stanwell

Together we create energy solutions

Annual Report 2019/20

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About this report

This report provides an overview of the major initiatives and achievements of Stanwell Corporation Limited (Stanwell), as well as the business's financial and non-financial performance for the year ended 30 June 2020.

Each year, we document the nature and scope of our strategy, objectives and actions in our Statement of Corporate Intent, which represents our performance agreement with our shareholding Ministers. Our performance against our 2019/20 Statement of Corporate Intent is summarised on pages 24 to 33.

Electronic versions of this and previous years' annual reports are available online at www.stanwell.com

Our **performance**

- Despite a challenging year due to the combination of an over-supplied energy market, regulatory upheaval, the COVID-19 pandemic, bushfires and widespread drought, our people responded to these challenges, and remained safe, while playing a critical role in keeping the lights on for Queenslanders.

- We are one of the most reliable energy providers in the National Electricity Market, with our assets operating at 94.4 per cent reliability during the 2019/20 year.

- We invested $114.7 million (2018/19: $126.3 million) in our power stations to ensure we continued to provide a reliable supply of energy for Queenslanders.

- A University of Queensland study conducted in Rockhampton and the South Burnett found that our host communities have very high levels of trust in Stanwell.

- We were proud to launch Stanwell's new values – We care, We adapt and We deliver.

- Our renewed Mine Services Agreement was finalised, with Downer EDI awarded a five-year contract at Meandu Mine, reducing our Tarong power stations' fuel costs.

- We rolled out our refreshed business strategy, positioning Stanwell for the future.

- We received Australian Renewable Energy Agency (ARENA) funding to assess the feasibility of a renewable hydrogen demonstration plant at Stanwell Power Station.

- We achieved gold status from Workplace Health and Safety Queensland in recognition of the longevity and success of our health and wellbeing initiatives.

- Our continued focus on our safety performance resulted in a 37 per cent decrease in recordable injuries across our sites (from 22 in 2018/19 to 14 in 2019/20).

- We implemented several water saving initiatives at our sites and kicked off a water strategy for our Tarong power stations. This ensures we optimise our long-term water supply arrangements, while balancing water security for the South Burnett community.

- We provided a secure supply of electricity for Queenslanders, with 18,595 GWh (2018/19: 19,200 GWh) of electricity sent out by our sites.

- Our Mica Creek Power Station, in Mount Isa, celebrated 60 years in operation. After providing energy to Mount Isa industry and homes for 60 years it will be placed into cold storage from 1 January 2021.

About **Stanwell**

Who we are

We are an energy business with a portfolio of electricity generation assets throughout Queensland. We are a major provider of electricity to Queensland, the National Electricity Market and large energy customers along the eastern seaboard.

As a company that operates generation assets critical for energy reliability and system security, it is Stanwell's job to keep providing electricity as the industry transitions to a lower carbon future.

While providing reliable and affordable energy for today, we are also exploring new generation and storage technologies that will help reduce emissions for tomorrow, at an affordable price.

We have a variety of income sources that allow us to achieve the best possible returns for our owners, the people of Queensland. We sell wholesale electricity and we have an electricity retail business, Stanwell Energy, serving large commercial and industrial energy customers. We also receive revenue from coal rebates.

At Stanwell, we value a diverse and inclusive culture where we attract, employ and develop people who share our values.

As of 1 July 2020, we employed 717 full time equivalent direct employees in addition to 550 specialist contractors across our sites. Our aim is to create a workplace where everyone is included, treated fairly, respected and given the opportunity to be the best they can be.

Our vision

Together we create energy solutions

This means we strive to:

- work with our customers, shareholders, business partners and regulators to find new ways to meet their changing needs;
- make the complex simple;
- think differently and actively pursue
- opportunities for our customers, the energy market and our business; and
- identify and harness opportunities to enhance the value of our business.

Our values

In 2020, we refreshed our corporate strategy and launched new values and behaviours to support the transformation of our business. The Stanwell of today is very different to the Stanwell (and market) that existed when our previous values were developed ten years ago.

We worked with our people, our leadership teams and our Board, over six months, to develop new values that align more closely to our strategy, our vision and what's important to our people, while respecting our past.

Our new values and behaviours are:

We care

We care by:

- focusing on our health, safety and wellbeing;
- looking after each other, the environment and our community;
- being inclusive and communicating
- openly; and
- respecting and helping each other grow and succeed.

We adapt

We adapt by:

- embracing change and new ideas;
- working together and sharing learnings; and
- encouraging questions and different perspectives.

We deliver

We deliver by:

- keeping our commitments and trusting each other;
- making responsible commercial
- decisions; and
- owning our actions and outcomes.

About Stanwell Energy

Stanwell Energy is the retail brand of Stanwell Corporation Limited. Stanwell Energy serves large users of energy across the eastern seaboard of Australia – in Queensland, New South Wales, the Australian Capital Territory and Victoria.

We work with many prominent Australian commercial and industrial businesses to deliver tailor-made energy solutions.

This may include, but is not limited to:

- competitive fixed-price electricity supply agreements;
- long-term pricing and strategic relationships;
- hybrid contracting arrangements; and
- self-management of consumption and environmental certificate requirements.

We provide our customers with reliable and proactive customer service and solutions tailored to their specific needs.

The Stanwell Energy difference is:

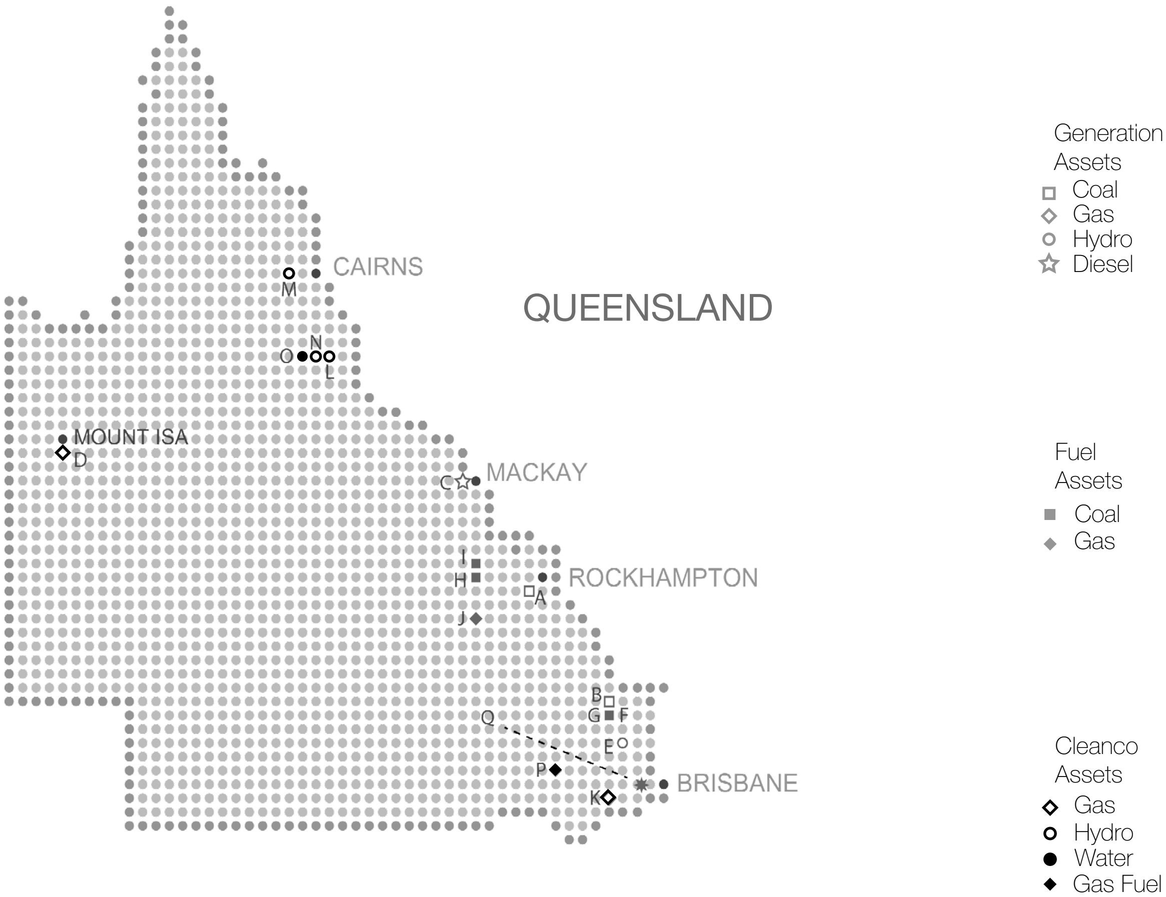
- a flexible array of energy solutions, specific to each customer's needs;
- accurate, transparent and on-time billing;
- dedicated and responsive account management (no call centre, you will have your account manager's name and mobile phone number); and
- expert understanding of the energy market and its evolving technologies and regulations.

Visit StanwellEnergy.com for more information.

Our **assets**

Our portfolio includes 3,418 MW of energy generation assets throughout Queensland. This includes Stanwell Power Station near Rockhampton and Tarong North Power Station near Kingaroy - two of the youngest and most efficient coal-fired power stations in Australia.

We are proud to generate the energy that powers Queensland lives and businesses.



GENERATION

A. STANWELL POWER STATION, Central Queensland – 1,460 MW (coal)
B. TARONG POWER STATIONS, Southern Queensland – 1,843 MW (coal)
C. MACKAY GAS TURBINE, Central Queensland – 34 MW (diesel)
D. MICA CREEK POWER STATION, North West Queensland – 218 MW (gas)
E. WIVENHOE SMALL HYDRO, South East Queensland – 4.3 MW (hydro)

COAL

F. MEANDU MINE, Southern Queensland – long-term coal supply to the Tarong power stations
G. KUNIOON COAL RESOURCE, Southern Queensland – potential future fuel supply for the Tarong Power Stations
H. CURRAGH NORTH MINE, Central Queensland – long-term agreement with Coronado Curragh which provides low-cost coal to Stanwell Power Station, and a revenue stream for coal exports
I. MINERAL DEVELOPMENT LICENCE 306, Central Queensland – coal resource located near the Curragh North Mine

GAS

J COMET RIDGE AGREEMENT, Central Queensland – option to secure long-term gas or to exit agreement for an agreed payment to Stanwell of $20 million

CLEANCO*

K. SWANBANK E POWER STATION, South East Queensland – 385 MW (gas)
L. KAREEYA HYDRO, Far North Queensland – 88 MW (hydro)
M. BARRON GORGE HYDRO, Far North Queensland – 66 MW (hydro)
N. KOOMBOOLOOMBA HYDRO, Far North Queensland – 7.3 MW (hydro)
O. KOOMBOOLOOMBA DAM, Far North Queensland – captures water for use at Koombooloomba Hydro and Kareeya Hydro power stations
P. KOGAN NORTH JOINT VENTURE, South East Queensland – provides up to four petajoules per annum of gas to Swanbank E Power Station via the Roma to Brisbane Gas Pipeline
Q. ROMA TO BRISBANE GAS PIPELINE – contracted capacity of 52 terrajoules per day

*** On 31 October 2019, ownership of our low and zero emission power stations was transferred to CleanCo Queensland. Under an agreement with CleanCo Queensland, Stanwell continued to provide operations, maintenance and corporate support services to these sites until 29 August 2020.**

Chair's **statement**

The 2019/20 financial year was challenging for Stanwell, Queensland and Australia. The combination of an oversupplied energy market, regulatory upheaval, the COVID-19 pandemic, bushfires and widespread drought, tested our business.

As a Board, we are incredibly proud of the way our people responded to these challenges, and remained safe, while playing a critical role in keeping the lights on for Queenslanders. Despite these challenges, we made important progress in advancing our strategic priorities, further improving the safety and reliability of our assets, while keeping energy prices affordable.

The forward curve for future electricity prices has fallen significantly and our forward hedge (contract) book is progressively reducing. This means a large fall in expected future revenue. This expected revenue fall has required us to impair the value of our Stanwell, Tarong and Mica Creek power stations by $719.6 million before tax. We have therefore incurred a loss of $240.3 million overall (compared with a net profit of $736.0 million in 2018/19). Stanwell remains financially strong and able to meet all its obligations. Accordingly, we will pay a dividend to our shareholder, the Queensland Government, of $231.0 million ($550.2 million in 2018/19).

The challenges facing our business

The pace of the National Electricity Market's (NEM) transition from an energy landscape characterised by large thermal generators, towards low carbon technologies, continues to accelerate. Electricity prices have declined materially over the past two years with the primary driver of this decline being the change in the supply and demand balance across all regions in the NEM.

The NEM has experienced several previous supply and demand imbalance cycles, however the current cycle is different because of the significant increase in investment in low carbon technologies. Compounding the imbalance caused by supply increases, is the market view that there will be little to no growth in future electricity demand. Population growth may continue to provide some growth in household energy consumption; however, it is likely that this growth will be offset by the continued penetration and system size of rooftop solar.

In the electricity market in 2019/20, an additional 2,338 MW of large-scale renewables were accredited for connection to the NEM, in addition to 1,264 MW of rooftop solar. The impact of COVID-19 on global oil prices has also played a role in shifting the supply and demand balance of the NEM. Global economic activity has impacted gas pricing (60 per cent down year-on-year), resulting in cheaper substitute fuel and improving the ability of formerly high-cost gas-fired generation to operate more competitively in the market.

As discussed above, this, combined with the energy market demand and supply imbalance, has resulted in large falls in the time weighted average price of electricity in Queensland for the year, dropping from $80.29/MWh in 2018/19 to $53.41/MWh this financial year. The pace of the Australian economy's recovery to pre-COVID-19 levels remains unclear and our modelling is currently indicating that the current market conditions may continue for an extended period of time.

Despite these challenges, Stanwell continues to optimise its financial results through rigorous cost management, and by having a variety of income sources, including coal rebate revenue, and long-term electricity contracts, in addition to spot market electricity sales. We have worked to build a strong contract position, with a significant proportion of our electricity sales revenue coming from long-term contracts with our customers, rather than spot market sales.

Forging a new path

For the NEM's transition to lower carbon technologies to be successful, it must deliver affordable and reliable energy for all consumers.

The transition presents both opportunities and risks to Stanwell and in recognition of this, we have refreshed our business strategy and values, to respond to the market dynamics and our evolving operating environment. As part of our refreshed strategy, we have identified objectives and initiatives we seek to achieve to address the challenges and risks we face. We are actively seeking opportunities for Stanwell in renewable energy and for our workforce to obtain skills in maintaining and operating renewable energy assets.

Stanwell's strategy is intended to enable the business to retain value and continue to deliver services and dividends to the people of Queensland. Our corporate strategy, financial strength, the reliability of our plant and our pipeline of new energy projects, position our business to play an integral role in Queensland's future energy market.

Keeping the lights on for Queensland

Daily energy demand patterns continue to shift, and this has an impact on how we operate our power stations. As more rooftop and solar energy comes online, demand during the day is dramatically declining. This results in peak demand in the morning and early evening, when solar energy is unavailable. It means generation output needs to ramp in the mornings and evenings to meet peak demand and then shift to lower outputs during the day when the sun is shining.

As coal-fired generators were not designed to operate this way, Stanwell continues to focus significant operational effort on testing our plants' low load and ramping ability, so we can continue to provide reliable and flexible energy for Queensland when it needs it most. In 2019/20 Stanwell sent out 18,595 GWh of energy (19,200 GWh in 2018/19) and achieved reliability of 94.4 per cent (95.9 per cent in 2018/19) across our NEM-connected assets.

We are committed to our people and our communities

At Stanwell, we understand that our ability to generate electricity is, in large part, dependent on the support of the communities in which we operate.

Our approach to working with local communities is a commitment to establish and maintain mutually beneficial relationships. A key part of this is employing locally. Stanwell employees live and work in the communities where we operate and are actively involved in local community programs and activities.

We recognise our coal-fired assets will eventually reach their end of lives and when that time comes it will have an enormous impact on our people and communities. While the planned departure of our Tarong, Tarong North and Stanwell power stations will not occur in the short-term, we are working now with the Queensland Government's Just Transition Group to develop a framework to empower our people and communities ahead of this eventual change.

This year, as we celebrated 60 years since our Mica Creek Power Station was first commissioned, we made the hard decision to put the site into cold storage from 1 January 2021, when its two remaining customer contracts in the North West Minerals Province expire. Mica Creek, six kilometres from Mount Isa, has operated well past its design life which is a testament to the extraordinary efforts and engineering capabilities of our people.

We care – we adapt – we deliver

Stanwell's vision – together we create energy solutions - and new values – we care, we adapt, and we deliver - set the tone for our culture. That culture and those values were evident during this year's COVID-19 pandemic. The business quickly adapted its processes to respond to

COVID-19 to ensure: the health of our people and their families; the continuing supply of electricity to the NEM; and wherever possible, support for the communities in which Stanwell operates.

Our firm commitment to the health and safety of all our employees and contractors remains Stanwell's priority and underpins our approach to business operations. We have seen a 36.7 per cent decrease in the number of reportable injuries across our sites, from 22 in 2018/19 to 14 in 2019/20. While this is a positive result, we recognise the need to remain vigilant and seek continual improvement.

Acknowledgments

In closing, I would like to acknowledge Stanwell's workforce for their professionalism, resilience and the solidarity they have shown as we managed the unprecedented challenges of the 2019/20 year. Each of our workers at the Brisbane office, Stanwell, Tarong, Mica Creek, Swanbank and hydro power stations, ensured, through their actions, that Stanwell was able to deliver on each of its commitments during the 2019/20 financial year, and the Board thanks you for this.

I acknowledge and say a specific thank you to the Swanbank, Kareeya and Barron Gorge power station workers who will soon be transferring to CleanCo Queensland. They have worked hard and skillfully for Stanwell over many years. We wish each of them and CleanCo Queensland every success for the future.

I also wish to thank our Chief Executive Officer, Richard Van Breda for his hard work and dedication. Lastly, thanks to each of my fellow Board Members.

In September 2019, we farewelled Dr Ralph Craven who was Stanwell's Chair during the period 2015 to 2019. On behalf of the organisation, we thank him for his dedication and leadership of the Board and Stanwell during this time.

This year certainly had its challenges, but Stanwell's diversified revenue stream and efficient portfolio of generation assets mean we have the reach and scale to transform in the future, while providing reliable energy today. Our vision, our strategy, our values, and our track record of evolving our business and adapting to changing markets will continue to allow us to prosper and deliver value for our owners – the people of Queensland – for decades to come.

Paul Binsted
Non-Executive Chair

"I would like to acknowledge Stanwell's workforce for their professionalism, resilience and the solidarity they have shown".

Chief Executive Officer's **review**

Stanwell's performance for the 2019/20 financial year has been testament to the resilience and adaptability of our people. It has been an exceptionally challenging year for Stanwell, navigating the COVID-19 pandemic, a range of unforeseen plant failures and the continuous rapid and uncertain changes in the Australian energy markets.

Regardless of these often seemingly insurmountable odds, Stanwell responded, ensuring the continuous supply of reliable and affordable energy to Queensland and adapting to the changing energy landscape.

Our performance

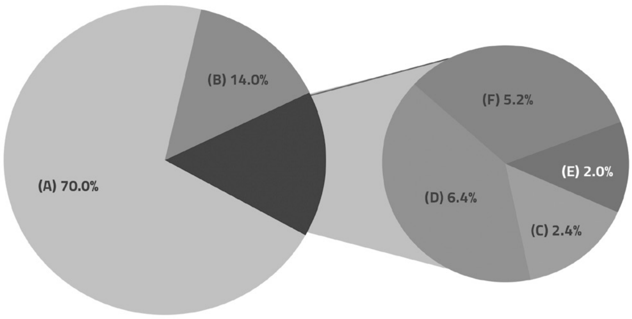
Our assets were available when most needed by the National Energy Market (NEM). This year, we achieved 94.4 per cent (95.9 per cent in 2018/19) reliability across our NEM connected assets. During 2019/20, we continued our efforts on testing and improving the flexibility of our coal-fired plant to ramp up and down to meet changing daily energy demand patterns, as an increasing proportion of variable renewable energy enters the market. Decreasing energy demand and surplus energy supply, along with the impacts from the COVID-19 pandemic presented serious challenges to our business and are the main contributors to a decline in our financial performance for the year.

Stanwell has recorded a Net Loss After Tax (NLAT) of $240.3 million (a decrease from the Net Profit After Tax of $736.0 million achieved in 2018/19) for the 2019/20 financial year and will pay a dividend of $231.0 million (compared with $550.2 million in 2018/19).

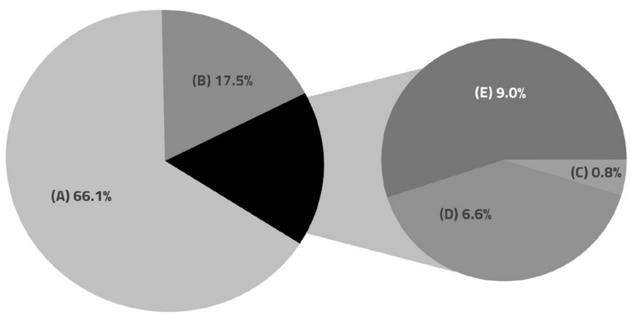
The rapidly evolving energy market and longer-term global economic outlook impacted the future value of our sites, resulting in an asset write-down of $719.6 million, which was the main reason for the reported net loss after taxation. The change in Stanwell's profitability between the 2018/19 and 2019/20 financial years, was further exacerbated by the inclusion of a $210.0 million one-off transaction in the 2018/19 financial results for the gain on the transfer of mining rights to Coronado Curragh Pty Ltd as part of a longer term coal supply arrangement.

Despite these challenges, Stanwell's 2019/20 financial result was insulated by our strong contract portfolio, with $2,095.0 million in revenue achieved from contracted electricity sales and $21.9 million in revenue from delivering ancillary energy services,

Revenue 2018/19



Revenue 2019/20



- (A) Electricity sales through contracts
- (B) Energy services revenue
- (C) Gas sales
- (D) Coal revenue sharing arrangements
- (E) Other
- (F) Coronado transaction

such as frequency control, to ensure grid stability and security, to the NEM.

Our strong energy contract position, the reliability of our generation plant and the revenue from our coal revenue sharing arrangements has enabled us to manage the financial risks of the business and ensure its strong cash position.

We have rigorously managed our costs and locked in cheaper long-term fuel deals for our generation assets to optimise our financial performance. Importantly, during the year we negotiated a new five-year Mine Services Agreement with Downer EDI, which reduces the fuel costs for our Tarong power stations improving the competitiveness of the power stations in the NEM.

