

2010 Annual Report

TEN
YEARS OF
ACHIEVEMENT
& GROWTH



Eraring energy

LETTER TO THE VOTING SHAREHOLDERS

The Hon. Eric Roozendaal MLC

Treasurer
Special Minister of State
Minister for State and Regional Development
Minister for Ports and Waterways
Minister for the Illawarra

Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

The Hon. Michael Daley MP

Minister for Finance
Minister for Police

Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

DEAR SHAREHOLDERS

On behalf of the Board, we have pleasure in submitting the Eraring Energy Annual Report and Financial Statements for the year ended 30 June 2010.

This Report has been prepared in accordance with the requirements of Section 24A of the State Owned Corporations Act 1989, and the Annual Reports (Statutory Bodies) Act 1984.

It is submitted for presentation to both houses of Parliament.



R M Bunyon, AM

Chairman



Peter Jackson

Managing Director

Overview	1
Board of Directors	3
Chairman's Report	4
Managing Director's Report	5
Highlights	6
Economic Performance	7
Safety and Environmental Performance	14
Social Performance	19
Governance	25
Financial Statements	35
Index	83

OVERVIEW

Eraring Energy is a state-owned corporation established on 2 August 2000 under the State Owned Corporations Act 1989, the Energy Services Corporation Act 1995 and Energy Services Corporation (Eraring Energy) Regulation 2000.

Under the provisions of the State Owned Corporations Act, Eraring Energy is required to operate as a commercial enterprise and not represent the Crown or benefit from Crown guarantees.

Eraring Energy manages a diverse portfolio of coal fired, wind, hydro and pumped storage electricity generating assets located throughout New South Wales and trades the output through the National Electricity Market.

The generation portfolio consists of ten generating assets, with total capacity of over 3,000 Megawatts (MW), with Eraring Power Station being the largest at 2,660 MW. Eraring Energy this financial year supplied about 7% of the energy requirement of the National Electricity Market.



Generating Asset	Unit(s) size	Capacity (MW)	Fuel Source
Eraring Power Station	3 x 660 MW 1 x 680 MW	2,660	Black Coal
Gas Turbine	1 x 40 MW	40	Diesel
Shoalhaven Scheme – Bendeela Station	2 x 40 MW	80	Hydro/Pumped Storage
Shoalhaven Scheme – Kangaroo Valley Power Station	2 x 80 MW	160	Hydro/Pumped Storage
Hume Power Station	2 x 29 MW	58	Hydro
Warragamba Power Station	1 x 50 MW	50	Hydro
Burrinjuck Power Station	1 x 16 MW 2 x 5.6 MW	27	Hydro
Keepit Power Station	1 x 6.5 MW	7	Hydro
Brown Mountain Power Station	1 x 1 MW 1 x 4.35 MW	5	Hydro
Blayney Wind Farm	15 x 660 kW	10	Wind
Crookwell Wind Farm	8 x 600 kW	5	Wind

OVERVIEW

OBJECTIVES

Eraring Energy's principle objectives, as set out in the State Owned Corporations Act 1989, are:

- a) to be a successful business and, to this end to operate at least as efficiently as any comparable business, and to maximise the net worth of the State's investment;
- b) to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates;
- c) where Eraring Energy's activities affect the environment, to conduct 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; and
- d) to exhibit a sense of responsibility towards regional development and decentralisation in the way it operates.

Each of the principle objectives is of equal importance.

“BY DEVELOPING AND INVOLVING OUR PEOPLE, ERARING ENERGY WILL BE A LEADER IN THE CHANGING ENERGY ENVIRONMENT”

Eraring Energy will achieve this leadership position by focusing on the following strategic areas:

- **People Development and Involvement** – Eraring Energy will continue to work towards the company vision through four key pillars: shaping our culture; developing our people; rewarding and recognising our people; and planning for the future. These pillars focus on our people being the best in the industry, with the major aim being to maximise internal capacities to capitalise on electricity market opportunities.
- **Health and Safety** – Staff, contractor and visitor safety has been, and will continue to be, a major focus of the organisation.
- **Positive and Productive Stakeholder Relationships** – Eraring Energy will proactively engage key stakeholders in supporting the achievement of business aims, particularly in the area of optimising our assets; licence to operate; changes to regulatory policy; and meeting our Shareholders' expectations.
- **Greenhouse Response** – In response to ongoing community, Government and regulatory debate, Eraring Energy has committed to taking a leadership role in reducing greenhouse gases, including operating and trading its existing renewable assets to maximum benefit.
- **Environmental Excellence** – Eraring Energy seeks to achieve environmental leadership through its Environmental Excellence Strategies. In particular, Eraring Energy will take a proactive and leading position on practical management and reduction of its impact on the environment.

TEN YEARS OF ACHIEVEMENT AND GROWTH - Summary of Highlights

- Water Reclamation Plant Upgrade – providing 75% of water requirements;
- Formation of the Eraring Energy Community Forum;
- Production of almost 260,000 Greenhouse Abatement Certificates for efficiency improvements;
- Accreditation to ISO14001:2004 of Environmental Management System for all Eraring Energy generating assets;
- AS4801 accreditation of Eraring Power Station Safety Management System;
- \$6 million upgrade of Brown Mountain Hydro Power Station;
- Completed upgrade and commissioned Integrated Control and Monitoring System – received ‘Highly Commended’ in the Engineer’s Australian Engineering Excellence Awards;
- Commissioning of the Emergency Black Start Gas Turbine at Eraring Power Station;
- Record level of megalitres of water pumped from Shoalhaven Scheme into the Sydney catchment;
- Eraring Energy wins both the WorkCover NSW Safe Work Awards and the Safe Work Australia National Awards for injury prevention and management in 2009;
- Establishment of the Environmental Strategy Meeting involving local community and other stakeholders;
- Commencement of \$600 million Eraring Power Station upgrade works; and
- Consistent profit generated for shareholders, the people of NSW.

These highlights were achieved by the widespread commitment to the concept of continual improvement within the organisation, the demonstration of industry leadership by staff in their engagement and focus on safety performance, and the positive responses to the many changing business issues of the past ten years.

BOARD OF DIRECTORS

NON EXECUTIVE DIRECTORS

Ross Bunyon, AM

Chairman and Director

BComm (UNSW), CIE Aust
Director/Consultant

First appointed 21 July 2000,
continuing with reappointment to
30 June 2012

Beverley Hoskinson-Green

Director

LLB (UNSW) LLM (Harvard)
Solicitor

First appointed 21 July 2000
Completed term of appointment
30 June 2010

Peter Murray, OAM

Director

GAICD
Director/Consultant

First appointed as Unions NSW Appointee
1 September 2006
Completed term of appointment
14 September 2010

Dean Pritchard

Director

BE, FIE Aust, CP Eng, FAICD
Director

First appointed 22 August 2001,
continuing with reappointment to
30 June 2012

Michael Vertigan, AC

Director

BEC (Hons) Tasmania, PhD California, FAICD
Director/Consultant

First appointed 21 July 2000,
continuing with reappointment to
30 June 2011

John Priest

Director

BB, FCPA
Chairman/Director

Appointed 1 April 2010 for three year period
to 31 March 2013

Murray Bleach

Director

BA (Financial Studies), MApFIN, ACA, GAICD
Chairman/Director

Appointed 1 July 2010 for three year period
to 30 June 2013

EXECUTIVE DIRECTOR

Peter Jackson

Managing Director

BSc, BE, MEM, GAICD

Appointed 11 September 2006

Rochelle Reynolds

Company Secretary

LLB, BCom, Grad Dip CSP, GAICD

Appointed
1 October 2004

Chairman's Report

I am pleased to report that in its 10th year of operations, Eraring Energy has posted an Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$220.1 million for the year, with a return of \$111.6 million to our Shareholders.



Eraring Energy has continued to deliver a strong financial performance, in a challenging year that was driven by lower than expected average prices and lower generation levels. The challenging energy market performance has been balanced through maintaining tight cost control over discretionary expenditure.

To achieve this financial result during the ongoing asset upgrade activity, as reported, is a demonstration of senior management and employee's dedication and commitment to Eraring Energy's goals and objectives.

Eraring Power Station, which makes up more than 85% of Eraring Energy's generation capacity, is now in the second phase of a \$600 million upgrade project. This upgrade, necessitated by the age of the plant, includes an enhancement which will increase the generating capacity and extend the life of the plant by 20 years, and will help ensure supply reliability to the state of New South Wales. Upon completion of the upgrade, Eraring Energy will be one of the most efficient coal fired power stations in Australia, in energy conversion and CO₂ emission terms.

A number of significant projects forming part of the upgrade were completed in 2009/10, including: the construction of an 820 Megalitre Attenuation Reservoir to assist with the management of cooling water temperatures; and the construction of a Coal Combustion Products Plant to extend the life of the Ash Dam and provide increased opportunity for ash recycling.

Safety leadership remains a key focus of Eraring Energy and, during the financial year, renewed effort was applied to further improve the organisation's safety performance. This included the introduction of the "Fair and Just Culture Statement" and "Eraring Safeguards" which serve to reinforce our commitment to continuous improvement of our systems and processes.

Considerable progress was made during the year in developing the Cobbora Coal resource in joint venture with the other NSW Generators. Every effort will be made to secure long term coal supplies at Cobbora in accordance with Shareholders' interests in 2010/11 along with securing further coal supplies for Eraring Energy's long term needs.

Eraring Energy recognises the uncertainty surrounding future carbon obligations but continues with its strategy to invest in projects, taking into account both potential carbon benefits and obligations.

Eraring Energy also continues to work with the NSW Government to implement the electricity reform project which is scheduled to be completed by the end of 2010.

I would like to extend my thanks to retiring Directors, Beverley Hoskinson-Green, who was one of the founding Board Members, and Peter Murray for their significant contribution to Eraring Energy.

On behalf of the Board, I acknowledge the widespread commitment to the concept of continual improvement within the organisation and thank every member of Eraring Energy for their contribution.

Ross Bunyon, AM
Chairman

Managing Director's Report

Eraring Energy's 10th year has been highlighted by another solid result in difficult market conditions.



The achievement of EBITDA of \$220 million, although below budget due to low market prices, was an improvement on last year, and was made possible through a combination of high plant availability and tight cost control. It is worth noting that this result was achieved whilst maintaining an increased workload at Eraring Power Station, due to the commencement of major upgrade projects that will continue over the next two years.

Key events of the upgrade project for the year included the commissioning of the new plant – the Attemperating Reservoir to assist with the management of cooling water particularly in summer, the Coal Combustion Products Plant to extend the life of the Ash Dam and to provide increased opportunity for ash recycling, as well as refurbished plant – a 720 MW turbine and other auxiliary plant. The upgrade project is on track to be completed by the end of 2012, which would increase the capacity of the plant by 240 MW and extend the life to 2032. The upgrade will bring significant environmental benefit with a 40% reduction in NOx levels and a reduction in greenhouse intensity.

Eraring Energy's hydro energy output increased from that of the previous financial year. A major outage of the Kangaroo Valley Hydro Power Station began at the end of May 2010, to overhaul the primary isolation valves. This outage coincided with work being carried out by the Sydney Catchment Authority on the Kangaroo Valley pipe line. The total generation from the Wind Farm sites was slightly down from the record set in the previous twelve months.

Safety leadership has remained a key focus of the organisation, with renewed effort being applied to further improve the organisation's safety performance. Following extensive benchmarking of best industrial sites in Australia, Eraring Energy introduced the "Fair and Just Culture" and the ten "Eraring Safeguards". The lost time injury frequency rate reduced by almost 20% though the medical injury frequency rate increased. Management continues to reinforce their commitment to safety and to the continuous improvement of our systems and processes to work towards a zero harm workplace.

The development and involvement of our people is a key theme of our vision and focus for all levels of Eraring Energy and this year focused on an improved leadership program. A new Leadership Development Program was introduced together with a Performance Management System that incorporates a cascading of business plans to team plans and individual performance plans.

A key focus for Eraring Energy has been securing reliable supplies of coal to maintain future security of electricity supplies. Eraring Energy is participating with other NSW Generators in an unincorporated joint venture to develop the Cobbora Coal Project and has also been working with the coal industry to source additional coal.

During the year Eraring Energy has actively engaged with the local community through the Eraring Power Station Community Forum, Environment Strategy Days, local

community sponsorship and the media. The media has continued to be interested in Eraring Energy's operations, in particular the major upgrade projects and the updated agreement with Hunter Water Corporation to recycle more than one billion litres of secondary treated effluent a year. As a result of feedback received at the Environment Strategy Day, two new working groups have been established to review air quality and land management.

Eraring Energy is also proud to support the local community and staff selected charitable organisations, and has provided over \$74,000 in general community based sponsorships and donations during the reporting period.

Eraring Energy had adopted measures for CO₂ reduction through carbon sequestration with large scale Mallee tree plantations and improving energy efficiencies with unit upgrades. As a direct result of the upgrade, there will be a reduction of 200,000 tonnes of CO₂ emissions per year. In addition, there is a potential for a further reduction of 600,000 tonnes of CO₂ emissions each year, as a result of Eraring Power Station displacing less efficient power stations in the National Electricity Market.

Eraring Energy has been and will continue to be an active participant in industry discussions on an appropriate greenhouse gas reduction scheme.

Eraring Energy staff have continued to set high professional standards with high workloads on the Energy Reform Project. I thank management for their contribution and support in meeting the Project timelines.

On behalf of the Executive team, I extend my thanks to all staff for their contribution and support for another successful year.

Peter Jackson
Managing Director

HIGHLIGHTS FOR 2009/10

MAJOR PROJECTS – Providing supply reliability



- **Units 2 and 4 Upgrade**
Increasing generating capacity and extending the life of the plant.



- **Completion of Attemperation Reservoir**
Alleviation of load restrictions during hot days, thereby increasing contribution to meet summer peak loads.



- **Completion of Coal Combustion Products Plant**
Increasing the storage capacity and extending the life of the ash dam.

RECOGNITION:

- First Organisation in Australia to gain Third Party ISO14064 accreditation for National Greenhouse and Energy Reporting.
- Finalists in the 2010 Engineering Excellence Awards – Newcastle Division for Attemperation Reservoir and Coal Combustion Product Plant.
- Awards and achievements by Apprentices, School Based Apprentice Trainees and UNISS scholars.

ECONOMIC PERFORMANCE

ECONOMIC PERFORMANCE

FINANCIAL OVERVIEW

Eraring Energy delivered Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$220.1 million from underlying operations, with a return of \$111.6 million to our Shareholders.

The operating profit is higher than last year but below the SCI target due to gross margin performance. Eraring Energy has maintained tight cost control over its discretionary expenditure.

The trading gross margin variance was driven by lower than expected average realised sales pricing and lower generation levels.

Capital Expenditure

Eraring Energy's Entity capital expenditure program in 2009/10 of \$204.4 million related to the upgrade of Eraring Power Station and maintenance of existing assets to provide improved efficiency and availability.

Major projects included:

Eraring Power Station

- Work continues on upgrading the generating capacity to 4x720 MW units with contracts let for the installation of upgraded boiler, turbine and auxiliaries;
- The construction of an attenuation reservoir completed in February 2010; and
- The installation of a new Coal Combustion Products (CCP) plant completed in April 2010.

Shoalhaven Pumped Storage Scheme

- Maintenance works carried out at Kangaroo Valley Power Station (KV) units. These are the first major works to be undertaken on the KV units in 25 years;
- Repair of Unit 4 relief valve;
- Repair and refurbishment of Unit 3 pump; and
- Upgrade of protection equipment and data recorders at our Kangaroo Valley and Bendeela Power Stations.

GROUP FINANCIAL PERFORMANCE INDICATORS

		05/06	06/07	07/08	08/09	09/10
Electricity Sales	\$m	629.8	816.1	730.6	634.6	596.6
EBITDA from normal operations	\$m	182.4	272.4	270.2	220.0 [^]	220.1
Normal Profit Before Tax [#]	\$m	97.1	187.7	157.9	86.8 [^]	97.1
Capital Expenditure	\$m	36.3	38.0	55.0	189.0	213.8
Financial Distribution [*]	\$m	102.7	198.5	164.2	95.4	111.6
Return on Equity	%	11.0	34.6	8.3	6.0	6.6
Return on Assets	%	7.1	6.9	7.3	5.7	6.5

[#] Excludes fair value movements in electricity derivatives, superannuation and insurance provision movements.

^{*} Represents accrued dividend, tax equivalent and loan guarantee payments.

[^] 08/09 EBITDA and Normal Profit Before Tax were amended to include other than actuarial superannuation movements.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

Eraring Energy achieved an EBITDA of \$220.1 million, similar to last year's result.

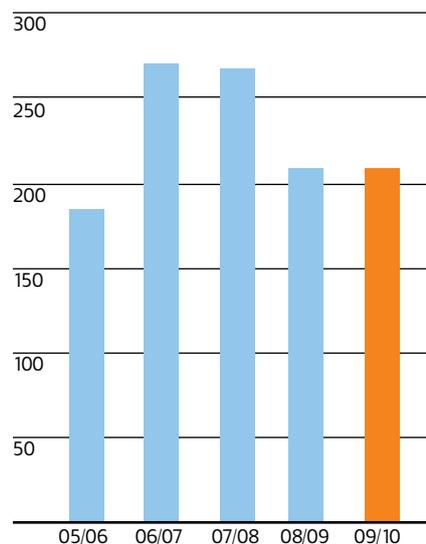
Revenue and Materials and Cost of Purchases

Sales revenue including Electricity Tariff Equalisation Fund (ETEF) from ordinary activities in 2009/10 was \$596.6 million, a decrease of 4.6% from the previous year due to lower spot electricity prices and lower generation. Generation levels were down 8% due to the current outage program and market dynamics which has been reflected in the reduced cost of operations.

Superannuation Defined Benefit Scheme Provision

Actuarial gains and losses on defined benefits superannuation schemes are accounted for outside of profit i.e. against accumulated funds in the balance sheet. The amount for 2009/10 was a negative impact of \$17.6 million. The residual net movement on the schemes is accounted for in profit and loss resulting in a \$2.6 million gain for the year.

EBITDA (\$ Million)



Non-Current Asset Revaluation

The non-current asset valuation at 30 June 2010 was \$1.9 billion, an increase of \$37 million having regard for the discounted cash flows of expected future revenue and cost streams over the life of the business. This was mainly due to changed assumptions on the forward price of electricity from those made in the previous period.

Debt Management

In 2009/10, financial liabilities were managed to minimise risk against volatility in financial markets, protect the value of Eraring Energy's equity and minimise the cost of these liabilities. As at 30 June 2010, Eraring Energy had total debt of \$625 million (book value) with approved PAFA facilities in place of \$962 million.

ECONOMIC PERFORMANCE

Shareholder Return

Eraring Energy is committed to delivering sustainable and reliable returns to its shareholder, the NSW Government. The share dividend scheme requires financial distribution of 100% of post-tax profits from underlying operations plus or minus significant fair value movements and community service obligations. Total financial distribution to the Shareholder of \$111.6 million includes dividend, tax equivalent and loan guarantee payments.

Controlled Entities

During 2008/09, Rocky Point Holdings Pty Limited was established to manage Eraring Energy's joint venture interests in the proposed Cobbora Mine project.

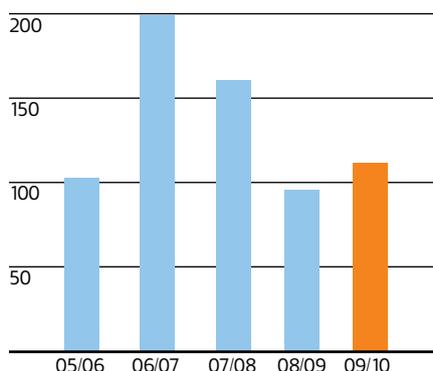
For the 2009/10 financial year, an operating loss of \$0.6 million was incurred on costs relating to mine geology. Capital expenditure of \$9.4 million was incurred on land purchases for the mine.

Departures from Financial SCI Targets

Eraring Energy increased its net profit before tax and financial distribution from the previous year, however it did not meet the financial targets agreed with Government in the 2009/10 Statement of Corporate Intent (SCI). The reasons were:

- Gross Margin below budget mainly due to lower than expected spot prices and generation levels;
- Lower financing costs due to lower debt levels and capitalised interest on upgrade projects;

FINANCIAL DISTRIBUTION (\$ Million)



- Major Operating Project expenditure was under budget mainly due to the deferral of maintenance work at Kangaroo Valley where work has been rescheduled to 2010/11; and
- General cost containment of discretionary expenditure.

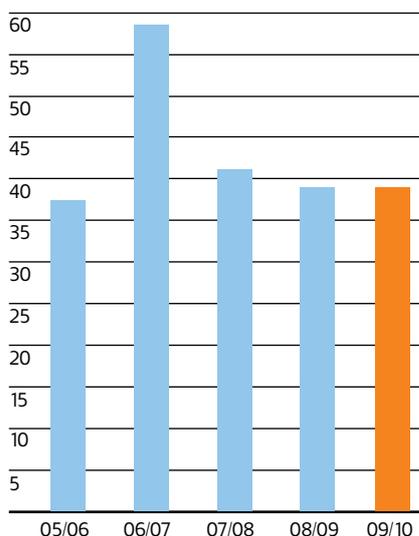
10 YEARS OF FINANCIAL ACHIEVEMENT

In eight of the ten years since it was established, Eraring Energy has exceeded its financial performance targets agreed with Government. This has been achieved by maintaining high availability of our generating plant together with our trading strategy in a volatile National Electricity Market.

Eraring Energy has steadily increased its financial performance in the ten years of operation with highlights as follows:

Earnings before interest, tax, depreciation and amortisation (EBITDA), which is the best measure of how much free cash flow the business is generating, has increased from \$106 million in 2000/01 to \$220 million in 2009/10. There were two abnormal years in 2006/07 and 2007/08 caused by the drought which saw EBITDA climb to \$270 million due to increased generation and spot prices.

NSW TIME-WEIGHTED AVERAGE SPOT PRICE (\$/MWh)



EBITDA is expected to keep increasing in the medium term until the impacts of the Carbon Pollution Reduction Scheme are felt towards the end of the next decade.

Eraring Energy distributes 100% of its profits to the NSW Government in tax and dividend payments. Over the ten year period, it has paid over \$1 billion to the State, an average of over \$100 million per annum. Eraring Energy has also returned in excess of \$600 million in capital payments over the period using cash flow generated from depreciation charges.

Eraring Energy's modest capital expenditure program which averaged around \$40 million per annum for the first eight years, has given way to expenditure of around \$200 million per annum since 2008/09 with high capital expenditure forecast for the next two financial years as well. Most of the expenditure is attributable to the Capacity Upgrade Project.

Pacific Western Pty Ltd, a wholly owned subsidiary of Eraring Energy, contributed \$11 million in pre-tax profits from the operation and maintenance contract of Collie Power Station for Western Power. The contract terminated in March 2005.

MARKETING AND STRATEGY

In 2009/10, the 10th year since the formation of Eraring Energy, the Marketing and Strategy team produced a solid result, exceeding that achieved in 2008/09. The team actively sought to understand customer requirements and developed strategies to allow clients to achieve their objectives.

Improved economic conditions provided more stability in customer demand across the National Electricity Market. It is anticipated that, as the economy continues to recover, higher consumption levels will develop in 2010/11.

The 15th Conference of Parties (COP) under the United Nations Framework Convention on Climate Change took place in Copenhagen during December 2009. A lack of legally binding commitments failed to produce a clear path forward.

ECONOMIC PERFORMANCE

The Federal Government, faced with a lack of bipartisan support domestically, elected to delay the implementation of the Carbon Pollution Reduction Scheme. The uncertainty surrounding emissions trading legislation continues to bear a considerable weight on the efficient operation of the National Electricity Market.

On 26 February 2010, the Government announced a major change to the Renewable Energy Target (RET) scheme. From 1 January 2011, the scheme will be split into the Large-scale Renewable Energy Target (LRET) for large scale renewable generation (e.g. wind farms) and the Small-scale Renewable Energy Scheme (SRES) for small scale renewable energy (e.g. solar hot water). In the longer term, Eraring Energy may face increased competition from new renewable energy projects developed under the recently expanded Renewable Energy Target (RET) scheme.

Sustainability Strategy

Eraring Energy is facing the issue of balancing rising customer energy demand with the immediate need to minimise environmental, social and economic impacts of climate change. Eraring Energy has adopted measures for CO₂ reduction through carbon sequestration with Mallee tree plantations and improving energy efficiencies with unit upgrades.

Eraring Energy has invested in 1,600 hectares of Mallee plantations utilising the services of CO₂ Australia. The plantations are spread across a number of sites through inland NSW and are expected to sequester approximately one million tonnes of carbon dioxide over the next 30 years.

