

2010 - 2011
ANNUAL REPORT



ESSENTIAL

RELIABLE

ENERGY

FOR LIFE



**The Hon. Michael
Bruce Baird, MP**

Treasurer
Member of the NSW
Legislative Assembly
Level 36, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

**The Hon.
Greg Pearce MLC**

Member of the Legislative Council,
Minister for Finance and Services,
Minister for the Illawarra
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 of 1 July 2010 to 30 June 2011 as required under the *Annual Reports (Statutory Bodies) Act 1984*.

The Annual Report covers the activities of Delta Electricity for the year and contains the Statement of Accounts for the period ended 30 June 2011.

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

Yours faithfully

A handwritten signature in black ink, appearing to read "W. Z. Phillips".

Warren Phillips
Director

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

Greg Everett
Chief Executive

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Above: Beverley Taylor, Business Support Manager
and Charlene Rowe, Administration Officer

Vision: Generating performance through innovation.

Mission: To generate electricity safely, reliably and competitively while respecting our workmates, our customers, our community and the environment.

Delta Electricity is the largest capacity electricity generator in the National Electricity Market with an installed capacity of almost 5,000 megawatts. We produce electricity from coal, gas, water and biomass.

Formed in 1996, our generators produce around 12% of the electricity needed by consumers in the National Electricity Market, comprising all states and territories except Western Australia and the Northern Territory.

Delta Electricity participates in the National Electricity Market trading output from the power stations on the Central Coast. The output from Delta Electricity's western power stations is traded by TRUenergy.

Most of Delta's generation occurs at five power stations located in NSW. These are Mt Piper and Wallerawang near Lithgow, and Colongra, Vales Point and Munmorah on the Central Coast.

Delta Electricity operates under the *Energy Services Corporations Act 1995* and the *State Owned Corporations Act 1989*. As a Government Trading Enterprise, Delta prepares a Statement of Corporate Intent each year.

Delta Electricity's principal functions are to establish, maintain and operate facilities for the generation of electricity and other forms of energy; and to supply electricity and other forms of energy.

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

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

The National Electricity Market

The National Electricity Market (NEM) is the Australian wholesale electricity market and the associated electricity transmission grid.

The NEM began operation on 13 December 1998, and operations are currently based in five interconnected regions - Queensland, NSW, Tasmania, Victoria and South Australia.

The NEM operates one of the world's longest interconnected power systems between Port Douglas, Queensland and Port Lincoln, South Australia with an end-to-end distance of more than 4,000 kilometres. Over A\$11 billion of electricity is traded annually in the NEM to meet the demand of almost eight million end-use consumers.

The Australian Energy Market Operator (AEMO) was established to manage the NEM and gas markets from 1 July 2009.

AEMO's core functions are to manage the following:

- Electricity Market - Power System and Market Operator;
- Gas Markets Operator;
- National Transmission Planner;
- Transmission Services; and
- Energy Market Development.

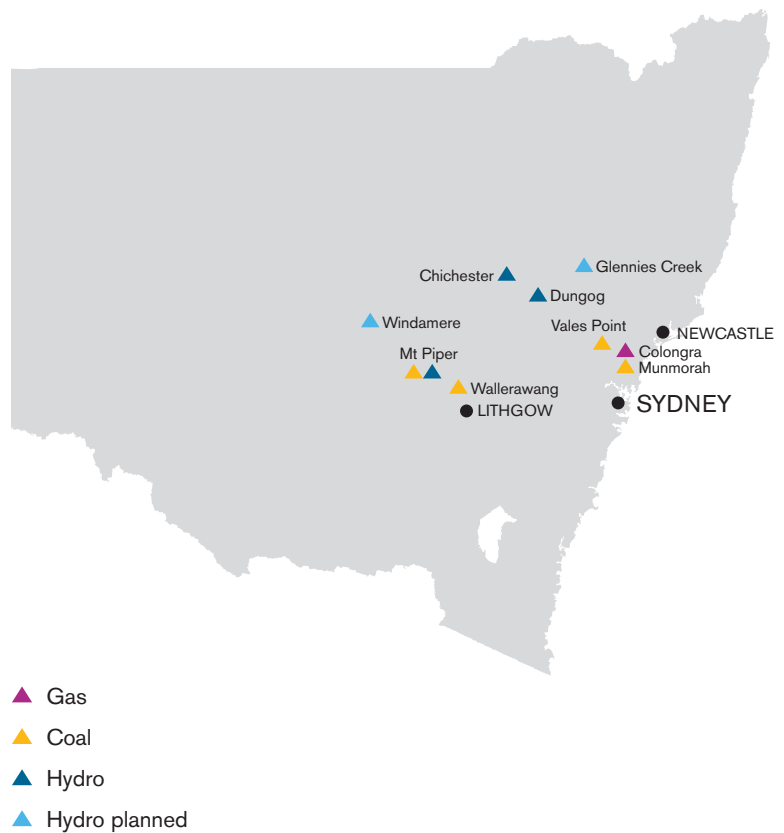
Western GenTrader Contract

In December 2010, the NSW Government directed Delta to enter into GenTrader contracts with TRUenergy.

Under these arrangements, TRUenergy buys the fuel and pays Delta for operating Mt Piper and Wallerawang, in return for receiving the benefit of selling all electricity from these sites.

The contracts are until 2028 for Wallerawang and 2042 for Mt Piper with possible earlier termination on 2018 and 2029 respectively should TRUenergy elect to do so.

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
Munmorah	300 MW	2	600 MW
			4,320 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			4,987.6 MW

In a year of significant external change and challenges, Delta Electricity has delivered an underlying net profit before tax of \$86.2 million, which was an improvement of 19% compared to the Statement of Corporate Intent 2010/2011 budget. The underlying net profit before tax excludes a \$166.7 million impact of accounting adjustments related to the GenTrader transaction (\$895m inclusive of balance sheet write-downs) and a \$156.4 million impairment of Central Coast asset values primarily related to the impact of the proposed carbon tax (\$318.4 million inclusive of balance sheet write-downs).

Energy reform

The NSW Energy Reform process commenced in early 2009, to undertake a range of activities including the sale of the seven power station development sites around NSW, contract the electricity trading rights of the nine State-owned power stations to the private sector (the "GenTrader model") and to maintain public ownership of existing power stations.

In December 2010, the NSW Government as part of this process transacted the Delta West GenTrader contract bundle that included the

output from Mt Piper and Wallerawang. Delta Electricity's Central Coast assets were not transacted. The Mt Piper Extension site and the Marulan development site were sold to TRUenergy and the Bamarang development site (near Nowra) was sold to Lumo Energy. The GenTrader contract for Delta Electricity's western assets of Mt Piper and Wallerawang commenced from 1 March 2011.

The GenTrader model allowed the ownership of the power stations to be retained by the NSW Government and the contractual rights to trade the electricity produced to be held by privately owned GenTraders.

Significant work was undertaken within Delta to develop new business models and processes, successfully delivering an integrated hybrid model of delivering and selling energy into the market from Central Coast stations whilst operating western stations for TRUenergy. Delta has instituted appropriate safeguards to ensure that the commercial information of both parties is protected, ensuring compliance with the Competition and Consumer Act.

Excellence in delivery

In this new environment, Delta has excelled in managing the performance of the whole organisation.

During 2011, Delta Electricity plant and people delivered new records. Mt Piper achieved its highest ever annual energy production and Wallerawang Power Station achieved record monthly production levels under dispatch by TRUenergy.

Equivalent Forced Outage Factor (EFOF) for the Delta portfolio was 1.94%, representing world class reliability and being the third year in a row of EFOF around 2%.

This year saw a record low number of lost time injuries with only five incidents. On the Central Coast, a new safety record for the number of injury free days was set at Munmorah Power Station.

During 2010, Colongra Power Station successfully demonstrated its "black start" capability. Colongra Power Station was engaged by AEMO as one of a number of generators to help bring the national electricity network back online in the event of a catastrophic event. Delta's annual "black start" demonstration was extremely successful, starting Munmorah and Vales Point units on separate occasions using Colongra Power Station in a real world situation.

“During 2011, Delta Electricity plant and people delivered new records. Mt Piper achieved its highest ever annual energy production and Wallerawang Power Station achieved record monthly production levels under dispatch by TRUenergy.”

Colongra Power Station was highly commended in the 2010 Engineering Excellence Awards. This award was judged in the project management category and the criterion was project or engineering work that achieves client requirement in harmony with environment, business and community considerations, while meeting time, cost and quality targets.

Challenges

Our challenges in adapting and restructuring the organisation to integrate the GenTrader model were also accompanied by challenges for other areas within Delta Electricity.

The Sunshine Electricity Joint Venture between Delta Electricity Australia and the NSW Sugar Milling Cooperative went into receivership in February 2011 due to fuel shortages and low Renewable Energy Certificate prices. This meant that the project, whilst valuable and significant in the development of renewables, became financially unviable.

Delta's objective of securing fuel supplies into the future led to the development of the Cobbora Coal Mine near Dunedoo. A subsidiary company, Mid West Primary, was involved in a joint venture with subsidiaries of Macquarie

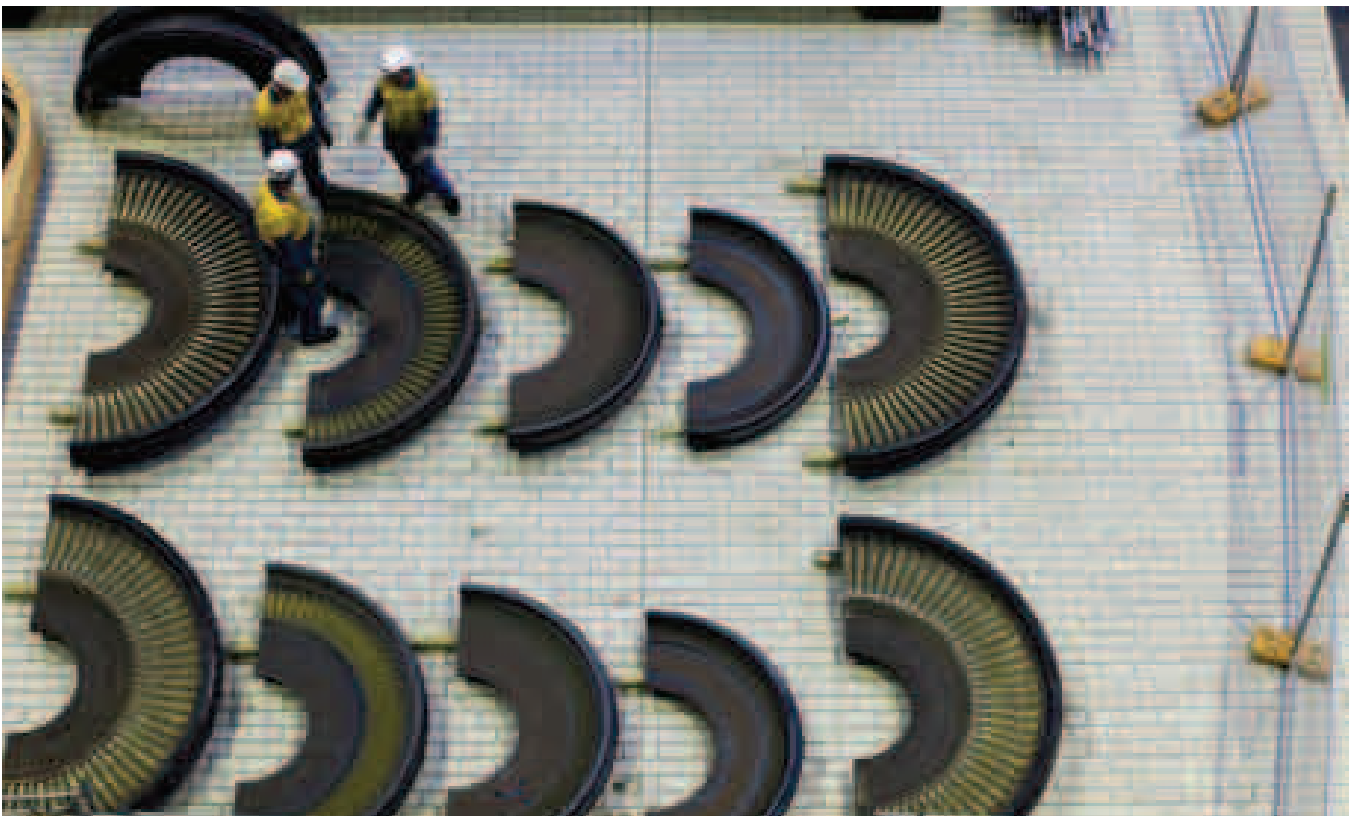
Generation and Eraring Energy to develop the project. These subsidiaries were sold to a new NSW Government company, Cobbora Holding Company Pty Limited, for managing the future supplies of coal as a part of the NSW Energy Reform process. Delta has signed a coal supply agreement with the new government entity for the supply of coal into Vales Point from 2015.

In May 2011, a NSW Special Commission of Inquiry into Electricity Transactions commenced, with powers to review the electricity transactions and to provide recommendations for electricity assets in NSW in the future. The final report is expected in late 2011.

Looking forward

Delta Electricity has a strong commitment to innovation and excellence across the business and this is demonstrated in a number of environment and sustainability areas. The Biomass Co-firing Project was further developed, with the continued monitoring of the 200,000 Mallee Eucalypts growing in western NSW. Investigations are underway into alternate sources of biomass. These activities demonstrate our commitment to innovation and taking a long-term approach to sustainability.

Below: Turbine diaphragms at Vales Point



The construction of a reverse osmosis plant at Wallerawang was completed in May 2011 along with a new pipeline to Mt Piper where the waste water is processed. The reverse osmosis plant has now moved towards drought proofing Wallerawang, reducing reliance on Fish River water supplies. It also halves the quantity of Wallerawang water discharged into the Cocks River.

The Carbon Capture and Storage project is continuing, with the pilot project being completed in 2010 and the commencement of the demonstration plant project. The CSIRO and Delta pilot plant successfully used ammonia as a capture chemical for CO₂, effectively broadening the suite of options available for the future large scale demonstration, which will also test CO₂ injection and storage in a suitable geological structure.

Delta received a Bronze award in the NSW Sustainability Advantage Program run by the Office of Environment and Heritage in our first year of participation. Our commitment to sustainability was shown by our practical application in areas such as staff engagement and resource efficiency.

Strength in people

The success that Delta Electricity has achieved in key areas was attained through its people. Management and staff together delivered a new enterprise award with no time lost in dispute. Negotiations were conducted in a spirit of cooperation throughout the process which achieved excellent outcomes.

Delta apprentices won a host of Central Coast and Western Awards with four awards for apprentice of the year in their categories. A significant achievement by a Delta apprentice, Sean Flanagan, was acknowledged when he won 2010 State Indigenous Apprentice of the Year.

Throughout the organisation, Delta people delivered to achieve excellent outcomes in production, marketing, plant, safety, environment, maintenance and administration.



Above: Anthony Callen, Sustainability Technologist

“The success that Delta Electricity has achieved in of key areas was attained through its people”

Significant changes in Board membership took place during the year. Despite these changes, strong governance practices were applied throughout the year.

It is with sadness that Delta notes the death of Jim Hennessy, Delta's previous Chief Executive for 15 years. Jim made a great contribution to the industry and his passing so early in retirement was a shock to all.

Future

Delta remains focused on the future – delivering reliable electricity to ensure essential supplies to communities and industry. Delta awaits the recommendations from the Special Commission of Inquiry into Electricity Transactions and is also preparing itself for operation with a future price on carbon.

Greg Everett
Chief Executive

Warren Phillips
Director

KEY PERFORMANCE INDICATORS

	Unit	10/11	09/10	08/09	07/08 ¹	06/07
Financial Statistics						
Total Sales Revenue ²	\$m	1,003.3	1,042.5	983.1	1,008.4	874.1
Earnings before Interest and Tax	\$m	(176.1)	189.7	146.4	212.1	244.9
Net Profit/(Loss) before Tax	\$m	(277.7)	78.4	100.7	169.3	201.0
Net Profit/(Loss) after Tax	\$m	(195.6)	55.8	75.3	113.7	139.9
Total Debt	\$m	849.6	1358.4	1302.4	776.2	660.3
Total Equity	\$m	511.2	906.6	999.6	897.0	215.6
Return on Assets (EBIT / Assets)	%	-8.1%	5.9%	4.5%	7.7%	7.6%
Return on Equity (NPAT / Equity)	%	-38.3%	6.2%	7.5%	12.7%	64.9%
Gearing (Debt / (Debt + Equity))	%	62.4%	60.0%	56.6%	46.4%	75.4%
Interest Cover (EBIT / Interest)	Times	-1.7	1.7	3.2	4.9	5.6
Debt:Equity (Debt / Equity)	%	166.2%	149.8%	130.4%	86.5%	306.2%
Current Ratio (CA / CL)	%	1.8	1.3	0.7	0.4	0.4
Operational Statistics						
Production	GWh	21,501	21,999	23,746	24,054	21,952
Equivalent Forced Outage Factor	%	1.9	2.2	2.4	7.1	9.0
Availability	%	91.4	92.0	86.8	77.3	75.5
Thermal Efficiency	%	34.9	34.6	34.6	35.0	35.2
Coal Stockpile Levels ³	\$m	23.1	93.4	81.8	69.8	61.5
Employee Statistics						
GWh/employee		32.0	30.6	32.1	33.1	30.8
Staff Numbers		671	719	741	726	713
Training Days/employee	Days/employee	4.9	5.1	6.4	5.8	7.1
Sick Leave Days/employee	Days/employee	12.3	10.8	12.0	10.8	9.4
Safety Frequency Rate	Frequency rate	3.7	4.1	4.8	4.9	5.6
Environmental Statistics						
Licence Breaches	Number	1	0	1	2	2

¹ Updated to reflect a change in accounting policy for the treatment of actuarial gains and losses associated with defined benefit superannuation schemes.

² Includes revenue from Western Gentrader Operations from 1 March 2011.

³ Excludes Western Gentrader coal stockpiles.

“We pride ourselves on our quality education for our children from K – 12. This great new food technology facility at the Portland Central School assists our local children to gain skills. Delta’s support for the Industry Links program also helps skill our kids for work and life.”

Neville Castle, Mayor of Lithgow,
Portland Central School Careers Advisor
and Industry Links Coordinator





Andrew Davies
Strategy and Development Manager
Delta Production

4

ECONOMIC PERFORMANCE

Production

Several records were set this year in production. Mt Piper recorded its highest total annual energy production of 10,584 GWh (on an as-generated basis). Both Mt Piper and Munmorah power stations achieved record reductions in lost time injury days, whilst Delta had its lowest ever level of five injuries.

Plant reliability is essential for sustained, competitive performance. Financially, the new contracting arrangement with TRUenergy provides further incentive due to loss of availability payments that can arise with unplanned outages. In this context, Delta Electricity delivered strong power station performances with Power Station Availability at 91.44%. There was excellent power station reliability with the Equivalent Forced Outage Factor at 1.94%. Colongra Power Station also had outstanding performance with availability of 99.95% and a start reliability of 97%.

Western Region

During 2010, Wallerawang Unit 8 completed a major upgrade outage. This upgrade included LP blade replacement, condenser replacement, boiler economiser replacement and a full removal of the cooling tower asbestos packing and replacement with new plastic packing. This latter task was completed in record time for a large parabolic cooling tower in Australia.

Delta constructed and commenced operating a new \$13 million reverse osmosis plant at Wallerawang and built a 10 km pipeline between Wallerawang Power Station and Mt Piper Power Station to transport the waste stream for

further processing in the brine concentrators. The reverse osmosis plant removes salt and trace elements from water used in electricity generation processes. This allows us to reduce our reliance on high quality water from the Fish River system and reduces discharges to the Cops River. This work forms part of the broader strategies to improve the water discharges from the Wallerawang Power Station.

In 2011, a series of new high voltage transformers were successfully installed at Wallerawang Power Station in preparation for Transgrid's change to the local transmission network, which includes changing the auxiliary station electricity supply to 132 kV.

Wallerawang Power Station improved its performance following major outages on each unit. Since these outages have been completed neither unit has incurred a boiler tube leak due to boiler erosion, and lost virtually no production due to condenser leaks. These issues have been the two biggest causes of lost availability in the previous five years and through these upgrades Delta Electricity has delivered improved performance.

