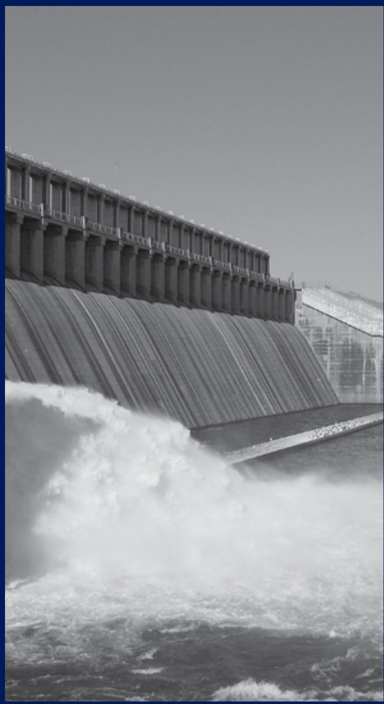
Eraring energy

Annual Report



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The Hon. Eric Roozendaal MLC
Treasurer

Level 36
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

The Hon. Joseph Tripodi MP
Minister for Finance
Minister for Infrastructure
Minister for Regulatory Reform
Minister for Ports and Waterways

Level 31
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Dear Shareholders

On behalf of the Board, we have pleasure in submitting the Eraring Energy Annual Report and Financial Statements for the year ended 30 June 2009.

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

It is submitted for presentation to both houses of Parliament.

R M Bunyon, AM
Chairman

Peter Jackson
Managing Director

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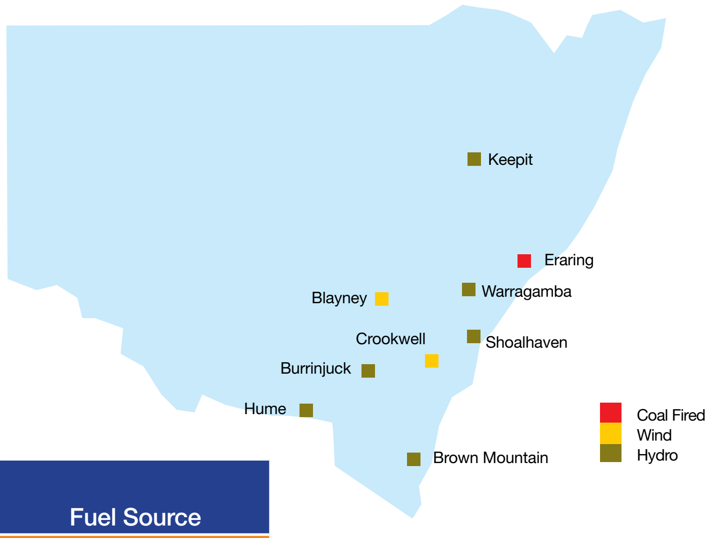
Eraring Energy is a state-owned corporation established on 2 August 2000 under the State Owned Corporations Act 1989, the Energy Services Corporation Act 1995 and Energy Services Corporation (Eraring Energy) Regulation 2000.

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

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

The generation portfolio consists of ten generating assets, with total capacity of over 3,000 Megawatts (MW), with Eraring Power Station being the largest at 2,640 MW. Eraring Energy supplies about 8% of the energy requirement of the National Electricity Market.



Generating Asset	Unit(s) size	Capacity (MW)	Fuel Source
Eraring Power Station Gas Turbine	4 x 660 MW 1 x 40 MW	2,640 40	Black Coal Diesel
Shoalhaven Scheme – Bendeela Station	2 x 40 MW	80	Hydro/Pumped Storage
Shoalhaven Scheme – Kangaroo Valley Power Station	2 x 80 MW	160	Hydro/Pumped Storage
Hume Power Station	2 x 29 MW	58	Hydro
Warragamba Power Station	1 x 50 MW	50	Hydro
Burrinjuck Power Station	1 x 16 MW 2 x 5.6 MW	27	Hydro
Keepit Power Station	1 x 6.5 MW	7	Hydro
Brown Mountain Power Station	1 x 1 MW 1 x 4.35 MW	5	Hydro
Blayney Wind Farm	15 x 660 KW	10	Wind
Crookwell Wind Farm	8 x 600 KW	5	Wind

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

OBJECTIVES

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

a) to be a successful business and, to this end; to operate at least as efficiently as any comparable business, and to maximise the net worth of the State's investment in it;

b) to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates;

c) where Eraring Energy's activities affect the environment, to conduct its operations in compliance with the principles of ecologically sustainable development contained in Section 6 (2) of the Protection of the Environment Administration Act 1991; and

d) to exhibit a sense of responsibility towards regional development and decentralisation in the way it operates.

Each of the principle objectives is of equal importance.

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

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

Left to right (standing) Rochelle Reynolds, Michael Vertigan, Dean Pritchard, Peter Jackson
(sitting) Peter Murray, Ross Bunyon, Beverley Hoskinson-Green

NON EXECUTIVE DIRECTORS

Ross Bunyon, AM
Chairman and Director
BComm (UNSW), CIE Aust
Director/Consultant

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

Beverley Hoskinson-Green
Director
LLB (UNSW) LLM (Harvard)
Solictor

First appointed 21 July 2000, continuing with reappointment to 30 June 2010

Peter Murray, OAM
Director
GAICD
Director/Consultant

First appointed 1 September 2006 to 31 August 2008

Reappointed as Unions NSW Appointee for two year period commencing 15 October 2008 to 14 September 2010

Dean Pritchard
Director
BE, FIE Aust, CP Eng, FAICD
Director

First appointed 22 August 2001, continuing with reappointment to 30 June 2010

Michael Vertigan, AO
Director
BEc (Hons) Tasmania, PhD California, FAICD
Director/Consultant

First appointed 21 July 2000, continuing with reappointment to 30 June 2010

EXECUTIVE DIRECTOR

Peter Jackson
Managing Director
BSc, BE, MEM, GAICD

Appointed 11 September 2006

Rochelle Reynolds
Company Secretary
LLB, BCom, Grad Dip CSP, GAICD

Appointed Company Secretary 1 October 2004

I am pleased to report that Eraring Energy has again recorded strong business performance for the financial year. Eraring Energy posted an Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $215.5 million for the financial year 2008/09. This is a commendable result in a tough market that has seen declining volatility and reduced electricity prices as the drought of the previous years eased, and otherwise restricted capacity returned to the market. The reduced prices and falling forward curve has led to a reduction in asset values across the industry, with Eraring Energy negatively adjusting its non-current asset value by $582 million at year end, on a discounted cashflow basis. In addition, the NSW Government's electricity reform project saw Eraring Energy start the year on track to vertically integrate with Integral Energy's retail operations, with the project subsequently reversed.

Eraring Energy has embarked on an extensive upgrade and refurbishment program across the company's generation portfolio, involving expenditure in excess of $600 million to deliver increased production capacity, improved efficiency and operational flexibility. The upgrade of Eraring Power Station will assist to meet the future electricity needs of the State, while reducing its carbon intensity, making it one of the most efficient coal fired power stations in Australia. As a direct result of the upgrade, there will be a reduction of 200,000 tonnes of CO_2 emissions per year. In addition, there is a potential for a further reduction of 600,000 tonnes of CO_2 emissions each year, as a result of Eraring Power Station displacing less efficient power stations in the National Electricity Market.

The Federal Government further refined its Carbon Pollution Reduction Scheme through the release of its White Paper and draft Legislation. Under the current Federal government proposal, Eraring Energy is not eligible for any allocation of free permits on commencement of the scheme. Over the reporting period, Eraring Energy worked with industry experts to develop strategies to address our future obligations and reduce the carbon impact of Eraring Energy's operations and future developments.

During the reporting period Eraring Energy won both the NSW and Australian Public Sector Leadership in Injury Prevention and Management Award. This establishes Eraring Energy as a leader in Public Sector Safety Management in Australia.

Eraring Energy is cooperating with the NSW Government to implement the electricity reform project. Eraring Energy staff and management are contributing to maximise returns from the transaction and prepare Eraring Energy for this new commercial operating regime.

On behalf of the Board, I acknowledge the dedication and commitment of all members of the Eraring Energy team to achieving our goals in leadership and excellence and thank them for their contribution to strong performance under difficult circumstances to post an outstanding year.

Ross Bunyon, AM
Chairman

Eraring Energy posted an EBITDA of $215.5 million which reflects a decrease on the previous year. The major contributor to this result was falling wholesale electricity prices and reduced sales volume during the year driven by a return to the market of previously drought restricted competitor capacity. Other factors include a lowered contract position in preparation for vertical integration with Integral Energy and the delayed roll-off of the Electricity Tariff Equalisation Fund.

A new Eraring Energy is emerging with the Upgrade Project planning to deliver a 240 MW increase in capacity, a significant reduction in greenhouse emissions, improved environmental performance, and extended ashing life of the station. The total project is budgeted at over $600 million with completion in 2012.

In preparation for this major project, a project management governance structure has been implemented and additional resources have been recruited. The Eraring Power Station upgrade has created strong interest in the media and community. In 2008/09, over $180 million in capital works was expended.

The first stage of the upgrade involved the construction of a cooling water attemperation reservoir and installation of a new coal combustion products facility. These commenced in late 2008 and are both progressing well, although the reservoir project has encountered some additional costs and delays.

Eraring Energy plant continues to perform at world class standard and operate reliably due to the efforts of our Operations Team.

The Shoalhaven Pumped Storage Scheme underwent its first upgrade in twenty five years with major maintenance works on the Kangaroo Valley Power Station Units and an upgrade of protection equipment.

Eraring Energy demonstrated its National leadership in Safety by receiving awards in both the NSW and Australian Public Sector Leadership in Injury Prevention and Management. Eraring Energy employee, Paul Waters won the NSW award for the Individual Contribution to Safety and was also nominated at the national awards. These outstanding awards are testament to the commitment and effort of all Eraring Energy staff to improve safety performance.

Early in 2009, Eraring Energy held an Environmental Strategy Meeting with representatives from local community and environment organisations, state members of Parliament, regulators, councils and academics. The meeting discussed the operation of Eraring Power Station, issues affecting Lake Macquarie and local communities, and strategies to address the issues. Eraring Energy pledged to conduct extensive aquatic studies to assess the impact of operations on Lake Macquarie.

In response to the Federal Government's plans to introduce a Carbon Pollution Reduction Scheme (CPRS), Eraring Energy established a Carbon Response Taskforce to ensure compliance with emissions monitoring and reporting requirements, and examine trading impacts and strategies to reduce Eraring Energy's carbon emissions.

Eraring Energy management has worked diligently to support the NSW Government electricity reform agenda. In August 2008, Eraring Energy was vertically integrated with Integral Energy. This merger was later reversed and management are now proactively contributing to the current GenTrader proposal.

The demographics of Eraring Energy have changed significantly in 2008/09, with increases in staff retirements and subsequent recruitments as predicted in last year's succession plan.

On behalf of the Executive team, I extend my thanks to all staff in making 2008/09 a very successful year.

Peter Jackson
Managing Director

2008/09 highlights

Commencement of an ambitious capital program to meet future demand

- Eraring Power Station unit capacity upgrade
- Construction of cooling water attemperation dam
- Upgrade of CCP ash disposal system

Environmental accreditation ISO14001 maintained for all generating sites

Continual improvement in the management of environmental issues

- Effective land management reducing weed and feral populations
- Stakeholder engagement with external environment strategy meetings
- Seed propagation program in conjunction with Koompahtoo Local Aboriginal Community
- Completion of ecological studies on thermal impacts of cooling water discharge into Lake Macquarie

- Awarded first place in the NSW WorkCover Safe Work Awards for Best Individual Contribution to Workplace Health and Safety
- Awarded first place in the NSW and National Safe Work Australia Awards for Public Sector Leadership in Injury Prevention and Management

Economic Performance

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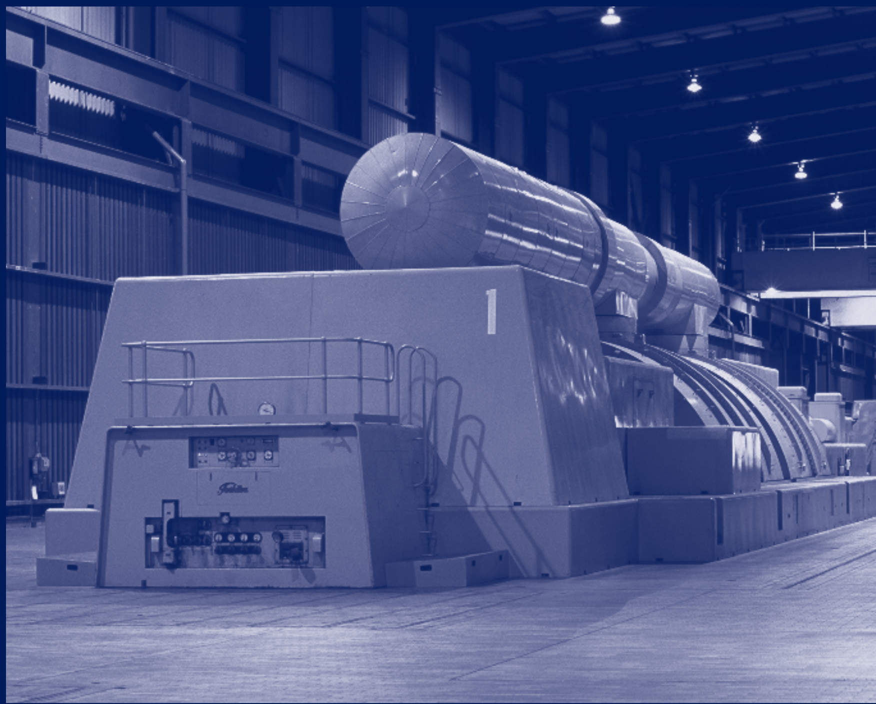


FINANCIAL OVERVIEW

Eraring Energy delivered an Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $215.5 million from underlying operations, with a return of $95.4 million to our Shareholders.

This is the first occasion since the commencement of Eraring Energy's operations in August 2000 that it has not met or exceeded the Statement of Corporate Intent (SCI) financial targets.

Trading gross margin variance, driven by lower than expected average realised sales pricing and lower generation levels against a high growth budget, contributed to the fall in EBITDA and profitability. The two previous year's results had been positively impacted by drought conditions where Eraring Energy's major production facility located on the coast had not been impacted whereas competitors, relying on fresh water cooling, had to curtail generation.

The reduction in the forward price of electricity and, as a consequence, Eraring Energy's long term pricing assumptions this year versus those of last year is the main contributor to the fall in non-current asset values at year end.

Capital Expenditure

Eraring Energy's capital expenditure program in 2008/09 of $179.1 million related to the upgrade and maintenance of existing assets to provide improved efficiency and availability.

Major projects included:

Eraring Power Station

- Work continues on upgrading the generating capacity to 4x720 MW units with contracts let for the installation of upgraded boiler, turbine and auxiliaries;
- The construction of a cooling water attemperation reservoir; and
- The installation of a new Coal Combustion Products (CCP) plant.

Group Financial Performance Indicators

		04/05	05/06	06/07	07/08	08/09
Electricity Sales	$m	578.4	629.8	816.1	730.6	634.6
EBITDA from normal operations	$m	181.4	182.4	272.4	270.2	215.5
Normal Profit Before Tax#	$m	107.1	97.1	187.7	157.9	82.2
Capital Expenditure	$m	44.5	36.3	38.0	55.0	189.0
Financial Distributions*	$m	121.3	102.7	198.5	164.2	95.4
Return on Equity	%	6.9	11.0	34.6	8.3	6.0
Return on Assets	%	8.0	7.1	6.9	7.3	5.7

Excludes fair value movements in electricity derivatives, superannuation and insurance provision movements.
* Represents accrued dividend, tax equivalent and loan guarantee payments.

Shoalhaven Pumped Storage Scheme

- Maintenance works carried out at Kangaroo Valley Power Station (KV) units. This is the first major works to be undertaken on the KV units in 25 years which resulted in the repair of relief valves on both Units 3 and 4; and
- Upgrade of protection equipment and data recorders at our Kangaroo Valley and Bendeela Power Stations.

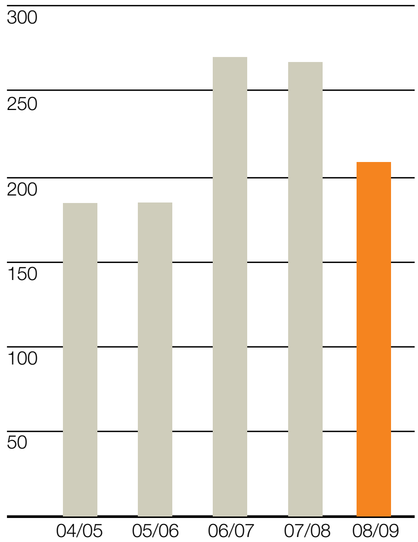
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

Eraring Energy achieved an EBITDA of $215.5 million, a decrease of $54.7 million on last year's result.

Revenue and Materials and Cost of Purchases

Sales revenue including Electricity Tariff Equalisation Fund (ETEF) from ordinary activities in 2008/09 was $634.6 million, down 13% from the previous year due to lower spot electricity prices. Eraring Energy generation levels were down 11.5% on previous years mainly due to low spot prices which translated to lower cost of raw materials when compared to the previous year.

EBITDA ($ Million)



Superannuation Defined Benefit Scheme Provision

Actuarial gains and losses on defined benefits superannuation schemes under a revised NSW Treasury mandate are now accounted for outside of profit, i.e. against accumulated funds and the balance sheet. The amount for 2008/09 was a negative impact of $56.2 million. The residual net movement on the schemes is accounted for in profit and loss resulting in a $4.6 million gain for the year.

Non-Current Asset Revaluation

The non-current asset valuation at 30 June 2009 was $1.7 billion, a reduction of $582 million having regard for the discounted cash flows of expected future revenue and cost streams over the life of the business. This was mainly due to changed assumptions on the forward price of electricity from those made in the previous period.

Net Fair Value Derivative Movements

The net mark to market (M to M) or fair value of electricity and foreign exchange (FX) derivatives at 30 June 2009 was negative $37 million. The reduction in the net position was largely due to the roll off of electricity derivatives and reduction in forward prices. The FX position has increased with the letting of more capacity upgrade contracts and improving AUD position at year end.

Debt Management

In 2008/09, financial liabilities were managed to minimise risk against volatility in financial markets, protect the value of Eraring Energy's equity and minimise the cost of these liabilities. As at 30 June 2009, Eraring Energy had total debt of $507 million (market value) with approved Public Authorities (Financial Arrangements) facilities in place of $842 million.

Shareholder Return

Eraring Energy is committed to delivering sustainable and reliable returns to its Shareholder, the NSW Government. The share dividend scheme requires financial distributions of 100% of pre-tax profits from underlying operations plus or minus significant fair value movements and community service obligations. Total financial distributions to the Shareholder of $95.4 million include dividend, tax equivalent and loan guarantee payments.

Controlled Entities

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

For the financial year, an operating loss of $3.0 million was incurred on pre-feasibility costs associated with geology, water, environment, rail and other commercial matters. Capital expenditure of $9.9 million was incurred on land purchases for the mine.

