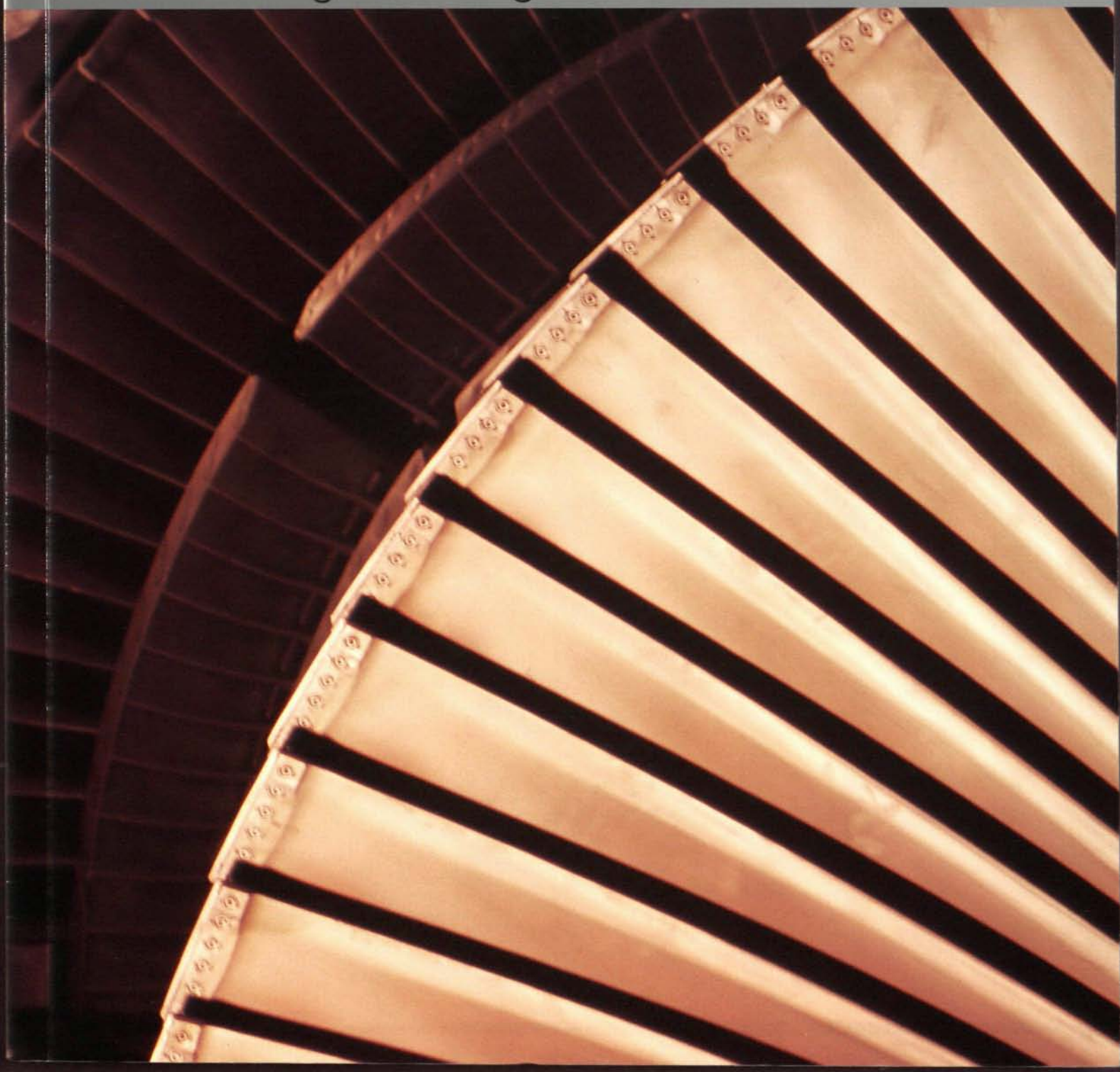
Delta electricity

Delta Electricity Annual Report 2001

...generating sustainable momentum



LETTER OF SUBMISSION TO THE VOTING SHAREHOLDERS

Hon M Egan MLC

The Treasurer, Minister for State Development and Vice President of the Executive Council

Level 33, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Hon JJ Della Bosca MLC

Special Minister of State, Minister for Industrial Relations, Assistant Treasurer, Minister Assisting the Premier on Public Sector Management and Minister Assisting the Premier for the Central Coast

Level 33, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Dear Shareholders

It is our pleasure to submit to you the annual report of Delta Electricity for the year ending 30 June 2001. The annual report covers Delta's activities and contains the statement of accounts for the financial year.

The annual report was prepared in accordance with Section 24A of the State Owned Corporations Act 1989 and the Annual Reports (Statutory Bodies) Act 1984. It is being submitted for presentation to Parliament.

Yours faithfully

Peter Dodd
CHAIRMAN

Jim Henness
CHIEF EXECUTIVE

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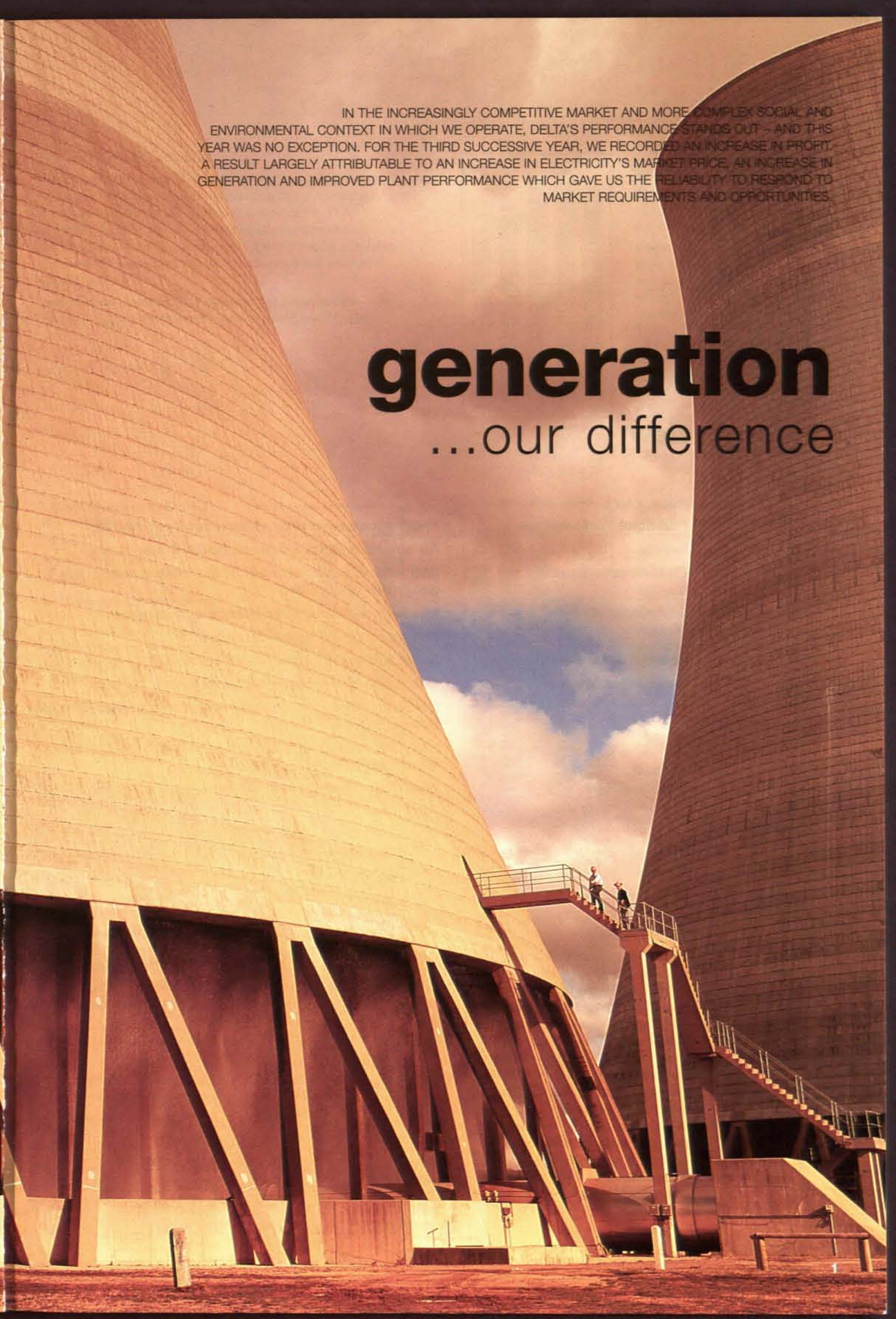
IN THE INCREASINGLY COMPETITIVE MARKET AND MORE COMPLEX SOCIAL AND ENVIRONMENTAL CONTEXT IN WHICH WE OPERATE, DELTA'S PERFORMANCE STANDS OUT – AND THIS YEAR WAS NO EXCEPTION. FOR THE THIRD SUCCESSIVE YEAR, WE RECORDED AN INCREASE IN PROFIT, A RESULT LARGELY ATTRIBUTABLE TO AN INCREASE IN ELECTRICITY'S MARKET PRICE, AN INCREASE IN GENERATION AND IMPROVED PLANT PERFORMANCE WHICH GAVE US THE RELIABILITY TO RESPOND TO MARKET REQUIREMENTS AND OPPORTUNITIES.

generation
...our difference



Year in Review

HIGHLIGHTS

Financial Performance	• **Third successive year of increased profitability**
Safety	• **All business units achieved NSCA 5 star rating**
Plant Improvements	• **$23 million refurbishment of the Wallerawang Unit 7 generator committed**
Environment	• **100% compliance with licence conditions** • **Trial program of selenium reduction**
Power Station Performance	• **Substantially improved plant reliability**
Renewable Energy	• **Chichester mini-hydro commissioned** • **Co-firing trials successfully completed at Wallerawang Power Station** • **Won contract to construct a mini-hydro facility at Windamere Dam**
Coal Supplies	• **Wyee rail unloader carried more than one million tonnes**

FUTURE PLANS

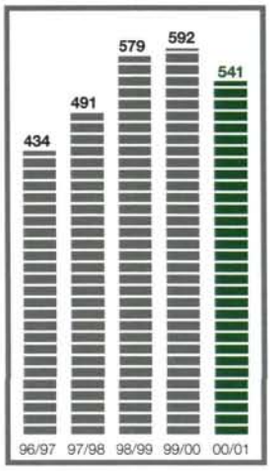
Delta's strategic direction will continue to be shaped by market arrangements and customer and community expectations. However, we believe that developing a broader strategic platform will enable us to remain one of the most successful generators in the electricity market. This objective is reflected in our performance measurements, which are being captured using the Balanced Scorecard approach. The organisational scorecard contains eleven measures:

Net Profit Before Tax	Comparison between actual result and budget
Gross Energy Sales	Comparison between actual result and budget
Equivalent Forced Outage Factor	Comparison between actual result and budget
Coal Cost	Difference between coal cost purchases and export parity price
Environment	Attaining environment accreditation (ISO 14001) and emission rate in tonnes/GWh
Safety	National Safety Council Index Rating
Community	Rating by community
Customers	Volume of forward contracts
Employees	Employee Survey Index
Innovation	Value of innovation projects
Green Energy	Green Energy Production

DISCUSSION AND ANALYSIS

Delta again performed strongly, furthering our reputation as a performance-focused organisation using innovation to deliver benefits to shareholders and an array of stakeholders. The results, articulated in the Chairman's and Chief Executive's reviews, stem from a robust planning program and flexibility in meeting customer and market requirements.

Last year, we identified five measures of performance over the year that were relevant to Delta's vision and mission:



1. Develop organisational culture and competencies

Target:

650 to 700 score in guided self-assessment.

Comment:

Delta initiated another guided self-assessment of a cross-section of employees using the Australian Business Excellence Framework. The results were used when developing our strategic plan to assess the relative strengths and opportunities for benchmarking and to measure progress over time.

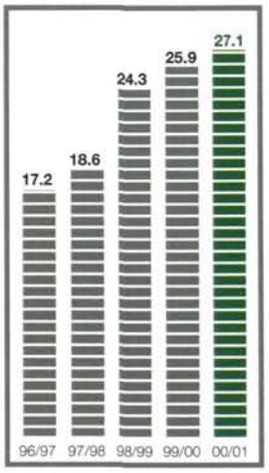
2. Diversify and grow Delta's business base

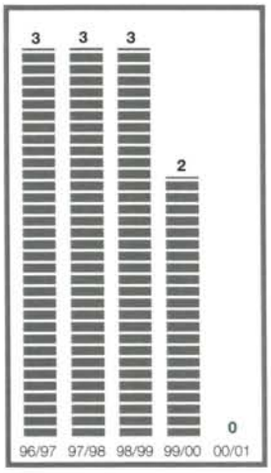
Target:

26.2 GWh/employee.

Comment:

Innovation through increased use and development of technology is continuing to drive productivity. Business improvement teams are consolidating the delivery of improved business processes and serve as a practical demonstration of our commitment to continuous improvement.





3. Minimise power stations' environmental impact and integrate Delta's operations with the local community.

Target:

Nil Environmental Issues.

Comment:

Achievement of this target is a tribute to our holistic approach to environmental management, particularly in the areas of staff training and awareness programs.

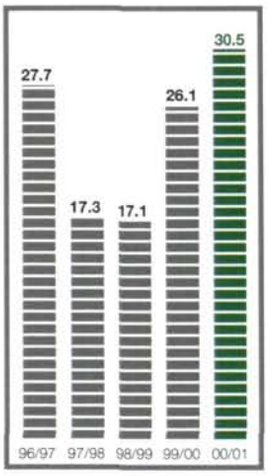
4. Maintain profitability

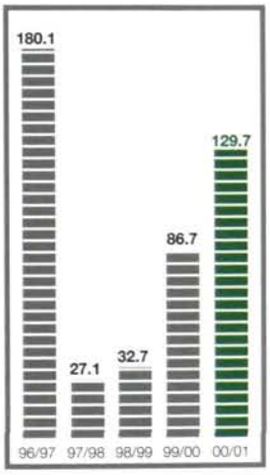
Target:

21.2% return on sales.

Comment:

Higher market prices and increased production have again improved return on sales.





5. Improve return to shareholders

Target:

Increase dividends beyond 1999/00.

Comment:

The increase in dividend payments reflects the efforts made throughout Delta to improve operational efficiency.

Chairman's Report

For the third successive year, Delta Electricity recorded an increase in its profit. The 2001 profit before tax of $188 million is more than 18% higher than last year's profit of $158.7 million. A dividend of $129.7 million was paid to the Shareholder, a substantial increase from last year's payment of $86.7 million.

The major reasons for this continued improvement in performance were an increase in the market price of electricity, an increase in the level of generation and improved plant performance.

The twelve months ending 30 June 2001 have witnessed continuing change in the National Electricity Market (NEM) and the broader social and environmental context in which Delta Electricity operates. The development of effective strategies to meet these changes has been a constant focus of the Board in the past year.

Market Developments

The market continued to evolve, providing both opportunities and challenges to all participants. For Delta, the most significant development was Queensland's entry into the market, which added another source of competition.

Other market developments included:

- significant exchange of power between New South Wales and Queensland following the commissioning of the interconnector (QNI) between the two states;
- the introduction of four new generation plants totalling over 1,100 MW;
- increases in the annual energy growth rates of all NEM states from NSW (2.6%) to Queensland (4.8%) with each of these states setting record demand in summer; and
- significant increases in spot prices in NSW and Victoria.

Plant Performance

Last year I stated that plant reliability would need to be improved to ensure our continued success. It is therefore pleasing to report a substantial decrease in the forced outage rate of Delta's plant. The resultant increase in availability enabled greater operating flexibility and increased production at times of high demand.

Recognising the increased financial risk associated with plant performance, refurbishment of the generator of Unit 7 at Wallerawang was announced during the year. The investment of some $23 million not only confirms the power station's important role in the electricity market, but also significantly extends its economic life.

During the year Delta continued its diversified approach to long term sustainability. In November, the Chichester mini hydro was brought into service, continuing a move to increase generation from renewable energy sources. Four other plants are to be commissioned over the next two years.

Work on a joint project with the New South Wales Sugar Milling Cooperative continued during the year. Approval to construct a new biomass co-generation facility at the Co-operative's Condong mill was granted and an Environmental Impact Statement is being prepared for another mill at Broadwater. These projects will be an important step in achieving the legislated target for new renewable energy set by the Federal Parliament.

Following successful co-firing trials undertaken at Wallerawang Power Station and approval from the EPA, Delta has moved to construct a receiving and handling plant for renewable fuel supplies at the station. The plant will cost in the order of $1 million and further ensures Wallerawang's long-term viability in providing energy for Australia's electricity consumers.

Coal Supplies

Coal is the major cost element in Delta's operations. A secure and reliable supply of coal at competitive rates enables us to enter longer-term electricity contracts with retailers. The refurbishment of the Wyee rail unloader has enabled us to source coal from the Upper Hunter coalfields, with throughput of more than one million tonnes being achieved.

During the year, domestic and export coal prices rose substantially. This, combined with the rationalisation of coalmine ownership, brings security of supply to prominence. Further, in March 2001, the NSW Government began a review of the current and future business environment for Powercoal, a major supplier of Delta power stations. Strategies have been developed to address both security and competitiveness of coal supplies to Delta's power stations.

Market Governance

Governments in the past twelve months have given attention to the operation and governance of the NEM. A Ministerial Council on Energy was established to provide effective policy leadership to meet the opportunities and challenges facing the energy sector. This initiative will support market governance improvements.

Peter Dodd Chairman

Increasing the interconnection capacity between NSW and other states affects Delta's market opportunities and competitive position. A number of interconnection capacity proposals are at various stages of development. The process of approval of regulated interconnectors has received extensive criticism in policy forums. Development of streamlined approval processes would improve the likelihood of new transmission developments proceeding.

Higher spot prices and the shortage of supply have triggered a range of investment announcements, including proposed new generating plants. It is our belief that while such plant may meet short-term needs, the interconnectors between NSW, Victoria, and South Australia should be strengthened to fully support a robust national electricity market.

In NSW, an amendment to the Electricity Supply Act introduced the Electricity Tariff Equalisation Fund. The Fund's aim is to protect NSW franchise customers from fluctuations in the market price for electricity. Retailers will make and receive difference payments between the spot price and a fixed contract price – set by the Independent Pricing and Review Tribunal (IPART).

Outlook

The continuing evolution of the NEM poses new challenges and new opportunities. Delta will continue to focus on the effective commercial operation of its power stations. Our plant and people are well placed to deliver strong financial performance into the future.

We will also continue to explore opportunities for new infrastructure development responding to opportunities provided by growth in demand, the expansion of the renewables market and the challenges of the environment, particularly greenhouse issues.

I am confident that the skills and capability within Delta provide a strong platform for our continued success.

I thank all members of the Board for their support over the past 12 months.

Chief Executive's Report

Successfully addressing the challenges of establishing strategic alignment with market conditions and delivering innovative business improvements has led us to produce our best-ever financial result. It is an outcome that reflects a necessary focus in past years on cost reduction, particularly given that Delta commenced operation as a high-cost generator in an over-supplied market. The strategy has achieved significant success, providing the means for continued increases in profitability and electricity generation to meet market demand.

With many changes implemented, Delta has moved towards a more diversified approach to business success. Reflecting community trends, there is an acknowledgment that long-term sustainability across economic, social and environmental areas must be the basis on which companies build their strategies.

Renewable energy was only one area of business sustainability that we addressed during the year. Asset management, fuel resources and people were others.

A culture built on continuing success is propelling this activity; we are confident that a long-term competitive advantage is not only achievable but also environmentally sustainable.

Year in Review

Delta's results across a range of areas showed continued improvement over last year. While more favourable market prices had an influence on the outcome, the capability within the organisation, across all functions, to develop innovative responses to the discipline imposed by the market has been exceptional.

Financial Results

An increase in Delta's profit before tax from $158.7 million to $188 million was achieved. Importantly, major financial ratios showed improvement including return on assets (14.5%) and return on equity (17.9% adjusted). Expenditure on capital items increased from last year as plant repairs were brought forward due to opportunities arising from market conditions and outage programs.

