IN THE AUSTRALIAN COMPETITION TRIBUNAL

AGL ENERGY LIMITED

of 2014

RE: PROPOSED ACQUISITION OF MACQUARIE GENERATION (A CORPORATION ESTABLISHED UNDER THE ENERGY SERVICES CORPORATIONS ACT 1995 (NSW))

ANNEXURE CERTIFICATE

This is the annexure marked "**AF-22**" annexed to the statement of **ANTHONY GARTH FOWLER** dated 23 March 2014

Annexure AF-22

Filed on behalf of (name & role of party) AGL Energy Limited
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[Form approved 01/08/2011]

Macquarie *Generation*

2012 - 2013 Annual Report

Contents

Letter to the Shareholders

The Hon. Michael Baird
Treasurer

The Hon. Andrew Constance
Minister for Finance and Services

Parliament of New South Wales
Macquarie Street
SYDNEY NSW 2000

Dear Shareholders

It is our pleasure on behalf of the Macquarie Generation Board to submit the Corporation's Annual Report for the period 1 July 2012 to 30 June 2013.

The Report includes Consolidated Income Statements, the Consolidated Balance Sheets, the Consolidated Statements of Recognised Income and Expense and the Consolidated Cash Flow Statements, as audited by the Auditor-General of New South Wales.

The Report complies with the requirement of Section 24A of the *State Owned Corporations Act 1989* and Section 10 of the *Annual Reports (Statutory Bodies) Act 1984* and is submitted to the Shareholders for presentation to the Parliament.

Lucio Di Bartolomeo
Chairman

Ron Finlay
Director

October 2013

About Macquarie Generation

Macquarie Generation is a State Owned Corporation formed in 1996. We strive to be a safe and successful business, proudly powering our community.

The Corporation's core business activity is the production, marketing and sale of electricity into the wholesale segment of the National Electricity Market.

Macquarie Generation owns and operates Liddell and Bayswater Power Stations, two of Australia's largest capacity thermal power stations.

Macquarie Generation operates under the *Energy Services Corporations Act 1995,* administered by the NSW Minister for Resources and Energy, and the *State Owned Corporations Act 1989*.

In 2013, Macquarie Generation supplied 12% of the electricity consumed by the National Electricity Market.

The National Electricity Market comprises the mainland States of New South Wales, Victoria, Queensland, South Australia, the Australian Capital Territory and Tasmania.

Liddell and Bayswater Power Stations are located in the Upper Hunter Valley of New South Wales between the towns of Singleton and Muswellbrook. The power stations' combined generating capacity is 4,640 Megawatts (MW).

Within the power stations' precinct, approximately 10,000 hectares of former grazing land adapted for the purposes of electricity generation, Macquarie Generation also owns and operates two 25 MW oil-fired gas turbines.

The principal fuel for the power stations is black coal, most of which is delivered by overland conveyors and rail in conjunction with export operations at Hunter Valley mines and NSW western coalfield operations.

Both power stations are permitted under licence to co-fire biomass with coal at a maximum blend rate of 5%. Liddell is also permitted to co-fire recycled oil to a maximum blend rate of 5%.

Macquarie Generation has an independent Board of Directors, appointed by the Shareholders, the Treasurer of New South Wales and the Minister for Finance and Services.

An executive team lead by the Chief Executive is responsible for the Corporation's day-to-day business activities.

At 30 June 2013, Macquarie Generation employed a total of 642 people, including 54 apprentices.

Our Purpose

Why we exist
Powering our community

What we want to become
One MacGen that is safe, proud and successful

Our Big Goals
Safety is the way we do things
We are all engaged, committed and proud
We live one MacGen
Restore our value to $3 billion

Our Portfolio

Liddell Power Station – 2000MW

2012-13 Production

Energy Sent Out:	6,307,004 MWh
Availability:	56.5%
Forced Outage Rate:	35.89
Station Trip Rate (per 1000 hrs):	0.252

Bayswater Power Station – 2640MW

2012-13 Production

Energy Sent Out:	15,562,425 MWh
Availability:	84.5%
Forced Outage Rate:	9.43
Station Trip Rate (per 1000 hrs):	0.032

Organisational Structure

Board of Directors – at 30 June 2013

Lucio Di Bartolomeo – *MESc BE (Civil)*
Chairman and Non-executive Director

Ron Finlay - *LLB*
Non-executive Director

Jim Evans – *BEc CPA FFIN FAICD*
Non-executive Director

Patricia McKenzie – *LLB FAICD*
Non-executive Director

Russell Skelton - BE
Chief Executive & Managing Director

Executive Management Team – at 30 June 2013

David Ipkendanz – until 17 June 2013
Chief Financial Officer & Company Secretary

Diane Moriarty – from 17 June 2013
Acting Chief Financial Officer & Company Secretary

Kevin Wykes
General Manager Engineering

Ray Durie
General Manager Fuel

Michael Lifson
General Manager Information Technology

David Ipkendanz – from 17 June 2013
General Manager Transition

Colin Duck
General Manager Operations

Tim Allen
General Manager Trading

Sharon Howes
General Manager Human Resources

Leisl Baumgartner
General Manager Corporate Affairs

Chairman's Report

Over the last 12 months the electricity industry in Australia has continued to face some difficult market conditions, and an uncertain legislative and policy environment.

Demand for electricity has remained subdued and margins in the wholesale electricity market low, placing pressure on profitability in the generation sector.

This challenging environment has required sound financial management and a focus on building business value, while maintaining a commitment to safety and strong leadership.

Although it has been a difficult year Macquarie Generation has achieved solid financial results.

Revenue has remained strong; however our carbon liability and reduced margins in the wholesale market have had an impact on profit.

Safety remains our highest priority, and we will always place safety above all else. So while we have made many improvements to our safety systems and behaviours, we are disappointed to report an increase in lost time injuries, although a slight reduction in medically treated injuries is pleasing.

Financial highlights include;

- Sales revenue of $1,080.8 million
- Earnings before interest and tax of $208.1 million
- Net profit before tax of $58.9 million
- Net profit after tax of $41.3 million

The NSW Government has continued work on reform in the NSW electricity industry during the 2012-13 year. We will continue to work with Government and the sales team towards the sale of Liddell and Bayswater Power Stations and the Bayswater B and the Tomago gas development projects.

In conclusion we would like to thank all Macquarie Generation employees for work this year. Our industry has a proud history and while our future may be uncertain, we can be confident we will continue to make a substantial contribution to our region, State and national economies, and the lives of all in our community.

I thank our Executive team and my Board colleagues. Managing our business through challenging times requires creativity and commitment and your hard work over the last 12 months has been appreciated.

Lucio Di Bartolomeo
Chairman

Performance Highlights

- Revenue, excluding interest income, increased by 13.1% to $1,080.8 million as a result of the carbon inclusive pool price. However, the increase in pool prices did not fully offset the increased carbon expenses. Market conditions during 2012/2013 financial year were generally subdued due to low demand, adequate generation supply and mild weather resulting in lower than expected pool prices.
- Total Expenses excluding depreciation and fair value losses on Derivative Financial Instruments increased by 48.9% due mainly to the impact of the Carbon Tax.
- Earnings Before Interest And Tax (EBIT), after allowing for fair value changes in financial instruments in the year ended June 2013, decreased from $228.7 million to $99.4 million, again due to the carbon tax.
- Net finance costs decreased by 29.5% from $57.5 million to $40.5 million due to lower average debt balances.
- Approximately $81 million debt was repaid during the year.
- The Clean Energy Legislative Package has had a significant impact on the valuation of the Corporation's assets, resulting in a decrease in asset values of $999.9 million in December 2011. This has also resulted in a decrease in depreciation expense of approximately $20 million for the first full year after the decrease.
- Net Profit Before Tax decreased by 65.6% to $58.9 million due mainly to the impact of the Carbon Tax.
- Net Profit After Tax decreased by 65.5% to $41.3 million as a result.
- Capital expenditure decreased by 18.6% from $23.2 million to $18.9 million due mainly to the completion of a number of large projects in recent years.
- Dividends provided are $30.0 million and will be paid during the 2013/2014 year.
- The Corporation paid income tax of $96.2 million to the Office of State Revenue during the financial year.
- The Corporation has income tax receivable of $19.3 million in relation to the 2012/2013 year as disclosed in Note 6 of the Financial Statements, which will be received during the 2013/2014 year.
- The Corporation maintained good safety performance with only four lost time injuries during the financial year.

A summary of Macquarie Generation's Financial Performance from 1 July 2012 to 30 June 2013.

	2013	2012	% Change
Income Statement ($ millions)			
Revenue excluding interest	**1,080.8**	955.6	13.1
Other income	**1.9**	16.0	(88.1)
Fair value gains (losses) on electricity derivative financial instruments	**15.2**	(5.4)	(381.5)
Fair value gains (losses) on other derivative financial instruments	**2.0**	0.6	233.3
Expenses excluding depreciation	**(891.8)**	(599.1)	48.9
Earnings before depreciation, interest and tax and after fair value movements in derivative financial instruments	**208.1**	367.7	(43.4)
Depreciation expense	**(108.7)**	(139.0)	(21.8)
Earnings before interest and tax and after fair value movements in derivative financial instruments (EBIT)	**99.4**	228.7	(56.5)
Net finance costs	**(40.5)**	(57.5)	(29.5)
Profit before income tax expense	**58.9**	171.2	(65.6)
Income tax expense	**(17.6)**	(51.4)	(65.8)
PROFIT FOR THE YEAR	**41.3**	119.8	(65.5)
Cash Flow Statement ($ millions)			
Net cash inflows from operating activities (excluding net finance costs)	**154.4**	287.7	(46.3)
Capital expenditure	**(18.9)**	(23.2)	(18.6)
Dividends paid	**(124.0)**	(130.0)	(4.6)
Income tax paid	**(96.2)**	(63.1)	52.5
Balance Sheet ($ millions)			
Total Assets	**2,904.6**	2,952.5	(1.6)
Total Borrowings	**710.6**	791.6	(10.2)
Total Equity	**1,125.3**	1,031.2	9.1
Dividend provided	**30.0**	124.0	(75.8)
Financial Statistics			
EBIT to Revenue (%)	**9.2**	23.9	(61.6)
EBIT to Total Assets (%)	**3.4**	7.7	(55.8)
EBIT to Average Assets (%)	**3.4**	6.5	(47.8)
Debt to Equity (%)	**63.2**	76.8	(17.7)
Interest Cover (times)	**2.5**	4.0	(38.3)
Return (before tax) on Equity (%)	**5.2**	16.6	(68.5)
Return (after tax) on Equity (%)	**3.7**	11.6	(68.1)
Return (after tax) on average Equity (%)	**3.8**	8.3	(54.2)
Operating Statistics			
EBIT per average employee ($ 000's)	**158.7**	369.2	(57.0)
Equivalent forced outage (%)	**21.6**	13.3	62.3
Availability (%)	**72.3**	81.5	(11.3)
Production per average employee (GWh)	**34.7**	39.4	(11.9)

Environment Policy

Macquarie Generation produces electricity from the operation of Bayswater and Liddell coal-fired power stations within the upper Hunter Valley of New South Wales.

Protection of the environment is an essential part of our business. Our objective is to comply with all applicable legal requirements and other requirements to which we subscribe, in a commercially effective way, which is consistent with community expectations.

It is recognised that good environmental performance is the responsibility of our employees and contractors working on our sites. This will be achieved by effective planning and management including establishment of objectives and targets, maintaining proper reporting systems and providing adequate training for all employees.

We are committed to:

- Continual improvement of our environmental performance.
- Maintaining an Environmental Management System compliant with ISO 14001.
- Utilising operating practices which seek to prevent pollution and minimise environmental impacts in a commercially effective way by:
    - efficient use of energy and resources with a view to reducing consumption and minimising emissions or discharges to the environment;
    - waste management practices that include waste minimisation, recycling and approved waste handling and disposal; and
    - regular environmental assessment of the impact of existing operations
- Implementing environmental incident response procedures for emergencies or other events which pose a risk to health, safety or the environment.
- Facilitating communication within the organisation as well as consultation with governments, contractors, industry groups and the public on matters relating to the environment.
- Periodically reviewing our Environmental Management System and progress towards achieving environmental objectives and targets.

Environmental Performance

Regulatory Compliance	
NSW EPA Licences:	4
Other NSW Government Licences:	1
Licence breaches notified:	3
Coal Consumed	
Bayswater	7,331,511 tonnes
Liddell	3,155,248 tonnes
Oils Used	
Liddell (boiler start-up)	6,277,329 litres
Bayswater (boiler start-up)	4,977,279 litres
Air Emissions (i)	
Sulfur dioxide	3.98 kg/MWh (Bayswater) 3.94 kg/MWh (Liddell)
Oxides of Nitrogen (Expressed as NO2)	2.28 kg/MWh (Bayswater) 2.32 kg/MWh (Liddell)
Particulate matter	0.021 kg/MWh (Bayswater) 0.038 kg/MWh (Liddell)
Carbon Dioxide (ii)	866 kg C02-e/MWh (Bayswater) 922 kg C02-e /MWh (Liddell)
Water Management	
Water Diverted	56,005 ML
Salt Extracted	15,449 tonnes
Hunter River Salinity Trading Scheme	
Salt discharged	9,505 tonnes

(i) Annual average
(ii) Formulated from total fuel consumption

Macquarie Generation is:
A registered participant in the Commonwealth Energy Efficiency Opportunities program
A member Clean Air Society of Australia and New Zealand (CASANZ)
A member the Clean Energy Council
A member of the Hunter Salinity Trading Scheme Operations Committee
Assessed and registered as complying with the requirements of the Australian Standard AS/NZS ISO 14001:2004 - Environmental Management Systems - Requirements with Guidance for Use.

Occupational Health and Safety Policy

Macquarie Generation produces electricity through the safe, responsible and efficient operation of Bayswater and Liddell Power Stations. A safe working environment is fundamental to our business success and we are committed to achieving zero harm workplaces through effective planning, management and safe work practices.

The health, safety and welfare of employees, contractors and visitors at all our workplaces take priority. Where individuals have genuine safety concerns, they have the right to stop the job to seek further risk assessment.

All individuals have safety responsibilities at our workplaces, including contractors and visitors.

Identification, elimination, control and management of risks and hazards, together with appropriate reporting systems, contribute to our achievement of safe work environments.
We are committed to:

- Continual improvement of our safety performance
- Consolidating and maintaining an OHS Management System compliant with AS 4801
- Meeting obligations consistent with employee and community expectations
- Complying with relevant legal and other requirements
- Establishing and regularly reviewing safety objectives and targets
- Ensuring that persons working for or on behalf of the Corporation have the competencies to work safely
- Monitoring others working on or visiting our sites to ensure compliance with legal obligations and OHS instructions
- Encouraging employees and others to positively contribute to our safety management programs through consultation processes
- Supporting and strengthening employees' participation in *i-Safe*, our safety behaviour program
- Progressively eliminating smoking from our workplaces

Safety Performance

Lost Time Injury Rate - incidents per million hours worked

2013	3.1
2012	1.6
2011	2.4

Medically Treated Injury Rate - incidents per million hours worked

2013	3.6
2012	4.1
2011	2.3

Safety Incentive Scheme – Westpac Rescue Helicopter Service

To recognise the achievement of lost time injury targets, the Corporation has maintained during 2012-13 a scheme that provides donations to the Hunter's Westpac Rescue Helicopter Service for every 100 days lost time injury free. The scheme covers all sites, and resulted in donations totalling $70,000 for the year.

Financial Statements
1 July 2012 to 30 June 2013

MACQUARIE GENERATION
2013 DIRECTORS' REPORT

The Board of Directors present their report together with the Financial Statements of Macquarie Generation (the Corporation) for the year ended 30 June 2013 and the Auditor's report thereon.

DIRECTORS

The following persons were Directors of Macquarie Generation during the whole of the financial year and up to the date of this report unless otherwise stated:

Lucio Di Bartolomeo
James Evans
Ron Finlay
Patricia McKenzie (appointed 20 November 2012)
Russell Skelton

INFORMATION ON DIRECTORS

'ıcio Di Bartolomeo
: (Civil) MESc
Non-executive Director

Mr Di Bartolomeo was appointed Chairman of Macquarie Generation on 14 August 2009. Mr Di Bartolomeo was reappointed as Chairman on 26 July 2012 for a three year term ending on 13 August 2015. Mr Di Bartolomeo was appointed as a Director of Macquarie Generation on 14 August 2006. Mr Di Bartolomeo is a member of the Board Remuneration and Human Resources Committee and Board Health, Safety and Environment Committee.

Mr Di Bartolomeo's last Executive role was as Managing Director of ADI Limited and the Country Director for Thales in Australia.

Prior to his appointment at ADI in September 2002, Mr Di Bartolomeo had a 26 year career in the transport industry. His last position in the transport industry was Managing Director of FreightCorp, which he led to privatisation in 2002 following extensive reform and growth.

Mr Di Bartolomeo is currently a non-executive Director of Australian Rail Track Corporation Ltd (ARTC) and Australian Super Pty Limited. Mr Di Bartolomeo is currently the National President of the Australian Industry Group.
r Di Bartolomeo was also appointed the Interim CEO of the Moorebank Intermodal Company Limited in January 2013 until June 2013.

Mr Di Bartolomeo was a non-executive Director and Chair of Parklands Foundation and a non-executive Director of Reliance Rail Pty Ltd and Downer EDI Limited (resigned November 2012).

Mr Di Bartolomeo has no other former directorships in the last three years.

Russell Skelton
BE
Chief Executive and Managing Director

Mr Skelton was appointed as Chief Executive on 1 March 2011 and Managing Director on 20 May 2011.

Mr Skelton is a non-executive Director of the National Generators Forum Limited.

Mr Skelton has over thirty years of extensive engineering and managerial experience in the electricity industry in New South Wales. His previous role was Manager/Marketing and Trading of Macquarie Generation.

Mr Skelton has no other former directorships in the last three years.

James Evans
BEc CPA F FIN FAICD
Non-executive Director

Mr Evans was appointed a Director of Macquarie Generation on 1 July 2010. Mr Evans was reappointed for a further one year period ending 30 June 2014. Mr Evans is the Chairman of the Board Audit and Assurance Committee and a member of the Board Remuneration and Human Resources Committee and Board Health, Safety and Environment Committee.

Mr Evans has held senior management positions in Finance and Risk in Funds Management and Insurance with the Commonwealth Bank, Lend Lease Group, GEC Australia and Finance, Information Technology Systems and Corporate Planning with Grace Bros Department Stores.

Mr Evans is a non-executive director of Equigroup group of companies, Suncorp Portfolio Services Limited, Hastings Fund Management Limited, BT Investment Management Limited, J O Hambro Capital Management Limited and Investa Wholesale Funds Management Limited.

Mr Evans was a non-executive Director of Australian Infrastructure Fund Limited, Investa Funds Management Limited, Westpac Funds Management Limited, Freshwater Funds Management Limited, Solarwinds Software Australia Pty Ltd and major subsidiary companies in the Commonwealth Bank including, Commonwealth Insurance Limited and Commonwealth Funds Management Limited.

Mr Evans has no other former directorships in the last three years.

Ronald A Finlay
LLB
Non-executive Director

Mr Finlay was appointed as a Director of Macquarie Generation on 1 July 2010. Mr Finlay was reappointed for a further one year period ending 30 June 2014. Mr Finlay is the Chairman of the Board Health, Safety and Environment Committee and a member of the Board Audit and Assurance Committee and the Board Remuneration and Human Resources Committee.

