



DELTA ELECTRICITY
2010 ANNUAL REPORT

**POWERFUL
RELIABLE
VITAL.**

Communication objectives

The Annual Report is a financial and compliance report prepared to meet the requirements prescribed by the Annual Reports (Statutory Bodies) Act 1984 and Regulation (2010). It takes into account exemptions granted in July 1997 and subsequently. It is available on CD and on the Delta Electricity website www.de.com.au.

The 2010 Sustainability Report will be prepared against the National Generator Forum standards derived from the Global Reporting Index and also in compliance with the Energy Supply Association of Australia reporting standards. This report will be completed by December 2010 and made available on our website www.de.com.au.

The National Electricity Market (NEM)

Australia's National Electricity Market (NEM) was established when Australia's electricity supply industry was restructured during the 1990s. Previously, government authorities in the states and territories were responsible for all aspects of electricity supply in their individual jurisdictions. The restructure included disaggregating the industry and deregulating electricity generation. The objectives were to improve cost and operational efficiency across the industry, to increase competition between businesses providing the same services in the electricity supply chain, to provide choice for electricity consumers and send appropriate market signals to new investors.

Institutions involved in the governance structure of the energy market are:

- the Australian Competition and Consumer Commission, responsible for competition law enforcement;
- the Australian Energy Market Commission, responsible for rule making, market review and market development;
- the Australian Energy Regulator, responsible for making regulatory decisions under the National Electricity Rules and ensuring industry compliance with the rules;
- the Australian Energy Market Operator, responsible for the operation of the wholesale market and technical operations of the overall power system; and
- the Ministerial Council on Energy, responsible for energy policy making and legislation.

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LETTER TO VOTING SHAREHOLDERS

The Hon. Eric Roozendaal, MLC

Treasurer, Minister for State and Regional Development, Special Minister of State
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,

It is with pleasure that the Board of Delta Electricity submits its Annual Report for the period of 1 July 2009 to 30 June 2010 as required under the Annual Reports (Statutory Bodies) Act 1984.

The Annual Report covers the activities of Delta Electricity for the year and contains the Statement of Accounts for the period ended 30 June 2010.

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

Yours faithfully,

**Loftus Harris***Chairman***Greg Everett***Chief Executive*

HIGHLIGHTS

Financial performance

- Profit before tax of \$78.4 million.

Safety

- Major safety improvement with successful implementation of a lockout isolation system.
- Retained National Safety Council of Australia Five Star rating.

People

- Sponsored seven traineeships and 23 first year apprenticeships, with a further 17 applicants offered a four-year apprenticeship opportunity.
- New skill acquisition and development programs to support future plant operations.

Plant performance

- Colongra Power Station formally opened and operating successfully from December 2009.
- High level of production recorded, with 21,999 GWh sent out.
- Vales Point Power Station set new records for the continuous operation of both units.
- Wallerawang Power Station achieved longest period of continuous operation in 10 years.

Plant improvements

- Mount Piper Power Station capacity upgrade to 2 x 700 MW units.
- New benchmark in reliable operations at all power stations resulted in a low rate of unplanned outages.
- Reliable operation of Wallerawang Power Station maintained with restricted access to good quality Fish River water supply.

Developments

- Granted project modification approval for an increase in the capacity of a combined cycle gas turbine plant planned for a site at Bamarang, near Nowra.
- Granted concept and project approval for the joint Delta Electricity and EnergyAustralia development application for two gas turbine facilities at a development site near Marulan.
- Granted concept approval for up to 2,000 MW of combined cycle gas turbine plant or coal-fired ultra-supercritical plant at a development site next to Mt Piper Power Station.
- Lodged a major project application with a preliminary environmental assessment for approval to establish new ash placement sites for Mt Piper Power Station.
- Lodged a major project application and preliminary environmental assessment for approval to rehabilitate Munmorah Power Station.

Sustainability and environmental management

- Achieved high CO₂ capture and purity rates with the pilot carbon capture plant at Munmorah.
- Vales Point water reclamation plant awarded an Energy Supply Association of Australia Sustainable Practice Framework Award in the category Industry Innovation/Best Practice Community Consultation and Stakeholder Support.
- Tried the co-firing of biomass fuel with coal in a mill dedicated to biomass to reduce greenhouse emissions at Wallerawang Power Station.
- Established a planting trial near Forbes of Mallee as a biomass fuel crop.
- 213 million litre output of recycled water from the reverse osmosis plant at Vales Point which replaced the use of drinking quality water in generation.
- Doubled the capacity of a reverse osmosis plant at Mt Piper to produce six million litres of recycled water per day.
- \$28.3 million in funding secured from Federal Government, the NSW Government, and the Australian Coal Association for demonstration scale carbon capture and storage project.
- Held a national Symposium with the University of Sydney Chair of Sustainable Energy, to examine likely policy and technology challenges for the energy generation industry through to 2050.

A YEAR IN REVIEW

This year's corporate performance shows that Delta Electricity is a robust, dynamic and adaptable organisation. We have become the largest capacity generator in Australia, improved our safety record and won industry recognition for our innovative and sustainable stakeholder practices.

With the opening of Colongra Power Station in December, Delta Electricity became the largest capacity electricity generator in Australia. This significant achievement demonstrates our vision and the hard work of all Delta employees and our many partners.

The new Colongra Power Station

The \$500 million Colongra Power Station was opened in December 2009. Colongra is a 667 MW gas-fired, low emission power station that can be turned on almost immediately to respond to spikes in electricity demand. It produces 40% less greenhouse emissions than existing coal-powered stations.

Natural gas for Colongra is delivered by a uniquely designed pipeline that acts as a storage bottle, providing up to five hours of operation at full capacity if there is an interruption to gas supply. If an interruption lasts longer than five hours, the power station can generate electricity using diesel fuel.

Maintaining reliability

Delta had a high level of production this year, with 21,999 GWh sent out. This was achieved because of the high reliability rates of our plant, particularly Vales Point Power Station, which set new records for the continuous operation of both its units—from March 2009 to early October 2009—and Wallerawang Power Station, which achieved its longest period of continuous operation in 10 years despite restricted access to Fish River water supply.

We did not improve on last year's production record because Mt Piper Power Station underwent a major overhaul. The overhaul included work to upgrade its

two units to 700 MW capacity each, which was achieved by upgrading the turbines with new, more efficient blade designs

Innovative technologies

Since 2000, Delta has focused on designing, building and managing power stations that use renewable technologies or produce a lower volume of greenhouse gases. We believe innovation is the best way of improving our power generating efficiency, decreasing our CO₂ production and increasing our sustainability.

We are now generating electricity using gas, hydro and biomass technologies. We are actively developing carbon capture technologies and improvements to biomass generation. We are also sponsoring research into grid integration and energy storage associated with renewable energy technologies.

Research and development

Delta is currently investigating ways to replace up to 20% of the coal used to fuel Wallerawang Power Station with carbon neutral biomass. New sources of biomass are being considered, such as mallee, plantation forestry residue, clean timber waste and invasive native scrub. A trial is underway to grow mallee as a crop to be harvested after five years, and every two years subsequently, with plantings established on ten farms in Forbes in Western NSW.

We are also investigating biofuel processing as another way to increase our use of renewable fuels. We are evaluating torrefaction technologies that pre-dry biomass and therefore significantly reduce fuel-processing costs.

With the opening of Colongra Power Station, Delta Electricity became the largest capacity generator in Australia.

Andrew Town

The Delta-sponsored Chair in Sustainable Energy Development at the University of Sydney, held by Professor Tony Vassallo, is currently focusing research on renewable energy technologies, with emphasis on grid integration and energy storage. Professor Vassallo and Delta co-hosted a symposium that explored the policy and technology challenges facing the energy industry to 2050.

Sustainable water management

We continue to look for alternative sources of water for our power stations to reduce our reliance on water from rivers and local government supplies.

The reverse osmosis plant at Vales Point treats sewage waste to produce high quality recycled water for use in the demineralisation plant, greatly reducing the use of drinking quality water in energy generation at the power station. Additional water savings came from using salt water in the cooling systems.

A reverse osmosis plant recently installed at Mt Piper Power Station was upgraded to increase its output.

Another reverse osmosis plant is planned for installation at Wallerawang, to be operational in late 2010.

Risk management initiatives

Delta has continued to focus on our risk management processes. We identify significant risks to our strategic and operational objectives, evaluate the consequences, and have developed robust monitoring, control and reporting processes. By focusing on risk management, we avoid threats to our operations.

Organisational values

Delta has a strong set of organisational values. We promote these values with our staff, in our relations with the general community and with the indigenous community.

Delta has provided sponsorship and donations to a wide range of community activities this year. These include \$5,000 for NAIDOC Week activities held on the Central Coast. We also provided a \$2,000 sponsorship at the University of Newcastle Ourimbah campus for an undergraduate with an Aboriginal or Torres Strait Islander background. This year 50% of our new recruits were female. Twenty-three sponsored apprenticeships were offered in our regions. Seventeen were provided with a four-year apprenticeship opportunity. Three of these apprenticeships were offered to female applicants and two went to indigenous applicants.

Continuing safety records

Delta is committed to a zero injury workplace. Having the best possible safety record is one of our most important objectives. We have achieved an excellent safety result this year. Our lost time injury frequency rate reduced even further, in keeping with our continuously improving trend. There is also a further decline in the number of injuries and a reduced severity of these injuries.

Colongra Power Station was constructed employing more than 300 workers with more than 900,000 construction-hours. There was only one lost time injury.

Biomass Generation

In 2005 Delta Electricity and the NSW Sugar Milling Cooperative established a commercial joint venture to develop two biomass fuelled cogeneration power plants at the Condong and the Broadwater sugar mills in the Northern Rivers area of NSW. The co-generation plants, fuelled by sugar cane waste (bagasse), were planned to have operated throughout the year generating electricity for the sugar mills and the surrounding local communities.

Restricted fuel and lower Renewable Energy Certificate prices meant a reduction in the income stream for the joint venture. In April 2010 the Joint Venture appointed Deloitte to manage the orderly sale of the assets. Indicative bids were received on 30 July 2010 and in accordance with Australian Accounting Standards, Delta Electricity Australia Pty Ltd's share of joint venture were impaired to the value of \$50 million which represents the company's share of estimated sale proceeds.

Planning for the future

We continued to contribute to Australia's and the state's current generation capacity and efficiency as well as planning for future demand. We have been granted approvals for a joint development with EnergyAustralia for Marulan gas turbines. These approvals are for two gas turbine facilities at a site near TransGrid's Marulan high voltage switchyard.

A YEAR IN REVIEW

CONTINUED

Approval was also granted to increase the Bamarang gas turbine combined cycle capacity to 450 MW.

Delta received concept approval for the Mt Piper Power Station extension project. The approval is for a 2,000 MW combined cycle gas turbine plant or coal-fired ultra-supercritical plant and the associated infrastructure adjacent to the Mt Piper Power Station.

A major project application and preliminary environmental assessment was submitted for the Mt Piper Power Station ash placement project. Approval is being sought for the use of new ash placement sites once the existing ash repository reaches capacity around 2015.

Stakeholder relations

Delta follows sustainable business practices by ensuring that our operations are understood and accepted by our stakeholders. We have been recognised by the industry for demonstrating best practice in community consultation. We seek to respond to our stakeholders' concerns and requirements wherever we can.

The Vales Point water reclamation plant won the inaugural Energy Supply Association of Australia Sustainable Practice Framework Award for demonstrating best practice in community consultation and for receiving support from a wide range of stakeholder groups.

Following concerns about noise on the Central Coast, we have permanently connected noise monitors into the control room at Vales Point and Munmorah. We are now able to identify and respond immediately to noise problems.

Policy development

Delta Electricity continues to be an active participant in the consultative process of energy policy and regulation development conducted by the energy market's regulatory authorities.

This year, Delta submitted the first of our greenhouse emission reports required under the Australian Government's National Greenhouse and Energy Reporting Act. The Department of Climate Change publishes all national greenhouse and energy data for large-scale greenhouse emitters and energy users, and this information is publicly available.

Energy Reform Program

The NSW Government announced its Energy Reform Strategy on 1 November 2008. The strategy proposes to:

- sell the retail arms of the three State-owned energy corporations (EnergyAustralia, Integral Energy and Country Energy);
- sell seven power station development sites around NSW;
- contract the electricity trading rights of the nine State-owned power stations to the private sector (the 'Gentrader model');
- maintain public ownership of existing power stations; and
- maintain public ownership of electricity transmission and distribution networks (the poles and wires).

Delta has supported the process with the development and provision of all relevant development project documents and Gentrader material which has been lodged progressively in the electronic vendor data room.

The Government is anticipating that transactions to be executed by the end of the 2010.

Farewell and thanks to Jim Henness

Jim Henness was appointed Acting Chief Executive of Delta in March 1996 and Chief Executive in July 1996. Jim came from Pacific Power where he had been involved in power station design, electrical demand forecasting and economic analysis as well as coal supply planning and contracting.

Delta Electricity owes much to Jim Henness. He has built the organisation into the largest generator in Australia during difficult and uncertain times. We thank him and wish him all the best for the future. Greg Everett commenced as Chief Executive on 17 July.

Acknowledgements

Our thanks to the executive team and all Delta staff for their contributions throughout 2009/2010. Your hard work has helped us to achieve some important goals and to take Delta to the forefront of the electricity generation industry in Australia. Thanks is due also to the Board which has shown important leadership throughout the year.

We have accomplished a great deal and have had a most successful year.



Loftus Harris
Chairman



Greg Everett
Chief Executive

This year's corporate performance shows that Delta Electricity is a robust, dynamic and adaptable organisation.



Asbjorn Nilsen (at front) and Robert Bender (in the back)

PROFILE

Delta Electricity is a state-owned electricity generation corporation. We produce electricity from several facilities using diverse energy sources such as coal, water and biomass materials.

Most of our electricity is generated at five power stations in New South Wales. These are Mount Piper and Wallerawang near Lithgow and Vales Point, Munmorah and Colongra on the Central Coast.

The capacity of Delta's coal-fired plant is 4,320 MW which provides some 12% of electricity for the market covering all states and territories except Western Australia and the Northern Territory. The low emission gas-fired Colongra Power Station has four gas turbines, each with 167 MW capacity. Colongra can start up quickly to meet demand, which can climb quickly and peak on very hot and very cold nights and days.

The remainder of Delta's electricity production is from renewable energy sources such as mini-hydro generators and biomass.

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

Delta's principal functions are to:

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

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

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

Subsidiaries

Delta Electricity has two wholly owned subsidiaries. Mid-West Primary Pty. Ltd. is part of a joint venture with the other two NSW State owned generators, Macquarie Generation and Eraring Energy, involved in the development of a new coal mining resource.

Delta Electricity Australia Pty. Ltd. is in a joint venture with the NSW Sugar Milling Co-Operative for the operation of two renewable energy plants on the north coast of NSW.

Vision

Generating performance through innovation.

Mission

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

LOCATION



Location	Unit Size	Total Units	Capacity
Gas			
Colongra	167 MW	4	667 MW
			667 MW
Coal			
Mt Piper	700 MW	2	1,400 MW
Vales Point	660 MW	2	1,320 MW
Wallerawang	500 MW	2	1,000 MW
Munmorah	300 MW	2	600 MW
			4,320 MW
Hydro			
Mt Piper	350 kW	1	350 kW
Chichester Dam	110 kW	1	110 kW
Dungog Water Treatment Plant	110 kW	1	110 kW
			570 kW
Biomass			
Condong	30 MW	1	30 MW
Broadwater	30 MW	1	
	8 MW	1	38 MW
			68 MW

KEY PERFORMANCE INDICATORS

Table One: Key Performance Indicators

	Unit	09/10	08/09	07/08*	06/07	05/06
Financial Statistics						
Total sales revenue	\$m	1,042.5	983.1	1,008.4	874.1	839.4
Earnings before interest and tax	\$m	189.7	146.4	212.1	244.9	282.6
Net profit before tax	\$m	78.4	100.7	169.3	201.0	234.7
Net profit after tax	\$m	55.8	75.3	113.7	139.9	164.5
Total debt	\$m	1358.4	1,302.4	776.2	660.3	583.0
Total equity	\$m	906.6	999.6	897.0	215.6	730.0
Return on assets (EBIT/assets)	%	5.9	4.5	7.7	7.6	13.2
Return on equity (NPAT/equity)	%	6.2	7.5	12.7	64.9	22.5
Gearing (Debt/Debt + equity)	%	60	56.6	46.4	75.4	44.4
Interest cover (EBIT/Interest)	times	1.7	3.2	4.9	5.6	5.9
Debt:equity (debt/equity)	%	149.8	130.4	86.5	306.2	79.9
Current Ratio (CA/CL)	%	1.3	0.7	0.4	0.4	0.5
Operational Statistics						
Production	GWh	21,999	23,746	24,054	21,952	21,948
Equivalent forced outage factor	%	2.2	2.4	7.1	9.0	3.9
Availability	%	92	86.8	77.3	75.5	86.5
Thermal efficiency	%	34.6	34.6	35.0	35.2	35.0
Coal stockpile levels	\$m	93.4	81.8	69.8	61.5	41.4
Employee Statistics						
GWh/employee		30.6	32.1	33.1	30.8	30.8
Staff numbers		719	741	726	713	713
Training days/employee	days/employee	5.1	6.4	5.8	7.1	6.0
Sick leave days/employee	days/employee	10.8	12.0	10.8	9.4	8.0
Safety frequency rate	frequency rate	4.1	4.8	4.9	5.6	7.0
Environmental Statistics						
Licence breaches	number	0	1	2	2	1

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

REVIEW OF OPERATIONS

Production

Vales Point set new records for the continuous operation of both its units - from March 2009 to early October 2009 - as well as new annual records in availability and energy generation levels. This performance was made possible by capital investment in the plant over previous years and a continuing focus on effective operations and maintenance practices.

Some problems at Vales Point arose during the year, with the premature failure of the fabric filter bags resulting in some visible emissions, but the cause of the failure was resolved successfully with the supplier and stack emissions have returned to normal with virtually no visible emissions.

The Vales Point water reclamation plant installed in 2008 won the inaugural Energy Supply Association of Australia Sustainable Practice Framework Award. This was the Industry Innovation Award for demonstrating best practice in community consultation and for receiving support from a wide range of stakeholder groups.

During the year, a generator transformer weighing 242 tonnes was delivered to Vales Point Power Station to replace another transformer which will become a spare. This was a major logistical exercise, with the transformer travelling from Brisbane to Vales Point via Goondiwindi, Moree and Muswellbrook.

Munmorah was in operation during the 2009 summer period to provide energy supply and emissions for the carbon capture pilot research plant. Munmorah continued to provide portfolio backup for plant outages and to take advantage of several market opportunities which arose.

The new Colongra gas-fired power station operated as planned, coming into service for short periods of time when electricity demand and prices were higher. Colongra achieves full load in 20 minutes and has black start capability to enable it to re-energise the grid should it be required.

In the Western Region, Mt Piper underwent a major overhaul, including work to upgrade its capacity to a total of 1400 MW. The increase in capacity was achieved primarily through replacing the last row of turbine blades with a new, higher efficiency design.

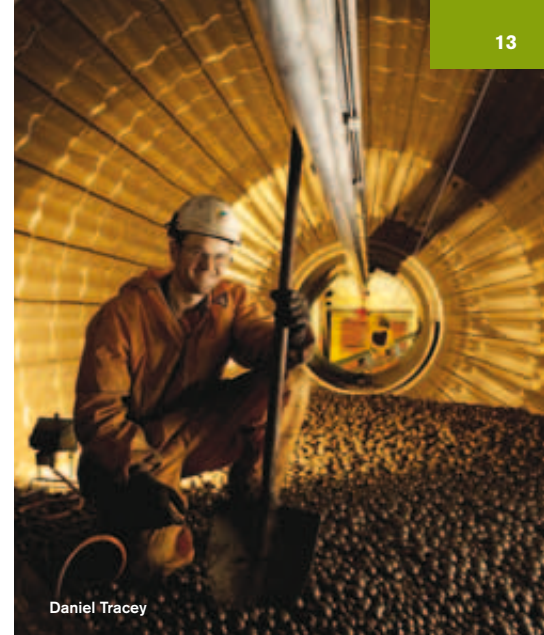
Plant performance at Wallerawang was excellent, with Unit 7 operating reliably during the 2009 winter, following a major overhaul. Over the Christmas period, with both low demand and the option of bringing Colongra into operation, both Wallerawang units were taken out of service to conserve water in the drought-declared Fish River water supply system.

Water management

Delta Electricity's Cocks River storages have remained at around 40% of capacity over the year. Unfortunately, due to below average rain, the Fish River supply which Delta sources from Oberon Dam continued to remain at approximately 10% capacity for the 2009/2010 period. As a result Delta's supply from this resource was restricted to 32% of the maximum allocation.

A reverse osmosis plant was installed at Mt Piper in June 2009 to treat salinity in the Cocks River caused by prolonged drought. The plant was upgraded to increase its output to 6 ML per day to enable continued operation of Mt Piper using the Cocks River as its primary supply. In addition, Delta committed to a reverse osmosis plant for Wallerawang, to be operational in late 2010.

The major proportion of Delta Electricity's allocation of the Fish River Scheme water supply continues to be directed to Wallerawang Power Station. State Water sourcing water from the Duckmaloi River provided an additional supply for Wallerawang, resulting in a decrease of Delta's use of water from the diminished Oberon Dam.



Daniel Tracey

Vales Point set new records for the continuous operation of both its units - from March 2009 to early October 2009 - as well as new annual records in availability and energy generation levels.

REVIEW OF OPERATIONS CONTINUED

In June 2009, the Blue Mountains Conservation Society lodged a summons in the Land and Environment Court NSW seeking various declarations and orders against Delta Electricity in regard to water quality in the Cops River. The court case initially focused on seeking orders to cap costs of the action. Delta is vigorously defending the claims made.

On the Central Coast, the total output in 2009/2010 from the reverse osmosis plant at Vales Point was just over 213 ML. This volume of recycled water replaced the use of drinking quality water in the demineralisation plant, which requires a high level of purity to operate reliably. Additional water savings of around 230 ML a year continue with the use of saltwater in the cooling systems and the fitting of water saving devices to taps, toilets and showerheads.

Environmental impacts management

Delta is committed to complying with all statutory requirements set out in the relevant legislation, regulations and licences issued by a number of government authorities. These cover the range of activities related to electricity generation. Delta also sets stringent organisational targets including targets to reduce fuel and water use and manage air and water emissions.

This year, Delta submitted its first greenhouse emission report as required under the Australian Government's National Greenhouse and Energy Reporting Act. The Department of Climate Change publishes all national greenhouse and energy data for large scale greenhouse emitters and energy users, and this information is publicly available.

Delta continues to maintain its environmental ISO 14001 accreditation. The ISO 14001 international standard outlines best practice processes to manage environmental impact. Delta is proud to note that there were no reportable environmental incidents for the period 2009/10.

Delta fully complies with the NSW Government's Waste Reduction and Purchasing Policy, known as WRAPP, and its Corporate Sustainability Policy through its Corporate and Operational Standards. These standards outline processes that ensure the reduction of waste generated at Delta Electricity facilities. Responsibilities and accountabilities are documented, which ensures that all operations are in accordance with the appropriate legislation, licences and policies.

Our WRAPP Plan applies to all employees and contractors employed at Delta facilities and sets out requirements for the management of waste and the purchase of materials at those facilities. Delta Electricity has implemented innovative solutions to manage the various waste streams generated at its facilities and details can be found in the annual Sustainability Report.

Marketing

Prices in the National Electricity Market remained under pressure during the 2009/2010 financial year due to very low market growth and the commissioning of new generating plant. The market was characterised by extended periods of low prices punctuated by short periods of extreme volatility. Generation from wind farms continues to increase and has caused periods of very low prices when high generation coincides with low overnight demand for electricity.

Forward contract prices have remained steady but well down on the highs reached in 2007, when prices were driven by concerns about the impact of drought on the market. Contract trading in the near term has increased markedly, with the expectation that a carbon trading scheme is unlikely to commence until 2013.

Delta Electricity continued to be an active participant in the consultative process of energy policy and regulation development conducted by the energy market's regulatory authorities.

Community and stakeholder engagement

As part of its commitment to sustainable business practices, Delta aims to ensure that its operations are understood and accepted by its stakeholders. Delta adopts the definition of stakeholders used by the Global Reporting Initiative, which aims to encourage excellence in sustainability reporting, that is, stakeholders are "individuals or groups who affect – or are affected by – an organisation's activities".

Stakeholders are therefore predominantly those residents and others located close to our operating power stations, as well as Local Government representatives, local business lobby groups, community organisations and schools in the regions. Institutional stakeholders include the two voting shareholding Ministers of the New South Wales Government as well as the local mayors and council members, and Members of Parliament representing constituents in the regions where we operate. Delta's suppliers of goods and services and staff are also considered stakeholders.



Luke Coleman, Tim Waddell and Chris Guigni

Communication channels and other management processes are in place to ensure that timely, easy to understand information is made available to help permanent and contracted staff do their job safely and well. Internal communications with effective feedback mechanisms are an ongoing focus for improvement within Delta Electricity.

Environmental groups are also keenly interested in the operations of the energy industry, and while Delta operates within its environmental licence conditions and fulfils its reporting obligations, local environment groups have brought a new level of scrutiny to our operations.

Delta has a standing community consultation process in place, with senior managers meeting every three months with the Community Access Regional Environment Forum on the Central Coast and a consultative group in the Western region. Representatives are residents in the towns located near our power stations and are often active in local community groups such as precinct committees, Landcare, progress associations and the Tidy Towns movement. In this way, they can act as a two-way conduit of information and community views. On occasion, issues are raised which require a change to operations to improve outcomes for the community.

For example, on the Central Coast, following concerns about noise, new monitors were permanently connected

into the control room at Vales Point and Munmorah power stations. This ensures operators become aware of untoward noise immediately and can address the problem promptly, and prevent disturbing the local community.

Delta periodically conducts stakeholder research to gain insight into the broader community's knowledge, understanding and interest in our business. A research study is planned for the latter part of 2010. The findings of these studies inform, amongst other things, planning for local community engagement.

