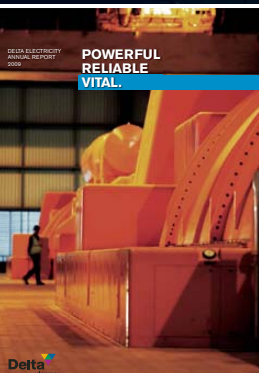
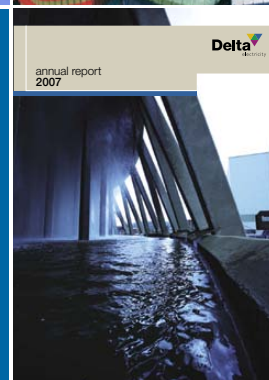
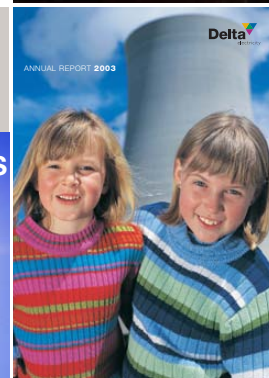


Annual Report 2013





The Hon.

Michael Baird MP

Treasurer

Level 36

Governor Macquarie Tower

1 Farrer Place

SYDNEY NSW 2000

The Hon.

Andrew Constance MP

Minister for Finance & Services

Level 36

Governor Macquarie Tower

1 Farrer Place

SYDNEY NSW 2000

Dear Shareholders,

It is with pleasure that the Board of Delta Electricity submits its Annual Report for the period 1 July 2012 to 30 June 2013 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 2013.

The Annual Report includes a letter of submission to the Voting Shareholders and was prepared in accordance with Section 24A of the *State owned Corporations Act 1989* and the *Annual Reports (Statutory Bodies) Act 1984*.

It is being submitted for presentation to Parliament.

Yours faithfully,

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

Helen Garnett
PSM FTSE FAICD
Chair

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

Greg Everett
Chief Executive

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Sydney NSW 2000

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F 02 9285 2777

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Vales Road
Mannering Park NSW 2259

T 02 4352 6111 (24 hours)

Colongra Power Station

Scenic Drive
Doyalson NSW 2262

T 02 4399 8209 (24 hours)

1 About Delta Electricity

In 2012/13 Delta's generators produced around 11% of the electricity needed by consumers in the National Electricity Market.

Who we are

Delta Electricity is a leading electricity generator in Australia's National Electricity Market, with an installed capacity of more than 4,000 megawatts (MW). As a result of the NSW Energy Reform process, Delta Electricity's assets are progressively being offered for sale. 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 2012/13 Delta Electricity produced electricity from coal, gas, water and biomass. Our generators produced around 11% of the electricity needed by consumers in the National Electricity Market, which comprises all states and territories except Western Australia

and the Northern Territory. Delta Electricity participates in the National Electricity Market, trading output from our power stations on the Central Coast. The output from Delta Electricity's western power stations was traded by EnergyAustralia.

Our locations

In 2012/13 Delta operated four power stations across NSW, providing a reliable supply of 24-hour, baseload electricity. Two power stations are located at Mt Piper and Wallerawang near Lithgow, while the other two are located at Vales Point and Colongra on the Central Coast.

Mt Piper, Wallerawang and Vales Point are coal-fired power stations, while Colongra is a gas fired power station that operates as required to meet peak demands on very hot or very cold days.

Our mission

In 2012/13 our mission was to generate electricity safely, reliably and competitively while respecting our workmates, our customers, our community and the environment.

Our principal functions

In 2012/13 our principal functions were to:

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

Our objectives

In carrying out these principal functions, Delta Electricity was guided by the following objectives:

1. To be a successful business by:
 - operating at least as efficiently as any other comparable businesses;
 - maximising the net worth of the State's investment in Delta; and
 - exhibiting a sense of social responsibility by having regard to the interests of the communities in which we operate.
2. To protect the environment by conducting our operations in compliance with the principles of ecologically sustainable development contained in section 6 (2) of the Protection of the Environment Administration Act 1991.
3. To exhibit a sense of responsibility towards regional development and decentralisation in the way in which we operate.
4. To operate efficient, safe and reliable facilities for the generation of electricity.
5. To be an efficient and responsible supplier of electricity.
6. To be a successful participant in the wholesale market for electricity.

Locations



| Type | Unit size | Total units | Capacity |
|------------------------------|-----------|-------------|-------------------|
| Coal | | | |
| Mt Piper | 700 MW | 2 | 1,400 MW |
| Vales Point | 660 MW | 2 | 1,320 MW |
| Wallerawang | 500 MW | 2 | 1,000 MW |
| | | | 3,720 MW |
| Gas | | | |
| Colongra | 167 MW | 4 | 667 MW |
| Hydro | | | |
| Mt Piper | 350 kW | 1 | 350 kW |
| Chichester Dam | 110 kW | 1 | 110 kW |
| Dungog Water Treatment Plant | 110 kW | 1 | 110 kW |
| | | | 570 kW |
| Total | | | 4,387.6 MW |

Note: Munmorah, with a capacity of 600MW, was closed in July 2012.

2 Year in Review

Chair and Chief Executive Report

Delta's strong financial performance was the result of Delta's exceptional attention to detail in controlling operating and other costs.

During 2012/13 Delta Electricity ably responded to challenges arising from NSW energy reform, the implementation of the carbon tax and declining electricity demand.

Financial performance

For the 2012/13 financial year Delta achieved an operating profit before tax of \$72.2 million – a significant improvement on last year's figure and up considerably from the \$14.2 million target set in the 2012/13 Statement of Corporate Intent. This strong financial performance was the result of Delta's exceptional attention to detail in controlling operating and other costs.

Energy reform & the market

Energy reform continued at both a state and national level during the year. During 2012/13 the demand for electricity in NSW and in the National Electricity Market (NEM) was in decline and the outlook for the market in 2013/2014 is expected to be flat. NSW maximum demand is currently back to 2002/03 levels, leading the Australian Energy Market Operator to revise down its NSW maximum demand 10-year forecast.

Sale of NSW Generators

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

During late 2012 the sales structure and strategy was developed and it was confirmed that Delta's Gentrader western assets – Mt Piper and Wallerawang power stations – were scheduled for sale. Since then, Delta staff members have excelled in the substantial task of planning and delivering the separation of these assets, which has required the duplication of IT, financial and other systems.

The sale of our Gentrader western assets to EnergyAustralia was confirmed in July 2013 and completed on 2 September 2013. The sale of Delta's Central Coast assets is expected to be completed in 2014.

As part of the sale the NSW Government committed to ensuring that apprenticeships were maintained in the State's electricity generation industry after the sale of assets. On 25 March 2012 Delta welcomed 53

apprentices who were previously hosted by Delta and employed by external training providers.

Implementation of carbon tax

From 1 July 2012 – following the introduction of the Clean Energy Act 2011 and the carbon tax – Delta became liable to pay \$23 per tonne of CO₂ emissions. As a result, Delta's liability for the 2012/13 financial year was \$400 million – 17.5 million carbon units. In June 2013, Delta paid \$306 million with the remaining liability due in February 2014.

Given that the carbon tax compensation scheme discriminates against publicly owned black-coal fired generators by offering no compensation, Delta Electricity is among the emitters with the largest net liability. Delta is working to reduce our ongoing carbon tax liability by focusing on increasing plant efficiency and supporting a number of research projects that are investigating alternative ways to limit carbon dioxide emissions and reduce the cost of using fossil fuels.

In addition, Delta Electricity is preparing for future implementation of carbon trading and monitoring possible policy changes that may arise from the Federal election in September 2013.

Restructure of Central Coast business

After 45 years of operation, Munmorah Power Station was officially closed on 3 July 2012. At its peak Munmorah's capacity reach 1400 megawatts (MW) or enough electricity to power almost 500,000 homes. However, newer and more efficient generators meant it was no longer economically viable. Decommissioning of Munmorah began in August 2012, with plans developed for long-term site management, security and environmental compliance.

Following the closure of Munmorah, Delta restructured the Central Coast business to cater for the needs of Vales Point and Colongra power stations. Successful negotiations with staff and unions saw the smooth transition of staff to the new structure and the voluntary redundancy of 78 employees.

A-Station demolition

During the year Delta Electricity continued to remove the A-Station structures from the Vales Point Power Station site. The A-Station was decommissioned in 1989 and demolition was required due to ongoing deterioration of the structures. The demolition project started in early 2012 and is scheduled for completion in late 2013. The majority of materials demolished have been recycled, including over 7,200 tonnes of steel.

Environmental initiatives

Delta continues to successfully collaborate on research projects aiming at improving sustainability in the generation of electricity.

Carbon capture plant

During 2012/13 we successfully relocated our joint carbon capture plant initiative with CSIRO from Munmorah to Vales Point. The plant became fully operational in mid-2013 and will continue a number of research projects looking at reducing the operational cost of carbon capture, researching CO₂ adsorption technology and solar thermal energy in carbon capture.

Biomass co-firing

Delta is also supporting research into pyrolysis technology that will improve the value of biomass used as fuel.

During the year we increased our use of renewable energy by ramping up our biomass co-firing program at Vales Point Power Station from a few thousand tonnes per annum to 40,000 tonnes per annum.

Biomass is a wood-derived fuel which, when co-fired with coal, serves to reduce reliance on fossil fuel energy. The biomass we use at Vales Point is sourced entirely from recycled clean timber waste and sawmill residue and does not place any additional demand on native or commercial forests.

Sunshine Electricity Joint Venture

The Sunshine Electricity Joint Venture with the NSW Sugar Milling Corporation continues to be in the hands of a receiver. Opportunities continue to be sought to sell the operation.

Community support

Delta Electricity continued our proud tradition of supporting and engaging with the communities that surround our power stations.

This year Delta employees participated in volunteering for two environmental projects. Our Western region staff planted more than 500 native trees and shrubs on the shores of Lake Wallace, after the removal of willow trees that suppress native vegetation and fauna.

Our Central Coast staff volunteered to help plant 50 native trees and finish fences around the Gwandalan and Summerland Point Community Garden, ensuring that all planning conditions for the garden were met.

Delta also contributed \$20,000 towards a substantial upgrade of Lithgow's public swimming pool. Stage 1 of the new Lithgow Aquatic Centre opened in August 2012,

offering the local community a high-quality facility that will play a key role in meeting the local community's recreational and social needs. The works included the demolition of existing structures and the construction of a new amenities block, new public access, children's splash park, new parking area, public toilets and a new concourse area.

Looking ahead

Although the privatisation of the NSW generators – including Delta's Western Gentrader and Central Coast power stations – will lead to a change in ownership of these assets, our power stations continue to provide essential electricity supply to communities and industry across NSW.

Delta assets have been maintained to a high standard, which will ensure they are available for baseload energy production well into the future.

We would like to take this opportunity to acknowledge and thank Delta's dedicated and hard-working staff. In the year ahead, they will make the transition to new ownership, some will retire and some will explore new and different work opportunities. Delta's staff have made a significant contribution to the ongoing success of Delta's business over the years. Their ongoing commitment and co-operation during this time of change has enabled us to continue to supply the people of NSW with reliable electricity supply on a daily basis while meeting the demands of the sale process.



Helen Garnett
PSM FTSE FAICD
Chair



Greg Everett
Chief Executive

3 Key Performance Indicators

| | Unit | 12/13 | 11/12 | 10/11 | 09/10 | 08/09 |
|------------------------------------|----------------|--------|--------|---------|---------|--------|
| Financial Statistics | | | | | | |
| Total Sales Revenue ¹ | \$m | 997.1 | 827.2 | 1,003.3 | 1,042.5 | 983.1 |
| Earnings before Interest and Tax | \$m | 143.7 | 118.3 | (176.1) | 189.7 | 146.4 |
| Net Profit/(Loss) before Tax | \$m | 72.2 | 39.4 | (277.7) | 78.4 | 100.7 |
| Net Profit/(Loss) after Tax | \$m | 86.1 | (4.8) | (195.6) | 55.8 | 75.3 |
| Total Debt | \$m | 819.0 | 855.4 | 849.6 | 1358.4 | 1302.4 |
| Total Equity | \$m | 309.0 | 255.1 | 511.2 | 906.6 | 999.6 |
| Return on Assets (EBIT / Assets) | % | 8.1% | 6.8% | -8.1% | 5.9% | 4.5% |
| Return on Equity (NPAT / Equity) | % | 27.9% | -1.9% | -38.3% | 6.2% | 7.5% |
| Gearing (Debt / (Debt + Equity)) | % | 72.6% | 77.0% | 62.4% | 60.0% | 56.6% |
| Interest Cover (EBIT / Interest) | Times | 2.0 | 1.5 | -1.7 | 1.7 | 3.2 |
| Debt:Equity (Debt / Equity) | % | 265.0% | 335.2% | 166.2% | 149.8% | 130.4% |
| Current Ratio (CA / CL) | % | 1.8 | 1.9 | 1.8 | 1.3 | 0.7 |
| Operational Statistics | | | | | | |
| Production | GWh | 19,947 | 19,916 | 21,501 | 21,999 | 23,746 |
| Equivalent Forced Outage Factor | % | 4.4 | 5.8 | 1.9 | 2.2 | 2.4 |
| Availability | % | 89.3 | 84.8 | 91.4 | 92.0 | 86.8 |
| Thermal Efficiency | % | 34.7 | 34.7 | 34.9 | 34.6 | 34.6 |
| Coal Stockpile Levels ² | \$m | 41.0 | 43.7 | 23.1 | 93.4 | 81.8 |
| Employee Statistics | | | | | | |
| GWh/employee | | 30.8 | 30.5 | 32.0 | 30.6 | 32.1 |
| Staff Numbers ³ | | 647 | 653 | 671 | 719 | 741 |
| Safety Frequency Rate | Frequency rate | 3.2 | 3.8 | 3.7 | 4.1 | 4.8 |
| Environmental Statistics | | | | | | |
| Licence Breaches | Number | 0 | 0 | 1 | 0 | 1 |

¹ Includes revenue from Western Gentrader Operations from 1 March 2011

² Excludes Western Gentrader coal stockpiles

³ Includes apprentices in 2012/13.

4 Business Performance

During 2012/13 market forces and legislative changes continued to impact on the electricity generation sector in Australia. Delta Electricity put in a solid business performance in the face of reduced demand, oversupply in the market and the implementation of the carbon tax.

MARKET CHALLENGES

Electricity Demand

During the year demand for electricity in NSW and the National Electricity Market (NEM) was in decline, with maximum electricity demand in NSW falling to 2002/03 levels. Factors contributing to this trend included a downturn in the manufacturing sector due to a high Australian dollar, significantly higher retail electricity prices across the NEM and an increase in roof top solar photovoltaic panels and energy efficiency programs.

According to the 2013 National Electricity Forecasting Report (NEFR), prepared by the Australian Energy Market Operator (AEMO), electricity demand across the NEM in 2013/14 is forecast to be 2.4% lower than estimated in the 2012 NEFR. Annual energy demand for NSW for 2013/14 is expected to be 2.2% lower than previously estimated.

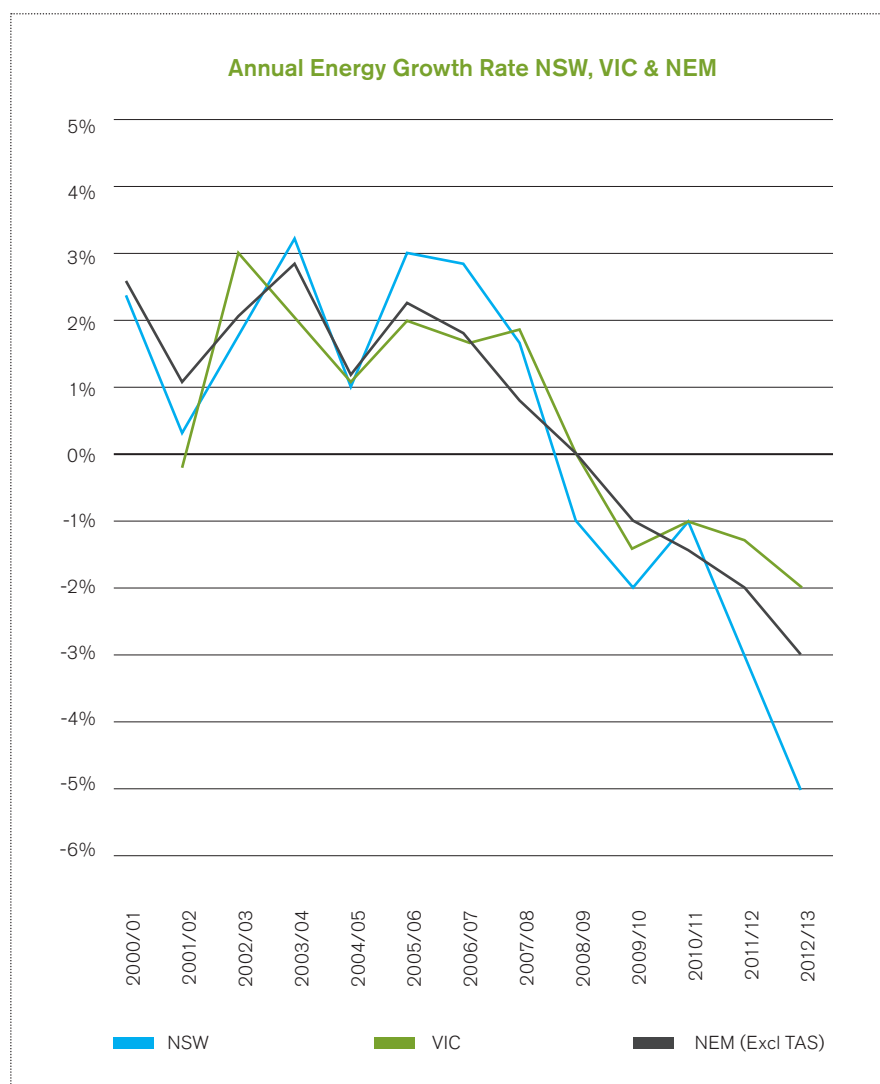


Table 1: AEMO Annual Energy Growth Rates

The 2013 NEFR also indicates that the average annual energy growth 10-year outlook is forecast to be 0.6%, down from the 1.1% forecast in the 2012 NEFR. In the forecast period the subdued annual energy growth is a result of the downward revision of large industrial energy consumption balanced by population growth driving an increase in residential and commercial energy consumption.