The capacity unit upgrade involves replacing current generation turbines with latest technology units with a capacity of 720 MW, compared to the current 660 MW.

As a direct result of the upgrade, there will be a reduction of 200,000 tonnes of CO₂ emissions per year for the current level of electrical production. This reduction in greenhouse gas emissions is equivalent to taking about 45,000 cars off the road, every year. Further, there is a potential additional benefit of up to approximately 600,000 tonnes a year of reduced CO₂ if the increase in efficiency production displaces less efficient coal station in a future carbon scheme.

Cobbora Coal Project

The Cobbora Unincorporated Joint Venture (UJV) was formed between the three state owned generators to initiate the development of a new coal resource in western NSW. The UJV was granted an exploration licence and commenced the tender process for mine development and rail haulage.

10 years of Marketing and Strategy

The Marketing and Strategy team was established in the early days of the National Electricity Market and associated financial markets. Expertise and experience was gathered from a large cross-section of industries and disciplines to address every aspect of the market.

The key initial challenge was the management of the inherited contract position which exposed Eraring Energy to Victorian spot prices. Innovative contract and spot strategies were applied to maximise gross margin and on some days to minimise potential losses.

Over the years the Marketing and Strategy team expanded in size taking on people with a range of technical, commercial, financial and legal skills. A process of recruitment was established at the graduate and junior level. The existing management within Marketing and Strategy provided a strong base through which new members could learn and

become valuable team contributors. The capability of the team grew as it secured sound financial outcomes for the corporation.

In more recent years the group has taken on a marketing focus as it engaged its customer base. Today the Marketing and Strategy team listens to customer needs and develops creative solutions that deliver sound financial outcomes for clients and Eraring Energy.

ERARING POWER STATION

Eraring Energy manages a diverse set of generating assets located throughout NSW, with Eraring Power Station being the largest with capacity of 2,660 MW. The capacity of Unit 4 has increased from 660 MW to 680 MW on completion of the turbine upgrade.

Coal Supplies

Eraring Power Station receives black coal supplies by road, rail and overland conveyors from local and distant coal mines. A total of 5,595,691 tonnes was delivered with consumption amounting to 5,480,441 tonnes in 2009/10.

Performance

Eraring Power Station generated a total of 14,116 GWh of electrical energy for the year ending 30 June 2010 and recorded an availability factor of 78.7%.

Eraring Power Station is already one of the most energy efficient coal fired power stations of its generation in Australia, and this efficiency will be further improved by upgrading plant over the next two years.

ECONOMIC PERFORMANCE

Maintaining Reliable Assets

Units 2 and 4 have both had extended outages during 2009/10, for planned Co-ordinated Maintenance Outage Programs (CMOP) and upgrade. Programmed works included extensive inspection, testing and refurbishment of boiler, turbine and generator components, including the upgrade of Units 2 and 4 Turbine, Burners and Ash Hoppers and the upgrade of Unit 2 Boiler. During a dual outage of Units 1 and 2 in April 2010, inspection and refurbishment works were carried out on 1/2 Stack, including the replacement of capping and lightning protection systems.

Attemperation Reservoir and Coal Combustion Product Project

The 820 Megalitre Cooling Water Attemperation Reservoir and the Coal Combustion Products Project underpin the upgrade of other plant.

The Attemperation Reservoir, which was completed in February 2010, will permit higher summer generation whilst still managing the cooling water exit temperatures.

Due to the design of the original fly ash handling systems, the existing ash dam was projected to be full by 2013. The system has been redesigned to include dry fly ash pneumatic transfer, storage and truck loading facilities to assist with the increased recycling of coal combustion product (fly ash). Eraring

Energy is pursuing a target of 80% recycling of ash by the end of 2015. The new dense-phase pumping systems, which commenced operation in April 2010, permit more compact storage at the existing ash dam for any fly ash which cannot be recycled.

Eraring Power Station Capacity Upgrade

The next stage of the upgrade, to increase unit capacity from 660 MW to 720 MW and extend station life to 2032, commenced in August 2009 with Unit 4. The Unit 4 Turbine has been upgraded, with the Unit 4 Boiler upgrade taking place in 2012. The Turbine upgrade has permitted the re-rating of the unit to 680 MW for continuous operation and 700 MW overload. Unit 2 Boiler and Turbine upgrades commenced in 2009/10, with commissioning expected during August/September 2010.

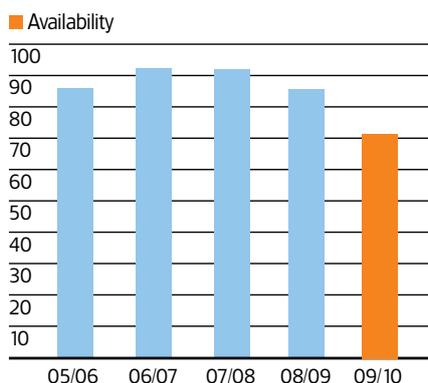
These upgrade works have generated approximately 500 construction jobs on site. There will be a further three unit outage to complete the Boiler/Turbine upgrade works finishing in December 2011, for Units 1, 2 and 3. Unit 4 will be completed by September 2012.

The upgrade works include:

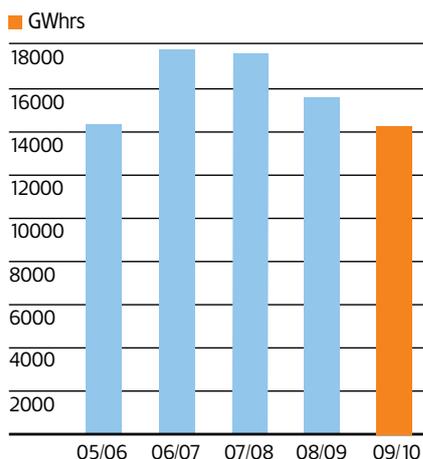
- Replacement of the HP and IP turbines and inner casings with higher efficiency components;
- Replacement of the turbine governor with an electro-hydraulic governor;
- Replacement of boiler components to rerate the boiler output to match the new turbine components;
- Rewind of the generator stator;
- Installation of new dry ash hoppers, which will improve boiler efficiency, and provide a more effective ash removal process;
- Replacement of existing boiler burners with new state-of-the-art low NOx burners; and
- Replacement of cooling water towers, generator transformer oil coolers and miscellaneous control and auxiliary equipment.

In addition to increased capacity, the upgrade modifications will further increase the efficiency of the power station and reduce greenhouse gas and other emissions.

AVAILABILITY (%)



ENERGY GENERATED (GWh)



ECONOMIC PERFORMANCE

Biosequestration

In collaboration with MBD Energy, Eraring Energy have recently undertaken preliminary feasibility studies for an Algal Synthesiser Display Plant at Eraring Power Station.

The one hectare Display Plant would be a small scale, proof of concept design for a larger commercial facility, and would be used to develop the optimal algae strain for the Eraring Energy plant before considering the construction of a commercial facility. The current estimated CO₂ absorption rate for a one hectare demonstration plant is 790kg/day.

HYDRO AND WIND

The Hydro and Wind generation output increased from that of the last financial year but has still been influenced by the continued drought. While the generation trend improved for the majority of the Hydro sites, the Shoalhaven units generated significantly less than in previous years. The total generation from the Wind Farm sites was slightly down from the record set in the previous 12 months.

The discontinuation of pumping to augment Sydney's water supply that was placed on the Shoalhaven Scheme by Sydney Catchment Authority in late 2008 continues in 2009/10. This has reduced the amount of pumping from 50,010 MI in 2008/09 to 9,437 MI in 2009/10.

Safety

The safety focus has been maintained in the Hydro and Wind business unit in 2009/10, continuing and reinforcing the Fair and Just Culture, Safeguards and Safety Performance Indicators initiatives.

The continuing safety focus has seen the nomination of a Safety Surveillance Officer for the Kangaroo Valley valve overhaul outage, tasked with managing the integration of contractor and in-house safety programs.

The introduction of a lock out system for Hydro and Wind is another step closer with successful trials completed at Keepit, Brown Mountain, Hume and Burrinjuck. The plan is to have the lock out system implemented on all hydro sites by first half of 2011.

Emergency response evacuation exercises have been completed at all Hydro and Wind sites over the past year and a number of improvements have been made to the effectiveness of the emergency response plans.

Significant Plant Works and Improvements

Shoalhaven

A 22 week outage of the Kangaroo Valley Power Station began at the end of May 2010. The primary reason for the outage is to overhaul all Kangaroo Valley primary isolation valves and to coincide with Sydney Catchment Authority's repainting of the Kangaroo Valley pipe line. The contractor awarded the tender to overhaul the main inlet valves, discharge valves and Unit 3 relief valve, as part of the overhauls, has organised a works engineer from the valve original equipment manufacturer to oversee the work. During the course of the outage, also scheduled is the overhaul of two air blast circuit breakers at Kangaroo Valley in September 2010. Following the circuit breaker overhauls, the final stage of the Shoalhaven protection upgrade project will be completed prior to the units being returned to service in December 2010.

HYDRO AND WIND GENERATION (MWH)

	05/06	06/07	07/08	08/09	09/10
Hydro					
Brown Mountain	5759	5314	12396	1364	5130
Burrinjuck	36000	8440	15612	11361	34428
Hume	208495	51309	41672	52742	73448
Keepit	6600	2331	784	1603	2757
Shoalhaven	52089	46428	21855	33542	7375
Warragamba	0	0	0	0	0
Subtotal (Hydro)	308943	113822	92319	100612	123138
Wind					
Blayney Wind Farm	18519	15898	15751	20143	18229
Crookwell Wind Farm	7444	8335	8564	9582	9056
Subtotal (Wind)	25963	24233	24315	29725	27285

ECONOMIC PERFORMANCE

Warragamba

Work is progressing on determining the viability of reconnecting Warragamba to the transmission network. This would include the requirement for a connection agreement with Integral Energy. A protection study has been completed detailing deficiencies in the protection network and benchmarking against the current Australian Energy Market Operator requirements. A protection report is expected to be issued by the consultant on this matter by the end of August 2010.

Hume

A protection upgrade specification is currently being written to cover the upgrade of the generator and transformer protection associated with Units 1 and 2 at Hume Power Station. As part of the upgrade, high speed fault recorders will be installed to help diagnose operational faults and meet compliance monitoring requirements. The plan is to upgrade the first unit in August 2011 ready for commissioning at the start of the 2011/12 irrigation season. It is proposed that the second unit will follow after the irrigation season has finished in May 2012.

Blayney and Crookwell Wind Farms

The availability factor for both sites was comparable to previous years. Early identification of a damaged blade prevented serious damage to Blayney T7 wind turbine. Manufacture of the Blayney V47 turbines has been discontinued, making locating a suitable set of replacement blades difficult. New replacement blades have been sourced from Europe and are expected to be fitted in September 2010.

A maintenance tender was put out on the market earlier in the year to complete all routine maintenance on the wind turbines. The first round of maintenance has been completed at Crookwell and is currently underway at Blayney Wind Farm.

Blayney Wind Farm

October this year is the ten year anniversary of Blayney Wind Farm located on Lake Carcoar, south of Orange. Recognised as the biggest wind farm in New South Wales at that time, it consists of 15 turbines generating a total output of just under 10 MW.

In the ten years since commissioning, Blayney Wind Farm has generated enough energy to save approximately 186,000 tonnes of CO₂.

Water and Land Agreements

During the course of the year substantial negotiations have taken place with the Sydney Catchment Authority concerning the Shoalhaven Deed of Transfer of Assets, the Lease Agreement and the Operations and Maintenance Agreement. NSW Treasury assisted with these negotiations which culminated in all three documents being agreed and signed in September 2010.

These new agreements replace the outdated 1971 Deed of Agreement and improve the flexibility of operation and energy reserves for the Kangaroo Valley and Bendeela Hydro Power Stations.

10 YEARS OF IMPROVEMENTS

At its inception Eraring Energy continued the process of upgrading the Burrinjuck Hydro Power Station. Power Station No. 2 (Units 3 and 4) were upgraded to 6 MW each. A new Power Station No. 3 (Unit 5) was also constructed with a single 16 MW hydro turbine installed plus associated switchyard work. This work saw Burrinjuck total capacity lifted from 10 MW to 28 MW.

In August 2004 approval was given to commence the \$5.8 million upgrade of Brown Mountain Hydro Power Station. The project involved the installation of a new 4.2 MW VA Tech Pelton turbine generator, construction of a new building to house the equipment, installation of a new 6.6 kV switchboard and construction of a new 66 kV switchyard. The upgrade saw Brown Mountain's total capacity raised to 4.95 MW.

In 2007 Bendeela Power Station Units 1 and 2 were successfully refurbished as part of the mid life plant refurbishment strategy for the Shoalhaven. The work is expected to extend the life of the units for a further 20 years without the need for major mechanical works in that period.

WIND FARM AVAILABILITY

Location	%
Blayney	96.6
Crookwell	89.9

SAFETY AND ENVIRONMENTAL PERFORMANCE

SAFETY AND ENVIRONMENTAL PERFORMANCE

OCCUPATIONAL HEALTH AND SAFETY (OHS)

Safety leadership has remained a key focus of the organisation during the 2009/10 period with renewed effort being applied to further improve the organisation's safety performance.

The Fair and Just Culture Statement and Eraring Safeguards were introduced during the period and have served to reinforce our commitment to continuous improvement of our systems and processes.

Safe People

Employees and Contractors have continued to contribute to the OHS initiatives and programs which promote and foster positive communications while OHS subcommittees have been refreshed by the addition of new management sponsorship and active involvement.

The site OHS Consultative Committee has maintained strong attendance from employee and contractors as well as support from Management representatives.

A review of OHS Committee functions was undertaken resulting in the formation of the Eraring Power Station OHS Management Committee. This committee replaces the Production OHS Committee.

The BSafe program operated for its eighth year at Eraring Energy. A new role was created during the first half of 2010 for an OHS program coordinator. This one year role is designed to reinvigorate BSafe, identify improvement opportunities, and to train and refresh work teams undertaking peer on peer observations and reinforce the importance of thoughtful safety conversations between workmates.

The Eraring Energy OHS Group maintained strong relationships with OHS and Industry networking groups. The OHS Group also took part in the WorkCover Small Business Mentors program for the second year and supported two small businesses in Wagga Wagga to improve their OHS systems and workplaces.

The group once again hosted a variety of companies for the purpose of sharing information on Eraring Energy's approach to safety from committee structures and participation through to long term safety initiatives.

In October 2009 a working party was formed to organise a "Fluro fun day". The day coincided with Safework Australia Week. Eraring Energy used this as an opportunity to showcase OHS programs, committees and initiatives. Long term contractors and safety suppliers were invited to run stands highlighting their organisation and initiatives.

During December 2009 the annual Safety Development Day was held with representatives from Management, Team Leaders, staff and the OHS Group participating.

The 30 participants discussed the development of Eraring Energy Safeguards which were implemented throughout the organisation in the first half of 2010.

Safe Plant

A range of plant improvements were carried out by the Asset Group during the year to improve plant safety. These included:

- Upgrades of Dangerous Goods depots;
- Improved documentation and procedures associated with bulk chemical tanker unloading;
- Dangerous Goods Audits of Eraring Power Station and Hydro and Wind sites;
- Low Probability/High Consequence risk reviews conducted on "explosion risks";
- Platforms to improve access for boiler clinker removal and access platforms for diesel isolating valves;
- Permanent safety rails installed inside wind boxes on Unit 4 to replace temporary barriers previously used to prevent fall from heights when working internally;
- Side access provided on No. 3 Fuel Oil Tank to enhance access and facilitate rescue if required;
- Commenced replacement of 415V switchboard fuse holders with circuit breakers and a review of electrical switch rooms to ensure the design meets current switchroom standards;
- Electrical switchboard maintenance procedures improved;
- A specific platform was manufactured for CW screen trash rack washing;
- Permanent platforms installed on main Circulating Water Pump Motors to improve access; and
- Development of three Occupational Health Guidelines pertaining to civil works.

Plant safety improvements continued strongly with 446 Safety Work Orders being completed in the financial year. This is 50 more than were completed in the previous financial year.

SAFETY AND ENVIRONMENTAL PERFORMANCE

Safe Systems

During the financial year Eraring Power Station maintained certification to Australian Standard 4801-OHS Management System, with two surveillance audits being completed by an external auditor.

Under the guidance of an external mentor Eraring Energy employees participated in internal audits across nine OHS guidelines with recommendations for improvements proposed as a result of each audit.

An Emergency Exercise was conducted at Eraring Power Station in August 2009 to test the Emergency Response Plan. A number of external emergency services took part in the exercise including Fire Brigade, Rural Fire Service, Ambulance, Police and Paramedics. A number of improvement opportunities to enhance the effectiveness of the plan were identified and implemented.

Work was completed to update the Hydro and Wind Group's Emergency Response Plan and perform emergency exercises.

Eraring Energy representatives and six major contractors participated in an OHS Review Day where Eraring Energy and contractor representatives made presentations on their OHS performance for 2009 and their plans and strategies to improve safety in 2010.

Managers, Team Leaders and team members participated in and gained the opportunity to take part in an OHS benchmarking exercise to examine OHS leadership in leading safety organisations.

Organisations visited for benchmarking included: Bluescope; Onestee; ETSA; Transfield/Woodside; Bovis Lend Lease; and Air Services Australia.

OHS Performance

During the 2009/10 financial year at Eraring Energy, there was an improvement in the Lost Time Injuries Frequency Rate (LTIFR) and an increase in the Medical Treatment Injuries Frequency Rate (MTIFR).

LTIFR was 13 – an improvement of 19% on the previous year, and MTIFR was 29 – an increase of 7%.

Restatement of Previously Reported Figures

A misstatement was identified in the Lost Time Injuries (LTIs) and Medical Treatment Injuries (MTIs) figures provided in the 2008/09 Annual Report. Amendments could not be made at the time as the report had been published. Correction of these figures is listed below;

Eraring Energy in 2008/09 reported 17 LTIs and 29 MTIs, the actual number was 22 LTIs and 38 MTIs.

ENVIRONMENTAL PERFORMANCE

Introduction

Eraring Energy continues to fulfil its licence and legislative requirements and strives to continually improve environmental performance. In 2009/10 there has been a particular focus on working with the community on environment initiatives to reduce any potential impacts of Eraring Power Station on Lake Macquarie.

Strategies

Eraring Energy remains committed to continually improving environmental performance through working closely with employees, contractors and the local community to achieve environmental excellence.

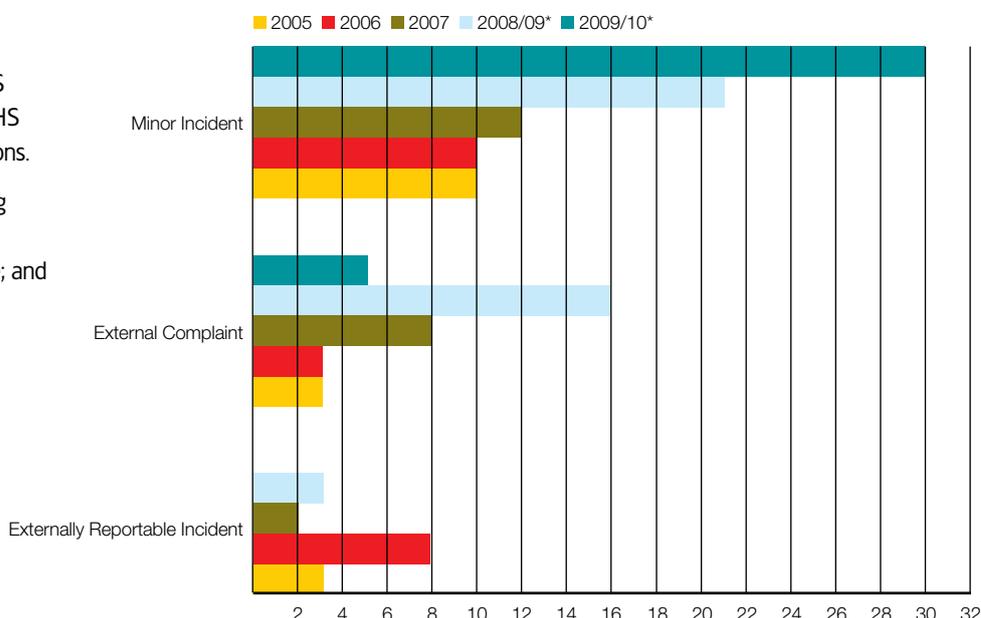
Incidents and Complaints

There were no externally reportable incidents and no licence exceedences in the 2009/10 financial year. There were five external complaints.

ISO14001 Accreditation

In 2009/10 Eraring Energy successfully maintained its ISO14001 accreditation for all generating sites.

INCIDENTS AND COMPLAINTS



* Note that this data has been recorded in financial year, not calendar year due to a change in reporting schedules.

SAFETY AND ENVIRONMENTAL PERFORMANCE

The Environmental Management System (EMS) database continues to be an important tool in continually improving environmental management. This database contains the register of environment risks associated with Eraring Energy's operations and new major projects such as the gas turbine, coal combustion products plant, attemperation reservoir and unit capacity upgrade. Each significant risk has an associated Environmental Management Plan (EMP), which contains a number of steps to manage risks and minimise potential impact. The EMPs are reviewed on a regular basis. In 2009/10 a review of the 660 identified risks in the EMS database was undertaken and 39 new EMPs were developed.

Auditing

Eraring Energy has maintained its internal and external audit program this reporting period. Environmental auditing assists in recognising and managing environmental impacts and is an important tool for maintaining a high level of compliance with environmental legislation.

In 2009/10, Eraring Energy undertook Environmental Compliance Audits as well as ISO14001 audits of the Environmental Management System. In addition, Eraring Energy also gained external accreditation against ISO14064 for its National Greenhouse and Energy Reporting and associated data collection.

Significant Environment Issues and Achievements

These include:

- The second Environment Strategy Day held in May 2010 and subsequent formation of Environment Working Groups for Seagrass, Turtles, Larvae and Fish Entrainment;
- Holding a Staff Environment Day for Eraring Energy staff to raise the profile of the Environment;

- Pledging \$300,000 over three years, commenced 2008/09, towards studies into Eraring Power Station's potential impacts on the marine environment of Lake Macquarie;
- Over 100,000 seedlings have now been planted out on the ash dam since rehabilitation began;
- Commencing extensive rehabilitation works following the completion of the Attemperation Reservoir;
- Completion of a Preliminary Feasibility Study for an algal sequestration plant at Eraring Power Station;
- Ongoing CO₂ sequestration initiatives, including Mallee plantation forest sequestration with CO₂ Australia and the offsetting of Eraring Energy vehicle emissions through planting trees on the ash dam;
- Continuing to work with Kooppahtoo, (now NSW Aboriginal Land Council) who propagate and plant seedlings for use in revegetation and rehabilitation work on Eraring Power Station lands;
- Gaining ISO 14064 Accreditation for National Greenhouse and Energy Reporting and Data Collecting;
- Installing new low NOx burners for each unit at Eraring Power Station, which will reduce annual NOx emissions by 30–50%; and
- Commencing capacity upgrades at Eraring Power Station which will directly result in the reduction of 200,000 tonnes CO₂ each year.

Emissions to Air

In the 2009/10 reporting year all air emissions from Eraring Power Station were well below licence limits specified in the site operating licence.

Eraring Energy reports annually to Department of Environment, Climate Change and Water (DECCW) on air emission concentrations.

All air results given in this report are sourced from Continuous Emissions Monitoring (CEMS) Data.

Land Management

Eraring Energy has implemented a comprehensive Land Management Plan (LMP), which applies to Eraring Power Station and the surrounding 'buffer' land, which constitutes approximately 750 Ha. The LMP is reviewed at the end of each financial year to assess progress against identified key performance indicators.

Key outcomes of the 2009/10 review include:

- 97 Ha of weed control undertaken within Eraring Power Station operational lands;
- Approximately 40,700 tubestock planted for rehabilitation works on site;
- The preparation of a Groundwater Management Plan for the Attemperation Reservoir and CCP Plant catchments; and
- Continuing pest control activities.

Waste Reduction and Purchasing Policy (WRAPP)

The WRAPP covers all areas of Eraring Energy from purchasing through to disposal of redundant materials. Eraring Energy actively continues to publicise the importance of waste reduction and recycling through the initiatives of the Waste Management Committee (WMC). A WRAPP report was submitted to DECCW in the 2009/10 financial year.

ENVIRONMENTAL PERFORMANCE

Major Recycling

Ash is one of the major by-products produced by coal fired power stations and what was once a waste product is now a valuable resource. Eraring Energy is an industry leader in ash recycling. In 2009/10, 450,560 tonnes of ash from Eraring Power Station was reused, which represents 39% of the ash produced. The tonnage of ash reused has decreased slightly since last year due to high unburnt carbon levels in ash from Unit 4 and the connection of the CCP plant to Units 1 - 3 reducing supply to Fly Ash Australia.

