

# 8

## FINANCIAL REPORTS 2011

### DELTA ELECTRICITY

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STATEMENT OF  
FINANCIAL POSITION

AS AT 30 JUNE 2011

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

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

## 8

STATEMENT OF  
COMPREHENSIVE  
INCOME

FOR THE YEAR ENDED 30 JUNE 2011

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

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

## 8

STATEMENT OF  
CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

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

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

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

## 8

STATEMENT OF  
CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Parent			2011	
	Contributed Equity \$'000	Asset Revaluation Reserve \$'000	Cash Flow Hedge Reserve \$'000	Retained Profits \$'000	Total \$'000
At 1 July 2010	175,376	669,002	62,268	2,548	909,194
Profit/(Loss) for the Year	-	-	-	(198,130)	(198,130)
Other Comprehensive Income/(Loss)	-	(598,290)	(50,411)	(1,199)	(649,900)
<b>Total Comprehensive Income/(Loss) for the Year</b>	<b>-</b>	<b>(598,290)</b>	<b>(50,411)</b>	<b>(199,329)</b>	<b>(848,030)</b>
<b>Transactions with Owners in their capacity as Owners:</b>					
Shareholder Equity Contribution	450,000	-	-	-	450,000
Dividends Paid/Payable	-	-	-	-	-
<b>At 30 June 2011</b>	<b>625,376</b>	<b>70,712</b>	<b>11,857</b>	<b>(196,781)</b>	<b>511,164</b>
	Parent			2010	
	Contributed Equity \$'000	Asset Revaluation Reserve \$'000	Cash Flow Hedge Reserve \$'000	Retained Profits \$'000	Total \$'000
At 1 July 2009	175,376	774,002	51,501	14,594	1,015,473
Profit/(Loss) for the Year	-	-	-	43,771	43,771
Other Comprehensive Income/(Loss)	-	(105,000)	10,767	(19,209)	(113,442)
<b>Total Comprehensive Income/(Loss) for the Year</b>	<b>-</b>	<b>(105,000)</b>	<b>10,767</b>	<b>24,562</b>	<b>(69,671)</b>
<b>Transactions with Owners in their capacity as Owners:</b>					
Dividends Paid/Payable	-	-	-	(36,608)	(36,608)
<b>At 30 June 2010</b>	<b>175,376</b>	<b>669,002</b>	<b>62,268</b>	<b>2,548</b>	<b>909,194</b>

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

## 8

STATEMENT  
OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

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

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

### 1. Corporate Information

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

The financial statements of Delta Electricity for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the Directors on 22 September 2011.

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

- On 1 March 2011, Generation Trading Agreements were executed with TRUenergy Pty Ltd for Delta Electricity's Western power stations (Mt Piper and Wallerawang) for the remaining life of each power station. These power stations are now operated under a Gentrader model which is designed to allow the ownership of the power stations to be retained by Delta Electricity and the contractual rights to trade the electricity produced to be held by TRUenergy Pty Ltd. TRUenergy Pty Ltd has the right to trade the electricity produced by Mt Piper and Wallerawang into the wholesale electricity market. A number of electricity derivative contracts were also included in the transaction. TRUenergy Pty Ltd is exposed to market risk, fuel and water supplies and the risk of any carbon tax. In addition to annual lease payments, Delta Electricity receives monthly fixed and variable income to fund other operational expenditure of the power stations. The transaction has been recognised as a finance lease as disclosed in Note 26(b). Disclosures related to these agreements are referred to as Western

Gentrader in the financial statements.

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

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

### 2. Summary of Significant Accounting Policies

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

#### (a) Statement of Compliance

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

#### (b) Basis of Accounting

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

#### (i) Significant Accounting Judgements, Estimates and Assumptions

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

#### Significant Accounting Judgements

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

Significant accounting judgements are also required for the valuation

of long dated electricity derivative contracts due to the absence of an active market and the valuation of coal stocks due to measurement issues associated with determining the volume of coal on the stockpiles.