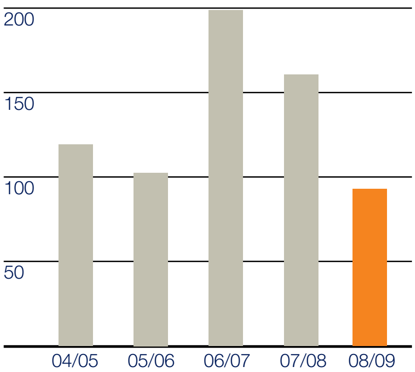
Eraring Retail Pty Limited was established following Ministerial Direction to transfer the beneficial ownership of Integral's retail business. Following the decision not to enact legislation, a policy instruction was received from NSW Treasury terminating integration agreements. Accordingly, no retail operations are reflected in the financial report. Following Shareholder and Board approval, a Liquidator has been appointed to voluntary wind up the company.

Departures from Financial SCI Targets

Eraring Energy did not meet the financial targets agreed with Government in the 2008/09 SCI. The positive and negative explanations relate to:

- Gross Margin below budget mainly due to lower than expected spot prices and generation levels. ETEF refunds offset lower spot prices;
- Lower financing costs due to lower debt levels; and
- Depreciation under budget mainly due to lower opening asset values and a change in the Board approved Weighted Average Cost of Capital.

Financial Distribution ($ Million)

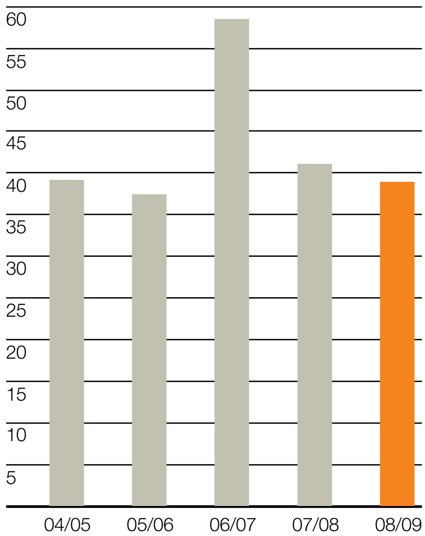


MARKETING AND STRATEGY

In the face of a relatively subdued spot market environment in 2008/09, Marketing & Strategy produced a solid result.

The electricity industry currently faces unprecedented levels of uncertainty. The severe drought impacts in 2007 created extreme volatility in spot electricity markets which translated to record high prices in the forward market. An alleviation of drought conditions and the removal of capacity restrictions on Tarong Energy, with the construction of the Western Corridor Pipeline, has contributed to a reduction in price volatility over the course of 2008/09. However, the continued low dam levels at Snowy Hydro are a reminder that south-eastern parts of the National Electricity Market (NEM) remain drought affected.

NSW Time-Weighted Average Spot Price ($/MWh)



In the immediate term, some curtailment in demand is expected due to the impact of uncertain economic conditions. Combined with an increase in NSW supply from Tallawarra (TRUenergy), Uranquinty (Origin) and Colongra (Delta) Gas Turbines, spot price potential in 2009/10 may be limited. In the longer term, Eraring Energy may face increased competition from new renewable energy projects developed under the recently expanded Renewable Energy Target (RET) scheme.

The introduction of the Carbon Pollution Reduction Scheme (CPRS) in 2011 will see a step-change in the electricity market with generators attempting to increase the wholesale electricity price in an effort to recover the cost of scheme compliance. The degree of carbon price pass through to the electricity price will have a major impact on the future profitability of Eraring Energy.

A number of developments and market reforms were implemented during the course of the year:

- The abolition of the Snowy region occurred on 1 July 2008. The principal generator in the region, Snowy Hydro, has distributed assets now between the New South Wales and Victorian regions;
- The establishment of the AEMO occurred on 1 July 2009. AEMO replaces six industry bodies from multiple states and jurisdictions and merges the operational management of the national electricity and gas markets; and
- The level of standard retail suppliers' regulated load subject to the ETEF will remain at one hundred percent until at least 30 June 2010.

Cobbora Coal Project

The Cobbora Unincorporated Joint Venture was formed to enable the three State owned power generators, Macquarie Generation, Delta Electricity and Eraring Energy, to investigate the feasibility of developing a new coal resource in western New South Wales.

On 15 May 2009 the Minister for Mineral Resources, Ian Macdonald announced that the joint venture had been invited to apply for a coal exploration licence in the Cobbora area near Dunedoo, NSW.

Eraring Energy's involvement in the project will continue through the subsidiary company Rocky Point Holdings Pty Limited established for that purpose.

Green Strategy

Eraring Energy is facing the issue of balancing the rising customer demand for energy with the immediate need to minimise the significant environmental, social and economic impacts of climate change. Eraring Energy had adopted measures for CO_2 reduction through carbon sequestration with Mallee tree plantations and improving energy efficiencies with unit upgrades.

Eraring Energy has invested in 1,600 hectares of Mallee plantations utilising the services of CO2 Australia. The plantations will sequester approximately 1.2 million tonnes of carbon dioxide over the next thirty years.

In addition, Eraring Energy is investigating the use of cleaner alternative fuel supplies at Eraring Power Station and the further development of its hydro-electric generating sites.

ERARING POWER STATION

Eraring Energy manages a diverse set of generating assets located throughout NSW, with Eraring Power Station being the largest with capacity of 2,640 MW.

Coal Supplies

Eraring Power Station receives black coal supplies by road, rail and overland conveyors from local and distant coal mines. A total of 5,891,783 tonnes was delivered with consumption amounting to 6,084,945 tonnes in 2008/09.

Performance

Eraring Power Station generated a total of 15,426 GWh of electrical energy for the year ending 30 June 2009 and recorded an availability factor of 86.08%.

Not including new technology super-critical stations, Eraring Power Station is already one of the most energy efficient coal fired power station of its generation in Australia, and this efficiency will be further improved by upgrading plant over the next two years.

PLANT MANAGEMENT

Maintaining Reliable Assets

Units 3 and 1 were taken out of service during April and May 2009, respectively, for planned Co-ordinated Maintenance Outage Programs (CMOP). Programmed works included inspection, testing and refurbishment of boiler, turbine and generator components, including the replacement of Unit 1 generator voltage regulator with a state-of-the-art controller.

Coal Combustion Product Project

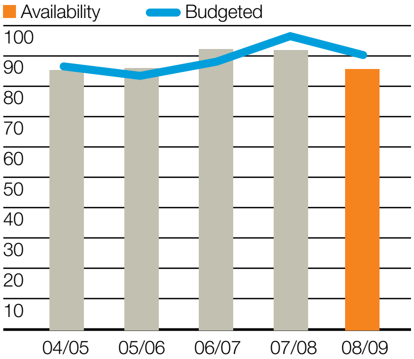
During 2008/09 rehabilitation and revegetation of capped areas of the ash dam has continued under the site land management plan. The establishment of wetland ecosystems and green corridors at the ash dam has encouraged native flora and fauna to return to these rehabilitated lands. Other exposed areas of the ash dam have been treated with an eco-friendly dust suppressant coating. The access road across the dam wall has also been bitumen sealed to eliminate dust generated by vehicles on this previously unsealed section of road.

Due to the design of the original fly ash handling systems, the existing ash dam was projected to be full by 2013. The system has been redesigned to include dry fly ash pneumatic transfer, storage and truck loading facilities to assist with the increased recycling of coal combustion products (fly ash). Eraring Energy is pursuing a target of 80% recycling of ash by the end of 2015. The new dense-phase pumping systems will permit more compact storage at the existing ash dam for any fly ash which cannot be recycled. Installation of this new equipment is due for completion by January 2010.

Eraring Power Station Capacity Upgrade

Capacity upgrade has commenced with the construction of an 800 Ml cooling water attemperation reservoir to permit higher summer generation whilst still managing the cooling water exit temperatures. The reservoir is due for completion by January 2010. Data is being collected from tilt meters installed on the cooling water inlet canal retaining walls. This data will be utilised to assess any additional load and/or abnormal movement of the inlet canal retaining walls during commissioning of the attemperation reservoir.

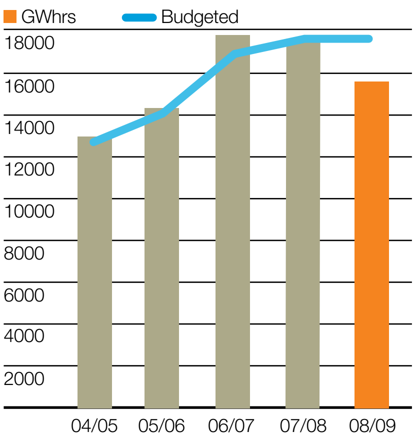
Availability (%)



The next stage of the upgrade is to increase unit capacity from 660 MW to 720 MW during outages commencing August 2009. There will be four unit outages to complete the upgrade works finishing in December 2011. It is expected that these upgrade works will generate up to 500 new jobs on-site during the two years of the unit upgrade project. Design and manufacture of upgrade components is underway in preparation for these outages. Key components of these upgrade works include:

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

Energy Generated (GWh)



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

Replacement Hydrogen Plant

The new plant will incorporate state-of-the-art technology which will improve safety and reduce maintenance. The plant is due for completion in 2010.

Station Air Compressors

The station air compressors have been progressively replaced. The 'B' station air compressor was replaced in April 2009. In conjunction with the other compressors which have been replaced, system reliability has been improved with lower auxiliary energy usage and lower greenhouse gas emissions.

Water Reclamation Plant

Eraring Power Station has recycled all of the secondary treated effluent from the Dora Creek sewerage treatment works since 1995. Technical studies have been conducted into options to upgrade these systems. Eraring Energy continues to work co-operatively with Hunter Water Corporation to implement cost effective and water-wise solutions to manage this important resource.

Emergency Black Start Gas Turbine Generator

The emergency gas turbine generator has been available since August 2008 to provide auxiliary start-up power under the emergency circumstance of a power grid black-out (black start scenario). The Department of Environment and Climate Change Operating Licence No. 1429 only permits limited hours of operation on distillate fuel, except for operation in a black start scenario. Investigations continue into a gas supply which would permit more frequent operation, with reduced fuel costs. The annual Black Start test for AEMO System Restart Ancillary Services (SRAS) for 2009/10 was successfully conducted on 3 May 2009.

Geosequestration in NSW

Eraring Energy participated in studies with the other NSW Generators in 2006/07 and 2007/08 to better understand the legal, piping and geological aspects of storing CO_2 underground in NSW. Eraring Energy has co-funded a 2500m borehole at Munmorah Power Station to provide geological data regarding the potential for CO_2 storage in the Sydney basin. The borehole is complete, and the core samples are being analysed. The Department of Primary Industries is funding another two boreholes in NSW, one at Vales Point and one in the Gunnedah area. The aim of the stratigraphic drilling program is to find suitable geology to initially store 100,000t of CO_2 derived from a future Carbon Capture and Storage Demonstration Plant.

HYDRO AND WIND POWER STATIONS

Generation figures have remained low at all irrigation release sites owing to the prolonged drought. The total generation for these sites was 67,070 MWhrs which is the lowest total annual output since Eraring Energy was formed. Generation from Shoalhaven was slightly higher than the previous five year average at 33,542 MWhrs. The volume of water pumped from the Shoalhaven Scheme on behalf of Sydney Catchment Authority was 50,010 Ml. This is a considerable decrease compared to recent years and is due to Sydney Catchment Authority placing a moratorium on pumping from the Shoalhaven catchment. This represents 10.3% of water consumed by the Sydney population.

The Crookwell and Blayney Wind Farms produced the largest amount of green energy since 2002/03. A program to replace failed gearboxes at Blayney Wind Farm has continued throughout the year. The last identified faulty gearbox is expected to be replaced early in 2009/10. A specialist gearbox repair contractor has been engaged to assist with any future gearbox failures.

Maintenance continues to be carried out on a six monthly routine. Crookwell and Blayney Wind Farm availability figures were both higher than for the previous financial year. Capacity factors for the wind farms were both in the order of 23%.

Safety

The implementation of the BSafe behavioural based safety program for Hydro and Wind staff progressed through 2008/09 with levels of activity continuing to increase. A BSafe Committee to assist in strengthening the adoption of the program will be established early in 2009/10. The adoption of the isolation lockout system for Hydro and Wind was delayed to ensure it was compatible with the revised simple isolation procedures being developed for the single man sites. An initial trial of the system has been carried out at Keepit Power Station and the lock out procedure is currently under review following the trial.

Hydro and Wind is currently determining a set of Safety Performance Indicators that will be adopted in 2009/10.

Wind Farm Availability

Location	%
Blayney	89.8%
Crookwell	97.5%

Hydro and Wind Generation (MWh)

	03/04	04/05	05/06	06/07	07/08	08/09
HYDRO						
Brown Mountain	3,855	2,320	5,759	5,314	12,396	1,364
Burrinjuck	12,940	27,267	36,000	8,440	15,612	11,361
Hume	146,643	149,290	208,495	51,309	41,672	52,742
Keepit	1,011	4,348	6,600	2,331	784	1,603
Shoalhaven	5,706	18,537	52,089	46,428	21,855	33,542
Warragamba	--	--	--	--	--	--
Subtotal (Hydro)	**170,155**	**201,762**	**308,943**	**113,822**	**92,319**	**100,612**
WIND						
Blayney Wind Farm	19,652	19,669	18,519	15,898	15,751	20,143
Crookwell Wind Farm	7,582	8,214	7,444	8,335	8,564	9,582
Subtotal (Wind)	**27,234**	**27,883**	**25,963**	**24,233**	**24,315**	**29,725**

Significant Plant Work and Improvements

Shoalhaven

The life extension study completed in May 2008 for Kangaroo Valley Units 3 and 4 by a specialist Hydro Consultant recommended progressive refurbishment of both units over a five year period commencing in 2008/09.

A detailed five year plan has been developed to complete these refurbishments. It is intended to review the plant for possible efficiency gains that can be adopted in conjunction with the refurbishment works. A consultant will be engaged to advise on practical modifications that can be implemented subject to cost benefit analysis.

The Hydro and Wind Asset Management Strategy has been rewritten to include the five year outage plan for the Shoalhaven Pump and Power Stations to reflect the challenges ahead in refurbishing Kangaroo Valley Units 3 and 4.

Unit 3 pump developed a significant water leak from the casing and after investigation and review by specialist hydro consultants and staff, a repair program was enacted. Following significant pump strip down and repair, and refurbishment of pump components over a period of several months, the unit was successfully returned to service in August 2009.

The new control hardware and software to allow control and monitoring of all the Hydro sites was cutover to Brown Mountain successfully during 2008/09. Some problems with maintaining reliable remote control of Burrinjuck Power Station occurred during the course of the year. However these have been resolved and remote control functionality for all other sites is operating reliably.

The replacement of the unit electrical protection relays for both Bendeela Units and the line protection to the Kangaroo Valley Switching Station was completed during the year. High speed electrical fault recorders were also installed on these units to assist with electrical fault analysis and compliance monitoring under the National Electricity Rules. Similar work will be carried out at Kangaroo Valley Power Station over the next twelve months.

During the outage to replace the Bendeela Power Station protection system, the Bendeela supply pipeline internal protective coating was removed and replaced. This involved grit blasting and repainting of the pipeline, which is approximately four metres in diameter and 690 metres long. The work was carried out as a joint project with Sydney Catchment Authority.

Keepit

Removal and repainting of the internal surface of the Keepit penstock as well as refurbishment of the main inlet valve was successfully completed during the annual maintenance season in 2008.

Water and Land Agreements

Negotiations with the State Water Corporation to produce a new water and land lease agreement for Keepit Power Station has been delayed until a means of obtaining tenure over the land on which the power station is located is determined.

The Shoalhaven Operating Agreement is being negotiated with Sydney Catchment Authority and will reflect the rights and obligations that each party has in respect of the bulk water transfer and pump storage operation of the plant. Finalisation of the new agreement has been delayed due to issues in transferring ownership of the land on which Bendeela Power Station is located. It is expected that this matter will be resolved and the new agreement signed in the second half of 2009. The operating agreement for the Warragamba site will follow.

Feasibility Studies for Mini Hydros

Feasibility studies have previously been commissioned in relation to the potential for mini hydro units to be located at Burrinjuck and Warragamba Power Stations. Over the course of 2009/10 further investigations will be conducted to examine the feasibility of installing micro hydro units at both Burrinjuck and Hume Power Stations, in order to utilise daily environmental flows, which are not of adequate size to operate the existing installed generators.

Environmental Performance

09

- Greenhouse gas solutions
- Environmental management of major projects

ENVIRONMENTAL PERFORMANCE

Introduction

Eraring Energy continues to fulfil its licence and legislative compliance requirements while taking an active role in working with its stakeholders including community groups, regulators and local councils in the development of environment management plans to continually improve environmental performance.

Strategies

Industry leadership in Environmental Management is a key objective for Eraring Energy. The organisation's approach is based on processes of continual improvement by integrating the Environmental Management System accredited to ISO14001, with a commitment to leadership in environmental excellence.

Eraring Energy strives to be regarded as a positive industry leader both locally and nationally and seeks to demonstrate its commitment by taking a leading position on practical responses to potential impacts on the environment.

Incidents and Complaints

There were three externally reportable incidents in 2008/09.

On 2 January 2009, a sample was taken from Environmental Protection Licence Discharge Point 2 at Hume Power Station, which returned a result above the licence limit. The exceedence was reported to Hume EPA. Control measures were implemented to minimise the risk of future licence exceedences.

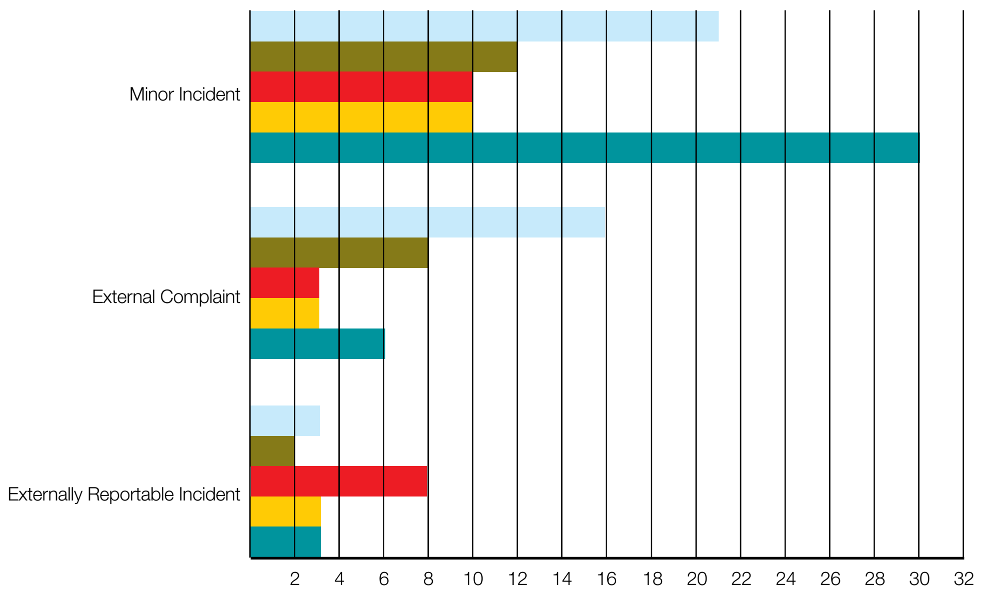
On 11 March 2009, a pipe carrying effluent from the Eraring Power Station Demineralisation Plant to the Ash Dam was holed and leaked regeneration effluent. The pumps were shut off, but pipe contents leaked back to an open stormwater drain behind the Demineralisation Plant. The spill was contained within the Power Station drainage system with no discharge to the outlet canal.

A stop valve will be installed into this system to prevent any potential discharge to the outlet canal in the future.