The Production Group's focus on effective cost control has continued with all planned work being completed while plant performance was maintained. The costs were contained well below the original budget levels and savings continued on the completion of the capital upgrade works on Wallerawang Unit 8. The works were delivered on time and well below budget expectations, primarily due to innovative solutions in project delivery. The overall Western planned capital works program for the year was delivered and progress is well advanced on the major works flowing into the 2011/2012 year.

As a part of the transition to a new GenTrader business model, the Western Region underwent a restructure that combined the Delta Maintenance Western staff with the Production Group. Full consultation was undertaken that involved all affected employees with no resulting industrial action. The maintenance workforces converged into a single unit that focuses on routine and defect maintenance and maintenance of outage works and major projects. The western plant and workforce have responded positively to the significant change in operating mode under the GenTrader arrangements. The plant reliability has been excellent and only minimal loss of availability payments has been incurred under the contract.

Both Mt Piper and Munmorah power stations achieved record reductions in lost time injury days, whilst Delta had its lowest ever level of five injuries

Central Coast

A new generator transformer was successfully installed on Vales Point Unit 6 within the originally planned outage length. The new generator transformer will provide additional reliability and safety for Vales Point Unit 6 into the future.

Delta Electricity undertook a successful demonstration of a "black start" test at Colongra on the Central Coast in 2010. Colongra is the largest capacity gas generation plant in NSW. Any one of these turbines can be brought up to full capacity within 30 minutes at the click of a mouse. Delta provides this service to AEMO as one of several generators who are able to restart other generators during a supply disruption without an external supply of electricity. The demonstration confirmed that in the extreme event of a catastrophic failure of the electricity system, Colongra Power Station will be able to restart the Vales Point and Munmorah power stations. This capability greatly improves network security for NSW and reinforces confidence in Delta as a reliable electricity generator.

Until the late 1960s, Vales Point A-Station was the largest capacity generator in NSW, but due to subsequent surplus capacity was

Delta Electricity is committed to security for our power stations, ensuring safety for staff and the community and the continuation of reliable electricity to NSW

Below: Vales Point Power Station turbine outage works



decommissioned in 1989. Major components were removed in the 1990s. Arrangements for the final stage of demolition and removal of the A-Station have been completed and work will commence during 2011/2012. The project will involve the removal of the turbine house and foundations, four boilers, cladding, concrete and steelwork from the site. The material removed from the site will be reused and recycled where possible.

Munmorah Power Station is currently on three month standby and can be brought back into service if required by the market. This timeframe is necessary to complete essential works if the power station was required to generate electricity in the future. Munmorah currently has development consent for 700 MW of rehabilitated capacity (coal or coal/gas). The Munmorah site is being properly maintained in its standby role and environmental and safety risks are appropriately managed according to our environmental management plans, environmental licences, safety requirements, and obligations to the regulators.

Cooperation, Safety and Security

A cooperative approach between Delta Electricity and Unions NSW has ensured that there was no interruption to normal business activities or lost time due to industrial action. Part of this approach includes monthly meetings between union officials and senior management, and similar regular meetings between site management and union delegates.

To provide the highest standards of safety, a plant lock-out system is used throughout Delta to ensure equipment is isolated and remains that way during works. Since the introduction of this system there have been no incidents associated with incorrect isolations. This system with the application of locks is providing safe access for staff working on the plant. The consolidation of the new plant safety lock-out isolation system was finalised in 2010.

Delta Electricity is committed to security for our power stations, ensuring safety for staff and the community and the continuation of reliable electricity to NSW. Our sites have remained secure from potential threats throughout the year. Past investment in security infrastructure and the astute use of intelligence networks enabled the management of potential issues or threats. Past review of commercial arrangements and selection of skilled contractors have resulted in improved security results.

Below: Neil Bennett, Production Coordinator, Central Coast



Marketing

NSW Energy Reform and GenTrader

The NSW Energy Reform process commenced in early 2009 to:

- Sell the retail arms of the State-owned energy corporations
- Sell the seven power station development sites around NSW
- Contract the electricity trading rights (four bundles) of the nine State-owned power stations to the private sector (the "GenTrader model")
- Maintain public ownership of existing power stations
- Maintain public ownership of electricity transmission and distribution networks.

The GenTrader model is designed to allow the ownership of the power stations to be retained by the Government and the contractual rights to trade the electricity produced to be held by privately owned GenTraders. Each GenTrader has the right to trade the electricity into the wholesale market that is produced by the group of generating assets to which it is attached and is responsible for fuel purchasing and any future carbon permit obligations.

In December 2010, the NSW Government directed Delta to agree to sell the Delta West GenTrader contract bundle including the output from Mt Piper and Wallerawang and sell the Mt Piper Extension site and the Marulan development site to TRUenergy. In February 2011, Delta was directed to sell the Bamarang development site (near Nowra) to Lumo Energy.

In late February 2011, Delta completed the GenTrader sales as required under the NSW Government direction of December 2010. The Generation Trading Agreements (GTAs) are to 2042 for Mt Piper and to 2028 for Wallerawang, with early termination available to TRUenergy in 2029 and 2018 respectively. The GTAs provide for Delta to negotiate an extension if the GenTrader wishes to extend the agreement.

Delta continues to operate and maintain Mt Piper and Wallerawang power stations in compliance with all relevant laws, including the National Electricity Rules, and the GTAs. TRUenergy undertakes all National Electricity Market-related energy and ancillary services bidding and rebidding and Delta provides to TRUenergy all information to be able to make such bids and rebids.

TRUenergy controls the dispatch of Mt Piper and Wallerawang up to the total contracted capacity. Delta Electricity must provide the contracted supply to TRUenergy. The available capacity of each unit (MW), based on outage schedules, testing requirements and other scheduled outages, is advised to TRUenergy and specifies the total capacity that Delta has available to offer to TRUenergy for submission to the market. On the day-of-dispatch, Delta's real time availability may be adjusted by advice to TRUenergy.

Delta Electricity has no market risk in relation to operation of the Delta West power stations. However, if availability targets are not met, Delta must pay availability liquidated damages. These were paid in March 2011

relating to unavailability prior to the start of the contract, but excellent availability post March has resulted in no further payments.

Delta has established a GenTrader management group who are responsible for managing Delta's obligations under the GTAs. The management group's key objectives are to ensure compliance with the contracts and minimise the risks and costs related to the contracts.

Ensuring mutually beneficial relationships with TRUenergy is critical to the success of Delta under a GTA arrangement. Delta has developed a positive relationship with TRUenergy and looks forward to this continuing for the term of the GTA contracts.

The National Electricity Market

The National Electricity Market showed no sign of energy growth during the year and the average spot price in NSW was the lowest it has been in eight years. Despite the fall in wholesale electricity prices, retail prices increased substantially during 2010/2011. This is due to increased regulated network charges and the costs of green energy schemes. The average demand for electricity fell during the year due to a rise in the retail price and impact of the energy efficiency measures, including the popular Solar Bonus Scheme.

Delta has developed a positive relationship with TRUenergy and looks forward to this continuing for the term of the GTA contracts

*Below: Andrew Browne
Electrical Tradesman &
CEO Scholarship Recipient*



In the Energy Reform process, the Central Coast GenTrader assets were not sold. Delta Electricity has maintained the marketing function to trade the output of the Vales Point, Munmorah and Colongra power stations.

The separation of marketing and GenTrader functions within Delta Electricity has been successfully put in place.

The NSW Energy Reform process has resulted in a reduction of wholesale market buyer competition in NSW with the sale of the three State Owned retail businesses to existing retailers. The level of contract demand has fallen substantially with over 40% of generating capacity in NSW now controlled by retail businesses.

Proposed carbon tax


In early 2011, the Federal Government's Garnaut Climate Change Review - Update 2011 released a series of papers addressing developments across a range of subjects including climate change science and impacts, emissions trends, carbon pricing, technology, land and the electricity sector. A final report was released in May 2011 and the future proposal of a carbon tax price putting a price on carbon dioxide emissions from 2012 will have a profound impact on the electricity market and its participants. Market prices are expected to rise in line with the proposed carbon price, though not sufficiently for Delta to cover its carbon-related costs. This will lead to impairment of the Delta assets in the order of \$320 million.

Delta Electricity made a submission to the Federal Government on the proposed legislation, making numerous recommendations. Principally, Delta believes that there should be equitable compensation for all impaired generators rather than a select few. The submission will address how NSW residents will be discriminated against compared to residents of many other states under the carbon tax due to NSW public ownership of generation assets.

“ Wallerawang is a strong community with wonderful qualities; the community and Delta supports our cultural and arts activities as well as providing the reliable electricity I need to run the refrigerators, oven and coffee machine in the café. ”

Photographer and owner of the Old Wallerawang Railway Station Café Andrew Wilson.



A man, Wally Gaynor, is standing in an industrial setting, likely a water treatment plant. He is wearing a white hard hat with a logo, safety glasses, and an orange high-visibility vest over a grey long-sleeved shirt. He is holding a black folder or clipboard. To his left are large, dark vertical pipes with green labels that read 'BACKWASH'. The background shows more industrial equipment and a large, light-colored structure.

Wally Gaynor,
Delta Plant Specialist
at the new Wallerawang
Reverse Osmosis Plant

5

ENVIRONMENTAL PERFORMANCE

Environmental management

Delta Electricity is committed to managing the environment from our power generating activities and the land and water surrounding us. Delta continues to maintain an ISO 14001 accreditation and meets international standards for best practice environmental management systems.

Delta Electricity continues to comply with statutory requirements in the relevant legislation, regulations and licences issued by government authorities to ensure that our generation activities are sensitively managed and our environmental impacts minimised. These requirements cover a range of activities that are related to electricity generation and we also have stringent organisational targets to help reduce fuel and water use and manage air and water emissions.

Despite these systems and activities, Delta Electricity had one reportable licence non-compliance during the 2010/2011 year. A reportable licence non-compliance occurred at Wallerawang Power Station when pH levels exceeded the limit at the termination point of the Tortuous Watercourse. In response, Delta engaged external consultants to investigate the cause of the pH rise which was found to be due to natural causes. The Office of Environment and Heritage has amended the licence and increased the pH limit at the licensed discharge point in recognition of the naturally varying pH range of the watercourse.

Our second Greenhouse Emission Report was submitted this year. This is a requirement under the Australian Government's *National*

Delta continues to maintain an ISO 14001 accreditation and meets international standards for best practice environmental management systems

Greenhouse and Energy Reporting Act 2007. The national greenhouse and energy data for large scale greenhouse emitters and energy users is publicly available and published by the Department of Climate Change and Energy Efficiency.

Delta Electricity is compliant with the NSW Government's Waste Reduction and Purchasing Policy. Delta has implemented a Waste Reduction and Purchasing Policy for all employees and contractors at Delta Electricity, with requirements for the management of waste and purchase of materials at the facilities. This has proven very effective in the reduction of waste over the many years it has been in place.

Sustainable water management

Delta Electricity is firmly committed to sustainable water management practices and wherever possible explores alternative sources of water for the power stations to reduce the reliance on water from local rivers and local government water supplies.



Delta has implemented water quality and water savings initiatives across its power stations. The reverse osmosis plant at the Vales Point Power Station on the Central Coast continues to treat sewage waste to produce high quality recycled water for use in the demineralisation plant, further reducing the use of drinking quality water in energy generation at the power station. The total output in 2010/2011 from the Vales Point reverse osmosis plant was over 194 million litres.

In the western region, water is sourced primarily from Delta's own storages at Lake Wallace, Lake Lyell and Thompsons Creek Dam, from the Springvale and Angus Place Mines and the remainder from the Fish River supply from the Oberon Dam. The drought during the first decade of 2000 brought Delta storages and Oberon Dam to critically low points and constrained power generation. Subsequent rain has replenished inland water sources and by June 2011 Oberon Dam was at 54%. Delta's total Cocks River storage was at 75%. During the year, the NSW Office of Water reviewed water

sharing arrangements for the Fish River Water Supply Scheme, which affirmed the long-term availability of water for generation from this source.

The new arrangements (which approximate Delta's previous allocation from Oberon Dam and provides improved water supply from Duckmaloi Weir as an alternative) strengthen the ability of the Wallerawang and Mt Piper power stations to meet longer term electricity production requirements.

In 2011, a \$13 million reverse osmosis plant was constructed at Wallerawang Power Station. The plant became operational in May 2011 following completion of a waste water pipeline from Wallerawang Power Station to Mt Piper Power Station for treatment of waste water at the Mt Piper brine concentrators. The Wallerawang reverse osmosis plant allows treatment of up to 6 million litres of mine water per day for continued operation. The plant treats the salinity and trace elements in the cooling water discharges, reducing by 50% the total load discharged to the Cocks River.

This initiative and the \$12 million investment replacing Wallerawang condensers, utilising corrosion resistant materials and the establishment of new settling ponds to reduce suspended solids in water to the power station, will significantly reduce Wallerawang's environmental impact on the Cocks River.

Below: Geoff Grellman and Peter Griffiths, Delta Professional Officers at Lake Wallace



Low carbon research and development

Biomass

Delta Electricity continues research and development of new technology in biomass processing. Biomass is a renewable fuel that is carbon neutral with the potential to displace up to 20% of coal usage without impacting on the quality and continuity of electricity supply.

The Mallee Eucalypt trial that was successfully commenced in the Forbes region during 2009/2010 is ongoing and has been enthusiastically supported by farmers. The trial involved the planting of 200,000 Mallee Eucalypt seedlings across 10 farms and monitoring the propagation methods and survival rate of the seedlings. Results are showing effective plant productivity and the plants will continue to be monitored over the next four years until harvesting.

Following on from the completion of the on-site combustion trials at Wallerawang Power Station, computer assisted design modelling was conducted for modification of the Wallerawang mills so that biomass could be milled and then replace up to 20% of coal in the future.

During 2010/2011, Delta relocated the biomass site trials from Wallerawang to Vales Point Power Station to continue the trials using pyrolysis. Delta commenced operation of the pyrolysis (an advanced form of biomass drying) demonstration plant at Vales Point Power Station during 2010/2011. Delta is hosting the demonstration scale "torrefaction" facility in cooperation with technology developed by Crucible Carbon.

Delta continues to undertake commercial and feasibility studies into the options of continuing at Vales Point power station to achieve up to 20% electricity generation using biomass.

Carbon capture and storage

Delta Electricity continues to develop the carbon capture and storage technology program as an emission abatement option for fossil fuel-fired power stations. In conjunction with the CSIRO, the post-combustion carbon capture pilot plant experimental program at Munmorah Power Station made progress, achieving some significant milestones. The technology exceeded its targets for capture rate, carbon dioxide purity and sulphur removal. The program was completed at Munmorah in August 2010.

Data from the program will be used to inform the selection of technology for a large scale demonstration carbon capture and storage plant.

The development of a demonstration scale carbon capture facility was initiated in 2011. Funding of \$28.3 million was secured from the Federal Government, the NSW Government, and the Australian Coal Association for planning and approvals for a demonstration scale carbon capture and storage project.

An exploratory drilling program for geosequestration of CO₂ was completed at Munmorah and Vales Point power stations. The drilling is part of a State-wide program being undertaken by Industry and Investment NSW to assess the potential for the geological storage of carbon dioxide. The drilling indicated a low probability of geological storage potential on the Central Coast, with exploration activities now underway in north-western NSW.

Research programs to investigate ways of minimising water and energy consumption for post-combustion carbon capture technologies are progressing, with early indications of promising reductions.

Research sponsorship

Delta Electricity also supports research that will provide long-term benefits for the operation and maintenance of its existing generation fleet through membership of the Electric Power Research Institute, the Welding Technology Institute of Australia and the Co-operative Research Centre for Integrated Engineering Asset Management.

During 2010/2011, the Delta-sponsored Chair in Sustainable Energy Development at the University of Sydney, held by Professor Tony Vassallo, continued investigating renewable energy technologies, their development and grid integration, including energy storage. Delta believes successful development and integration of storage technologies are essential to achieve reliable, base-load, renewable generation.

Below: Adam Johannessen with a handful of Mallee Eucalyptus



People

Safety

Delta is committed to providing staff, contractors and visitors with a safe and healthy workplace without risk of injury. People can be confident and feel reassured that when they are on site they are in a safely managed environment. Delta has a positive safety culture where all employees actively participate in safety management.

This year Delta had a record low number of lost time injuries (5) and decreased our lost time injury frequency rate from 4.1 in 2009/2010 to 3.7 in 2010/2011. The reduction in the lost time injury frequency rate has been improving steadily over the past five years. Delta's Executive reviews all the findings and recommendations from incident investigations and checks that site safety processes are adequate.

Production safety at two sites achieved excellent results, reducing the number of lost time injury days. Munmorah Power Station has now achieved a record 918 days lost time injury free, and Colongra has maintained 578 days lost time injury-free since it opened in 2009.

Delta is actively improving the Occupational Health and Safety Management Systems, and during 2010/2011 undertook a review of all Safety Standards and improved the delivery of safety information to staff through use of the Delta intranet. Delta also focused on contractor safety and undertook extensive training in contract administration for Delta staff responsible for administering contractors on site. Additional focus has been put on communicating

This year Delta had a record low number of five lost time injuries and decreased our lost time injury frequency rate from 4.1 in 2009/2010 to 3.7 in 2010/2011.

Delta's expectations at all contract stages and managing compliance with all site safety plans.

In 2010/2011, a refresher package of the Delta behaviour-based safety system was undertaken to reinforce the behavioural principles of the system. The system, known as the Delta Zero Incident Process, or D-ZIP, is well embedded within the Delta Electricity culture. D-ZIP creates the opportunity to observe safe workplace behaviours and understand and share why those behaviours should be maintained and reinforced.

In 2010/2011, as in previous years, Delta welcomed new employees to the organisation with a new starter program, induction and communication activities. New employees are encouraged to become engaged with Delta's strong safety culture.

The 2010/2011 Health and Safety Audit was undertaken, covering all parts of the business. The audit schedule addressed high risk areas of the business including fire risk management, the Occupational Health and Safety Management System, contractor compliance and a gap analysis as part of the National Audit Tool for Self Insurers. In 2011, Delta was also successful in the WorkCover Self Insurance OHS Management System audit.

Skills for the future

Delta Electricity offered 18 apprenticeships during 2010/2011 in the Western and Central Coast regions. Of these offered, 12 apprentices were awarded a four-year apprenticeship opportunity. There were nine traineeships sponsored by Delta during 2010/2011, with three rigger traineeships and six administrative traineeships.

Delta has a workforce with a current average age of 48 years. To ensure Delta maintains the appropriate skill balance within the organisation it conducts regular reviews of workforce and succession planning requirements. This planning process provides the organisation with guidance for future skill requirements and the development of existing staff. This planning process allows for future recruitment needs to be considered, and enables Delta to manage the retention of key skills held by apprentices, graduates and professional staff.

Equal employment opportunity

Delta Electricity supports the principles of Equal Employment Opportunity (EEO) and acknowledges the benchmarks and targets set by the NSW Government. Delta Electricity has a low turnover of employees each year of around 6%.

The percentage of employees at Delta that are representative of the different EEO groups is outlined in Table 2 and is compared with the NSW Government's EEO benchmark targets. The table indicates a slight increase in most of the group areas apart from people with a disability. The distribution number of EEO groups across the organisation is outlined in Table 3 and shows a good distribution of groups compared with the benchmark. Delta Electricity ensures that our recruitment process is non-discriminatory. In addition, our policies and procedures include ongoing training provided to ensure a workplace free of harassment, discrimination and bullying. During 2010/2011, these procedures were reviewed and updated.

Multicultural policies and services program

Delta Electricity's Multicultural Policies & Services Program has been prepared in accordance with the NSW Government's White Paper, "Cultural Harmony The Next Decade 2002/2012" and with the associated amendments to the Community Relations Commission and Principles of Multiculturalism Act 2000.

Delta Electricity recognises the importance and benefits of cultural diversity to our organisation and to the community at large. Delta Electricity supports the NSW Government's multicultural initiatives and, through our Multicultural Policies & Services Program, will ensure that our business activities and policies support these initiatives.

Delta's Multicultural Policies and Services Program responsibilities are primarily focused on recruitment equity, use of plain English in documents and recognition of prior learning for applicants born overseas.