AEMO has revised down its NSW maximum demand (MD) 10-year outlook. The 2013 NEFR forecasts that NSW MD will grow at an average annual rate of 1.0%, a slight decrease from the 1.1% forecast in 2012.

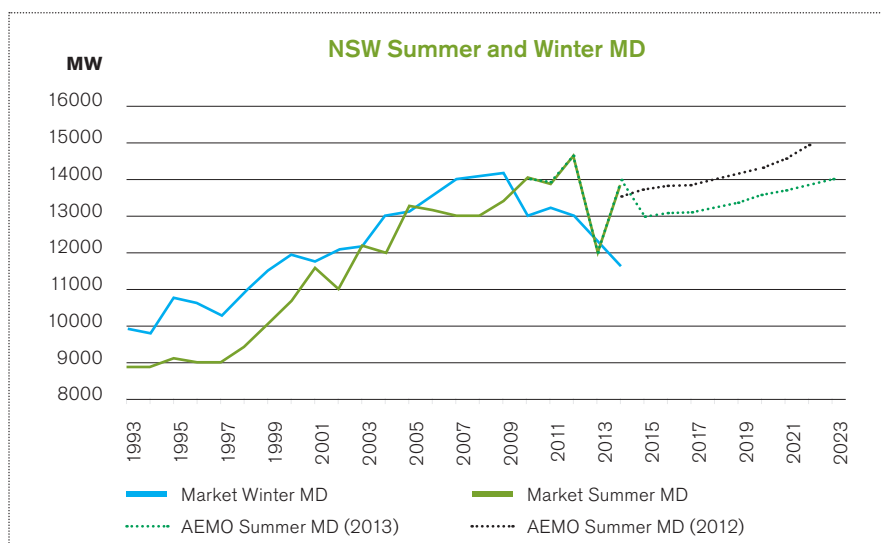


Table 2: AEMO NSW Summer and Winter Maximum Demand

Electricity supply

NSW's share of National Electricity Market (NEM) generation continued to decline. In 2012/13 NSW's share was 32.5%, down from 35% in 2010. Coal fired generation's share of the NEM also dropped to 75% during the year.

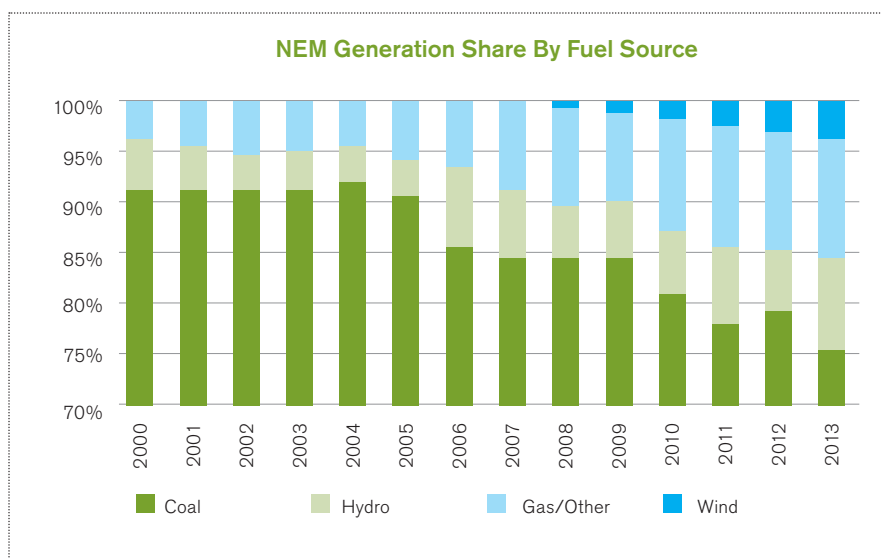


Table 3: NEM Generation Share by Fuel Source (Delta analysis - data source AEMO)

Wholesale electricity price

The new carbon pricing in 2012/13 added an estimated \$20/MWh to spot prices across the NEM. This is less than the average amount Delta paid in carbon tax per MWh. Throughout the NEM, NSW was the lowest priced region.

Rapidly declining demand resulted in NSW having excess capacity which, combined with the behaviour of vertically integrated generators, suppressed market volatility.

While higher fuel costs began to lift the underlying spot price in the NEM, the loss of price spikes had a greater negative effect.

Contract market

The substantial reduction in cap contract prices have coincided with the continued lack of spikes in the spot market during the year. This has flowed through to a reduction in swap contract prices as well.

The significant reduction in the implied carbon price embedded in contract prices for 2014/15 indicates the market has the view there is a high likelihood of the fixed carbon price being reduced or removed.

LEGISLATIVE CHALLENGES

Carbon trading readiness

A flexible carbon price and a link with European markets may see many large Australian emitters moving to purchase international carbon units such as European Union Allowances and Kyoto Certified Emissions Reductions. Delta Electricity has already implemented a number of key components of our Carbon Trading Implementation Plan, including gaining authorisations for trading. Delta is monitoring proposed changes to bring forward carbon trading to 2014.

RET review

The Renewable Energy Target (RET) was introduced in 2001 to encourage additional investment in renewable energy generation and reduced greenhouse gas emissions in the electricity sector. The RET creates demand for additional renewable energy generation by requiring companies who purchase

wholesale electricity to surrender a certain number of renewable energy certificates each year.

During 2012 the Clean Energy Authority released a number of discussion papers including the Energy White Paper. Delta, along with other major generators in the NEM, has proposed that energy targets be reduced and aligned with the updated projected supply, based on current forecasts of electricity demand, which are significantly lower than previous forecasts. However, the authority retained a target of 45,000GWh which is 26% of the recently revised demand forecast for 2020.

GENTRADER AGREEMENTS

Working with EnergyAustralia

Since March 2011 Delta Electricity has worked with EnergyAustralia under Generation Trading Agreements (GTA) for Delta's Western power stations – Mount Piper and Wallerawang. The GTAs gave EnergyAustralia the rights to the capacity and output generated by these power stations, while Delta retained ownership and continued to be responsible for the operation and maintenance of these plants to meet supply obligations.

Under the GTAs, Delta is entitled to fixed, variable and pass through charges from EnergyAustralia, as well as payments for capacity charges from NSW Treasury. In 2012/13 we primarily received a fixed income stream under the Gentrader arrangements, with our management impetus focused on keeping costs below the payment level received, while meeting the performance and good electricity practice objectives of the GTAs.

✓ The customer satisfaction index rating for 2012/2013 was 96.6%. Delta has consistently achieved over 95% over the past 3 years.

During the year Delta maintained a constructive relationship with EnergyAustralia. Commercial arrangements for additional services were implemented providing more flexible access to plant for maintenance and enhancing plant capacity available to the market.

Delta is required to meet the performance requirements specified by the GTAs to avoid penalties. In pursuit of this objective, Delta has focused on ensuring plant reliability and optimising planned maintenance to maintain availability.

During 2012/13 Mount Piper Power Station incurred minimal penalties due to good plant operational reliability. However, Wallerawang Power Station incurred \$8.8m in penalties as a result of a partial cooling tower collapse on Unit 7 in January 2013.

Delta also worked closely with EnergyAustralia on a commercial arrangement that implements the substantial financial obligations of the Clean Energy Act under the GTAs.

OUR CUSTOMERS

As a result of the Gentrader Agreements for our Western region power stations, Delta Electricity's customer base has changed.

During 2012/13 Delta continued to participate in the National Electricity Market and was responsible for customer interfaces associated with

trading output from our Central Coast power stations. Trading the output from the Western region was the responsibility of EnergyAustralia.

Delta's customers for our Central Coast output are wholesale customers including retailers, Gentrailers (hybrid companies with generation and retail arms) and direct load customers from industry.

Customer Satisfaction Survey

For Delta's Central Coast region, we undertook our usual annual survey of customer satisfaction to benchmark our services and identify any improvements needed.

The survey found that customer satisfaction with Delta's Central Coast region was higher than that of our best-rated competitors on almost all issues.

We are pleased to report that the separation of Delta's Western region from the survey has not had any adverse impact on Delta Central Coast's relationship with our customers. The customers all remain very satisfied with their relationship with the people they deal with at Delta.

OUR PERFORMANCE

Western Region

Mt Piper

In 2012/13 Mt Piper Power Station continued to perform at world-class levels, marking over 20 years of reliable service.

For the 12-month period, Mt Piper generated 8,526,414MWh of electricity and recorded a generated efficiency of 37.97%. Availability for the financial year was 92.92%. This was above Delta's target performance level of 90.9%.

✓ During the year, Delta maintained a constructive relationship with EnergyAustralia. Commercial arrangements for additional services were implemented, enhancing plant capacity available to the market.

Wallerawang

Wallerawang Power Station's capacity in 2012/13 was affected by the partial collapse of a cooling tower at Wallerawang's Unit 7. Whilst a significant event, there were no injuries or impact to staff. As a result of the incident, Unit 7 was taken out of service while Delta carried out repairs. This outage impacted on availability at Wallerawang for the year, which was 75.29%. For the 12-month period, Wallerawang generated 4,319,190 MWh of electricity and recorded a generated efficiency of 35.67%.

Central Coast region

Vales Point

During 2012/2013 Vales Point Power Station continued to perform to a high industry standard. Vales Point generated 7,101,275 MWh with an efficiency of 35.66% and an availability of 90.80% for the 12 month period.

In April 2013 Vales Point Unit 6 achieved its longest run of continuous service since commissioning in 1979, with more than 238 consecutive days. Delta's focus on maintenance saw us successfully complete an outage on Vales Point Unit 5 in April 2013.

During the year, Vales Point Power Station continued to be environmentally focussed. Electricity generation at the power station used recycled water rather than fresh due to our reverse osmosis plant. Working with the CSIRO, Delta successfully transferred our Carbon Capture Plant from Munmorah to Vales Point, where research continues into post-combustion capture technology. Delta has successfully expanded our biomass co-firing program, which increased co-firing from a few thousand tonnes per annum to 40,000 tonnes per annum from June 2013.

Colongra

During 2012/2013 Colongra Power Station performed exceptionally well. Availability at the gas power station was 99.86%, exceeding the 99% target. Colongra generated 11,099 MWh with a start reliability of 97.5%, which is 2.5% above target.

All units underwent combustion retuning and transformer repairs under warranty in 2012. A black start test was successfully completed on 30 April 2013, with auxiliary plant being started at Vales Point Power Station directly from Colongra.

Colongra Power Station had no reportable environmental incidents during 2012 and has had no Lost Time Injuries since it was handed over to Delta Electricity in 2009.

Munmorah

After 45 years in operation Munmorah Power Station was closed by Delta Electricity in July 2012. With excess capacity in the market and newer, more efficient technologies available Munmorah was no longer required.

Munmorah Power Station has a current approval for the rehabilitation of Units 3 and 4. The development consent allows the station to operate on coal or gas if required by a future owner.

During the year, Delta began decommissioning Munmorah with the first phase involving the removal of dangerous goods, oils and ignition sources to make the site safe. All useable coal has been relocated to Vales Point with environmental protections such as silt fencing and coal stack profiling and sealing to manage airborne dust and run off. Appropriate electrical supplies and connections have been removed. Some transformers which supply the local area will remain in service until Ausgrid completes a new substation in 2016.

Site safety at Munmorah is paramount and continuously monitored systems are in place to ensure the security of the site.

Until the ponds and systems are fully decommissioned, water quality at Munmorah continues to be regularly monitored to ensure compliance with legislative requirements. Delta is continuing to monitor all licence requirements and the results are available on our website at www.de.com.au

Munmorah will be retained by Delta Electricity as part of the buffer zone for our Colongra gas-fired power station. The site will be offered for sale for future power station generation.

The dismantling and removal of the original Vales Point A-Station structure is now more than 60% complete. Delta employed deconstruction methods specifically designed to mitigate noise and reduce noise impacts on the local community.

5 Environmental Performance

In 2012/13 Delta Electricity continued to focus on minimising environmental impacts associated with generating electricity from natural resources. We also ensured that all our power stations operated to high environmental standards.

SUSTAINABILITY

Carbon capture plant

During the year Delta's pilot carbon capture plant was transferred from Munmorah to Vales Point. The CSIRO has a licence agreement to continue research at this facility, including investigating innovative membranes and demonstrating the use of solar energy in the capture process to improve efficiency.

Ash recycling

Delta Electricity and the Ash Development Association successfully negotiated an amended exemption for coal ash to

enable the low pH ash from our Western region to be used in applications other than cement materials. During the year, Delta developed and trialled a road-base product using the low pH ash.

On the Central Coast, ash utilisation increased in 2012/13. Delta awarded Howard Recycling a five-year contract to recycle bottom ash and cenospheres for the region. We actively pursued ash recycling opportunities, including securing new business using ash in cement blocks. Delta has also negotiated to supply up to 1,000 tonnes of ash each week for use in masonry products.

Increased ash recycling

| | 2012/13 | 2011/12 | 2010/11 | 2009/10 |
|------------------------|---------|---------|---------|---------|
| Ash recycled kT | 340 | 334 | 311 | 282 |
| % ash reused | 18% | 17% | 14% | 13% |

- ✓ During the year, Delta increased our use of renewable energy by substantially expanding our biomass co-firing program at Vales Point Power Station.

Biomass Co-firing

During the year, Delta increased our production of renewable energy by substantially expanding our biomass co-firing program at Vales Point Power Station. We ramped up biomass purchasing from a few thousand tonnes per annum to 40,000 tonnes per annum, taking advantage of the carbon and renewable certificates to reinvigorate the program.

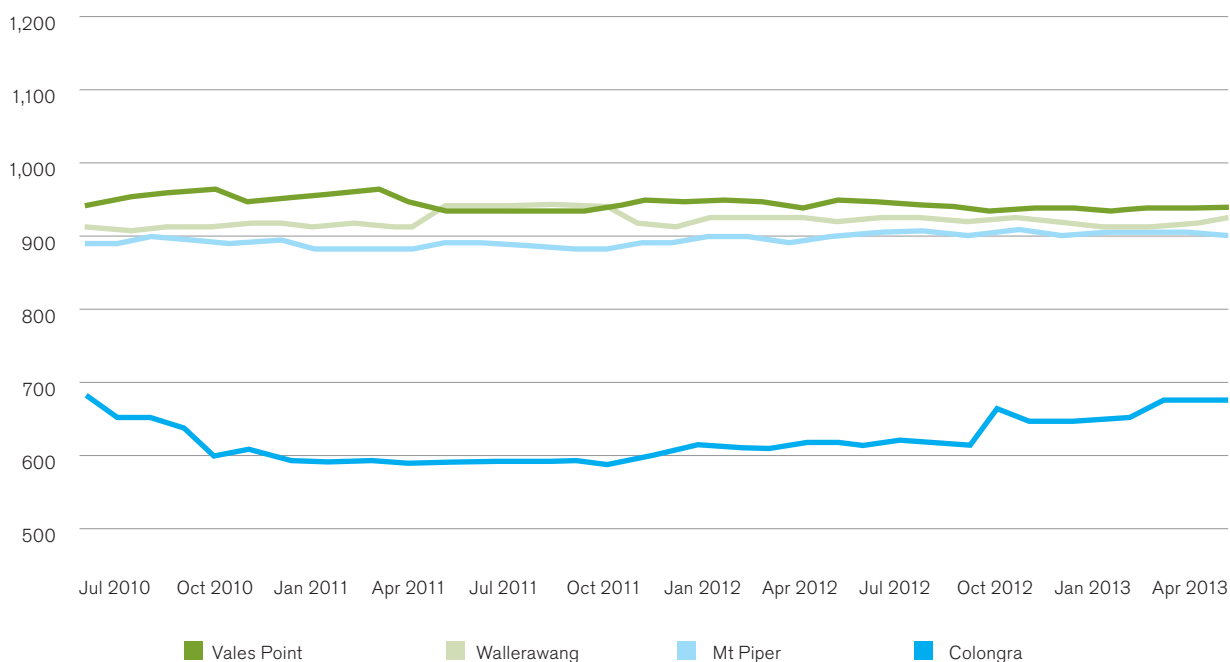
Minimising our footprint

Vales Point Power Station introduced initiatives during the year that will significantly reduce energy consumption and improve environmental outcomes at the site. These included implementing an energy efficient lighting program which, once complete, will reduce power consumption at the site by 827 MWh p.a. for our continuous use lights and save over \$45,000 annually.

Delta also continued the Galbestos sheeting replacement program which will safely remove asbestos related materials from A station and outlying buildings by the end of 2013. This program is undertaken with appropriate environmental safeguards to ensure health and safety standards are maintained for staff and the community.

In January 2013 the Clean Energy Regulator undertook an audit of the Vales Point Power Station 2011/12 NGER Report. The Audit reported a very good outcome, confirming the robustness of Delta's NGER data & reporting systems. Three recommendations for minor improvements to sampling and reporting procedures and documentation have been implemented by Delta for the 2012/2013 NGER reporting period.

During the year Delta continued to play an active role in the energy industry, including co-hosting the International GT13E2 Gas Turbine User Group Conference in Sydney in November 2012, undertaking an evaluation under the Energy Efficiency Operations Act and facilitating site visits for an ABC documentary about Australia's energy future.

Greenhouse Gas Emission Rates by Station (tonnes CO_{2-e}/GWh sent out)

ENVIRONMENTAL MONITORING

POEO Act Amendment

An amendment to the Protection of the Environment Operations (POEO) Act came into effect on 1 July 2012, requiring licence holders to make their pollution monitoring data publicly available. This new requirement is intended to improve the general public's access to information about the environmental performance of licensed facilities. It is in addition to other information that the Environment Protection Authority includes on its public register.

Delta successfully undertook changes to our data collection and management systems to deliver this information. During 2012/13 Delta published our routine environmental monitoring data each month on our website. Delta's monthly monitoring data can be viewed at de.com.au/

[Environment/Environmental-Licences-Monitoring/default.aspx](#)

Lamberts North Ash Repository

In February 2012 the NSW Minister for Infrastructure and Planning granted project approval for the Lamberts North ash repository, which is designed to cater for ash generated by Mt Piper Power Station.

During 2012/13 Delta progressed the planning and design of the repository. The Construction Environmental Management Plan was approved by the NSW Department of Planning and Infrastructure in December 2012, after which the preparation and re-profiling of the Lamberts North site was completed. The Operating Environment Management Plan was approved by the Director General in May 2013 and the site was officially opened in June 2013.