While our financial performance is important to our owners, the people of Queensland, we also have a role in ensuring that energy is affordable and reliable. Queensland recorded the lowest average wholesale electricity price in the National Electricity Market for the third year, benefiting Queensland families and businesses.

Refreshing our direction

During the year, we refreshed our business strategy to ensure we continue to anticipate and address the challenges and opportunities faced, not just by our business, but by energy companies around the world as the energy sector continues to move toward lower carbon alternatives.

This ability to anticipate and adapt to challenges and changing markets is even more vital as the effects of the COVID-19 pandemic have created an early ‘tipping point’, causing many generators to become loss making. With gas, oil and thermal coal prices all decreasing along with energy prices, the wholesale price of electricity is now less than the long-run average cost of running power generation units.

With this in mind, we will be taking action to further look at our future direction ensuring we are in the best position possible to sell both coal-fired and renewable generation into the market.

We also launched new values this year; we care, we adapt, and we deliver.

The work to refresh our strategy and values sets us up strongly for the next era in Stanwell's history and allows us to focus on the execution of our strategy in 2020/21 and beyond. In 2019/20 we achieved several important milestones in relation to our refreshed corporate strategy, and these are outlined in detail in pages 24 to 33. Below is a summary of some of these key strategic achievements:

Work smart and build capability

We are focused on working smart and building the capability of our people, systems, business processes, and cost leadership to ensure we can meet the challenges of the evolving energy market.

This year we launched a resilience and growth program and continued our adaptive challenge leadership development program. We upgraded several of our critical business systems to improve their efficiency and are delivering technology changes to support regulatory and market rule changes.

Seeking cost leadership opportunities in our operations resulted in important progress in standardising maintenance and operations processes across our sites. We centralised our operations team at Tarong power stations in a move that means both Tarong North and Tarong Power Station can be operated from a single location. Our overhauls at Stanwell and Tarong power stations during the year have ensured the ongoing reliability, efficiency and safety of our assets, in addition to delivering major flow-on economic benefits to our host communities.

As a Pay Equity Ambassador for the Workplace Gender Equality Agency (WGEA), I am proud to report that Stanwell has no gender pay gap for like-for-like roles that cannot be explained by experience, merit or achievement. Through a range of initiatives implemented to narrow the gap and attract more female applicants, this year, we've further decreased Stanwell's gender pay gap to 10.2 per cent in January 2020 (from 15.1 per cent in February 2018), compared with the national gender pay gap of 14.1 per cent.

This year we achieved gold status from Workplace Health and Safety Queensland in recognition of our extensive health and wellbeing program. 'Gold status' acknowledges and rewards Queensland businesses that have made efforts to build healthy and sustainable workplaces for more than two years. Our focus was to encourage our people to proactively identify and report potential safety hazards. We experienced no serious injuries or fatal events at our sites, and we recorded a 36.7 per cent decrease in recordable injuries.

Create future energy solutions

We are working to create future energy solutions to ensure we develop the products our customers want, keep the energy system secure and enable transformation of the electricity grid and market.

Throughout the year, we continued to optimise the performance of our plants and plan for future capital and outage programs. This is especially important, given our plant will need to operate differently in the coming years because of the increasing proportion of renewable energy in the market and the impact that will have on daily demand patterns and overall demand levels.

In addition to the work we are doing to optimise our plant so they can operate more flexibly, we are working to develop Stanwell's capability to provide system security and resilience services to support the transitioning market. During the year we also made critical headway on improving our energy trading systems to prepare them to meet the future five-minute settlement rule change being introduced by the Australian Energy Market Operator.

Deliver affordable emissions reductions

Our focus on affordable emissions reduction aims to ensure we remain in step with customer and community expectations in relation to emissions intensity, while remaining commercial for our owners, the people of Queensland and continuing to generate affordable electricity.

To this end, we are exploring several renewable projects, including possible large-scale battery storage. In 2019/20 Stanwell was awarded $1.25 million as part of the Australian Renewable Energy Agency (ARENA) Advancing Renewables Program to support the completion of our $5 million hydrogen feasibility study at Stanwell Power Station near Rockhampton.

This year we initiated a bioenergy plan, which involves investigating options to work with the bio-energy industry to underpin emissions reduction at our existing sites. Bioenergy uses renewable organic waste from plants, animals and humans to produce heat, electricity, biogas and liquid fuel, and presents an opportunity to improve utilisation of waste, reduce emissions and provide employment opportunities.

Benefit community and shareholders

We must balance the needs and expectations of our customers, host communities, business partners, regulators and end users of electricity with the needs of our shareholders, the people of Queensland. This year, The University of Queensland undertook research to understand the expectations and perceptions of Stanwell in our host communities. Researchers worked with local businesses, community organisations, regional leaders, tenants, suppliers, contractors, neighbours and our employees in the South Burnett and Rockhampton regions near our Tarong and Stanwell power stations.

The results were a testament to the strong relationships we have built in our host communities over many decades, with community members reporting very high levels of trust in Stanwell and expressing recognition of the economic benefits we provide our local communities.

However, the research also identified some opportunities for us to improve our relationships with our people, neighbours, local business partners and host communities, including clarifying our intentions in relation to some of our land holdings in the South Burnett, providing more regular updates on our operations and communicating our long-term business focus as the market continues to transition.

Our priorities in responding to the COVID-19 pandemic have been the safety and wellbeing of our people and their families; continuing the supply of electricity to the National Electricity Market; and supporting our host communities.

We kept our people and their families safe by supporting our people with the tools and systems to work from home, wherever possible. We also introduced stringent safety measures at our sites, such as temperature checks, social distancing and additional cleaning, to protect those essential workers who had to operate and maintain our power stations. The extraordinary efforts of our people ensured we kept the lights on for Queensland during this challenging time.

The travel and social distancing restrictions integral to Queensland's COVID-19 response isolated Stanwell's host communities and prevented community organisations from carrying out their normal activities. In response, Stanwell worked closely with community groups within our host communities to understand and fund their needs, helping them provide timely and effective support to the most vulnerable members of our communities.

I would also like to recognise the important role our Mica Creek Power Station has played in the Mount Isa community for the past 60 years. In May 2020, we made the difficult decision to put our Mica Creek Power Station into cold storage after its two remaining customer contracts expire on 31 December 2020.

Acknowledgments

My thanks to our new Chair, Paul Binsted, and to our Directors for their leadership, advice and focus throughout what has been a challenging year. I also thank our former Chair, Dr Ralph Craven, for his guidance over the past four years.

I would like to acknowledge the important role our shareholding Ministers have played as they look to the future of the State and the energy market in Queensland.

Finally, thank you to our people for their professionalism, adaptability and dedication throughout the year. Queensland's energy landscape is rapidly changing and will continue its transformation over the years to come. I look forward to continuing to work with our people, customers, communities, partners and shareholders as we face and overcome new challenges and create energy solutions together. I'm confident we have the right people and strategy in place to ensure Stanwell continues to deliver value for our owners – the people of Queensland – well into the future.

Richard Van Breda
Chief Executive Officer

"Thank you to our people for their professionalism, adaptability and dedication throughout the year."

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Performance **indicators**

In 2019/20, Stanwell committed to achieving the following financial and non-financial targets.

Measure	2019/20 actual	2019/20 target	2018/19 actual
Earnings before interest and tax (EBIT) ($M)	(301.7)	671.0	1,004.3
Earnings before interest, tax, depreciation, amortisation, impairment and fair value movements (EBITDAIF) ($M)	729.8	624.2	899.4
Net profit after tax ($M)	(240.3)	453.6	736.0
Operating cash flow ($M)	454.1	513.7	718.4
Capital expenditure ($M)	185.5	269.2	169.5
Return on equity (%)	(20.8)	32.7	51.2
Total recordable injury frequency rate	4.1	3.6	5.3
Environmental enforcement actions	0	0	0

Note: These financial targets are non-IFRS measures used by management to assess Stanwell's financial performance. These amounts are not subject to audit or review.

Safety performance

Stanwell is committed to achieving Zero Harm Today, which means we act to keep all of our people safe and well every day. Central to this is a focus on continuous learning and improvement across all levels of our business.

In 2019/20 our Total Recordable Injury Frequency Rate (TRIFR) improved to 4.13, compared to 5.30 in 2018/19, however we didn't meet our best on record target of 3.61.

Our Lost Time Injury Frequency Rate (LTIFR) result was 0.59, above our best on record target of 0.33. There was a total of two Lost Time Injuries (LTI), compared with four in 2018/19.

Leading safety indicators (predictive measurements) met the targets set for the year and there were no Serious Injury and Fatality (SIF) events at our sites.

A major upgrade of our safe work system, ePas, was also completed. The processes and the application that form the integrated safe system of works have been adapted and improved based on feedback from our people.

We continued to evolve our outage safety management processes at our sites, with continuous improvement processes and learnings shared across our key focus areas of dust, gravitational, line of fire, contractor on-boarding and engagement.

Asset performance

Year	Energy sent out (GWh)*	Capacity factor (%)	Targeted availability (%)	Actual availability (%)	Planned outage [1] factor (%)	Forced outage factor (%)
Tarong power stations - coal - 1,843 MW						
2019/20	10,285	68.58	89.9	85.6	4.0	10.4
2018/19	10,879	72.55	88.5	87.2	9.0	3.8
Stanwell Power Station - coal - 1,460 MW						
2019/20	7,631	64.57	91.9	94.5	5.2	0.3
2018/19	7,856	66.65	91.4	93.5	5.0	1.5
Swanbank E Power Station[2]- gas - 375 MW						
2019/20	0	0	78.1	72.0	28.0	0
2018/19	588	18.36	92.7	64.8	18.1	17.1
Hydros[2]- water - 164 MW						
2019/20	256	50.52	72.7	78.9	20.3	0.8
2018/19	891	62.28	87.9	93.5	5.3	1.2
Mica Creek Power Station - gas - 140 MW						
2019/20	423	34.79	93.2	88.5	2.4	9.1
2018/19	309	29.06	93.1	87.3	5.1	7.6

1 Includes planned and maintenance outage factors.
2 The ownership and the trading rights for Swanbank E Power Station and Barron Gorge, Kareeya and Koombooloomba hydro power stations transferred to CleanCo Queensland on 31 October 2019.
* Energy sent out is the amount of energy supplied to the transmission network.

Note that no bonus or pay increase will be paid to Executives in Financial Year 2020/21, as per Government guidance, due to the financial impacts of COVID-19.

Strategic **direction**

Market overview

The National Electricity Market (NEM) continues to transform at a remarkable pace and scale, as evidenced by the increasing proportion of renewable generation and storage, changing customer expectations and daily energy demand patterns, as well as regulatory and legislative changes.

Prices are declining

Prices across the NEM have continued to be subdued throughout the 2019/20 financial year, largely as a result of increases in gas, solar and wind supply. Queensland has had the lowest average wholesale price in the National Electricity Market for the past three years. The COVID-19 restrictions in place for much of the second half of the financial year had an impact on total energy demand.

However, the significant drop in oil and gas prices as a result of the global pandemic contributed to a further reduction in Australia's electricity prices as it enabled gas-fired plants to bid generation into the market at lower prices. The dramatic increase in renewable energy sources entering the market is contributing to a surplus of generation supply at certain times of the day, putting further downward pressure on prices in the NEM.

Significant increase in renewables

During the 2019/20 financial year 2,338 MW of large-scale wind and solar projects were accredited for connection to the NEM. In 2019/20 18.8 per cent of consumed electricity was generated by large-scale wind and solar photovoltaic (PV) (16 per cent in 2018/19). By 2022, the Clean Energy Regulator forecasts 27 per cent large-scale renewable generation, and by 2030 the proportion is predicted to be over 40 per cent. There has also been an increase in the proportion of solar PV generation from household rooftops, with 1,264 MW added this year.

Currently delivering 5 per cent of the NEM's annual generation, by 2030 rooftop solar is expected to make up 10 per cent of annual demand (rooftop solar is behind the meter, so off-market).

Energy use is changing

Increasing generation from rooftop solar has complex implications for the market. Rooftop solar means demand is peaking more dramatically in the mornings and evenings when solar generation is unavailable, with lower levels of grid-based demand during the day. Energy efficiency has resulted in people using less electricity overall, however there are days (typically during summer heatwaves) when peak demand increases significantly and the demand supply balance is tight. Overall, grid supplied energy is falling, but the peaks continue to increase in Queensland.

COVID-19 has had an impact

COVID-19 has created an early 'tipping point', causing many generators to become loss making. Gas, oil and thermal coal prices have all decreased as a result of the COVID-19 pandemic. This has dropped the cost of fuel for gas generators, as well as those coal generators whose coal supplies are linked to international pricing. As many generators' costs have decreased, so have energy prices.

The average wholesale cost of electricity is now often less than the costs associated with running our generation units.

Modelling shows this situation will continue for an extended period of time, however, no one knows exactly how long COVID-19 will continue to affect the market and the broader economy, and how deep those impacts will be.

Energy reliability and security of supply is critical

The challenge in the NEM as a whole, continues to be ensuring there is enough generation capacity to supply peak demand, even if peak demand occurs for just for a few days or hours in summer each year. Ensuring a reliable and secure supply of electricity, as the generation mix continues to shift, is paramount.

The proportion of renewable energy, along with the rate at which batteries and other technologies are introduced to the market, is changing the supply and demand dynamics of the NEM.

Stanwell's strategic response

In late 2019, Stanwell refreshed its business strategy to ensure we continue to address the evolving challenges and opportunities in the market. Our strategy now consists of four themes: work smart and build capability; create future energy solutions; affordable emissions reduction; and benefit community and shareholders.

These four strategic themes will enable us to meet energy users' immediate and future needs and achieve solutions to the long-term challenges we face. Our commitment is to do business in ways which recognise and respond to the needs of the people around us, while also ensuring the long-term sustainability and productivity of our business.

Work smart and build capability ensures we remain focused on running an efficient business as our generation revenue decreases in the short to medium term. Our people, systems, business processes, and cost leadership are all central to this effort.

Customers and community are demanding sustainable, affordable and secure sources of energy. In response, the physical and financial energy markets are evolving at an unprecedented rate. The **create future energy solutions** theme of our strategy ensures we develop the products our customers need and want, keep the system secure and enable transformation of the grid and market into the future.

The **benefit community and shareholders** element of our strategy is critical to managing our transition in the evolving energy market
We recognise we must balance the needs and expectations of community and our shareholders, in terms of how we operate today and how we continue to adapt our business. Stanwell's community includes our employees and contractors, customers, regulators, neighbours, host communities, business partners, special interest groups and end users of electricity. Our continued operations are reliant on the ongoing support of our community.

Over the next five years, Stanwell must balance the requirements to reduce emissions, achieve strong financial returns and support a reliable and flexible energy system into the future. Our focus on **affordable emissions reduction** aims to ensure we remain in step with customer and shareholder expectations, while remaining commercial for our owners, the people of Queensland.

Ultimately, the challenge is to balance the energy mix to deliver least cost, reliable and lower emission electricity to customers.

Our five-year **plan** (2020 to 2025)

Stanwell's refreshed corporate strategy ensures we continue to anticipate and address the challenges and opportunities faced by our business, and by energy companies around the world, as the energy sector continues its rapid transition.

To deliver on our five-year plan and to ensure a long-term future for our business, we will focus on the following strategic objectives.

Work smart and build capability

Over the next five years, we will work to achieve the following objectives:

- engage talented people;
- have integrated, intuitive and secure systems;
- simplify, standardise and improve our business processes; and
- challenge and optimise our costs.

Create future energy solutions

Over the next five years, we will work to achieve the following objectives:

- influence regulatory change to ensure security and resilience services have a commercial value; and
- develop products, services and asset capability to meet the future needs of our customers and markets.

Affordable emission reduction

Over the next five years, we will work to achieve the following objectives:

- secure endorsement for portfolio-wide carbon intensity reduction goals;
- reduce emissions at our existing sites while maintaining affordability;
- deliver customers' requirements commercially, by selling energy that is generated using a variety of technologies; and
- reduce our non-carbon emissions footprint in ways that help keep energy affordable.

Benefit community and shareholders

Over the next five years, we will work to achieve the following objectives:

- help our people thrive;
- a workplace culture that is safe and inclusive;
- balance environmental, social and commercial priorities;
- understand community and shareholder expectations and perceptions; and
- operate and evolve in ways that benefit community and our business. We're transparent about those expectations we can't meet, and why.

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Our 2019/20 **performance**

Throughout 2019/20, Stanwell worked on the following objectives as part of our strategy to work smart and build capability, create future energy solutions, deliver affordable emissions reductions and benefit our communities and shareholders.

Work smart and build capability

By running a focused, efficient business over the short to medium term we ensure we provide the affordable, reliable energy solutions our customers and the market need while also ensuring we continue to attract smart, highly skilled people.

We engage talented people

Developing the capabilities of our people is key to building a high-performance culture across our business. This year, we continued our Leading for the Future program, which develops our leaders' capabilities to adapt during times of ambiguity and change. This year's 12 participants were challenged to think differently in the context of strategic thinking, leadership and culture.

In early 2020, we piloted a resilience and growth program at Stanwell Power Station. The program aims to provide people with practical techniques to recognise their mindset, to adapt and "bounce back". In 2020/21 we will develop a series of online resources on resilience and growth to support our people to cope and thrive in the face of change.

In 2019/20, the total number of trainees and apprentices employed by Stanwell was 49. This included ten new apprentices and seven new trainees. We also welcomed five new graduates in our operations teams, including mechanical engineering, electrical engineering, health and safety and environment. In 2020/21, we will host a further 12 trainees and apprentices and seven graduates.

Stanwell actively encourages constructive working relationships with our employees, site delegates and the unions that are party to our enterprise agreements. This year we were successful in finalising several of our enterprise agreements. These included the Tarong power stations, Stanwell Power Station, Mica Creek Power Station and Kareeya Hydro Power Station and Barron Gorge Hydro Power Station enterprise agreements. In-principle agreement was reached with the unions for the Swanbank Power Station Enterprise Agreement, and negotiations for a new Corporate Offices Enterprise Agreement is to commence.

We have integrated, intuitive and secure systems

Stanwell has made significant progress in preparing for the implementation of the Australian Energy Market Commission's five-minute settlement market rule change. This includes extensive information communication technology (ICT) system modifications to 70 per cent of Stanwell's energy trading tools and programs, to ensure compliance with rule change and facilitate Stanwell's continued participation in the National Electricity Market (NEM). This work is expected to be complete by June 2021.

Stanwell's enterprise Information and Communications Technology (ICT) landscape is now significantly simplified and robust. Following the consolidation of Stanwell's enterprise resource planning (ERP) system, and SafeWorks system in the previous financial year, our ICT landscape was further upgraded this year, allowing for consistent work practices and improved business planning. This program of work was delivered successfully and under budget.

We invested further in our cybersecurity capabilities, focusing on cybersecurity awareness, controls and response to threats and incidents and increasing our cybersecurity maturity against the Australian Energy Sector Cyber Security Framework.

Stanwell participated in the industry-wide cybersecurity exercise, Gridex, in 2019. This was an opportunity for Stanwell, and other electricity industry participants, to demonstrate how they would respond to and recover from coordinated cyber and physical security threats and incidents. Our participation allowed us to test our capability, strengthen our crisis communication relationships and provide input on lessons learned.

In 2020, our ICT team undertook a significant effort to support the mobilisation of our decentralised workforce working from home due to the COVID-19 pandemic. This included the expedited roll out of Office 365 and Microsoft Teams (collaboration software).

We simplify, standardise and improve our business processes

A concentrated effort was made during 2019/20 to increase collaboration across our site outage teams. This collaboration meant opportunities were identified to reduce the cost of outages through efficiencies and sharing best-practice solutions.

In 2019/20, our NEM-connected generation portfolio achieved an average availability of 88.8 per cent. while our average reliability factor was 94.4 per cent.

During February 2020, Tarong power stations achieved a significant milestone towards centralised operations. The Tarong engineering and operations teams completed a substantial amount of work to enable the control of the Tarong North supercritical unit and associated station plant from the Tarong control room, about one kilometre away. This work has opened opportunities for our operators to progress and grow, creating greater collaboration across the sites.

In 2019 Stanwell's procurement contract management system was upgraded, enabling our people to better manage the onboarding of new suppliers, approval of procurement activities, tendering and tender management, contract authoring and management and supplier performance management. First launched in October 2019, our upgraded system has allowed our procurement processes to transition to an integrated, online solution that delivers a range of efficiencies and benefits.

We challenge and optimise our costs

In 2019/20, we made significant efforts to optimise and reduce our plant, fuel and water costs to ensure we are putting downward pressure on energy generation costs, while delivering a reliable, secure supply of electricity. We continue to invest in our assets to meet current and future operating requirements.

In June 2019, Stanwell Power Station Unit 1 commenced a 77-day overhaul that included work to ensure long-term reliability of the control system and provide enhanced automation and control of the plant. The overhaul used a workforce of 553 people, and delivered $10.0 million in flow-on economic benefits to Central Queensland.

In October 2019, $29.9 million was spent on Tarong Power Station Unit 4 overhaul works. The works included inspections, maintenance, refurbishment and replacement of plant and equipment to maintain the reliability, efficiency and safety of electricity generation of Unit 4. At peak, the overhaul involved a workforce of about 500 people, including local subcontractors, contractors and the station's permanent workforce.

Create future energy solutions

Our customers and community expect energy that is sustainable, affordable and secure. The physical and financial energy markets are evolving at an unprecedented rate. Stanwell must meet the needs of our customers, while keeping the system secure and enabling the transformation of the grid as more renewables enter the market.

We influence regulatory change to ensure security and resilience services have a commercial value

Throughout 2019/20 Stanwell actively engaged in driving sensible and reasonable market and regulatory reform for transitioning energy markets.

Stanwell continues to engage with the various market bodies and industry groups, including the Energy Security Board, Australian Energy Market Commission, Australian Energy Regulator, Australian Energy Market Operator and the Australian Energy Council, to provide input on:

- interim reliability and security initiatives;
- post-2025 market design (two-sided market, ahead market, Coordination of Generation and Transmission Investment); and
- longer-term system strength, security and reliability frameworks and services in the National Electricity Market.

As more renewable generation supply enters the market, Stanwell must ensure system security and resilience services continue to be provided in a way that is efficient and cost-effective for energy customers, while also looking at how the role of our power stations will change in providing those services.

Stanwell's regulatory submissions are publicly available on our website at https://www.stanwell.com/ournews/regulatory-submissions/

We develop products, services and asset capability to meet the future needs of our customers and markets

As Stanwell develops our products and services to meet the needs of our customers and markets, we continue to investigate innovative ways of incorporating renewable energy components into customer retail agreements. This may be through arrangements such as power purchase agreements with renewable energy projects.