Table 2:
Trends in the representation of EEO Groups¹

% of total staff²

EEO group	Whole of government benchmark or target	2011	2010	2009	2008	2007
Women	50%	11%	10%	10%	9%	8%
Aboriginal people or Torres Strait Islanders	2.6%	1.5%	1.0%	0.9%	0.7%	0.6%
People whose first language was not English	19%	6%	6%	6%	6%	5%
People with a disability	N/A	5%	6%	6%	7%	8%
People with a disability requiring a work-related adjustment	1.5%	2%	2.5%	2.7%	3%	3.4%

Table 3:
Trends in the distribution of EEO Groups^{3,4}

distribution index³

EEO group	Whole of government benchmark or target	2011	2010	2009	2008	2007
Women	100	96	94	91	93	93
Aboriginal people or Torres Strait Islanders	100	N/A	N/A	N/A	N/A	N/A
People whose first language was not English	100	106	110	109	106	109
People with a disability	100	106	102	100	99	101
People with a disability requiring a work-related adjustment	100	N/A	N/A	N/A	N/A	93

Notes:

1. Staff numbers are as at 30 June 2011.
2. Excludes casual staff.
3. A distribution index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO groups tend to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases, the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The distribution index is automatically calculated by the software provided by the Officer of the Director of Equal Opportunity in Public Employment.
4. The distribution index is not calculated where EEO group or non-EEO group numbers are less than 20.



Affirmative action for the indigenous community

Delta is committed to improving employment and community outcomes for the indigenous community and dedicated two apprenticeship positions to applicants from an Aboriginal or Torres Strait Islander background. These opportunities were promoted with local indigenous networks. Our Central Coast training provider has an indigenous officer who works closely with Delta. This year Delta was successful in recruiting one indigenous apprentice who was offered an indentured four-year apprenticeship.

In addition, Delta has also provided financial support to the indigenous community, with a \$5,000 sponsorship of the official launch of National Aborigines and Islanders Day Observance Committee week, which involved a Health Expo Community Gathering at Gosford Showground. This event celebrates and recognises the indigenous community's

*Above: Jessica Groizard,
Apprentice Fitter of Central Coast*

Delta continues to encourage employment opportunities for women, particularly those in non-traditional roles.

achievements throughout the Central Coast. Delta has also provided a \$2,500 sponsorship through the University of Newcastle for an undergraduate with an Aboriginal or Torres Strait Island background studying on the Ourimbah campus.

Employing women

Of new employees engaged by Delta in 2010/2011, 37% were women. Delta continues to encourage employment opportunities for women, particularly those in non-traditional roles. This includes promoting apprenticeship and engineering opportunities at school information sessions and career days. An accelerated development program is run by Delta Electricity, mentoring the next level of management, with a 30% participation rate by women.

Below: Luke Hodge, Mechanic, Western Region



One of Delta's sustainability pillars is engagement with stakeholders, particularly our local communities close to our power stations.

Supporting people with a disability

Delta is committed to ensuring that equal opportunities exist for people with disabilities, enabling their maximum participation and contribution in the workforce. Our Disability Plan addresses three key result areas, these being employment, access and communication/reporting. During 2010/2011, our plan focused on Delta's internal recruitment processes, ensuring that opportunities are made to assist those with a disability in entering and maintaining employment. Delta has a commitment for making workplace adjustments to accommodate staff with specific needs.

Strategies for the future

Delta Electricity will monitor the implementation of the Multicultural Policies & Services Program and it will be reviewed on an annual basis so that we continue to meet the needs of staff, customers and the community from culturally diverse backgrounds.

At least one traineeship opportunity is to be offered to a person with a disability. This initiative will be facilitated by working with a specialist recruitment agency to identify suitable applicants.

Stakeholders and community

One of Delta's sustainability pillars is engagement with stakeholders, particularly our local communities close to our power stations.

Understanding our stakeholders

During late 2010, independent staff and external community and stakeholder surveys were undertaken. Community attitudinal surveys were undertaken to better understand the key issues of stakeholders in the area and their understanding and attitudes to the operations of Delta Electricity.

Principal findings included that communities surrounding Delta Electricity's power stations had a good understanding of Delta and its activities and generally regarded Delta's operations as either positive or neutral. The community and stakeholders recognised that Delta and its power stations provide an essential service in providing reliable electricity to the community and the state. An additional positive attribute identified that Delta contributed substantially to local employment and the employment and training of young people in the region.

A small number of those surveyed also identified areas of improvement such as increased consultation and communication, further reductions in emissions and a shift to low carbon forms of power generation.

Employee focus groups were also held to understand perceptions of employees across a range of key areas including communication, leadership, environmental performance and safety. These provided positive ideas to increase team cohesion, engage with the local communities and to have opportunities to share knowledge across the organisation.

The key messages from the surveys have been included in the Stakeholder and Community Engagement Plan 2011 – 2013. This plan has been developed to frame the corporate and regional responses to community and stakeholder engagement, media relations, issues management, sponsorship and employee engagement.

Engagement

Community and stakeholder engagement is undertaken through formal and structured channels and informal liaison through a number of local organisations. The Central Coast Community Access Regional Environment Forum and the Western Region Community Reference Group meet quarterly with senior Delta managers for briefings on operations and initiatives, to provide an opportunity to understand community concerns and issues and to find ways to improve outcomes and minimise impacts on the surrounding communities.

Delta Electricity has also undertaken and provided opportunities for briefings of local councils, local Chambers of Commerce, and NSW and Federal Members of Parliament. New NSW Members of Parliament were offered briefings and tours of Delta Electricity operations after the 2011 NSW elections. Many new Members of Parliament took up this offer, which provided a great opportunity to showcase Delta Electricity's operations, our initiatives and local commitments and also provided a basis for future stakeholder engagement.

As both a member of the community and a provider of critical NSW infrastructure, Delta has built strong relationships with local Police and Emergency Services and the Rural Fire Service. This ensures that Delta is able to



Above: 2010 Power Safety Games held at Vales Point Power Station

Delta Electricity has a long and proud history of supporting local communities in many ways.

support local activities and initiatives and participate in exercises to improve local and regional responses to a potential crisis.

In September 2010, Delta Electricity hosted the Power Industry and Fire Safety Games, which offer a highly competitive program for industry employees, providing an excellent opportunity to build on their fire, safety and first aid skills. Fifteen teams from across the power station industry competed in the annual games, which provide realistic industry - specific scenarios that allow teams to gain confidence and expertise.

Corporate support and sponsorship

Delta Electricity has a long and proud history of supporting local communities in many ways. One of the ways that Delta provides this support is through our sponsorship and donations programs. Each region has up to \$200,000 each year for sponsorships, donations and partnerships to assist in a range of community activities.

Delta Electricity's Western Region sponsorships and donations go to a wide range of community, education and training, environmental, arts and cultural events and local economic

Below: Vanishing Point by Angela Griffiths



development. Sponsorship support for the Australian EcoSystems Foundation has assisted the endangered Brush Tailed Rock Wallaby breeding program in the local Lithgow area. Delta also supported the Barton Park Giant Trees Arboretum, a 40 acre plus site donated by Delta Electricity along the east side of Lake Wallace in Wallerawang. Of great pride to the region is our involvement in education initiatives at the primary, secondary and post-school level to engage with young people and provide opportunities and pathways to employment in the region. Arts and cultural activities also feature strongly in Delta's sponsorship program, including the Portland Art Prize and IronFest – Lithgow's newest festival, as well as a host of other activities.

In the Central Coast and Lake Macquarie communities, Delta Electricity has strong links to many community initiatives. During 2010/2011, sponsorship and donation recipients included environmental projects through Landcare, local economic initiatives and Chamber of Commerce Business Awards, Rotary and Lions Club events, Tidy Towns and breakfast celebrations on Australia Day. Other local initiatives include support for Lifesaving

Delta Electricity has a long and proud history of supporting local communities in many ways.

and Surf Clubs, coastal patrols, search and rescue services and the Rural Fire Service.

Newly supported initiatives include the new Delta Sculpture Award, won by Angela Griffiths for *Vanishing Point* at the Kooindah Sculpture Prize Exhibition.

Delta Electricity also supports the Art Gallery of NSW with a two year sponsorship from 2010 to 2012 supporting high quality exhibitions.

Delta provided dollar-for-dollar matching donations for a range of fundraising activities during the year. This year, Delta staff across the organisation supported Australia's Biggest Morning Tea with matching dollar-for-dollar donations.

Eleven Delta staff also participated in the 2010 City to Surf run, with our nominated charity being Heart Kids NSW. The total raised by the runners of over \$4,000 was matched dollar-for-dollar by Delta, with a total of over \$8,000 raised.

Delta Electricity has a strong commitment to education both in the energy sector and in the local communities surrounding our power stations. The Energy Expo at Mt Piper Power

Station is open to visitors every day of the year. It showcases electricity with displays, models, exhibits, printed materials and photographs, touch screens and videos to give the visitor information on how electricity is produced and distributed, and its history in the region. The exhibition materials also showcase sustainability and renewable energy sources and developments. Guided tours of the Mt Piper Power Station are held daily. Primary schools are also provided with curriculum support on electricity, and Delta provides presentations and tours to high schools, universities and overseas delegations. Over 5,500 people visited the Energy Expo and toured Mt Piper during 2010/2011 from 91 schools and 61 other overseas and local groups, with numerous other individuals visiting the centre daily.

Delta Electricity provides a range of industry-based and general scholarships in the regions including a PhD Scholarship in Chemical Engineering at the University of Sydney, three University of Newcastle general scholarships, one indigenous scholarship and two Technical and Further Education scholarships at the Ourimbah campus. In the Western Region, Delta has supported three scholarships, four

cadetships and a textbook scholarship with the University of Wollongong, and one Charles Sturt University scholarship open to students from Lithgow and the surrounding region.

Delta has substantially invested in community infrastructure, providing access to the community for a range of sporting, cultural and community opportunities, including Koala Park at Munmorah (regularly used for a range of festivals and activities), Mt Piper Tennis Courts and Barbecue Area, Delta Park – home of the Lithgow Rangers, Tom Barney Oval at Vales Point and community access at the Delta Electricity Wallerawang Sports and Social Club Hall. Thompsons Creek Dam is on Delta land, and a partnership with Fisheries NSW stocks the dam for excellent fishing. Non-powered boating activities take place on Lake Wallace near Wallerawang and power boating and camping activities are managed on Delta Electricity land surrounding Lake Lyell.

Delta has substantially invested in community infrastructure, providing access to the community for a range of sporting, cultural and community opportunities

Below: Overseas students with Steven Roy, Production Officer on a tour of Mt Piper Power Station



“ Delta has been involved with Camp Breakaway since day one. Delta provides Camp Breakaway with an ideally situated, quiet 25 acres at San Remo. With the support of Delta we have been able to enhance the lives of people with disabilities with a fantastic holiday and provide their families and carers with some respite. ”

**Dawn Caplin, General Manager of Camp
Breakaway in San Remo on the Central Coast.**

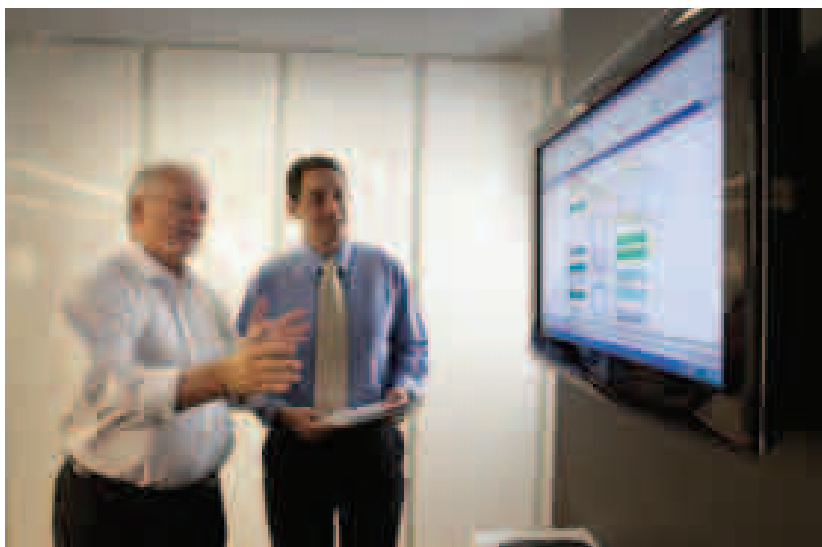


John Foster
Gas Turbine Officer
Delta Electricity



7

GOVERNANCE



Above: Garry Johnson, Legal and Compliance Manager and Bruce Cameron, Manager Sales and Trading

Directions

In 2010/2011, Delta Electricity's Board received directions from the NSW Government, under the State Owned Corporations Act, which Delta was legally obligated to implement. These are tabled below.

The structure and composition of the Board

Appointment of Directors to the Board is governed by the State Owned Corporations Act 1989, the Energy Services Corporations Act 1995 and the Constitution. The Board of Delta Electricity is composed as follows:

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

Table 4: NSW Government Directions

Date	Direction summary	Applicable section of State Owned Corporations Act
20/8/10	Implement the requirements of the NSW Local Jobs First Plan.	200
6/11/10	Disclose copies of Delta Electricity's current contracts with Hydro Aluminium Kurri Kurri (together with all related contracts including agreements with EnergyAustralia) to bidders for the Delta West bundle as part of the Energy Reform Project by providing this information to the State's legal advisers to the Project, Baker & McKenzie, for release to bidders on a strictly confidential basis.	20N(1)
14/12/10	Enter into the Delta West GenTrader documents and the site sale agreements for the Marulan and Mt Piper Extension development sites.	20N(1)
27/1/11	Vary and maintain existing contracts of employment of retained award employees to include terms and conditions that protect retained award employees during the employment guarantee period.	20N(1)
27/1/11	Vary and maintain existing contracts of employment of retained contract employees to include terms and conditions that protect retained contract employees during the employment guarantee period.	20N(1)
11/2/11	Enter into the site sale agreement for the Bamarang development site.	20N(1)
23/2/11	Request from the Chairman of the NSW Energy Reform Steering Committee to enter into the GenTrader and Development Site Transaction Documents.	N/A
Note: While not a direction, the letter drew its authority from the directions of 14 December 2010 and 11 February 2011.		
25/2/11	Enter into the Cobbora coal arrangements including Coal Sale and Rail Spur Access Agreements and sell the shares in Mid West Primary Pty Ltd to Cobbora Holding Company Pty Limited.	20N(1)

Below: Greg Everett, Delta Chief Executive

The Directors in office as at 30 June 2011 are:

Table 5: Current Directors

Mr Warren Phillips

FCPA, FCIS, DipCom

Director

Mr Phillips was first appointed on 1 March 2000 and subsequently reappointed for a period ending 31 August 2012.

Mr Steve Turner

Director

Mr Turner was appointed on 3 March 2011 for a period ending 2 March 2014.

Mr Greg Everett

BCom, MBA, GAICD

Chief Executive and Director

Mr Everett was appointed Chief Executive and Director on 17 July 2010.



During the year, the following people ceased their appointment as a member of Delta Electricity's Board:

Table 6: Past Directors

Name	Position	Date first appointed	Date ceased appointment
Mr Peter Young, AM	Chairman and Director	01/06/2004	11/08/2010 (resigned)
Mr Loftus Harris	Director	01/10/2007	14/12/2010 (resigned)
	Chairman	21/10/2010	14/12/2010 (resigned)
Ms Sandra Moait	Director	18/09/2002	14/12/2010 (resigned)
Mr Michael Knight, AO	Director	20/03/2006	14/12/2010 (resigned)
Mr Paul Forward	Director	20/03/2006	14/12/2010 (resigned)
Mr John Dermody	Chairman and Director	14/12/2010	05/05/2011 (resigned)
Mr Kim Yeadon	Director	14/12/2010	05/05/2011 (resigned)
Mr Mick Lilley	Director	15/12/2010	12/12/2011 (removed)
Mr Jim Henness	Chief Executive and Director	01/03/1996	17/07/2010 (retired)

Meetings of the Board

The Board of Delta Electricity schedules monthly meetings and follows meeting guidelines set down to ensure that all Directors are made aware of, and have available to them, all necessary information to participate in an informed discussion of all agenda items. Meetings are held either in the corporate office or at one of Delta Electricity's power stations, where the Board reviews and inspects the operations of the business. The attendance of Directors at these meetings is shown over the page. Committees of the Board meet quarterly or as required.

The Board also meets on an as required basis, typically where there are urgent and important matters that require attention before the next scheduled meeting. There were 23 such meetings in 2010/2011.

Several urgent but less important matters were dealt with by circulating resolution.

Board committees

Three Board committees were in operation during the course of the year:

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

The terms of reference for each Board committee were reviewed and approved by the Board in May 2010. The Board committees and their functions are listed below.

Board Audit Committee

The purpose of the committee is to provide a forum for communications between the Board, senior management and both the internal and external auditors. It also ensures the integrity of the internal audit function and that management

practices and systems support the effective operation of Delta Electricity's risk management strategies, business continuity and fraud control plan. The committee further reviews the adequacy of Delta Electricity's short and long-term finance and risk management strategies.

Membership

Warren Phillips (Convenor)
(until further Board appointments are made)

Board Environment, Occupational Health and Safety Committee

The primary objective of the committee is to assist the Board in discharging its responsibilities relating to compliance with environmental and occupational health and safety policies and legislation.

Membership

Steve Turner (Convenor) and Greg Everett

Table 7: Scheduled Director meetings

	Board Meetings		Board Remuneration and Staff Committee Meetings		Board Audit Committee Meetings		Board Environment, Occupational Health and Safety Committee Meetings	
	A (refer to Note 1)	B (refer to Note 1)	A (refer to Note 1)	B (refer to Note 1)	A (refer to Notes 1 & 3)	B (refer to Notes 1 & 3)	A (refer to Note 1)	B (refer to Note 1)
Mr P Young	1	1	1	1				
Mr W Phillips	12	12	2	2	5	5		
Ms S Moait	5	5	3	3			2	2
Mr M Knight	5	5			4	4		
Mr P Forward	5	5			4	4	2	2
Mr L Harris	5	5	3	3				
Mr J Henness	1	1						
Mr G Everett	11	11					3	3
Mr J Dermody	5	5	2	2				
Mr K Yeadon	5	5					1	1
Mr M Lilley	5	5			1	1		
Mr S Turner (refer to Note 2)	4	3					1	1

Note 1: Column A is the number of meetings that a Director was entitled to attend. Column B is the number of those meetings attended.

Note 2: Mr Turner was appointed on 3 March 2011. However, the advice of his appointment was not received by Delta Electricity until 28 March 2011 and, therefore, both Mr Turner and Delta Electricity were unaware of this on 17 March 2011, when a scheduled Board meeting occurred.

Note 3: Due to the resignations and removal of Directors, the Board Audit Committee was unable to conduct its scheduled June 2011 meeting and the Committee's matters were considered by the full Board.

Board Remuneration and Staff Committee

The primary objectives of the committee are to:

- provide advice to the Board on remuneration and associated issues;
- enhance the independence and objectivity of Board decisions on sensitive commercial and personal issues related to the executive managers of the corporation;
- enable corporate business strategies and plans and remuneration strategy and policy to be effectively linked;
- review processes and controls relating to Delta Electricity's remuneration strategy, policy and practices in relation to legal and taxation requirements, corporation reporting obligations and overall corporation policy and direction.

Membership

Warren Phillips (until further Board appointments are made)

Managing risks

Delta Electricity's Risk Management Plan conforms to the Australian Standard AS/ NZS ISO 31000:2009 Risk Management – Principles and Guidelines. The plan is structured to provide Delta Electricity and its employees with policy direction and a framework for identification, assessment and reporting of risk.

Delta Electricity's corporate risk management software supports a hierarchical framework which allows employees to identify, register, assess and monitor risks and the effectiveness of controls. Control mitigation measures are reviewed on an annual basis for validity and effectiveness. Delta Electricity has recently concluded a full review of all risks and impacts associated with the transition and implementation of the GenTrader arrangement for the Western power stations. Key risks (operational and strategic) are reviewed and reported monthly at business unit level and reported quarterly to Delta Electricity's Board.

As part of Delta Electricity's annual insurance renewal program, reviews and valuations of risk exposures are undertaken. Presentations are made to insurance providers that assess risk exposures, risk management practices and progress in implementing recommendations of annual loss prevention surveys conducted

Delta Electricity's corporate risk management software supports a hierarchical framework which allows employees to identify, register, assess and monitor risks and the effectiveness of controls.

at power station sites. Delta Electricity is cooperatively engaged with its insurance providers to reduce risk exposures for key operating plant and equipment.

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

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

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

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

Each year, an internal audit plan is prepared by internal audit and submitted to the Board Audit Committee for approval. The plan is based on a risk assessment of Delta's business operations and discussion with management.