Ash placement at the Lamberts North repository is scheduled for the 2013/14 financial year.

Wallerawang Licence Changes

During 2012 Delta agreed two interim mitigation measures with the EPA to reduce pollution from the Wallerawang cooling tower blow-down to the Cocks River at our licensed discharge points:

- maximising the use of Fish River water for cooling tower make-up water to provide additional dilution of cooling tower blow-down; and
- connecting Unit 7 and Unit 8 cooling towers to maximise the use of the existing Unit 7 Water Recovery Plant.

A Wallerawang licence variation was issued in December 2012. This incorporated interim water quality limits, discharges and mitigation measures that will

manage cooling water discharges until our Water Recovery Plant Upgrade is completed in 2015.

Wallerawang EPA notices

In January 2013 – due to a faulty pH control meter – there was a low pH cooling water discharge from Wallerawang Power Station Unit 7 cooling tower into the Cocks River. As a result, Delta was issued with penalty notices and a warning for the breaches in relation to maintenance and operation of plant and equipment, and notification to the relevant authority.

Following the incident Delta Electricity implemented additional controls including:

- improved automation of cooling water control systems;
- integrated pH controls to guarantee the automated closure of discharge points during periods when a high risk event has occurred; and
- a dedicated environmental alarm screen for operators with automated text messaging of environmental alarms to the Western Environment Team to reduce the risk of alarms being missed.

No other Delta Electricity power station attracted EPA fines or notices during 2012/13.

WATER

Cocks River and Water Plans

In 2012 the NSW Office of Water (NOW) advised of proposed changes to Delta's water licence as a result of proposed new environmental flow release rules. The new rules would require more releases from the Cocks River dam system before drought trigger release reductions cut in. Delta engaged with the process to ensure that new rules ensured water for downstream users in times of drought.

The proposed new environmental flow release regime is still under review by NOW and Delta expects that discussions with the new owner

of the Western power stations will continue in 2013/14.

Springvale Mine Water

Delta has been using water from Springvale Mine for cooling tower make up at Wallerawang Power Station. During the drought years the supply of water from the mine proved critical for ongoing operations at the power station. Following EPA approval in August 2012, the Wallerawang Environment Protection Licence was amended to remove the licensed discharge point from Delta's licence and transfer it to the Springvale Mine licence.

Western Water Storage

Good rainfall during 2012-2013 meant that the water storage levels for most dams in our Western region were close to 100% capacity at 30 June 2013. Warragamba Dam, Sydney's largest water supply dam, reached 100% capacity.

During the year the NOW continued to review water sharing arrangements for the Fish River Water Supply Scheme and proposed changes to Delta's water licence as outlined above. NOW has advised that the proposed changes would ensure water security as well as providing more variable flow for the Cocks River downstream of Lake Lyell and that the Hawkesbury-Nepean Catchment Management Authority's Community Reference Group has provided formal support of the new release regime.

Wallerawang Water Plant Upgrades

Delta is due to complete additional water treatment facilities at Wallerawang by the end of 2015, which will eliminate all cooling water discharge.

In the meantime – as part of the Wallerawang water plant upgrades – Delta committed to an interim pollution reduction program during 2012-13. The program connects Unit 7 and Unit 8 cooling towers,

enabling Unit 8 cooling tower water to be treated in the existing Unit 7 reverse osmosis plant using surplus capacity when available. This availability occurs whenever Unit 7 is not operating at full load.

The program means that more water can be treated and recovered, which reduces the amount of Unit 8 cooling tower water being discharged to the Cocks River. The program will continue until the permanent water treatment facilities come into effect at the end of 2015, eliminating all cooling water discharge.

Western Water Recovery Plant Expansion

During the year Delta continued to progress the design and construction of the Western Water Recovery Plant expansion. It is anticipated that most of the tendering and selection processes for the new plant will be completed in 2013 as scheduled. The Review of Environmental Factors and Part 5 Approval and Consent Conditions for the project were approved in June 2013.

Delta continued to consult with the Blue Mountains Conservation Society on the Western Water Recovery Plant expansion through quarterly meetings and updates.

Delta Electricity - Total Water Withdrawal by Source

Water used for processing (including fresh water use in ash handling), cooling and consumption in thermal power plant.

| | | Gross extraction (ML) | |
|--------------------------|---|-----------------------|---------|
| Region | Water source | 2012-13 | 2011-12 |
| Western | | | |
| Surface water | Coxs River | 18,271 | 19,562 |
| | Fish River (potable) | 5,937 | 4,089 |
| Waste water | Springvale mine water | 4,009 | 6,956 |
| | Reverse Osmosis Water Treatment Plant - Wallerawang | 140 | 140 |
| Central Coast | | | |
| Municipal water supplies | Hunter and Wyong | 657 | 428 |
| | Treated Sewage Effluent | 223 | 178 |

Delta Electricity - Total Water Discharge by quality and destination

| Destination | Volume (ML) | |
|--|-------------|---------|
| | 2012-13 | 2011-12 |
| Coxs River at Wallerawang – blow down | 4,860 | 4,693 |
| Coxs River at Wallerawang – ash dam discharge | 657 | 882 |
| Lake Macquarie and Lake Munmorah – ash dam discharge | 19,594 | 26,816 |

AIR

Delta Electricity is committed to best practice across all aspects of our operations, including the responsible management and monitoring of air quality.

During 2012/13 Delta operated three ambient air quality monitoring stations and 17 dust deposition stations. Independent analysts undertook air quality monitoring across our sites and the results were updated monthly at www.de.com.au and reported to the NSW Environment Protection Authority (EPA).

Central Coast Ash Management

Each year, electricity generation at Vales Point Power Station converts around 3 million tonnes of coal into 600kt of ash. Delta recycles about 20 per cent of this ash – collecting it and processing it for sale and re-use in road construction and other uses. The remainder is managed in the Vales Point Ash Dam which consists of seven separate ponds.

Delta's Ash Dam Management Plan guides the continuous and rigorous monitoring of the ash dam to ensure the safe permanent

storage of the ash. The plan adopts best practice with respect to dust suppression and water management. Water is captured and returned to the power station for recycling and reuse. As each pond reaches capacity, it is capped and revegetated with native species. To date, 25 per cent of the ash dam has been rehabilitated in this way.

Wallerawang Dust Collection Plant

In February 2013, Delta lodged an application with the EPA to vary the Wallerawang Environment Protection Licence conditions requiring Delta to upgrade the Wallerawang Unit 7 and Unit 8 Dust Collection Plant (DCP). The EPA granted the variation in April 2013 to defer the completion date for the Unit 8 plant upgrade in line with the Unit 7 plant upgrade completion date of June 2017.

The Wallerawang DCP Review of Environmental Factors and Part 5 Approval and Consent Conditions for the Dust Collection Plant were approved in April 2013. The plant upgrades will become the responsibility of EnergyAustralia on completion of the western assets sale.

BIODIVERSITY AND LAND MANAGEMENT

During 2012/13 Delta Electricity developed a new Central Coast Land Management Plan to ensure we sustainably and responsibly manage more than 2,400 hectares of land that serves as an important habitat for native flora and fauna.

Delta's Central Coast buffer zone currently supports 38 threatened species – 30 fauna and 8 flora – including migratory birds protected according to international agreements.

The new plan effectively addresses how Delta manages invasive pest species, threatened flora and fauna, natural and cultural heritage, contaminated land and bushfire risk management.

In April 2012 Delta prepared a new Bushfire Risk Management Plan. The plan ensures we have effective measures in place to prevent bushfires that may be inadvertently be caused by our operations. It addresses possible sources of bush fire ignition including work practices, operational procedures and plant and equipment.

During the year, Delta undertook routine bushfire fuel (ie. leaf litter and vegetation) assessment and reduction programs in the buffer zone and along adjoining property boundaries. Measures included slashing and mowing along asset protection zones, physical removal of fuels, fire trail construction and maintenance, and planned hazard reduction burns.

Over the 12-month period Delta worked closely with the NSW Rural Fire Service to conduct two controlled burns. We also undertook a robust assessment of all environmental factors associated with undertaking these burns.

WRAPP

During 2012/13 Delta remained compliant with the NSW Government Waste Reduction and Purchasing Policy (WRAPP).

A WRAPP Plan is in place with operational standards that applied 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.

6 Social Performance

During 2012/13 Delta's people remained our greatest asset. Our staff's expertise, enthusiasm and strong commitment continued to keep Delta profitable. Our extensive involvement in local events and activities also provided an opportunity for us to give back to the communities in which we operate.

OUR PEOPLE

Trades and Power Worker Model

As part of the negotiations for the Delta Electricity Employees' Enterprise Agreement, we established a committee to investigate and redevelop the Trades and Power Worker Skills Development Model.

The new model will include a career path from Trade and Non-Trade entry level into other classifications such as Operating, Technician, Engineering, Maintenance Planning and Team Leadership. It also will align with national competencies set down in the Electricity Supply Industry – Generation Sector Training Package.

Central Coast Restructure

As a result of the closure of Munmorah Power Station, Delta developed and implemented a new operating structure on the Central Coast during 2012. The restructure resulted in the amalgamation of the Delta Maintenance Business Unit into Central Coast Production, along with the voluntary redundancy of 78 staff members to reach the appropriate staffing level for a single location operation.

Enterprise Bargaining

In May 2013 Delta conducted Enterprise Bargaining Agreement discussions with staff, which resulted in changes supported by 95% of staff. These changes were achieved with the help and support of Union Officials, Delegates and Bargaining Agents.

Staff Engagement

In 2012 Delta Electricity again provided staff with the opportunity to participate in a series of independently facilitated focus groups.

Participants were selected at random and invited to attend focus groups conducted across all Delta regions. A total of 79 staff from the organisation participated in the research.

The focus groups gathered data on employee perceptions and sentiments about a range of workplace issues such as safety, communication and leadership. Five broad themes were identified by staff for future focus:

- keeping organisational wide communication strong;
- enhancing consultation and cross team communication;
- improving consistency in rewards and recognition;
- maintaining focus on enhancing leadership skills; and
- strengthening approaches to succession and knowledge management.

Security for Apprentices

Delta has traditionally sponsored apprentice opportunities through local Group Training organisations. As part of the NSW Government's sale of State-owned assets, apprentices were offered employment directly with Delta Electricity for the duration of their indenture. In March 2013, 53 apprentices across both regions were offered and accepted positions with Delta.



Enterprise Bargaining Agreement discussions with staff resulted in changes supported by 95% of staff, including:

- a 12-month extension with a nominal expiry of 11 March 2015;
- increases in both wages and allowances; and
- cashing-out of annual leave as a one-off arrangement due to the sales process.

✓ For 2012/13 Delta achieved its safest year ever, with:

- Lost Time Injury Frequency Rate of 3.2
- Lost Time Injury Duration Rate of 3.8
- 5-Star Safety Award
- Health and Wellbeing Checks
- Manual Tasks Risk Reduction Program
- Western Region almost 2 years Lost Time Injury Free
- Central Coast 10 months Lost Time Injury Free

Workplace Safety

Delta's commitment to workplace safety is outlined in our Work Health and Safety Policy which is available on our website www.de.com.au.

During 2012/13 Delta successfully delivered on the four main objectives driving our Occupational Health and Safety Business Improvement Plan:

- OHS Management System compliance;
- improving the health and wellbeing of our workers;
- implementing impairment programs; and
- continuous improvement of our safety culture.

Safety Culture

Management safety walk-downs continued to be a key tool for driving a positive safety culture across Delta. In 2012/13 almost 400 walk-downs were completed across the management group indicating a high level of commitment to OHS.

In 2012 Delta Electricity participated in the Inter-Organisational Safety Culture Benchmarking Project. Along with a number of other electricity generators, Delta agreed to benchmark safety performance against selected criteria that contribute to a positive workplace safety culture. Delta was awarded 'Best-in-Class' for:

- Informed Culture;
- Just Culture;
- Enabling and Sustaining Systems; and
- Risk and Injury Management.

Delta Zero Incident Process Performance

In 2012/13 we continued to successfully implement the Delta Zero Incident Process (D-ZIP) Program.

Over the 12-month period, the program made more than 8,000 contacts with staff and conducted more than 4,700 observations. Key results include:

- 99% of all critical behaviours observed were identified as Safe Behaviours;
- 35 Hard Barriers were removed;
- 635 workers across Delta were trained in the revised DZIP Program, which represents 98% of all workers.

OHS Compliance

In July 2012 Delta was awarded the 5-star safety rating by the National Safety Council of Australia. A rigorous safety audit placed Delta in the top performing category of 'Best Practice' and recognised areas of continuous improvement in the delivery of our OHS Management System.

During 2012/13 Delta targeted workshop safety compliance including housekeeping, mobile plant management, vehicle safety, chemical safety and testing equipment. Compliance audits were conducted and significant improvements in workshop safety practices were observed.

OHS Performance

The efficacy of Delta's OHS Business Improvement Plan is reflected in our OHS performance indicators, which improved in 2012/13.

During the 12-month period we recorded four Lost Time Injuries (LTI), with a total of 15 days lost from injury. For 2012/13 Delta achieved an:

- LTI Frequency Rate of 3.2, down from 3.8 in 2011/12; and
- LTI Duration Rate of 3.8, down from 4.2 in 2011/12.

In an outstanding performance, Delta's Western region – Mt Piper and Wallerawang – achieved zero LTI's for staff and contractors and in August 2013 surpassed the two year mark without a Lost time Injury.

Our Central Coast region – Vales Point, Munmorah and Colongra – has achieved zero LTI's for contractors for the more than 2.6 years, and in August 2013 surpassed the one year mark without a Lost Time Injury.

NSW Power Industry Safety Games

In October 2012 the Delta Electricity Western Region hosted the 54th NSW Power Industry Safety Day. First Aid scenarios complete with realistic wounds and props, fire events and risk assessment challenges were played out with over 220 staff from Delta, Eraring and Macquarie Generation participating. Delta Western achieved the highest overall score, with Delta Central Coast taking second place.

Health and Wellbeing

In 2012/2013 Delta offered workers the opportunity to participate in Health and Wellbeing Checks, with the aim to increase staff awareness of their current health status, reduce their risk of chronic disease and provide the motivation to take positive steps towards improved lifestyle choices.

The program included Body Mass Index checks, blood pressure checks and blood glucose, cholesterol level and urinalysis tests. The Diabetes Type 2 Risk Assessment Tool also was employed at number of sites.

Supplementary Health Programs also were conducted at different

sites, including audiometry checks, respiratory fitness checks, the 'RUOK Program' for mental health and various Safety Week initiatives.

Delta implemented a Manual Task Risk Reduction Program across the organisation, performing risk assessments for back, neck, shoulder and knee injuries associated with manual tasks. Guidance Notes were developed and implemented for identified high risk manual tasks.

In addition, our 'Back Health Education Sessions' attracted the participation of more than 80% of Delta staff.

Fit-for-work

In 2012/13 Delta continued to emphasise the importance of being fit-for-work. At Vales Point Power Station, we conducted an extensive trial of the Occupational Safety Performance Assessment Technology (OSPAT) system to test impairment of workers. The trial was conducted over several months with a high level of consultation, engagement and commitment by workers, managers and the unions.

Delta also successfully implemented drug and alcohol testing and pre-employment screening across the whole organisation during the year.

Equal Employment Opportunity

During the year, Delta Electricity remained committed to supporting the principles of Equal Employment Opportunity (EEO) and the targets set by the NSW Government. We ensured these principles were incorporated into our recruitment practices and that all our policies were consistent with these guiding fundamentals.

However, due to the nature of the power industry Delta is faced with particular challenges in meeting the NSW Government targets. This is particularly the case when considering the relatively low rates of staff turnover and the history of male dominated employment in trades and engineering positions.

In 2012/13 Delta recruited one female 1st year apprentice and offered two female 4th year apprentices permanent full-time positions as tradespeople.

During the year, Delta's Diversity Group provided financial support for one female staff member to attend an Advanced Leadership Program through Women and Leadership Australia.

Delta continued to encourage representation in non-traditional roles through the promotion of apprenticeships and graduate opportunities through school

and career day expos. We also offered work experience to students interested in a career in the Electricity Industry.

Delta engaged the services of the Anti-Discrimination Board to conduct mandatory training on the prevention and management of bullying, harassment and discrimination in the workplace.

Delta also engaged the services of Families at Work who provided assistance and advice to Delta employees on a range of issues including child and aged care arrangements.

Trends in the Representation of EEO Groups

| EEO Group | Benchmark/Target | 2011 | 2012 | 2013 |
|---|------------------|-------|-------|-------|
| Women | 50% | 11.0% | 11.8% | 11.9% |
| Aboriginal People and Torres Strait Islanders | 2.6% | 1.3% | 1.3% | 1.3% |
| People whose First Language Spoken as a Child was not English | 19.0% | 6.2% | 5.8% | 4.7% |
| People with a Disability | N/A | 5.1% | 5.0% | 4.9% |
| People with a Disability Requiring Work-Related Adjustment | 1.5% | 2.2% | 1.9% | 2.0% |

Trends in the Distribution of EEO Groups

| EEO Group | Benchmark/Target | 2011 | 2012 | 2013 |
|---|------------------|------|------|------|
| Women | 100 | 96 | 96 | 100 |
| 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 | 106 | 110 | 116 |
| People with a Disability | 100 | 106 | 103 | 103 |
| 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 EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels.

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

Supporting People with a Disability

In 2012/13 Delta continued to make reasonable accommodations to support those people 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.

In conjunction with our Employee Assistance Program (EAP) provider, Delta developed a training program that was delivered to team leaders and managers on Mental Health Awareness. The training covered areas such as how to recognise mental health issues, practical ways to assist employees with mental health issues and empowering team leaders and managers with the skills to enable them to feel comfortable about having conversations with their employees on this issue.

Indigenous Support and Employment

In 2012/13 Delta continued with a suite of strategies designed to support indigenous employment and improve outcomes and ties with the local indigenous communities.

Each year Delta dedicates two potential apprenticeship positions for a person from an Aboriginal or Torres Strait Islander background. This year we were successful in recruiting two indigenous apprentices – one in each region.

As part of our commitment to supporting the local indigenous community, Delta has for many years supported a NAIDOC event on the Central Coast. This year we contributed a \$5,000 sponsorship.

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.