People

Delta's success can be attributed in large part to the contribution of our people, who have been involved in major changes to staffing and work arrangements. A tribute to their capability in meeting these challenges is that Delta's productivity has almost doubled since its establishment in 1995/96, while other performance indicators have also shown continued improvement.

For people to remain Delta's primary competitive advantage, we need to continually develop our market-responsive culture and competencies. Innovation, a desired Delta value, is an important element of this development and is being assissted by implementing performance-based remuneration within the organisation.

During the year an Innovation Team concept was trialled. Two maintenance teams were given greater plant ownership responsibilities and financial incentives to reduce costs and improve maintenance performance. In both cases, substantial improvements in performance were achieved. Extension of this concept is planned for 2001/2002.

Ensuring an alignment between our skill requirements and our current set of staff skills has been another important area of focus this year. Our challenge is to develop our staff with a set of identified competencies to meet the jobs of the future.

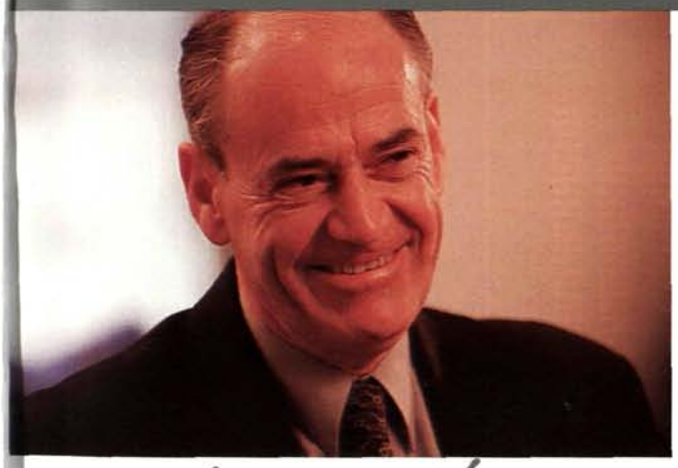
Plant

The performance of Delta's plant this year was a major factor in improved financial outcomes. Unexpected outages of plant now mean greater financial risks particularly as electricity demand has increased, excess capacity has reduced and the spot market pricecap will double in 2002.

Delta's outage rate fell to less than half the rate of the previous year. Vales Point Power Station achieved its lowest ever annual outage rate (less than 1%) while Unit 5 surpassed its previous record for continued operation (352 days). Mt Piper Power Station produced the most energy from Delta's portfolio and Wallerawang exceeded nearly all of its performance targets.

The longer-term success of Delta will be based on the reliability, availability and cost competitiveness of the plant to meet market conditions, including flexibility during periods of peak demand. In the Western region, additional development of the quantitative risk-assessment methodology enabled improved assessment of the level of market risks imposed by engineering decisions. The result is a program in which there are longer intervals between maintenance outages.

At Vales Point Power Station, programming work to install a Distributed Control System



Jim Henness Chief Executive

continued. When installed, this upgrading of unit and station control systems will result in improved plant performance and increased thermal efficiency.

Wallerawang's importance to Delta's portfolio was highlighted by the decision to refurbish the generator on Unit 7. The decision to make the investment was driven by a robust business analysis of Delta's operations and secures the future of the station.

After reviewing several options for reinstating capacity at Lake Lyell Dam in the Western region, Delta adopted the Hydroplus technology that has been used in 35 installations around the world.

Environment

Delta was proud to take a lead role in signing the Federal Government's Generator Efficiency Standard and to be at the forefront of what is expected to be a highly successful initiative for Australia. Delta believes that the Standard presents the Generation sector with the opportunity to make a unique contribution to a national effort. The Standard is entirely consistent with Delta's values, as it already intends to operate to benchmark efficiency levels. The Deed only furthers our resolve to do so.

A component for improving Delta's environmental performance is the development of renewable energy alternatives that are commercially viable.

During the year, Delta:

- progressed studies, in a joint agreement with the NSW Sugar Milling Co-operative, into the generation of renewable electricity using sugar cane fibre (bagasse) as the major fuel;
- opened a mini-hydro on Chichester Dam; and
- successfully trialled the co-firing of renewable biomass fuels as a limited supplement to coal at Wallerawang Power Station, using materials from sustainable forestry sources.

Delta has actively participated in the broader discussion of energy issues. This is demonstrated by collaboration with Universities, the CSIRO and the Co-operative Research Centre for Coal in Sustainable Development.

Strategic Challenges

A major challenge for Delta over the coming decade is to ensure that societal demands of transparency and accountability are absorbed into our business strategy. There remain other immediate challenges, including:

- securing fuel supplies at competitive prices;
- maintaining a licence to operate under future environmental regulation;
- having staff and processes that make us a leading-edge organisation;
- alignment with future directions of the energy market; and
- market responsiveness and risk management.

I am confident that the momentum developed over the past five years will enable us to meet these challenges and to continue the transition to a sustainable future. That outcome will be based on the commitment and dedication of all in the organisation. I thank Delta's people for their contribution and the Board for its advice and vision.

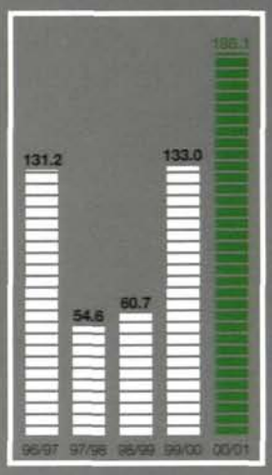
Key Performance Indicators

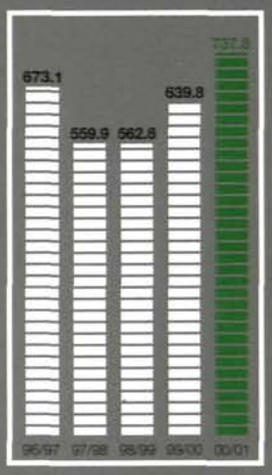
Profit (before tax) $m

Definition: This indicator is the bottom line financial measure of the performance of Delta. This figure considers all elements of income and expense prior to meeting Delta's income tax obligation.

Objective: Consolidate Delta's strategic positioning to ensure consistent and strong returns to Shareholders.

Statement: The increase in profit reflects the efforts of Delta's people in continuously improving work practices, lowering costs and developing new competencies relevant to electricity market operations.





Sales revenue $m

Definition: Relates to the amount of income generated through the sale of electricity. It reflects Delta's performance on a number of fronts, including plant availability and the ability to successfully market electricity.

Objective: Maintain profitable relationships with wholesale electricity customers.

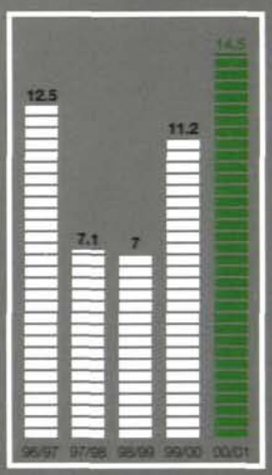
Statement: While market conditions assisted in this result, the ability to give our customers real and competitive choice with innovative and customised electricity contracts was a major contributor to the outcome.

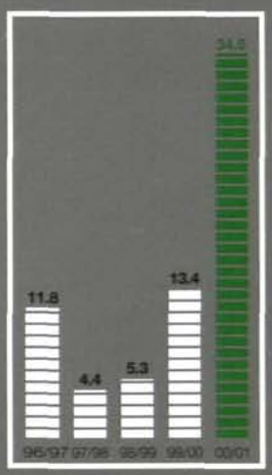
Return on assets %

Definition: The relationship Earnings and Assets. It measures the efficiency of the assets in financial terms.

Objective: Consolidate Delta's strategic positioning to ensure consistent and strong returns to Shareholders.

Statement: A significant increase in this measure, attributable to asset management strategies that enabled Delta's portfolio of plant to maximise market opportunities.





Return on equity %

Definition: The relationship between Net Profit After Tax and Equity. It is a measure of how well the capital in the organisation is being utilised.

Objective: Consolidate Delta's strategic positioning to ensure consistent and strong returns to Shareholders.

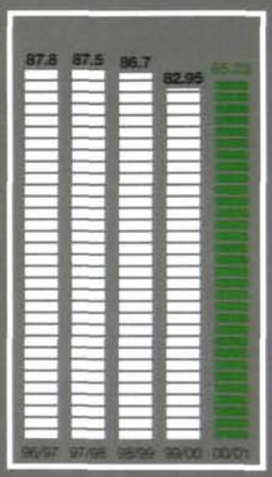
Statement: Delta's strong profit result would have led to an equally impressive outcome for return on equity. The reduction in equity during the year through a return of $380 million contributed to the large increase.

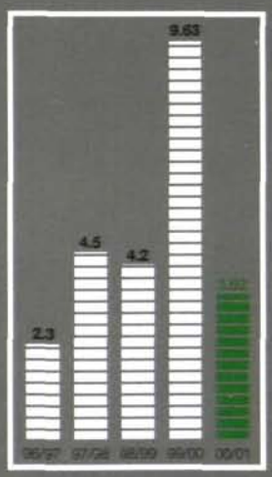
Availability %

Definition: Availability is the total potential generation divided by the product of the maximum dependable capacity and the period hours. It is a measure of the availability of a unit for energy generation in any given time.

Objective: Support Delta's operations through market focussed plant availability and reliability.

Statement: Availability is dependent upon the extent of outages in the portfolio. With a drop in the outage rate, the availability of the plant increased.





Equivalent forced outage factor %

Definition: Represents the extent to which all forced outages have limited the unit availability for energy production when the unit was planned to be in service.

Objective: Support Delta's operations through market-focussed plant availability and reliability.

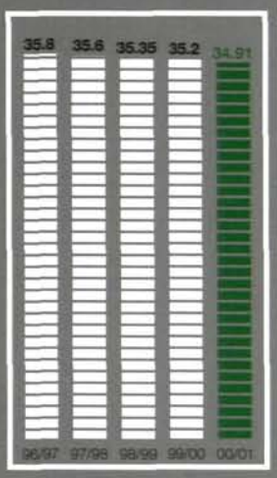
Statement: A major improvement on last year's result. The outcome is a reflection of Delta's commitment to better asset-management strategies.

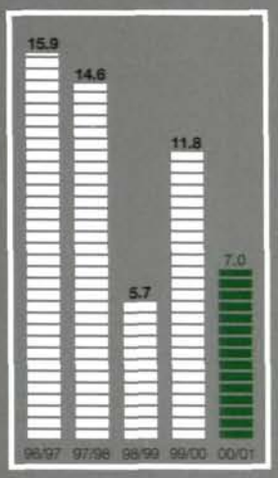
Thermal efficiency %

Definition: Thermal efficiency is the energy supplied in electricity expressed as a percentage of the energy contained in the coal used to produce the electricity.

Objective: Improve productivity and lower cost in operations and maintenance.

Statement: Coal supply limitations at Vales Point forced the station to operate at lower loads during parts of the year. The resultant low output factor is reflected in the drop in efficiency of the entire portfolio of plant.





Safety frequency rate

Definition: This measure represents the number of lost time injuries per million hours worked.

Objective: Promote the shared goal of a safe, healthy and incident free workplace.

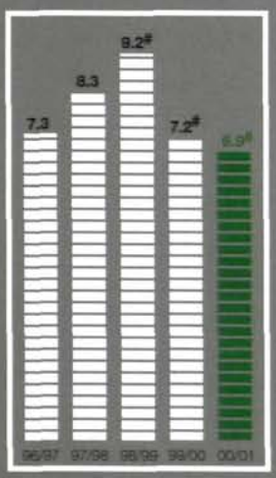
Statement: Frequency rate decreased by 40% on the previous year. This reduction reflects Delta's commitment to safety and the maintenance of a safe workplace.

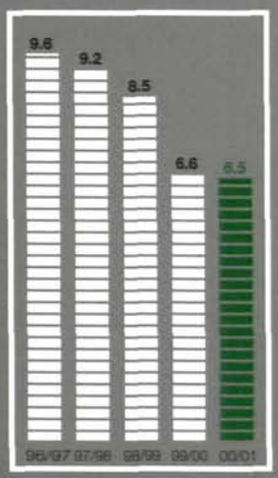
Training Days/employee/year

Definition: The amount of time Delta has made available to employees for training and development activities.

Objective: Support for the development of our people in line with business requirements.

Statement: Continuing changes to business needs has led to Delta to introduce sets of general and leadership competencies. Training of production personnel to cater for plant upgrades and to provide a pool of new operating skills was a major focus of the year.





Sick leave Days/employee/year

Definition: The amount of time lost due to absences from work on sick leave.

Objective: Promote the goal of a safe, healthy and incident free workplace.

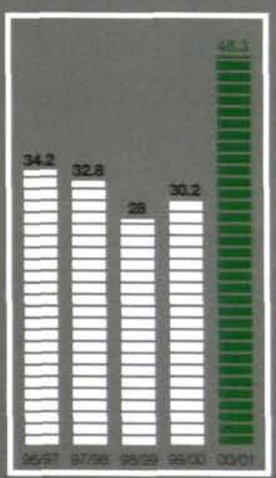
Statement: A slight reduction over the previous year but the decrease over five years is more than 30%. The outcome is a reflection of Delta's efforts in the areas of employee health and well-being.

Coal stockpile levels $m

Definition: The coal stockpile value is based on the quantity of coal held at the power stations and the average value of all the deliveries to those stations.

Objective: Sustain and improve Delta's operational fuel cost competitiveness.

Statement: Additional purchases were made over the year to ensure stockpiles were sufficient to support a strong position in the market over winter 2001.



Relates to the total course hours, supported by Delta. Previous years rate to time off the job.

Corporate Profile

Delta Electricity is an electricity generation company. We produce electricity from several facilities and a diversified set of fuels including coal, water and biomass materials.

Our generators produce around 13% of the electricity needed for the national electricity spot market, meeting the needs of electricity consumers from Queensland to South Australia across the east coast of Australia.

Most of Delta's generation derives from the coordinated operation of four power stations located in NSW: Mt Piper and Wallerawang near Lithgow, and Vales Point and Munmorah on the Central Coast. The total available generating capacity is 4,240 MW.

Delta aims to achieve a lowest cost of overall production commensurate with the needs of managing the commercial risks of our hedge products. While coordinating the operation of the four power stations presents complex operating challenges, we gain considerable benefits from our ability to respond rapidly to changing market and plant conditions.

The remainder of Delta's generation is from renewable energy sources. The contribution from mini-hydro generators and biomass materials is small at this time, but will grow as new projects are completed.

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

Principal functions and objectives

Delta Electricity's principal functions are to:

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

(b) supply electricity and other forms of energy.

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

(a) to be a successful business and, to this end to:

(i) operate at least as efficiently as any other comparable businesses;

(ii) to maximise the net worth of the state's investment in Delta; and

(iii) to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates.

(b) 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;

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

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

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

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

Delta's Vision, Mission and Values

VISION

Generating Performance Through Innovation

MISSION

To be the supplier of first choice in the electricity market by ensuring that:

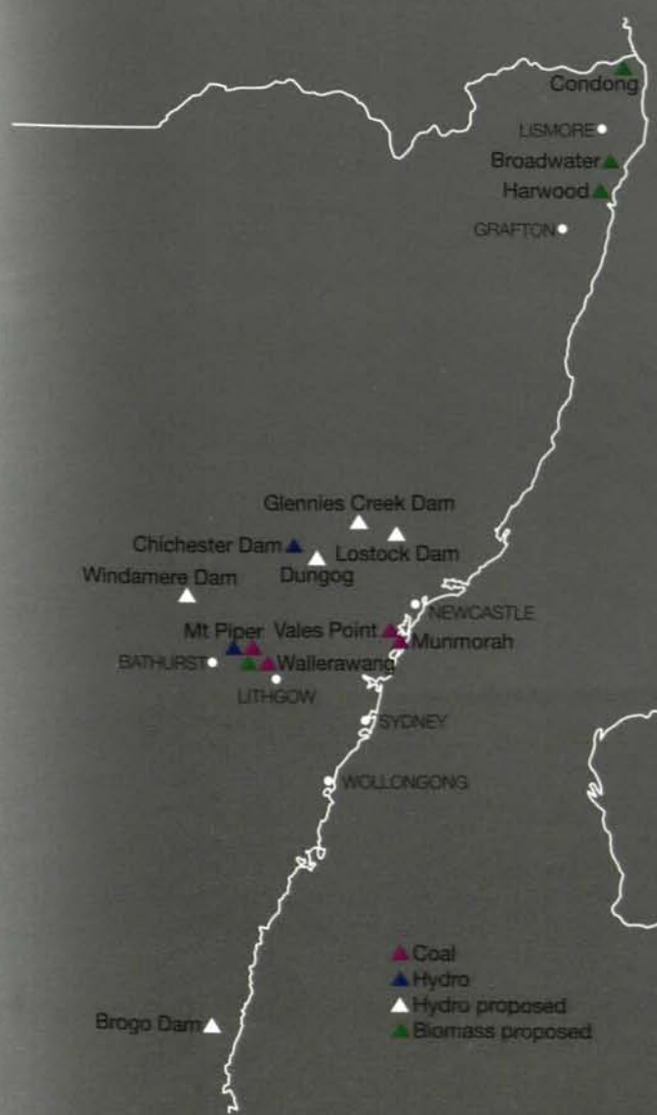
- **Customers receive competitive prices and innovative, customised services.**
- **Staff work in a safe, challenging and creative workplace, receive a fair return for their contribution, and have opportunities to develop.**
- **Community members welcome us as a valued, environmentally responsible organisation.**
- **Stakeholders are confident that we effectively manage the business and associated risks.**

SHARED VALUES

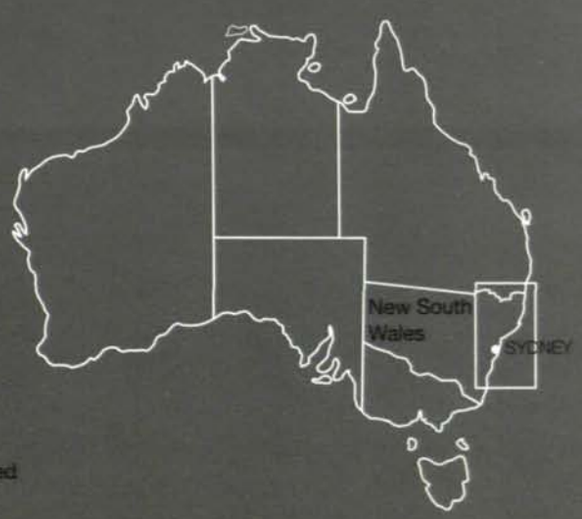
We value:

- **productive relationships.**
  Maintaining productive relationships with customers, colleagues and suppliers.
- **safety, health and welfare.**
  Providing for the safety, health and welfare of our people, visitors and the community.
- **continuous improvement.**
  Demonstrating continuous improvement in all aspects of our business.
- **learning and development.**
  Supporting the learning and development of our people for business success.
- **environmental performance.**
  Caring for the environment for future generations.
- **honesty, fairness and integrity.**
  Ensuring honesty, fairness and integrity in all that we do.

Operations



Location	Unit size	Total units	Capacity
Coal			
Mt Piper	660	2	1320 MW
Vales Point	660	2	1320 MW
Wallerawang	500	2	1000 MW
Munmorah	300	2	600 MW
			4240 MW
Hydro			
Mt Piper	350	1	350 kW
Chichester Dam	110	1	110 kW
			460 kW

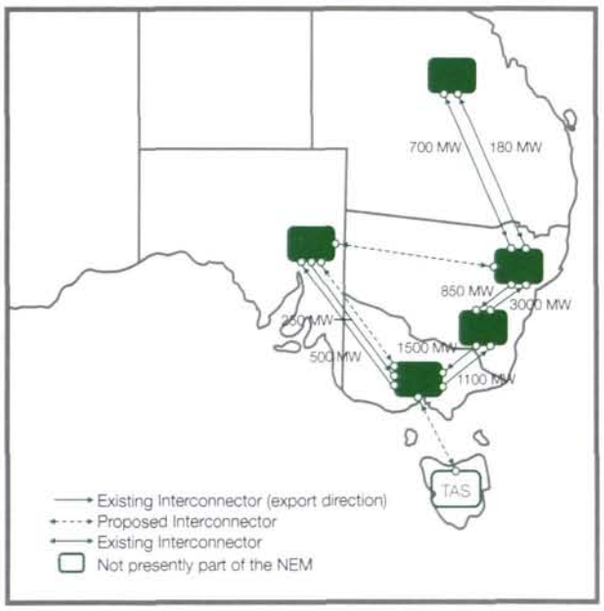


Electricity Market

Delta operates in sophisticated and complex electricity market. The instantaneous matching of electricity supply and demand presents unique challenges to all participants. Further, it is not possible to distinguish which generator produced the electricity consumed by a particular customer.