Delta provides up to \$200,000 per annum in each region, through sponsorship and donations, to a range of community activities. These include grants to assist Local Councils to build and maintain good quality parks and other amenities, sponsorship for local chambers of commerce to support local business development, charities and for community celebrations, as well as funding for schools to recognise and encourage their high performing students and develop new sporting programs. Other recipients include, amongst others, the Rural Fire Service, Police Local Area Commands, Landcare groups, Surf Life Saving clubs, youth and children's services and people with disabilities.

Throughout the year, Delta senior managers and staff participate in local events and engage in informal dialogue with local important stakeholders.

Staff are encouraged to donate to charities throughout the year through Delta's payroll giving program. Many of these donations are matched dollar for dollar. During 2009/2010, around \$21,000 in total was donated by staff.

Community consultation is an important part of the development approval process, and when Delta is seeking approval to build new infrastructure or when our ongoing operations may be modified and have an impact on the community, a community consultative plan is developed and implemented. The communications, such as advertisements, newsletters and media releases, are designed to provide information to interested parties about the proposal, the approval process and how they can find out more information or contribute their views.

In the 2009/2010 financial year, community consultation was undertaken as part of seeking development approval for the following proposals:

- extension of Mt Piper Power Station;
- four new ash placement sites proposed for Mt Piper Power Station;
- a modification to the existing Bamarang approval so that a 330 kV connection could be linked into the existing TransGrid network.

Delta is proud to note that there were no reportable environmental incidents for the period 2009/10.

NEW DEVELOPMENTS

Colongra Power Station

The Colongra gas-fired power station was officially opened on 21 December 2009, positioning Delta Electricity as the largest capacity electricity generator in Australia. The low emission facility was completed on time and under budget. It has delivered a start-up reliability factor of 98.5%, well above the anticipated 95%.

Bamarang Gas Turbines

Project approval was secured in 2007 for an open cycle plant of approximately 300 MW capacity and, in 2008, for a combined cycle plant of approximately 400 MW capacity to be located at Bamarang, near Nowra. The facility's associated infrastructure, a 132 kV transmission connection line, gas supply infrastructure and a water pipeline has also been approved.

A modification to the existing approval was granted in 2010 to increase the combined cycle gas turbine plant capacity to approximately 450 MW.

To address possible limitations of the approved 132 kV transmission connection for the project, Delta sought a modification to the existing approval so that a 330 kV connection could be linked into the existing TransGrid network. Delta secured an option for approximately 60% of this 330 kV connection route in 2010.

Marulan Gas Turbines

In October 2009, the Minister for Planning granted concept and project approval for the joint Delta Electricity and EnergyAustralia development application for two gas turbine facilities at a site near TransGrid's Marulan high voltage switchyard.

The concept approval identified a number of consent conditions, including a designated corridor for the gas pipeline and other parameters for the shared infrastructure between the two sites. Project approval for the gas turbine facility proposed by Delta Electricity included consent for two development options. Option one consists of a peaking plant with two open cycle gas turbines. The second option is for either converting the open cycle turbines to a combined cycle facility, or building it from the outset as a combined cycle plant.

EnergyAustralia's proposed gas turbine plant is located at an adjacent site and consists of two open cycle gas turbines for peaking operation.

A Connection Investigation Services Agreement was executed with TransGrid for conducting the high voltage connection technical studies, with the work concluded in June 2010.

Mt Piper Power Station extension

Delta received concept approval from the Minister for Planning for the proposed Mt Piper Power Station extension project on 12 January 2010. This followed lodgement of Delta's major project application under Part 3A of the Environmental Planning and Assessment Act in June 2009 and submission of its environmental assessment in September 2009 for public exhibition.

The concept approval provides for up to 2,000 MW of combined cycle gas turbine plant or coal-fired ultra-supercritical plant, and associated infrastructure, on a site immediately adjacent to Delta's Mt Piper Power Station about 17 km north-west of Lithgow in the Central West region of NSW. Both the gas and coal-fired options for the Mt Piper extension project will use

air-cooled condensers to minimise water usage and both will be designed to include provision for future carbon capture and storage when this technology becomes commercially available.

The process of the sale of the Mt Piper extension project site has commenced as part of the New South Wales Government's Energy Reform strategy. The purchaser of the site will be responsible for submitting a project plan to the Department of Planning for approval of the actual gas or coal-fired option being pursued before any construction can commence.

Munmorah Power Station rehabilitation

Following extensive studies on the condition and performance of Munmorah Power Station Units 3 and 4, a comprehensive work scope has been prepared for implementation under the proposed Munmorah rehabilitation project.

The objectives of the project are to return the two units to their original unit capacity of 350 MW, to improve their efficiency and reliability and to extend their operating life by 20 years. These objectives will be achieved through the replacement of aged components with those of current and improved design, including major turbine cylinders, boiler pressure parts and auxiliaries and control systems. Provision will be made for gas and coal firing of the boilers and for future carbon capture and storage.

Project approval is being sought under Part 3A of the Environmental Planning and Assessment Act. A major project application with the preliminary environmental assessment was lodged with the Department of Planning in June 2009. The project was declared Critical Infrastructure in July 2009.

The \$500 million Colongra Power Station was opened in December 2009. Colongra is a 667 MW gas-fired, low emission power station that can be turned on almost immediately to respond to spikes in electricity demand.



NEW DEVELOPMENTS

CONTINUED

An environmental assessment for the project was placed on public display in October/ November. Delta responded to the submissions received in December 2009. Draft consent conditions were issued by the Department of Planning, but as at 30 June, were yet to be finalised. Project approval is anticipated before the end of 2010.

Energy Reform – sale of development sites

In preparation for the sale of the development sites of the Bamarang and Marulan gas turbines project and the Mt Piper Extension and Munmorah Rehabilitation project, all relevant project documents and associated reports were identified and exported to a vendor data room.

Mt Piper Power Station ash project

A major project application and preliminary environmental assessment was submitted for the Mt Piper Power Station ash placement project under Part 3A of the Environmental Planning and Assessment Act in September 2009. The project seeks approval for the establishment of new ash placement sites for Mt Piper Power Station once the existing ash repository reaches capacity around 2015. The Director General's requirements for the environmental assessment were received in November 2009.

Concept plan approval is being sought for four sites known as Lamberts North, Lamberts South, Neubecks Creek and Ivanhoe No. 4. Project approval is also being sought for Lamberts North and Lamberts South to enable continuing dry ash placement from about 2015 adjacent to the existing ash repository. These two sites are part of the Lamberts Gully open cut coal mine void. It is intended that dry

conditioned ash be placed in the void and progressively capped and revegetated with native flora. Should the proposed Mt Piper extension project proceed as a coal-fired power station, then it is intended that ash from it would also be placed in the new ash sites. This will also entail seeking project approval for Neubecks Creek and Ivanhoe No 4 to secure additional ash placement capacity.

The environmental assessment for the ash placement project will be lodged in September 2010 and placed on public exhibition. It is anticipated that planning approval will be granted before the end of 2010.

Table Two: Progress on New Developments

Project	Description	Status as at 30 June 2010
Colongra gas turbine peaking plant	Four 167 gas turbines.	Completed and officially opened in December 2009.
Bamarang gas turbine stage 2	Approximately 450 MW of combined cycle gas plant.	Modification to original development consent received.
Marulan gas turbine - in two stages	Either a 250–350MW open cycle or a 400–450 MW combined cycle, or construction in two stages converting open cycle to close as needed.	Development consent received.
Extension of Mt Piper Power Station	2,000 MW of capacity fuelled by either gas or coal.	Concept approval received.
Refurbishment of Munmorah Power Station	700 MW of capacity fuelled by either gas or coal.	Environmental assessment submitted for approval.

RESEARCH AND DEVELOPMENT

Delta's research and development activities are a key element in its strategy to deliver a more sustainable energy supply. The following activities were undertaken in 2009/2010 as part of the strategy.

Carbon capture and storage

Delta continued its program to develop carbon capture and storage technology as an emission abatement option for its fossil fuel-fired power stations. In conjunction with CSIRO, the post-combustion carbon capture pilot plant experimental program at Munmorah Power Station achieved some significant milestones. The technology exceeded its targets for capture rate, carbon dioxide purity and sulphur removal. The program is expected to be completed at Munmorah in August 2010. Data from the program will be used to inform the selection of technology for a large scale demonstration carbon capture and storage plant.

The establishment of a demonstration scale carbon capture facility took a significant step forward this year with a Funding Agreement for \$28.3 million to finance the development stage of a 100,000 tonne per year demonstration plant finalised in February 2010. The funding is being provided by the Federal Government, the NSW Government and the Australian Coal Association.

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

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

Renewable energy

Investigations are being undertaken to significantly increase the quantity of energy from renewable sources by improved biofuel processing, and expanding the source of sustainable biomass fuel supplies to include energy crops. Delta commenced a Eucalyptus Mallee trial, which planted 200,000 seedlings across ten farm properties in the Forbes region of NSW. This trial aims to demonstrate the farming model, to prove the propagation and planting productivity and survival rates, and to stimulate interest from farmers in the concept. The first phase of on-site trials at the 1,000 MW Wallerawang power station, aimed at increasing its capacity to use renewable fuels, has been successfully completed. This process achieved "proof of concept" status for transport logistics, storage, handling, processing and combustion. The next phase of site trials is intended to develop the engineering design aspects in order to prove the targeted 20% displacement of coal and take the project to a technically "ready to go" status.

Delta is also collaborating with Crucible Carbon to host a demonstration scale torrefaction facility at its Vales Point Power station. The torrefaction demonstration facility, for which Crucible Carbon has received Commonwealth Government funding, is an efficient method of drying biomass to produce a very dry, brittle material which can significantly reduce fuel and processing costs.

Research sponsorship

Delta also supports research that will provide long-term benefits for the operation and maintenance of its existing generation fleet through membership of the Electric Power Research Institute, the Welding Technology Institute of Australia and the Co-operative Research Centre for Integrated Engineering Asset Management. It is also supporting the Co-operative Research Centre for By-product Utilisation as part of a broader ash utilisation strategy.

The Delta-sponsored Chair in Sustainable Energy Development at the University of Sydney hosted a very successful symposium in March 2010 that explored likely policy and technology challenges for the energy industry through to 2050. The Chair, held by Professor Tony Vassallo, is investigating renewable energy technologies, their development and grid integration, including energy storage. Delta believes successful development and integration of storage technologies are essential to achieve reliable, base-load, renewable generation.



Jenny Wittingslow, Linda Anderson and Jenny James

PEOPLE

Safety

Delta is committed to a zero injury workplace and to ensuring we can give our staff/contractors a high level of confidence in the safety of working on plant.

A new safety lockout system was introduced in 2009. This requires that a series of locks be applied by each person involved in an isolation point. Previously, it was a red warning tag.

Recognising the critical importance of leadership in the management of safety, members of the Executive team have undertaken safety activities when visiting each of the power stations.

Delta's behaviour-based safety system, known as D-ZIP, is well embedded into our corporate culture. D-ZIP creates the opportunity to observe safe workplace behaviours and to have a conversation about why those behaviours should be maintained and emulated. A refresher package has been developed to ensure that the behavioural principles are reinforced, with planned roll-out throughout late 2010 and into 2011.

Following the trend of past years, the lost time injury frequency rate reduced. A detailed analysis of all injuries has shown a further slight decline in the number of injuries reported and a reduction in the severity of injuries being sustained.

Health and safety auditing has been undertaken covering all parts of the business. The audit schedule has been developed to address high risk areas of the business including fire risk management, the Occupational Health and Safety management system, contractor compliance and a gap analysis as part of the National Audit Tool for Self Insurers.

As in previous years, new employees have joined the organisation. To ensure they understand and engage with our strong safety culture, new starter programs and site inductions are conducted.

Skills for the future

Twenty-three sponsored apprenticeships were offered in the Western and Central Coast regions in 2009/2010 and, of these, 17 were provided with a four-year apprenticeship opportunity.

Delta is committed to improving employment and community outcomes for the indigenous community and dedicated two apprenticeship positions to applicants from an Aboriginal or Torres Strait Islander background. This year, Delta was successful in recruiting two indigenous apprentices, and both were offered an indentured four-year apprenticeship.

Three female applicants were provided with an indentured four-year apprenticeship.

Delta also sponsored seven traineeships, four of which were Rigger traineeships and three Administration traineeships.

Equal Employment Opportunity

As an organisation, Delta fully supports the principles of Equal Employment Opportunity and the targets set by the NSW Government. However, the electricity generation industry is faced with particular challenges in meeting these targets, such as the relatively low rates of staff turnover and the higher number of men attracted to the trades and engineering professions.

Table Three details the representation of nominated groups in Delta while Table Four shows trends in distribution, with comparisons to the NSW Government's Equal Employment Opportunity targets.

Taking into account the issues highlighted previously, we have implemented a range of initiatives to address these issues.

The pursuit of Equal Employment Opportunity principles remains a fundamental work practice within Delta. Through staff induction and ongoing training, these principles are reinforced with staff, and all policies and standards governing work are reviewed to ensure alignment to these principles. As noted before, while Delta supports and aligns itself with the Equal Employment Opportunity principles and targets set down by the NSW Government, low staff turnover limits our ability to satisfy these targets.

Multicultural Policies and Services Program

Delta has limited Multicultural Policies and Services Program responsibilities as we do not provide direct services to the community. However, we recognise the importance and benefits of cultural diversity to the community in general and in our organisation.

Delta's Multicultural Policies and Services Program includes objectives and targets relating to social justice, community harmony and cultural opportunities

Affirmative action for the indigenous community

Delta is committed to improving employment for the Australian regional indigenous community. To this end, two first-year apprenticeship positions are identified each year as available to a person from Aboriginal and/or Torres Strait Island background. In the 2009/2010 period Delta was successful in recruiting two indigenous apprentices and both have been offered an indentured four-year apprenticeship.



Phil Bray



Peter Wormald and Emma Mansy

In addition, Delta has also provided financial support to the indigenous community, with a \$5,000 sponsorship of an event celebrating indigenous community achievements through NAIDOC on the Central Coast. Delta has also provided a \$2,000 sponsorship through the University of Newcastle for an undergraduate with an Aboriginal or Torres Strait Island background studying on the Ourimbah campus.

Employing women

Of new employees engaged by Delta in 2009/2010, 50% were female. A four-year indentured apprenticeship opportunity was offered to three female applicants.

Supporting people with a disability

Delta is committed to ensuring that equal opportunities exist for people with disabilities, enabling their maximum participation and contribution in the workforce. Our Disability Plan addresses three key result areas - employment, access and communication/reporting.

Strategies for 2010/2011

- Delta's proposed Multicultural Policies and Services Program forward plan will ensure the continuation of merit based recruitment practices and that work arrangements are sensitive to and accommodate cultural and religious differences as appropriate.
- Ongoing apprenticeship opportunities will continue to be identified for people from an indigenous background.
- At least one traineeship opportunity is to be offered to a person with a disability.

Table Three:
Trends in the Representation
of EEO Groups¹

% of total staff²

Equal Employment Opportunity group	Whole of government benchmark or target	2010	2009	2008	2007	2006
Women	50%	10%	10%	9%	8%	7%
Aboriginal people or Torres Strait Islanders	2.6%	1.0%	0.9%	0.7%	0.6%	0.6%
People whose language first spoken as a child was not English	19%	6%	6%	6%	5%	5%
People with a disability	12%	6%	6%	7%	8%	8%
People with a disability requiring a work-related adjustment	7%	2.5%	2.7%	3%	3.4%	3.4%

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

distribution index³

Equal Employment Opportunity group	Whole of government benchmark or target	2010	2009	2008	2007	2006
Women	100	94	91	93	93	98
Aboriginal people or Torres Strait Islanders	100	n/a	n/a	n/a	n/a	n/a
People whose language first spoken as a child was not English	100	110	109	106	109	113
People with a disability	100	102	100	99	101	102
People with a disability requiring a work-related adjustment	100	n/a	n/a	n/a	93	95

Notes:

1. Staff numbers are as at 30 June 2010.
2. Excludes casual staff.
3. A distribution index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO groups tend to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases, the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The distribution index is automatically calculated by the software provided by the Officer of the Director of Equal Opportunity in Public Employment (ODEOPE).
4. The distribution index is not calculated where EEO group or non-EEO group numbers are less than 20.

GOVERNANCE



Greg Everett

Warren Phillips

The structure and composition of the Board

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

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

The Directors in office as at 30 June 2010 are:

Mr Peter Young,
AM BSc, MBA
(refer to note 1)
Chairman and Director

Mr Young was first appointed on 1 June 2004 and subsequently reappointed for a period ending 31 May 2013.

Mr Warren Phillips,
FCPA, FCIS, DipCom
Director

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

Ms Sandra Moait
Director

Ms Moait was first appointed 18 September 2002 and subsequently reappointed for period ending 31 August 2010.

Mr Michael Knight,
AO
Director

Mr Knight was appointed on 20 March 2006 and subsequently reappointed for a period ending 19 September 2012.

Mr Paul Forward,
BCom, MCom, MSc
Director

Mr Forward was appointed on 20 March 2006 and subsequently reappointed for a period ending 19 September 2012.

Mr Loftus Harris,
BA, FAICD
Director

Mr Harris was appointed on 1 October 2007 for a period ending 30 September 2010.

Mr Jim Henness,
BSc, BE (Hons), MEngSc,
MBA, FAICD
(refer to note 2)
Chief Executive and Director

Mr Henness was appointed Chief Executive and Executive Director on 1 March 1996.

Note 1:
Mr Peter Young resigned as a Director of Delta Electricity on 11 August 2010.

Note 2:
Mr James Henness retired on 17 July 2010. Mr Greg Everett was appointed as Chief Executive effective 17 July 2010.

Meetings of the Board

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



Sandra Moait

Michael Knight



Paul Forward

Loftus Harris

Table Five: Director Meetings

	Board Meetings		Board Remuneration and Staff Committee		Board Audit and Finance Committee		Board Environment, Occupational Health and Safety Committee	
	A	B	A	B	A	B	A	B
Mr P Young	11	11	5	5				
Mr W Phillips	11	11			6	6		
Ms S Moait	11	10	5	4			3	3
Mr M Knight ¹	10	10			5	5		
Mr P Forward	11	11			6	6	3	3
Mr L Harris	11	11	5	5				
Mr J Henness	11	10					3	3

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

Note: 1,

Advice on the reappointment of Mr Knight for a period of three years from 20 September 2009 was received from Treasury on 20 October 2009, five days after the October 2009 Board and Board Audit and Finance Committee meetings. While the reappointment of Mr Knight confirms a continuity of Board membership since September 2006, it is considered that reporting of attendance at Board and Board Audit and Finance Committee meetings should show that Mr Knight was not eligible to attend the October 2009 meetings.

Board committees

The three Board committees in place at the end of the year were:

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

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

Board Audit and Finance Committee

The purpose of the committee is to provide a forum for communications between the Board, senior management and both the internal and external auditors. It also ensures the integrity of the internal audit function and that management practices and systems support the effective operation of Delta's risk management strategies, business continuity and fraud control plan. The committee further reviews the adequacy of Delta's short and long-term finance and risk management strategies.

Membership

Warren Phillips (Convenor), Michael Knight and Paul Forward.

Board Environment, Occupational Health and Safety Committee

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

Membership

Sandra Moait (Convenor), Paul Forward and Jim Henness.

GOVERNANCE

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Board Remuneration and Staff Committee

The primary objectives of the committee are to:

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

Membership

Peter Young (Convenor), Sandra Moait and Loftus Harris.

Managing risks

Delta Electricity's Risk Management Plan conforms to the Australian Standard AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines. The plan is structured to provide Delta Electricity and its employees with policy direction and a framework for identification, assessment and reporting of risk. Control mitigation measures are reviewed on an annual basis for validity and effectiveness.

Delta Electricity's corporate risk management software supports a hierarchical framework which allows employees to identify, register, assess and monitor risks and effectiveness of controls. Key risks (operational and strategic) are reviewed and reported monthly at business unit level and reported quarterly to Delta Electricity's Board.

Delta Electricity's highest ranked risk is the impact of new legislation to manage carbon emissions and provide incentives for renewable energy. The exposure to this risk is difficult to quantify until the relevant legislation has been debated and passed by Parliament.

As part of Delta Electricity's annual insurance renewal program, reviews and valuations of risk exposures are undertaken. Presentations are made to insurance providers that assess risk exposures, risk management practices and progress in implementing recommendations of annual loss prevention surveys conducted at power station sites. Delta Electricity is cooperatively engaged with its insurance providers to reduce risk exposures for key operating plant and equipment.

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

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

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

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

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

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

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



Greg Hilliard and Emily Foley



Amanda Bendeviski

Executive management team

Jim Henness, BSc, BE (Hons), MEngSc, MBA, FAICD
Chief Executive (Retired on 17 July 2010.)

John Bund, BEc (Hons)
General Manager/Human Resources

Anthony Callan, BEng, MBA
General Manager/Marketing

Greg Everett, BCom, MBA, GAICD
General Manager/Strategy
(Appointed Chief Executive, effective 17 July 2010)

David Hogg, BE, GAICD
General Manager/Planning and Environment

Chris Horner, BE (Mech), Marine Eng. Cert, CP Eng, GAICD
General Manager/Delta Maintenance

Ray Madden, BA (Hons), MBus, GradDipAppCorpGov, GAICD, ACIS
Corporate Secretary

Stephen Saladine, BE (Hons)
General Manager/Production

Glenn Sharrock, BSc, GCofM, GAICD
General Manager/Central Coast

Richard Street, BEc, CA, MBA, GAICD
Chief Financial Officer

Rodney Ward, BEng (Hons), MBA, FAICD, CPA, FFTP
General Manager/Development

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

Table Six: Executive Committee

Name	Title	A	B	C	D	E	F	G	H	I
Mr J Henness	Chief Executive	X	X	X	X	X	X	X	X	X
Mr J Bund	General Manager/Human Resources	X		X	X		X			
Mr A Callan	General Manager/Marketing	X		X		X		X	X	
Mr G Everett	General Manager/Strategy	X	X	X		X		X	X	X
Mr D Hogg	General Manager/Planning and Environment	X		X		X		X		
Mr C Horner	General Manager/Delta Maintenance	X		X	X	X	X			
Mr R Madden	Corporate Secretary	X		X		X				
Mr S Saladine	General Manager/Production	X	X	X	X	X	X	X	X	X
Mr G Sharrock	General Manager/Central Coast Operations	X	X	X	X		X	X	X	X
Mr R Street	Chief Financial Officer	X		X		X	X	X	X	X
Mr R Ward	General Manager/Development	X		X					X	X
Mr B Corderoy	Manager, Environment		X							
Mr J Della Bosca	Occupational Health and Safety Manager				X					
Ms C Bower	Deloitte Touche Tohmatsu (Internal Auditor)			X						

(A) Executive Management Committee
(B) Executive Environment Committee
(C) Executive Audit Committee
(D) Executive Occupational Health and Safety Committee

(E) Executive Information Technology Strategy Committee
(F) Executive Human Resources Committee
(G) Market Strategy Steering Committee

(H) Development Projects Steering Committee
(I) Executive Project Evaluation Committee

GOVERNANCE

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Table Seven: Executive remuneration 2009/2010

Name and period of time in position	Position held as at 30 June 2010	Fixed remuneration	Total performance-related payment	Individual performance criteria
Jim Henness All of year	Chief Executive	\$515,227	\$133,013	Assessment of performance by the Board against corporate performance indicators, including Delta's profit and plant performance and maintenance of effective external relationships.
Greg Everett All of year	General Manager/ Strategy	\$323,121	\$84,268	Contracted coal purchases and assessment against other agreed performance targets.
Stephen Saladine All of year	General Manager/ Production	\$300,887	\$79,976	Business unit financial management and plant performance and assessment against other agreed performance targets.
Richard Street All of year	Chief Financial Officer	\$284,905	\$71,755	Management of financial projects and of the financial and management accounting function and assessment against other agreed performance targets.
Rodney Ward All of year	General Manager/ Development	\$272,737	\$57,972	Implementation and management of development projects and assessment against other agreed performance targets.
Anthony Callan All of Year	General Manager Marketing	\$258,750	\$54,242	Development and management of the marketing strategy to ensure optimal mix of contract and spot exposure and assessment against other agreed performance targets.

Table Eight: Number of Executive Officers

Number of executive officers	Total	Women
Number of executive officers with remuneration equal to or exceeding equivalent of Senior Executive Service Level 1 as at 30 June 2010.	35	0
Number of executive officers with remuneration equal to or exceeding equivalent of Senior Executive Service Level 1 as at 30 June 2009.	36	0



Mark Nixon

Performance and numbers of Executive Officers

The performance payments listed in Table Six were made shortly after the end of the 2009/2010 financial year. They were accrued into that year's accounts.

The 2009/2010 performance payments were made up of the following components.

A payment based on one or more of the following:

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

Annual reporting compliance

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

Exemption from the reporting provisions

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

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

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

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

Other exemptions were approved subject to specific conditions and included:

Consultants

The total amount spent on consultants is required to be disclosed, along with a summary of the main purposes of engagements. In 2009/2010, expenditure on consultants totalled \$4.87 million. The main purposes of these engagements were for environmental assessment services, feasibility studies, finance, accounting and management services.

Disclosure of controlled entities

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

Financial statements of controlled entities

Delta is exempt from preparing manufacturing and trading statements, but required to prepare a summarised operating statement.

Overseas visits

Overseas visits with main purposes highlighted are set out in Table Nine.

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Table Nine: 2009 – 2010 Overseas Visits

Name	Date of travel	Purpose of travel
James Henness	2 July 2009 – 21 July 2009	Copenhagen, Zurich, Brussels, Berlin, London To visit post-combustion capture plants.
Peter Young	2 July 2009 – 21 July 2009	Copenhagen, Zurich, Brussels, Berlin, London To visit post-combustion capture plants
Chris Horner	12 July 2009 – 18 July 2009	The Netherlands – to visit Amer Power station as part of a feasibility study of biomass co-firing at Wallerawang Power Station
Wayne Hill	12 July 2009 – 18 July 2009	The Netherlands – to visit Amer Power station as part of a feasibility study of biomass co-firing at Wallerawang Power Station

Freedom of Information

No direct applications for information were received under the terms of the Freedom of Information Act 1989 in 2009/2010.