#### *Significant Accounting Estimates and Assumptions*

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

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

- Defined Benefit Superannuation Schemes

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

- Property, Plant and Equipment

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

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

- Provision for Employee Benefits

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

- Provision for Insurance

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

- Coal Stocks

Estimates and assumptions are required when determining coal stock quantities used in the calculation of coal stock inventory value. The nature of coal stockpiles, particularly in relation to density, makes independent determination of coal stock quantities difficult. Management estimates coal stock quantities after considering independent survey reports, coal deliveries, production output and power station performance. Refer to Note 9.

- Assets Attributable to Disposal Group Classified as Held for Sale

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

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

- Recognition of Gentrader Fixed Operating and Maintenance Receipts

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

- (ii) New/Amended Accounting Standards

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ended 30 June 2011. A summary of standards relevant to Delta Electricity is as follows:

- AASB 1053 Application of Tiers of Australian Accounting Standards

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

- AASB 9 Financial Instruments

This standard applies to reporting

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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

- *AASB 7 Financial Instrument: Disclosures*

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

- *AASB 124 Related Party Disclosures*

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

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

### (c) Changes in Accounting Policies and Disclosures

In the current reporting period Delta Electricity has adopted the new and revised Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2010.

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

### (d) Basis of Consolidation

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

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

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

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

### (e) Investments in Subsidiaries

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

### (f) Contributed Equity

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

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

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

### (g) Financial Assets and Financial Liabilities

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

#### Financial Assets

Financial assets are categorised as follows:

#### *Cash and Cash Equivalents*

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

#### *Loans and Receivables*

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

#### *At Fair Value Through Profit or Loss – Held for Trading*

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

#### *Derivative Financial Instruments – Effective Hedges*

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

Ineffective hedges are classified as held for trading and included in the At Fair Value Through Profit or Loss category.

#### Financial Liabilities

Financial liabilities are categorised as follows:

##### *At Fair Value Through Profit or Loss – Held for Trading*

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

##### *Derivative Financial Instruments – Effective Hedges*

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

##### *Other Financial Liabilities*

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

#### **(h) Borrowings**

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

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

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

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

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

#### **(i) Borrowing Costs**

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

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

#### **(j) Leased Assets**

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

#### As a Lessee

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

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

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset, or where shorter, the term of the relevant lease.

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

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

#### As a Lessor

Assets subject to a finance lease are presented as a finance lease receivable in the Statement of Financial Position at an amount equal to the net investment in the lease.

Lease receipts are apportioned between interest income and reduction of the lease receivable so as to achieve

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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

### (k) Cash and Cash Equivalents

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

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

### (l) Property, Plant and Equipment

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

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

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

Revaluation decrements are generally recognised immediately in profit or loss. A revaluation decrement is only recognised

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

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

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

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

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

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

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

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

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

### (m) Intangible Assets

Intangible assets comprise eligible computer software and capitalised exploration costs.

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

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

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

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

#### **(n) Green Certificates**

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

#### **(o) Impairment**

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

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

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

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

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

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

#### **(p) Joint Ventures**

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

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

#### **(q) Associates**

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

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

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. They are not depreciated or amortised.

The assets and liabilities must be available for immediate sale and there must be a commitment to selling the asset either through entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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

### (s) Employee Benefits

The liability for wages and salaries at reporting date is recognised in current trade and payables. The liability includes unpaid wages and salaries at reporting date and performance/business success payments related to the 2010/11 financial year. The liability is measured at the amounts expected to be paid when the liability is settled. The liability for wages and salaries is normally settled within 7 days of reporting date, while the liability for performance/business success payments is settled within two months of reporting date.

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

The basis of the liabilities and contributions are:

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

(ii) For long service leave, the liability represents the present value of expected future payments for long service leave, including projected remuneration rates. Associated oncosts are also included.

Actuarial gains and losses on defined benefit superannuation schemes are recognised immediately in other

comprehensive income in the year in which they occur. Superannuation entitlement details are provided in Note 24(b).

### (t) Cash Management Funds

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

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

### (u) Provisions

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

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

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

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

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

### (v) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended. Delta Electricity determines the level of dividend annually in consultation with the shareholder, primarily during preparation of the Statement of Corporate Intent. The Statement of Corporate Intent is a performance agreement between the Delta Electricity Board and the shareholders. The dividend provision is limited to available retained earnings.