OUR COMMUNITIES

Stakeholders & Community

Delta is justifiably proud of its commitment to engaging and supporting our regional communities around our power stations. Delta, in addition to engaging with the community and providing significant sponsorships in 2012/2013, has undertaken staff community volunteering days in each region.

Engagement

Delta engages with our stakeholders through formal and informal processes. On the Central Coast the Community Access Regional Environment Forum (CARE) and in the West the Western Region Community Reference Group meets quarterly for briefings and site visits and to raise issues of interest and concern. Our stakeholders and community provide us with invaluable advice and input to help us to remain a good community member and to minimise any operational impacts on our neighbours. We also make available notes and presentations on the Delta website for the broader community. Throughout the year Delta publishes a Community News in the local papers, providing snapshots of information for the community on our operational, environmental and community performance.

As a measure of our relationship with our neighbours, Delta has minimal complaints each year. Complaints generally relate to minor issues such as graffiti on Delta property, tree management near Delta boundaries and intermittent noise issues. In 2013 a number of enquiries related to the Wallerawang cooling tower partial collapse. Delta has a commitment to responding quickly and appropriately to ensure we minimise local impacts.

Delta has had ongoing engagement and consultation for projects including Lamberts North Ash placement and for the Western Water Recovery Project with groups including the Blue Mountains Conservations Society.

Central Coast

With the upcoming sale of NSW Generation Assets, Delta has ensured that Delta buffer lands that incorporate community access have long term lease and access agreements in place. On the Central

✓ Continued support for local indigenous communities including:

- Two apprenticeship positions;
- \$5,000 sponsorship of NAIDOC event; and
- \$2,000 undergraduate scholarship at University of Newcastle Ourimbah Campus.

Coast, Delta Electricity has signed significant long term leases to 2052 with Camp Breakaway at San Remo, securing the Camp's access to surrounding bushland and the sensory garden used by adults and children with disability. The extended lease to 2052 has provided peace of mind to Camp Breakaway, with 11.5 hectares of bushland and open space integral to the experience of those that stay at the facility ensured. Delta and our staff also partner with Camp Breakaway through weekly payroll donations which are matched dollar-to-dollar by Delta.

Additionally, new leases have also ensured community access to the Mannering Park Scout Hall and to Wyong Council's Extreme Park skateboard facilities during the last year. Community access is continuing for Koala Park at Munmorah and Tom Barney Oval at Mannering Park for a wide range of community and sporting events, which are invaluable resources contributing to health, well-being and cohesion for our local communities.

Western Region

Delta has signed long term leases and access arrangements for important recreational locations in the region. An agreement ensuring angler access to Thompsons Creek Dam, a well-regarded trophy trout dam near Mount Piper, was recently signed by Delta Electricity. Delta's Rangers Park is now secured for recreational activities until 2018. Leases for Lake Lyell and Lake Wallace foreshores have also been signed, ensuring community and tourist access to foreshores and recreational land until 2042.

Donations & Sponsorships

Each year Delta commits to \$200,000 in each region for 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.

On the Central Coast and Lake Macquarie region our sponsorships have included LandCare, Dune Care, Surf Lifesaving and Rescue Services as well as a range of other environmental initiatives that acknowledge and support the unique coastal and lake location.

Delta recognises the importance of a strong local economy and in the past year has supported local business initiatives including sponsoring the Lake Macquarie Business Excellence Awards and the Wyong Chamber of Commerce.

Delta commitment to education at all levels is demonstrated through our sponsorships to a wide range of groups from playgroups, primary and secondary schools to significant Delta scholarships at the University of Newcastle, Ourimbah Campus. In the Western Region, educational sponsorship has also been a key feature of Delta's program. Sponsorship of Lithgow Homework Zone, Industry Links and a scholarship for local students at Charles Sturt University have contributed to our support of education this year.

In January 2013 the University of Western Sydney and Delta Electricity celebrated the start of a three year commitment to a UWS Delta Electricity Engineering Scholarship at the new UWS Lithgow Campus. Delta is proud of this home-grown partnership which links industry directly with students, giving students an edge in their studies and putting them on the path toward successful careers.

Delta also supported a range of arts and cultural activities including the Portland Art Purchase, Lithgow Show and IronFest.

Delta contributed \$20,000 for a major sponsorship for Stage 1 of the Lithgow Aquatic Centre project which delivers important recreational health and social benefits for the whole community. Delta has also provided sponsorship helping out the Portland Swimming Pool during the year.

Delta's long term program for payroll giving and matching donations has completed an ongoing staff commitment to supporting a wide range of charities. The matching donations program is established across both the regions and the corporate office. Corporate, Western and Central Coast staff raised funds for Australia's Biggest Morning Tea for the Cancer Council and Walk in Her Shoes for CARE Australia. Charities including the Bill Walsh Cancer Fund, Careflight, Helicopter Rescue Service and Camp Breakaway were supported generously by Delta staff across all regions, with Delta matching donations.

7 Governance

The Board

The Board's governing role is determined by the State Owned Corporations Act, the Energy Services Corporations Act and the 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.

In May 2013 the NSW Government passed legislation to ensure all Board appointments to State Owned Corporations will be merit-based. Amendments to the State Owned Corporations Act 1989 removed the statutory requirement for a Unions NSW-nominated director on the Board. Merit-based appointments will be made as roles become vacant. Following the amendment Delta's Board is to consist of:

- the Chief Executive; and
- at least 3 and not more than 6 other Directors appointed by the Voting Shareholders.

Board Composition and Directors

| | | |
|---|------------------------------|--|
| Dr Helen Garnett PSM FTSE FAICD | Chair and Director | Dr Garnett was appointed as Chair and a Director on 16 January 2012 for three years. |
| Mr Steve Turner BSW MLLR | Director | Mr Turner was appointed as a Director on 3 March 2011 for three years. |
| Mr Jon North BA LLM | Director | Mr North was appointed as a Director on 1 May 2012 for three years. |
| Ms Christine Feldmanis BCom, MAppFin, CPA FAICD, SFFIN | Director | Ms Feldmanis was appointed as a Director on 26 November 2012 for three years. |
| Mr Greg Everett BCom, MBA, GAICD | Chief Executive and Director | Mr Everett was appointed Chief Executive and Director on 17 July 2010. |

Meetings of the Board

During 2012/13 the Delta Electricity Board met regularly in the Delta Corporate Office or at a Delta power station according to the Charter for the Board. In addition there were several teleconferences and circulating resolutions to facilitate decisions on matters unable to be held until the next scheduled meeting.

Scheduled Director Meetings – 1 July 2012 to 30 June 2013

| | Board Meetings ¹ | | Board Remuneration & Nomination Committee Meetings ¹ | | Board Audit Committee Meetings ¹ | | Board Environment OHS Committee Meetings ¹ | |
|----------------|-----------------------------|---|---|---|---|---|---|---|
| | A | B | A ³ | B | A ² | B | A | B |
| Dr H Garnett | 8 | 8 | 2 | 2 | | | | |
| Mr S Turner | 8 | 8 | 2 | 2 | | | 4 | 4 |
| Mr J North | 8 | 8 | | | 2 | 2 | | |
| Mr G Everett | 8 | 8 | | | | | 4 | 4 |
| Ms C Feldmanis | 4 | 4 | | | 2 | 2 | | |

Notes

1. Column A is the number of meetings a Director was entitled to attend. Column B is the number of meetings attended.
2. Until Ms C Feldmanis was appointed to the Board on 26 November 2012, the Board Audit Committee was unable to meet and all audit matters to that time were considered by the full Board.
3. Following the resignation of Mr W Phillips in April 2012, the Board Remuneration and Nomination Committee was unable to meet until the Board confirmed membership of the Committee in August 2012. All remuneration and nomination matters to that time were considered by the full Board.

Board Committees

In 2012/13 there were three Board Committees:

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

In the early part of the reporting year, matters intended for the Board Audit and Board Remuneration and Nomination Committees were dealt with by the full Board until a confirmation of Committee members and the appointment of Christine Feldmanis in November 2012 enabled all Committees to meet.

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; 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 and Management on remuneration and 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;
- 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. Michael Baird, MP
Treasurer

The Hon. Greg Pearce, MLC*
Minister for Finance and Services

Board of Directors

Executive Management Team

Chief Executive
Greg Everett

Production
General Manager
Stephen Saladine

Central Coast
General Manager
Glenn Sharrock

Western
General Manager
Luke Welfare

Finance
Chief Financial Officer
Richard Street

Fuel & Environment
General Manager
David Hogg

Marketing
General Manager
Anthony Callan

Gentrader
General Manager
Rodney Ward

Human Resources
General Manager
John Bund

Corporate Secretary
Ray Madden

* On 6 August 2013, The Hon. Andrew Constance, MP replaced The Hon. Greg Pearce as a Voting Shareholder.

Managing organisational risk

In 2012/13 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. During the year, key risks – operational and strategic – were reviewed and reported quarterly to Delta's Board.

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. All other strategic risks are assessed as tolerable or lower, with 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 an incident.

During 2012/13 Delta Electricity's compliance framework ensured full compliance with all our legal and regulatory compliance obligations. The Board Audit Committee ensured responsibilities relating to the accounting, auditing and reporting practices of Delta Electricity were met. The Committee also oversaw the internal audit function and liaised with the Auditor-General regarding external auditing matters. 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 Committee to ensure full awareness of internal audit activities, audit results and any remedial actions required.

| Number of executive officers | Total | Women |
|---|-------|-------|
| Number of executive officers with remuneration equal to or exceeding equivalent of Senior Executive Service Level 1 as at 30 June 2013. | 32 | 1 |
| Number of executive officers with remuneration equal to or exceeding equivalent of Senior Executive Service Level 1 as at 30 June 2012. | 32 | 1 |

Executive Remuneration

State Owned Corporations must disclose executive remuneration where the total remuneration is at or exceeds State Executive Service level 5 equivalent during the financial year. The table below reports the total remuneration for all Delta executive positions for the full 2012/13 year.

| Name | Fixed Remuneration (base + statutory superannuation) | Fixed 2% non-statutory superannuation | Total performance related payment | Individual performance criteria |
|--|--|---------------------------------------|-----------------------------------|---|
| Greg Everett BCom, MBA, GAICD Chief Executive | \$519,744 | \$375* | \$138,730 | Assessment of performance by the Board against corporate performance indicators, including Delta Electricity's key success indicators of plant performance, safety, environmental management and costs. |
| John Bund BEc (Hons) General Manager, Human Resources | \$246,388 | \$5,510 | \$45,504 | Oversight of Delta's Human Resources activities including industrial relations, safety and other agreed performance targets. |
| Anthony Callan BEng, MBA General Manager, Marketing | \$354,609 | \$7,808 | \$68,836 | Development and management of the marketing strategy to ensure optimal mix of contract and spot exposure and assessment against other agreed performance targets. |
| David Hogg BE, GAICD General Manager, Fuel & Environment | \$281,975 | \$6,201 | \$58,432 | Development and management of Delta's fuel and environment portfolio (ensuring regulatory compliance) and assessment against other agreed performance targets. |
| Ray Madden BA (Hons), MBus, GradDipAppCorpGov, GAICD, ACIS Corporate Secretary | \$246,889 | \$5,282 | \$45,573 | Management of Delta's compliance and legal activities and other agreed performance targets. |
| Stephen Saladine BE (Hons) General Manager, Production | \$356,213 | \$8,323 | \$76,306 | Overall management of the Production portfolio, including plant performance and assessment against other agreed performance targets. |
| G Sharrock BSc, GCofM, GAICD General Manager, Central Coast | \$264,351 | \$5,793 | \$50,366 | Management of Central Coast power station operations and assessment against other agreed performance targets. |
| R Street BEc, CA, MBA, GAICD Chief Financial Officer | \$312,381 | \$7,388 | \$73,399 | Oversight of Delta's financial management and structures and assessment against other agreed performance targets. |
| R Ward BEng (Hons), MBA, FAICD, CPA, FFTP General Manager, Gentrader | \$299,077 | \$6,838 | \$59,255 | Management of the Gentrader contract and assessment against other agreed performance targets. |
| L Welfare BE (Elect), MEM General Manager, Western | \$263,843 | \$6,032 | \$54,147 | Management of Western power station operations and assessment against other agreed performance targets. |

*Represents part payment – this component was included into the overall base rate.

Annual Reporting Compliance

Exemption from reporting provisions

Approval was given by the 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 2012/2013, expenditure on consultants totalled \$597,000. The main purposes of these engagements were for environmental assessment services, feasibility studies, finance, accounting and management services.
- **Sale of Assets:** During 2012/13 Delta Electricity sold motor vehicle assets totalling \$907,000.
- **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. Refer to Note 12 in the Notes to the Financial Statements for a description of Delta Electricity Australia Pty Ltd and Mid West Primary Pty Ltd.
- **Financial statements of controlled entities:** Delta Electricity is exempt from preparing manufacturing and trading statements, but required to prepare a summarised operating statement.

Information Access Under GIPA Act

During 2012/2013, 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 our 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 OIC's compliance checklist for agencies and have met all obligations. Delta Electricity also submits an annual report on our GIPA obligations. The GIPA Annual Report is provided directly to the Information Commissioner 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 staff training, briefing sessions and communications.

In the 2012/2013 reporting period no Public Interest Disclosures were made to Delta.

Overseas Visits

| Name | Date of Travel | Purpose of Travel |
|------------------|-----------------------|--|
| Jason Thompson | 8– 15 September 2012 | Attend Toshiba Turbine Engineering Training Course in Yokohama, Japan. |
| Jeff Thomas | 13–19 October 2012 | Attend Toshiba Turbine Engineering Training Course in Yokohama, Japan. |
| David Hogg | 17 – 25 November 2012 | Attend IEAGHG Conference in Kyoto. Meetings with Toshiba and IHI. |
| Greg Everett | 9 – 25 November 20 12 | Attend CIAB meeting in Paris. Attend IEAGHG Conference in Kyoto. Meetings with Toshiba and IHI. |
| Stephen Saladine | 6 – 11 October 2012 | Speak at the WCEAM Conference in Daejeon South Korea. Funded by CIEAM. |
| David Morris | 2 – 11 November 2012 | Attend UMS Benchmarking Conference, Amsterdam, Dong Energy Avedore Plant, Siemens Automation Centre/Karlsruhe. |
| Luke Welfare | 18 – 25 November 2012 | Attend CLP India O&M Conference. |
| Justin Flood | 2 – 11 February 2013 | Attend associates meeting for CIAB and Global CCS Institutes annual CCS/ CCUS Forum, Washington DC. |

8 Financial Report

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Statement of Financial Position

As at 30 June 2013

| | | Delta Electricity | |
|--|-------|------------------------|------------------------|
| | | June 2013 \$'000 | June 2012 \$'000 |
| | Note | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 7 | 277,629 | 233,603 |
| Trade and Other Receivables | 8(a) | 74,450 | 162,788 |
| Tax Assets | | - | 8,636 |
| Inventories | 9 | 59,296 | 85,365 |
| Other Financial Assets | 10(a) | 49,420 | 30,685 |
| Other | 11 | 4,632 | 4,079 |
| Assets Attributable to Disposal Group Classified as Held For Sale | 12 | 475,630 | - |
| Total Current Assets | | 941,057 | 525,156 |
| Non-Current Assets | | | |
| Receivables | 8(b) | 8,114 | 357,948 |
| Other Financial Assets | 10(b) | 26,427 | 77,111 |
| Property, Plant and Equipment | 13 | 738,675 | 745,027 |
| Intangible Assets | 14 | 3,478 | 3,859 |
| Deferred Tax Assets | 6(b) | 54,947 | 37,907 |
| Total Non-Current Assets | | 831,641 | 1,221,852 |
| Total Assets | | 1,772,698 | 1,747,008 |
| Current Liabilities | | | |
| Trade and Other Payables | 15(a) | 91,135 | 133,464 |
| Borrowings | 16(a) | 107,359 | 15,057 |
| Provisions | 17(a) | 139,789 | 54,652 |
| Other Financial Liabilities | 18(a) | 25,687 | 71,614 |
| Other | 19(a) | 944 | 6,676 |
| Liabilities Attributable to Disposal Group Classified as Held For Sale | 12 | 152,859 | - |
| Total Current Liabilities | | 517,773 | 281,463 |
| Non-Current Liabilities | | | |
| Borrowings | 16(b) | 711,622 | 840,314 |
| Deferred Tax Liabilities | 6(b) | 54,947 | 37,907 |
| Provisions | 17(b) | 148,008 | 258,624 |
| Other Financial Liabilities | 18(b) | 31,321 | 72,948 |
| Other | 19(b) | - | 604 |
| Total Non-Current Liabilities | | 945,898 | 1,210,397 |
| Total Liabilities | | 1,463,671 | 1,491,860 |
| Net Assets | | 309,027 | 255,148 |
| Equity | | | |
| Contributed Equity | 20(a) | 532,865 | 586,305 |
| Reserves | 20(b) | 35,222 | 35,329 |
| Retained Profits | 20(c) | (259,060) | (366,486) |
| Total Equity | | 309,027 | 255,148 |

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

Statement of Comprehensive Income For the year ended 30 June 2013

| | | Delta Electricity | |
|---|-------|------------------------|------------------------|
| | | June 2013 \$'000 | June 2012 \$'000 |
| | Note | | |
| Continuing Operations | | | |
| Revenue | 3 | 498,362 | 310,629 |
| Expenses, excluding finance costs | 4 | (471,083) | (376,278) |
| Finance Costs | 5 | (71,045) | (78,439) |
| Financial Instrument Fair Value Movements | | 32,951 | 62,941 |
| Profit/(Loss) from Continuing Operations before Income Tax Expense | | (10,815) | (81,147) |
| Income Tax Benefit/(Expense) on Profit/(Loss) | 6(a) | 13,931 | (44,217) |
| Profit/(Loss) from Continuing Operations after Income Tax | | 3,116 | (125,364) |
| Discontinued Operations | | | |
| Gain/(Loss) from Discontinued Operations after Income Tax | 12 | 82,969 | 120,533 |
| Profit/(Loss) for the Year | | 86,085 | (4,831) |
| Other Comprehensive Income | | | |
| Items that will not be reclassified to net profit | | | |
| Gain/(Loss) on Revaluation of Property, Plant & Equipment | 20(b) | 7,569 | (34,960) |
| Actuarial Gain/(Loss) on Defined Benefit Superannuation Plans | 20(c) | 55,554 | (150,507) |
| Items that may be reclassified subsequently to net profit | | | |
| Gain/(Loss) on Cash Flow Hedges Taken to Equity | 20(b) | 37,676 | 58,617 |
| Cash Flow Hedges Transferred to Statement of Financial Position/Statement of Comprehensive Income | 20(b) | (45,252) | (78,192) |
| Income Tax Benefit/(Expense) on Items of Other Comprehensive Income | 6(a) | (13,931) | 44,901 |
| Other Comprehensive Income/(Loss) for the Year, Net of Tax | | 41,616 | (160,141) |
| Total Comprehensive Income/(Loss) for the Year | | 127,701 | (164,972) |