One application for information was made to Delta by a third party that had received a request for information.

Delta Electricity's compliance with the Freedom of Information Act did not raise any major issues during the reporting period, nor did the compliance with the Act have any impact on Delta activities.

Cost of Annual Report

The cost of producing this Annual Report was \$15,000.



Delta is committed to a zero injury workplace and to ensuring we can give our staff/contractors a high level of confidence in the safety of working on plant.



Gary Beecroft, Mark Barwick and Darren McLennan (seated)

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MID WEST PRIMARY PTY. LTD

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STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Note	Consolidated		Parent Entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current Assets					
Cash and Cash Equivalents	7	89,569	15,229	87,360	12,461
Trade and Other Receivables	8(a)	105,199	114,252	104,829	162,127
Inventories	9	141,426	126,842	141,426	126,817
Other Financial Assets	10(a)	63,396	34,891	63,396	34,891
Other	11	6,187	1,276	6,570	1,036
Assets Attributable to Disposal Group Classified as Held For Sale	12	50,000	-	-	-
Total Current Assets		455,777	292,490	403,581	337,332
Non-Current Assets					
Receivables	8(b)	11,166	22,673	11,166	22,880
Other Financial Assets	10(b)	25,518	39,506	25,518	39,506
Investments in Subsidiaries	13	-	-	38,362	-
Investments Accounted for Using Equity Method	14	32,740	-	-	-
Property, Plant and Equipment	15	2,555,412	2,828,363	2,554,545	2,726,955
Intangible Assets	16	7,752	3,468	3,826	3,468
Deferred Tax Assets	6(b)	117,669	93,722	100,251	90,291
Total Non-Current Assets		2,750,257	2,987,732	2,733,668	2,883,100
Total Assets		3,206,034	3,280,222	3,137,249	3,220,432
Current Liabilities					
Trade and Other Payables	17(a)	157,288	151,591	155,779	146,364
Borrowings	18(a)	72,798	123,866	4,776	119,898
Income Tax Payable		11,913	8,016	12,167	7,711
Provisions	19(a)	88,513	113,200	88,513	113,200
Other Financial Liabilities	20(a)	23,182	20,121	21,128	20,039
Other	21(a)	781	300	781	300
Total Current Liabilities		354,475	417,094	283,144	407,512
Non-Current Liabilities					
Borrowings	18(b)	1,285,618	1,178,560	1,285,618	1,113,849
Deferred Tax Liabilities	6(b)	525,257	584,877	525,255	584,868
Provisions	19(b)	117,676	97,423	117,676	97,423
Other Financial Liabilities	20(b)	15,223	1,330	15,223	-
Other	21(b)	1,139	1,307	1,139	1,307
Total Non-Current Liabilities		1,944,913	1,863,497	1,944,911	1,797,447
Total Liabilities		2,299,388	2,280,591	2,228,055	2,204,959
Net Assets		906,646	999,631	909,194	1,015,473
Equity					
Contributed Equity	22(a)	175,376	175,376	175,376	175,376
Reserves	22(b)	731,270	824,255	731,270	825,503
Retained Profits	22(c)	-	-	2,548	14,594
Total Equity		906,646	999,631	909,194	1,015,473

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

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2010

		Consolidated		Parent Entity	
	Note	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Continuing Operations					
Revenue	3	1,043,502	997,594	1,043,549	997,375
Expenses, excluding finance costs	4	(818,818)	(852,640)	(876,170)	(856,481)
Share of Profit/(Losses) on Investments Accounted for Using the Equity Method	14(c)	(238)	(1)	-	-
Finance Costs	5	(111,279)	(45,654)	(103,722)	(42,156)
Profit/(Loss) from Continuing Operations before Financial Instrument Fair Value Movements and Income Tax Expense		113,167	99,299	63,657	98,738
Income Tax Benefit/(Expense) on Profit/(Loss)	6(a)	(33,022)	(24,944)	(33,910)	(24,733)
Profit/(Loss) from Continuing Operations before Financial Instrument Fair Value Movements		80,145	74,355	29,747	74,005
Financial Instrument Fair Value Movements		20,035	16,334	20,035	16,505
Income Tax Expense on Financial Instrument Fair Value Movements	6(a)	(6,011)	(4,900)	(6,011)	(4,951)
Profit/(Loss) from Continuing Operations and Financial Instrument Fair Value Movements after Income Tax Expense		94,169	85,789	43,771	85,559
Discontinued Operations					
Loss from Discontinued Operations after Income Tax	12(b)	(38,352)	(10,440)	-	-
Profit/(Loss) for the Year		55,817	75,349	43,771	85,559
Other Comprehensive Income					
Gain/(Loss) on Cash Flow Hedges Taken to Equity	22	51,640	255,451	53,646	262,454
Cash Flow Hedges Transferred to Statement of Financial Position/Statement of Comprehensive Income	22	(34,476)	(38,480)	(38,264)	(39,028)
Actuarial Gain/(Loss) on Defined Benefit Superannuation Plans	22	(27,442)	(93,351)	(27,442)	(93,351)
Gain/(Loss) on Revaluation of Property	22	(150,000)	-	(150,000)	-
Income Tax on Items of Other Comprehensive Income	22	48,084	(37,086)	48,618	(39,023)
Other Comprehensive Income for the Year, Net of Tax		(112,194)	86,534	(113,442)	91,052
Total Comprehensive Income for the Year		(56,377)	161,883	(69,671)	176,611

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

STATEMENT OF CHANGES IN EQUITY - CONSOLIDATED

For the Year Ended 30 June 2010

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

	Consolidated				
	Contributed Equity \$'000	Asset Revaluation Reserve \$'000	Cash Flow Hedge Reserve \$'000	Retained Profits \$'000	Total \$'000
At 1 July 2008	175,376	774,686	(101,627)	48,534	896,969
Profit/(Loss) for the Year	-	-	-	75,349	75,349
Other Comprehensive Income/(Loss)	-	-	151,880	(65,346)	86,534
Total Comprehensive Income/(Loss) for the Year	-	-	151,880	10,003	161,883
Transfer to Retained Profits	-	(684)	-	684	-
Transactions with Owners in their capacity as Owners:					
Dividends Paid/Payable	-	-	-	(59,221)	(59,221)
At 30 June 2009	175,376	774,002	50,253	-	999,631

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

STATEMENT OF CHANGES IN EQUITY - PARENT

For the Year Ended 30 June 2010

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

	Parent Entity				
	Contributed Equity	Asset Revaluation Reserve	Cash Flow Hedge Reserve	Retained Profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2008	175,376	774,686	(104,898)	52,918	898,082
Profit/(Loss) for the Year	-	-	-	85,559	85,559
Other Comprehensive Income/(Loss)	-	-	156,399	(65,346)	91,053
Total Comprehensive Income/(Loss) for the Year	-	-	156,399	20,213	176,612
Transactions with Owners in their capacity as Owners:					
Transfer to Retained Earnings	-	(684)	-	684	-
Dividends Paid/Payable	-	-	-	(59,221)	(59,221)
At 30 June 2009	175,376	774,002	51,501	14,594	1,015,473

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

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2010

	Note	Consolidated	Parent Entity	2009	Inflows (Outflows)
		2010	2010		
		\$'000 Inflows (Outflows)	\$'000 Inflows (Outflows)		
Cash Flows From Operating Activities					
Cash Received from Customers		1,194,235	1,127,513	1,184,940	1,121,159
Interest Received		2,275	858	2,196	646
Cash Payments to Suppliers and Employees		(861,308)	(882,287)	(852,897)	(879,649)
Interest and Other Finance Costs Paid		(82,470)	(32,246)	(79,427)	(29,214)
Income Taxes Paid		(53,878)	(75,292)	(53,878)	(75,292)
Net Cash Provided/(Used) by Operating Activities	29(f)	198,854	138,546	200,934	137,650
Cash Flows from Investing Activities					
Proceeds from Sale of Property, Plant and Equipment		1,185	1,572	1,185	1,572
Payments for Property, Plant and Equipment		(102,087)	(401,899)	(101,811)	(393,944)
Payments for Intangibles		(6,248)	(2,015)	(2,322)	(2,015)
Advances to Subsidiary		-	-	(567)	(30,096)
Advance to Jointly Controlled Entity		(12,950)	(20,029)	-	-
Investment in Subsidiary		-	-	(18,763)	-
Proceeds from Joint Venture		-	575	-	-
Net Cash Provided/(Used) by Investing Activities		(120,100)	(421,796)	(122,278)	(424,483)
Cash Flows from Financing Activities					
Proceeds from Borrowings		1,014,150	1,717,739	1,013,865	1,716,739
Repayment of Borrowings		(957,346)	(1,295,208)	(956,404)	(1,292,891)
Payments to Reduce Outstanding Finance Lease Liability		(1,997)	(489)	(1,997)	(489)
Dividends Paid		(59,221)	(124,422)	(59,221)	(124,422)
Net Cash Provided/(Used) by Financing Activities		(4,414)	297,620	(3,757)	298,937
Net Increase/(Decrease) in Cash and Cash Equivalents		74,340	14,370	74,899	12,104
Cash and Cash Equivalents at Beginning of Financial Year		15,229	859	12,461	357
Cash and Cash Equivalents at End of the Year	29(b)	89,569	15,229	87,360	12,461

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

1. Corporate Information

Delta Electricity is a statutory state owned corporation domiciled in New South Wales. The entity's Australian Business Number is 67 139 819 642.

The financial statements of Delta Electricity for the year ended 30 June 2010 were authorised for issue in accordance with a resolution of the Directors on 20 September 2010.

2. Summary of Significant Accounting Policies

The financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, the New South Wales Public Finance and Audit Act and Regulation, and requirements of the State Owned Corporations Act, 1989 (as amended).

(a) Statement of Compliance

The financial statements of the consolidated entity and Delta Electricity comply with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AIFRS). The financial statements also comply with International Financial Reporting Standards (IFRS).

(b) Basis of Accounting

The financial statements for Delta Electricity and Mid West Primary Pty. Ltd have been prepared in accordance with the principles of accrual accounting and the historical cost convention, and except where stated do not take into account current valuations. Cost is based on the fair values of the consideration given in exchange for assets. The financial statements for Delta Electricity Australia

Pty. Ltd have been prepared on a liquidation basis. Assets and liabilities are measured at the recoverable amount.

(i) Significant Accounting Judgements, Estimates and Assumptions

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

Significant Accounting Judgements

The financial statements have been prepared on a business as usual basis and do not take into account proposed reforms of the New South Wales electricity industry involving the private sector (refer to Note 31). The financial statements do not include the potential effect of a future emissions trading scheme as there is significant uncertainty as to the impact of such a scheme on Delta Electricity at this stage.

Significant Accounting Estimates and Assumptions

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Significant estimates and assumptions apply to the following items:

• Defined Benefit Superannuation Schemes

Various actuarial assumptions are required when determining the value of defined benefit superannuation schemes. Refer to Note 19 and Note 24(b).

• Property, Plant and Equipment

Estimates and assumptions are required when determining asset life and calculating the recoverable amount for impairment testing. Calculation of recoverable amount requires estimation of future sales volume and price, estimation of cash flows associated with fuel supplies, power station operation and maintenance, and determination of an appropriate discount factor. Estimated cash flows do not include the potential effect of a future emission trading scheme. Refer to Note 2(l), Note 2(o) and Note 15.

• Provision for Employee Benefits

Estimates and assumptions are required for projected remuneration rates, discount rates and timing of entitlement use when determining the provision for employee benefits. Refer to Note 2(s) and Note 19.

• Provision for Insurance

Various actuarial assumptions are required when determining the entity's insurance provision. These assumptions are determined by specialist service providers. Refer to Note 2(u) and Note 19.

• Assets Attributable to Disposal Group Classified as Held for Sale

Assets and liabilities are classified as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and there must be a commitment to selling the asset either through entering into a contractual sale agreement or the

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

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

(ii) New/Amended Accounting Standards

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ended 30 June 2010. A summary of standards relevant to Delta Electricity is as follows:

• AASB 9 Financial Instruments

This standard applies to reporting periods beginning on or after 1 January 2013 and simplifies the classification and measurement of financial assets.

• AASB 124 Related Party Disclosures

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

• AASB 107 Statement of Cash Flows

This standard applies to reporting periods beginning on or after 1 January 2010 and amends the classification of cash flows for investing activities.

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

(c) Changes in Accounting Policies and Disclosures

In the current reporting period Delta Electricity has adopted the new and revised Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2009.

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

(d) Basis of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Delta Electricity (parent entity) as at 30 June 2010 and the results of all controlled entities for the year then ended. Delta Electricity and its controlled entities together are referred to as the consolidated entity. The effect of transactions between entities in the consolidated entity are eliminated in full.

Delta Electricity has two controlled entities: Delta Electricity Australia Pty. Ltd and Mid West Primary Pty Ltd. Both these entities are wholly owned subsidiaries.

(e) Investments in Subsidiaries

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

(f) Contributed Equity

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

The State Owned Corporations Act, 1989 (as amended), requires Delta Electricity to have two voting shareholders. Current shareholders are the New South Wales Treasurer and the Minister for Finance who hold the shares on behalf of the NSW Government. Each shareholder holds one \$1 share.

(g) Financial Assets and Financial Liabilities

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

Financial Assets

Financial assets are categorised as follows:

Cash and Cash Equivalents

Cash at bank and cash management funds are classified as cash and cash equivalents.

Loans and Receivables

Trade debtors, advances and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

At Fair Value Through Profit or Loss – Held for Trading

This category includes derivative financial instruments not designated or effective as a hedging instrument. These assets are recorded at fair value with any resultant gain or loss recognised in profit or loss.

Derivative Financial Instruments – Effective Hedges

This category includes derivative financial instruments used as cash flow hedges of highly probable forecast transactions or firm commitments. These assets are recorded at fair value. Changes in fair value of effective hedges are deferred in equity. The timing of the recognition in profit or loss depends on the nature of the hedging relationship. Ineffective hedges are classified as held for trading and included in the At Fair Value Through Profit or Loss category.

Financial Liabilities

Financial liabilities are categorised as follows:

At Fair Value Through Profit or Loss – Held for Trading

This category includes derivative financial instruments not designated or effective as a hedging instrument. These liabilities are recorded at fair value with any resultant gain or loss recognised in profit or loss.

Derivative Financial Instruments – Effective Hedges

This category includes derivative financial instruments used as cash flow hedges of highly probable forecast transactions or firm commitments. These liabilities are recorded at fair value. Changes in fair value of effective hedges are deferred in equity. The timing of the recognition in profit or loss depends on the nature of the hedging relationship. Ineffective hedges are classified as held for trading and

included in the At Fair Value Through Profit or Loss category.

Other Financial Liabilities

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

(h) Borrowings

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in profit or loss through the amortisation process and when the liabilities are derecognised.

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

(i) Borrowing Costs

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

Costs associated with borrowings specifically financing qualifying assets are capitalised up to the date of completion of each qualifying asset to the extent those costs are recoverable. Refer to Note 5.

(j) Leased Assets

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

Assets held under finance leases are initially recognised at their fair value or, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expenses on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(k) Cash and Cash Equivalents

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts and borrowings which are used in the cash management function on a day to day basis.

(l) Property, Plant and Equipment

Property, plant and equipment is recognised at fair value less accumulated depreciation and impairment in accordance with AASB 116 *Property Plant and Equipment*, AASB 136 *Impairment of Assets* and the New South Wales Treasury Accounting Policy for the Valuation of Physical Non-Current Assets at Fair Value. Fair value of power station property, plant and equipment is determined by the depreciated replacement cost approach due to the absence of observable market prices.

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

Revaluation increments are generally credited directly to the asset revaluation reserve. A revaluation increment is only recognised immediately in profit or loss when the increment reverses a revaluation decrement, in respect of an individual asset, previously recognised in profit or loss.

Revaluation decrements are generally recognised immediately in profit or loss. A revaluation decrement is only recognised as a debit to the asset revaluation reserve

when a credit balance for the same asset exists in the asset revaluation reserve.

Revaluation increments and decrements are offset against one another but only against the individual asset. The definition of an asset for the purposes of offsetting revaluation increments and decrements in the asset revaluation reserve has been determined to be at the power station level. The rationale for this is that all components of the complex infrastructure asset must function and combine together to produce electricity.

An item of property, plant and equipment is derecognised on disposal or when no further economic benefits are expected from its use or disposal. Upon disposal, any revaluation reserve related to the particular asset is transferred to retained profits. Any gain or loss on derecognition is included in profit or loss in the year the asset is derecognised.

The accounting policy for impairment of assets is included under Note 2(o).

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

The expected useful lives of property, plant and equipment is up to 50 years for operating coal fired power stations (2009: 50 years), up to 30 years for

operating open cycle gas turbines (2009: not applicable) and from 5 to 30 years for other property, plant and equipment (2009: 5 to 30 years).

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

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

(m) Intangible Assets

Intangible assets comprise eligible computer software and capitalised exploration costs.

Computer software is stated at cost less accumulated amortisation and impairment and is amortised on a straight line basis over 2.5 years (2009: 2.5 years).

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

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

(n) Green Certificates

Green certificates include renewable energy certificates and New South Wales greenhouse abatement certificates. The certificates are classified as other assets and recorded at fair value in the Statement of Financial Position with any gains or losses from changes in fair value taken to profit or loss. Fair value is calculated on the basis of observable market data where available.

(o) Impairment

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

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

Recoverable amount is based on value in use and is determined at the cash generating unit level. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market

assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

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

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

(p) Joint Ventures

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

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

(q) Associates

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

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

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale in its present condition, its sale must be highly probable, and expected to be completed within one year from such classification.

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

(s) Employee Benefits

The liability for wages and salaries at reporting date is recognised in current trade and payables. The liability includes

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

unpaid wages and salaries at reporting date and performance/business success payments related to the 2009/10 financial year. The liability is measured at the amounts expected to be paid when the liability is settled. The liability for wages and salaries is normally settled within 7 days of reporting date, while the liability for performance/business success payments is settled within two months of reporting date.

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

The basis of the liabilities and contributions are:

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

Actuarial gains and losses on defined benefit superannuation schemes are recognised immediately in other comprehensive income in the year in which they occur. Superannuation entitlement details are provided in Note 24(b).

(t) Cash Management Funds

Cash management funds are stated at market values calculated by Delta Electricity's funds manager by referencing specific market quoted prices/yields prevailing at reporting date. Refer to Note 7.

Income earned from cash management funds is included as revenue in profit or loss.

(u) Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where it is expected that some or all of a provision is to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, material increases in the provision due to the passage of time are recognised as a finance cost.

There is some degree of uncertainty about the timing of the future payments and/or the amounts to be paid.

(v) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended. Delta Electricity determines the level of dividend for the current financial year prior to reporting date as part of the Statement of Corporate Intent process. The Statement of Corporate Intent is a performance agreement between the Delta Electricity Board and the shareholders. The dividend provision is based on Profit after Income Tax (excluding the impact of fair value movements in financial instruments) but is limited to available retained profits.

(w) Inventory Valuation

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

(x) Taxation

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

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

of deferred income tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred income tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Delta Electricity and its wholly resident subsidiaries, Delta Electricity Australia Pty. Ltd and Mid West Primary Pty. Ltd are treated as a tax consolidated group and are taxed as a single entity for the purposes of income tax.

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

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

(y) Foreign Currency Translation

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables at

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

(z) Segment Reporting

Delta Electricity is an electricity generation corporation that operates in a single business and geographical segment. All production facilities are located in New South Wales.

(aa) Revenue

Revenue from the sale of electricity is recognised as it accrues. Other revenue includes rent and interest income on funds which are recognised as they accrue, and other miscellaneous income and proceeds from other operations which are recognised on performance of the service or delivery of the goods. Revenue is reported in Note 3.

(ab) Grants

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

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

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

(ac) Goods and Services Tax

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

- when the GST incurred on a purchase of goods and services is not

recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense as applicable; and

- receivables and payables, which are stated with the amount of GST included.

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

(ad) Generating Costs

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

(ae) Comparative Figures

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

Comparative information has been updated to reflect the changes in accounting policy outlined in Note 2(c). Comparative information has been updated to reflect the establishment of the disposal group associated with assets held for sale.

(af) Presentation Currency and Rounding

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

3. Revenue

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Sale of Electricity and Green Certificates	1,035,950	976,134	1,036,078	976,133
Other Revenue				
Interest	2,495	863	2,413	645
Litigation Settlements	205	369	205	369
Insurance Recoupment	654	11,569	356	11,569
Proceeds from Other Operations	2,496	3,720	2,496	3,720
Royalties	202	635	202	635
Grants	10	500	10	500
Defined Benefit Superannuation Schemes	-	930	-	930
Miscellaneous	1,490	2,874	1,789	2,874
Revenue	1,043,502	997,594	1,043,549	997,375

4. Expenses (excluding Finance Costs)

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Generating Costs	671,629	734,137	676,537	738,843
Depreciation				
- Buildings	1	1	1	1
- Plant and equipment	117,678	92,772	117,678	92,772
- Motor Vehicles	791	783	791	783
Amortisation of Intangible Assets				
- Computer software	1,895	3,042	1,895	3,042
Impairment				
- Receivable	1,902	-	54,537	-
Bad Debts	169	-	169	-
Loss on Sale of Assets	740	486	740	486
Superannuation Expenses				
- Defined contribution schemes	2,592	1,599	2,592	1,599
- Defined benefit schemes	3,269	1,768	3,269	1,768
Provision for Employee Benefits	10,096	12,797	10,096	12,797
Write down in Value of Inventories	283	186	283	186
Operating Lease Rental Expense	1,026	863	1,026	863
Auditors' Remuneration	253	174	229	162
Directors' Remuneration	481	493	481	493
Consultants Fees	5,035	2,467	4,868	1,831
Other Expenses	978	1,072	978	855
Expenses (excluding Finance Costs)	818,818	852,640	876,170	856,481

Auditors' Remuneration paid or payable in respect to the audit of the 2009/10 financial statements is \$203,000 (2009: \$199,000).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

5. Finance Costs

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Interest on Bank Overdrafts and Borrowings	105,892	73,528	102,123	68,756
Interest on Obligations Under Finance Leases	9,201	3,189	9,201	3,189
Unwinding of Discounts on Provisions	658	872	658	872
Other Finance Costs	4,050	(9,172)	262	(9,943)
Total Finance Costs	119,801	68,417	112,244	62,874
Less: Amounts included in the Cost of Qualifying Assets	(8,522)	(22,763)	(8,522)	(20,718)
Finance Costs	111,279	45,654	103,722	42,156

6. Income Tax

The major components of Income Tax for the year ended 30 June 2010 are as follows:

(a) Income Tax Expense

The major components of income tax expense are:

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Income Tax Expense Recognised in Profit or Loss				
Current Income Tax				
Current income tax expense	56,418	53,312	59,214	55,243
Adjustments in respect of current income tax of previous years	1,052	(1,809)	1,052	(1,811)
Deferred Income Tax				
Origination and reversal of temporary differences (Note 6(b))				
- related to deferred tax liabilities	(14,002)	43,145	(14,004)	42,766
- related to deferred tax assets	(20,873)	(69,279)	(6,341)	(66,514)
Income tax expense recognised in profit or loss	22,595	25,369	39,921	29,684

Income Tax Recognised in Other Comprehensive Income

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

Unrealised gain/(loss) on cash flow hedges (Note 22(b))	5,149	65,091	4,615	67,027
Net gain/(loss) on revaluation of property, plant and equipment (Note 22(b))	(45,000)	-	(45,000)	-
Actuarial gain/(loss) recognised	(8,233)	(28,005)	(8,233)	(28,005)
Income tax expense recognised in other comprehensive income	(48,084)	37,086	(48,618)	39,022

Reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the organisation's effective income tax rate for the year ended 30 June 2010:

Accounting profit before tax	78,413	100,718	83,692	115,243
Income tax at statutory rate of 30% (2009: 30%)	23,524	30,215	25,108	34,573
Non deductible expense - entertainment	56	30	8	7
Investment allowance	(2,551)	(2,834)	(2,551)	(2,834)
Research and development	(60)	(221)	(60)	(221)
Impairment of receivables	570	-	16,360	-
Adjustments in respect of current income tax of previous years	1,056	(1,821)	1,056	(1,841)
Income tax expense recognised in profit or loss	22,595	25,369	39,921	29,684

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(b) Deferred Income Tax

Deferred income tax as at 30 June 2010 relates to the following

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Deferred Income Tax Liabilities				
<i>Statement of Financial Position</i>				
Accelerated depreciation for tax purposes	172,805	224,756	172,805	224,756
Revaluations of property, plant and equipment	259,736	273,852	259,736	273,852
Inventory	28,943	25,462	28,943	25,455
Intangible assets	(4)	(2)	(4)	(2)
Derivative instruments	26,674	22,570	26,674	22,570
Finance lease	29,810	30,850	29,810	30,850
Other items	7,293	7,389	7,291	7,387
Gross deferred income tax liabilities	525,257	584,877	525,255	584,868
<i>Profit or Loss</i>				
Accelerated depreciation for tax purposes	(20,460)	(20,434)	(20,460)	(20,434)
Inventory	3,488	4,107	3,488	4,101
Derivative instruments – fair value movement	4,299	29,445	4,299	29,073
Finance lease	(1,040)	30,850	(1,040)	30,850
Other items	(289)	(823)	(291)	(824)
Deferred income tax expense	(14,002)	43,145	(14,004)	42,766
Deferred Income Tax Assets				
<i>Statement of Financial Position</i>				
Employee benefits	49,274	1,799	49,274	1,799
Provisions (excluding employee benefits)	1,694	43,800	1,694	43,800
Derivative instruments	18,886	13,800	18,270	13,375
Revaluation of property, plant and equipment	16,024	2,466	-	-
Finance lease	30,674	31,322	30,674	31,322
Inventory	53	-	-	-
Other items	1,064	535	339	(5)
Gross deferred income tax assets	117,669	93,722	100,251	90,291
<i>Profit or Loss</i>				
Employee benefits	1,591	(813)	1,591	(813)
Provisions (excluding employee benefits)	1,274	(27,454)	1,274	(27,454)
Derivative instruments – fair value movement	(10,368)	(7,281)	(9,641)	(6,857)
Revaluation of property, plant and equipment	(13,557)	(2,466)	-	-
Finance lease	648	(31,322)	648	(31,322)
Inventory	(61)	-	-	-
Other items	(400)	57	(213)	(68)
Deferred income tax expense	(20,873)	(69,279)	(6,341)	(66,514)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

7. Cash and Cash Equivalents

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Bank	7,877	14,695	5,668	11,927
Cash Management Funds	81,692	534	81,692	534
	89,569	15,229	87,360	12,461

8. Trade and Other Receivables

(a) Current

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Trade Debtors	101,765	102,791	101,650	102,791
Advances to Delta Electricity Australia Pty. Ltd	-	-	-	50,166
Other Debtors	1,636	7,702	1,381	5,467
Prepayments	1,798	3,759	1,798	3,703
	105,199	114,252	104,829	162,127

(b) Non-Current

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Advances to Mid West Primary Pty. Ltd	-	-	-	21,261
Advance to Cobbora Coal Unit Trust	-	20,028	-	-
Other Debtors	11,161	1,653	11,161	1,599
Prepayments	5	992	5	20
	11,166	22,673	11,166	22,880

Trade and other debtors are carried at nominal amounts due less an allowance for any uncollectible amounts. Collectability of trade and other debtors is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that Delta Electricity will not be able to collect the debt. There were no doubtful debts at reporting date (2009: \$Nil).