### (w) Inventory Valuation

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

### (x) Taxation

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

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

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

and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

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

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

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

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

#### **(y) Foreign Currency Translation**

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables at reporting date are translated at exchange rates current at reporting date. Exchange gains and losses are brought to account in determining the profit or loss for the year.

#### **(z) Segment Reporting**

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

##### **(aa) Revenue**

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

##### **(ab) Grants**

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

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

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

##### **(ac) Goods and Services Tax**

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

- when the GST incurred on a purchase of goods and services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of

acquisition of the asset or as part of the item of expense as applicable; and

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

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

##### **(ad) Generating Costs**

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

##### **(ae) Comparative Figures**

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

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

##### **(af) Presentation Currency and Rounding**

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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

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

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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

## 6. Income Tax

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

### (a) Income Tax Expense

The major components of income tax expense are:

#### Income Tax Expense Recognised in Profit or Loss

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

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

## 6. Income Tax (Continued)

### (a) Income Tax Expense (Continued)

#### Income Tax Recognised in Other Comprehensive Income

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

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

Reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the organisation's effective income tax rate for the year ended 30 June 2011:

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

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# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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

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

## 6. Income Tax (Continued)

### (b) Deferred Income Tax (Continued)

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Bank	41,314	5,668	41,314	5,668
Cash Management Funds	196,457	81,692	196,457	81,692
	<b>237,771</b>	87,360	<b>237,771</b>	87,360

### 7. Cash and Cash Equivalents

### 8. Trade and Other Receivables

#### (a) Current

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

#### (b) Non-Current

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

Trade and other debtors are carried at nominal amounts due less an allowance for any uncollectible amounts. Collectability of trade and other debtors is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that Delta Electricity will not be able to collect the debt. There were nil doubtful debts at reporting date (2010: \$Nil).

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

Current other debtors includes non-lease payments related to the Western Gentrader transaction. These payments are receivable by no later than 31 days after completion of the billing month. Finance lease receivables represents amounts due under finance leases associated with Mt Piper and Wallerawang power stations. Further details on the finance lease receivables are presented in Note 26(b).

## 8. Trade and Other Receivables (Continued)

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

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

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

Delta Electricity still considers that these amounts will be recoverable.

## 9. Inventories

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

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>10. Other Financial Assets</b>				
<b>(a) Current</b>				
Electricity Contracts – cash flow hedges	17,673	62,180	17,673	62,180
Electricity Contracts – held for trading	43,404	968	43,404	968
Other Derivatives – held for trading	35	248	35	248
	<b>61,112</b>	<b>63,396</b>	<b>61,112</b>	<b>63,396</b>
<b>(b) Non-Current</b>				
Electricity Contracts – cash flow hedges	-	24,894	-	24,894
Electricity Contracts – held for trading	203,882	-	203,882	-
Other Derivatives – held for trading	-	624	-	624
	<b>203,882</b>	<b>25,518</b>	<b>203,882</b>	<b>25,518</b>

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

### 11. Current Other Assets

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

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

#### (a) Delta Electricity Australia Pty Ltd

##### (i) Details of Discontinued Operation

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

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

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

### (a) Delta Electricity Australia Pty Ltd (Continued)

#### (ii) Financial Performance of Discontinued Operation

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

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

The major classes of assets and liabilities are as follows:

##### Assets

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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

#### (a) Delta Electricity Australia Pty Ltd (Continued)

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

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

##### (iv) Net Cash Flows of Disposed Entity

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

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

#### (b) Mid West Primary Pty Ltd

##### (i) Details of Discontinued Operation

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

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

##### (ii) Financial Performance of Discontinued Operation

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

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

### (b) Mid West Primary Pty Ltd (Continued)

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

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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

#### (b) Mid West Primary Pty Ltd (Continued)

#### (iv) Net Cash Flows of Disposed Entity

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

#### (c) NSW Energy Reform Disposals

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

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

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

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

### (c) NSW Energy Reform Disposals (Continued)

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

The major classes of assets and liabilities are as follows:

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

#### (iii) Consideration Received

Cash	93,596	-	93,596	-
Lease Receivable	453,800	-	453,800	-
<b>Total Disposal Consideration</b>	<b>547,396</b>	<b>-</b>	<b>547,396</b>	<b>-</b>

#### (d) Mt Piper Development Site Sale

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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

### 13. Investments in Subsidiaries

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

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

Refer to Note 30 for further information.