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

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

Executive management team

Greg Everett,

BCom MBA, GAICD

Chief Executive

Ray Madden

BA (Hons), MBus,

Grad Dip App Corp Gov,

GAICD, ACIS

Corporate Secretary

Richard Street

BEc, CA, MBA, GAICD

Chief Financial Officer

John Bund

BEc (Hons)

General Manager/Human Resources

Anthony Callan

BEng, MBA

General Manager/Marketing

David Hogg

BE, GAICD

General Manager/Fuel and Environment

Rodney Ward

BEng (Hons), MBA, FAICD, CPA, FFTP

General Manager/Gentrader

Chris Horner

BE (Mech), Marine Eng. Cert, CP Eng, GAICD

General Manager/Delta Maintenance

Stephen Saladine

BE (Hons)

General Manager/Production

Glenn Sharrock

BSc, GCofM, GAICD

General Manager/Central Coast

Luke Welfare

BE (Elect), MEM

General Manager/Western

Executive committees oversee the implementation of strategic and operational decisions approved by the Board and the day-to-day operation of the business. Table 8 lists those committees and their membership.

Table 8: Executive committees

Name	Title	A	B	C	D	E	F	G	H
Mr G Everett	Chief Executive	X	X	X	X	X	X	X	X
Mr R Madden	Corporate Secretary	X		X		X			
Mr R Street	Chief Financial Officer	X		X		X	X	X	X
Mr J Bund	General Manager/ Human Resources	X		X		X	X		
Mr A Callan	General Manager/Marketing	X		X	X	X			
Mr D Hogg	General Manager/Fuel and Environment	X	X	X	X	X			
Mr R Ward	General Manager/Gentrader	X		X		X			X
Mr C Horner	General Manager/ Delta Maintenance	X		X		X	X		
Mr S Saladine	General Manager/Production	X	X	X	X	X	X	X	X
Mr G Sharrock	General Manager/ Central Coast	X	X	X	X	X	X		
Mr L Welfare	General Manager/Western	X	X	X		X	X		X
Mr J Della Bosca	Occupational Health and Safety Manager						X		
Mr B Corderoy	Manager, Environment		X						
Mr J Riley	Chief Information Officer					X			
Ms C Bower	Deloitte Touche Tohmatsu			X					

(A) Executive Management Committee

(B) Executive Environment Committee

(C) Executive Audit Committee

(D) Market Strategy Steering Committee

(E) Information Technology Steering Committee

(F) Executive Safety Committee

(G) Executive Project Evaluation Committee

(H) Delta West Operational Committee

Performance and numbers of executives

The performance related payments listed in Table 9 were made soon after the end of the 2009/2010 financial year. They were accrued into that year's accounts. The 2009/2010 performance payments were based on one or more of the following:

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

Table 9: Executive remuneration

Name	Position held as at 30 June 2011	Fixed remuneration (base + statutory super)	Fixed additional non-statutory superannuation	Total performance related payment	Total retention payment	Total Remuneration	Individual performance criteria
Greg Everett	Chief Executive	\$437,126	\$10,162	\$86,100	Nil	\$533,388	Assessment of performance by the Board against corporate performance indicators, including Delta Electricity's profit and plant performance and maintenance of effective external relationships.
Stephen Saladine	General Manager Production	\$326,403	\$7,928	\$85,068	Nil	\$419,399	Business unit financial management and plant performance and assessment against other agreed performance targets.
Rod Ward	General Manager Gentrader	\$275,096	\$7,813	\$62,672	\$67,923	\$413,504	GenTrader implementation and administration and assessment against other agreed performance targets.
Anthony Callan	General Manager Marketing	\$260,993	\$7,223	\$59,660	\$64,688	\$392,564	Development and management of the marketing strategy to ensure optimal mix of contract and spot exposure and assessment against other agreed performance targets.
Richard Street	Chief Financial Officer	\$287,365	\$7,077	\$81,522	Nil	\$375,964	Corporate financial management and assessment against other agreed performance targets.
David Hogg	General Manager Fuel & Environment	\$259,324	\$5,701	\$53,523	Nil	\$318,548	Development and management of Delta's fuel needs to ensure a cost effective and reliable fuel supply and assessment against other agreed performance targets.
Chris Horner	General Manager Delta Maintenance	\$248,591	\$5,877	\$60,314	Nil	\$314,782	Management of Business unit operations, supervision of Delta's biomass project and assessment against other agreed performance targets.
Glenn Sharrock	General Manager Central Coast	\$243,069	\$5,571	\$58,417	Nil	\$307,057	Management of Central Coast power station operations (financial & plant) and assessment against other agreed performance targets.

Table 10: Number of executive officers

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 2011.	34	1
<i>Note: 30 June 2011 figures include discretionary bonus payments and non-statutory superannuation made to staff.</i>		
Number of executive officers with remuneration equal to or exceeding equivalent of Senior Executive Service Level 1 as at 30 June 2010.	38	1
<i>Note: The numbers previously reported to June 2010 (35) have been amended here to include discretionary bonus payments and non-statutory superannuation made to staff.</i>		

Annual reporting compliance

Delta Electricity is required to report on a range of matters which are covered by various Acts, including the Annual Reports (*Statutory Bodies*) Act 1984, Regulations and Treasury and Premier's memoranda. The following information is provided in accordance with these requirements.

Exemption from the reporting provisions

Approval was given by the 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
- 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
- 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 2010/2011, expenditure on consultants totalled \$3.06 million. The main purposes of these engagements were for environmental assessment services, feasibility studies, finance, accounting and management services.

Below: Video conferencing facilities across Delta sites help teams work effectively



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.

Overseas visits

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

Information access under the GIPA Act

Delta Electricity complies with its obligations to release information under the GIPA Act and publishes relevant information on its website including a publications guide and policy document.

One access application for information was received by Delta Electricity under the terms of the *Government Information (Public Access) Act 2009 (GIPA Act)* in 2010/2011. Access to information was wholly refused by Delta Electricity due to the overriding public interest against disclosure. The Office of the Information Commissioner's recommendation is pending regarding the applicant's request to review its application.

Cost of Annual Report

The cost of producing this Annual Report was \$17,350. The report is also available on CD or online at www.de.com.au

Report available online at:

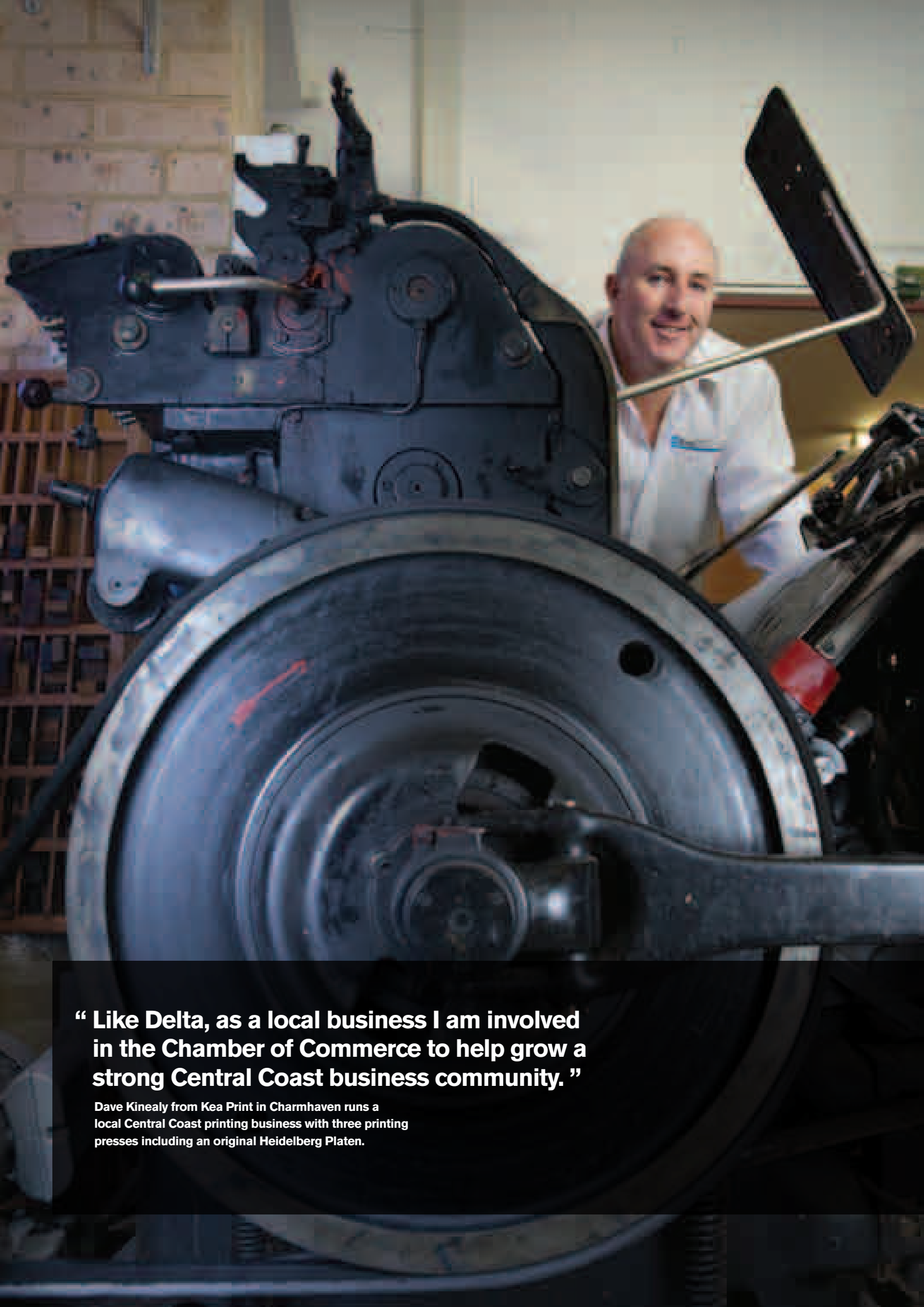
WWW.DE.COM.AU

Table 11: Overseas visits

Name	Date of travel	Purpose of travel
Jim Henness	1 July 2010 – 11 July 2010	Signed a Heads of Agreement in Norway with Hydro Aluminium.
Peter Young	1 July 2010 – 12 July 2010	Signed a Heads of Agreement in Norway with Hydro Aluminium.
John Barben	30 October 2010 – 5 November 2010	Attended the Gas Turbine Users Conference in Switzerland and Germany.
Glenn Sharrock	12 February 2011 – 19 February 2011	Visited the Scottish Power Plant in Scotland and the Dong Energy Plant in Denmark, and attended the 5th Annual Carbon Capture Conference in the United Kingdom.
Anthony Callen	15 February 2011 – 3 March 2011	Attended the Carbon Capture and Sequestration Conference and the UK Trade and Investment Carbon Capture Sequestration Multi-Country Inward Mission in the United Kingdom, and visited Carbon Capture Plants in Germany and Norway. (refer to Note 1)
Emre Cetin	15 May 2011 – 20 May 2011	Attended the Post Carbon Capture Conference in United Arab Emirates. (refer to Note 2)
Chris Horner	1 March 2011 – 3 March 2011	Glenbrook Power Station, Auckland to quote on maintenance work.
Neil Walker	1 March 2011 – 3 March 2011	Glenbrook Power Station, Auckland to quote on maintenance work.
John Hawker	4 May 2011 – 25 May 2011	Visit to Sappi Kraft Paper Mill in South Africa. Subcontracted to Toshiba, which paid all expenses for flights and accommodation.

Note 1: Two thirds of the cost of the overseas visit was paid by the Carbon Capture and Demonstration Project funders (i.e. the Commonwealth Government, the NSW Government and the Australian Coal Association). Delta Electricity paid the remaining one third of the cost of the overseas visit.

Note 2: Fully paid for by the Carbon Capture and Demonstration Project funders (i.e. the Commonwealth Government, the NSW Government and the Australian Coal Association).



“ Like Delta, as a local business I am involved in the Chamber of Commerce to help grow a strong Central Coast business community. ”

Dave Kinealy from Kea Print in Charminghaven runs a local Central Coast printing business with three printing presses including an original Heidelberg Platen.



Kerrie Davis
Greenhouse Data
and Energy Officer
Delta Electricity

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FINANCIAL REPORTS 2011

DELTA ELECTRICITY

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STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	Consolidated		Parent Entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current Assets					
Cash and Cash Equivalents	7	237,771	87,360	237,771	87,360
Trade and Other Receivables	8(a)	199,939	104,779	199,939	104,829
Inventories	9	67,496	141,426	67,496	141,426
Other Financial Assets	10(a)	61,112	63,396	61,112	63,396
Other	11	3,962	5,721	3,962	6,570
Assets Attributable to Disposal Group Classified as Held For Sale	12	120	31,449	120	-
Total Current Assets		570,400	434,131	570,400	403,581
Non-Current Assets					
Receivables	8(b)	403,075	11,166	403,075	11,166
Other Financial Assets	10(b)	203,882	25,518	203,882	25,518
Investments in Subsidiaries	13	-	-	-	38,362
Property, Plant and Equipment	15	833,099	2,555,412	833,099	2,554,545
Intangible Assets	16	3,724	3,826	3,724	3,826
Deferred Tax Assets	6(b)	154,838	100,251	154,838	100,251
Total Non-Current Assets		1,598,618	2,696,173	1,598,618	2,733,668
Total Assets		2,169,018	3,130,304	2,169,018	3,137,249
Current Liabilities					
Trade and Other Payables	17(a)	174,112	151,636	174,112	155,779
Borrowings	18(a)	5,344	4,776	5,344	4,776
Income Tax Payable		25,770	11,913	25,770	12,167
Provisions	19(a)	50,206	88,513	50,206	88,513
Other Financial Liabilities	20(a)	56,089	21,128	56,089	21,128
Other	21(a)	5,914	781	5,914	781
Total Current Liabilities		317,435	278,747	317,435	283,144
Non-Current Liabilities					
Trade and Other Payables	17(b)	8,909	-	8,909	-
Borrowings	18(b)	844,216	1,285,618	844,216	1,285,618
Deferred Tax Liabilities	6(b)	150,596	525,255	150,596	525,255
Provisions	19(b)	113,597	117,676	113,597	117,676
Other Financial Liabilities	20(b)	222,205	15,223	222,205	15,223
Other	21(b)	896	1,139	896	1,139
Total Non-Current Liabilities		1,340,419	1,944,911	1,340,419	1,944,911
Total Liabilities		1,657,854	2,223,658	1,657,854	2,228,055
Net Assets		511,164	906,646	511,164	909,194
Equity					
Contributed Equity	22(a)	625,376	175,376	625,376	175,376
Reserves	22(b)	82,569	731,270	82,569	731,270
Retained Profits	22(c)	(196,781)	-	(196,781)	2,548
Total Equity		511,164	906,646	511,164	909,194

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

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STATEMENT OF
COMPREHENSIVE
INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated		Parent Entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Continuing Operations					
Revenue	3	1,109,473	1,042,270	1,109,772	1,043,549
Expenses, excluding finance costs	4	(1,293,599)	(818,137)	(1,297,410)	(876,170)
Finance Costs	5	(96,898)	(103,722)	(96,898)	(103,722)
Profit/(Loss) from Continuing Operations before Financial Instrument Fair Value Movements and Income Tax Expense		(281,024)	120,411	(284,536)	63,657
Income Tax Benefit/(Expense) on Profit/(Loss)	6(a)	80,926	(33,655)	83,379	(33,910)
Profit/(Loss) from Continuing Operations before Financial Instrument Fair Value Movements		(200,098)	86,756	(201,157)	29,747
Financial Instrument Fair Value Movements		4,324	20,035	4,324	20,035
Income Tax Expense on Financial Instrument Fair Value Movements	6(a)	(1,297)	(6,011)	(1,297)	(6,011)
Profit/(Loss) from Continuing Operations after Income Tax		(197,071)	100,780	(198,130)	43,771
Discontinued Operations					
Gain/(Loss) from Discontinued Operations after Income Tax	12	1,488	(44,963)	-	-
Profit/(Loss) for the Year		(195,583)	55,817	(198,130)	43,771
Other Comprehensive Income					
Gain/(Loss) on Cash Flow Hedges Taken to Equity	22	77,921	51,640	77,921	53,646
Cash Flow Hedges Transferred to Statement of Financial Position/ Statement of Comprehensive Income	22	(149,937)	(34,476)	(149,937)	(38,264)
Actuarial Gain/(Loss) on Defined Benefit Superannuation Plans	22	(1,712)	(27,442)	(1,712)	(27,442)
Gain/(Loss) on Revaluation of Property, Plant and Equipment	22	(854,700)	(150,000)	(854,700)	(150,000)
Income Tax on Items of Other Comprehensive Income	22	278,528	48,084	278,528	48,618
Other Comprehensive Income for the Year, Net of Tax		(649,900)	(112,194)	(649,900)	(113,442)
Total Comprehensive Income for the Year		(845,483)	(56,377)	(848,030)	(69,671)

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

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STATEMENT OF
CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated			2011	
	Contributed Equity \$'000	Asset Revaluation Reserve \$'000	Cash Flow Hedge Reserve \$'000	Retained Profits \$'000	Total \$'000
At 1 July 2010	175,376	669,002	62,268	-	906,646
Profit/(Loss) for the Year	-	-	-	(195,583)	(195,583)
Other Comprehensive Income/(Loss)	-	(598,290)	(50,411)	(1,198)	(649,899)
Total Comprehensive Income/(Loss) for the Year	-	(598,290)	(50,411)	(196,781)	(845,482)
Transactions with Owners in their capacity as Owners:					
Shareholder Equity Contribution	450,000	-	-	-	450,000
Dividends Paid/Payable	-	-	-	-	-
At 30 June 2011	625,376	70,712	11,857	(196,781)	511,164

	Consolidated			2010	
	Contributed Equity \$'000	Asset Revaluation Reserve \$'000	Cash Flow Hedge Reserve \$'000	Retained Profits \$'000	Total \$'000
At 1 July 2009	175,376	774,002	50,253	-	999,631
Profit/(Loss) for the Year	-	-	-	55,817	55,817
Other Comprehensive Income/(Loss)	-	(105,000)	12,015	(19,209)	(112,194)
Total Comprehensive Income/(Loss) for the Year	-	(105,000)	12,015	36,607	(56,377)
Transactions with Owners in their capacity as Owners:					
Dividends Paid/Payable	-	-	-	(36,608)	(36,608)
At 30 June 2010	175,376	669,002	62,268	-	906,646

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

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Parent			2011	
	Contributed Equity \$'000	Asset Revaluation Reserve \$'000	Cash Flow Hedge Reserve \$'000	Retained Profits \$'000	Total \$'000
At 1 July 2010	175,376	669,002	62,268	2,548	909,194
Profit/(Loss) for the Year	-	-	-	(198,130)	(198,130)
Other Comprehensive Income/(Loss)	-	(598,290)	(50,411)	(1,199)	(649,900)
Total Comprehensive Income/(Loss) for the Year	-	(598,290)	(50,411)	(199,329)	(848,030)
Transactions with Owners in their capacity as Owners:					
Shareholder Equity Contribution	450,000	-	-	-	450,000
Dividends Paid/Payable	-	-	-	-	-
At 30 June 2011	625,376	70,712	11,857	(196,781)	511,164

	Parent			2010	
	Contributed Equity \$'000	Asset Revaluation Reserve \$'000	Cash Flow Hedge Reserve \$'000	Retained Profits \$'000	Total \$'000
At 1 July 2009	175,376	774,002	51,501	14,594	1,015,473
Profit/(Loss) for the Year	-	-	-	43,771	43,771
Other Comprehensive Income/(Loss)	-	(105,000)	10,767	(19,209)	(113,442)
Total Comprehensive Income/(Loss) for the Year	-	(105,000)	10,767	24,562	(69,671)
Transactions with Owners in their capacity as Owners:					
Dividends Paid/Payable	-	-	-	(36,608)	(36,608)
At 30 June 2010	175,376	669,002	62,268	2,548	909,194

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

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated		Parent Entity	
		2011 \$'000 Inflows (Outflows)	2010 \$'000 Inflows (Outflows)	2011 \$'000 Inflows (Outflows)	2010 \$'000 Inflows (Outflows)
Cash Flows From Operating Activities					
Cash Received from Customers		1,221,451	1,194,235	1,215,473	1,184,940
Interest Received		6,593	2,275	6,527	2,196
Cash Payments to Suppliers and Employees		(876,314)	(861,308)	(875,100)	(852,897)
Interest and Other Finance Costs Paid		(102,209)	(82,470)	(99,532)	(79,427)
Income Taxes Paid		(57,339)	(53,878)	(57,339)	(53,878)
Net Cash Provided/(Used) by Operating Activities	29(f)	192,182	198,854	190,029	200,934
Cash Flows from Investing Activities					
Proceeds from Sale of Property, Plant and Equipment		20,527	1,185	20,527	1,185
Payments for Property, Plant and Equipment		(58,589)	(102,087)	(58,401)	(101,811)
Payments for Intangibles		(2,195)	(6,248)	(1,314)	(2,322)
Advances to Subsidiary		-	-	-	(567)
Advance to Jointly Controlled Entity		(3,862)	(12,950)	-	-
Investment in Subsidiary		-	-	(4,843)	(18,763)
Proceeds on Disposal of Subsidiary		43,205	-	43,205	-
Derecognition of Cash on Loss of Control		(4,274)	-	-	-
Net Cash Provided/(Used) by Investing Activities		(5,188)	(120,100)	(826)	(122,278)
Cash Flows from Financing Activities					
Proceeds from Borrowings		101,970	1,014,150	101,970	1,013,865
Repayment of Borrowings		(101,970)	(957,346)	(101,970)	(956,404)
Payments to Reduce Outstanding Finance Lease Liability		(2,184)	(1,997)	(2,184)	(1,997)
Equity Contributions by Parent		-	-	-	-
Dividends Paid		(36,608)	(59,221)	(36,608)	(59,221)
Net Cash Provided/(Used) by Financing Activities		(38,792)	(4,414)	(38,792)	(3,757)
Net Increase / (Decrease) in Cash and Cash Equivalents		148,202	74,340	150,411	74,899
Cash and Cash Equivalents at Beginning of Financial Year		89,569	15,229	87,360	12,461
Cash and Cash Equivalents at End of the Year	29(b)	237,771	89,569	237,771	87,360

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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 2011 were authorised for issue in accordance with a resolution of the Directors on 22 September 2011.