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

Current other debtors incorporate miscellaneous non-core activities undertaken by Delta Electricity. Amounts are due 30 days after invoicing. Non-current other debtors represent debtors with terms greater than one year from reporting date.

The advance to Delta Electricity Australia Pty. Ltd of \$50.7 million was fully impaired and forgiven in 2009/10 while the advance to Mid West Primary Pty. Ltd was converted to contributed equity. The advance by Mid West Primary Pty. Ltd to Cobbora Coal Unit Trust was converted to an equity investment on 30 June 2010. Refer Note 30(c).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

Trade debtors and other receivables past due but not impaired are as follows:

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Less than three months overdue	360	236	318	220
Three to six months overdue	-	-	-	-
Later than six months overdue	-	-	-	-
	360	236	318	220

Delta Electricity still considers that these amounts will be recoverable.

9. Inventories

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Stores and Materials	44,950	41,968	44,950	41,968
Coal Stocks	93,394	81,775	93,394	81,775
Other Fuel Stocks	3,082	3,099	3,082	3,074
	141,426	126,842	141,426	126,817

10. Other Financial Assets

(a) Current

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Electricity Contracts – cash flow hedges	62,180	34,689	62,180	34,689
Electricity Contracts – held for trading	968	-	968	-
Other Derivatives – held for trading	248	202	248	202
	63,396	34,891	63,396	34,891

(b) Non- Current

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Electricity Contracts – cash flow hedges	24,894	39,506	24,894	39,506
Other Derivatives – held for trading	624	-	624	-
	25,518	39,506	25,518	39,506

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

11. Current Other Assets

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Refundable Security Deposit	39	-	-	-
Green Certificates	2,856	1,054	3,278	814
Miscellaneous	3,292	222	3,292	222
	6,187	1,276	6,570	1,036

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

(a) Details of Disposal Group Held For Sale

The Board of Delta Electricity Australia Pty. Ltd (wholly owned subsidiary of Delta Electricity) has resolved to sell its share of assets in the Sunshine Electricity Joint Venture. This decision was formalised on 27 April 2010 and the sales process has been initiated.

As at 30 June 2010, Delta Electricity Australia Pty. Ltd's share of assets associated with the Sunshine Electricity Joint Venture to be sold have been classified into a disposal group held for sale.

(b) Financial Performance of Disposal Group Held for Sale

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Revenue	6,545	6,994	-	-
Expenses	(14,876)	(13,686)	-	-
Gross Profit/(Loss)	(8,331)	(6,692)	-	-
Impairment of Non Current Assets	-	(8,222)	-	-
Impairment Loss on initial classification as held for sale	(25,843)	-	-	-
Fair Value Gain/(Loss) following classification as held for sale	(20,615)	-	-	-
Loss Before Tax from Discontinued Operations	(54,789)	(14,914)	-	-
Tax income:				
- related to pre-tax profit	10,253	4,474	-	-
- related to measurement to fair value	6,184	-	-	-
Loss from Discontinued Operations after Income Tax	(38,352)	(10,440)	-	-

(c) Assets Attributable to Disposal Group Held For Sale

The major classes of assets are as follows:

(i) Assets

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Property, Plant and Equipment	49,134	-	-	-
Inventories	190	-	-	-
Trade and Other Receivables	676	-	-	-
Assets Attributable to Disposal Group Held For Sale	50,000	-	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(d) Gain or Loss Recognised From Change in Fair Value of Assets Held For Sale

Upon initial classification of non-current assets in the disposal group, an impairment loss of \$25,843,000 was recognised to measure Property, Plant and Equipment at its fair value. A further loss of \$20,615,000 was recognised on 30 June 2010 to reduce the carrying amount to fair value less costs to sell.

(e) Net Cash Flows Attributable to Disposal Group Held For Sale

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Operating Activities	(2,942)	(779)	-	-
Investing Activities	(276)	(5,921)	-	-
Net Cash Flows Attributable to Disposal Group Held For Sale	(3,218)	(6,700)	-	-

13. Investments in Subsidiaries

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Investments in Wholly Owned Subsidiaries	-	-	38,362	-
	-	-	38,362	-

Refer to Note 30 for further information.

14. Investments Accounted for Using the Equity Method

Delta Electricity's wholly owned subsidiary, Mid West Primary Pty. Ltd has invested in a number of entities associated with the exploration, investigation and operation of coal resources in NSW. Details of these investments are outlined below:

(a) Carrying Amount

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Investments in Associates (unlisted)	1	-	-	-
Investment in Jointly Controlled Entity (unlisted)	32,739	-	-	-
	32,740			

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

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

Cobbora Management Company Pty Ltd was established on 11 February 2009 while CCP Holdings Pty Ltd and the Cobbora Coal Unit Trust were established on 5 September 2008. CCP Holdings Pty Ltd is a trustee for the Cobbora Coal Unit Trust while the Cobbora Management Company Pty Ltd performs the role of manager for the Cobbora Unincorporated Joint Venture (Note 23).

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

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of year	1	-	-	-
Additions - Cobbora Coal Unit Trust	-	0.575	-	-
- CCP Holdings Pty Ltd	-	0.001	-	-
- Cobbora Management Company Pty Ltd	-	0.575	-	-
Conversion of Advance to Equity Contribution – Cobbora Coal Unit Trust	32,977	-	-	-
Share of Profit/(Loss) for the Period – Cobbora Coal Unit Trust	(238)	(0.575)	-	-
Balance at end of year	32,740	0.576	-	-

A resolution was passed by the Board of CCP Holdings Pty Ltd to convert advances to additional equity capital through the issue of additional units in the Cobbora Coal Unit Trust on 30 June 2010.

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

The Associate entities recorded no profit during the 2009/10 financial year and had no liabilities. Total assets were \$1,503 with Mid West Primary Pty. Ltd's share being \$576. This reflects the same situation as the 2008/09 financial year.

Summarised information related to Mid West Primary Pty. Ltd's share of the Cobbora Coal Unit Trust is set out below:

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current Assets	745	3,556	-	-
Non-Current Assets	31,924	16,412	-	-
Current Liabilities	51	20,090	-	-
Non-Current Liabilities	-	-	-	-
Revenue	212	91	-	-
Expenses	398	266	-	-

The consolidated entity's unrecognised share of losses at 30 June 2010 was \$Nil (2009: \$121,944).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

15. Property, Plant and Equipment

(a) Reconciliation by Asset Classes

Parent Entity

	\$'000				
	Land	Non Power Station – Buildings	Power Stations – Plant and Equipment	Other – Plant and Equipment	Total
Year ended 30 June 2010					
Carrying amount at 1 July 2009	49,525	36	2,664,720	12,674	2,726,955
Additions	402	-	94,910	2,624	97,936
Revaluation	-	-	197,000	-	197,000
Impairment	-	-	(347,000)	-	(347,000)
Disposals/Write-offs	(572)	-	-	(1,304)	(1,876)
Depreciation Expense	-	(1)	(115,625)	(2,844)	(118,470)
Carrying amount at 30 June 2010	49,355	35	2,494,005	11,150	2,554,545
At 1 July 2009					
Gross replacement cost	49,525	60	10,236,072	29,759	10,315,416
Accumulated depreciation	-	(24)	(7,354,771)	(17,085)	(7,371,880)
Fair value	49,525	36	2,881,301	12,674	2,943,536
Accumulated impairment	-	-	(216,581)	-	(216,581)
Net carrying amount	49,525	36	2,664,720	12,674	2,726,955
At 30 June 2010					
Gross replacement cost	49,355	60	10,330,982	31,079	10,411,476
Accumulated depreciation	-	(25)	(7,489,977)	(19,929)	(7,509,931)
Fair value	49,355	35	2,841,005	11,150	2,901,545
Accumulated impairment	-	-	(347,000)	-	(347,000)
Net carrying amount	49,355	35	2,494,005	11,150	2,554,545

The above tables include work in progress for plant and equipment of \$43.1 million (2009: \$510.1 million). The carrying amount of finance lease assets at 30 June 2010 was \$99,368,000 (2009: \$102,834,000).

Revaluation of Land and Power Stations Plant and Equipment

On 30 June 2008, the value of land and power stations plant and equipment was calculated by Rushton Valuers. A review of the carrying amount by management at 30 June 2010 determined that an impairment of the existing carrying amount of power station property, plant and equipment was required. The existing carrying amount was revalued by management on the basis of the June 2008 Rushon Valuers valuation updated for movement in a construction cost index to determine the depreciated replacement cost at 30 June 2010. The assets were then impaired to recoverable amount in accordance with the methodology and principles set out in Note 2(o). As a result a net valuation decrease of \$150 million was approved by the Board of Delta Electricity.

NOTES TO AND FORMING PART
OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

(a) Reconciliation by Asset Classes (Continued)

Consolidated Entity		\$'000			
Year ended 30 June 2010	Land	Non Power Station – Buildings	Power Stations – Plant and Equipment	Other – Plant and Equipment	Total
Carrying amount at 1 July 2009	49,525	36	2,766,128	12,674	2,828,363
Additions	402	-	94,910	2,624	97,936
Revaluation	-	-	197,000	-	197,000
Impairment	-	-	(347,000)	-	(347,000)
Transfer to Assets Held For Sale	-	-	(100,541)	-	(100,541)
Disposals/Write-offs	(572)	-	-	(1,304)	(1,876)
Depreciation Expense	-	(1)	(115,625)	(2,844)	(118,470)
Carrying amount at 30 June 2010	49,355	35	2,494,872	11,150	2,555,412
At 1 July 2009					
Gross replacement cost	49,525	60	10,348,454	29,759	10,427,798
Accumulated depreciation	-	(24)	(7,357,524)	(17,085)	(7,374,633)
Fair value	49,525	36	2,990,930	12,674	3,053,165
Accumulated impairment	-	-	(-224,802)	-	(224,802)
Net carrying amount	49,525	36	2,766,128	12,674	2,828,363
At 30 June 2010					
Gross replacement cost	49,355	60	10,330,982	31,079	10,411,476
Accumulated depreciation	-	(25)	(7,489,110)	(19,929)	(7,509,064)
Fair value	49,355	35	2,841,872	11,150	2,902,412
Accumulated impairment	-	-	(347,000)	-	(347,000)
Net carrying amount	49,355	35	2,494,872	11,150	2,555,412

The above tables include work in progress for plant and equipment of \$43.1 million (2009: \$510.1 million).
The carrying amount of finance lease assets at 30 June 2010 was \$99,368,000 (2009 \$102,834,000).

NOTES TO AND FORMING PART
OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

Parent Entity		\$'000			
Year ended 30 June 2009	Land	Non Power Station – Buildings	Power Stations – Plant and Equipment	Other – Plant and Equipment	Total
Carrying amount at 1 July 2008	49,216	37	2,287,444	9,881	2,346,578
Additions	544	-	469,291	7,387	477,222
Disposals/Write-offs	(235)	-	(976)	(2,078)	(3,289)
Depreciation Expense	-	(1)	(91,039)	(2,516)	(93,556)
Carrying amount at 30 June 2009	49,525	36	2,664,720	12,674	2,726,955
At 1 July 2008					
Gross replacement cost	49,216	60	9,769,959	27,256	9,846,491
Accumulated depreciation	-	(23)	(7,250,171)	(17,375)	(7,267,569)
Fair value	49,216	37	2,519,788	9,881	2,578,922
Accumulated impairment	-	-	(232,344)	-	(232,344)
Net carrying amount	49,216	37	2,287,444	9,881	2,346,578
At 30 June 2009					
Gross replacement cost	49,525	60	10,236,072	29,759	10,315,416
Accumulated depreciation	-	(24)	(7,354,771)	(17,085)	(7,371,880)
Fair value	49,525	36	2,881,301	12,674	2,943,536
Accumulated impairment	-	-	(216,581)	-	(216,581)
Net carrying amount	49,525	36	2,664,720	12,674	2,726,955

Additions for Power Stations – Plant and Equipment during 2009 include an amount of \$103,989,000 in relation to assets under a finance lease.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(a) Reconciliation by Asset Classes (Continued)

Consolidated Entity		\$'000			
Year ended 30 June 2009	Land	Non Power Station – Buildings	Power Stations – Plant and Equipment	Other – Plant and Equipment	Total
Carrying amount at 1 July 2008	49,216	37	2,392,856	9,881	2,451,990
Additions	544	-	476,261	7,387	484,192
Impairment	-	-	(8,222)	-	(8,222)
Disposals/Write-offs	(235)	-	(976)	(2,078)	(3,289)
Depreciation Expense	-	(1)	(93,791)	(2,516)	(96,308)
Carrying amount at 30 June 2009	49,525	36	2,766,128	12,674	2,828,363
At 1 July 2008					
Gross replacement cost	49,216	60	9,875,371	27,256	9,951,903
Accumulated depreciation	-	(23)	(7,250,171)	(17,375)	(7,267,569)
Fair value	49,216	37	2,625,200	9,881	2,684,334
Accumulated impairment	-	-	(232,344)	-	(232,344)
Net carrying amount	49,216	37	2,392,856	9,881	2,451,990
At 30 June 2009					
Gross replacement cost	49,525	60	10,348,454	29,759	10,427,798
Accumulated depreciation	-	(24)	(7,357,524)	(17,085)	(7,374,633)
Fair value	49,525	36	2,990,930	12,674	3,053,165
Accumulated impairment	-	-	(224,802)	-	(224,802)
Net carrying amount	49,525	36	2,766,128	12,674	2,828,363

Additions for Power Stations – Plant and Equipment during 2009 include an amount of \$103,989,000 in relation to assets under a finance lease.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

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

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

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Land				
At cost	13,602	13,772	13,602	13,772
Total Land	13,602	13,772	13,602	13,772
Non Power Station – Buildings				
At cost	60	60	60	60
Less: accumulated depreciation	(25)	(24)	(25)	(24)
Total Buildings	35	36	35	36
Plant and Equipment				
Power Stations				
At cost	2,381,348	2,398,820	2,381,348	2,286,438
Less: accumulated depreciation and impairment	(568,624)	(511,029)	(568,624)	(500,054)
Total power stations	1,812,724	1,887,791	1,812,724	1,786,384
Other Plant and Equipment				
At cost	29,806	29,759	29,806	29,759
Less: accumulated depreciation	(18,656)	(17,085)	(18,656)	(17,085)
Total other plant and equipment	11,150	12,674	11,150	12,674
Total Plant and Equipment	1,823,874	1,900,465	1,823,874	1,799,058
Total Written Down Value of Property, Plant and Equipment	1,837,511	1,914,273	1,837,511	1,812,866

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

16. Intangible Assets

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

Year ended 30 June 2009

Carrying amount at 1 July 2008, net of accumulated amortisation	4,440	4,440
Additions		
- from internal development	144	144
- acquired externally	1,926	1,926
Amortisation	(3,042)	(3,042)
Carrying amount at 30 June 2009	3,468	3,468
At 1 July 2008		
Cost (gross carrying amount)	25,073	25,073
Accumulated amortisation	(20,633)	(20,633)
Net carrying amount	4,440	4,440
At 30 June 2009		
Cost (gross carrying amount)	27,143	27,143
Accumulated amortisation	(23,675)	(23,675)
Net carrying amount	3,468	3,468

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

Year Ended 30 June 2010	Consolidated Entity		
	Software \$'000	Exploration and Evaluation Assets \$'000	Total \$'000
Carrying amount at 1 July 2009, net of accumulated amortisation	3,468	-	3,468
Additions			
- from internal development	241	-	241
- acquired externally	2,020	3,926	5,946
Amortisation	(1,895)	-	(1,895)
Disposal Write-Offs	(8)	-	(8)
Carrying amount at 30 June 2010	3,826	3,926	7,752
At 1 July 2009			
Cost (gross carrying amount)	27,143	-	27,143
Accumulated amortisation	(23,675)	-	(23,675)
Net carrying amount	3,468	-	3,468
At 30 June 2010			
Cost (gross carrying amount)	24,470	3,926	28,396
Accumulated amortisation	(20,644)	-	(20,644)
Net carrying amount	3,826	3,926	7,752

Year ended 30 June 2009

Carrying amount at 1 July 2008, net of accumulated amortisation	4,440	-	4,440
Additions			
- from internal development	144	-	144
- acquired externally	1,926	-	1,926
Amortisation	(3,042)	-	(3,042)
Carrying amount at 30 June 2009	3,468	-	3,468
At 1 July 2008			
Cost (gross carrying amount)	25,073	-	25,073
Accumulated amortisation	(20,633)	-	(20,633)
Net carrying amount	4,440	-	4,440
At 30 June 2009			
Cost (gross carrying amount)	27,143	-	27,143
Accumulated amortisation	(23,675)	-	(23,675)
Net carrying amount	3,468	-	3,468

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

17. Current Trade and Other Payables

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Accounts Payable	137,635	137,395	138,745	132,638
Other Creditors	19,653	14,196	17,034	13,726
	157,288	151,591	155,779	146,364

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

18. Borrowings

(a) Current

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
NSW Treasury Corporation Short-Term Loans	2,575	117,886	2,575	117,886
Bank Loans - secured	68,022	3,968	-	-
Finance Lease Liabilities	2,201	2,012	2,201	2,012
	72,798	123,866	4,776	119,898

(b) Non-Current

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
NSW Treasury Corporation Loans	1,186,490	1,012,520	1,186,490	1,012,520
Bank Loans - secured	-	64,711	-	-
Finance Lease Liabilities	99,128	101,329	99,128	101,329
	1,285,618	1,178,560	1,285,618	1,113,849

At reporting date, Delta Electricity had Executive Council approval to borrow up to \$1,830 million (2009: \$1,680 million).

Maturing loans may be re-financed if the borrowing limit is not exceeded. As such, Borrowings initially deemed as non-current, which now have less than one year to maturity have been classified as non-current. At reporting date, there were \$151,366,000 of borrowings due to mature within one year requiring classification as non-current (2009: \$42,196,000).

Bank loans relate to the participation of Delta Electricity Australia Pty. Ltd (wholly owned subsidiary) in a joint venture arrangement to develop and operate renewable electricity generation plant. The Bank Loans are secured over the property of Delta Electricity Australia Pty Ltd. Proceeds from the disposal group held for sale in Delta Electricity Australia Pty. Ltd will be applied to the repayment of the bank loans.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

19. Provisions

(a) Current

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Dividend	36,608	59,221	36,608	59,221
Employee Benefits	50,150	49,788	50,150	49,788
Insurance	1,755	4,191	1,755	4,191
	88,513	113,200	88,513	113,200

(b) Non-Current

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Employee Benefits	910	727	910	727
Superannuation – Defined Benefit Schemes	107,393	85,595	107,393	85,595
Insurance	9,373	11,101	9,373	11,101
	117,676	97,423	117,676	97,423

Delta Electricity's insurance provision covers assessed employee and contractor related accident and injury liabilities at reporting date. In accordance with conditions associated with Delta Electricity's Self Insurer's licence for Workers' Compensation, a current provision of \$755,000 (2009: \$709,000) and a non-current provision of \$4,726,000 (2009: \$4,691,000) for workers' compensation has been included in the insurance provision.

An actuarial review of employee benefits and insurance provisions was carried out by David A Zaman Pty Ltd as at 30 June 2010.

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

(c) Movements in Provisions

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

Movements in each class of provision during the financial year, other than employee benefits, are set out below:			2010
			\$'000
Current			
	Dividend	Insurance	Total
Carrying amount at start of year	59,221	4,191	63,412
Additional provision	36,608	(247)	36,361
Payments	(59,221)	(2,189)	(61,410)
Carrying amount at end of year	36,608	1,755	38,363
Non-Current			
		Insurance	Total
Carrying amount at start of year		11,101	11,101
Discount adjustment		658	658
Adjustment to assessed liability		(2,386)	(2,386)
Carrying amount at end of year		9,373	9,373

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

20. Other Financial Liabilities

(a) Current

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Electricity Contracts – cash flow hedges	5	412	5	412
Electricity Contracts – held for trading	21,061	16,938	21,061	16,938
Interest Rate Futures – held for trading	62	-	62	-
Forward Foreign Exchange Contracts – cash flow hedges	-	292	-	292
Forward Foreign Exchange Contracts – held for trading	-	1,455	-	1,455
Interest Rate Swap – cash flow hedges	-	82	-	-
Interest Rate Swap – held for trading	2,054	-	-	-
Other Derivatives – held for trading	-	942	-	942
	23,182	20,121	21,128	20,039

(b) Non-Current

Electricity Contracts- held for trading	15,223	-	15,223	-
Interest Rate Swap – cash flow hedges	-	1,330	-	-
	15,223	1,330	15,223	-

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

21. Other Liabilities

(a) Current

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Deferred Revenue – Grants	467	-	467	-
Miscellaneous	314	300	314	300
	781	300	781	300

(b) Non-Current

Miscellaneous	1,139	1,307	1,139	1,307
	1,139	1,307	1,139	1,307

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

22. Equity

(a) Contributed Equity

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	175,376	175,376	175,376	175,376
Return of Contributed Equity to Shareholder	-	-	-	-
Contributed Equity at end of year	175,376	175,376	175,376	175,376

(b) Reserves

Asset Revaluation Reserve	669,002	774,002	669,002	774,002
Hedging Reserve	62,268	50,253	62,268	51,501
Reserves at end of year	731,270	824,255	731,270	825,503

Asset Revaluation Reserve

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

Balance at beginning of year	774,002	774,686	774,002	774,686
Revaluation	197,000	-	197,000	-
Impairment	(347,000)	-	(347,000)	-
Tax Effect	45,000	-	45,000	-
Depreciation transfer	-	(684)	-	(684)
Asset Revaluation Reserve at end of year	669,002	774,002	669,002	774,002

Hedging Reserve

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

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	50,253	(101,627)	51,501	(104,898)
Gains/(Losses) Recognised on Cash Flow Hedges:				
Electricity Contracts	53,646	242,880	53,646	242,880
Forward Foreign Exchange Contracts	-	19,574	-	19,574
Interest Rate Swaps	(2,006)	(7,003)	-	-
Tax Effect	(15,492)	(76,635)	(16,094)	(78,736)
Transferred to Profit or Loss				
Electricity Contracts	(38,554)	(30,505)	(38,554)	(30,505)
Future Foreign Exchange Contracts	-	69	-	69
Interest Rate Swaps	1,364	942	-	-
Tax Effect	11,157	8,848	11,566	9,131
Cessation of Hedge Accounting – Recycled to Profit or Loss				
Interest Rate Swaps	2,424	-	-	-
Tax Effect	(727)	-	-	-
Transferred to Initial Carrying Amount of Hedged Item				
Forward Foreign Exchange Contracts	290	(8,592)	290	(8,592)
Interest Rate Swaps	-	(394)	-	-
Tax Effect	(87)	2,696	(87)	2,578
Hedging Reserve at end of year	62,268	50,253	62,268	51,501

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(c) Retained Profits

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of year	-	48,534	14,594	52,918
Superannuation actuarial gains/(losses)	(27,442)	(93,351)	(27,442)	(93,351)
Tax effect	8,233	28,005	8,233	28,005
Profit/(Loss) for the year	55,817	75,349	43,771	85,559
Dividends provided for or paid	(36,608)	(59,221)	(36,608)	(59,221)
Depreciation transfer	-	684	-	684
Retained Profits at end of year	-	-	2,548	14,594

23. Jointly Controlled Assets and Operations

(a) Description

Delta Electricity Australia Pty. Ltd and Mid West Primary Pty. Ltd, Delta Electricity's wholly owned subsidiaries, are the consolidated entity's participants in joint ventures.

Name of Joint Venture	Principal Activity	Output Interest	
		2010 %	2009 %
Sunshine Electricity Joint Venture	Electricity Generation	50	50
Cobbora Joint Venture	Exploration, investigation and operation of coal resources in NSW	38.3	38.3

The Delta Electricity Australia Pty. Ltd Board has resolved to sell its share of assets in the Sunshine Electricity Joint Venture. This decision was formalised on 27 April 2010 and the sales process has been initiated.

(b) Share of Assets

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

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash and Cash Equivalents	453	370	-	-
Trade and Other Receivables	4,554	2,731	-	-
Inventories	-	25	-	-
Assets Attributable to Disposal Group Classified as Held For Sale	50,000	-	-	-
Other	426	240	-	-
Total Current Assets	55,433	3,366	-	-
Receivables	-	1,026	-	-
Property, Plant and Equipment	-	100,236	-	-
Intangible Assets	3,926	-	-	-
Total Non-Current Assets	3,926	101,262	-	-
Total Assets	59,359	104,628	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(c) Share of Capital Commitments

The capital commitments arising from the consolidated entity's interests in the joint ventures are disclosed below:

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Plant and Equipment				
Payable no later than one year	-	28	-	-
Payable later than one, not later than five years	-	-	-	-
Payable later than 5 years	-	-	-	-
	-	28	-	-

Delta Electricity Australia Pty. Ltd and Mid West Primary Pty. Ltd expects to receive input tax credits from the Australian Taxation Office totalling \$Nil (2009: \$2,500) for Goods and Services Tax paid for these commitments.