Mr Finlay is a lawyer and has had over 35 years' experience in construction, development, energy and infrastructure projects for both public and private sector organisations.

Mr Finlay has served on the Darling Harbour Authority, Central Sydney Planning Committee and for six years as Chair of NSW Transport Infrastructure Development Corporation. Mr Finlay is a non-executive director of the listed infrastructure asset-owning company, DUET Group and Chairman of a number of joint venture boards, advisory boards and dispute resolution boards for major projects, including as Chairman of AquaSure Pty Limited (developer of the Victorian Desalination Project). He is the Principal in his own firms of Finlay Consulting and R A Finlay, Lawyer.

Mr Finlay has no other former directorships in the last three years.

Patricia McKenzie
LLB FAICD
Non-executive Director

Ms McKenzie was appointed as a Director of Macquarie Generation on 20 November 2012 for a three year period ending on 19 November 2015. Mrs McKenzie is the Chairman of the Board Remuneration and Board Human Resources Committee and a member of the Board Audit and Assurance Committee and Health, Safety and Environment Committee.

Ms McKenzie is an experienced Chair and Director in the energy, health and not for profit sectors, and was previously CEO of Gas Market Company Ltd and Chief Corporate Counsel AGL Group. Ms McKenzie is currently a non-executive Director of APA Group and Healthdirect Australia (National Health Call Centre Network Ltd), and the Chair of the Cromehurst Foundation Ltd. Ms McKenzie was a member of the NSW Premiers Council on Women from 2008 to 2010. Ms McKenzie was previously a Director of the Australian Energy Market Operator and Chair of Diabetes Australia Ltd and Sunnyfield.

Ms McKenzie has no other former directorships in the last three years.

.vid Ipkendanz
BEc Dip Ed FCPA
Company Secretary (until 17 June 2013)

Mr Ipkendanz was appointed to the position of Chief Financial Officer and Company Secretary in 1996. Before joining Macquarie Generation he held similar positions with the Australian Submarine Corporation Pty Limited, Namoi Cotton Co-operative and Utah Development Corporation.

Mr Ipkendanz has held a range of senior financial management positions continuously since 1982.

Diane Moriarty
BComm CPA MBA
Acting Company Secretary (from 17 June 2013)

Mrs Moriarty commenced acting in the role as Company Secretary on 17 June 2013.

Mrs Moriarty has over twenty six years of financial, accounting and managerial experience in the electricity industry in ːw South Wales. Her previous role was Financial Controller of Macquarie Generation.

DIRECTORS' MEETINGS

The number of Directors' meetings of the Corporation (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors during the financial year ended 30 June 2013 were:

	Board Meetings		Board Audit and Assurance Committee Meetings	
	Held	Attended	Held	Attended
Mr Lucio Di Bartolomeo[1]	9	9	3	3
Mr James Evans	9	9	3	3
Mr Ron Finlay	9	9	3	3
Ms Patricia McKenzie[2]	6	6	2	2
Mr Russell Skelton[3]	9	9	3	3

DIRECTORS' MEETINGS (CONTINUED)

	Board Remuneration and Human Resources Committee Meetings		Board Health, Safety, and Environment Committee Meeting	
	Held	Attended	Held	Attended
Mr Lucio Di Bartolomeo	2	2	1	1
Mr James Evans	2	2	1	1
Mr Ron Finlay	2	2	1	1
Ms Patricia McKenzie	-	-	1	1
Mr Russell Skelton	2	2	1	1

(1) Although not a member of the Board Audit and Assurance Committee, Mr Di Bartolomeo attended all meetings of the Committee by invitation.

(2) Although not a member of the Board Audit and Assurance Committee, Mr Skelton attended all meetings of the Committee by invitation.

(3) Although not a member of either the Board Health, Safety and Environment Committee or the Board Remuneration and Human Resources Committee, Mr Skelton attended all meetings of the Committee's by invitation.

PRINCIPAL ACTIVITIES

The principal activities of the Corporation during the course of the financial year were:

- the operation and maintenance of coal fired thermal power stations for the purpose of generating and selling electricity into the wholesale energy market;
- the marketing and sale of electricity into the New South Wales region of the National Energy Market, and
- the management of market risk arising from participation in the New South Wales region of the National Energy Market.

There have been no significant changes in the nature of the activities of the Corporation during the year.

OPERATING RESULTS

The Net Profit after Tax of the Corporation for the financial year ended 30 June 2013 was $41.3 million.

REVIEW OF OPERATIONS

The operations of the Corporation during the financial year and the results of those operations are outlined in the attached Financial Statements.

DIVIDENDS

Dividends paid or proposed by the Corporation since the end of the previous financial year were:

- an interim dividend of $62.0 million in respect of the year ended 30 June 2012 was paid in July 2012;
- a final dividend of $62.0 million in respect of the year ended 30 June 2012 was paid in November 2012; and
- a dividend of $30 million in respect of the year ended 30 June 2013 has been provided for in the Financial Statements.

STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Corporation during the financial year.

REMUNERATION REPORT

Information on the Remuneration of Directors and Executives is disclosed in Note 29 to the Financial Statements.

LIKELY DEVELOPMENTS

Except for the following issues, in the opinion of the Directors, all appropriate information concerning likely developments in, and the likely results of, the operations of the Corporation are contained in the attached Financial Statements.

Carbon Pricing Mechanism

The Clean Energy Legislative Package was passed on 8 November 2011.

.e carbon pricing mechanism has had a significant impact on the Corporation's valuation of assets and may have a significant impact on the Corporation's profitability and estimated useful lives of the Corporation's infrastructure assets.

A discounted cash flow valuation of property, plant and equipment was conducted effective 31 December 2011 resulting in a decrease in asset values of $999.9 million. An updated discounted cash flow valuation of property, plant and equipment was conducted effective 30 June 2013, resulting in no material change in asset values.

Strategic Plans and Operations

Further information as to the likely developments in the operations of the Corporation and the expected results of those operations in subsequent financial years has not been included in this report because the Directors believe, on reasonable grounds, that the impact of the Clean Energy Act 2011 on the Corporation is not able to be adequately or reasonably estimated.

In addition, the Electricity Generator Assets (Authorised Transactions) Act 2012 was assented to by the Governor of New South Wales on 5 June 2012. The legislation provides for the privatisation of New South Wales electricity generator assets including those of Macquarie Generation.

ıne sale program commenced on the 6 July 2012 with the appointment of Goldman Sachs as specialist financial advisors. On 30 July 2013 the Government called for expressions of interest for the purchase of Macquarie Generation's electricity generator assets. At this stage in the sale process Macquarie Generation has been advised by the Government to continue on a business as usual basis.

EVENTS SUBSEQUENT TO BALANCE DATE

Except for the following issues, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Corporation, to affect significantly the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation.

Electricity derivative financial instruments

Between 30 June 2013 and the date of signing the Financial Statements on 30 August 2013, the fair value of the Electricity Derivative Financial Instruments Assets have decreased by $7 million and the fair value of the Electricity Derivative Financial Instruments Liabilities have increased by $7million when marked to model in accordance with AASB 139 *Financial Instruments: Recognition and Measurement,* due mainly to changes in the electricity forward price curve.

Reference is made to the Electricity Derivative Contracts in Notes 14 and 24 of the Financial Statements.

ENVIRONMENTAL PERFORMANCE REPORT

Protection of the Environment Operations Act 1997

Bayswater and Liddell Power Stations are licensed by the Office of Environment and Heritage (OEH) under the Protection of the Environment Operations Act 1997.

Both stations are required to continuously monitor atmospheric emissions of particulate matter, sulphur dioxide and .rogen oxide, and have reporting limits specified in the licences. The Bayswater licence includes the requirement to monitor ambient air conditions at seven sites in the vicinity of the power stations.

The Bayswater licence also regulates the volume, concentration and type of pollutants in aqueous discharges to Lake Liddell and Tinkers Creek, as well as the discharge from Lake Liddell to the Hunter River under the Hunter River Salinity Trading Scheme. It also includes the operation of the Antiene Rail Unloader and permits the discharge of ash to the Ravensworth Ash Disposal site.

The Liddell licence also includes the operation of the adjacent Hunter Valley Gas Turbines and the Ravensworth Rail Unloader.

A condition of licensing includes a requirement to report to the OEH the following:

- information obtained from monitoring,
- information when thresholds for some licensed discharge limits are reached; and
- events or occurrences which caused actual or potential environmental harm not otherwise permitted by the licence.

e annual certificate of compliance for the Bayswater Power Station licence was submitted 25 March 2013 for the ɪ2 months ending 31 January 2013

The annual certificate of compliance for the Liddell licence was completed on 3 August 2013 for the 12 months ending 30 June 2013.

Water Management Act 2000

The Corporation has been issued with Water Access Licences and an Approval under the Water Management Act 2000.

These licences provide the Corporation with a level of certainty and security to obtain sufficient water for the operation of Bayswater and Liddell Power Stations over the long term.

Water Management Act 2000 (Continued)

Macquarie Generation holds:

- A Water Management Licence under Part 9 of the Water Act 1912 for water management works and water use for Hunter River unregulated water and for extraction from the Barnard River; and
- Access Licences and a Water Supply Works and Water Use Approval under the Water Management Act 2000 for extraction in the Hunter Regulated River water source.

Protection of the Environment Operations (Waste) Regulation 2005

Liddell has a non-licensed asbestos landfill site. There is no requirement to report under the Protection of the Environment Operations (Waste) Regulation 2005.

Renewable Energy (Electricity) Act 2000

Macquarie Generation has a physical supply contract with Tomago Aluminium. Due to this contract Macquarie Generation ,s an obligation under the Renewable Energy (Electricity) Act 2000 to source power from renewable sources. Macquarie Generation has entered into a commercial arrangement to meet this obligation.

The National Greenhouse and Energy Reporting Act 2007 (NGER Act)

The NGER Act establishes a single national framework to report greenhouse gas emissions and energy production and consumption. Macquarie Generation's fourth report pursuant to the requirements of the NGER Act was lodged on 18 October 2012.

The Corporation is in a position to continue to provide the required reports in a timely manner.

Waste Reduction and Purchasing Policy (WRAPP)

The Waste Reduction and Purchasing Policy requires all New South Wales State Owned Corporations to reduce waste and to increase purchases of operating supplies and materials that include recycled content from the following four areas:

- paper products (eg stationery)
- office equipment and consumables (eg toner cartridges),
- vegetation material (eg biomass); and
- construction and demolition material (eg concrete, fill or asphalt).

Macquarie Generation has implemented the Policy, including preparing a Waste Reduction and Purchasing Plan and reporting to the OEH. The items reported in the plan are a minor component of Macquarie Generation's operations.

More significant waste reduction activities during the financial year include:

- the sale of 9,370 m^3 of cenospheres produced from Liddell power station and the re-use of 298,551 tonnes of ash in cement manufacture, landscaping and road works representing approximately 10% of the total of 2,833,215 tonnes of ash produced during the financial year (2012–330,744 tonnes representing 10% of 3,206,530 tonnes total).

Waste Reduction and Purchasing Policy (WRAPP)

- 2,368 tonnes of Lime and Gypsum were recycled from brine concentrator waste produced at the Bayswater water treatment plant.

DIRECTORS' INTERESTS

No Director holds an interest in the share capital of the Corporation.

Directors' Benefits

No Director has declared the receipt of, or has declared an entitlement to receive, during or since the financial year, a benefit as a result of a contract made by the Corporation with a Director, an entity of which a Director is a member or an entity in which a Director has a substantial financial interest.

The following Director has disclosed that he holds a position with the following organisations. The Corporation has business dealings with a division of those organisations, which are all made in the normal course of business and on normal commercial terms.

Director	Position	Organisation
Lucio Di Bartolomeo	Chairman	Downer EDI Limited (Resigned November 2012)
	Non Executive Director	ARTC

The Corporation has three current contracts with a division of Downer EDI Limited totalling $5.1 million.

The Corporation has one current contract with Australian Rail Track Corporation Ltd totalling $175 million over ten years.

Indemnification of Directors and Officers

During the financial year Macquarie Generation paid a premium of $191,884 including GST and stamp duty, to insure the Directors and certain officers of the Corporation. The policy covers losses and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and officers in their capacity as Directors and officers of the Corporation.

At the date of this report no claims have been made against the policy.

Rounding of Amounts

Amounts in the Financial Statements and Directors' Report have been rounded to the nearest thousand dollars unless otherwise indicated.

Signed in accordance with a resolution of the Directors.

L DI BARTOLOMEO
CHAIRMAN
30 August 2013
Sydney

R W SKELTON
CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

START OF AUDITED FINANCIAL STATEMENTS

MACQUARIE GENERATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	**30 June 2013**	30 June 2012
		$'000	$'000
Continuing operations			
Revenue	3	**1,098,431**	973,576
Other income, excluding gains on derivative financial instruments	3	**1,923**	15,972
Finance costs	4	**(58,106)**	(75,320)
Carbon tax expense		**(298,473)**	-
Other expenses		**(702,033)**	(738,111)
Net fair value (losses) gains on derivative financial instruments	3,4	**17,226**	(4,866)
·ofit before income tax expense		**58,968**	171,251
Income tax on profit	5	**(17,642)**	(51,446)
Net Profit for the year attributable to Owner of the Corporation		**41,326**	119,805
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of cash flow hedges net of tax	21(b)	**50,238**	(52,925)
Items that will not be reclassified subsequently to profit or loss:			
Revaluation (decrement) increment on property, plant and equipment net of tax	21(b)	**2,658**	(698,354)
Defined benefit superannuation actuarial gains (losses) net of tax	21(c)	**29,857**	(76,893)
Other comprehensive income (loss) for the year net of tax		**82,753**	(828,172)
Total comprehensive income (loss) income for the year		**124,079**	(708,367)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes

MACQUARIE GENERATION

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Notes	**30 June 2013**	30 June 2012
		$'000	$'000
Current Assets			
Cash and cash equivalents	8	**324,309**	425,653
Trade and other receivables	9	**117,073**	90,641
Inventories	10	**187,133**	169,240
Derivative financial instruments	14	**57,948**	12,427
Current tax assets	6	**19,288**	-
Other assets	15	**1,127**	1,565
Total Current Assets		**706,878**	699,526
Non-Current Assets			
Property, plant and equipment	11	**2,015,795**	2,098,041
Deferred tax assets	12	**116,538**	102,950
Intangible assets	13	**11,645**	10,060
Derivative financial instruments	14	**53,730**	41,951
Total Non-Current Assets		**2,197,708**	2,253,002
Total Assets		**2,904,586**	2,952,528
Current Liabilities			
Trade and other payables	16	**96,332**	87,197
Borrowings	17	**4,915**	26,625
Derivative financial instruments	14	**31,754**	51,194
Current tax liabilities	6	**-**	33,895
Provisions	19	**197,340**	173,021
Total Current Liabilities		**330,341**	371,932
Non-Current Liabilities			
Borrowings	17	**705,713**	765,011
Derivative financial instruments	14	**25,474**	28,469
Deferred tax liabilities	18	**532,674**	508,952
Provisions	19	**143,050**	202,294
Other liabilities	20	**42,062**	44,677
Total Non-Current Liabilities		**1,448,973**	1,549,403
Total Liabilities		**1,779,314**	1,921,335
Net Assets		**1,125,272**	1,031,193
Equity			
Contributed equity	21(a)	**281,078**	281,078
Reserves	21(b)	**756,180**	703,480
Retained profits	21(c)	**88,014**	46,635
Total Equity		**1,125,272**	1,031,193

The above Statement of Financial Position should be read in conjunction with the accompanying notes

MACQUARIE GENERATION

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Contributed Equity	Asset revaluation reserve	Cash flow hedge reserve	Retained profits	Total Equity
		$'000	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2012		281,078	730,348	(26,868)	46,635	1,031,193
Profit for the period		-	-	-	41,326	41,326
Realised asset revaluation reserve		-	2,658	50,238	29,857	82,753
Total comprehensive income for the period		-	2,658	50,238	71,183	124,079
Movement in Reserves	**21(b)**	-	(196)	-	196	-
Transactions with owners in their capacity as owners:						
Dividends provided for or paid		-	-	-	(30,000)	(30,000)
At 30 June 2013		281,078	732,810	23,370	88,014	1,125,272

	Note	Contributed Equity	Asset revaluation reserve	Cash flow hedge reserve	Retained profits	Total Equity
		$'000	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2011		281,078	1,429,036	26,057	127,389	1,863,560
Profit for the period		-	-	-	119,805	119,805
Realised asset revaluation reserve		-	(698,354)	(52,925)	(76,893)	(828,172)
Total comprehensive income for the period		-	(698,354)	(52,925)	42,912	(708,367)
Movement in Reserves	21(b)	-	(334)	-	334	-
Transactions with owners in their capacity as owners:						
Dividends provided for or paid		-	-	-	(124,000)	(124,000)
At 30 June 2012		281,078	730,348	(26,868)	46,635	1,031,193

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

MACQUARIE GENERATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013	2012
		$'000	$'000
Cash Flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		**1,190,752**	998,532
Payments to suppliers and employees (inclusive of goods and services tax)		**(940,241)**	(647,726)
Interest received		**16,565**	17,886
Interest paid		**(58,487)**	(70,404)
Income tax paid		**(96,157)**	(63,101)
Receipt of insurance proceeds		**-**	13,601
NET CASH INFLOWS FROM OPERATING ACTIVITIES	22	**112,432**	248,788
Cash Flows from Investing Activities			
·oceeds from sale of property, plant and equipment		**10,281**	318
Payments for property, plant and equipment		**(18,367)**	(22,935)
Payments for intangible assets		**(543)**	(275)
Receipt of government grants for capital projects		**500**	1,250
NET CASH (OUTFLOWS) FROM INVESTING ACTIVITIES		**(8,129)**	(21,642)
Cash Flows from Financing Activities			
Repayments of New South Wales Treasury Corporation loans		**(81,647)**	(35,825)
Dividends paid to Shareholders		**(124,000)**	(130,000)
NET CASH (OUTFLOWS) FROM FINANCING ACTIVITIES		**(205,647)**	(165,825)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(101,344)**	61,321
Cash and cash equivalents at the beginning of the financial year		**425,653**	364,332
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	**324,309**	425,653

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

These General Purpose Financial Statements have been prepared as required by the State Owned Corporations Act, 1989; and in accordance with the Public Finance and Audit Act, 1983; Public Finance and Audit Regulation 2010; Australian Accounting Standards; and other authoritative pronouncements of the Australian Accounting Standards Board.

The Corporation is classified as a for-profit entity for the purposes of the application of Australian Accounting Standards and after consideration of all factors contained in New South Wales Treasury Policy TPP 05-4 *Distinguishing For-Profit from Not-For-Profit Entities*.

(i) Compliance with IFRS

Compliance with Australian Accounting standards ensure that the financial statements and notes of the company comply th International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

(ii) Australian Accounting Standards

In the current reporting period the Corporation has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2012. The new pronouncements did not impact the results or position of the Corporation, as they did not result in any changes to existing accounting policies.