Effluent

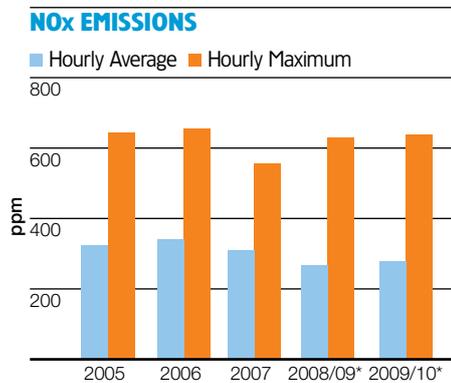
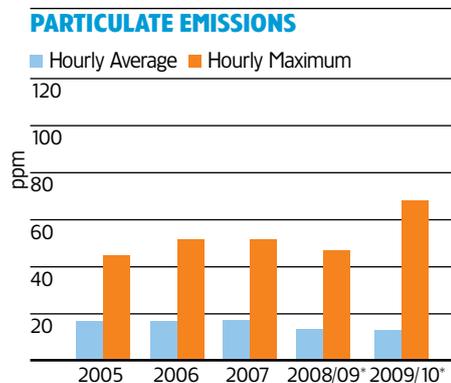
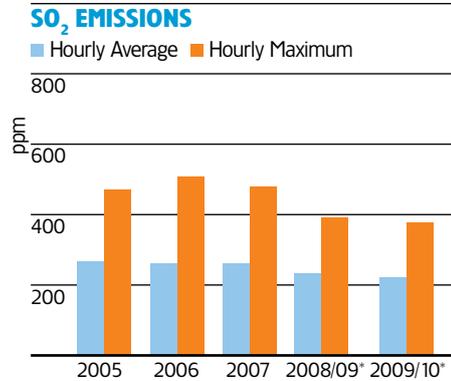
Eraring Power Station operates a Water Reclamation Plant, which recycles secondary treated effluent, supplied from the Dora Creek Sewage Plant.

Reclaimed water provides the majority of the power station's water needs and, in 2009/10, 57% of water usage was obtained from reclaimed water. This represents a slight decrease since 2008/09, which is largely due to maintenance issues.

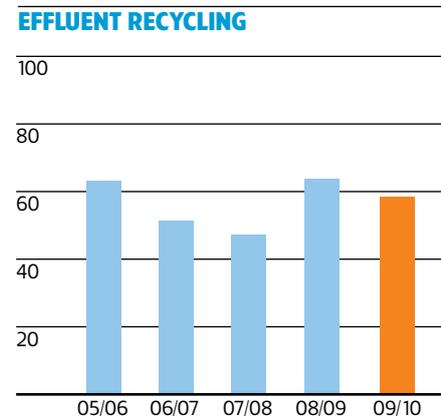
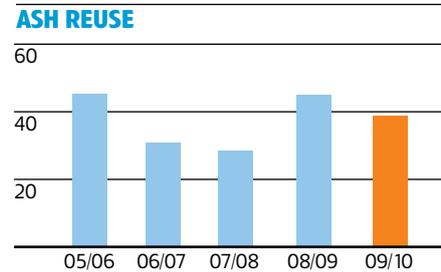
Eraring Energy continues to work co-operatively with Hunter Water to implement cost effective and water-wise solutions to manage this important resource.

Environment Products

Eraring Energy created 27,354 Renewable Energy Certificates (RECs) in 2009/10 which were all transferred to trading counterparties under the relevant contract obligations. Eraring Energy created 96,502 NSW Greenhouse Gas Abatement Certificates (NGACs) in the calendar year 2009 from improvement in plant efficiency at Eraring Power Station.



* Note that this data is financial year, not calendar year due to a change in reporting schedules.



SOCIAL PERFORMANCE

SOCIAL PERFORMANCE

PEOPLE

The development and involvement of our people is a key theme of our vision and focus for all levels of Eraring Energy.

This past year has been a busy one for our people and contractors as the execution and delivery of Eraring Power Station's capacity upgrade project has occurred. Resourcing for the projects has meant increased recruitment and development opportunities, as recruiting for one role can often result in flow-on effects and many consequential staff movements.

Our second Hewitt Engagement Survey was completed during the period and our engagement score of 63% remains above the industry average of 60%. The focus for actions included:

- Continued development of our managers and leaders;
- Reviewing our performance management and feedback systems;
- Change management-improving consultation; and
- Talent management, succession planning and recruitment.

To this end a number of systems and initiatives have been reviewed and/or developed. Of particular note was the continuation and refinement of our new Leadership Development Program and the launch and implementation of a Performance Management System that incorporates a cascading of business plans to team plans, performance plans and an improved personal development plan.

Eraring Energy's Learning and Development System is formalised and centralised within the one area. It incorporates legislative, organisational and individual development opportunities. Its user friendly function and transparency allows for all Eraring Energy employees to better locate information as well as enabling them to be pro-active in their learning and development.

The process for consultation, negotiation and finalisation of the Eraring Energy 2010 Enterprise Agreement underwent some changes and challenges. Key features of the negotiation process included the requirement for formal approval of employer bargaining parameters by the NSW Cabinet Standing Committee on the Budget and the transition from state to federal workplace relations system (Fair Work Act, 2009) mid way through the negotiation process. Both of these key features had a significant impact on the timeframe and the formal requirements of the bargaining process. The Eraring Energy Enterprise Agreement 2010 was endorsed by majority vote of employees in June 2010 and has been approved by Fair Work Australia. The duration of the agreement is two years and will expire on 31 December 2011.

An interest based enterprise development working party (IBED) was established with our Operating staff as an alternative to other industrial processes. The working party has been meeting regularly to develop and agree on workplace changes and structures.

A Decade of Apprentices and Trainees

Eraring Energy's junior recruitment program over the past ten years has seen a total of 57 apprentices being trained and 45 trainees obtaining work experience in our industry.

26 apprentices were appointed to trades positions, of which eight now hold Operator positions, four are Electrical Technicians and one is an Engineering Officer, with 22 still progressing through their training.

Confirming the high calibre of apprentices and trainees employed over this time, many have accredited themselves with outstanding achievements and personal rewards in state and national competitions.

As well as apprentices and trainees, Eraring Energy has supported students in the University of Newcastle Industry Scholarship Scheme (UNISS) who have progressed to achieve outstanding results.

Many of our students and apprentices have received awards over the 2009/2010 period. They included:

- One of our UNISS scholars winning the University of Newcastle Industry Scholarship Scheme Insignis award for achieving the highest results in a variety of criteria throughout the University degree;
- Two apprentices being short listed for Hunter Central Coast region Apprentice of The Year in the Electrotechnology and Mechanical Fitter categories;
- Three apprentices were selected to represent the Hunter Region in the National World Skills Apprentice and SBAT competitions in Electrotechnology, with one achieving a silver medal; and
- One of our School Based Apprentice Trainees (SBAT) was runner up in the VET in Schools Trainee of the Year Hunter/Central Coast region.

CODE OF CONDUCT

The Eraring Energy Code of Conduct objectives are to ensure:

- A working environment that is free from discrimination and harassment;
- All business actions and decisions are based on the highest standards of ethics and honesty, free from any conflicts of interest;

SOCIAL PERFORMANCE

- Any benefits or gifts obtained while performing duties for Eraring Energy be treated in accordance with Eraring Energy "Code of Conduct" Procedures;
- Eraring Energy information is protected and safeguarded and Eraring Energy resources are used efficiently and economically;
- Any instances of possible corruption, maladministration or serious and substantial waste be reported to the appropriate Eraring Energy Officer; and
- Where employees of Eraring Energy engage in other employment or business, that their employment or business does not compromise or conflict with their employment with Eraring Energy.

Refresher education and training of our code of conduct has continued during the period with a focus on fraud and corruption prevention.

Aboriginal Employment Strategy

An Aboriginal Employment Strategy has been developed during the period in line with guidelines and NSW Government Sector Benchmark Targets.

Disability Action Plan

Eraring Energy is committed to the principles of social justice and the premise that all people are entitled to the same rights and same opportunities.

Eraring Energy has a Disability Action Plan to support our commitment to social justice in relation to people with a disability. The Workforce Diversity/Equal Employment Opportunity (EEO) Section of this document includes actions and outcomes that relate to meeting the needs of EEO Group members including people with a disability.

Multicultural Policies and Services Plans (MPSP)

Eraring Energy recognises the strategic contribution of recognising diversity in achieving business success and social justice. Eraring Energy's MPSP ensures that the operation and conduct of our business reflects, accommodates and considers cultural and religious diversity.

Eraring Energy is committed to the principles of multiculturalism outlined in the Community Relations Commission and Principles of Multiculturalism Act 2000 (NSW) and the four key objectives of the New South Wales Government's Community Relations Plan of Action 2012 as follows:

EQUAL EMPLOYMENT OPPORTUNITY STATISTICS

Trends in the Representation of EEO Groups¹

EEO Group	% of Total Staff ²				
	NSW Government Public Sector Benchmark or Target	2007	2008	2009	2010
Women	50%	10%	10%	10%	11%
Aboriginal people and Torres Strait Islanders	2%	0.5%	0.6%	0.5%	0.5%
People whose first language was not English	20%	7%	5%	5%	4%
People with a disability	12%	7%	6%	6%	5%
People with a disability requiring work-related adjustment	7%	3.1%	2.6%	2.5%	2.1%

Trends in the distribution of eeo groups

EEO Group	Distribution Index ³				
	NSW Government Public Sector Benchmark or Target	2007	2008	2009	2010
Women	100	99	99	97	101
Aboriginal people and Torres Strait Islanders	100	n/a	n/a	n/a	n/a
People whose first language was not English	100	114	n/a	n/a	n/a
People with a disability	100	103	103	105	107
People with a disability requiring work-related adjustment	100	n/a	n/a	n/a	n/a

¹Staff numbers are as at 30 June 2010

²Excludes casual staff

³A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by NSW Public Sector Workforce Office.

SOCIAL PERFORMANCE

- Leadership to encourage and value a culturally diverse society through the establishment of supportive policy, legal and planning frameworks;
- Community harmony;
- Access and equity within the framework of social justice obligations; and
- Economic and cultural opportunities.

Eraring Energy's MPSP includes consideration of cultural and religious diversity in the following broad activity areas: planning and evaluation; program and service delivery, staffing and communication.

The Workforce Diversity/EEO Report includes actions and outcomes that relate to meeting the needs of EEO Group members including people from culturally and religiously diverse backgrounds.

Workforce Diversity/EEO Report

Eraring Energy is committed to the principles of EEO and recognises the values of fairness, diversity and equity as a means of achieving business success.

Planning Outcome Achievements

- EEO related data has been collected for 90% of staff;
- Eraring Energy continues to make a determined effort to ensure diverse representation by classification grouping, gender/age, and social/cultural background is sought for business planning activities, consultative processes, working parties, committees and development programs;
- A significant increase in contractor staff to assist with Eraring Energy's major projects led to a review and enhancement of the contractor induction process to ensure behavioural expectations, workforce diversity and EEO aspects were clearly and adequately covered;

- Meetings were held with contract company site supervisors and managers to remind and reinforce Eraring Energy's Code of Conduct and Workforce Diversity Policy;
- Anti-Discrimination board posters relating to discrimination, harassment, and bullying were displayed widely across the organisation; and
- The Eraring Energy incident reporting system was modified to enable the electronic reporting and tracking of any incidents relating to harassment, bullying or discrimination.

Action and Program Outcome Achievements

- Diversity considerations continue to be incorporated into all aspects of mainstream training;
- The EEO/Workforce Diversity Intranet pages and information sheets were reviewed and updated;
- Assistance and workplace adjustments were provided to a number of staff with a disability, including aids to assist a mobility impaired employee, hearing impaired employees and computer and communications aids for an amputee;
- 39 people were recruited during the period with 95% responding to the EEO data request form. Of the new recruits 14% were women. None of the new recruits identified as a member of any other EEO Group;
- 26 men and two women left the organisation during the period. Of the 28 separations, one employee identified as People Whose Language First Spoken as a Child was not English and one as a person with a disability requiring workplace adjustment; and
- 18 internal promotional appointments occurred, 22% of these were women.

Key Initiatives 1 July, 2010 – 30 June, 2011

The following activities are planned for the next reporting period:

- Continue to reinforce, communicate and educate our people on the value, benefits and business outcomes to be realised by respecting and increasing the diversity of our workplace; and
- Refresher training for EEO Contact Officers.

COMMUNITY

Eraring Energy is a supporter of local community and charitable organisations, with a key focus on building partnerships with the communities in regional areas throughout New South Wales that are associated with the operations of the business.

Activities include consultative events such as the Eraring Energy Community Forum and the Environmental Strategy Committee and working parties; support of community social events; enabling learning and development programs; and by contributing to community environmental initiatives. Eraring Energy staff are encouraged and supported for their contribution to a range of community organisations and charitable activities.

Eraring Energy provided a total of \$74,200 in general community based sponsorships and donations during the year.

Community Forum and Environment Strategy Committee

The Eraring Energy Community Forum, based at Eraring Power Station, met on three occasions throughout the year, with a primary focus on the exchange of information on environmental issues and the encouragement of dialogue and feedback.

SOCIAL PERFORMANCE

The Community Forum continues to be a key ongoing mechanism for Eraring Energy to engage in consultation with community based groups; to demonstrate a commitment to minimise environmental impact through productive discussions and the achievement of action outcomes; and to assist member organisations through sponsorship programs.

Eraring Energy has introduced an additional consultative process to engage community and other external stakeholders in the development of environmental strategies for Eraring Power Station. The inaugural Eraring Energy Environmental Strategy Meeting was held in 2009 and was reconvened on 28 May 2010. Persons attending the meeting included representatives from the Community Forum; local residents' associations; Native Animal Trust Fund; TAFE NSW; Lake Macquarie City Council; and Eraring Energy.

The purpose of the meeting is to provide information regarding the operation of the power station; identify issues affecting Lake Macquarie and local communities; and to develop appropriate strategies to address these issues. The reconvened meeting reviewed the progress of Working Parties and strategies developed at the inaugural meeting.

The meeting agreed that the Working Parties established to investigate and progress a number of environmental issues, including the impact of cooling water exit water on seagrass in Myuna Bay and the development of a turtle management strategy, had achieved their outcomes, while the Working Parties on marine life entrainment and survival of miniature organisms such as plankton and larvae, will continue with two new Working Parties established for Land Management and Air Emissions.

Eraring Energy continues to facilitate the Working Parties, which have convened on three occasions.

Environmental Initiatives and Support

Since early 2007, Eraring Energy has retained the services of Koopahtoo (now NSW Aboriginal Land Council) to undertake a Seed Cultivation Project based at Eraring Power Station. Koopahtoo people are involved in seed collection from the power station land holdings; the propagation and maintenance of seeds; and planting out of tube stock on Eraring Energy land. Apart from the highly valued service provided to Eraring Energy, the program is designed to create training opportunities for skills development. Koopahtoo people also carry out regular inspections of the shoreline in Myuna Bay for Taprogge Balls that may have accidentally exited the station.

Eraring Energy is a financial sponsor of the Adopt-a-SQID (Stormwater Quality Improvement Device) Program, administered by Lake Macquarie City Council, and is pleased to participate as a member of the Adopt-a-SQID Program Steering Committee.

Eraring Energy also works closely with Lake Macquarie City Council as an active member of the Coastal and Estuary Committee.

As part of a longer term sponsorship commitment, Eraring Energy provided a donation of \$2,250 each to Marks Point Public School and to Dora Creek & District Workers Club, in recognition of each organisation hosting an ambient air monitoring station at their respective grounds.

Environmental management and compliance within Eraring Energy has been enhanced by continuing upgrades to the external web-site and internal Intranet site. Community members and students can access the Eraring Energy web-site for a range of Fact Sheets related to environmental strategies and activities, together with listings of fauna species identified on Eraring Power Station land; marine species; and threatened and regionally significant plants native to areas surrounding Eraring Power Station.

Corporate Sponsorship Support

Eraring Energy has adopted a key corporate sponsorship focus with two organisations, CanTeen and the Westpac Rescue Helicopter Service. These organisations are recipients of sponsor support via our Safety Performance Reward Program which commenced in July 2003. The Program recognises the achieved safety performance by the staff of Eraring Energy and its Contractors. \$17,600 was accrued in corporate support to be shared by both organisations in 2009/10.

Eraring Energy is a major sponsor of the Hunter Valley Research Foundation, with an annual donation of \$6,000.

Eraring Energy also provided financial support to the Morisset and Toronto Meals on Wheels; Royal Volunteer Coastal Patrol; Dora Creek Rural Fire Brigade; Mayumarri; Southlakes Community Services; Native Animal Trust Fund; 1st Rathmines Scout Group; Warada Aboriginal Landcare Group; and Careflight.

In addition, Eraring Energy provided support to a range of local junior sporting associations for sports equipment upgrades or for improvements to associated infrastructure facilities.

Community Events

Eraring Energy was a key sponsor of the Rathmines Catalina Festival 2009; Lake Macquarie City Council Australia Day Celebrations 2010; the Paddlefest 2010 at Speers Point; the Toronto Lake Macquarie Boatfest 2010; the Crookwell Country Festival 2010; and the Morisset Community Festival Day 2010.

Other community events supported by Eraring Energy included the Christmas Carols celebrations held in the respective communities of Rathmines, Wangi Wangi, Toronto, and Morisset; the Heritage College Country Fair and Fun Day at Coorabong; and the Christmas Party for Special Children held in Albury, NSW.

SOCIAL PERFORMANCE

Charitable Support

The opportunity to support various charitable and community organisations is strengthened through the commitment and contribution of Eraring Energy's people.

The generosity of Eraring Energy staff in support of a range of community organisations has been demonstrated through active participation in fundraising activities and events and via their financial support through payroll deductions. Their contributions have been enhanced by additional Eraring Energy corporate donations. These organisations include the NSW Cancer Council; Camp Quality; the John Hunter Children's Hospital; the Westpac Rescue Helicopter Service; the Smith Family; the Royal North Shore Hospital Bill Walsh Cancer Research Fund; the Salvation Army Annual Christmas Toy Run; and the Royal Institute for Deaf and Blind Children.

As in past years, Eraring Energy staff excelled in their generous donation of gifts to the Barnardos Australia "Star of Wonder Christmas Gift Appeal" 2009, making the festive season a happy time for many disadvantaged children.

Learning and Development Initiatives

Eraring Energy is proud to support learning initiatives and development of infrastructure facilities at primary, secondary and tertiary levels.

This includes sponsor support as diverse as the Gifted and Talented Students Program at Morisset High School; infrastructure and equipment improvements at Rathmines Public School, Bonnells Bay Public School and Dora Creek Public School; Achievement Awards at Morisset High School and Wyong High School; and the support for events held at St John Vianney School, Morisset and St Paul's High School, Booragul.

Eraring Energy employs 24 apprentices based at Eraring Power Station and Kangaroo Valley Power Station. High standards of on-the-job performance and academic attainment are being achieved in electrical, mechanical, and boiler-making trade skills.

Eraring Energy is a sponsor employer under the School Based Apprenticeships and Traineeships (SBAT) Program, in conjunction with Wyong High School. Five Year 11/12 students have been indentured under a two-year traineeship in electro technology, combining formal training that contributes directly to their Higher School Certificate together with on-the-job training at Eraring Power Station. The SBAT Program has proved highly successful with students achieving a high level of training excellence.

Eraring Energy is a Trainee Host Employer of 12 persons undertaking traineeships in Business Administration; Business Procurement; Business HR; Business Services/ Record Keeping; Warehouse and Logistics and Laboratory Operations.

Eraring Energy is an ongoing corporate sponsor of the University of Newcastle Industry Scholarship Scheme (UNISS). Currently two engineering students are sponsored through this UNISS program.

Educational institutions, community groups and various overseas visitors have been provided with site tours at Eraring Power Station; Kangaroo Valley Power Station; and the Crookwell and Blayney Wind Farms.

WorkCover NSW Mentor Program

In 2009/10, the Eraring Energy Occupational Health and Safety Group again participated in the WorkCover NSW Mentor Program.

The initiative is designed to connect small businesses, with fewer than 20 employees, with mentors from large businesses who provide advice and practical assistance to improve occupational health and safety and workers' compensation performance and injury management practices.

Eraring Energy was mentor to two small business entities based in NSW.

Social Programs

Eraring Energy has not been involved in any social programs as defined in the Annual Reports (Statutory Bodies) Regulation 2000 for reporting period 2009/10.

Funds Granted to Non Government Organisations

Eraring Energy plays an active role in the community through its contribution to community projects and events, and the positive support given to staff involved in various community fund raising activities.

Of the total sponsorship and donation funds allocated by Eraring Energy, more than 60 non-government organisations and community groups benefited during 2009/10, totalling approximately \$61,100.

OVER THE LAST 10 YEARS

Community and Stakeholders

Eraring Energy values the strong partnership it has developed with community groups through the establishment of the Eraring Energy Community Forum and Environmental Strategy Working parties.

Our Charitable Donations

Eraring Energy and its staff can be proud of the generous support and personal contributions they have provided to a range of community organisations and charity groups within the local communities across NSW.

During the past ten years Eraring has donated over \$500,000 in corporate sponsorship while employees, through payroll deductions year after year, continue to make significant contributions to various charities.

Another great achievement is employees' commitment to the Safety Performance Reward Program with more than \$130,000 raised, since 2003, being shared equally between the Westpac Rescue Helicopter Service and CanTeen.

GOVERNANCE

GOVERNANCE

THE MANAGEMENT OF MATERIAL BUSINESS RISKS

Risk Management

Risk Management is a key element of Corporate Governance. The Board sets Eraring Energy's Risk appetite in the Policy and oversees the risk management strategies. The Board through the Board Risk Committee reinforces its commitment to ensure that the organisation's risks are effectively identified and managed.

In line with Eraring Energy's Risk Management Framework, which is aligned to ISO31000, there are key resources (people, processes and technology) in place to effectively identify, analyse, evaluate and treat risks.

Risk Management forms a central and key input into the running of Eraring Energy's business and, on an annual basis, risk workshops are conducted throughout the organisation, and risk actions are integrated within the business planning and budgeting process.

The Executive Risk Committee meets quarterly to monitor and review identified and emerging risks, as well as the associated mitigating strategies. At the Board Risk Committee meetings all business risks are presented annually, and material business risks are presented quarterly. To provide further assurance to the Board Risk Committee, senior management also present selected material business risks at each meeting.

Each Business Unit includes risks within their Business Unit Plan and on a monthly basis the Executive monitor progress of actions to mitigate risks through the monthly business reports.

The risk management process enables continuous feedback at different stages, and promotes a transparent and learning environment for continual improvement to manage risks.

Management has reported to the Board on the effectiveness of its management of material business risks.

Internal Audit

Eraring Energy has a risk based Audit Plan prepared with senior management and Internal Audit to address business risks. The Executive Audit Committee reviews and endorses the Audit Plan, which is approved by the Board Audit Committee.

The Executive and Board Audit Committees monitor the progress of the Audit Plan on a quarterly basis.

Audit reports are presented to the Board and Executive Audit Committees which includes ratings on the control environments, as well as ratings on the audit findings. The review of the effectiveness of controls by Internal Audit provides assurance to the Audit Committees.

Where recommendations are made to improve control, management provide responses that include actions and timeframes for implementation. The status of management actions are monitored by the Audit Committees at each meeting to ensure they are implemented in accordance with the management response.

The Board Audit Committee and Board Risk Committee agenda includes standing items to enable the transfer of risk or audit matters between the Committees.

Compliance Management

Eraring Energy takes a proactive role in ensuring continual corporate wide compliance with its legal and regulatory obligations.

The Board Audit Committee approved the Compliance Framework which is aligned with the Australian Standard (AS3806). Eraring Energy's Compliance Framework sets out the key elements for commitment, implementation, monitoring and reporting, and continual improvement of the compliance program.

Eraring Energy's compliance program incorporates a corporate Compliance Policy and Procedure and numerous associated business unit based compliance procedures, manuals and work instructions along with risk-based databases to assist in monitoring Eraring Energy's compliance obligations.

The Incident Reporting System provides a mechanism to monitor compliance breaches and/or potential compliance breaches, as and when they occur.

The Executive provide quarterly compliance update reports, outlining compliance within their business unit, to the Managing Director who then reports to the Board.

Eraring Energy provides regular training to all relevant staff, in relation to the key legislation and the corporate compliance framework, in line with the Learning and Development Program. Corporate wide compliance with key legislation and corporate compliance framework is audited, both internally and externally, on a regular basis in accordance with the Audit Program.