On 23 June 2009, pump failures at the Toe Drain pond resulted in an emergency overflow discharge into Crooked Creek as allowed under Licence Condition 5.9. The Department of Environment and Climate Change (DECC) was notified and samples taken for analysis. Temporary submersible pumps were installed until permanent pumping capability was restored on 30 June 2009.

Incidents and Complaints

2004 2005 2006 2007 2008/09*



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

ISO14001 Accreditation

In 2008/09, Eraring Energy successfully maintained its ISO14001 accreditation for all generating sites.

Eraring Energy was able to demonstrate continual improvement in the management of environmental issues by the ongoing development and implementation of the Environmental Management System (EMS) database.

This database contains the register of environment risks associated with Eraring Energy's operations and the development of new major projects such as the gas turbine, coal combustion product, attemperation reservoir and unit capacity upgrade.

Each significant risk has an associated Environmental Management Plan (EMP), which contains a number of steps to manage risks and minimise potential impact. An EMP describes the actions required and assigns responsibilities for completion. EMPs are routinely reviewed by environmental committees within Eraring Energy.

An ongoing series of reviews and audits were conducted by Eraring Energy staff and by external consultants, to identify, assess and develop controls for identified environmental risks.

Auditing

Environmental auditing is an important tool used by Eraring Energy to manage the environmental impacts of its operations. Environmental audits provide an objective measure of Eraring Energy's performance against those standards set in the EMS.

Eraring Energy maintained its extensive internal and external audit program in this reporting period. These audits also identified some areas for environmental improvement. Eraring Energy incorporates the audit recommendations into action plans and the progress of these plans is routinely reviewed by senior management committees.

In 2008/09, Eraring Energy completed internal audits of its hardware systems and its ISO14001 Environmental Management System. An external ISO14001 Surveillance Audit was also undertaken at selected hydro and wind sites.

Eraring Energy is also working towards accreditation of its National Greenhouse and Energy Reporting data collection and management system to ISO14064 and has undertaken a gap analysis in preparation for a full compliance audit in mid 2009.

Significant Environment Issues and Achievements

These include:

- Commissioning the 'Pelion' System, an innovative data management system designed to aid compliance and data traceability for National Greenhouse and Energy Reporting and meet auditing requirements;
- Ongoing CO_2 sequestration initiatives, including Mallee plantation forest sequestration with CO2 Australia, and the rehabilitation of land and tree planting projects as part of the Koompahtoo seed propagation program;
- Improvements and updates to Eraring Energy's intranet based ISO14001 Environmental Management System;
- Development of the 'Eraring Energy and the Environment DVD' as a source of information for employees and employees' families, as well as local schools and community groups;
- Continuing seed propagation and planting by Koompahtoo Local Aboriginal Land Council to remediate/revegetate the Eraring Power Station Ash Dam area;
- Implementation of an integrated solid and liquid waste management and disposal system at Eraring Power Station, administered by an external licensed waste management contractor;
- Management of environmental issues associated with the implementation of major projects at Eraring Power Station; and
- Completion of ecological studies and submission to DECC on the thermal impacts of cooling water discharge into Lake Macquarie required under Eraring Power Station Operating Licence 1429.

Emissions to Air

In the 2008/09 licence reporting period, all air emissions from Eraring Power Station were well below licence limits specified in the site operating licence.

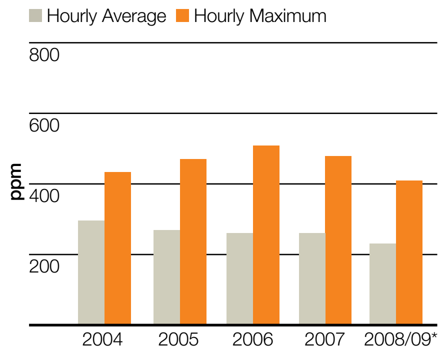
Eraring Energy reports annually to DECC on air emission concentrations. In 2008 Eraring Energy changed its DECC reporting period from calendar year to financial year to align with other reporting requirements.

Land Management

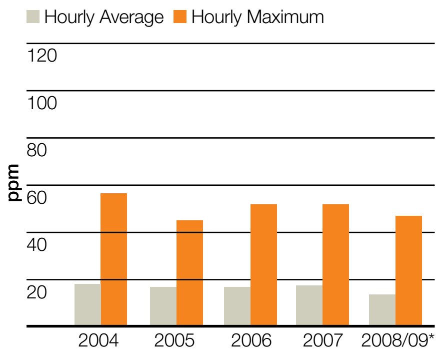
A Land Management Plan (LMP) has been developed and implemented to facilitate a coordinated management approach for Eraring Power Station.

The plan was developed in accordance with legislation to manage environmental issues in areas of biodiversity, heritage, weeds, feral animals, bush fire, major projects, surface water, ground water, revegetation and remediation.

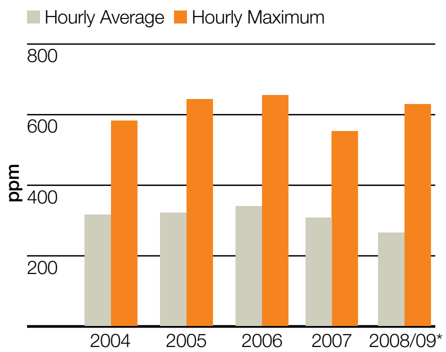
SO_2 Emissions



Particulate Emissions



NOx Emissions



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

The LMP applies to Eraring Power Station and associated buffer lands and contains an area of approximately 750 Ha.

The LMP is reviewed at the completion of the financial year to assess progress against identified key performance indicators.

The review details projects undertaken using Geographic Information System (GIS) based satellite images, which show work undertaken such as weed eradication during the reporting period.

Key outcomes of the review include:

- Development of a Seed Strategy to assist with the management of native seed collection activities for rehabilitation of Eraring Power Station lands;
- The planting of approximately 80,000 native tubestock as part of the ash dam rehabilitation project;
- 7,000 tubestock planted at Eraring Power Station Ash Dam to offset Eraring Energy's vehicle fleet greenhouse gas emissions;
- 150 Ha of weed control undertaken across Eraring Power Station land to remove noxious weeds; and
- Pest control programs undertaken to reduce rabbit and wild dog populations.

Heritage Management

Eraring Energy manages two sites of potential heritage significance, Brown Mountain and Burrinjuck Power Stations, in accordance with Section 170 of the Heritage Act:

- Brown Mountain has been upgraded in 2006 however the original power station, which began operation in 1943 will be maintained; and
- Burrinjuck Power Station No. 1 Station which began operation in 1927 and was decommissioned following flooding in 1974.

Waste Reduction and Purchasing Policy (WRAPP)

The WRAPP covers all areas of Eraring Energy from purchasing through to disposal of redundant materials.

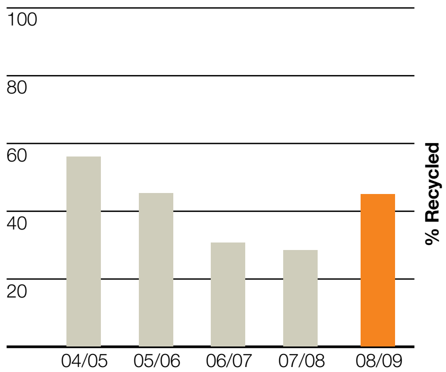
Eraring Energy actively continues to publicise the importance of waste reduction and recycling through the initiatives of the Waste Management Committee (WMC). This Committee has achieved many improvements in various fields, including: site energy savings, biofuel investigations and usage and waste oil reconciliation practices.

Major Recycling

Ash

Ash is one of the major by-products produced by coal fired power stations and what was once a waste product is now a valuable resource. Eraring Energy is an industry leader in ash recycling. In 2008/09, 579,000 tonnes of ash from Eraring Power Station was reused, which represents almost 44% of the ash produced. The tonnage of ash reused has increased by over 10% on the previous two years due to an increase in reuse applications.

Ash Reuse



Effluent

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

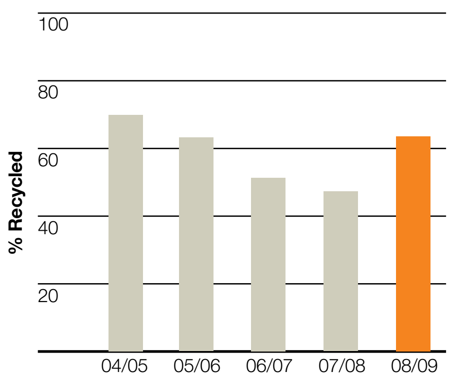
Reclaimed water provides the majority of the station's water needs. In 2008/09, 63% of the station water usage was obtained from reclaimed water. The power station uses over four million litres of water everyday, so the use of recycled effluent saves precious domestic water resources for other consumers.

Environment Products

Eraring Energy created 29,723 Renewable Energy Certificates (REC) in 2008/09 which were all transferred to trading counterparties under the relevant contract obligations.

Eraring Energy created 97,987 NSW Greenhouse Gas Abatement Certificates (NGACs) in the calendar year 2008 from improvement in plant efficiency at Eraring Power Station. In addition it acquired 3,863 carbon sequestration NGACs from Eraring Energy's Mallee Tree Plantations.

Effluent Recycling



Major Projects

In 2008/09, Eraring Energy undertook a number of major projects at Eraring Power Station, including the installation of an Emergency Gas Turbine Generator, an upgrade to the Coal Combustion Product (CCP) disposal system, the generating capacity upgrade and construction of a cooling water attemperation reservoir.

Low Nitrogen Oxide burners will be installed, which will reduce annual nitrogen oxide emissions by greater than 40% once all units have been upgraded.

The upgrade to the CCP Project will remove the need to construct a new ash dam and significantly reduce water consumption through conversion of ash slurry from lean phase to dense phase, which has a higher ash:water ratio and requires less land storage space.

Each of these major projects is subject to a number of environmental controls under Department of Planning Project Approval Conditions. In accordance with these conditions, the CCP project and Attemperation Reservoir Habitat Offset Plan (HOP) was developed and is being implemented. The HOP guides the establishment of compensatory habitat areas, in a land area ration of 2:1, to offset native vegetation cleared during construction of the Attemperation Reservoir and CCP infrastructure. The compensatory habitat will be conserved in perpetuity, and threatened species such as Tetratheca Juncea and Acacia Bynoeana, that have been identified within construction footprints have been relocated as part of the plan.

Social Performance

09

- Safety remains a core value of the organisation
- Continued focus on development of our people
- Building partnerships with local communities

PEOPLE

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

The past year has been one that has centred around preparing our people, plant and systems for execution and delivery of Eraring Energy's major upgrade projects, resulting in the establishment of a project governance structure and a new Business Unit, headed by the General Manager Projects and Asset Management. Resourcing has been reviewed and staffing requirements established with internal and external recruitment for a number of specialist project roles. Learning and development has also featured with a focus on safety, project and contract management.

Eraring Energy continues to provide many opportunities for staff to become involved and have input into business strategy, workplace change and improvements through a wide range of consultative processes. Consultative forums have continued to focus on the future forums for our new and younger employees, business planning days, safety forums, workplace change consultative working groups, and participation in focus groups for new initiatives.

A capability framework which identifies the technical and behavioural capabilities required of individual roles, work teams and business groups has been piloted and will gradually be implemented across the business. By knowing what the capability requirements are for Eraring Energy and combining this information with other workforce data and statistics, future workforce and succession planning, recruitment and learning and development strategies will be more informed and effective.

A review of our Leadership Development Programs and framework commenced during the period resulting in the customised design and development of an internal development program for our Managers, Team Leaders and potential Team Leaders, complemented by a development program for all other employees. The program has been designed to evolve with the internal and external business environment and the progressive implementation of the capability framework.

Eraring Energy's demographic profile continues to become more diverse as a number of our baby boomer age-group employees retire. Currently 27% of employees have less than five years service and over 30% of employees are aged less than forty years with the average age of our people being forty five.

Code of Conduct

The Eraring Energy Code of Conduct objectives are to ensure:

- A working environment that is free from discrimination and harassment;
- All business actions and decisions are based on the highest standards of ethics and honesty, free from any conflicts of interest;
- Any benefits or gifts obtained while performing duties for Eraring Energy be treated in accordance with Eraring Energy "Code of Conduct" Procedures;
- Eraring Energy information is protected and safeguarded and Eraring Energy resources are used efficiently and economically;
- Any instances of possible corruption, maladministration or serious and substantial waste be reported to the appropriate Eraring Energy officer; and
- Where employees of Eraring Energy engage in other employment or business, that their employment or business does not compromise or conflict with their employment with Eraring Energy.

Refresher education and training of our Code of Conduct has continued during the period with a focus on a working environment free from discrimination and harassment.

Disability Action Plan

Eraring Energy is committed to the principles of social justice and the premise that all people are entitled to the same rights and same opportunities. Eraring Energy has a Disability Action Plan to support our commitment to social justice in relation to people with a disability. The Workforce Diversity/EEO Section of this document includes actions and outcomes that relate to meeting the needs of EEO Group members including people with a disability.

Ethnic Affairs Priority Statement

Eraring Energy's Ethnic Affairs Priority Statement ensures that the operation and conduct of our business reflects, accommodates and considers cultural and religious diversity.

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

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

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

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

Workforce Diversity/EEO Report

Introduction

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

Planning Outcome Achievements

EEO related data has been collected for 95% of staff.

Eraring Energy continues to make a determined effort to ensure diverse representation by classification grouping, gender/age, and social/cultural background is sought for business planning activities, working parties, committees, and development programs.

There were a number of opportunities for staff to have their views heard and addressed during the period including:

- Six monthly small group staff briefings with the Managing Director;
- Site Consultative Committee Meetings, Team Meetings and Tool Box Talks;
- Consultations with random samples of staff relating to specific initiatives via focus groups, surveys, and feedback workshops; and
- Consultative forums relating to employee classifications and demographic groupings.

Action and Program Outcome Achievements

Education and training was provided to Managers and Team Leaders and staff in relation to EEO, discrimination, harassment and the grievance handling process.

Diversity considerations continue to be incorporated into all aspects of mainstream training.

The EEO/Workforce Diversity Intranet pages were reviewed and updated.

Diversity and equity principles and practices are incorporated into recruitment, promotion, training and development processes and opportunities.

Assistance and workplace adjustments were provided to a number of staff with a disability, including aids to improve vision, hearing and mobility.

Parliamentary Annual Report EEO Statistics Table

Trends in the Representation of EEO Groups[1]

EEO Group	% of Total Staff[2] NSW Government Public Sector Benchmark or Target	2006	2007	2008	2009
Women	50%	9%	10%	10%	10%
Aboriginal people and Torres Strait Islanders	2%	0.6%	0.5%	0.6%	0.5%
People whose first language was not English	20%	6%	7%	5%	5%
People with a disability	12%	7%	7%	6%	6%
People with a disability requiring work-related adjustment	7%	3.6%	3.1%	2.6%	2.5%

Trends in the Distribution of EEO Groups

EEO Group	Distribution Index[3] NSW Government Public Sector Benchmark or Target	2006	2007	2008	2009
Women	100	99	99	99	97
Aboriginal people and Torres Strait Islanders	100	n/a	n/a	n/a	n/a
People whose first language was not English	100	115	114	n/a	n/a
People with a disability	100	100	103	103	105
People with a disability requiring work-related adjustment	100	n/a	n/a	n/a	n/a

[1]Staff numbers are as at 30 June 2009

[2]Excludes casual staff

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

Building renovations and refurbishments have included ensuring safe access and accommodation considerations for people with a disability.

Twenty eight people were recruited during the period with 100% responding to the EEO data request form. Of the new recruits 21% were women and 7% identified as people whose language first spoken as a child was not English.

Eighteen men and two women left the organisation during the period. Of the twenty separations, three employees had identified as people whose language first spoken as a child was not English, and one as a person with a disability requiring workplace adjustment.

Forty internal promotional appointments occurred, 12.5% of these were women.

Key Initiatives 1 July 2009 – 30 June 2010

The following activities are planned for the next reporting period:

- The implementation of a process for the reporting and actioning of incidents relating to harassment and bullying; and
- The review and enhancement of contractor induction information relating to Eraring Energy's Code of Conduct and Diversity and Equity policies and practices.

OCCUPATIONAL HEALTH AND SAFETY (OHS)

Ensuring the health, safety and welfare of Eraring Energy employees and contractors remains a critical activity for Eraring Energy. During the period OHS became one of the three Strategic Focuses for the organisation and this reflects its importance to Eraring Energy.

During the year, Eraring Energy entered the NSW WorkCover Safe Work Awards in three categories:

- Best Solution to an Identified Workplace OHS Issue;
- Public Sector Leadership in Injury Prevention and Management; and
- Best Individual Contribution to Workplace Health and Safety.

Eraring Energy was awarded first place for "Public Sector Leadership in Injury Prevention and Management" and was a finalist in the category "Best Solution to an Identified Workplace OHS Issue". Power Worker, Paul Waters, was awarded first place for "Best Individual Contribution to Workplace Safety".

An outcome of the wins at the State level was that Eraring Energy became the NSW representatives for these categories in the National Safe Work Australia Awards held in Canberra in April 2009. Eraring Energy representatives attended the Awards where Eraring Energy received the National Award for Public Sector Leadership in Injury Prevention and Management.

This Award recognises the contribution of all the employees and contractors who have made safety part of their day over many years and helped to foster a positive safety culture in the organisation. Eraring Energy continues to encourage participation of employees and contractors in OHS activities with the focus on safe people, safe plant and safe systems allowing them to contribute where they can add most value to health and safety improvement activities.

Safe People

Employees and contractors have contributed to the ongoing development of OHS programs and initiatives by their involvement in various committees and working parties.

The Eraring Power Station OHS Committee has strong support from both employees and contractors and the various sub-committees remain active.

The Hydro and Wind OHS Committee continued implementing improvement strategies throughout 2008/09 focusing on Wind and Hydro specific issues including Lone Workers procedures, Risk Register updates, Access to Apparatus Rules and site specific guidelines.

The BSafe program operated for its seventh year at Eraring Energy with good participation from both employees and contractors. The BSafe Steering Committee was very active in identifying strategies to sustain and enhance participation and improve the quality of observations carried out.

The Eraring Energy OHS Group maintained strong relations with OHS and industry networking groups both in the Hunter and more broadly. A number of companies were hosted at Eraring Power Station that were interested in learning how Eraring Energy approached OHS, particularly in relation to strategies, programs and initiatives.

In March 2009 the Occupational Health Nurses organised a Health Expo for employees at Eraring Power Station. The Expo was facilitated by Healthworks with over sixty employees attending and participating in a range of services available:

- Blood Pressure
- Bone Density
- Body Composition
- Cholesterol
- Massage
- Nutrition
- Posture
- Podiatry

During October 2008 a Safety Strategy Day was held with representatives from Management, Team Leaders and the OHS Group participating. The major outcome of the day was the decision to develop and plan implementation of Safety Performance Indicators (SPI's).

These indicators are designed to enhance communication and safety risk management among Managers, Team Leaders and their teams to reduce risks or identified potential vulnerabilities.

Safe Plant

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

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

Plant safety improvements continued strongly with 396 Safety Work Orders (SWO) being completed in 2008/09. This is 164 more than were completed in the previous year.

The Major Projects Group worked with contractors to complete a range of risk assessments for the major projects planned for the next three years.

Safe Systems

In 2008/09, Eraring Power Station maintained its certification to the Australian Standard 4801 OHS Management System, with one recertification Audit and one surveillance Audit being completed by an external auditor.

Twelve Eraring Energy employees participated in internal audit training and have joined existing groups to aid in the auditing of the OHS guidelines.