During 2010/11 a number of transactions were executed as part of the outcome of the NSW Energy Reform process. These transactions included:

- On 1 March 2011, Generation Trading Agreements were executed with 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 TRUenergy Pty Ltd. TRUenergy 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. TRUenergy 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 as disclosed in Note 26(b). Disclosures related to these agreements are referred to as Western

Gentrader in the financial statements.

- Sale of development sites at Marulan and Mt Piper to TRUenergy Pty Ltd and Bamarang to Lumo Generation NSW Pty Limited. These sites had been acquired or held by Delta Electricity for the potential future development of electricity generation capacity. The Marulan and Bamarang sales were completed on 1 March 2011 with the Mt Piper development site sale expected to be completed in the second half of 2011.
- Sale of shares in Mid West Primary Pty Ltd (wholly owned subsidiary) on 28 February 2011 to Cobbora Holdings Company Pty Ltd as part of the restructure of the Cobbora coal development.

In addition, Delta Electricity Australia Pty Ltd was placed into voluntary administration and subsequent receivership on 28 February 2011.

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 the consolidated entity and Delta Electricity comply with Australian Accounting Standards. The financial statements also comply with International Financial Reporting Standards (IFRS).

(b) Basis of Accounting

The Delta Electricity and Mid West Primary Pty Ltd components of the 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. The Delta Electricity Australia Pty Ltd components of the financial statements have been prepared on a liquidation basis. Assets and liabilities are measured at the recoverable amount.

(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 potential effect of a future carbon tax scheme. The Australian Government announced the "Securing a Clean Energy Future – the Australian Government's Climate Change Plan" on 10 July 2011. This announcement provided further information to enable Delta Electricity to assess the impact of carbon price on the carrying amount of assets. Relevant legislation has been drafted and is currently before the Australian Parliament. Significant amendments to the legislation could impact on the carrying amount of assets determined by Delta Electricity.

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 19 and Note 24(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 proposed carbon tax scheme, long term electricity and

fuel prices and production levels in an environment of predicting the timing of new entrants and technology improvements, the cost of operation and maintenance of power station assets, and determination of an appropriate discount factor. The impact of the proposed carbon tax scheme is based on information included in the Australian Government's announcement on 10 July 2011. The consequences of these factors in particular may cause future asset values to materially change. Refer to Note 2(l), Note 2(o) and Note 15.

- 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(s) and Note 19.

- 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(u) and Note 19.

- 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.

The 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 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.

- (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 2011. A summary of standards relevant to Delta Electricity is as follows:

- 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 9 Financial Instruments

This standard applies to reporting

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

periods beginning on or after 1 January 2013 and simplifies the classification and measurement of financial assets and liabilities and derecognition of financial instruments.

- *AASB 7 Financial Instrument: Disclosures*

This standard applies to reporting periods beginning on or after 1 July 2011 and increases the disclosure requirements for transactions involving transfers of financial assets.

- *AASB 124 Related Party Disclosures*

This standard applies to reporting periods beginning on or after 1 January 2011 and simplifies the definition of a related party and amends the disclosure requirements for government related entities.

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

(c) Changes in Accounting Policies and Disclosures

In the current reporting period Delta Electricity has adopted the 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 1 July 2010.

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

(d) Basis of Consolidation

Delta Electricity and its controlled entities together are referred to as the consolidated entity. The effect of transactions between entities in the consolidated entity are

eliminated in full. The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Delta Electricity (parent entity) as at 30 June 2011 and the results of all controlled entities for the year then ended or up to the date on which control is lost.

During the year, Delta Electricity lost control of its two controlled entities: Delta Electricity Australia Pty Ltd and Mid West Primary Pty Ltd. On 28 February 2011, Delta Electricity Australia Pty Ltd was placed into voluntary administration and subsequent receivership. On 28 February 2011, as part of the New South Wales Government restructure of the Cobbora coal development venture, Delta Electricity disposed of its investment in Mid West Primary Pty Ltd. Refer Note 12.

On loss of control, assets (including goodwill) and liabilities of the subsidiary are derecognised and any surplus or deficit in profit or loss is recognised.

(e) Investments in Subsidiaries

Investments in subsidiaries are carried at cost of acquisition in Delta Electricity's financial statements.

(f) Contributed Equity

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

The State Owned Corporations Act, 1989 (as amended), requires Delta Electricity to have two voting shareholders. Current shareholders are the New South Wales Treasurer and the Minister for Finance and Services who hold the shares on

behalf of the NSW Government. Each shareholder holds one \$1 share.

(g) Financial Assets and Financial Liabilities

The classification of financial assets and financial liabilities depends on the nature of the item and is determined at the time of initial recognition. Further disclosure on financial assets and financial liabilities is included in Note 28.

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.

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.

(h) Borrowings

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised

cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in profit or loss through the amortisation process and when the liabilities are derecognised.

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

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

(i) Borrowing Costs

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

Costs associated with borrowings specifically financing qualifying assets are capitalised up to the date of completion of each qualifying asset to the extent those costs are recoverable. Refer to Note 5. All other borrowing costs are expensed in the period they occur.

(j) Leased Assets

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

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

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a constant rate of interest on the remaining balance of the asset.

(k) 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.

(l) Property, Plant and Equipment

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

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

Revaluation increments are generally credited directly to the asset revaluation reserve. A revaluation increment is only recognised immediately 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(o).

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The expected useful lives of property, plant and equipment is up to 50 years for

operating coal fired power stations (2010: 50 years), up to 30 years for operating open cycle gas turbines (2010: 30 years) and from 5 to 30 years for other property, plant and equipment (2010: 5 to 30 years).

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

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

(m) Intangible Assets

Intangible assets comprise eligible computer software and capitalised exploration costs.

Computer software is stated at cost less accumulated amortisation and impairment and is amortised on a straight line basis over 2.5 years (2010: 2.5 years).

Capitalised exploration costs are measured at cost on recognition. They are then reviewed each reporting date as to whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset 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 asset in previous years.

Amortisation is included in the profit or loss under the 'Expenses, excluding Finance Costs' line item.

Once the technical feasibility and commercial viability of the extraction of coal in an area of interest is demonstrable, accumulated expenditure is tested for impairment and transferred to mining property and development assets within property, plant and equipment.

(n) 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.

(o) Impairment

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

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

Recoverable amount is based on value in use and is determined at the cash generating unit level. In assessing value in use, the estimated future cash flows are discounted to their present value

using a discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

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

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

(p) Joint Ventures

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

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

(q) Associates

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

(r) Non-Current Assets and Disposal Groups Held for Sale

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. They are not depreciated or amortised.

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

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FOR THE YEAR ENDED 30 JUNE 2011

(or disposal group) is recognised at the date of de-recognition.

(s) 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 2010/11 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 24(b).

(t) 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.

(u) 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.

(v) 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. The dividend provision is limited to available retained earnings.

(w) 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.

(x) 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. Deferred income tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Delta Electricity and its wholly resident subsidiaries, Delta Electricity Australia Pty Ltd and Mid West Primary Pty Ltd up to its date of sale 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.

(y) 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.

(z) 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.

(aa) 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.

(ab) 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.

(ac) 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.

(ad) 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.

(ae) Comparative Figures

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

Comparative information for the consolidated entity has been updated to reflect the establishment of discontinued operations associated with the sale of Mid West Primary Pty Ltd and Delta Electricity Australia Pty Ltd being placed into voluntary administration and subsequent receivership.

(af) Presentation Currency and Rounding

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

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
3. Revenue				
Sale of Electricity and Green Certificates	803,122	1,035,104	803,200	1,036,078
Western Gentrader Operations	200,215		200,215	
Other Revenue				
Profit on Sale of Fixed Assets	14,974	-	14,974	-
Interest				
- Cash Deposits	6,746	2,413	6,746	2,413
- Finance Leases	7,866	-	7,866	-
Litigation Settlements	439	205	439	205
Insurance Recoupment	50	356	50	356
Proceeds from Other Operations	4,211	2,496	4,211	2,496
Royalties	525	202	525	202
Grants	471	10	471	10
Transfer from Hedge Reserve	68,421	-	68,421	-
Miscellaneous	2,433	1,484	2,654	1,789
Revenue	1,109,473	1,042,270	1,109,772	1,043,549

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
4. Expenses (excluding Finance Costs)				
Generating Costs	733,445	671,139	737,256	676,537
Depreciation				
- Buildings	9	1	9	1
- Plant and Equipment	100,141	117,678	100,141	117,678
- Motor Vehicles	819	791	819	791
Amortisation of Intangible Assets				
- Computer Software	1,606	1,895	1,606	1,895
Impairment				
- Property, Plant and Equipment	381,049	-	381,049	-
- Receivables	-	1,902	-	54,537
Bad Debts	11,902	169	11,902	169
Movement in Other Financial Liabilities (Note 20)	40,830	-	40,830	-
Loss on Sale of Assets	-	740	-	740
Superannuation Expenses				
- Defined Contribution Schemes	3,331	2,592	3,331	2,592
- Defined Benefit Schemes	1,781	3,269	1,781	3,269
Provision for Employee Benefits	12,842	10,096	12,842	10,096
Write down in Value of Inventories	454	283	454	283
Operating Lease Rental Expense	1,039	1,026	1,039	1,026
Auditors' Remuneration	257	229	257	229
Directors' Remuneration	272	481	272	481
Consultants Fees	3,064	4,868	3,064	4,868
Other Expenses	758	978	758	978
Expenses (excluding Finance Costs)	1,293,599	818,137	1,297,410	876,170

Auditors' Remuneration paid or payable in respect to the audit of the 2010/11 financial statements is \$247,000 (2010: \$203,000).

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
5. Finance Costs				
Interest on Bank Overdrafts and Borrowings	90,126	102,123	90,126	102,123
Interest on Obligations Under Finance Leases	9,012	9,201	9,012	9,201
Unwinding of Discounts on Provisions	544	658	544	658
Other Finance Costs	(2,784)	262	(2,784)	262
Total Finance Costs	96,898	112,244	96,898	112,244
Less: Amounts included in the Cost of Qualifying Assets	-	(8,522)	-	(8,522)
Finance Costs	96,898	103,722	96,898	103,722

6. Income Tax

The major components of Income Tax for the year ended 30 June 2011 are as follows:

(a) Income Tax Expense

The major components of income tax expense are:

Income Tax Expense Recognised in Profit or Loss

Current Income Tax				
Current income tax expense	70,273	56,418	70,273	59,214
Adjustments in respect of current income tax of previous years	(2,475)	1,052	(2,475)	1,052
Deferred Income Tax				
Origination and reversal of temporary differences (Note 6(b))				
- related to deferred tax liabilities	(89,299)	(14,002)	(89,299)	(14,004)
- related to deferred tax assets	(60,581)	(20,873)	(60,581)	(6,341)
Income tax expense recognised in profit or loss	(82,082)	22,595	(82,082)	39,921

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000

6. Income Tax (Continued)

(a) Income Tax Expense (Continued)

Income Tax Recognised in Other Comprehensive Income

Deferred income tax related to items charged or credited directly outside profit or loss:

Unrealised gain/(loss) on cash flow hedges (Note 22(b))	(21,604)	5,149	(21,604)	4,615
Net gain/(loss) on revaluation of property, plant and equipment (Note 22(b))	(256,410)	(45,000)	(256,410)	(45,000)
Actuarial gain/(loss) recognised	(513)	(8,233)	(513)	(8,233)
Income tax expense recognised in other comprehensive income	(278,527)	(48,084)	(278,527)	(48,618)

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 2011:

Accounting profit before tax	(277,665)	78,413	(280,212)	83,692
Income tax at statutory rate of 30% (2010: 30%)	(83,300)	23,524	(84,064)	25,108
Non deductible expense - entertainment	2	56	2	8
Investment allowance	(164)	(2,551)	(164)	(2,551)
Research and development	(29)	(60)	(29)	(60)
Impairment of receivables	-	570	-	16,360
Other	3,884	-	4,648	-
Adjustments in respect of current income tax of previous years	(2,475)	1,056	(2,475)	1,056
Income tax expense recognised in profit or loss	(82,082)	22,595	(82,082)	39,921

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
6. Income Tax (Continued)				
(b) Deferred Income Tax				
Deferred income tax as at 30 June 2011 relates to the following:				
<u>Deferred Income Tax Liabilities</u>				
Statement of Financial Position				
Accelerated depreciation for tax purposes	(284,180)	172,805	(284,180)	172,805
Revaluations of property, plant and equipment	202,656	259,736	202,656	259,736
Inventory	7,464	28,943	7,464	28,943
Intangible assets	(3)	(4)	(3)	(4)
Derivative instruments	65,897	26,674	65,897	26,674
Finance lease receivable	129,956	-	129,956	-
Finance lease payable	28,770	29,810	28,770	29,810
Other items	36	7,291	36	7,291
Gross deferred income tax liabilities	150,596	525,255	150,596	525,255
Profit or Loss				
Accelerated depreciation for tax purposes	(13,098)	(20,460)	(13,098)	(20,460)
Revaluations of property, plant and equipment	(107,594)	-	(107,594)	-
Inventory	(21,478)	3,488	(21,478)	3,488
Derivative instruments – fair value movement	60,040	4,299	60,040	4,299
Finance lease receivable	(6,184)	-	(6,184)	-
Finance lease payable	(1,040)	(1,040)	(1,040)	(1,040)
Other items	55	(289)	55	(291)
Deferred income tax expense	(89,299)	(14,002)	(89,299)	(14,004)

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000

6. Income Tax (Continued)

(b) Deferred Income Tax (Continued)

<u>Deferred Income Tax Assets</u>				
Statement of Financial Position				
Employee benefits	47,037	49,274	47,037	49,274
Provisions (excluding employee benefits)	8,990	1,694	8,990	1,694
Derivative instruments	60,404	18,270	60,404	18,270
Accelerated depreciation for accounting purposes	6,277	-	6,277	-
Finance lease payable	29,955	30,674	29,955	30,674
Other items	2,175	339	2,175	339
Gross deferred income tax assets	154,838	100,251	154,838	100,251
Profit or Loss				
Employee benefits	584	1,591	584	1,591
Provisions (excluding employee benefits)	(5,130)	1,274	(5,130)	1,274
Derivative instruments – fair value movement	(49,123)	(10,368)	(49,123)	(9,641)
Revaluation of property, plant and equipment	-	(13,557)	-	-
Accelerated depreciation for accounting purposes	(6,687)	-	(6,687)	-
Finance lease payable	719	648	719	648
Inventory	-	(61)	-	-
Other items	(944)	(400)	(944)	(213)
Deferred income tax expense	(60,581)	(20,873)	(60,581)	(6,341)

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
7. Cash and Cash Equivalents				
Bank	41,314	5,668	41,314	5,668
Cash Management Funds	196,457	81,692	196,457	81,692
	237,771	87,360	237,771	87,360

8. Trade and Other Receivables

(a) Current

Trade Debtors	64,017	101,650	64,017	101,650
Other Debtors	64,143	1,331	64,143	1,381
Finance Lease Receivables	69,709	-	69,709	-
Prepayments	2,070	1,798	2,070	1,798
	199,939	104,779	199,939	104,829

(b) Non-Current

Finance Lease Receivables	391,956	-	391,956	-
Other Debtors	10,500	11,161	10,500	11,161
Prepayments	619	5	619	5
	403,075	11,166	403,075	11,166

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. There were nil doubtful debts at reporting date (2010: \$Nil).

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

Current other debtors includes 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. Further details on the finance lease receivables are presented in Note 26(b).

8. Trade and Other Receivables (Continued)

Current other debtors also incorporates 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:

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Less than three months overdue	442	360	442	318
Three to six months overdue	-	-	-	-
Later than six months overdue	-	-	-	-
	442	360	442	318

Delta Electricity still considers that these amounts will be recoverable.

9. Inventories

Stores and Materials	42,614	44,950	42,614	44,950
Coal Stocks	23,129	93,394	23,129	93,394
Other Fuel Stocks	1,753	3,082	1,753	3,082
	67,496	141,426	67,496	141,426

Coal stocks and other fuel stocks associated with Mt Piper and Wallerawang power stations were sold to TRUenergy Pty Ltd on 1 March 2011 as part of the Western Gentrader transaction.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000

10. Other Financial Assets

(a) Current

Electricity Contracts – cash flow hedges	17,673	62,180	17,673	62,180
Electricity Contracts – held for trading	43,404	968	43,404	968
Other Derivatives – held for trading	35	248	35	248
	61,112	63,396	61,112	63,396

(b) Non-Current

Electricity Contracts – cash flow hedges	-	24,894	-	24,894
Electricity Contracts – held for trading	203,882	-	203,882	-
Other Derivatives – held for trading	-	624	-	624
	203,882	25,518	203,882	25,518

Refer to Note 28 for further information on Other Financial Assets.

11. Current Other Assets

Green Certificates	2,257	2,429	2,257	3,278
Miscellaneous	1,705	3,292	1,705	3,292
	3,962	5,721	3,962	6,570

12. Assets Attributable to Disposal Group Classified as Held for Sale and Discontinued Operations

(a) Delta Electricity Australia Pty Ltd

(i) Details of Discontinued Operation

The Board of Delta Electricity Australia Pty Ltd (wholly owned subsidiary of Delta Electricity) resolved to sell its share of assets in the Sunshine Electricity Joint Venture in April 2010 and a sales process was initiated. On 28 February 2011, Delta Electricity Australia Pty Ltd was placed into voluntary administration and subsequent receivership.