These products will enable Stanwell to continue meeting the requirements of large customers seeking long-term price certainty and a reduced emissions footprint. Stanwell Energy continues to work on innovative renewable solutions with our current customers, by incorporating third-party renewable contracts into existing electricity agreements.

Following on from the in-depth customer surveys and interviews we undertook in 2018/19 to better understand our customers needs, we continued to explore and address potential energy solutions that our customers had asked for through their participation in the research. This included the delivery of a new customer portal and billing system to provide improved access to customer accounts.

Our trading teams have made significant progress in preparing for the implementation of five-minute settlement market changes, reshaping the tools needed to perform. The Australian Energy Market Commission's five-minute settlement market rule change involves system modifications required for compliance and is required to facilitate Stanwell's participation in the National Electricity Market.

We continue to invest in our assets to meet current and future operating requirements. Our priority is ensuring our power stations can respond promptly and flexibly to changes in electricity supply and demand. In 2019/20, our ongoing flexible plant trials focused on alternate operating modes, and plant modifications required to further extend the operating range of our power stations. The learnings enabled us to run our coal-fired power stations at low levels during the day (when the output from renewable generation is high) and then ramp up to meet evening peak demand. These trials are just one way that Stanwell is supporting the transitioning market as more renewables come online.

In 2019/20 Stanwell was awarded $1.25 million as part of the Australian Renewable Energy Agency (ARENA) Advancing Renewables Program to support the completion of the $5 million hydrogen feasibility study at Stanwell Power Station near Rockhampton.

Stanwell also completed studies into commercial energy storage opportunities to position Stanwell as a trusted facilitator of energy storage development.

In May 2020, we made the difficult decision to put our Mica Creek Power Station into cold storage after its only two remaining customer contracts expired on 31 December 2020. Mica Creek Power Station, in Mount Isa, is not connected to the National Electricity Market, but has a proud history of delivering electricity to the region for the past 60-years. Despite engaging in extensive negotiations with several potential customers, we were unable to secure any further customer contracts. In response to this lack of demand, Stanwell will commence placing this gas-fired power station into cold storage from 1 January 2021.

Affordable emissions reduction

Over the next five years, Stanwell must balance the requirements to reduce emissions, achieve strong financial returns and support a reliable and flexible energy system into the future.

We will secure endorsement for portfolio-wide carbon intensity reduction goals

Climate change and emissions reduction feature heavily on the global public agenda. Businesses that do not clearly demonstrate an intention to reduce emissions are increasingly out of step with customer and shareholder expectation.

Stanwell ranks as Australia's third-highest energy generation emitter of greenhouse gases. With the transfer of Swanbank E Power Station and our hydro power stations to CleanCo as part of the Queensland Government's 2019 restructure of State-owned generators, Stanwell's generation portfolio now consists entirely of fossil-fuelled power stations. While the emissions intensity of the Stanwell and Tarong power stations is comparatively low when compared with other coal-fired power stations in the National Energy Market, our portfolio intensity (as published in the National Greenhouse and Energy Reporting Scheme) will be increasingly out of step with other generation business unless we can diversify our portfolio.

Stanwell's Shareholder Mandate sets out the parameters within which the business is permitted to operate. We are currently discussing our 2020 Shareholder Mandate with shareholders to identify opportunities to meet evolving customer and market requirements. Stanwell is seeking a mandate that will enable us to invest in renewable energy generation capacity as well as buying and on-selling renewable generation from projects owned by other interests.

We reduce emissions at our existing sites while maintaining affordability

Reducing carbon emissions at our existing sites while maintaining energy affordability involves investigating new technologies and offsets as well as operational changes including further fuel efficiencies and optimising power station efficiency.

In 2019/20 Stanwell has established a bioenergy plan to:

- investigate options to work with the bio-energy industry to underpin emissions reduction at our existing sites;
- enable future diversification of Stanwell's energy business; and
- provide future development opportunities in our host communities.

The development of a bioenergy plan aligns with the Queensland Government's emissions reduction goals and bio-futures plans. To reduce emissions at our thermal power stations, initial activities of the bioenergy strategy will focus on investigating a range of renewable fuels suitable for co-firing with coal and gas.

Stanwell is also exploring a large-scale hydrogen electrolysis production facility at Stanwell Power Station. If it goes ahead, the facility would purchase energy from renewable energy projects in the region to deliver a carbon neutral, green hydrogen product. The longer-term goal of this project would be to facilitate a large-scale commercial green hydrogen export industry in Central Queensland, which would support significant economic development.

We will deliver customers' requirements commercially, by selling energy that is generated using a variety of technologies

Stanwell incorporates renewable energy components into its customer retail agreements. This year, to meet our customers' changing green energy needs, we have included power purchase agreement options, green products, customised billing, long-term pricing (up to ten years), hybrid contracting arrangements, customers' management of their own energy consumption and environmental certificate requirements in our offerings.

Customers are increasingly requesting 'greener' products to complement other sustainability actions they are taking. To more effectively meet the needs of these customers, Stanwell is developing a suite of standard renewable energy products for customers in addition to its bespoke options.

We are exploring opportunities to evolve and renew our portfolio in response to evolving market and consumer expectations, and to support Queensland's transition to a lower carbon future. This includes developing energy solutions for existing customers and facilitating the growth of new industries and energy load within the NEM. We are actively seeking strategic partnerships across a range of industries, including hydrogen, bioenergy and energy storage.

Our potential 10 MW hydrogen demonstration plant at Stanwell Power Station, near Rockhampton, will help facilitate the development of a central Queensland hydrogen industry. We are also forming a consortium of international and domestic partners to drive green hydrogen and ammonia export opportunities for central Queensland.

The opportunities we are investigating to work with the bio-energy industry will also seek to deliver on customer requirements to reduce emissions. To better understand bioenergy opportunities at our existing power stations, we are planning a series of bioenergy trials to help us build our knowledge base, and to support a sustainable generation future that balances decarbonisation, energy demand and affordability.

We are also investigating pumped hydro and chemical battery storage solutions to create value for our portfolio and help facilitate the integration of variable renewable energy into the energy system.

We will reduce our non-carbon emissions footprint in ways that help keep energy affordable

We are working to reduce our non-carbon emissions in ways that help keep energy affordable by implementing a management plan for our portfolio performance and sustainability.

In keeping with our Environmental Sustainability Strategy, when making business decisions at Stanwell, we continue to consider environmental consequences and opportunities, in conjunction with social and commercial imperatives.

We are focused on providing a reliable and secure supply of energy for Queenslanders, while simultaneously applying a continuous improvement approach to our environmental management and performance.

Several state and federal regulations outline how the energy industry should perform, but simply complying with regulations is not enough. A combination of continuous emissions monitoring, routine monitoring, and approved calculation methods ensure greenhouse gas emissions are correctly determined and reported to the relevant authorities, including the National Pollutant Inventory (NPI) and the National Greenhouse and Energy Reporting Scheme (NGERS). We use our emissions data to inform our operational decisions and make changes to the way we operate our sites, wherever possible, to reduce our emissions.

In 2019/20, Stanwell invested more than $50 million at Stanwell Power Station and more than $55 million at Tarong power stations to ensure the sites operate as efficiently as possible and to ensure Stanwell meets its environmental compliance requirements.

Our supercritical Tarong North Power Station, and subcritical Stanwell Power Station are two of Australia's most efficient and lowest carbon intensity coal-fired power stations. We continue to use advanced technology, and improved combustion performance to reduce emissions at our sites.

We will continue to deliver solutions that balance the needs of the environment and our communities, with the need to deliver reliable and affordable energy.

Benefit community and shareholders

Stanwell's community includes our employees and contractors, customers, regulators, neighbours, host communities, business partners, special interest groups and end users of electricity. We balance the needs of community with the needs of our shareholders. We consider community, customer and shareholder needs and expectations, both in terms of the way we operate day to day, and in relation to the evolution of our business over the long term.

We help our people thrive

Ensuring our workplaces provide a safe and positive environment for employees, contractors and visitors is an essential component of building an inclusive, diverse and engaged workforce. Throughout the year, we implemented a range of initiatives to improve the health, safety and productivity of our workforce.

We have a workplace culture that is safe and inclusive

Stanwell remains committed to creating a more inclusive and diverse workplace. Our 2022 gender pay gap target is that there is no gender pay variance that cannot be explained by experience, merit or performance. The gender pay gap calculates the difference between the average female and male total fixed remuneration (TFR), divided by the average male TFR. Since defining these 2022 targets, Stanwell has implemented several initiatives to improve this gap and is undertaking six-monthly audits to monitor progress.

These initiatives include recruitment strategies to attract more women and reduce the incidence of women commencing on lower starting salaries, improving career pathways, leadership behaviours, flexible work opportunities, continued payment of superannuation for employees on unpaid maternity leave and continued examination of performance based pay by gender through the annual review process. As a result of these initiatives, Stanwell experienced an increase in female job applicants, from 19 per cent to 28 per cent, over the past 12 months.

Stanwell's gender pay gap has narrowed from a high of 15.1 per cent in February 2018 to 10.2 per cent in January 2020, compared to the national gender pay gap of 14.1 per cent (February 2020). This continued gap is primarily the result of Stanwell's high proportion of male employees (76 per cent male compared to 24 per cent female), more males in senior roles, combined with occupational segregation which attracts more males to technical roles with higher remuneration levels.

Women across Stanwell consistently achieve the same or higher annual remuneration increases and incentive outcomes than men as part of the annual review process. In 2019, Stanwell's Chief Executive Officer, Richard Van Breda, was appointed as a Pay Equity Ambassador by the Workplace Gender Equality Agency.

To further our collaboration with higher learning institutions, Stanwell engaged the Queensland University of Technology (QUT) human resource students on a project to develop recommendations on how Stanwell could attract and engage an inclusive and diverse workforce across our regional sites. The recommendations from this project were presented to Stanwell's Inclusion and Diversity Committee, who meet regularly to discuss inclusion and diversity at Stanwell.

We aim to support our employees throughout every life stage of their career. A key inclusion and diversity focus for 2020 was to review Stanwell's Transition to Retirement program.

To help our employees with their decisions and planning in relation to retirement, a pilot program was held at Stanwell Power Station with a Transition to Retirement working group. The purpose of the pilot program was to help our mature aged and more experienced employees plan for the next phase of life and to explore their future options.
As part of Workplace Health and Safety Queensland's Be Recognised program, Stanwell received gold level recognition for our employee health and wellbeing initiatives. The award recognised Stanwell had successfully embedded health and wellbeing into our business for more than two years and highlighted the range of benefits that support our people in maintaining and improving their physical and mental health.

In 2019, Stanwell participated in the Virgin Pulse Challenge; an international health and wellbeing event over 100 days. Stanwell registered 41 teams who completed more than 372 million steps with an average of 14,354 per day. The event was successful in increasing physical activity and was supported by several targeted communication campaigns across our sites.

In 2020, Stanwell's young worker program,You Only Live Once (YOLO), celebrated its seventh year in operation. An intervention program to address the heightened risk of young worker injuries, YOLO is delivered to all employees and contractors under the age of 25.

Since its inception, and based on participant feedback, YOLO has undergone many improvements. This year, with the limitations presented by COVID-19, Stanwell's Health and Safety team rejuvenated its delivery and reconfigured to deliver an enhanced, digital presentation that resonates with its young audience.

The health crisis caused by COVID-19 challenged Stanwell, requiring us to adapt, act and reconsider the way we operate. As the COVID-19 pandemic continued to evolve, Stanwell's main priorities were:

- the safety and wellbeing of our people and their families;
- the continuing supply of electricity to the National Electricity Market; and
- to assist our host communities in which we operate where we can.

Stanwell enacted its Pandemic Response Team (PRT) and Crisis Leadership Team (CLT) to work alongside site-based leadership teams, to ensure the three main priorities were delivered.

In response to the COVID-19 pandemic, and to further ensure the wellbeing of our people and their families, Stanwell transitioned those, who were able, to work from home.

In doing so, we streamlined working from home processes to allow our people to safely and effectively work remotely.

In addition, a Queensland Mining Safety Reset was conducted as part of a state-wide government mandated request for all mines and quarries.

This was an important initiative to refocus attention on safety in mines following fatalities in the industry. Stanwell and Downer engaged with the workforce and implemented 21 formal actions to improve the health and safety of workers.

We balance environmental, social and commercial priorities

The importance of balancing the needs of customers, communities and others who are affected by our operations is a primary focus across our day-to-day business activities. The following example was implemented under Stanwell's Environmental Sustainability Policy.

Sustainable water use
Used for cooling and steam production at our power stations, water is an essential requirement for thermal electricity generation. We are continually evolving our practices to ensure sustainable water management across our sites.

Stanwell is mindful of the current and future impacts of drought on the central Queensland and South Burnett communities, and is focused on how we can help to mitigate these impacts.

At Tarong power stations we are doing this in a number of ways:

- Lake Boondooma was built to provide the primary source of water for Tarong Power Station. However, it also provides a source of drinking water to the town of Kingaroy and several medium priority users, primarily irrigators, along the Boyne River.
- In order to ease the pressure on this resource, Stanwell initiated a strategy to reduce the amount of water supplied to Tarong from Lake Boondooma for 2019/20. This will ensure that the South Burnett Regional Council continues to have access to drinking water.
- We have also implemented a range of water conservation initiatives at our sites. Initiatives include recycling effluent water and stormwater, as well as reusing water from the Tarong power stations' ash dam. Stanwell's decision-making regarding water takes a balanced approach, considering the needs and priorities of other users and the community, our operations as well as National Electricity Market conditions.
- Stanwell regularly meets with the Meandu Barker Creek Water Advisory Committee which includes downstream users and irrigators, to understand their priorities and ensure these are considered as we release water from our site into the Meandu Barker Creek.

- We are investigating further water saving initiatives, and will continue to engage with our neighbours, downstream water users, host communities and the Queensland Government to ensure our responsible and sustainable use of water resources.

We understand community and shareholder expectations and perceptions

During 2019/20, we worked with The University of Queensland to carry out stakeholder research with customers, members of our host communities, tenants, employees, neighbours, regulators and shareholders, to understand the level of trust we hold with these stakeholder groups, and to compare their expectations of Stanwell against their perceptions of the business's performance.

Neighbour, community, tenant and employee research was completed prior to the implementation of COVID-19-related social distancing measures. Interviews with the remaining stakeholders will be implemented once pandemic measures are eased and our customers, regulators and shareholders again have the time and capacity to participate.

Over coming years, we will continue to conduct regular research to understand the expectations of the people who are affected by the way we conduct our business, as well as their perceptions of our performance. This will include regular reviews of customers' changing energy and service requirements.

In both the South Burnett and Rockhampton regions, our host communities generally reported very high levels of trust in Stanwell. Community stakeholders described Stanwell as excellent to work with (e.g. clear processes and lines of communication, prompt payment terms), and "really caring" for the communities it operates in, with a commitment to building regional capacity for positive, long-term outcomes.

However, the research also identified some opportunities for us to improve our relationships with our people, neighbours, local business partners and host communities, including clarifying Stanwell's intentions for the use of some of our land holdings in the South Burnett, providing more regular updates on its business operations and clearly communicating our long-term business plans.

In the year ahead, we will continue to use community participation mechanisms such as consultative committees to ensure our understanding of the expectations and perceptions of our customers, neighbours, business partners and host communities is always current, particularly in relation to our operations and projects.

We operate and evolve in ways that benefit community and our business. We're transparent about those expectations we can't meet, and why.

In 2019, Stanwell became a foundation signatory of the Energy Charter. For Stanwell, this means continuing to build our customer-centric culture and progressing solutions that deliver a more affordable, sustainable and reliable energy system. In October 2019 we released our first disclosure report, outlining our commitment to the Energy Charter's vision. Our involvement in the Energy Charter acknowledges the importance of considering our customers, communities and end users of electricity when making business decisions, recognising the things we do well and identifying areas for improvement. Economic resilience and community connectedness are important to our host communities. We work closely with our community leaders, near neighbours and stakeholders in each region to understand their priorities and to work with them to build a future that benefits all of us.

Stanwell's social investment program distributed $338,000 in our host communities during the 2019/20 financial year.

Mates in Energy training numbers for 2019/20

Since 2018, Stanwell has provided the Mates in Energy (MIE) program to our people, which is focused on providing suicide prevention and intervention skills and raising suicide awareness in the industry. In 2019/20 we offered our people the opportunity to participate in General Awareness, Connector and Applied Suicide Intervention Skills (ASIST) training.

General Awareness Training	35 individuals	General Awareness Training introduces workers to the nature of mental health issues, that it's ok to talk about mental health and provides practical guidance as to how to help a workmate when they need it.
Connector Training	41 individuals	Connector training is provided to those people who volunteer to become a connector – a person trained to help keep someone safe in a crisis, while at the same time connecting them to professional help.
Connnector Training (refresher)	17 individuals	
Applied Suicide Intervention Skill Training	1 individual	Applied Suicide Intervention Skill Training (ASIST) equips individuals to become an ASIST worker. ASIST workers will talk to a person contemplating suicide with the objective of making that person safe. Using simple skills, an ASIST worker will listen to the person's concerns and respond to them appropriately with the aim of reaching a 'safe plan'.

Corporate **governance**

Key areas of governance focus and achievement in 2019/20

This year, the Board and its committees have undertaken key strategic, governance and oversight activities, including:

- conducting two Board Strategy workshops focused on the long-term success of the company;
- regularly discussing the National Energy Market's transition to a higher proportion of renewable generation and the business impact on and involvement of Stanwell;
- regularly discussing Stanwell's strategic priorities, including the refinement and implementation of each priority with the Chief Executive Officer (CEO)
- having oversight of Stanwell's employee relations framework and the transition plan for its employees and communities who rely on the coal-fired power sector for employment;
- reviewing and approving Stanwell's financial and strategic plans;
- continuing to focus on Stanwell's corporate culture by setting the 'tone at the top' and providing oversight to the review of Stanwell's values and supporting behaviours;
- discussing emerging technologies and how Stanwell could respond to threats and capitalise on opportunities;
- regularly discussing and having oversight of Stanwell's response to the COVID-19 pandemic;
- reviewing Stanwell's governance processes for the preparation of the financial statements; and
- participating in the detailed examinations of Stanwell's key strategic risks (including climate change risk).

Approach to corporate governance

Stanwell defines governance as 'the system by which the Corporation is directed, managed and held to account'. It incorporates culture, structure and processes for decision-making, accountability, control and behaviour.

It provides the framework within which:

- the Board is accountable to shareholding Ministers for the successful operation of Stanwell;
- the strategies and goals of Stanwell are established and agreed;
- the key risks to Stanwell are identified and managed; and
- ethical values and behaviours and responsible decision-making are promoted through a fair and just culture.

Stanwell's Board, with the support of the Board committees, is responsible for the oversight of Stanwell's Governance framework. The framework seeks to provide effective and responsible decision making, assisting in the delivery of Stanwell's strategy and vision.

This statement outlines the key areas of the framework which includes:

- an experienced and independent Board, supported by a Board Committee structure that is regularly reviewed to ensure it continues to operate effectively and add value;
- clear delineation of the respective roles of the Board and management; and
- a risk management framework that is regularly reviewed.

Stanwell also has a number of formally established management committees, each of which assists the CEO to implement Board-approved strategies, policies and manage risks across the organisation within defined decision making authority.

Further information on Stanwell's corporate governance practices, including key policies and copies of the Board and Board Committee Charters, are available on the Stanwell website (www.stanwell.com).

Stanwell has adopted all of the principles outlined in the Corporate Governance Guidelines for Government Owned Corporations and the Corporate Governance Principles and Recommendations (fourth edition) published by the ASX Corporate Governance Council (to the extent that they are applicable) and believes that, throughout the reporting period, its governance arrangements have been consistent with these principles.

This Corporate Governance Statement sets out each of these principles and how Stanwell has addressed them.

Principle 1 - Foundations of management and oversight

Role and function of the Board

The Board's primary function is to ensure that Stanwell and its controlled entities have an appropriate corporate governance structure that creates and protects shareholder value. The Board derives its authority to act from Stanwell's Constitution.

The Board's responsibilities are set out in a formal Charter that the Board reviews annually.

These responsibilities include but are not limited to:

- monitor the progress of Stanwell's commitment to the elimination of work-related injuries and occupational illnesses;
- review and approve the corporate strategy, the annual budget and financial plans;
- oversee and monitor organisational performance and the achievement of Stanwell's strategic goals and objectives;
- ensure the adequacy and effectiveness of key aspects of Stanwell's financial management, reporting and accounting practices;
- oversee the review and update of corporate governance arrangements and processes as necessary to support Stanwell's commitment to best practice corporate governance;
- monitor and influence Stanwell's culture, values, reputation and ethical standards;
- appoint and assess the performance of the CEO and senior executives;
- approve, review and oversee systems of risk management, internal control and regulatory compliance; and
- report to and communicate with Stanwell's shareholding Ministers.

Delegation of authority

Stanwell's Constitution allows the Board to delegate any of their powers as Directors (as permitted by the Corporations Act 2001 (Cth) and the Government Owned Corporations Act 1993 (Qld)), including delegation to a committee of Directors or any other person on the terms and subject to any restrictions that the Board may decide.

The delegation of the Board's specific standing powers and limits of authority are documented in the Board Delegations of Authority Policy, the Audit and Risk Management Committee Charter and the People and Safety Committee Charter.

The general approach adopted by the Board to the delegation of its powers and authorities is that:

- decisions related to specific matters are reserved for the Board;
- certain powers and limits of authority are delegated to specific persons; and
- subject to the above, the Board delegates its power and authority to manage and supervise the management of the day-to-day operations of Stanwell to the CEO and, through the CEO, to other senior executives and employees.

The principles by which the CEO sub-delegates the power and authority vested by the Board are documented in the Stanwell CEO Manual of Authorities.

These principles govern decision-making and ensure that the financial transactions of Stanwell are executed within the scope of delegated authorities and balance effective oversight by the Board with appropriate empowerment and accountability of Stanwell's senior executives and employees.

Committees of the Board
The Board has established two committees: the People and Safety Committee and the Audit and Risk Management Committee. These committees assist in the execution of the Board's role and allow detailed consideration of complex issues. Committee members are chosen for their skills and experience.

The roles, responsibilities and delegated authorities of each committee are set out in their respective committee charters. Each year, the charters are reviewed and, where appropriate, updated to take account of changes and other developments in the committees' areas of responsibility.

Each committee meets several times a year, depending on committee workload requirements. The role and membership of each committee are described in more detail below.