Eraring Energy continues to promote a strong culture of compliance with commitment from the Board, the Executive and all levels of the organisation.

Insurance

Eraring Energy continually reviews and improves its risk management practices which results in more favourable insurance premiums being negotiated and purchased.

Insurance renewals are completed annually which includes a review of the property and other liability exposures, deductibles and to determine the optimum levels of insurance cover required based on the organisation's risk appetite.

Fraud Prevention

Eraring Energy is committed to ensuring that it has appropriate systems and processes in place to prevent fraud and corruption. These processes are an integral part of our governance framework.

GOVERNANCE

Awareness continues to be created and maintained through Code of Conduct awareness sessions and employees are encouraged to report any instances of potential or actual fraud through the established formal reporting framework.

Incident Reporting

The Incident Reporting System is another feature of Eraring Energy's risk management focus. The system allows any employee or contractor to report incidents, near misses or concerns that present a risk to Eraring Energy in a wide range of categories including:

- Health and Safety;
- Environment;
- Security;
- Asset Damage or Loss;
- Production;
- Fraud and Corruption;
- Harassment;
- National Electricity Law/Rules Compliance;
- Australian Financial Services Licence;
- Energy Trading Risk Management Policy; and
- Other Compliance e.g. Trades Practices Act.

When a report is made it is referred to Management and the incident area owner for investigation and action. A corrective actions database system is used to track the progress of actions and to report actions to Management. The Executive perform a review of all incident reports on a monthly basis.

The system is widely used by staff and contractors and has proven to be effective in helping to identify and report day to day hazards.

Business Continuity Management

Eraring Energy has a robust Business Continuity Management Framework in place to help ensure an adequate response to, and recovery in the unlikely event of a major incident. A comprehensive maintenance program means that Emergency Response Plans, the Incident Management Plan, Pandemic Response Plan and Business Continuity Plans are kept up to date.

Regular training and awareness sessions are held so that staff members are familiar with the plans and their responsibilities, and a thorough program of scheduled exercises provides valuable feedback to further strengthen Eraring Energy's resilience.

Information Management

Eraring Energy has implemented collaboration tools to assist with the dissemination of information across all sites. A knowledge management stakeholder group has been formed to identify and implement improved business processes across all avenues of knowledge management within Eraring Energy.

The Information Management framework continues to be developed to ensure business processes efficiently integrate with the new technologies, and provide easy access to information and records.

THE BOARD

The Board is responsible for ensuring the long-term success of the corporation, the achievement of the shareholders' objectives of efficient operation, maximisation of shareholder wealth, social responsibility, compliance with the principle of ecological sustainable development, support of regional development, and being a successful participant in the wholesale electricity market.

Our success is determined by our approach to the creation of shareholder value, managing risks and reputation, and discharging our responsibilities as a corporate citizen.

The role of the Board is to:

- Set the strategic direction for the corporation and oversee implementation;
- Appoint the Managing Director and Company Secretary, monitor performance and oversee the development, succession and reward of the Managing Director and senior management;

- Ensure the development, maintenance and operation of appropriate risk management and people management systems; and
- Ensure the corporation's values are embraced at all levels and in all activities.

The Board actively pursues the highest standards of corporate governance and promotes sound commercial practice ensuring Eraring Energy's business activities are conducted not only in accordance with all applicable legislation but also in an ethical manner.

The governance framework incorporates monitoring and review processes together with incident and breach reporting at executive management and Board level.

Board Membership

The Constitution of Eraring Energy, the State Owned Corporations Act 1989, and the Energy Services Corporations Act 1995 allow for a minimum of three and a maximum of seven directors to be appointed by the shareholders. The only executive director is the Managing Director. The chairperson is a non-executive director appointed by the shareholders.

The term of each director's appointment is determined by voting shareholders up to a period of five years. Appointments may be renewed.

Directors have access to management and to independent advice. Such advice would normally be sought after consultation with the Chairman or Company Secretary.

Remuneration of Directors

The remuneration of each non-executive director is determined by the voting shareholders and is paid out of Eraring Energy funds. The Managing Director is not entitled to any additional remuneration for being an executive director.

GOVERNANCE

Changes in Board Membership

The appointment of the following four Directors has expired:

- Director, Beverley Hoskinson-Green was not reappointed to the Board on completion of her term of office;
- Director, Dean Pritchard was reappointed for a period of two years to 30 June 2012;
- Director, Michael Vertigan was reappointed for a period of one year to 30 June 2011; and
- Director, Peter Murray completed his term of appointment on 14 September 2010;

The following two new appointments have been made:

- Director, John Priest was appointed in the last quarter of the 2009/10 reporting year for a period of three years to 31 March 2013; and
- Director, Murray Bleach has been appointed in the first quarter of the new 2010/11 reporting year for a period of three years to 30 June 2013.

BOARD COMMITTEES

The Board has established four standing committees, outlined below, and when required forms a committee of appropriately skilled directors to deal with specific matters.

Audit Committee

This Committee meets quarterly to support the Board by monitoring auditors and management in relation to:

- Financial reporting processes;
- Systems for internal control and management of financial risks;
- Processes for monitoring of compliance with legislation and regulation, and internal controls;
- Audit scopes, outcomes and actions; and
- Performance of auditors.

Risk Committee

This Committee meets quarterly to assist the Board in relation to:

- Ensuring there is an effective risk management framework in place across Eraring Energy;
- Assessment of the material risks faced by various business units of Eraring Energy;
- Making recommendations to the Board concerning Eraring Energy's risk appetite and particular risks or risk management practices of concern to the Committee; and
- Promotion of awareness of the need to manage risk and the achievement of a

balance between risk minimisation and reward for risks accepted.

Safety, Environment and Sustainability Committee

Supports the Board in fulfilling its oversight responsibilities in the management of safety, environment and sustainability issues, risk and incidents by:

- Monitoring performance against set objectives and targets;
- Reviewing processes for monitoring of compliance with legislation and regulations;
- Reviewing reports on audit action plans;

MEETINGS OF THE BOARD

Meetings of the Eraring Energy Board are held monthly (except in January) and generally Board committee meetings are held quarterly.

	Attended	Eligible
BOARD		
Ross Bunyon (Chairman)	14	14
Beverley Hoskinson-Green	13	14
Peter Murray	14	14
Dean Pritchard	14	14
Michael Vertigan	13	14
John Priest*	3	3
Peter Jackson	14	14
*Appointed 1 April 2010		
AUDIT		
Michael Vertigan (Committee Chair)	6	6
Ross Bunyon	6	6
Beverley Hoskinson-Green	6	6
HUMAN RESOURCE AND REMUNERATION		
Beverley Hoskinson-Green (Committee Chair)	5	5
Ross Bunyon	5	5
Dean Pritchard	5	5
SAFETY, ENVIRONMENT AND SUSTAINABILITY		
Dean Pritchard (Committee Chair)	4	4
Beverley Hoskinson-Green	4	4
Peter Murray	4	4
RISK		
Dean Pritchard (Acting Committee Chair)	4	4
Michael Vertigan	4	4
Peter Murray	4	4

GOVERNANCE

Executive Committee members



Peter Jackson Tim Baker Philip Russell John Kennedy Jeff Hogan Philip Moriarty Kathryn Coates Rochelle Reynolds Mark Edwards

- Reviewing or requesting reports from the Executive Environment Committee or the Executive Safety Committee on significant issues; and
- Providing oversight and reviewing initiatives to enhance Eraring Energy’s sustainable business practices.

Human Resource and Remuneration Committee

This Committee meets quarterly to provide advice to the Board on:

- Appointment and remuneration of executives reporting directly to the Managing Director;
- Framework for at-risk payments and executive senior staff remuneration;
- Ensuring an appropriately skilled workforce is available by succession plan strategies for staff other than the Managing Director; and
- Monitoring compliance with employment legislation and regulations.

Conflict of Interest

A register of Directors’ interests is maintained and Directors disclose any material contract in which they have an interest. Directors do not take part in any decision-making processes considered by the Board if they have any personal interest in the matters.

(Note 25 to the accounts details related parties’ transactions.)

Board Evaluation

The Board undertakes an assessment of its performance at least every three years.

An externally facilitated review was conducted during 2010.

EXECUTIVE MANAGEMENT

Organisation Structure

Voting Shareholders

The Hon. Eric Roozendaal MLC

The Hon. Michael Daley MP

Board of Directors

Chairman – **Ross Bunyon, AM**

Managing Director

Peter Jackson

Marketing and Strategy

General Manager

Tim Baker

Finance

General Manager

Philip Russell

Projects and Asset Management

General Manager

John Kennedy

Eraring Operations

Manager

Jeff Hogan

Hydro and Wind

Manager

Kathryn Coates

Human Resources

Manager

Philip Moriarty

Secretariat

Company Secretary

Rochelle Reynolds

IT and Telecommunications

Manager

Mark Edwards

EXECUTIVE COMMITTEES

The following executive committees are responsible for the oversight and implementation of the Board strategic and operational decisions and the day to day operations of the business.

Executive Committee

Meets monthly to monitor corporate performance, review audit reports, agree and monitor the implementation of actions arising from those reports, develop and review implementation of business strategy, and promote the development of business improvement initiatives. Key strategies in areas such as information technology are also addressed within this Committee.

MEMBERS

Managing Director

Peter Jackson

General Manager Marketing and Strategy

Tim Baker

General Manager Finance

Philip Russell

General Manager Projects and Asset Management

John Kennedy

Manager Eraring Operations

Jeff Hogan

Manager Human Resources

Philip Moriarty

Manager Hydro and Wind

Kathryn Coates

Company Secretary

Rochelle Reynolds

IT and Telecommunications Manager

Mark Edwards

GOVERNANCE

Executive Environment Committee

Meets every six weeks to review environmental audit reports, agree and monitor the implementation of actions arising from such reports, oversee the development of compliance and audit programs, set and review policy, review incidents, and develop environmental initiatives.

MEMBERS

Managing Director

Peter Jackson

Manager Eraring Operations

Jeff Hogan

Company Secretary

Rochelle Reynolds

Manager Hydro and Wind

Kathryn Coates

Environment Manager

Neil Williams

Efficiency Engineer

Elise Ring

Energy Trading Risk Management Committee

Meets weekly to review and monitor all risk issues associated with Energy Trading's business activities in the financial market, National Electricity Market, coal contracts and deliveries, and market trading IT systems and processes.

MEMBERS

Managing Director

Peter Jackson

General Manager Marketing and Strategy

Tim Baker

General Manager Finance

Philip Russell

General Manager Projects and Asset Management

John Kennedy

Company Secretary

Rochelle Reynolds

Executive Safety Committee

Meets monthly to review and monitor the effectiveness of Occupational Health, Safety and Rehabilitation management and performance, determine and implement initiatives and targets aimed at achieving best practice in all parts of the business, and monitor compliance with all NSW Occupational Health and Safety and Workers' Compensation Legislation.

MEMBERS

Managing Director

Peter Jackson

General Manager Marketing and Strategy

Tim Baker

General Manager Projects and Asset Management

John Kennedy

Manager Eraring Operations

Jeff Hogan

Manager Human Resources

Philip Moriarty

Manager Hydro and Wind

Kathryn Coates

Occupational Health and Safety Manager

Steve Gambrell

Executive Audit Committee

The Executive Audit Committee meets quarterly and provides support and advice to the Board Audit Committee by reviewing the strategic Internal Audit Plan annually, monitoring the progress of the Internal Audit Plan, reviewing audit outcomes and management responses, obtaining confirmation of implementation of management actions to address issues raised, initiating special management reviews and monitoring the performance of the auditors.

MEMBERS

Managing Director

Peter Jackson

Company Secretary

Rochelle Reynolds

General Manager Finance

Philip Russell

General Manager Marketing and Strategy

Tim Baker

General Manager Projects and Asset Management

John Kennedy

Manager Eraring Operations

Jeff Hogan

Manager Hydro and Wind

Kathryn Coates

Manager Human Resources

Philip Moriarty

IT and Telecommunications Manager

Mark Edwards

Business Risk and Assurance Manager

Julian Gaillard

GOVERNANCE

Executive Risk Committee

The Executive Risk Committee meets quarterly and provides support and advice to the Board Risk Committee by reviewing the alignment of the Risk Management Framework and risk profile with the Business Plan, overseeing the integration of risk management within the business, reviewing the risk profile twice a year to ensure all material risks are identified and addressed, monitoring the management of business risks and reporting on the status of actions to mitigate risks.

MEMBERS

Managing Director

Peter Jackson

Company Secretary

Rochelle Reynolds

General Manager Finance

Philip Russell

General Manager Marketing and Strategy

Tim Baker

General Manager Projects
and Asset Management

John Kennedy

Manager Eraring Operations

Jeff Hogan

Manager Hydro and Wind

Kathryn Coates

Manager Human Resources

Philip Moriarty

IT and Telecommunications Manager

Mark Edwards

Business Risk and Assurance Manager

Julian Gaillard

EXECUTIVE MANAGEMENT REMUNERATION AND PERFORMANCE

Contracts for all these officers provide for an at-risk payment and the Board has established a policy for the assessment of performance and the calculation of at-risk payments based on a balanced scorecard approach and the organisation's performance. The Managing Director's assessment of executive officers is reviewed by the Board Human Resource and Remuneration Committee and recommendations are made by that Committee to the Board.

The following specific payments were made to executives whose remuneration was at or exceeded SES level 5 equivalent during the financial year:

Position/Name (Time in Position)	Qualifications	Base Remuneration Paid to 30/6/10 (Excluding Superannuation)	Superannuation Component	Performance Payment	Individual Performance Statement
Managing Director Peter Jackson (All of Year)	B.Sc. B.E. M.E.M. GAICD	\$351,956	\$49,997	\$64,350*	Assessed by the Board against business plan targets including financial performance, strategic advice and strategy implementation, stakeholder relationships, safety and environmental performance.
General Manager Marketing and Strategy Tim Baker (All of Year)	B Eng (Hons), B Sc, MBA, GAICD	\$262,286	\$70,244	\$84,200*	Assessed by the Managing Director against business plan targets including market strategy, trading performance, coal purchases and other performance targets.
General Manager Finance Philip Russell (All of Year)	Comm.Acct. Cert. Dip.Chartered Sec. FCPA, FCIS, GAICD, MFTA, MCIPS	\$206,531	\$49,998	\$41,100*	Assessed by the Managing Director against business plan targets including financial management and projects, stakeholder relationships and other performance targets.
Manager Business Development Wayne Winterbine (All of Year)	B.E.Elec. GAICD	\$175,056	\$72,643	\$34,200*	Assessed by the Managing Director against business plan targets including business development options, gentrader implementation and other performance objectives.
General Manager Projects and Asset Management John Kennedy (All of Year)	MPM, GAICD, Ass.Dip.Business Cert.Marine Engineering	\$175,592	\$60,615	\$43,400*	Assessed by the Managing Director against business plan targets including management of the upgrade projects, asset management, financial management, safety and other performance targets.

* Amount shown relates to performance payments for 2008/09 made in 2009/10. Determinations under this policy for 2009/10 will be concluded in 2010/11 and reported in the 2010/11 annual report.

GOVERNANCE

EXECUTIVE AND SENIOR OFFICERS PROFILE

The number of executives and senior officers with remuneration packages (excluding incentive payments) equal to or exceeding SES Level 1 at the end of this reporting period and comparison with the previous reporting year are disclosed below:

	As at 30/6/09	As at 30/6/10
Number of Executive Officers with remuneration equal to or exceeding equivalent of SES Level 1 at 30 June 2010	19	21
Number of the above positions filled by women	1	2

REGULATORY COMPLIANCE

Exemptions from Reporting

The New South Wales Treasury granted approval under delegation from the Treasurer, to exempt Eraring Energy for the financial year ended 30 June 2001 and subsequent years from the following requirements:

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

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

- Report of Operations;
- Management and Activities;
- Consumer Response; and
- Risk Management and Insurance Activities.

Further exemptions were approved subject to specific conditions:

Consultants Disclosure – Total amount spent on consultants with a summary of the main purposes of the engagement.

Human Resources Disclosure – Overseas visits with the main purposes highlighted.

Disclosure of Controlled Entities – Name of controlled entity 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– Exemption from preparing manufacturing and trading statements but required to prepare a summarised operating statement.

Credit Card Certification

The issue and use of credit cards of Eraring Energy has been in accordance with Treasurer's Direction.

Cost of Annual Report

Eraring Energy has produced 200 copies of the annual report in printed format at a total cost of \$24,884.

Eraring Energy's annual report is available on-line at www.eraring-energy.com.au.

Freedom of Information

During the 2009/10 financial year Eraring Energy did not receive any Freedom of Information applications.

This year:

- Impact of the requirements of the Act on Eraring Energy's activities was minor;
- Eraring Energy's compliance with the Freedom of Information Act did not raise any major issues; and
- No inquiries were made under the Act by the Ombudsman, nor were there any appeals under the Act to the District Court or the Supreme Court.

In the 2008/09 year Eraring Energy did not receive any Freedom of Information applications.

Access to Information/Statement of Affairs

Eraring Energy keeps and maintains records of its operations in accordance with the NSW State Records Act 1998. These records incorporate all of Eraring Energy's business processes including: Personnel, Financial, Plant Management, Health and Safety, Environment and Corporate Management.

A list of policy documents available to the public are outlined in Eraring Energy's Freedom of Information Summary of Affairs along with brochures and fact sheets. Requests for access to documents are treated on their merits in accordance with the Freedom of Information (FOI) Act.

The public can also have input by making representations/recommendations and/or complaints via the internet site.

GOVERNANCE

Legal Change

The regulatory environment in which participants in the National Electricity Market operate has continued to evolve.

The Australian Energy Market Operator (AEMO) replaced NEMMCO from 1 July 2009 with prime function to operate both the electricity and natural gas markets. AEMO now also has the role of National Transmission Planner and produced its first National Transmission Statement in December 2009.

AEMO has also developed the natural gas Short Term Trading Market (STTM) which is a market-based wholesale gas balancing mechanism to be established at defined gas hubs. The market uses bids, offers and forecasts to determine schedules for deliveries from the pipelines transmission users and the hubs. The gas market will set daily market prices and settle each hub based on the schedules and deviations from schedules. The gas STTM is due to commence in 2010.

Eraring Energy will continue a watching brief on energy market matters and on greenhouse matters such as the Carbon Pollution Reduction Scheme and the Mandatory Renewable Energy Target Scheme.

The main change to legislation that has had a significant effect on Eraring Energy is in relation to the Government Information (Public Access) Act 2010 (GIPA). Eraring Energy has developed procedures, training and documentation to provide the public with access to information as required under GIPA. The relevant information is located on Eraring Energy's webpage.

There have been a number of minor changes in relation to legislation that affects Eraring Energy and updates to procedures and further training has been provided to ensure ongoing compliance.

Promotion

Eraring Energy utilises, as required, a variety of communication vehicles to inform the public, customers and suppliers, and provides the following publications:

- Annual Reports;
- 2009 Sustainability Report;
- Community and Environment Reports;
- Environment Policy;
- Waste and Reduction Purchasing Plan;
- Code of Conduct;
- Health and Safety Policy;
- Brochures – Elements of Environmental Excellence; and
- Fact Sheets – Eraring Power Station
Blayney Wind Farm
Turbine Technical Information
Turtles
Bushfire Management
Foam
Shoalhaven Scheme
Taprogge Balls
Eraring Power Station Fauna Listing
Marine Species

OVERSEAS VISITS

During 2009/10 the following officers travelled overseas.

Name/Designation	Date of Travel	Destination	Reason for Travel
Tim Baker General Manager Marketing and Strategy	22/10/09 to 2/11/09	Hong Kong	Attend 2009 CIGRE C5 Meeting
Peter Jackson Managing Director	22/4/10 to 2/5/10	Singapore and London	Attend Insurance presentations with Marsh
Julian Gaillard Business Risk and Assurance Manager	22/4/10 to 2/5/10	Singapore and London	Attend Insurance presentations with Marsh

GOVERNANCE

SUBSIDIARIES

Rocky Point Holdings

Rocky Point Holdings Pty Limited is a wholly owned subsidiary of Eraring Energy incorporated under the Corporations Act 2001 and was formed on 6 August 2008 to participate in the Cobbora Joint Venture.

The Board

The Board is responsible for the oversight of the management of the company in accordance with the Corporations Law, and other applicable legislation and regulations.

Board Membership

Rocky Point Holdings' Board is comprised of the following:

Ross Bunyon, Chairman
Peter Jackson, Director

Directors have access to management and to independent advice. Such advice would normally be sought after consultation with the Chairman or Company Secretary.

Remuneration of Directors

No remuneration is currently paid to Directors of Rocky Point Holdings.

Directors	Attended	Held
Ross Bunyon	7	7
Peter Jackson	7	7

ENERGY REFORM

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

ERARING RETAIL PTY LTD

Following a final statutory meeting on 1 March 2010, and lodgement by the Liquidator of the final meeting notice with ASIC, Eraring Retail was formally deregistered as a company on 2 June 2010.

FINANCIAL PERFORMANCE

ERARING ENERGY

STATEMENT OF COMPREHENSIVE INCOME	36
STATEMENT OF FINANCIAL POSITION	37
STATEMENT OF CASH FLOWS	38
STATEMENT OF CHANGES IN EQUITY	39
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	41
STATEMENT BY MEMBERS OF THE BOARD	69
INDEPENDENT AUDITOR'S REPORT	70

ROCKY POINT HOLDINGS

STATEMENT OF COMPREHENSIVE INCOME	72
STATEMENT OF FINANCIAL POSITION	72
STATEMENT OF CASH FLOWS	73
STATEMENT OF CHANGES IN EQUITY	73
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	74
DIRECTOR'S DECLARATION	80
INDEPENDENT AUDITOR'S REPORT	81

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated		Parent Entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Revenues from continuing operations		600,396	637,319	600,387	637,319
Fair value movement in electricity derivatives - revenue		3,217	3,117	3,217	3,117
Total revenue	2	603,613	640,436	603,604	640,436
Raw materials and purchases of electricity		(241,177)	(283,739)	(241,177)	(283,739)
Employee benefits expense		(53,907)	(50,772)	(53,907)	(50,772)
Depreciation and amortisation expense		(85,011)	(107,457)	(85,011)	(107,457)
Finance costs		(38,847)	(25,845)	(38,847)	(25,845)
Other expenses		(84,342)	(82,712)	(83,694)	(79,812)
Share of losses in equity accounted joint venture entities		-	(75)	-	-
Insurance provision adjustment expense		(201)	(736)	(201)	(736)
Profit before income tax	3	100,128	89,100	100,767	92,075
Income tax expense	4	(29,789)	(26,728)	(29,951)	(27,584)
Net profit for the period		70,339	62,372	70,816	64,491
Other comprehensive income					
Net asset revaluation increment (decrement), net of tax		26,032	(405,407)	26,032	(405,407)
Defined benefits superannuation actuarial loss, net of tax		(12,279)	(39,326)	(12,279)	(39,326)
The effective portion of net gains (losses) on hedging instruments in a cash flow hedge, net of tax		33,327	69,305	33,327	69,305
Other comprehensive income for the period, net of tax		47,080	(375,428)	47,080	(375,428)
Total comprehensive income for the period		117,419	(313,056)	117,896	(310,937)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

	Note	Consolidated		Parent Entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current Assets					
Cash and cash equivalents	5	5,941	6,401	5,686	5,156
Receivables	6	54,660	64,017	54,581	63,352
Inventories	7	50,540	43,258	50,540	43,258
Electricity and foreign exchange derivatives	9	21,063	1,826	21,063	1,826
Assets held for sale	10	-	537	-	537
Current tax assets	4	9,979	-	9,979	-
Other current assets	11	986	1,291	986	1,291
Total Current Assets		143,169	117,330	142,835	115,420
Non-Current Assets					
Receivables	6	-	12,181	-	14,692
Intangible assets	8	13,743	11,468	11,355	11,468
Investments	12	19,840	-	24,943	-
Property, plant and equipment	13	1,883,741	1,722,142	1,883,741	1,722,142
Investment properties	14	6,940	9,475	6,940	9,475
Deferred tax assets	4	30,044	36,590	30,044	36,590
Electricity and foreign exchange derivatives	9	9,669	2,296	9,669	2,296
Total Non-Current Assets		1,963,977	1,794,152	1,966,692	1,796,663
Total Assets		2,107,146	1,911,482	2,109,527	1,912,083
Current Liabilities					
Payables	15	91,089	75,633	90,874	74,189
Interest bearing liabilities	16	100,435	72,926	100,435	72,926
Current tax liabilities	4	-	2,905	-	2,905
Provisions	17	87,435	82,577	87,435	82,577
Electricity and foreign exchange derivatives	18	15,469	26,719	15,469	26,719
Other current liabilities	19	64,566	49,745	64,566	49,671
Total Current Liabilities		358,994	310,505	358,779	308,987
Non-Current Liabilities					
Interest bearing liabilities	16	524,399	434,409	524,399	434,409
Deferred tax liabilities	4	187,205	168,480	187,205	168,480
Provisions	17	17,055	18,361	17,055	18,361
Electricity and foreign exchange derivatives	18	723	13,698	723	13,698
Total Non-Current Liabilities		729,382	634,948	729,382	634,948
Total Liabilities		1,088,376	945,453	1,088,161	943,935
Net Assets		1,018,770	966,029	1,021,366	968,148
Equity					
Contributed equity		573,081	573,081	573,081	573,081
Reserves		445,688	387,486	445,688	387,486
Retained profits		1	5,462	2,597	7,581
Total Equity		1,018,770	966,029	1,021,366	968,148