The National Electricity Market with its interconnecting grids includes Queensland, New South Wales, Australian Capital Territory and Victoria. It commenced operation in December 1998 as part of the process of deregulation of the Australian power industry.

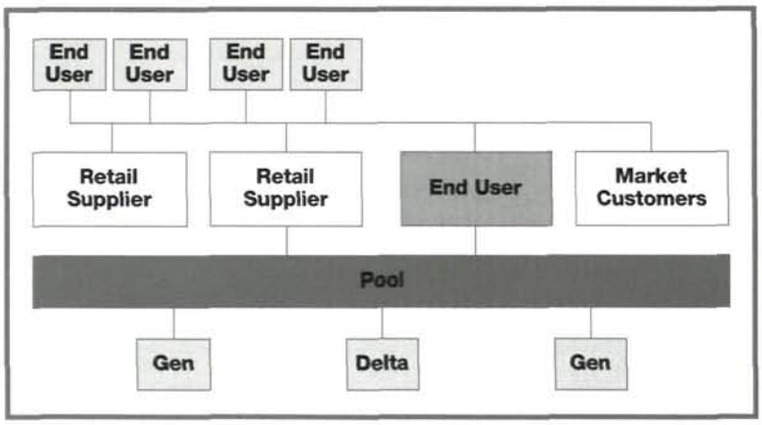
Interconnectors in the NEM



Generators offer to supply the market with different amounts of energy at particular prices. From all offers submitted by generators, the market operator selects the generators required to produce power at which times throughout the day. Offers from generators are stacked in order of rising price until consumer demand is met. As demand for electricity increases, more expensive generators are committed to produce energy.

As a wholesale electricity generator, Delta competes against a number of other generators for the supply of electricity into this common pool.

Electricity supply pool



Tight electricity supply/demand conditions over the past year presented major challenges for all electricity market participants. These conditions resulted in higher average spot prices.

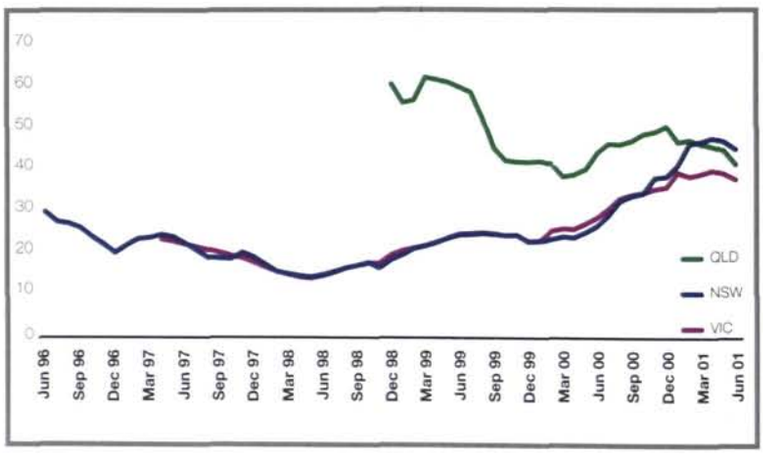
The operation of the electricity market creates different risks for the various participants. For wholesale generators like Delta there are two sets of risks:

- Commercial risk for unmatched contracted sales and production; and
- Revenue risk to achieve price and volume on uncontracted production.

These risks are exacerbated by price volatility in the market. Spot prices have increased in volatility in all NEM regions. In NSW, there were $11^1/_2$ hours of prices higher than $1,000 in 2000/01 compared to 5 hours in the previous year and only 2 hours in 1998/99.

Delta manages this risk through contracts with energy retailers. Throughout the year the Marketing team's ongoing work with Delta's customers yielded a balanced portfolio of sales contracts. This portfolio met internal risk management criteria.

12-Month moving average pool price $/MWh



Five Year Statistical Summary

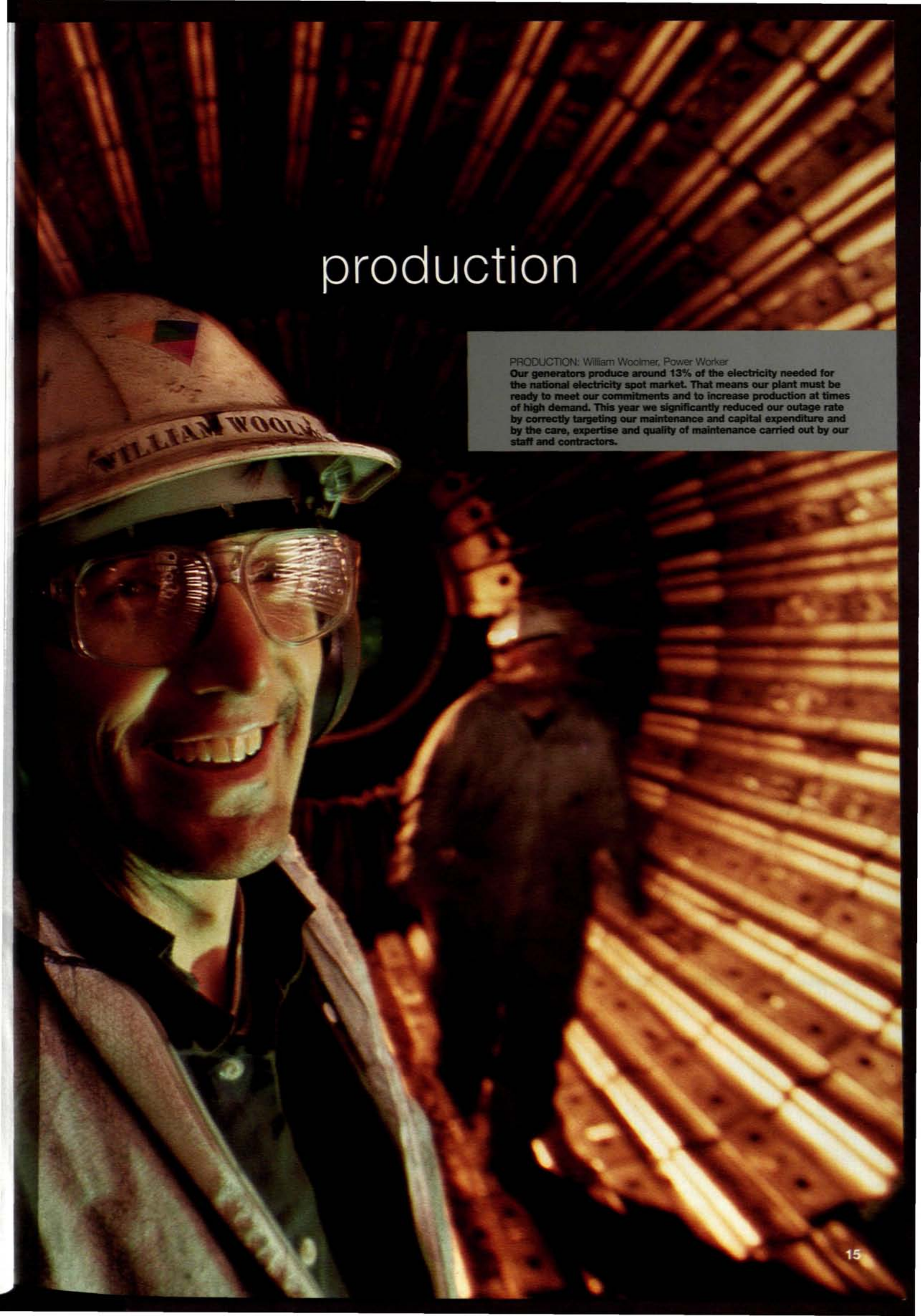
	Unit	96/97	97/98	98/99	99/00	00/01
Financial statistics						
Total Sales revenue	$m	673.1	559.8	562.9	639.8	737.8
EBIT	$m	186.3	96.9	96.4	167.1	225.1
Net Profit Before Tax	$m	305.6	54.6	60.7	158.7	188.1
Net Profit after Tax	$m	195.6	31.9	38.5	119.7	133.0
Total debt	$m	521.9	424.6	420.9	351.4	730.9
Total Equity	$m	711.4	722.0	727.7	760.8	384.1
Return on assets	%	12.5	7.1	7.0	11.2	14.5
Return on Equity	%	11.8	4.4	5.3	13.4	34.6
Gearing	%	42.3	37.0	36.6	31.6	65.6
Interest cover	Times	3.9	2.3	2.7	4.9	6.1
Debt:Equity	%	73.4	58.8	57.8	46.2	190.3
Current ratio		0.8	1.3	1.0	1.3	1.3
Operational statistics						
Production	GWh	18738	19222	20006	20481	21163
EFOF	%	2.3	4.5	4.2	9.6	3.5
Availability	%	87.8	87.5	86.7	82.9	85.2
Thermal efficiency	%	35.8	35.6	35.35	35.2	34.9
Coal Stockpile levels	$m	34.2	32.8	28	30.2	48.3
Employee statistics						
GWh/employee		17.2	18.6	24.3	25.9	27.1
Staff Numbers		1091	1032	822	797	782
Training	Days/employee	7.3	8.3	8.2	7.2	6.9
Sick leave	Days/employee	9.6	9.2	8.5	6.6	6.5
Safety	Frequency rate	15.9	14.6	5.7	11.8	7.0

HAVING BEGUN LIFE AS A HIGH-COST GENERATOR IN AN OVER-SUPPLIED MARKET, DELTA'S EARLY YEARS WERE FOCUSED ON REDUCING COSTS. BUT NOW THAT WE'VE ACHIEVED THE EFFICIENCIES NECESSARY TO OPERATE PROFITABLY AND MEET INCREASED MARKET DEMAND, OUR BUSINESS APPROACH RECOGNISES THAT LONG-TERM SUSTAINABILITY – IN ALL OUR ECONOMIC, SOCIAL AND ENVIRONMENTAL ACTIVITIES – MUST BE THE BASIS ON WHICH WE BUILD OUR STRATEGIES.

sustainability

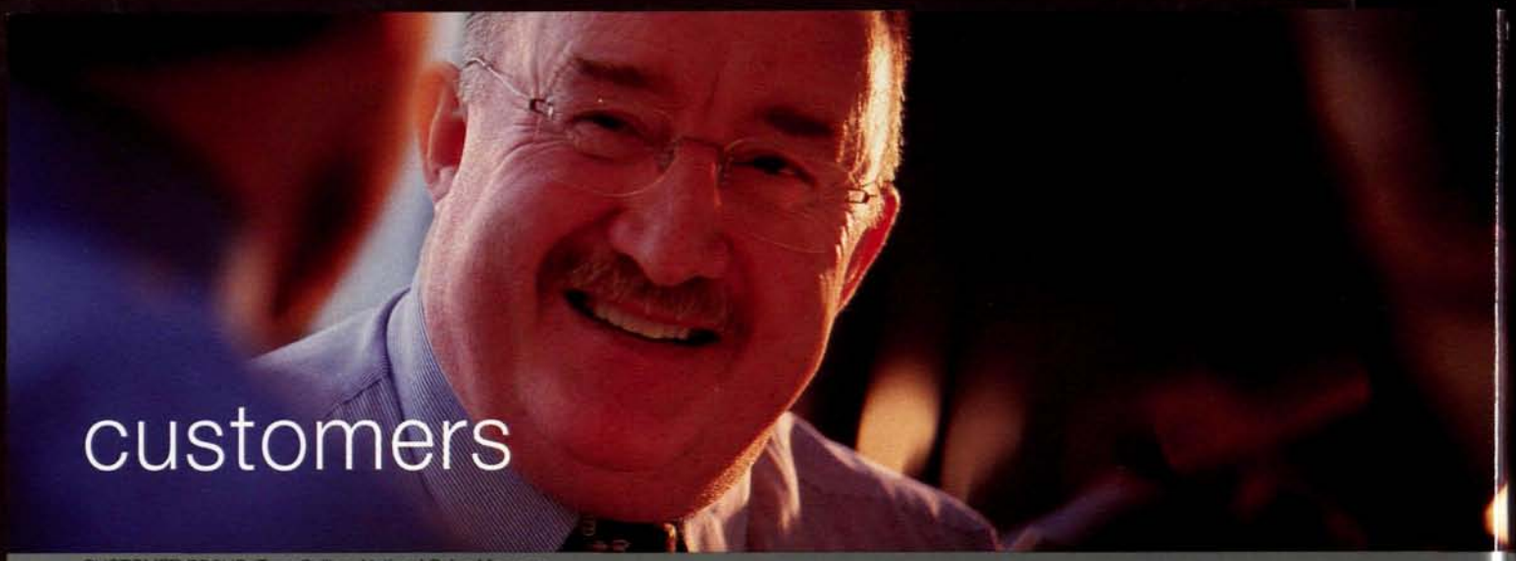
...our direction

production



PRODUCTION: William Woolmer, Power Worker

Our generators produce around 13% of the electricity needed for the national electricity spot market. That means our plant must be ready to meet our commitments and to increase production at times of high demand. This year we significantly reduced our outage rate by correctly targeting our maintenance and capital expenditure and by the care, expertise and quality of maintenance carried out by our staff and contractors.



customers

CUSTOMER FOCUS: Terry Collins, National Sales Manager.
We recognise the individual nature of hedge and risk-management products, so we work closely with customers to develop competitive, electricity-based hedge products that facilitate the management of market risk under a range of market conditions. Our people are supported by rigorous risk-management policies and procedures and appropriate information systems.

PEOPLE: Grant Gregory, Power Worker
The major changes we've made to staff and work arrangements have meant that Delta's productivity has nearly doubled since our establishment six years ago. By developing a performance-based culture we're giving our people the incentive to develop the capability of the business, and manage proactively, so that we achieve our business goals.

people

community

COMMUNITY RELATIONS: John Koller, Commercial Manager/Central Coast

It's important to us to be known as a valued and responsible organisation, so we go out of our way to engage local communities. We keep them informed and actively seek their input, particularly their expectations and perceptions of our environmental and social performance. We also support a range of community activities, events and groups.

ENVIRONMENT: Skye Byrne, Environment Officer

We believe that good environmental management is the key to long-term business success. For us, environmental management means complying with all environmental regulations and promoting environmental responsibility among our people. Translating this approach into our day-to-day activities sees us working hard to reduce emissions, being actively involved in a broad range of training and research activities and becoming the first electricity generator to sign on to the Generator Efficiency Standards program.

environment

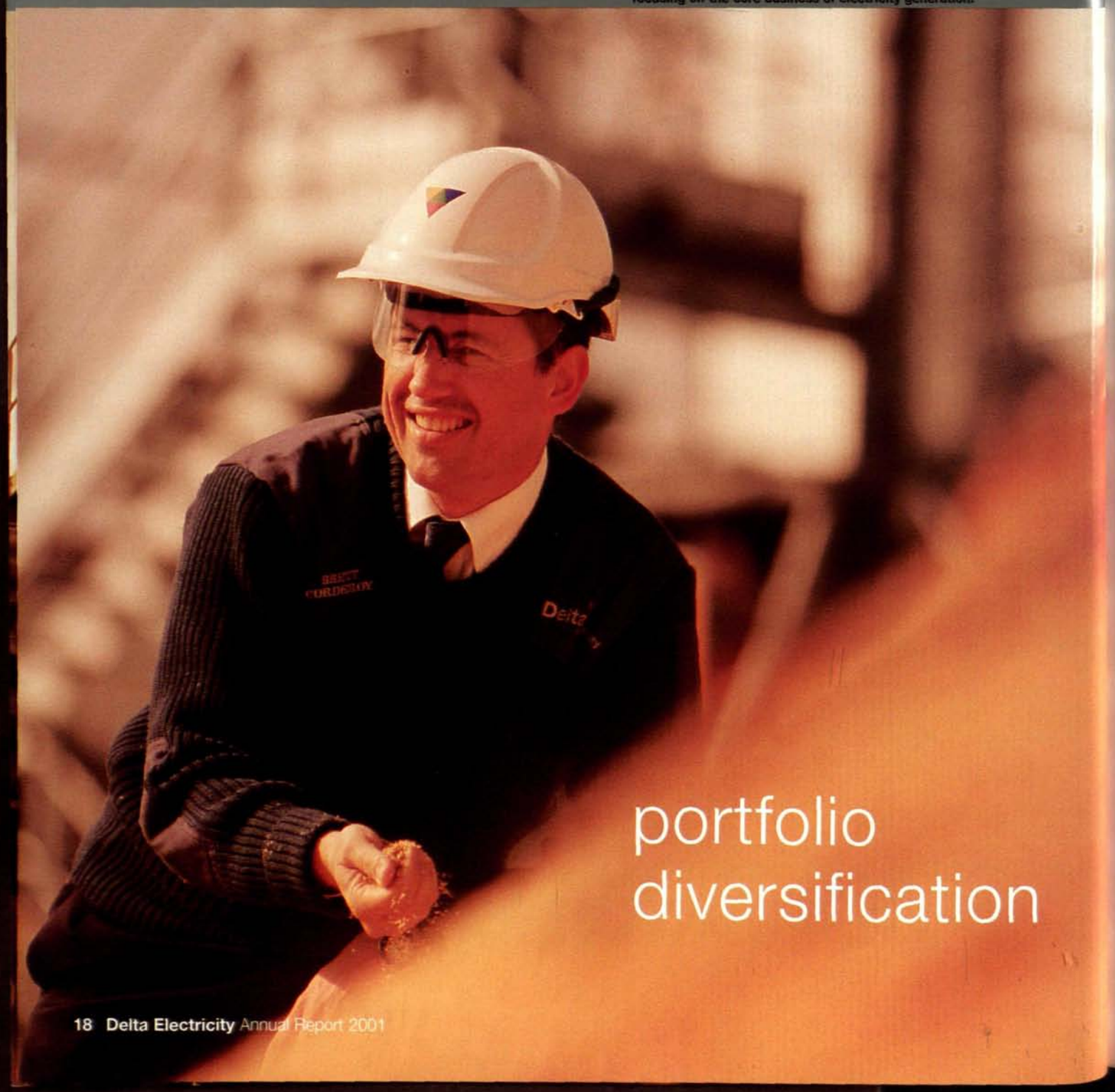
technology

TECHNOLOGY: Alan Rayfield, Information Technology Officer

Our move to a more diversified business strategy has resulted in us adapting our information technology to meet new organisational needs. We've implemented an open and contemporary platform that's promoting the development of new skills for our people, improving access to data and providing a high degree of flexibility to exploit new business initiatives. These will help us achieve our aim of becoming a technology driven innovator and leader in the electricity generation industry.

PORTFOLIO DIVERSIFICATION: Brett Corderoy, Project Development Analyst

We're moving towards a more diversified portfolio of generation assets to meet increases in electricity demand and changing expectations to greenhouse-abatement measures. The new renewable energy developments we are exploring – in water, wind and sugarcane fibre – will allow us to diversify our plant type and fuel supplies while focusing on the core business of electricity generation.



portfolio diversification

INNOVATION **As a 'generator of innovation' Delta is continually developing new systems to optimally handle ongoing market changes. Most recently Delta commissioned improved commercial risk management systems, a new frequency control ancillary services (FCAS) market system, and a suite of new web-based market information and training systems.**

We are now well placed to manage the increased commercial risks of spot prices that will soon be able to spike to $10,000 in any half hour. We are also ready to submit competitive offers into the new complex and challenging FCAS market that NEMMCO will begin to operate late in 2001.

Our marketing people have developed a web-based FCAS training package, and have also put in place a web-based real time market information system driven by proprietary Delta developed software which provides confidential, in-depth displays for the marketing group and overview displays for all Delta people.

sustaining... **customer focus**

In an increasingly competitive market place, Delta continues to strengthen its understanding of the needs of its customers, and strives to provide risk management products that optimally meet those needs. When it comes to managing the risks of the major energy retailers, Delta strives to be a 'supplier of first choice'.

Customers

Delta's customers are the licensed 'retailers' of the national electricity market. Delta also maintains close working relationships with the National Electricity Market Management Company (NEMMCO), and the National Electricity Code Administrator (NECA).