At the date of authorisation of the Financial Statements, a number of Australian Accounting Standards and Interpretations are in issue but are not effective for the current year end. Apart from those pronouncements listed below, these changes will not impact the reported results and position of the Corporation as they do not result in any changes to existing accounting policies. Adoption may, however, result in changes to information currently disclosed in the financial statements. The Corporation will not adopt any of these pronouncements before their effective dates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation (continued)

AASB amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for Corporation
AASB 9	AASB 9 *Financial Instruments* and *AASB 2010-07 Amendments to Australian Accounting Standards arising from AASB 9*	These changes are not expected to have a material impact on the Entity's Financial Statements.	1 January 2015	1 July 2015
AASB 1053	AASB 1053 *Application of Tiers of Australian Accounting Standards*	Application of this policy will be subject to future mandates by New South Wales Treasury.	1 July 2013	1 July 2013
AASB 13	AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*	These changes will provide additional disclosures, but will not have a material impact on the Entity's Financial Statements.	1 January 2013	1 July 2013
AASB 119	AASB 119 *Employee Benefits* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119*	These changes are not expected to have a material impact on the Entity's Financial Statements.	1 January 2013	1 July 2013
AASB 2011-4	AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*	These changes are not expected to have a material impact on the Entity's Financial Statements.	1 July 2013	1 July 2013
AASB 2012-2	AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*	These changes will provide additional disclosures, but will not have a material impact on the Entity's Financial Statements.	1 January 2013	1 July 2013
AASB 2012-3	AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*	These changes will provide additional disclosures, but will not have a material impact on the Entity's Financial Statements.	1 January 2014	1 July 2014

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation (continued)

(iii) Historic cost convention

These Financial Statements have been prepared under the historic cost convention, as modified by the revaluation of financial assets and liabilities, including derivative financial instruments, at fair value through profit or loss, revaluation of emission rights and property, plant and equipment, which as noted is at independent or Directors' valuation.

(iv) Significant accounting judgements, estimates and assumptions

Significant accounting judgements

In the process of applying the Corporation's accounting policies, management has made various judgements, apart from those involving estimates, which have significant effect on the amounts recognised in the Financial Statements. These judgements have been made with an underlying business as usual assumption.

The definition of an asset in accordance with AASB 116 *Property, Plant and Equipment* for the purposes of offsetting revaluation increments and decrements in the asset revaluation reserve has been determined to be at the power station level. The rationale for this it that all components of the complex infrastructure asset being the power station plant must function and combine together to produce electricity.

This interpretation is in accordance with New South Wales Treasury's *Mandates of Options and Major Policy Decisions under Australian Accounting Standards (TC13-02)* which are mandatory for all New South Wales public sector agencies.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are as follows:

- Provision for insurance

Various actuarial assumptions are required when determining the Corporation's liability in relation to future dust diseases claims. The nature of the assumptions and related carrying amounts are disclosed in Note 1(u) and Note 19 – Provision for Insurance.

- Defined benefit superannuation funds

Various actuarial assumptions are required when determining the Corporation's defined benefit obligations. The nature of the assumptions and related carrying amounts are disclosed in Note 25 – Superannuation.

- Property, plant and equipment

Various assumptions are required when determining the Corporation's fair value and recoverable amount in relation to property, plant and equipment. The nature of the assumptions and related carrying amounts are disclosed in Note 11 – Property, Plant and Equipment.

- Valuation of long dated electricity supply contracts

Various assumptions are required when determining the Corporation's fair value of long dated electricity supply contracts. The assumptions are disclosed in Note 1(q).

- Carbon pricing mechanism

Forecasts and estimates used by management have also assumed the existence of a carbon pricing mechanism as described in Note 30.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation (continued)

- Impairment of assets

Macquarie Generation assesses impairment at the end of each reporting period by evaluating conditions specific to it that may lead to indicators of impairment of assets in accordance with Note 1(f). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Key estimates and assumptions are made in determining the recoverable amount of assets including demand, gas price, the impact of the carbon pricing mechanism and the discount rate.

The sources for the key estimates and assumptions, leading to uncertainty in valuations, include:

(a) Forecast electricity prices
The projected cash flows include the estimated electricity price for future periods which is determined by forecast demand projections. Demand forecasts are based on Management's expectation taking into account current and historical market conditions and forward year growth rate estimates.

(b) Gas Prices
Future generation mix within a carbon price environment indicates a low probability of new coal fired generation. New entrants are assumed to be predominantly gas fired with a component of renewable energy sources. Gas price forecasts are essential for understanding the long term impact of new gas fired entrants into the electricity market and corresponding impact this would have on pricing, loss of market share and reduced generation for coal fired operators. The forecast gas price is based on the AEMO National Transmission Network Development Plan.

(c) Carbon price
On 18 November 2011 the Clean Energy Act 2011(Act) received Royal Assent and was substantively enacted. The Act implemented a carbon pricing mechanism from 1 July 2012. The carbon price trajectory adopted is the EUA forward curve with an initial carbon price at commencement on 1 July 2012 of \$23/t CO_2 and then a transition to a cap and trade pricing mechanism from 1 July 2015.

(d) Discount rate
The discount rate is used to calculate the present value of projected future cash flows. The rate represents a weighted average cost of capital (WACC) being the estimate of the overall required rate of return on an investment for both debt and equity owners. Determination of the WACC is based on the separate analysis of debt and equity costs utilising publically available information including the risk free interest rate, a risk premium based on comparable companies within the industry and the underlying cost of debt.

- Inventories

Coal stockpile levels are determined through volumetric and density surveys undertaken by registered surveyors, Craven Elliston & Hayes (Lithgow) Pty Ltd, on behalf of the Corporation. Significant estimate and judgment is used when extrapolating sample survey data collected across coal stockpiles. Any variation in density or volume between the sample collected and actual stockpile may impact the Corporation's reported financial position and results which includes inventory and other expenses.

(b) Income Tax

Macquarie Generation is subject to the National Tax Equivalent Regime which reflects Federal Income Tax Legislation.

The income tax expense for the period is the tax payable on the current period's taxable income based on the company

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Income Tax (continued)

income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements, and to unused tax losses. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences, carry-forward of unused tax losses and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

,rrent and deferred tax balances attributable to amounts recognised directly in Equity or Other Comprehensive Income are also recognised directly in Equity or Other Comprehensive Income respectively.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same tax authority.

(c) Other Taxes - Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred by the Corporation as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

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

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO are classified as operating cash flows.

(d) Foreign Currency Translation

Transactions denominated in a foreign currency are converted to Australian dollars at the exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except when recognised in other comprehensive income and deferred in equity as qualifying cash flow hedges.

(e) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

(i) Electricity sales are recognised when metered as delivered. Electricity sales revenue comprises National Electricity Market settlements at spot market prices, net payments due to the Corporation by counterparties in respect of electricity derivative contracts and a direct supply contract.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue Recognition (continued)

Electricity production by-products sales are recognised when the significant risk and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(f) Impairment of Assets

The Corporation assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Corporation makes an estimate of the set's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be determined to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. Infrastructure assets are considered to belong to one cash generating unit on the basis that all components of the complex infrastructure asset being the power station plant must function and combine together to produce electricity. In accordance with New South Wales Treasury Accounting Policy *Valuation of Physical Non-Current Assets at Fair Value (TPP 07-1)*, the recoverable amount of specialised property plant and equipment is based on value in use where there is no market based evidence of selling prices available. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using the Corporation's weighted average cost of capital that represents a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the asset.

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the nction of the impaired asset unless the asset is carried at revalued amount with a resulting reserve carried in equity, in which case the impairment loss is treated as a revaluation decrease.

The discounted cash flow, or value in use, valuation of property, plant and equipment was conducted effective 30 June 2013 in accordance with AASB 136 *Impairment of Assets*. The discounted cash flow valuation of property, plant and equipment uses a number of management estimates to arrive at cash inflows and outflows which are subject to volatility in the competitive energy and coal markets.

Revenues and costs are forecast based on management's best estimate and costs are escalated at CPI of 2.5%, except for labour which is escalated in accordance with New South Wales Treasury guidelines. Management estimates take account of the carbon pricing mechanism as legislated in the Clean Energy Legislative Package.

(g) Financial Assets

Financial assets are recognised when an entity becomes party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. Transactions costs which are directly attributable to the acquisition or issue

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Assets (continued)
of financial assets are added to the fair value of the financial asset, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in the profit or loss.

Financial assets are classified into the following specified categories as either "fair value through profit or loss" (FVTPL), "held to maturity investments", "available for sale" financial assets or "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. At the reporting date the types of Financial Assets for the purpose of disclosure was limited to "fair value through profit or loss", and "loans and receivables".

Effective Interest Method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial Assets at Fair Value through Profit or Loss
Financial assets are classified as financial assets at fair value through profit or loss where the financial asset is a derivative that is not part of a qualifying hedge relationship. Financial assets at fair value through profit or loss are stated at fair value with any resultant gain or loss recognised in profit or loss. Fair value is determined in the manner described in Note 1(q).

Loans and Receivables
Cash and cash equivalents and trade and sundry debtors from which there are fixed or determinable receipts and are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method less impairment. Interest is recognised by applying the effective interest rate.

Available for sale financial assets
Available for sale financial assets, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available for sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium and long term. Available for sale financial assets are stated at fair value with any resultant gain or loss recognised in other comprehensive income.

Impairment of financial assets
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset that the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Assets (continued)
trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets
A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset the Corporation recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Statement of Cash Flows presentation
For Statement of Cash Flows presentation purposes cash and cash equivalents comprise cash on hand and deposits at call which are readily convertible to cash and are subject to an insignificant risk of changes in value, and bank overdrafts.

The deposits at call include deposits held with the Commonwealth Bank of Australia, New South Wales Treasury Corporation including the Hour-Glass Cash Facility and other financial institutions.

Bank overdrafts are shown within borrowings under current liabilities on the Statement of Financial Position.

(h) Inventories
Stores and materials, coal and oil stocks are valued at the lower of cost and net realisable value.

Cost is determined using the weighted average cost method which is updated upon the receipt of new items and includes the costs incurred in bringing each product to its present location and condition.

(i) Property, Plant and Equipment
Capitalisation and Initial Recognition
Property, plant and equipment are brought to account at cost or at fair value, less, where applicable, any accumulated depreciation and accumulated impairment losses.

In general, non-current physical assets with a value greater than $1,000 are capitalised.

Valuation of Property, Plant and Equipment
Property, plant and equipment are valued at fair value in accordance with Australian Accounting Standard AASB 116 *Property, Plant and Equipment* and New South Wales Treasury Accounting Policy *Valuation of Physical Non-Current Assets at Fair Value (TPP 07-1)*, which provides additional guidance on applying AASB 116 to public sector assets.

Revaluations are made with sufficient regularity to ensure that the carrying amount does not materially differ from fair value at reporting date. Subject to the above, assets are revalued at least every five years.

Where the Corporation revalues depreciable assets by reference to an index to the depreciated replacement cost, the gross amount and accumulated depreciation are separately stated. Otherwise, any accumulated depreciation at the date

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, Plant and Equipment (continued)

of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amounts arising on the revaluation of property, plant and equipment are credited to the asset revaluation reserve in equity. To the extent that the increase reverses a decrease previously recognised in profit attributable to the same asset, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged directly against the asset revaluation reserve in equity to the extent of the remaining reserve attributable to that asset. All other decreases are charged to the Statement of Comprehensive Income.

Assets acquired or constructed since the last revaluation are valued at cost. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases for property, plant and equipment.

bsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably.

Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each item of property, plant and equipment, other than freehold land, over its estimated useful life to the Corporation.

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

timates of useful lives are made on a regular basis for all assets and these are:

Power Stations	50 years
Other Buildings	30 - 35 years
Other Plant and Equipment	2.5 - 15 years

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

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 asset, is included in profit or loss in the year the asset is derecognised.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained profits.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, Plant and Equipment (continued)

Impairment
The carrying values of plant and equipment are reviewed for impairment at each reporting date; refer Note 1(f).

Asset Revaluation Reserve
The asset revaluation reserve is used to record increments and decrements arising from the revaluation of non-current assets.

(j) Leased Assets

The determination of whether an arrangement contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Macquarie Generation leases a large proportion of its mobile plant under fully maintained operating leases. Operating ase payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(k) Intangible Assets

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses where it has been determined there is no active market.

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over the estimated useful life.

The useful lives of intangible assets are assessed to be either finite or indefinite. Any indefinite life assessment is reviewed each reporting period to determine whether it continues to be supportable. If not supportable, the change in the useful life assessment from indefinite to finite would be accounted for as a change in accounting estimate.

Intangibles with indefinite useful lives are tested for impairment annually.

Internally generated intangible assets
:search costs are recorded as an expense as incurred.

Management judgement is required to determine whether to capitalise development costs. Development costs are only capitalised if it can be demonstrated that the project is technically and commercially feasible, an asset arises that can be sold or used to generate revenue or savings, and the Corporation has sufficient resources and intent to complete the development and ability to reliably measure the expenditure attributable to the intangible assets during its development.

External costs of materials and services directly associated with the development phase of generating intangibles for internal use are capitalised when they satisfy the criteria described above.

Acquired Intangibles
Water Access Licences
The Corporation has purchased Water Access Licences, which allow access to certain categories of water under the Water Sharing Plan for the Hunter Regulated River Water Source.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible Assets (continued)

The useful lives of water access licences have been and continue to be assessed as indefinite since August 2005 as they are held in perpetuity under the Water Management Act 2000 with a title independent of any landholdings.

Salinity Credits

The Corporation has purchased Salinity Credits, which allow discharge of salty water under the Hunter River Salinity Trading Scheme. Salinity credits are amortised over a ten year lifespan.

(l) Emission Rights

As a consequence of the New South Wales Greenhouse Gas Abatement Scheme (GGAS) legislation, Macquarie Generation has had an obligation to acquire and acquit NGACs with respect to the Tomago Aluminium direct supply contract.

Following the closure of the GGAS, outstanding NGACs were carried forward to September 2012 for the purposes of acquitting against the Corporation's remaining liabilities under the scheme. The revaluation of NGACs was accounted for the Statement of Comprehensive Income as an electricity generation operational expense.

Macquarie Generation also acquires Energy Saving Certificates (ESCs) as a participant in the New South Wales Energy Savings Scheme. The Corporation holds purchased ESCs which are recognised in the Financial Statements at cost. The Corporation's ESC liability is recognised in the Financial Statements as a Current Provision at the estimated amount required to settle the obligation.

The Corporation also holds internally generated and Renewable Energy Certificates (RECs) which are recognised in the Financial Statements at fair value.

REC and ESC assets are tested annually for impairment.

At the time of issuing these Financial Statements neither the International Accounting Standards Board nor the Australian Accounting Standards Board have issued authoritative pronouncements on the Accounting for Emission Rights.

(m) Carbon tax

In relation to the Carbon Pricing Mechanism, the Corporation records its emission liability in accordance with accounting ındard AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

<u>Accounting for emission liability</u>

As carbon dioxide is emitted, an obligation arises to deliver carbon permits to the Government. The emission liability and expense is recorded as and when carbon is emitted throughout the year, with the expectation that the Corporation will cross the annual threshold.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Carbon tax (continued)

Accounting for permits

The permits are recorded at cost, based on the amount paid, and classified as Other Assets.

The emission liability and the permit assets are shown on a net basis, as the Corporation has a legally enforceable right to set-off the amounts of the permit and its obligation to pay for the emission liability (i.e. the Corporation will only either be in a net liability or a net asset position since it will either have to pay the Government for its emissions or holding permits in excess of what it is liable to pay) and intends to settle on a net basis.

(n) Financial Instruments issued by the Company

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

(o) Financial Liabilities

ıancial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial Liabilities at fair value through profit and loss

Financial liabilities are classified as financial liabilities at fair value through profit or loss where the financial liability is a derivative that does not form part of a qualifying hedge relationship. Financial liabilities at fair value through profit or loss are stated at fair value with any resultant gain or loss recognised in profit or loss. Fair value is determined in the manner described in Note 1(p).

Other Financial Liabilities

Other financial liabilities, including borrowings, trade and other payables, and security deposits, the latter of which is disclosed as other liabilities, are initially measured at fair value, net of transaction costs. Other financial liabilities, excluding security deposits, are subsequently measured at amortised cost using the effective interest rate method.

The security deposits are disclosed in Note 20 and include amounts provided under the terms of a long term electricity supply contract. The deposit is non-interest bearing and is repayable upon any breach of contract by Macquarie Generation or upon completion of the contract in 2017.

(p) Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Corporation designated certain derivatives as hedges of highly probable forecast transactions, being cash flow hedges.

The Corporation documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Corporation also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Derivative Financial Instruments (continued)

in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 24. The movements in the hedge accounting reserve in equity are shown in Note 21.

Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognised in equity in the hedge accounting reserve. The gain or loss relating to the ineffective portion is recognised immediately in the profit of loss.

Amounts accumulated in equity are recycled in the profit or loss in the periods when the hedged item will affect profit or loss, for example when the forecast electricity sale that is hedged takes place in the same line as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, for example property, plant and equipment, or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the non-financial asset or non-financial liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the profit or loss.

Embedded derivative

Embedded derivatives are separated from the host contract and are accounted for separately at fair value.

The electricity derivative contracts – held for trading includes the fair value of an embedded derivative in relation to a long term direct electricity supply contract.

(q) Fair Value of Financial Instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement, and for disclosure purposes.

Electricity and Interest Rate Derivatives

The fair values of financial assets and financial liabilities including derivatives are determined as follows:

- Those with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. These currently include electricity and interest rate futures which are traded on futures exchanges.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Fair Value of Financial Instruments (continued)

- Other fair values are determined in accordance with generally accepted pricing models based on discounted cash flow analysis and where applicable option pricing models using market rates from current observable current market transactions adjusted for any differences. These currently include electricity derivative contracts including swaps, options and the embedded derivative and forward foreign exchange contracts.

- The utilisation of management assumptions are limited to the cost plus margin methodology for the long term supply contracts. The main assumptions in the cost plus margin model are that of a fixed ratio of cost inputs (labour and raw materials). These inputs are substantially represented in the sales contracts to which relevant indexation applies. Accordingly, to the extent the ratio of cost inputs remains significantly unchanged and the contracted indexation reflects changes in actual costs then the fair value since inception must also remain significantly unchanged. Management reviews cost ratios and indexation results on a recurring basis.

Other Financial Assets and Financial Liabilities

The fair value of loans and receivables and other financial liabilities is represented by their carrying value, except in regard to borrowings which are recognised at amortised cost.
The fair value of other monetary financial assets and liabilities for disclosure purposes are based on market prices where markets exist or estimated by discounting the future contractual cash flows by the current market interest rate that is available to the Corporation for similar derivative financial instruments.

(r) Hedge Accounting Reserve – Cash Flow Hedges

The hedge accounting reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 1(o) above. Amounts are recognised in the profit and loss when the associated hedge transaction affects profit and loss.

(s) Maintenance and Repairs

Plant owned by the Corporation is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance is charged as an expenses as incurred, except where it relates to the replacement of a significant component of an asset, in which case the costs are capitalised and depreciated over the asset's remaining useful life in accordance with Note 1(i). Other routine operating maintenance, repairs and minor renewal costs are also charged as expenses as incurred.

(t) Employee Benefits

Wages, Salaries and Annual Leave

Liabilities for wages, salaries and annual leave expected to be settled within one year of the reporting date, are recognised in the provision for employee benefits in respect of services provided by employees up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for annual leave which are expected to be settled more than one year after the reporting date are recognised in the provision for employee benefits in respect of services provided by employees up to the reporting date, are measured at the amounts expected to be paid when the liabilities are settled and are discounted using interest rates on Commonwealth Government Bonds with terms to maturity that match, as far as possible, the estimated future cash outflows.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee Benefits (continued)

Long Service Leave

A liability for long service leave is recognised in the provision for employee benefits and is determined using the Projected Unit Credit actuarial valuation method and represents the present value of expected future payments to be made in respect of services provided by employees up to balance date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on Commonwealth Government Bonds with terms to maturity that match, as far as possible, the estimated future cash outflows.