The above statement of financial position should be read in conjunction with the accompanying notes

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated		Parent Entity	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities					
Cash received in the course of operations		674,520	714,101	674,520	714,101
Interest and bill discount received		823	146	814	145
Cash paid in the course of operations		(432,559)	(452,252)	(431,505)	(452,106)
GST refunded		(14,568)	(14,632)	(14,831)	(14,768)
Interest and other finance costs paid		(39,451)	(26,532)	(39,451)	(26,532)
Income tax paid		(38,695)	(49,822)	(38,695)	(49,822)
Net cash inflow from operating activities	5	150,070	171,009	150,852	171,018
Cash flows from investing activities					
Proceeds from sale of equipment		918	547	918	547
Advances to associates		(3,536)	-	-	-
Advances to jointly controlled entity		-	(11,072)	-	-
(Purchases of) / proceeds from sale of investments		(7,864)	213	(10,394)	213
Proceeds from joint venture		3,186	350	-	-
Payments for mining exploration and evaluation		(2,388)	-	-	-
Payments for property, plant & equipment		(197,229)	(172,777)	(197,229)	(172,777)
Net cash (outflow) from investing activities		(206,913)	(182,739)	(206,705)	(172,017)
Cash flows from financing activities					
Proceeds from borrowings		729,733	631,318	729,733	631,318
Repayment of borrowings		(612,952)	(499,533)	(612,952)	(499,533)
(Repayment) / borrowing of loan by related parties		-	(2,716)	-	(14,692)
Dividend paid		(60,398)	(114,594)	(60,398)	(114,594)
Net cash inflow from financing activities		56,383	14,475	56,383	2,499
Net increase / (decrease) in cash and cash equivalents		(460)	2,745	530	1,500
Cash and cash equivalents at the beginning of the financial year		6,401	3,656	5,156	3,656
Cash and cash equivalents at the end of the financial year	5	5,941	6,401	5,686	5,156

The above statement of cash flows should be read in conjunction with the accompanying notes

	Consolidated				
	Contributed Equity \$'000	Asset Revaluation Reserve \$'000	Hedging Reserve \$'000	Retained Profits \$'000	Total \$'000
At 1 July 2009	573,081	413,226	(25,740)	5,462	966,029
Net profit for the period	-	-	-	70,339	70,339
Net asset revaluation increment (decrement), net of tax	-	26,032	-	-	26,032
Defined benefits superannuation actuarial loss, net of tax	-	-	-	(12,279)	(12,279)
The effective portion of net gains on hedging instruments in a cash flow hedge, net of tax	-	-	33,327	-	33,327
Asset revaluation reserve inter-equity transfer	-	(1,157)	-	1,157	-
Total comprehensive income for the period	-	24,875	33,327	59,217	117,419
Transactions with owners in their capacity as owners:					
Dividends	-	-	-	(64,678)	(64,678)
At 30 June 2010	573,081	438,101	7,587	1	1,018,770

	Consolidated				
	Contributed Equity \$'000	Asset Revaluation Reserve \$'000	Hedging Reserve \$'000	Retained Profits \$'000	Total \$'000
At 1 July 2008	573,081	818,633	(95,045)	42,814	1,339,483
Net profit for the period	-	-	-	62,372	62,372
Net asset revaluation increment (decrement), net of tax	-	(405,407)	-	-	(405,407)
Defined benefits superannuation actuarial loss, net of tax	-	-	-	(39,326)	(39,326)
The effective portion of net gains on hedging instruments in a cash flow hedge, net of tax	-	-	69,305	-	69,305
Total comprehensive income for the period	-	(405,407)	69,305	23,046	(313,056)
Transactions with owners in their capacity as owners:					
Dividends	-	-	-	(60,398)	(60,398)
At 30 June 2009	573,081	413,226	(25,740)	5,462	966,029

FOR THE YEAR ENDED 30 JUNE 2010

	Parent Entity				
	Contributed Equity \$'000	Asset		Retained Profits \$'000	Total \$'000
		Revaluation Reserve \$'000	Hedging Reserve \$'000		
At 1 July 2009	573,081	413,226	(25,740)	7,581	968,148
Net profit for the period	-	-	-	70,816	70,816
Net asset revaluation increment (decrement), net of tax	-	26,032	-	-	26,032
Defined benefits superannuation actuarial loss, net of tax	-	-	-	(12,279)	(12,279)
The effective portion of net gains on hedging instruments in a cash flow hedge, net of tax	-	-	33,327	-	33,327
Asset revaluation reserve inter-equity transfer	-	(1,157)	-	1,157	-
Total comprehensive income for the period	-	24,875	33,327	59,694	117,896
Transactions with owners in their capacity as owners:					
Dividends	-	-	-	(64,678)	(64,678)
At 30 June 2010	573,081	438,101	7,587	2,597	1,021,366

	Parent Entity				
	Contributed Equity \$'000	Asset		Retained Profits \$'000	Total \$'000
		Revaluation Reserve \$'000	Hedging Reserve \$'000		
At 1 July 2008	573,081	818,633	(95,045)	42,814	1,339,483
Net profit for the period	-	-	-	64,491	64,491
Net asset revaluation increment (decrement), net of tax	-	(405,407)	-	-	(405,407)
Defined benefits superannuation actuarial loss, net of tax	-	-	-	(39,326)	(39,326)
The effective portion of net gains on hedging instruments in a cash flow hedge, net of tax	-	-	69,305	-	69,305
Total comprehensive income for the period	-	(405,407)	69,305	25,165	(310,937)
Transactions with owners in their capacity as owners:					
Dividends	-	-	-	(60,398)	(60,398)
At 30 June 2009	573,081	413,226	(25,740)	7,581	968,148

The above statement of changes in equity should be read in conjunction with the accompanying notes

Corporate Information

The financial statements of Eraring Energy for the year ended 30 June 2010 were authorised for issue in accordance with a resolution of the Directors on 21st September 2010.

Eraring Energy is a for-profit entity.

Note 1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements prepared in accordance with the provisions of the Public Finance and Audit Act, 1983 and Public Finance and Audit Regulation, 2010, Australian Accounting Standards, the requirements of the State Owned Corporations Act, 1989 and Accounting Interpretations.

The financial statements have been prepared on the basis of historical cost except for property, plant and equipment, intangible assets, investment property, assets held for sale, New South Wales Greenhouse Abatement Certificates (NGACs) and derivative financial instruments, which have been accounted for at fair value. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied by each entity in the consolidated entity.

Despite current liabilities exceeding current assets at balance date, Eraring Energy is able to pay its debts as and when they fall due owing to Public Authorities Financial Arrangements Act 1987 approved facilities with NSW Treasury Corporation including a working capital facility that allows Eraring Energy to hold minimum cash and investment balances.

(i) Statement of Compliance

The financial statements comply with applicable Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). These financial statements also comply with International Financial Reporting Standards (IFRS).

(ii) New/Amended Accounting Standards

A number of Australian Accounting Standards and Interpretations are in issue but are not effective for the current year end. The reported results and position, as well as the information currently disclosed in the financial statements of Eraring Energy and its controlled entity will not change on adoption of these pronouncements as they do not result in any changes to the group's existing accounting policies. The

group does not intend to adopt any of these pronouncements before their effective dates.

(b) Basis of Consolidation

The financial statements of Eraring Energy and its controlled entity are consolidated in compliance with AASB 127 *Consolidated and Separate Financial Statements*. The consolidated financial statements combine the financial statements of Eraring Energy and its controlled entity, Rocky Point Holdings Pty Limited.

In preparing the consolidated financial statements, any inter-company balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated in full.

(c) Property, Plant and Equipment

Power station asset values are reviewed annually and independent valuations are obtained at least every five years for power station assets, land and buildings. All asset lives are reviewed on an annual basis.

The fair value of non-current assets is determined in accordance with AASB116 *Property, Plant and Equipment*, AASB136 *Impairment of Assets* and NSW Treasury Accounting policy on *Valuation of Physical Non-Current Assets at Fair Value*.

Fair value is determined using the lower of the depreciated optimised replacement cost and market selling price or value in use. The value in use is the net cash flows arising from its continued use and subsequent disposal, discounted to present value using Eraring Energy's weighted average cost of capital. The valuation methodology uses a discounted cash flow of existing electricity and coal contracts and the forecast contract and spot price of electricity referencing external forward price curves, together with internal assumptions out to 2032, the remaining life of Eraring Power Station. Estimates for new coal sourcing and pricing, generation volumes, as well as carbon reduction scheme assumptions have been included.

Assets that form part of a cash generating unit also need to be written down where the recoverable amount is lower than its

carrying amount. The recoverable amount of specialised assets that form part of a cash generating unit, in the absence of a market selling price, is the value in use.

The three cash generating units identified in Eraring Energy is a combined Eraring Power Station and Hydro portfolio, as well as Blayney Wind Farm and Crookwell Wind Farm.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the Statement of Financial Position unless it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any revaluation deficit is recognised in profit or loss unless it directly offsets a previous surplus of the same asset in the particular asset revaluation reserve.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately where the change in the gross carrying amount of the asset after revaluation equals its revalued amount.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. Impairment losses are recognised in profit or loss. However, any impairment is debited to the asset revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

The purchase method of accounting is used for all acquisition of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

FOR THE YEAR ENDED 30 JUNE 2010

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognised.

The replacement cost of a part of an item of property, plant and equipment is recognised in the carrying amount of that item. The cost of the replaced part of the item is then derecognised. The gain or loss arising from the de-recognition of the replaced part of an item of property, plant and equipment is included in profit or loss in the year the item is de-recognised.

(d) Depreciation of Property, Plant and Equipment

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Buildings –	
Power Stations	Up to 50 years
Buildings –	
Other	Up to 40 years
Plant and Equipment –	
Power Stations	Up to 50 years
Plant and Equipment –	
Other	Up to 10 years
Leasehold Improvements	10 years

Component parts of power stations may have different asset lives.

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

(e) Intangible Assets

Intangible assets acquired separately are capitalised at cost. The useful lives of these intangible assets are assessed to be finite. Where amortisation is charged on assets, this expense is taken to profit or loss.

Intangible assets are tested for impairment where an indicator of impairment exists. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

(f) Intangible Assets – Exploration and Evaluation Expenditure

Exploration and evaluation expenditures in relation to development of a coal resource in New South Wales are capitalised separately for each area of interest and are carried at cost less accumulated impairment losses.

Exploration and evaluation assets are only recognised when the rights to tenure of the area of interest are current, and either:

- (i) the expenditures are expected to be recouped through successful development and production from the area of interest, or alternatively, by its sale; or
- (ii) activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest is continuing.

Capitalised exploration costs are reviewed each reporting date as to whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation of the area of interest. Once the technical feasibility and commercial viability of the extraction of coal in an area of interest is demonstrable, accumulated expenditure is tested for impairment and transferred to mining property and development assets within property, plant and equipment.

(g) Foreign Currency Translation

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. Foreign currency monetary items outstanding at balance date have been converted to Australian dollars using the exchange rate current at that date. Exchange differences relating to monetary items have been brought to account as exchange gains or losses in determining the profit or loss for the year.

Earing seeks to qualify forward foreign exchange contracts as cash flow hedges with the movement of the hedging instrument to be recognised directly in equity. For forward foreign exchange contracts not qualifying as hedges, any movement will be taken to profit or loss.

In the event of the early termination of a foreign currency hedge of an anticipated purchase or sale of goods and services, the deferred gains and losses that arose on the foreign exchange contract prior to its termination are:

- Deferred and included in the measurement of the purchase or sale when it takes place, where the anticipated transaction is still expected to occur; or
- Recognised in the Statement of Comprehensive Income at the date of termination, if the anticipated transaction is no longer expected to occur.

(h) Liability Management

Earing Energy actively manages its liabilities against a benchmark in accordance with Board approved policies and the Treasury Management Guidelines issued by New South Wales Treasury. Earing's debt book contains a core debt portfolio, a value add portfolio and a working capital portfolio. The core debt portfolio contains financial instruments held to maturity where accounting is maintained at historical cost and deferred off the Statement of Financial Position. The value-add portfolio uses trading instruments to adjust modified duration levels with fair value movements taken to the Statement of Comprehensive Income. The working capital portfolio is made up of Come & Go and New South Wales Treasury Corporation (TCorp) short term loans of maturity less than six months. These are fair valued with movements taken to the Statement of Comprehensive Income.

(i) Borrowing Costs

Borrowing costs directly attributable to projects under construction spanning a twelve month period and land held for resale are capitalised as part of the cost of those assets.

(j) Discount and Premium on Loans

Discount and premium on loans is treated as an adjustment to the cost of borrowing which is amortised over the term of the loans, the amortisation amount applicable to each year being included as interest income/ expense

in the Statement of Comprehensive Income as part of Eraring Energy's borrowing costs for that year.

(k) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Eraring Energy and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Electricity

Revenue from the generation of electricity is recognised as determined by NEMMCO / AEMO at spot, and the Contract For Difference (CFD) payments will also be included in Electricity Sales. The expense side will contain electricity purchased from the NEM and Inter-regional hedge expense.

(ii) Sale of Non-Current Assets

The net gain or loss on disposal of non-current assets are included in the Statement of Comprehensive Income at the date control of the asset passes to the buyer, usually when settlement of an unconditional contract takes place. The net gain or loss on disposal is the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(l) Segment Reporting

Eraring Energy operates predominantly in one business segment, that being electricity generation, and within one geographical segment, that being Australia.

(m) Inventories

Inventories are measured at the lower of cost and net realisable value in accordance with AASB 102 *Inventories*. Costs have been assigned to inventory quantities on hand at balance date using the weighted average cost method.

(n) Insurance

Eraring Energy has external insurances in place. The majority of these policies carry a significant excess. The corporation is a self-insurer for workers' compensation and dust diseases risks and is responsible for the portion of risk applicable below the external insurance excess.

(o) Leases

Eraring Energy's operating lease payments are charged to expense in the periods in which they are incurred, as this represents

the pattern of benefits derived from the leased assets.

(p) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and income tax law) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised in other comprehensive income are recognised in other comprehensive income and not in profit or loss.

Eraring Energy and its wholly owned entity have formed a tax-consolidated group with effect from 1 July 2006 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Eraring Energy.

The head entity, in conjunction with the other member of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable

(payable) are due and payable on demand, or otherwise agreed between members of the tax-consolidated group.

Eraring Energy recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

(q) Employee Benefits

Eraring Energy's present obligation in respect of employee benefits, namely salaries, wages and annual leave, are recorded as liabilities, having been calculated at nominal amounts based on remuneration rates that are expected to be paid including related on-costs.

For long service leave, the liability has been determined using an actuarial method of calculation, and represents the present value of estimated future cash outflows in respect of long service leave, after taking into account projected remuneration increases and related on-costs.

Actuarial gains and losses on defined benefits superannuation plans are recognised in other comprehensive income in the year they occur.

(r) Leasehold Improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

(s) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 30 days. Payables in the Statement of Financial Position represent the principal amounts outstanding at balance date plus any accrued interest.

(t) Rounding of Amounts

Amounts shown in these financial statements have been rounded to the nearest thousand dollars, unless otherwise stated.

(u) Receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus, where applicable, accrued interest and less any unearned income and provisions for doubtful accounts. Trade debtors are generally settled within 30 days.

FOR THE YEAR ENDED 30 JUNE 2010

(v) Investment Property

Investment properties comprise freehold land determined as surplus to business needs. Investment properties are recognised at fair value. The fair value of investment property is reviewed annually as required by AASB140 *Investment Property*. Valuations are performed by an external independent valuer, having appropriate recognised professional qualification and recent experience in the category of property being valued.

The fair value represents the amount at which assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of the sales process.

(w) Assets Held for Sale

Freehold land is presented as held for sale following the decision to sell a property within twelve months.

(x) Equity Accounted Investments

Investments in jointly controlled entities are accounted for using the equity method and are initially and subsequently recognised at cost. These financial statements include the group's share of the income and expenses and equity movements of the jointly controlled entity. When the entity's share of losses exceeds its interest in the equity accounted investee, the carrying amount of that interest is reduced to nil. Losses in excess of the carrying value of the investment are taken up as a liability in the Statement of Financial Position.

(y) Jointly Controlled Assets

Interests in unincorporated joint ventures are brought to account by recognising in the group financial statements its share of the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that the unincorporated joint venture earns.

(z) Investments in Subsidiaries

Investments in subsidiaries are carried at cost of acquisition in these financial statements.

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Note 2 Revenue				
From continuing operations				
Sales revenue				
Electricity sales	596,619	618,088	596,619	618,088
Electricity Tariff Equalisation Fund	-	16,506	-	16,506
	596,619	634,594	596,619	634,594
Other income				
Interest received	823	145	814	145
Community Service Obligation - NSW Treasury	72	80	72	80
Miscellaneous	2,882	2,500	2,882	2,500
	3,777	2,725	3,768	2,725
Fair value movement in electricity derivatives - revenue	3,217	3,117	3,217	3,117
Total revenue	603,613	640,436	603,604	640,436

Note 3 Expenses**Profit before income tax includes the following specific expenses:****Depreciation:**

Buildings	673	743	673	743
Plant and equipment	81,796	103,559	81,796	103,559
Leasehold improvements	93	91	93	91
Depreciated value of assets written off	905	37	905	37

Amortisation:

Intangibles	1,544	3,027	1,544	3,027
	85,011	107,457	85,011	107,457

Net loss on disposal of assets	23	82	23	82
--------------------------------	-----------	----	-----------	----

Finance costs:

Interest and finance charges paid/payable	51,426	31,911	51,426	31,911
Interest capitalised	(12,579)	(6,066)	(12,579)	(6,066)
	38,847	25,845	38,847	25,845

Operating lease rentals:

Minimum lease payments	576	647	576	647
Consultants	2,986	1,156	2,633	1,156

Expenditure on consultants for the parent entity totalled \$2,632,930 (2009 - \$1,155,916). The engagements provided advice in relation to energy reform, tax and accounting and leadership development.

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Note 4 Income Tax				
Major components of tax expense (income) include:				
Statement of Comprehensive Income				
Current income tax				
Current tax expense	24,830	41,460	25,021	42,098
Adjustment in respect of current income tax of previous years	(136)	(545)	(136)	(545)
Deferred income tax				
Tax expense (revenue) relating to the origination and reversal of temporary differences	5,066	(13,969)	5,066	(13,969)
Deferred tax (revenue)/ expense relating to the non-recognition of temporary differences transferred to the head entity of the tax consolidated group	29	(218)	-	-
Income tax expense reported on the Statement of Comprehensive Income	29,789	26,728	29,951	27,584
Explanation of the relationship between tax expense and accounting profit				
Accounting profit	100,128	89,100	100,767	92,075
Income tax at the statutory income tax rate of 30%	30,038	26,730	30,230	27,622
Expenditure not allowable for income tax purposes	46	49	16	13
Investment allowance	(291)	(51)	(291)	(51)
Adjustment in respect of current income tax for previous years	(4)	-	(4)	-
Tax expense reported in the Statement of Comprehensive Income	29,789	26,728	29,951	27,584
Deferred tax recognised directly in equity				
Relating to fair value of electricity derivatives	(14,283)	(29,702)	(14,283)	(29,702)
Relating to revaluation of property, plant and equipment	(11,157)	173,746	(11,157)	173,746
Relating to superannuation actuarial (gains)/losses	5,263	16,854	5,263	16,854
	(20,177)	160,898	(20,177)	160,898
Current tax liabilities				
Income tax payable (receivable)	(9,979)	2,905	(9,979)	2,905

Statement of Financial Position		Recognised in profit or loss		Recognised in other comprehensive income	
2010	2009	2010	2009	2010	2009
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Note 4 Income Tax (continued)

The amount of the deferred tax assets and liabilities recognised in the Statement of Financial Position and the resultant impact on income tax expense

Consolidated and Parent Entity**Deferred income tax liabilities**

Property, plant and equipment	(158,620)	(149,021)	1,314	15,879	(11,157)	173,746
Fuel purchases	(14,633)	(12,472)	(2,162)	2,350	-	-
Insurance recoveries	(153)	(183)	30	114	-	-
Accrued interest income	-	-	-	21	-	-
Capitalised interest	(7,271)	(3,628)	(3,643)	(1,750)	-	-
Investment properties	(1,881)	(2,803)	922	64	-	-
Recognition of NGACs*	(287)	(373)	86	141	-	-
Bank futures	-	-	-	63	-	-
Fair value electricity futures	(656)	-	(656)	-	-	-
Fair value assessment of electricity derivatives	(3,704)	-	127	-	(3,831)	-
Employer superannuation receivable	-	-	-	1,087	-	-
Gross deferred income tax liabilities	(187,205)	(168,480)				
Deferred income tax charge			(3,982)	17,969	(14,988)	173,746

*New South Wales Greenhouse Abatement Certificates

Deferred income tax assets

Employee leave entitlements	6,447	6,318	129	693	-	-
Employer superannuation liabilities	19,369	14,901	(795)	(2,459)	5,263	16,854
Insurance provision	2,115	2,433	(318)	(222)	-	-
Other labour entitlements	318	260	58	(56)	-	-
Provision for doubtful debts	-	-	-	(5)	-	-
Business development costs	1,342	1,218	124	238	-	-
Fair value assessment of electricity derivatives	-	10,887	(436)	(936)	(10,452)	(29,702)
Accrued land tax expenditure	-	-	-	(91)	-	-
Software expenditure	71	61	10	29	-	-
Low value asset pool	32	38	(6)	2	-	-
Litigation settlement expenditure	72	143	(71)	(506)	-	-
Electricity futures	-	-	-	5	-	-
Bank futures	35	2	33	2	-	-
Rocky Point Holdings Pty Ltd development expenditure	188	218	(44)	218	-	-
Pacific Western Pty Ltd taxation losses	55	111	(56)	(55)	-	-
Gross deferred income tax assets	30,044	36,590				
Deferred income tax charge			(1,372)	(3,143)	(5,189)	(12,848)

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Note 5 Cash and Cash Equivalents				
Cash at bank and on hand	5,941	6,401	5,686	5,156
Reconciliation of net profit for the period to net cash inflow from operating activities				
Net profit for the period	70,339	62,372	70,816	64,491
Add/(less):				
(Gain)/loss on repayment of borrowings	52	636	52	636
Amortisation of fixed interest borrowings	666	837	666	837
Allowance for doubtful debts	-	(18)	-	(18)
Loss on disposal of property, plant and equipment	23	82	23	82
Add/(less): Non-cash items				
Depreciation	82,562	104,393	82,562	104,393
Superannuation actuarial gains/(losses)	(17,542)	(56,181)	(17,542)	(56,181)
Capitalised interest	(12,579)	(6,065)	(12,579)	(6,065)
Amortisation of intangibles	1,544	3,027	1,544	3,027
Depreciation on assets written off and sold	905	37	905	37
Asset revaluation - recognised in profit and loss	1,905	14	1,905	14
Movement on derivative contracts	(3,217)	(3,117)	(3,217)	(3,117)
Non cash investment movement	3,215	-	3,215	-
Increase/(decrease) in income tax payable	(8,745)	(22,238)	(8,745)	(22,238)
Increase/(decrease) in accrued interest expense	11,257	4,236	11,257	4,236
Net cash inflows from operating activities before changes in assets and liabilities	130,385	88,015	130,862	90,134
Net changes in assets and liabilities during the financial year:				
(Increase)/decrease in receivables	59	(338)	200	(241)
(Increase)/decrease in other debtors	11,613	14,036	11,613	14,036
(Increase)/decrease in inventories	(7,282)	7,809	(7,282)	7,809
(Increase)/decrease in other assets	39	8,960	39	6,746
Increase/(decrease) in payables and borrowings	(6,376)	-	(6,212)	-
Increase/(decrease) in other liabilities	21,632	52,527	21,632	52,534
Net cash inflow from operating activities	150,070	171,009	150,852	171,018

For the purposes of the Statement of Cash Flows, cash includes cash on hand and on deposit at bank, net of outstanding bank overdrafts. It also includes investments as part of the daily cash management function.

