loss on Debt Re-financing	<b>16,964</b>	3,310
<b>Net Cash Provided by Operating Activities Before Changes in Assets and Liabilities</b>	<b>(80,431)</b>	(20,514)
Net Changes in Assets and Liabilities During the Period		
(Increase)/Decrease in Trade Debtors	<b>5,033</b>	111,813
(Increase)/Decrease in Other Receivables	<b>(825)</b>	(51,626)
(Increase)/Decrease in Inventories	<b>(2,534)</b>	10,460
(Increase)/Decrease in Other Assets	<b>(2,315)</b>	(23,686)
Increase/(Decrease) in Payables	<b>(2,599)</b>	(77,049)
Increase/(Decrease) in Income Tax Related Assets/Liabilities	-	(13,778)
Increase/(Decrease) in Other Liabilities	<b>(28,082)</b>	(42,461)
<b>Net Cash Provided/(Used) by Operating Activities</b>	<b>(111,753)</b>	(106,841)

## 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 following Directors held office for the full financial year: Dr H Garnett, Mr G Everett, Mr J North and Ms C Feldmanis.

### (b) Key Management Personnel Remuneration

	2015 \$'000	2014 \$'000
Short-term Employee Benefits	2,537	3,678
Post-employment Benefits	266	285
Other Long-term Benefits	182	189
Termination Benefits	1,545	1,001
Total	4,530	5,153

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.

### (c) Related Party Transactions

There were no related party transactions during the year (2014: Nil).

**28. Events Occurring After Reporting Date**

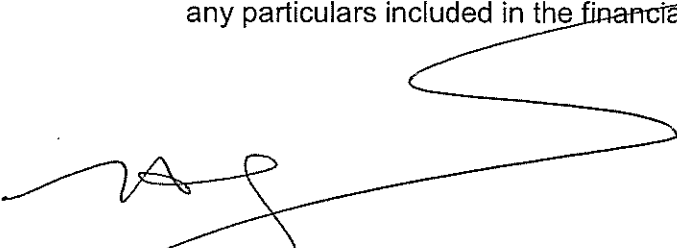
On 15 July 2015, the NSW Treasury sale transaction team received indicative bids relating to the sale of the Vales Point power station. At the date of signing the financial statements, detail relating to the indicative bids remains confidential to Delta Electricity's shareholder. The potential sale of the assets will be subject to Delta Electricity's shareholder analysing the final binding bids against retention values (also held by the shareholder).

*(End of Audited Financial Statements)*

### 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:

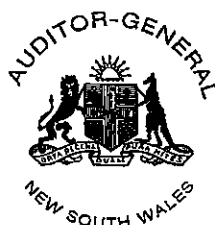
1. The accompanying Financial Report exhibits a true and fair view of the financial position of Delta Electricity as at 30 June 2015 and its performance for the year ended on that date;
2. The accompanying Financial Report is a general purpose financial report which has been prepared in accordance with 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; and
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.



**Dr Helen Garnett** PSM FTSE FAICD  
CHAIR  
14 September 2015



**Greg Everett**  
CHIEF EXECUTIVE  
14 September 2015



## INDEPENDENT AUDITOR'S REPORT

### Delta Electricity

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Delta Electricity (the Corporation), which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

### Opinion

In my opinion the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2015, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015
- comply with International Financial Reporting Standards as discussed in Note 2(a).

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

### Directors' Responsibility for the Financial Statements

The directors are responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act and the *State Owned Corporations Act 1989* and for such internal control as the directors determine is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe 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
- that it carried out its activities effectively, efficiently and economically
- about the effectiveness of the internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

## Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 roles by the possibility of losing clients or income.



A T Whitfield PSM  
Acting Auditor-General

16 September 2015  
SYDNEY