People and Safety Committee
As at 30 June 2020, the People and Safety Committee comprised the following directors:

- Jacqueline King (Chair)
- Adam Aspinall
- Paul Binsted
- Karen Smith-Pomeroy

Other directors who are not members of the committee and senior executives attend meetings by invitation.

The committee's primary function is to assist the Board to oversee the development and monitoring of policies and practices that relate to:

- health, wellbeing and safety of Stanwell's workers;
- the Board's performance of its governance of Stanwell;
- the work environment, conditions and performance of employees; and
- relationships with external stakeholders.

Audit and Risk Management Committee
As at 30 June 2020, the Audit and Risk Management Committee comprised the following directors:

- Karen Smith-Pomeroy (Chair)
- Adam Aspinall
- Paul Binsted
- The Honourable Wayne Swan

The committee's primary function is to assist the Board to:

- review and monitor Stanwell's financial management and reporting processes;
- review and oversee systems for risk management, internal control and legal compliance;
- overseeing the process for identifying and managing material business risks;
- overseeing the process implementing appropriate and adequate control, monitoring and reporting mechanisms; and
- monitor and assess the performance of the internal and external audit functions (to the extent relevant).

Executive remuneration and performance review
Each year, the Board, with the assistance of the People and Safety Committee, undertakes a formal process of reviewing the performance of the CEO and senior executives.

The rate of remuneration increases for the CEO and senior executives is determined by market salary movements and individual performance.

At-risk performance incentive payments for the CEO and senior executives are capped at 15 per cent of total fixed remuneration, with the amount payable tied to the achievement of pre-determined Board-approved organisation wide, business division and individual performance targets. The CEO is not present at the Board meeting or People and Safety Committee meeting when the CEO's own remuneration and performance are being considered.

Further details about the CEO and senior executive remuneration are disclosed in the Remuneration Report on page 106.

Principle 2 - structure the board to add value

At the date of this report, the Board consisted of four independent, non-executive directors and an independent non-executive Chair.

The names, qualifications and relevant skills, experience and expertise of the directors who held office during the financial year and up to the date of this report, along with their terms of appointment, are set out on page 51.

The Board considers that, individually and collectively, the directors bring a level of skill, knowledge and experience that enables the Board to discharge its role and responsibilities effectively.

Directors are appointed by the Governor-in-Council. Appointments are for a specific period.

The Board held seven meetings between 1 July 2019 and 30 June 2020. The table on page 77 of this report details the number of Board and Board committee meetings held during the year that each director was eligible to attend, and the number of meetings attended by each director.

Director induction and continuing education
Stanwell has a comprehensive director induction program in place, which includes the provision of key corporate documents, facilitation of site visits and meetings with senior executives.

The induction program is modified as required to ensure that it is appropriate for the new director's qualifications and experience.

Stanwell provides continuing education to the Board through a combination of internal and external presentations, workshops with management and site visits. These educational activities assist directors to gain a broader understanding of Stanwell's business. Directors are also encouraged to keep up to date on topical issues and to participate in professional and self-development activities. Activities undertaken by directors that assist their responsibilities to Stanwell are paid for by the Corporation.

Director independence
The Board has considered the associations of each of the directors and is of the view that all directors are independent. The basis for this decision is that all directors are independent of management or any material business or other interest that could interfere with:

- the exercise of objective, unfettered or independent judgment; and
- the director acting in the best interests of Stanwell.

The materiality of any relationship between a director and Stanwell or any other interest which may impact a director's independence will be judged according to the significance of the relationship to the director in the context of their activities. The Board applies a conservative assessment of the significance of any relationship when determining materiality.

Access to independent professional advice
Directors are entitled to seek independent professional advice at Stanwell's expense. The process for obtaining such advice requires the relevant director to consult with the Chair, or the Company Secretary where the Chair is conflicted, to facilitate the advice.

The Board can conduct or direct any investigation to fulfil its responsibilities and can retain, at the Corporation's expense, any legal, accounting or other services it considers necessary to perform its duties.

Access to management
Each director has access to the CEO if they require additional information. Each director is encouraged to contact the CEO or Company Secretary prior to a Board meeting to discuss any matters that require clarification.

Board evaluation
The Board evaluates its performance, the performance of individual directors, the Chair and the Board committees at regular periods. The People and Safety Committee is responsible for assessing the framework and the processes used for conducting the performance evaluations.

During the year, performance evaluations of the Board's committees were undertaken. The results of these evaluations were returned to the Board for discussion.

As part of the Board's commitment to continuously improving its governance practices, the last agenda item of every Board meeting is a critique of the Board's performance.

Principle 3 - promote ethical and responsible decision-making

Code of Conduct - the way we work at Stanwell
Stanwell has a Code of Conduct that applies to its directors, employees and contractors. The code promotes ethical and responsible decision-making and requires high standards of honesty, integrity, fairness and equity in all aspects of employment

with Stanwell - the behaviour this fosters is integral to supporting Stanwell's values and governance practices.

The principles underlying Stanwell's Code of Conduct are:

- We contribute to a safe workplace and strive to achieve Zero Harm Today.
- We always act ethically.
- We treat others with fairness and respect and value diversity.
- We identify conflicts of interest and manage them responsibly.
- We respect and maintain privacy and confidentiality.
- We comply with this code, the law, Stanwell's contractual commitments and Stanwell's policies and procedures.
- We immediately report any breaches of this code, the law or Stanwell's policies and procedures.

The code is supported by the following detailed policies that together form the Stanwell Code of Conduct Policy Framework:

- Confidential Information Policy;
- Conflict of Interest Policy;
- Fair Treatment Policy;
- Fraud Prevention Policy;
- Gifts and Benefits Policy;
- Health and Safety Policy;
- Information Systems Usage Policy;
- Compliance and Regulatory Management Policy;
- Privacy Policy;
- Trading in Securities Policy; and
- Whistle-blower Protection Policy.

When commencing work with Stanwell and thereafter on a biennial basis, all Stanwell employees, contractors and directors are required to complete a training course that takes them through the seven principles of the Code of Conduct and a summary of their obligations under each of the policies in the Code of Conduct Policy Framework.

Whistle-blower Protection Policy

In 2019, the Treasury Laws Amendment (Enhancing Whistleblower Protections) Act 2019 (Cth) (Whistle blower Act) was passed. The Whistleblower Act amends the Corporations Act 2001 (Cth), Taxation Administration Act 1953 (Cth), Banking Act 1959 (Cth) and Insurance Act 1973 (Cth) to provide a single, strengthened whistle-blower protection regime covering the corporate, financial and credit sectors.

In response, Stanwell completed a review of its whistle-blowing process and amended the Board approved Whistle-blower Protection Policy to reflect the new legislative requirements.

Stanwell's Whistle-blower Protection Policy is designed to encourage employees, contractors, service providers (such as consultants) and suppliers to raise concerns about activities or behaviour that may be unlawful or unethical.
The policy formalises Stanwell's commitment to protecting the confidentiality, dignity and career of anyone who raises serious concerns that affect the integrity of Stanwell.

Stanwell investigates reported concerns in a manner that is confidential, fair and objective. If the investigation shows that wrongdoing has occurred, Stanwell is committed to acting against those parties who have not met its standards of behaviour.

The Board through the Audit and Risk Management Committee monitors the progress of investigations on concerns raised by whistle-blowers.

Avoidance of conflicts of interest

The Board is conscious of its obligation to ensure that directors avoid conflicts of interest (actual, potential or perceived) between their duties as directors of Stanwell and their other interests and duties.

All directors are required to provide written disclosure on appointment of any business or other relationship that he or she has directly, or as a partner, shareholder or officer of a company or other entity that has an interest in Stanwell or another related entity. At least annually, or when relevant changes occur, directors are required to update these disclosures. The Company Secretary ensures that copies of all disclosures, including updated disclosures, are provided to each director.

Any director with a conflict of interest in a matter being considered by the Board must declare their interest and, unless the Board resolves otherwise, they may not participate in boardroom discussions or vote on matters in respect of which they have a conflict.

Diversity and inclusion
Stanwell believes in the inherent strength of a vibrant, diverse and inclusive workforce in which the backgrounds, perspectives and life experiences of its people help Stanwell to forge stronger connections with its stakeholders and make better decisions for its business.

For Stanwell, diversity and inclusion covers both the visible and invisible differences that make its employees unique, whether that be gender, gender identity, age, ethnicity, accessibility requirements, cultural background, sexual orientation or religious beliefs and the differences they have based on their experiences, insights and perspectives.

Stanwell has established a comprehensive and integrated diversity and inclusion strategy that articulates its objectives and demonstrates its care, commitment and imperative to valuing, and achieving value from, a more diverse workforce. The strategy includes a road map of initiatives and pragmatic and aspirational targets to be achieved by 2022.

The implementation of these initiatives is overseen by the Stanwell Inclusion and Diversity Committee and the Board's People and Safety Committee.

Trading in securities
The Trading in Securities Policy deals with the way Stanwell's directors and employees can trade in securities. This policy is specifically designed to raise awareness of the prohibitions on insider trading contained within the Corporations Act 2001 (Cth), to ensure Stanwell personnel understand these requirements and the restrictions on trading while in possession of price-sensitive information.

Principle 4 - safeguard integrity in financial reporting

The Audit and Risk Management Committee assists the Board in overseeing the reliability and integrity of financial reporting practices, accounting policies, auditing and external reporting. The Committee provides advice to the Board on Stanwell's financial statements, financial systems integrity and material risks. It also oversees compliance with applicable laws, regulations and corporate policies.

The internal audit function is established by the Stanwell Board and its responsibilities are defined by the Audit and Risk Management Committee. The Audit and Risk Management Committee is responsible for assessing whether the internal audit function is independent of management and is adequately resourced and funded.

The overall objective of Stanwell's internal audit function is to assist the Stanwell Board and all levels of management to discharge their responsibilities in maintaining Stanwell as a well-controlled, economic, efficient and effective organisation that complies with its statutory obligations.

The internal audit function operates under the terms of the Internal Audit Charter. The charter is reviewed annually by the Audit and Risk Management Committee and formalises and communicates the purpose, role, authority, responsibilities, scope and operational framework of the internal audit function.

Authority has been granted to the internal audit function for full, free and unrestricted access to any and all of Stanwell's records, physical properties and personnel relevant to any function under review.

To provide for the independence of the internal audit function, its personnel report to the Group Manager Internal Audit, who reports functionally to the Audit and Risk Management Committee and administratively to the Chief Financial Officer (CFO).

Following the conclusion of audits, the Group Manager Internal Audit prepares and issues to management a formal Internal Audit Report of findings and recommendations.

A summary of the final report, together with management's agreed actions and implementation dates, is presented to the Audit and Risk Management Committee for consideration.

The Group Manager Internal Audit monitors the implementation of audit recommendations and maintains the Audit Issues Register, which is presented to the Audit and Risk Management Committee for approval.

As a Government Owned Corporation, Stanwell's external audit is performed by or on behalf of, the Queensland Auditor-General.

The external auditor's role is to provide an independent opinion that Stanwell's financial reports are true and fair and comply with applicable regulations. The Auditor-General has unfettered access and can examine and report to Parliament on the efficiency and effectiveness of any aspect of public sector finances and administration.

Internal audit and external audit operate, perform and report as separate, independent functions. The Group Manager Internal Audit and representatives of the Queensland Auditor-General meet periodically with the Audit and Risk Management Committee without management present.

In accordance with the Corporations Act 2001(Cth), when presenting financial statements for approval, the CEO and the CFO provide a written statement to the Board to the effect that:

- the financial records of Stanwell for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001 (Cth); and
- Stanwell's financial statements and notes to the financial statements comply in all material respects with the Australian Accounting Standards and present a true and fair view of the company's financial position and performance.

In addition, the CEO and CFO state to the Board in writing that:

- the assurances given above and the integrity of Stanwell's financial statements are founded on a sound system of risk management, compliance and internal control which implements, in all material respects, the policies and processes adopted by the Board; and
- to the extent that they relate to financial reporting, the risk management, compliance and internal control systems are operating effectively in all material respects and that nothing has occurred since 1 July 2019 that would materially change the above statements.

Principle 5 - make timely and balanced disclosures

In line with the requirements of the Government-Owned Corporations Act 1993 (Qld), shareholding Ministers are advised in a timely manner of all issues likely to have a significant financial operational, employee, community or environmental impact. Stanwell also regularly assesses the key information requirements of its stakeholders.

Release of Information Publication Scheme
Stanwell is committed to providing the public with information about Stanwell in a timely and open manner.

As a Queensland Government Owned Corporation, Stanwell has adopted the Queensland Government's 'push' model for the routine and proactive release of information into the public domain via Stanwell's Release of Information Publication Scheme, which can be viewed at www.stanwell.com.

Principle 6 - respect the rights of shareholders

Stanwell is committed to ensuring that its shareholding Ministers are continually and appropriately informed of its performance and activities.

Communication is undertaken through several forums. These include:

- Statement of Corporate Intent, Corporate Plan and Quarterly Reports. The Statement of Corporate Intent and Corporate Plan provide a transparent set of agreed performance criteria and strategic objectives on which to report to shareholding Ministers and their representatives via the Quarterly Report. The Statement of Corporate Intent is tabled in Parliament and published on Stanwell's website;
- an Annual Report (containing those matters outlined in section 120 of the

Government Owned Corporations Act 1993 (Qld)) is prepared and issued to shareholders and interested stakeholders and is published on Stanwell's website; and
- briefings to shareholding Ministers and their representatives are conducted on a regular basis for the purpose of disclosing business activities and performance against agreed targets.

Principle 7 - recognise and manage risk

Risk management originates at the Board level and cascades throughout Stanwell via policies, delegated authorities and committee structures.

The Board establishes the foundation for risk management through its Risk Appetite Statement. It is also responsible for overseeing the establishment of systems for risk management including the key frameworks and policy components.

The Board has adopted the Enterprise Risk and Business Resilience Policy, Enterprise Risk Management Framework and Risk Evaluation Matrix which are consistent with ISO 31000:2018 Risk Management Principles and Guidelines and COSO: Enterprise Risk Management Integrating with Strategy and Performance (2017).

Stanwell recognises that managing risk is fundamentally about creating and protecting value. Stanwell's risk management approach is characterised by the following principles:

- the objective of Stanwell's risk management practices is not necessarily to eliminate risk but to understand and to take a measured level of risk commensurate to the value that is being protected or created;
- Stanwell applies a structured and comprehensive approach to risk management to ensure that it achieves consistent and measurable results;
- the risk environment is not static; therefore, our people should be aware of and respond to internal or external changes and events in an appropriate and timely manner;
- risk management should be integrated into day-to-day decision-making and leverage existing forums and processes wherever possible;
- the quality of Stanwell's decision-making will be further enhanced by ensuring that the appropriate stakeholders are involved to leverage their knowledge, views and perceptions;
- decisions should be made using the best available information that considers both internal and external factors; and
- appropriate behaviour and culture are fundamental to the effectiveness of Stanwell's risk management practices and decision-making and our key decision makers are always expected to familiarise themselves with Stanwell's Enterprise Risk Management Framework and apply its principles.

Stanwell's enterprise risk management model is based on the 'three lines of defence' and is illustrated in the diagram. (Figure 1)

The Board, its committees and the Executive Leadership Team collectively have the responsibility and accountability to set Stanwell's objectives and supporting strategies and to ensure that the 'three lines of defence' are effectively and continually interacting with each other so that risks are being managed.

Stanwell's Risk Appetite Statement details the level of risk the Board is willing to accept in pursuit of Stanwell's strategic objectives.

The Risk Appetite Statement considers the most significant risks to which Stanwell is exposed and provides guidance on the approach to managing these risks. These guiding principles are based on the key drivers of creating and protecting value.

At an aggregate level, Stanwell's risk appetite is qualitatively defined as 'conservative'. However, as the electricity market within which Stanwell operates is characterised by a propensity for high price volatility often driven by unforeseen events and external factors that drive supply/demand imbalance, it is consequentially exposed to and accepts a higher level of risk in order to achieve its gross profit targets.

All breaches of Stanwell's risk appetite are reported through to the Board via the Stanwell compliance breach reporting mechanism and/or the reporting mechanisms contained within each underlying risk policy framework.

Stanwell seeks to embed risk management principles and practices into strategy development and day-to-day business processes to achieve robust and responsible commercial outcomes. Stanwell faces a variety of risks due to the nature of its operations. The material strategic risks faced by Stanwell's operation are illustrated in the diagram.

Stanwell is Australia's third largest emitter of greenhouse gases and its generation portfolio is currently comprised entirely of fossil fuel units. Recognising the requirement for affordable, reliable and sustainable energy, Stanwell needs to manage the transition to a lower emission future in a safe, orderly and sustainable manner.

Specific 'climate change' risks that have implications for Stanwell's business operations are detailed below:

- Transitional risks:Transitional risks include risks to end-of-life planning, rehabilitation of assets, misalignment of these plans withfuture scenarios leading to possible stranded assets and revenue loss; and
- Physical risks: Physical risks include increased frequency and severity of extreme weather events resulting in operational disruption, droughts impacting water supply,higher average temperatures causing increases to the frequency and magnitude of peak electricity demand and the derating of thermal plant.

Refer to Stanwell's strategy review detailed on pages 24-33 for our response to these risks.

The Audit and Risk Management Committee receives presentations from management on Stanwell's material strategic risks (both financial and non-financial) and the controls in place to mitigate or manage those risks at each meeting.

The Committee also provides advice and assistance to the Board by regularly monitoring Stanwell's systems of risk management, internal control and compliance with regulatory obligations.

Stanwell has implemented several other policies that directly or indirectly serve to mitigate and manage risk, including the Trading Risk Management Policy which provides the governance framework that ensures that electricity market and credit risk exposures are measured, managed and controlled within the parameters of Stanwell's risk appetite.

Risk controls and associated actions are captured and monitored using information technology tools that incorporate reporting of events, audits, risks and compliance obligations and breach reporting. Stanwell conducts reviews of its business

Figure 1 - Stanwell's risk management model

interruption risks and implements appropriate planning to mitigate those risks.

These plans are tested by periodic business continuity and disaster recovery exercises that are designed to provide a sound degree of resilience should Stanwell need to respond to, and recover from, an adverse event while continuing to maintain business critical functions.

Stanwell's response to the risk of fraud is consistent with the Crime and Corruption Commission's guide to best practice in fraud and corruption control and includes regular fraud risk assessments, the annual review of the fraud control plan and the effective operation of fraud prevention and detection controls. In addition, the internal audit function performs forensic data analysis, unannounced audits and a rolling program of audits focusing on the effectiveness of fraud prevention and detection controls.

Stanwell's Compliance and Regulatory Management System is based upon the International Standard ISO 19600:2014 Compliance management systems – Guidelines. The Board approved Compliance and Regulatory Management Policy outlines Stanwell's commitment to ensuring that Stanwell can meet all its compliance obligations and appropriately respond to any compliance and/or regulatory issues.

Any compliance issue and/ or breach is recorded, monitored and escalated using an organisation-wide information technology tool, which ensures prompt attention and analysis.

Principle 8 - remunerate fairly and responsible

The fees paid to directors for serving on the Board and on the committees of the Board are determined by shareholding Ministers and advised to Stanwell.

The People and Safety Committee oversee and provide advice to the Board on employment strategies and frameworks.

The Committee makes recommendations to the Board on Enterprise Agreement (EA) frameworks as well as remuneration settings for non EA employees and the remuneration and other terms of employment for senior executives. When increasing senior executive remuneration or awarding incentive payments, the Board must comply with the Policy for Government Owned Corporations Chief and Senior Executive Employment Arrangements Version 2.

Details of the remuneration paid to directors and senior executives are set out in page 105 of this report.

Government Owned Corporations Act requirements

Government directions and notifications Section 120(e) of the Government Owned Corporations Act 1993 requires Stanwell to provide in its Annual Report particulars of any directions and notifications provided to Stanwell by shareholding Ministers that relate to the relevant financial year.

During the 2019/20 financial year, Stanwell's shareholding Ministers issued a direction under section 257 of the Electricity Act 1994 requiring Stanwell to continue to manage the State's contractual rights and obligations relating to the Solar 150 program until 30 June 2021.

Dividend Policy

Stanwell's Dividend Policy considers the return that shareholders expect from their investment and the cash requirements of the business.

On 24 March 2020, the Board of Stanwell recommended to shareholders a dividend amount equivalent to 100 per cent of Stanwell's net profit after tax adjusted for:

- unrealised gains on the revaluation of derivative financial instruments (where applicable);
- asset impairments resulting from the testing of asset carrying values;
- year-end adjustments relating to rehabilitation and other provisions as a result of the review of those balances; and
- any other relevant adjustments that may arise resulting in unrealised gains.

Overseas travel

During the 2019/20 financial year:

- The General Manager Commercial Strategy

Deliver, Manager Business Origination and Manager Energy Projects and Commercial Strategy Deliver travelled to Japan and South Korea to discuss Stanwell's hydrogen project with prospective counterparties;

- The Site Manager Mica Creek and Engineering Manager Mica Creek travelled to America to be present when the failure cause analysis of the M3 Gas Turbine was undertaken in order to preserve Stanwell's prospect of success regarding any potential insurance claim; and
- The Senior Electrical Engineer travelled to the ABB factory in Turgi, Switzerland to be present for the Factory Acceptance Test for the Swanbank E Power Station 800xA system. This type of testing was not possible in Australia.

Corporate entertainment and hospitality (individual events over $5,000)

Event: Energy Trading and Commercial Strategy Annual Charity Fundraising Bowls Day
Date: 28 November 2019
Cost: $14,000

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Financial **results**

Stanwell Corporation Limited

ABN 37 078 848 674

General information

The financial statements cover the consolidated entity consisting of Stanwell Corporation Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Stanwell Corporation Limited's functional and presentation currency.

Stanwell Corporation Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Stanwell Corporation Limited
L2, 180 Ann Street
Brisbane QLD 4000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 August 2020. The directors have the power to amend and reissue the financial statements.

Directors' **report**

Directors' report

The directors present their report on the consolidated entity consisting of Stanwell Corporation Limited and its subsidiaries (together referred as the 'Group') at the end of the 2020 financial year.

PRINCIPAL ACTIVITIES

The Group's principal activity during the 2020 financial year was the operation of a diversified energy portfolio which included:

- the generation and sale of electricity; and
- the trading of electricity products.

FINANCIAL RESULTS

		2020 $'000	2019 $'000
(Loss)/Profit	before income tax	(343,254)	1,049,759
(Loss)/Profit	after income tax	(240,264)	736,009
(Loss)/Profit	attributable to members of the Group	(240,264)	736,009

DIVIDENDS - STANWELL CORPORATION LIMITED

The directors declared a dividend of $231.0 million for the 2020 financial year (2019: $550.2 million), being 25.0 cents per share payable on 30 November 2020 to the State of Queensland (as the owner of the shares in accordance with section 80 of the *Government Owned Corporations Act 1993*).