Superannuation

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability or asset in respect of defined benefit superannuation is recognised, and is measured as the difference between the present value of defined benefit obligation at the reporting date and the fair value of the schemes' assets at that date. The liability is assessed annually by actuaries based on data maintained by the SAS Trustee Corporation. It is calculated using the latest actuarial economic assumptions applied to the schemes as a whole using the Projected Unit Credit actuarial valuation method.

The present value of the gross liability is based on expected future payments, which arise from membership of the schemes to balance date in respect of the contributory service of current and past employees.

Consideration is given to expected future wage and salary levels, expected future investment earnings rate, growth rate in Consumer Price Index, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on Commonwealth Government Bonds with terms to maturity that match, as closely as possible, the estimated future cash flows. The amount included in the Statement of Comprehensive Income in respect of superannuation represents the contributions made by the Corporation to the superannuation schemes, adjusted by the actuarial movement in the superannuation asset or liability.

Future taxes that are funded by the schemes and are part of the provision of the existing benefit obligation, for example taxes on investment income and employer contributions, are taken into account in measuring the net liability or asset.

The actuarial gains or losses are recognised in retained earnings in the year in which they occur.

Employee Benefit On-Costs

Employee benefit on-costs, including payroll tax, fringe benefits tax, superannuation and workers' compensation insurance premiums are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(u) Provision for Insurance

Macquarie Generation has an insurance program which covers the Corporation for catastrophic public liability and property claims and motor vehicle damage.

It is more cost effective for the Corporation to maintain an internal provision for insurance to provide for non-catastrophic losses and other non-insurable claims.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Provision for Insurance (continued)

The Provision for Insurance includes existing and future public liability dust diseases claims for employees of contractors and their relatives associated with Liddell Power Station. Macquarie Generation's obligations for dust disease claims will be transferred to NSW Self Insurance Corporation on 1 August 2013.

The existing and future dust diseases claims relate to exposure to asbestos from 1967 to 1974 during the construction and operation of Liddell Power Station. Thereafter Macquarie Generation's exposure to asbestos declined as a result of the removal of asbestos from Liddell Power Station and improving safety standards resulting in very low exposure after about 1982.

The Directors' assessment of the Provision for Insurance relating to existing and future public liability claims for dust diseases is based on an Actuarial Valuation undertaken by NSW Treasury to determine the obligation to be transferred to NSW Self Insurance Corporation..

e actuarial valuation of the future claims for dust diseases contained uncertainty as to the number of, amount and timing of the future claims. The total provision for insurance includes a provision for future dust diseases related insurance claims of $12,277,000 being the best estimate as advised by the Actuary. The Actuary applied a discount rate of 3.9% based on Government Bond yields at 28 February 2013 at the time of preparation of the Actuary's report. The underlying valuation also assumed 75% probability of sufficiency.

(v) Provision for Dividends

Provision is made for dividends determined by the Directors on or before the end of the financial year but not distributed at the reporting date and is in accordance with New South Wales Treasury Dividend Policy.

(w) Provision for Mine Rehabilitation

The Corporation owns land, which includes mine sites that have attached to them a statutory obligation to rehabilitate that land, under the terms of a license issued by the Department of Primary Industries. The future rehabilitation costs are expected to be incurred over the operating life of Bayswater Power Station and have been estimated by specialist internal technical staff based on current information and legal requirements. The balance of the provision represents the net present value of the estimated future cash flows required to complete the rehabilitation process, discounted by the Corporation's weighted average cost of capital, at the reporting date.

(x) Government Grants

When grants are received that relate to an expense item, they are recognised as income in the periods necessary to match the grant to the costs that it is intended to compensate.

When the grant relates to an asset, the receipt is credited to deferred income and is released to the statement of comprehensive income over the expected useful life of the relevant asset.

(y) Rounding of Amounts

Amounts shown in these Financial Statements are rounded to the nearest thousand dollars and are expressed in Australian currency.

(z) Comparative Figures

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Corporate Information

The Financial Statements of the Corporation for the period ended 30 June 2013 were authorised for issue in accordance with a resolution of the Directors of Macquarie Generation on 30 August 2013.

NOTE 2. FINANCIAL AND CAPITAL RISK MANAGEMENT

The Corporation's principal financial instruments, other than derivatives, comprise cash, receivables, payables, borrowings and other liabilities and are disclosed in Notes 8, 9, 16, 17 and 20. The Corporation's derivative financial instruments are disclosed in Note 14.

The Corporation's activities including the sale of wholesale electricity and treasury management expose it to a variety of financial risks including:

- Market risk (including currency risk, interest rate risk and price risk)
- Credit risk
- Liquidity risk

The Corporation's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Corporation from unfavourable movements in wholesale electricity prices, foreign exchange rates and interest rates. The Corporation uses derivative financial instruments such as a variety of electricity hedging contracts, foreign exchange contracts and interest rate derivative contracts to hedge certain risk exposures.

The Corporation's risk management framework comprises Board approved policies that govern the objectives, policies and processes for managing and monitoring the risks associated with financial instruments, as described below.

The Board reviews compliance with these policies and exposure limits.

(a) Market Risk

Foreign Exchange Risk

In the normal course of business the Corporation enters into foreign currency contracts for future payments for the supply of infrastructure parts and equipment. These transactions expose the Corporation to foreign exchange risk.

The Board approved policies require that the foreign exchange risk on exposures greater than $250,000 are managed through the use of forward foreign exchange contracts. The exposures are for the estimated future payments applicable under approved contracts entered into by the Corporation for the firm commitment of the purchase.

The forward foreign exchange contracts must be in the same currency as the hedged item and are entered immediately after the contract is appropriately approved.

The forward foreign exchange contracts are timed to mature when the payments are expected to be made to the suppliers under the contract terms.

Interest rate risk

The Corporation's exposure to market risk for changes in interest rates arises from its borrowings and investment of excess funds.

Borrowings – New South Wales Treasury Corporation loans

New South Wales Treasury Corporation (TCorp) manages interest rate risk exposures applicable to specific borrowings of

NOTE 2. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Market Risk (continued)

the Corporation in accordance with Board approved policies. TCorp receives a fee for this service which includes a performance component where TCorp is able to add value by achieving a reduction in the Corporation's debt costs against an agreed benchmark.

The objectives of the Board approved policies are to contain the potential for financial loss from unfavourable movements in interest rates. The Corporation manages interest rate risk with the use of interest rate swaps, interest rate futures and options.

The Corporation uses interest rate derivative financial instruments in accordance with Board approved policies to establish short term (tactical) and longer term (strategic) positions within agreed tolerance limits to manage the portfolio duration and maturity profiles.

Details of New South Wales Treasury Corporation loans are disclosed in Note 17.

Investment of excess funds

The Corporation holds units in the New South Wales Treasury Hour-Glass Cash Facility which invests in cash and money market instruments with maturities of up to 2 years.

The unit price of the facility is equal to the total fair value of the net assets held by the facility divided by the total number of units on issue for the facility. Unit prices are calculated and published daily.

The Corporation also holds term deposits with financial institutions for maturities of 3 to 6 months.

Interest rate risk

NSW Treasury Corporation (TCorp) as trustee for the above facility is required to act in the best interests of the unit holders and to administer the trust in accordance with the trust deed. As trustee, TCorp has appointed external managers to manage the performance and risks of the facility in accordance with a mandate agreed by the parties. TCorp acts as manager for part of the Cash Facility. A significant portion of the administration of the facility is outsourced to an external custodian.

ectricity Price risk

Macquarie Generation operates in the National Electricity Market and sells the majority of its electricity output into the New South Wales Pool. Macquarie Generation receives the New South Wales floating pool price per half hour based on the energy (MWh) supplied per half hour.

The overall objective of the Corporation is to reduce the variability in cash flows associated with electricity sales within acceptable risk management guidelines and parameters as set out in the Board approved policies.

Electricity derivative contracts are used to manage the price risk associated with the sale of electricity.

Details of electricity derivative contracts are included in Notes 24(b).

NOTE 2. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(b) Credit Risk
Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Corporation.

Macquarie Generation's maximum exposure to credit risk at balance date is represented by the carrying amount of financial assets on the Statement of Financial Position including any asset derivative financial instruments, net of any provision for impairment of receivables and any collateral received from individual counterparties not exceeding assets due from that counterparty.

The deposits held with TCorp are guaranteed by the State of New South Wales and are AAA-rated by Standard and Poors.

The Corporation does not have any significant credit risk exposure to any single counterparty or a group of counterparties with similar characteristics.

,e receivables of the Corporation include amounts receivable from secured debtors (21%) and other debtors (79%). The other debtors are represented mainly by futures clearing houses and energy market participants with acceptable credit ratings.

The financial effect of collateral held by the Corporation at June 2013 is $1,439,000 (2011: $21,756,000). The Corporation has not granted any financial guarantees.

Electricity Derivative Contracts
The Corporation manages its credit risk exposure to Electricity Derivative Contracts by applying a Board approved policy under which the exposure limit applicable to each respective counterparty is determined with reference to an acceptable public credit rating assigned by an approved credit rating agency.

In the absence of an acceptable public rating, the Corporation requires acceptable credit support.

The Corporation calculates the credit exposure to contract counterparties in accordance with a Loss Given Default methodology.

rward foreign exchange contracts, interest rate derivative contracts
I he Corporation is exposed to credit risks associated with interest rate derivative transactions and forward foreign exchange contracts entered into on it's behalf by New South Wales Treasury Corporation in accordance with Board approved policies.

Transactions are restricted to high credit quality counterparties who have a strong or better capacity as defined by ratings agencies, to meet cash flow obligations.

(c) Liquidity Risk
Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due.

The Corporation continuously manages liquidity risk through monitoring future short and longer term cash flow forecasts to ensure there is adequate holding of high quality liquid assets and committed credit facilities.

The Corporation manages its liquidity risk exposure to New South Wales Treasury Corporation loans by applying a Board approved policy which prescribes the prudential limits applicable to the maturity profile and liquidity limits of the total debt portfolio.

NOTE 2. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity Risk (continued)

The Corporation arranges with New South Wales Treasury Corporation sufficient borrowings and financing facilities limits under the Public Authorities (Financial Arrangements) Act 1987.

The details of credit standby arrangements and the used and unused loan facilities of the Corporation are disclosed in Note 17.

(d) Capital risk management

The Corporation manages its capital to ensure that it is able to continue as a going concern while maximising the return to the Shareholders.

The Corporation's capital structure is maintained under the New South Wales Treasury Dividend Policy and the Shareholders' Statement of Corporate Intent process and remains unchanged from 2012.

.e capital structure of the Corporation consists of debt, which includes borrowings disclosed in Note 17, equity consisting of the contributed equity of the Shareholders and equity consisting of reserves and retained earnings as disclosed in Note 21.

Operating cash flows are used to maintain and upgrade the Corporation's assets as well as to make the routine outflows of tax, interest and dividend and to periodically prepay debt.

As the holder of an Australian Financial Services Licence (AFSL), the Corporation has regulatory requirements under the Corporations Law as regulated by the Australian Securities and Investments Commission (ASIC). In accordance with the Corporation's AFSL conditions, the Corporation's Net Tangible Assets must exceed $500 million in accordance with ASIC's regulatory definitions. The Corporation has not breached any of the AFSL conditions during the year or as at the date of signing the Financial Statements.

	Notes	2013 $' 000	2012 $' 000
NOTE 3. REVENUE			
Sales revenue			
Sale of electricity		**1,077,218**	952,213
Sale of electricity production by-products		**2,303**	2,162
		1,079,521	954,375
Other revenue			
Other miscellaneous revenue		**1,295**	1,256
Interest		**17,615**	17,945
		18,910	19,201
Revenue		**1,098,431**	973,576
Other income			
Net gain on foreign currency derivatives "at fair value through profit or loss" (FVTPL)		**139**	129
Net gain on electricity derivative contracts at FVTPL		**15,183**	-
Net gain on interest rate derivative contracts at FVTPL		**1,904**	447
Fair value gains on derivative financial instruments at FVTPL		**17,226**	576
Cash flow hedge ineffectiveness		-	-
Revaluation increment - non-infrastructure - buildings		**456**	530
Government grants		**590**	98
Service fees		**877**	1,007
Insurance settlement proceeds		-	14,337
Other income, excluding gains on derivative financial instruments		**1,923**	15,972
Total other income		**19,149**	16,548

NOTE 4. EXPENSES

Profit before income tax expense includes the following specific expenses:

	Notes	2013 $' 000	2012 $' 000
Net loss on electricity derivative contracts at FVTPL		-	5,442
Fair value losses on derivative financial instruments at FVTPL		-	5,442
Finance costs			
Interest and related finance charges on borrowings		**57,166**	74,011
Insurance provision - unwinding of discount		**320**	562
Mine restoration provision - change in discount rate		**79**	157
Mine restoration provision - unwinding of discount		**541**	590
		58,106	75,320

	Notes	2013 $' 000	2012 $' 000
NOTE 4. EXPENSES (continued)			
Depreciation and amortisation of			
Buildings		**356**	294
Plant and equipment		**108,284**	138,719
Intangibles		**55**	-
Total depreciation		**108,695**	139,013
Bad and doubtful debts			
Sundry debtors		**4**	27
Total bad and doubtful debts		**4**	27
et loss on disposal of non-current assets			
Plant and equipment - Other		**37**	17
Plant and equipment - Power Stations		**1,214**	307
Land		**(12,883)**	-
Total loss on disposal of non-current assets		**(11,632)**	324
Employee benefits			
Annual leave and long service leave entitlements		**15,118**	16,654
Superannuation expense defined benefits superannuation funds, excluding actuarial losses		**(563)**	1,654
Superannuation contributions to accumulation funds		**3,267**	3,188
Salaries and wages		**73,875**	68,808
Total employee benefits expense		**91,697**	90,304
Operating lease rentals		**3,768**	3,577
Non-executive Directors' remuneration		**303**	382
Auditors' remuneration			
Audit of the financial statements		**245**	238
Australian Financial Services Licence Assurance		**6**	-
Consultants' fees		**2,937**	2,049
Write-downs (write-ups) in value of inventories		**(5,521)**	4,675

	Notes	2013 $' 000	2012 $' 000
NOTE 5. INCOME TAX EXPENSE			
(a) Income tax recognised in profit or loss for continuing operations			
Income tax expense comprises:			
Current tax expense		**42,966**	101,255
Current tax under/(over) provided in prior years		**8**	(57)
Deferred tax (benefit) expense relating to the origination and reversal of temporary differences		**(25,332)**	(49,752)
Income tax expense		**17,642**	51,446
Disclosed in the Income Statement as:			
Income tax on profit		**17,642**	51,446
come tax expense		**17,642**	51,446
Deferred income tax expense (benefit) included in income tax expense comprises:			
(Increase) decrease in deferred tax assets	12	**(38,664)**	2,370
Increase (Decrease) in deferred tax liabilities	18	**13,332**	(52,122)
		(25,332)	(49,752)
(b) Numerical reconciliation of income tax expense to prima facie tax payable:			
Profit before income tax from continuing operations		**58,968**	171,251
Profit before income tax expense		**58,968**	171,251
Income tax at Corporation's income tax rate of 30% (2012 - 30%)		**17,690**	51,375
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Entertainment expenses		**13**	20
_egal expenses		**-**	(1)
Sundry items		**(69)**	109
		(56)	128
Under/(Over) provision in previous year		**8**	(57)
Income tax expense (benefit)		**17,642**	51,446
Income tax expense (benefit) is attributable to:			
Continuing operations		**17,642**	51,446
		17,642	51,446

	Notes	2013 $' 000	2012 $' 000
NOTE 5. INCOME TAX EXPENSE (continued)			
(c) Income tax recognised directly in other comprehensive income for continuing operations			
Aggregate current and deferred tax arising in the current reporting period and not recognised in net profit or loss but debited or (credited) directly to other comprehensive income			
Current tax:			
Revaluation of property, plant and equipment		**1,139**	(299,294)
		1,139	(299,294)
Deferred tax:			
Revaluation of derivative financial instruments - cash flow hedges		**21,530**	(22,682)
:tuarial valuation of defined benefits superannuation		**12,796**	(32,953)
		34,326	(55,635)
NOTE 6. CURRENT TAX ASSETS AND LIABILITIES			
Income tax (receivable)/payable by Macquarie Generation		**(19,288)**	33,895
		(19,288)	33,895

	Notes	2013 $' 000	2012 $' 000

NOTE 7. DIVIDEND

In accordance with the share dividends scheme determined by the voting shareholders, and as required by the Energy Services Corporation Act, 1995, the Board has provided for a dividend payment of $30,000,000 (2012 - $124,000,000). This will be paid during the course of the 2013/2014 financial year and is represented by the balance of provision at 30 June 2013 as disclosed in Note 19.

NOTE 8. CASH AND CASH EQUIVALENTS

	Notes	2013 $' 000	2012 $' 000
Cash on hand		8	8
Deposits in the New South Wales Treasury Corporation (TCorp) Hour-Glass Cash Facility		182,646	394,170
Other deposits at call		7,655	1,475
Short-term deposits		134,000	30,000
		324,309	425,653

Reconciliation of cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

		2013	2012
Balances as disclosed above		324,309	425,653
Balances per Cash Flow Statement		324,309	425,653

NOTE 9. RECEIVABLES

		2013	2012
Current			
Trade debtors		107,936	81,447
Sundry debtors		8,918	8,765
Less: Provision for impairment of sundry debtors		22	24
		8,896	8,741
Other prepayments		241	453
		117,073	90,641

Movements: Provision for impairment of sundry debtors

		2013	2012
Balance at the beginning of the year		24	-
Additions		-	24
Amounts written off as uncollectible		(2)	-
Balance at the end of the year		22	24

NOTE 10. INVENTORIES

		2013	2012
Coal stocks (at cost)		105,441	94,861
Stores and materials (at cost)		78,873	71,670
Oil stocks (at cost)		2,819	2,709
		187,133	169,240

Note 11. PROPERTY, PLANT AND EQUIPMENT

(a) Carrying values

The carrying amounts of each class of non-current property, plant and equipment at the beginning and end of the current and previous financial years are set out below. The impact of Australia's carbon pricing mechanism on these values is discussed at Note 30.