### 14. Investments Accounted for Using the Equity Method

#### (a) Carrying Amount

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

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

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

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

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

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

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

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

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

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

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

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

### 15. Property, Plant and Equipment

#### (a) Reconciliation by Asset Classes

\$'000

Parent Entity

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

#### At 1 July 2010

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

#### At 30 June 2011

Gross replacement cost	45,300	282	4,851,168	31,341	<b>4,928,091</b>
Accumulated depreciation	-	(34)	(3,862,068)	(21,275)	<b>(3,883,377)</b>
Accumulated impairment	-	-	(211,615)	-	<b>(211,615)</b>
Net carrying amount	<b>45,300</b>	<b>248</b>	<b>777,485</b>	<b>10,066</b>	<b>833,099</b>

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

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

## 15. Property, Plant and Equipment (Continued)

### (a) Reconciliation by Asset Classes (Continued)

#### *Revaluation of Western Power Stations Plant and Equipment*

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

#### *Revaluation of Land and Central Coast Power Stations Plant and Equipment*

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

	\$'000				
Consolidated Entity					
Year ended 30 June 2011	Land	Non Power Station - Buildings	Power Stations - Plant and Equipment	Other - Plant and Equipment	Total
Carrying amount at 1 July 2010	49,355	35	2,494,872	11,150	<b>2,555,412</b>
Additions	206	222	48,575	3,356	<b>52,359</b>
Revaluation	(122)	-	(1,024,011)	-	<b>(1,024,133)</b>
Impairment	-	-	(211,615)	-	<b>(211,615)</b>
Transfer to Assets Held For Sale	(4,139)	-	(432,266)	-	<b>(436,405)</b>
Disposals/Write-offs	-	-	-	(1,550)	<b>(1,550)</b>
Depreciation Expense	-	(9)	(98,070)	(2,890)	<b>(100,969)</b>
Carrying amount at 30 June 2011	<b>45,300</b>	<b>248</b>	<b>777,485</b>	<b>10,066</b>	<b>833,099</b>

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

### 15. Property, Plant and Equipment (Continued)

#### (a) Reconciliation by Asset Classes (Continued)

\$'000

#### Consolidated Entity (Continued)

	Land	Non Power Station - Buildings	Power Stations - Plant and Equipment	Other - Plant and Equipment	Total
<b>At 1 July 2010</b>					
Gross replacement cost	49,355	60	10,330,982	31,079	<b>10,411,476</b>
Accumulated depreciation	-	(25)	(7,489,110)	(19,929)	<b>(7,509,064)</b>
Accumulated impairment	-	-	(347,000)	-	<b>(347,000)</b>
Net carrying amount	<b>49,355</b>	<b>35</b>	<b>2,494,872</b>	<b>11,150</b>	<b>2,555,412</b>
<b>At 30 June 2011</b>					
Gross replacement cost	45,300	282	4,851,168	31,341	<b>4,928,091</b>
Accumulated depreciation	-	(34)	(3,862,068)	(21,275)	<b>(3,883,377)</b>
Accumulated impairment	-	-	(211,615)	-	<b>(211,615)</b>
Net carrying amount	<b>45,300</b>	<b>248</b>	<b>777,485</b>	<b>10,066</b>	<b>833,099</b>

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

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

## 15. Property, Plant and Equipment (Continued)

### (a) Reconciliation by Asset Classes (Continued)

\$'000

#### Parent Entity

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

#### At 1 July 2009

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

#### At 30 June 2010

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

### 15. Property, Plant and Equipment (Continued)

#### (a) Reconciliation by Asset Classes (Continued)

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

## 15. Property, Plant and Equipment (Continued)

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

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

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

### 16. Intangible Assets

#### Parent Entity

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

## 16. Intangible Assets (Continued)

### Consolidated Entity

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

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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

### 17. Current Trade and Other Payables

#### (a) Current

Trade Payables	162,594	134,602	162,594	138,745
Other Creditors	11,518	17,034	11,518	17,034
	<b>174,112</b>	151,636	<b>174,112</b>	155,779

#### (b) Non-Current

Other Creditors	8,909	-	8,909	-
	<b>8,909</b>	-	<b>8,909</b>	-

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

### 18. Borrowings

#### (a) Current

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

#### (b) Non-Current

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

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

Maturing loans may be re-financed if the borrowing limit is not exceeded. As such, Borrowings that are expected to mature within the next 12 months that management expect to rollover for at least another 12 months from reporting date, have been classified as non-current. At reporting date, there were \$138,358,000 of borrowings due to mature within one year requiring classification as non-current (2010: \$151,366,000).