Other commitments are disclosed in Notes 25 and 26.

24. Employee Benefits and Superannuation

(a) Employee Benefits

The aggregate employee benefit liability excluding superannuation is composed of:

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Short-term Employee Benefits	19,064	25,286	19,064	25,286
Long-term Employee Benefits	37,938	37,658	37,938	37,658
	57,002	62,944	57,002	62,944

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

(b) Superannuation – Defined Benefit Schemes

(i) General Information and Description of Plans

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

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

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

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

(ii) Reconciliation of the Present Value of the Defined Benefit Obligation

	Parent Entity				
	SASS	SANCS	SSS	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of partly funded defined benefit obligations at beginning of year	106,862	20,570	224,615	352,047	291,240
Current service cost	3,437	989	2,262	6,688	5,746
Interest cost	5,854	1,111	12,419	19,384	18,738
Contributions by fund participants	1,821	-	2,230	4,051	3,750
Actuarial (gains)/losses	8,078	1,411	21,597	31,086	47,355
Benefits paid	(4,967)	(1,658)	(8,160)	(14,785)	(14,782)
Present value of partly funded defined benefit obligations at end of year	121,085	22,423	254,963	398,471	352,047

(iii) Reconciliation of the Fair Value of Fund Assets

	Parent Entity				
	SASS	SANCS	SSS	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Fair value of fund assets at beginning of year	93,155	16,301	156,996	266,452	292,318
Expected return on fund assets	7,972	1,389	13,442	22,803	23,646
Actuarial gains/(losses)	1,623	62	1,959	3,644	(45,996)
Employer contributions	4,158	742	4,013	8,913	7,516
Contributions by fund participants	1,821	-	2,230	4,051	3,750
Benefits paid	(4,967)	(1,658)	(8,160)	(14,785)	(14,782)
Fair value of fund assets at end of year	103,762	16,836	170,480	291,078	266,452

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

	Parent Entity				
	SASS	SANCS	SSS	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of partly funded defined benefit obligations at end of year	121,085	22,423	254,963	398,471	352,047
Fair value of fund assets at end of year	(103,762)	(16,836)	(170,480)	(291,078)	(266,452)
Net Liability/(Asset) recognised in statement of financial position at end of year	17,323	5,587	84,483	107,393	85,595

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

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

	SASS	SANCS	SSS	2010	Parent Entity
	\$'000	\$'000	\$'000	\$'000	2009
					\$'000
Current service cost	3,437	989	2,262	6,688	5,746
Interest cost	5,854	1,111	12,419	19,384	18,738
Expected return on fund assets (net of expenses)	(7,972)	(1,389)	(13,442)	(22,803)	(23,646)
Expense/(income) recognised	1,319	711	1,239	3,269	838

(vi) Amounts recognised in Other Comprehensive Income

	SASS	SANCS	SSS	2010	Parent Entity
	\$'000	\$'000	\$'000	\$'000	2009
					\$'000
Actuarial (gains)/losses	6,455	1,349	19,638	27,442	93,351

The cumulative amount of actuarial losses recognised in the Statement of Changes in Equity since 1 July 2004 is \$104.1 million.

(vii) Fund Assets

The percentage invested in each asset class at reporting date:

	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

(viii) Actual Return on Fund Assets

	SASS	SANCS	SSS	2010	Parent Entity
	\$'000	\$'000	\$'000	\$'000	2009
					\$'000
Actual return on Fund assets	8,782	1,451	14,341	24,574	(28,725)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(ix) Historical Information

Current Information

	SASS \$'000	SANCS \$'000	SSS \$'000	2010 \$'000	Parent Entity 2009 \$'000
Present value of defined benefit obligation	121,085	22,423	254,963	398,471	352,047
Fair value of fund assets	(103,762)	(16,836)	(170,480)	(291,078)	(266,452)
(Surplus)/deficit in fund	17,323	5,587	84,483	107,393	85,595
Experience adjustments – fund liabilities	8,078	1,411	21,597	31,086	47,355
Experience adjustments – fund assets	(1,623)	(62)	(1,959)	(3,644)	45,996

Prior Year Information

	2008 \$'000	2007 \$'000	Parent Entity 2006 \$'000
Present value of defined benefit obligation	291,241	282,590	280,052
Fair value of fund assets	(292,318)	(312,025)	(277,891)
(Surplus)/deficit in funds	(1,077)	(29,435)	2,161
Experience adjustments – fund liabilities	(5,847)	(10,575)	(20,689)
Experience adjustments – fund assets	43,026	(14,963)	(24,869)

(x) Expected Contributions

	SASS \$'000	SANCS \$'000	SSS \$'000	2010 \$'000	Parent Entity 2009 \$'000
Expected employer contributions to be paid in the next reporting period	3,459	1,112	3,568	8,139	7,575

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

Valuation Method

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

Economic Assumptions

The principal economic assumptions are outlined in the below table:

	2010 %pa	2009 %pa
Salary increase rate (excluding promotional increases)*	3.5	3.5
Rate of CPI Increase	2.5	2.5
Expected rate of return on assets	8.6	8.1
Discount rate	5.2	5.6

*The salary increase rate assumes productivity gains.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(xii) Funding Arrangements for Employer Contributions

Surplus/Deficit

The following is a summary of the June 2010 financial position of the fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*.

	SASS \$'000	SANCS \$'000	SSS \$'000	2010 \$'000	Parent Entity 2009 \$'000
Accrued benefits	108,367	20,077	173,889	302,333	277,709
Net market value of fund assets	(103,762)	(16,836)	(170,480)	(291,078)	(266,452)
Net (surplus)/deficit	4,605	3,241	3,409	11,255	11,257

Contribution Recommendations

Recommended contribution rates for the entity are:

	SASS multiple of member contributions	Parent Entity % member salary	SSS multiple of member contributions
2010	1.9	2.5	1.6
2009	1.9	2.5	1.6

Funding Method

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

Economic Assumptions

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

Weighted Average Assumptions

	2010 %pa	2009 %pa
Expected rate of return on Fund assets backing current pension liabilities	8.3	8.3
Expected rate of return on Fund assets backing other liabilities	7.3	7.3
Expected salary increase rate	4.0	4.0
Expected rate of CPI increase	2.5	2.5

(xiii) Nature of Asset/Liability

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

25. Expenditure Commitments

Expenditure contracted for at reporting date but not recognised as liabilities in the Statement of Financial Position:

(a) Capital - Plant and Equipment

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Payable no later than one year	24,802	62,972	24,802	62,944
Payable later than one, not later than 5 years	13,730	1,095	13,730	1,095
Payable later than 5 years	-	-	-	-
	38,532	64,067	38,532	64,039

(b) Operating (excluding lease commitments) - Operational and Maintenance

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Payable no later than one year	57,777	56,046	57,075	52,211
Payable later than one, not later than 5 years	77,434	80,415	77,434	79,082
Payable later than 5 years	-	7,082	-	3,905
	135,211	143,543	134,509	135,198

(c) Intangible Assets

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Payable no later than one year	1,327	-	-	-
Payable later than one, not later than 5 years	-	-	-	-
Payable later than 5 years	-	-	-	-
	1,327	-	-	-

Delta Electricity expects to receive input tax credits from the Australian Taxation Office totalling \$15,680,000 (2009: \$18,025,000) for Goods and Services Tax paid for these commitments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

26. Leases

(a) Finance Lease

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

	Minimum Future Lease Payments				Present Value of Minimum Future Lease Payments			
	Consolidated		Parent Entity		Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
No later than 1 year	11,213	11,213	11,213	11,213	2,201	2,012	2,201	2,012
Later than 1 year and not later than 5 years	44,852	44,852	44,852	44,852	11,065	10,118	11,065	10,118
Later than five years	153,137	164,350	153,137	164,350	88,063	91,211	88,063	91,211
Minimum future lease payments	209,202	220,415	209,202	220,415	101,329	103,341	101,329	103,341
Less future finance charges	(107,873)	(117,074)	(107,873)	(117,074)	-	-	-	-
Present value of minimum lease payments	101,329	103,341	101,329	103,341	101,329	103,341	101,329	103,341

Included in the financial statements as: (refer Note 18)

Current borrowings	2,201	2,012	2,201	2,012
Non-current borrowings	99,128	101,329	99,128	101,329
	101,329	103,341	101,329	103,341

(b) Operating Leases

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

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Payable no later than one year	1,189	1,142	1,185	1,134
Payable later than one, not later than 5 years	3,315	4,532	3,315	4,500
Payable later than 5 years	-	264	-	-
	4,504	5,938	4,500	5,634

Delta Electricity expects to receive input tax credits from the Australian Taxation Office totalling \$409,000 (2009: \$512,000) for Goods and Services Tax paid for these commitments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

27. Contingent Liabilities and Contingent Assets

Other than the Power Purchase Agreement referred to in Note 33, there were no known contingent liabilities or contingent assets in existence at reporting date.

28. Financial Instruments

(a) Capital Risk Management

Delta Electricity manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through optimisation of debt and equity balance. Delta Electricity's capital structure is reviewed each year as part of the development and finalisation of the Statement of Corporate Intent which is a high level agreement between the Board and shareholders. In addition, Delta Electricity complies with the requirements of the Capital Structure Policy for Government Businesses administered by New South Wales Treasury and borrowing limits approved under the Public Authorities (Financial Arrangements) Act 1987. The Capital Structure Policy for Government Businesses is one of the key policy mechanisms which help to ensure that Government businesses operate on a commercial basis and make appropriate investment decisions.

The capital structure consists of cash and cash equivalents, borrowings and total equity consisting of contributed equity, reserves and retained profits as disclosed in Note 7, Note 18, and Note 22 respectively.

Operating cash flows are used to maintain and expand the organisation's operating capacity as well as make routine outflows related to taxation, dividends and repayment of borrowings. Borrowings are sourced from New South Wales Treasury Corporation unless specific approval is granted under the Public Authorities (Financial Arrangements) Act 1987 to source private borrowings.

The overall strategy remains unchanged from 2009.

(b) Categories of Financial Instruments

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

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Financial Assets				
Cash and Cash Equivalents	89,569	15,229	87,360	12,461
Loans and Receivables	117,853	128,540	117,481	178,008
Derivative Instruments – Designated in Hedge Accounting Relationships	87,074	74,195	87,074	74,195
Derivative Instruments – Held for Trading	1,840	202	1,840	202
	296,336	218,166	293,755	264,866
Financial Liabilities				
Payables and Borrowings	1,515,176	1,453,497	1,445,682	1,379,591
Derivative Instruments – Designated in Hedge Accounting Relationships	5	2,116	5	704
Derivative Instruments – Held for Trading	38,400	19,335	36,346	19,335
	1,553,581	1,474,948	1,482,033	1,399,630

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(c) Financial Risk Management Objectives

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

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

(d) Foreign Currency Risk Management

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

At reporting date, Delta Electricity had 7 (2009: 22) forward foreign exchange contracts. The values of these contracts are outlined in the table below:

Currency	Parent Entity			
	2010		2009	
	Number of Contracts	Currency Value	Number of Contracts	Currency Value
USD	5	1,185,258	1	205,000
EUR	-	-	13	8,874,664
JPY	2	634,926,438	6	649,157,730
CHF	-	-	2	597,761

Currency	Consolidated Entity			
	2010		2009	
	Number of Contracts	Currency Value	Number of Contracts	Currency Value
USD	5	1,185,258	1	205,000
EUR	-	-	13	8,874,664
JPY	2	634,926,438	6	649,157,730
CHF	-	-	2	597,761

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(d) Foreign Currency Risk Management (Continued)

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

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

A 10% strengthening/(weakening) of the Australian dollar against the relevant foreign currencies would decrease/(increase) post tax profit by \$624,000/(\$762,000) (2009: \$679,000/(\$829,000)) and decrease/(increase) other equity (tax effected) by (\$Nil)/(\$Nil) (2009: \$893,000/(\$1,091,000)). The sensitivity reflects management's view of the reasonably possible movement in the Australian dollar against the relevant foreign currencies at balance date which is based on advice from Delta Electricity's service provider. The sensitivity assumes all other variables remain constant.

(e) Interest Rate Risk Management

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

New South Wales Treasury Corporation (TCorp) manages interest rate risk exposures applicable to specific borrowings of Delta Electricity in accordance with Board approved policies and a debt portfolio mandate agreed between the two parties. TCorp receives a fee for this service which may include a performance component where TCorp is able to add value by achieving a reduction in Delta Electricity's debt costs against an agreed benchmark. TCorp uses derivatives, primarily interest rate futures, to establish short term (tactical) and longer term (strategic) positions within agreed tolerance limits to manage portfolio duration and maturity profiles. At reporting date the carrying value of borrowings and derivatives (net of funds held at call) managed by TCorp stood at \$1,188,721,000 (2009: \$1,118,891,000).

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

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest Rate Swaps				
Less than one year	4,204	3,789	-	-
One to five years	21,049	19,368	-	-
Greater than five years	35,674	41,559	-	-
	60,927	64,716	-	-
Interest Rate Futures				
Less than one year*	36,000	(46,000)	36,000	(46,000)
One to five years*	(16,300)	-	(16,300)	-
Greater than five years*	(7,500)	(2,500)	(7,500)	(2,500)
	12,200	(48,500)	12,200	(48,500)

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

The total notional amount of interest rate swaps for the consolidated entity is \$60,927,000 with Delta Electricity Australia Pty. Ltd receiving floating interest and paying fixed interest. Delta Electricity Australia Pty. Ltd intends to terminate the interest rate swaps when the underlying bank loans are repaid. Hedge accounting ceased from the date that the forecast cashflows were no longer expected to occur, with the balance of the reserve recycled back through profit or loss.

Interest rate risk management instruments are recognised in the Statement of Financial Position at fair value. The fair value of futures represents the margin call at reporting date. The fair value of interest rate swaps represents the amount the entity would expect to receive or pay on the termination of contracts at reporting date.

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

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the year. For instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

For Delta Electricity, the weighted average interest exposure on financial assets is 4.4% (2009: 2.4%), while weighted average interest exposure incorporating a government guarantee fee on financial liabilities is 8.5% (2009: 6.9%).

For the consolidated entity, the weighted average interest exposure on financial assets is 4.4% (2009: 2.4%), while weighted average interest exposure incorporating a government guarantee fee on financial liabilities is 8.5% (2009: 6.9%).

A 1.0% increase/(decrease) in interest rates would decrease/(increase) post tax profit by \$7,498,000 (2009: \$519,000). The sensitivity reflects management's view of the reasonably possible movement in interest rates as at balance date which is based on advice from Delta Electricity's debt management service provider. The sensitivity percentage is derived from historically based volatility information calculated over a ten year period. The sensitivity assumes that all other variables remain constant.

(f) Electricity Price Risk Management

Delta Electricity sells all generated electricity to the National Electricity Market. The wholesale price for generated electricity is based on numerous supply and demand factors and can be extremely volatile. In the normal course of business, Delta Electricity enters into various types of derivative contracts with electricity market counterparties to manage the risks associated with fluctuations in wholesale electricity prices. These contracts are undertaken in accordance with Board approved policies. The policies permit the active hedging of price and volume related to forecast electricity generation within prescribed limits.

The fair value of electricity derivative contracts are outlined in the following table:

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Less than one year*	42,082	(17,339)	42,082	(17,339)
One to five years*	9,671	(39,506)	9,671	(39,506)
Greater than five years*	-	-	-	-
	51,753	(56,845)	51,753	(56,845)

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(f) Electricity Price Risk Management (Continued)

Electricity contracts are recognised in the Statement of Financial Position at fair value. The fair value of short to medium term electricity contracts is calculated by reference to observable market data where available supported by valuation techniques where appropriate. Fair value for long dated electricity contracts is calculated using an input cost plus margin model.

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

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

If a hedged item is no longer expected to occur, the cumulative gain or loss recognised in equity is transferred to profit or loss for the year. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to profit or loss in the same year in which the forecast electricity generation occurs.

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

Management has assessed the possible changes in both forward and spot electricity prices over a financial year based on historical data and future expectations. If forward electricity prices had changed by plus or minus 10% for the year and with all other variables are held constant, post tax profit would have increased/(decreased) by (\$3,002,000) (2009: (\$792,000)) and equity (tax effected) by (\$45,690,000) (2009: (\$56,650,000)).

(g) Oil Price Risk Management

Delta Electricity utilises significant levels of oil in the electricity generation process. The wholesale price of oil is based on world wide supply and demand factors and can be extremely volatile. In the normal course of business, Delta Electricity can enter into derivative contracts such as commodity swaps to manage the risks associated with fluctuations in wholesale oil prices. These contracts are undertaken in accordance with Board approved policies which require economic hedging when total oil exposure reaches a specified level.

The notional face value of oil commodity swaps are outlined in the following table:

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Less than one year	-	6,173	-	6,173
One to five years	-	-	-	-
Greater than five years	-	-	-	-
	-	6,173	-	6,173

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Commodity swaps are recognised in the Statement of Financial Position at fair value. The fair value of commodity swaps is calculated by reference to quoted rates at reporting dates.

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

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the year. For commodity swaps that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

A 20% increase/(decrease) in oil prices would increase/(decrease) post tax profit by \$ Nil (2009: (10% increase/(decrease) \$735,000). The sensitivity reflects management's view of the reasonably possible movement in oil commodity prices as at balance date which is based on advice from Delta Electricity's service provider. The sensitivity assumes all other variables remain constant.

(h) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the organisation.

The credit risk on financial assets, apart from derivative instruments, which have been recognised in the Statement of Financial Position is generally the carrying amount, net of any allowance for doubtful debts. The recognised financial assets of the Corporation include amounts receivable from government owned agencies (76.9 %) and other debtors (23.1%).

The majority of credit risk for the organisation is related to receivables from the sale of generated electricity supplied to the National Electricity Market (NEM) and derivative electricity contracts. The credit risk associated with supply of physical electricity to the NEM is considered minimal due to prudential requirements needed by participants prior to registration in the market. The credit risk associated with derivative electricity contracts is mitigated through the application of limits determined by a Board approved policy. These limits are based on the credit rating of the counterparty. In the absence of an acceptable public credit rating an internal credit rating is assigned on the advice of an external credit assessment specialist. Credit risk exposure and counterparty credit ratings are continuously monitored with regular reporting to the Board. The aggregate exposure on open electricity contracts at reporting date was \$243.5 million (2009: \$164.3 million).

Credit risk also arises from potential counterparty default on forward foreign exchange contracts and commodity swap contracts. The value of this exposure at reporting date was \$684,000 (2009: \$304,000).

(i) Liquidity Risk Management

Delta Electricity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The organisation maintains adequate reserves, flexible banking facilities and has reserve borrowing facilities in place to manage additional funding required from time to time. The extent of these facilities is disclosed in Note 29(e).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(i) Liquidity Risk Management (Continued)

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

Parent Entity	Maturity Dates			Total
	< 1 year \$'000	1 – 5 years \$'000	> 5 years \$'000	\$'000
2010				
Financial Liabilities				
Variable interest rate instruments	31,040	-	-	31,040
Fixed interest rate instruments	227,942	723,182	758,585	1,709,709
Non-interest bearing instruments	155,288	-	-	155,288
Derivative instruments	21,966	16,733	-	38,699
	436,236	739,915	758,585	1,934,736
2009				
Financial Liabilities				
Variable interest rate instruments	91,079	-	-	91,079
Fixed interest rate instruments	140,989	716,000	681,457	1,538,446
Non-interest bearing instruments	145,844	-	-	145,844
Derivative instruments	20,493	-	-	20,493
	398,405	716,000	681,457	1,795,862

Consolidated	Maturity Dates			Total
	< 1 year \$'000	1 – 5 years \$'000	> 5 years \$'000	\$'000
2010				
Financial Liabilities				
Variable interest rate instruments	38,140	19,368	41,554	99,062
Fixed interest rate instruments	227,942	723,182	758,585	1,709,709
Non-interest bearing instruments	156,761	-	-	156,761
Derivative instruments*	22,108	16,733	-	38,841
	444,951	759,283	800,139	2,004,373
2009				
Financial Liabilities				
Variable interest rate instruments	95,047	17,559	47,152	159,758
Fixed interest rate instruments	140,989	716,000	681,456	1,538,445
Non-interest bearing instruments	151,071	-	-	151,071
Derivative instruments	20,575	422	908	21,905
	407,682	733,981	729,516	1,871,179

Delta Electricity Australia Pty. Ltd uses derivative instruments to manage the variable interest rate risk on borrowings. Under interest rate swaps, Delta Electricity Australia Pty. Ltd receives floating interest and pays fixed interest.

* Delta Electricity Australia Pty. Ltd intends to terminate the interest rate swaps when the underlying bank loans are repaid.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

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

Delta Electricity uses various methods in estimating the fair value of financial instruments recognised in the Statement of Financial Position. The methods comprise:

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

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

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

There were no transfers between Levels during the year.

Long term electricity derivative instruments are with numerous counterparties. The fair value of these instruments is determined by using valuation techniques based on a cost plus margin model. Inputs to these valuation techniques include some assumptions that are not supportable by observable market data (e.g. long term coal price).

The fair value of Level 3 long term electricity derivative instruments was nil at the start and end of the reporting period. There were no new Level 3 contracts or gains/losses on existing contracts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

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

The following table shows the sensitivity of fair values of the long term derivative contracts to reasonable possible alternative assumptions as at 30 June 2010.

	Reflected in Profit or (Loss)	
	Change -10% \$'000	Change +10% \$'000
Electricity Contracts - long term	(3,294)	3,347

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

There were no transfers between Levels during the year.

(k) Total Debt Maturity Table

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

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Up to one year	221,963	164,050	153,941	160,081
Over one and up to two years	278,624	250,654	278,624	246,865
Over two and up to five years	252,271	297,847	252,271	284,077
Over five years	504,229	486,534	504,229	439,383
	1,257,087	1,199,085	1,189,065	1,130,406

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

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

29. Notes to the Statement of Cash Flows

(a) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash at bank and in hand, short term deposits and short term investments, net of outstanding bank overdrafts and borrowings which are used in the cash management function on a day to day basis.

(b) Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash and Cash Equivalent Assets	89,569	15,229	87,360	12,461
Current Borrowings	-	-	-	-
Balance as per Statement of Cash Flows	89,569	15,229	87,360	12,461

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

(c) Dividends and Taxes

No dividends were received during the period. Dividends paid by Delta Electricity during the period amounted to \$59.2 million (2009: \$124.4 million). Tax equivalent payments for the year were \$53.9 million (2009: \$75.3 million).

(d) Acquisitions and Disposal of Entities

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

(e) Financing Arrangements

	Consolidated		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Facilities Available				
Bank Overdraft	2,050	2,050	2,000	2,000
NSW Treasury Corporation Loans	1,830,000	1,680,000	1,830,000	1,680,000
Project Borrowing Facility	68,192	69,134	-	-
Total Available	1,900,242	1,751,184	1,832,000	1,682,000
Facilities Utilised				
Bank Overdraft	-	-	-	-
NSW Treasury Corporation Loans	1,189,065	1,130,406	1,189,065	1,130,406
Project Borrowing Facility	68,022	68,679	-	-
Total Utilised	1,257,087	1,199,085	1,189,065	1,130,406

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

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

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Profit for the Period	55,817	75,349	43,771	85,559
Add/(Less): Non-Cash Items				
Depreciation and Amortisation	124,062	99,638	120,389	96,885
Inventory Adjustments	283	186	283	186
Impairment and Write-Off of Tangible Assets	45,910	9,334	79	1,112
Impairment of Receivables/Bad Debts	2,698	-	54,706	-
Share of (Profit)/Loss Associated with Equity Method of Accounting	238	1	-	-
Add/(Less): Items classified as Investing/Financing Activities				
(Gain)/Loss on Sale of Property, Plant and Equipment	749	477	749	477
Accounting (Gain)/Loss on Debt Re-financing	1,051	-	1,051	-
Net Cash Provided by Operating Activities Before Changes in Assets and Liabilities	230,808	184,985	221,028	184,219
Net Changes in Assets and Liabilities During the Period				
(Increase)/Decrease in Trade Debtors	(18,179)	9,936	(20,052)	9,837
(Increase)/Decrease in Other Receivables	1,101	(1,598)	461	(1,077)
(Increase)/Decrease in Inventories	(16,985)	(17,138)	(16,287)	(18,724)
(Increase)/Decrease in Other Assets	27,027	3,394	26,367	3,223
Increase/(Decrease) in Payables	15,164	8,930	14,599	6,050
Increase/(Decrease) in Income Tax Related Assets/Liabilities	(31,454)	(49,694)	(14,130)	(45,609)
Increase/(Decrease) in Other Liabilities	(8,628)	(269)	(11,052)	(269)
Net Cash Provided/(Used) by Operating Activities	198,854	138,546	200,934	137,650

30. Related Party Disclosures

(a) Directors and Director-Related Entities

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

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

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

As part of its sponsorship program, Delta Electricity provided \$100,000 in sponsorship to the Art Gallery of New South Wales during 2009/10. The then Chairman of Delta Electricity was a member of the Board of Trustees at the Art Gallery of New South Wales until March 2010 and was subsequently a member of the President's Council.

The Directors of Delta Electricity at 30 June 2010 were Mr PF Young AM, Mr JP Henness, Mr WL Phillips, Ms SM Moait, Hon MS Knight AO, Mr PJ Forward and Mr LW Harris.

Mr WL Phillips and Mr JP Henness were Directors of Delta Electricity Australia Pty. Ltd for the full financial year.

Mr WL Phillips and Mr JP Henness were Directors of Mid West Primary Pty. Ltd for the full financial year.