Our marketing team works closely with its customers to develop competitive, electricity based hedge products that manage market risk under a range of market conditions. The products are developed to meet customer needs and to ensure customer satisfaction.

Regulation

The National Electricity Market and National Electricity Code continued to develop during the year. There were major reviews by the National Electricity Code Administrator (NECA) and the Australian Competition and Consumer Commission (ACCC) in the areas of technical standards for power station plant, network pricing, the proposed integration of the energy market and network services, dispute resolution, and rebidding.

Delta actively contributed to these and other regulatory reviews through submissions and participation in forums and working groups. Delta particularly supported:

- A NEMMCO review of regulatory and administrative arrangements governing NEM regional inter-connection with the purpose of enhancing competition, system security and efficient market operation.
- An ESAA review of the national electricity market to establish a "vision blueprint" for the governance, operation, and market development in anticipation of the planned COAG and Productivity Commission reviews of the NEM.

An area of major attention was the proposed development of a market for ancillary services. For much of the year market participants have been working towards the introduction of a new market for frequency control ancillary services (FCAS). Like any new market, many substantial regulatory issues needed to be worked through with the 'regulator' - in this case both the ACCC and NECA. The FCAS market is expected to commence operation around October 2001.

Systems and Process

Delta's marketing efforts are underpinned by experienced, highly qualified people, rigorous risk management policies and procedures, and appropriate information systems. This year saw the implementation of additional IT systems to automate Delta's electricity contracting and settlements functions with a focus on real time position keeping.

Our marketing policies and procedures remain central to the successful management of both financial and operational risk. They are subject to ongoing review so that Delta's sales and trading activities remain within approved frameworks under changing market conditions. The polices are presented to and endorsed annually by Delta's Board.

ETEF

Following the expiry of the NSW vesting contracts on 31 December 2000, the NSW Electricity Tariff Equalization Fund (ETEF) was introduced and commenced operation on 1 January 2001.

The fund is a NSW Government initiative developed to ensure the franchise customers of NSW have ongoing access to competitively priced electricity. The fund limits the market risk faced by retailers in purchasing 'franchise' electricity from the volatile electricity spot market.

INNOVATION **Occasionally, outages of short duration are required for minor maintenance work. A business-improvement team review of pre-planning procedures and work scope for outage programs has reduced the outage period by over 30%.**

The premature failure of the fabric filter bags at Mt Piper Power Station required an urgent solution to avoid production losses. Accelerated shrinkage of the bags was being further exacerbated by the tension in maintaining the rigidity of the bags. A simple tensioning device was developed by a Delta employee and, along with other aspects of the strategy, promise to save Delta at least $1.5 million per year.

sustaining... **production**

Delta's core business is the production of electricity. Our generators produce around 13% of the power needed for the national electricity spot market, servicing consumers across the entire east coast and South Australia.

To be successful in the electricity market, companies need plant that can meet contract commitments and maximise opportunities when they arise. Plant reliability, therefore, is crucial.

Delta's total output for the year was 21,163 GWh, an increase of 679 GWh over last year and slightly above target. This result is attributable to a substantial improvement in the reliability of our portfolio of coal-fired plants.

Moreover, the forced outage rate of our plant was significantly reduced compared with the previous year, with Vales Point achieving its lowest-ever outage rate. The performance of Unit 5 was instrumental in this achievement: it ran continuously for 352 days. The result demonstrates the effectiveness of solid asset-management strategies, including correct targeting of maintenance and capital expenditure, the care and expertise of plant owners and the quality of maintenance by Delta staff and contractors.

The operation of Mt Piper and Wallerawang power stations proved to be the most difficult in Delta's five-year history. Partial repairs to Unit 8 at Wallerawang, after major turbine blade damage, restricted the unit's output to 440MW. In addition, premature failures of the fabric-filter bags at Mt Piper threatened to reduce the station's output.

Despite these difficulties, Mt Piper produced the most energy from any Delta power station and the combined output of the two stations accounted for more than 60 % of our total generation.

New environmental flows from Lyell Dam into the Coxs River came into effect at the beginning of the year. A monitoring program has been initiated to measure improvements in the health of the river. We have identified a strategy for reinstating the dam's capacity following the rupture of a rubber dam on the spillway. We expect this to be implemented in 2002.

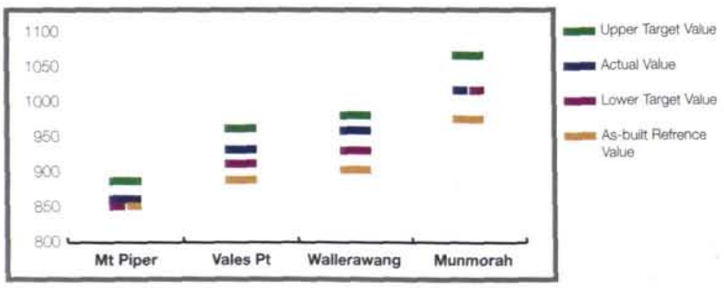
In November 2000, Delta became the first electricity generator to sign on to the Generator Efficiency Standard. This is a program under which fossil fuel based electricity generators enter voluntary but legally binding agreements with the Commonwealth to move towards best practice power generation.

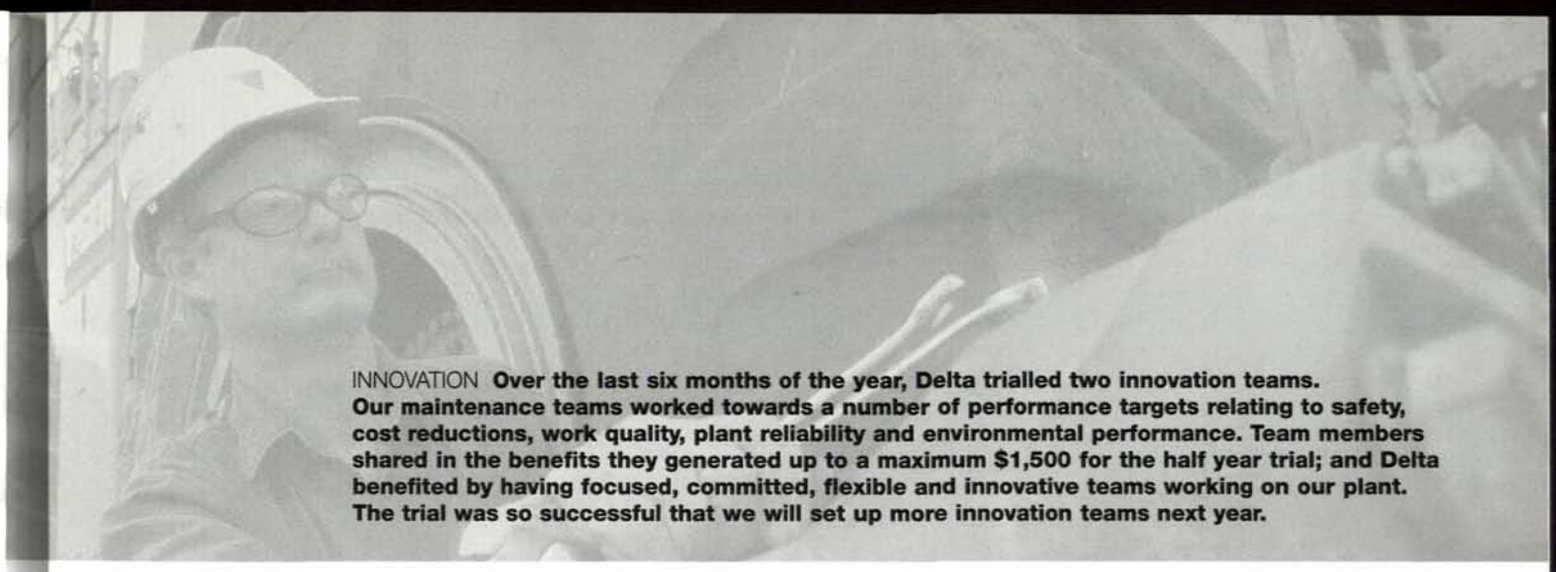
As part of the program Delta has commenced investigations into a suite of actions that could reduce greenhouse emissions. These actions are designed to ensure that each power station operates within a bandwidth of performance (see figure below).

Two major developments position Delta's portfolio for the long term. The decision to refurbish Wallerawang's No. 7 Unit generator significantly enhances the power station's capabilities for the rest of its economic life. The refurbishment will also allow Wallerawang to keep operating at its historically high levels of generation. And on the Central Coast, preparations for the installation of a distributed control system at Vales Point were begun. The system, when installed, will allow Vales Point to generate with increased reliability, and improved thermal efficiency and operational effectiveness.

Generator Efficiency Standard

Actual vs target emission rates tonnes CO_2/GWh





INNOVATION **Over the last six months of the year, Delta trialled two innovation teams. Our maintenance teams worked towards a number of performance targets relating to safety, cost reductions, work quality, plant reliability and environmental performance. Team members shared in the benefits they generated up to a maximum $1,500 for the half year trial; and Delta benefited by having focused, committed, flexible and innovative teams working on our plant. The trial was so successful that we will set up more innovation teams next year.**

sustaining... **people**

To meet the requirements of our customers, stakeholders and the community, Delta needs people with the right skills, knowledge and talent – people who are capable of working to their full potential. Our employees rose to new challenges during the year. They were the key to our success.

Safety and Wellbeing

Delta maintained a high standard of health and safety performance during the year, with each business unit holding the highest rating under the National Safety Council of Australia's safety-award system.

Delta now has a mature health and safety system. During the year, we reviewed the requirements contractors need to observe, as well as the processes and procedures used for the management of contracts. This review strengthened our system, substantially minimising safety risks on all Delta sites.

Delta continued to subsidise employees participating in fitness activities, encouraging regular exercise. The participation in fitness programs is growing and a proposed expansion of the subsidy next year should encourage even greater involvement.

Employees and the Community

We continued to provide training and industrial experience opportunities for 12 first-year apprentices. On average, six of these apprentices are given industrial experience with Delta in subsequent years. The other six complete their indentures in the local community. We also supported administrative trainee placements, providing opportunities for participants to acquire work experience and skills. A number of university students were given short-term placements to acquire necessary industrial experience.

Employee Relations

Through regular team meetings and internal and external consultative committees, Delta has maintained open and effective communication with employees and unions.

A new Delta Electricity Employee's Award was negotiated during the year. The two-year award provided an average 4.5% per annum increase and included changes to the calculation of some allowances and overtime.

Organisation Development

An integrated, multi-faceted approach to organisational development has been consolidated and improved during the year. We introduced a formal succession-planning model at senior levels, a scheme which will be extended to other employees next year.

Using information gathered from staff, we developed a set of leadership competencies to help measure and reinforce the knowledge, skills and attitudes expected from those in leadership positions.

In addition, we developed a set of more general Delta competencies against which all employees can be assessed. These competencies are applicable to all positions and address issues such as innovation, safety, customer focus and technical/professional competence.

Both sets of competencies are now used as part of the performance-management process, for recruitment activity and, where appropriate, are incorporated into training programs.

Employees participated in a performance-payment scheme linked to Delta's financial success. Performance against business unit and individual targets, cost management, plant performance and sick leave helped determine payment levels.

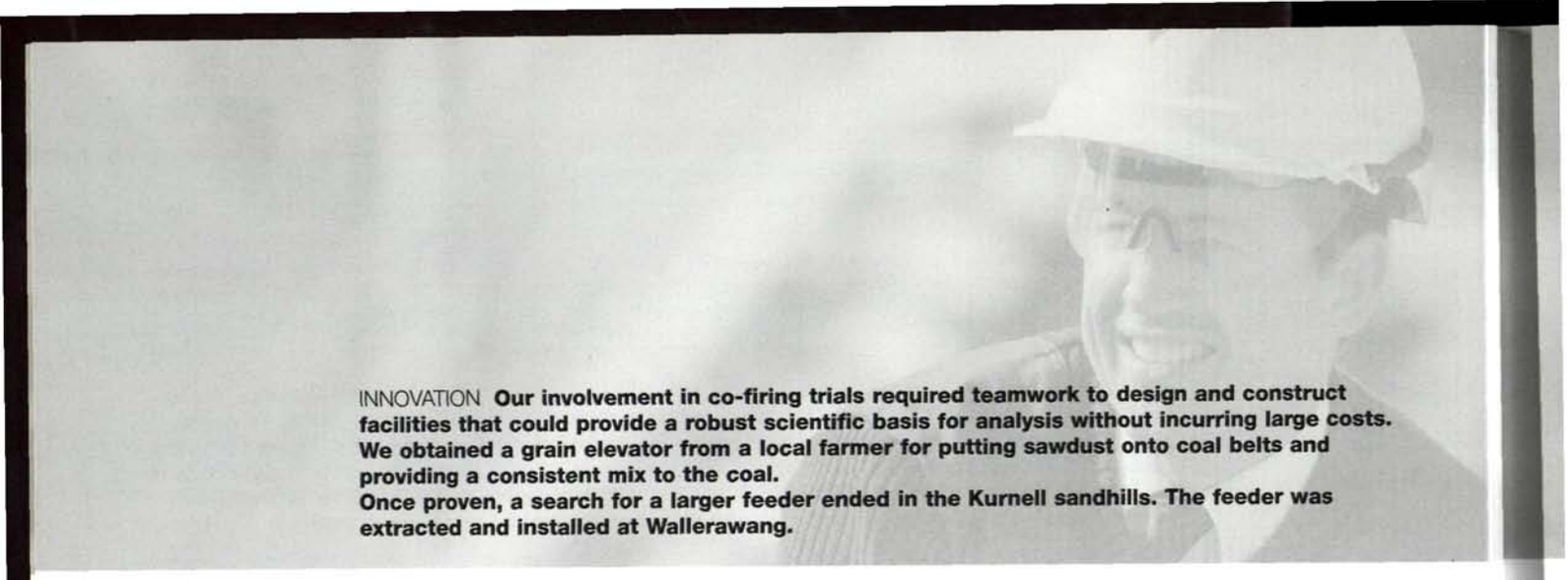
A voluntary redundancy scheme commenced in May 2001 and extended into the next financial year. We anticipate a reduction of up to 50 employees which will allow restructuring to better suit business needs. Many of the changes will open new career opportunities to remaining employees.

As part of the diversity plan, Delta ran an outdoor-development program involving 11 women selected from across the corporation. The program's aim was to develop participants in areas of leadership, personal confidence and assertiveness through safe but challenging learning experiences. A similar program promoting team building was conducted for Central Coast Production.

A broad range of performance measures were developed late in the year and will form the basis for performance payment schemes applicable to all employees next year.

This Balanced Scorecard approach uses a range of measures that are important for current and sustainable business success and cover financial, operational performance, environmental, customer, people and community areas, weighted according to their relative importance.

This and other approaches to managing employee performance will maintain our business performance now and in the future.



INNOVATION **Our involvement in co-firing trials required teamwork to design and construct facilities that could provide a robust scientific basis for analysis without incurring large costs. We obtained a grain elevator from a local farmer for putting sawdust onto coal belts and providing a consistent mix to the coal.**
Once proven, a search for a larger feeder ended in the Kurnell sandhills. The feeder was extracted and installed at Wallerawang.

sustaining... **portfolio diversification**

The policy responses of federal and state governments to international cooperative efforts to reduce greenhouse gas emissions are shaping the context in which electricity generators must define their future.

We consider a diversified portfolio of generation assets to be our best approach to meeting increases in electricity demand and changing expectations to greenhouse-abatement measures. New developments will allow us to diversify plant type and fuel supplies, while keeping to the core business of electricity generation.

With the Commonwealth Government setting a target of 9,500 GWh of new renewable energy by 2010, we are looking to develop our renewable energy-generation portfolio. Progress in renewable energy developments included the commissioning of a mini-hydro at Chichester Dam. This generator is our second mini-hydro facility, with four others planned over the next two years. We secured a contract for a mini-hydro on Windamere Dam during the year.

Work on Australia's largest renewable energy project, a joint agreement with the New South Wales Sugar Milling Cooperative, moved closer to completion. The project involves the generation of renewable electricity using sugar cane fibre (bagasse) as the major fuel. New biomass power stations would be constructed at the cooperative's sugar mills on the north coast of NSW. Approval to construct the Condong plant was received from the local council and an Environmental Impact Statement is being prepared for Broadwater. When fully developed, this project could produce up to about 700 GWh of renewable energy annually.

The use of small quantities of renewable biomass fuels to supplement coal was successfully trialled at Wallerawang Power Station, using a blend of radiata pine sawdust from sustainable forestry sources. The trials indicated that co-firing is technically feasible, with little or no impact on the performance of the existing plant.

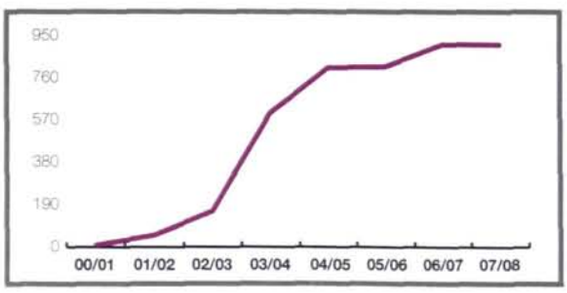
Wind energy is an area under active consideration and a number of sites are being assessed for their suitability. The economics of wind generation are improving as economies of scale in turbine production reduce capital costs.

The move to diversify our portfolio is a strategic imperative for Delta's long-term success. The industry may be regarded as moving into a transition phase but coal, and increasingly gas, will continue to have a place in Australia's energy mix.

In this regard, improvements to the performance of a power station, as well as the introduction of cleaner and more efficient new plant, can greatly contribute towards reducing emissions and fuel use thereby limiting the environmental effects of electricity generation. Delta was the first generator to adopt the Federal Government's Generator Efficiency Standard. We had actively worked with the Government in developing an innovative implementation model involving voluntary but legally binding agreements that target improvements to power-station efficiency.

We have also actively participated in the broader discussion of energy issues. Testimony to this is our collaboration with universities, the CSIRO and the Cooperative Research Centre for Coal in Sustainable Development.

Renewable Energy
Production and Target (GWh)



INNOVATION **Planning for community-relations programs involved, the participation of community members, taking into account the needs of all stakeholders.**

We sought a diversity of opinions to gain community views on our operations, ascertain the issues important to the community and identify areas where our community resources may be of greatest benefit. The result is a plan that better integrates our future business direction with the requirements of the surrounding communities – providing the basis for an evolving partnership.

sustaining... **community relations**

Delta conducts its operations in regional areas surrounded by small communities. We have recognised for some time that our 'licence to operate' in local communities is linked to the development of long-term sustainable relationships with these communities. A value system, based on the tenets of corporate social responsibility, defines our actions. Seeking to be known in the community as a valued and responsible organisation, we have set up a program of activities with stakeholder groups, and are willing to engage them in discussions on issues related to our core operations.

Reflecting more general trends in society, community expectations of its corporate citizens are rising. We understand this, and through an active program of particpation and engagement seek to secure endorsement of our activities for sustained operations.

There are a number of ways in which Delta engages local communites. In planning community activities, we seek the input of residents, particularly their expectations and perceptions of our environmental and social performance. We are also a member of a number of local council and other community groups.

On the Central Coast, a Community Access Regional Environment (CARE) Forum has been in place for more than three years, providing a basis for feedback on current and proposed activities. The Forum is community-based and links into existing community networks, providing an outlet for community concerns.

We also support a range of community activities, events and groups. For example, Delta has agreed to make available land on Munmorah Power Station site to develop a youth and recreational park for mountain bikes and boards, BMX and other youth orientated activities. Academic achievements were recognised with the granting of five $1,000 scholarship awards to local achievers at the Ourimbah campus of Newcastle University.

In the Western Region, Delta supported the Coxs River Catchment Management Committee education project to raise awareness of the river's catchment area. We also supported the annual Lithgow Business Awards, Australia Day Celebrations and Celebrate Lithgow.

Communication is vital to developing relationships with the community. To help improve the community's understanding of our citizenship program, newsletters are distributed to areas around power stations. And by encouraging employees to become involved in community activities – school award presentations, Clean-Up Australia Day, for example – we generate enthusiasm for better relationships and an understanding of the need to effect strategies that mitigate risks from our plant operations.