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

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

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

## 19. Provisions

### (a) Current

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

### (a) Non-Current

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

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

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

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

### 19. Provisions (Continued)

#### (c) Movements in Provisions

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

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

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

## 20. Other Financial Liabilities

### (a) Current

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

### (b) Non-Current

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

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

## 21. Other Liabilities

### (a) Current

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

### (b) Non-Current

Miscellaneous	896	1,139	896	1,139
	<b>896</b>	1,139	<b>896</b>	1,139

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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

### 22. Equity

#### (a) Contributed Equity

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

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

#### (b) Reserves

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

#### Asset Revaluation Reserve

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

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

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

## 22. Equity (Continued)

### (b) Reserves (Continued)

#### Hedging Reserve

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

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

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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

## 23. Jointly Controlled Assets and Operations

### (a) Description

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

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

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

### 23. Jointly Controlled Assets and Operations (Continued)

#### (b) Share of Assets

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

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

### 24. Employee Benefits and Superannuation

#### (a) Employee Benefits

The aggregate employee benefit liability excluding superannuation is composed of:

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

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

#### (b) Superannuation – Defined Benefit Schemes

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

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

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

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

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

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. All of the schemes are closed to new members. All Fund assets are invested by STC at arm's length through independent fund managers.

## 24. Employee Benefits and Superannuation (Continued)

### (b) Superannuation – Defined Benefit Schemes (Continued)

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

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

	<b>Parent Entity</b>				
	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>2011</b>	2010
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>

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

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

#### (iii) Reconciliation of the Fair Value of Fund Assets

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

### 24. Employee Benefits and Superannuation (Continued)

#### (b) Superannuation – Defined Benefit Schemes (Continued)

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

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

Present value of partly funded defined benefit obligations at end of year	122,234	22,348	262,224	<b>406,806</b>	398,471
Fair value of fund assets at end of year	(104,716)	(16,701)	(181,835)	<b>(303,252)</b>	(291,078)
Net Liability/(Asset) recognised in statement of financial position at end of year	17,518	5,647	80,389	<b>103,554</b>	107,393

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

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

#### (vi) Amounts Recognised in Other Comprehensive Income

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

## 24. Employee Benefits and Superannuation (Continued)

### (b) Superannuation – Defined Benefit Schemes (Continued)

#### (vii) Fund Assets

The percentage invested in each asset class at reporting date:

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

	SASS \$'000	SANCS \$'000	SSS \$'000	Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2011 \$'000	2010 \$'000
Actual return on Fund assets	8,638	1,349	14,288	24,275	24,574

#### (viii) Actual Return on Fund Assets

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

FOR THE YEAR ENDED 30 JUNE 2011

### 24. Employee Benefits and Superannuation (Continued)

#### (b) Superannuation – Defined Benefit Schemes (Continued)

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

#### (ix) Historical Information

##### Current Information

	SASS	SANCS	SSS	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	122,234	22,348	262,224	<b>406,806</b>	398,471
Fair value of fund assets	(104,716)	(16,701)	(181,835)	<b>(303,252)</b>	(291,078)
(Surplus)/deficit in fund	17,518	5,647	80,389	<b>103,554</b>	107,393
Experience adjustments – fund liabilities	217	(121)	(549)	<b>(453)</b>	31,086
Experience adjustments – fund assets	2,780	62	(677)	<b>2,165</b>	(3,644)

##### Prior Year Information

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

## 24. Employee Benefits and Superannuation (Continued)

### (b) Superannuation – Defined Benefit Schemes (Continued)

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

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

#### Valuation Method

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

#### Economic Assumptions

The principal economic assumptions are outlined in the below table:

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

\*The salary increase rate assumes productivity gains.