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

Statement of Changes In Equity

For the year ended 30 June 2013

| | | Delta Electricity | | | 2013 | | |
|---|-------|--------------------|---------------------------|---|-------------------------|------------------|----------------|
| | | Contributed Equity | Asset Revaluation Reserve | Asset Revaluation Reserve of Discontinued Operation (Note 12) | Cash Flow Hedge Reserve | Retained Profits | Total |
| Note | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 July 2012 | | 586,305 | 37,175 | - | (1,846) | (366,486) | 255,148 |
| Profit/(Loss) for the Year | | - | - | - | - | 86,085 | 86,085 |
| Other Comprehensive Income/(Loss) | | - | 5,196 | - | (5,303) | 41,723 | 41,616 |
| Total Comprehensive Income/(Loss) for the Year | | - | 5,196 | - | (5,303) | 127,808 | 127,701 |
| Recognise Asset Revaluation Reserve Attributable to Discontinued Operation | | 12 | - | (1,978) | 1,978 | - | - |
| Transactions with Owners in their capacity as Owners: | | | | | | | |
| Shareholder Equity Contribution | 20(a) | - | - | - | - | - | - |
| Return of Capital to Shareholder | 20(a) | (53,440) | - | - | - | - | (53,440) |
| Dividends Paid/Payable | 20(c) | - | - | - | - | (20,382) | (20,382) |
| At 30 June 2013 | | 532,865 | 40,393 | 1,978 | (7,149) | (259,060) | 309,027 |

| | | Delta Electricity | | | 2012 | | |
|--|-------|--------------------|---------------------------|---|-------------------------|------------------|------------------|
| | | Contributed Equity | Asset Revaluation Reserve | Asset Revaluation Reserve of Discontinued Operation (Note 12) | Cash Flow Hedge Reserve | Retained Profits | Total |
| Note | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 July 2011 | | 625,376 | 70,712 | - | 11,857 | (196,781) | 511,164 |
| Profit/(Loss) for the Year | | - | - | - | - | (4,831) | (4,831) |
| Other Comprehensive Income/(Loss) | | - | (24,516) | - | (13,703) | (121,922) | (160,141) |
| Total Comprehensive Income/(Loss) for the Year | | - | (24,516) | - | (13,703) | (126,753) | (164,972) |
| Transfer Asset Revaluation Reserve to Retained Earnings | | - | (9,021) | - | - | 9,021 | - |
| Transactions with Owners in their capacity as Owners: | | | | | | | |
| Shareholder Equity Contribution | 20(a) | 22,772 | - | - | - | - | 22,772 |
| Return of Capital to Shareholder | 20(a) | (61,843) | - | - | - | - | (61,843) |
| Dividends Paid/Payable | 20(c) | - | - | - | - | (51,973) | (51,973) |
| At 30 June 2012 | | 586,305 | 37,175 | - | (1,846) | (366,486) | 255,148 |

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

Statement of Cash Flows

For the year ended 30 June 2013

| | Note | Delta Electricity | |
|--|-------|---|---|
| | | June 2013 \$'000 Inflows (Outflows) | June 2012 \$'000 Inflows (Outflows) |
| Cash Flows From Operating Activities | | | |
| Cash Received from Customers | | 1,442,741 | 1,129,791 |
| Interest Received | | 14,015 | 9,146 |
| Cash Payments to Suppliers and Employees | | (1,263,445) | (994,465) |
| Interest and Other Finance Costs Paid | | (68,734) | (73,935) |
| Income Taxes Received / (Paid) | | 8,636 | (29,480) |
| Net Cash Provided/(Used) by Operating Activities | 26(f) | 133,213 | 41,057 |
| Cash Flows from Investing Activities | | | |
| Proceeds from Sale of Property, Plant and Equipment | | 908 | 2,879 |
| Payments for Property, Plant and Equipment | | (21,094) | (38,469) |
| Payments for Intangibles | | (1,097) | (1,643) |
| Term Deposit Investments | | (324,458) | - |
| Term Deposit Proceeds | | 288,682 | - |
| Net Cash Provided/(Used) by Investing Activities | | (57,059) | (37,233) |
| Cash Flows from Financing Activities | | | |
| Proceeds from Borrowings | | - | 108,371 |
| Repayment of Borrowings | | (29,515) | (108,371) |
| Payments to Reduce Outstanding Finance Lease Liability | | (2,613) | (2,389) |
| Shareholder Equity Contributions /(Return of Contributed Equity) | | - | 22,772 |
| Dividends Paid | | - | (28,375) |
| Net Cash Provided/(Used) by Financing Activities | | (32,128) | (7,992) |
| Net Increase / (Decrease) in Cash and Cash Equivalents | | 44,026 | (4,168) |
| Cash and Cash Equivalents at Beginning of Financial Year | | 233,603 | 237,771 |
| Cash and Cash Equivalents at End of the Year | 26(b) | 277,629 | 233,603 |

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

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

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 2013 were authorised for issue in accordance with a resolution of the Directors on 19 September 2013.

On 28 February 2011, Delta Electricity Australia Pty Ltd was placed into voluntary administration and subsequent receivership on 28 February 2011. Delta Electricity Australia Pty Ltd remains in receivership at 30 June 2013.

On 1 March 2011, Generation Trading Agreements were executed with TRUenergy Pty Ltd (now EnergyAustralia Pty Ltd) for Delta Electricity's Western power stations (Mt Piper and Wallerawang) for the remaining life of each power station. Refer to Note 23(b).

On 20 June 2012, Delta Electricity received approval from the Shareholding Ministers under Section 20Y of the State Owned Corporations Act to close Munmorah Power Station following a commercial review of future operations of the power station.

On 15 November 2012, the New South Wales Government issued an announcement outlining its plan to dispose of the New South Wales electricity generators, with Delta Electricity's Mt Piper and Wallerawang (Delta West) power stations included in the initial tranche of the sale. Delta Electricity's management is committed to the sale and negotiations relating to the disposal are currently in progress with the sale expected to be completed within the next 12 months. Delta Electricity has accounted for the net assets and liabilities of the Delta West business unit as 'assets held for sale' in accordance with AASB 5 Non-Current Assets Held for Sale and Discontinued Operations. Refer to Note 12. Subsequent to reporting date, the sale of Delta West was completed on 2 September 2013. Refer to Note 28.

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.

(i) Significant Accounting Judgements, Estimates and Assumptions

In the application of Australian Accounting Standards management is required to make judgements, estimates and assumptions that affect the carrying values of assets and liabilities that are not readily apparent from other sources.

Significant Accounting Judgements

The financial statements have been prepared on a business as usual basis and include the impact of the carbon tax which commenced on 1 July 2012 under the Clean Energy Legislative Package which was passed by the Federal Government on 8 November 2011. Further legislation passed on 26 November 2012 removed the floor price from the Australian emissions trading scheme and partially linked the Australian and European emissions trading schemes from 1 July 2015. This legislation provides Delta Electricity with the basis for carbon

price assumptions which are a key input into the modelling used to determine the carrying amount of assets. Significant amendments to the legislation could impact on the carrying amount of assets determined by Delta Electricity. Accounting for the carbon tax also requires other significant accounting judgements to measure the liability in accordance with AASB 137 (e.g. determination of appropriate discount rate).

Significant accounting judgements are also required for the valuation of long dated electricity derivative contracts due to the absence of an active market and the valuation of coal stocks due to measurement issues associated with determining the volume of coal on the stockpiles.

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

Estimates and assumptions are required when determining asset life and calculating the recoverable amount for impairment testing. Calculation of recoverable amount requires estimates which are subject to volatility in competitive energy and coal markets. The most vulnerable are forecasting the impact of the carbon tax scheme, long term electricity and fuel prices and production levels in an

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

environment of predicting the timing of new entrants and technology improvements, the cost of operation and maintenance of power station assets, and determination of an appropriate discount factor. The impact of the carbon tax scheme is based on information included in the Clean Energy Legislative Package which was passed by the Federal Government on 8 November 2011 and further legislation passed on 26 November 2012 to remove the floor price from the Australian emissions trading scheme and partially link the Australian and European emissions trading schemes from 1 July 2015. The consequences of these factors in particular may cause future asset values to materially change. Refer to Note 2(j), Note 2(m) and Note 13.

In valuing property, plant and equipment at 30 June 2013, Delta Electricity has used the income approach to assess fair value under AASB 116 Property, Plant and Equipment. An increase in fair value was recognised in relation to Vales Point and Colongra power stations. Refer to Note 13(a).

Land valuations assume that land under power stations will be used for this specific purpose throughout their useful life. Land associated with the Munmorah power station has been valued on the basis that it has use as an electricity generation site for the foreseeable future.

- 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(o) 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(q) and 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.

- 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.

- Recognition of Gentrader Fixed Operating and Maintenance Receipts

Delta Electricity receives monthly fixed operating and maintenance amounts from EnergyAustralia Pty Ltd (formerly TRUenergy Pty Ltd). The receipts are recognised as revenue over the contract period in accordance with the contracted fee schedule. While there is no direct contractual link between the fee schedule and the timing of the services provided, the schedule represents management's best estimate of when the services will be performed.

- Recognition of Non-Current Financial Liabilities

Under the terms of a Power Purchase Agreement ('PPA') with a joint venture between Delta Electricity and the NSW Sugar Milling Co-operative, Delta Electricity is contractually obliged to make payments if several operational thresholds are met or exceeded. Estimates and assumptions are required when modelling and valuing the expected future liability to be recognised in the Statement of Financial Position. Such estimates include crop forecasts, electricity and renewable energy certificate price paths and the operation of the joint venture by its receiver.

(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 2013. A summary of standards relevant to Delta Electricity is as follows:

- AASB 13 Fair Value Measurement

This standard applies to reporting periods beginning on or after 1 January 2013 and establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change the circumstances whereby an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted.

- AASB 1053 Application of Tiers of Australian Accounting Standards

This standard applies to reporting periods beginning on or after 1 July 2013 and establishes a differential financial reporting framework for preparing general purpose financial statements.

- AASB 119 Employee Benefits

This standard applies to reporting periods beginning on or after 1 January 2013. The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income.

- AASB 9 Financial Instruments

This standard applies to reporting periods beginning on or after 1 January 2015 and simplifies the classification and measurement of financial assets and liabilities and derecognition of financial instruments.

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

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

(c) Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the comparative year.

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 2012:

- AASB 2011–9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income

This standard requires the grouping of items in Other Comprehensive Income on the basis of whether they are potentially reclassifiable to profit or loss subsequently or will remain in Other Comprehensive Income.

(d) 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.

(e) 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.

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.

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.

Other Financial Liabilities

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

(f) 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.

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

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.

(g) 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.

(h) 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.

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.

(i) 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.

(j) Property, Plant and Equipment

Property, plant and equipment is recognised at fair value less accumulated depreciation and impairment in accordance with AASB 116 *Property Plant and Equipment*, AASB136 *Impairment of Assets* and the New South Wales Treasury Accounting Policy for the Valuation of Physical Non-Current Assets at Fair Value. Fair value of power station property, plant and equipment

with the exception of land is determined by using the income approach due to the absence of observable market prices. The fair value of land is determined by independent valuation based on existing use 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 June 2011.

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.

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(m).

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

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 (2012: 50 years), up to 30 years for operating open cycle gas turbines (2012: 30 years) and from 5 to 30 years for other property, plant and equipment (2012: 5 to 30 years).

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

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

(k) Intangible Assets

Intangible assets comprise eligible computer software.

Computer software is stated at cost less accumulated amortisation and impairment and is amortised on a straight line basis over 2.5 years (2012: 2.5 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.

(l) Green Certificates

Green certificates include renewable energy certificates, New South Wales greenhouse abatement 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.

(m) Impairment

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

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

Recoverable amount is based on value in use and is determined at the cash generating unit level. 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(j)).

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(j)).

(n) 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.

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

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

(o) Employee Benefits

The liability for wages and salaries at reporting date is recognised in current trade and payables. The liability includes unpaid wages and salaries at reporting date and performance/business success payments related to the 2012/13 financial year. The liability is measured at the amounts expected to be paid when the liability is settled. The liability for wages and salaries is normally settled within 7 days of reporting date, while the liability for performance/business success payments is settled within two months of reporting date.

Delta Electricity makes provision through 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.
- (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.

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).

(p) 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.

(q) 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.

(r) Carbon Emissions

Delta Electricity is a liable entity under the Clean Energy Act 2011 in relation to carbon emissions from power stations from 1 July 2012. Delta Electricity applies the 'Net Liability Offset Method' for accounting for the 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. 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 permits are initially recorded at cost and subsequently revalued to fair value. 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.

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

(s) 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.

(t) 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.

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

(u) 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). During the 2011/12 year, the operations of Delta Electricity's Western power stations were removed from the NTER. Consequently, the Western power stations and associated Generation Trading Agreements are treated as tax neutral.

Delta Electricity and its wholly resident subsidiary Delta Electricity Australia Pty

Ltd are treated as a tax consolidated group and are taxed as a single entity for the purposes of income tax.

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

In addition, there is a tax indemnity deed between Delta Electricity and Delta Electricity Australia Pty Ltd whereby Delta Electricity agrees to indemnify and hold Delta Electricity Australia Pty Ltd harmless against all and any obligations related to income taxes.

(v) 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.

(w) 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.

(x) Revenue

Revenue from the sale of electricity and Western Gentrader operations is recognised as it accrues. Other revenue includes rent and interest income on funds and finance leases 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.

(y) 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.

(z) Goods and Services Tax

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

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

The net amount of GST recoverable from or payable to the ATO is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

(aa) Generating Costs

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

(ab) Comparative Figures

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

(ac) 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 2013

| | Delta Electricity | |
|--|-------------------|---------|
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| 3. REVENUE | | |
| Sale of Electricity and Green Certificates | 478,168 | 288,909 |
| Other Revenue | | |
| Interest | 14,102 | 9,112 |
| Defined Benefit Superannuation Schemes | 2,345 | - |
| Litigation Settlements | 42 | 72 |
| Extinguishment of SEJV liability ⁽ⁱ⁾ | - | 7,990 |
| Proceeds from Other Operations | 579 | 1,095 |
| Royalties | 400 | 199 |
| Grants | 756 | 834 |
| Miscellaneous | 1,970 | 2,418 |
| Revenue | 498,362 | 310,629 |
| ⁽ⁱ⁾ Relates to the reversal during 2011/12 of liability owing to the NSW Sugar Mill Cooperative under a contractual cost sharing arrangement. | | |
| 4. EXPENSES (EXCLUDING FINANCE COSTS) | | |
| Generating Costs | 280,125 | 252,323 |
| Depreciation | | |
| - Buildings | 46 | 46 |
| - Plant and Equipment | 39,448 | 45,504 |
| - Motor Vehicles | 710 | 799 |
| Amortisation of Intangible Assets | | |
| - Computer Software | 1,383 | 1,322 |
| Revaluation | | |
| - Property, Plant and Equipment ⁽ⁱ⁾ | (22,774) | 43,501 |
| Bad Debts | 553 | 881 |
| Movement in Other Financial Liabilities - Other (Note 18) | 10,422 | 9,713 |
| Loss on Sale of Assets | 276 | 142 |
| Superannuation Expenses | | |
| - Defined Contribution Schemes | 2,300 | 2,121 |
| - Defined Benefit Schemes | 178 | 555 |
| Provision for Employee Benefits ⁽ⁱⁱ⁾ | 10,973 | 10,096 |
| Carbon Emissions Expense ⁽ⁱⁱⁱ⁾ | 144,542 | - |
| Write down in Value of Inventories | 175 | 6,225 |
| Operating Lease Rental Expense | 1,093 | 1,053 |
| Auditors' Remuneration ^(iv) | 297 | 263 |
| Directors' Remuneration | 313 | 209 |
| Consultants Fees | 597 | 1,031 |
| Other Expenses | 426 | 494 |
| Expenses (excluding Finance Costs) | 471,083 | 376,278 |

⁽ⁱ⁾ Current year revaluation for property, plant and equipment includes a reversal of prior year valuation decrement of the Colongra power station assets. Refer to Note 13.

⁽ⁱⁱ⁾ Includes employee benefits expense relating to Delta West employees.

⁽ⁱⁱⁱ⁾ Carbon emissions expense is shown net of carbon revenue received. Refer to note 2(r).

^(iv) Auditors' Remuneration paid or payable in respect to the audit of the 2012/13 financial statements is \$260,200 (2012: \$232,000).

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

| | Delta Electricity | |
|--|-------------------|--------|
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| 5. FINANCE COSTS | | |
| Interest on Bank Overdrafts and Borrowings | 60,661 | 61,022 |
| Interest on Obligations Under Finance Leases | 8,581 | 8,806 |
| Unwinding of Discounts on Provisions | 5,125 | - |
| Other Finance Costs | (3,322) | 8,611 |
| Finance Costs | 71,045 | 78,439 |

| | | |
|--|-----------------|---------------|
| 6. INCOME TAX | | |
| The major components of Income Tax for the year ended 30 June 2013 are as follows: | | |
| (a) Income Tax Expense | | |
| The major components of income tax expense are: | | |
| <u>Income Tax Expense Recognised in Profit or Loss</u> | | |
| <i>Current Income Tax</i> | | |
| Current income tax expense | 13,236 | (41,952) |
| Adjustments in respect of current income tax of previous years | 903 | (75) |
| <i>Deferred Income Tax</i> | | |
| Origination and reversal of temporary differences (Note 6(b)) | | |
| - related to deferred tax liabilities | 1,770 | 5,602 |
| - related to deferred tax assets | (42,777) | 99,611 |
| Derecognition of deferred tax assets and deferred tax liabilities relating to operations not subject to income tax (Delta West) ⁽ⁱ⁾ | 13,612 | (18,969) |
| Recognition of deferred tax balances not previously recognised | (675) | - |
| Income tax expense/(benefit) recognised in profit or loss | (13,931) | 44,217 |

⁽ⁱ⁾ NSW Treasury removed the operations of Delta West from the NTER effective from 1 July 2011. As a result, the Delta West operations are no longer subject to income tax. As at 1 July 2011, Delta Electricity derecognised deferred tax assets and deferred tax liabilities relating to the operations of Delta West.