Note 6 Receivables**Current**

Trade receivables	48,223	60,430	48,223	60,430
Insurance recoveries	510	610	510	610
Other receivables	5,029	1,144	4,950	479
Prepayments	898	1,833	898	1,833
	54,660	64,017	54,581	63,352

Non-Current

Advances to related parties	-	12,181	-	14,692
-----------------------------	---	--------	---	--------

Other receivables generally arise from transactions outside the usual operating activities of the group. Interest may be charged at commercial rates where terms of repayment exceed six months. Collateral is not normally obtained.

Note 6 Receivables (continued)

Insurance Recoveries	2010	2009
Parent Entity	\$'000	\$'000
As at 1 July	610	990
Additional recoveries recognised / (written back)	240	(18)
Recoveries received	(340)	(362)
As at 30 June	510	610

Note 7 Inventories

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Stores and materials	1,759	1,684	1,759	1,684
Coal stocks	46,409	40,323	46,409	40,323
Oil stocks	2,372	1,251	2,372	1,251
	50,540	43,258	50,540	43,258

Write-downs of inventories recognised as an expense during the year amounted to \$692,889 (2009 - \$702,023)

Note 8 Intangible Assets

Intangible assets comprise computer software costs, carbon sequestration rights and mining exploration and evaluation costs.

For the year ended 30 June 2010, computer software costs are capitalised at cost. Software assets have been assessed as having a finite life and are amortised using the straight line method over the expected useful life. The useful life of computer software assets varies from 2 to 5 years.

Exploration and evaluation assets are carried at cost less accumulated impairment losses. Refer Note 1 (f).

Carbon sequestration rights accrue from plantations of Mallee trees. Expenditure has been incurred in the plantation of trees where Eraring Energy will receive future NGACs. Amortisation will occur over a 30 year period commencing on the production of NGACs. Costs will be amortised on a pro-rata basis, based on the expected number of NGACs registered each year.

No revaluation or impairment loss was recognised during the 2010 financial year.

	Exploration & Evaluation	Non-Current Carbon Sequestration	Computer Software	Total
	\$'000	\$'000	\$'000	\$'000
Consolidated Entity				
Year ended 30 June 2010				
As at 1 July 2009, net of accumulated amortisation	-	6,485	4,983	11,468
Additions	2,388	483	948	3,819
Amortisation	-	(100)	(1,444)	(1,544)
As at 30 June 2010, net of accumulated amortisation	2,388	6,868	4,487	13,743
As at 1 July 2009				
Cost (gross carrying amount)	-	6,543	12,530	19,073
Accumulated amortisation and impairment	-	(58)	(7,547)	(7,605)
As at 1 July 2009, net of accumulated amortisation	-	6,485	4,983	11,468
As at 30 June 2010				
Cost (gross carrying amount)	2,388	7,026	13,348	22,762
Accumulated amortisation and impairment	-	(158)	(8,861)	(9,019)
As at 30 June 2010, net of accumulated amortisation	2,388	6,868	4,487	13,743

FOR THE YEAR ENDED 30 JUNE 2010

	Exploration & Evaluation \$'000	Non-Current Carbon Sequestration \$'000	Computer Software \$'000	Total \$'000
Note 8 Intangible Assets (continued)				
Parent Entity				
Year ended 30 June 2010				
As at 1 July 2009, net of accumulated amortisation	-	6,485	4,983	11,468
Additions	-	483	948	1,431
Amortisation	-	(100)	(1,444)	(1,544)
As at 30 June 2010, net of accumulated amortisation	-	6,868	4,487	11,355
As at 1 July 2009				
Cost (gross carrying amount)	-	6,543	12,530	19,073
Accumulated amortisation and impairment	-	(58)	(7,547)	(7,605)
As at 1 July 2009, net of accumulated amortisation	-	6,485	4,983	11,468
As at 30 June 2010				
Cost (gross carrying amount)	-	7,026	13,348	20,374
Accumulated amortisation and impairment	-	(158)	(8,861)	(9,019)
As at 30 June 2010, net of accumulated amortisation	-	6,868	4,487	11,355
Included in intangibles as at 30 June 2010 is an amount of \$305,755 (2009 - \$1,366,159) relating to work in progress expenditure.				

Consolidated and Parent Entity
Year ended 30 June 2009

As at 1 July 2008, net of accumulated amortisation	-	4,410	5,993	10,403
Additions	-	2,126	1,966	4,092
Amortisation	-	(51)	(2,976)	(3,027)
As at 30 June 2009, net of accumulated amortisation	-	6,485	4,983	11,468
As at 1 July 2008				
Cost (gross carrying amount)	-	4,418	18,088	22,506
Accumulated amortisation and impairment	-	(8)	(12,095)	(12,103)
As at 1 July 2008, net of accumulated amortisation	-	4,410	5,993	10,403
As at 30 June 2009				
Cost (gross carrying amount)	-	6,543	12,530	19,073
Accumulated amortisation and impairment	-	(58)	(7,547)	(7,605)
As at 30 June 2009, net of accumulated amortisation	-	6,485	4,983	11,468

	Consolidated		Parent Entity
	2010	2009	2010
	\$'000	\$'000	\$'000

Note 9 Electricity and Foreign Exchange Derivatives - Assets

Current asset - electricity and foreign exchange derivatives	21,063	1,826	21,063	1,826
Non-current asset - electricity and foreign exchange derivatives	9,669	2,296	9,669	2,296
	30,732	4,122	30,732	4,122

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Note 10 Assets Held for Sale				
As at 1 July	537	-	537	-
Transfer (to)/from investment properties	-	549	-	549
Less: Cost to sell the assets	-	(12)	-	(12)
Disposals	(537)	-	(537)	-
As at 30 June	-	537	-	537

The asset held for sale was sold during the current reporting period.

Note 11 Other Current Assets

New South Wales Greenhouse Abatement Certificates	986	1,291	986	1,291
---	------------	-------	------------	-------

Eraring Energy registers internally generated NGACs from power station efficiency measures and also previously purchased forestry rights which have been converted to NGACs.

Note 12 Investments

Investment – Rocky Point Holdings	-	-	24,943	-
Equity accounted investment – Cobbora	19,840	-	-	-
	19,840	-	24,943	-

As at balance date, Eraring Energy held 100% of the shareholding in Rocky Point Holdings Pty Limited. As at balance date, the consolidated entity held a 23.32% share in the Cobbora unincorporated joint venture. The NSW Government's Energy Reform Transaction Strategy may have a significant impact upon the entity's ownership of a share in Cobbora.

Reconciliation of Movement in Investments:

Consolidated entity

Opening balance		-	-
Additions		20,058	-
Share of profit/(loss) – Cobbora Coal Unit Trust		(218)	-
Closing balance		19,840	-

Parent entity

Opening balance		-	-
Additions		24,943	-
Closing balance		24,943	-

FOR THE YEAR ENDED 30 JUNE 2010

	Freehold Land \$'000	Power Station Building \$'000	Other Buildings \$'000	Plant & Equipment Power Stn \$'000	Plant & Equipment Other \$'000	Leasehold Improve- ment \$'000	Total \$'000
Note 13 Property, Plant and Equipment							
Consolidated and Parent Entity 2010							
As at 1 July 2009, net of accumulated depreciation	31,716	19,221	767	1,659,076	11,001	361	1,722,142
Additions	2	3,166	-	189,435	3,195	-	195,798
Parent plant spares transfer	-	-	-	9,116	-	-	9,116
Capital spares transfer	-	-	-	2,737	-	-	2,737
Revaluation	(6,461)	2,273	65	84,461	-	-	80,338
Impairment	-	(736)	-	(41,783)	-	-	(42,519)
Disposals	-	-	-	(905)	(404)	-	(1,309)
Depreciation charge for the year	-	(645)	(27)	(79,706)	(2,091)	(93)	(82,562)
Balance @ 30 June 2010	25,257	23,279	805	1,822,431	11,701	268	1,883,741
As at 1 July 2009							
Cost or fair value	31,716	72,567	930	4,423,829	19,932	929	4,549,903
Accumulated depreciation	-	(9,023)	(163)	(770,290)	(8,931)	(568)	(788,975)
Accumulated impairment	-	(44,323)	-	(1,994,463)	-	-	(2,038,786)
Net carrying amount	31,716	19,221	767	1,659,076	11,001	361	1,722,142
As at 30 June 2010							
Cost or fair value	25,257	78,366	1,054	4,722,166	22,001	929	4,849,773
Accumulated depreciation	-	(10,028)	(249)	(863,489)	(10,300)	(661)	(884,727)
Accumulated impairment	-	(45,059)	-	(2,036,246)	-	-	(2,081,305)
Net carrying amount	25,257	23,279	805	1,822,431	11,701	268	1,883,741
Consolidated and Parent Entity 2009							
As at 1 July 2008, net of accumulated depreciation	31,714	21,002	794	2,163,556	12,268	452	2,229,786
Additions	2	1,699	-	165,672	1,313	-	168,686
Parent plant spares transfer	-	-	-	7,028	-	-	7,028
Capital spares transfer	-	-	-	655	-	-	655
Revaluation	-	1,916	-	327,694	-	-	329,610
Impairment	-	(4,676)	-	(903,887)	-	-	(908,563)
Disposals	-	(5)	-	(29)	(633)	-	(667)
Depreciation charge for the year	-	(715)	(27)	(101,613)	(1,947)	(91)	(104,393)
Balance @ 30 June 2009	31,716	19,221	767	1,659,076	11,001	361	1,722,142
As at 1 July 2008							
Cost or fair value	31,714	68,747	930	3,851,880	20,418	929	3,974,618
Accumulated depreciation	-	(8,098)	(136)	(597,748)	(8,150)	(477)	(614,609)
Accumulated impairment	-	(39,647)	-	(1,090,576)	-	-	(1,130,223)
Net carrying amount	31,714	21,002	794	2,163,556	12,268	452	2,229,786
As at 30 June 2009							
Cost or fair value	31,716	72,567	930	4,423,829	19,932	929	4,549,903
Accumulated depreciation	-	(9,023)	(163)	(770,290)	(8,931)	(568)	(788,975)
Accumulated impairment	-	(44,323)	-	(1,994,463)	-	-	(2,038,786)
Net carrying amount	31,716	19,221	767	1,659,076	11,001	361	1,722,142

Valuation of Power Station Equipment and Power Station Buildings

The classes of power station equipment and associated building assets are measured on a fair value basis. An independent review of the written down replacement value of the Eraring power station was conducted by Rodney Hyman Asset Services as at 30 June 2009. An independent review of the written down replacement value of the hydro and wind stations was conducted by Rodney Hyman Asset Services as at 30 June 2007. These reviews have been used as the basis for the written down replacement value as at 30 June 2010, adjusted for remaining useful life, CPI and foreign exchange movements. The revaluation resulted in an increase to the power station building and plant and equipment power station classes of \$87 million. Revaluation in 2009 resulted in an increase of \$330 million.

Note 13 Property, Plant and Equipment (continued)

The discounted cash flow valuation (DCF) was conducted effective at 30 June 2010 using existing electricity and coal contracts and forecast contract and spot of electricity referencing external forward price curves, together with internal assumptions out to 2032 – the remaining life of Eraring Power Station. Estimates for new coal sourcing and pricing, generation volumes as well as carbon reduction scheme assumptions have been included. The written down optimised replacement value exceeded the DCF value, and in accordance with Accounting Standards, the DCF value was used. The impairment adjustment resulted in a decrease in asset value of \$42.5 million. In 2009, the impairment adjustment resulted in a decrease in asset value of \$909 million.

The gross replacement cost for power station buildings, plant and equipment at 30 June 2010 was \$8,333 million and accumulated depreciation was \$4,658 million. This does not include amounts for work in progress and capital spares which are included in the fair value of power station buildings, plant and equipment of \$3,927 million.

The discounted cash flow valuation of property, plant and equipment uses a number of estimates which are subject to volatility in competitive energy and coal markets. The most vulnerable are forecasting long term electricity and coal prices and production levels in an environment of predicting the timing of new entrants, technology improvements, the regulatory regime including a potential greenhouse impost on generators (a carbon reduction scheme), general competitive bidding behaviour as well as world energy prices. In addition, cashflows do not consider the potential impacts of energy reforms. The consequences of these factors in particular may cause future asset values to materially change. Eraring uses its internal weighted average cost of capital to discount future revenue and cost streams to present value. A 0.5% change in the weighted average cost of capital alters asset values by around \$50 million.

The NSW Government's Energy Reform Transaction Strategy includes maintaining public ownership of existing power stations and contracting to the private sector the right to sell electricity produced by Eraring Energy (the Gentrader model).

Valuation of Land

The class of land assets are measured at fair value. An independent review of the fair value of Eraring Energy land was conducted by BEM Property Consultants and Valuers as at 30 June 2010. The revaluation resulted in a decrease in value of \$6.4 million. No land valuation was conducted in 2009.

Valuation of Other Buildings

The class of other buildings are measured at fair value. An independent review of the fair value of Eraring Energy buildings was conducted by BEM Property Consultants and Valuers as at 30 June 2010. The revaluation resulted in an increase in value of \$65,000. No valuation was conducted in 2009.

Impairment of Other Property, Plant and Equipment

Blayney and Crookwell windfarm cash generating units are recorded at fair value using the discounted cash flow method as this value is lower than the written down optimised replacement value. A review conducted by Rodney Hyman Asset Services as at 30 June 2007 has been used as the basis for the written down optimised replacement value as at 30 June 2010, adjusted for remaining useful life and CPI movements. The revaluation resulted in an increase to the value of wind farms of \$1.2 million as at 30 June 2010. The revaluation adjustment reversed a prior period impairment loss of \$0.6 million which has been recognised in profit or loss and \$0.6 million has been recognised in the asset revaluation reserve. The total impairment loss reversed in 2009 was \$0.2 million.

Property, Plant and Equipment Revaluation

The revaluation resulted in the carrying amount of property, plant and equipment increasing by \$41.5 million, with the gross revaluation increase being \$80.3 million reduced by an impairment adjustment of \$38.8 million.

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

	Freehold Land	Power Station Building	Other Buildings	Plant & Equipment Power Stn	Plant & Equipment Other	Leasehold Improve- ment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Parent Entity 2010							
Cost	2,802	20,591	1,862	1,788,836	22,001	929	1,837,021
Accumulated depreciation	-	(4,386)	(462)	(483,210)	(10,299)	(661)	(499,018)
Net carrying amount	2,802	16,205	1,400	1,305,626	11,702	268	1,338,003
Parent Entity 2009							
Cost	2,800	17,328	1,959	1,590,141	19,932	929	1,633,089
Accumulated depreciation	-	(3,920)	(412)	(427,404)	(8,930)	(568)	(441,234)
Net carrying amount	2,800	13,408	1,547	1,162,737	11,002	361	1,191,855

Included in plant and equipment as at 30 June is an amount of \$180,719,085 (2009 - \$203,177,881) relating to work in progress expenditure.

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Note 14 Investment Properties				
Investment properties	6,940	9,475	6,940	9,475
Reconciliation				
As at 1 July	9,475	10,225	9,475	10,225
Net gain / (loss) from fair value adjustments	(2,535)	(201)	(2,535)	(201)
Transfer (to) / from assets held for sale	-	(549)	-	(549)
As at 30 June	6,940	9,475	6,940	9,475

The carrying amount of investment property is the fair value of the property as determined by BEM Property Consultants Pty Ltd as at 30 June 2010. BEM Property Consultants is an industry specialist in valuing these type of investment properties.

Note 15 Payables

Trade payables	32,095	30,231	32,095	30,231
Other payables	58,994	45,402	58,779	43,958
	91,089	75,633	90,874	74,189

Note 16 Interest Bearing Liabilities

Borrowings	624,834	507,335	624,834	507,335
------------	----------------	---------	----------------	---------

Debt Maturity Profile

Current Borrowings

Short term loans - face value	100,435	72,926	100,435	72,926
	100,435	72,926	100,435	72,926

Non-Current Borrowings

Non-current borrowings	534,767	442,428	534,767	442,428
Premium on domestic loans issued by NSW Tcorp	(10,368)	(8,019)	(10,368)	(8,019)
	524,399	434,409	524,399	434,409

Total Debt and Maturity Analysis

Total debt outstanding at 30 June 2010, and maturity pattern is:

Up to one year	100,435	72,926	100,435	72,926
Over one and up to two years	103,972	50,317	103,972	50,317
Over two and up to five years	135,385	114,062	135,385	114,062
Over five years	285,042	270,030	285,042	270,030
Total	624,834	507,335	624,834	507,335

Finance Facilities Available

Bank overdraft	2,000	2,000	2,000	2,000
NSW Treasury Corporation loans and come and go	960,000	840,000	960,000	840,000
Total	962,000	842,000	962,000	842,000

Finance Facilities Used as at 30 June 2010

NSW Treasury Corporation loans and come and go	624,834	507,335	624,834	507,335
Total	624,834	507,335	624,834	507,335

Eraring Energy also utilises TCorp facilities for contingent liabilities associated with dust disease liabilities (\$21,000,000) and letters of credit for futures transactions (\$5,000,000), Commonwealth Bank of Australia facilities for intra day cash management (real time gross settlements - \$20,000,000) and credit card facilities (\$1,250,000) as approved by the Treasurer of NSW under the Public Authorities (Financial Arrangements) Act 1987. With the exception of the Commonwealth Bank of Australia facilities, all new borrowings are arranged through TCorp.

The come and go facility of \$40,000,000 is used for short term working capital and other discrete (rather than continuous) requirements. The principal is repaid and redrawn at any time within approved limits.

		Consolidated		Parent Entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Note 17 Provisions					
Current					
Dividend	(see Note 22)	64,678	60,398	64,678	60,398
Employee entitlements	(see Note 23)	20,797	20,329	20,797	20,329
Insurances		1,960	1,850	1,960	1,850
		87,435	82,577	87,435	82,577
Non-current					
Employee entitlements	(see Note 23)	695	731	695	731
Insurances		16,360	17,630	16,360	17,630
		17,055	18,361	17,055	18,361

Reconciliations

Reconciliations of the carrying amounts of each class of provision, other than employee benefits, at the end of the current financial year are set out below:

	Consolidated		Non Current	Total
	Dividend \$'000	Insurances \$'000	Insurances \$'000	\$'000
Consolidated 2010				
Balance @ 01 July 2009	60,398	1,850	17,630	79,878
Additional provisions recognised / (written back)	64,678	1,960	(1,087)	65,551
Provision payments	(60,398)	(1,850)	(183)	(62,431)
Balance @ 30 June 2010	64,678	1,960	16,360	82,998
Parent Entity 2010				
Balance @ 01 July 2009	60,398	1,850	17,630	79,878
Additional provisions recognised / (written back)	64,678	1,960	(1,087)	65,551
Provision payments	(60,398)	(1,850)	(183)	(62,431)
Balance @ 30 June 2010	64,678	1,960	16,360	82,998

The insurance provision comprises workers' compensation claims for employees, and existing and future dust diseases insurance liabilities for third party contractors and employees associated with:

Former decommissioned Power Stations of the former Electricity Commission;

Delta Electricity and Macquarie Generation Power Stations prior to their formation; and

Pacific Power prior to 2nd August 2000 were transferred to Eraring Energy with the WorkCover licence under the Ministerial Order.

The minimum amount certified by the actuary in accordance with Clause 3.3 (a) (iv) of the Self Insurer licence provisions is \$2,920,000 (2009 - \$2,380,000). The insurance provision includes a provision of \$16,230,000 (2009 - \$17,550,000) which relates to other than Eraring Energy employees and contractors. Eraring Energy has created an asset in these financial statements for anticipated insurance recoveries from third parties where matters have already been settled and recovery virtually certain. The value of this asset is \$510,000 (2009 - \$610,000), and is in accordance with independent actuarial advice (see Note 6). These recoveries relate to settled claims under previous legislation. Legislation which came into force on 1st July 2005 requires the joining of co-defendants at inception and allocation of liability.

The actuarial assessment is based on estimates of future claims (based on past experience), forecast cost of claims and annual year on year increases, all of which impact on the assessed liability. Changes to these recovery estimates could impact future provisions. A 0.5% change in the rate used to discount future net liabilities to present value, would result in a change of around \$0.5 million.

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Note 18 Electricity and Foreign Exchange Derivatives - Liabilities				
Current liability - electricity and foreign exchange derivatives	15,469	26,719	15,469	26,719
Non-current liability - electricity and foreign exchange derivatives	723	13,698	723	13,698
	16,192	40,417	16,192	40,417

Note 19 Other Current Liabilities

Superannuation - underfunded liability	(see Note 23)	64,566	49,671	64,566	49,671
Joint venture losses associated with Rocky Point Holdings		-	74	-	-
		64,566	49,745	64,566	49,671

Note 20 Contributed Equity, Reserves and Retained Profits

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets measured at fair value and adjusted for impairment.

Net income / (expense) recognised directly in the hedging reserve relates to the movement in the fair value of hedge contracts, net of tax.

In accordance with the State Owned Corporations Act, 1989, the two voting shareholders, the Hon. Eric Roozendaal MLC, Treasurer, and the Hon. Michael Daley MP, Minister for Finance, held one share each valued at \$1.00 per share at balance date.

Note 21 Commitments**Capital commitments payable:**

Within one year	149,427	171,839	148,582	171,839
Later than one year but not later than five years	66,851	125,262	66,851	125,262
	216,278	297,101	215,433	297,101

Operating lease rentals payable:

Within one year	843	352	730	352
Later than one year but not later than five years	2,582	449	2,582	449
Later than five years	2,094	2,094	2,094	2,094
	5,519	2,895	5,406	2,895

Operating expenditure commitments payable:

Within one year	47,396	49,114	47,396	49,114
Later than one year but not later than five years	20,282	34,679	20,282	34,679
	67,678	83,793	67,678	83,793

Eraring Energy expects to receive input tax credits from the Australian Taxation Office totalling \$26,251,504 (2009 - \$34,889,978) for Goods and Services Tax paid with these commitments.

Operating Leases

The operating lease commitments are non-cancellable and are not provided for in the accounts.

Note 22 Dividends

In accordance with the share dividends scheme determined by the voting shareholders, and as required by the Energy Services Corporation Act, 1995 and State Owned Corporations Act, 1989, the Board has provided for a consolidated dividend payment of \$64,677,912 (2009 - \$60,397,622). This will be paid during the course of the 2010/11 financial year and is represented by the balance of the provision (see Note 17). The dividend provision has been decreased by the amount of \$530,690 (2009 - \$307,314) for net payments for worker's compensation and dust disease Court determinations for other than Eraring Energy employees. This liability was transferred from the NSW Government to Eraring Energy on corporatisation with agreement for the matter to be treated as a community service obligation and the net of payments less recoveries deducted from dividends.

Note 23 Employee Entitlements**Provision for employee entitlements**

		Consolidated		Parent Entity	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Current	(see Note 17)	20,797	20,329	20,797	20,329
Non-current	(see Note 17)	695	731	695	731
		21,492	21,060	21,492	21,060

Defined benefits superannuation balance

Superannuation – underfunded (liability)	(see Note 19)	(64,566)	(49,671)	(64,566)	(49,671)
--	---------------	-----------------	----------	-----------------	----------

Long Service Leave

Long service leave is measured at its present value, using the following assumptions:

Consumer price index	3.0%
Investment return	5.1%
Salary increase	3.5%

Superannuation

Eraring Energy contributes to three defined benefit superannuation schemes which are managed by Pillar. The pooled fund holds in trust the investments of the closed NSW public sector superannuation schemes. These schemes are the State Superannuation Scheme (SSS), State Authorities Superannuation Scheme (SASS) and the State Authorities Non-Contributory Superannuation Scheme (SANCS).

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

Superannuation asset and liability balances are impacted by fund earnings, the Government bond rate used to discount future liabilities to present value and actuarial demographics, each of which could have a material impact on the values in the future.