#### Demographic Assumptions

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

### 24. Employee Benefits and Superannuation (Continued)

#### (b) Superannuation – Defined Benefit Schemes (Continued)

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

#### (xii) Funding Arrangements for Employer Contributions

##### Surplus/Deficit

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

	SASS	SANCS	SSS	2011	2010
Accrued benefits	109,943	20,256	183,438	<b>313,637</b>	302,333
Net market value of fund assets	(104,716)	(16,701)	(181,835)	<b>(303,252)</b>	(291,078)
Net (surplus)/deficit	5,227	3,555	1,603	<b>10,385</b>	11,255

##### Contribution Recommendations

Recommended contribution rates for the entity are:

	SASS	SANCS	SSS
	multiple of member contributions	% member salary	multiple of member contributions
<b>2011</b>	<b>1.9</b>	<b>2.5</b>	<b>1.6</b>
2010	1.9	2.5	1.6

##### Funding Method

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

## 24. Employee Benefits and Superannuation (Continued)

### (b) Superannuation – Defined Benefit Schemes (Continued)

#### (xii) Funding Arrangements for Employer Contributions (Continued)

##### Economic Assumptions

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

<b>Weighted Average Assumptions</b>	<b>2011</b>	2010
	<b>% pa</b>	% pa
Expected rate of return on Fund assets backing current pension liabilities	<b>8.3</b>	8.3
Expected rate of return on Fund assets backing other liabilities	<b>7.3</b>	7.3
Expected salary increase rate	<b>4.0</b>	4.0
Expected rate of CPI increase	<b>2.5</b>	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.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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

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

## 26. Leases

### (a) Finance Lease - Lessee

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

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

Included in the financial statements as: (refer Note18)

Current borrowings	<b>2,407</b>	2,201	<b>2,407</b>	2,201
Non-current borrowings	<b>96,721</b>	99,128	<b>96,721</b>	99,128
	<b>99,128</b>	101,329	<b>99,128</b>	101,329

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

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# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

## 26. Leases (Continued)

### (b) Finance Lease - Lessor

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

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

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

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

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

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

## 26. Leases (Continued)

### (c) Operating Leases

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

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

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

## 27. Contingent Liabilities and Contingent Assets

### *Supplier Dispute*

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

### *Generation Trading Agreement Finance Leases*

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

### *Payroll Tax Review*

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

### *Availability Liquidated Damages*

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

### 27. Contingent Liabilities and Contingent Assets (Continued)

#### *Reimbursement under the State Owned Corporations Act 1989*

Delta Electricity has issued three letters for reimbursement of costs to the New South Wales Government under section 20N of the State Owned Corporations Act 1989. The costs relate to directions made to Delta Electricity as part of the NSW Energy Reform process.

### 28. Financial Instruments

#### **(a) Capital Risk Management**

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

The capital structure consists of cash and cash equivalents, borrowings and total equity consisting of contributed equity, reserves and retained profits as disclosed in Note 7, Note 18, and Note 22 respectively. Operating cash flows are used to maintain the organisation's operating capacity as well as make routine outflows related to taxation, dividends and repayment of borrowings. Borrowings are sourced from New South Wales Treasury Corporation unless specific approval is granted under the Public Authorities (Financial Arrangements) Act 1987 to source private borrowings.

The overall strategy remains unchanged from 2010.

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

## 28. Financial Instruments (Continued)

### (b) Categories of Financial Instruments

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

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

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

### (c) Financial Risk Management Objectives

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

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

### 28. Financial Instruments (Continued)

#### (d) Foreign Currency Risk Management

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

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

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

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

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

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

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

## 28. Financial Instruments (Continued)

### (d) Foreign Currency Risk Management (Continued)

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

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

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

### (e) Interest Rate Risk Management

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

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

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# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

## 28. Financial Instruments (Continued)

### (e) Interest Rate Risk Management (Continued)

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

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

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

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

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

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

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

## 28. Financial Instruments (Continued)

### (e) Interest Rate Risk Management (Continued)

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

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

A 1.0% increase/(decrease) in interest rates would decrease/(increase) post tax profit by \$418,000 (2010: \$7,498,000). The sensitivity reflects management's view of the reasonably possible movement in interest rates as at balance date which is based on advice from Delta Electricity's debt management service provider. The sensitivity percentage is derived from historically based volatility information calculated over a ten year period. The sensitivity assumes that all other variables remain constant.