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

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Short-term Employee Benefits	3,944	3,777	3,944	3,777
Post-employment Benefits	234	230	234	230
Other Long-term Benefits	244	227	244	227
Total	4,422	4,234	4,422	4,234

Key management personnel include Directors and members of the Executive. Remuneration excludes insurance premiums paid by the parent entity in respect of directors' and officers' liability insurance as policies do not specify premiums paid in respect of individual directors and officers. During the year, Delta Electricity also provided administration support to the Chairman to the value of \$43,000.

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

(c) Controlled Entities

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

The wholly owned subsidiary commenced commercial operations in 2002/03. Delta Electricity Australia Pty. Ltd has invested funds of \$50.7 million in Delta Electricity Australia Pty. Ltd for its participation in the construction and operation of renewable electricity generation plants at Condong and Broadwater. This debt was forgiven by Delta Electricity on 30 June 2010.

Delta Electricity acquired the one issued \$1 ordinary share of Mid West Primary Pty. Ltd in 2008.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(c) Controlled Entities (Continued)

The wholly owned subsidiary commenced commercial operations in 2008/09. Mid West Primary Pty. Ltd has executed a number of agreements relating to the exploration, investigation and operation of coal resources in NSW. Approval has been received from NSW Treasury to provide up to \$65 million (2009: \$65 million) to Mid West Primary Pty. Ltd for this purpose. The funding provided was converted from an intercompany advance to contributed equity in Mid West Primary Pty. Ltd on 30 June 2010. Losses are expected during the initial stages of operation of Mid West Primary Pty. Ltd. Support is being provided by Delta Electricity in accordance with approval under the Public Authorities (Financial Arrangements) Act.

(d)Related Party Transactions

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

Related Party		Advance to related parties	Purchases/ (Sales) to related parties	Amounts owed by related parties	Amounts owed to related parties	Equity Acquisition in/(from) related parties
		\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated						
Joint Ventures	2010	17,523	-	-	-	32,740
	2009	1,726	-	-	1,463	-
Parent Entity						
Delta Electricity Australia Pty. Ltd*	2010	861	4,940	-	1,608	-
	2009	8,023	3,871	50,166	-	-
Mid West Primary Pty. Ltd**	2010	17,101	-	-	-	38,362
	2009	21,261	-	21,261	-	-

* Advance from Delta Electricity of \$50,733,000 and a payment under the power purchase agreement of \$294,000 was forgiven on 30 June 2010.

** Advance to Mid West Primary Pty. Ltd was converted to contributed equity on 30 June 2010.

31. New South Wales 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 EnergyAustralia, 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).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

32. Cross Border Lease

During 2009/10 the cross border lease related to Mt Piper Power Station was terminated at no cost to Delta Electricity.

33. Sunshine Electricity Joint Venture Power Purchase Agreement

Delta Electricity has entered into a fifteen year Power Purchase Agreement with Sunshine Electricity Joint Venture to purchase electricity and renewable energy. The Power Purchase Agreement became operable when the Sunshine Electricity Joint Venture achieved project practical completion in November 2008.

Under the terms of the Power Purchase Agreement it is possible that Delta Electricity may incur a liability in respect of a minimum electricity charge payable to Sunshine Electricity Joint Venture in a limited range of events relating to fuel availability and suppressed electricity and renewable energy certificate prices. Any assessment of such a liability could only be undertaken at the time of a minimum electricity payment event as it would be dependent on projections of production volumes and electricity and renewable energy certificate prices prevailing at the time. As at 30 June 2010 Delta Electricity has either paid or accrued \$3.8 million under the requirements of the Power Purchase Agreement in respect of minimum electricity charge. Repayment of this amount is uncertain and the receivable has been fully impaired.

34. Events Occurring After Reporting Date

There were no significant events occurring after reporting date.

(End of audited Financial Statements)

STATEMENT BY MEMBERS OF THE BOARD

Statement by Members of the Board

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

1. The accompanying Financial Report exhibits a true and fair view of the financial position of Delta Electricity as at 30 June 2010 and its performance for the year ended on that date;
2. The accompanying Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, the New South Wales Public Finance and Audit Act and Regulation, and requirements of the State Owned Corporations Act, 1989 (as amended);
3. At the date of this statement, there are reasonable grounds to believe that Delta Electricity will be able to pay its debts as and when they become due and payable; and
4. We are not aware of any circumstances at the date of this declaration that would render any particulars included in the financial report to be misleading or inaccurate.



Loftus Harris
CHAIRMAN
20 September 2010



Greg Everett
CHIEF EXECUTIVE
20 September 2010

INDEPENDENT AUDITOR'S REPORT



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT Delta Electricity

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Delta Electricity (the Corporation), which comprise the statements of financial position as at 30 June 2010, the statements of comprehensive income, statements of changes in equity and statements 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 2005
- comply with International Financial Reporting Standards as disclosed in Note 2(a).

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

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 2(b)(i) to the financial statements. The carrying value of the Corporation's power stations - plant and equipment is determined using estimated discounted cash flows. 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 2(a), the directors also state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that the financial statements comply with International Financial Reporting Standards.

INDEPENDENT AUDITOR’S REPORT

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.



A T Whitfield
Deputy Auditor-General

27 September 2010
SYDNEY

DIRECTORS’ REPORT

Your Directors submit their report for the year ended 30 June 2010.

Directors

The names and details of the Company’s directors in office during the financial year and until the date of the report are listed below. Directors were in office for the entire period unless otherwise stated.

Mr WL Phillips, FCPA, FCIS DipCom
(non Executive Chairman)

MR WL Philips joined the Board as a non-executive director on 28 July 2005.

Mr JP Henness, BSC, BE (Hons), MEngSC, MBA, FAICD
(Director)

Mr JP Henness joined the Board as a Director on 15 December 1997. Mr JP Henness retired as Delta Electricity’s Chief Executive on 17 July 2010. With his retirement from Delta Electricity, Mr Henness tendered his resignation as a Director of Delta Electricity Australia Pty. Ltd on 15 July 2010.

Mr GR Everett, BCom, MBA, GAICD

Mr GR Everett assumed the role of Chief Executive of Delta Electricity on 17 July 2010 and was appointed a Director of Delta Electricity Australia Pty. Ltd on 15 July 2010.

Mr RJ Street, BEc, CA, MBA, GAICD

Mr RJ Street was appointed as an alternate Director for Mr JP Henness on 18 September 2008, December 2009 and for Mr GR Everett on 15 July 2010.

Company Secretaries

Mr RP Madden, BA (Hons), MBus, Grad.Dip, App.Corp.Gov, GAICD, ACIS

Mr RP Madden has been Company Secretary of Delta Electricity Australia Pty Ltd since 24 March 2006. He is also Company Secretary of Delta Electricity.

Mr G Johnson BEc, MALP

Mr G Johnson has been Company Secretary of Delta Electricity Australia Pty Ltd since 31 August 2007.

Dividends

There were no dividends declared or paid in the year.

Shares

Delta Electricity Australia Pty. Ltd has two \$1 ordinary shares which are owned by Delta Electricity.

Principal Activities

The principal activity during the year of the entity was the generation of electricity from renewable energy sources.

Operating and Financial Review

Delta Electricity Australia Pty. Ltd commenced commercial operation in May 2002 to participate in a joint venture to design, construct and operate two 30MW base load electricity generation plants on the far north coast of New South Wales with a joint venture partner Sunshine Renewable Energy Pty Ltd.

Sunshine Renewable Energy Pty. Ltd is owned by the New South Wales Sugar Milling Cooperative. The plants are located in close proximity to the sugar milling operations at Condong and Broadwater and are designed to run on the by-product of the sugar milling process (bagasse) and other renewable energy sources.

The plants were completed in November 2008 but had difficulty in achieving projected financial performance for the 2008/09 financial year due to the late completion of the plant and a number of commissioning issues related to early plant operation.

The operations in the 2009/10 financial year also failed to achieve projected financial performance mainly due to a low supply of bagasse from the New South Wales Sugar Milling Cooperative and a lack of alternative fuel supplies resulting in the plant not operating for extended periods. The low supply of bagasse was caused by a severe frost in 2007 and a failure by the New South Wales Sugar Milling Cooperative to harvest whole cane.

DIRECTORS’ REPORT

Renewable Energy Certificate prices were below expectation due to an over supply in the market from domestic solar photovoltaic and solar hot water installations.

The profit after tax for the 2009/10 year was \$13,262K compared to a loss in 2008/09 of \$10,304K. The profit in 2009/10 included \$52,635K revenue as a result of the debt forgiveness from the parent entity and an asset impairment of \$46,458K. This compares to an asset impairment in 2008/09 of \$8,222K.

Delta Electricity Australia Pty. Ltd and Sunshine Renewable Energy Pty. Ltd and their respective parent entities are engaged in a process to sell the assets of the Sunshine Electricity Joint Venture.

Significant Changes in the State of Affairs
The assets of Delta Electricity Australia Pty. Ltd have been offered for sale with an expected completion date of late 2010. As at 30 June 2010, an intercompany advance of \$52,635K provided by the parent entity, Delta Electricity, was forgiven and the value of assets forming part of the sale were impaired by \$46,458K.

The company breached a loan covenant in November 2009 which gave the company’s bankers the option of declaring the loans to be repayable on demand or immediately due and payable. The company’s bankers subsequently agreed to a number of temporary forbearance periods during which time the joint venture partners would coordinate an orderly sale of the secured property. The temporary forbearance arrangement ceased on 31 August 2010 and at the date of the signing of this Report the company is negotiating a further forbearance period with its bankers.

Significant Events after the Balance Date
At the time of this Directors Report, there are material uncertainties as to whether Delta Electricity Australia Pty. Ltd will be able to pay its debts as and when they become due and payable at least to the extent such debts include the company’s secured bank debt which is currently the subject of a temporary forbearance arrangement. However negotiations are continuing with the

company’s bank group and it remains feasible for Delta Electricity Australia Pty. Ltd to be in a position to pay its debts as and when they fall due should those negotiations be successfully concluded. As such the financial statements have been prepared on a liquidation basis.

Indemnification and Insurance of Directors and Officers
The Directors and Officers of Delta Electricity Australia Pty. Ltd have been indemnified by Delta Electricity for their actions on behalf of the company.

During the financial year, Delta Electricity has paid premiums in respect of a contract insuring all the directors of Delta Electricity Australia Pty. Ltd against legal costs incurred in defending proceedings for conduct other than:

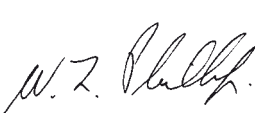
- A wilful breach of duty; and
- A contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporation Act 2001.

The total amount of insurance contract premiums paid by Delta Electricity for Directors and Officers Insurance was \$106,275.

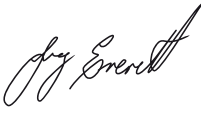
Rounding
The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable and where noted (\$’000)) under the option available to the company under ASIC CO 98/0100. The company is an entity to which the Class Order applies.

Auditors Independence Declarations
The directors received the following declaration from the auditor of Delta Electricity Australia Pty. Ltd.

Signed in accordance with a resolution of the Directors.



Warren Phillips
DIRECTOR
20 September 2010



Greg Everett
DIRECTOR
20 September 2010

AUDITOR’S INDEPENDENCE DECLARATION



GPO BOX 12
Sydney NSW 2001

To the Directors
Delta Electricity Australia Pty. Ltd

Auditor’s Independence Declaration

As auditor for the audit of the financial statements of Delta Electricity Australia Pty. Ltd for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and
- any applicable code of professional conduct in relation to the audit.



Peter Achterstraat
Auditor-General

20 September 2010
SYDNEY

STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Note	2010 \$'000	2009 \$'000
Current Assets			
Cash and Cash Equivalents	8	1,473	2,408
Trade and Other Receivables	9(a)	4,524	1,785
Inventories	10	-	25
Assets Attributable to Disposal Group Classified as Held For Sale	7(c)	50,000	-
Other	11	426	240
Total Current Assets		56,423	4,458
Non-Current Assets			
Trade and Other Receivables	9(b)	-	1,026
Property, Plant and Equipment	12	-	100,236
Deferred Tax Assets	6(b)	17,418	3,431
Total Non-Current Assets		17,418	104,693
Total Assets		73,841	109,151
Current Liabilities			
Trade and Other Payables	13	5,346	55,142
Borrowings	14(a)	68,022	3,968
Other Financial Liabilities	15(a)	2,054	82
Total Current Liabilities		75,422	59,192
Non-Current Liabilities			
Borrowings	14(b)	-	64,711
Deferred Tax Liabilities	6(b)	-	9
Other Financial Liabilities	15(b)	-	1,330
Total Non-Current Liabilities		-	66,050
Total Liabilities		75,422	125,242
Net Assets		(1,581)	(16,091)
Equity			
Contributed Equity	16(a)	-	-
Reserves	16(b)	-	(1,248)
Retained Profits	16(c)	(1,581)	(14,843)
Total Equity		(1,581)	(16,091)

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

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
Continuing Operations			
Revenue	3	52,999	217
Expenses, excluding finance costs	4	(79)	(21)
Finance Costs	5	(7,557)	(3,498)
Profit/(Loss) from Continuing Operations before Financial Instrument Fair Value Movements and Income Tax Expense		45,363	(3,302)
Income Tax Benefit/(Expense) on Profit/(Loss) before Financial Instrument Fair Value Movements	6	2,182	991
Profit/(Loss) from Continuing Operations before Financial Instrument Fair Value Movements		47,545	(2,311)
Financial Instrument Fair Value Movements		-	(171)
Income Tax Expense on Financial Instrument Fair Value Movements	6	-	51
Profit/(Loss) from Continuing Operations after Financial Instrument Fair Value Movements and Income Tax Expense		47,545	(2,431)
Discontinued Operations			
Loss from Discontinued Operations after Tax	7(b)	(34,283)	(7,873)
Profit/(Loss) for the Year		13,262	(10,304)
Other Comprehensive Income			
Gain/(Loss) on Cash Flow Hedges Taken to Equity		(2,005)	(7,002)
Cash Flow Hedges Transferred to Statement of Comprehensive Income		3,788	548
Income Tax on Items of Other Comprehensive Income	6	(535)	1,936
Other Comprehensive Income/(Loss) for the Year, Net of Tax		1,248	(4,518)
Total Comprehensive Income/(Loss) for the Year		14,510	(14,822)

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

STATEMENT OF
CHANGES IN EQUITY

For the Year Ended 30 June 2010

	Cash Flow Hedge Reserve	Retained Profits	Total
	\$'000	\$'000	\$'000
At 1 July 2009	(1,248)	(14,843)	(16,091)
Profit/(Loss) for the Year	-	13,262	13,262
Other Comprehensive Income/(Loss)	1,248	-	1,248
Total Comprehensive Income/(Loss) for the Year	1,248	13,262	14,510
At 30 June 2010	-	(1,581)	(1,581)

	Cash Flow Hedge Reserve	Retained Profits	Total
	\$'000	\$'000	\$'000
At 1 July 2008	3,270	(4,539)	(1,269)
Profit/(Loss) for the Year	-	(10,304)	(10,304)
Other Comprehensive Income/(Loss)	(4,518)	-	(4,518)
Total Comprehensive Income/(Loss) for the Year	(4,518)	(10,304)	(14,822)
At 30 June 2009	(1,248)	(14,843)	(16,091)

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

STATEMENT OF
CASH FLOWS

For the Year Ended 30 June 2010

		2010 \$'000 Inflows (Outflows)	2009 \$'000 Inflows (Outflows)
	Note		
Cash Flows From Operating Activities			
Cash Received from Customers		14,997	9,856
Interest Received		60	212
Cash Payments to Suppliers and Employees		(12,583)	(6,942)
Interest and Other Finance Costs Paid		(3,043)	(3,032)
Net Cash Provided/(Used) by Operating Activities	22(f)	(569)	94
Cash Flows from Investing Activities			
Payments for Property, Plant and Equipment		(276)	(6,938)
Net Cash Provided/(Used) by Investing Activities		(276)	(6,938)
Cash Flows from Financing Activities			
Proceeds from Advance from Parent		567	10,067
Proceeds from Borrowings		285	1,000
Repayment of Borrowings		(942)	(2,317)
Net Cash Provided/(Used) by Financing Activities		(90)	8,750
Net Increase/(Decrease) in Cash and Cash Equivalents		(935)	1,906
Cash and Cash Equivalents at Beginning of Financial Year		2,408	502
Cash and Cash Equivalents at End of the Year	22(b)	1,473	2,408

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

1. Corporate Information

Delta Electricity Australia Pty. Ltd (ACN 074 408 923) is a ‘for profit’ entity domiciled in New South Wales and is a wholly owned subsidiary of Delta Electricity which is a New South Wales statutory state owned corporation. The entity’s Australian Business Number is 26 074 408 923.

The financial statements of Delta Electricity Australia Pty. Ltd for the year ended 30 June 2010 were authorised for issue in accordance with a resolution of the Directors on 20 September 2010.

2. Summary of Significant Accounting Policies

The financial statements are a general purpose financial statements prepared in accordance with the Corporations Act 2001, Australian Accounting Standards including Australian Accounting Interpretations and the New South Wales Public Finance and Audit Act and Regulation.

(a) Statement of Compliance

The financial statements of Delta Electricity Australia Pty. Ltd comply with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AIFRS). The financial statements also comply with International Financial Reporting Standards (IFRS).

(b) Basis of Accounting

The financial statements have been prepared on a liquidation basis. Assets and liabilities are measured at the recoverable amount. Refer to Note 2(d).

(i) Significant Accounting Judgements, Estimates and Assumptions

In the application of Australian Accounting

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

Significant Accounting Judgements

The financial statements have been prepared on the basis of no impact of the proposed reforms of the New South Wales electricity industry involving the private sector (refer to Note 24). The financial statements do not include the potential effect of a future emissions trading scheme as there is significant uncertainty as to the impact of such a scheme on Delta Electricity Australia Pty. Ltd at this stage.

Significant Accounting Estimates and Assumptions

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Significant estimates and assumptions apply to the following:

• Property, Plant and Equipment

Estimates and assumptions are required when determining asset life and calculating the recoverable amount for impairment testing. Calculation of recoverable amount requires estimation of future sales volume and price, estimation of cash flows associated with fuel supplies, power

station operation and maintenance, and determination of an appropriate discount factor. Refer to Note 2(l), Note 2(m) and Note 12.

• Assets Attributable to Disposal Group Classified as Held For Sale

Assets and liabilities are classified as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and there must be a commitment to selling the asset either through entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

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

The disposal group is made up of the assets intended to be sold.

(ii) New/Amended Accounting Standards

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ended 30 June 2010. A summary of standards relevant to Delta Electricity Australia Pty. Ltd follows:

• AASB 9 Financial Instruments

This standard applies to reporting periods beginning on or after 1 January 2013 and simplifies the classification and measurement of financial assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

• AASB 124 Related Party Disclosures

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

• AASB 107 Statement of Cash Flows

This standard applies to reporting periods beginning on or after 1 January 2010 and amends the classification of cash flows for investing activities.

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

(c) Changes in Accounting Policies and Disclosures

In the current reporting period Delta Electricity Australia Pty. Ltd has adopted the new and revised Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2009.

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

(d) Going Concern

At the time of signing the financial statements, there are material uncertainties as to whether Delta Electricity Australia Pty. Ltd will be able to pay its debts as and when they become due and payable at least to the extent such debts include the company’s secured bank debt. The company breached a loan covenant attached to this debt in November 2009 which gave the company’s bankers the option of declaring the loans to be repayable on demand or immediately due

and payable. The company’s bankers subsequently agreed to a number of temporary forbearance periods during which time the joint venture partners would coordinate an orderly sale of the secured property. The temporary forbearance arrangement ceased on 31 August 2010 and at the date of the signing the financial statements the Company is negotiating a further forbearance period with its bankers. There is a possibility that the company may be placed into administration should the outcome of both the orderly sale process and ongoing negotiations with the lenders be unsuccessful. However, negotiations are continuing with the company’s banking group and it remains feasible for Delta Electricity Australia Pty. Ltd to be in a position to pay its debts as and when they fall due should these negotiations be successfully concluded.

As a result of the material uncertainties, the financial statements have been prepared on a liquidation basis. Under this basis of accounting, assets are valued at their anticipated net realisable amounts and liabilities at their estimated settlement amounts. Comparative balances continue to apply the going concern based accounting policies as stated in the notes to the financial statements.

(e) Contributed Equity

Delta Electricity Australia Pty. Ltd was acquired on 15 December 1997 and is a wholly owned subsidiary of Delta Electricity. The company commenced commercial operations on 1 July 2002.

(f) Joint Ventures

Interests in jointly controlled assets and operations of unincorporated joint ventures are reported in the financial statements by including the entity’s share of assets employed in the joint venture, the share

of liabilities incurred in relation to the joint venture, the share of any expenses incurred in relation to the joint venture in their respective classification categories, and the share of income earned from the joint venture. Details of the joint venture operation are set out in Note 17.

(g) Assets Attributable to Disposal Group Classified as Held For Sale

Assets attributable to disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale in its present condition, its sale must be highly probable, and expected to be completed within one year from such classification.

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

(h) Financial Assets and Financial Liabilities

The classification of financial assets and financial liabilities depends on the nature of the item and is determined at the time of initial recognition. Further disclosure on financial assets and financial liabilities is included in Note 21.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

Financial Assets

Financial assets are categorised as follows:

Cash and Cash Equivalents

Cash at bank and cash management funds are classified as cash and cash equivalents.

Loans and Receivables

Trade debtors, advances and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost.

At Fair Value Through Profit or Loss – Held for Trading

This category includes derivative financial instruments not designated or effective as a hedging instrument. These assets are recorded at fair value with any resultant gain or loss recognised in profit or loss.

Derivative Financial Instruments – Effective Hedges

This category includes derivative financial instruments used as cash flow hedges of highly probable forecast transactions or firm commitments. These assets are recorded at fair value. Changes in fair value of effective hedges are deferred in equity. The timing of the recognition in profit or loss depends on the nature of the hedging relationship. Ineffective hedges are classified as held for trading and included in the At Fair Value Through Profit or Loss category.

Financial Liabilities

Financial liabilities are categorised as follows:

At Fair Value Through Profit or Loss – Held for Trading

This category includes derivative financial instruments not designated or effective as

a hedging instrument. These liabilities are recorded at fair value with any resultant gain or loss recognised in profit or loss.

Derivative Financial Instruments – Effective Hedges

This category includes derivative financial instruments used as cash flow hedges of highly probable forecast transactions or firm commitments. These liabilities are recorded at fair value. Changes in fair value of effective hedges are deferred in equity. The timing of the recognition in profit or loss depends on the nature of the hedging relationship. Ineffective hedges are classified as held for trading and included in the At Fair Value Through Profit or Loss category.

Other Financial Liabilities

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

- (i) Borrowings**
- All loans and borrowings are initially recognised at fair value being the consideration received net of issue costs associated with the borrowing.
- After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in profit or loss through the amortisation process and when the liabilities are derecognised.
- Refer to Note 14.

- (j) Borrowing Costs**
- Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, and gains and losses incurred in the use of derivative instruments for the management of interest rate exposure related to borrowed funds.
- Costs associated with borrowings specifically financing qualifying assets are capitalised up to the date of completion of each qualifying asset to the extent those costs are recoverable. Refer Note 5.

- (k) Cash and Cash Equivalents**
- Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand along with short-term deposits and investments.
- For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts and borrowings which are used in the cash management function on a day to day basis.

- (l) Property, Plant and Equipment**
- Property, plant and equipment is recognised at fair value less accumulated depreciation and impairment in accordance with AASB 116 Property Plant and Equipment, AASB136 Impairment of Assets and the New South Wales Treasury Accounting Policy for the Valuation of Physical Non-Current Assets at Fair Value.
- The accounting policy for impairment of assets is included under Note 2(m).
- Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives of power station property, plant and equipment is 30 years (2009: 30 years).

(m) Impairment

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

Recoverable amount is the higher of fair value less costs to sell and value in use. Recoverable amount is determined at the cash generating unit level being the Delta Electricity Australia Pty. Ltd entity. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the cash

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

(n) Green Certificates

Green certificates include renewable energy certificates and New South Wales greenhouse abatement certificates. The certificates are classified as other assets and recorded at fair value in the Statement of Financial Position with any gains or losses from changes in fair value taken to profit or loss. Fair value is calculated on the basis of observable market data where available.

(o) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended prior to reporting date.

(p) Taxation

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

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any

adjustment to tax payable in respect of previous years.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes. The amount of deferred income tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred income tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Delta Electricity Australia Pty. Ltd is part of the Delta Electricity (parent entity) tax consolidated group which is taxed as a single entity for the purposes of income tax. Delta Electricity is the head entity.

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(q) Revenue

Revenues from the outputs of the electricity generation process are recognised as they accrue. Interest income on cash reserves is recognised as it accrues.

Revenue is reported in Note 3.

(r) Goods and Services Tax

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

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

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

(s) Comparative Figures

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

Comparative information has been updated to reflect the changes in accounting policy outlined in Note 2(c).

Comparative information has been updated to reflect the establishment of the disposal group associated with assets held for sale.

(t) Presentation Currency and Rounding

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

3. Revenue

	2010 \$'000	2009 \$'000
Other Revenue		
Interest	61	217
Loan Forgiveness	52,635	-
Insurance Proceeds	298	-
Other	5	-
Revenue	52,999	217

On 30 June 2010, Delta Electricity (parent entity) forgave money advanced to Delta Electricity Australia Pty. Ltd as an intercompany loan. Refer Note 13.

4. Expenses (excluding Finance Costs)

	2010 \$'000	2009 \$'000
Administration Costs	2	4
Auditors' Remuneration	18	12
Bank Charges	59	5
Expenses (excluding Finance Costs)	79	21

Auditors' Remuneration paid or payable in respect to the audit of the 2009/10 financial statements is \$26,000 (2009: \$18,000).