An Emergency Exercise was conducted at Eraring Power Station in September 2008 to test the Emergency Response Plan. A number of improvement opportunities were identified during the exercise to enhance the effectiveness of the plan.

Work was completed to update the Hydro and Wind Group's Emergency Response Plan and to develop emergency response scenarios for all locations.

Eraring Energy and five major contractors participated in an OHS Review Day where representatives made presentations on their performance for 2008 and their plans and strategies to improve safety in 2009.

An OHS Consultant was engaged to provide a high level review of Eraring Energy's current approach to OHS management, to identify opportunities to further reduce injuries to employees and contractors, to enhance the organisation's approach to managing OHS, and to assist in achieving its goal of OHS leadership. The consultant examined Eraring Power Station's OHS system and documentation and interviewed a cross section of employees and contractors. As a result of the review, a plan has been established and is being implemented across Eraring Energy.

OHS Performance

During 2008/09 there was an increase in both Lost Time Injuries (LTI's) and Medical Treatment Injuries (MTI's).

There were seventeen LTI's (ten more than the previous year) being seven employees and ten contractors.

There were twenty nine MTI's (four more than the previous year) being twelve employees and seventeen contractors.

COMMUNITY

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

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

Eraring Energy provided a total of $70,600 in general community based sponsorships and donations during the year.

Community Forum and Environment Strategy Committee

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

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

Eraring Energy has introduced an additional consultative process to engage community and other external stakeholders in the development of environmental strategies for Eraring Power Station. The inaugural Eraring Energy Environmental Strategy Meeting was held on Wednesday, 25 February 2009 and chaired by the Local State MP and Mayor of Lake Macquarie City Council, the Hon Greg Piper. Persons attending the meeting included representatives from the Community Forum; local residents' associations; Native Animal Trust Fund; DECC; NSW Fisheries; NSW Maritime; TAFE NSW; Hunter Water Corporation; Lake Macquarie City Council; and Eraring Energy.

The purpose of the meeting was to provide information regarding the operation of the power station; identify issues affecting Lake Macquarie and local communities; and to develop appropriate strategies to address these issues. Eraring Energy received considerable positive feedback from local radio stations and newspapers as a result.

The meeting agreed to establish Working Groups to investigate and progress a number of environmental issues including the impact of cooling water exit water on seagrass in Myuna Bay; the development of a turtle management strategy; marine life entrainment; and survival of miniature organisms such as plankton and larvae.

Eraring Energy continues to facilitate the Working Groups, which have convened on at least three occasions.

Environmental Initiatives and Support

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

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

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

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

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

Corporate Sponsorship Support

Eraring Energy has adopted a key corporate sponsorship focus with two organisations, CanTeen and the Westpac Rescue Helicopter Service. These organisations are recipients of sponsor support via our Safety Performance Reward Program which commenced in July 2003. The Program recognises the ongoing strong commitment to safety by the staff of Eraring Energy and its Contractors and their achievement of safety performance goals. $19,900 was accrued in corporate support to be shared by both organisations in 2008/09. In addition, the milestone amount of $100,000 achieved in support of these organisations was surpassed in November 2008.

Eraring Energy is a Major Sponsor of the Hunter Valley Research Foundation, with an annual donation of $5,455.

Eraring Energy also provided financial support to the Morisset and Toronto Meals on Wheels; Royal Volunteer Coastal Patrol; Dora Creek Rural Fire Brigade; Peninsula Rural Fire Brigade; Lake Macquarie Art Lovers Movement; Morisset Fire Brigade; 1st Wangi Scout Group; Warada Aboriginal Landcare Group; and Careflight.

Eraring Energy was proud to present the Dora Creek Rural Fire Brigade with a full set of Compressed Air Breathing Apparatus (CABA) so that the Brigade can provide the Dora Creek and Eraring communities with the highest protection available and fire team members are safe from toxic fumes.

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

Community Events

Eraring Energy was a key sponsor of the Rathmines Catalina Festival 2008; Lake Macquarie City Council Australia Day Celebrations 2009; the Paddlefest 2009 at Speers Point; the Toronto Heritage Afloat Festival 2009; the Crookwell Country Weekend Festival 2009; and the Morisset Community Festival Day 2009.

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

Charitable Support

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

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

As in past years, Eraring Energy staff excelled in their generous donation of gifts to the Barnardos Australia "Star of Wonder Christmas Gift Appeal" 2008, making the festive season a happy time for many disadvantaged children.

Learning and Development Initiatives

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

This includes sponsor support as diverse as the Gifted and Talented Students Program at Morisset High School; infrastructure improvements at Eraring Public School, West Wallsend Public and High Schools, Dora Creek Public School, Cooranbong Community School,; St John Vianney School, Morisset, and St Paul's High School, Booragul; Achievement Awards at Morisset High School; and the Habitat for Wildlife Program undertaken by the Avondale School in conjunction with the Community Environment Network.

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

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

Eraring Energy is a Trainee Host Employer of nine young people undertaking traineeships in Business Administration; Material and Warehouse Management; and Chemical Engineering.

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

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

WorkCover NSW Mentor Program

In 2008/09, the Eraring Energy Occupational Health and Safety Group participated in the WorkCover NSW Mentor Program.

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

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

The eight month program included visits to Eraring Energy work sites by each small business and reciprocal visits by Eraring Energy mentors to their respective business premises.

At the conclusion of the Program a ceremony was held by WorkCover NSW to highlight the achievements of small businesses and to thank mentor organisations for their support, knowledge, time and resources.

The Eraring Energy OHS group are looking forward to participating in the next WorkCover Mentor Program which is scheduled to begin in August 2009.

Social Programs

Eraring Energy has not been involved in any social programs as defined in the Annual Reports (Statutory Bodies) Regulation 2000 for reporting period 2008/09.

Funds Granted to Non Government Organisations

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

Of the total sponsorship and donation funds allocated by Eraring Energy, more than 51 non-government organisations and community groups benefited during 2008/09, totalling approximately $56,100.

09 Governance

THE MANAGEMENT OF MATERIAL BUSINESS RISKS

Risk Management

Risk Management forms a central and key input into the running of Eraring Energy's business.

Eraring Energy continues its focus on the management of material business risks. The Board's governance structure reinforces its commitment to ensuring the organisation's risks are effectively managed to mitigate the exposure.

In line with Eraring Energy's risk management framework, the risk management process starts and ends with Eraring Energy's people who assess identified risks and prepare action plans to mitigate these risks to an acceptable level.

The Executive Risk Management Committee monitors the status of mitigating actions for the identified and emerging business risks and provides assurance to the Board Risk Committee by reporting on all business risks and presenting on selected material business risks at each meeting.

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

The process of continuous feedback at different stages promotes a transparent and learning environment to manage risks.

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

Internal Audit

An annual risk-based Audit Plan is prepared using the results of the risk assessment process. The Executive Audit Committee reviews and endorses the Annual Audit Plan, which is approved by the Board Audit Committee.

The Executive and Board Audit Committee monitor progress of the Audit Plan.

The review of the effectiveness of controls by Internal Audit provides assurance to the Audit Committees. Where recommendations are made to improve control, management provide responses, commit to actions and provide dates for implementation. The status of management actions are monitored by the Audit Committees at each meeting.

Compliance Management

Eraring Energy takes a proactive role in ensuring continual corporate wide compliance with its legal and regulatory obligations. The compliance framework has been developed, and recently strengthened, in accordance with Australian Standard AS 3806.

Eraring Energy's robust compliance framework consists of a corporate compliance policy and procedure and numerous associated business unit based compliance procedures, manuals and work instructions.

The compliance framework is linked to the on-line internal incident management reporting system where all compliance breaches and potential compliance breaches are logged as and when they occur. The Executive provide quarterly compliance update reports, outlining compliance within their business unit, to the Managing Director who then reports to the Board.

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

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

Insurance

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

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

Fraud Prevention

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

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

Incident Reporting

The Incident Reporting System is another feature of Eraring Energy's risk management focus. The system allows any staff member to anonymously report any concerns they may have that may present a risk to Eraring Energy for example a breach, or a near miss in the following categories:

- Health and Safety;
- Australian Finance Services Licence;
- Environment;
- Security;
- National Electricity Law/Rules Compliance;
- Asset Damage and Loss;
- Production;
- Other compliance e.g. Trade Practices Act etc; and
- Energy Trading Risk Management Policy.

Once a report is made it is referred to the owner of the issue and addressed. The Executive also conducts a review on a monthly basis of all incidents that have been reported. This system has been widely used by staff and has proven that it is effective in the reporting of day to day risks.

Information Management

The full integration of the Eraring Energy Intranet with the Electronic Document Management System has been successful in providing staff with a single source for current corporate policies and procedures.

With an increased capacity for knowledge and requirement to share that knowledge across the organisation, Eraring Energy will investigate and expand its use of Web 2.0 tools to assist with collaboration and dissemination of information.

THE BOARD

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

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

The role of the Board is to:

- Set the strategic direction for the corporation and oversee implementation;
- Appoint the Managing Director and Company Secretary, monitor performance and oversee the development, succession and reward of the Managing Director and senior management;
- Ensure the development, maintenance and operation of appropriate risk management and people management systems; and
- Ensure the corporation's values are embraced at all levels and in all activities.

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

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

Board Membership

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

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

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

Remuneration of Directors

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

Changes in Board Membership

The appointment of Chairman, Ross Bunyon, expired on 30 June 2009 and he was reappointed for a further three years to 30 June 2012.

Director Michael Nugent resigned from the Board on 29 August 2008.

Director Peter Murray was reappointed as Director for a two year period, 15 October 2008 to 14 September 2010, as the Unions NSW Appointee on the Board.

BOARD COMMITTEES

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

Audit Committee

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

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

Risk Committee

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

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

Environment and Safety Committee

Supports the Board in fulfilling its oversight responsibilities in the management of environmental and safety issues, risk and incidents. This Committee meets quarterly to provide advice on:

- Monitoring performance against set objectives and targets;
- Reviewing processes for monitoring of compliance with legislation and regulations;
- Reviewing reports on audit action plans; and
- Reviewing or requesting reports from the Executive Environment Committee or the Executive Safety Committee on significant issues.

Human Resource and Remuneration Committee

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

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

Conflict of Interest

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

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

Board Evaluation

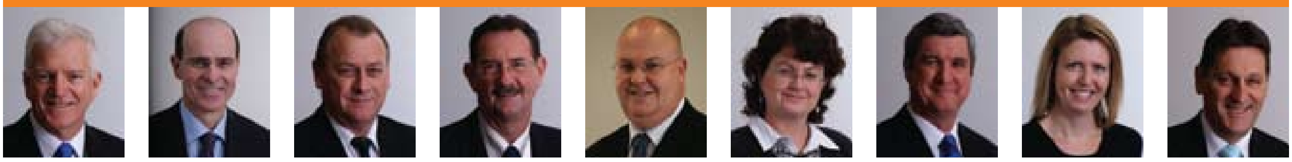
The Board undertakes a self assessment of its performance at least every three years. A self assessment of the Board's performance was completed in December 2008.

MEETINGS OF THE BOARD

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

		Attended	Eligible
Board			
Ross Bunyon	(Chairman)	11	11
Beverley Hoskinson-Green		10	11
Peter Murray		11	11
Dean Pritchard		10	11
Michael Vertigan		11	11
Michael Nugent*		2	2
Peter Jackson		11	11
*Resigned August 2008			
Audit			
Michael Vertigan	(Committee Chair)	6	6
Ross Bunyon		6	6
Michael Nugent		2	2
Human Resource and Remuneration			
Beverley Hoskinson-Green	(Committee Chair)	3	3
Ross Bunyon		3	3
Dean Pritchard		3	3
Environment and Safety			
Dean Pritchard	(Committee Chair)	4	4
Beverley Hoskinson-Green		4	4
Risk			
Michael Nugent	(Committee Chair)	1	1
Dean Pritchard#		5	5
Michael Vertigan		5	5
# Dean Pritchard appointed Acting Committee Chair on 21 October 2008, subsequent to Michael Nugent's resignation.			

Executive Committee members



Peter Jackson | Tim Baker | Wayne Winterbine | Philip Russell | Philip Moriarty | Kathryn Coates | John Kennedy | Rochelle Reynolds | Mark Edwards

EXECUTIVE MANAGEMENT

Organisation Structure

Voting Shareholders

The Hon. Eric Roozendaal MLC
The Hon. Joseph Tripodi MP

Board of Directors

Chairman – **Ross Bunyon, AM**

Managing Director

Peter Jackson

Eraring Operations

General Manager
Wayne Winterbine

Marketing and Strategy

General Manager
Tim Baker

Finance

General Manager
Philip Russell

Projects and Asset Management

General Manager
John Kennedy

Hydro and Wind

General Manager
Kathryn Coates
(Acting in Position)

Human Resources

Manager
Philip Moriarty

Secretariat

Company Secretary
Rochelle Reynolds

IT and Telecommunications Manager
Mark Edwards

EXECUTIVE COMMITTEES

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

Executive Committee

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

MEMBERS

Managing Director
Peter Jackson

General Manager Marketing and Strategy
Tim Baker

General Manager Eraring Operations
Wayne Winterbine

General Manager Finance
Philip Russell

Manager Human Resources
Philip Moriarty

General Manager Hydro and Wind
Kathryn Coates (Acting in position)

General Manager Projects and Asset Management
John Kennedy

Company Secretary
Rochelle Reynolds

IT and Telecommunications Manager
Mark Edwards

EXECUTIVE ENVIRONMENT COMMITTEE

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

MEMBERS

Managing Director
Peter Jackson

General Manager Eraring Operations
Wayne Winterbine

Company Secretary
Rochelle Reynolds

General Manager
Projects and Asset Management
John Kennedy

General Manager Hydro and Wind
Kathryn Coates (Acting in position)

Environment Manager
Neil Williams

Resource Manager
Nicole Haigh

ENERGY TRADING RISK MANAGEMENT COMMITTEE

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

MEMBERS

Managing Director
Peter Jackson

General Manager Marketing and Strategy
Tim Baker

General Manager Finance
Philip Russell

General Manager Eraring Operations
Wayne Winterbine

General Manager Projects and Asset Management
John Kennedy

General Manager Hydro and Wind
Kathryn Coates (Acting in position)

Company Secretary
Rochelle Reynolds

EXECUTIVE SAFETY COMMITTEE

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

MEMBERS

Managing Director
Peter Jackson

General Manager Marketing and Strategy
Tim Baker

General Manager Eraring Operations
Wayne Winterbine

Manager Human Resources
Philip Moriarty

General Manager Hydro and Wind
Kathryn Coates (Acting in position)

General Manager Projects and Asset Management
John Kennedy

Production Manager
Neil Morris

Project Management Office Manager
Peter Harvey

Administration Manager
Antony Cotic

Occupational Health and Safety Manager
Steve Gambrill

Resource Manager
Nicole Haigh

Chairperson Eraring Occupational Health and Safety Committee
Keith McBurney

Chairperson Hydro and Wind Safety Committee
Leo Pearce

EXECUTIVE AUDIT COMMITTEE

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

MEMBERS

Managing Director
Peter Jackson

Company Secretary
Rochelle Reynolds

General Manager Finance
Philip Russell

General Manager Marketing and Strategy
Tim Baker

General Manager Eraring Operations
Wayne Winterbine

General Manager Projects and Asset Management
John Kennedy

General Manager Hydro and Wind
Kathryn Coates (Acting in position)

Manager Human Resources
Philip Moriarty

IT and Telecommunications Manager
Mark Edwards

Business Risk and Assurance Manager
Julian Gaillard

EXECUTIVE RISK COMMITTEE

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

MEMBERS

Managing Director
Peter Jackson

Company Secretary
Rochelle Reynolds

General Manager Finance
Philip Russell

General Manager Marketing and Strategy
Tim Baker

General Manager Eraring Operations
Wayne Winterbine

General Manager Projects and Asset Management
John Kennedy

General Manager Hydro and Wind
Kathryn Coates (Acting in position)

Manager Human Resources
Philip Moriarty

IT and Telecommunications Manager
Mark Edwards

Business Risk and Assurance Manager
Julian Gaillard

EXECUTIVE MANAGEMENT REMUNERATION AND PERFORMANCE

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

The following specific payments were made to executives during the financial year:

Position/Name (Time in Position)	Qualifications	Remuneration Paid to 30/6/09	Performance Payment	Individual Performance Statement
Managing Director **Peter Jackson** (All of Year)	B.Sc. B.E., M.E.M. GAICD	$383,338	$83,081*	Assessed by the Board against business plan targets including financial performance, strategic advice and strategy implementation, stakeholder relationships, safety and environmental performance.
General Manager Finance **Philip Russell** (All of Year)	Comm.Acct. Cert. Dip. Chartered Sec. FCPA, FCIS, GAICD, MFTA, MCIPS	$248,295	$56,433*	Assessed by the Managing Director against business plan targets including financial management and projects, stakeholder relationships and other performance targets.
General Manager Eraring Operations **Wayne Winterbine** (All of Year)	B.E.Elec. GAICD	$244,890	$50,443*	Assessed by the Managing Director against business plan targets including plant performance, financial management, safety, environment and other performance targets.
General Manager Projects and Asset Management **John Kennedy** (Appointed 8/12/08)	MPM, GAICD, Ass. Dip. Business Cert. Marine Engineering	$244,580	$38,675*	Assessed by the Managing Director against business plan targets including management of the upgrade projects, asset management, financial management, safety and other performance targets.

* Amount shown relates to performance payments for 2007/08 made in 2008/09. Determinations under this policy for 2008/09 will be concluded in 2009/10 and reported in the 2009/10 annual report.

EXECUTIVE AND SENIOR OFFICERS PROFILE

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

	As at 30/6/08	As at 30/6/09
Number of Executive Officers with remuneration equal to or exceeding equivalent of SES Level 1 at 30 June 2009	19	19
Number of the above positions filled by women	2	1*

* Reduction this financial period due to female executive officer electing to work part time

REGULATORY COMPLIANCE

Exemptions from Reporting

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

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

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

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

Further exemptions were approved subject to specific conditions:

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

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

Disclosure of Controlled Entities - Name of controlled entity to be disclosed along with a summarised disclosure of the controlled entities' objectives, operations and activities and measures of performance.

Financial Statements of Controlled Entities - Exemption from preparing manufacturing and trading statements but required to prepare a summarised operating statement.

Credit Card Certification

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

Cost of Annual Report

Eraring Energy has produced 200 copies of the annual report in printed format at a total cost of $23,500.

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

Freedom of Information

During 2008/09 Eraring Energy did not receive any Freedom of Information applications.

This year:

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

In the 2007/08 year Eraring Energy received one Freedom of Information application.

Access to Information/Statement of Affairs

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

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

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

Legal Change

The regulatory environment in which participants in the National Electricity Market operate has continued to evolve. The Australian Energy Market Commission has made further significant changes to the National Electricity Rules this year.

One major change to market operation has been the replacement of NEMMCO by the Australian Energy Market Operator that will operate both the electricity and the natural gas energy markets from 1 July 2009. These changes were instigated by the MCE and required new and amended legislation at both State and Federal levels.

With the commencement of the National Greenhouse and Energy Reporting (NGER) legislation on 29 September 2007, Eraring Energy has registered for NGER reporting and implemented appropriate compliance systems.

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

Promotion

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

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

OVERSEAS VISITS

During 2008/09 the following officers travelled overseas.