		Power Stations		Non-infrastructure			Total
		Land	Plant and Equipment	Land	Buildings	Plant and Equipment	
Fair Value ($' 000)	Notes						
Carrying amount at 1 July 2011		23,118	4,593,363	3,768	4,730	31,327	4,656,306
Additions		417	17,356	-	69	2,650	20,492
Revaluation increment (decrement)	3,21(b)	2,277	(1,567,443)	-	1,065	-	(1,564,101)
Transfers		-	83	-	7	(90)	-
Disposals		-	(581)	-	-	(3,642)	(4,223)
Carrying amount at 30 June 2012		25,812	3,042,778	3,768	5,871	30,245	3,108,474
Additions		663	19,290	-	-	4,353	24,306
Revaluation increment (decrement)	3,21(b)	3,797	-	-	1,028	-	4,825
Transfers		(361)	(46)	-	-	46	(361)
Disposals		(455)	(1,591)	-	-	(2,153)	(4,199)
Carrying amount at 30 June 2013		29,456	3,060,431	3,768	6,899	32,491	3,133,045
Depreciation and impairment							
Carrying amount at 1 July 2011		-	(1,422,498)	-	(1,602)	(17,884)	(1,441,984)
Revaluation increment (decrement)	3,21(b)	-	567,518	-	(535)	-	566,983
Disposals		-	265	-	-	3,316	3,581
Impairment		-	-	-	-	-	-
Depreciation expense		-	(135,054)	-	(294)	(3,665)	(139,013)
Carrying amount at 30 June 2012		-	(989,769)	-	(2,431)	(18,233)	(1,010,433)
Revaluation increment (decrement)	3,21(b)	-	-	-	(571)	-	(571)
Disposals		-	377	-	-	2,017	2,394
Impairment		-	-	-	-	-	-
Depreciation expense		-	(104,943)	-	(356)	(3,341)	(108,640)
Carrying amount at 30 June 2013		-	(1,094,335)	-	(3,358)	(19,557)	(1,117,250)

Note 11. PROPERTY, PLANT AND EQUIPMENT (continued)

Net book value ($' 000)	Land	Plant and Equipment	Land	Buildings	Plant and Equipment	
At 1 July 2011	23,118	3,170,865	3,768	3,128	13,443	3,214,322
At 30 June 2012	25,812	2,053,009	3,768	3,440	12,012	2,098,041
At 30 June 2013	29,456	1,966,096	3,768	3,541	12,934	2,015,795

Notes:

The above tables include work in progress carried at cost for Power Stations plant and equipment of $14.9 million and non-infrastructure plant and equipment of $1.4 million (June 2012 - $10.5 million total).

The gross replacement cost for Power Stations plant and equipment at 30 June 2013 was $9,716.8 million (2012 - 9,217.8 million) and accumulated depreciation was $7,139.7 million (2012 - $6,371 million). This does not include amounts for work in progress, capital spares and some additions which are included in the fair value of Power Stations plant and equipment of $2.0 million (2012 - $2.1million) and disclosed in the above table.

(b) Valuation of Power Stations

The Directors' valuations of infrastructure land and specialised plant and equipment associated with the power stations are based on fair value.

In accordance with AASB 116 *Property, Plant and Equipment* the Directors are required to assess on an annual basis whether the carrying value of assets equates to fair value.

Fair value is determined using depreciated replacement cost and tested for impairment if a trigger exists.

A full physical valuation of the Corporation's infrastructure assets was carried out by members of the Australian Property Institute on behalf of PP&E Valuations Pty Ltd as at 30 June 2013.

Discounted cash flow, or "value in use" valuations of property, plant and equipment have also been conducted in accordance with AASB 136 *Impairment of Assets*. The discounted cash flow valuation of property, plant and quipment uses a number of management estimates to arrive at cash inflows and outflows which are subject to volatility in the competitive energy and coal markets. Revenues and costs are forecast based on management's best estimate and are escalated at CPI of 2.5%, except for labour which is escalated in accordance with New South Wales Treasury guidelines. The management estimates take account of the carbon pricing mechanism as legislated in the Clean Energy Legislative Package. Macquarie Generation uses its weighted average cost of capital to discount future revenue and expenditure estimates to present value. The result of the "value in use" calculation was that no change in fair value of property, plant and equipment was required.

The Directors' have determined at 30 June 2013 that the infrastructure assets' value in use as determined by discounted forecast cash flows equates to fair value.

Note 11. PROPERTY, PLANT AND EQUIPMENT (continued)

(c) The carrying amounts that would have been recognised if property, plant and equipment were stated at cost are as follows:

	2013 $' 000	2012 $' 000
Power Stations:		
Land		
Cost	**6,006**	5,771
	6,006	5,771
Plant and equipment		
ɔst	**2,764,931**	2,747,754
Accumulated depreciation	**(1,148,720)**	(1,064,180)
	1,616,211	1,683,574
Total Power Stations	**1,622,217**	1,689,345
Non-infrastructure:		
Land		
Cost	**2,464**	2,464
	2,464	2,464
Buildings		
Cost	**8,800**	8,800
Accumulated depreciation	**(5,304)**	(4,899)
	3,496	3,901
Plant and equipment		
Cost	**34,605**	32,419
Accumulated depreciation	**(21,669)**	(20,406)
	12,936	12,013
Total non-infrastructure	**18,896**	18,378
Total depreciated value of property, plant and equipment	**1,641,113**	1,707,723

	Notes	2013 $' 000	2012 $' 000
NOTE 12. DEFERRED TAX ASSETS			
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Doubtful debts		**7**	7
Defined benefit superannuation funds		**(6,928)**	(5,112)
Other employee benefits provisions		**16,186**	14,594
Other provisions		**38,502**	3,586
Trade creditors		**253**	195
Low value plant pools		**181**	176
Derivative financial instruments - held for trading		**11,442**	7,236
Deferred Income		**1,818**	1,845
ɔnsultants' fees		**571**	841
		62,032	23,368
Amounts recognised directly in equity			
Derivative financial instruments - cash flow hedges		**6,400**	18,680
Defined benefit superannuation funds		**48,106**	60,902
		54,506	79,582
Net deferred tax assets		**116,538**	102,950
Movements:			
Opening balance at 1 July		**102,950**	63,964
Credited (charged) to income	5	**38,664**	(2,370)
Credited (charged) to equity		**(25,076)**	44,435
Transfers to equity for balances not previously recognised as deferred tax asset		**-**	(3,079)
'osing balance at 30 June		**116,538**	102,950

NOTE 13. INTANGIBLE ASSETS

The carrying amounts of each class of non-current intangible assets at the beginning and end of the current and previous financial year are set out below.

(a) Year ended 30 June 2013	**30 June 2013**	1 July 2012
Water entitlements	**9,674**	9,674
Salinity Trading Scheme Credits	**386**	386
Accumulated amortisation	**(55)**	-
Corporate Model	**1,640**	-
	11,645	10,060

(b) Year ended 30 June 2012	**30 June 2012**	1 July 2011
Water entitlements	**9,674**	9,674
Salinity Trading Scheme Credits	**386**	-
	10,060	9,674

	Notes	2013	2012
		$' 000	$' 000

NOTE 13. INTANGIBLE ASSETS (Continued)

(c) Reconciliations

The reconciliations of the carrying amount of each class of non-current intangible assets at the beginning and end of the current and previous financial years are set out below.

	Corporate Model	Water Entitlements	Salinity Trading Scheme Credits
Carrying amount at 1 July 2011	-	9,674	-
Additions	-	-	386
Carrying amount at 30 June 2012	-	9,674	386
Additions	1,640	-	-
Amortisation	-	-	(55)
Carrying amount at 30 June 2013	**1,640**	**9,674**	**331**

NOTE 14. DERIVATIVE FINANCIAL INSTRUMENTS

	2013	2012
Current assets		
Electricity derivative contracts - cash flow hedges	**26,014**	3,435
Electricity derivative contracts - held for trading	**30,030**	8,542
Forward foreign exchange contracts - held for trading	-	3
Interest rate futures contracts - held for trading	**1,904**	447
	57,948	12,427
Current liabilities		
Electricity derivative contracts - cash flow hedges	**4,983**	43,559
Electricity derivative contracts - held for trading	**26,771**	7,635
	31,754	51,194
Non-Current assets		
Electricity derivative contracts - cash flow hedges	**12,653**	4,396
Electricity derivative contracts - held for trading	**41,077**	37,555
	53,730	41,951
Non-Current liabilities		
Electricity derivative contracts - cash flow hedges	**299**	2,655
Electricity derivative contracts - held for trading	**25,175**	25,814
	25,474	28,469

For further information refer to Note 24.

	Notes	2013	2012
		$' 000	$' 000
NOTE 15. OTHER ASSETS			
Current			
New South Wales Greenhouse Abatement Certificates (NGACs)			
Purchased NGACs		-	709
Internally generated NGACs		-	4
Renewable Energy Certificates (RECs)			
Internally generated RECs		**271**	611
Purchased RECs		**96**	159
Energy Saving Certificates (ESCs)			
Purchased ESCs		**398**	82
		765	1,565
ssets classified as held for sale			
Land		**362**	-
		1,127	1,565

Macquarie Generation has entered into a contract to sell freehold land. Settlement of the sale will occur after practical completion of certain conditions precedent in the next twelve months. No impairment loss was recognised on reclassification of the land as held for sale on 30 June 2013.

	2013	2012
NOTE 16. TRADE AND OTHER PAYABLES		
Current (Unsecured)		
Trade creditors	**84,268**	73,745
Accrued interest on borrowings	**12,064**	13,452
	96,332	87,197
NOTE 17. BORROWINGS		
Current (Unsecured)		
ew South Wales Treasury Corporation loans	-	17,119
Margin Calls	**4,915**	9,506
	4,915	26,625
Non-Current (Unsecured)		
New South Wales Treasury Corporation loans	**705,713**	765,011
	705,713	765,011
Financing Arrangements:		
Facilities Available		
Bank overdraft	**2,000**	2,000
Intra-day credit facility	**20,000**	20,000
Bank guarantee facility	**4,000**	4,000
Credit card facility	**500**	500
New South Wales Treasury Corporation loans	**1,650,000**	1,650,000
New South Wales Treasury Corporation come and go facility	**390,000**	390,000
Total available	**2,066,500**	2,066,500

	Notes	2013 $'000	2012 $'000
NOTE 17. BORROWINGS (Continued)			
Facilities Utilised			
Bank overdraft		-	-
Intra-day credit facility		-	-
Bank guarantee facility		3,274	3,274
Credit card facility		-	-
New South Wales Treasury Corporation loans		710,628	791,636
New South Wales Treasury Corporation come and go facility		-	-
Total utilised		713,902	794,910

Macquarie Generation has approval from the Treasurer under the Public Authorities (Financial Arrangements) Act 1987 (PAFA), to obtain the bank overdraft, intra-day credit, bank guarantee and credit card facilities from a Commercial Bank.

Macquarie Generation, with the exception of the above commercial facilities, is required to undertake all borrowings through New South Wales Treasury Corporation.

	Notes	2013 $'000	2012 $'000
NOTE 18. DEFERRED TAX LIABILITIES			
The balance comprises temporary differences attributable to:			
Amounts recognised in profit and loss			
Inventories		32,478	29,271
Derivative financial instruments - held for trading		22,551	13,354
Depreciation on property, plant and equipment		170,097	173,282
Prepayments		7	16
Carbon and RECs		4,307	185
		229,440	216,108
Amounts recognised directly in equity			
Derivative financial instruments		12,210	2,959
Revaluation of property, plant and equipment		291,024	289,885
		303,234	292,844
Net deferred tax liabilities		532,674	508,952
Movements:			
Opening balance at 1 July		508,952	873,684
Charged (credited) to the statement of comprehensive income	5	13,332	(52,122)
Charged (credited) to equity		10,390	(310,495)
Transfers to equity for balances not previously recognised as deferred tax liability		-	(2,115)
Closing balance at 30 June		532,674	508,952

	Notes	2013 $' 000	2012 $' 000
NOTE 19. PROVISIONS			
Current			
Insurance		**26,609**	609
Dividend		**30,000**	124,000
Employee benefits		**51,768**	46,910
Mine rehabilitation		**1,319**	600
Green scheme obligations		**87,644**	902
		197,340	173,021
Non-Current			
ısurance		-	10,442
Employee benefits		**2,185**	1,739
Mine rehabilitation		**3,606**	4,146
Defined benefits superannuation funds		**137,259**	185,967
		143,050	202,294

The amount of the current component of the employee benefits provision which is expected to be settled in less than 12 months is $3,115,187 (2012 - $2,897,272) for long service leave, $7,286,341 (2012 - $7,147,288) for annual leave and $2,600,000 (2012 - $2,600,000) for other employee benefits.

The amount of the current component of the employee benefits provision which is expected to be settled after more than 12 months is $31,498,005 (2012 - $29,264,636) for long service leave and $7,268,225 (2012 - $4,970,368) for annual leave.

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

	Green Schemes $'000	Insurance $'000	Dividend $'000	Mine Rehabilitation $'000	Total $'000
Current					
Carrying amount at the start of the year	**902**	**609**	**124,000**	**600**	**126,111**
Additional provisions recognised	**297,790**	**14,762**	**30,000**	**388**	**342,940**
Payments/other sacrifices of economic benefits	**(211,048)**	**(848)**	**(124,000)**	**331**	**(335,565)**
Transfer from non-current provision	**-**	**12,086**	**-**	**-**	**12,086**
Carrying amount at the end of the year	**87,644**	**26,609**	**30,000**	**1,319**	**145,572**

	Notes	2013 $' 000	2012 $' 000

NOTE 19. PROVISIONS (Continued)

Movements in Provisions: (Continued)

	Insurance $'000	Dividend $'000	Mine Rehabilitation $'000	Total $'000
Non-Current				
Carrying amount at the start of the year	10,442	-	4,146	14,588
Additional provisions recognised	2,795	-	-	2,795
Payments/other sacrifices of economic benefits	-	-	(1,160)	(1,160)
Transfer to current provision	(12,086)	-	-	(12,086)
Increase arising from unwinding of discount	320	-	541	861
,crease (decrease) arising from change in discount rate	(1,471)	-	79	(1,392)
Carrying amount at the end of the year	-	-	3,606	3,606

NOTE 20. OTHER LIABILITIES

	2013	2012
Non-Current		
Other liabilities	36,000	38,525
Government grants	6,062	6,152
	42,062	44,677

NOTE 21. EQUITY

	2013	2012
(a) Share Capital	No. of Shares	No. of Shares
Ordinary Shares, fully paid	2	2
	$'000	$'000
ɔntributed Equity	281,078	281,078

In accordance with the State Owned Corporations Act, 1989, the two voting shareholders at 30 June 2013, the Honourable M. Baird, MP, Treasurer and the Honourable A. Constance, MP, Minister for Finance and Services held one share each at $1.00 per share in the Corporation.

	2013	2012
(b) Reserves		
Asset revaluation reserve	732,810	730,348
Hedge accounting reserve - cash flow hedges	23,370	(26,868)
	756,180	703,480

	Notes	2013 $' 000	2012 $' 000
NOTE 21. EQUITY (Continued)			
(b) Reserves (continued)			
Movements:			
(i) Asset Revaluation Reserve:			
Balance at the beginning of the financial year		**730,348**	1,429,036
Revaluation (decrement) on property, plant and and equipment		**3,797**	(997,649)
Deferred tax arising on revaluations		**(1,139)**	299,295
Realisation of asset (increment) transferred to retained profits		**(280)**	(477)
Deferred tax arising on transfers to retained earnings		**84**	143
ılance at the end of the financial year		**732,810**	730,348
(ii) Hedge accounting reserve - cash flow hedges:			
Balance at the beginning of the financial year		**(26,868)**	26,057
Gain recognised on electricity derivative contracts		**(18,389)**	130,184
Deferred tax arising on electricity derivative contracts		**5,517**	(39,055)
Transfer to profit or loss:			
Sale of electricity		**90,157**	(205,791)
Deferred tax arising on transfers to profit		**(27,047)**	61,737
Balance at the end of the financial year		**23,370**	(26,868)
(c) Retained Profits			
Balance at the beginning of the financial year		**46,635**	127,389
Transfer of realised asset revaluation increments from reserves		**280**	477
eferred tax arising on transfers from reserves		**(84)**	(143)
Net profit		**41,326**	119,805
Defined benefits superannuation actuarial gains (losses)		**42,653**	(109,846)
Deferred tax arising on actuarial adjustments		**(12,796)**	32,953
Dividends provided for (transactions with owners in their capacity as owners)		**(30,000)**	(124,000)
Balance at the end of the financial year		**88,014**	46,635

Notes	**2013** **$' 000**	2012 $' 000
	Year ended 30 June	Year ended 30 June
NOTE 22. CASH FLOW INFORMATION		
Reconciliation of net profit after tax to net cash flows from operations		
Net profit	**41,326**	119,805
Adjustments for:		
Depreciation	**108,695**	139,013
Revaluation decrement/(increment) - non infrastructure buildings	**(456)**	(530)
Transfers to non-current assets	**-**	(111)
Increase/(decrease) in borrowings accruals	**(2,740)**	3,547
Net (gain)/loss on sale of non-current assets	**(11,577)**	324
Fair value adjustment to derivative financial instruments	**50,237**	(52,925)
Changes in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	**(24,994)**	(3,067)
(Increase)/decrease in inventories	**(17,893)**	42,365
(Increase)/decrease in derivative financial instrument assets	**(57,300)**	19,077
Decrease in other assets	**438**	1,804
Increase/(decrease) in derivative financial instrument liabilities	**(22,435)**	19,685
Increase/(Decrease) in trade and other creditors, employee benefits and other provisions	**106,115**	(5,861)
Increase/(decrease) in provision for taxes payable	**(53,184)**	37,132
(Decrease) in net deferred taxes payable	**(3,800)**	(71,470)
Net cash flows from operating activities	**112,432**	248,788

	Note	2013 $' 000	2012 $' 000

NOTE 23. COMMITMENTS

(a) Capital Commitments

Capital expenditure contracted at the reporting date but not recognised as liabilities, payable:

	2013 $' 000	2012 $' 000
Property, plant and equipment		
Within one year	**2,246**	1,359
Later than one year but not later than five years	**220**	3,898
	2,466	5,257

(b) Lease Commitments

Commitments in relation to leases contracted at the reporting date but not recognised as liabilities, payable:

	2013 $' 000	2012 $' 000
Within one year	**2,408**	3,823
Later than one year but not later than five years	**2,556**	900
	4,964	4,723

The Corporation leases mobile plant under a non-cancellable operating lease which expires in May 2015. There is no option for renewal at the end of the lease period.

The Corporation leases office space in Sydney under a non-cancellable operating lease expiring in June 2016. There is no option for renewal at the end of the lease period.

In accordance with New South Wales Treasury Circular NSWTC 10/15 Accounting for Goods and Services Tax (GST) the above amounts are inclusive of GST which will be recoverable from the Australian Taxation Office after payment of the future commitments. The total amount of GST included in the above commitments balance is $675,000 (2012 - $907,000).

NOTE 24. FINANCIAL INSTRUMENTS

(a) Instruments used by the Corporation

The Corporation uses derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in wholesale electricity prices, foreign exchange and interest rates and to trade and to profit from movements in the wholesale electricity market prices and interest rates in accordance with Board approved risk anagement policies as described in Note 2.

The Corporation's Financial Instruments have been disclosed in Notes 1(g), 1(n), 1(o), 1(p), 1(q), 1(r), 8, 9, 14, 16, 17 and 20.