5. Finance Costs

	2010 \$'000	2009 \$'000
Interest on Bank Overdrafts and Borrowings	3,769	5,166
Other Finance Costs	3,788	378
Total Finance Costs	7,557	5,544
Less: Amounts included in the Cost of Qualifying Assets	-	(2,046)
Finance Costs	7,557	3,498

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

6. Income Tax

The major components of Income Tax for the year ended 30 June 2010 are as follows:

(a) Income Tax Expense

The major components of income tax expense are:

Income Tax Expense Recognised in Profit or Loss

	2010 \$'000	2009 \$'000
Current Income Tax Expense	(2,343)	(2,003)
Deferred Income Tax Expense – temporary differences (Note 6(b))	(14,531)	(2,387)
Income tax expense recognised in profit or loss	(16,874)	(4,390)

Income Tax Recognised in Other Comprehensive Income

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

	2010 \$'000	2009 \$'000
Unrealised gain/(loss) on cash flow hedges (Note 16(b))	535	(1,936)
Income tax expense recognised in other comprehensive income	535	(1,936)

Reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the organisation's effective income tax rate for the year ended 30 June 2010:

	2010 \$'000	2009 \$'000
Accounting profit/(loss) before tax	(3,612)	(14,694)
Income tax at statutory rate of 30% (2009: 30%)	(1,084)	(4,408)
Debt forgiveness	(15,790)	-
Adjustments in respect of current income tax of previous years	-	18
Income tax expense recognised in profit or loss	(16,874)	(4,390)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(b) Deferred Income Tax

Deferred income tax as at 30 June 2010 relates to the following:

	2010 \$'000	2009 \$'000
Deferred Income Tax Liabilities		
<i>Statement of Financial Position</i>		
Inventory	-	7
Derivative instruments	-	-
Other items	-	2
Gross deferred income tax liabilities	-	9
<i>Profit or Loss</i>		
Inventory	-	7
Derivative instruments – fair value movement	-	373
Other items	-	2
Deferred income tax expense	-	382
Deferred Income Tax Assets		
<i>Statement of Financial Position</i>		
Revaluation of property, plant and equipment	16,024	2,466
Derivative instruments	616	424
Inventory	53	-
Other items	725	541
Gross deferred income tax assets	17,418	3,431
<i>Profit or Loss</i>		
Revaluation of property, plant and equipment	(13,557)	(2,466)
Derivative instruments	(727)	(424)
Inventory	(61)	-
Other items	(186)	121
Deferred income tax expense	(14,531)	(2,769)

7. Assets Attributable to Disposal Group Classified as Held For Sale

(a) Details of Disposal Group Held For Sale

The Board of Delta Electricity Australia Pty. Ltd has resolved to sell the company's share of assets associated with the Sunshine Electricity Joint Venture. This decision was formalised on 27 April 2010 and the sales process has been initiated.

As at 30 June 2010, Delta Electricity Australia Pty. Ltd's share of assets associated with the Sunshine Electricity Joint Venture to be sold, have been classified into a disposal group held for sale. The carrying value of assets attributable to the disposal group is the Directors' best estimate of its realisable value less cost to sell (recoverable amount). This estimate was made after considering non-binding offers

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

for the disposal group received to date, all of which are still subject to negotiation and final approval by the Company's lenders. The actual recoverable amount will not be known until the sale process is complete and may differ significantly to the current carrying value.

(b) Financial Performance of Disposal Group Held for Sale

	2010 \$'000	2009 \$'000
Revenue	12,790	10,687
Expenses	15,308	13,686
Gross Profit/(Loss)	(2,518)	(2,999)
Impairment of Non Current Assets	-	(8,222)
Impairment Loss on initial classification as held for sale	(25,843)	-
Fair Value Gain/(Loss) following classification as held for sale	(20,615)	-
Loss Before Tax from Discontinued Operations	(48,976)	(11,221)
Tax income:		
- related to pre-tax profit	8,509	3,348
- related to measurement to fair value	6,184	-
Loss from Discontinued Operations after Income Tax	(34,283)	(7,873)

(c) Assets Attributable to Disposal Group Held For Sale

The major classes of assets are as follows:

(i) Assets

	2010 \$'000	2009 \$'000
Property, Plant and Equipment	49,134	-
Inventories	190	-
Trade and Other Receivables	676	-
Assets Attributable to Disposal Group Held For Sale	50,000	-

(d) Gain or Loss Recognised From Change in Fair Value of Assets Held For Sale

Upon initial classification of non-current assets in the disposal group, an impairment loss of \$25,843,000 was recognised to measure Property, Plant and Equipment at its fair value. A further loss of \$20,615,000 was recognised on 30 June 2010 to reduce the carrying amount to fair value less costs to sell.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(e) Net Cash Flows Attributable to Disposal Group Held For Sale

	2010 \$'000	2009 \$'000
Opening Activities	2,191	2,724
Investing Activities	(276)	(6,938)
Net Cash Flows Attributable to Disposal Group Held For Sale	1,915	4,214

8. Cash and Cash Equivalents

	2010 \$'000	2009 \$'000
Bank	1,473	2,408
	1,473	2,408

9. Trade and Other Receivables

(a) Current

	2010 \$'000	2009 \$'000
Advance Receivable from Parent	4,112	-
Trade Debtors	115	161
Other Debtors	297	1,568
Prepayments	-	56
	4,524	1,785

(b) Non-Current

	2010 \$'000	2009 \$'000
Other Receivables	-	54
Prepayments	-	972
	-	1,026

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

Trade and Other Receivables are carried at nominal amounts due less an allowance for any uncollectible amounts. Collectability from debtors is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that Delta Electricity Australia Pty. Ltd will not be able to collect the debt. There were no doubtful debts at reporting date (2009: \$Nil). Funds from current receivables are due within 42 days of reporting date.

Other Receivables and Prepayments form part of the disposal group held for sale and have been transferred. Refer Note 7(c).

Trade debtors and other receivables past due but not impaired are as follows:

	2010 \$'000	2009 \$'000
Less than three months overdue	42	16
Three to six months overdue	-	-
Later than six months overdue	-	-
	42	16

Delta Electricity Australia Pty. Ltd still considers that these amounts will be recoverable.

10. Inventories

	2010 \$'000	2009 \$'000
Fuel stocks	-	25
	-	25

Inventories form part of the disposal group held for sale and have been transferred. Refer Note 7(c).

11. Other Current Assets

	2010 \$'000	2009 \$'000
Green Certificates	426	240
	426	240

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

12. Property, Plant and Equipment

(a) Assets Attributable to Disposal Group Held for Sale

Following the determination of recoverable amount in accordance with the methodology and principles set out in Note 2(m), carrying value was adjusted downwards by \$25,843,000 so as not to exceed recoverable amount on initial classification as held for sale. Refer Note 7(b).

(b) Reconciliation by Asset Classes - Year ended 30 June 2010

Property, plant and equipment has been reclassified to Assets Attributable to Disposal Group Held for Sale. Refer Note 7(c).

	Power Stations – Plant and Equipment	Total \$'000
Year ended 30 June 2009		
Carrying amount at 1 July 2008	105,190	105,190
Additions	6,020	6,020
Impairment	(8,222)	(8,222)
Depreciation Expense	(2,752)	(2,752)
Carrying amount at 30 June 2009	100,236	100,236
At 1 July 2008		
Gross replacement cost	105,190	105,190
Accumulated depreciation	-	-
Fair value	105,190	105,190
Accumulated impairment	-	-
Net carrying amount	105,190	105,190
At 30 June 2009		
Gross replacement cost	111,210	111,210
Accumulated depreciation	(2,752)	(2,752)
Fair value	108,458	108,458
Accumulated impairment	(8,222)	(8,222)
Net carrying amount	100,236	100,236

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

Impairment of Power Stations Plant and Equipment in 2009

Following the determination of recoverable amount in accordance with the methodology and principles set out in Note 2(m), carrying value was adjusted downwards by \$8,222,000 in 2009 so as not to exceed recoverable amount.

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

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

	2010 \$'000	2009 \$'000
Power Stations Plant and Equipment		
At cost	N/A	111,210
Less: accumulated depreciation and impairment	N/A	(10,974)
Total Written Down Value of Property, Plant and Equipment	N/A	100,236

13. Current Trade and Other Payables

	2010 \$'000	2009 \$'000
Accounts Payable	2,727	4,506
Other Creditors	2,619	470
Payable to Parent Entity	-	50,166
	5,346	55,142

Accounts Payable represents amounts to be paid in the future for goods received and services provided at reporting date. These liabilities are usually settled within 30 days. Current other creditors represents interest due on borrowings which are payable within six months.

Delta Electricity has current approval under the Public Authorities (Financial Arrangements) Act to advance up to \$53 million (2009: \$50 million) to Delta Electricity Australia Pty. Ltd. During the year, up to \$50,733,000 (2009: \$50,166,000) of this limit had been utilised. Delta Electricity forgave the advance on 30 June 2010. Refer Note 3.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

14. Borrowings

(a) Current

	2010 \$'000	2009 \$'000
Working Capital Facility - secured	1,285	1,000
Bank Loans - secured	66,737	2,968
	68,022	3,968

(b) Non-Current

	2010 \$'000	2009 \$'000
Bank Loans - secured	-	64,711
	-	64,711

The Bank Loans and the Working Capital Facility are secured over the property of Delta Electricity Australia Pty. Ltd (refer Note 7(c) and Note 12). The limit on Working Capital Facility is \$1.5 million. These facilities are covered by a specific Public Authorities (Financial Arrangements) Act approval for \$70.0 million. The company breached a loan covenant attached to this debt in November 2009 which gave the company's bankers the option of declaring the loans to be repayable on demand or immediately due and payable. The company's bankers subsequently agreed to a number of temporary forbearance periods during which time the joint venture partners would coordinate an orderly sale of the secured property. The temporary forbearance arrangement ceased on 31 August 2010 and at the date of the signing of the financial statements the company is negotiating a further forbearance period with its bankers. Proceeds from the disposal group held for sale will be applied to the repayment of the bank loans.

15. Other Financial Liabilities

(a) Current

	2010 \$'000	2009 \$'000
Interest Rate Swaps – held for trading	2,054	-
Interest Rate Swaps – cash flow hedges	-	82
	2,054	82

(b) Non-Current

	2010 \$'000	2009 \$'000
Interest Rate Swaps – held for trading	-	1,330
	-	1,330

Delta Electricity Australia Pty. Ltd intends to terminate the interest rate swaps when the underlying bank loans are repaid.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

16. Equity

(a) Contributed Equity

	2010 \$'000	2009 \$'000
Balance at beginning of year	0.002	0.002
Share capital paid up by parent entity	-	-
Contributed Equity at end of year	0.002	0.002

(b) Reserves

Hedging Reserve

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

	2010 \$'000	2009 \$'000
Balance at beginning of year	(1,248)	3,270
Gain on Cash Flow Hedges		
Interest Rate Swaps	(2,005)	(7,002)
Tax Effect	602	2,101
Transferred to Profit or Loss		
Interest Rate Swaps	1,364	942
Tax Effect	(409)	(283)
Cessation of Hedge Accounting – Recycled to Profit or Loss		
Interest Rate Swaps	2,424	-
Tax Effect	(728)	-
Transferred to Initial Carrying Amount of Hedged Item		
Interest Rate Swaps	-	(394)
Tax Effect	-	118
Hedging Reserve at end of year	-	(1,248)

Gains/(losses) transferred from equity into profit or loss during the period are included in the Statement of Comprehensive Income under finance costs and income tax expense on profit or loss. An amount of \$1,697,000 has been recycled to profit or loss on the basis that the forecast transactions are no longer expected to occur.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(c) Retained Profits

	2010 \$'000	2009 \$'000
Balance at beginning of year	(14,843)	(4,539)
Net Profit/(Loss)	13,262	(10,304)
Retained Profits/(Losses) at end of year	(1,581)	(14,843)

17. Jointly Controlled Assets and Operations

(a) Description

The principal activity of Delta Electricity Australia Pty. Ltd is the participation in a joint venture operation called Sunshine Electricity to design, construct and operate renewable energy generation capacity in New South Wales.

Delta Electricity Australia Pty. Ltd has a 50% participating interest in the joint venture and is entitled to 50% of the output. The remaining 50% participating interest is held by Sunshine Renewable Energy Pty. Ltd.

Delta Electricity Australia Pty. Ltd has acquired one of the two \$1 ordinary shares in Sunshine Electricity Management Pty. Ltd. The remaining \$1 ordinary share was acquired by Sunshine Renewable Energy Pty. Ltd. Sunshine Electricity Management Pty. Ltd was established specifically as an agent for the joint venture partners.

The Board of Delta Electricity Australia Pty. Ltd has resolved to sell the company's share of assets in the Sunshine Electricity Joint Venture. This decision was formalised on 27 April 2010 and the sales process has been initiated.

As at 30 June 2010, Delta Electricity Australia Pty. Ltd's share of assets associated with the Sunshine Electricity Joint Venture to be sold, have been classified into a disposal group held for sale. Refer to Note 7.

(b) Share of Assets

The entity's interest in remaining assets employed in the jointly controlled assets of the joint venture is detailed below:

	2010 \$'000	2009 \$'000
Cash and Cash Equivalents	34	10
Inventories	-	25
Trade and Other Receivables	4,518	1,785
Assets Attributable to Disposal Group Classified as Held For Sale	50,000	-
Other	426	240
Total Current Assets	54,978	2,060
Receivables	-	1,026
Property, Plant and Equipment	-	100,236
Total Non-Current Assets	-	101,262
Total Assets	54,978	103,322

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

18. Expenditure Commitments

Expenditure contracted for at reporting date but not recognised as liabilities in the Statement of Financial Position:

(a) Capital - Plant and Equipment

	2010 \$'000	2009 \$'000
Payable no later than one year	-	28
Payable later than one, not later than 5 years	-	-
Payable later than 5 years	-	-
	-	28

(b) Operating (excluding lease commitments) - Operational and Maintenance

	2010 \$'000	2009 \$'000
Payable no later than one year	176	359
Payable later than one, not later than 5 years	-	1,333
Payable later than 5 years	-	3,177
	176	4,869

Delta Electricity Australia Pty. Ltd expects to receive input tax credits from the Australian Taxation Office totalling \$Nil (2009: \$2,500) for Goods and Services Tax paid for these commitments. The commitment disclosure represents the amount up to the proposed sale date of the disposal group.

19. Operating Lease Commitments

Future operating lease rentals contracted for at reporting date but not recognised as liabilities in the Statement of Financial Position:

	2010 \$'000	2009 \$'000
Payable no later than one year	4	8
Payable later than one, not later than 5 years	-	33
Payable later than 5 years	-	264
	4	305

Delta Electricity Australia Pty. Ltd has entered into a number of leases in respect of the Sunshine Electricity Joint Venture to support operating activities. The leases have varying terms, escalation clauses and renewal rights and are due to expire within 16 to 42 years. Delta Electricity Australia Pty. Ltd expects to receive input tax credits from the Australian Taxation Office totalling \$378 (2009: \$28,000) for Goods and Services Tax paid for these commitments.

The leases will be terminated or novated on the sale of the disposal group. The commitment disclosure represents the amount up to the proposed sale date of the disposal group.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

20. Contingent Liabilities and Contingent Assets

There were no known contingent liabilities or contingent assets in existence at reporting date.

21. Financial Instruments

(a) Capital Risk Management

Delta Electricity Australia Pty. Ltd is currently involved in a process to sell its major assets. The proceeds from the sale will be utilised to repay bank loans. Delta Electricity Australia Pty. Ltd will seek to maximise sales proceeds to the benefit of the shareholder.

The capital structure consists of cash and cash equivalents, borrowings and total equity consisting of contributed equity, reserves and retained profits as disclosed in Note 8, Note 14, and Note 16 respectively.

On 30 June 2010 Delta Electricity forgave money advanced to Delta Electricity Australia Pty. Ltd as an intercompany loan.

(b) Categories of Financial Instruments

The carrying amounts of Delta Electricity Australia Pty. Ltd's financial instruments are outlined in the following table. Management considers that the carrying amounts of financial assets and liabilities in the financial statements approximate fair value.

	2010 \$'000	2009 \$'000
Financial Assets		
Cash and Cash Equivalents	1,473	2,408
Loans and Receivables	4,524	1,424
Derivative Instruments – Designated in Hedge Accounting Relationships	-	-
	5,997	3,832
Financial Liabilities		
Derivative Instruments – Held for Trading	2,054	-
Derivative Instruments – Designated in Hedge Accounting Relationships	-	1,412
Payables and Borrowings	73,333	123,821
	75,387	125,233

(c) Financial Risk Management Objectives

Delta Electricity Australia Pty. Ltd's current activities expose the organisation to a variety of financial risks including market risk (interest risk), credit risk and liquidity risk. The organisation aims to minimise the effects of these risks by using approved derivative financial instruments where appropriate. Delta Electricity Australia Pty. Ltd does not enter into or trade financial instruments for speculative purposes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(d) Interest Rate Risk Management

Delta Electricity Australia Pty. Ltd debt is in the form of bank loans taken out to fund construction of electricity generation facilities. The entity has entered into long term interest rate swaps for the duration of its externally funded debt with the aim of fixing interest payments. The swaps are used to alter and modify the natural risks inherent in the Statement of Financial Position.

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

	2010 \$'000	2009 \$'000
Interest Rate Swaps		
Less than one year	4,204	3,789
One to five years	21,049	19,368
Greater than five years	35,674	41,559
	60,927	64,716

The total notional amount of interest rate swaps is \$60,927,000 with Delta Electricity Australia Pty. Ltd receiving floating interest and paying fixed interest. Delta Electricity Australia Pty. Ltd intends to terminate the interest rate swaps when the underlying bank loans are repaid. Hedge accounting ceased from the date that the forecast cashflows were no longer expected to occur, with the balance of the reserve recycled back through profit or loss.

These instruments are recognised in the Statement of Financial Position at fair value. The fair value of interest rate swaps represents the amount Delta Electricity Australia Pty. Ltd would expect to receive or pay on the termination of contracts at reporting date.

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

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the year. For instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

The weighted average interest exposure on financial assets is 3.8% (2009: 2.3%), while weighted average interest exposure on financial liabilities is 9.0% (2009: 7.1%).

A 1.0% increase/(decrease) in interest rates would decrease/(increase) post tax profit by \$39,000 (2009: \$464,000) and decrease/(increase) other equity (tax effected) by \$Nil (2009: \$453,000). The sensitivity reflects management's view of the reasonably possible movement in interest rates as at balance date which is based on advice from Delta Electricity's debt management service provider. The sensitivity percentage is derived from historically based volatility information calculated over a ten year period. The sensitivity assumes that all other variables remain constant.

(e) Credit Risk Exposures

The credit risk on financial assets which have been recognised in the Statement of Financial Position is generally the carrying amount. The credit risk is regarded as minimal as cash and receivables are currently held with creditworthy counterparties.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(f) Liquidity Risk Management

Delta Electricity Australia Pty. Ltd manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring that sufficient funding facilities are available. The following table sets out the remaining contractual maturity for financial liabilities.

	Maturity Dates			
	< 1 year \$'000	1 – 5 years \$'000	> 5 years \$'000	Total \$'000
2010				
Financial Liabilities				
Variable interest rate instruments	7,100	19,368	41,554	68,022
Non-interest bearing instruments	5,310	-	-	5,310
Derivative Instruments*	142	709	1,203	2,054
	12,552	20,077	42,757	75,386
2009				
Financial Liabilities				
Variable interest rate instruments	3,968	17,559	47,152	68,679
Non-interest bearing instruments	55,142	-	-	55,142
Derivative Instruments	82	422	908	1,412
	59,192	17,981	48,060	125,233

Delta Electricity Australia Pty. Ltd uses derivative instruments to manage the variable interest rate risk on borrowings. Under interest rate swaps, Delta Electricity Australia Pty. Ltd receives floating interest and pays fixed interest.

* Delta Electricity Australia Pty. Ltd intends to terminate the interest rate swaps when the underlying bank loans are repaid.

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

Delta Electricity Australia Pty. Ltd uses various methods in estimating the fair value of financial instruments recognised in the Statement of Financial Position. The methods comprise:

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

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

				2010 \$'000
	Level 1	Level 2	Level 3	Total
Financial Liabilities				
Derivative Instruments				
Interest Rate Swaps	-	2,054	-	2,054
Total	-	2,054	-	2,054

There were no transfers between Levels during the year.

22. Notes to the Statement of Cash Flows

(a) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash at bank and in hand, short term deposits and short term investments, net of outstanding bank overdrafts and borrowings which are used in the cash management function on a day to day basis.

(b) Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2010 \$'000	2009 \$'000
Cash and Cash Equivalent Assets	1,473	2,408
Balance as per Statement of Cash Flows	1,473	2,408

(c) Dividends and Taxes

No dividends were received during the period (2009: \$Nil). There were no dividend or tax equivalent payments during the period (2009: \$Nil).

(d) Acquisitions and Disposal of Entities

There were no acquisitions or disposals during the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(e) Financing Arrangements

	2010 \$'000	2009 \$'000
Facilities Available		
Bank Overdraft	50	50
Working Facility	1,450	1,450
Project Borrowing Facility	66,742	67,684
	68,242	69,184
Facilities Utilised		
Bank Overdraft	-	-
Working Facility	1,285	1,000
Project Borrowing Facility	66,737	67,679
	68,022	68,679

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

	2010 \$'000	2009 \$'000
Profit/(Loss) for the Period after Related Income Tax Expense	13,262	(10,304)
Add/(Less): Non-Cash Items		
Depreciation and Amortisation	3,673	2,753
Impairment and Write-Off of Tangible Assets	45,831	8,222
Loan Forgiveness	(52,635)	-
Impairment of Receivables	627	-
Net Cash Provided by Operating Activities Before Changes in Assets and Liabilities	10,758	671
Net Changes in Assets and Liabilities During the Period		
(Increase)/Decrease in Trade Debtors	1,004	99
(Increase)/Decrease in Other Debtors	640	(478)
(Increase)/Decrease in Inventories	(698)	1,586
(Increase)/Decrease in Other Assets	(187)	171
Increase/(Decrease) in Payables	2,364	2,435
Increase/(Decrease) in Income Tax Related Assets/Liabilities	(16,874)	(4,390)
Increase/(Decrease) in Other Liabilities	2,424	-
Net Cash Provided/(Used) by Operating Activities	(569)	94

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

23. Related Party Disclosures

(a) Key Management Personnel

The Directors of the entity at 30 June 2010 were Mr JP Henness and Mr WL Phillips. Mr JP Henness and Mr WL Phillips were Directors for the full financial year.

The above officers are also Directors of the parent entity. No additional remuneration is provided for being a Director of Delta Electricity Australia Pty. Ltd. Other officers employed by Delta Electricity provided services to Delta Electricity Australia Pty. Ltd at no cost.

Mr JP Henness retired as Delta Electricity's Chief Executive on 17 July 2010. With his retirement from Delta Electricity, Mr Henness tendered his resignation as a Director of Delta Electricity Australia Pty. Ltd on 15 July 2010. Mr GR Everett assumed the role of Chief Executive of Delta Electricity on 17 July 2010 and was appointed a Director of Delta Electricity Australia Pty. Ltd on 15 July 2010.

(b) Ultimate Parent Entity

The ultimate parent entity at reporting date is Delta Electricity.

(c) Related Party Transactions

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

		Advance to related parties	Advance from related parties	Purchases/ (Sales) from related parties	Amounts owed by related parties	Amounts owed to related parties
Related Party		\$'000	\$'000	\$'000	\$'000	\$'000
Delta Electricity*	2010	-	861	(4,940)	1,608	-
	2009	-	8,023	(3,871)	-	(50,166)
Sunshine Electricity Joint Venture	2010	223	-	-	-	-
	2009	263	-	-	-	-

* Advance from Delta Electricity of \$50,733,000 and a payment under the power purchase agreement of \$294,000 was forgiven on 30 June 2010.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

24. New South Wales 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 EnergyAustralia, 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).

25. Events Occurring After Reporting Date

Significant events occurring after reporting date have been disclosed in the relevant notes to the financial statements. Specific reference is made to Note 2(d) and Note 7.

(End of audited Financial Statements)

STATEMENT BY MEMBERS OF THE BOARD

Statement by Members of the Board

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

- 1.The accompanying Financial Report exhibits a true and fair view of the financial position of Delta Electricity Australia Pty. Ltd as at 30 June 2010 and its performance for the year ended on that date;
- 2.The accompanying Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, the New South Wales Public Finance and Audit Act and Regulation, the Corporations Act 2001, and requirements of the State Owned Corporations Act, 1989 (as amended);
- 3.The Financial Report has been prepared in accordance with International Financial Reporting Standards. A statement of compliance has been included in the notes to the Financial Report;
- 4.At the date of this statement, there are material uncertainties as to whether Delta Electricity Australia Pty. Ltd will be able to pay its debts as and when they become due and payable at least to the extent such debts include the company's secured bank debt that was the subject of a temporary forbearance arrangement that expired on 31 August 2010. However negotiations are continuing with the company's bank group and it remains feasible for Delta Electricity Australia Pty. Ltd to be in a position to pay its debts as and when they fall due should those negotiations be successfully concluded;
- 5.We are not aware of any circumstances at the date of this declaration that would render any particulars included in the financial report to be misleading or inaccurate.



Warren Phillips
DIRECTOR
20 September 2010



Greg Everett
DIRECTOR
20 September 2010

INDEPENDENT AUDITOR'S REPORT



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT Delta Electricity Australia Pty Ltd

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Delta Electricity Australia Pty Ltd (the Company), which comprise 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 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:

- are in accordance with the *Corporations Act 2001*, including:
 - giving a true and fair view of the Company's financial position as at 30 June 2010 and its performance for the year ended on that date
 - complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001
- are in accordance with *section 41B of the Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010
- comply with International Financial Reporting Standards as disclosed in Note 2(a).

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

Non-going concern basis of preparation and significant uncertainty regarding valuation of the disposal group

Without qualification to the opinion expressed above:

- I draw attention to note 2(b) 'Basis of Accounting', note 2(d) 'Going Concern', and clause 4 of the 'Statement by Members of the Board'. The financial statements have been prepared on a non-going concern (liquidation) basis. Under this basis of accounting, assets are valued at their anticipated net realisable amounts and liabilities at their estimated settlement amounts.
- I draw attention to note 2(g) and note 7 'Assets Attributable to Disposal Group Classified as Held For Sale'. The carrying value of assets attributable to the disposal group is the directors' best estimate of its realisable value less cost to sell (recoverable amount). This estimate was made after considering non-binding offers for the disposal group received to date, all of which are still subject to negotiation and final approval by the Company's lenders. The actual recoverable amount will not be known until the sale process is complete and may differ significantly to the current carrying value.