Name/Designation	Date of Travel	Destination	Reason for Travel
Mark Corkett Team Leader Central Hydros	21/9/08 – 27/9/08	Queenstown, New Zealand	Attend 13th Hydro Power Engineering Exchange Conference
Andrew Fagg Hydro Maintenance Officer	21/9/08 – 27/9/08	Queenstown, New Zealand	Attend 13th Hydro Power Engineering Exchange Conference
Peter Jackson Managing Director	19/1/09 – 22/1/09	Seoul, South Korea	Meeting with President of Doosan to sign contract agreement
Garry Riley Technician Team Leader	15/2/09 – 23/2/09	Zurich, Switzerland	Observe factory testing of the replacement of Automatic Voltage Regulators
Clement Leung Pricing and Eco Market Analyst	18/4/09 – 26/4/09	Beijing, China	Attend Carbon Trade Conference
Sebastien Henry Forecasting and Eco Market Analyst	18/4/09 – 26/4/09	Beijing, China	Attend Carbon Trade Conference
Ian O'Brien Asset Support Team Leader	13/6/09 – 20/6/09	Glasgow, Scotland	Attend Boiler Upgrade Fabrication Review
Mark Wyburn Chemical Team Leader	24/6/09 – 5/7/09	Boston, USA	Attend EPRI Conference on Cycle Chemistry (Paid for by EPRI)

SUBSIDIARIES

ROCKY POINT HOLDINGS

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

The Board

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

Board Membership

Rocky Point Holdings' Board is comprised of non-executive directors and is as follows:
Ross Bunyon, Chairman
Peter Jackson, Director

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

Remuneration of Directors

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

Meetings of the Board

Directors	Attended	Held
Ross Bunyon	8	8
Peter Jackson	8	8

ENERGY REFORM

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

ENERGY RETAIL

Eraring Retail Pty Limited, a wholly owned subsidiary of Eraring Energy, was registered under the Corporations Act 2001 on 29 July 2008.

The Board

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

Board Membership

Energy Retail's Board is comprised of non-executive directors and was as follows:

Ross Bunyon, Chairman
Peter Jackson, Director
Daniel Lucas, Director (Resigned 15 September 2008)

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

Remuneration of Directors

No remuneration is currently paid to Directors of Eraring Retail.

Meetings of the Board

Directors	Attended	Held
Ross Bunyon	3	3
Peter Jackson	3	3
Daniel Lucas	3	3

Policy Instruction and Voluntary Wind-up

In September 2008, a policy instruction was received from the Shareholder requiring the termination of integration agreements with Integral Energy.

Subsequently, the Voting Shareholding Ministers together with the Board of Eraring Energy and Eraring Retail resolved to voluntarily wind-up the company and appoint a liquidator.

An exemption from reporting the operations of Eraring Retail was approved by NSW Treasury.

Financial Performance

09

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FOR THE YEAR ENDED 30TH JUNE 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Revenue	2	**634,594**	730,583	**634,594**	730,583
Other income, excluding fair value movements in financial instruments	2	**2,725**	4,548	**2,725**	5,277
Finance costs	3	**(25,845)**	(19,528)	**(25,845)**	(19,528)
Other expenses, excluding superannuation income and insurance provision gains/(losses)		**(529,326)**	(557,745)	**(526,351)**	(557,209)
Profit before income tax, superannuation income, financial instrument fair value movements and insurance provision gains/(losses)		**82,148**	157,858	**85,123**	159,123
Income tax on profit before superannuation income, financial instrument fair value movements and insurance provision gains/(losses)	4	**(24,642)**	(49,498)	**(25,498)**	(49,657)
Profit after tax on underlying operations and before superannuation income, financial instrument fair value movements and insurance provision gains/(losses)		**57,506**	108,360	**59,625**	109,466
Superannuation income	2	**4,571**	5,992	**4,571**	5,992
Gains/(losses) on fair value movement in financial instruments	2/3	**3,117**	(2,893)	**3,117**	(2,893)
Insurance provision gains/(losses)	2/3	**(736)**	7,143	**(736)**	7,143
Income tax on superannuation income, financial instrument fair value movements and insurance provision gains/(losses)	4	**(2,086)**	(1,275)	**(2,086)**	(1,275)
Net profit for the period	20	**62,372**	117,327	**64,491**	118,433

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

AS AT 30TH JUNE 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Current Assets					
Cash and cash equivalents	5	**6,401**	3,656	**5,156**	3,656
Receivables	6	**63,843**	76,273	**63,267**	76,273
Inventories	7	**43,258**	51,067	**43,258**	51,067
Electricity derivatives	9	**1,826**	-	**1,826**	-
Assets held for sale	10	**537**	-	**537**	-
Other current assets	11	**1,291**	5,375	**1,291**	5,750
Total Current Assets		**117,156**	136,371	**115,335**	136,746
Non-Current Assets					
Receivables	6	**12,181**	-	**14,692**	-
Intangible assets	8	**11,468**	10,403	**11,468**	10,403
Property, plant and equipment	13	**1,722,142**	2,229,786	**1,722,142**	2,229,786
Investment properties	14	**9,475**	10,225	**9,475**	10,225
Deferred tax assets	4	**36,590**	52,743	**36,590**	52,743
Electricity derivatives	9	**2,296**	-	**2,296**	-
Total Non-Current Assets		**1,794,152**	2,303,157	**1,796,663**	2,303,157
Total Assets		**1,911,308**	2,439,528	**1,911,998**	2,439,903
Current Liabilities					
Payables	15	**75,459**	61,765	**74,104**	61,765
Interest bearing liabilities	16	**72,926**	17,400	**72,926**	17,400
Current tax liabilities	4	**2,905**	11,174	**2,905**	11,174
Provisions	17	**82,577**	134,968	**82,577**	134,968
Electricity and foreign exchange derivatives	18	**26,719**	93,292	**26,719**	93,292
Other current liabilities	19	**49,745**	1,686	**49,671**	1,686
Total Current Liabilities		**310,331**	320,285	**308,902**	320,285
Non-Current Liabilities					
Interest bearing liabilities	16	**434,409**	356,677	**434,409**	356,677
Deferred tax liabilities	4	**168,480**	360,195	**168,480**	360,195
Provisions	17	**18,361**	18,135	**18,361**	18,135
Electricity and foreign exchange derivatives	18	**13,698**	45,127	**13,698**	45,127
Total Non-Current Liabilities		**634,948**	780,134	**634,948**	780,134
Total Liabilities		**945,279**	1,100,419	**943,850**	1,100,419
Net Assets		**966,029**	1,339,109	**968,148**	1,339,484
Equity					
Contributed equity	20	**573,081**	573,081	**573,081**	573,081
Reserves	20	**387,486**	723,588	**387,486**	723,588
Retained profits	20	**5,462**	42,440	**7,581**	42,815
Total Parent Entity Interest		**966,029**	1,339,109	**968,148**	1,339,484
Total Equity		**966,029**	1,339,109	**968,148**	1,339,484

The above balance sheet should be read in conjunction with the accompanying notes

FOR THE YEAR ENDED 30TH JUNE 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
		Inflows (Outflows)	Inflows (Outflows)	**Inflows (Outflows)**	Inflows (Outflows)
Cash flows from operating activities					
Cash received in the course of operations		**714,101**	1,208,534	**714,101**	1,208,917
Interest and bill discount received		**146**	458	**145**	456
Cash paid in the course of operations		**(458,317)**	(869,957)	**(458,171)**	(869,582)
GST refunded		**(14,632)**	(64,417)	**(14,768)**	(64,418)
Interest and other finance costs paid		**(20,467)**	(18,336)	**(20,467)**	(18,336)
Dividend received		**-**	-	**-**	349
Income tax paid		**(49,822)**	(76,143)	**(49,822)**	(76,143)
Net cash inflow from operating activities	5	**171,009**	180,139	**171,018**	181,243
Cash flows from investing activities					
Proceeds from sale of equipment		**547**	414	**547**	414
Advances to joint venture		**(11,072)**	-	**-**	-
(Purchases of) / proceeds from sale of investments		**213**	(53)	**213**	(53)
Payments for property, plant & equipment		**(172,777)**	(54,907)	**(172,777)**	(54,907)
Net cash (outflow) from investing activities		**(183,089)**	(54,546)	**(172,017)**	(54,546)
Cash flows from financing activities					
Proceeds from borrowings		**631,318**	332,789	**631,318**	332,789
Repayment of borrowings		**(499,533)**	(325,585)	**(499,533)**	(325,585)
(Repayment) / borrowing of loan by related parties		**(2,716)**	-	**(14,692)**	(758)
Dividend paid		**(114,594)**	(132,131)	**(114,594)**	(132,131)
Equity contributions		**350**	-	**-**	-
Net cash inflow / (outflow) from financing activities		**14,825**	(124,927)	**2,499**	(125,685)
Net increase / (decrease) in cash and cash equivalents		**2,745**	666	**1,500**	1,012
Cash and cash equivalents at the beginning of the financial year		**3,656**	2,990	**3,656**	2,644
Cash and cash equivalents at the end of the financial year	5	**6,401**	3,656	**5,156**	3,656

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

FOR THE YEAR ENDED 30TH JUNE 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Net asset revaluation increment/(decrement)		**(407,717)**	220,651	**(405,407)**	220,651
Adjustment on initial and subsequent adoption of AASB139 net of tax, to:					
Hedging reserve	20	**69,305**	823,221	**69,305**	823,221
Net income recognised directly in equity		**(338,412)**	1,043,872	**(336,102)**	1,043,872
Profit after tax for the year		**62,372**	117,327	**64,491**	118,433
Total recognised income and expense for the year		**(276,041)**	1,161,199	**(271,612)**	1,162,305
Attributable to:					
Equity holders of the company		**(276,041)**	1,161,199	**(271,612)**	1,162,305
Total recognised income and expense for the year	20	**(276,041)**	1,161,199	**(271,612)**	1,162,305

The above statement of recognised income and expense should be read in conjunction with the accompanying notes

CORPORATE INFORMATION

The financial report of Eraring Energy for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 15th September 2009.

Eraring Energy is a for-profit entity.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report prepared in accordance with the provisions of the Public Finance and Audit Act, 1983 and Public Finance and Audit Regulation, 2005, Australian Accounting Standards, the requirements of the State Owned Corporations Act, 1989 and Accounting Interpretations.

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

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

(b) Statement of Compliance

The financial report complies with applicable Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). This financial report also complies with International Financial Reporting Standards (IFRS).

(c) Basis of Consolidation

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

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

(d) Significant Judgements

In the process of applying accounting policies, Eraring Energy has made certain judgements that could have significantly impacted on the amounts recognised in the financial report. Following a Ministerial Direction under the State Owned Corporations Act 1989 (NSW), Integral Energy's retail business was transferred to Eraring Retail Pty Limited, a wholly owned subsidiary of Eraring Energy. Following the decision of the NSW Parliament not to enact legislation to enable the privatisation of the NSW Electricity Sector, Eraring Energy and Eraring Retail Pty Limited received policy instructions from NSW Treasury requiring the termination of Integration Agreements with Integral Energy. Accordingly no retail operations are reflected in the financial report.

(e) Property, Plant and Equipment

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

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

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

Assets that form part of a cash generating unit also need to be written down where the recoverable amount is lower than its carrying amount. The recoverable amount of specialised assets that form part of a cash generating unit, in the absence of a market selling price, is the value in use.

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

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the Balance Sheet unless it reverses a revaluation decrease of the same asset previously recognised in the Income Statement.

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

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

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

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

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

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

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

(f) Depreciation of Property, Plant and Equipment

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

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

Component parts of power stations may have different asset lives.

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

(g) Intangible Assets

Intangible assets acquired separately are capitalised at cost. The useful lives of these intangible assets are assessed to be finite.

Where amortisation is charged on assets, this expense is taken to the Income Statement.

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

(h) Foreign Currency Translation

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

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

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

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

(i) Liability Management

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

(j) Borrowing Costs

Borrowing costs directly attributable to projects under construction spanning a 12 month period and land held for resale are capitalised as part of the cost of those assets.

(k) Discount and Premium on Loans

Discount and premium on loans is treated as an adjustment to the cost of borrowing which is amortised over the term of the loans, the amortisation amount applicable to each year being included as interest income/ expense in the Income Statement as part of Eraring Energy's borrowing costs for that year.

(l) Revenue Recognition

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

Sale of Electricity

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

Sale of Non-Current Assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when settlement of an unconditional contract takes place. The gain or loss on disposal is the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal. The carrying amount of the asset is written off.

(m) Segment Reporting

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

(n) Inventories

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

(o) Insurance

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

(p) Leases

Eraring Energy's operating lease payments are charged to expense in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(q) Income Tax

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

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Income Statement.

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

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

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

(r) Employee Benefits

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

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

Actuarial gains and losses on defined benefits superannuation plans are recognised in the Statement of Recognised Income and Expense in the year they occur.

(s) Leasehold Improvements

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

(t) Payables

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

(u) Rounding of Amounts

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

(v) Receivables

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

(w) Investment Property

Investment properties comprise freehold land determined as surplus to business needs. Investment properties are recognised at fair value. An external independent valuer, having appropriate recognised professional qualification and recent experience in the category of property being valued, will undertake an independent valuation at least every five years.

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

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

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

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

(x) Assets Held for Sale

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

(y) Equity Accounted Investments

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

(z) Jointly Controlled Assets

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

(aa) New Accounting Standards

Australian Accounting Standards that have recently been issued or amended, but are not yet effective, have not been adopted for the 30 June 2009 financial year. A summary follows:

AASB 101 *Presentation of Financial Statements*

This standard applies to reporting periods beginning on or after 1 January 2009 and amends the disclosure requirements of financial statements.

AASB 123 *Borrowing Costs*

This standard applies to reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on Eraring Energy.

AASB 127 *Consolidated and Separate Financial Statements*

Amendments to this standard apply to reporting periods beginning on or after 1 July 2009, which are not expected to have an impact on Eraring Energy.

AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* and AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process*

AASB 2008-5 applies to reporting periods beginning on or after 1 January 2009, and AASB 2008-6 applies to reporting periods beginning on or after 1 July 2009. These standards affect various AASBs resulting in minor changes for presentation, disclosure recognition and measurement purposes, and are not expected to have a significant impact on Eraring's financial statements.

(ab) Comparative Restatements

The comparative information contained in these financial statements relating to the year ended 30 June 2008 has been adjusted.

Superannuation

In 2008/09, NSW Treasury mandated a change in policy for all NSW public sector agencies to recognise actuarial gains and losses immediately outside profit and loss in the year in which they occur. Previously actuarial gains and losses were recognised in profit and loss. This change in policy must be applied retrospectively, as advised in NSW Treasury Circular NSWTC 09/01. The cumulative amount transferred to equity from retained earnings is $6,555,952 before the tax effect of these transactions. In the Income Statement for 2008, superannuation expense of $14,151,999 was reversed, with additional superannuation revenue of $5,992,168 being recognised. Income tax expense increased by $6,043,250 as a consequence of the above transfer.

	Consolidated		Parent Entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
NOTE 2. REVENUE				
From continuing operations				
Sales revenue				
Electricity sales	**618,088**	714,472	**618,088**	714,472
Electricity Tariff Equalisation Fund	**16,506**	16,111	**16,506**	16,111
	634,594	730,583	**634,594**	730,583
Other income				
Interest received	**145**	458	**145**	456
Community Service Obligation - NSW Treasury	**80**	75	**80**	75
Miscellaneous	**2,500**	4,010	**2,500**	4,010
Net gain on disposal of assets	**-**	5	**-**	5
Dividend received from subsidiary	**-**	-	**-**	731
	2,725	4,548	**2,725**	5,277
Defined benefits superannuation income	**4,571**	5,992	**4,571**	5,992
Fair value movement in electricity derivatives - revenue	**3,117**	-	**3,117**	-
Insurance provision adjustment income	**-**	7,143	**-**	7,143
Total revenue	**645,007**	748,266	**645,007**	748,995

NOTE 3. EXPENSES

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Profit before income tax includes the following specific expenses:				
Depreciation:				
Buildings	**743**	695	**743**	695
Plant and equipment	**103,559**	89,841	**103,559**	89,841
Leasehold improvements	**91**	70	**91**	70
Depreciated value of assets written off	**37**	343	**37**	343
Amortisation:				
Intangibles	**3,027**	1,845	**3,027**	1,845
	107,457	92,794	**107,457**	92,794
Finance costs:				
Interest and finance charges paid/payable	**31,911**	21,440	**31,911**	21,440
Interest capitalised	**(6,066)**	(1,912)	**(6,066)**	(1,912)
	25,845	19,528	**25,845**	19,528
Operating lease rentals:				
Minimum lease payments	**647**	573	**647**	573
Insurance provision adjustment expense	**736**	-	**736**	-
Fair value movement in electricity derivatives - expense	**-**	2,893	**-**	2,893
Consultants	**1,156**	1,501	**1,156**	1,501
Employee benefits expense	**55,343**	50,861	**55,343**	50,861
Raw materials and cost of purchases	**283,739**	350,388	**283,739**	350,388

Consultants

Expenditure on consultants totalled $1,155,916 (2008 - $1,500,618). The engagements related to the provision of corporate governance, tax, engineering, accounting and structuring advice.