YEAR IN REVIEW

COVID-19

The COVID-19 public health crisis challenged the Group and required it to adapt business processes to ensure that workers and their families remained healthy and avoided exposure to the virus.

In mid-February, when the impacts of COVID-19 became apparent, the Group set three clear priorities to guide its pandemic response. These were:

- the safety and wellbeing of our workers and their families;
- the continuing reliable supply of electricity; and
- to assist, where we could, the communities in which we operate.

As at the date of this report, the Group continues to achieve these objectives.

COVID-19 is not only a public health crisis, it has also severely impacted the global economy and financial markets.

In Australia, COVID-19 has caused a sharp economic downturn and the pace of the economy's recovery to pre-COVID-19 levels remains unclear.

The time-weighted average wholesale price for the fourth quarter of the financial year was half that of the corresponding period in 2018/19. This was due to changes in both demand and supply:

- COVID-19 social distancing restrictions were in place for much of the second half of the 2019/20 financial year resulting in an estimated 4-6 percent decrease in electricity demand;
- due to pandemic related controls delaying the commencement of outages, there was an increase in electricity supply; and
- the decline in global economic activity impacted coal and gas export prices resulting in cheap fuel further contributing to an increase in electricity supply.

National Electricity Market

The National Electricity Market (NEM) is currently undergoing considerable regulatory upheaval, via both rule change requests and market reviews.

Electricity prices have declined materially over the last two years with the primary driver of this decline being the change in the supply/demand balance across all regions.

The NEM has experienced several previous supply/demand imbalance cycles, however, the current cycle is different because of the investment in new renewable energy supply/capacity (which can be dispatched before existing fossil fuelled power stations).

Compounding the imbalance caused by supply increases is the market view that there will be little to no growth in future electricity demand. Population growth will continue to provide growth in household energy consumption; however, it is likely that this growth will be offset by the continued penetration and increased system size of rooftop solar.

The forward contract market (the price that we can sell our energy into the future) is generally driven by spot price trends. As such, periods of sustained low spot prices drive forward contracts down and vice versa. During the financial year, forward contract prices across all regions have significantly fallen.

A key strategic risk for all electricity market proponents is the implications for their business models of a prolonged period of low electricity prices.

Financial performance

Stanwell recorded a Net Loss after Tax of $(240.3) million (a decrease from the Net Profit after Tax of $736.0 million recorded in the 2019 financial year) and will pay a dividend of $231.0 million (a decrease from the $550.2 million paid in the 2019 financial year).

Negative sentiment related to COVID-19 combined with the increase in renewable generation has seen large falls in the forward contract market. This has flowed through into our results for the 2019/20 financial year through an impairment expense and unfavourable fair value movements in derivatives.

The year-end valuation assessment of the Group's generation assets has resulted in an impairment expense of $719.6 million (before tax) due to a reduction in the future earning potential of the Group's generation assets. Unfavourable fair value movements of derivatives in the income statement were primarily due to electricity forward curve decreases on net bought positions that do not qualify for hedge accounting.

Strategy

The Group's generation portfolio consists predominantly of coal and gas fired power stations. While the emissions intensity of the Stanwell and Tarong power stations is comparatively low when compared to other coal-fired power stations, the Group's portfolio emissions intensity will be increasingly out of step with other energy market proponents unless the Group is able to diversify its asset portfolio.

While our focus remains on keeping the lights on, putting downward pressure on wholesale energy prices, and providing system security and support, we also have an important role to play in supporting the transformation of Queensland's energy market as the state transitions to 50 per cent renewables in 2030.

The execution of our strategy will ensure we continue to contribute to Queensland's economic prosperity.

In recognition of the challenges facing the business, during the financial year, the Board undertook two strategy workshops focused on refreshing the strategy to position the Group for long-term success.

The Group's strategy now has four strategic themes: work smart and build capability; create future energy solutions; affordable emissions reduction; and benefit community and shareholders.

Pages 26 to 30 provide information on Stanwell's progress against its four strategic themes.

Review of Operations

Safety

At Stanwell, the concept of *Zero Harm Today* underpins the Group's mindset that injuries, events and incidents can be prevented through the actions of an engaged workforce. The Group' safety performance is driven by a focus on behaviour and culture rather than regulation and enforcement with the goal of achieving a year-on-year improvement across a range of leading and lagging safety indicators.

In the 2019/20 financial year, the Group reported a Total Recordable Injury Frequency Rate of 4.13, a 37 per cent decrease compared to the 2018/19 year result of 5.3. All leading indicator metrics were met or exceeded.

Continuous improvement projects and evidenced based solutions were implemented during the 2019/20 financial year to reduce exposure to injury. The 'Questioning Mindset' which was implemented to encourage workers to challenge existing conditions and activities to avoid complacency and promote improvement is one example of an evidenced based solution that has made a difference as to how our workers can manage the risk of complacency.

The Group attained Gold Recognition from Workplace Health and Safety Queensland for successfully embedding work health and wellbeing into organisational systems.

Plant

In the 2019/20 financial year, the Group's NEM connected generation portfolio achieved average availability and reliability factors of 88.8 percent and 94.4 percent respectively.

The Group invested more than $164.9 million in its portfolio of assets to improve efficiency and maintain their performance.

During the financial year:

- $22.2 million was spent on the Stanwell Power Station Unit 1 which included work to ensure long-term reliability of the control system and provide enhanced automation and control of the plant; and
- $31.0 million was spent on Tarong Power Station Unit 4 overhaul works. The works included inspections, maintenance, refurbishment and replacement of plant and equipment to maintain the unit's reliability, efficiency and safety of electricity generation.

A priority for the Group is ensuring that its thermal portfolio of generation assets can respond promptly and flexibly to changes in electricity supply and demand. During the 2019/20 financial year, the Group continued its program of trials focused on alternate operating modes and the plant modifications required to further extend the operating range of its generation assets. As a result of these trials, the Group was able to operate its generating assets at low levels during the day and ramp up to meet the evening peaks.

Fuel

Coal for the Tarong Power Station is supplied by the Group's Meandu Mine.

Following a competitive tender process, Downer EDI Limited was reappointed as mine contractor of Meandu Mine under a new five-year Mine Services Agreement commencing in July 2020.

Coal for the Stanwell Power Station is supplied by the Curragh Coal Mine under an agreement with Coronado Curragh Pty Ltd. This agreement provides Stanwell with a revenue stream based on coking coal exported from the Curragh Mine. In 2019/20, this contributed $211.5 million to the Group's revenue.

In 2019/20, the Group established a bio-energy plan which is aligned to the Queensland Government's emissions reduction goals and bio-futures plans. To reduce the emissions of the Group's thermal generation assets, investigations have commenced on a range of renewable fuels suitable for co-firing with coal and gas.

Water

In response to the drought currently impacting the South Burnett region, the Group is developing a water strategy for the Tarong power stations, with the objective of optimising long-term water supply arrangements that balance water security, commercial sustainability and community/shareholder expectations.

Tarong Fly Ash Facility

In August 2019, Stanwell reached an agreement with Boral Australia Limited for the construction of a 400,000 tonne fly ash offtake facility along with an offtake and operations agreement for the Tarong power stations.

Mica Creek Power Station

In June 2020, the decision was made to place the Group's Mica Creek Power Station in cold storage from 1 January 2021.

The power station, located six kilometres outside of Mount Isa, commenced operation as a coal-fired power station in the 1960s and was converted to gas in 2000. The Mica Creek Power Station is at the end of its life. The power station is not connected to the National Electricity Market and currently supplies electricity to only two industrial customers, whose power purchase agreements are due to expire on 31 December 2020.

From 1 January 2021, the Mica Creek Power Station will no longer have any customers to supply electricity.

Other matters

CleanCo Queensland

In 2018, the Queensland Government announced its plan to create CleanCo Queensland Limited (CleanCo) as a third government-owned generator.

On 31 October 2019, the Group's generation assets, Swanbank E, Barron Gorge, Kareeya and Koombooloomba power stations were transferred to CleanCo. The employees who work at these assets will transfer to CleanCo on 30 August 2020.

Throughout 2019/20, the Group has continued to deliver operations, maintenance and corporate support services to these CleanCo assets under a Transitional Services Agreement.

Climate change risk

Stanwell seeks to embed risk management principles and practices into strategy development and day-to-day business processes to achieve robust and responsible commercial outcomes.

The Group is Australia's third largest emitter of greenhouse gases and its generation portfolio is predominantly coal and gas fired power stations. Recognising the requirement for affordable, reliable and sustainable energy, the Group needs to manage the transition to a lower emission future in a safe, orderly and responsible manner.

Specific 'Climate Change' risks that have implications for the Group's business operations are detailed below:

- **Transitional risks:** Transitional risks include risks to end-of-life planning, rehabilitation of assets, misalignment of these plans with future scenarios leading to possible stranded assets and revenue loss; and
- **Physical risks:** Physical risks include increased frequency and severity of extreme weather events resulting in operational disruption, droughts impacting water supply, higher average temperatures causing increases to the frequency and magnitude of peak electricity demand and the derating of thermal plant.

Pages 64 to 66 provide additional information on the Group's strategic risks.

ENVIRONMENTAL REGULATION

The Group is subject to a broad range of environmental regulation under both Commonwealth and State legislation. The primary environmental State legislation governing the Group's activities in Queensland is the *Environmental Protection Act 1994* and the *Mineral Resources Act 1989.*

As operator of the Barron Gorge and Kareeya hydro power stations under a Transitional Services Agreement with CleanCo, the Group is also required to comply with the Commonwealth *Wet Tropics of Queensland World Heritage Area Conservation Act 1994* and the State *Wet Tropics World Heritage Protection and Management Act 1993.*

The Group operates under an Environmental Management System and a Compliance and Regulatory Management System. Together, these systems provide the framework and guidance for the management of environmental activities, enabling the effective and efficient provision of environmental advice, and ensure that the appropriate monitoring and reporting of environmental compliance occurs. As a result, during the period covered by the report, the directors have remained fully informed of any breaches of environmental regulation that required notification to a regulator.

The Group is subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007 (NGER Act)*. The NGER Act requires the Group to report its annual greenhouse gas emissions and energy production and use. The Group began reporting under the NGER Act during the 2009 financial year and is now in its eleventh reporting year. The Group has implemented systems and processes for the collection and calculation of the data required and submits annual reports to the Clean Energy Regulator.

The Group is also subject to the reporting requirements of the National Pollutant Inventory (NPI) as implemented by the *Environmental Protection Regulation 2008*. The NPI requires the Group to report on emissions and transfers of toxic substances to air, land and water each financial year. The Group has implemented systems and processes for the collection and review of the required data and submits its reports via a third party.

DIRECTORS

The following persons were Non-executive Directors' of the Group during financial year and up to the date of this report:

- Paul Binsted was appointed Non-executive Director and Stanwell Chair on 7 May 2020
- Adam Aspinall
- Jacqueline King
- Karen Smith-Pomeroy
- The Hon. Wayne Swan was appointed Non-executive Director on 12 December 2019
- Dr Ralph Craven was a Non-executive Director and Stanwell Chair for the period 1 July to 30 September 2019

INFORMATION ON DIRECTORS

Paul Binsted

BEc, LLB

Independent Non-executive Chair and Director

Mr Binsted was appointed Non-executive Director and Chair of Stanwell on 7 May 2020 and is a member of the Audit and Risk Management and People and Safety committees.

Mr Binsted has had an extensive career in corporate finance and has an interest in macro and micro economics. From 1982 to 2007, he held senior positions at Lloyds Corporate Advisory Services, Schroders, Salomon Smith Barney (now Citigroup) and was the Managing Director and Joint CEO of Lazard.

Mr Binsted has held directorship positions across the energy, renewables, sea ports and rail sectors, including Director of the Clean Energy Finance Corporation and Chair of its Audit Committee; Council member of the Australian National Maritime Museum and Chair of its Audit Committee; Chair of Sydney Ports Corporation and the State Rail Authority of NSW; and Deputy Chair of Donaldson Coal Holdings Limited and Paringa Mining and Exploration Company PLC.

He was also a member of the Financial Sector Advisory Council which provided advice to the Government on policies to facilitate the growth of a strong and competitive financial sector; and was a Chief Adviser to the Australian Federal Treasury.

Mr Binsted is a member of the Economics Society of Australia and a Solicitor of the Supreme Court of New South Wales.

Adam Aspinall

B.ENG (Mech), MIEAust, GAICD

Independent *Non-executive Director*

Mr Aspinall was appointed a Non-executive Director of Stanwell on 15 November 2016 and is a member of the People and Safety and Audit and Risk Management committees.

Mr Aspinall is a mechanical engineer with more than 36 years' experience in the electricity and energy industries and is a leading advisor in the power industry, having consulted globally to the private and government sectors on power generation projects and issues.

His expertise includes electricity and gas infrastructure development, generation and transmission procurement, electricity trading and regulatory compliance. He was most recently a Special Advisor for the advisory firm Advisian, a wholly owned subsidiary of the WorleyParsons group, having previously led the power engineering practice of Advisian Asia Pacific and before that, Evans & Peck.

Mr Aspinall is regularly engaged to assist in International Mergers & Acquisitions activities as well as International Arbitrations in the role of Independent Expert.

He began his career working for the Queensland Electricity Commission in 1981 and was employed by the generation sector in Queensland for over 24 years prior to becoming a consultant.

He has previously been a Non-executive Director on the Board of Ergon Energy and Chair of SPARQ Solutions.

Jacqueline King

LLB (Honours) First Class Honours, MBA, WHS, TDD, GAICD

Independent Non-executive Director

Ms King was appointed a Non-executive Director of Stanwell on 1 October 2015 and is Chair of the People and Safety Committee.

Ms King has worked across the energy, power and construction sectors of industry for over 20 years, with an extensive background in industrial relations, work health and safety, and skills and training. She is currently the Assistant General Secretary of the Queensland Council of Unions with specific responsibility for work health and safety matters.

Ms King is also the Chair of Mind Blank, a charity dedicated to raising awareness about mental health and the risk of suicide in schools, workplaces and the community.

She is a Graduate member of the Australian Institute of Company Directors, holds an MBA, a Bachelor of Laws (Honours) First Class Honours degree, and is currently completing a Graduate Diploma in Legal Practice.

Karen Smith-Pomeroy
FIPA, FFin, GIA(Cert), GAICD
Independent Non-executive Director

Ms Smith-Pomeroy was appointed a Non-executive Director of Stanwell on 1 October 2015 and is Chair of the Audit and Risk Committee and a member of the People and Safety Committee.

Ms Smith-Pomeroy has more than 30 years' experience in the financial services sector and was most recently a senior executive with Suncorp Group, including a period as Chief Risk Officer of Suncorp Bank.

She has a specialty in risk management and governance and detailed experience across a number of industry sectors.

Ms Smith-Pomeroy is currently a member of Queensland Treasury Corporation Capital Markets Board, Chair of Regional Investment Corporation and National Affordable Housing Consortium Limited, and a Non-executive Director of Kina Securities Limited, Infigen Energy Limited, and InFocus Wealth Management Limited.

In addition, she is Chair of the audit committees of Queensland Department of Local Government, Racing and Multicultural Affairs, and South Bank Corporation.

Ms Smith-Pomeroy is a former director of Tarong Energy Corporation Limited and CS Energy Limited.

The Hon. Wayne Swan
BA Hons
Independent Non-executive Director

Mr Swan was appointed a Non-executive Director of Stanwell on 12 December 2019.

Mr Swan served as the Treasurer of Australia for nearly six years, including three years as Deputy Prime Minister.

He was one of the longest serving finance ministers in the G20 and was recognised as one of its leading contributors, drawing on his unique experience overseeing Australia's economic outperformance among the developed world.

Mr Swan was awarded Euromoney Finance Minister of the Year in 2011 for his 'careful stewardship of Australia's finances and economic performance' during the global financial crisis. He was only the second Australian to receive this accolade and the first for almost 30 years.

His focus as Treasurer was on strong, secure economic growth, job creation, and maximising the opportunities for Australia in the Asian Century. He was instrumental in the publication of the Asian Century White Paper – a blueprint for Australia's engagement in the region.

He is the author of Postcode: The Splintering of a Nation (2005) and The Good Fight: Six Years, Two Prime Ministers and Staring Down the Great Recession (2014).

More recently, Mr Swan has co-authored the Report of the Commission on Inclusive Prosperity, commissioned by the Center for American Progress and authored a paper on Financing Sustainable Development – What can we learn from the Australian experience of reform? for the United Nations Social and Economic Commission in the Asia Pacific (UN-ESCAP).

He is also a Commissioner on the Independent Commission for the Reform of International Corporate Taxation and President of the Australian Labor Party.

Dr Ralph Craven
BE PhD, FIEAust, FIPENZ, FAICD
Independent Non-executive Chair and Director

Dr Craven was appointed a Non-executive Director and Chair of Stanwell on 1 October 2015 and was a member of the Audit and Risk Management Committee and People and Safety Committee. Dr Craven's term of appointment expired on 30 September 2019.

INFORMATION ON OFFICERS

The following persons were officers of the Group during financial year and up to the date of this report:

- Richard Van Breda Chief Executive Officer
- Sophie Naughton was appointed Executive General Manager Business Services effective 22 December 2019
- James Oliver Chief Operating Officer
- Michael O'Rourke Chief Financial Officer
- Stephen Quilter Executive General Manager Energy Trading and Commercial Strategy
- Jenny Gregg Executive General Manager Business Services retired on 21 December 2019

Richard Van Breda

BCompt (Hons), CA(Z), CA(Aus), Dip. Fin. Serv. GAICD
Chief Executive Officer

Mr Van Breda was appointed Chief Executive Officer in July 2012 and he has been involved in the energy industry since 2001.

Mr Van Breda originally joined Stanwell in 2002 and was appointed Chief Financial Officer in 2005. He joined Tarong Energy Corporation Limited in the role of Chief Financial Officer in April 2008.

After the restructure of the Queensland Government owned electricity generators in July 2011, Mr Van Breda was appointed Chief Financial Officer at Stanwell.

Mr Van Breda is a Non-executive Director of the Australian Energy Council. Prior to this, Mr Van Breda was a partner with Deloitte Zimbabwe and spent three years with Anglo American Zimbabwe, which held a diverse range of mining and manufacturing interests.

Sophie Naughton

BA/LLB, GradDipEd, GAICD
Executive General Manager Business Services

Ms Naughton was appointed Executive General Manager Business Services effective 22 December 2019.

Since joining Stanwell in 2011, she has held management roles across human resources and industrial relations.

Prior to this, Ms Naughton worked as a lawyer, then in human resources leadership roles across a range of industries and in both the public and private sectors. During this time, she also completed a teaching degree.

As Executive General Manager Business Services, Ms Naughton is responsible for Stanwell's business strategy development, community and stakeholder engagement, information and business systems, human resources management and organisational development.

James Oliver

MBA, BE (Mech) Hons 1, MIEAust, CPEng, RPEQ, IntPE (Aus)
Chief Operating Officer

Mr Oliver joined Stanwell in 2003, and has held a number of operational roles throughout the business, including General Manager Operational Excellence, Stanwell Power Station Site Manager, Stanwell Power Station Production Manager and Stanwell Power Station Engineering Manager.

Mr Oliver was appointed to the position of Chief Operating Officer on 16 June 2019.

He is an experienced senior business manager, with strong project management experience, and a Master of Business Administration, focusing on organisational leadership.

Prior to joining Stanwell, Mr Oliver spent time in the mining and materials processing industries, as well as spending 12 months undertaking volunteer work in Zambia.

In his role as Chief Operating Officer, he oversees Stanwell's operations and provides leadership and direction for both for the operations leadership team and wider business. Mr Oliver's responsibilities also include delivering asset strategies, policies, systems and operational risk management controls to facilitate the achievement of Stanwell's short and long-term business objectives.

Michael O’Rourke

LLB, BCom, GDip AppFin, GDip CSA

Chief Financial Officer

Mr O’Rourke joined Stanwell in 1998 and has held a number of management roles in the areas of corporate strategy, marketing and trading, corporate services and internal and external corporate communications.

In September 2012, Mr O’Rourke was appointed to the position of Chief Financial Officer.

As Stanwell’s Chief Financial Officer, Mr O’Rourke is responsible for the internal functions of financial risk and services, business reporting and commercial analysis, secretariat, land and property, legal, internal audit and supply chain management.

Stephen Quilter

BEng (Mech), MBA

Executive General Manager, Energy Trading and Commercial Strategy

Mr Quilter joined Stanwell in February 2012 as Swanbank Power Station Manager and was appointed General Manager of Stanwell’s gas and hydro generation portfolio in May 2013.

In a career spanning more than 20 years in the energy industry both in Queensland and New South Wales, Mr Quilter has worked in various operational roles including senior engineering and management positions.

Mr Quilter was appointed Executive General Manager Energy Trading and Commercial Strategy at Stanwell in July 2016.

In this role, he is responsible for the trading of Stanwell’s generation in the National Electricity Market.

He also oversees the development of commercial strategies targeted at diversifying revenue streams and creating value from Stanwell’s various fuel resources.

Jennifer Gregg

MBA, BA, Grad Cert (BAdmin), GAICD

Executive General Manager Business Services

Ms Gregg was appointed to the role of Executive General Manager Business Services in September 2012 and retired on 21 December 2019.

COMPANY SECRETARY

Karen Buckley

BA, Grad Cert Law, FGIA, FCIS, GAICD

Ms Buckley was appointed company secretary on 1 July 2011. Ms Buckley has extensive governance experience of both listed companies and Government Owned Corporations’ statutory and regulatory compliance obligations.

Michael O’Rourke

LLB, BCom, GDip AppFin, GDip CSA.

Mr O’Rourke was appointed company secretary in 2002. Mr O’Rourke is the Chief Financial Officer of Stanwell Corporation Limited.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of directors and of each Board committee held during the 2020 financial year, and the numbers of meetings attended by each director were:

	Board		People & Safety Committee		Audit & Risk Management Committee	
	A	B	A	B	A	B
Paul Binsted	1	1	-	-	1	1
Adam Aspinall	7	7	3	3	4	4
Jacqueline King	7	7	3	3	1	1
Karen Smith-Pomeroy	7	7	2	1	4	4
The Hon. Wayne Swan	3	3	-	-	2	2
Dr Ralph Craven	2	2	1	1	1	1

A = Number of meetings held during the time the director held office or was a member of the committee during the year.
B = Number of meetings attended.