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

| | Delta Electricity | |
|--|-------------------|-----------------|
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| 6. INCOME TAX (CONTINUED) | | |
| (a) Income Tax Expense (Continued) | | |
| <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)) | (2,273) | (5,873) |
| Net gain/(loss) on revaluation of property, plant and equipment (Note 20(b)) | 2,373 | (10,444) |
| Actuarial gain/(loss) recognised | 13,831 | (28,584) |
| Income tax expense/(benefit) recognised in other comprehensive income | 13,931 | (44,901) |
| 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 2013: | | |
| Accounting profit before tax | 72,154 | 39,386 |
| Income tax at statutory rate of 30% (2012: 30%) | 21,646 | 11,816 |
| Non deductible expense – entertainment | 2 | 5 |
| Profit attributable to operations not subject to income tax (Delta West) | (29,685) | (47,155) |
| Research and development | - | (58) |
| Impairment of Assets | 26 | - |
| Other | (218) | (315) |
| Reassessment of deferred tax asset ⁽ⁱ⁾ | (19,542) | 98,968 |
| Adjustments in respect of current income tax of previous years | 903 | (75) |
| Derecognition of deferred tax assets and deferred tax liabilities relating to operations not subject to income tax (Delta West) | (675) | (18,969) |
| Recognition of deferred tax balances not previously recognised | 13,612 | - |
| Income tax expense / (benefit) recognised in profit or loss | (13,931) | 44,217 |

⁽ⁱ⁾ Deferred tax assets of \$79,426,000 (2012: \$98,968,000) 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 (\$19,542,000) represents a reversal of deferred tax assets previously derecognised.

Notes to and Forming Part of the Financial Statements
For Year Ended 30 June 2013

| | Delta Electricity | |
|--|-------------------|---------------|
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| 6. INCOME TAX (CONTINUED) | | |
| (b) Deferred Income Tax | | |
| Deferred income tax as at 30 June 2013 relates to the following: | | |
| <u>Deferred Income Tax Liabilities</u> | | |
| <i>Statement of Financial Position</i> | | |
| Accelerated depreciation for tax purposes | (17,389) | (19,907) |
| Revaluations of property, plant and equipment | 12,026 | 23,201 |
| Inventory | (12,690) | 13,713 |
| Impairment of assets | (4,987) | - |
| Derivative instruments | (14,206) | 3,684 |
| Finance lease payable | (17,693) | 17,213 |
| Other items | (8) | 3 |
| Gross deferred income tax liabilities | (54,947) | 37,907 |
| <i>Profit or Loss</i> | | |
| Accelerated depreciation for tax purposes | 3,581 | 9,176 |
| Revaluations of property, plant and equipment | (1,023) | (12,725) |
| Inventory | 1,023 | 6,248 |
| Impairment of assets | (7,942) | - |
| Derivative instruments – fair value movement | 3,514 | 3,673 |
| Finance lease payable | (481) | (888) |
| Other items | (442) | 118 |
| Deferred income tax expense / (benefit) | (1,770) | 5,602 |
| <u>Deferred Income Tax Assets</u> | | |
| <i>Statement of Financial Position</i> | | |
| Employee benefits | 52,599 | 57,769 |
| Provisions (excluding employee benefits) | 23,664 | 5,933 |
| Derivative instruments | 749 | 8 |
| Finance lease payable | 28,283 | 29,160 |
| Tax losses | 27,122 | 41,952 |
| Other items | 1,956 | 2,053 |
| Reassessment of deferred tax asset | (79,426) | (98,968) |
| Gross deferred income tax assets | 54,947 | 37,907 |
| <i>Profit or Loss</i> | | |
| Employee benefits | 8,661 | (1,903) |
| Provisions (excluding employee benefits) | 17,731 | 2,944 |
| Derivative instruments – fair value movement | (2,185) | 167 |
| Finance lease payable | (877) | 795 |
| Other items | (95) | (1,360) |
| Reassessment of deferred tax asset | 19,542 | 98,968 |
| Deferred income tax expense / (benefit) | 42,777 | 99,611 |

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

| | Delta Electricity | |
|---------------------------------------|-------------------|----------------|
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| 7. CASH AND CASH EQUIVALENTS | | |
| Bank | 26,249 | 12,204 |
| Cash Management Funds | 251,380 | 221,399 |
| | 277,629 | 233,603 |
| 8. TRADE AND OTHER RECEIVABLES | | |
| (a) Current | | |
| Trade Debtors | 62,979 | 45,629 |
| Other Debtors | 10,235 | 55,826 |
| Finance Lease Receivables | - | 60,234 |
| Prepayments | 1,236 | 1,099 |
| | 74,450 | 162,788 |
| (b) Non-Current | | |
| Finance Lease Receivables | - | 338,516 |
| Other Debtors | 7,710 | 18,922 |
| Prepayments | 404 | 510 |
| | 8,114 | 357,948 |

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 include non-lease payments related to the Western Gentrader transaction. These payments are receivable by no later than 31 days after completion of the billing month. Finance lease receivables represents amounts due under finance leases associated with Mt Piper and Wallerawang power stations. As these balances are associated with Delta West operations they are disclosed as assets held for sale as at 30 June 2013 within Note 12. Further details on the finance lease receivables are presented in Note 23(b).

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 | 189 | 84 |
| Three to six months overdue | - | 49 |
| Later than six months overdue | - | - |
| | 189 | 133 |

Delta Electricity still considers that these amounts will be recoverable.

Notes to and Forming Part of the Financial Statements
For Year Ended 30 June 2013

| | Delta Electricity | |
|--|-------------------|---------------|
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| 9. INVENTORIES | | |
| Stores and Materials | 16,996 | 39,655 |
| Coal Stocks | 41,024 | 43,745 |
| Other Fuel Stocks | 1,276 | 1,965 |
| | 59,296 | 85,365 |
| 10. OTHER FINANCIAL ASSETS | | |
| (a) Current | | |
| Electricity Contracts – cash flow hedges | 563 | 2,303 |
| Electricity Contracts – held for trading | 13,081 | 28,356 |
| Other Derivatives – held for trading | - | 26 |
| Held to Maturity Investments | 35,776 | - |
| | 49,420 | 30,685 |
| (b) Non-Current | | |
| Electricity Contracts – cash flow hedges | - | 1,595 |
| Electricity Contracts – held for trading | 26,427 | 75,516 |
| | 26,427 | 77,111 |
| 11. OTHER CURRENT ASSETS | | |
| Green Certificates | 7 | 1,043 |
| Miscellaneous | 4,625 | 3,036 |
| | 4,632 | 4,079 |

Held to maturity investments represent funds invested to meet the outstanding Delta West carbon liability at reporting date. The amount invested represents the estimated Delta West carbon liability due to be paid on 1 February 2014. The funds are due to mature on 24 January 2014. Refer to Note 25 for further information on Other Financial Assets.

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

| Delta Electricity | |
|-------------------|--------|
| 2013 | 2012 |
| \$'000 | \$'000 |

12. ASSETS ATTRIBUTABLE TO DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

On 15 November 2012, the New South Wales Government issued an announcement outlining its plan to dispose of the New South Wales electricity generators, with Delta Electricity's Mt Piper and Wallerawang (Delta West) power stations included in the initial tranche of the sale. Delta Electricity's management is committed to the sale and negotiations relating to the disposal are currently in progress with the sale expected to be completed within the next 12 months.

As part of the NSW Government's plan to dispose of the NSW electricity generators, Delta's insurance provisions are expected to be transferred to the Electricity Assets Ministerial Holding Corporation and the Delta West employee defined benefit superannuation provisions are expected to be transferred to the SAS Trustee Corporation. These liabilities and associated operating costs and cashflows have been included in the disclosure below.

The results of the discontinued operations for the year are presented below:

| | | |
|---|-----------|-----------|
| Revenue | 547,768 | 563,418 |
| Expenses | (464,330) | (442,399) |
| Finance costs ⁽ⁱ⁾ | (469) | (486) |
| Profit/(Loss) from discontinued operation before income tax expense | 82,969 | 120,533 |
| Income Tax Benefit/(Expense) on Profit/(Loss) ⁽ⁱⁱ⁾ | - | - |
| Profit/(loss) for the year from discontinued operation | 82,969 | 120,533 |

⁽ⁱ⁾ Included within finance costs is the unwinding of the discount on insurance provision balances expected to be transferred to the Electricity Assets Ministerial Holding Corporation.

⁽ⁱⁱ⁾ In May 2011, NSW Treasury removed Delta West operations from the National Tax Equivalent Regime (NTER).

Subsequent to reporting date, the sale of Delta West was completed on 2 September 2013. Refer to Note 28.

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

| | Delta Electricity |
|---|-------------------|
| | 2013 |
| | \$'000 |
| 12. ASSETS ATTRIBUTABLE TO DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED) | |
| The major classes of assets and liabilities of the discontinued operations classified as held for sale as at 30 June 2013 are as follows: | |
| Assets | |
| Trade and other receivables ⁽ⁱ⁾ | 424,067 |
| Other financial assets | 16,118 |
| Inventories | 24,522 |
| Property, Plant and Equipment | 10,923 |
| Assets classified as held for sale | 475,630 |
| Liabilities | |
| Trade and other payables | 56,238 |
| Provisions ^{(ii), (iii)} | 80,347 |
| Other financial liabilities | 16,118 |
| Other liabilities | 156 |
| Liabilities classified as held for sale | 152,859 |
| Net assets directly associated with disposal group | 322,771 |
| Included in other comprehensive income: | |
| Asset revaluation reserve | 1,978 |
| Reserve classified as held for sale | 1,978 |

⁽ⁱ⁾ Includes receivables from EnergyAustralia relating to carbon cost recovery and the Gentrader arrangements.

⁽ⁱⁱ⁾ Includes insurance provision covering assessed dust disease (\$16,700,000) and employee and contractor related accident and injury (\$5,316,000) liabilities which will be transferred to the Electricity Assets Ministerial Holding Corporation. Actuarial reviews of these liabilities were carried out by PricewaterhouseCoopers and David A Zaman Pty Ltd respectively as at 30 June 2013.

⁽ⁱⁱⁱ⁾ Includes defined benefit superannuation liabilities (\$35,090,000) relating to Delta West employees. The defined benefit liability was calculated by an external actuary (Mercer) and the liabilities are expected to be transferred to the SAS Trustee Corporation in connection with the sale of Delta West.

| | Delta Electricity | |
|--|-------------------|--------|
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| The net cash flows incurred by discontinued operations are as follows: | | |
| Operating | 81,920 | 51,769 |
| Investing | - | 1,231 |
| Financing | - | - |
| Net cash inflow/(outflow) | 81,920 | 53,000 |

The following disclosure relates to the 2011/12 financial year.

(a) Mt Piper Development Site Sale

On 20 October 2011 Delta Electricity completed the sale of a small parcel of land within Mt Piper Power Station to EnergyAustralia Pty Ltd (formerly TRUenergy Pty Ltd). The land had a book value of \$120,000. \$1,099,000 in cash was received in consideration.

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

13. PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation by Asset Classes

| Year ended 30 June 2013 | Delta Electricity | | | | |
|---|-------------------|-------------------------------|--------------------------------------|-----------------------------|----------|
| | \$'000 | | | | |
| | Land | Non Power Station - Buildings | Power Stations - Plant and Equipment | Other - Plant and Equipment | Total |
| Carrying amount at 1 July 2012 | 44,912 | 202 | 690,672 | 9,241 | 745,027 |
| Additions | - | - | 13,537 | 2,092 | 15,629 |
| Revaluation ⁽ⁱ⁾ | (635) | - | 31,120 | - | 30,485 |
| Disposals/Write-offs | - | - | - | (1,193) | (1,193) |
| Depreciation Expense | - | (46) | (37,856) | (2,447) | (40,349) |
| Discontinued operations (Note 12) | (8,071) | - | - | (2,853) | (10,924) |
| Carrying amount at 30 June 2013 | 36,206 | 156 | 697,473 | 4,840 | 738,675 |
| At 1 July 2012 | | | | | |
| Gross carrying amount | 44,912 | 282 | 690,672 | 30,513 | 766,379 |
| Accumulated depreciation and impairment | - | (80) | - | (21,272) | (21,352) |
| Net carrying amount | 44,912 | 202 | 690,672 | 9,241 | 745,027 |
| At 30 June 2013 | | | | | |
| Gross carrying amount | 44,277 | 282 | 697,473 | 28,753 | 770,785 |
| Accumulated depreciation and impairment | - | (126) | - | (21,060) | (21,186) |
| Discontinued operations (Note 12) | (8,071) | - | - | (2,853) | (10,924) |
| Net carrying amount | 36,206 | 156 | 697,473 | 4,840 | 738,675 |

The above tables include work in progress for plant and equipment of \$9,777,000 (2012: \$15,341,000). The carrying amount of finance lease assets at 30 June 2013 was \$58,977,000 (2012: \$57,375,000).

⁽ⁱ⁾ On 30 June 2013, the fair value of land and power stations 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 \$31,120,000 (2012: \$59,574,000 decrement) to the value of Delta Electricity's Vales Point and Colongra power stations and a decrement of \$635,000 (2012: \$1,022,000 decrement) to the value of Land assets. Of the power station increment, \$23,298,000 was recognised in the Statement of Comprehensive Income as reversals of prior year impairments, while \$7,822,000 was recognised in the asset revaluation reserve. Of the Land decrement, \$547,000 was recognised in the Statement of Comprehensive Income, while \$88,000 was reversed against the asset revaluation reserve. 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 2013

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliation by Asset Classes (Continued)

| Year ended 30 June 2012 | Delta Electricity | | | | |
|---|-------------------|-------------------------------|--------------------------------------|-----------------------------|-------------|
| | \$'000 | | | | |
| | Land | Non Power Station – Buildings | Power Stations – Plant and Equipment | Other – Plant and Equipment | Total |
| Carrying amount at 1 July 2011 | 45,300 | 248 | 777,485 | 10,066 | 833,099 |
| Additions | 671 | - | 34,459 | 3,583 | 38,713 |
| Revaluation (ii) | (1,022) | - | (59,574) | - | (60,596) |
| Impairment (iii) | - | - | (17,940) | (32) | (17,972) |
| Disposals/Write-offs | (37) | - | - | (1,676) | (1,713) |
| Depreciation Expense | - | (46) | (43,758) | (2,700) | (46,504) |
| Carrying amount at 30 June 2012 | 44,912 | 202 | 690,672 | 9,241 | 745,027 |
| At 1 July 2011 | | | | | |
| Gross replacement cost | 45,300 | 282 | 4,851,168 | 31,341 | 4,928,091 |
| Accumulated depreciation | - | (34) | (3,862,068) | (21,275) | (3,883,377) |
| Accumulated impairment | - | - | (211,615) | - | (211,615) |
| Net carrying amount | 45,300 | 248 | 777,485 | 10,066 | 833,099 |
| At 30 June 2012 | | | | | |
| Gross carrying amount | 44,912 | 282 | 690,672 | 30,513 | 766,379 |
| Accumulated depreciation and impairment | - | (80) | - | (21,272) | (21,352) |
| Net carrying amount | 44,912 | 202 | 690,672 | 9,241 | 745,027 |

(ii) On 30 June 2012, the fair value of land and power stations 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 \$60,596,000 to the value of Delta Electricity's Land and the Central Coast power stations of Vales Point and Colongra. Following the revaluation, management is not aware of any further indicators of impairment that would require an impairment test to be carried out in accordance with AASB 116.

(iii) The impairment loss during the year of \$17,972,000 represents the write-down of the Munmorah Power Station to its recoverable amount. The impairment resulted from management's decision to indefinitely defer future operation of the Munmorah Power Station. The recoverable amount was based on value in use applying a pre-tax discount rate. \$17,695,000 of the total write-down is recognised in Other Comprehensive Income as a decrease in the Asset Revaluation Reserve. The remaining \$277,000 has been recognised in the Statement of Comprehensive Income under 'Expenses (excluding finance costs)'.

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

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

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliation by Asset Classes (Continued)

| | Delta Electricity | |
|--|-------------------|----------------|
| | 2013 \$'000 | 2012 \$'000 |
| Land | | |
| At cost | 10,303 | 10,303 |
| Total Land | 10,303 | 10,303 |
| Non Power Station - Buildings | | |
| At cost | 287 | 287 |
| Less: accumulated depreciation | (131) | (85) |
| Total Buildings | 156 | 202 |
| Plant and Equipment | | |
| Power Stations | | |
| At cost | 1,242,884 | 1,229,346 |
| Less: accumulated depreciation and impairment | (496,085) | (471,125) |
| Total Power Stations | 746,799 | 758,221 |
| Other Plant and Equipment | | |
| At cost | 26,795 | 28,555 |
| Less: accumulated depreciation and impairment | (19,102) | (19,314) |
| Total Other Plant and Equipment | 7,693 | 9,241 |
| Total Plant and Equipment | 754,492 | 767,462 |
| Total Written Down Value of Property, Plant and Equipment | 764,951 | 777,967 |

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

| Year Ended 30 June 2013 | Delta Electricity | |
|---|--------------------|-----------------|
| | Software \$'000 | Total \$'000 |
| 14. INTANGIBLE ASSETS | | |
| Carrying amount at 1 July 2012, net of accumulated amortisation | 3,859 | 3,859 |
| Additions | | |
| - from internal development | 260 | 260 |
| - acquired externally | 742 | 742 |
| Amortisation | (1,383) | (1,383) |
| Carrying amount at 30 June 2013 | 3,478 | 3,478 |
| At 1 July 2012 | | |
| Cost (gross carrying amount) | 18,385 | 18,385 |
| Accumulated amortisation | (14,526) | (14,526) |
| Net carrying amount | 3,859 | 3,859 |
| At 30 June 2013 | | |
| Cost (gross carrying amount) | 19,387 | 19,387 |
| Accumulated amortisation | (15,909) | (15,909) |
| Net carrying amount | 3,478 | 3,478 |
| Year Ended 30 June 2012 | | |
| Carrying amount at 1 July 2011, net of accumulated amortisation | 3,724 | 3,724 |
| Additions | | |
| - from internal development | 333 | 333 |
| - acquired externally | 1,124 | 1,124 |
| Amortisation | (1,322) | (1,322) |
| Carrying amount at 30 June 2012 | 3,859 | 3,859 |
| At 1 July 2011 | | |
| Cost (gross carrying amount) | 22,299 | 22,299 |
| Accumulated amortisation | (18,575) | (18,575) |
| Net carrying amount | 3,724 | 3,724 |
| At 30 June 2012 | | |
| Cost (gross carrying amount) | 18,385 | 18,385 |
| Accumulated amortisation | (14,526) | (14,526) |
| Net carrying amount | 3,859 | 3,859 |

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

| | Delta Electricity | |
|-------------------------------------|-------------------|----------------|
| | 2013 \$'000 | 2012 \$'000 |
| 15. TRADE AND OTHER PAYABLES | | |
| (a) Current | | |
| Trade Payables | 78,913 | 121,007 |
| Other Creditors | 12,222 | 12,457 |
| | 91,135 | 133,464 |

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 | 104,480 | 12,425 |
| Finance Lease Liabilities | 2,879 | 2,632 |
| | 107,359 | 15,057 |
| (b) Non-Current | | |
| NSW Treasury Corporation Loans | 620,412 | 746,225 |
| Finance Lease Liabilities | 91,210 | 94,089 |
| | 711,622 | 840,314 |

At reporting date, Delta Electricity had Executive Council approval to borrow up to \$1,830 million (2012: \$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 (2012: \$25,066,000).