	Consolidated		Parent Entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
NOTE 4. INCOME TAX				
Major components of tax expense (income) include:				
Income Statement				
Current income tax				
Current tax expense	**41,460**	49,967	**42,098**	49,966
Adjustment in respect of current income tax of previous years	**(545)**	(7)	**(545)**	(7)
Deferred income tax				
Tax expense (revenue) relating to the origination and reversal of temporary differences	**(13,969)**	813	**(13,969)**	973
Deferred tax (revenue)/ expense relating to the non-recognition of temporary differences transferred to the head entity of the tax consolidated group	**(218)**	-	**-**	-
Income tax expense reported on the Income Statement	**26,728**	50,773	**27,584**	50,932
Explanation of the relationship between tax expense and accounting profit				
Accounting profit	**89,100**	168,100	**92,075**	169,365
Income tax at the statutory income tax rate of 30%	**26,730**	50,431	**27,622**	50,810
Expenditure not allowable for income tax purposes	**49**	14	**13**	14
Expenditure deductible for income tax purposes	**-**	-	**-**	(220)
Investment allowance	**(51)**	-	**(51)**	-
Change in unrecognised temporary differences	**-**	328	**-**	328
Tax expense reported in the Income Statement	**26,728**	50,773	**27,584**	50,932
Deferred tax recognised directly in equity				
Relating to fair value of electricity derivatives	**(29,702)**	(352,809)	**(29,702)**	(352,809)
Relating to revaluation of property, plant and equipment	**173,746**	(94,929)	**173,746**	(94,929)
Relating to superannuation actuarial gains	**16,854**	6,043	**16,854**	6,043
	160,898	(441,695)	**160,898**	(441,695)
Current tax liabilities				
Income tax payable	**2,905**	11,174	**2,905**	11,174

NOTE 4. INCOME TAX (CONTINUED)

The amount of the deferred tax assets and liabilities recognised in the Balance Sheet and the resultant impact on income tax expense

	Balance Sheet		Recognised in Income		Recognised in Equity	
	2009	2008	**2009**	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Parent Entity						
Deferred income tax liabilities						
Property, plant and equipment	**(149,021)**	(338,646)	**15,879**	11,466	**173,746**	(94,929)
Fuel purchases	**(12,472)**	(14,822)	**2,350**	(9,762)	**-**	-
Insurance recoveries	**(183)**	(297)	**114**	407	**-**	-
Accrued interest income	**-**	(21)	**21**	92	**-**	-
Capitalised interest	**(3,628)**	(1,878)	**(1,750)**	(519)	**-**	-
Investment properties	**(2,803)**	(2,867)	**64**	(16)	**-**	-
Recognition of NGACs *	**(373)**	(514)	**141**	(3)	**-**	-
Bank futures	**-**	(63)	**63**	(63)	**-**	-
Employer superannuation receivable	**-**	(1,087)	**1,087**	1,836	**-**	1,904
Gross deferred income tax liabilities	**(168,480)**	(360,195)				
Deferred income tax charge			**17,969**	3,438	**173,746**	(93,025)
*New South Wales Greenhouse Abatement Certificates						
Deferred income tax assets						
Employee leave entitlements	**6,318**	5,625	**693**	329	**-**	-
Employer superannuation liabilities	**14,901**	506	**(2,459)**	(3,633)	**16,854**	4,139
Insurance provision	**2,433**	2,655	**(222)**	(1,135)	**-**	-
Other labour entitlements	**260**	316	**(56)**	34	**-**	-
Provision for doubtful debts	**-**	5	**(5)**	(34)	**-**	-
Business development costs	**1,218**	1,141	**238**	(151)	**-**	-
Fair value assessment of electricity derivatives	**10,887**	41,526	**(936)**	868	**(29,702)**	(352,809)
Accrued land tax expenditure	**-**	91	**(91)**	91	**-**	-
Software expenditure	**61**	32	**29**	-	**-**	-
Low value asset pool	**38**	36	**2**	10	**-**	-
Litigation settlement expenditure	**143**	649	**(506)**	362	**-**	-
Electricity futures	**-**	(5)	**5**	(733)	**-**	-
Bank futures	**2**	-	**2**	-	**-**	-
Rocky Point Holdings Pty Ltd development expenditure	**218**	-	**218**	-	**-**	-
Pacific Western Pty Ltd taxation losses	**111**	166	**(55)**	(55)	**-**	-
Gross deferred income tax assets	**36,590**	52,743				
Deferred income tax charge			**(3,143)**	(4,047)	**(12,848)**	(348,670)

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
NOTE 5. CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	**6,401**	3,656	**5,156**	3,656
Reconciliation of profit from ordinary activities after income tax expense to net cash provided by operating activities:				
Profit from ordinary activities after income tax expense	**62,372**	117,327	**64,491**	118,433
Add/(less):				
(Profit)/loss on repayment of borrowings	**636**	(1,586)	**636**	(1,586)
Amortisation of fixed interest borrowings	**837**	192	**837**	192
Provision for doubtful debts	**(18)**	(113)	**(18)**	(113)
(Profit)/loss on sale of property, plant and equipment	**82**	(5)	**82**	(5)
Add/(less): Non-cash items				
Depreciation	**104,393**	90,606	**104,393**	90,606
Superannuation adjustment	**(56,181)**	(20,144)	**(56,181)**	(20,144)
Amortisation of intangibles	**3,027**	1,845	**3,027**	1,845
Depreciation on assets written off and sold	**37**	343	**37**	343
Asset revaluation - land	**14**	(1,425)	**14**	(1,425)
Movement on derivative contracts	**(3,117)**	2,893	**(3,117)**	2,893
Increase/(decrease) in income tax payable	**(22,238)**	(25,371)	**(22,238)**	(25,371)
Increase/(decrease) in accrued interest expense	**4,236**	2,586	**4,236**	2,586
Net cash provided by operating activities before changes in assets and liabilities	**94,080**	167,148	**96,199**	168,254
Net changes in assets and liabilities during the financial year:				
(Increase)/decrease in receivables	**(338)**	234	**(241)**	232
(Increase)/decrease in other debtors	**14,036**	389,280	**14,036**	389,280
(Increase)/decrease in inventories	**7,809**	(32,679)	**7,809**	(32,679)
(Increase)/decrease in other assets	**8,960**	9,147	**6,746**	9,147
Increase/(decrease) in payables and borrowings	**-**	(916)	**-**	(916)
Increase/(decrease) in other liabilities	**46,462**	(352,075)	**46,469**	(352,075)
Net cash provided by operating activities	**171,009**	180,139	**171,018**	181,243

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

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
NOTE 6. RECEIVABLES				
Current				
Trade receivables	**60,430**	72,974	**60,430**	72,974
Provision for doubtful receivables	**-**	(18)	**-**	(18)
	60,430	72,956	**60,430**	72,956
Insurance recoveries	**610**	990	**610**	990
Other receivables	**970**	1,645	**394**	1,645
Prepayments	**1,833**	682	**1,833**	1,057
	63,843	76,273	**63,267**	76,648
Non-Current				
Sundry debtors - advances to related parties	**12,181**	-	**14,692**	-

NOTE 6. RECEIVABLES (CONTINUED)

Loan to Rocky Point Holdings

The receivable from Rocky Point Holdings has been measured at nominal value because it is not possible to estimate reliably the cash flows or expected life of the financial instrument as is required under the effective interest method.

Other Receivables

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

Insurance Recoveries		**2009**	2008
Parent Entity		**$'000**	$'000
As at 1 July		**990**	2,345
Additional recoveries recognised / (written back)	(see Note 17)	**(18)**	(221)
Recoveries received		**(362)**	(1,134)
As at 30 June		**610**	990

	Consolidated		**Parent Entity**	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
NOTE 7. INVENTORIES				
Stores and materials	**1,684**	1,660	**1,684**	1,660
Coal stocks	**40,323**	48,172	**40,323**	48,172
Oil stocks	**1,251**	1,235	**1,251**	1,235
	43,258	51,067	**43,258**	51,067

Inventory Write-Downs

Write-downs of inventories recognised as an expense during the year amounted to $702,023 (2008 - $530,379).

NOTE 8. INTANGIBLE ASSETS

Intangible assets comprise computer software costs and carbon sequestration rights.

For the year ended 30 June 2009, computer software costs are capitalised at cost. Software assets have been assessed as having a finite life and are amortised using the straight line method over the expected useful life. The useful life of computer software assets varies from 2 to 5 years.

No revaluation or impairment loss was recognised during the 2009 financial year.

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

NOTE 8. INTANGIBLE ASSETS (CONTINUED)

	Non-Current Carbon Sequestration $'000	Computer Software $'000	Total $'000
Parent Entity			
Year ended 30 June 2009			
As at 1 July 2008, net of accumulated amortisation	4,410	5,993	10,403
Additions	2,126	1,966	4,092
Amortisation	(51)	(2,976)	(3,027)
As at 30 June 2009, net of accumulated amortisation	6,485	4,983	11,468
As at 1 July 2008			
Cost (gross carrying amount)	4,418	18,088	22,506
Accumulated amortisation and impairment	(8)	(12,095)	(12,103)
As at 1 July 2008, net of accumulated amortisation	4,410	5,993	10,403
As at 30 June 2009			
Cost (gross carrying amount)	6,543	12,530	19,073
Accumulated amortisation and impairment	(58)	(7,547)	(7,605)
As at 30 June 2009, net of accumulated amortisation	6,485	4,983	11,468

Net Carrying Amount

Included in intangibles as at 30 June 2009 is an amount of $1,366,159 (2008 - $321,261) relating to work in progress expenditure.

	Non-Current Carbon Sequestration $'000	Computer Software $'000	Total $'000
Parent Entity			
Year ended 30 June 2008			
As at 1 July 2007, net of accumulated amortisation	4,140	3,607	7,747
Additions	278	4,223	4,501
Amortisation	(8)	(1,837)	(1,845)
As at 30 June 2008, net of accumulated amortisation	4,410	5,993	10,403
As at 1 July 2007			
Cost (gross carrying amount)	4,140	13,865	18,005
Accumulated amortisation and impairment	-	(10,258)	(10,258)
As at 1 July 2007, net of accumulated amortisation	4,140	3,607	7,747
As at 30 June 2008			
Cost (gross carrying amount)	4,418	18,088	22,506
Accumulated amortisation and impairment	(8)	(12,095)	(12,103)
As at 30 June 2008, net of accumulated amortisation	4,410	5,993	10,403

NOTE 9. ELECTRICITY DERIVATIVES - ASSETS

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Current asset - electricity derivatives	**1,826**	-	**1,826**	-
Non-current asset - electricity derivatives	**2,296**	-	**2,296**	-
	4,122	-	**4,122**	-

		Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000

NOTE 10. ASSETS HELD FOR SALE

		2009	2008	2009	2008
As at 1 July		**-**	2,586	**-**	2,586
Transfer (to)/from investment properties		**549**	(2,586)	**549**	(2,586)
Less: Cost to sell the assets		**(12)**	-	**(12)**	-
As at 30 June		**537**	-	**537**	-

Assets Held for Sale

An impairment loss of $12,078, being the assessed cost to sell the asset, has been recognised in the Income Statement. The carrying amount of assets held for sale, net of impairment, is $536,922 as at 30 June 2009.

NOTE 11. OTHER CURRENT ASSETS

		2009	2008	2009	2008
New South Wales Greenhouse Abatement Certificates		**1,291**	1,751	**1,291**	1,751
Superannuation - overfunded position	(see Note 23)	**-**	3,624	**-**	3,624
		1,291	5,375	**1,291**	5,375

New South Wales Greenhouse Abatement Certificates

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

NOTE 12. SHARES IN CONTROLLED ENTITIES

		2009	2008	2009	2008
Shares in controlled entities		**-**	-	**0.001**	-

Unlisted Shares in Controlled Entity

As at balance date, Eraring Energy held 100% of the shareholding in Rocky Point Holdings Pty Limited, being one $1.00 ordinary share.

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land $'000	Power Station Building $'000	Other Buildings $'000	Plant & Equipment Power Stn $'000	Plant & Equipment Other $'000	Leasehold Improvement $'000	Total $'000
Parent Entity 2009							
As at 1 July 2008,							
net of accumulated depreciation	31,714	21,002	794	2,163,556	12,268	452	2,229,786
Additions	2	1,602	97	165,672	1,313	-	168,686
Parent plant spares transfer	-	-	-	7,028	-	-	7,028
Capital spares transfer	-	-	-	655	-	-	655
Revaluation	-	1,916	-	327,694	-	-	329,610
Impairment	-	(4,676)	-	(903,887)	-	-	(908,563)
Disposals	-	(5)	-	(29)	(633)	-	(667)
Depreciation charge for the year	-	(715)	(27)	(101,613)	(1,947)	(91)	(104,393)
Balance @ 30 June 2009	31,716	19,124	864	1,659,076	11,001	361	1,722,142

	Freehold Land $'000	Power Station Building $'000	Other Buildings $'000	Plant & Equipment Power Stn $'000	Plant & Equipment Other $'000	Leasehold Improvement $'000	Total $'000
NOTE 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)							
As at 1 July 2008							
Cost or fair value	31,714	68,747	930	3,851,880	20,418	929	3,974,618
Accumulated depreciation	-	(8,098)	(136)	(597,748)	(8,150)	(477)	(614,609)
Accumulated impairment	-	(39,647)	-	(1,090,576)	-	-	(1,130,223)
Net carrying amount	31,714	21,002	794	2,163,556	12,268	452	2,229,786
As at 30 June 2009							
Cost or fair value	31,716	72,470	1,027	4,423,829	19,931	929	4,549,902
Accumulated depreciation	-	(9,023)	(163)	(770,290)	(8,930)	(568)	(788,974)
Accumulated impairment	-	(44,323)	-	(1,994,463)	-	-	(2,038,786)
Net carrying amount	31,716	19,124	864	1,659,076	11,001	361	1,722,142
Parent Entity 2008							
As at 1 July 2007, net of accumulated depreciation	32,162	19,632	787	1,885,375	10,009	363	1,948,328
Additions	302	876	34	44,216	4,819	159	50,406
Parent plant spares transfer	-	-	-	4,962	-	-	4,962
Capital spares transfer	-	-	-	862	-	-	862
Revaluation	(750)	5,016	-	202,841	-	-	207,107
Impairment	-	(3,794)	-	113,273	-	-	109,479
Disposals	-	(60)	-	(281)	(411)	-	(752)
Depreciation charge for the year	-	(668)	(27)	(87,692)	(2,149)	(70)	(90,606)
Balance @ 30 June 2008	31,714	21,002	794	2,163,556	12,268	452	2,229,786
As at 1 July 2007							
Cost or fair value	32,162	61,014	896	3,508,168	16,727	770	3,619,737
Accumulated depreciation	-	(5,529)	(109)	(418,943)	(6,718)	(407)	(431,706)
Accumulated impairment	-	(35,853)	-	(1,203,850)	-	-	(1,239,703)
Net carrying amount	32,162	19,632	787	1,885,375	10,009	363	1,948,328
As at 30 June 2008							
Cost or fair value	31,714	68,747	930	3,851,880	20,418	929	3,974,618
Accumulated depreciation	-	(8,098)	(136)	(597,748)	(8,150)	(477)	(614,609)
Accumulated impairment	-	(39,647)	-	(1,090,576)	-	-	(1,130,223)
Net carrying amount	31,714	21,002	794	2,163,556	12,268	452	2,229,786

NOTE 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Valuation of Power Station Equipment and Power Station Buildings

The classes of power station equipment and associated building assets are measured on a fair value basis. An independent review of the written down optimised replacement value of the Eraring Power Station was conducted by Rodney Hyman Asset Services as at 30 June 2009. An independent review of the written down replacement value of the hydro and wind stations was conducted by Rodney Hyman Asset Services as at 30 June 2007. These reviews have been used as the basis for the written down optimised replacement value as at 30 June 2009, adjusted for remaining useful life, CPI and foreign exchange movements. The revaluation resulted in an increase to the power station building and plant and equipment power station classes of $330 million. Revaluation in 2008 resulted in an increase of $207 million.

The discounted cash flow valuation (DCF) was conducted effective at 30 June 2009 using existing electricity and coal contracts and forecast contract and spot of electricity referencing external forward price curves, together with internal assumptions out to 2032 - the remaining life of Eraring Power Station. Estimates for new coal sourcing and pricing, generation volumes as well as Carbon Pollution Reduction Scheme assumptions have been included. The written down optimised replacement value exceeded the DCF value, and in accordance with Australian Accounting Standards, the DCF value was used. The impairment adjustment resulted in a decrease in asset value of $912 million. In 2008, Eraring reversed $109 million of impairment losses previously charged to the Asset Revaluation Reserve.

There was an increase of 0.5% to Eraring Energy's pre-tax weighted average cost of capital applied in the value in use calculation.

The gross replacement cost for power station buildings, plant and equipment at 30 June 2009 was $7,701.8 million and accumulated depreciation was $4,213.5 million. This does not include amounts for work in progress and capital spares which are included in the fair value of power station buildings, plant and equipment of $3,720.3 million.

The discounted cash flow valuation of property, plant and equipment uses a number of estimates which are subject to volatility in competitive energy and coal markets. The most vulnerable are forecasting long term electricity and coal prices and production levels in an environment of predicting the timing of new entrants, technology improvements, the regulatory regime including a potential greenhouse impost on generators (the Federal Government's proposed Carbon Pollution Reduction Scheme), general competitive bidding behaviour as well as world energy prices. The consequences of these factors in particular may cause future asset values to materially change. Eraring uses its internal weighted average cost of capital to discount future revenue and cost streams to present value. A 0.5% change in the weighted average cost of capital alters asset values by around $50 million.

Valuation of Land

The class of land assets are measured at fair value. No land valuation was conducted in 2009 or 2008.

Valuation of Other Buildings

The class of other buildings are measured at fair value. No valuation was conducted in 2009 or 2008.

Impairment of Other Property, Plant and Equipment

Blayney and Crookwell windfarm cash generating units are recorded at fair value using the discounted cash flow method as this value is lower than the written down optimised replacement value. A review conducted by Rodney Hyman Asset Services as at 30 June 2007 has been used as the basis for the written down optimised replacement value as at 30 June 2009, adjusted for remaining useful life and CPI movements. As the discounted cash flow for 30 June 2009 is higher than the carrying value, a reversal of a prior period impairment loss of $199,000 has been recognised in the Income Statement. The total impairment loss recognised this year is $1.1 million (2008 - $1.3 million impairment loss).

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

	Freehold Land $'000	Power Station Building $'000	Other Buildings $'000	Plant & Equipment Power Stn $'000	Plant & Equipment Other $'000	Leasehold Improvement $'000	Total $'000
Parent Entity 2009							
Cost	2,800	17,328	1,959	1,590,141	19,932	929	1,633,089
Accumulated depreciation	-	(3,920)	(412)	(427,404)	(8,930)	(568)	(441,234)
Net carrying amount	2,800	13,408	1,547	1,162,737	11,002	361	1,191,855
Parent Entity 2008							
Cost	2,798	15,731	1,862	1,416,808	20,418	929	1,458,546
Accumulated depreciation	-	(3,381)	(362)	(375,220)	(8,149)	(477)	(387,589)
Net carrying amount	2,798	12,350	1,500	1,041,588	12,269	452	1,070,957

NOTE 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Net Carrying Amount

Included in plant and equipment as at 30 June is an amount of $203,177,881 (2008 - $42,732,672) relating to work in progress expenditure.

	Consolidated		Parent Entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
NOTE 14. INVESTMENT PROPERTIES				
Investment properties	**9,475**	10,225	**9,475**	10,225
Reconciliation				
As at 1 July	**10,225**	7,586	**10,225**	7,586
Net gain / (loss) from fair value adjustments	**(201)**	53	**(201)**	53
Transfer (to) / from assets held for sale	**(549)**	2,586	**(549)**	2,586
As at 30 June	**9,475**	10,225	**9,475**	10,225

The carrying amount of investment property is the fair value of the property as determined by BEM Property Consultants Pty Ltd as at 30 June 2007. BEM Property Consultants is an industry specialist in valuing these type of investment properties.

NOTE 15. PAYABLES

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Trade payables	**30,231**	32,633	**30,231**	32,633
Other payables	**45,228**	29,132	**43,873**	29,132
	75,459	61,765	**74,104**	61,765

NOTE 16. INTEREST BEARING LIABILITIES

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Borrowings	**507,335**	374,077	**507,335**	374,077

Debt Maturity Profile	**2009** **$'000**
Current Borrowings	
Short term loans - face value	72,926
	72,926
Non-Current Borrowings	
Non-current borrowings	442,428
Premium on domestic loans issued by NSW Tcorp	(8,019)
	434,409
Total Debt and Maturity Analysis	
Total debt outstanding at 30 June 2009, and maturity pattern is:	
Up to one year	72,926
Over one and up to two years	50,317
Over two and up to five years	114,062
Over five years	270,030
Total	507,335
Finance Facilities Available	
Bank overdraft	2,000
NSW Treasury Corporation loans and come and go	840,000
Total	842,000
Finance Facilities Used as at 30 June 2009	
NSW Treasury Corporation loans and come and go	507,335
Total	507,335

NOTE 16. INTEREST BEARING LIABILITIES (CONTINUED)

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

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

		Consolidated		Parent Entity	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
NOTE 17. PROVISIONS					
Current					
Dividend	(see Note 22)	**60,398**	114,594	**60,398**	114,594
Employee entitlements	(see Note 23)	**20,329**	18,214	**20,329**	18,214
Insurances		**1,850**	2,160	**1,850**	2,160
		82,577	134,968	**82,577**	134,968
Non-current					
Employee entitlements	(see Note 23)	**731**	535	**731**	535
Insurances		**17,630**	17,600	**17,630**	17,600
		18,361	18,135	**18,361**	18,135
Total		**100,938**	153,103	**100,938**	153,103

Reconciliations

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

	Current		Non-current	Total
	Dividend	**Insurances**	**Insurances**	
	$'000	**$'000**	**$'000**	**$'000**
Consolidated 2009				
Balance @ 01 July 2008	114,594	2,160	17,600	134,354
Additional provisions recognised / (written back)	60,398	1,067	30	61,495
Provision payments	(114,594)	(1,377)	-	(115,971)
Balance @ 30 June 2009	60,398	1,850	17,630	79,878
Parent Entity 2009				
Balance @ 01 July 2008	114,594	2,160	17,600	134,354
Additional provisions recognised / (written back)	60,398	1,067	30	61,495
Provision payments	(114,594)	(1,377)	-	(115,971)
Balance @ 30 June 2009	60,398	1,850	17,630	79,878

The insurance provision comprises workers' compensation claims for employees, and existing and future dust diseases insurance liabilities for third party contractors and employees associated with:
Former decommissioned Power Stations of the former Electricity Commission;
Delta Electricity and Macquarie Generation Power Stations prior to their formation; and
Pacific Power prior to 2nd August 2000 were transferred to Eraring Energy with the WorkCover licence under the Ministerial Order.