Superannuation position as at 30 June 2010

	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Reconciliation of the assets and liabilities recognised in the Statement of Financial Position				
Present value of partly funded defined benefits obligations	51,835	11,450	165,726	229,011
Fair value of fund assets	(44,411)	(10,270)	(109,765)	(164,446)
Net (asset)/liability recognised in the Statement of Financial Position	7,424	1,180	55,961	64,565
Reconciliation of the present value of the defined benefit obligation				
Present value of partly funded defined benefit obligations at the start of the year	44,485	10,586	145,319	200,390
Current service cost	1,282	504	1,489	3,275
Interest cost	2,420	568	8,038	11,026
Contributions by fund participants	671	-	1,482	2,153
Actuarial (gains)/losses	4,472	873	12,904	18,249
Benefits paid	(1,495)	(1,081)	(3,506)	(6,082)
Present value of partly funded defined benefit obligations at the end of the year	51,835	11,450	165,726	229,011

FOR THE YEAR ENDED 30 JUNE 2010

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Note 23 Employee Entitlements (continued)				
Superannuation position as at 30 June 2010				
Reconciliation of the fair value of fund assets				
Fair value of fund assets at the start of the year	39,467	9,925	101,327	150,719
Expected return on fund assets	3,345	840	8,683	12,868
Actuarial gains/(losses)	966	36	(296)	706
Employer contributions	1,457	550	2,075	4,082
Contributions by fund participants	671	-	1,482	2,153
Benefits paid	(1,495)	(1,081)	(3,506)	(6,082)
Fair value of fund assets at the end of the year	44,411	10,270	109,765	164,446
Expense/(income) recognised in profit or loss				
Components recognised in profit or loss				
Current service cost	1,282	504	1,489	3,275
Interest cost	2,420	568	8,038	11,026
Expected return on fund assets (net of expenses)	(3,345)	(840)	(8,683)	(12,868)
Expense/(income) recognised	357	232	844	1,433
Amounts recognised in other comprehensive income				
Actuarial (gains)/losses	3,506	836	13,200	17,542
Cumulative amount recognised in other comprehensive income				
Actuarial (gains)/losses	11,740	3,492	51,935	67,167
Actual return on fund assets				
Actual return on fund assets	3,683	876	9,311	13,870
Expected contributions				
Expected employer contributions to be paid in the next reporting period	1,275	559	2,371	4,205
Member numbers				
Contributors	127	214	87	
Deferred benefits	-	-	4	
Pensioners	3	-	84	
Pensioners fully commuted	-	-	7	

Superannuation position as at 30 June 2009**Reconciliation of the assets and liabilities recognised in the Statement of Financial Position**

Present value of partly funded defined benefits obligations	44,485	10,586	145,319	200,390
Fair value of fund assets	(39,467)	(9,925)	(101,327)	(150,719)
Net (asset)/liability recognised in the Statement of Financial Position	5,018	661	43,992	49,671

Reconciliation of the present value of the defined benefit obligation

Present value of partly funded defined benefit obligations at the start of the year	40,273	9,133	112,541	161,947
Current service cost	1,175	468	1,133	2,776
Interest cost	2,558	571	7,282	10,411
Contributions by fund participants	653	-	1,352	2,005
Actuarial (gains)/losses	1,498	829	28,420	30,747
Benefits paid	(1,672)	(415)	(5,409)	(7,496)
Present value of partly funded defined benefit obligations at the end of the year	44,485	10,586	145,319	200,390

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Note 23 Employee Entitlements (continued)				
Superannuation position as at 30 June 2009				
Reconciliation of the fair value of fund assets				
Fair value of fund assets at the start of the year	42,241	10,789	110,855	163,885
Expected return on fund assets	3,385	865	8,987	13,237
Actuarial gains/(losses)	(6,632)	(1,916)	(16,886)	(25,434)
Employer contributions	1,493	603	2,427	4,523
Contributions by fund participants	653	-	1,352	2,005
Benefits paid	(1,673)	(416)	(5,408)	(7,497)
Fair value of fund assets at the end of the year	39,467	9,925	101,327	150,719
Expense/(income) recognised in profit or loss				
Components recognised in profit or loss				
Current service cost	1,175	468	1,133	2,776
Interest cost	2,558	571	7,282	10,411
Expected return on fund assets (net of expenses)	(3,385)	(865)	(8,987)	(13,237)
Expense/(income) recognised	348	174	(572)	(50)
Amounts recognised in other comprehensive income				
Actuarial (gains)/losses	8,130	2,745	45,306	56,181
Cumulative amount recognised in other comprehensive income				
Actuarial (gains)/losses	8,234	2,656	38,735	49,625
Actual return on plan assets				
Actual return on plan assets	(4,150)	(1,051)	(10,742)	(15,943)
Expected contributions				
Expected employer contributions	1,241	533	2,162	3,936
Member numbers				
Contributors	130	233	103	
Deferred benefits	-	-	4	
Pensioners	2	-	70	
Pensioners fully commuted	-	-	6	
Historical information - 2010				
Present value of defined benefit obligation	51,835	11,450	165,726	229,011
Fair value of fund assets	(44,411)	(10,270)	(109,765)	(164,446)
(Surplus)/deficit in fund	7,424	1,180	55,961	64,565
Experience adjustment - fund liabilities	4,472	873	12,904	18,249
Experience adjustment - fund assets	(966)	(36)	296	(706)
Historical information - 2009				
Present value of defined benefit obligation	44,485	10,586	145,319	200,390
Fair value of fund assets	(39,467)	(9,925)	(101,327)	(150,719)
(Surplus)/deficit in fund	5,018	661	43,992	49,671
Experience adjustment - fund liabilities	1,498	829	28,420	30,747
Experience adjustment - fund assets	6,632	1,916	16,886	25,434
Historical information - 2008				
Present value of defined benefit obligation	40,273	9,133	112,541	161,947
Fair value of fund assets	(42,241)	(10,789)	(110,855)	(163,885)
(Surplus)/deficit in fund	(1,968)	(1,656)	1,686	(1,938)
Experience adjustment - fund liabilities	(712)	163	(2,439)	(2,988)
Experience adjustment - fund assets	5,235	1,660	16,237	23,132

FOR THE YEAR ENDED 30 JUNE 2010

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Note 23 Employee Entitlements (continued)				
Historical information - 2007				
Present value of defined benefit obligation	38,198	8,652	108,755	155,605
Fair value of fund assets	(43,583)	(11,693)	(117,805)	(173,081)
(Surplus)/deficit in fund	(5,385)	(3,041)	(9,050)	(17,476)
Experience adjustment – fund liabilities	1,219	(171)	(7,296)	(6,248)
Experience adjustment – fund assets	(3,144)	(666)	(5,013)	(8,823)
Historical information - 2006				
Present value of defined benefit obligation	33,970	8,684	109,293	151,947
Fair value of fund assets	(36,624)	(10,533)	(103,540)	(150,697)
(Surplus)/deficit in fund	(2,654)	(1,849)	5,753	1,250
Experience adjustment – fund liabilities	(222)	(458)	(8,215)	(8,895)
Experience adjustment – fund assets	(2,912)	(763)	(9,303)	(12,978)

Assets invested in the entity or in property occupied by the entity

All fund assets are invested by the Superannuation Trustee Corporation (STC) at arm's length through independent fund managers.

Expected rate of return on assets

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

Principal actuarial assumptions at the reporting date

	2010	2009
Salary increase rate (excluding promotional increases)	3.5% pa	3.5% pa
Rate of CPI Increase	2.5% pa	2.5% pa
Expected rate of return on assets	8.60%	8.13%
Discount rate	5.17%	5.59%

Fund assets

The percentage invested in each asset class at the balance date are:

	2010	2009
Australian equities	31.0%	32.1%
Overseas equities	26.8%	26.0%
Australian fixed interest securities	6.1%	6.2%
Overseas fixed interest securities	4.3%	4.7%
Property	9.5%	10.0%
Cash	9.6%	8.0%
Other	12.7%	13.0%

Arrangements for employer contributions for funding

The following is a summary of the financial position of the fund calculated in accordance with AAS 25 -

Financial Reporting by Superannuation Plans.

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Financial position as at 30 June 2010				
Accrued benefits	46,230	10,382	112,903	169,515
Net market value of fund assets	(44,411)	(10,270)	(109,765)	(164,446)
Net (surplus)/deficit	1,819	112	3,138	5,069
Financial position as at 30 June 2009				
Accrued benefits	40,599	9,718	104,236	154,553
Net market value of fund assets	(39,467)	(9,925)	(101,327)	(150,719)
Net (surplus)/deficit	1,132	(207)	2,909	3,834

Recommended contributions rates for the entity are:

SASS	SANCS	SSS
multiple of member contributions	% member salary	multiple of member contributions
1.90	2.50	1.60

Note 23 Employee Entitlements (continued)**Funding method**

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

The economic assumptions adopted for the 2009 actuarial review of the Fund were:	June 2010
Expected rate of return on fund assets backing other liabilities	8.3% pa
Expected rate of return on fund assets backing current pension liabilities	7.3% pa
Expected salary increase rate	4.0% pa
Expected rate of CPI increase	2.5% pa

Nature of asset/liability

If a surplus exists in the employer's interest in the fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the fund's actuary. Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.

Valuation method

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

Demographic assumptions

The demographic assumptions at 30 June 2010 are those that will be used in the 2009 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

Note 24 Financial Instruments

The consolidated entity's financial instruments are outlined below. These financial instruments arise directly from the consolidated entity's operations or are required to finance the consolidated entity's operations. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

The Board, the Board Risk Committee and the Energy Trading Risk Management Committee (ETRM) has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the consolidated entity, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the ETRM on a continuous basis.

a) Financial Instrument Categories

			Carrying Amount 2010 \$'000	Carrying Amount 2009 \$'000
	Note	Category		
Consolidated Entity				
Financial Assets				
Cash and cash equivalents	5	Not applicable	5,941	6,401
Trade receivables	6	Loans and receivables at amortised cost	54,660	64,017
Electricity derivative – designated (CFH)	9	Derivative instruments in designated hedge accounting relationship	25,084	3,626
Electricity derivative – non designated	9	Fair value through profit & loss – held for trading	3,942	496
Forward foreign exchange contract (CFH)	9	Derivative instruments in designated hedge accounting relationship – fair value deferred in equity	1,705	-
Financial Liabilities				
Borrowings	16	Financial liabilities at amortised cost	624,834	507,335
Accounts payable	15	Financial liabilities at amortised cost	91,089	75,633
Electricity derivative – designated (CFH)	18	Derivative instruments in designated hedge accounting relationship – fair value deferred in equity	1,230	12,485
Electricity derivative – non designated	18	Fair value through profit & loss – held for trading	241	20
Forward foreign exchange contract (CFH)	18	Derivative instruments in designated hedge accounting relationship – fair value deferred in equity	14,721	27,912

FOR THE YEAR ENDED 30 JUNE 2010

			Carrying Amount 2010 \$'000	Carrying Amount 2009 \$'000
	Note	Category		
Note 24 Financial Instruments (continued)				
Parent Entity				
Financial Assets				
Cash and cash equivalents	5	Not applicable	5,686	5,156
Trade receivables	6	Loans and receivables at amortised cost	54,581	63,352
Electricity derivative – designated (CFH)	9	Derivative instruments in designated hedge accounting relationship	25,084	3,626
Electricity derivative – non designated	9	Fair value through profit & loss – held for trading	3,942	496
Forward foreign exchange contract (CFH)	9	Derivative instruments in designated hedge accounting relationship – fair value deferred in equity	1,705	-
Financial Liabilities				
Borrowings	16	Financial liabilities at amortised cost	624,834	507,335
Accounts payable	15	Financial liabilities at amortised cost	90,874	74,189
Electricity derivative – designated (CFH)	18	Derivative instruments in designated hedge accounting relationship – fair value deferred in equity	1,230	12,485
Electricity derivative – non designated	18	Fair value through profit & loss – held for trading	241	20
Forward foreign exchange contract (CFH)	18	Derivative instruments in designated hedge accounting relationship – fair value deferred in equity	14,721	27,912

CFH = Cash flow hedge

b) Credit Risk

Credit risk arises when there is the possibility of the consolidated entity's debtors defaulting on their contractual obligations, resulting in a financial loss. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the consolidated entity, including receivables, deposits and derivative transactions that are used in risk mitigation strategies. Following Board approved policy, exposure limits are applied to each respective counterparty. This is done by reference to an acceptable public credit rating assigned by an approved credit rating agency, or in the absence of an acceptable public rating, by assessing internally the credit rating of that counterparty using a methodology consistent with the approach of an approved credit rating agency. Credit limits and exposures are monitored regularly. It is preferred policy to seek an ISDA master agreement with all trading counterparts, and when necessary, the ISDA may require a Bank Guarantee or other acceptable security exercisable in the State of New South Wales.

As the parent entity is a generator in the National Electricity Market (NEM), all electricity counterparties have to adhere to strict prudential guidelines including settlement of derivative transactions in accordance with the AEMO timetable. As a result the parent entity's exposure to financial assets that are past due are insignificant, and there are no debtors which are currently past due. The doubtful debts reconciliation is shown below.

Financial Assets	Government \$'000	Banks \$'000	Others \$'000	Total \$'000
Consolidated 2010				
Cash	-	5,941	-	5,941
Trade Receivables	49,869	774	4,017	54,660
Derivatives	15,663	5,689	9,380	30,732
Other	-	-	4	4
Total Financial Assets	65,532	12,404	13,401	91,337
Parent Entity 2010				
Cash	-	5,686	-	5,686
Trade Receivables	49,865	774	3,942	54,581
Derivatives	15,663	5,689	9,380	30,732
Other	-	-	4	4
Total Financial Assets	65,528	12,149	13,326	91,003

	Government \$'000	Banks \$'000	Others \$'000	Total \$'000
Note 24 Financial Instruments (continued)				
Financial Assets				
Consolidated 2009				
Cash	-	6,401	-	6,401
Trade Receivables	58,624	695	4,698	64,017
Derivatives	659	-	3,463	4,122
Other	-	-	4	4
Total Financial Assets	59,283	7,096	8,165	74,544
Parent Entity 2009				
Cash	-	5,156	-	5,156
Trade Receivables	57,978	695	4,679	63,352
Derivatives	659	-	3,463	4,122
Other	-	-	4	4
Total Financial Assets	58,637	5,851	8,146	72,634
			Carrying Amount 2010 \$'000	Carrying Amount 2009 \$'000
Doubtful Debts Reconciliation				
As at 1 July			-	18
Provision adjustment			-	(18)
As at 30 June			-	-

c) Liquidity Risk

Liquidity risk is the risk that the consolidated entity will be unable to meet its payment obligations when they fall due. The consolidated entity continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and New South Wales TCorp agreed facilities.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The consolidated entity's exposure to liquidity risk is deemed insignificant based on prior periods data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers are settled in accordance with the consolidated entity's accounting policies.

	Floating Interest Rate \$'000	Fixed Interest Rate Maturing In			Non- Interest Bearing \$'000	Nominal Amount* \$'000	Weighted Average Effective Interest Rate pa %
		1 Year or less \$'000	1 to 5 Years \$'000	Over 5 Years \$'000			
Financial Liabilities							
Consolidated 2010							
Accounts Payable	-	-	-	-	91,089	91,089	-
Derivatives	-	14,238	636	-	2,484	17,358	-
Debt	38,000	86,022	338,693	348,236	-	810,951	5.87%
Other	-	-	-	-	64,678	64,678	-
Total Financial Liabilities	38,000	100,260	339,329	348,236	158,251	984,076	-
Parent Entity 2010							
Accounts Payable	-	-	-	-	90,874	90,874	-
Derivatives	-	14,238	636	-	2,484	17,358	-
Debt	38,000	86,022	338,693	348,236	-	810,951	5.87%
Other	-	-	-	-	64,678	64,678	-
Total Financial Liabilities	38,000	100,260	339,329	348,236	158,036	983,861	-

FOR THE YEAR ENDED 30 JUNE 2010

Note 24 Financial Instruments (continued)

	Floating Interest Rate	Fixed Interest Rate Maturing In			Non- Interest Bearing	Nominal Amount*	Weighted Average Effective Interest Rate pa %
	\$'000	1 Year or less \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	\$'000	\$'000	
Consolidated 2009							
Accounts Payable	-	-	-	-	75,633	75,633	-
Derivatives	-	16,492	13,768	-	12,505	42,765	-
Debt	34,000	65,705	240,254	317,247	-	657,206	5.70%
Other	-	-	-	-	60,398	60,398	-
Total Financial Liabilities	34,000	82,197	254,022	317,247	148,536	836,002	-
Parent Entity 2009							
Accounts Payable	-	-	-	-	74,189	74,189	-
Derivatives	-	16,492	13,768	-	12,505	42,765	-
Debt	34,000	65,705	240,254	317,247	-	657,206	5.70%
Other	-	-	-	-	60,398	60,398	-
Total Financial Liabilities	34,000	82,197	254,022	317,247	147,092	834,558	-

* The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities, therefore the amounts disclosed may not reconcile to the Statement of Financial Position.

d) Market Risk
Consolidated and Parent Entity

The consolidated entity's activities expose it to a variety of market risks including interest rate risk, foreign exchange risk and price risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial and commodity markets and seeks to minimise potential adverse effects on the consolidated entity's financial performance.

Risk management for both interest rate risk and foreign exchange risk are undertaken by the Treasury section, while price risk is monitored by the Trading risk management team. Both risk management functions operate under policies and procedures approved by the Board, Board Risk Committee and both report weekly to the Energy Trading Risk Management Committee (ETRM). The Treasury Risk Management Committee (TRMC) meet monthly to review interest rate and foreign exchange risks.

(i) Interest Rate Risk

Exposure to interest rate risk arises primarily through the consolidated entity's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings with NSW TCorp. The consolidated entity does not account for any fixed rate financial instruments at fair value through profit or loss or as available for sale. Therefore for these financial instruments a change in interest rates would not affect profit and loss or equity. A reasonable possible change of +/- 1% is used, consistent with current trends in interest rates. The consolidated entity's exposure to interest rate risk is set out below, which includes sensitivities in cash balances and short term borrowings. The TRMC meet with TCorp on a quarterly basis to review risk and performance.

Interest Rate Sensitivity	2010	2010	2009	2009
	Equity	Post Tax P & L	Equity	Post Tax P & L
	\$'000	\$'000	\$'000	\$'000
	+ / - 1%	+ / - 1%	+ / - 1%	+ / - 1%
Interest rates	-	89	-	109

(ii) Foreign Exchange Risk

In the normal course of business, the consolidated entity enters into contracts for the purchase of goods or services from overseas which are settled in the supplier's currency. Under Board approval, the consolidated entity hedges specific commitments by use of forward foreign exchange contracts. The contracts are timed to mature when settlement of the goods and services are due, and any gain or loss realised being included in the measurement of the purchase price. At balance date the consolidated entity had 51 (2009 - 70) forward foreign exchange contracts as detailed:

Note 24 Financial Instruments (continued)

	2010	Principal		2009	Principal	
	Average	Amount		Average	Amount	
Contracts	Exchange	\$'000 AUD	Contracts	Exchange	\$'000 AUD	
	Rate			Rate		
United States Dollar Buy duration less than one year	16	0.7433	43,739	21	0.6712	33,032
United States Dollar Buy duration greater than one year	7	0.8327	12,723	12	0.6576	27,319
Euro Buy duration less than one year	10	0.4906	3,224	8	0.4995	3,916
Euro Buy duration greater than one year	-	-	-	7	0.4843	3,304
Korean Won Buy less than one year	15	732.0	26,300	12	769.3	39,998
Korean Won Buy greater than one year	2	705.1	1,228	10	730.8	27,528
Japanese YEN Buy less than one year	1	78.4	83	-	-	-

The contracts as at 30 June 2010 are showing an unrealised loss of \$13,015,729 (2009 - \$27,912,210 loss).

Foreign Exchange Sensitivity	2010	2010	2009	2009
	Equity	Post Tax P & L	Equity	Post Tax P & L
	\$'000	\$'000	\$'000	\$'000
	+ / - 10%	+ / - 10%	+ / - 10%	+ / - 10%
Foreign exchange rates gains / (losses)	(6,528)	7,979	(9,331)	11,404

All foreign exchange hedges are designated as cash flow hedges.

(iii) Price Risk

Eraring Energy is a generator in the National Electricity Market (NEM) and is subsequently exposed to price risk due to the movement in the electricity price. To manage its commodity price risk Eraring Energy utilises a range of electricity derivatives including fixed priced swaps, futures and options. Eraring Energy adheres strictly to trading limits that are maintained in the risk management policies and procedures, all trades are reported weekly to the ETRMC.

The following table outlines the impact of the increase / decrease of the forward price curve on Eraring Energy's pre-tax profit for the year and its impact on equity. The sensitivity analysis is based on reasonable possible changes in the electricity forward curve over a financial year. This data represents what is presented in monthly management reports to the Board. All other variables other than the electricity forward curve are held constant in the analysis.

Electricity Derivatives Fair Values Price Sensitivity

	2010	2010	2009	2009
	\$'000	\$'000	\$'000	\$'000
	+ / - \$5	+ / - \$10	+ / - \$5	+ / - \$10
Electricity derivatives				
Designated cash flow hedge through equity	36,026	72,052	13,959	27,918
Non-designated electricity contracts	6,359	12,718	392	784
	42,385	84,770	14,351	28,702

e) Fair Value**Consolidated and Parent Entity**

The financial assets and financial liabilities of the consolidated entity are recorded at fair value except as disclosed in the following table:

	Carrying	Fair	Carrying	Fair
	Amount	Value	Amount	Value
	2010	2010	2009	2009
	\$'000	\$'000	\$'000	\$'000
Semi-Government Bonds	624,834	649,358	507,335	518,981

Receivables and payables are recorded at amortised cost which approximates fair value.

FOR THE YEAR ENDED 30 JUNE 2010

Note 24 Financial Instruments (continued)

Eraring Energy values its electricity derivative contracts as required under AASB139. Eraring Energy uses the Sydney Futures Exchange (SFE) as the basis of the Forward Price Curve (FPC) for the purpose of determining fair value. The electricity derivatives will incorporate the time value of money, by reference to the Reserve Bank of Australia Commonwealth Government bond rates. Electricity contracts that have a carbon pass through clause will be valued using the draft legislation carbon price for year 2013/14 and the Certified Emission Reduction Unit (CER) price for subsequent years (source: Macquarie Bank). Option instruments will be valued using Financial Engineering Associates (FEA) option pricing models. The inputs to the FEA models will be estimated from a combination of historical and current market data using FEA utilities.

Eraring Energy uses TCorp as debt managers. TCorp uses derivatives, primarily interest rate futures, to establish short-term (tactical) and longer term (strategic) positions within agreed tolerance limits, in the management of the debt portfolio. TCorp determine the fair value of exchange traded futures by direct reference to the last settlement price at the balance date on the Sydney Futures Exchange.

Eraring Energy executes all instruments at fair value and therefore has no significant day one gains or losses on any financial instruments.

TCorp Futures Contracts	2010	2009
	\$'000	\$'000
Futures gains / (losses)	(116)	(6)

The futures gain or loss represents the unrealised gain / loss position recorded in interest expense.

Eraring Energy uses TCorp to transact all foreign exchange transactions and provide monthly valuations. The foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At year end, foreign currency monetary items are translated to Australian currency at the spot exchange rate current at that date. Cash flows are net present valued at the appropriate rate, currency and term for each contract. Bloomberg have confirmed the source of the exchange rate is the Bloomberg Composite Rate (CMP).

Fair Value Hierarchy	2010	2009	Movement
Electricity derivatives			
Plain vanilla swaps	Level 1	Level 1	No change
Sculptured swaps	Level 2	Level 2	No change
Futures	Level 1	Level 1	No change
Foreign Exchange	Level 1	Level 1	No change

For sculptured products Eraring Energy takes observable market prices for similar assets/ liabilities and profiles the forward price curve to reflect the load pattern of the contract.

f) Hedge Accounting

Consolidated and Parent Entity

Eraring Energy will seek to qualify forward foreign exchange contracts, and electricity derivative contracts as cash flow hedges with the movement of the hedging instrument to be recognised in other comprehensive income. For those derivatives that do not qualify for hedge accounting the movement is recognised in the profit and loss. Any deferred gains or losses will be included in the measurement of the purchase or sale when it takes place. In the event of the early termination of a foreign currency hedge of an anticipated purchase or sale of goods and services, the deferred gains and losses that arose on the hedging instrument prior to its termination are: deferred and included in the measurement of the purchase or sale when it takes place, where the anticipated transaction is still expected to occur; or recognised in profit or loss at the date of termination, if the anticipated transaction is no longer expected to occur.

When Eraring Energy enters into derivative contracts that have any optionality then these contracts do not qualify for hedge accounting and are fair valued and any movements are taken to the profit and loss.