Instruments reported by categories of Financial Assets and Financial Liabilities

	Note	2013 $' 000	2012 $' 000
Loans and receivables			
Cash on hand	8	**8**	8
Deposits in the New South Wales Treasury Corporation (TCorp) Hour-Glass Cash Facility	8	**182,646**	394,170
Other deposits at call	8	**7,655**	1,475
Short-term deposits	8	**134,000**	30,000
Trade debtors	9	**107,936**	81,447
Provision for impairment of receivables	9	**(22)**	(24)
Sundry debtors excluding employee housing loans	9	**8,918**	8,765
		441,141	515,841

	Note	2013 $' 000	2012 $' 000
NOTE 24. FINANCIAL INSTRUMENTS (continued)			
(a) Instruments used by the Corporation (continued)			
Instruments reported by categories of Financial Assets and Financial Liabilities (continued)			
Financial assets and financial liabilities at fair value through profit or loss			
Assets			
Electricity derivative contracts - held for trading	14	**71,107**	46,097
Forward foreign exchange contracts - held for trading	14	**-**	3
Interest rate futures contracts - held for trading	14	**1,904**	447
		73,011	46,547
Liabilities			
,ectricity derivative contracts - held for trading	14	**51,946**	33,449
Forward foreign exchange contracts - held for trading	14	**-**	-
Interest rate futures contracts - held for trading	14	**-**	-
		51,946	33,449
Other financial liabilities			
Trade creditors	16	**84,268**	73,745
Accrued interest	16	**12,064**	13,452
New South Wales Treasury Corporation loans	17	**710,628**	791,636
Other liabilities	20	**36,000**	38,525
		842,960	917,358
(b) Electricity derivative contracts - cash flow hedges			
Derivatives that are designated and effective as cash flow hedging carried at fair value			
Assets			
'lectricity derivative contracts - cash flow hedges	14	**38,667**	7,831
		38,667	7,831
Liabilities			
Electricity derivative contracts - cash flow hedges	14	**5,282**	46,214
		5,282	46,214

The nature of risks hedged and hedging instruments used is discussed in Note 2(a)(iii).

Amounts reclassified from Equity to profit and loss and recognised in Other Comprehensive Income for the year are disclosed in Note 21(b).

As at reporting date the aggregate amount of unrealised gains under forward electricity derivative contracts - cash flow hedges deferred in Equity in the Hedge Accounting Reserve after tax relating to the exposure on the anticipated future electricity sales transactions is $23,370,000 loss (June 2012: $26,868,000 loss). It is anticipated that the electricity sales will take place as detailed in the following table at which stage the amount deferred in Equity will be released to Sales

	2013	2012
Less than 1 year	**14,722**	(28,087)
1 to 5 years	**8,648**	1,219
	23,370	(26,868)

	Note	**2013**	2012
		$' 000	$' 000

NOTE 24. FINANCIAL INSTRUMENTS (continued)

(c) Forward foreign exchange contracts - held for trading

At balance date the details of the outstanding contracts for the Corporation are:

	2013	2012	**2013**	2012
	Aust Dollars		**Average Exchange Rate**	
	$' 000	$' 000		
Buy Japanese Yen				
Maturity				
- 12 months	-	274	-	79.585
1 - 2 years	-	-	-	-

The amounts disclosed above represent the Australian dollar equivalent of the contracted foreign currency amount.

NOTE 24. FINANCIAL INSTRUMENTS (continued)

(e) Interest rate futures contracts - held for trading

The interest rate futures position for the Corporation at the end of the year are as follows:

	Delivery Month	Number Contracts Sold	Number Contracts Bought	Total Nominal Value 2013 $'000	Total Nominal Value 2012 $'000
30 Day Interbank Cash Rate *		-	-	-	-
30 Day Interbank Cash Rate *		-	-	-	-
Year Bond Futures *		-	-	-	-
10 Year Bond Futures *	Sep-13	**576**	-	**(57,600)**	(63,900)
90 Day Bill Futures *		-	-	-	-
		576	-	**(57,600)**	(63,900)

* Negative amounts indicate sold futures and positive amounts indicate bought futures.

(f) Interest Rate Risk Exposure

Interest rate risk is the risk that the financial instrument will fluctuate due to changes in market interest risks.

Policies have been adopted with the objective of ensuring that the Corporation is not exposed to interest rate movements which could adversely affect their ability to meet their financial obligations as they fall due.

(g) Credit Risk Exposure

The Corporation's risk management objectives and policies in relation to credit risk are described in Note 2. This includes maximum exposure to credit risk and credit quality of financial assets discussed in Note 2(b) nd 2(b)(i) respectively

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 24. FINANCIAL INSTRUMENTS (continued)

(h) Liquidity risk

The table below analyses the Corporation's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows of each class of financial liabilities, therefore the amounts disclosed below will not reconcile to the Statement of Financial Position.

	1 year or less 2013 $'000	Over 1 to 5 years 2013 $'000	Over 5 years 2013 $'000	Total 2013 $'000	Carrying Amount 2013 $'000
Financial liabilities					
on-derivatives					
Trade creditors	84,268	-	-	84,268	84,268
New South Wales Treasury Corporation loans including accrued interest	45,276	560,386	291,471	897,133	722,692
Other liabilities	-	-	36,000	36,000	36,000
Total non-derivatives	129,544	560,386	327,471	1,017,401	842,960
Derivatives					
Held for Trading					
- Electricity derivative contracts	27,019	27,028	-	54,047	51,946
Cash Flow Hedges					
- Electricity derivative contracts	4,982	315	-	5,297	5,282
Total Derivatives	32,001	27,343	-	59,344	57,228

	1 year or less 2012 $'000	Over 1 to 5 years 2012 $'000	Over 5 years 2012 $'000	Total 2012 $'000	Carrying Amount 2012 $'000
. inancial liabilities					
Non-derivatives					
Trade creditors	73,745	-	-	73,745	73,745
New South Wales Treasury Corporation loans including accrued interest	70,342	563,195	390,594	1,024,131	805,088
Other liabilities	1,429	1,096	36,000	38,525	38,525
Total non-derivatives	145,516	564,291	426,594	1,136,401	917,358
Derivatives					
Held for Trading					
- Electricity derivative contracts	7,744	28,621	-	36,365	33,449
Cash Flow Hedges					
- Electricity derivative contracts	43,878	2,762	-	46,640	46,214
Total Derivatives	51,622	31,383	-	83,005	79,663

Policies and objectives concerning liquidity risk are described in Note 2(c).

NOTE 24. FINANCIAL INSTRUMENTS (continued)

(i) Summarised sensitivity analysis

The following information summarises the sensitivity of the Corporation's financial assets and financial liabilities to interest rate risk, foreign exchange risk and price risk.

The effect on profit and loss and equity due to a reasonably possible change in the relevant risk variable is outlined in the information below. The analysis is performed on the same basis as for 2012 and assumes all other variables remain constant, with the exception of Foreign Exchange Risk as detailed below.

Interest rate risk

The sensitivity information applicable to New South Treasury Corporation loans and deposits at call are derived from historically based volatility information collected over a ten year by New South Wales Treasury Corporation, quoted at two standard deviations, that is a 95% probability.

At 30 June 2013, if interest rates had changed by plus or minus 1% from the year end rates with all other variables held constant, post tax profit for the year would have been $2,263,000 lower or higher (June 2012 - $2,960,000 lower or higher), mainly as a result of changes in Finance Costs and Interest Revenue. Post tax Equity would change by the same amount.

Foreign Exchange Risk

The sensitivity information applicable to Forward Foreign Exchange Contracts is derived from historically based volatility information collected over a ten year period by New South Wales Treasury Corporation, quoted at two standard deviations.

At 30 June 2013, if foreign exchange rates had changed by plus or minus 10% from the year end rates with all other variables held constant, post tax profit for the year would have remained the same (June 2012 - $17,000 lower or $21,000 higher post tax), mainly as a result of higher or lower expenses from operations. Post tax Equity would change by the same amount.

Electricity Price Risk

The sensitivity information applicable to Electricity Derivative Contracts is derived from an analysis of the volatility of the electricity forward price curve over a ten year period.

At 30 June 2013, if forward electricity prices had changed by plus or minus 10% from the year end rates with all other variables held constant, post tax profit for the year would have been $10,000,000 lower or $10,000,000 higher (June 2012 - $9,051,000 lower or $9,051,000 higher post tax), as a result of an increase or decrease in the fair value losses on electricity derivative financial instruments not qualifying as cash flow hedges. Post tax Equity would change by the same amount.

Also post tax Equity would have been $39,600,000 lower or $39,600,000 higher (June 2012 - $30,700,000 lower or $30,700,000 higher post tax) as a result of an increase or decrease in the fair value losses on electricity derivative contracts qualifying as cash flow hedges.

Aluminium Price Risk

The sensitivity information applicable to Electricity Derivative Contracts is derived from an analysis of the volatility of aluminium prices over a ten year period.

If forward aluminium prices had increased by 8% from the 30 June 2013 rates with all other variables held constant, post tax profit for the year would have been the same (June 2012 would have remained constant post tax). If forward aluminium prices had decreased by 8% from the 30 June 2013 rates with all other variables held constant, post tax profit for the year would have been the same (June 2012 would have remained constant post tax).

NOTE 24. FINANCIAL INSTRUMENTS (continued)

(j) Fair value

The Corporation uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 - the fair value is calculated using quoted prices in active markets

Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments by Level are summarised in the table below.

In addition, the fair value of financial instruments are, in certain circumstances, measured using valuation techniques based on a cost plus margin model that incorporate assumptions that are not evidenced by prices from observable ırrent market transactions in the same instrument and are not based on observable market data (Level 3).

The sensitivity of those fair values to reasonably possible alternative assumptions are an increase or decrease to profit and equity of $53 million. The unobservable input is the cost of electricity production.

	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non market observable inputs (Level 3)	Total
	$' 000	$' 000	$' 000	$' 000
Year ended 30 June 2013				
Financial assets				
Derivative Instruments				
Electricity derivative contracts	-	72,147	37,627	109,774
Interest rate futures	1,904	-	-	1,904
	1,904	72,147	37,627	111,678
‾inancial liabilities				
ɹerivative Instruments				
Electricity derivative contracts	-	30,518	26,710	57,228
	-	30,518	26,710	57,228

NOTE 24. FINANCIAL INSTRUMENTS (continued)
(j) Fair value (Continued)

	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non market observable inputs (Level 3)	Total
	$' 000	**$' 000**	**$' 000**	**$' 000**
Year ended 30 June 2012				
Financial assets				
Derivative Instruments				
Electricity derivative contracts	-	18,555	35,373	53,928
Foreign exchange contracts	3	-	-	3
Interest rate futures	447	-	-	447
	450	18,555	35,373	54,378
Financial liabilities				
Derivative Instruments				
Electricity derivative contracts	-	47,460	32,203	79,663
	-	47,460	32,203	79,663

NOTE 25. SUPERANNUATION

Macquarie Generation contributes to defined benefit and accumulation superannuation funds on behalf of all employees and Directors.

(a) Defined Benefit Superannuation Funds

General description of the type of plan

Macquarie Generation contributes to three New South Wales public sector defined benefit superannuation schemes: the State Superannuation Scheme (SSS), State Authorities Superannuation Scheme (SASS) and the State Authorities Non-contributory Superannuation Scheme (SANCS). Employees contribute to the schemes at various percentages of their wages and salaries. Macquarie Generation contributes to the schemes at rates as advised by Pillar Administration as referred to above.

Contributions to the schemes are expensed when paid or payable and reduce the superannuation liabilities. These payments are held in Investment Reserve Accounts in trust by the trustee, SAS Trustee Corporation (STC). The resultant investment income or deficit adds to or subtracts from the balance of these accounts. These schemes, as defined benefit schemes, have at least a component of the final benefit derived from a multiple of member salary and years of membership.

All the schemes are closed to new members.

Reconciliation of the present value of the defined benefit obligation

	SASS 2013 $'000	SANCS 2013 $'000	SSS 2013 $'000	Total 2013 $'000
Present value of partly funded defined benefit obligations at beginning of the year	95,323	17,907	283,806	397,036
Current service cost	2,335	725	2,240	5,300
Interest cost	2,833	525	8,584	11,942
Contributions by fund participants	1,223	-	1,381	2,604
Actuarial (gains)/losses	(562)	(1,493)	(22,646)	(24,701)
Benefits paid	(5,947)	(1,342)	(4,209)	(11,498)
Present value of partly funded defined benefit obligations at end of the year	95,205	16,322	269,156	380,683

NOTE 25. SUPERANNUATION (Continued)
(a) Defined Benefit Superannuation Funds (Continued)

Reconciliation of the present value of the defined benefit obligation (continued)

	SASS 2012	SANCS 2012	SSS 2012	Total 2012
	$'000	$'000	$'000	$'000
Present value of partly funded defined benefit obligations at beginning of the year	81,794	16,020	196,443	294,257
Current service cost	2,235	699	1,660	4,594
Interest cost	4,199	812	10,237	15,248
ontributions by fund participants	1,249	-	1,484	2,733
Actuarial (gains)/losses	10,339	1,997	80,619	92,955
Benefits paid	(4,493)	(1,622)	(6,636)	(12,751)
Present value of partly funded defined benefit obligations at end of the year	95,323	17,906	283,807	397,036

Reconciliation of the fair value of fund assets

	SASS 2013	**SANCS 2013**	**SSS 2013**	**Total 2013**
	$'000	**$'000**	**$'000**	**$'000**
Fair value of Fund assets at beginning of the year	**65,744**	**10,653**	**134,672**	**211,069**
Expected return on fund assets	**5,523**	**882**	**11,401**	**17,806**
Actuarial gains/(losses)	**4,761**	**841**	**12,350**	**17,952**
Employer contributions	**2,442**	**730**	**2,319**	**5,491**
ontributions by Fund participants	**1,223**	**-**	**1,381**	**2,604**
Benefits paid	**(5,947)**	**(1,342)**	**(4,209)**	**(11,498)**
Fair value of Fund assets at end of the year	**73,746**	**11,764**	**157,914**	**243,424**

	SASS 2012	SANCS 2012	SSS 2012	Total 2012
	$'000	$'000	$'000	$'000
Fair value of Fund assets at beginning of the year	65,240	11,518	137,380	214,138
Expected return on fund assets	5,523	968	11,697	18,188
Actuarial gains/(losses)	(4,284)	(961)	(11,645)	(16,890)
Employer contributions	2,508	749	2,393	5,650
Contributions by Fund participants	1,249	-	1,485	2,734
Benefits paid	(4,493)	(1,622)	(6,636)	(12,751)
Fair value of Fund assets at end of the year	65,743	10,652	134,674	211,069

NOTE 25. SUPERANNUATION (Continued)

(a) Defined Benefit Superannuation Funds (Continued)

Reconciliation of the assets and liabilities recognised in the Statement of Financial Position

	SASS 2013 $'000	**SANCS 2013 $'000**	**SSS 2013 $'000**	**Total 2013 $'000**
Present value of partly funded defined benefit obligations at end of year	**95,205**	**16,322**	**269,156**	**380,683**
Fair value of fund assets at end of year	**(73,746)**	**(11,764)**	**(157,914)**	**(243,424)**
Net Liability/(Asset) recognised in Statement of Financial Position at end of the year (refer Note 19)	**21,459**	**4,558**	**111,242**	**137,259**

	SASS 2012 $'000	SANCS 2012 $'000	SSS 2012 $'000	Total 2012 $'000
Present value of partly funded defined benefit obligations at end of year	95,323	17,906	283,807	397,036
Fair value of fund assets at end of year	(65,743)	(10,652)	(134,674)	(211,069)
Net (Asset)/Liability recognised in Statement of Financial Position at end of the year (refer Note 19)	29,580	7,254	149,133	185,967

Amounts recognised in Statement of Comprehensive Income

	SASS 2013 $'000	**SANCS 2013 $'000**	**SSS 2013 $'000**	**Total 2013 $'000**
Current service cost	**2,335**	**725**	**2,240**	**5,300**
Interest cost	**2,833**	**525**	**8,585**	**11,943**
Expected return on Fund assets (net of expenses)	**(5,523)**	**(882)**	**(11,401)**	**(17,806)**
Expense recognised	**(355)**	**368**	**(576)**	**(563)**

	SASS 2012 $'000	SANCS 2012 $'000	SSS 2012 $'000	Total 2012 $'000
Current service cost	2,235	699	1,660	4,594
Interest cost	4,199	812	10,237	15,248
Expected return on Fund assets (net of expenses)	(5,523)	(968)	(11,697)	(18,188)
(Revenue) Expense recognised	911	543	200	1,654

Amounts recognised in Other Comprehensive Income

	SASS 2013 $'000	**SANCS 2013 $'000**	**SSS 2013 $'000**	**Total 2013 $'000**
Net actuarial (gains) losses recognised in year	**(5,323)**	**(2,333)**	**(34,997)**	**(42,653)**

NOTE 25. SUPERANNUATION (Continued)
(a) Defined Benefit Superannuation Funds (Continued)

Amounts recognised in Other Comprehensive Income (continued)

	SASS 2012	SANCS 2012	SSS 2012	Total 2012
	$'000	$'000	$'000	$'000
Net actuarial (gains) losses recognised in year	14,623	2,958	92,264	109,845

Cumulative amount recognised in Other Comprehensive Income

	SASS 2013	**SANCS 2013**	**SSS 2013**	**Total 2013**
	$'000	**$'000**	**$'000**	**$'000**
Net actuarial (gains) losses recognised	**28,662**	**5,254**	**132,745**	**166,661**

	SASS 2012	SANCS 2012	SSS 2012	Total 2012
	$'000	$'000	$'000	$'000
Net actuarial (gains) losses recognised	33,985	7,587	167,742	209,314

Fund assets

The percentage invested in each asset class at the Statement of Financial Position date:

	2013	2012
Australian equities	**30.4%**	28.0%
Overseas equities	**26.1%**	23.7%
Australian fixed interest securities	**6.9%**	4.9%
Overseas fixed interest securities	**2.2%**	2.4%
Property	**8.3%**	8.6%
Cash	**13.1%**	19.5%
Other	**13.0%**	12.9%

Fair value of Fund assets

All Fund assets are invested by 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.

NOTE 25. SUPERANNUATION (Continued)
(a) Defined Benefit Superannuation Funds (Continued)

Actual return on fund assets

	SASS 2013	SANCS 2013	SSS 2013	Total 2013
	$'000	$'000	$'000	$'000
Actual return on fund assets	10,922	1,723	23,034	35,679

	SASS 2012	SANCS 2012	SSS 2012	Total 2012
	$'000	$'000	$'000	$'000
Actual return on fund assets	91	7	118	216

Valuation method and principal actuarial assumptions at the reporting date

a) 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.

b) Economic Assumptions

	2013	2012
Discount rate at 30 June	3.80%	3.06%
Expected rate of return on assets backing current pension liabilities at 30 June	8.60%	8.60%
Expected rate of return on assets backing other liabilities	8.60%	8.60%
Expected salary increases (excluding promotional increases)	2.25%	2.50%
Expected rate of CPI increase	2.50%	2.50%

c) Demographic Assumptions

The demographic assumptions at 30 June 2013 are those that were used in the 2012 triennial actuarial valuation. The triennial review report is available from the New South Wales Treasury website.