In addition to the above during the financial year the Board held two strategy workshops focused on the long-term success of the Group and received a briefing on the Group's response to the COVID-19 pandemic.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification and insurance

In accordance with its Constitution, the Group has entered into a standard form Deed of Access, Insurance and Indemnity with the current directors of the Group to indemnify them to the maximum extent permitted by law against all liabilities which they may incur in the performance of their duties as directors of the Group, except for a liability for a pecuniary penalty order or a compensation order under the *Corporations Act 2001*.

The indemnity is made available to current and former directors of the Group for a period of seven years from the date of their resignation. To the extent permitted by law, the indemnity covers liability for legal costs.

In accordance with the standard form Deed of Access, Insurance and Indemnity referred to above, the Group has, during the 2020 financial year, paid an insurance premium in respect of the directors and executive officer of the Group. In accordance with normal commercial practice, the insurance contract prohibits disclosure of the nature or the liability covered by, or the amount payable under, the contract of insurance.

No claims have been made by any director or officer of the Group pursuant to these indemnities.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act* 2001 is set out on page 70.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report.

Amounts in the Directors' report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of directors.

Karen Smith-Pomeroy
Non-executive Director

Jacqueline King
Non-executive Director

27 August 2020

Brisbane

Auditor's independence **declaration**

To the Directors of Stanwell Corporation Limited

This auditor's independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001*.

Independence declaration

As lead auditor for the audit of Stanwell Corporation Limited for the financial year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Damon Olive
as delegate of the Auditor-General of Queensland
27 August 2020

Queensland Audit Office
Brisbane

Statement of profit or loss and other comprehensive **income**

For the year ended 30 June 2020

	Note	Consolidated 2020 $'000	2019 $'000
Continuing operations			
Revenue	2	3,131,465	3,665,410
Other income	2	-	210,000
Finance income	2	40,007	44,770
Expenses			
Electricity and energy services expense		(1,501,458)	(1,919,960)
Fuel costs		(358,868)	(414,260)
Depreciation and amortisation expense	3	(194,183)	(166,819)
Employee benefits expense		(130,134)	(115,326)
Other expenses		(133,665)	(101,561)
Raw materials and consumables used		(77,663)	(79,348)
Finance costs	3	(62,264)	(67,268)
Gas purchases		(23,414)	(72,143)
Non hedge accounted change in fair value of derivative instruments		(326,993)	120,247
Impairment	3	(719,579)	(105,294)
Profit/(loss) before income tax equivalent (expense)/benefit from continuing operations		(356,749)	998,448
Income tax equivalent (expense)/benefit	20	107,038	(298,357)
Profit/(loss) after income tax equivalent (expense)/benefit from continuing operations		(249,711)	700,091
Profit after income tax equivalent expense from discontinued operations	27	9,447	35,918
Profit/(loss) after income tax equivalent (expense)/benefit for the year		(240,264)	736,009
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefit obligation		(3,089)	(7,784)
Income tax equivalent relating to these items	20	927	2,335
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges		569,054	(238,091)
Income tax equivalent relating to these items	20	(170,716)	71,427
Other comprehensive income for the year, net of tax		396,176	(172,113)
Total comprehensive income for the year		155,912	563,896
Total comprehensive income for the year is attributable to:			
Continuing operations		146,465	527,978
Discontinued operations	27	9,447	35,918
		155,912	563,896

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Balance **sheet**

As at 30 June 2020

	Note	Consolidated 2020 $'000	2019 $'000
Assets			
Current assets			
Cash and cash equivalents	4	112,371	78,034
Current receivables	5	613,979	999,688
Inventories	6	161,816	145,580
Other current assets	7	95,006	54,643
Derivative financial instruments	12	608,082	185,127
Income tax refund due	20	13,665	-
		1,604,919	1,463,072
Assets held for distribution	27	2,490	159,814
Total current assets		1,607,409	1,622,886
Non-current assets			
Non-current receivables	8	248,531	229,212
Derivative financial instruments	12	352,651	91,853
Property, plant and equipment	9	1,538,967	2,161,755
Intangibles	10	21,677	25,238
Exploration and evaluation		6,638	9,060
Retirement benefit surplus	11	6,753	11,797
Other non-current assets		233	5,924
Total non-current assets		2,175,450	2,534,839
Total assets		3,782,859	4,157,725
Liabilities			
Current liabilities			
Trade and other payables	13	210,804	269,125
Current borrowings	16	5,179	3,422
Derivative financial instruments	12	511,657	309,960
Current tax liabilities	20	-	96,323
Current provisions	14	289,508	606,807
Other current liabilities		11,869	6,694
		1,029,017	1,292,331
Liabilities directly associated with the assets held for distribution	27	2,797	74,407
Total current liabilities		1,031,814	1,366,738
Non-current liabilities			
Non-current borrowings	17	826,395	818,181
Derivative financial instruments	12	260,239	103,614
Deferred tax equivalent liabilities	20	69,700	199,139
Non-current provisions	15	460,109	372,798
Other non-current liabilities		-	4,967
Total non-current liabilities		1,616,443	1,498,699
Total liabilities		2,648,257	2,865,437
Net assets		1,134,602	1,292,288

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

Balance **sheet cont.**

As at 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Equity			
Contributed equity	18	972,553	1,054,693
Reserves		255,484	(142,414)
Retained profits/(accumulated losses)		(93,435)	380,009
Total equity		1,134,602	1,292,288

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

Statement of changes in **equity**

For the year ended 30 June 2020

	Issued Capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2018	1,214,693	24,389	199,615	1,438,697
Profit after income tax equivalent expense for the year	-	-	736,009	736,009
Other comprehensive income for the year, net of tax	-	(166,664)	(5,449)	(172,113)
Total comprehensive income for the year	-	(166,664)	730,560	563,896
Transfer of cash flow hedge reserve to property, plant and equipment	-	(139)	-	(139)
Transactions with owners in their capacity as owners:				
Transfer to Queensland Treasury (note 18)	(160,000)	-	-	(160,000)
Dividends paid (note 19)	-	-	(550,166)	(550,166)
Balance at 30 June 2019	1,054,693	(142,414)	380,009	1,292,288

	Issued Capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2019	1,054,693	(142,414)	380,009	1,292,288
Loss after income tax equivalent benefit for the year	-	-	(240,264)	(240,264)
Other comprehensive income for the year, net of tax	-	398,338	(2,162)	396,176
Total comprehensive income for the year	-	398,338	(242,426)	155,912
Transfer of cash flow hedge reserve to property, plant and equipment	-	(440)	-	(440)
Transactions with owners in their capacity as owners:				
Net transfers of assets and liabilities with other government entities (note 18)	(82,140)	-	-	(82,140)
Dividends payable (note 19)	-	-	(231,018)	(231,018)
Balance at 30 June 2020	972,553	255,484	(93,435)	1,134,602

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

Statement of cash flows

For the year ended 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,421,381	4,225,705
Payments to suppliers and employees (inclusive of GST)		(2,624,448)	(3,130,909)
Interest received		9,520	20,940
Interest paid		(50,688)	(53,844)
Income tax equivalents paid		(301,655)	(343,453)
Net cash inflow from operating activities	28	454,110	718,439
Cash flows from investing activities			
Payments for property, plant and equipment		(185,478)	(169,508)
Payments for intangibles	10	(13,321)	(12,799)
Cash advances		332,234	131,871
Proceeds from disposal of property, plant and equipment		86	1,280
Net cash from/(used in) investing activities		133,521	(49,156)
Cash flows from financing activities			
Repayment of borrowings		(290)	(263)
Dividends paid	19	(550,166)	(494,183)
Capital distribution to shareholder	18	-	(160,000)
Payment of lease liabilities		(2,945)	-
Net cash outflow from financing activities		(553,401)	(654,446)
Net increase in cash and cash equivalents		34,230	14,837
Cash and cash equivalents at the beginning of the financial year		78,141	63,304
Cash and cash equivalents at the end of the financial year from continuing operations	4	112,371	78,034
Cash and cash equivalents at the end of the financial year from discontinuing operations	27	-	107
Total cash and cash equivalents		112,371	78,141

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

Notes to the financial **statements**

30 June 2020

1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group. The Group has adopted AASB 16 *Leases* from 1 July 2019 using the modified retrospective approach and as such the comparatives have not been restated.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate ranging between 2.771% and 3.621%, as at 1 July 2019.

(i) Practical expedients applied

In applying AASB 16 for the first time, the Group used the following practical expedients as permitted by the standard:

- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review. There were no onerous contracts as at 1 July 2019; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(ii) Measurement of lease liabilities

	2019 **$'000**
Operating lease commitments disclosed as at 30 June 2019	28,054
Discounted using the lessee's incremental borrowing rate at the date of initial application	(8,798)
(Less): Lease incentives received (recognised as other non-current assets)	(6,903)
Lease liability recognised as at 1 July 2019	12,353
Of which are:	
Current lease liabilities	2,509
Non-current lease liabilities	9,844
	12,353

(iii) Measurement of right-of-use assets

Right-of-use assets were initially measured at the amount equal to the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or the site on which it is located, less any lease incentives received.

(iv) Adjustments recognised in the balance sheet as at 1 July 2019

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- Right-of-use assets - increase by $12,353,000
- Lease liabilities - increase by $12,353,000
- Other non-current assets (prepayment relating to lease incentive) - decrease by $6,903,000
- Other current liabilities (lease incentive) - decrease by $1,037,000
- Other non-current liabilities (lease incentive) - decrease by $5,866,000

1. Significant accounting policies (continued)

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the *Corporations Act 2001* and the *Queensland Government Owned Corporations Act 1993.*

Stanwell Corporation Limited is a for-profit entity for the purpose of preparing the financial statements.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, financial assets and liabilities at fair value through profit or loss. Inventory (environmental certificates) is also held at fair value.

Going concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the Parent entity is disclosed in note 26.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Stanwell Corporation Limited ('Company' or 'Parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Stanwell Corporation Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Parent has control. The Parent entity controls an entity when the Parent entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Intercompany transactions, balances and unrealised gains on transactions between entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Interests in Subsidiaries

Stanwell Corporation Limited had 100% (2019: 100%) ordinary equity holding in the following subsidiaries. All of them were incorporated in Australia.

Mica Creek Pty Ltd*
SCL North West Pty Ltd*
Energy Portfolio 1 Pty Ltd
Glen Wilga Coal Pty Ltd
Goondi Energy Pty Ltd
Tarong Energy Corporation Pty Ltd
Tarong Fuel Pty Ltd*
Tarong North Pty Ltd
TEC Coal Pty Ltd*
TN Power Pty Ltd*

**These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.*

Tarong Fuel Pty Ltd is a holding company.

Glen Wilga Coal Pty Ltd, Energy Portfolio 1 Pty Ltd and Tarong Energy Corporation Pty Ltd are dormant.

1. Significant accounting policies (continued)

Deed of Cross-Guarantee
The Company has entered into a Deed of Cross Guarantee with its subsidiaries under which each company guarantees the debts of the others.

By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The companies listed above represent a ‘Closed Group’ for the purposes of the Corporations Instrument, and, as there are no other parties to the Deed of Cross Guarantee that are controlled by the Company, they also represent the ‘Extended Closed Group’.

Current and non-current classification
Assets and liabilities are presented in the balance sheet based on current and non-current classification.

An asset is classified as current when:

- it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realised within 12 months after the reporting period; or
- the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- it is either expected to be settled in the consolidated entity's normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets equivalent and liabilities equivalent are always classified as non-current.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred using the effective interest method.

Finance income
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.

Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

1. Significant accounting policies (continued)

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. Judgements and estimates that are material to the financial statements are provided throughout the notes to the financial statements.

2. Revenue, other income and finance income

	Continuing Operations		Discontinued Operations	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Revenue				
Revenue from contracts with customers				
Sale of electricity - wholesale	966,989	1,475,839	14,585	123,815
Sale of electricity - retail	1,125,746	1,297,050	-	-
Energy services revenue	556,452	567,007	-	-
Gas sales	26,370	95,494	-	-
Coal on-sale	2,241	3,038	-	-
	2,677,798	3,438,428	14,585	123,815
Other revenue				
Hedging gain/(loss)	165,519	(62,960)	-	-
Coal revenue sharing arrangements	209,215	260,741	-	-
Environmental certificate revenue	10	571	7,842	2,520
Revenue from services to CleanCo	50,313	-	-	-
Other revenue	28,610	28,630	82	381
	453,667	226,982	7,924	2,901
Revenue	**3,131,465**	**3,665,410**	**22,509**	**126,716**
Other income				
Gain on termination of rights to Stanwell Reserved Area (refer to note 8)	**-**	**210,000**	**-**	**-**
Finance income				
Interest income	9,521	20,941	-	-
Unwinding of discount on financial asset	30,486	23,829	-	-
Finance income	**40,007**	**44,770**	**-**	**-**

2. Revenue, other income and finance income (continued)

Application of accounting policies

Revenue from Contracts with Customers

Most of the revenue recognised by the Group arises from contracts for the supply of electricity to the National Electricity Market and business customers in Australia. In accounting for these contracts, the Group recognises revenue to depict the transfer to the customer of the goods or services promised in the contract in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. Revenue from contracts with customers is recognised using the five step model in AASB 15 (*Revenue from Contracts with Customers*) and generally occurs when control of the goods or service is transferred to the customer.

Revenue stream	Description	Revenue recognition under AASB 15
Sale of electricity - wholesale	Represents revenue from the sale of electricity generated by the Group and dispatched to the NEM.	Revenue is recognised when electricity is dispatched to the NEM and measured using the output method. Stanwell measures the output using the electricity meterage on a daily basis.
Sale of electricity - retail	Represents revenue from contracts with business customers for the supply of electricity. These contracts can be longer term in nature.	Stanwell recognises revenue over time where there are series of performance obligations in a contract with the customer. The progress is measured based on units of electricity delivered (output method) over the contract towards the satisfaction of the performance obligation. Any non-cash consideration received from the customer as fulfilment of the contract is accounted for as revenue and measured at fair value. Stanwell recognises revenue at a point in time where there are distinct performance obligations in a contract with a customer. The performance obligation is satisfied at a point in time, that is on delivery of electricity to the customer.
Energy services revenue	Represents revenue in relation to the recharge of transmission, network charges and other operating costs directly attributable to delivery of electricity to retail customers.	The Group recognises revenue when performance obligations are satisfied over time which is generally when energy services are delivered.
Gas sales	Represents revenue from the sale of gas.	The Group sells and makes available gas for delivery to the customer at the delivery point specified in the agreement. The Group recognises gas sales revenue over time using an output-based method, that is units delivered as measured using metering equipment.
Coal revenue sharing arrangements	Represents revenue from coal revenue sharing arrangements.	Stanwell recognises revenue from coal sharing arrangements in accordance with the terms of the contract which is the point in time when the ownership of the coal being exported is legally transferred to the buyer. Typically the transfer of ownership and the recognition of revenue occurs when the coal passes the ship rail when loading at the port.

2. Revenue, other income and finance income (continued)

Finance income
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.

Finance income includes interest income on the non-current receivable disclosed in note 8 for the termination of Stanwell's reversionary rights at the Curragh mine.

3. Expenses

	Continuing 2020 $'000	Operations 2019 $'000	Discontinued 2020 $'000	Operations 2019 $'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Land and buildings	(3,364)	(3,424)	-	(255)
Generation assets	(137,799)	(133,139)	-	(4,076)
Operational mining assets	(35,408)	(37,988)	-	-
Other plant and equipment	(5,972)	(5,172)	-	(3,991)
Right-of-use assets	(2,779)	-	-	-
Total depreciation	**(185,322)**	**(179,723)**	**-**	**(8,322)**
Amortisation				
Software	(8,324)	(8,410)	-	-
Exploration and evaluation	(122)	(2,565)	-	-
Mining information	(415)	(410)	-	-
Total amortisation	**(8,861)**	**(11,385)**	**-**	**-**
Total depreciation and amortisation	**(194,183)**	**(191,108)**	**-**	**(8,322)**
Depreciation transferred to inventory and fuel cost	-	24,289	-	-
Total depreciation and amortisation in profit and loss	**(194,183)**	**(166,819)**	**-**	**(8,322)**
(Impairment)/impairment reversal				
Land and buildings	(22,778)	-	-	2,206
Generation assets	(521,187)	-	-	2,127
Operational mining assets	(114,409)	-	-	-
Other plant and equipment	(6,250)	-	-	-
Mining development asset	-	(30,016)	-	-
Mining information (refer to note 10)	-	(75,278)	-	-
Right-of-use assets	(2,646)	-	-	-
Capital work in progress	(41,936)	-	-	-
Software (refer to note 10)	(8,143)	-	-	-
Exploration and evaluation	(2,230)	-	-	-
Total (impairment)/impairment reversal	**(719,579)**	**(105,294)**	**-**	**4,333**
Finance costs				
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	(51,030)	(53,892)	-	-
Unwinding of the discount on provisions	(11,234)	(13,376)	(632)	(3,088)
Finance costs expensed	**(62,264)**	**(67,268)**	**(632)**	**(3,088)**

3. Expenses (continued)

Amounts included in other expenses				
Services and consultants	(55,705)	(49,723)	(1,526)	(4,320)
Amounts included in employee benefits expense				
Defined contribution superannuation expense	(10,351)	(9,202)	(381)	(646)
Defined benefit plan expense	(1,955)	(1,632)	-	-

During the financial year $445,000 (2019: $390,000) was paid/payable to the Queensland Audit Office, for the audit of the financial statements. No other services were provided by the auditor.

4. Cash and cash equivalents

	2020 $'000	2019 $'000
Financial assets at amortised cost		
Cash at bank and in hand	112,371	78,034

Cash at bank is bearing an interest rate of 0.5% (2019: 1.2%). The carrying amount for cash and cash equivalents reasonably equates to their fair value.

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Credit risk

Cash and cash equivalent balances are held with Queensland Treasury Corporation (QTC) and other bank and financial institution counterparties which are rated AA- to AA+. An impairment assessment was performed at 30 June 2020 and no allowance for expected credit loss has been recognised as the amount was not material.

5. Current receivables

Financial assets at amortised cost

	Consolidated	
	2020 $'000	2019 $'000
Trade receivables:		
Retail customers	196,044	240,051
Other trade receivables	44,000	56,066
Advances facility	365,148	697,381
Other receivables	8,972	6,190
Less: Allowance for expected credit losses	(185)	-
	613,979	999,688

Trade receivables

Trade receivables primarily comprise amounts owing to Stanwell by retail customers. Other trade receivables include amounts owing by the Australian Energy Market Operator (AEMO), as well as amounts owing under coal rebate sharing arrangements, power purchase agreements, and over-the-counter (OTC) electricity contracts. Transactions with AEMO and OTC counterparties are settled net on a consolidated basis.

5. Current receivables (continued)

Advances facility

Under the Queensland Government's cash management regime, Government Owned Corporations (GOCs) advance surplus cash to Queensland Treasury.

GOC access to the advances is generally subject to notification periods of 24 to 48 hours. The deposits at call yielded floating interest rates between 0.86% to 2.13% during the year ended 30 June 2020 (2019: 2.4% to 3.2%). Refer to note 17 for further information on interest rate risk.

Because of the short-term nature of the advances, their carrying amount is assumed to be a reasonable approximation of fair value.

Application of accounting policies

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 to 90 days depending on the nature of the agreement. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

The Group has applied the simplified approach to measuring expected credit losses on current receivables, which uses a lifetime expected loss allowance. The amount of the allowance for expected credit losses is recognised in profit or loss within other expenses. When a trade receivable is assessed as impaired, it is written off within other expenses. Subsequent recoveries of amounts previously written off are credited against the same line item in profit or loss.

Application of accounting estimates and judgements

The allowance for expected credit losses is based on management's estimate of the prospect of recovering the debt.

Financial risk management objective

Credit risk

Credit risk exposure refers to the situation where the Group may incur financial loss as a result of another party to a financial instrument failing to fulfil their contractual obligation.

The Group has a strict credit policy for all customers trading on credit terms and assesses counterparty creditworthiness using a range of quantitative and qualitative measures. Credit ratings determined by a recognised rating agency are considered where available. Unrated entities have ongoing credit evaluations performed on their financial condition and other qualitative measures to ensure all counterparty credit exposures remain within acceptable levels. Particularly in instances where counterparties are not rated, the Group lowers the potential net credit impact by requiring credit support provision as appropriate.

The carrying amount of financial assets best represent the Group's maximum exposure to credit risk at the reporting date. At 30 June 2020, $7,021,205 of the Group's financial assets were past due but not impaired (2019: $4,025,285).

The Group transacts spot electricity and ancillary services with AEMO, which is a company limited by guarantee. AEMO was incorporated under the *Corporations Act 2001* and is owned by the Governments of the six jurisdictions who are members of the Australian Energy Market – Queensland, Victoria, South Australia, New South Wales, Australian Capital Territory and Tasmania. AEMO is self-funding and has an ability to recover its costs from fees that participants are required to pay. As effective power system operations are of great importance to the Governments involved, support from all owners is assumed. As a result, credit risk with AEMO is not considered significant.

5. Current receivables (continued)

Retail customers are generally from the commercial and industrial sector and vary in credit rating or are unrated. These customers have ongoing credit evaluations performed on their financial condition and other qualitative measures to ensure credit exposures remain within acceptable levels.

The Advances facility is held with QTC. No expected credit loss has been recognised in relation to this balance.

The expected credit losses on trade receivables are estimated using externally and internally sourced credit ratings and expected loss rates, taking into account historical and forward looking metrics. An impairment assessment was performed at 30 June 2020 and an allowance for expected credit losses of $185,543 has been recognised (2019: $nil).

A summary of the credit quality of the current receivable counterparties as assessed by reference to external credit ratings (Standard & Poor's or equivalent) as reflected in the following table:

	Consolidated	
	2020	**2019**
	$'000	**$'000**
AA+ to AA-	384,897	710,146
A+ to A-	5,754	7,645
BBB+ to BBB-	123,279	112,875
Other and non-rated	97,799	147,627
AEMO	2,435	21,395
	614,164	999,688

In determining expected credit losses on trade receivables at 30 June 2020, the Group has considered the impacts of COVID-19 and assessed it to be immaterial.

6. Inventories

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Stores - at cost	59,506	55,717
Less: Provision for obsolescence	(22,668)	(18,652)
	36,838	37,065
Fuel	75,853	72,543
Environmental certificates at fair market value	49,125	35,972
	161,816	145,580

Application of accounting policies

Environmental certificates

The Group is subject to various regulatory environmental schemes and as such accrues environmental liabilities as part of its general business operations. To meet these liabilities, the Group acquires environmental certificates on the wholesale market and surrenders these to the scheme administrators periodically. A number of the Group's operating assets are also accredited to create environmental certificates which can be used to either acquit the mandatory renewable energy liability of the Group or alternatively can be realised through the market. The environmental certificates are created through various Commonwealth and State legislation.