Subsequent to reporting date, the short term loans and \$59 million of non-current loans were repaid following the completion of the Delta West sale. Refer to Note 28.

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

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

| | Delta Electricity | |
|--|-------------------|---------|
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| 17. PROVISIONS | | |
| (a) Current | | |
| Employee Benefits | 24,956 | 52,751 |
| Redundancy | 170 | - |
| Insurance | - | 1,901 |
| Carbon Emissions | 114,663 | - |
| | 139,789 | 54,652 |
| (b) Non-Current | | |
| Employee Benefits | 823 | 1,039 |
| Superannuation – Defined Benefit Schemes | 147,185 | 246,548 |
| Insurance | - | 11,037 |
| | 148,008 | 258,624 |

Actuarial reviews of the employee benefit provision were carried out by David A Zaman Pty Ltd as at 30 June 2013.

The insurance provision has been included in the value of liabilities included in discontinued operations (refer to Note 12).

In connection with the disposal of the NSW electricity generators, the Delta West employee defined benefit superannuation provisions are expected to be transferred to the SAS Trustee Corporation. The Delta West component of the defined benefit superannuation liability has consequently been included in the value of liabilities included in discontinued operations (refer to Note 12).

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

(c) Movements in Provisions

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

| | 2013 | | |
|-----------------------------------|-------------------------|------------------|----------------|
| | \$'000 | | |
| Current | Carbon Emissions | Insurance | Total |
| Carrying amount at start of year | - | 1,901 | 1,901 |
| Additional provision | 415,597 | 2,103 | 417,700 |
| Discount adjustment | 5,125 | - | 5,125 |
| Payments | (306,059) | (1,871) | (307,930) |
| Discontinued operations (Note 12) | - | (2,133) | (2,133) |
| Carrying amount at end of year | 114,663 | - | 114,663 |
| Non-Current | | Insurance | Total |
| Carrying amount at start of year | | 11,037 | 11,037 |
| Discount adjustment | | - | - |
| Adjustment to assessed liability | | 9,096 | (9,096) |
| Discontinued operations (Note 12) | | (20,133) | (20,133) |
| Carrying amount at end of year | | - | - |

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

| | Delta Electricity | |
|---|-------------------|---------------|
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| 18. OTHER FINANCIAL LIABILITIES | | |
| (a) Current | | |
| Electricity Contracts – cash flow hedges | 9,397 | 5,818 |
| Electricity Contracts – held for trading | 8,122 | 57,200 |
| Interest Rate Futures – held for trading | 308 | - |
| Forward Foreign Exchange Contracts – held for trading | - | 26 |
| Other ⁽ⁱ⁾ | 7,860 | 8,570 |
| | 25,687 | 71,614 |
| (b) Non-Current | | |
| Electricity Contracts – cash flow hedges | 853 | 1,087 |
| Electricity Contracts – held for trading | 13,438 | 52,251 |
| Other ⁽ⁱ⁾ | 17,030 | 19,610 |
| | 31,321 | 72,948 |

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

⁽ⁱ⁾ Other represents the estimated net present value of financial liabilities related to future contractual payments required to be made to the Sunshine Electricity Joint Venture and the NSW Sugar Milling Cooperative Ltd.

The liability to the Sunshine Electricity Joint Venture of \$24,890,000 (2012: \$28,180,000) represents payments to provide a minimum level of revenue to the Joint Venture under the Power Purchase Agreement.

| | | |
|------------------------------|------------|--------------|
| 19. OTHER LIABILITIES | | |
| (a) Current | | |
| Deferred Revenue – Grants | 87 | 482 |
| Amounts Received in Advance | 73 | 5,446 |
| Miscellaneous | 784 | 748 |
| | 944 | 6,676 |
| (b) Non-Current | | |
| Miscellaneous | - | 604 |
| | - | 604 |

The deferred revenue arises from funds received that will be used to offset expenses associated with the investigation of carbon capture and storage initiatives.

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

| | Delta Electricity | |
|-----------------------------------|-------------------|----------|
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| 20. EQUITY | | |
| (a) Contributed Equity | | |
| Balance at beginning of year | 586,305 | 625,376 |
| Shareholder Equity Contribution | - | 22,772 |
| Return of Capital to Shareholder | (53,440) | (61,843) |
| Contributed Equity at end of year | 532,865 | 586,305 |

During the 2012 year, NSW Treasury provided an equity contribution of \$22,772,000 as a reimbursement of tax payments in relation to the Delta West operations prior to its removal from the National Tax Equivalent Regime (NTER).

Delta Electricity and NSW Treasury have formally agreed that the principal proceeds arising under the Western Gentrader transactions will be repatriated to the Crown by way of capital return.

| | | |
|--|---------|---------|
| (b) Reserves | | |
| Asset Revaluation Reserve | 40,393 | 37,175 |
| Hedging Reserve | (7,149) | (1,846) |
| Asset Revaluation Reserve Attributable to Disposal Group Classified as Held For Sale (Note 12) | 1,978 | - |
| Reserves at end of year | 35,222 | 35,329 |

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 | 37,175 | 70,712 |
| Revaluation | 7,569 | (17,265) |
| Impairment | - | (17,695) |
| Tax Effect | (2,373) | 10,444 |
| Transfer to Retained Profits on Disposal | - | (9,021) |
| Asset Revaluation Reserve Attributable to Disposal Group Classified as Held For Sale (Note 12) | (1,978) | - |
| Asset Revaluation Reserve at end of year | 40,393 | 37,175 |

Hedging Reserve

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

| | | |
|--|----------|----------|
| Balance at beginning of year | (1,846) | 11,857 |
| Gains / (Losses) Recognised on Cash Flow Hedges: | | |
| Electricity Contracts | 37,676 | 58,617 |
| Tax Effect | (11,303) | (17,585) |
| Transferred to Profit or Loss | | |
| Electricity Contracts | (45,252) | (78,192) |
| Tax Effect | 13,576 | 23,457 |
| Hedging Reserve at end of year | (7,149) | (1,846) |

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

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

| | Delta Electricity | |
|---|-------------------|-----------|
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| 20. EQUITY (CONTINUED) | | |
| (c) Retained Profits | | |
| Balance at beginning of year | (366,486) | (196,781) |
| Superannuation actuarial gains/(losses) | 55,554 | (150,507) |
| Tax effect | (13,831) | 28,585 |
| Profit/(Loss) for the year | 86,085 | (4,831) |
| Dividends provided for or paid | (20,382) | (51,973) |
| Transfer from Asset Revaluation Reserve | - | 9,021 |
| Retained Profits at end of year | (259,060) | (366,486) |
| 21. EMPLOYEE BENEFITS AND SUPERANNUATION | | |
| (a) Employee Benefits | | |
| The aggregate employee benefit liability excluding superannuation is composed of: | | |
| Short-term Employee Benefits | 16,326 | 18,313 |
| Long-term Employee Benefits | 36,651 | 40,437 |
| | 52,977 | 58,750 |

Short-term employee benefits represent the amount expected to be settled within 12 months and includes 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.

(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.

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

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

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

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

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

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

21. EMPLOYEE BENEFITS AND SUPERANNUATION

(b) Superannuation – Defined Benefit Schemes

| | SASS \$'000 | SANCS \$'000 | SSS \$'000 | Delta Electricity | |
|---|----------------|-----------------|---------------|-------------------|----------|
| | | | | 2013 | 2012 |
| | | | | \$'000 | \$'000 |
| (ii) Reconciliation of the Present Value of the Defined Benefit Obligation | | | | | |
| Present value of partly funded defined benefit obligations at beginning of year | 144,020 | 24,956 | 376,546 | 545,522 | 406,806 |
| Current service cost | 2,977 | 1,008 | 2,250 | 6,235 | 5,573 |
| Interest cost | 4,285 | 728 | 11,392 | 16,405 | 21,058 |
| Contributions by fund participants | 1,766 | - | 1,926 | 3,692 | 3,844 |
| Actuarial (gains)/losses | (4,067) | (2,278) | (35,632) | (41,977) | 127,786 |
| Benefits paid | (13,790) | (4,165) | (4,607) | (22,562) | (19,545) |
| Present value of partly funded defined benefit obligations at end of year | 135,191 | 20,249 | 351,875 | 507,315 | 545,522 |

(iii) Reconciliation of the Fair Value of Fund Assets

| | | | | | |
|--|----------|---------|---------|----------|----------|
| Fair value of fund assets at beginning of year | 105,296 | 14,801 | 178,877 | 298,974 | 303,252 |
| Expected return on fund assets | 8,850 | 1,191 | 15,127 | 25,168 | 25,754 |
| Actuarial gains / (losses) | 3,616 | 879 | 9,082 | 13,577 | (22,721) |
| Employer contributions | 3,210 | 450 | 2,530 | 6,190 | 8,390 |
| Contributions by fund participants | 1,766 | - | 1,926 | 3,692 | 3,844 |
| Benefits paid | (13,790) | (4,165) | (4,607) | (22,562) | (19,545) |
| Fair value of fund assets at end of year | 108,948 | 13,156 | 202,935 | 325,039 | 298,974 |

(iv) Reconciliation of the Assets and Liabilities Recognised in the Statement of Financial Position

| | | | | | |
|---|-----------|----------|-----------|-----------|-----------|
| Present value of partly funded defined benefit obligations at end of year | 135,191 | 20,249 | 351,875 | 507,315 | 545,522 |
| Fair value of fund assets at end of year | (108,948) | (13,156) | (202,935) | (325,039) | (298,974) |
| Net Liability/(Asset) recognised in Statement of Financial Position at end of year ⁽¹⁾ | 26,243 | 7,093 | 148,940 | 182,276 | 246,548 |

⁽¹⁾ Included within the net liability is \$35,090,000 relating to the Delta West discontinued operation. Refer to Note 12.

(v) Expense/(Income) Recognised in Profit and Loss

| | | | | | |
|--|---------|---------|----------|----------|----------|
| Current service cost | 2,977 | 1,008 | 2,250 | 6,235 | 5,573 |
| Interest cost | 4,285 | 728 | 11,392 | 16,405 | 21,058 |
| Expected return on fund assets (net of expenses) | (8,850) | (1,191) | (15,127) | (25,168) | (25,754) |
| Expense/(income) recognised | (1,588) | 545 | (1,485) | (2,528) | 877 |

(vi) Amounts Recognised in Other Comprehensive Income

| | | | | | |
|--------------------------|---------|---------|----------|----------|---------|
| Actuarial (gains)/losses | (7,683) | (3,157) | (44,714) | (55,554) | 150,507 |
|--------------------------|---------|---------|----------|----------|---------|

The cumulative amount of actuarial losses recognised in the Statement of Changes in Equity since 1 July 2004 is \$200.7 million.

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

21. EMPLOYEE BENEFITS AND SUPERANNUATION (CONTINUED)

(b) Superannuation – Defined Benefit Schemes (Continued)

(vii) Fund Assets

The percentage invested in each asset class at reporting date:

| | Delta Electricity | |
|--------------------------------------|-------------------|-----------|
| | 2013 % | 2012 % |
| Australian equities | 30.4 | 28.0 |
| Overseas equities | 26.1 | 23.7 |
| Australian fixed interest securities | 6.9 | 4.9 |
| Overseas fixed interest securities | 2.2 | 2.4 |
| Property | 8.3 | 8.6 |
| Cash | 13.1 | 19.5 |
| Other | 13.0 | 12.9 |

| | SASS \$'000 | SANCS \$'000 | SSS \$'000 | 2013 \$'000 | 2012 \$'000 |
|--|----------------|-----------------|---------------|----------------|----------------|
| (viii) Actual Return on Fund Assets | | | | | |
| Actual return on fund assets | 16,786 | 2,070 | 30,694 | 49,550 | 287 |

(ix) Historical Information

Current Information

| | | | | | |
|---|-----------|----------|-----------|-----------|-----------|
| Present value of defined benefit obligation | 135,191 | 20,249 | 351,875 | 507,315 | 545,522 |
| Fair value of fund assets | (108,948) | (13,156) | (202,935) | (325,039) | (298,974) |
| (Surplus)/deficit in fund | 26,243 | 7,093 | 148,940 | 182,276 | 246,548 |
| Experience adjustments – fund liabilities | (4,067) | (2,278) | (35,632) | (41,977) | 127,786 |
| Experience adjustments – fund assets | (3,616) | (879) | (9,082) | (13,577) | 22,721 |

Prior Year Information

| | Delta Electricity | | |
|---|-------------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Present value of defined benefit obligation | 406,806 | 398,471 | 352,047 |
| Fair value of fund assets | (303,252) | (291,078) | (266,452) |
| (Surplus)/deficit in funds | 103,554 | 107,393 | 85,595 |
| Experience adjustments – fund liabilities | (453) | 31,086 | 47,355 |
| Experience adjustments – fund assets | 2,165 | (3,644) | 45,996 |

| | | | | Delta Electricity | |
|---|----------------|-----------------|---------------|-------------------|----------------|
| | SASS \$'000 | SANCS \$'000 | SSS \$'000 | 2013 \$'000 | 2012 \$'000 |
| (x) Expected Contributions | | | | | |
| Expected employer contributions to be paid in the next reporting period | 3,355 | 1,001 | 3,081 | 7,437 | 7,730 |

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

Valuation Method

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

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

21. EMPLOYEE BENEFITS AND SUPERANNUATION (CONTINUED)

(b) Superannuation – Defined Benefit Schemes (Continued)

Economic Assumptions

The principal economic assumptions are outlined in the below table:

| | 2013 %pa | 2012 %pa |
|---|-------------|-------------|
| Salary increase rate (excluding promotional increases)* | 2.3 | 2.5 |
| Rate of CPI Increase | 2.5 | 2.5 |
| Expected rate of return on assets | 8.6 | 8.6 |
| Discount rate | 3.8 | 3.1 |

*The salary increase rate assumes 2.3% in years 2014 and 2015, 2.0% in years 2016 to 2020 and 2.5% thereafter.

Demographic Assumptions

The demographic assumptions at 30 June 2013 are those that were used in the 2012 triennial actuarial valuation. The triennial report is available from the New South Wales Treasury website.

| | SASS \$'000 | SANCS \$'000 | SSS \$'000 | 2013 \$'000 | 2012 \$'000 |
|--|----------------|-----------------|---------------|----------------|----------------|
|--|----------------|-----------------|---------------|----------------|----------------|

(xii) Funding Arrangements for Employer Contributions

Surplus/Deficit

The following is a summary of the June 2013 financial position of the fund calculated in accordance with AAS 25 Financial Reporting by Superannuation Plans.

| | | | | | |
|---------------------------------|-----------|----------|-----------|-----------|-----------|
| Accrued benefits | 110,414 | 16,543 | 202,826 | 329,783 | 330,727 |
| Net market value of fund assets | (108,949) | (13,156) | (202,936) | (325,041) | (298,974) |
| Net (surplus)/deficit | 1,465 | 3,387 | (110) | 4,742 | 31,753 |

Contribution Recommendations

Recommended contribution rates for the entity are:

| | SASS | SANCS | SSS |
|------|----------------------------------|-----------------|----------------------------------|
| | multiple of member contributions | % member salary | multiple of member contributions |
| 2013 | 1.9 | 2.5 | 1.6 |
| 2012 | 1.9 | 2.5 | 1.6 |

Funding Method

Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Economic Assumptions

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

Weighted Average Assumptions

| | 2013 % pa | 2012 % 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 | 4.0 |
| Expected rate of CPI increase | 2.5 | 2.5 |

*The expected salary increase rate assumes 2.7% in years 2014 to 2019 and 4.0% thereafter.

(xiii) Nature of Asset/Liability

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

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

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

| Delta Electricity | |
|-------------------|--------|
| 2013 | 2012 |
| \$'000 | \$'000 |

22. CAPITAL EXPENDITURE COMMITMENTS

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 | 2,172 | 2,985 |
| Payable later than 1, not later than 5 years | 1,081 | 1,210 |
| Payable later than 5 years | - | - |
| | 3,253 | 4,195 |

Delta Electricity expects to receive input tax credits from the Australian Taxation Office totalling \$295,680 (2012: \$363,200) 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. LEASES

(a) Finance Lease - Lessee

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

| | Minimum Future Lease Payments | | Present Value of Minimum Future Lease Payments | |
|--|----------------------------------|----------------|---|----------------|
| | 2013 \$'000 | 2012 \$'000 | 2013 \$'000 | 2012 \$'000 |
| No later than 1 year | 11,213 | 11,213 | 2,879 | 2,632 |
| Later than 1 year and not later than 5 years | 44,852 | 44,852 | 14,473 | 13,234 |
| Later than 5 years | 119,506 | 130,719 | 76,737 | 80,855 |
| Minimum future lease payments* | 175,571 | 186,784 | 94,089 | 96,721 |
| Less future finance charges | (81,482) | (90,063) | - | - |
| Present value of minimum lease payments | 94,089 | 96,721 | 94,089 | 96,721 |
| Included in the financial statements as: (refer Note 16) | | | | |
| Current borrowings | | | 2,879 | 2,632 |
| Non-current borrowings | | | 91,210 | 94,089 |
| | | | 94,089 | 96,721 |

* Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

23. LEASES (CONTINUED)

(b) Finance Lease – Lessor

On 1 March 2011 Generation Trading Agreements were executed with EnergyAustralia Pty Ltd (formerly TRUenergy Pty Ltd) for Delta Electricity's Western power stations (Mt Piper and Wallerawang) for the remaining life of each power station. These power stations are now operated under a Gentrader model which is designed to allow the ownership of the power stations to be retained by Delta Electricity and the contractual rights to trade the electricity produced to be held by EnergyAustralia Pty Ltd. EnergyAustralia Pty Ltd has the right to trade the electricity produced by Mt Piper and Wallerawang into the wholesale electricity market. A number of electricity derivative contracts were also included in the transaction. EnergyAustralia Pty Ltd is exposed to market risk, fuel and water supplies and the risk of any carbon tax. In addition to annual lease payments, Delta Electricity receives monthly fixed and variable income to fund other operational expenditure of the power stations. The transaction has been recognised as a finance lease.