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000

12. Assets Attributable to Disposal Group Classified as Held for Sale and Discontinued Operations (Continued)

(a) Delta Electricity Australia Pty Ltd (Continued)

(ii) Financial Performance of Discontinued Operation

Revenue	5,999	7,756	-	-
Expenses	(15,837)	(22,512)	-	-
Gross Profit/(Loss)	(9,838)	(14,756)	-	-
Financial Instruments fair value movement	1,327	-	-	-
Impairment Loss on initial classification as held for sale	-	(25,843)	-	-
Fair Value Gain/(Loss) following classification as held for sale	-	(20,615)	-	-
Gain on Disposal	6,245	-	-	-
Gain/(Loss) Before Tax from Discontinued Operations	(2,266)	(61,214)	-	-
Tax income:				
- related to pre-tax profit	2,453	10,690	-	-
- related to measurement to fair value	-	6,184	-	-
Gain from Discontinued Operation after Income Tax	187	(44,340)	-	-

(iii) Assets and Liabilities of Disposed Entity

The major classes of assets and liabilities are as follows:

Assets

Cash and Cash Equivalents	3,776	1,473	-	-
Property, Plant and Equipment	48,374	49,136	-	-
Inventories	35	190	-	-
Trade and Other Receivables	2,477	1,057	-	-
Deferred Tax Assets	17,308	17,418	-	-
Other	249	426	-	-
Assets of Disposed Entity	72,219	69,700	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

12. Assets Attributable to Disposal Group Classified as Held for Sale and Discontinued Operations (Continued)

(a) Delta Electricity Australia Pty Ltd (Continued)

(iii) Assets and Liabilities of Disposed Entity (Continued)

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Liabilities				
Trade and Other Payables	9,715	5,297	-	-
Borrowing	68,022	68,022	-	-
Other Financial Liabilities	727	2,054	-	-
Liabilities of Disposed Entity	78,464	75,373	-	-
Net Assets of Disposed Entity	(6,245)	(5,673)	-	-

(iv) Net Cash Flows of Disposed Entity

Operating Activities	2,491	(569)	-	-
Investing Activities	(188)	(276)	-	-
Financing Activities	-	(90)	-	-
Net Cash Flows of Disposed Entity	2,303	(935)	-	-

The cash and cash equivalents balance disposed of and reflected in the Consolidated Statement of Cash Flows was \$3,776,000.

(b) Mid West Primary Pty Ltd

(i) Details of Discontinued Operation

On 28 February 2011, as part of the New South Wales Government restructure of the Cobbora coal development venture, Delta Electricity disposed of its investment in Mid West Primary Pty Ltd to Cobbora Holding Company Pty Limited.

The principal activity of Mid West Primary Pty Ltd is the participation in a joint venture to develop a coal resource in New South Wales.

(ii) Financial Performance of Discontinued Operation

Revenue	18	20	-	-
Expenses	(313)	(840)	-	-
Gross Profit/(Loss)	(295)	(820)	-	-
Gain on Disposal	1,596	-	-	-
Profit Before Tax from Discontinued Operations	1,301	(820)	-	-
Income Tax Benefit	-	197	-	-
Gain from Discontinued Operation after Income Tax	1,301	(623)	-	-

12. Assets Attributable to Disposal Group Classified as Held for Sale and Discontinued Operations (Continued)

(b) Mid West Primary Pty Ltd (Continued)

(iii) Assets and Liabilities of Disposed Entity (Continued)

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
The major classes of assets and liabilities are as follows:				
Assets				
Cash and Cash Equivalents	498	735	-	-
Trade & Other Receivables	55	77	-	-
Investments Accounted for Using the Equity Method	36,456	32,740	-	-
Intangible Assets	4,807	3,926	-	-
Assets of Disposed Entity	41,816	37,478	-	-
Liabilities				
Trade and Other Payables	205	354	-	-
Deferred Tax Liabilities	2	2	-	-
Liabilities of Disposed Entity	207	356	-	-
Net Assets of Disposed Entity	41,609	37,122	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

12. Assets Attributable to Disposal Group Classified as Held for Sale and Discontinued Operations (Continued)

(b) Mid West Primary Pty Ltd (Continued)

(iv) Net Cash Flows of Disposed Entity

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Operating Activities	(337)	(1,512)	-	-
Investing Activities	(4,743)	(16,876)	-	-
Financing Activities	4,843	18,763	-	-
Net Cash Flows of Disposed Entity	(237)	375	-	-
Consideration Received:				
Cash	43,205	-	-	-
Liabilities Transferred	-	-	-	-
Total Disposal Consideration	43,205	-	-	-
Less: Net Assets Disposed Of	(41,609)	-	-	-
Gain on Disposal Before Income Tax	1,596	-	-	-
Income Tax Benefit	-	-	-	-
Gain on Disposal After Income Tax	1,596	-	-	-
Net Cash Inflow on Disposal				
Cash and Cash Equivalents Consideration	43,205	-	-	-
Less: Cash and Cash Equivalents Balance Disposed Of	(498)	-	-	-
Reflected in the Consolidated Statement of Cash Flows	42,707	-	-	-

(c) NSW Energy Reform Disposals

(i) Details of Disposal Group Classified As Held For Sale

On 1 March 2011, the Western Gentrader transaction was executed as part of the New South Wales Government's energy reform initiatives.

The transaction included the sale of Mt Piper power station and Wallerawang power station generation trading rights, fuel stocks and electricity derivative contracts. In addition, development sites at Marulan and Mt Piper were sold to TRUenergy Pty Ltd and a development site at Bamarang was sold to Lumo Generation NSW Pty Limited.

12. Assets Attributable to Disposal Group Classified as Held for Sale and Discontinued Operations (Continued)

(c) NSW Energy Reform Disposals (Continued)

(ii) Assets and Liabilities Attributable to Disposal Group Classified As Held For Sale

The major classes of assets and liabilities are as follows:

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Assets				
Property, Plant and Equipment	435,418	-	435,418	-
Inventories	74,391	-	74,391	-
Other Financial Assets	104,090	-	104,090	-
Assets Attributable to Disposal Group Classified As Held For Sale	613,899	-	613,899	-
Liabilities				
Other Financial Liabilities	81,688	-	81,688	-
Liabilities Attributable to Disposal Group Classified As Held For Sale	81,688	-	81,688	-
Net Assets Attributable to Disposal Group Classified As Held For Sale	532,211	-	532,211	-

(iii) Consideration Received

Cash	93,596	-	93,596	-
Lease Receivable	453,800	-	453,800	-
Total Disposal Consideration	547,396	-	547,396	-

(d) Mt Piper Development Site Sale

Delta Electricity is in the process of arranging the sale of a small parcel of land within Mt Piper power station to TRUenergy Pty Ltd. The land has a book value of \$120,000 and the sale is expected to proceed in the second half of 2011.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000

13. Investments in Subsidiaries

Investments in Wholly Owned Subsidiaries	-	-	-	38,362
	-	-	-	38,362

On 28 February 2011, as part of the New South Wales Government restructure of the Cobbora coal development venture, Delta Electricity disposed of its investment in Mid West Primary Pty Ltd to Cobbora Holding Company Pty Limited. Delta Electricity continues to hold two \$1 ordinary shares in Delta Electricity Australia Pty Ltd.

Refer to Note 30 for further information.

14. Investments Accounted for Using the Equity Method

(a) Carrying Amount

Investments in Associates (unlisted)	-	-	-	-
Investment in Jointly Controlled Entity (unlisted)	-	-	-	-
	-	-	-	-

(b) Mid West Primary Pty Ltd Associates and Jointly Controlled Entity

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

Cobbora Management Company Pty Ltd was established on 11 February 2009 while CCP Holdings Pty Ltd and the Cobbora Coal Unit Trust were established on 5 September 2008. The principal activity of the Cobbora Coal Unit Trust is to identify and acquire land suitable for developing a coal resource in New South Wales. CCP Holdings Pty Ltd is a trustee for the Cobbora Coal Unit Trust while the Cobbora Management Company Pty Ltd performs the role of manager for the Cobbora Unincorporated Joint Venture (Note 23). On 28 February 2011, as part of the New South Wales Government restructure of the Cobbora coal development venture, Delta Electricity disposed of its investment in Mid West Primary Pty Ltd to Cobbora Holding Company Pty Limited.

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000

14. Investments Accounted for Using the Equity Method (Continued)

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

Balance at beginning of year	32,740	1	-	-
Additions - Cobbora Coal Unit Trust	3,862	-	-	-
- CCP Holdings Pty Ltd	-	-	-	-
- Cobbora Management Company Pty Ltd	-	-	-	-
Disposals - Cobbora Coal Unit Trust	(36,455)	-	-	-
- CCP Holdings Pty Ltd	-	-	-	-
- Cobbora Management Company Pty Ltd	(1)	-	-	-
Conversion of Advance to Equity Contribution – Cobbora Coal Unit Trust	-	32,977	-	-
Share of Profit/(Loss) for the Period – Cobbora Coal Unit Trust	(146)	(238)	-	-
Balance at end of year	-	32,740	-	-

The balances of Investments using the Equity Method were transferred to discontinued operations. Refer Note 12(b).

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

Summarised information related to Mid West Primary Pty Ltd's share of the Cobbora Coal Unit Trust derecognised on disposal and held at 30 June is set out below:

Current Assets	-	745	-	-
Non-Current Assets	-	31,924	-	-
Current Liabilities	-	51	-	-
Non-Current Liabilities	-	-	-	-
Revenue	36	212	-	-
Expenses	182	398	-	-

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

15. Property, Plant and Equipment

(a) Reconciliation by Asset Classes

\$'000

Parent Entity

Year ended 30 June 2011	Land	Non Power Station – Buildings	Power Stations – Plant and Equipment	Other – Plant and Equipment	Total
Carrying amount at 1 July 2010	49,355	35	2,494,005	11,150	2,554,545
Additions	206	222	48,575	3,356	52,359
Revaluation	(122)	-	(1,024,011)	-	(1,024,133)
Impairment	-	-	(211,615)	-	(211,615)
Transfer to Assets Held For Sale	(4,139)	-	(431,399)	-	(435,538)
Disposals/Write-offs	-	-	-	(1,550)	(1,550)
Depreciation Expense	-	(9)	(98,070)	(2,890)	(100,969)
Carrying amount at 30 June 2011	45,300	248	777,485	10,066	833,099

At 1 July 2010

Gross replacement cost	49,355	60	10,330,982	31,079	10,411,476
Accumulated depreciation	-	(25)	(7,489,977)	(19,929)	(7,509,931)
Accumulated impairment	-	-	(347,000)	-	(347,000)
Net carrying amount	49,355	35	2,494,005	11,150	2,554,545

At 30 June 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

The above tables include work in progress for plant and equipment of \$14.4 million (2010: \$43.1 million).

The carrying amount of finance lease assets at 30 June 2011 was \$68,063,000 (2010: \$99,368,000).

15. Property, Plant and Equipment (Continued)

(a) Reconciliation by Asset Classes (Continued)

Revaluation of Western Power Stations Plant and Equipment

A revaluation of Western power stations' plant and equipment was undertaken on the basis of the expected proceeds from the Western Gentrader finance lease. A revaluation decrement of \$917.3 million was recognised. The assets were disposed in a finance lease on 1 March 2011 with a value of \$431.4 million.

Revaluation of Land and Central Coast Power Stations Plant and Equipment

On 30 June 2011, the fair value of land and power stations plant and equipment was calculated by AssetVal Pty Ltd. Following determination of recoverable amount in accordance with the methodology and principles set out in Note 2(o), the revaluation decrement to fair value was adjusted downwards to ensure carrying value would not exceed recoverable amount. As a result, a net valuation decrement of \$318.4 million was approved by the Board of Delta Electricity.

\$'000

Consolidated Entity

Year ended 30 June 2011	Land	Non Power Station – Buildings	Power Stations – Plant and Equipment	Other – Plant and Equipment	Total
Carrying amount at 1 July 2010	49,355	35	2,494,872	11,150	2,555,412
Additions	206	222	48,575	3,356	52,359
Revaluation	(122)	-	(1,024,011)	-	(1,024,133)
Impairment	-	-	(211,615)	-	(211,615)
Transfer to Assets Held For Sale	(4,139)	-	(432,266)	-	(436,405)
Disposals/Write-offs	-	-	-	(1,550)	(1,550)
Depreciation Expense	-	(9)	(98,070)	(2,890)	(100,969)
Carrying amount at 30 June 2011	45,300	248	777,485	10,066	833,099

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

15. Property, Plant and Equipment (Continued)

(a) Reconciliation by Asset Classes (Continued)

	\$'000				
Consolidated Entity (Continued)					
	Land	Non Power Station – Buildings	Power Stations – Plant and Equipment	Other – Plant and Equipment	Total
At 1 July 2010					
Gross replacement cost	49,355	60	10,330,982	31,079	10,411,476
Accumulated depreciation	-	(25)	(7,489,110)	(19,929)	(7,509,064)
Accumulated impairment	-	-	(347,000)	-	(347,000)
Net carrying amount	49,355	35	2,494,872	11,150	2,555,412
At 30 June 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

The above tables include work in progress for plant and equipment of \$14.4 million (2010: \$43.1 million).

The carrying amount of finance lease assets at 30 June 2011 was \$68,063,000 (2010 \$99,368,000).

15. Property, Plant and Equipment (Continued)

(a) Reconciliation by Asset Classes (Continued)

\$'000

Parent Entity

Year ended 30 June 2010	Land	Non Power Station – Buildings	Power Stations – Plant and Equipment	Other – Plant and Equipment	Total
Carrying amount at 1 July 2009	49,525	36	2,664,720	12,674	2,726,955
Additions	402	-	94,910	2,624	97,936
Revaluation	-	-	197,000	-	197,000
Impairment	-	-	(347,000)	-	(347,000)
Disposals/Write-offs	(572)	-	-	(1,304)	(1,876)
Depreciation Expense	-	(1)	(115,625)	(2,844)	(118,470)
Carrying amount at 30 June 2010	49,355	35	2,494,005	11,150	2,554,545

At 1 July 2009

Gross replacement cost	49,525	60	10,236,072	29,759	10,315,416
Accumulated depreciation	-	(24)	(7,354,771)	(17,085)	(7,371,880)
Accumulated impairment	-	-	(216,581)	-	(216,581)
Net carrying amount	49,525	36	2,664,720	12,674	2,726,955

At 30 June 2010

Gross replacement cost	49,355	60	10,330,982	31,079	10,411,476
Accumulated depreciation	-	(25)	(7,489,977)	(19,929)	(7,509,931)
Accumulated impairment	-	-	(347,000)	-	(347,000)
Net carrying amount	49,355	35	2,494,005	11,150	2,554,545

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

15. Property, Plant and Equipment (Continued)

(a) Reconciliation by Asset Classes (Continued)

\$'000					
Consolidated Entity					
Year ended 30 June 2010	Land	Non Power Station – Buildings	Power Stations – Plant and Equipment	Other – Plant and Equipment	Total
Carrying amount at 1 July 2009	49,525	36	2,766,128	12,674	2,828,363
Additions	402	-	94,910	2,624	97,936
Revaluation	-	-	197,000	-	197,000
Impairment	-	-	(347,000)	-	(347,000)
Transfer to Assets Held For Sale	-	-	(100,541)	-	(100,541)
Disposals/Write-offs	(572)	-	-	(1,304)	(1,876)
Depreciation Expense	-	(1)	(115,625)	(2,844)	(118,470)
Carrying amount at 30 June 2010	49,355	35	2,494,872	11,150	2,555,412
At 1 July 2009					
Gross replacement cost	49,525	60	10,348,454	29,759	10,427,798
Accumulated depreciation	-	(24)	(7,357,524)	(17,085)	(7,374,633)
Accumulated impairment	-	-	(224,802)	-	(224,802)
Net carrying amount	49,525	36	2,766,128	12,674	2,828,363
At 30 June 2010					
Gross replacement cost	49,355	60	10,330,982	31,079	10,411,476
Accumulated depreciation	-	(25)	(7,489,110)	(19,929)	(7,509,064)
Fair value	49,355	35	2,841,872	11,150	2,902,412
Accumulated impairment	-	-	(347,000)	-	(347,000)
Net carrying amount	49,355	35	2,494,872	11,150	2,555,412

15. Property, Plant and Equipment (Continued)

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

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

	Consolidated		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Land				
At cost	9,669	13,602	9,669	13,602
Total Land	9,669	13,602	9,669	13,602
Non Power Station – Buildings				
At cost	282	60	282	60
Less: accumulated depreciation	(34)	(25)	(34)	(25)
Total Buildings	248	35	248	35
Plant and Equipment				
Power Stations				
At cost	1,240,069	2,381,348	1,240,069	2,381,348
Less: accumulated depreciation and impairment	(470,109)	(568,624)	(470,109)	(568,624)
Total power stations	769,960	1,812,724	769,960	1,812,724
Other Plant and Equipment				
At cost	30,068	29,806	30,068	29,806
Less: accumulated depreciation	(20,002)	(18,656)	(20,002)	(18,656)
Total other plant and equipment	10,066	11,150	10,066	11,150
Total Plant and Equipment	780,026	1,823,874	780,026	1,823,874
Total Written Down Value of Property, Plant and Equipment	789,943	1,837,511	789,943	1,837,511

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

16. Intangible Assets

Parent Entity

Year Ended 30 June 2011	Software \$'000	Total \$'000
Carrying amount at 1 July 2010, net of accumulated amortisation	3,826	3,826
Additions		
- from internal development	258	258
- acquired externally	1,246	1,246
Amortisation	(1,606)	(1,606)
Disposal/Write-Offs	-	-
Carrying amount at 30 June 2011	3,724	3,724
At 1 July 2010		
Cost (gross carrying amount)	24,470	24,470
Accumulated amortisation	(20,644)	(20,644)
Net carrying amount	3,826	3,826
At 30 June 2011		
Cost (gross carrying amount)	22,299	22,299
Accumulated amortisation	(18,575)	(18,575)
Net carrying amount	3,724	3,724
Year Ended 30 June 2010		
Carrying amount at 1 July 2009, net of accumulated amortisation	3,468	3,468
Additions		
- from internal development	241	241
- acquired externally	2,020	2,020
Amortisation	(1,895)	(1,895)
Disposal Write-Offs	(8)	(8)
Carrying amount at 30 June 2010	3,826	3,826
At 1 July 2009		
Cost (gross carrying amount)	27,143	27,143
Accumulated amortisation	(23,675)	(23,675)
Net carrying amount	3,468	3,468
At 30 June 2010		
Cost (gross carrying amount)	24,470	24,470
Accumulated amortisation	(20,644)	(20,644)
Net carrying amount	3,826	3,826

16. Intangible Assets (Continued)

Consolidated Entity

Year Ended 30 June 2011	Software \$'000	Exploration and Evaluation Assets \$'000	Consolidated Total \$'000
Carrying amount at 1 July 2010, net of accumulated amortisation	3,826	-	3,826
Additions			
- from internal development	258	-	258
- acquired externally	1,246	-	1,246
Amortisation	(1,606)	-	(1,606)
Disposal/Write-Offs	-	-	-
Carrying amount at 30 June 2011	3,724	-	3,724
At 1 July 2010			
Cost (gross carrying amount)	24,470	-	24,470
Accumulated amortisation	(20,644)	-	(20,644)
Net carrying amount	3,826	-	3,826
At 30 June 2011			
Cost (gross carrying amount)	22,299	-	22,299
Accumulated amortisation	(18,575)	-	(18,575)
Net carrying amount	3,724	-	3,724
Year ended 30 June 2010			
Carrying amount at 1 July 2009, net of accumulated amortisation	3,468	-	3,468
Additions			
- from internal development	241	-	241
- acquired externally	2,020	-	2,020
Amortisation	(1,895)	-	(1,895)
Disposal Write-Offs	(8)	-	(8)
Carrying amount at 30 June 2010	3,826	-	3,826
At 1 July 2009			
Cost (gross carrying amount)	27,143	-	27,143
Accumulated amortisation	(23,675)	-	(23,675)
Net carrying amount	3,468	-	3,468
Year Ended 30 June 2010			
Cost (gross carrying amount)	24,470	-	24,470
Accumulated amortisation	(20,644)	-	(20,644)
Net carrying amount	3,826	-	3,826

Exploration and evaluation assets were transferred to discontinued operations. Refer Note 12(b).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
17. Current Trade and Other Payables				
(a) Current				
Trade Payables	162,594	134,602	162,594	138,745
Other Creditors	11,518	17,034	11,518	17,034
	174,112	151,636	174,112	155,779
(b) Non-Current				
Other Creditors	8,909	-	8,909	-
	8,909	-	8,909	-

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

18. Borrowings

(a) Current

NSW Treasury Corporation Short-Term Loans	2,937	2,575	2,937	2,575
Finance Lease Liabilities	2,407	2,201	2,407	2,201
	5,344	4,776	5,344	4,776

(b) Non-Current

NSW Treasury Corporation Loans	747,495	1,186,490	747,495	1,186,490
Finance Lease Liabilities	96,721	99,128	96,721	99,128
	844,216	1,285,618	844,216	1,285,618

At reporting date, Delta Electricity had Executive Council approval to borrow up to \$1,830 million (2010: \$1,830 million).

Maturing loans may be re-financed if the borrowing limit is not exceeded. 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 \$138,358,000 of borrowings due to mature within one year requiring classification as non-current (2010: \$151,366,000).