As we diversify our generation portfolio, we will pursue new projects. New renewable energy generation projects are typically sited in small communities where we may have no existing relationship with residents. We are developing social-impact assessment guidelines to be part of new project assessments. The guidelines aim to identify and manage social impacts for each new project.

Delta has a charter which supports regional development. We will actively engage new industries wishing to establish operations on buffer zone land, with a preference for businesses that can use waste heat and steam, thereby improving site efficiency.

INNOVATION **Research conducted by Delta has resulted in the development of an innovative approach to removal of trace elements from ash dam water. This research has shown that selenium and a number of other soluble contaminants are removed or reduced in concentration when in contact with rusty iron. A pilot plant trial is now under way and, if successful, a full-scale plant may be developed.**

sustaining... **environment**

Delta Electricity believes that good environmental management is a key to long-term business success. At the heart of this belief lies the concept of sustainable development and an appreciation of the need to adapt to changing community values on the environment. Our environmental management has four main objectives:

(1) to protect the environment;

(2) to exhibit a sense of social responsibility by having regard for the interests of the communities in which we operate;

(3) to comply with all environmental regulations; and

(4) to promote environmental responsibility among staff.

As part of a drive to reduce emissions Delta installed a sulfur-trioxide flue gas conditioning plant at Wallerawang Power Station. This has resulted in a 33% reduction of total particulate emissions from that station. Similar plant trials are being conducted at Vales Point Power Station, along with evaluation of several other particulate-emission reduction techniques.

Delta is a contributor to an industry-funded CSIRO research project that aims to determine the potential transport of power station emissions to the Sydney airshed. This research has shown that power station plumes have negligible effect on air quality in Sydney. We are developing models to predict the impact of plumes on the local ambient environment. To further protect the environment, nitrogen oxides emission-reduction teams have been established in regions in which we operate.

In the area of greenhouse emission reduction, Delta assisted in development of the fossil fuel Generator Efficiency Standards and became the first electricity generator to sign onto the program. This measure requires fossil-fuel power generators to establish best-practice greenhouse emission performance standards for each plant, and to take actions to ensure that the plant operates to that standard. All Delta plants are currently operating at the best-practice standard and we have identified a number of options that will result in further improvement on this excellent performance.

Regulatory compliance is the principal objective of the environmental-management program. In the year 2000/01, we had no licence non-compliance issues or reportable environmental incidents. As part of the due diligence program, 'near-miss' issues are also recorded. These are events in which a primary protection system has failed but a secondary protection system did not. Issues in this category were reduced by 50% compared with the previous year.

To further improve environmental management, we began preparations for ISO 14001 Certification. This is the international standard for environmental management, requiring independent third-party assessment and certification. A gap analysis conducted in 1999 identified a number of areas for action and about 80% of these were addressed during the year.

Also during the year, we prepared and presented training modules on 10 key environmental areas to all staff with environmental responsibilities. All staff received training in one or more modules.

Delta takes an active role as a member of the Environment Committee of the Electricity Supply Association of Australia. This committee is involved in the development of the National Pollutant Inventory (NPI), a database established by Government listing all environmental emissions from point and diffuse sources. It provides accurate data essential for good social and industrial development planning. To ensure the information is as accurate as possible, we have assisted in developing and improving the NPI reporting procedures for the power industry.

INNOVATION **The Delta IT Group drive innovation as a matter of routine through the deployment of cost-effective technology, systems and operational support. This year, however, the concept of innovation through IT was extended further with the development of an IT Innovations Competition. Prizes were awarded to staff who contributed the most practical and cost-effective suggestions for improvements to systems and processes. The competition proved to be very popular among staff and produced some excellent ideas, many of which are now well progressed.**

sustaining... **technology**

Effective management of Delta's business is supported by technology and processes.

Information Technology

Our information technology strategy is driven by our strategic direction and anticipated developments in the external environment. The move to a more diversified business strategy requires an adaptation of the information technology to meet new organisational needs.

Delta commissioned an independent review of its information technology strategy this year which confirmed that our IT strategic plan had achieved all of its major objectives. The implementation of an open and contemporary platform has promoted the development of new skills for employees, improved access to data and provided a high degree of flexibility to exploit new business initiatives.

The review also identified a number of new initiatives for Delta's ongoing business success, including changes to meet emerging market requirements like renewable energy sales. Enterprise systems to support asset management and maintenance strategy will be reviewed and we will undertake an environmental system design.

Delta supports the Government's commitment that all appropriate government services will be available electronically by December 2001. Already, tendering information, publications and other literature are available in line with the Government's timetable.

We undertook a review of business opportunities through the internet during the year and recommended a number of initiatives. An upgrade of our internet site, including electronic service delivery principles, is planned to be completed by December 2001.

Procurement

A key strategy in moving towards best practice procurement within Delta is increased utilisation of our business systems to automate standard processes. The past year has seen a focus upon expanding the use of our business systems functionality, assessing the benefits of new technologies and developing new strategies.

We replaced a manual contracts administration system with an online contracts management system in March 2001 resulting in improved accessability of information and increased accountability and control. This initiative has also provided the opportunity for business process redesign.

An automatic invoicing system was trialled and implemented with a key supplier of consumable items in May 2001. This system has proven successful and will be implemented with other key suppliers of consumables in the next year. This innovation will significantly reduce the amount of invoice processing within Delta.

E-business is also under active consideration to identify the extent of its applicability in Delta. A thorough assesment of e-procurement opportunities will be completed by November 2001 as part of our major systems upgrade.

Other initiatives under consideration include vendor managed stock, on-line requisitioning and on-line authorisations. This work is positioning Delta for future success as it reduces transactional based processing and enables the procurement people to focus on strategic sourcing practices.

Knowledge Management

Promotion of an information-sharing culture within Delta recognises the strategic importance of a corporate memory. We are using technology to create, share and use corporate intelligence gained from organisational experience, innovation and expertise to further our competitive advantage.

In 2001, we implemented a program of replacing our former record-management system with a new drawing and paper records management system. The drawings system has been successfully implemented and the paper records system is approaching implementation stage. The electronic documents system is scheduled to be implemented by June 2002.

These knowledge-management initiatives will help us achieve our aim of becoming a technology driven innovator and leader in the electricity generation industry.

Corporate Governance

THE BOARD

The Board of Directors is accountable to the voting shareholders for the performance of Delta Electricity and is responsible for the corporate governance practices.

The voting shareholders are the Hon. Michael Egan MLC, NSW Treasurer, and the Hon. John Della Bosca MLC, Special Minister of State and each hold one share for and on behalf of the New South Wales Government in accordance with the State Owned Corporations Act 1989.

A good corporate governance practice is the Board's highest priority and sound policies and procedures ensure Delta's business objectives are conducted in accordance with the law and in an ethical manner. The Board ensures full compliance with obligations imposed on the corporation and our officers under legislation in the areas of: trade practices; environmental law; occupational health & safety; and equal employment opportunity.

The electricity market is complex and an organisation needs special and carefully drafted detailed but clear policies so that it can not only respond quickly to market requests but also ensure that contracts are approved at an appropriate level.

The sale (bidding) of physical electricity into the National Electricity (Wholesale) Market is governed by:

- National Electricity Law and Regulations; and
- National Electricity Code

while the hedging and trading of electricity-based financial risk-management instruments in the 'over-the-counter' or exchange-traded markets is governed by:

- Public Authorities (Financial Arrangements) Act 1993;
- Corporations Law; and
- Exempt Futures Market Declaration.

Board policies and procedures

The Board has approved a number of policies covering delegations of authorities, finance and treasury, marketing, occupational health and safety and the environment. Breaches of all policies are required to be reported immediately to Delta's Chief Executive and subsequently to the Board. Delta's policies are reviewed and upgraded each year and submitted to the Board. Key policies are also subject to audit by external expert financial consultants. Past reviews have shown the policies to be entirely appropriate with no major areas requiring attention.

Board access to other resources and independent information

All directors receive monthly detailed financial, marketing and treasury information and regularly receive reports and presentations by respective executive managers. Directors also liaise with senior managers and seek additional information where necessary.

Conflicts of interest of directors

Where a director declares a material personal interest in any matter being considered by the Board the director does not receive Board papers on the particular matters and is not present when the matter is discussed. Directors must keep the Board advised of any interest that could possibly conflict with those of the company.

Board membership and Terms

The Board of Delta Electricity allows for seven directors, who are appointed for a period of up to three years. Six are non-executive directors and one is an executive director. The Chairman is a non-executive director.

Non-Executive Directors

Mr P Dodd, Chairman and Director

BCom, MCom, MSc, PhD, Dip Ed

Appointed 1 March 2000 to 28 February 2003.

Executive Director of ABN AMRO Corporate Finance Australia Limited, Director of Macquarie Goodman.

The Honourable B J Unsworth, Director

First appointed 1 March 1996 and subsequently reappointed for period ending 28 February 2003. Director of TAB Limited and Tempo Services Limited, Chairman the Australia Day Council of NSW, the NSW Centenary of Federation Committee, the Board of the Ambulance Service of NSW and a former Premier of NSW.

Mr Warwick Hilder, Director

BA(Hons) (Syd), M Comm (NSW)

First appointed 29 November 1996 and subsequently reappointed for period ending 28 February 2002.

Chief Executive Local Government Financial Services Pty Limited, Company Secretary StateCover Mutual Limited, Chairman Compliance Committee V J Ryan Securities Cash Management Trust and Director Sunlodge Pty Limited.

Also involved in a diverse range of areas encompassing insurance, risk management, commercial services and financial markets operations.

Mr Warren Phillips, Director

FCPA, FCIS, AIMM, MAICD, Dip Comm

Appointed 1 March 2000 to 28 February 2002.

Chief Financial Officer of Wattyl Ltd.

Extensive Financial and General Management experience gained in Australia, Asia, USA and Europe.

Mr I Langdon, Director

B.Comm, MBA, Dip Ed, CPA, AICA

First appointed 1 March 2000 and subsequently reappointed for period ending 28 February 2002.

Chairman of Dairy Farmers Group, Director of Rabo Australia Ltd and Primary Industries Bank of Australia, Director of Pivot Agriculture.

BOARD OF DIRECTORS

Top (left to right):
Mr Peter Dodd (Chairman), Mr Jim Henness (Chief Executive), Hon. Barrie Unsworth, Mr Warwick Hilder.

Bottom (left to right):
Ms Jennie George, Mr Ian Langdon, Mr Warren Phillips, Mr Peter McIlveen (Corporate Secretary).

Ms Jennie George, Director
BA, Dip Ed

First appointed 1 March 2000 and subsequently reappointed for period ending 28 February 2002.

Former President of Australian Council of Trade Unions.

Executive Director

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

Appointed Executive Director 1 March 1996. Also Director Australian Graduate School of Engineering Innovation, Director Electricity Supply Association of Australia and Member of Reliability Panel established by the National Electricity Code Administrator.

Meetings of the Board

In addition to the monthly Board meetings the Board receives matters from time to time through circulated papers or telephone hookup. In addition the Board held a strategic planning day on 29 April 2001 which was attended by executive managers. The purpose of the meeting is to enunciate the strategic direction of Delta Electricity.

Meetings are held either in the corporate office or at one of the power stations allowing the Board to see the operation of the business. The attendance of Directors at these meetings is shown below. Committees of the Board meet quarterly or as required.

Responsibility for the preparation of papers, agenda and minutes rests with the Corporate Secretary.

Nomination to the Board

Under its corporate guidelines, Delta's Board has no fewer than three and not more than seven directors appointed by the voting shareholders. The Board consists of:

- the Chief Executive Officer
- one director to be appointed by the voting shareholders on the recommendation of a selection committee comprising:

(a) two persons nominated by the Portfolio Minister; and

(b) two persons nominated by the Labor Council of NSW, being persons selected by the committee from a panel of three persons nominated by the Labor Council; and

- at least two and not more than five other directors to be appointed by the voting shareholders at their discretion.

Remuneration of Directors

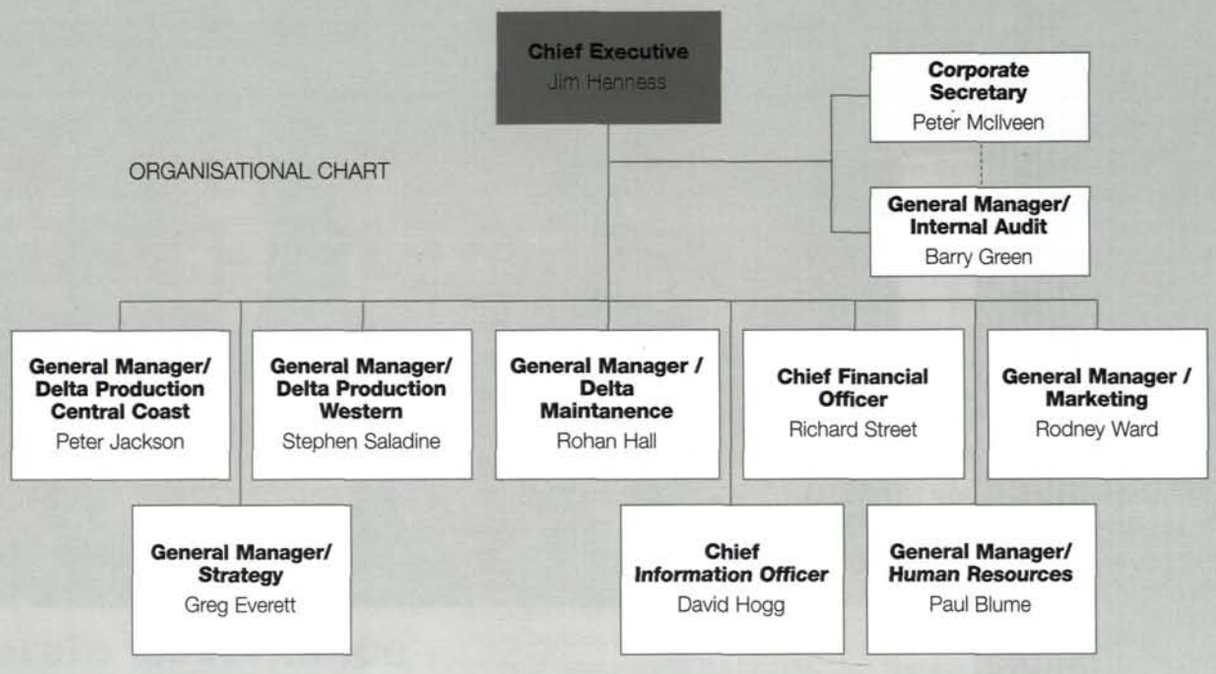
The remuneration of each non-executive director is paid out of the funds of Delta Electricity and is determined by the voting shareholders. The Chief Executive is not entitled to any additional remuneration for being an executive director.

The Board and its committees

To assist in its roles and responsibility the Board has established four committees to target specific issues. These committees meet throughout the year and report to the full Board and their names and functions are listed below.

	Directors Meetings							
	Regular Board Meetings		Board Remuneration & Staff Committee		Board Audit Committee		Board Environment, Occupational Health & Safety Committee	
	A	B	A	B	A	B	A	B
Mr P Dodd	15	14	4	3				
Mr J Henness	15	15			4	4	4	4
Hon B Unsworth	15	14					4	4
Mr W Hilder	15	15	4	4				
Mr W Phillips	15	15	4	4	4	4		
Mr I Langdon	15	15			4	4		
Ms J George	15	15	4	3			4	4

Column A is the number of meetings held
Column B is the number of those meetings attended



Board Remuneration and Staff Committee

The Charter of the Committee is to:

• examine remuneration and associated issues;

• enhance the independence and objectivity of Board decisions on sensitive commercial and personal issues related to the executives of the corporation;

• enable the corporate and business strategies and plans and remuneration strategy and policy to be effectively linked;

• ensure that the remuneration strategy, policy and practice complies with legal and taxation requirements, corporation reporting obligations, and overall corporation policy and direction.

• ensure that policies, procedures and practices are in place so as to maximise employee contributions.

Membership

Peter Dodd (Convenor), Warwick Hilder, Jennie George, Warren Phillips

Board Audit Committee

The charter of the committee is to:

• oversee and appraise the quality of audits conducted by both Delta Electricity's internal and external auditors;

• maintain, by scheduling regular meetings, open lines of communication among the Board, the internal auditors and the external auditors to exchange views and information, as well as confirm their respective authority and responsibilities;

• determine the adequacy of Delta Electricity's administrative, operating and accounting controls.

Membership

Ian Langdon (Convenor), Warren Phillips, Jim Henness

Board Environment & Occupational Health & Safety Committee

The Charter of the Committee is to:

• review and approve environmental and occupational health and safety policies and management plans to implement these policies;

• review and approve environmental policy changes and recommend to the Board;

• review and approve the program of environmental audits and occupational health and safety audits;

• require reports from senior management of any significant incidents and review management's response;

• evaluate the overall effectiveness of environmental and occupational health and safety policies and procedures through regular meetings with senior managers.

Membership

Hon Barrie Unsworth (Convenor), Jennie George, Jim Henness

Board Finance Committee

The Charter of the committee is to:

• Review Delta Electricity's overall level of debt and debt management strategies

• Oversee and evaluate Treasury Management function including:

– Management of debt and investment portfolios

– Cash management

– Foreign exchange hedging, and

– Debt draw-down duration

– Review of any external Managers

• Review treasury and financial risk management policies and procedures

• Provide financial advice and counsel to the Board and Executive Management

• Identify and direct any special projects or investigations necessary.

Membership

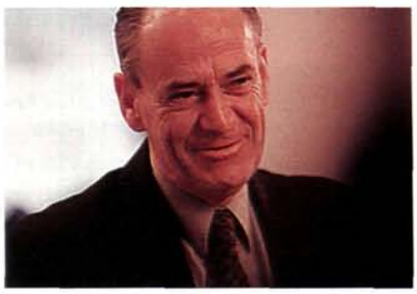
From 16 May 2001:
Warwick Hilder (Convenor), Warren Phillips, Jim Henness

EXECUTIVE MANAGEMENT TEAM

Jim Henness

BSc, BE(Hons), MEngSc, MBA, FAICD

Appointed Acting Chief Executive March 1996 and Chief Executive July 1996. Jim's experience in the power industry has provided him with technical and managerial credentials. His background includes work for Pacific Power in power-station design and electrical demand forecasting and economic analysis. He was responsible for Pacific Power's coal supply planning and contracting from the early 1980s and managed the transition from tied markets to competitive purchasing. Jim is responsible for the overall management of Delta and for strategically positioning the organisation in the National Electricity Market.



Jim Henness Chief Executive

Peter McIlveen

Ind Rel Cert, Pers Admin Cert MACID

Appointed Corporate Secretary at the formation of Delta in March 1996. Prior to the formation of Delta, Peter held a number of senior positions within Pacific Power the most recent being the Manager Government Relations. He is responsible for all Secretariat functions covering Corporate Governance issues, Board and Executive support, document management, legal, transport and public affairs.

Peter McIlveen Company Secretary

Barry Green

B Bus (Management), B Com and FCPA.

Appointed General Manager Internal Audit in March 1997. Barry worked in the Queensland Public Service until January 1980 when he joined the Electricity Commission of NSW and has since worked in a variety of areas. At the inception of Delta Electricity, Barry was the Senior Audit Manager in the Internal Audit Group who transferred to Delta and retained that position until taking up his current role. He is responsible for audit related functions such as operational performance reviews and compliance.

Barry Green General Manager Internal Audit

Peter Jackson

BSc BE(Hon) MEM GAICD

Appointed General Manager Central Coast in May 1999 having previously held the position of General Manager Maintenance Services with Delta since March 1996. Prior to the formation of Delta, he held several senior management positions at Bayswater and Liddell power stations. Managing Vales Point and Munmorah power stations, Peter is responsible for meeting Delta production requirements in the most cost effective and environmentally responsible manner, whilst ensuring economic asset management.

Peter Jackson General Manager Central Coast

Stephen Saladine

BE (Hons)

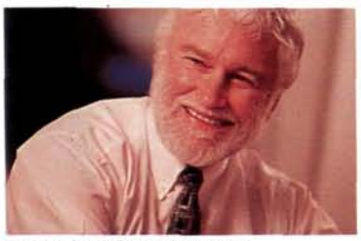
Appointed General Manager Western in April 2000. Steve has worked across the spectrum of the energy industry most recently as General Manager of a privately owned power industry contracting business working in all states of Australia and south east Asia. Prior to this he held executive and senior management positions in Victoria at Loy Yang A, Macquarie Generation and Pacific Power. Steve manages the Mt Piper and Wallerawang power stations and the regional water supply scheme where he is responsible for the stations' meeting the highest standards in electricity generation.