Environmental certificates are recognised in the financial statements at fair market value where fair value is determined by reference to observable market prices at reporting date.

6. Inventories (continued)

Fuel and stores

Fuel and stores are carried at the lower of weighted average cost per individual item of inventory and net realisable value. Cost for stores and fuel is their purchase price and for partly processed and saleable products is generally the cost of production. For this purpose, the cost of production includes direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of inventory are determined after deducting associated rebates and discounts.

Provision for obsolescence

The Group provides for inventory obsolescence based on the ageing of stock items held and changes in technology that would render parts obsolete.

Application of critical accounting estimates and judgements

Environmental certificates

As per AASB 13 *Fair Value Measurement*, the environmental certificates are classified as Level 1 as these instruments are traded in active markets and the valuation is based on quoted market prices at the end of the reporting period.

7. Other current assets

	Consolidated	
	2020 $'000	**2019 $'000**
Prepayments	15,181	3,811
Cash collateral	79,825	50,832
	95,006	54,643

Application of accounting policies

Cash collateral

Cash collateral is provided to support the margin requirements that are required to be held to cover positions traded on the Australian Securities Exchange.

8. Non-current receivables

In August 2018, Stanwell exchanged its reversionary right to coal resources in the Stanwell Reserved Area (SRA) at the Curragh mine as part of negotiating a new long-term coal supply agreement for Stanwell Power Station from 2027 to 2038 with Coronado Curragh Pty Limited (Coronado). The value of the consideration for Stanwell's rights over the SRA was $210,000,000 and is expected to be received over the term of the new coal supply agreement as an offset amount against amounts payable to Coronado for coal delivered. If the new coal supply agreement is terminated, any unpaid portion of the SRA value is repayable by Coronado in cash. Under the terms of the agreement, the SRA value receivable of $210,000,000 accretes at a rate of 13% per annum until it has been paid in full. The accretion is recognised as interest income within finance income.

	Consolidated	
	2020 $'000	**2019 $'000**
Receivables	264,316	233,829
Less: Allowance for expected credit losses	(15,785)	(4,617)
	248,531	229,212

8. Non-current receivables (continued)

Application of critical estimates and judgements

Credit Risk

The financial asset counterparty has a credit rating in the B ratings range. An allowance provision equal to the 12 month expected credit loss has been recognised on the basis that the Group does not consider that there has been a significant increase in credit risk since initial recognition of the financial asset.

9. Property, plant and equipment

	Consolidated 2020 $'000	Consolidated 2019 $'000
Land and Buildings - cost	186,007	136,884
Less: Accumulated depreciation and impairment	(85,956)	(59,817)
	100,051	77,067
Generation assets - cost	3,831,356	3,668,154
Less: Accumulated depreciation and impairment	(2,833,781)	(2,174,832)
	997,575	1,493,322
Operational mining assets - cost	1,914,373	1,708,856
Less: Accumulated depreciation	(1,573,968)	(1,289,929)
	340,405	418,927
Other plant & equipment - cost	88,758	83,056
Less: Accumulated depreciation and impairment	(75,908)	(63,606)
	12,850	19,450
Mining development assets - cost	-	44,233
Capital work in progress - cost	80,653	108,756
Right-of-use assets	12,858	-
Less: Accumulated depreciation and impairment	(5,425)	-
	7,433	-
	1,538,967	2,161,755

9. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land and Buildings $'000	Generation assets $'000	Operational mining assets $'000	Other plant and equipment $'000	Mining development assets $'000	Capital work in progress $'000	Right-of-use assets $'000	Total $'000
Balance at 1 July 2018	**90,092**	**1,552,934**	**390,382**	**30,662**	**74,249**	**86,179**	**-**	**2,224,498**
Additions	-	-	27,725	-	-	143,370	-	171,095
Disposals	(175)	(1,399)	(115)	(557)	-	-	-	(2,246)
Classified as held for distribution	(11,415)	(64,064)	-	(8,607)	-	(13,808)	-	(97,894)
Impairment of assets	2,206	2,127	-	-	(30,016)	-	-	(25,683)
Rehabilitation asset adjustment	-	45,118	34,912	-	-	-	-	80,030
Transfers between classes	38	95,821	4,011	7,115	-	(106,985)	-	-
Depreciation expense- continuing operations	(3,424)	(133,139)	(37,988)	(5,172)	-	-	-	(179,723)
Depreciation expense- held for distribution	(255)	(4,076)	-	(3,991)	-	-	-	(8,322)
Balance at 30 June 2019	**77,067**	**1,493,322**	**418,927**	**19,450**	**44,233**	**108,756**	**-**	**2,161,755**
Additions	5	1,380	39,839	17	-	144,238	13,037	198,516
Disposals	(4)	(15)	(72)	(14)	-	-	(5)	(110)
Reversal of impairment	2,767	-	-	-	-	-	-	2,767
Classified as held for distribution	-	(188)	-	(2,123)	-	(3,362)	(174)	(5,847)
Impairment of assets	(22,778)	(521,187)	(114,409)	(6,250)	-	(41,936)	(2,646)	(709,206)
Rehabilitation Asset Adjustment	-	50,843	25,571	-	-	-	-	76,414
Transfers between classes	46,358	111,219	5,957	7,742	(44,233)	(127,043)	-	-
Depreciation expense- continuing operations	(3,364)	(137,799)	(35,408)	(5,972)	-	-	(2,779)	(185,322)
Balance at 30 June 2020	**100,051**	**997,575**	**340,405**	**12,850**	**-**	**80,653**	**7,433**	**1,538,967**

9. Property, plant and equipment (continued)

Application of accounting policies

Property, plant and equipment are stated at historical cost less accumulated depreciation/amortisation and accumulated impairment charges. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include the costs of dismantling and removing the items and restoring the site on which they are located, capitalised borrowing costs and transfers from other comprehensive income of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment (refer to note 12).

Subsequent costs of replacing part of an item of property, plant and equipment 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced asset is derecognised. The costs of day to day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

The Group has established a program of major overhauls providing cyclical maintenance works on the generation and operating assets. Capitalised overhaul expenditure is depreciated over the period in which the Group expects to derive the benefits of the overhaul.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

Stripping costs

(i) Pre production stripping costs

Overburden and other mine waste materials are often removed during the initial development of a mine in order to access the mineral deposit. This activity is referred to as development stripping and the directly attributable costs, inclusive of an allocation of relevant overhead expenditure, are capitalised as development costs. Capitalisation of development stripping costs ceases and amortisation of those capitalised costs commences upon commercial extraction of ore. Amortisation of capitalised development stripping costs is determined on a unit of production basis for each area of interest. Development stripping costs are considered in combination with other assets of an operation for the purpose of undertaking impairment assessments.

(ii) Post production stripping costs

Overburden and other mine waste materials continue to be removed throughout the production phase of the mine. This activity is referred to as production stripping, with the associated costs charged to profit and loss, as operating cost, except when all three criteria below are met:

- Production stripping activity provides improved access to the specific component of the ore body, and it is probable that economic benefit arising from the improved access will be realised in future periods;
- The Group can identify the component of the ore body for which access has been improved; and
- The costs relating to the production stripping activity associated with that component can be measured reliably.

If all of the above criteria are met, production stripping costs resulting in improved access to the identified component of the ore body are capitalised as part of post production stripping costs and are amortised over the life of the component of the ore body. The determination of components of the ore body is individual for each pit. The allocation of costs between production stripping activity and the costs of ore produced is performed using relevant production measures, typically strip ratios. Changes to the mine design, technical and economic parameters affecting life of the components and strip ratios, are accounted for prospectively.

9. Property, plant and equipment (continued)

Depreciation

Depreciation is recorded over the useful life of the asset, or over the remaining life of the mine or power station if shorter. Assets are depreciated from the date they become available for use. Land is not depreciated. Operational mining assets are depreciated on either a units of use or straight-line basis. Other major categories of property, plant and equipment are depreciated on a straight-line basis.

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Physical, economic and environmental factors are taken into consideration in assessing useful lives of assets, including but not limited to asset condition and obsolescence, technology changes, commercial contract lives and renewals, regional electricity supply-and-demand, and environmental policy changes. Any reassessment of useful lives in a particular year will affect the depreciation expense.

Units of use basis

Where operational mining assets are depreciated on a units of use basis, depreciation is normally calculated using the equipment hours extracted from the mine in the period as a percentage of the total equipment hours for the relevant asset.

Development expenditure which is capitalised represents initial or up front development mining costs that create future benefits, by providing access to coal in new pits. These are proportionally depreciated over the Run of Mine tonnes for the life of the pit as the coal is mined.

Straight-line basis

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	15 - 50 years
Generation assets (including overhauls)	2 - 30 years
Operational mining assets	2 - 24 years
Other plant and equipment	2 - 30 years

Impairment

In 2020, the impairment loss of $719,579,412 (before tax) represented the write-down to the recoverable amount for the Tarong Precinct (comprising the Tarong Power Station, Tarong North Power Station and the Meandu Coal Mine), Stanwell Power Station and Mica Creek Power Station Cash Generating Units (CGUs).

The write-down is recognised in the statement of profit or loss as an impairment expense.

The impairment charge in the current year represents the impact of a reduction in discounted cash flows from electricity generation. In determining each CGUs recoverable amount, Stanwell uses the value in use method based on the expected cash flow approach. Under this approach, cash flow projections have been performed on four scenarios and probability weightings have been assigned on the scenarios to determine each CGU's recoverable amount. The reason for the lower projected cash flows are due to:

- the current low level of wholesale electricity prices stemming from the impact of COVID-19 which is contributing to lower demand, falling fuel costs and increased available generation. These market conditions are expected to continue in the near term;
- bidding behaviour from competitors has resulted in large decreases in the forecasted spot price and a reduction in generation volumes; and
- an increase in water costs for Tarong Power Station further eroded the headroom for the Tarong CGU.

At 30 June 2020, the recoverable amounts of each CGU were: Tarong Precinct $1.192 billion, Stanwell Power Station $1.140 billion and Mica Creek Power Station $Nil.

9. Property, plant and equipment (continued)

The following table outlines the key inputs and assumptions and their relationships to value in use considered in the discounted cash flow methodology to determine each CGU's recoverable amount under the value in use approach:

Unobservable inputs	**Nature of inputs**	**Relationship of unobservable inputs and value in use**
Revenue cash flows	Prevailing electricity demand and supply conditions determine physical despatch of electricity and spot price outcomes. The scenarios under which the cash flows are modelled take into account the closure of coal fired plants and approved investments for renewable energy all of which would have an impact on demand and supply of electricity.	A higher expected electricity generation or an increase in the electricity prices through increased demand or decreased supply of electricity would increase the value in use. An increase in generation from renewables over and above the decrease in coal fired plants will decrease the value in use.
Operating expenditure	Operating expenditures for the electricity generation have been determined based on the most recent management forecasts available at the time of the valuation.	A lower operating expenditure decreases the value in use.
Capital expenditure	Future capital expenditure required to ensure the security and reliability of electricity generation has been determined based on the most recent management forecasts available at the time of the valuation.	A lower future capital expenditure decreases the value in use.
Life of plant	Cash flows have been projected based on the expected life of the plant.	Any increases in the projections of the life of the generating plant under certain scenarios increases the value in use.
Weighted Average Cost of Capital (WACC) discount rate	A nominal post-tax WACC of 6.0% (2019: 7.0%) has been employed in the valuation. The WACC discount rate has been determined in consultation with independent experts based on a long-term view of the market cost of capital. The WACC equates to a pre-tax discount rate of approximately 8.8% (2019: 10.2%).	The higher the nominal WACC, the lower the value in use.

Application of critical accounting estimates and judgements

Stripping costs

These assets form part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

9. Property, plant and equipment (continued)

The recoverable amount is calculated based on either the fair value of the asset less costs to dispose or value-in-use. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. The value-in-use calculation is determined using the expected cash flow approach based on probability weightings being assigned to a range of scenarios for the future cash flows from the continuing use of the assets, discounted to a present value using an appropriate market based pre-tax discount rate. The discount rate reflects the current market assessment of the time value of money and asset specific risks for which the cash flow estimates have not been adjusted.

Assets that have previously been impaired are assessed annually to determine if there has been a reversal in impairment. Where this exists, the impairment is reversed through the profit or loss only to the extent that the carrying value does not exceed the original carrying value net of depreciation and amortisation should the asset not have been impaired.

Reviews are undertaken on an asset by asset basis except where these assets do not generate cash flows independent of other assets. Where assets do not generate cash flows independent of each other the impairment assessment is based on the cash generating unit.

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to it that may lead to indicators of impairment of assets. 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, but not limited to, electricity demand, wholesale electricity prices, a discount rate, cost of fuel and achievable market values for asset disposal.

The sources for the key estimates and assumptions include:

- Market pricing and dispatch are based on the most recent management endorsed forecast. Longer term modelling is developed on a portfolio approach, based around recent observable peak/energy demand forecasts provided by AEMO and other sources, available at the time of evaluation, combined with internally developed assumptions around forecast gas prices, new entrants and retirements and the impact of renewable energy targets.
- All other costs are based on the most recent management endorsed forecast.
- Capital expenditure is based on asset life plans.
- Escalation, taxation and discounting were applied in accordance with the Group’s assumptions at the time of evaluation.
- The Group assumed a discount rate in order to calculate the present value of its projected cash flows. The discount rate represented a WACC for comparable companies operating in similar industries. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of the risks related to the projected cash flows. Given coal-based generation is a non-renewable energy source, the risk premium incorporates the long-term viability of coal in the NEM.
- The impacts of the COVID-19 pandemic on economic conditions and the potential effects on the Group's future operations.
- Selection of scenarios used to model the projected cash flows using the expected value approach and the probability weightings assigned to each scenario.
- The Group's assessment of the potential impacts of climate risks on its future operations and the assumptions used in the cash flow projections.

9. Property, plant and equipment (continued)

Right-of-use assets

The Group leases offices, motor vehicles, land, plant and equipment. Rental contracts for offices are typically made for fixed periods of 10 years, but may have extension options as described below. Motor vehicle leases have an average term of 3 years with no renewal option included in the contract.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line-basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Comparatives in the first year of adoption of AASB 16

Until the 2020 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date which the leased asset is available for use by the Group.

As a general rule, entities must provide comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. However, the Company has applied the simplified transition approach that is permitted under AASB 16 and is not required to restate any comparative information and the disclosures for the prior period reflect the accounting treatment applied in that period. The Company has retained the operating lease disclosures for the prior period in note 23, and has not provided comparative information for the new disclosures.

10. Intangibles

	Consolidated 2020 $'000	Consolidated 2019 $'000
Mining Information - at cost	83,569	83,569
Less: Accumulated amortisation and impairment	(76,465)	(76,050)
	7,104	7,519
Software - at cost	126,381	113,061
Less: Accumulated amortisation and impairment	(111,808)	(95,342)
	14,573	17,719
	21,677	25,238

10. Intangibles (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Mining information $'000	Software $'000	Total $'000
Balance at 1 July 2018	**83,072**	**13,465**	**96,537**
Additions	135	12,664	12,799
Impairment of assets	(75,278)	-	(75,278)
Amortisation expense	(410)	(8,410)	(8,820)
Balance at 30 June 2019	**7,519**	**17,719**	**25,238**
Additions	-	13,321	13,321
Impairment of assets	-	(8,143)	(8,143)
Amortisation expense	(415)	(8,324)	(8,739)
Balance at 30 June 2020	**7,104**	**14,573**	**21,677**

Application of accounting policies
Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the profit or loss in the year in which the expenditure is incurred.

Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of managed services as well as direct payroll and payroll related costs of employees' time spent on the project.

Mining lease and information

Mining information and mining leases acquired are carried at the net fair value at date of acquisition less amortisation and impairment losses. Mining lease represents right to extract coal and also gives the owner control over the resources.

Impairment

During 2019, the Group reassessed its ability to recover the carrying value of the Kunioon mining information asset from the development or sale and recognised an impairment of $75,278,112.

Application of critical accounting estimates and judgements

Estimates of useful lives are reassessed annually, and any change in estimate is taken into account in the determination of future amortisation charges. Adjustments to useful life are made when considered necessary.

Impairment of intangible assets is considered along with property, plant and equipment. Refer to note 9.

11. Retirement benefit surplus

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Present value of the defined benefit obligation	(62,750)	(62,668)
Fair value of defined benefit plan assets	69,503	74,465
Net asset in the balance sheet	6,753	11,797

Superannuation plan

The Group contributes on behalf of its employees to a number of defined contribution funds as well as participating in the industry multiple employer superannuation fund, Energy Super (the 'Fund'), which consists of a defined contribution section and a defined benefit section. The defined contribution section receives fixed contributions from the Group, which are recognised as an expense as they become payable. The Group's legal or constructive obligation is limited to these contributions. The defined benefit section, which is closed to new members, provides lump sum benefits based on years of service and average salary.

Energy Super is managed by a trustee company, Electricity Supply Industry Superannuation (Qld) Ltd (the 'Trustee'). The Trustee is responsible for managing the Fund for the benefit of all members, in accordance with the trust deed and relevant legislation. The Fund is regulated by the Australian Prudential Regulation Authority under the *Superannuation Industry (Supervision) Act 1993.*

Application of accounting policies

The present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs, is recognised as a liability or asset in the balance sheet.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the Fund to the reporting date, calculated annually by an independent actuary using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted at the reporting date using market yields of high quality corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income, in the period in which they occur. Future taxes that are funded by the Group and are part of the provision of the existing benefit obligation (e.g. taxes on investment income and employer contributions) are taken into account in measuring the net liability or asset.

Employer contributions and risk exposure

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals, and the last such assessment was made as at 30 June 2019 by Mercer Consulting (Australia) Pty Ltd.

The method used to determine the employer contribution recommendations at the last actuarial review was the aggregate method. Under the aggregate method, the future contribution rates are determined, and are expected to be sufficient to fund the difference between the value of future benefits for existing defined benefit members and the value of the plan assets attributable to defined benefit members, over the future working lifetime of the existing defined benefit members.

Based on the actuary's recommendations in the actuarial review as at 30 June 2019, a contribution rate of nil (2019: nil) of defined benefit members' salaries has been adopted. In the event that further funding is required, the Group will immediately contribute that funding as required.

11. Retirement benefit surplus (continued)

Energy Super does not impose a legal liability on the Group to cover any deficit that exists in the Fund. If the Fund were wound up, there would be no legal obligation on the Group to make good any shortfall. The Trust Deed of the Fund states that if the Fund winds up, after the payment of all costs and the payment of all member benefits in respect of the period up to the date of termination, any remaining assets are to be distributed by the Trustee of the Fund, acting on the advice of an actuary, to the participating employers.

12. Derivative financial instruments

Financial assets and liabilities at fair value

	Consolidated 2020 $'000	Consolidated 2019 $'000
Current assets		
Electricity contracts - cash flow hedges	297,170	28,271
Electricity contracts - held for trading	276,415	117,323
Foreign currency contracts - cash flow hedges	-	551
Environmental contracts - held for trading	34,497	37,709
Oil contracts - held for trading	-	1,273
	608,082	**185,127**
Non-current assets		
Electricity contracts - cash flow hedges	181,224	5,040
Electricity contracts - held for trading	160,337	73,766
Environmental contracts - held for trading	11,090	12,938
Oil contracts - held for trading	-	109
	352,651	**91,853**
Current liabilities		
Electricity contracts - cash flow hedges	(58,382)	(181,769)
Electricity contracts - held for trading	(412,587)	(83,535)
Foreign currency contracts - cash flow hedges	(144)	(21)
Environmental contracts - held for trading	(35,891)	(44,635)
Oil contracts - held for trading	(4,653)	-
	(511,657)	**(309,960)**
Non-current liabilities		
Electricity contracts - cash flow hedges	(19,403)	(54,411)
Electricity contracts - held for trading	(230,037)	(35,587)
Foreign currency contracts - cash flow hedges	(54)	-
Environmental contracts - held for trading	(8,521)	(13,616)
Oil contracts - held for trading	(2,224)	-
	(260,239)	**(103,614)**
Net derivative financial instrument assets/(liabilities)	**188,837**	**(136,594)**

Application of accounting policies

Derivatives and hedging activities

Derivatives are classified as held for trading unless they are designated as hedges of a particular risk associated with highly probable forecast transactions (cash flow hedges). Certain derivatives do not qualify for hedge accounting but have been entered into for the risk management objective of economically hedging a risk. These derivatives are classified as held for trading and recognised through profit or loss.

12. Derivative financial instruments (continued)

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is classified as held for trading or is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivative financial instruments spanning both current and non-current periods are split into their current and non-current components prior to valuation. The fair value of these components is then classified as a current asset or liability when the maturity profile is less than 12 months, and classified as a non-current asset or liability when the maturity profile is greater than 12 months.

Change in fair value recognised in the profit or loss

Gains and losses that are recognised in the statement of profit or loss and other comprehensive income from remeasuring the fair value of derivatives that do not qualify as effective hedging instruments are classified as “non hedge accounted change in fair value of derivative instruments”.

Hedge accounted change in fair value of derivative instruments

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity reserves. An ineffective portion is recognised immediately in profit or loss within “non hedge accounted change in fair value of derivative instruments”.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). The gain or loss is recognised in profit or loss as other revenue.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria. This includes when a hedging instrument expires or is sold or terminated. The discontinuance is accounted for prospectively. Any gain or loss accumulated in equity reserves at that time remains in equity and is reclassified to profit or loss, as other income, when the forecast transaction occurs.

Application of critical accounting estimates and judgements

The fair value of derivative financial instruments must be estimated for recognition, measurement and disclosure purposes. Valuation policies and procedures are developed by Quantitative Risk and Analytics, reviewed by Modelling Analytics and approved by the General Manager Quantitative Risk and Analytics. Changes in fair values of financial instruments are reported to management weekly and the Board monthly.

Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards, being:

Level 1: The fair value of derivative financial instruments traded in active markets (publicly traded derivatives) is based on quoted market prices at the end of the reporting period. The quoted market price used for these derivatives is the last settled price.

Level 2: The fair value of derivative financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. All significant inputs required to fair value an instrument are observable.

Level 3: One or more of the significant inputs is not based on observable market data.