### (f) Electricity Price Risk Management

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

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

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

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

Electricity derivative contracts are recognised in the Statement of Financial Position at fair value. The fair value of short to medium term electricity contracts is calculated by reference to observable market data where available supported by valuation techniques where appropriate. Fair value for long dated electricity contracts is calculated using valuation techniques based on a forecast electricity pool price model. For 2010, a valuation technique based on a cost plus margin model was utilised for long dated electricity contracts. The valuation technique was amended due to the unavailability of relevant inputs following the Western Gentrader transaction.

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

**NOTES TO AND  
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STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**28. Financial Instruments (Continued)****(f) Electricity Price Risk Management (Continued)**

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

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

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

Management has assessed the possible changes in both forward and spot electricity prices over a financial year based on historical data and future expectations. If forward electricity prices had changed by plus or minus 10% for the year and with all other variables held constant, post tax profit would have increased/(decreased) by (\$2,132,000) (2010: (\$3,002,000)) and equity (tax effected) by (\$698,000) (2010: (\$45,690,000)).

**(g) Credit Risk Management**

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

The credit risk on financial assets, apart from derivative instruments, which have been recognised in the Statement of Financial Position is generally the carrying amount, net of any allowance for doubtful debts. The recognised financial assets of the Corporation include amounts receivable from government owned agencies (5.17 %) and other debtors (94.83%).

The majority of credit risk for the organisation is related to receivables related to the Western Gentrader finance leases, receivables from the sale of electricity supplied to the National Electricity Market (NEM) and derivative electricity contracts. The credit risk associated with the Western Gentrader finance leases is mitigated through a deposit with the Crown and Gentrader parent company guarantees. The credit risk associated with supply of physical electricity to the NEM is considered minimal due to prudential requirements needed by participants prior to registration in the market. The credit risk associated with derivative electricity contracts is mitigated through the application of limits determined by a Board approved policy. These limits are based on the credit rating of the counterparty. In the absence of an acceptable public credit rating an internal credit rating is assigned on the advice of an external credit assessment specialist. Credit risk exposure and counterparty credit ratings are continuously monitored with regular reporting to the Board. The aggregate exposure on open electricity contracts at reporting date was \$100.0 million (2010: \$243.5 million).

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

## 28. Financial Instruments (Continued)

### (h) Liquidity Risk Management

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

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

#### Parent Entity

	Maturity Dates			Total
	< 1 year \$'000	1 – 5 years \$'000	> 5 years \$'000	\$'000
<b>2011</b>				
<b>Financial Liabilities</b>				
Variable interest rate instruments	30,445	-	-	30,445
Fixed interest rate instruments	163,692	499,003	459,664	1,122,359
Non-interest bearing instruments	188,829	36,179	6,300	231,308
Derivative instruments	42,524	197,498	35,209	275,231
	425,490	732,680	501,173	1,659,343
<b>2010</b>				
<b>Financial Liabilities</b>				
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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

### 28. Financial Instruments (Continued)

#### (h) Liquidity Risk Management (Continued)

##### Consolidated

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

## 28. Financial Instruments (Continued)

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

Management considers that the carrying amounts of financial assets and liabilities in the financial statements approximate fair value except as disclosed in the following table:

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

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

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

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

### 28. Financial Instruments (Continued)

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

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

##### Parent Entity

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

There were no transfers between Levels during the year.

## 28. Financial Instruments (Continued)

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

#### Consolidated Entity

2011  
\$'000

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

There were no transfers between Levels during the year.

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

### 28. Financial Instruments (Continued)

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

##### Parent Entity

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

There were no transfers between Levels during the year.

## 28. Financial Instruments (Continued)

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

#### Consolidated

2010

\$'000

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

There were no transfers between Levels during the year.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

### 28. Financial Instruments (Continued)

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

The following table shows movements during the year.