Stephen Saladine General Manager Western

Rohan Hall

BSc, BE (Hons), FAICD

Appointed General Manager Delta Maintenance in May 1999. He has previously held the position of Production Manager Delta Production Central Coast and prior to this was Production Manager Munmorah, and Engineering Manager Vales Point with Pacific Power from 1990-1993. Delta Maintenance provides maintenance support to Production business units and external customers.



Rohan Hall General Manager Delta Mainenance

Richard Street

BEc ACA

Appointed Chief Financial Officer in January 2000. Worked in private practice before joining Rio Tinto as Business Services Manager for Southern Copper Ltd at Port Kembla. Richard transferred to Kembla Coal & Coke in 1994 and to Rio Tinto Coal in 1997 as Chief Financial Officer to assist in a major restructure of Rio's NSW coal assets in the Hunter Valley. Finance Group is responsible for all accounting related activities including financial and

Richard Street Chief Financial Officer

management accounting, treasury functions, taxation, financial systems administration, payments administration, and commercial services in the areas of procurement and payroll administration.

Rodney Ward
B Eng (Hons), MBA, FAICD

Appointed General Manager Marketing in January 1997. As Director Energy Policy in Treasury's Energy Projects Group (Vic) and Director Electricity Policy in the Department of Energy (Vic), Rodney represented the Victorian Government's interests in the development of National Electricity Market and policy aspects of Victoria's electricity industry restructure and privatisation. Prior to this he was Chief Economist with Pacific Power and spent significant time in Pacific Power Treasury operations with responsibilities including currency risk management, debt management and project finance. As General Manager Marketing, Rodney is responsible for sales, bidding and trading, pricing, regulatory issues and plant coordination.

Rodney Ward General Manager Marketing

Greg Everett
BComm GAICD MBA

Appointed General Manager Strategy in November 1996 after holding the position of Manager / Business Development within Delta upon its inception. Greg has a long association with the commercial operation of NSW's power stations, and was Business Manager / Production in Pacific Power prior to joining Delta. He is responsible for corporate strategic planning, new business projects, fuel purchasing and development, production planning and corporate environment governance and development.

Greg Everett General Manager Strategy

David Hogg
BE UNSW., GAICD

Appointed Manager Information Technology and Communications in October 1996 having previously held a range of positions in the Information Systems Group of Pacific Power since 1988. Prior to 1988 David was involved in civil engineering design and construction within Pacific Power. The Information Technology and Communications Group manage the delivery of IT services to Delta through a range of outsourcing contracts. The Group is also responsible for the formulation of IT and communications strategy, policy and standards.

David Hogg Chief Information Officer

Paul Blume
BEc, Dip. Labour Relations Law, Grad. Cert. Marketing, GAICD

Appointed General Manager Human Resources (HR) in April 1996, Paul has undertaken a number of senior roles in the electricity supply industry, not only in HR but also in marketing, and as manager of two electricity technology advisory centres. The HR Group is responsible for Delta's strategic direction in employee related matters and for providing support in the delivery of these strategies. The Group also has functional responsibilities including worker's compensation, HR systems administration and industrial relations.

Paul Blume General Manager Human Resources

Executive management

Executive Committees oversee the implementation of board approved strategic and operational decisions and the day to day operation of the business. Executive committees meet monthly while other committees meet quarterly. The charters and membership of these committee are:

Executive Management Committee

The charter of the committee is to:
- monitor corporate business performance;
- implement remedial action where necessary;
- develop quality strategy and review implementation;
- review progress in implementing business plan proposals;
- provide a forum for raising initiatives and disseminating strategic information.

Executive Environmental Committee

The charter of the committee is to:
- set and review environmental policy;
- receive and review environmental audits;
- investigate environmental incidents and public complaints; and
- develop major new environmental initiatives.

Executive Audit Committee

The charter of the committee is to:
- review and recommend an appropriate internal audit charter and, as required, proposals for periodic updating of the approved charter;
- review and approve the Strategic Audit Plan;
- review and approve the Annual Audit Plan;
- review reports on the results of internal audits;
- ensure that appropriate action is taken in respect of all audit reports; and
- review matters affecting the audit function including proposals for future action submitted by the Manager, Internal Audit.

Name & Title
Mr J Henness [ABCDE] Chief Executive
Mr P McIlveen [ACE] Corporate Secretary
Mr R Street [ACE] Chief Financial Officer
Mr P Jackson [ABCDE] General Manager Central Coast
Mr S Saladine [ABCDE] General Manager Western
Mr R Hall [ABCDE] General Manager Delta Maintenance
Mr D Hogg [ACE] Chief Information Officer
Mr B Green [ACE] General Manager Internal Audit
Mr R Ward [ACE] General Manager Marketing
Mr G Everett [ABE] General Manager Strategy
Mr P Blume [ADE] General Manager Human Resources
Mr J Cooper [D] Occupational Health & Safety Manager
Mr G Deans [B] Manager Environment
Mr G Sharrock [C] Production and Environment Manager Central Coast
Mr Nino Di Falco [C] Environment Manager Western

(A) Executive Management Committee
(B) Executive Environment Committee
(C) Executive Audit Committee
(D) Executive Safety Committee
(E) Executive Information Technology Strategy Committee

Executive Safety Committee

The charter of the committee is to:

- establish health and safety policies and procedures;
- review accident frequency and duration rates;
- review occupational health, safety and fire audits of sites;
- make determinations on health and safety matters submitted by occupational health and safety committees;
- review accident investigations and recommendations;
- review and monitor outstanding health, safety and fire items of sites;
- approve recommendations from sub committees; and
- provide direction to sub committees and approve any recommendations emanating from those committees.

Executive Information Technology Strategy Committee

The charter of the committee is to:

- ensure that information technology and communications is applied in a consistent and cost-effective manner within Delta Electricity with the objective of maximising the benefit of information technology to the organisation; and
- review, approve and prioritise information technology projects and establish the strategic plan for information technology.

RISK MANAGEMENT

Delta's risk-management plan provides an overview of the activities directed to reduce risk and capture opportunities. The plan plays an integral part towards management philosophy that is structured to identify and analyse risks and prepare strategies to deal with a range of possible future outcomes.

As the business environment changes, the plan is updated and extended to focus and coordinate these risk-reduction activities in more detail. It will also apply formal techniques to enhance the efficiency of the process.

The management of risks is conducted through board and managment committees.

Financial asset management

Financial asset and liability management is in accordance with Board-approved Treasury management policies prepared in consultation with TCorp. These policies cover areas of credit risk, liquidity risk, interest-rate risk management, foreign exchange risk, commodity risk, investment management and permitted instruments. The policies are consistent with the Treasury management policy issued by NSW Treasury and reviewed on an as required basis or at least annually.

Plant asset management

As part of a new approach, we introduced 'market-based asset management', which brings together asset management strategy and electricity market decisions by the:

- minimisation of plant costs while ensuring;
- plant being ready when needed – our measure is 'availability'; and
- plant staying in service when needed – our measure is 'reliability'.

Fraud Prevention

Delta Electricity is committed to high standards of ethics and responsibility. There is a firm commitment by Delta's Board and Executive Managers to ensure that fraud prevention maintains a strong strategic focus.

The Fraud Prevention Committee is responsible for the development and continual review of Delta's Fraud Prevention Strategy, and to ensure that adequate controls are in place to reduce the possibility of fraudulent or corrupt conduct.

Code of Conduct

Delta's Code of Conduct (Code) provides a basis for the Board and all employees to perform their responsibilities effectively.

The Code establishes standards of acceptable behaviour. The Code sets out clearly how staff can report issues, references the relevant policies and procedures and is based on the following principles:

- Act honestly, fairly and with integrity
- Contribute to an environment of enthusiasm, pride, teamwork and excellence
- Follow lawful and reasonable instructions
- Comply with Policies, Standards and Procedures
- Recognise and accept accountability for own actions
- Contribute to an ethical and equitable work environment
- Avoid conflicts of interests

Freedom of Information

During 2000/2001, Delta received two applications under the Freedom of Information Act. Delta's compliance with the Freedom of Information Act did not raise any major issues during the reporting period, nor did the compliance with the Act have any prominent impact on Delta activities.

Delta Electricity Financial Statements 2001

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BEGINNING OF FINANCIAL STATEMENTS AUDITED BY AUDITOR-GENERAL

Statement of Financial Position

as at 30 June 2001

	Note	2001 $'000	2000 $'000
Current Assets			
Cash Assets	5	**185,819**	73,793
Receivables	6(a)	**85,834**	142,323
Inventories	7	**79,404**	66,369
Other Financial Assets	8	**15,436**	14,281
Other	9	**26,446**	41,582
Total Current Assets		**392,939**	338,348
Non-Current Assets			
Receivables	6(b)	**78**	85
Property, Plant and Equipment	10	**1,139,430**	1,134,601
Deferred Tax Assets	4(d)	**22,189**	18,858
Total Non-Current Assets		**1,161,697**	1,153,544
Total Assets		**1,554,636**	1,491,892
Current Liabilities			
Payables	11	**92,980**	117,713
Interest Bearing Liabilities	12(a)	**41,347**	32,328
Current Tax Liabilities	4(b)	**39,871**	7,299
Provisions	13(a)	**134,280**	93,492
Other		**569**	1,071
Total Current Liabilities		**309,047**	251,903
Non-Current Liabilities			
Interest Bearing Liabilities	12(b)	**689,547**	319,105
Deferred Tax Liabilities	4(c)	**118,579**	110,037
Provisions	13(b)	**53,374**	50,062
Total Non-Current Liabilities		**861,500**	479,204
Total Liabilities		**1,170,547**	731,107
Net Assets		**384,089**	760,785
Equity			
Contributed Equity	14(a)	**295,376**	675,376
Retained Profits	14(b)	**88,713**	85,409
Total Equity		**384,089**	760,785

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

Statement of Financial Performance

for the year ended 30 June 2001

	Note	2001 $'000	2000 $'000
Revenue from Ordinary Activities	2	**756,731**	649,665
Expenses from Ordinary Activities	3	**531,649**	456,866
Borrowing Costs Expense		**37,009**	34,128
Profit from Ordinary Activities Before Income Tax Expense		**188,073**	158,671
Income Tax Expense Relating to Ordinary Activities	4(a)	**55,029**	38,966
Profit from Ordinary Activities after Related Income Tax Expense		**133,044**	119,705

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

Statement of Cash Flows

for the year ended 30 June 2001

	Note	2001 $'000 Inflows (Outflows)	2000 $'000 Inflows (Outflows)
Cash Flows From Operating Activities			
Cash Received in the Course of Operations		**833,526**	610,638
Interest Received		**7,716**	4,014
Cash Payments to Suppliers and Employees		**(552,151)**	(437,206)
Interest and Other Finance Costs Paid		**(32,587)**	(36,391)
Income Taxes Paid		**(17,246)**	–
Net Cash Provided/(Used) by Operating Activities	21(f)	**239,258**	141,055
Cash Flows from Investing Activities			
Proceeds from Sale of Property, Plant and Equipment		**1,320**	945
Payments for Property, Plant and Equipment		**(31,704)**	(23,847)
Net Cash Provided/(Used) by Investing Activities		**(30,384)**	(22,902)
Cash Flows from Financing Activities			
Proceeds from Borrowings		**389,142**	162,202
Repayment of Borrowings		**(9,142)**	(232,201)
Return of Contributed Equity to Shareholder		**(380,000)**	–
Dividends Paid		**(96,653)**	(32,695)
Net Cash Provided/(Used) by Financing Activities		**(96,653)**	(102,694)
Net Increase (Decrease) in Cash Held		**112,221**	15,459
Cash at the Beginning of the Financial Year		**73,598**	58,139
Cash at the End of the Financial Year	21(b)	**185,819**	73,598

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 2001

1. Summary of Significant Accounting Policies

The financial statements are a general purpose financial report prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, relevant sections of the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulation 2000, and requirements of the State Owned Corporations Act, 1989 (as amended).

(a) Basis of Accounting

The financial statements have been prepared on the basis of historical costs and except where stated do not take into account current valuations on non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Non-current assets are revalued from time to time as considered appropriate by the Directors and are not stated at amounts in excess of their recoverable amounts. Except where stated, recoverable amounts are determined using discounted cash flows.

Land and buildings are valued at market value except that land under infrastructure assets that is reserved for operating power station usage is valued at net realisable value having due regard to the level of expenditure that would be required to prepare the land for sale.

All valuations apart from opening system asset balances at 1 March 1996 are determined by Delta Electricity and have not been adjusted in respect of the potential effect of any capital gains tax.

Investments are stated at market values calculated by Delta Electricity's funds manager by referencing specific market quoted prices/yields prevailing at balance date.

The accounting policies adopted are unless otherwise stated, consistent with those of the previous year.

(b) Contributed Equity

The Delta Electricity entity 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; the Treasurer and another Minister, currently the Minister for Industrial Relations, Special Minister of State and Assistant Treasurer. Each shareholder holds one $1 share.

c) Liability Management

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

(d) Depreciation

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

The expected useful lives of property, plant and equipment is 50 years for operating power stations (2000: 50 years) and ranges from 5 to 30 years for other property, plant and equipment (2000: 7 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.

(e) Assets Under Construction

Interest costs on borrowings specifically financing assets under construction are capitalised up to the date of completion of each asset to the extent those costs are recoverable. No borrowing costs were capitalised during the 2000/01 financial year.

(f) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Discount and premium on borrowings is in the nature of an adjustment to the cost of borrowing. Any discount or premium on borrowings is amortised over the term of the loans, with the amount applicable to each year being included in the Statement of Financial Performance as part of Delta Electricity's borrowing costs for that year. The interest bearing liabilities amount appearing in the Statement of Financial Position is net of amortisation (Note 12).

(g) Employee Entitlements

Delta Electricity makes provision through its Statement of Financial Performance for its liability in respect of employee entitlements for annual leave and long service leave. A calculation of the liability at balance date is made each year for employees' entitlements to annual leave and long service leave .

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 balance date. The provision has been calculated at nominal amounts based on current salary rates and includes related oncosts.

(ii) For long service leave, the liability has been determined using an actuarial shorthand method of calculation and represents the present value of expected future payments for long service leave, including projected remuneration rates. Associated oncosts are also included.

Superannuation entitlement details are provided in Note 15.

(h) Investments

Income earned from the investment of funds is included as revenue in the Statement of Financial Performance.

(i) Insurance

Delta Electricity is a self-insurer for certain risks, while other risks are insured externally.

(j) Inventory Valuation

Inventories are carried at the lower of cost and net realisable value. Cost is allocated on an average basis for stores and materials and on a weighted average cost per tonne/litre basis for coal and oil stocks.

(k) Taxation

Tax effect accounting procedures are followed whereby the income tax expense in the Statement of Financial Performance is matched with the accounting profit after allowing for permanent differences. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the Statement of Financial Position as a future income tax benefit or a provision for deferred income tax. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation.

Income tax payments are made to the New South Wales Office of State Revenue under the income tax equivalent regime.

(l) 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 balance date are translated at exchange rates current at balance date. Exchange gains and losses are brought to account in determining the profit or loss for the year.

Exchange gains and losses and costs arising on forward foreign exchange contracts entered into as hedges of specific commitments are deferred and included in the determination of the amounts at which the hedged transactions are brought to account. If a hedging transaction is terminated prior to its maturity date and the hedged transaction is still expected to occur, any gains or losses realised are deferred and included in the measurement of the hedged transaction when it occurs. Where a hedging transaction is terminated prior to maturity because the hedged transaction is no longer expected to occur, any gains or losses are recognised in the Statement of Financial Performance at the date of termination.

Exchange gains and losses relating to other hedge transactions are brought to account in the same period as the exchange rate movement. Costs on such contracts are amortised over the life of the hedge contract.

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2001

(m) Segment Reporting

Delta Electricity operates predominantly in the electricity industry and the south-east Australia geographical segment.

(n) Revenue

Revenue from operating activities represents revenue earned from the sale of electricity and is recognised as it accrues. Revenue from outside operating activities includes rent and interest income on investments which are recognised as they accrue, gross proceeds on sale of non current assets which is brought to account on sale of the asset, and other miscellaneous income and proceeds from other operations which are recognised on performance of the service or delivery of the goods. Revenue is reported in Note 2.

(o) Goods and Services Tax

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

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

Costs incurred to update existing systems or to design, develop and implement new systems to accommodate the GST are charged as expenses as incurred.

(p) Changes to Accounting Policies and Presentation

The following new or revised accounting standards have been applied from 1 July 2000:

– AAS1, Statement of Financial Performance;

– AAS36, Statement of Financial Position;

– AAS37, Financial Report Presentation; and

– AAS38, Revaluation of Non Current Assets.

The accounts early adopted AAS38/AASB 1041 which becomes operative on 30 September 2001.

Comparative information has been reclassified where necessary to enhance comparability in respect of changes in the current year. Figures have been reclassified this year to incorporate changes required by new or revised accounting standards. Revenue and expense items previously disclosed as abnormal have been reclassified and are now disclosed as individually significant items in Note 3.

The following assets and liabilities have been removed from previous classifications and are now disclosed as separate line items on the face of the Statement of Financial Position:

– deferred tax assets, previously presented within other non-current assets

– current tax liabilities, previously presented within current provisions

– deferred tax liabilities, previously presented within non-current provisions

(q) Generating Costs

Generating costs represent all costs (raw materials, labour and overheads etc.) associated with the production of electricity for sale in the national electricity market. Specific items requiring separate disclosure have been reported individually in Note 3.

(r) Rounding of Amounts

Amounts shown in the Financial Statements have been rounded to the nearest thousand dollars.

	2001 $'000	2000 $'000

2. Revenue from Ordinary Activities

Revenue from Operating Activities		
Sale of electricity	**737,787**	639,848
Revenue from Outside Operating Activities		
Rent	**109**	83
Interest	**8,874**	5,110
Proceeds from sale of non-current assets	**1,271**	994
Proceeds from other operations	**1,372**	2,268
Miscellaneous:		
– Insurance Recoupment	**5,480**	–
– Other	**1,838**	1,362
Revenue from Ordinary Activities	**756,731**	649,665

3. Expenses from Ordinary Activities

Expenses from ordinary activities		
Generating Costs	**468,383**	438,291
Depreciation:		
– Buildings	**4,479**	4,426
– Plant and Equipment	**28,182**	28,011
– Motor Vehicles	**800**	497
Depreciated Value of Non-Current Assets Sold	**1,454**	1,013
Superannuation Expenses	**6,201**	290
Provision for Employee Entitlements	**7,524**	6,454
Write Down in Value of Inventories	**189**	513
Doubtful Debts	**1,325**	–
Operating Lease Rental Expense	**2,087**	1,101
Auditors Remuneration	**126**	140
Fees Paid to Board Members	**331**	296
Consultants Fees	**678**	1,099
Other Expenses	**416**	451
Expenses from ordinary activities considered individually significant		
Asset surplus adjustments in superannuation funds	**9,474**	(25,716)
Expenses from Ordinary Activities	**531,649**	456,866

The net loss on the disposal of property, plant and equipment was $183,000 (2000: $19,000).

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2001

	2001 $'000	2000 $'000

4. Taxation

(a) Income Tax Expense

The income tax on the profit from ordinary activities differs from the amount prima facie payable on that profit as follows:

Prima facie income tax on the profit from ordinary activities at 34% (2000: 36%)	**63,945**	57,121
Tax effect of differences which:		
Reduce tax payable due to:		
– Research and development	**(59)**	(50)
– Employer Superannuation Overfunded Contributions*	**(7,466)**	–
Increase tax payable due to:		
– Entertainment Expenses	**9**	30
– Development Expenses	**334**	–
– Demolition Expenses	**–**	201
Restatement of deferred tax balances due to changes in tax rate	**(1,967)**	(18,390)
Under/(over) provision in prior year	**233**	54
Income tax expense relating to profit from ordinary activities	**55,029**	38,966

Income tax expense relating to profit from ordinary activities is made up of:		
Income Tax Paid	**9,947**	–
Provision for Income Tax	**39,871**	7,299
Provision for Deferred Income Tax	**8,542**	30,385
Future Income Tax Benefit	**(3,331)**	1,282
	55,029	38,966

*A change in the tax effect accounting treatment from a timing difference to a permanent difference of the superannuation reserve account has been adopted in the current period. The effect of this change is included in Employer Superannuation Overfunded Contributions. This amount includes adjustments of ($12,673,000) for prior periods.