During the financial year there were no transactions for which hedge accounting had previously been used, but which were no longer to occur (there was for the previous year). The amounts on these closed cash flow hedges are reflected in the profit or loss, this financial year being zero (2009 loss of \$330,199). The maturity structure of cash flow hedges and the cash flow hedges equity movements for the year are shown below:

Fair Value and Maturity Structure of Cash Flow Hedges As at 30 June 2010	Total	2010/11	2011/12	2012/13	2013/14
	\$'000	\$'000	\$'000	\$'000	\$'000
Electricity derivatives	23,854	15,086	8,510	258	-
Foreign exchange	(13,016)	(13,194)	178	-	-
	10,838	1,892	8,688	258	-

Net of negative and positive fair value positions

Note 24 Financial Instruments (continued)

Financial Year End 2009/10	Gross	Net of Tax
AASB 139 Equity Reconciliation (Cash Flow Hedges)	Amounts	\$'000
	\$'000	\$'000
As at 1 July	(36,771)	(25,740)
a) Matured during period matched to P & L	25,389	17,772
b) Mark to market movements in existing contracts	(410)	(287)
c) Mark to market of newly written contracts	22,630	15,841
As at 30 June	10,838	7,587

Note - the above positions are net of asset and liability positions

Fair Value and Maturity Structure of Cash Flow Hedges	Total	2009/10	2010/11	2011/12	2012/13
As at 30 June 2009	\$'000	\$'000	\$'000	\$'000	\$'000
Electricity derivatives	(8,858)	(9,610)	(1,014)	509	1,257
Foreign exchange	(27,913)	(15,779)	(11,685)	(449)	-
	(36,771)	(25,389)	(12,699)	60	1,257

Financial Year End 2008/09	Gross	Net of Tax
AASB 139 Equity Reconciliation (Cash Flow Hedges)	Amounts	\$'000
	\$'000	\$'000
As at 1 July	(135,777)	(95,044)
a) Matured during period matched to P & L	92,792	64,954
b) Mark to market movements in existing contracts	3,353	2,347
c) Mark to market of newly written contracts	2,861	2,003
As at 30 June	(36,771)	(25,740)

Note - the above positions are net of asset and liability positions

Note 25 Related Party Disclosures**a) Directors and Director-Related Entities**

Some Directors of Eraring Energy hold Directorships in other companies. Any business transactions undertaken between Eraring Energy and these entities during the financial year have been made in the normal course of business and on normal commercial terms and conditions.

The Directors of Eraring Energy at financial year end were Mr RM Bunyon AM, Ms BA Hoskinson-Green, Dr MJ Vertigan AC, Mr J Priest, Mr D Pritchard, Mr P Murray OAM and Mr PG Jackson. Mr J Priest commenced as a Director on 1st April 2010. All other Directors were in office for the whole financial year.

b) Key Management Personnel Remuneration

Key management personnel includes Directors and members of the Executive.

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	2,678	2,341	2,678	2,341
Post-employment benefits	253	208	253	208
Other long-term benefits	143	119	143	119
	3,074	2,668	3,074	2,668

No additional remuneration is paid to the Managing Director for being an Executive Director.

FOR THE YEAR ENDED 30 JUNE 2010

Note 25 Related Party Disclosures (continued)

c) Related Party Transactions

Interest is not charged, nor is there a fixed repayment period on outstanding balances between Eraring Energy and its wholly owned subsidiary, Rocky Point Holdings Pty Limited. Details are provided in the following table:

	Amounts owed by related party \$'000
2010	-
2009	14,692

Note 26 Remuneration to External Auditors

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Remuneration paid or payable for audit of the financial statements	248	231	242	225

Note 27 Exemptions

The financial statements have been prepared in accordance with the requirements of Part 3 of the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulation 2005, except that the following exemptions have been granted by the Treasurer:

Parent Entity

- Exemption from reporting on and against detailed budgets.
- Exemption from providing a narrative summary review of operations.
- Exemption from reporting on management and activities.
- Exemption from reporting details of research and development expenditure.
- Exemption from reporting human resource details.
- Exemption from reporting details of expenditure on consultants.
- Exemption from reporting details of land disposals.
- Exemption from reporting details of consumer complaints.
- Exemptions from reporting details relating to the performance in paying accounts, and the time for payment of accounts.
- Exemption from reporting on risk management and insurance activities.
- Exemption from reporting detailed disclosure of controlled entities.
- Exemptions from reporting details of investment performance and liability management performance.

Rocky Point Holdings Pty Limited

The exemptions detailed above also apply to Rocky Point Holdings Pty Limited.

End of the financial statements audited by the Auditor-General

STATEMENT BY MEMBERS OF THE BOARD
FOR THE YEAR ENDED 30TH JUNE, 2010

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

1. The financial statements exhibit a true and fair view of the financial position, financial performance and cash flows of Eraring Energy as at 30th June, 2010.
2. The financial statements are a general purpose financial report which has been prepared in accordance with applicable Australian Accounting Standards including Australian Accounting Interpretations, the provisions of the State Owned Corporations Act 1989, Part 3 of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010 and Treasurer's Directions, except where the New South Wales 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.

Dated at Sydney this 21st day of September 2010.



RM BUNYON, AM
CHAIRMAN



PG JACKSON
MANAGING DIRECTOR



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Eraring Energy

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Eraring Energy (the Corporation), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Corporation and the consolidated entity as at 30 June 2010, and their financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010
- comply with International Financial Reporting Standards as disclosed in Note 1(a).

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

Significant uncertainty regarding the effect of electricity industry reforms and carbon reduction scheme

Without qualification to the opinion expressed above, I draw attention to Note 13 to the financial statements. The carrying value of the Corporation's power station equipment and buildings is determined using estimated discounted cash flows. These estimations are subject to volatility, particularly from the potential impacts of any future carbon reduction scheme (the scheme) and the New South Wales Government's proposed reforms of the New South Wales electricity industry (the proposed reforms). The ultimate impact of the scheme and proposed reforms cannot presently be determined and this creates a significant uncertainty as to whether the estimated discounted cash flows referred to above will be realised.

Directors' responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *State Owned Corporations Act 1989*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements' that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



Peter Achterstraat
Auditor-General

22 September 2010
SYDNEY

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$	2009 \$
Revenue	2	9,028	342
Expenses	3	(648,223)	(2,975,943)
Profit (loss) before income tax		(639,195)	(2,975,601)
Income tax revenue (expense)	4	162,158	856,453
Net profit (loss) after tax for the year		(477,037)	(2,119,148)
Other comprehensive income		-	-
Total comprehensive income for the year		(477,037)	(2,119,148)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION ROCKY POINT HOLDINGS PTY LIMITED

AS AT 30 JUNE 2010

Current Assets			
Cash and cash equivalents	5	255,020	1,245,342
Receivables	6	79,259	663,983
Total Current Assets		334,279	1,909,325
Non-Current Assets			
Receivables	6	-	12,180,775
Equity accounted investments	7	19,839,763	351
Intangible assets	8	2,387,936	-
Total Non-Current Assets		22,227,699	12,181,126
Total Assets		22,561,978	14,090,451
Current Liabilities			
Payables	9	215,429	16,135,427
Other current liabilities	10	-	74,171
Total Current Liabilities		215,429	16,209,598
Non-Current Liabilities		-	-
Total Liabilities		215,429	16,209,598
Net Assets		22,346,549	(2,119,147)
Equity			
Contributed equity		24,942,734	1
Retained profits		(2,596,185)	(2,119,148)
Total Equity		22,346,549	(2,119,147)

The above statement of financial position should be read in conjunction with the accompanying notes

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Interest and bill discount received		9,018	1,050
Cash paid in the course of operations		(1,054,012)	(145,967)
GST refunded (paid)		262,577	136,251
Interest and other finance costs paid		(132)	(45)
Net cash inflow (outflow) from operating activities	5	(782,549)	(8,711)
Cash flows from investing activities			
Advances to jointly controlled entity		-	(11,070,931)
Advances to associates		(3,536,380)	-
Investment in associates and jointly controlled entity		(7,877,650)	(701)
Proceeds from joint venture		3,186,334	349,666
Payments for mining exploration and evaluation		(2,387,936)	-
Net cash inflow (outflow) from investing activities		(10,615,632)	(10,721,966)
Cash flows from financing activities			
Advances from parent entity		-	11,976,019
Proceeds from share issues to parent		10,407,859	-
Net cash inflow (outflow) from financing activities		10,407,859	11,976,019
Net increase (decrease) in cash and cash equivalents		(990,322)	1,245,342
Cash and cash equivalents at the beginning of the financial year		1,245,342	-
Cash and cash equivalents at the end of the financial year	5	255,020	1,245,342

The above statement of cash flows should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY ROCKY POINT HOLDINGS PTY LIMITED

FOR THE YEAR ENDED 30 JUNE 2010

	Contributed Equity \$	Retained Profits \$	Total \$
At 1 July 2009	1	(2,119,148)	(2,119,147)
Net profit (loss) for the period	-	(477,037)	(477,037)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(477,037)	(477,037)
Transactions with owners in their capacity as owners:			
Share capital issued	24,943,733	-	24,943,733
At 30 June 2010	24,943,734	(2,596,185)	22,347,549
At 1 July 2008	-	-	-
Net profit (loss) for the period	-	(2,119,148)	(2,119,148)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(2,119,148)	(2,119,148)
Transactions with owners in their capacity as owners:			
Share capital issued	1	-	1
At 30 June 2009	1	(2,119,148)	(2,119,147)

The above statement of changes in equity should be read in conjunction with the accompanying notes

FOR THE YEAR ENDED 30 JUNE 2010

Corporate Information

The financial statements of Rocky Point Holdings Pty Limited for the period ended 30 June 2010 were authorised for issue in accordance with a resolution of the directors on 21st September 2010.

Rocky Point Holdings Pty Limited was established as a for-profit entity.

Note 1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements prepared in accordance with the provisions of the Public Finance and Audit Act, 1983 and Public Finance and Audit Regulation, 2010, Australian Accounting Standards, and the requirements of the State Owned Corporations Act, 1989 and Accounting Interpretations.

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

(i) Statement of Compliance

The financial statements comply with applicable Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). These financial statements also comply with International Financial Reporting Standards (IFRS).

(ii) New/Amended Accounting Standards

A number of Australian Accounting Standards and Interpretations are in issue but are not effective for the current year end. The reported results and position, as well as the information currently disclosed in the financial statements of Rocky Point Holdings Pty Limited will not change on adoption of these pronouncements as they do not result in any changes to the entity's existing accounting policies. Rocky Point Holdings Pty Limited does not intend to adopt any of these pronouncements before their effective dates.

(b) Going Concern

The financial statements of Rocky Point Holdings Pty Limited have been prepared on a going concern basis, which presumes the realisation of assets and discharge of liabilities in the normal course of business for the foreseeable future. The company is involved in the exploration, investigation and operation of coal resources in New South Wales. Losses are expected during the initial stages of operation with ongoing support provided by its parent entity Eraring Energy. Despite current liabilities exceeding current assets at balance date, Rocky Point Holdings is able to pay its debts as and when they fall due with the support of Eraring Energy.

(c) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 30 days. Payables in the Statement of Financial Position represent the principal amounts outstanding at balance date plus any accrued interest.

(d) Receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus, where applicable, accrued interest and less any unearned income and provisions for doubtful accounts. Trade debtors are generally settled within 30 days.

The non-current receivable from the Cobbora Coal Unit Trust has been measured at nominal value because it is not possible to reliably estimate the cash flows or the expected life of the financial instrument.

(e) Equity Accounted Investments

Investments in jointly controlled entities are accounted for using the equity method and are initially and subsequently recognised at cost. These financial statements include the entity's share of the income and expenses and equity movements. When the entity's share of losses exceeds its interest in the equity accounted investee, the carrying amount of that interest is reduced to nil. Losses in excess of the carrying value of the investment are taken up as a liability in the Statement of Financial Position.

(f) Jointly Controlled Assets

Interests in unincorporated joint ventures are brought to account by recognising in these financial statements its share of the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that the unincorporated joint venture earns.

(g) Income Tax

Eraring Energy and its wholly-owned entities have formed a tax-consolidated group with effect from 1 July 2006 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Eraring Energy.

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangement require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) are due and payable on demand, or otherwise agreed between members of the tax-consolidated group.

The head entity in the tax-consolidated group must recognise the current and deferred tax amounts (assets, liabilities, expenses and revenues) relating to transactions, events and balances of the wholly-owned subsidiaries in the tax-consolidated group. Rocky Point Holdings recognises the income tax revenue (expense) resulting from the inter-entity receivable (payable) arising from the tax funding arrangement.

(h) Impairment

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

(i) Segment Reporting

Rocky Point Holdings operates in one business segment, that being coal resource exploration and investigation, and within one geographical segment, that being New South Wales.

(j) Revenue

Interest income on cash reserves is recognised as it accrues.

(k) Intangible Assets – Exploration and Evaluation Expenditure

Exploration and evaluation expenditures in relation to development of a coal resource in New South Wales are capitalised separately for each area of interest and are carried at cost less accumulated impairment losses.

Exploration and evaluation assets are only recognised when the rights to tenure of the area of interest are current, and either:

- (i) the expenditures are expected to be recouped through successful development and production from the area of interest, or alternatively, by its sale; or
- (ii) activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest is continuing.

Capitalised exploration costs are reviewed each reporting date as to whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation of the area of interest. Once the technical feasibility and commercial viability of the extraction of coal in an area of interest is demonstrable, accumulated expenditure is tested for impairment and transferred to mining property and development assets within property, plant and equipment.

FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$	\$
Note 2 Revenue		
Revenue		
Interest income	9,028	342
Total revenue	9,028	342

Note 3 Expenses**Net loss before income tax includes the following specific expenses:**

Legal fees	149,739	134,209
Consultants costs	353,510	2,720,990
Share of losses in equity accounted investments	144,842	74,521

Consultants costs

Expenditure on consultants related to feasibility studies on geology, water, environment, rail and other commercial matters.

Note 4 Income Tax**Major components of tax expense (revenue) include:****Income Statement****Current income tax**

Current tax expense (revenue) relating to current tax losses transferred to the head entity of the tax-consolidated group

(191,242) (638,829)

Deferred income tax

Deferred tax expense (revenue) relating to the non-recognition of temporary differences transferred to the head entity of the tax-consolidated group

29,084 (217,624)

Income tax expense (revenue) reported on the Statement of Comprehensive Income

(162,158) (856,453)

Explanation of the relationship between tax expense (revenue) and accounting profit (loss)

Accounting profit (loss)

(639,195) (2,975,601)

Expenditure not allowable for income tax purposes

98,670 120,757

(540,525) (2,854,844)

Income tax at the statutory income tax rate of 30%

(162,158) (856,453)

Tax expense (revenue) reported in the Statement of Comprehensive Income

(162,158) (856,453)

Note 5 Cash and Cash Equivalents

Cash at bank and on hand

255,020 1,245,342

Reconciliation of net profit (loss) after income tax to net cash inflow (outflow) from operating activities:

Net profit (loss) after income tax

(477,037) (2,119,148)

Net cash outflow from operating activities before changes in assets and liabilities

(477,037) (2,119,148)

Net changes in assets and liabilities during the financial year:

(Increase) decrease in receivables

(141,460) (96,590)

Increase (decrease) in payables and borrowings

(150,200) 2,213,847

(Increase) decrease in other assets

- (6,820)

(768,697) (8,711)

Net cash inflow (outflow) from operating activities

For the purposes of the Statement of Cash Flows, cash includes cash on hand and on deposit at bank, net of outstanding bank overdrafts.

	2010 \$	2009 \$
Note 6 Receivables		
Current		
Related party receivable	-	548,720
GST receivable	61,603	96,321
Other receivables	17,656	18,942
	79,259	663,983
Non-Current		
Advances to Cobbora Coal Unit Trust	-	12,180,775
	-	12,180,775

Receivables are carried at nominal amounts due less an allowance for uncollectible amounts. There were no doubtful debts at reporting date. No trade debtors and other receivables were past due or impaired at reporting date.

The Board of Rocky Point Holdings approved the conversion of the loan advance to Cobbora Coal Unit Trust to an equity investment through the issue of additional units in the Trust (refer Note 7).

Note 7 Equity Accounted Investments

Investment in CCP Holdings Pty Ltd	1	1
Investment in Cobbora Management Company Pty Ltd	350	350
Investment in Cobbora Coal Unit Trust	19,839,412	-
	19,839,763	351

CCP Holdings Pty Ltd is a trustee for the Cobbora Coal Unit Trust, while the Cobbora Management Company Pty Ltd manages the Cobbora Unincorporated Joint Venture on behalf of the investors.

Reconciliation of Movement in Equity Accounted Investments:

Opening balance	351	-
Additions - CCP Holdings Pty Ltd	-	1
- Cobbora Management Company Pty Ltd	-	350
- Cobbora Coal Unit Trust	20,058,425	350
Share of profit/(loss) - Cobbora Coal Unit Trust	(219,013)	(350)
Closing balance	19,839,763	351

Additions to the equity accounted investments during the current reporting period have arisen as a result of the conversion of the loan advance to Cobbora Coal Unit Trust into additional units in the Trust.

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by Rocky Point Holdings:

	2010 Cobbora Management Company Pty Ltd			2009 Cobbora Management Company Pty Ltd		
	Cobbora Coal Unit Trust	Cobbora Management Company Pty Ltd	CCP Holdings Pty Ltd	Cobbora Coal Unit Trust	Cobbora Management Company Pty Ltd	CCP Holdings Pty Ltd
Ownership	23.32%	23.32%	33.33%	23.32%	23.32%	33.33%
Current assets	1,943,006	1,500	3	9,274,376	1,500	3
Non-current assets	83,264,413	-	-	42,807,214	-	-
Total assets	85,207,419	1,500	3	52,081,590	1,500	3
Current liabilities	132,733	-	-	52,398,438	-	-
Non-current liabilities	-	-	-	1,210	-	-
Total liabilities	132,733	-	-	52,399,648	-	-
Total income	554,573	-	-	237,477	-	-
Total expenses	(1,038,726)	-	-	(693,988)	-	-
Profit/ (loss) after income tax	(621,106)	-	-	(319,558)	-	-

Rocky Point Holdings Pty Ltd owns a 23.32% investment in the Cobbora Unincorporated Joint Venture. The purpose of this joint venture is to source, develop and operate a coal resource in New South Wales.

FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$	\$

Note 8 Intangible Assets

Exploration and evaluation assets	2,387,936	-
-----------------------------------	------------------	---

Reconciliation of Each Class of Intangible Assets:

Exploration and Evaluation Assets

Opening balance	-	-
Additions	2,387,936	-
Closing balance	2,387,936	-

Note 9 Payables

Other payables	215,429	1,443,065
Amount owing to Cobbora Management Company Pty Ltd	-	350
Advances from parent entity	-	14,692,012
	215,429	16,135,427

Note 10 Other Current Liabilities

Accumulated joint venture losses provided for	-	74,171
---	---	--------

Note 11 Financial Risk Management Objectives

Rocky Point Holdings Pty Limited's principal financial instruments comprise cash, receivables and payables.

Rocky Point Holdings Pty Limited manages its exposure to key financial risks, including interest rate risk to support the delivery of its financial targets whilst protecting future financial security.

At balance date, Rocky Point Holdings had the following mix of financial assets and liabilities, that are not designated in cash flow hedges:

Financial assets		
Cash and cash equivalents	255,020	1,245,342
Current receivables	79,259	663,983
Non-current receivables	-	12,180,775
Financial liabilities		
Payables	(215,429)	(16,135,427)
Net exposure	118,850	(2,045,327)

Rocky Point Holdings Pty Limited is exposed to credit and liquidity risk

a) Credit risk

Credit risk refers to the risk that associates will default on their loan obligations resulting in financial loss. Rocky Point Holdings' maximum exposure to credit risk at balance date is represented by the carrying amount of the financial assets and liabilities, net of any provision for impairment of receivables, on the Statement of Financial Position.

Rocky Point Holdings Pty Limited does have a credit risk exposure to the following individual counterparties: Cobbora Coal Unit Trust and Cobbora Management Company Pty Limited. However, these counterparties are considered credit worthy as the unit holders of the Trust and the shareholders of the Management Company are wholly owned subsidiary companies of Eraring Energy, Macquarie Generation and Delta Electricity. A credit risk also exists with receivable balances owed by other counterparties. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

b) Liquidity risk

Liquidity risk is the risk that Rocky Point Holdings will be unable to meet its payment obligations when they fall due. This risk is managed with the provision of support by its parent entity, Eraring Energy.

2010	2009
\$	\$

Note 12 Related Party Disclosures

a) Key Management Personnel

The Directors of the entity as at 30 June 2010 were Mr RM Bunyon and Mr PG Jackson. All Directors were in office for the whole financial year.

The above Directors are also Directors of the parent entity. No additional remuneration is paid for being a Director of Rocky Point Holdings Pty Limited.

No Director has declared the receipt of, or an entitlement to receive, during or since the financial year, a benefit as a result of a contract between Rocky Point Holdings Pty Limited and a Director, an entity of which a Director is a member or an entity in which a Director has a substantial financial interest.

b) Ultimate Parent Entity

The ultimate parent entity at reporting date is Eraring Energy.

c) Related Party Transactions

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

Amounts owed to related party	- 14,692,012
-------------------------------	--------------

Note 13 Commitments

Operating expenditure commitments payable:

Within one year	113,172	530,212
-----------------	----------------	---------

Capital commitments payable:

Within one year	844,981	-
-----------------	----------------	---

Note 14 Remuneration to External Auditors

Remuneration paid or payable for audit of the financial statements	6,000	6,000
--	--------------	-------

End of the financial statements audited by the Auditor-General

**DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30TH JUNE, 2010**

In the opinion of the Directors of Rocky Point Holdings Pty Limited:

1. The financial statements exhibit a true and fair view of the financial position, financial performance and cash flows of Rocky Point Holdings Pty Limited as at 30th June, 2010.
2. At the date of this statement, there are reasonable grounds to believe that the company, with the support of its parent entity Eraring Energy, will be able to pay its debts as and when they become due and payable.
3. The financial statements of the company have been made out in accordance with applicable accounting standards, interpretations and authoritative pronouncements of the Australian Accounting Standards Board.
4. The financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulation 2010.

Dated at Sydney this 21st day of September 2010.



RM BUNYON, AM
CHAIRMAN



PG JACKSON
DIRECTOR



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Rocky Point Holdings Pty Limited

To Members of the New South Wales Parliament and Members of Rocky Point Holdings Pty Limited

I have audited the accompanying financial statements of Rocky Point Holdings Pty Limited (the Company), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Company as at 30 June 2010, and its financial performance for the period then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010
- comply with International Financial Reporting Standards as disclosed in Note 1(a).

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

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements' that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

- about the future viability of the Company,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



Peter Achterstraat
Auditor-General

22 September 2010
SYDNEY

B	Board Committees	28	G	Governance	25
	Board of Directors	3		Green Energy	12
	Board Membership		L	Letter to Voting Shareholders	Inside front cover
	Eraring Energy	27		Location	1, 84
	Rocky Point Holdings	34	M	Managing Director's Report	5
	Board Meetings			Multicultural Policies & Services Plans	21
	Eraring Energy	28	O	Objectives	2
	Rocky Point Holdings	34		Occupational Health & Safety	15
C	Chairman's Report	4		Organisation Structure	29
	Code of Conduct	20		Overseas Visits	33
	Community	22	P	People	20
	Consultants	45, 76		Promotion	33
	Contacts	84	R	Risk Management	26
	Cost of Annual Report	32	S	Shareholder Return	9
D	Departure from Financial SCI Targets	9		Social Performance	19
	Directors' Terms & Remuneration		V	Vision	2
	Eraring Energy	27	W	Waste Management	17
	Rocky Point Holdings	34		Workforce Diversity	22
	Disclosure of Controlled Entities	9			
	Disability Action Plan	21			
E	Economic Performance	7			
	Environmental Performance	16			
	Equal Employment Opportunity Report	21			
	Executive Committees	29			
	Executive Remuneration & Performance	31			
	Exemptions from Reporting	32			
F	Financial Statements – Eraring Energy				
	Statement of Comprehensive Income	36			
	Statement of Financial Position	37			
	Statement of Cash Flow	38			
	Statement of Changes in Equity	39			
	Notes to & Forming Part of the Financial Statements	41			
	Statement of Members of the Board	69			
	Independent Auditor's Report	70			
F	Financial Statements – Rocky Point Holdings				
	Statement of Comprehensive Income	72			
	Statement of Financial Position	72			
	Statement of Cash Flow	73			
	Statement of Changes in Equity	73			
	Notes to & Forming Part of the Financial Statements	74			
	Directors Declaration	78			
	Independent Auditor's Report	79			
	Freedom of Information	32			
	Funds Granted to Non-Government Organisations	24			

Sydney Office

Level 16
227 Elizabeth Street
Sydney NSW 2000

Telephone: 02 8268 4200
Facsimile: 02 9261 2967

Office Hours

9.00am – 5.00pm

Postal Address

PO Box A2238
Sydney South NSW 1235

Eraring Power Station

Rocky Point Road
Eraring NSW 2264

Telephone: 02 4973 0700

Facsimile: 02 4973 0710

Office Hours

7.45am – 4.00pm

Postal Address

PO Box 5044
Dora Creek NSW 2264

www.eraring-energy.com.au