The total insurance provision is made up of a provision for current workers compensation and dust diseases claims liability at $2,380,000 (2008 - $2,320,000) which is the minimum amount certified by the actuary in accordance with Clause 3.3 (a) (iv) of the Self Insurer licence provisions. The remaining net balance of the insurance provision is $16,490,000 (2008 - $16,450,000) and represents future dust diseases claims liability, net of third party recoveries. The insurance provision includes a provision for $17,550,000 (2008 - $18,270,000) which relates to other than Eraring Energy employees and contractors. Eraring Energy has created an asset in these financial statements for anticipated insurance recoveries from third parties where matters have already been settled and recovery virtually certain. The value of this asset is $610,000 (2008 - $990,000), and is in accordance with independent actuarial advice. These recoveries relate to settled claims under previous legislation. Legislation which came into force on 1st July 2005 requires the joining of co-defendents at inception and allocation of liability.

NOTE 17. PROVISIONS (CONTINUED)

The actuarial assessment is based on estimates of future claims (based on past experience), forecast cost of claims and annual year on year increases, all of which impact on the assessed liability. Changes to these recovery estimates could impact future provisions. A 0.5% change in the rate used to discount future net liabilities to present value, would result in a change of around $0.6 million.

		Consolidated		Parent Entity	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
NOTE 18. ELECTRICITY AND FOREIGN EXCHANGE DERIVATIVES - LIABILITIES					
Current liability - electricity and foreign exchange derivatives	(see Note 24f)	**26,719**	93,292	**26,719**	93,292
Non-current liability - electricity and foreign exchange derivatives	(see Note 24f)	**13,698**	45,127	**13,698**	45,127
		40,417	138,419	**40,417**	138,419
NOTE 19. OTHER CURRENT LIABILITIES					
Superannuation - underfunded liability	(see Note 23)	**49,671**	1,686	**49,671**	1,686
Joint venture losses associated with Rocky Point Holdings		**74**	-	**-**	-
		49,745	1,686	**49,671**	1,686
NOTE 20. CONTRIBUTED EQUITY, RESERVES AND RETAINED PROFITS					
Contributed equity		**573,081**	573,081	**573,081**	573,081
Reserves		**387,486**	723,588	**387,486**	723,588
Retained profits		**5,462**	42,440	**7,581**	42,815
		966,029	1,339,109	**968,148**	1,339,484
Movements in Contributed Equity					
Opening balance		**573,081**	646,481	**573,081**	646,481
NSW Treasury equity for debt swap		**-**	(73,400)	**-**	(73,400)
		573,081	573,081	**573,081**	573,081
Movements in Reserves					
Movements in Asset Revaluation Reserve					
Opening balance		**818,633**	597,982	**818,633**	597,982
Asset revaluation increment, net of tax		**(405,407)**	220,651	**(405,407)**	220,651
		413,226	818,633	**413,226**	818,633
Movements in Hedging Reserve					
Opening balance		**(95,045)**	(918,266)	**(95,045)**	(918,266)
Net gains / (losses) on cash flow hedges, net of tax		**69,305**	823,221	**69,305**	823,221
		(25,740)	(95,045)	**(25,740)**	(95,045)
Reserves Balance					
Asset revaluation reserve		**413,226**	818,633	**413,226**	818,633
Hedging reserve		**(25,740)**	(95,045)	**(25,740)**	(95,045)
		387,486	723,588	**387,486**	723,588
Movements in Retained Profits					
Opening balance		**42,440**	53,807	**42,815**	53,777
Net profit after tax		**62,372**	103,227	**64,491**	103,957
Dividends	(see Note 22)	**(60,398)**	(114,594)	**(60,398)**	(115,294)
Defined benefits superannuation actuarial loss, net of tax		**(39,326)**	-	**(39,326)**	-
Prior year subsidiary expense transfer		**374**	-	**-**	374
		5,462	42,440	**7,581**	42,815

NOTE 20. CONTRIBUTED EQUITY, RESERVES AND RETAINED PROFITS (CONTINUED)

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

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

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

	Consolidated		Parent Entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
NOTE 21. COMMITMENTS				
Capital commitments payable:				
Within one year	**171,839**	143,606	**171,839**	143,606
Later than one year but not later than five years	**125,262**	99,805	**125,262**	99,805
	297,101	243,411	**297,101**	243,411
Operating lease rentals payable:				
Within one year	**352**	673	**352**	673
Later than one year but not later than five years	**449**	685	**449**	685
Later than five years	**2,094**	2,210	**2,094**	2,210
	2,895	3,568	**2,895**	3,568
Operating expenditure commitments payable:				
Within one year	**49,114**	40,411	**49,114**	40,411
Later than one year but not later than five years	**34,679**	33,543	**34,679**	33,543
	83,793	73,954	**83,793**	73,954

Eraring Energy expects to receive input tax credits from the Australian Taxation Office totalling $34,889,978 (2008 - $29,175,776) for Goods and Services Tax paid with these commitments.

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

NOTE 22. DIVIDENDS

In accordance with the share dividends scheme determined by the voting shareholders, and as required by the Energy Services Corporation Act, 1995 and State Owned Corporations Act, 1989, the Board has provided for a consolidated dividend payment of $60,397,622 (2008 - $114,594,329). This will be paid during the course of the 2009/10 financial year and is represented by the balance of the provision (see Note 17). The dividend provision has been decreased by the amount of $307,314 (2008 - $241,309 increase) for net payments for worker's compensation and dust disease Court determinations for other than Eraring Energy employees. This liability was transferred from the NSW Government to Eraring Energy on corporatisation with agreement for the matter to be treated as a community service obligation and the net of payments less recoveries deducted from dividends.

		Consolidated		Parent Entity	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
NOTE 23. EMPLOYEE ENTITLEMENTS					
Provision for employee entitlements					
Current	(see Note 17)	**20,329**	18,214	**20,329**	18,214
Non-current	(see Note 17)	**731**	535	**731**	535
		21,060	18,749	**21,060**	18,749
Defined benefits superannuation balance					
Superannuation - overfunded asset	(see Note 11)	**-**	3,624	**-**	3,624
Superannuation - underfunded (liability)	(see Note 19)	**(49,671)**	(1,686)	**(49,671)**	(1,686)
		(49,671)	1,938	**(49,671)**	1,938

Long Service Leave

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

Consumer price index	3.0%
Investment return	6.0%
Salary increase	4.8%

Superannuation

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

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

Contributions to the scheme are expensed when paid or payable and reduce the superannuation liability. These contribution receipts are invest-ed by Pillar and the resultant investment income or deficits adds to or subtracts from the fund balances.

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

NOTE 23. EMPLOYEE ENTITLEMENTS (CONTINUED)

Superannuation position as at 30 June 2009

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Reconciliation of the assets and liabilities recognised in the Balance Sheet				
Present value of partly funded defined benefits obligations	44,485	10,586	145,319	200,390
Fair value of fund assets	(39,467)	(9,925)	(101,327)	(150,719)
Net (asset)/liability recognised in the Balance Sheet	5,018	661	43,992	49,671
Reconciliation of the present value of the defined benefit obligation				
Present value of partly funded defined benefit obligations at the start of the year	40,273	9,133	112,541	161,947
Current service cost	1,175	468	1,133	2,776
Interest cost	2,558	571	7,282	10,411
Contributions by fund participants	653	-	1,352	2,005
Actuarial (gains)/losses	1,498	829	28,420	30,747
Benefits paid	(1,672)	(415)	(5,409)	(7,496)
Present value of partly funded defined benefit obligations at the end of the year	44,485	10,586	145,319	200,390
Reconciliation of the fair value of fund assets				
Fair value of fund assets at the start of the year	42,241	10,789	110,855	163,885
Expected return on fund assets	3,385	865	8,987	13,237
Actuarial gains/(losses)	(6,632)	(1,916)	(16,886)	(25,434)
Employer contributions	1,493	603	2,427	4,523
Contributions by fund participants	653	-	1,352	2,005
Benefits paid	(1,673)	(416)	(5,408)	(7,497)
Fair value of fund assets at the end of the year	39,467	9,925	101,327	150,719
Expense/(income) recognised in the Income Statement				
Components recognised in Income Statement				
Current service cost	1,175	468	1,133	2,776
Interest cost	2,559	571	7,282	10,412
Expected return on fund assets (net of expenses)	(3,385)	(865)	(8,987)	(13,237)
Expense/(income) recognised	349	174	(572)	(49)
Amounts recognised in the Statement of Recognised Income and Expense				
Actuarial (gains)/losses	8,130	2,745	45,306	56,181
Cumulative amount recognised in the Statement of Recognised Income and Expense				
Actuarial (gains)/losses	8,234	2,656	38,735	49,625
Actual return on fund assets				
Actual return on fund assets	(4,150)	(1,051)	(10,742)	(15,943)
Expected contributions				
Expected employer contributions to be paid in the next reporting period	1,241	533	2,162	3,936
Member numbers				
Contributors	130	233	103	
Deferred benefits	-	-	4	
Pensioners	2	-	70	
Pensioners fully commuted	-	-	6	

NOTE 23. EMPLOYEE ENTITLEMENTS (CONTINUED)

Superannuation position as at 30 June 2008

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Reconciliation of the assets and liabilities recognised in the Balance Sheet				
Present value of partly funded defined benefits obligations	40,273	9,133	112,541	161,947
Fair value of fund assets	(42,241)	(10,789)	(110,855)	(163,885)
Net (asset)/liability recognised in the Balance Sheet	(1,968)	(1,656)	1,686	(1,938)
Reconciliation of the present value of the defined benefit obligation				
Present value of partly funded defined benefit obligations at the start of the year	38,198	8,651	108,755	155,604
Current service cost	1,094	468	1,246	2,808
Interest cost	2,380	530	6,873	9,783
Contributions by fund participants	605	-	1,368	1,973
Actuarial (gains)/losses	(712)	163	(2,439)	(2,988)
Benefits paid	(1,292)	(679)	(3,262)	(5,233)
Present value of partly funded defined benefit obligations at the end of the year	40,273	9,133	112,541	161,947
Reconciliation of the fair value of fund assets				
Fair value of fund assets at the start of the year	43,583	11,693	117,805	173,081
Expected return on fund assets	3,330	921	9,167	13,418
Actuarial gains/(losses)	(5,235)	(1,660)	(16,237)	(23,132)
Employer contributions	1,250	514	2,014	3,778
Contributions by fund participants	605	-	1,368	1,973
Benefits paid	(1,292)	(679)	(3,262)	(5,233)
Fair value of fund assets at the end of the year	42,241	10,789	110,855	163,885
Expense/(income) recognised in the Income Statement				
Components recognised in Income Statement				
Current service cost	1,094	468	1,246	2,808
Interest cost	2,380	530	6,873	9,783
Expected return on fund assets (net of expenses)	(3,330)	(921)	(9,167)	(13,418)
Expense/(income) recognised	144	77	(1,048)	(827)
Amounts recognised in the Statement of Recognised Income and Expense				
Actuarial (gains)/losses	4,524	1,822	13,798	20,144
Movement in adjustment for limitation on net asset	(427)	(241)	(718)	(1,386)
Cumulative amount Recognised in the Statement of Recognised Income and Expense				
Actuarial (gains)/losses	104	(89)	(6,571)	(6,556)
Actual return on plan assets				
Actual return on plan assets	(2,861)	(739)	(7,813)	(11,413)
Expected contributions				
Expected employer contributions	1,150	529	2,189	3,868
Member numbers				
Contributors	132	239	107	
Deferred benefits	-	-	4	
Pensioners	2	-	65	
Pensioners fully commuted	-	-	6	

NOTE 23. EMPLOYEE ENTITLEMENTS (CONTINUED)

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Historical information - 2009				
Present value of defined benefit obligation	44,485	10,586	145,319	200,390
Fair value of fund assets	(39,467)	(9,925)	(101,327)	(150,719)
(Surplus)/deficit in fund	5,018	661	43,992	49,671
Experience adjustment - fund liabilities	1,498	829	28,420	30,747
Experience adjustment - fund assets	6,632	1,916	16,886	25,434
Historical information - 2008				
Present value of defined benefit obligation	40,273	9,133	112,541	161,947
Fair value of fund assets	(42,241)	(10,789)	(110,855)	(163,885)
(Surplus)/deficit in fund	(1,968)	(1,656)	1,686	(1,938)
Experience adjustment - fund liabilities	(712)	163	(2,439)	(2,988)
Experience adjustment - fund assets	5,235	1,660	16,237	23,132
Historical information - 2007				
Present value of defined benefit obligation	38,198	8,652	108,755	155,605
Fair value of fund assets	(43,583)	(11,693)	(117,805)	(173,081)
(Surplus)/deficit in fund	(5,385)	(3,041)	(9,050)	(17,476)
Experience adjustment - fund liabilities	1,219	(171)	(7,296)	(6,248)
Experience adjustment - fund assets	(3,144)	(666)	(5,013)	(8,823)
Historical information - 2006				
Present value of defined benefit obligation	33,970	8,684	109,293	151,947
Fair value of fund assets	(36,624)	(10,533)	(103,540)	(150,697)
(Surplus)/deficit in fund	(2,654)	(1,849)	5,753	1,250
Experience adjustment - fund liabilities	(222)	(458)	(8,215)	(8,895)
Experience adjustment - fund assets	(2,912)	(763)	(9,303)	(12,978)

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

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

Expected rate of return on assets

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

Principal actuarial assumptions at the reporting date	**2009**	2008
Salary increase rate (excluding promotional increases)	**3.5% pa**	3.5% pa
Rate of CPI Increase	**2.5% pa**	2.5% pa
Expected rate of return on assets	**8.13%**	8.3%
Discount rate	**5.59%**	6.6%

Fund assets

The percentage invested in each asset class at the Balance Sheet date are:	**2009**	2008
Australian equities	**32.1%**	31.6%
Overseas equities	**26.0%**	25.4%
Australian fixed interest securities	**6.2%**	7.4%
Overseas fixed interest securities	**4.7%**	7.5%
Property	**10.0%**	11.0%
Cash	**8.0%**	6.1%
Other	**13.0%**	11.0%

NOTE 23. EMPLOYEE ENTITLEMENTS (CONTINUED)

Arrangements for employer contributions for funding

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

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Financial position as at 30 June 2009				
Accrued benefits	40,599	9,718	104,236	154,553
Net market value of fund assets	(39,467)	(9,925)	(101,327)	(150,719)
Net (surplus)/deficit	1,132	(207)	2,909	3,834
Financial position as at 30 June 2008				
Accrued benefits	40,155	9,175	103,769	153,099
Net market value of fund assets	(42,241)	(10,789)	(110,855)	(163,885)
Net (surplus)/deficit	(2,086)	(1,614)	(7,086)	(10,786)

Recommended contributions rates for the entity are:

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

Funding method

The method used to determine the employer contribution recommendations in the 2006 actuarial review was the aggregate funding method. The method adopted affects the timing of the cost to the employer. Under the aggregate funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

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

Nature of asset/liability

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

Valuation method

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

Demographic assumptions

The demographic assumptions at 30 June 2009 are those that will be used in the 2009 triennial actuarial valuation. The triennial review report will be available from the NSW Treasury website, after it is tabled in Parliament in December 2009.

NOTE 24. FINANCIAL INSTRUMENTS

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

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

a) Financial Instrument Categories

	Note	Category	Carrying Amount 2009 $'000	Carrying Amount 2008 $'000
Consolidated Entity				
Financial Assets				
Cash and cash equivalents	5	Not applicable	**6,401**	3,656
Trade receivables	6	Loans and receivables at amortised cost	**60,430**	72,974
Electricity derivative - designated (CFH)	9	Derivative instruments in designated hedge accounting relationship	**3,626**	-
Electricity derivative - non designated	9	Fair value through profit & loss - held for trading	**496**	-
Financial Liabilities				
Borrowings	16	Financial liabilities at amortised cost	**507,335**	374,077
Accounts payable	15	Financial liabilities at amortised cost	**74,104**	61,765
Electricity derivative - designated (CFH)	18	Derivative instruments in designated hedge accounting relationship - fair value deferred in equity	**12,485**	119,377
Electricity derivative - non designated	18	Fair value through profit & loss - held for trading	**20**	2,641
Forward foreign exchange contract (CFH)	18	Derivative instruments in designated hedge accounting relationship - fair value deferred in equity	**27,912**	16,400

CFH = Cash flow hedge

b) Credit Risk

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

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

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

NOTE 24. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Assets	**Government $'000**	**Banks $'000**	**Others $'000**	**Total $'000**
Consolidated 2009				
Cash	-	6,401	-	6,401
Trade Receivables	57,893	695	2,232	60,820
Derivatives	659	-	3,463	4,122
Other	-	-	4	4
Total Financial Assets	58,552	7,096	5,699	71,347
Parent Entity 2009				
Cash	-	5,156	-	5,156
Trade Receivables	57,893	695	2,232	60,820
Derivatives	659	-	3,463	4,122
Other	-	-	4	4
Total Financial Assets	58,552	5,851	5,699	70,102
Parent Entity 2008				
Cash	-	3,656	-	3,656
Trade Receivables	72,906	-	1,709	74,615
Other	-	-	4	4
Total Financial Assets	72,906	3,656	1,713	78,275

Doubtful Debts Reconciliation	**Carrying Amount 2009 $'000**	Carrying Amount 2008 $'000
As at 1 July	**18**	130
Provision adjustment	**(18)**	(112)
As at 30 June	**-**	18

c) Liquidity Risk

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

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

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

NOTE 24. FINANCIAL INSTRUMENTS (CONTINUED)

	Floating Interest Rate $'000	Fixed Interest Rate Maturing In 1 Year or less $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Nominal Amount* $'000	Weighted Average Effective Interest Rate pa %
Financial Liabilities							
Consolidated 2009							
Accounts Payable	-	-	-	-	75,459	75,459	-
Derivatives	-	16,492	13,768	-	12,505	42,765	-
Debt	34,000	65,705	240,254	317,247	-	657,206	5.70%
Other	-	-	-	-	60,398	60,398	-
Total Financial Liabilities	34,000	82,197	254,022	317,247	148,362	835,828	-
Parent Entity 2009							
Accounts Payable	-	-	-	-	74,104	74,104	-
Derivatives	-	16,492	13,768	-	12,505	42,765	-
Debt	34,000	65,705	240,254	317,247	-	657,206	5.70%
Other	-	-	-	-	60,398	60,398	-
Total Financial Liabilities	34,000	82,197	254,022	317,247	147,007	834,473	-
Parent Entity 2008							
Accounts Payable	-	-	-	-	61,765	61,765	-
Derivatives	-	4,162	15,866	-	122,018	142,046	-
Debt	17,400	21,706	234,025	234,433	-	507,564	5.58%
Other	-	-	-	-	114,594	114,594	-
Total Financial Liabilities	17,400	25,868	249,891	234,433	298,377	825,969	-

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

d) Market Risk

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

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

(i) Interest Rate Risk

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

Interest Rate Sensitivity	**2009 Equity $'000 + / - 1%**	**2009 Post Tax P & L $'000 + / - 1%**	2008 Equity $'000 + / - 1%	2008 Post Tax P & L $'000 + / - 1%
Interest rates	**-**	**109**	-	25

NOTE 24. FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Foreign Exchange Risk

In the normal course of business, the consolidated entity enters into contracts for the purchase of goods or services from overseas which are settled in the supplier's currency. Under Board approval, the consolidated entity hedges specific commitments by use of forward foreign exchange contracts. The contracts are timed to mature when settlement of the goods and services are due, and any gain or loss realised being included in the measurement of the purchase price. At balance date the consolidated entity had 70 (2008 - 17) forward foreign exchange contracts as detailed:

	2009			2008		
	Contracts	**Average Exchange Rate**	**Principal Amount $'000 AUD**	Contracts	Average Exchange Rate	Principal Amount $'000 AUD
United States Dollar Buy duration less than one year	**21**	**0.6712**	**33,032**	-	-	-
United States Dollar Buy duration greater than one year	**12**	**0.6576**	**27,319**	-	-	-
Euro Buy duration less than one year	**8**	**0.4995**	**3,916**	-	-	-
Euro Buy duration greater than one year	**7**	**0.4843**	**3,304**	-	-	-
Korean Won Buy less than one year	**12**	**769.3**	**39,998**	4	771.7	18,211
Korean Won Buy greater than one year	**10**	**730.8**	**27,528**	13	731.5	59,045

The contracts as at 30 June 2009 are showing an unrealised loss of $27,912,210 (2008 - $16,400,485 loss).