(b) Current Tax Liabilities

Provision for Income Tax	**39,871**	7,299
	39,871	7,299

(c) Deferred Tax Liabilities

Provision for Deferred Income Tax	**118,579**	110,037
	118,579	110,037

Provision for Deferred Income Tax comprises the estimated expense at the applicable rate of 30% (2000: 34% or 30%, depending on when the liability was expected to be realised).

	2001 $'000	2000 $'000

4. Taxation (continued)

(d) Deferred Tax Assets

Future Income Tax Benefit	**22,189**	18,858
	22,189	18,858

Future Income Tax Benefit comprises the estimated future benefit at the applicable rate of 30% (2000: 34% or 30%, depending on when the benefit was expected to be realised).

5. Cash Assets

Bank	**267**	188
Cash Management Funds	**185,552**	73,605
	185,819	73,793

6. Receivables

(a) Current

Trade Debtors	**80,646**	136,845
Debtors other than trade	**6,513**	5,478
Less: Provision for Doubtful Debts	**(1,325)**	–
	85,834	142,323

(b) Non-Current

Long-term debtors	**78**	85
	78	85

Trade and other debtors are carried at nominal amounts due less any provision for doubtful debts. Collectibility from debtors is reviewed on an ongoing basis and a provision for doubtful debts is recognised when reasonable doubt exists about the collectibility of the amount.

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

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

Long term debtors represent loans advanced to Delta Electricity employees to assist in the purchase of housing. These loans were originally issued by Pacific Power and were transferred to Delta Electricity on establishment. The loans have varying maturity terms up to 10 years and are secured by mortgages over the properties purchased.

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2001

	2001 $'000	2000 $'000

7. Inventories

Stores and Materials	**29,248**	35,333
Coal Stocks	**49,090**	30,164
Oil Stocks	**1,066**	872
	79,404	66,369

8. Other Financial Assets

Other Managed Funds	**15,436**	14,281
	15,436	14,281

These funds represent asset reserves for funding the internal insurance provision.

9. Other Assets – Current

Miscellaneous	**26**	36
Prepayments	**26,420**	41,546
	26,446	41,582

Included in Prepayments is $26.1 million (2000: $41.4 million) relating to defined benefit superannuation schemes administered by the SAS Trustee Corporation (Note 15).

10. Property, Plant and Equipment

(a) Reconciliation of written down value for asset classes

	Cost		Accumulated Depreciation		Written Down Value	
	2001 $'000	2000 $'000	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Land						
Infrastructure – at cost	**5,880**	5,880	–	–	**5,880**	5,880
	5,880	5,880	–	–	**5,880**	5,880
Buildings						
Power Stations – at cost	**194,841**	193,046	**24,747**	20,278	**170,094**	172,768
Other Buildings – at cost	**286**	280	**69**	59	**217**	221
	195,127	193,326	**24,816**	20,337	**170,311**	172,989
Plant and Equipment						
Power Stations – at cost	**1,081,197**	1,057,462	**145,144**	119,561	**936,053**	937,901
Other Plant and Equipment – at cost	**39,681**	28,020	**12,495**	10,189	**27,186**	17,831
	1,120,878	1,085,482	**157,639**	129,750	**963,239**	955,732
Total Property, Plant and Equipment	**1,321,885**	1,284,688	**182,455**	150,087	**1,139,430**	1,134,601

The above table includes work in progress for Buildings of $0.1 million (2000: $3.2 million) and Plant and Equipment of $42.0 million (2000: $22.1 million).

	2001 $'000	2000 $'000
(b) Reconciliation of movements in asset classes:		
Land		
Carrying amount at beginning of year	**5,880**	5,880
Additions	–	–
Disposals	–	–
Depreciation	–	–
Carrying amount at end of year	**5,880**	5,880
Buildings – Power Stations		
Carrying amount at beginning of year	**172,768**	174,253
Additions	**1,795**	2,930
Disposals	–	–
Depreciation	**(4,469)**	(4,415)
Carrying amount at end of year	**170,094**	172,768
Buildings – Other		
Carrying amount at beginning of year	**221**	232
Additions	**6**	–
Disposals	–	–
Depreciation	**(10)**	(11)
Carrying amount at end of year	**217**	221
Plant and Equipment – Power Stations		
Carrying amount at beginning of year	**937,901**	944,107
Additions	**23,735**	19,148
Disposals	–	–
Depreciation	**(25,583)**	(25,354)
Carrying amount at end of year	**936,053**	937,901
Plant and Equipment – Other		
Carrying amount at beginning of year	**17,831**	15,207
Additions	**14,232**	6,817
Disposals	**(1,478)**	(1,039)
Depreciation	**(3,399)**	(3,154)
Carrying amount at end of year	**27,186**	17,831

11. Payables

Accounts Payable	**83,995**	112,033
Other Creditors	**8,985**	5,680
	92,980	117,713

Accounts Payable represents amounts to be paid in the future for goods received and services provided at balance date. These liabilities are usually settled within 42 days. Other Creditors represents interest due on borrowings and payable within 6 months.

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2001

	2001 $'000	2000 $'000

12. Interest Bearing Liabilities

(a) Current

NSW Treasury Corporation Short-Term Borrowings	**41,347**	32,328
	41,347	32,328

(b) Non-Current

NSW Treasury Corporation Stock	**689,547**	319,105
	689,547	319,105

Executive Council approval was given on 11 April 2001 for Delta Electricity to increase its borrowing limit to $880 million (2000: $500 million). Maturing loans may be re-financed if the borrowing limit is not exceeded. As such, Interest Bearing Liabilities of $74.3 million (2000: $Nil) with less than one year to maturity have been classified as Non-Current.

Premium on domestic loans issued by New South Wales Treasury Corporation amounted to $13,218,000 (2000: Discount $3,609,000). (Note 1(f)).

13. Provisions

(a) Current

Dividend	**119,740**	86,653
Employee Entitlements	**6,547**	4,521
Redundancy	**5,868**	–
Insurance	**2,125**	2,318
	134,280	93,492

(b) Non-Current

Employee Entitlements	**26,953**	26,159
Insurance	**26,421**	23,903
	53,374	50,062

On 31 August 1996, Delta Electricity obtained a Self Insurer's licence for Worker's Compensation. In accordance with the licence conditions Delta Electricity has a current provision of $860,000 (2000: $863,000) and a non-current provision of $2,686,000 (2000: $2,702,000) for worker's compensation included in the Insurance Provision.

14. Equity

(a) Contributed Equity

Balance at beginning of year	**675,376**	675,376
Return of Contributed Equity to Shareholder	**(380,000)**	–
Contributed Equity at end of year	**295,376**	675,376

On 20 April 2001, Delta Electricity returned $380.0 million of contributed equity to the Shareholder. This return of equity was funded through borrowings from NSW Treasury Corporation.

	2001 $'000	2000 $'000

14. Equity (continued)

(b) Retained Profits

Retained profits at beginning of year	**85,409**	52,357
Profit from Ordinary Activities after income tax expense	**133,044**	119,705
Dividends	**(129,740)**	(86,653)
Retained Profits at end of year	**88,713**	85,409

In accordance with the provisions of the Share Dividend Scheme, dividend payments in respect of the year ended 30 June 2001 will total $129.7 million (2000: $86.7 million). This amount includes a special dividend of $10.0 million paid on 1 December 2000.

15. Superannuation

Actuarial reviews of superannuation liabilities for various defined benefit schemes were carried out by William M Mercer Pty Ltd for the Superannuation Administration Corporation (SAC). This involved a review of the key economic assumptions used by the Government Actuary in the last triennial review dated 30 June 2000.

The economic assumptions used in calculating the gross superannuation liability of the various defined benefit schemes as at 30 June 2001 are as follows:

	2001/02 % pa	2002/03 % pa	Thereafter % pa
Investment Return	7.0	7.0	7.0
Salary Growth Rate	3.0	6.5	4.0
Consumer Price Index	2.5	2.5	2.5

Payments are made to the Superannuation Administration Corporation to reduce the superannuation liability. These payments are held in Superannuation Administration Corporation Investment Reserve Accounts. Due to a continuation of the superannuation contribution holiday approved by the SAS Trustee Corporation, Delta Electricity was not required to make payments to the Superannuation Administration Corporation for State Superannuation Scheme (SSS), State Authorities Superannuation Scheme (SASS) and State Authorities Non-Contributory Superannuation Scheme (SANCS) during the year. (2000: SANCS $267,000)

The prepaid contributions disclosed in the Statement of Financial Position are comprised of:

	SASS $'000	SANCS $'000	SSS $'000	2001 $'000	2000 $'000
Gross Liability Assessed by SAC as at 30 June	29,934	9,783	66,098	**105,815**	87,517
Less: Investment Reserve Account Balance	34,508	10,339	87,095	**131,942**	128,960
Unfunded Liability/ (Prepaid Contributions)	(4,574)	(556)	(20,997)	**(26,127)**	(41,443)

Any unfunded superannuation liability is recognised as a liability while amounts representing prepaid superannuation contributions are recognised as an asset in the Statement of Financial Position.

The decrease in prepaid contributions during the period of $15.3 million (2000: Increase of $25.7 million) has been separated into Superannuation Expenses ($5.8 million) which represents the expected annual reduction in the surplus as a result of the superannuation contribution holiday, and an Individually Significant Item ($9.5 million) which represents an unexpected reduction in the surplus. The increase in the prepaid contributions in 2000 of $25.7 million was an unexpected increase in the surplus and was classified as an abnormal item. (Note 3).

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2001

	2001 $'000	2000 $'000

16. Expenditure Commitments

Expenditure contracted for at balance date but not provided for in the Financial Statements:

(a) Capital		
Payable no later than one year	**27,360**	7,730
Payable later than one, not later than 5 years	**19,858**	15,119
Payable later than 5 years	–	1,095
(b) Operating (excluding lease commitments)*		
Payable no later than one year	**7,950**	
Payable later than one, not later than 5 years	**4,365**	
Payable later than 5 years	–	

* New disclosure required under AAS36/AASB 1040.

17. Operating Lease Commitments

Future operating lease rentals contracted for at balance date but not provided for in the Financial Statements:

Payable no later than one year	**2,040**	602
Payable later than one, not later than 5 years	**1,459**	1,734
Payable later than 5 years	–	–

Delta Electricity leases office accommodation under an operating lease expiring in December 2003. This lease provides a right of renewal at which time all terms will be renegotiated.

There are two further operating leases in place relating to power station equipment which expire in July 2002 and July 2003. There are no terms for renewal in these leases.

18. Contingent Liabilities

There were no known contingent liabilities in existence at balance date.

19. Controlled Entities

Delta Electricity acquired the 2 issued $1 ordinary shares of Delta Electricity Australia Pty. Ltd in 1997. The company has not traded since inception and has no assets and liabilities other than the $2 from share capital.

20. Financial Instruments

(a) Off-Statement of Financial Position Financial Instruments

Swaps, Forward Rate Agreements, and Futures

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

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

	2001 $'000	2000 $'000
Less than one year	**25,600**	6,700
One to five years	**–**	–

Forward Foreign Exchange Contracts

In the normal course of business, Delta Electricity is required to purchase goods or services from overseas which require settlement in the supplier's currency. Under Board approved policies, Delta Electricity hedges specific material foreign exchange commitments by use of forward foreign exchange contracts to protect the organisation from the effect of future exchange rate fluctuations. The contracts are timed to mature when overseas payments are made with any gain or loss realised being included in the measurement of the purchase.

At balance date, Delta Electricity had 26 (2000: 11) forward foreign exchange contracts. The values of these contracts are outlined in the table below:

	2001		2000	
Currency	**Contracts**	**Value**	Contracts	Value
USD	**7**	**222,000**	2	63,000
JPY	**2**	**10,537,000**	3	29,577,000
EUR	**6**	**7,149,000**	1	3,797,000
GBP	**10**	**3,619,000**	5	3,042,000
CHF	**1**	**149,000**	–	–

The contracts are showing an unrealised loss of $1,096,000 (2000: $11,000 unrealised gain) and all are expected to mature in the next 26 months when payment for goods or service occurs.

Electricity Futures Contracts

Delta Electricity enters into electricity futures contracts for the specific purpose of hedging the organisation's electricity contract position. Trading is undertaken under Board approved policies with strict limits in place.

At balance date, there were no electricity futures contracts in place. (2000: Nil).

(b) Credit Risk Exposures

The credit risk on financial assets which have been recognised on the Statement of Financial Position is generally the carrying amount, net of any provision for doubtful debts. The recognised financial assets of the Corporation include amounts receivable from government owned agencies (87.8%) and other debtors (12.2%). Electricity debtors amounted to $80.6 million. Credit risk also arises from potential counter-party default on forward foreign exchange contracts. The Australian dollar value of this exposure at balance date was $172,000 (2000: $24,000).

20. Financial Instruments (continued)

(c) Interest Rate Risk Exposures and Net Fair Values

Delta Electricity's exposure to interest rate risk for financial instruments and the aggregate net fair values of financial assets and liabilities at 30 June 2001 are:

	Floating Interest $'000	Fixed interest maturing in <1 year $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000	Non-Interest bearing $'000	Carrying amount $'000	Aggregate net fair value $'000
Financial Assets								
Cash	185,814					5	185,819	185,819
Trade debtors						80,646	80,646	80,646
Debtors other than trade						5,188	5,188	5,188
Investments	15,436						15,436	15,436
Other Miscellaneous	26						26	26
Long Term Debtors		78					78	78
Financial Liabilities								
Accounts Payable						84,558	84,558	84,558
Other Creditors						8,985	8,985	8,985
Interest Bearing Liabilities		115,669	94,306	243,583	277,336		730,894	751,733
Off-Statement of Financial Position Financial Instruments								
Futures*	25,600						7	7
Forward Foreign Exchange Contracts#							–	(1,096)

* Notional principal amount – positive amounts indicates bought futures. Carrying amounts included in Accounts Payable.
# Negative amount indicates unrealised loss.

Delta Electricity's exposure to interest rate risk for financial instruments and the aggregate net fair values of financial assets and liabilities at 30 June 2000 were:

	Floating Interest $'000	Fixed interest maturing in <1 year $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000	Non-Interest bearing $'000	Carrying amount $'000	Aggregate net fair value $'000
Financial Assets								
Cash	73,788					5	73,793	73,793
Trade debtors						136,845	136,845	136,845
Debtors other than trade						5,478	5,478	5,478
Investments	14,281						14,281	14,281
Other Miscellaneous	33						33	33
Long Term Debtors		85					85	85
Financial Liabilities								
Accounts Payable						112,697	112,697	112,697
Other Creditors						5,680	5,680	5,680
Interest Bearing Liabilities	195	32,133	34,594	108,212	176,299		351,433	372,300
Off-Statement of Financial Position Financial Instruments								
Futures*	6,700						8	8
Forward Foreign Exchange Contracts#							–	11

* Notional principal amount – positive amounts indicates bought futures. Carrying amounts included in Debtors other than trade.
# Positive amount indicates unrealised loss.

20. Financial Instruments (continued)

The weighted average interest exposure on financial assets is 6.2% (2000: 6.0%), while weighted average interest exposure on financial liabilities is 7.9% (2000: 8.8%).

The carrying amount approximates the net fair value for cash, all debtors, investments, other miscellaneous, accounts payable and other creditors.

The net fair values for interest bearing liabilities have been determined by Delta Electricity's treasury service provider who uses a discounted cash flow methodology to market value the financial instruments. The discount rate used is based on the zero curve derived from market rates prevailing at balance date.

The net fair value for futures represents the margin call at balance date.

The net fair value for forward foreign exchange contracts is the unrealised gain/loss on the instrument determined by using the exchange rates at balance date.

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

21. Notes to the Statement of Cash Flows

(a) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand, deposits held at call with financial institutions and investments in money market instruments, net of outstanding bank overdrafts and borrowings which are used in the cash management function on a day to day basis. It also includes investments held as part of the daily cash management function.

(b) Reconciliation of Cash

Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2001 $'000	2000 $'000
Cash Assets	**185,819**	73,793
Current Interest Bearing Liabilities	–	(195)
Balance as per Statement of Cash Flows	**185,819**	73,598

(c) Dividends and Taxes

No dividends were received during the period. Dividends paid by Delta Electricity during the period amounted to $96.7 million (2000: $32.7 million). Tax equivalent payments for the year were $17.2 million. (2000: $Nil).

(d) Acquisitions and Disposal of Entities

There were no acquisitions or disposals during the year.

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2001

	2001 $'000	2000 $'000

21. Notes to the Statement of Cash Flows (continued)

(e) Financing Arrangements

Facilities Available		
Bank Overdraft	**2,000**	2,000
NSW Treasury Corporation Loans	**880,000**	500,000
Total Available	**882,000**	502,000
Facilities Utilised		
Bank Overdraft	**–**	–
NSW Treasury Corporation Loans	**730,894**	351,433
Total Utilised	**730,894**	351,433

Delta Electricity, with the exception of overdraft facilities, is required to borrow all new money through the New South Wales Treasury Corporation. The bank overdraft facility is available on an as required basis. The organisation also has an ongoing $100 million draw down in place to be used on an as required basis.

(f) Reconciliation of Net Cash Provided/(Used) by Operating Activities to Profit from Ordinary Activities after Related Income Tax Expense

Profit from Ordinary Activities after Related Income Tax Expense	**133,044**	119,705
Add/(Less): Non-Cash Items		
Depreciation	**33,461**	32,933
Amortisation	**(341)**	565
Inventory Adjustments	**192**	513
Assets Written Off	**24**	26
Doubtful Debts	**1,325**	–
Add/(Less): Items classified as Investing/Financing Activities		
(Gain)/Loss on sale of Property, Plant and Equipment	**183**	19
Accounting (Gain)/Loss on Debt Re-financing	**5**	–
Net Cash Provided by Operating Activities Before Changes in Assets and Liabilities	**167,893**	153,761
Net Changes in Assets and Liabilities During the Period		
(Increase)/Decrease in Trade Debtors	**45,439**	(58,744)
(Increase)/Decrease in Other Debtors	**(1,069)**	(5,076)
(Increase)/Decrease in Inventories	**(9,633)**	(1,962)
(Increase)/Decrease in Other Assets	**13,937**	(27,197)
Increase/(Decrease) in Payables	**(17,202)**	34,423
Increase/(Decrease) in Income Tax Related Assets/Liabilities	**37,783**	38,966
Increase/(Decrease) in Other Liabilities	**2,110**	6,884
Net Cash Provided/(Used) by Operating Activities	**239,258**	141,055

22. Treasurer's Exemptions

Approval has been given under delegation from the Treasurer, the Hon. Michael Egan, MLC, to exempt for the year ended June 30 1997 and subsequent years, Delta Electricity from the following financial reporting requirements:

FINANCIAL REPORTING EXEMPTIONS

Item	*Reference*	*Comment*
Format of Financial Statements	Public Finance and Audit Act (PF&AA)	
Financial Statements – presentation of manufacturing and trading statements	s41B(c) PF&AA	Subject to a condition*
Notes – Income and Expenditure	(Schedule 1, Part 1): PF&AA (General) Reg	
Amount set aside for renewal or replacement of fixed assets	Item 2	
Amounts set aside to any provision for know commitments	Item 4	
Amounts appropriated for repayment of loans/advances/debentures /deposits	Item 6	
Material items of income and expenditure on a program or function basis	Item 13	Subject to a condition*

* Conditions imposed by Treasury and conveyed to Delta Electricity in correspondence dated 11 July 1997.

Statement by Members of the Board

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

1. The accompanying Financial Statements exhibit a true and fair view of the financial position of Delta Electricity as at 30 June, 2001 and its performance for the year ended on that date.
2. The accompanying Financial Statements are a general purpose financial report which has been prepared in accordance with applicable accounting standards and other mandatory professional reporting requirements, the provisions of the State Owned Corporations Act, 1989, including Part 3 of the Public Finance and Audit Act, 1983, the Public Finance and Audit Regulation, 2000, except where the Treasurer's exemption has been granted.
3. At the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. We are not aware of any circumstances at the date of this declaration that would render any particulars included in the financial report to be misleading or inaccurate.