Historical information

	SASS 2013	SANCS 2013	SSS 2013	Total 2013
	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	95,205	16,322	269,156	380,683
Fair value of Fund assets	(73,746)	(11,764)	(157,914)	(243,424)
(Surplus)/Deficit in Fund	21,459	4,558	111,242	137,259
Experience adjustments – Fund liabilities	(562)	(1,493)	(22,646)	(24,701)
Experience adjustments – Fund assets	(4,761)	(841)	(12,350)	(17,952)

NOTE 25. SUPERANNUATION (Continued)
(a) Defined Benefit Superannuation Funds (Continued)
Historical information (continued)

	SASS 2012	SANCS 2012	SSS 2012	Total 2012
	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	95,323	17,906	283,807	397,036
Fair value of Fund assets	(65,743)	(10,652)	(134,674)	(211,069)
(Surplus)/Deficit in Fund	29,580	7,254	149,133	185,967
Experience adjustments – Fund liabilities	10,339	1,997	80,619	92,955
Experience adjustments – Fund assets	4,284	961	11,645	16,890

	SASS 2011	SANCS 2011	SSS 2011	Total 2011
	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	81,794	16,020	196,443	294,257
Fair value of Fund assets	(65,240)	(11,518)	(137,380)	(214,138)
(Surplus)/Deficit in Fund	16,554	4,502	59,063	80,119
Experience adjustments – Fund liabilities	2,345	67	(1,653)	759
Experience adjustments – Fund assets	212	51	778	1,041

	SASS 2010	SANCS 2010	SSS 2010	Total 2010
	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	76,524	15,506	190,904	282,934
Fair value of Fund assets	(61,080)	(10,931)	(129,450)	(201,461)
(Surplus)/Deficit in Fund	15,444	4,575	61,454	81,473
Experience adjustments – Fund liabilities	5,097	939	12,862	18,898
Experience adjustments – Fund assets	(846)	(37)	(306)	(1,189)

	SASS 2009	SANCS 2009	SSS 2009	Total 2009
	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	67,056	14,288	168,477	249,821
Fair value of Fund assets	(54,669)	(10,422)	(118,324)	(183,415)
(Surplus)/Deficit in Fund	12,387	3,866	50,153	66,406
Experience adjustments – Fund liabilities	704	1,040	30,970	32,714
Experience adjustments – Fund assets	10,025	2,081	21,754	33,860

NOTE 25. SUPERANNUATION (Continued)

(a) Defined Benefit Superannuation Funds (Continued)

Expected contributions

	SASS 2013 $'000	SANCS 2013 $'000	SSS 2013 $'000	Total 2013 $'000
Expected employer contributions	2,323	722	2,210	5,255

	SASS 2012 $'000	SANCS 2012 $'000	SSS 2012 $'000	Total 2012 $'000
Expected employer contributions	2,374	745	2,374	5,493

Funding arrangements for employer contributions

The following is a summary of the financial position of the Fund at 30 June 2013 and 30 June 2012 calculated in accordance with AAS 25 - *Financial Reporting by Superannuation Plans*.

This disclosure is required by AASB 119 *Employee Benefits* and is based on the liabilities being discounted by the expected return on the plan assets which is higher than the long-term government bond rate.

The AAS 25 information is relevant as it can be used to assess the level of future contributions and reflects the plan's investment strategy as well as the employer's long term funding plan.

(a) Surplus/deficit

	SASS 2013 $'000	SANCS 2013 $'000	SSS 2013 $'000	Total 2013 $'000
Accrued benefits	78,629	13,416	153,710	245,755
Net market value of Fund assets	(73,746)	(11,764)	(157,914)	(243,424)
'et (surplus)/deficit	4,883	1,652	(4,204)	2,331

	SASS 2012 $'000	SANCS 2012 $'000	SSS 2012 $'000	Total 2012 $'000
Accrued benefits	77,012	14,967	145,332	237,311
Net market value of Fund assets	(65,744)	(10,653)	(134,672)	(211,069)
Net (surplus)/deficit	11,268	4,314	10,660	26,242

(b) Recommended contribution rates for the Corporation for 2013 and 2012:

SASS	SANCS	SSS
multiple of member contributions	% member salary	multiple of member contributions
1.9	2.5	1.6

NOTE 25. SUPERANNUATION (Continued)

(a) Defined Benefit Superannuation Funds (Continued)

Funding arrangements for employer contributions (continued)

(c) Funding method

The method used to determine the employer contribution recommendations at the last 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.

,) Economic Assumptions

The economic assumptions adopted for the 2012 actuarial review of the Fund were:

Weighted-Average Assumptions	
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa
Expected salary increase rate	2.7% 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.

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

(b) Accumulation Superannuation Funds

Macquarie Generation also contributes to various accumulation superannuation funds on behalf of employees and Directors at the statutory rate of salaries and wages or Directors' fees as determined by the Superannuation Guarantee (Administration) Act 1992 which was 9% (2012 - 9%).

NOTE 26. EVENTS OCCURRING AFTER BALANCE DATE

Except for the following issues, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Corporation, to affect significantly the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation.

Electricity derivative financial instruments

Between 30 June 2013 and the date of signing the Financial Statements on 30 August 2013, the fair value of the Electricity Derivative Financial Instruments Assets have decreased by $7 million and the fair value of the Electricity Derivative Financial Instruments Liabilities have increased by $7 million when marked to model in accordance with AASB 139 *Financial Instruments: Recognition and Measurement,* due mainly to changes in the electricity forward price curve.

Reference is made to the Electricity Derivative Contracts in Notes 14, 24(b) and 24(c) of the Financial Statements.

.OTE 27. RELATED PARTY DISCLOSURES

The transactions that were entered into with director related parties for the Consolidated Entity for the financial year are disclosed in Notes 28 and 29.

NOTE 28. DIRECTORS' INTERESTS

No Director has declared the receipt of, or has declared an entitlement to receive, during or since the financial year, a benefit as a result of a contract made by the Corporation with a Director, an entity of which a Director is a member or an entity in which a Director has a substantial financial interest.

The following Director has disclosed that he holds a position with the following organisations. The Corporation has business dealings with a division of those organisations, which are all made in the normal course of business and on normal commercial terms.

Director	Position	Organisation
ıcio Di Bartolomeo	Chairman	Downer EDI Limited (Resigned November 2012)
	Non-executive Director	ARTC

The Corporation has three current contracts with a division of Downer EDI Limited totalling $5.1 million. The Corporation has one current contract with Australian Rail Track Corporation Limited totalling $175 million over ten years.

NOTE 29. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Principles used to determine the nature and amount of remuneration

The performance of the Corporation depends upon the quality of its Directors and Executives.

The Shareholders appoint the Directors of the Corporation for a specified term. The reappointment of a Director at the end of the specified term is subject to the review and approval of the Shareholders.

To meet the Shareholders' objectives the Corporation must have highly skilled and competent Directors, and attract, motivate and retain highly skilled and competent Executives, who contribute to the success of the Corporation.

To this end, the Corporation embodies the following principles in its remuneration framework:

- provide competitive rewards to attract highly skilled and competent executives;
- an appropriate portion of Executive remuneration is 'at risk' dependent upon meeting pre-determined performance benchmarks; and
- establish appropriate and specific stretching targets derived from the Business Plan relating to corporate profit improvement, cost reduction, business growth and personal development in relation to variable Executive remuneration.

(i) Remuneration and Human Resources Committee

The Board of Directors is responsible for determining and reviewing remuneration arrangements for the Chief Executive and Managing Director and the Senior Executives reporting to him and the total remuneration costs of the Corporation.

The Remuneration and Human Resources Committee assesses the appropriateness of the nature and amount of remuneration of the Chief Executive and Managing Director and the Senior Executives reporting to him on an annual basis by reference to industry trends, expert external advice and experience with the overall objectives of ensuring maximum Shareholder benefit from the retention of a high quality Senior Executive Team. The Remuneration and Human Resources Committee makes recommendations to the Board of Directors on the remuneration aspects after their assessments.

NOTE 29. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(a) Principles used to determine the nature and amount of remuneration (continued)

(ii) Remuneration Structure

The structure of non-executive Directors and Executive remuneration is separate and distinct.

(iii) Non-executive Director Remuneration

Objective

The Shareholders seek to set remuneration at a level which provides the Shareholders with the ability to attract Directors of high calibre, whilst incurring an acceptable cost.

Structure

Under the State Owned Corporations Act 1989, the Voting Shareholders determine the remuneration of the State Owned Corporation's Chairpersons and Directors. At the Premier's request the Statutory and Other Offices Remuneration Tribunal (SOORT) recommends such remuneration.

The remuneration levels are reviewed annually by SOORT. SOORT considers advice from external consultants as well as fees paid to non-executive Directors of comparable and private sector entities when undertaking the annual review process.

Each Director receives a fee for being a Director of the Corporation. An additional fee is paid to Directors who are members of the Board Audit and Assurance Committee.

Likewise the Chairs of the Board of Directors and the Board Committees receive additional fees in recognition of the additional time and responsibility involved in these positions.

The remuneration of non-executive Directors for the period ended 30 June is included in Table 1A below.

(iv) Managing Director and Senior Executive Remuneration

Objective

The Corporation aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Corporation and so as to:

- reward Executives for the Corporation's and individual's performance against stretching targets set by reference to appropriate benchmarks;
- align the interests of executives with those of the Shareholders;
- link reward with the strategic goals and performance of the Corporation; and
- ensure total remuneration is competitive by market standards.

NOTE 29. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(a) Principles used to determine the nature and amount of remuneration (continued)

(iv) Managing Director and Senior Executive Remuneration (continued)

Structure

In determining the level and make-up of the Chief Executive and Managing Director's and Senior Executive's remuneration, the Remuneration and Human Resources Committee engages an external consultant to provide independent expert advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

It is the Board's Policy to enter an employment contract with the Chief Executive and Managing Director and Executives reporting directly to him. Details are provided below.

.muneration consists of the following key elements:

- Fixed Remuneration; and
- Variable Remuneration based on performance.

The fixed remuneration and structure of variable remuneration are established for the Chief Executive and Managing Director and Senior Executives by the Remuneration and Human Resources Committee and recommended to the Board of Directors for approval. Table 2 below details the variable and fixed remuneration.

(v) Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration and Human Resources Committee with access to external independent expert advice.

The Chief Executive and Managing Director and Senior Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and other non-monetary benefits, such as motor vehicles and other salary sacrificed amounts.

NOTE 29. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(a) Principles used to determine the nature and amount of remuneration (continued)

(vi) Variable Remuneration

Objective
The objective of the incentive program is to link the Corporation's operational and strategic targets as agreed with the Shareholders in the annual Statement of Corporate Intent and Business Plan with the remuneration received by the Executives responsible for meeting those targets. The total potential incentive payments available are set at a level so as to provide sufficient incentive to the Executive to achieve the operational and strategic targets and such that the cost to the Corporation is reasonable.

The Chief Executive and Managing Director and Senior Executives' remuneration, performance criteria and performance assessments are subject to formal yearly review by the Remuneration and Human Resources Committee of the Board which then makes recommendation to the Board of Directors.

Structure
The Chief Executive and Managing Director and Senior Executives' performance targets are set based on specific and measurable stretching targets derived from the Business Plan relating to corporate profit improvement, cost containment, safety, water conservation, reduction in carbon intensity, business growth and Shareholder value. The Business Plan is agreed with the Shareholders on an annual basis.

Actual incentive payments granted to each Executive depend on the extent to which the specific stretching targets are met.

Performance reviews for the Chief Executive and Managing Director and Senior Executives take place in the last quarter of each financial year dependent upon audited figures from the Corporation's accounts.

(vii) Employment Contracts

It is the Board's Policy to enter a performance based employment contract with the Chief Executive and Managing Director.

The Chief Executive Officer's salary review is conducted with respect to August each year.

The Executives reporting directly to the Chief Executive and Managing Director are also employed under performance based employment contracts.

NOTE 29. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(b) Principles used to determine the nature and amount of remuneration (continued)

(viii) Specified Executives

The specified Executives of the Corporation being those with the greatest authority for the strategic direction and management of the Corporation are as follows:

Position	Name
Chief Executive and Managing Director	Russell Skelton
General Manager Transition	David Ipkendanz
Acting Chief Financial Officer and Company Secretary	Diane Moriarty
General Manager Marketing	Tim Allen
General Manager Operations	Colin Duck
General Manager Fuel	Ray Durie
General Manager Human Resources	Sharon Howes
General Manager Corporate Affairs	Leisl Baumgartner
General Manager Engineering	Kevin Wykes

(b) Details of Remuneration

Table 1A: Remuneration of Directors and Executives for the year ended 30 June

	2013	2012
	$	$
Short-term benefits	**3,448,908**	3,172,699
Post-employment benefits	**360,090**	446,649
Other Long- term benefits	**403,364**	153,739
Total	**4,212,362**	3,773,087

Table 2A: Remuneration during the financial year of executives in office at 30 June 2013 whose remuneration package meet or exceed SES level 5 during the year then ended.

2013	**Remuneration Package (Excluding Post-employment benefits)**	**Post-employment benefits**	**Bonus**
Name	**$**	**$**	**$**
Russell Skelton	550,426	24,998	149,730
David Ipkendanz	322,934	24,998	89,000
Ray Durie	246,008	61,037	37,352
Tim Allen	280,145	16,470	67,800
Colin Duck	263,399	46,287	57,200
Sharon Howes	276,213	16,470	88,660
Leisl Baumgartner	262,083	16,470	15,080
Kevin Wykes	274,764	40,477	52,800
Michael Lifson	233,807	16,090	45,000

NOTE 29. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(c) Additional Shareholder Disclosures

For the purposes of this note, Executive Officers are defined consistent with the Annual Reports (Statutory Bodies) Regulation 2010 and includes those Officers who take part in the management of Macquarie Generation and are employed under a performance based employment contract.

The number of Executive Officers with remuneration (excluding incentive payments) equal to or exceeding the equivalent of Senior Executive Service (SES) Level 1 ($163,000 for the year ended 30 June 2013) at the end of the reporting period was 23 (2012 - 16).

The number of Executive Officer positions equal to or exceeding SES Level 1 filled by women in the current year was 3 (2012 – 2).

NOTE 30. CARBON PRICING MECHANISM

The Clean Energy Legislative Package was passed on 8 November 2011.

The Clean Energy Legislative Package has had a significant impact on the valuation of the Corporation's assets, resulting in a decrease in asset values of $999.9 million at December 2011. There may also be a significant impact on the Corporation's profitability and estimated useful lives of the Corporation's infrastructure assets.

NOTE 31. CONTINGENCIES

Macquarie Generation did not have any contingent liabilities at 30 June 2013.

Macquarie Generation has an outstanding insurance claim in respect of repairs to a generator unit at Liddell. The amount of recovery under this claim is not reasonably estimable at 30 June 2013.

NOTE 32. ELECTRICITY GENERATOR PRIVATISATION

The Electricity Generator Assets (Authorised Transactions) Act 2012 was assented to by the Governor of New South Wales ı 5 June 2012. This legislation provides for the privatisation of New South Wales electricity generator assets including those of Macquarie Generation.

The sale program commenced on 6 July 2012 with the appointment of Goldman Sachs as specialist financial advisors. On 30 July 2013 the Government called for expressions of interest for the purchase of Macquarie Generation's electricity generator assets. At this stage in the sale process Macquarie Generation has been advised by the Government to continue on a business as usual basis.

END OF AUDITED FINANCIAL STATEMENTS

MACQUARIE GENERATION
FOR THE YEAR ENDED 30 JUNE 2013

DIRECTORS' DECLARATION

Pursuant to Section 41C of the Public Finance and Audit Act, 1983, we state that in the opinion of the Directors of Macquarie Generation:

(a) The accompanying Financial Statements comprise a general purpose financial report which has been prepared in accordance with applicable Australian Accounting Standards, the State Owned Corporations Act, 1989, the Public Finance and Audit Act, 1983, the Public Finance and Audit Regulation, 2010, and mandatory professional reporting requirements and give a true and fair view of the Corporation's financial position as at 30 June 2013 and its financial performance for the year ended on that date;

(b) At the date of this statement, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due and payable;

(c) We are not aware of any circumstances at the date of this declaration that would render any particulars included in the Financial Statements to be misleading or inaccurate.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors.

L DI BARTOLOMEO
CHAIRMAN

30 August 2013
Sydney

RW SKELTON
CHIEF EXECUTIVE AND MANAGING DIRECTOR

30 August 2013
Sydney

INDEPENDENT AUDITOR'S REPORT

Macquarie Generation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Macquarie Generation (the Corporation), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010
- comply with International Financial Reporting Standards as disclosed in Note 1(a)(i).

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

Directors' Responsibility for the Financial Statements

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

In Note 1(a)(i), the directors also state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation of the financial statements that give a true and fair view 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 Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

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

Independence

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

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

Peter Achterstraat
Auditor General

30 August 2013
SYDNEY

MACQUARIE GENERATION
2013 CORPORATE GOVERNANCE STATEMENT

Charter and Legislation

Macquarie Generation (the Corporation) is a statutory State Owned Corporation, in accordance with the State Owned Corporations Act 1989. It was constituted on 1 March 1996 under the Energy Services Corporations Act 1995 as an electricity generator.

Section 8 of the State Owned Corporations Act 1989 sets out the principal objectives of State Owned Corporations while the Energy Services Corporations Act 1995, Part 2 Section 5 sets out the principal objectives of electricity generators.

The Electricity Generator Assets (Authorised Transactions) Act 2012 was assented to by the Governor of New South Wales on 5 June 2012. The legislation provides for the privatisation of New South Wales electricity generator assets including those of Macquarie Generation.

Corporate Governance Framework

The Board of Directors and Management of Macquarie Generation are committed to achieving and demonstrating high standards of corporate governance.

The Board has assessed the Corporation's governance framework against the governance principles released by the ASX Corporate Governance Council in March 2003 and the update effective from 1 January 2011. Best practice guidelines provided by the Audit Office of New South Wales have also been considered. The Board continues to review the governance framework and practices to ensure they meet the interests and requirements of the Shareholders.

The relationship between the Board and Management is important to the Corporation's long term success. Day to day management of the Corporation's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives as set out in the Corporation's delegations policy. These delegations are reviewed periodically.

The Directors are responsible to the Shareholders for the performance of the Corporation. Their focus is to enhance Shareholder value, having regard to the interests of other key stakeholders and to ensure that the Corporation is efficiently managed.

A description of the Corporation's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

. ne Board of Directors

The Board operates in accordance with the governing legislation and the Corporation's Memorandum and Articles of Association. The Board has developed a formal Charter for its role and responsibilities which is available from the corporate governance information section of the Corporation's website.

Board Composition

The Board currently comprises four non-executive Directors and one executive Director. The services of a consultant, who had been previously appointed to assist in the efficient handling of the workload of the Board as a result of two non-executive vacancies on the Board, ceased in July 2012.

Non-executive Directors bring an external perspective to the Board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of Management.

The Corporation has a mix of Directors on the Board from different backgrounds with complementary skills and experience.

In recognition of the importance of independent views and the Board's role in supervising the activities of Management, the Chairman is an independent non-executive Director.

The Chairman is nominated by the Shareholders and meets regularly with the Managing Director.

The Board undertakes periodic assessments of the performance of the Board in order to ensure maximum contribution to the strategic management and governance of the Corporation.

Responsibilities

The responsibilities of the Board include:

- Contributing to the development of and approving the corporate strategy.
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives.
- Overseeing and monitoring:
  - organisational performance and the achievement of the Corporation's strategic goals and objectives;
  - compliance with the Corporation's Code of Conduct, and
  - progress of major capital expenditures and other significant corporate projects.
- Monitoring financial performance including approval of the annual and half-yearly financial reports and liaison with the Corporation's internal and external auditors through the Board Audit and Assurance Committee.
  Review and provide oversight over the health, safety and environment issues as they may affect employees, contractors and the broader community in which the Corporation operates through the Board Health, Safety and Environment Committee.
- Appointment, performance assessment and, if necessary, removal of the Managing Director, allowing for consultation with the Shareholders.
- Ratifying the appointment, removal and performance assessment of the members of the senior management team.
- Reviewing and approving the remuneration and performance incentive arrangements for the Managing Director and the senior management team through the Board Remuneration and Human Resources Committee.
- Ensuring there are effective management processes in place and approving major corporate initiatives.
- Enhancing and protecting the reputation of the Corporation.
- Ensuring the significant risks facing the Corporation, including those associated with its legal compliance obligations, have been identified and appropriate and adequate control, monitoring, accountability and reporting mechanisms are in place.
- Reporting to Shareholders on the operation of the Corporation.