On disposal of Delta's Electricity's Western power station assets (currently disclosed as a discontinued operation), the finance lease receivables will no longer be an asset of Delta Electricity.

Information related to finance lease receivables is presented in the following table:

| | Minimum Future Lease Receivables | | Present Value of Minimum Future Lease Receivables | |
|--|-------------------------------------|----------------|--|----------------|
| | 2013 \$'000 | 2012 \$'000 | 2013 \$'000 | 2012 \$'000 |
| No later than 1 year | 63,784 | 73,822 | 52,048 | 60,234 |
| Later than 1 year and not later than 5 years | 179,413 | 207,650 | 129,971 | 150,387 |
| Later than five years | 218,164 | 253,711 | 162,365 | 188,129 |
| Minimum future lease payments receivables ⁽ⁱ⁾ | 461,361 | 535,183 | 344,384 | 398,750 |
| Less unearned finance income | (116,977) | (136,433) | - | - |
| Present value of minimum lease receivables | 344,384 | 398,750 | 344,384 | 398,750 |
| Included in the financial statements: ⁽ⁱⁱ⁾ | | | | |
| Current trade and other receivables | | | 52,048 | 60,234 |
| Non-current trade and other receivables | | | 292,336 | 338,516 |
| | | | 344,384 | 398,750 |

⁽ⁱ⁾ Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

⁽ⁱⁱ⁾ Refer to Note 12, disclosed within assets held for sale category.

| | Delta Electricity | |
|--|-------------------|----------------|
| | 2013 \$'000 | 2012 \$'000 |

(c) Operating Leases

Delta Electricity leases office accommodation under an operating lease expiring in April 2015. 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 | 1,451 | 1,294 |
| Payable later than 1, not later than 5 years | 1,258 | 782 |
| | 2,709 | 2,076 |

Delta Electricity expects to receive input tax credits from the Australian Taxation Office totalling \$246,260 (2012: \$188,770) for Goods and Services Tax paid for these commitments.

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Sale of Delta West

On 15 November 2012, the New South Wales Government issued an announcement outlining its plan to dispose of the New South Wales electricity generators, with Delta Electricity's Mt Piper and Wallerawang (Delta West) power stations included in the initial tranche of the sale. Negotiations in relation to the sale have reached an advanced stage.

In the event of a sale, Delta West staff transferring to the purchaser 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 million while the cost of the payout of leave entitlements will depend on the number of staff selecting this option.

Availability Liquidated Damages

Under the Generation Trading Agreements, Delta Electricity may be exposed to availability liquidated damages if Mt Piper and Wallerawang Power Stations do not meet future contracted availability targets over the contract period. Delta Electricity will be reimbursed by the New South Wales Crown for availability liquidated damages incurred less a deductible.

Carbon Tax Pass Through

Delta has contested the ability of a coal supplier to pass through carbon related costs under the term of a coal supply contract. Whilst Delta received a favourable outcome through an arbitration process, the coal supplier has appealed the decision in the Supreme Court of NSW.

Reimbursement under the State Owned Corporations Act 1989

Delta Electricity has made a claim on the New South Wales Government under section 20N of the State Owned Corporations Act 1989. The costs relate to directions made to Delta Electricity as part of the NSW Energy Reform process. NSW Treasury is working with Delta to validate the costs and the NSW Government has advised that further consideration of the matter will be referred to the advisers assisting in the sale of the NSW electricity generation assets. As such, it is not practicable to estimate how much of the claim will be successful.

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 has been deferred due to the pending sale of NSW generation assets.

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.

At reporting date, Delta Electricity had nil (2012: nil) forward foreign exchange contracts.

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

25. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk Management

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

New South Wales Treasury Corporation (TCorp) manages interest rate risk exposures applicable to specific borrowings of Delta Electricity in accordance with Board approved policies and a debt portfolio mandate agreed between the two parties. TCorp receives a fee for this service which may include a performance component where TCorp is able to add value by achieving a reduction in Delta Electricity's debt costs against an agreed benchmark. TCorp uses derivatives, primarily interest rate futures, to establish short term (tactical) and longer term (strategic) positions within agreed tolerance limits to manage portfolio duration and maturity profiles. At reporting date the carrying value of borrowings and derivatives (net of funds held at call) managed by TCorp stood at \$723,533,000 (2012: \$756,609,000).

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

| | 2013 \$'000 | 2012 \$'000 |
|-----------------------|----------------|----------------|
| Interest Rate Futures | | |
| Less than 1 year* | - | - |
| One to 5 years* | - | - |
| Greater than 5 years* | (56,200) | (58,200) |
| | (56,200) | (58,200) |

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

At reporting date, Delta Electricity had nil (2012: nil) interest rate swap contracts.

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 is 3.5% (2012: 4.7%), while weighted average interest exposure incorporating a government guarantee fee on financial liabilities is 8.3% (2012: 8.1%).

A 1.0% increase/(decrease) in interest rates would decrease/(increase) post tax profit by \$1,402,000 (2012: \$2,487,000). The sensitivity reflects management's view of the reasonably possible movement in interest rates as at balance date which is based on advice from Delta Electricity's debt management service provider. The sensitivity percentage is derived from historically based volatility information calculated over a ten year period. The sensitivity assumes that all other variables remain constant.

(f) Electricity Price Risk Management

Delta Electricity sells 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:

| | 2013 \$'000 | 2012 \$'000 |
|-----------------------|----------------|----------------|
| Less than 1 year* | (3,877) | (32,359) |
| One to 5 years* | 12,136 | 23,775 |
| Greater than 5 years* | - | - |
| | 8,259 | (8,584) |

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

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

25. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Electricity Price Risk Management (Continued)

Electricity derivative contracts are recognised in the Statement of Financial Position at fair value. The fair value of short to medium term electricity contracts is calculated by reference to observable market data where available supported by valuation techniques where appropriate. Fair value for long dated electricity contracts is calculated using valuation techniques based on a forecast electricity pool price model.

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

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

Management has assessed the possible changes in both forward and spot electricity prices over a financial year based on historical data and future expectations. If forward electricity prices had changed by plus or minus 10% for the year and with all other variables held constant, post tax profit would have increased/(decreased) by \$26,455,000 (2012: \$(2,893,000)) and equity (tax effected) by \$(22,062,000) (2012: \$(18,164,000)).

(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 78.3% (2012: 80.7%) and other debtors 21.7% (2012: 19.3%).

The majority of credit risk for the organisation is related to receivables related to the Western Gentrader finance leases (now included in the disposal group – refer Note 12), receivables from the sale of electricity supplied to the National Electricity Market (NEM) and derivative electricity contracts. The credit risk associated with the Western Gentrader finance leases is mitigated through a deposit with the Crown and Gentrader parent company guarantees. 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 \$124,200,000 (2012: \$118,100,000).

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 \$nil (2012: \$nil).

(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.

| | Delta Electricity | | | |
|------------------------------------|--------------------|-----------------------|---------------------|------------------|
| | Maturity Dates | | | Total |
| | < 1 year \$'000 | 1 – 5 years \$'000 | > 5 years \$'000 | \$'000 |
| 2013 | | | | |
| Financial Liabilities | | | | |
| Variable interest rate instruments | - | - | - | - |
| Fixed interest rate instruments | 150,424 | 529,660 | 380,732 | 1,060,816 |
| Non-interest bearing instruments | 92,339 | 22,284 | - | 114,623 |
| Derivative instruments | 21,820 | 15,210 | - | 37,030 |
| | 264,583 | 567,154 | 380,732 | 1,212,469 |
| 2012 | | | | |
| Financial Liabilities | | | | |
| Variable interest rate instruments | - | - | - | - |
| Fixed interest rate instruments | 83,408 | 633,515 | 427,301 | 1,144,224 |
| Non-interest bearing instruments | 141,557 | 25,020 | - | 166,577 |
| Derivative instruments | 72,310 | 32,396 | 28,619 | 133,325 |
| | 297,275 | 690,931 | 455,920 | 1,444,126 |

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

25. FINANCIAL INSTRUMENTS (CONTINUED)

(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 | |
|---|-----------------|----------------|----------------|----------------|
| | 2013 \$'000 | 2012 \$'000 | 2013 \$'000 | 2012 \$'000 |
| <i>Financial Liabilities</i> | | | | |
| Borrowings – NSW Treasury Corporation Loans | 724,892 | 758,650 | 783,791 | 845,236 |

Delta Electricity uses various methods in estimating the fair value of financial instruments 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.

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.

| | Delta Electricity | | | |
|---|-------------------|---------|---------|-------------------------|
| | Level 1 | Level 2 | Level 3 | 2013 \$'000 Total |
| Financial Assets | | | | |
| Cash Management Funds | - | 251,380 | - | 251,380 |
| Held to Maturity Investments | 35,776 | - | - | 35,776 |
| Derivative Instruments | | | | |
| Electricity Contracts – long term | - | - | 26,427 | 26,427 |
| Electricity Contracts – short/medium term | - | 561 | 13,081 | 13,642 |
| Total | 35,776 | 251,941 | 39,508 | 327,225 |
| Financial Liabilities | | | | |
| Derivative Instruments | | | | |
| Electricity Contracts – long term | - | 14,261 | 30 | 14,291 |
| Electricity Contracts – short/medium term | - | 17,502 | 17 | 17,519 |
| Total | - | 31,763 | 47 | 31,810 |

There were no transfers between Levels during the year.

| | Delta Electricity | | | |
|---|-------------------|---------|---------|-------------------------|
| | Level 1 | Level 2 | Level 3 | 2012 \$'000 Total |
| Financial Assets | | | | |
| Cash Management Funds | - | 221,399 | - | 221,399 |
| Derivative Instruments | | | | |
| Electricity Contracts – long term | - | - | 80,589 | 80,589 |
| Electricity Contracts – short/medium term | - | 27,182 | - | 27,182 |
| Other | 26 | - | - | 26 |
| Total | 26 | 248,581 | 80,589 | 329,196 |
| Financial Liabilities | | | | |
| Derivative Instruments | | | | |
| Electricity Contracts – long term | - | - | 35,217 | 35,217 |
| Electricity Contracts – short/medium term | - | 81,139 | - | 81,139 |
| Forward Foreign Exchange Contracts | 26 | - | - | 26 |
| Total | 26 | 81,139 | 35,217 | 116,382 |

There were no transfers between Levels during the year.

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

25. FINANCIAL INSTRUMENTS (CONTINUED)

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

The following table shows movements in Level 3 financial instruments during the year.

| | Delta Electricity | |
|---|-------------------|----------------|
| | 2013 \$'000 | 2012 \$'000 |
| Balance at beginning of year | 45,372 | 13,749 |
| Gains/(losses) recognised in profit or loss | (5,911) | 31,623 |
| Sales | - | - |
| Purchases | - | - |
| Transfers from other categories | - | - |
| Balance at end of year | 39,461 | 45,372 |

The following table shows the sensitivity of fair values of the long term derivative contracts to reasonable possible alternative assumptions as at 30 June 2013.

| | Reflected in Profit or (Loss) | |
|--|-------------------------------|-----------------------|
| | Change -10% \$'000 | Change +10% \$'000 |
| 2013 | | |
| Electricity Contracts - long term (NSW pool price) | (43,408) | 43,408 |
| 2012 | | |
| Electricity Contracts - long term (NSW pool price) | (49,419) | 49,419 |

(j) Total Debt Maturity Table

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

| | Delta Electricity | |
|--------------------------------|-------------------|----------------|
| | 2013 \$'000 | 2012 \$'000 |
| Up to 1 year | 104,480 | 37,491 |
| Over 1 and up to 2 years | 165,566 | 100,449 |
| Over 2 years and up to 5 years | 223,850 | 367,657 |
| Over 5 years | 230,996 | 253,053 |
| | 724,892 | 758,650 |

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.

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:

| | Delta Electricity | |
|---|-------------------|----------------|
| | 2013 \$'000 | 2012 \$'000 |
| Cash and Cash Equivalent Assets | 277,629 | 233,603 |
| Balance as per Statement of Cash Flows | 277,629 | 233,603 |

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

(c) Dividends and Taxes

No dividends were received during the period. Dividends paid by Delta Electricity during the period amounted to \$20.4 million (2012: \$52.0 million). The dividend payment of \$20.4 million (2012: \$23.6 million) 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 (2012: \$29.5 million). A tax refund of \$8.6 million was received during the year and related to the refund of tax payments made prior to the decision to withdraw Delta Electricity's Western operations from the National Tax Equivalent Regime (NTER) in May 2012.

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

26. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(d) Acquisitions and Disposal of Entities

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

(e) Financing Arrangements

| | Delta Electricity | |
|--------------------------------|-------------------|-----------|
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| Facilities Available | | |
| Bank Overdraft | 2,000 | 2,000 |
| NSW Treasury Corporation Loans | 1,830,000 | 1,830,000 |
| Total Available | 1,832,000 | 1,832,000 |
| Facilities Utilised | | |
| NSW Treasury Corporation Loans | 724,892 | 758,650 |
| Total Utilised | 724,892 | 758,650 |

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

| | 2013 | 2012 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Profit/(Loss) for the Year | 86,085 | (4,831) |
| Add/(Less): Non-Cash Items | | |
| Depreciation and Amortisation | 41,609 | 47,841 |
| Inventory Adjustments | 322 | 6,444 |
| Impairment and Write-Off / (reversal) of Tangible Assets | (22,741) | 43,651 |
| Impairment of Receivables/Bad Debts | 553 | 881 |
| Net Change in Hedge Reserve | (41,361) | (79,484) |
| Add/(Less): Items classified as Investing/Financing Activities | | |
| (Gain)/Loss on Sale of Property, Plant and Equipment | 276 | (1,089) |
| Accounting (Gain)/Loss on Debt Re-financing | (3,322) | 8,904 |
| Net Cash Provided by Operating Activities Before Changes in Assets and Liabilities | 61,421 | 22,317 |
| Net Changes in Assets and Liabilities During the Period | | |
| (Increase)/Decrease in Trade Debtors | (38,323) | (7,249) |
| (Increase)/Decrease in Other Receivables | (19,595) | (20,867) |
| (Increase)/Decrease in Inventories | 4,317 | (26,211) |
| (Increase)/Decrease in Other Assets | 85,878 | 220,797 |
| Increase/(Decrease) in Payables | 122,217 | (21,180) |
| Increase/(Decrease) in Income Tax Related Assets/Liabilities | (5,295) | 14,737 |
| Increase/(Decrease) in Other Liabilities | (77,407) | (141,287) |
| Net Cash Provided/(Used) by Operating Activities | 133,213 | 41,057 |

Notes to and Forming Part of the Financial Statements For Year Ended 30 June 2013

27. RELATED PARTY DISCLOSURES

(a) Directors and Director-Related Entities

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

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

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

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

The Directors of Delta Electricity at 30 June 2013 were Dr H Garnett, Mr G Everett, Mr S Turner, Mr J North and Ms C Feldmanis. Ms C Feldmanis was appointed a Director of Delta Electricity on 26 November 2012.

The Director of Delta Electricity Australia Pty Ltd at 30 June 2013 was Mr G Everett.

| | Delta Electricity | |
|--|-------------------|--------------|
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| (b) Key Management Personnel Remuneration | | |
| Short-term Employee Benefits | 3,766 | 4,158 |
| Post-employment Benefits | 306 | 326 |
| Other Long-term Benefits | 342 | 360 |
| Termination Benefits | 349 | - |
| Total | 4,763 | 4,844 |

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

No additional remuneration was paid to key management personnel or other officers in relation to Delta Electricity Australia Pty Ltd.

(c) Related Party Transactions

There were no related party transactions during the year (2012: nil).

28. EVENTS OCCURRING AFTER REPORTING DATE

On 25 July 2013, the New South Wales Government announced that an offer had been accepted from EnergyAustralia for the sale of the Mount Piper and Wallerawang (Delta West) power stations.

On 2 September 2013, the sale transaction was completed. Cash consideration of \$160 million subject to net working capital and net adjustments was received. The sale proceeds were used to repay short term loans and \$59 million of non-current borrowings with NSW Treasury Corporation.

On completion of the sale transaction, Delta West employees transferred to EnergyAustralia became entitled to transfer payments totalling approximately \$14 million.

The net assets and liabilities of the Delta West power stations have been disclosed as 'assets held for sale' in accordance with AASB 5 Non-Current Assets Held for Sale and Discontinued Operations. Refer Note 12.

(End of Audited Financial Statements)

Independent Auditor's Report

**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 2013, 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 2013, 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* (the PF&A Act) and the Public Finance and Audit Regulation 2010
- comply with International Financial Reporting Standards as disclosed in Note 2(a)

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

Directors' Responsibility for the Financial Statements

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

In Note 2(a), the directors also 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 the 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 Corporation'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 Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

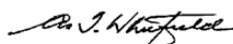
My opinion does *not* provide assurance:

- about the future viability of the Corporation
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its 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
Deputy Auditor-General

19 September 2013
SYDNEY

Statement by Members of the Board

Statement by Members of the Board

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

1. the accompanying Financial Report exhibits a true and fair view of the financial position of Delta Electricity as at 30 June 2013 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 BSM FTSE FAICD
CHAIR
19 September 2013



Greg Everett
CHIEF EXECUTIVE
19 September 2013

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Delta Electricity Farewell to Western Colleagues August 2013







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