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

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

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

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

## 28. Financial Instruments (Continued)

### (j) Total Debt Maturity Table

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

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

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

## 29. Notes to the Statement of Cash Flows

### (a) Cash and Cash Equivalents

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

### (b) Reconciliation of Cash and Cash Equivalents

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

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

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

## 8

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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

#### (c) Dividends and Taxes

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

#### (d) Acquisitions and Disposal of Entities

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

#### (e) Financing Arrangements

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

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

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

# 8

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

### 30. Related Party Disclosures

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

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

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

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

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

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

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

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

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

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

### 30. Related Party Disclosures (Continued)

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

The following Directors resigned or were removed during the year:

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

\*Removed by Shareholder

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

#### (b) Key Management Personnel Remuneration

	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Short-term Employee Benefits	3,563	3,944	3,563	3,944
Post-employment Benefits	226	234	226	234
Other Long-term Benefits	310	244	310	244
<b>Total</b>	<b>4,099</b>	<b>4,422</b>	<b>4,099</b>	<b>4,422</b>

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

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

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

### 30. Related Party Disclosures (Continued)

#### (c) Controlled Entities

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

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

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

#### (d) Related Party Transactions

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

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

### 31. Events Occurring After Reporting Date

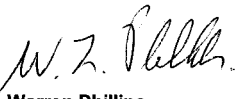
There were no significant events occurring after reporting date.

(End of Audited Financial Statements)

**STATEMENT BY  
MEMBERS OF  
THE BOARD****Statement by Members of the Board**

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

1. The accompanying Financial Report exhibits a true and fair view of the financial position of Delta Electricity as at 30 June 2011 and its performance for the year ended on that date;
2. The accompanying Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, the New South Wales Public Finance and Audit Act and Regulation, and requirements of the State Owned Corporations Act, 1989 (as amended);
3. At the date of this statement, there are reasonable grounds to believe that Delta Electricity will be able to pay its debts as and when they become due and payable; and
4. We are not aware of any circumstances at the date of this declaration that would render any particulars included in the financial report to be misleading or inaccurate.



**Warren Phillips**  
DIRECTOR  
22 September 2011



**Greg Everett**  
CHIEF EXECUTIVE  
22 September 2011

## INDEPENDENT AUDITORS REPORT



GPO BOX 12  
Sydney NSW 2001

### INDEPENDENT AUDITOR'S REPORT

#### Delta Electricity

To Members of the New South Wales Parliament

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

#### Auditor's Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation and the consolidated entity, as at 30 June 2011, and of their financial performance for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010
- comply with International Financial Reporting Standards as disclosed in Note 2(a).

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

#### Emphasis of Matter

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

#### Directors' Responsibility for the Financial Statements

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

In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that the financial statements comply with International Financial Reporting Standards.

#### Auditor's Responsibility

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

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

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

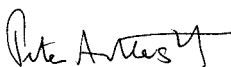
My opinion does *not* provide assurance:

- about the future viability of the Corporation or consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hypertexted to/from the financial statements.

#### Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

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



Peter Achterstraat  
Auditor-General

22 September 2011  
SYDNEY

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**tonic**

**DELTA ELECTRICITY CONTACTS**

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24 hour recorded information

**1800 115 277**

**Corporate Office**

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Office hours:  
Monday to Friday  
8.30am – 5.00pm

**Delta Maintenance**

Vales Point Power Station  
Vales Road  
Manning Park NSW 2259

**T** 02 4352 6184  
**F** 02 4352 6167

Office Hours:  
Monday to Friday  
8.30am – 4.30pm

**Munmorah Power Station**

Scenic Drive  
Doyalson NSW 2262

**T** 02 4390 1611  
**F** 02 4390 1642

Office Hours:  
Monday to Friday  
7.45am – 4.00pm

**Wallerawang Power Station**

1 Main Street  
Wallerawang NSW 2845

**T** 02 6352 8611  
**F** 02 6352 8847

Office Hours  
Monday to Friday  
7.45am – 4.00pm

**Colongra Power Station**

Scenic Drive  
Doyalson NSW 2262

**T** 02 4399 8209

Office hours:  
Monday to Friday 24 hours

**Mt Piper Power Station**

350 Boulder Road  
Portland NSW 2847

**T** 02 6354 8111  
**F** 02 6354 8112

Office Hours:  
Monday to Friday  
7.45am – 4.00pm

**Vales Point Power Station**

Vales Road  
Manning Park NSW 2259

**T** 02 4352 6111  
**T** 02 4352 6007

Office hours:  
Monday to Friday  
7.45am – 4.00pm

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