INDEPENDENT
AUDITOR’S 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), the PF&A Act and the *Corporations Act 2001*. 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 2(a), the directors also state, in accordance with Accounting Standard AASB 101 ‘Presentation of Financial Statements’, that the financial statements comply with International Financial Reporting Standards.

Auditor’s Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. 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 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 roles by the possibility of losing clients or income.

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Company on 20 September 2010, would be in the same terms if provided to the directors as at the date of this auditor’s report.



A T Whitfield
Deputy Auditor-General

27 September 2010
SYDNEY

STATEMENT OF
FINANCIAL POSITION
As at 30 June 2010

	Note	2010 \$'000	2009 \$'000
Current Assets			
Cash and Cash Equivalents	6	735	360
Trade and Other Receivables	7(a)	37	2,408
Other	8	40	-
Total Current Assets		812	2,768
Non-Current Assets			
Receivables	7(b)	-	20,028
Investments Accounted for Using Equity Method	10	32,740	1
Intangible Assets	9	3,926	-
Total Non-Current Assets		36,666	20,029
Total Assets		37,478	22,797
Current Liabilities			
Trade and Other Payables	11	354	23,414
Total Current Liabilities		354	23,414
Non-Current Liabilities			
Deferred Tax Liabilities	5	2	-
Total Non-Current Liabilities		2	-
Total Liabilities		356	23,414
Net Assets		37,122	(617)
Equity			
Contributed Equity	12(a)	38,362	-
Retained Profits	12(b)	(1,240)	(617)
Total Equity		37,122	(617)

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

STATEMENT OF
COMPREHENSIVE INCOME

For the Year Ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
Revenue	3	20	1
Expenses	4	(602)	(849)
Share of Profit/(Losses) on Investments Accounted for Using the Equity Method	10	(238)	(1)
Profit/(Loss) before Income Tax Expense		(820)	(849)
Income Tax Benefit/(Expense) on Profit/(Loss)	5	197	232
Profit/(Loss) for the Year		(623)	(617)
Other Comprehensive Income for the Year, Net of Tax		-	-
Total Comprehensive Income for the Year		(623)	(617)

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

STATEMENT OF
CHANGES IN EQUITY

For the Year Ended 30 June 2010

	Contributed Equity \$'000	Retained Profits \$'000	Total \$'000
At 1 July 2009	-	(617)	(617)
Profit/(Loss) for the Year	-	(623)	(623)
Other Comprehensive Income/(Loss)	-	-	-
Total Comprehensive Income/(Loss) for the Year	-	(623)	(623)
Transactions with Owners in their capacity as Owners:			
Advance Converted to Contributed Equity	38,362	-	38,362
At 30 June 2010	38,362	(1,240)	37,122

	Contributed Equity \$'000	Retained Profits \$'000	Total \$'000
At 1 July 2008	-	-	-
Profit/(Loss) for the Year	-	(617)	(617)
Other Comprehensive Income/(Loss)	-	-	-
Total Comprehensive Income/(Loss) for the Year	-	(617)	(617)
At 30 June 2009	-	(617)	(617)

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

STATEMENT OF
CASH FLOWS

For the Year Ended 30 June 2010

		2010	2009
		\$'000	\$'000
		Inflows	Inflows
	Note	(Outflows)	(Outflows)
Cash Flows From Operating Activities			
Cash Received from Customers		357	-
Interest Received		19	1
Cash Payments to Suppliers and Employees		(1,888)	(216)
Net Cash Provided/(Used) by Operating Activities	17(e)	(1,512)	(215)
Cash Flows from Investing Activities			
Payments for Intangibles		(3,926)	-
Investment in Associates and Jointly Controlled Entity		-	(1)
Advance to Jointly Controlled Entity		(12,950)	(20,028)
Proceeds from Joint Venture Operations		-	575
Net Cash Provided/(Used) by Investing Activities		(16,876)	(19,454)
Cash Flows from Financing Activities			
Equity Contributions by Parent		18,763	-
Proceeds from Advance from Parent		-	20,029
Net Cash Provided/(Used) by Financing Activities		18,763	20,029
Net Increase/(Decrease) in Cash and Cash Equivalents		375	360
Cash and Cash Equivalents at Beginning of Financial Year		360	-
Cash and Cash Equivalents at End of the Year	17(b)	735	360

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

NOTES TO AND FORMING PART
OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

1. Corporate Information

Mid West Primary Pty. Ltd (ACN 130 271 546) is a ‘for profit’ entity domiciled in New South Wales and is a wholly owned subsidiary of Delta Electricity which is a New South Wales statutory state owned corporation. The entity’s Australian Business Number is 72 130 271 546.

The financial statements of Mid West Primary Pty. Ltd for the period ended 30 June 2010 were authorised for issue in accordance with a resolution of the Directors on 16 September 2010.

2. Summary of Significant Accounting Policies

The financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, the New South Wales Public Finance and Audit Act and Regulation, and requirements of the State Owned Corporations Act, 1989 (as amended).

(a)Statement of Compliance

The financial statements of Mid West Primary Pty. Ltd comply with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AIFRS). The financial statements also comply with International Financial Reporting Standards (IFRS).

(b)Basis of Accounting

The financial statements have been prepared in accordance with the principles of accrual accounting and the historical cost convention, and except where stated do not take into account current valuations. Cost is based on the fair values of the consideration given in exchange for assets.

(i) Significant Accounting Judgements, Estimates and Assumptions

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

Significant Accounting Judgements

The financial statements have been prepared on a business as usual basis and do not take into account proposed reforms of the New South Wales electricity industry involving the private sector (refer to Note 19). The financial statements do not include the potential effect of a future emissions trading scheme as there is significant uncertainty as to the impact of such a scheme on Mid West Primary Pty. Ltd at this stage.

Significant Accounting Estimates and Assumptions

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Limited estimates and assumptions are required while the entity is in the initial stages of operation.

(ii) New/Amended Accounting Standards

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ended 30 June 2010. A summary of standards relevant to Mid West Primary Pty. Ltd follows:

• AASB 9 Financial Instruments

This standard applies to reporting periods beginning on or after 1 January 2013 and simplifies the classification and measurement of financial assets.

• AASB 124 Related Party Disclosures

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

• AASB 107 Statement of Cash Flows

This standard applies to reporting periods beginning on or after 1 January 2010 and amends the classification of cash flows for investing activities.

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

(c) Changes in Accounting Policy and Disclosures

In the current reporting period Mid West Primary Pty. Ltd has adopted the new and revised Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2009.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(d)Going Concern

The financial statements of Mid West Primary Pty. Ltd have been prepared on a going concern basis. The company is involved in the exploration, investigation and operation of coal resources in New South Wales. Support during the initial stages of operation will be provided by Delta Electricity (parent entity). Losses are expected during the initial stages of operation with ongoing support being provided by Delta Electricity (parent entity) in accordance with approvals under the Public Authorities (Financial Arrangements) Act.

(e)Contributed Equity

Mid West Primary Pty. Ltd was established on 7 August 2008 and is a wholly owned subsidiary of Delta Electricity which holds one \$1 share.

(f) Joint Ventures

Interests in jointly controlled assets and operations of unincorporated joint ventures are reported in the financial statements by including the entity's share of assets employed in the joint venture, the share of liabilities incurred in relation to the joint venture, the share of any expenses incurred in relation to the joint venture in their respective classification categories, and the share of income earned from the joint venture. Details of the joint venture operations are set out in Note 13.

Interests in jointly controlled entities are recognised by using the equity method of accounting carried at cost. Details of jointly controlled entities are set out in Note 10.

(g)Associates

An associate is an entity over which Mid West Primary Pty. Ltd has significant influence and that is neither a subsidiary

nor an interest in a joint venture. The results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting. Under the equity method, investments are carried in the Statement of Financial Position at cost as adjusted for post acquisition changes in the share of net assets of the associate.

(h)Financial Assets and Financial Liabilities

The classification of financial assets and financial liabilities depends on the nature of the item and is determined at the time of initial recognition. Further disclosure on financial assets and financial liabilities is included in Note 16.

Financial Assets

Financial assets are categorised as follows:

Cash and Cash Equivalents

Cash at bank and cash management funds are classified as cash and cash equivalents.

Loans and Receivables

Trade debtors, advances and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost.

At Fair Value Through Profit or Loss – Held for Trading

This category includes derivative financial instruments not designated or effective as a hedging instrument. These assets are recorded at fair value with any resultant gain or loss recognised in profit or loss.

Derivative Financial Instruments – Effective Hedges

This category includes derivative financial instruments used as cash flow hedges

of highly probable forecast transactions or firm commitments. These assets are recorded at fair value. Changes in fair value of effective hedges are deferred in equity. The timing of the recognition in profit or loss depends on the nature of the hedging relationship. Ineffective hedges are classified as held for trading and included in the At Fair Value Through Profit or Loss category.

Financial Liabilities

Financial liabilities are categorised as follows:

At Fair Value Through Profit or Loss – Held for Trading

This category includes derivative financial instruments not designated or effective as a hedging instrument. These liabilities are recorded at fair value with any resultant gain or loss recognised in profit or loss.

Derivative Financial Instruments – Effective Hedges

This category includes derivative financial instruments used as cash flow hedges of highly probable forecast transactions or firm commitments. These liabilities are recorded at fair value. Changes in fair value of effective hedges are deferred in equity. The timing of the recognition in profit or loss depends on the nature of the hedging relationship. Ineffective hedges are classified as held for trading and included in the At Fair Value Through Profit or Loss category.

Other Financial Liabilities

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

(i) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

cash at bank and in hand along with short-term deposits and investments.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts and borrowings which are used in the cash management function on a day to day basis.

(j) Intangible Assets

Intangible assets comprise 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:

- the expenditures are expected to be recouped through successful development and production from the area of interest, or alternatively, by its sale; or
- 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.

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.

(k)Impairment

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

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

Where an impairment loss subsequently reverses, the carrying amount of the cash generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased

carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the cash generating unit in prior years. A reversal of an impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(l) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended prior to reporting date.

(m) Taxation

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

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes. The amount of deferred income tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

against which the asset can be utilised. Deferred income tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Mid West Primary Pty. Ltd is part of the Delta Electricity tax consolidated group for 2009/10. The group is taxed as a single entity for the purposes of income tax with Delta Electricity being the head entity.

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

(n)Revenue

Interest income on cash reserves is recognised as it accrues.

(o)Goods and Services Tax

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

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

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

included in the Statement of Cash Flows on a gross basis.

(p)Comparative Figures

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

Comparative information has been updated to reflect the changes in accounting policy outlined in Note 2(c).

As Mid West Primary Pty. Ltd was established on 7 August 2008, comparative figures are for the period 7 August 2008 to 30 June 2009.

(q)Presentation Currency and Rounding

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

3. Revenue

	2010	2009
	\$'000	\$'000
Interest	20	1
Revenue	20	1

4. Expenses

	2010	2009
	\$'000	\$'000
Consultants' Fees	158	636
Auditors' Remuneration	6	-
Other Expenses	438	213
Expenses	602	849

Auditors' Remuneration paid or payable in respect to the audit of the 2009/10 financial statements is \$5,500 (2009: \$5,500).

5. Income Tax

The major components of Income Tax for the period ended 30 June 2010 are as follows:

(a)Income Tax Expense

The major components of income tax expense are:

	2010	2009
	\$'000	\$'000
Current Income Tax Expense	(199)	(232)
Deferred Income Tax Expense – temporary differences	2	-
Income tax expense recognised in profit or loss	(197)	(232)

Reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the organisation's effective income tax rate for the period ended 30 June 2010:

	2010	2009
	\$'000	\$'000
Accounting profit/(loss) before tax	(820)	(849)
Income tax at statutory rate of 30%	(246)	(255)
Non-deductible expenses	49	23
Income tax expense recognised in profit or loss	(197)	(232)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(b) Deferred Income Tax

Deferred income tax as at 30 June 2010 relates to the following:

	2010	2009
	\$'000	\$'000
<i>Deferred Income Tax Liabilities</i>		
<i>Statement of Financial Position</i>		
Other items	2	-
Gross deferred income tax liabilities	2	-
<i>Profit or Loss</i>		
Other items	2	-
Deferred income tax expense	2	-

6. Cash and Cash Equivalents

	2010	2009
	\$'000	\$'000
Bank	735	360
	735	360

7. Trade and Other Receivables

(a) Current

	2010	2009
	\$'000	\$'000
Advance Receivable from Parent	-	1,463
Cobbora Joint Venture	-	945
Other	37	-
	37	2,408

(b) Non-Current

	2010	2009
	\$'000	\$'000
Advance to Cobbora Coal Unit Trust	-	20,028
	-	20,028

Trade and Other Receivables are carried at nominal amounts due less an allowance for any uncollectible amounts. Collectability from receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that Mid West Primary Pty. Ltd will not be able to collect the debt. There were no doubtful debts at reporting date.

There were no trade debtors and other receivables past due or impaired at reporting date.

The Advance to Cobbora Coal Unit Trust was converted to an equity investment in the Cobbora Coal Unit Trust on 30 June 2010. Refer Note 10.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

8. Other Current Assets

	2010	2009
	\$'000	\$'000
Refundable Security Deposit	40	-
	40	-

9. Intangible Assets

	Exploration and Evaluation Assets \$'000	Total \$'000
Year ended 30 June 2010		
Carrying amount at 1 July 2009, net of accumulated amortisation	-	-
Additions – acquired externally	3,926	3,926
Amortisation	-	-
Carrying amount at 30 June 2010	3,926	3,926
At 1 July 2009		
Cost (gross carrying amount)	-	-
Accumulated amortisation	-	-
Net carrying amount	-	-
At 30 June 2010		
Cost (gross carrying amount)	3,926	3,926
Accumulated amortisation	-	-
Net carrying amount	3,926	3,926

Mid West Primary Pty. Ltd commenced acquiring intangible assets during 2009/10.

10. Investments Accounted For Using The Equity Method

(a) Carrying Amount

	2010	2009
	\$'000	\$'000
Investments in Associates (unlisted)	1	1
Investment in Jointly Controlled Entity (unlisted)	32,739	-
	32,740	1

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(b) Associates and Jointly Controlled Entity

Mid West Primary Pty. Ltd has invested in the following entities involved in the exploration, investigation and operation of coal resources in NSW:

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

Cobbora Management Company Pty Ltd was established on 11 February 2009 while CCP Holdings Pty Ltd and the Cobbora Coal Unit Trust were established on 5 September 2008. CCP Holdings Pty Ltd is a trustee for the Cobbora Coal Unit Trust while the Cobbora Management Company Pty Ltd performs the role of manager for the Cobbora Unincorporated Joint Venture (Note 13).

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

	2010 \$'000	2009 \$'000
Balance at beginning of year	1	-
Additions - Cobbora Coal Unit Trust	-	0.575
- CCP Holdings Pty Ltd	-	0.001
- Cobbora Management Company Pty Ltd	-	0.575
Conversion of Advance to Equity Contribution – Cobbora Coal Unit Trust	32,977	-
Share of Profit/(Loss) for the Period – Cobbora Coal Unit Trust	(238)	(0.575)
Balance at end of year	32,740	0.576

A resolution was passed by the Board of CCP Holdings Pty. Ltd to convert advances to additional equity through the issue of additional \$1 units in the Cobbora Coal Unit trust on 30 June 2010.

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

The Associate entities recorded no profit during the 2009/10 financial year and had no liabilities. Total assets were \$1,503 with Mid West Primary Pty. Ltd's share being \$576. This reflects the same situation as the 2008/09 financial year.

Summarised information related to Mid West Primary Pty. Ltd's share of the Cobbora Coal Unit Trust is set out below:

	2010 \$'000	2009 \$'000
Current Assets	745	3,556
Non-Current Assets	31,924	16,412
Current Liabilities	51	20,090
Non-Current Liabilities	-	-
Revenue	212	91
Expenses	398	266

The unrecognised share of losses at 30 June 2010 was \$Nil (2009: \$121,944).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

11. Current Trade and Other Payables

	2010 \$'000	2009 \$'000
Accounts Payable	354	2,153
Advance from Parent Entity	-	21,261
	354	23,414

Accounts Payable represents amounts to be paid in the future for goods received and services provided at reporting date. These liabilities are usually settled within 30 days.

The Advance from the Parent Entity was converted to Contributed Equity on 30 June 2010. Refer Note 12.

12. Equity

(a) Contributed Equity

	2010 \$'000	2009 \$'000
Balance at beginning of year	0.001	-
Share capital paid up by parent entity	-	0.001
Conversion of Parent Advance to Contributed Equity	38,362	-
Contributed Equity at end of year	38,362	0.001

The Advance from the Parent Entity was converted to Contributed Equity on 30 June 2010.

Delta Electricity has current approval under the Public Authorities (Financial Arrangements) Act to provide funds up to \$65.0 million to Mid West Primary Pty. Ltd (2009: \$65 million). At reporting date, \$38,362,000 of this limit had been utilised (2009: \$21,261,000).

(b) Retained Profits

	2010 \$'000	2009 \$'000
Balance at beginning of year	(617)	-
Profit/(Loss) for the year	(623)	(617)
Retained Profits/(Losses) at end of year	(1,240)	(617)

13. Jointly Controlled Assets and Operations

(a) Description

Mid West Primary Pty. Ltd participates in a joint venture operation called the Cobbora Unincorporated Joint Venture which is involved in the exploration, investigation and operation of coal resources in NSW.

Mid West Primary Pty. Ltd has a 38.3% participating interest in the joint venture and is entitled to 38.3% of the output. The remaining participating interests are held by Midwest Development Corporation Pty. Ltd and Rocky Point Holdings Pty. Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(b) Share of Assets

The entity's interest in assets employed in the jointly controlled assets joint venture is detailed below:

	2010 \$'000	2009 \$'000
Cash and Cash Equivalents	419	360
Trade and Other Receivables	36	945
Total Current Assets	455	1,305
Intangible Assets	3,926	-
Total Non-Current Assets	3,926	-
Total Assets	4,381	1,305

14. Expenditure Commitments

Expenditure contracted for at reporting date requiring contribution of funds by Mid West Primary Pty. Ltd but not recognised as liabilities in the Statement of Financial Position:

(a) Intangible Assets – Exploration and Evaluation Operating Expenditure

	2010 \$'000	2009 \$'000
Payable no later than one year	1,326	-
Payable later than one, not later than 5 years	-	-
Payable later than 5 years	-	-
	1,326	-

(b) Other Expenditure

	2010 \$'000	2009 \$'000
Payable no later than one year	527	3,397
Payable later than one, not later than 5 years	-	-
Payable later than 5 years	-	-
	527	3,397

Mid West Primary Pty. Ltd expects to receive input tax credits from the Australian Taxation Office totalling \$138,922 (2009: \$79,250) for Goods and Services Tax paid for these commitments.

15. Contingent Liabilities and Contingent Assets

There were no known contingent liabilities or contingent assets in existence at reporting date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

16. Financial Instruments

(a) Capital Risk Management

Mid West Primary Pty. Ltd manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through optimisation of debt and equity balance. The capital structure is reviewed each year as part of the development and finalisation of the business plan and budget.

The capital structure consists of cash and cash equivalents and total equity consisting of contributed equity and retained profits. During the initial phase of operation, funds are sourced from equity contributions and advances from Delta Electricity (the parent company).

(b) Categories of Financial Instruments

The carrying amounts of Mid West Primary Pty. Ltd's financial instruments are outlined in the following table. Management considers that the carrying amounts of financial assets and liabilities in the financial statements approximate fair value.

	2010 \$'000	2009 \$'000
Financial Assets		
Cash and Cash Equivalents	735	360
Advances and Receivables	40	22,424
	775	22,784

	2010 \$'000	2009 \$'000
Financial Liabilities		
Payables and Advances	354	23,414
	354	23,414

(c) Financial Risk Management Objectives

Mid West Primary Pty. Ltd's principal financial instruments comprise cash, receivables and payables. Current activities expose the organisation to a variety of financial risks including market risk (interest risk), credit risk and liquidity risk. The organisation aims to minimise the effects of these risks by depositing funds with reputable financial institutions, dealing with creditworthy counterparties and ensuring access to funding is available. Mid West Primary Pty. Ltd does not enter into or trade financial instruments for speculative purposes.

(d) Interest Rate Risk Management

Interest rate risk is currently minimal with Mid West Primary Pty. Ltd sourcing required funds via equity contributions or interest free advances from Delta Electricity (parent entity). Interest risk arises from the exposure of cash and cash equivalents to market interest rates. These funds are held with reputable financial institutions.

The weighted average interest exposure on interest bearing financial assets is 4.0% (2009: 3.0%) with there being no current interest rate exposure for reported financial liabilities.

A 1.0% increase/(decrease) in interest rates would increase/(decrease) post tax profit by \$5,400 (2009: \$2,500).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(e) Credit Risk Exposures

The credit risk on financial assets which have been recognised in the Statement of Financial Position is generally the carrying amount. The credit risk is regarded as minimal as cash and receivables are currently held with creditworthy counterparties.

(f) Liquidity Risk Management

Mid West Primary Pty. Ltd manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring that sufficient funding facilities are available. The following table sets out the remaining contractual maturity for financial liabilities.

	Maturity Dates			Total
	< 1 year \$'000	1 – 5 years \$'000	> 5 years \$'000	
2010				
Financial Liabilities				
Fixed interest rate instruments	-	-	-	-
Non-interest bearing instruments	354	-	-	354
	354	-	-	354
2009				
Financial Liabilities				
Fixed interest rate instruments	-	-	-	-
Non-interest bearing instruments	23,414	-	-	23,414
	23,414	-	-	23,414

The reduction in non-interest bearing instruments resulted from the conversion of the advance from the parent entity to contributed equity on 30 June 2010.

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

Mid West Primary Pty. Ltd has not entered into any financial instruments which are recognised in the Statement of Financial Position at fair value.

17. Notes to the Statement of Cash Flows

(a) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash at bank and in hand, short term deposits and short term investments, net of outstanding bank overdrafts and borrowings which are used in the cash management function on a day to day basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(b) Reconciliation of Cash and Cash Equivalents

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

	2010 \$'000	2009 \$'000
Cash and Cash Equivalent Assets	735	360
Balance as per Statement of Cash Flows	735	360

(c) Dividends and Taxes

No dividends were received during the period. There were no dividend or tax equivalent payments during the period.

(d) Acquisitions and Disposal of Entities

There were no acquisitions or disposals during the period.

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

	2010 \$'000	2009 \$'000
Profit/(Loss) for the Year after Related Income Tax Expense	(623)	(617)
Share of (Profit)/Loss on Investments Accounted for Using the Equity Method	238	1
Net Changes in Assets and Liabilities During the Period		
(Increase)/Decrease in Trade and Other Receivables	869	(43)
Increase/(Decrease) in Payables	(1,799)	444
Increase/(Decrease) in Income Tax Related Assets/Liabilities	(197)	-
Net Cash Provided/(Used) by Operating Activities	(1,512)	(215)

18. Related Party Disclosures

(a) Key Management Personnel

The Directors of the entity at 30 June 2010 were Mr JP Henness and Mr WL Phillips. Mr JP Henness and Mr WL Phillips have been directors since establishment of the company.

The above officers are also Directors of the parent entity. No additional remuneration is provided for being a Director of Mid West Primary Pty. Ltd.

Mr RP Madden, who is an employee of the parent entity, acts as Secretary of Mid West Primary Pty. Ltd.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

(b)Ultimate Parent Entity

The ultimate parent entity at reporting date is Delta Electricity.

(c) Related Party Transactions

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

Related Party		Advance to related parties	Advance from related parties	*Equity acquisition in/ (from) related parties	Amounts owed to related parties
		\$'000	\$'000	\$'000	\$'000
Delta Electricity	2010	-	17,101	(38,362)	-
	2009	-	21,261	(0.001)	21,261
Joint Ventures	2010	17,300	-	32,740	-
	2009	21,491	-	0.575	1,463
Associates	2010	-	-	-	-
	2009	-	-	0.576	-

* Advances were converted to equity contributions on 30 June 2010.

Further information on the related parties of Mid West Primary Pty. Ltd is included at Note 10, Note 11 and Note 13.

19. New South Wales 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 EnergyAustralia, 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).

20. Events Occurring After Reporting Date

There were no significant events occurring after reporting date.

(End of audited Financial Statements)

STATEMENT BY MEMBERS OF THE BOARD

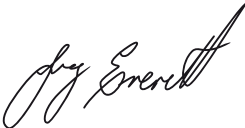
Statement by Members of the Board

Pursuant to Section 41C of the Public Finance and Audit Act, 1983, and in accordance with a resolution of Mid West Primary Pty. Ltd, we declare on behalf of Mid West Primary Pty. Ltd that in our opinion:

- 1.The accompanying Financial Report exhibits a true and fair view of the financial position of Mid West Primary Pty. Ltd as at 30 June 2010 and its performance for the year ended on that date;
- 2.The accompanying Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, the New South Wales Public Finance and Audit Act and Regulation, and requirements of the State Owned Corporations Act, 1989 (as amended);
- 3.At the date of this statement, there are reasonable grounds to believe that Mid West Primary Pty. Ltd will be able to pay its debts as and when they become due and payable; and
- 4.We are not aware of any circumstances at the date of this declaration that would render any particulars included in the financial report to be misleading or inaccurate.



Warren Phillips
DIRECTOR
16 September 2010



Greg Everett
DIRECTOR
16 September 2010

INDEPENDENT AUDITOR'S REPORT



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT
Mid West Primary Pty Ltd

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Mid West Primary Pty Ltd (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 year ended on that date, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion the financial statements:

- presents 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)
- 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.
- complies with International Financial Reporting Standards as disclosed in Note 2(a).

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

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. 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.

INDEPENDENT AUDITOR'S REPORT

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 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 roles by the possibility of losing clients or income.

A handwritten signature in black ink, appearing to read "Peter Achterstraat".

Peter Achterstraat
Auditor-General

16 September 2010
SYDNEY

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