Foreign Exchange Sensitivity	**2009 Equity $'000 +10%**	**2009 Post Tax P & L $'000 - 10%**	2008 Equity $'000 + 10%	2008 Post Tax P & L $'000 - 10%
Foreign exchange rates gains / (losses)	**(9,331)**	**11,404**	(4,751)	5,807

All foreign exchange hedges are designated as cash flow hedges. During the course of the year several hedges were closed due to the exposure no longer existing. The resulting accounting gain/ (loss) was reflected in the Income Statement.

(iii) Price Risk

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

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

Electricity Derivatives Fair Values Price Sensitivity	**2009 $'000 + / - $5**	**2009 $'000 + / - $10**	2008 $'000 + / - $5	2008 $'000 + / - $10
Electricity derivatives				
Equity contracts	**13,959**	**27,918**	53,947	107,894
Other (through Income Statement)	**392**	**784**	990	1,979
	14,351	**28,702**	54,937	109,873

NOTE 24. FINANCIAL INSTRUMENTS (CONTINUED)

e) Fair Value

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

	Carrying Amount 2009 $'000	**Fair Value 2009 $'000**	Carrying Amount 2008 $'000	Fair Value 2008 $'000
Parent Entity				
Semi-Government Bonds	**507,335**	**518,981**	374,077	368,158

Eraring Energy values its electricity derivative contracts as required under AASB139. Eraring Energy uses the Sydney Futures Exchange (SFE) as the basis of the Forward Price Curve (FPC) for the purpose of determining fair value. The electricity derivatives will incorporate the time value of money, by reference to the Reserve Bank of Australia Commonwealth Government bond rates. Electricity contracts that have a carbon pass through clause will be valued using the draft legislation carbon price for year 2011/12 and the Certified Emission Reduction Unit (CER) price for subsequent years (source: Macquarie Bank). Option instruments will be valued using Financial Engineering Associates (FEA) option pricing models. The inputs to the FEA models will be estimated from a combination of historical and current market data using FEA utilities.

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

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

TCorp Futures Contracts

	2009 $'000	2008 $'000
Futures gains / (losses)	**(6)**	211

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

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

f) Hedge Accounting

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

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

NOTE 24. FINANCIAL INSTRUMENTS (CONTINUED)

During the financial year there were several forecast transactions for which hedge accounting had previously been used, but which were no longer to occur. The amounts on these closed cash flow hedges were reflected in the Income Statement, being a loss of $330,198 (2008 - 0). The maturity structure of cash flow hedges and the cash flow hedges equity movements for the year are shown below:

Fair Value and Maturity Structure of Cash Flow Hedges As at 30 June 2009	**Total $'000**	**2009/10 $'000**	**2010/11 $'000**	**2011/12 $'000**	**2012/13 $'000**
Electricity derivatives	(8,859)	(9,610)	(1,014)	509	1,257
Foreign exchange	(27,912)	(15,779)	(11,685)	(449)	-
	(36,771)	(25,389)	(12,699)	60	1,257

Net of negative and positive fair value positions

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

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

Fair Value and Maturity Structure of Cash Flow Hedges As at 30 June 2008	**Total $'000**	**2008/09 $'000**	**2009/10 $'000**	**2010/11 $'000**	**2011/12 $'000**
Electricity derivatives	(119,377)	(88,946)	(27,787)	(2,645)	-
Foreign exchange	(16,400)	(3,846)	(7,185)	(5,111)	(259)
	(135,777)	(92,792)	(34,972)	(7,756)	(259)

Financial Year End 2007/08 AASB 139 Equity Reconciliation (Cash Flow Hedges)	**Gross Amounts $'000**	**Net of Tax $'000**
As at 1 July	(1,311,809)	(918,266)
a) Matured during period matched to P & L	925,595	647,917
b) Mark to market movements in existing contracts	266,837	186,786
c) Mark to market of newly written contracts	(16,400)	(11,480)
As at 30 June	(135,777)	(95,044)

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

NOTE 25. RELATED PARTY DISCLOSURES

a) Directors and Director-Related Entities

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

The Directors of Eraring Energy at financial year end were Mr RM Bunyon AM, Ms BA Hoskinson-Green, Dr MJ Vertigan AC, Mr D Pritchard, Mr P Murray and Mr PG Jackson. Mr M Nugent resigned his Directorship on 29 August 2008. All other Directors were in office for the whole financial year.

	Consolidated		Parent Entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000

NOTE 25. RELATED PARTY DISCLOSURES (CONTINUED)

b) Key Management Personnel Remuneration

Key management personnel includes Directors and members of the Executive.

Short-term employee benefits	**2,341**	2,447	**2,341**	2,447
Post-employment benefits	**208**	191	**208**	191
Other long-term benefits	**119**	124	**119**	124
	2,668	2,762	**2,668**	2,762

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

c) Related Party Transactions

Transactions and outstanding balances between Eraring Energy and its wholly owned subsidiary, Rocky Point Holdings Pty Limited, are conducted on normal commercial terms, and are detailed in the following table:

	Amounts owed by related party
	$'000
2009	**14,692**

NOTE 26. REMUNERATION TO EXTERNAL AUDITORS

	Consolidated		Parent Entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Remuneration paid or payable for audit of the financial report	**232**	244	**232**	244

NOTE 27. EXEMPTIONS

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

Parent Entity

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

Rocky Point Holdings Pty Limited

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

Eraring Retail Pty Limited

Exemption from all reporting obligations under the Public Finance and Audit Act 1983.

NOTE 28. EVENTS OCCURRING AFTER BALANCE DATE

A capital repayment of $85 million will be made to the Shareholder during 2009/10 in accordance with the agreed Statement of Corporate Intent.

End of the financial statements audited by the Auditor-General

STATEMENT BY MEMBERS OF THE BOARD
FOR THE YEAR ENDED 30TH JUNE, 2009

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

1. The financial statements exhibit a true and fair view of the financial position, financial performance and cash flows of Eraring Energy as at 30th June, 2009.

2. The financial statements are a general purpose financial report which has been prepared in accordance with applicable Australian Accounting Standards including Australian Accounting Interpretations, the provisions of the State Owned Corporations Act 1989, Part 3 of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005 and Treasurer's Directions, except where the New South Wales Treasurer's exemption has been granted.

3. At the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

4. We are not aware of any circumstances at the date of this declaration that would render any particulars included in the financial report to be misleading or inaccurate.

Dated at Sydney this 15th day of September 2009.

RM BUNYON
CHAIRMAN

Pete Jackson
PG JACKSON
MANAGING DIRECTOR

AUDITOR-GENERAL
NEW SOUTH WALES

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Eraring Energy

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Eraring Energy (the Corporation), which comprises the balance sheet as at 30 June 2009, the income statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Corporation and the consolidated entity as at 30 June 2009, and their financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005
- complies with International Financial Reporting Standards as disclosed in Note 1(b).

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

Significant uncertainty regarding the effect of changes in forecast cash flows

Without qualification to the opinion expressed above, I draw attention to Note 13 to the financial statements. The carrying value of the Corporation's power station equipment and buildings is determined using estimated discounted cash flows. These estimations are subject to volatility, particularly from the potential impacts of the Federal Government's proposed Carbon Pollution Reduction Scheme (the Scheme). The ultimate extent of the impact of the Scheme cannot presently be determined and this creates a significant uncertainty as to whether the estimated discounted cash flows referred to above will be realised.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

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

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

Peter Achterstraat
Auditor-General

15 September 2009
SYDNEY

FOR THE PERIOD ENDED 30TH JUNE 2009

	Note	2009 $
Other revenue	2	342
Other expenses	3	(2,975,943)
Profit (loss) before income tax		(2,975,601)
Income tax revenue (expense)	4	856,453
Net profit (loss) after tax for the year	10	(2,119,148)

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

Rocky Point Holdings Pty Limited **BALANCE SHEET**

AS AT 30TH JUNE 2009

Current Assets		
Cash and cash equivalents	5	1,245,342
Receivables	6	574,962
Investments	7	351
Total Current Assets		1,820,655
Non-Current Assets		
Receivables	6	12,180,775
Total Non-Current Assets		12,180,775
Total Assets		14,001,430
Current Liabilities		
Payables	8	16,046,406
Other current liabilities	9	74,171
Total Current Liabilities		16,120,577
Non-Current Liabilities		-
Total Liabilities		16,120,577
Net Assets		(2,119,147)
Equity		
Contributed equity	10	1
Retained profits	10	(2,119,148)
Total Equity		(2,119,147)

The above balance sheet should be read in conjunction with the accompanying notes

Rocky Point Holdings Pty Limited CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30TH JUNE 2009

	Note	2009 $
Cash flows from operating activities		
Interest and bill discount received		1,050
Cash paid in the course of operations		(145,967)
GST refunded (paid)		136,251
Interest and other finance costs paid		(45)
Net cash inflow (outflow) from operating activities	5	(8,711)
Cash flows from investing activities		
Advances to joint venture		(11,071,632)
Net cash inflow (outflow) from investing activities		(11,071,632)
Cash flows from financing activities		
Advances from parent entity		11,976,019
Equity contributions		349,666
Net cash inflow (outflow) from financing activities		12,325,685
Net increase (decrease) in cash and cash equivalents		1,245,342
Cash and cash equivalents at the beginning of the financial year		-
Cash and cash equivalents at the end of the financial year	5	1,245,342

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

Rocky Point Holdings Pty Limited STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE PERIOD ENDED 30TH JUNE 2009

	Note	
Net income recognised directly in equity		-
Profit (loss) after tax for the year	10	(2,119,148)
Total recognised income and expense for the year		(2,119,148)
Attributable to:		
Equity holders of the company		(2,119,148)
Total recognised income and expense for the year		(2,119,148)

The above statement of recognised income and expense should be read in conjunction with the accompanying notes

CORPORATE INFORMATION

The financial report of Rocky Point Holdings Pty Limited for the period ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 15th September 2009.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report prepared in accordance with the provisions of the Public Finance and Audit Act, 1983 and Public Finance and Audit Regulation, 2005, Australian Accounting Standards, and the requirements of the State Owned Corporations Act, 1989 and Accounting Interpretations.

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

Despite current liabilities exceeding current assets at balance date, Rocky Point Holdings is able to pay its debts as and when they fall due with the support of its parent entity Eraring Energy. The financial report has been prepared on a going concern basis, which presumes the realisation of assets and discharge of liabilities in the normal course of business for the foreseeable future. The preparation of these accounts on an ongoing basis has not produced results which are materially different to that of preparing them on an alternative basis, ie. on a liquidation basis.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). This financial report also complies with International Financial Reporting Standards (IFRS).

(c) Payables

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

(d) Receivables

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

(e) Equity Accounted Investments

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

(f) Jointly Controlled Assets

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

(g)Income Tax

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

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

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

(h) New Accounting Standards

Australian Accounting Standards that have recently been issued or amended, but are not yet effective, have not been adopted for the 30 June 2009 financial year. A summary follows:

AASB 101 ***Presentation of Financial Statements***
This standard applies to reporting periods beginning on or after 1 January 2009 and amends the disclosure requirements of financial statements.

AASB 123 ***Borrowing Costs***
This standard applies to reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on Rocky Point Holdings.

AASB 127 ***Consolidated and Separate Financial Statements***
Amendments to this standard apply to reporting periods beginning on or after 1 July 2009, which are not expected to have an impact on Rocky Point Holdings.

AASB 2008-5 ***Amendments to Australian Accounting Standards arising from the Annual Improvements Process*** **and**
AASB 2008-6 ***Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process***
AASB 2008-5 applies to reporting periods beginning on or after 1 January 2009, and AASB 2008-6 applies to reporting periods beginning on or after 1 July 2009. These standards affect various AASBs resulting in minor changes for presentation, disclosure recognition and measurement purposes, and are not expected to have an impact on the financial statements.

	2009 $

NOTE 2. REVENUE

Other revenue	
Interest income	342
Total revenue	342

NOTE 3. EXPENSES

Net loss before income tax includes the following specific expenses:	
Legal fees	50,703
Consultants costs	2,333,935
Share of joint venture losses	590,731

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

NOTE 4. INCOME TAX

Major components of tax expense (revenue) include:	
Income Statement	
Current income tax	
Current tax expense (revenue) relating to current tax losses transferred to the head entity of the tax-consolidated group	(638,829)
Deferred income tax	
Deferred tax expense (revenue) relating to the non-recognition of temporary differences transferred to the head entity of the tax-consolidated group	(217,624)
Income tax expense (revenue) reported on the Income Statement	(856,453)
Explanation of the relationship between tax expense (revenue) and accounting profit (loss)	
Accounting profit (loss)	(2,975,601)
Expenditure not allowable for income tax purposes	120,757
	(2,854,844)
Income tax at the statutory income tax rate of 30%	(856,453)
Tax expense (revenue) reported in the Income Statement	(856,453)

	2009 $

NOTE 5. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	**1,245,342**
Reconciliation of profit (loss) from ordinary activities after income tax expense to net cash provided by/(used in) operating activities:	
Profit (loss) from ordinary activities after income tax expense	**(2,119,148)**
Net cash provided by operating activities before changes in assets and liabilities	**(2,119,148)**
Net changes in assets and liabilities during the financial year:	
(Increase)/decrease in receivables	**(96,590)**
Increase/(decrease) in payables and borrowings	**2,213,847**
(Increase)/decrease in other assets	**(6,820)**
Net cash provided by/(used in) operating activities	**(8,711)**

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

NOTE 6. RECEIVABLES

Current	
Share of Cobbora UJV receivables	**574,962**
Non-Current	
Advances to joint venture	**12,180,775**

The receivable from the joint venture has been measured at nominal value because it is not possible to estimate reliably the cash flows or expected life of the financial instrument as is required under the effective interest method.

NOTE 7. EQUITY ACCOUNTED INVESTMENTS

Share in CCP Holdings Pty Ltd	**1**
Shares in Cobbora Management Company Pty Ltd	**350**
	351

Rocky Point Holdings' share of losses in its equity accounted investees for the year was $74,521. These losses have been recognised during the year ended 30 June 2009, since Rocky Point Holdings Pty Limited has an obligation in respect of these losses.

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

	Cobbora Coal Unit Trust	**Cobbora Management Company Pty Ltd**	**CCP Holdings Pty Ltd**
Ownership	23.32%	23.32%	23.32%
Current assets	9,274,376	1,500	3
Non-current assets	42,807,214	-	-
Total assets	52,081,590	1,500	3
Current liabilities	52,398,438	-	-
Non-current liabilities	1,210	-	-
Total liabilities	52,399,648	-	-
Total income	86,683	-	-
Total expenses	(543,194)	-	-
Profit/ (loss) after income tax	(319,558)	-	-

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

	2009 $

NOTE 8. PAYABLES

Other payables	44,177
Amount owing to joint venture	350
Advances from parent entity	14,692,012
Share of Cobbora UJV payables	1,309,867
	16,046,406

NOTE 9. OTHER CURRENT LIABILITIES

Accumulated joint venture losses provided for	74,171

NOTE 10. CONTRIBUTED EQUITY, RESERVES AND RETAINED PROFITS

Contributed equity	1
Retained profits	(2,119,148)
	(2,119,147)
Movements in contributed equity	
Opening balance	-
Share capital issued	1
	1
Movements in retained profits	
Opening balance	-
Net loss after tax	(2,119,148)
	(2,119,148)

NOTE 11. FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

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

Financial assets	
Cash and cash equivalents	1,245,342
Current receivables	574,962
Non-current receivables	12,180,775
Financial liabilities	
Payables	(16,046,406)
Net exposure	(2,045,327)

NOTE 11. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

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

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

Rocky Point Holdings Pty Limited does have a credit risk exposure to the following individual counterparties: Cobbora Coal Unit Trust and Cobbora Management Company Pty Limited. However, these counterparties are considered credit worthy as the unit holders of the Trust and the shareholders of the Management Company are wholly owned subsidiary companies of Eraring Energy, Macquarie Generation and Delta Electricity.

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

NOTE 12. RELATED PARTY DISCLOSURES

a) Key Management Personnel
The Directors of the entity as at 30 June 2009 were Mr RM Bunyon and Mr PG Jackson.

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

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

b) Ultimate Parent Entity
The ultimate parent entity at reporting date is Eraring Energy.

c) Related Party Transactions
The following table provides details of transactions that were entered into with related parties:

	Amounts owed to related party $
2009	**14,692,012**

NOTE 13. REMUNERATION TO EXTERNAL AUDITORS

	2009 $
Remuneration paid or payable for audit of the financial report	4,000

End of the financial statements audited by the Auditor-General

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30TH JUNE, 2009

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

1. The financial statements exhibit a true and fair view of the financial position, financial performance and cash flows of Rocky Point Holdings Pty Limited as at 30th June, 2009.
2. At the date of this statement, there are reasonable grounds to believe that the company, with the support of its parent entity Eraring Energy, will be able to pay its debts as and when they become due and payable.
3. The financial statements of the company have been made out in accordance with applicable accounting standards, interpretations and authoritative pronouncements of the Australian Accounting Standards Board.
4. The financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulation 2005.

Dated at Sydney this 15th day of September 2009.

Pete Jackson

RM BUNYON
CHAIRMAN

PG JACKSON
DIRECTOR

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Rocky Point Holdings Pty Limited

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

I have audited the accompanying financial report of Rocky Point Holdings Pty Limited (the Company), which comprises the balance sheet as at 30 June 2009, the income statement, statement of recognised income and expense and cash flow statement for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Company as at 30 June 2009, and its financial performance for the period then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005
- complies with International Financial Reporting Standards as disclosed in Note 1(b).

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

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

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

Peter Achterstraat
Auditor-General

15 September 2009
SYDNEY

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