Following execution of the Western Gentrader finance leases the Crown assumed \$450 million of NSW Treasury Corporation loans and thereby increased its equity investment in Delta Electricity.

Further details on finance lease liabilities are presented in Note 26(a)

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000

19. Provisions

(a) Current

Dividend	-	36,608	-	36,608
Employee Benefits	48,485	50,150	48,485	50,150
Insurance	1,721	1,755	1,721	1,755
	50,206	88,513	50,206	88,513

(a) Non-Current

Employee Benefits	907	910	907	910
Superannuation – Defined Benefit Schemes	103,554	107,393	103,554	107,393
Insurance	9,136	9,373	9,136	9,373
	113,597	117,676	113,597	117,676

Delta Electricity's insurance provision covers assessed employee and contractor related accident and injury liabilities at reporting date. In accordance with conditions associated with Delta Electricity's Self Insurer's licence for Workers' Compensation, a current provision of \$565,000 (2010: \$755,000) and a non-current provision of \$4,735,000 (2010: \$4,726,000) for workers' compensation has been included in the insurance provision.

An actuarial review of employee benefits and insurance provisions was carried out by David A Zaman Pty Ltd as at 30 June 2011.

Further details on employee benefits and superannuation are contained in Note 24.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

19. Provisions (Continued)

(c) Movements in Provisions

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

	2011		
	\$'000		
Current			
	Dividend	Insurance	Total
Carrying amount at start of year	36,608	1,755	38,363
Additional provision	-	1,557	1,557
Payments	(36,608)	(1,591)	(38,199)
Carrying amount at end of year	-	1,721	1,721
Non-Current			
		Insurance	Total
Carrying amount at start of year		9,373	9,373
Discount adjustment		544	544
Adjustment to assessed liability		(781)	(781)
Carrying amount at end of year		9,136	9,136

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000

20. Other Financial Liabilities

(a) Current

Electricity Contracts – cash flow hedges	442	5	442	5
Electricity Contracts – held for trading	39,708	21,061	39,708	21,061
Interest Rate Futures – held for trading	-	62	-	62
Forward Foreign Exchange Contracts – held for trading	809	-	809	-
Other	15,130	-	15,130	-
	56,089	21,128	56,089	21,128

(b) Non-Current

Electricity Contracts – held for trading	196,480	15,223	196,480	15,223
Forward Foreign Exchange Contracts – held for trading	25	-	25	-
Other	25,700	-	25,700	-
	222,205	15,223	222,205	15,223

Refer to Note 28 for further information on Other Financial Liabilities.

21. Other Liabilities

(a) Current

Deferred Revenue – Grants	836	467	836	467
Amounts Received in Advance	4,785	-	4,785	-
Miscellaneous	293	314	293	314
	5,914	781	5,914	781

(b) Non-Current

Miscellaneous	896	1,139	896	1,139
	896	1,139	896	1,139

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 THE YEAR ENDED 30 JUNE 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000

22. Equity

(a) Contributed Equity

Balance at beginning of year	175,376	175,376	175,376	175,376
Shareholder Equity Contribution	450,000	-	450,000	-
Contributed Equity at end of year	625,376	175,376	625,376	175,376

Following execution of the Western Gentrader finance leases the Crown assumed \$450 million of NSW Treasury Corporation loans and thereby increased its equity investment in Delta Electricity.

(b) Reserves

Asset Revaluation Reserve	70,712	669,002	70,712	669,002
Hedging Reserve	11,857	62,268	11,857	62,268
Reserves at end of year	82,569	731,270	82,569	731,270

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	669,002	774,002	669,002	774,002
Revaluation	(799,464)	197,000	(799,464)	197,000
Impairment	(55,236)	(347,000)	(55,236)	(347,000)
Tax Effect	256,410	45,000	256,410	45,000
Transfer to Retained Profits on Disposal	-	-	-	-
Asset Revaluation Reserve at end of year	70,712	669,002	70,712	669,002

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000

22. Equity (Continued)

(b) Reserves (Continued)

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	62,268	50,253	62,268	51,501
Gains / (Losses) Recognised on Cash Flow Hedges:				
Electricity Contracts	77,921	53,646	77,921	53,646
Interest Rate Swaps	-	(2,006)	-	-
Tax Effect	(23,376)	(15,492)	(23,376)	(16,094)
Transferred to Profit or Loss				
Electricity Contracts	(81,515)	(38,554)	(81,515)	(38,554)
Interest Rate Swaps	-	1,364	-	-
Tax Effect	24,454	11,157	24,454	11,566
Cessation of Hedge Accounting – Recycled to Profit or Loss				
Electricity Contracts	(68,421)	-	(68,421)	-
Interest Rate Swaps	-	2,424	-	-
Tax Effect	20,526	(727)	20,526	-
Transferred to Initial Carrying Amount of Hedged Item				
Forward Foreign Exchange Contracts	-	290	-	290
Tax Effect	-	(87)	-	(87)
Hedging Reserve at end of year	11,857	62,268	11,857	62,268

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 THE YEAR ENDED 30 JUNE 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
22. Equity (Continued)				
(c) Retained Profits				
Balance at beginning of year	-	-	2,548	14,594
Superannuation actuarial gains/(losses)	(1,712)	(27,442)	(1,712)	(27,442)
Tax effect	513	8,233	513	8,233
Profit/(Loss) for the year	(195,583)	55,817	(198,130)	43,771
Dividends provided for or paid	-	(36,608)	-	(36,608)
Other	1	-	-	-
Retained Profits at end of year	(196,781)	-	(196,781)	2,548

23. Jointly Controlled Assets and Operations

(a) Description

Delta Electricity Australia Pty Ltd and Mid West Primary Pty Ltd, Delta Electricity's wholly owned subsidiaries, were the consolidated entity's participants in joint ventures at 30 June 2010. On 28 February 2011, Delta Electricity Australia Pty Ltd was placed into voluntary administration and subsequent receivership. On 28 February 2011, as part of the New South Wales Government restructure of the Cobbora coal development venture, Delta Electricity disposed of its investment in Mid West Primary Pty Ltd to Cobbora Holding Company Pty. Limited.

Name of Joint Venture	Principal Activity	Output Interest	
		2011	2010
		%	%
Sunshine Electricity Joint Venture	Electricity Generation	0.0	50.0
Cobbora Joint Venture	Exploration, investigation and operation of coal resources in NSW	0.0	38.3

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000

23. Jointly Controlled Assets and Operations (Continued)

(b) Share of Assets

The subsidiaries' interest in assets employed in the jointly controlled assets joint ventures are detailed below:

Cash and Cash Equivalents	-	453	-	-
Trade and Other Receivables	-	4,554	-	-
Inventories	-	-	-	-
Assets Attributable to Disposal Group Classified as Held For Sale	-	50,000	-	-
Other	-	426	-	-
Total Current Assets	-	55,433	-	-
Receivables	-	-	-	-
Property, Plant and Equipment	-	-	-	-
Intangible Assets	-	3,926	-	-
Total Non-Current Assets	-	3,926	-	-
Total Assets	-	59,359	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

24. Employee Benefits and Superannuation

(a) Employee Benefits

The aggregate employee benefit liability excluding superannuation is composed of:

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Short-term Employee Benefits	16,765	19,064	16,765	19,064
Long-term Employee Benefits	37,037	37,938	37,037	37,938
	53,802	57,002	53,802	57,002

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

(b) Superannuation – Defined Benefit Schemes

(i) General Information and Description of Plans

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

Defined benefit superannuation schemes are administered by Pillar Administration on behalf of the SAS Trustee Corporation (STC). 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.

24. Employee Benefits and Superannuation (Continued)

(b) Superannuation – Defined Benefit Schemes (Continued)

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

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

	Parent Entity				
	SASS	SANCS	SSS	2011	2010
	\$'000	\$'000	\$'000	\$'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	121,085	22,423	254,963	398,471	352,047
Current service cost	3,346	1,007	1,952	6,305	6,688
Interest cost	6,097	1,109	13,024	20,230	19,384
Contributions by fund participants	1,830	-	2,073	3,903	4,051
Actuarial (gains)/losses	217	(121)	(549)	(453)	31,086
Benefits paid	(10,341)	(2,070)	(9,239)	(21,650)	(14,785)
Present value of partly funded defined benefit obligations at end of year	122,234	22,348	262,224	406,806	398,471

(iii) Reconciliation of the Fair Value of Fund Assets

Fair value of fund assets at beginning of year	103,762	16,836	170,480	291,078	266,452
Expected return on fund assets	8,802	1,410	14,542	24,754	22,803
Actuarial gains / (losses)	(2,780)	(62)	677	(2,165)	3,644
Employer contributions	3,443	587	3,302	7,332	8,913
Contributions by fund participants	1,830	-	2,073	3,903	4,051
Benefits paid	(10,341)	(2,070)	(9,239)	(21,650)	(14,785)
Fair value of fund assets at end of year	104,716	16,701	181,835	303,252	291,078

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

24. Employee Benefits and Superannuation (Continued)

(b) Superannuation – Defined Benefit Schemes (Continued)

	Parent Entity				
	SASS	SANCS	SSS	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000
(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	122,234	22,348	262,224	406,806	398,471
Fair value of fund assets at end of year	(104,716)	(16,701)	(181,835)	(303,252)	(291,078)
Net Liability/(Asset) recognised in statement of financial position at end of year	17,518	5,647	80,389	103,554	107,393

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

Current service cost	3,346	1,007	1,952	6,305	6,688
Interest cost	6,097	1,109	13,024	20,230	19,384
Expected return on fund assets (net of expenses)	(8,802)	(1,410)	(14,542)	(24,754)	(22,803)
Expense/(income) recognised	641	706	434	1,781	3,269

(vi) Amounts Recognised in Other Comprehensive Income

Actuarial (gains)/losses	2,997	(59)	(1,226)	1,712	27,442
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The cumulative amount of actuarial losses recognised in the Statement of Changes in Equity since 1 July 2004 is \$105.8 million.

24. Employee Benefits and Superannuation (Continued)

(b) Superannuation – Defined Benefit Schemes (Continued)

(vii) Fund Assets

The percentage invested in each asset class at reporting date:

	2011 %	2010 %
Australian equities	33.4	31.0
Overseas equities	29.5	26.8
Australian fixed interest securities	5.7	6.1
Overseas fixed interest securities	3.1	4.3
Property	9.9	9.5
Cash	5.1	9.6
Other	13.3	12.7

	SASS \$'000	SANCS \$'000	SSS \$'000	Parent Entity	
				2011 \$'000	2010 \$'000

(viii) Actual Return on Fund Assets

Actual return on Fund assets	8,638	1,349	14,288	24,275	24,574
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

24. Employee Benefits and Superannuation (Continued)

(b) Superannuation – Defined Benefit Schemes (Continued)

	Parent Entity				
	SASS	SANCS	SSS	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000

(ix) Historical Information

Current Information

Present value of defined benefit obligation	122,234	22,348	262,224	406,806	398,471
Fair value of fund assets	(104,716)	(16,701)	(181,835)	(303,252)	(291,078)
(Surplus)/deficit in fund	17,518	5,647	80,389	103,554	107,393
Experience adjustments – fund liabilities	217	(121)	(549)	(453)	31,086
Experience adjustments – fund assets	2,780	62	(677)	2,165	(3,644)

Prior Year Information

	Parent Entity		
	2009	2008	2007
	\$'000	\$'000	\$'000
Present value of defined benefit obligation	352,047	291,241	282,590
Fair value of fund assets	(266,452)	(292,318)	(312,025)
(Surplus)/deficit in funds	85,595	(1,077)	(29,435)
Experience adjustments – fund liabilities	47,355	(5,847)	(10,575)
Experience adjustments – fund assets	45,996	43,026	(14,963)

24. Employee Benefits and Superannuation (Continued)

(b) Superannuation – Defined Benefit Schemes (Continued)

	Parent Entity				
	SASS	SANCS	SSS	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000
(x) Expected Contributions					
Expected employer contributions to be paid in the next reporting period	3,477	1,075	3,317	7,869	8,139

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

Valuation Method

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

Economic Assumptions

The principal economic assumptions are outlined in the below table:

	2011	2010
	%pa	%pa
Salary increase rate (excluding promotional increases)*	3.5	3.5
Rate of CPI Increase	2.5	2.5
Expected rate of return on assets	8.6	8.6
Discount rate	5.3	5.2

*The salary increase rate assumes productivity gains.

Demographic Assumptions

The demographic assumptions at 30 June 2011 are those that were used in the 2009 triennial actuarial valuation. The triennial report is available from the New South Wales Treasury website.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

24. Employee Benefits and Superannuation (Continued)

(b) Superannuation – Defined Benefit Schemes (Continued)

	SASS	SANCS	SSS	Parent Entity	
	\$'000	\$'000	\$'000	2011	2010
				\$'000	\$'000

(xii) Funding Arrangements for Employer Contributions

Surplus/Deficit

The following is a summary of the June 2011 financial position of the fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*.

Accrued benefits	109,943	20,256	183,438	313,637	302,333
Net market value of fund assets	(104,716)	(16,701)	(181,835)	(303,252)	(291,078)
Net (surplus)/deficit	5,227	3,555	1,603	10,385	11,255

Contribution Recommendations

Recommended contribution rates for the entity are:

	SASS	SANCS	SSS
	multiple of member contributions	% member salary	multiple of member contributions
2011	1.9	2.5	1.6
2010	1.9	2.5	1.6

Funding Method

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

24. Employee Benefits and Superannuation (Continued)

(b) Superannuation – Defined Benefit Schemes (Continued)

(xii) Funding Arrangements for Employer Contributions (Continued)

Economic Assumptions

The economic assumptions adopted for the 2009 triennial actuarial review of the fund were:

Weighted Average Assumptions	2011	2010
	% pa	% 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	4.0	4.0
Expected rate of CPI increase	2.5	2.5

(xiii) Nature of Asset/Liability

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
25. Expenditure Commitments				
Expenditure contracted for at reporting date but not recognised as liabilities in the Statement of Financial Position:				
(a) Capital - Plant and Equipment				
Payable no later than one year	20,507	24,802	20,507	24,802
Payable later than one, not later than 5 years	860	13,730	860	13,730
Payable later than 5 years	-	-	-	-
	21,367	38,532	21,367	38,532
(b) Operating (excluding lease commitments) - Operational and Maintenance				
Payable no later than one year	64,100	57,777	64,100	57,075
Payable later than one, not later than 5 years	52,681	77,434	52,681	77,434
Payable later than 5 years	-	-	-	-
	116,781	135,211	116,781	134,509
(c) Intangible Assets				
Payable no later than one year	-	1,327	-	-
Payable later than one, not later than 5 years	-	-	-	-
Payable later than 5 years	-	-	-	-
	-	1,327	-	-

Delta Electricity expects to receive input tax credits from the Australian Taxation Office totalling \$12,525,000 (2010: \$15,680,000) for Goods and Services Tax paid for these commitments.

26. 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			
	Consolidated		Parent Entity		Consolidated		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
No later than 1 year	11,213	11,213	11,213	11,213	2,407	2,201	2,407	2,201
Later than 1 year and not later than 5 years	44,852	44,852	44,852	44,852	12,101	11,065	12,101	11,065
Later than five years	141,924	153,137	141,924	153,137	84,620	88,063	84,620	88,063
Minimum future lease payments*	197,989	209,202	197,989	209,202	99,128	101,329	99,128	101,329
Less future finance charges	(98,861)	(107,874)	(98,861)	(107,874)	-	-	-	-
Present value of minimum lease payments	99,128	101,328	99,128	101,328	99,128	101,329	99,128	101,329

Included in the financial statements as: (refer Note18)

Current borrowings	2,407	2,201	2,407	2,201
Non-current borrowings	96,721	99,128	96,721	99,128
	99,128	101,329	99,128	101,329

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

26. Leases (Continued)

(b) Finance Lease - Lessor

Delta Electricity has entered into two finance leases. The finance leases relate to Generation Trading Agreements associated with Mt Piper and Wallerawang power stations. Information related to finance lease receivables is presented in the following table:

	Minimum Future Lease Receivables				Present Value of Minimum Future Lease Receivables			
	Consolidated		Parent Entity		Consolidated		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
No later than 1 year	85,440	-	85,440	-	69,709	-	69,709	-
Later than 1 year and not later than 5 years	240,332	-	240,332	-	174,019	-	174,019	-
Later than five years	294,852	-	294,852	-	217,937	-	217,937	-
Minimum future lease payments receivables*	620,624	-	620,624	-	461,665	-	461,665	-
Unguaranteed residual	-	-	-	-	-	-	-	-
Gross finance lease receivables	620,624	-	620,624	-	-	-	-	-
Less unearned finance income	(158,959)	-	(158,959)	-	-	-	-	-
Present value of minimum lease receivables	461,665	-	461,665	-	461,665	-	461,665	-

Included in the financial statements as: (refer Note 8)

Current trade and other receivables	69,709	-	69,709	-
Non-current trade and other receivables	391,956	-	391,956	-
	461,665	-	461,665	-

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

	Consolidated		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000

26. Leases (Continued)

(c) Operating Leases

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

Payable no later than one year	1,238	1,189	1,238	1,185
Payable later than one, not later than 5 years	2,076	3,315	2,076	3,315
Payable later than 5 years	-	-	-	-
	3,314	4,504	3,314	4,500

Delta Electricity expects to receive input tax credits from the Australian Taxation Office totalling \$301,000 (2010: \$409,000) for Goods and Services Tax paid for these commitments.

27. Contingent Liabilities and Contingent Assets

Supplier Dispute

Delta Electricity has received a claim for additional charges under a supply agreement. Following receipt of legal advice, Delta Electricity intends to contest the claim.

Generation Trading Agreement Finance Leases

An Australian Taxation Office private ruling is currently being sought to clarify lessee tax issues under the Western Generation Trading Agreements. If a positive outcome is achieved, the value of the finance leases is expected to increase by approximately \$60 million.

Payroll Tax Review

A payroll tax review is currently being undertaken by the New South Wales Office of State Revenue. A positive outcome may result in Delta Electricity receiving a payroll tax refund.

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. The quantum of potential damages cannot be calculated. Delta Electricity will be reimbursed by the New South Wales Crown for availability liquidated damages incurred less a deductible.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

27. Contingent Liabilities and Contingent Assets (Continued)

Reimbursement under the State Owned Corporations Act 1989

Delta Electricity has issued three letters for reimbursement of costs to 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.

28. Financial Instruments

(a) Capital Risk Management

Delta Electricity manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through optimisation of debt and equity balance. Delta Electricity's capital structure is reviewed each year as part of the development and finalisation of the Statement of Corporate Intent which is a high level agreement between the Board and shareholders. In addition, Delta Electricity complies with the requirements of the Capital Structure Policy for Government Businesses administered by New South Wales Treasury and borrowing limits approved under the 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 commenced in consultation with the shareholders following execution of the Western Gentrader finance leases.

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 18, and Note 22 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.

The overall strategy remains unchanged from 2010.

The review is expected to be finalised during 2011/12. The Crown assumed \$450 million of debt by increasing its equity invested in Delta Electricity at the commencement of the review.

28. Financial Instruments (Continued)

(b) Categories of Financial Instruments

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

	Consolidated		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Financial Assets				
Cash and Cash Equivalents	237,771	89,569	237,771	87,360
Loans and Other Receivables	140,054	117,853	140,054	117,481
Finance Lease Receivables	461,665	-	461,665	-
Derivative Instruments – Designated in Hedge Accounting Relationships	17,673	87,074	17,673	87,074
Derivative Instruments – Held for Trading	247,321	1,840	247,321	1,840
	1,104,484	296,336	1,104,484	293,755
Financial Liabilities				
Payables and Other Borrowings	973,870	1,413,847	973,870	1,344,353
Finance Lease Payable	99,128	101,329	99,128	101,329
Derivative Instruments – Designated in Hedge Accounting Relationships	442	5	442	5
Derivative Instruments – Held for Trading	237,021	38,400	237,021	36,346
	1,310,461	1,553,581	1,310,461	1,482,033

Delta Electricity has a number of electricity contract financial assets and liabilities awaiting novation. Delta Electricity continues to hold legal title to these contracts, remains as principal to the contracts and is exposed to settlement, liquidity and credit risk. An agreement is in place to facilitate pass through of the economic benefits of these contracts. The value of financial assets subject to this agreement is \$62,654,000 (2010: \$nil). An associated financial liability of \$62,654,000 (2010: \$nil) has been recognised.