Board Members

Details of the members of the Board including their experience, expertise, qualifications, term of office and independent status are set out in the Directors' Report.

The Directors in office were considered and nominated by the Shareholders based on the skills and experience they could bring to Board deliberations on current and emerging issues. The Shareholders set the term of office of each Director and consult with the Chairman on Director appointments.

There are currently two non executive Director vacancies.

Chairman and Chief Executive

The Chairman is responsible for leading the Board, ensuring that Board activities are organised and efficiently conducted and for ensuring Directors are properly briefed for meetings.

The Board delegates to the Chief Executive and Managing Director responsibility for implementing strategic direction and r managing the day to day operations of the Corporation. The Chief Executive and Managing Director consults with the Chairman, in the first instance, on matters which are sensitive, extraordinary or of a strategic nature.

Commitment

The Board held 9 meetings during the year comprising 8 scheduled meetings and 1 unplanned special purpose meeting.

The number of meetings of the Corporation's Board of Directors and of each Board Committee held during the year ended 30 June 2013, and the number of meetings attended by each Director is disclosed in the Directors' Report.

It is the Corporation's practice to allow its Managing Director to accept appointments outside the Corporation with the prior written approval of the Board.

During the year ended 30 June 2013 the Chief Executive Officer and Managing Director continued as a Non-executive Director of National Generators Forum Limited.

Conflict of Interest

The Corporation has held four continuing contracts during the financial year with entities in which a Director declared a conflict of interest as disclosed in the Directors' Report.

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek reasonable independent professional advice at the Corporation's expense.

Corporate Reporting

The Chief Executive and Managing Director and the Acting Chief Financial Officer and Company Secretary have made the following certifications to the Board:

- that the Corporation's financial statements are complete and present a true and fair view, in all material respects, of the financial position and operational results of the Corporation and are in accordance with applicable Accounting Standards;

Corporate Reporting (continued)

- that the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board and that the Corporation's risk management and internal control is operating effectively in all material respects, and
- there have been no significant environmental incidents during the year.

Board Committees

The Board has established Committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current Committees of the Board are the Audit and Assurance Committee, the Health, Safety and Environment Committee and the Remuneration and Human Resources Committee. Each is comprised entirely of non-executive Directors. The Committees' structure and membership is reviewed on an annual basis.

The Board also forms other Committees on a needs basis to address specific issues. In the past, a Legal Affairs Committee and an Issues Management Committee have operated.

ch of the Committees has its own written Charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the Committee is to operate. The Charters for the Committees are available on the corporate governance section of the Corporation's website.

Matters determined by Committees are submitted to the full Board as recommendations for Board decision and minutes of Committee meetings are made available to all members of the Board for information.

Board Remuneration and Human Resources Committee

The Board Remuneration and Human Resources Committee consists of the following non-executive Directors:

Lucio Di Bartolomeo
James Evans
Ron Finlay

On 26 July 2013 the Board appointed Patricia McKenzie as Chairman of the Board Remuneration and Human Resources Committee following the retirement of the previous chairman Phil Arnall on 23 April 2012.

Mr Arnall had been appointed as a consultant to the Board to assist with the Board's workload and specifically to Chair the Board Remuneration and Human Resources Committee. During his tenure Mr Arnall provided recommendations to the Committee and Board, as required, but did not vote on the resolutions. Mr Arnall services ceased in July 2012 having respectively attended two Board, two Board Remuneration and Human Resources Committee and one Board Audit and Assurance Committee meeting during the current financial year.

The Board Remuneration and Human Resources Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for the Chief Executive and Managing Director and other senior executives. The Committee also advises the Board on the Corporation's incentive scheme applicable to Award based employees. The Committee members receive regular input from an external remuneration expert on recent developments in remuneration and related matters.

Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to personal and corporate performance, contribution to long term business growth, relevant comparative information and independent expert advice.

Board Remuneration and Human Resources Committee (continued)

The Committee also ensures that the key performance targets contained within the remuneration packages of the Chief Executive and Managing Director and other senior executives are closely aligned to the Shareholders' objectives. The key

performance targets are based on specific stretching targets derived from the annual Business Plan relating to corporate profit improvement, short term and long term cost reductions, business growth and personal development.

As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, and fringe benefits.

The remuneration of non-executive Director's is determined by the Shareholders.
Further information on the Remuneration of Directors and Executives is set out in Note 29 to the Financial Statements.

The Committee has oversight responsibility for Management succession planning, including the implementation of appropriate executive development programs.

.ard Audit and Assurance Committee

The Board Audit and Assurance Committee consists of the following non-executive Directors:

James Evans (Chair)
Ron Finlay
Patricia McKenzie

Mr Arnall attended two meetings of the Board Audit and Assurance Committee, at the invitation of the Board, prior to the cessation of his services. He did not vote on resolutions to this Committee.

The Board Audit and Assurance Committee has appropriate financial expertise and all members have a working knowledge of the industry in which the Corporation operates.

The main responsibilities of the Committee are to review and assess financial reports including significant accounting policies, monitor the performance of the Corporation's internal control systems, ensure that internal and external audit plans address areas of high operational and financial risk, oversee the effective operation of the Enterprise Risk 'anagement and Business Continuity Planning frameworks, recommend the appointment and remuneration of the ınternal Auditor, monitor the performance of the Corporation's auditors and review and monitor related party transactions.

In fulfilling its responsibilities, the Board Audit and Assurance Committee receives regular reports from Management and the Internal and External Auditors and requires the Chief Executive and Managing Director and Chief Financial Officer and Company Secretary to state in writing to the Board that the Corporation's financial reports present a true and fair view, in all material respects, of the Corporation's financial position and operational results and are in accordance with relevant accounting standards.

The Board Audit and Assurance Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

Board Health, Safety and Environment Committee

The Board Health, Safety and Environment Committee consists of the following non-executive Directors:

Ron Finlay (Chair)
Lucio Di Bartolomeo
James Evans
Patricia McKenzie

The purpose of the Committee is to review and provide oversight over the health, safety and environment issues as they may affect employees, contractors and the broader community in which Macquarie Generation operates. The Committee responsibilities include:

- annually reviewing and recommending to the Board the Health, Safety and Environment (HSE) Strategy
- reviewing and reporting HSE performance to the Board
- reviewing and monitoring compliance with laws and regulations associated with environmental, health and safety matters
  regularly reviewing, at least on an annual basis, the design of Macquarie Generation's HSE Management System to ensure ongoing legal and regulatory compliance, as well as the corporate objectives and values of the entity
- reviewing, at least annually, the HSE audit and assurance process and recommending for Board approval the annual HSE audit program covering major issues arising from the audit plan and the status of actions taken by management to address internal audit findings
- regular review of Macquarie Generation's organisational structure to ensure that available and appropriate resources and processes can be employed to eliminate or reduce environmental, health and safety risks from work carried out as part of Macquarie Generation's business
- considering any regulatory notice from regulatory authorities

In fulfilling its responsibilities, the Committee receives regular reports from Management and Internal Audit to allow it to discharge its fiduciary duties to the Board.

The Board Health, Safety and Environment Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External Auditors

The Audit Office of New South Wales is appointed by New South Wales Parliament as the Corporation's external auditors. The Audit Office of New South Wales complies with all professional independence requirements.

Fees paid to the external auditors are provided at Note 4 to the Financial Statements.

Risk Assessment, Internal Control and Management Reporting

The Board is responsible for ensuring there are adequate policies in relation to risk oversight and management, and internal control systems. In summary, the Corporation's policies are designed to ensure strategic, operational, occupational health and safety, legal, environmental, reputation, regulatory and financial risks are identified, assessed, addressed and monitored to enable achievement of the Corporation's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisational structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

The Corporation has contracted for the provision of an effective internal audit function.

Following a selective tender process carried out during the 2008/09 financial year to take effect from 1 July 2009, Ernst & Young was reappointed as Internal Auditor for a three year period ending 30 June 2012. This term was extended until 31 December 2013.

e Board Audit and Assurance Committee receives status reports from the Internal Auditor in accordance with the Internal Audit Plan as part of a framework to ensure that a strong internal control environment is being maintained and appropriate and timely follow up action is taken by Management.

The Board receives reports from Management at each meeting of the Board on compliance with Risk Management Policies and material financial and operational risks that may impede meeting business objectives.

Detailed control procedures cover accounting, financial reporting, project appraisal, environment, health and safety, IT security, compliance and other risk management issues.

The Board takes particular interest in the safety of all employees and contractors and has supported a range of initiatives all designed to improve the safety performance of the Corporation.

The Board monitors the operational and financial performance of the Corporation against budget and other key performance measures through management reports received from each member of the Executive.

Executive Committees

.ne management of business risk is supported by Management Committees covering the following:

- Executive
- Energy Trading
- Environment
- Workplace, Health and Safety
- Information Technology Governance Committee

Code of Conduct

The Corporation has developed a formal Code of Conduct, which applies to all Directors and employees. The Code covers fairness and equity, confidentiality, the use of corporate resources, acceptance of gifts and benefits, conflicts of interests, corrupt conduct and accountability.

The Code is reviewed and updated at least annually to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Corporation's integrity.

Continuous Disclosure and Shareholder Communication

Management is responsible for ensuring compliance with the continuous disclosure requirements to the Shareholders and overseeing and co-ordinating information disclosure to the Shareholders' representatives, the New South Wales Treasury.

The Shareholders and officers of New South Wales Treasury receive a copy of the Corporation's yearly and half yearly financial reports which are lodged in Parliament on or near 30 November and 28 February each year respectively.

Anti Money Laundering and Counter-Terrorism Financing Compliance

During the 2012/13 financial year the Corporation has complied with its obligations under the Anti Money Laundering and Counter-Terrorism Financing Act 2006.

Fraud and Corruption Framework

Macquarie Generation has a Fraud and Corruption Framework in line with ICAC Guidelines. This includes a Statement of Business Ethics.

Government Information (Public Access) Act 2009

Macquarie Generation has a framework in compliance with the relevant provisions of this Act.

Australian Financial Services Licence - 284379

The Corporation complies with all requirements of its Australian Financial Services Licence.

MACQUARIE GENERATION
2013 STATUTORY INFORMATION

Senior Management Team

Title	Name and Qualification	Executive Committee Representation
Chief Executive and Managing Director	Mr Russell Skelton BEng	1,2,3,4
General Manager Transition (6,7)	Mr David Ipkendanz DipEd BEc FCPA	1,3,4,5
Acting Chief Financial Officer and Company Secretary (6,8)	Mrs Diane Moriarty BComm CPA MBA	1,3,4,5
General Manager Operations (6)	Mr Colin Duck BE (Hons) MBA GradIEAust	1,2,4,5
General Manager Engineering (6)	Mr Kevin Wykes BE	1,4,5
General Manager Human Resources (6)	Ms Sharon Howes BSc Grad Dip Mgt GAICD	1,4,5
General Manager Marketing (6)	Mr Tim Allen BEng (Hons) MBA	1,3
General Manager Fuel (6)	Mr Ray Durie BAcc	1,5
General Manager Corporate Affairs (6)	Ms Leisl Baumgartner BA BEc MIntS	1,2,5
General Manager – Information Technology	Mr Michael Lifson BSc MBA MAppFin GAICD	1,5

Notes:

. Reflects membership of Executive Committee
2. Executive Environment Committee
3. Executive Trading Committee
4. Executive Workplace, Health and Safety Committee
5. Information Technology Governance Committee
6. Direct report to the Chief Executive
7. Mr Ipkendanz was seconded to the Electricity Generator Privatisation project on 17 June 2013
8. Mrs Moriarty was appointed as Acting Chief Financial Officer and Company Secretary on 17 June 2013

Chief and Senior Executive Officers

Macquarie Generation has not been included as a Division of the Government Service under Schedule 1 of the Public Sector Employment and Management Act 2002. Accordingly, Macquarie Generation senior managers are not members of the Government's Senior Executive Service (SES) and terms and conditions of their employment are set out in the Macquarie Generation Contract of Employment as disclosed in Note 29 of the Financial Report.

Controlled Entities

Macquarie Generation does not hold any controlled entities of the kind referred to in Section 39 (1A) of the Public Finance and Audit Act, 1983.

Statement of Corporate Intent

The State Owned Corporations Act, 1989 requires Macquarie Generation to identify and set out reasons for departures from the Performance Targets contained in the Statement of Corporate Intent.

ıe major departures from the Statement of Corporate Intent (SOCI) are reported in the following table.

Performance Target	2012/2013 Actual ($m)	2012/2013 SCI Target ($m)
Earnings before interest tax and depreciation (EBITD) [1]	208.1	248.0
Operating Profit before Tax[2]	58.9	85.0
Target Dividend	30.0	60.0
Return (EBIT) on Assets (%)	3.4	4.9
Return (NPBT) on Equity (%)	5.2	8.3

EBIT and Operating Profit before Tax include net unrealised gains of $17.2 million in relation to the valuation of derivative financial instruments. As required by Australian Accounting Standards these amounts are based on market valuations applicable at 30 June 2012. The amounts were not included in the 2011/2012 SOCI Target as they could not be reliably estimated.

Total Expenses excluding depreciation, finance costs, tax expense, and fair value losses on Derivative Financial Instruments increased by 48.9% due mainly to the impact of the carbon tax.

Landholdings

Macquarie Generation's landholdings include the following:

1. Bayswater and Liddell Power Stations,
2. Barnard River Pumping Station, and
3. Corporate Office, Newcastle.

[1] Target Earnings before interest and tax excludes the impact of accounting adjustments for the impact of International Financial Reporting Standards

[2] Target Operating profit excludes the impact of accounting adjustments for the impact of International Financial Reporting Standards

Bayswater and Liddell Power Stations

The Power Stations are located between Singleton and Muswellbrook, New South Wales, and are surrounded by 10,000 hectares of land, of which approximately 4,500 hectares is covered by water or ash deposits.

This area falls within the Singleton and Muswellbrook Local Government Areas.

The majority of the land is zoned Special Purpose for the generation of electricity.

Barnard River Pumping Station

This is an area of approximately 32 hectares located within the Scone Local Government Area on which the majority of the infrastructure associated with the Barnard River Pumping Station is constructed.

Corporate Office Newcastle

The Newcastle Corporate Office is located at 34 Griffiths Road, Lambton, within the Newcastle Local Government Area.

Australian Financial Services Licence

Macquarie Generation is the holder of Australian Financial Services Licence Number 284379.

Equal Employment Opportunity (EEO)

As at 30 June 2013, Macquarie Generation's workforce comprised 642 employees. While the majority of employees work on a full time basis, there are a small number on a part time arrangement. No employee was engaged during the reporting period on a casual work arrangement.

MACQUARIE GENERATION
2013 STATUTORY INFORMATION (CONTINUED)

Equal Employment Opportunity (EEO) (continued)

Trends in the Representation of EEO Groups

EEO Group	Government target	% of Total staff (Note 1) 2013	2012	2011	2010
Women	50%	15	16	14	14
People identifying as Aboriginal or Torres Strait Islander	2.6%	1.6	1.7	1.5	1.3
People whose first language as a child was not English	19%	4	5	4	4
People with a disability	N/A	8	9	9	9
People with a disability requiring adjustment in the workplace	1.5% (2013)	2.5	3.0	2.9	3.0

Trends in the Distribution of EEO Groups (Note 2)

EEO Group	Benchmark	Distribution Index (Note 1) 2013	2012	2011	2010
Women	100	83	92	93	94
People identifying as Aboriginal or Torres Strait Islander	100	N/a	N/a	N/a	N/a
People whose first language as a child was not English	100	106	116	123	119
People with a disability	100	108	111	108	107
People with a disability requiring adjustment in the workplace	100	N/a	N/a	N/a	N/a

Notes:

1. Excludes any casual staff.
2. A distribution index of 100 indicates that the centre of distribution of the EEO group across salary level 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 the other staff. The more pronounced this tendency is, the lower the index will be. The Distribution Index is determined from data from Workforce Profile reporting.
3. The distribution index is not calculated where EEO group or non-EEO group numbers are less than 20.

Equal Employment Opportunity (EEO) (continued)

Achievements during 2012-2013 and strategies proposed for 2013-2014

- Promotion to and encouraging participation of EEO groups in work experience, trainee, scholarship and graduate programs
- EEO learning and development programs for employees
- Actively involved in the broader community networks to identify new opportunities to broaden reach to promote employment
- Monitoring the Aboriginal Employment Strategy to assess effectiveness of strategies and actions
- Cross cultural awareness training for employees in key areas to support cultural understanding within the workplace.
- Introduction of Team Leader program which includes modules on diversity in the workplace
- Policies on EEO, Harassment and diversity are provided during all employee inductions

Multicultural Policy

Macquarie Generation is committed to, promotes and upholds the principles of multiculturalism by providing equitable access to employment and in the provision of goods and services. The Corporation's primary function is the generation of electricity, supplied directly to bulk users and the National Electricity Market. There is no direct service delivered to the broader community. Therefore, the main focus of the multicultural planning framework relates to employment, training and procurement activities within the organisation, taking into account the diversity and requirements of the community in which the business operates, and includes supplier and other stakeholder relationships with the Corporation.

Government Information (Public Access)

Two requests were received under the New South Wales Government Information (Public Access) Act 2009 (GIPA) during the reporting period.

Section 7(3) of the GIPA Act requires an agency to annually review its program for the release of government information under the Act. A management review has been performed and no additional information, other than the information currently released will be made publicly available.

Public Interest Disclosures

Macquarie Generation has prepared a Public Interest Disclosures Policy as required under section 6D of the Public Interest Disclosures Act 1994. The Chief Executive has met his staff awareness responsibilities under section 6E of the Act, by issuing an e-mail to all staff informing them of the existence of the Public Interest Disclosure Policy, and providing intranet links to both the Policy and the New South Wales Ombudsman. No public interest disclosures have been made to Macquarie Generation in the period 1 July 2012 to 30 June 2013.

Funds Granted to Non-Government Community Organisations

Macquarie Generation donations and sponsorships during the reporting year to Hunter region community organisations totalled $309,907.

Overseas Visits

Name	Title	Country	Purpose
D. Ipkendanz	General Manager Transition	United Kingdom / Singapore	Presentations and meetings with insurance underwriters.

Promotion

A variety of communication vehicles were produced to inform stakeholders of corporate activities during the reporting year as follows:

- Annual Report 2012,
- Regular advertising in Upper Hunter newspapers and special publications,
- Media statements, newspaper, radio and TV interviews,
  Website updates: www.macgen.com.au <http://www.macgen.com.au/>,
- Casual regional newspaper and magazine advertising; and
- Quarterly Community Consultative Committee Meetings.

Consultants' Fees

As disclosed in Note 4(a) of the Financial Statements, Macquarie Generation's expenditure on Consultants' Fees totalled $2,937,000. The main purposes of the engagements were the provision of management, finance, accounting, taxation, fuel and environment, marketing and trading, engineering and information technology advice.

Corporate Information

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Liddell Power Station

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AUSTRALIA

Bayswater Telephone	61 2 6542 0711
Liddell Telephone	61 2 6542 1611

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