P Dodd
CHAIRMAN
19 SEPTEMBER, 2001

J Henness
CHIEF EXECUTIVE
19 SEPTEMBER, 2001

END OF FINANCIAL STATEMENTS AUDITED BY AUDITOR-GENERAL

Auditor-General's Opinion

Independent Audit Report
Delta Electricity
To Members of the New South Wales Parliament and Members of Delta Electricity

Scope

I have audited the accounts of Delta Electricity for the year ended 30 June 2001. The members of the Board of Delta Electricity are responsible for the financial report consisting of the accompanying statement of financial position, statement of financial performance and statement of cash flows, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament and members of Delta Electricity based on my audit as required by section 24A of the State Owned Corporations Act 1989 and sections 34 and 41C(1) of the Public Finance and Audit Act 1983 (the PF&A Act).

My audit has been conducted in accordance with statutory requirements and Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements, and statutory requirements in Australia, so as to present a view which is consistent with my understanding of the Corporation's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report of Delta Electricity complies with section 41B of the PF&A Act, other statutory requirements and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Corporation as at 30 June 2001 and the results of its operations and its cash flows for the year then ended.

R Sendt

RJ Sendt
Auditor-General

SYDNEY
19 September 2001

Statutory Information

Chief and Senior Executive Officers

Delta Electricity has not been included as a Declared Authority under schedule 3 of the Public Sector Management Act 1988. Therefore, the information required by the Annual Reports (Statutory Bodies) Regulation is not applicable.

Consultants

Expenditure on consultants totalled $678,000 in 2000/2001. The main purpose of the engagements relate to strategic advice on information technology and assessment and advice on portfolio optimisation.

Cost of Annual Report

One thousand five hundred copies of the Annual Report were produced at a cost of $39 each.

Disability Plan

Delta's Disability Plan ensures that equal opportunities exist for people with disabilities, enabling maximum participation and contribution. The Plan addresses the following key result areas: Employment, Access, and Communication and Reporting.

The major strategies and objectives outlined in the plan have been met.

Exemption from the Reporting Provisions

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

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

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

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

Other exemptions were approved subject to specific conditions:

Human Resources

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

Consultants

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

Disclosure of Controlled Entities

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

Financial Statements of Controlled Entities

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

Community Relations Statement

Delta Electricity is committed to ensuring that the needs of our culturally diverse community are reflected in our business operations. Delta Electricity regularly hosts power station visitors from diverse ethnic communities, and aims to provide these visitors with appropriate support.

Delta recognises the community's responsibility towards the Aboriginal and Torres Strait Islander people of New South Wales and is committed to achieving sustainable improvements in employment opportunities for these people.

Promotion

The following publications are available.

Information for the Public

1996 Annual Report

1997 Annual Report

1998 Annual Report

1999 Annual Report

2000 Annual Report

1996-1999 Environment Report

2000 Environment Review

Central Coast Operations

Introducing Delta Electricity

Discovery of Electricity

Electricity Generation

Electricity in New South Wales

Energy Expo

Power from Coal

Selenium Facts

The History of Delta Electricity

Western Operations

Sunshine Energy - Cogeneration Project

Delta Central Coast Community Newsletter

Information for Delta Electricity Staff

Code of Conduct

Deltanet

Employee Assistance Services

Family Care Link

Into the Future

Disability Plan 1998-2000

Statement of Corporate Intent

The State Owned Corporations Act, 1989 requires Delta Electricity to identify and set out reasons for departures from the performance targets contained in the Statement of Corporate Intent.

Accordingly, the following points highlight the major departures from the Statement of Corporate Intent:

- Actual operating result for Delta Electricity of $188.1 million was $83.1 million above target.
- The dividend declared for the year in review totalled $129.7 million compared to $74.9 million in the Statement of Corporate Intent, an increase of 73.2%.
- Delta achieved a Shareholder Value Added position of $33.0 million for the year in review, compared to the Statement of Corporate Intent expectation of (-$6.9 million).
- Delta's performance for the reporting period was above target primarily due to the higher than anticipated prices achieved in the National Electricity Market.

Workforce Diversity

A Workforce Diversity Plan was prepared for 2000/01. The plan establishes a framework for Equal Employment Opportunity, which gives responsibility and accountability to business units, while meeting corporate imperatives.

Initiatives for 2000/01 included:

- Harassment prevention training for all staff;
- Expansion of the Family CareLink service to include vacational care and dependant care.
- Providing development opportunities, traineeships, secondment opportunities and training targeting EEO groups.
- Providing a tailored Personal Development Program for women.
- Providing Contact Support Officers at each Business Unit.

Overseas Visits

During 1999/2000, the following officers went overseas:

Name	Date	Destination	Purpose
Jim Henness	18 June to 2 August	USA	Stanford Executive Program
Peter Siers	25 January to 8 February	France, UK and Italy	Investigate Hydroplus dam design and testing facilities, reblading of Unit 8 Wallerawang and ash hopper and boiler studies at Fusina Power Station
Mal Park	25 to 29 June	Sweden	CIGRE sponsored attendance at its study committee
Rod Ward	18 to 29 November	USA	21st Annual Energy Symposium and discussion with utilities on energy markets
Greg Everett	25 June to 6 August	USA	Stanford Executive Program

Statutory Information

Executive Remuneration

The following payments were made to senior contract employees at the end of the 2000/2001 financial year under a new performance payment scheme.

The 2000/01 performance payment was made up of an organisational component (which was "Above Budget Profitability") that applied to all of those listed and an individual performance component (see table). The payment was weighted towards the organisational performance component. Delta's profit performance was significantly above budget in the year.

Name Position Period in Position	Total Remuneration Package	Total 2000/01 Performance Payment	Performance Criteria
Jim Henness Chief Executive Whole Year	$290,625	$50,000	Assessment of performance by the Board against identified criteria including implementation of strategy and effectiveness of relationships.
Rod Ward GM/ Marketing Whole Year	$196,000	$38,024	Actual price and volume of electricity sales compared to budget and assessment of performance agreement results.
Richard Street Chief Financial Officer Whole Year	$194,760	$35,855	Cost of funds management, staff related measure and assessment of performance agreement results.
Peter Jackson GM/Central Coast Production Whole Year	$186,000	$34,374	Business Unit financial management, plant performance and assessment of performance agreement results.
Greg Everett GM/ Strategy Whole Year	$184,000	$34,592	Contracted coal purchases and assessment of performance agreement results.
Steve Saladine GM/ Western Production Whole Year	$181,000	32,187	Business Unit financial management, plant performance and assessment of performance agreement results.
David Hogg Chief Information Officer Whole Year	$160,000	$28,794	Information Technology financial management, customer satisfaction survey and assessment of performance agreement results.

In addition to the above, there was a Long Term Incentive payment carried over from a now discontinued scheme that operated in 1999/2000. Payment was based on Delta's performance in 1999/2000 in relation to Shareholder Value Added. Delta's Shareholder Value Added perofrmance was significantly above budget in that year.

Name	1999/00 Long Term Incentive
Jim Henness	$28,714
Rod Ward	$20,141
Richard Street	$19,760
Peter Jackson	$17,908
Greg Everett	$17,908
Steve Saladine	$2,416
David Hogg	$15,452

Number of Executive Officers	Total	Women
Number of executive officers with remuneration equal to or exceeding equivalent of SES Level 1 2000/2001	32	1
Number of executive officers with remuneration equal to or exceeding equivalent of SES Level 1 1999/2000	21	1

Equal Employment Opportunity

Percent of Total Staff by Level

		Subgroup as % of Total Staff in each Category			Subgroup as Estimated Percent of Total Staff in each Employment Category				
Level	**Total Staff (Number)**	**Respondents**	**Men**	**Women**	**Aboriginal People & Torres Strait Islanders**	**People from Racial, Ethnic, Ethno-Religious Minority Groups**	**People Whose Language First Spoken as a Child was not English**	**People with a Disability**	**People with a Disability Requiring Work-related Adjustment**
< $26,802									
$26,802 – $35,202	6	17%	100%						
$35,203 – $39,354	138	57%	96%	4%		3%	1%	6%	2.5%
$39,355 – $49,799	202	62%	89%	11%	0.8%	3%	2%	3%	4.8%
$49,800 – $64,400	248	67%	93%	7%	1.8%	5%	5%	7%	3.0%
$64,401 – $80,499	132	68%	95%	5%		13%	12%	4%	2.2%
> $80,499	59	86%	95%	5%		4%	4%	6%	3.9%
Total	785	65%	93%	7%	0.8%	6%	5%	5%	3.3%
Estimated Sub-Group Totals		513	729	56	6	43	37	41	26

Percent of Total Staff by Employment Basis

		Subgroup as % of Total Staff in each Category			Subgroup as Estimated Percent of Total Staff in each Employment Category				
Level	**Total Staff (Number)**	**Respondents**	**Men**	**Women**	**Aboriginal People & Torres Strait Islanders**	**People from Racial, Ethnic, Ethno-Religious Minority Groups**	**People Whose Language First Spoken as a Child was not English**	**People with a Disability**	**People with a Disability Requiring Work-related Adjustment**
Permanent	741	65%	93%	7%	0.8%	6%	5%	5%	3.6%
Contract	42	83%	95%	5%		6%	6%	3%	
Temporary	9	33%		100%					
Total	792	65%	92%	8%	0.8%	6%	5%	5%	3.3%
Estimated Sub-Group Totals		516	729	63	6	44	38	42	26

Code of Conduct

Our Code of Conduct
Delta Electricity is committed to high standards of ethics, responsibility and fair trading. The public needs to have confidence that we behave with honesty and integrity. As individuals, we work in a co-operative and open work environment that promotes honesty, and integrity. It is therefore essential that we set and maintain high standards of behaviour that clearly demonstrate this commitment.

Our Code of Conduct recognises that in the workplace we are often faced with situations where we need to make difficult decisions as to the most appropriate course of action. With Delta Electricity operating in a commercial and competitive environment, our values may be tested, and the need to be transparent in our procedures is vital. Without clear guidelines, we cannot always be sure that our decisions reflect the high standards expected by our stakeholders, and ourselves.

To ensure our Code remains relevant, it has been recently reviewed. The review was undertaken by conducting workshops with a range of employees at each of our locations. Employees were given an opportunity to clarify issues and raise any areas of concern relating to the Code. Adjustments were made to the Code based on suggestions made by employees at these workshops. These adjustments were adopted by the Board and have been incorporated in the Code of Conduct. The Code applies to everyone in Delta Electricity including Board members and contractors. It is designed to assist in establishing our reputation for honesty and fair dealing with our colleagues, customers and suppliers, and to provide a basis for making day to day decisions.

Each of us has a responsibility to foster a work environment that is ethical and equitable by abiding by the standards set in the Code. This is an expectation that we should have of ourselves and of each other.

(Signed: Chief Executive)

Purpose

The purpose of this Code is to establish a framework and set guidelines for decision making. The Code outlines what is expected of you as an employee, Board member or contractor of Delta Electricity, and for this reason, it is important that decisions are made in accordance with this Code, and related Policies, Standards and Procedures.

Performance of Duties
You should:
• Act honestly, fairly and to the best of your ability when dealing with other colleagues, customers, suppliers, members of the public and the community.
• Contribute to an environment of enthusiasm, pride, teamwork and excellence.
• Follow lawful and reasonable instructions.
• Comply with Policies, Standards and Procedures.
• Recognise and accept accountability for your actions.
• Contribute to an ethical and equitable work environment

In addition, if you are a Manager/Team Leader you should:
• Provide a good example to staff.
• Communicate to staff:
– Requirements of the Code of Conduct,
– What is expected of them,
– How you and your team can affect Delta Electricity's achievements.
• Manage the business in a cost effective manner.

Relationships with Colleagues, Customers & Suppliers
You should treat colleagues, customers and suppliers fairly, openly and honestly. Everyone has the right to state their case and receive unbiased and fair treatment.

We all have a responsibility for creating a work environment that is free of any harassment and discrimination.

Related Policies and Standards:

DEP PE 004
Equal Employment Opportunity

DES PE 004-1
Harassment Prevention, Discrimination and Grievance Handling

DES PE 004-2
Guidelines for Staff Raising Complaints of Harassment and Discrimination

Conflict of Interests
A conflict of interest arises when your personal interests or activities conflict directly, or indirectly, with your responsibilities to Delta Electricity.

It is important that colleagues, customers and suppliers are confident that all decisions made by Delta Electricity are fair and impartial. In order to achieve this you must take care that your actions do not conflict with the proper carrying out of your job. This includes personal interests of those people close to you, including business partners, family members, friends and associates.

When considering whether or not there is a possible conflict of interest, it is always important to think about how others would view your situation. The perception of a conflict of interest can be just as damaging to the reputation of Delta Electricity as a real conflict of interest. In many cases only you will be aware of the potential for a conflict of interest. The onus is on you to notify your Manager/Team Leader in writing of any real or perceived conflict of interest. Your Manager/Team Leader will discuss ways of resolving the conflict with you. All written notifications are to be placed on a Conflict of Interests Register held by Nominated Officers at each location.

Nominated Officers

Central Coast –
Commercial Manager/Central Coast

Western –
Commercial Manager/Western

Corporate Office –
Board and Executive Support Manager

Acceptance of Gifts and Benefits
You should never accept, or solicit a gift or benefit if you think that it is likely to influence the way in which you do your job.

Gifts and/or benefits may only be accepted if they are not likely to be seen to be compromising.

Token gifts and benefits do not have significant monetary value, ideally can be shared and are not offered on a regular basis. Token gifts may include items such as chocolates, bottle of wine, diary and souvenirs.

Gifts and benefits that are more than token should be brought to the attention of your Manager/Team Leader. Your Manager/Team Leader will assist you to determine whether the gift or benefit should be declined or is acceptable. If deemed non token, whether declined or accepted, it should be noted in the Gifts and Benefits Register held by Nominated Officers at each location.

Nominated Officers

Central Coast –
Commercial Manager/Central Coast

Western –
Commercial Manager/Western

Corporate Office –
Board and Executive Support Manager

If a substantial gift or benefit is offered to you to influence the way you do your work, you are required to report this immediately to your Manager/Team Leader.

Related Policies and Standards:

DES BM 011-1
Reporting of Corruption, Maladministration and Serious and Substantial Wastage

Confidentiality of Information
Some of the information which you have access to will be confidential. Confidential information must be protected and not disclosed.

Confidential information must not be used for personal benefit or for anyone else's personal benefit.

Information should not be given out unless:
• You are required by law; and permission from your Manager/Team Leader has been given; or
• It is in Delta's best interest and permission from your Manager/Team Leader has been given; or
• The information is publicly available.

You must not access confidential information unless the information is required in the performance of your duties.

After ceasing employment with Delta Electricity, you may use job knowledge and skills gained during your employment. However, information identified as confidential by Delta Electricity must not be released or used to benefit other businesses.

Related Policies and Standards:

DEP BM 014
Information Protection (to be developed)

Use of Delta Electricity's Resources
Delta Electricity's resources are to be used economically and efficiently in your public or professional duties.

Generally you cannot use any of Delta Electricity's equipment, materials or other resources for private reasons, or allow anyone else to do so. Within reason the use of telephones, faxes photocopiers, and computers are acceptable. Reasonable use of the Internet and e-mail for private purposes in accordance with Delta's policy is also acceptable. Approval must be obtained from your Manager/Team Leader for the use of other resources.

Delta Electricity's resources and equipment must not be used, in any circumstances, in relation to a second job or business.

Related Policies and Standards:

DEP AS 009
Motor Vehicle Operations

DEP AS 010
Security of Assets (replaces Loan of Hand Tools)

DES AS 009-1
Motor Vehicle Safe Driving

DES AS 009-2
Motor Vehicle Fleet Operations

DEP IT 002
Acceptable Use of Computer Facilities (replaces Use of Electronic Mail)

Other Employment or Business
You may not undertake paid or honorary employment or business activities outside Delta Electricity unless it will not:
• Conflict or interfere with your duties;
• Adversely affect your work performance;
• Involve information or resources that are obtained or available through your work with Delta Electricity;
• Discredit or disadvantage Delta Electricity; or
• Be done whilst at work with Delta Electricity.

If you consider any of the above issues apply, or there could be a perception that there could be a conflict, you must seek written approval from your Manager/Team Leader prior to engaging in other employment or business.

Delta Electricity may require you to cease outside employment or business if any of the above issues apply and cannot be resolved.

Alcohol and Drugs in the Workplace
You should not be at work whilst under the influence of drugs or alcohol that may impair your ability to do your job. If you are taking prescribed medication that could affect your work performance, discuss the issue with your Manager/Team Leader.

Alcohol may not be consumed at your work location. However, in certain circumstances (e.g. social function in an acceptable area) alcohol may be consumed provided approval has been given in writing by the General Manager for both the function and location.

Related Policies and Standards:

DES SA 001-16
Alcohol and Drugs in the Workplace

Public Comment
Only the Chairman, Chief Executive or a nominated representative may make any public or media comment.

Whilst as a member of the community you have the right to enter into public debate on political, professional and social issues, you will take care not to allow the impression to be gained that such comments are official comments made in your capacity as an employee of Delta Electricity.

Related Policies and Standards:

DEP BM 012
Media

Reporting Corruption, Maladministration and Wastage
You are not only required to act honestly, but also to report any instances of possible corruption, maladministration or serious and substantial wastage.

Code of Conduct

If you are unclear as to what constitutes corrupt conduct, maladministration or wastage, refer to Delta Electricity's Procedure on Reporting Corruption, Maladministration and Wastage and/or seek advice from your Manager/Team Leader or the Fraud Prevention Officer.

Any suspected corruption, maladministration or serious and substantial waste of public monies should be reported in accordance with the Procedure on Reporting either to your Manager/Team Leader, Fraud Prevention Officer or the Chief Executive. If you receive any such reports as a Manager/Team Leader, you are required to pass them on to the Fraud Prevention Officer or the Chief Executive.

You may also report suspected corruption to the Independent Commission Against Corruption (ICAC), maladministration to the Ombudsman, and serious and substantial waste of public monies to the Auditor General.

If you make a report in accordance with Delta Electricity's Procedure you will be protected under the Protected Disclosures Act. Delta Electricity is committed to ensuring that employees are not victimised as a result of reporting corrupt conduct.

Related Policies and Standards:

DES BM 011-1
Reporting of Corruption, Maladministration and Serious and Substantial Wastage

Breaches of the Code

Delta Electricity is committed to the standards and principles outlined in this Code. The Code is designed to attract the highest level of confidence from colleagues, our customers and suppliers, and also to protect our staff by providing guidelines on expected standards of behaviour.

Breaches of this Code of Conduct, including breaches of policies, standards and procedures may constitute a breach of discipline and may be treated as such.

Related Policies and Standards:

DES PE 001-13
Discipline

Queries

If anyone has any queries regarding the application of this Code you should discuss the matter with your Manager/Team Leader.

Related Information, Policies and Standards

• Delta Electricity's Vision and Values;
• All Delta Electricity's Policies, Standards and Procedures with particular reference to:

DEP AS 009
Motor Vehicle Operations

DES AS 009-1
Motor Vehicle Safe Driving

DES AS 009-3
Motor Vehicle Fleet Operations

DEP AS 010
Security of Assets (replaces Loan of Hand Tools)

DEP BM 011
Fraud Prevention Control

DES BM 011-1
Reporting of Corruption, Maladministration and Serious and Substantial Wastage

DEP BM 012
Media

DEP BM 014
Information Protection

DEP IT 002
Acceptable Use of Computer Facilities (replaces Use of Electronic Mail)

DES PE 001-13
Discipline

DEP PE 004
Equal Employment Opportunity

DES PE 004-1
Harassment Prevention, Discrimination and Grievance Handling

DES PE 004-2
Guidelines for Staff Raising Complaints of Harassment and Discrimination

DES SA 001-16
Alcohol and Drugs in the Workplace

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201 Sussex Street
Sydney NSW 2000
Telephone 02 9285 2700
Facsimile 02 9285 2777
Office Hours 8.30am – 5.00pm

Mt Piper Power Station
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