(c) Financial Risk Management Objectives

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

28. Financial Instruments (Continued)

(d) Foreign Currency Risk Management

In the normal course of business, Delta Electricity is required to purchase goods or services from overseas which require settlement in the supplier's local currency. Under Board approved policies, Delta Electricity hedges specific foreign exchange commitments greater than AUD250,000 by use of forward foreign exchange contracts to protect the organisation from the effect of future exchange rate fluctuations. The contracts are timed to mature when overseas payments are made.

At reporting date, Delta Electricity had 9 (2010: 7) forward foreign exchange contracts.

The values of these contracts are outlined in the table below:

Currency	Parent Entity			
	2011		2010	
	Number of Contracts	Currency Value	Number of Contracts	Currency Value
USD	6	572,436	5	1,185,258
EUR	2	1,165,704	-	-
JPY	1	608,284,438	2	634,926,438

Currency	Consolidated Entity			
	2011		2010	
	Number of Contracts	Currency Value	Number of Contracts	Currency Value
USD	6	572,436	5	1,185,258
EUR	2	1,165,704	-	-
JPY	1	608,284,438	2	634,926,438

These instruments are recognised in the Statement of Financial Position at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

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

28. Financial Instruments (Continued)

(d) Foreign Currency Risk Management (Continued)

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

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

A 10% strengthening/(weakening) of the Australian dollar against the relevant foreign currencies would decrease/(increase) post tax profit by \$582,000/(\$712,000) (2010: \$624,000/(\$762,000)). The sensitivity reflects management's view of the reasonably possible movement in the Australian dollar against the relevant foreign currencies at balance date which is based on advice from Delta Electricity's service provider. The sensitivity assumes all other variables remain constant.

(e) Interest Rate Risk Management

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

New South Wales Treasury Corporation (TCorp) manages interest rate risk exposures applicable to specific borrowings of Delta Electricity in accordance with Board approved policies and a debt portfolio mandate agreed between the two parties. TCorp receives a fee for this service which may include a performance component where TCorp is able to add value by achieving a reduction in Delta Electricity's debt costs against an agreed benchmark. TCorp uses derivatives, primarily interest rate futures, to establish short term (tactical) and longer term (strategic) positions within agreed tolerance limits to manage portfolio duration and maturity profiles. At reporting date the carrying value of borrowings and derivatives (net of funds held at call) managed by TCorp stood at \$747,765,000 (2010: \$1,188,721,000).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

28. Financial Instruments (Continued)

(e) Interest Rate Risk Management (Continued)

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

	Consolidated		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Interest Rate Swaps				
Less than one year	-	4,204	-	-
One to five years	-	21,049	-	-
Greater than five years	-	35,674	-	-
	-	60,927	-	-
Interest Rate Futures				
Less than one year*	-	36,000	-	36,000
One to five years*	-	(16,300)	-	(16,300)
Greater than five years*	(22,100)	(7,500)	(22,100)	(7,500)
	(22,100)	12,200	(22,100)	12,200

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

The total notional amount of interest rate swaps for the consolidated entity is \$Nil. On 28 February 2011, Delta Electricity Australia Pty Ltd, who held interest rate swaps, was placed into voluntary administration and subsequent receivership.

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.

28. Financial Instruments (Continued)

(e) Interest Rate Risk Management (Continued)

For Delta Electricity, the weighted average interest exposure on financial assets is 5.1% (2010: 4.4%), while weighted average interest exposure incorporating a government guarantee fee on financial liabilities is 8.9% (2010: 8.5%).

For the consolidated entity, the weighted average interest exposure on financial assets is 5.1% (2010: 4.4%), while weighted average interest exposure incorporating a government guarantee fee on financial liabilities is 8.9% (2010: 8.5%).

A 1.0% increase/(decrease) in interest rates would decrease/(increase) post tax profit by \$418,000 (2010: \$7,498,000). 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 value of electricity derivative contracts are outlined in the following table:

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Less than one year*	20,927	42,082	20,927	42,082
One to five years*	6,935	9,671	6,935	9,671
Greater than five years*	467	-	467	-
	28,329	51,753	28,329	51,753

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

Electricity derivative contracts are recognised in the Statement of Financial Position at fair value. The fair value of 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. For 2010, a valuation technique based on a cost plus margin model was utilised for long dated electricity contracts. The valuation technique was amended due to the unavailability of relevant inputs following the Western Gentrader transaction.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

28. Financial Instruments (Continued)

(f) Electricity Price Risk Management (Continued)

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 (\$2,132,000) (2010: (\$3,002,000)) and equity (tax effected) by (\$698,000) (2010: (\$45,690,000)).

(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 (5.17 %) and other debtors (94.83%).

The majority of credit risk for the organisation is related to receivables related to the Western Gentrader finance leases, 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 \$100.0 million (2010: \$243.5 million).

Credit risk also arises from potential counterparty default on forward foreign exchange contracts and commodity swap contracts. The value of this exposure at reporting date was \$nil (2010: \$684,000).

28. Financial Instruments (Continued)

(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 29(e).

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

Parent Entity

	Maturity Dates			Total
	< 1 year \$'000	1 – 5 years \$'000	> 5 years \$'000	\$'000
2011				
Financial Liabilities				
Variable interest rate instruments	30,445	-	-	30,445
Fixed interest rate instruments	163,692	499,003	459,664	1,122,359
Non-interest bearing instruments	188,829	36,179	6,300	231,308
Derivative instruments	42,524	197,498	35,209	275,231
	425,490	732,680	501,173	1,659,343
2010				
Financial Liabilities				
Variable interest rate instruments	31,040	-	-	31,040
Fixed interest rate instruments	227,942	723,182	758,585	1,709,709
Non-interest bearing instruments	155,288	-	-	155,288
Derivative instruments	21,966	16,733	-	38,699
	436,236	739,915	758,585	1,934,736

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

28. Financial Instruments (Continued)

(h) Liquidity Risk Management (Continued)

Consolidated

	Maturity Dates			Total
	< 1 year \$'000	1 – 5 years \$'000	> 5 years \$'000	\$'000
2011				
Financial Liabilities				
Variable interest rate instruments	30,445	-	-	30,445
Fixed interest rate instruments	163,692	499,003	459,664	1,122,359
Non-interest bearing instruments	188,829	36,179	6,300	231,308
Derivative instruments	42,524	197,498	35,209	275,231
	425,490	732,680	501,173	1,659,343
2010				
Financial Liabilities				
Variable interest rate instruments	38,140	19,368	41,554	99,062
Fixed interest rate instruments	227,942	723,182	758,585	1,709,709
Non-interest bearing instruments	156,761	-	-	156,761
Derivative instruments	22,108	16,733	-	38,841
	444,951	759,283	800,139	2,004,373

28. 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:

	Parent Entity			
	Carrying Amount		Fair Value	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Financial Liabilities				
Borrowings – NSW Treasury Corporation Loans	750,432	1,189,065	766,079	1,221,851

	Consolidated Entity			
	Carrying Amount		Fair Value	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Financial Liabilities				
Borrowings – NSW Treasury Corporation Loans	750,432	1,189,065	766,079	1,221,851

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

28. Financial Instruments (Continued)

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

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.

Parent Entity

	2011 \$'000			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash Management Funds	-	196,457	-	196,457
Derivative Instruments				
Electricity Contracts – long term	-	-	189,052	189,052
Electricity Contracts – short/medium term	-	75,907	-	75,907
Other	35	-	-	35
Total	35	272,364	189,052	461,451
Financial Liabilities				
Derivative Instruments				
Electricity Contracts – long term	-	-	175,303	175,303
Electricity Contracts – short/medium term	62	61,264	-	61,326
Forward Foreign Exchange Contracts	-	834	-	834
Total	62	62,098	175,303	237,463

There were no transfers between Levels during the year.

28. Financial Instruments (Continued)

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

Consolidated Entity

2011
\$'000

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash Management Funds	-	196,457	-	196,457
Derivative Instruments				
Electricity Contracts – long term	-	-	189,052	189,052
Electricity Contracts – short/medium term	-	75,907	-	75,907
Other	35	-	-	35
Total	35	272,364	189,052	461,451
Financial Liabilities				
Derivative Instruments				
Electricity Contracts – long term	-	-	175,303	175,303
Electricity Contracts – short/medium term	62	61,264	-	61,326
Forward Foreign Exchange Contracts	-	834	-	834
Total	62	62,098	175,303	237,463

There were no transfers between Levels during the year.

Long term electricity derivative instruments are with a few counterparties. The fair value of these instruments is determined by using valuation techniques based on a forecast electricity pool price model. The forecast electricity pool price is sourced from an external specialist with the information not observable from publicly available information. For 2010, a valuation technique based on a cost plus margin model was utilised. The valuation technique was amended due to the unavailability of relevant inputs following the Western Gentrader transaction.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

28. Financial Instruments (Continued)

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

Parent Entity

	2010 \$'000			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash Management Funds	-	81,692	-	81,692
Derivative Instruments				
Electricity Contracts – long term	-	-	-	-
Electricity Contracts – short/medium term	188	88,042	-	88,230
Forward Foreign Exchange Contracts	-	684	-	684
Total	188	170,418	-	170,606
Financial Liabilities				
Derivative Instruments				
Electricity Contracts – long term	-	-	-	-
Electricity Contracts – short/medium term	-	36,289	-	36,289
Other Derivatives	62	-	-	62
Total	62	36,289	-	36,351

There were no transfers between Levels during the year.

28. Financial Instruments (Continued)

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

Consolidated

				2010 \$'000
	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash Management Funds	-	81,692	-	81,692
Derivative Instruments				
Electricity Contracts – long term	-	-	-	-
Electricity Contracts – short/medium term	188	88,042	-	88,230
Forward Foreign Exchange Contracts	-	684	-	684
Total	188	170,418	-	170,606
Financial Liabilities				
Derivative Instruments				
Electricity Contracts – long term	-	-	-	-
Electricity Contracts – short/medium term	-	36,289	-	36,289
Interest Rate Swaps	-	2,054	-	2,054
Other Derivatives	62	-	-	62
Total	62	38,343	-	38,405

There were no transfers between Levels during the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

28. Financial Instruments (Continued)

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

The following table shows movements during the year.

	Consolidated		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Balance at beginning of year	-	-	-	-
Gains/(losses) recognised in profit or loss	(132,726)	-	(132,726)	-
Sales	-	-	-	-
Purchases	146,475	-	146,475	-
Transfers from other categories	-	-	-	-
Balance at end of year	13,749	-	13,749	-

Level 3 financial instruments were held by the parent entity only.

The following table shows the sensitivity of fair values of the long term derivative contracts to reasonable possible alternative assumptions as at 30 June 2011.

	Reflected in Profit or (loss)	
	Change -10%	Change +10%
	\$'000	\$'000
2011		
Electricity Contracts - long term (NSW pool price)	2,388	(2,388)
Electricity Contracts - long term (other contract assumptions)	(2,381)	2,399
2010		
Electricity Contracts - long term	(3,294)	3,347

28. Financial Instruments (Continued)

(j) Total Debt Maturity Table

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

	Consolidated		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Up to one year	141,295	221,963	141,295	153,941
Over one and up to two years	25,051	278,624	25,051	278,624
Over two years and up to five years	313,312	252,271	313,312	252,271
Over five years	270,774	504,229	270,774	504,229
	750,432	1,257,087	750,432	1,189,065

Maturing loans may be re-financed if the borrowing limit is not exceeded. As such, Borrowings initially deemed as non-current, which now have less than one year to maturity have been classified as non-current. Refer Note 18.

29. 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:

	Consolidated		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash and Cash Equivalent Assets	237,771	87,360	237,771	87,360
Cash and Cash Equivalent Assets Attributable to Disposal Group	-	2,209	-	-
Balance as per Statement of Cash Flows	237,771	89,569	237,771	87,360

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

29. Notes to the Statement of Cash Flows (Continued)

(c) Dividends and Taxes

No dividends were received during the period. Dividends paid by Delta Electricity during the period amounted to \$36.6 million (2010: \$59.2 million). Tax equivalent payments for the year were \$57.3 million (2010: \$53.9 million).

(d) Acquisitions and Disposal of Entities

There were no acquisitions of entities during the year. On 28 February 2011, Delta Electricity Australia Pty Ltd was placed into voluntary administration and subsequent receivership. On 28 February 2011, as part of the New South Wales Government restructure of the Cobbora coal development venture, Delta Electricity disposed of its investment in Mid West Primary Pty Ltd to Cobbora Holding Company Pty. Limited. Refer Note 12.

(e) Financing Arrangements

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Facilities Available				
Bank Overdraft	2,000	2,050	2,000	2,000
NSW Treasury Corporation Loans	1,830,000	1,830,000	1,830,000	1,830,000
Project Borrowing Facility	-	68,192	-	-
Total Available	1,832,000	1,900,242	1,832,000	1,832,000
Facilities Utilised				
Bank Overdraft	-	-	-	-
NSW Treasury Corporation Loans	750,432	1,189,065	750,432	1,189,065
Project Borrowing Facility	-	68,022	-	-
Total Utilised	750,432	1,257,087	750,432	1,189,065

29. Notes to the Statement of Cash Flows (Continued)

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
(f) Reconciliation of Profit/(Loss) for the Year to Net Cash Provided/(Used) by Operating Activities				
Profit for the Period	(195,583)	55,817	(198,130)	43,771
Add/(Less): Non-Cash Items				
Depreciation and Amortisation	103,350	124,062	103,350	120,389
Inventory Adjustments	455	283	455	283
Impairment and Write-Off of Tangible Assets	381,065	45,910	381,065	79
Impairment of Receivables/Bad Debts	11,902	2,698	11,902	54,706
Net Change in Hedge Reserve	(69,072)	-	(69,072)	-
Loss/(Gain) on Loss of Control of Subsidiaries	(7,841)	-	-	-
Share of (Profit) / Loss Associated with Equity Method of Accounting	-	238	-	-
Add/(Less): Items classified as Investing/Financing Activities				
(Gain)/Loss on Sale of Property, Plant and Equipment	(20,527)	749	(20,527)	749
Accounting (Gain)/Loss on Debt Re-financing	6,577	1,051	6,577	1,051
Net Cash Provided by Operating Activities Before Changes in Assets and Liabilities	210,326	230,808	215,620	221,028
Net Changes in Assets and Liabilities During the Period				
(Increase)/Decrease in Trade Debtors	85,180	(18,179)	84,896	(20,052)
(Increase)/Decrease in Other Receivables	(53,141)	1,101	(53,138)	461
(Increase)/Decrease in Inventories	73,498	(16,985)	73,803	(16,287)
(Increase)/Decrease in Other Assets	(129,281)	27,027	(129,281)	26,367
Increase/(Decrease) in Payables	(19,403)	15,164	(25,748)	14,599
Increase/(Decrease) in Income Tax Related Assets/Liabilities	(136,969)	(31,454)	(139,422)	(14,130)
Increase/(Decrease) in Other Liabilities	161,972	(8,628)	163,299	(11,052)
Net Cash Provided/(Used) by Operating Activities	192,182	198,854	190,029	200,934

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

30. 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.

As part of its sponsorship program, Delta Electricity provided \$100,000 in sponsorship to the Art Gallery of New South Wales during 2010/11. The Chairman of Delta Electricity when the sponsorship program was executed in July 2006 was a member of the President's Council at the Art Gallery of New South Wales.

The Directors of Delta Electricity at 30 June 2011 were Mr WL Phillips, Mr GR Everett and Mr SS Turner. Mr SS Turner was appointed a Director of Delta Electricity on 3 March 2011.

Mr JP Henness retired as Delta Electricity's Chief Executive on 17 July 2010 and his role as a Director on the Board of Delta Electricity automatically ceased on 17 July 2010. With his retirement from Delta Electricity, Mr Henness tendered his resignation as a Director of Delta Electricity Australia Pty Ltd and Mid West Primary Pty Ltd on 15 July 2010. Mr GR Everett assumed the role of Chief Executive of Delta Electricity on 17 July 2010 and by virtue of the position was also appointed a Director of Delta Electricity. Mr Everett was appointed a Director of Delta Electricity Australia Pty Ltd and Mid West Primary Pty Ltd on 15 July 2010.

The Directors of Delta Electricity Australia Pty Ltd at 30 June 2011 were Mr WL Phillips and Mr GR Everett. Mr WL Phillips was a Director of Delta Electricity Australia Pty Ltd for the full financial year.

Mr WL Phillips and Mr GR Everett resigned as Directors of Mid West Primary Pty Ltd on 25 February 2011 following its sale to Cobbora Holding Company Pty. Limited as part of the New South Wales Government's energy reform initiatives.

30. Related Party Disclosures (Continued)

(a) Directors and Director-Related Entities (Continued)

The following Directors resigned or were removed during the year:

Director	Appointed	Resigned
Mr PF Young AM Chairman from 1 June 2004	1 June 2004	11 August 2010
Mr LW Harris Chairman from 21 October 2010	1 July 2007	14 December 2010
Hon MS Knight AO	20 March 2006	14 December 2010
Mr PJ Forward	20 March 2006	14 December 2010
Ms SM Moait	18 September 2002	14 December 2010
Mr JL Dermody Chairman from 14 December 2010	14 December 2010	5 May 2011
Mr K Yeadon	14 December 2010	5 May 2011
Mr MJ Lilley	15 December 2010	12 May 2011*

*Removed by Shareholder

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000

(b) Key Management Personnel Remuneration

Short-term Employee Benefits	3,563	3,944	3,563	3,944
Post-employment Benefits	226	234	226	234
Other Long-term Benefits	310	244	310	244
Total	4,099	4,422	4,099	4,422

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.

During the year, Delta Electricity also provided administration support to the Chairman, Mr PF Young AM to the value of \$19,000 (2010: \$43,000). An amount of \$62,000 was subsequently reimbursed by Mr Young for 2009/10 and 2010/11 administration support.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

30. Related Party Disclosures (Continued)

(c) Controlled Entities

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

The wholly owned subsidiary commenced commercial operations in 2002/03. On 28 February 2011, Delta Electricity Australia Pty Ltd was placed into voluntary administration and subsequent receivership.

Delta Electricity acquired the one issued \$1 ordinary share of Mid West Primary Pty Ltd in 2008. The wholly owned subsidiary commenced commercial operations in 2008/09. On 28 February 2011, as part of the New South Wales Government restructure of the Cobbora coal development venture, Delta Electricity disposed of its investment in Mid West Primary Pty Ltd to Cobbora Holding Company Pty. Limited.

(d) Related Party Transactions

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

Related Party		Advance to related parties	Purchases/ (Sales) to related parties	Amounts owed by related parties	Amounts owed to related parties	Equity Acquisition in/ (from) related parties
		\$000	\$000	\$000	\$000	\$000
Consolidated						
Joint Ventures	2011	6,193	3,848	264	-	4,843
	2010	17,523	-	-	-	32,740
Parent Entity						
Delta Electricity Australia Pty Ltd	2011	1,350	3,848	264	-	-
	2010	861	4,940	-	1,608	-
Mid West Primary Pty Ltd	2011	4,843	-	-	-	4,843
	2010	17,101	-	-	-	38,362

31. Events Occurring After Reporting Date


There were no significant events occurring after reporting date.

(End of Audited Financial Statements)

**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 2011 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.



Warren Phillips
DIRECTOR
22 September 2011



Greg Everett
CHIEF EXECUTIVE
22 September 2011

INDEPENDENT AUDITORS REPORT



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Delta Electricity

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Delta Electricity (the Corporation), which comprise the statements of financial position as at 30 June 2011, the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation and the consolidated entity, as at 30 June 2011, and of their financial performance 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.

Emphasis of Matter

I draw attention to Note 2(b)(i) to the financial statements. The carrying value of the Corporation's power stations - plant and equipment is determined using estimated discounted cash flows which include the estimated potential impacts of the Australian Government's proposed carbon price scheme (the scheme). While draft legislation for the scheme exists, the risk of significant amendment to the draft legislation creates significant uncertainty as to the actual impact on the estimated discounted cash flows. My opinion is not qualified in respect of this matter.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.

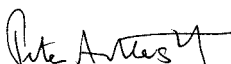
My opinion does *not* provide assurance:

- about the future viability of the Corporation or consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of 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 any other information which 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 other 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 role by the possibility of losing clients or income.



Peter Achterstraat
Auditor-General

22 September 2011
SYDNEY

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Pictured: Cheryl Baldock



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24 hour recorded information

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