12. Derivative financial instruments (continued)

The following tables present the fair value of the Group's financial derivative instruments classified into the three levels:

2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurement				
Assets				
Current derivative financial instrument assets	328,406	265,875	13,801	608,082
Non-current derivative financial instrument assets	150,038	154,154	48,459	352,651
Total assets	**478,444**	**420,029**	**62,260**	**960,733**
Liabilities				
Current derivative financial instrument liabilities	(371,206)	(131,494)	(8,957)	(511,657)
Non-current derivative financial instrument liabilities	(187,817)	(62,960)	(9,462)	(260,239)
Total liabilities	**(559,023)**	**(194,454)**	**(18,419)**	**(771,896)**
Net derivative financial instrument assets/(liabilities)	**(80,579)**	**225,575**	**43,841**	**188,837**
2019				
Recurring fair value measurement				
Assets				
Current derivative financial instrument assets	67,719	112,654	4,754	185,127
Non-current derivative financial instrument assets	26,589	30,705	34,559	91,853
Total assets	**94,308**	**143,359**	**39,313**	**276,980**
Liabilities				
Current derivative financial instrument liabilities	(103,615)	(197,124)	(9,221)	(309,960)
Non-current derivative financial instrument liabilities	(41,596)	(56,960)	(5,058)	(103,614)
Total liabilities	**(145,211)**	**(254,084)**	**(14,279)**	**(413,574)**
Net derivative financial instrument assets/(liabilities)	**(50,903)**	**(110,725)**	**25,034**	**(136,594)**

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for derivative financial instrument fair value measurements during the year. Transfers out of level 3 were into level 2 as a result of the availability of additional observable forward prices.

The following table presents the changes in level 3 derivative instruments for the years ended 30 June 2019 and 30 June 2020:

Level 3 Net assets/(liabilities)	2020 $'000	2019 $'000
Balance at the beginning of the year	25,034	(7,671)
Gains recognised in profit or loss	8,738	52,805
Gains/(losses) recognised in other comprehensive income	77,675	(49,215)
Losses recognised in equity	(6,725)	-
Purchases	1,492	2,750
Sales	(3,439)	(3,062)
Settlements	3,437	4,210
Transfers out of level 3 into level 2	(62,371)	25,217
Balance at the end of the year	**43,841**	**25,034**
Total unrealised gains for the year included in profit or loss that relate to level 3 assets held at the end of the year	**1,123**	**31,461**

12. Derivative financial instruments (continued)

The significant valuation techniques and processes used to value derivative financial instruments categorised within level 2 and level 3 are:

- Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.
- Adjusted market comparison technique: Broker quotes are adjusted using extrapolation, translation and scalar factor techniques to determine the fair value where a product does not have an observable market price.
- Option valuation model using implied volatility where terms are not identical to market quoted prices.
- Credit risk factors applied to adjust fair values for non-performance risk.
- Forward curve decomposition methodology using historic electricity settled prices to interpolate over-the-counter forward prices to a greater level of granularity.

The significant inputs used in these valuation techniques are:

- Published over-the-counter forward prices;
- Exchange traded market prices;
- Extrapolation rates;
- Scalar and translation factors;
- Market volatilities;
- Credit risk factors;
- Forecast generation; and
- Electricity settled prices.

Floor valuations utilise implied option volatilities which are inferred from other traded instruments. Applying alternative volatilities within a range of 0.34 to 1.95, results in a change to profit before tax of between $4,234,695 (decrease) to $6,711,372 (increase).

Master netting arrangements - not currently enforceable

Agreements with derivative counterparties are based on an International Swaps and Derivatives Association (ISDA) Master Agreement and similar agreements. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Group does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, but have been presented separately in the following tables. The net amount of financial assets summarised in the following tables best represent the Group's maximum exposure to credit risk on those derivatives at the reporting date.

2020	Amounts presented in the balance sheet $'000	Amounts subject to master netting agreements $'000	Financial instrument collateral $'000	Net amount $'000
Financial assets				
Derivative financial instrument assets	960,733	(614,724)	(7,185)	338,824
Cash collateral	79,825	-	(79,825)	-
Total	**1,040,558**	**(614,724)**	**(87,010)**	**338,824**
Financial liabilities				
Derivative financial instrument liabilities	(771,896)	614,724	79,825	(77,347)
Other current liabilities	(11,704)	-	7,185	(4,519)
Total	**(783,600)**	**614,724**	**87,010**	**(81,866)**

12. Derivative financial instruments (continued)

2019

Financial assets				
Derivative financial instrument assets	276,980	(202,471)	-	74,509
Cash collateral	50,832	-	(50,832)	-
Total	**327,812**	**(202,471)**	**(50,832)**	**74,509**
Financial liabilities				
Derivative financial instrument liabilities	(413,574)	202,471	50,832	(160,271)
Total	**(413,574)**	**202,471**	**50,832**	**(160,271)**

12. Derivative financial instruments (continued)

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including commodity price risks and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses mainly on the unpredictability of the electricity and financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analyses in the case of interest rate and electricity commodity price risks, a counterparty credit ratings analysis for credit risk and a contracts aging analysis for liquidity risk.

Financial risk management is carried out by the Finance, Governance and Commercial division under policies approved by the Board. The Energy Trading and Commercial Strategy division identifies, evaluates and hedges market risks. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as mitigating interest rate and credit risk, use of derivative financial instruments and investment of surplus funds.

Commodity price risk

The Group uses derivative financial instruments to hedge certain risk exposures, primarily exposure to fluctuations in the prices of wholesale electricity and environmental certificates.

Electricity contracts

The Group is exposed to electricity price movements in the NEM. To manage its electricity price risk, the Group has entered into electricity sales contracts and a number of electricity derivatives (including over-the-counter and exchange traded swaps, caps and option contracts) in accordance with the Board approved Trading Risk Management Policy. The derivatives are timed to settle contemporaneous with the cash flows of the economically hedged electricity sales and purchases. Electricity price risk exposures are measured weekly through the review of the Group's mark-to-market exposure of the net derivative asset and liability position and relevant at-risk simulation methods.

Environmental contracts

The Group is exposed to environmental certificate price movements through their requirement to comply with various regulatory environmental schemes as part of their normal business operations. The Group also creates environmental certificates which can then be traded in the open market.

To manage its environmental certificate price risk, the Group buys and sells these certificates in both the spot and forward markets. These certificates are classified as inventory. To derive additional income from environmental certificates, the Group trades in environmental derivative contracts, such as forward contracts and options.

12. Derivative financial instruments (continued)

Sensitivity analysis

The following table summarises the sensitivity of the Group's derivative financial instruments to electricity price risk. The analysis is performed on a pre-tax basis using similar information to that which would be provided to management and reflects the impact on the Group's financial position at balance date should upward and downward movements of electricity forward prices of 30% (2019: 30%) occur.

	Average price increase			Average price decrease		
	% change	Effect on profit before tax $'000	Effect on equity $'000	% change	Effect on profit before tax $'000	Effect on equity $'000
Electricity price - 2020	30%	116,543	(259,013)	(30%)	(122,705)	251,775
Electricity price - 2019	30%	(29,835)	(450,031)	(30%)	18,826	450,135

Credit risk

Credit risk exposure refers to the situation where the Group may incur financial loss as a result of another party to a financial instrument failing to fulfil their contractual obligation. Concentrations of credit risk exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Derivative counterparty credit risk exposures are predominantly to financial institutions and energy market participants.

The Group utilises industry practice credit review processes and security instruments to manage its credit risks. The Group's credit risk exposure for derivatives is managed by trading with energy industry counterparties under ISDA agreements. The credit exposure of derivatives is calculated utilising a value at risk methodology which takes into account the current market value, duration of exposure, diversification of the counterparty's market operations, likelihood of default of the counterparty, the expected loss given default, credit collateral and the volatility of market prices. The Group manages its exposure to credit risk for certain derivatives on a net position basis for each of the counterparties. Those net positions are provided in the preceding section "master netting arrangements not currently enforceable". The fair values of derivatives include adjustment for credit risk factors.

A summary of the credit quality of financial assets is assessed by reference to external credit ratings as reflected in the following table:

	Consolidated	
	2020 $'000	2019 $'000
AA+ to AA-	675,373	149,362
A+ to A-	27,339	17,111
BBB+ to BBB-	56,930	21,762
Other and non-rated	201,091	88,745
	960,733	276,980

12. Derivative financial instruments (continued)

Credit risk incorporates the risks associated with the Group transacting with customers and counterparties who could be impacted by climate change or by changes to laws, regulations or other policies adopted by governments or regulatory authorities including carbon pricing and climate change adaptation or mitigation policies.

Liquidity risk

The Group is subject to cash flow volatility and manages a substantial portion of that risk by entering into over-the-counter hedges. To the extent that volatility still arises, the Group manages liquidity risk by maintaining sufficient cash and undrawn facilities to meet unexpected volatility, refer note 17 Non-current borrowings.

The following table analyses the Group's remaining contractual maturity for its derivative financial instrument liabilities. The table is based on the undiscounted cash flows and the earliest date on which they are required to be paid.

	1 year or less $'000	Between 1 and 5 years $'000	Remaining contractual maturities $'000
Derivative financial instrument liabilities - 2020	511,719	260,443	772,162
Derivative financial instrument liabilities - 2019	333,309	145,640	478,949

Hedge accounting activities - cash flow hedges

The electricity derivatives designated as cash flow hedges of electricity sales are a net cash flow of receive fixed price and pay variable observed NEM price per megawatt hour. The electricity derivatives designated as cash flow hedges of electricity purchases are a net cash flow of receive variable observed NEM price and pay fixed price per megawatt hour. These derivatives are entered into in accordance with the Trading Risk Management Policy for a proportion of the exposure remaining after economic hedging strategies.

The cash flows of the hedged electricity sales and purchases are expected to occur over the next 7 years (2019: 4 years), with the hedge reserve reclassifications to the profit or loss within the same financial years as the cash flows.

The Group documents at the inception of the hedging transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the electricity swaps closely match the nominal amount and expected settlement date of the expected highly probable forecast transactions. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the contracts are identical to the hedged risk component (electricity price). To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Differences in the periodic volumes of the hedging instruments and hedged items;
- Different indexes (forward electricity prices) linked to the hedged risk of the hedged items and hedging instruments;
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items; and
- Changes to forecast timing of the cash flows of the hedged items and the hedging instruments.

12. Derivative financial instruments (continued)

The impact of the electricity swap hedging instruments on the balance sheet is, as follows:

As at 30 June 2020	**Highly probable forecast electricity sales $'000**	**Highly probable forecast electricity purchases $'000**	**Total $'000**
Current assets	296,901	269	297,170
Non-current assets	181,098	126	181,224
Current liabilities	(113)	(58,269)	(58,382)
Non-current liabilities	(13)	(19,390)	(19,403)
Nominal amount of electricity swap hedging instruments	26,471,718 MWh	4,325,496 MWh	
The fixed cash flows are for prices per MWh of:	$33 to $97	$37 to $145	
As at June 2019	**$'000**	**$'000**	**$'000**
Current assets	660	27,611	28,271
Non-current assets	1,872	3,168	5,040
Current liabilities	(181,338)	(431)	(181,769)
Non-current liabilities	(54,237)	(174)	(54,411)
Nominal amount of electricity swap hedging instruments	23,561,102 MWh	2,827,533 MWh	
The fixed cash flows are for prices per MWh of:	$47 to $111	$53 to $145	

The effect of the cash flow hedge in the statement of profit or loss and other comprehensive income is as follows:

	Effective gain/(loss) recognised in OCI $'000	**Ineffective gain/(loss) recognised in profit or loss $'000**	**Change in fair value of hedging instrument $'000**	**Change in fair value of the hedged item attributable to the hedged risk $'000**	**Gain/(loss) reclassified from OCI to profit or loss $'000**
Year ended 30 June 2020					
Highly probable forecast electricity sales	891,434	18,916	910,350	(904,288)	215,270
Highly probable forecast electricity purchases	(156,762)	(4,320)	(161,082)	160,439	(49,751)
	734,672	**14,596**	**749,268**	**(743,849)**	**165,519**
Year ended 30 June 2019					
Highly probable forecast electricity sales	(378,127)	(6,075)	(384,202)	382,117	(86,362)
Highly probable forecast electricity purchases	76,698	(1,104)	75,594	(70,323)	23,402
	(301,429)	**(7,179)**	**(308,608)**	**311,794**	**(62,960)**

Ineffectiveness recognised in profit or loss is included in “non hedge accounted change in fair value of derivative instruments”.

12. Derivative financial instruments (continued)

	2020 $'000	2019 $'000
Cash flow hedge reserve movements		
Balance at the beginning of the year	(142,414)	24,389
Effective portion of changes in fair value of cash flow hedges of electricity swaps	734,672	(301,429)
Effective portion of changes in fair value of cash flow hedges of currency forwards	(99)	378
Net change in fair value of cash flow hedges of electricity swaps transferred to other revenue	(165,519)	62,960
Net change in fair value of cash flow hedges of currency forwards transferred to property, plant and equipment	(628)	(199)
Income tax equivalent relating to these items	(170,528)	71,487
Balance at the end of the year	**255,484**	**(142,414)**
Represented by:		
Balances for continuing hedges		
Highly probable forecast electricity sales	310,625	(160,661)
Highly probable forecast electricity purchases	(53,657)	19,342
Highly probable forecast foreign currency purchases	(139)	366
Balances remaining for which hedge accounting is no longer applied		
Highly probable forecast electricity sales	(2,336)	(4,365)
Highly probable forecast electricity purchases	995	2,904
Highly probable forecast foreign currency purchases	(4)	-
Balance at the end of the year	**255,484**	**(142,414)**

13. Trade and other payables

	Consolidated	
	2020 $'000	2019 $'000
Trade payables	61,866	79,906
Accrued expenses	148,938	189,219
	210,804	269,125

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting date.

Application of accounting policies

The Group recognises an amount payable where contractually obliged or where there is a past practice that has created a constructive obligation. The Group accrues an expense for bonuses based on a formula that takes into consideration, amongst other factors, the profit attributable to the Company's shareholders after certain adjustments.

14. Current provisions

	Consolidated	
	2020	2019
	$'000	$'000
Employee benefits	23,045	21,767
Dividends	231,018	550,166
Restoration, rehabilitation and decommissioning	6,793	9,138
Other	24,675	25,736
Restructuring costs	3,977	-
	289,508	606,807

Dividends

Refer to note 19 for further information.

Boondooma Dam Spillway

Other provisions include a provision for the Boondooma Dam spillway repairs recognised as Stanwell has a contractual liability for repairs to the Boondooma Dam spillway for damage sustained during the 2011 and 2013 flood events.

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes long service leave. The entire amount of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months:

	Consolidated	
	2020	2019
	$'000	$'000
Employee benefits obligation expected to be settled after 12 months	18,236	16,750

Application of accounting policies

A provision is recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

15. Non-current provisions

	Consolidated	
	2020	2019
	$'000	$'000
Employee benefits - long service leave	1,412	1,500
Restoration, rehabilitation and decommissioning	441,636	356,648
Other provisions	17,061	14,650
	460,109	372,798

	Total Restoration
	$'000
Carrying amount at the start of the year	365,786
Payments	(4,995)
Movement in estimates	76,404
Unwinding of discount	11,234
Carrying amount at the end of the year	448,429

Long-term employee benefit obligations

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted at the end of the reporting period using appropriate market based pre-tax discount rates with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Superannuation

A defined contribution plan receives fixed contributions from the Group and the Group's legal or constructive obligation is limited to these contributions. The contributions are recognised as an expense as they become payable.

Restoration, rehabilitation and decommissioning

Future costs associated with the rehabilitation of power station sites, close down and restoration of coal mines, and the make good of corporate office space are estimated and provided for. In relation to mining activities, restoration and rehabilitation costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the site development or during the production phase, based on the net present value of estimated future costs. Provisions for restoration and rehabilitation costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments and are subject to formal review at regular intervals.

15. Non-current provisions (continued)

When provisions for restoration and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost is amortised over the estimated economic life of the operation. The value of the provision is progressively increased over time as the effect of the discounting unwinds, creating an expense which is recognised as a finance cost. The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the profit or loss in each accounting period. The amortisation of the discount is shown as a financing cost, rather than as an operating cost.

Application of accounting estimates and judgements

Employee benefits

Provisions for employee benefits are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Restoration, rehabilitation and decommissioning

The costs for the restoration of site damage which arises during production are provided at their net present values and charged against operating profits as the extraction progresses. This calculation requires the use of key assumptions including the timing of restoration work, legal requirements, potential changes in climate conditions and a discount rate.

Provisions for Restoration, rehabilitation and decommissioning obligations are based on risk adjusted cash flows. These estimates have been discounted to their present value at a pre-tax risk free rate, based on an estimate of the long term, risk free, pre-tax cost of borrowing. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. As at 30 June 2020, the Group reassessed its estimate of the pre-tax discount rate from 3.15% to a range of 0.65% to 1.50% resulting in an increase to the provision of $104,616,774.

These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision at each site is reviewed periodically and based on the facts and circumstances available at the time.

16. Current borrowings

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Unsecured borrowings	3,238	3,422
Lease liability	1,941	-
	5,179	3,422

Unsecured borrowings are provided by QTC. Additional information about this facility is included in note 17.

Application of accounting policies

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option, if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

16. Current borrowings (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of liability.

The lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- Where possible, uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- Uses a build-up approach that starts with a risk free interest rate adjusted for credit risk for leases held, which does not have recent third party financing; and
- Makes adjustments specific to the lease (e.g. term and security).

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets (less than $5,000) are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Variable lease payments

Property leases contain variable payment terms relating to outgoings. Outgoings means all expenses paid or payable by the Landlord and legally recoverable from the Tenant for a financial year in connection with the Land and Building including for example all levies, taxes, rates, water, refuse collection, fire services levies, insurance premiums, cleaning and maintenance expenditure. The Company treats outgoings as a non-lease component and recognises as an operating expense in the profit or loss as incurred.

Extension and termination options

Extension options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Extension options for office leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

As at 30 June 2020, potential future cash outflows of $20,300,000 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended.

The lease term is reassessed if an option is actually exercised or the Group becomes obliged to exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and it is within control of the lessee.

17. Non-current borrowings

Financial liabilities at amortised cost

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Unsecured borrowings	818,181	818,181
Lease liability	8,214	-
	826,395	818,181

Unsecured borrowings

The unsecured borrowings are provided by QTC. The borrowings have no fixed repayment date however, the facility is assessed by QTC annually.

Lease liabilities

Refer to note 16 for further information on lease liabilities.

Fair value

The fair value of unsecured borrowings for the Group at 30 June 2020 was $980,005,715 (2019: $970,481,082) compared to a carrying amount of $821,418,122 (2019: $821,602,667), $3,237,516 of which is shown as current borrowings. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes.

Application of accounting policies

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of borrowing facilities are recognised as transaction costs of the borrowings to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Where the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period, these are classified as non-current liabilities.

Financial risk management objective

Interest rate risk

Interest rates on the unsecured borrowings are at book rate which is reviewed and updated as necessary once per year to reflect the evolving market rate of interest that the QTC pays to investors to service the underlying bond funding. The total interest rate payable includes a Competitive Neutrality Fee payable to Queensland Treasury, representing the difference between the cost at which QTC is able to source debt and the estimated cost of debt for the Company were it to be a stand-alone entity not owned by the Queensland Government. The Competitive Neutrality Fee can be adjusted up or down according to changes in credit quality of the Company and market changes to the relative cost of debt compared with a highly-rated government issuer.

17. Non-current borrowings (continued)

An increase/decrease in interest rates ranging between 25 and 100 (2019: 100) basis points would have an adverse/favourable effect as described in the following tables. The percentage change is based on the expected volatility of interest rates using QTC forecasts.

	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax $'000	Effect on equity $'000	Basis points change	Effect on profit before tax $'000	Effect on equity $'000
2020						
Cash and cash equivalents	25	281	-	(25)	(281)	-
Advances facility	25	913	-	(25)	(913)	-
Borrowings	100	(600)	-	(100)	656	-
		594	-		(538)	-
2019						
Cash and cash equivalents	100	780	-	(100)	(780)	-
Advances facility	100	6,974	-	(100)	(6,974)	-
Borrowings	100	(575)	-	(100)	638	-
		7,179	-		(7,116)	-

Liquidity risk

The Group is subject to cash flow volatility and manages a substantial portion of that risk by entering into derivatives. To the extent that volatility still arises, the Group manages liquidity risk by maintaining sufficient cash and undrawn facilities to meet unexpected volatility. The Group uses stress testing to measure extreme cash flow risk. The Group has access to QTC funds as required once shareholding Ministers' annual approval for the borrowing purpose has been received. The QTC borrowings have no fixed repayment date however, the expected final repayment date is 1 August 2046. Ongoing credit criteria and reporting requirements must be met and the facility is assessed by QTC annually.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2020 $'000	2019 $'000
Expiring within one year (bank overdraft and working capital facility)	122,000	122,000

The overdraft facility is with the Australia and New Zealand Banking Group Ltd and has an approved limit of $2,000,000 (2019: $2,000,000). The working capital facility is with QTC and has an approved limit of $120,000,000 (2019: $120,000,000).

As at 30 June 2020, the Company had drawn down $Nil against the working capital facility (2019: $Nil).

Remaining contractual maturities

The following table analyses the Group's remaining contractual maturity for its borrowings. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The table includes both interest and principal cash flows. For loans with no fixed repayment date for the principal component, the principal amount (plus any capitalised interest) has been allocated to the over 5 years' time band. The amounts payable between 1 to 5 years represents the interest portion of the loan.

17. Non-current borrowings (continued)

	1 year or less $'000	Between 1 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Borrowings - 2020	37,865	150,614	818,181	1,006,660
Borrowings - 2019	40,381	160,759	818,181	1,019,321

18. Contributed equity

	Consolidated			
	2020 Shares	2019 Shares	2020 $'000	2019 $'000
Ordinary shares (A class) - fully paid	4	4	-	-
Ordinary shares (B class) - fully paid	924,568,658	924,568,658	972,553	1,054,693
	924,568,662	924,568,662	972,553	1,054,693

Movements in ordinary share capital

Details	Date	$'000
Balance	1 July 2018	1,214,693
Cash distribution to shareholder*	9 May 2019	(160,000)
Balance	30 June 2019	1,054,693
Non-cash distributions to shareholder		-
Transfer of assets to CleanCo**	31 October 2019	(77,433)
Solar 150 Program***	30 June 2020	(4,707)
Balance	**30 June 2020**	**972,553**

* In accordance with *Government Owned Corporations (Generator Restructure-CleanCo) Regulation 2019*, $160,000,000 was transferred to the State of Queensland in May 2019 to facilitate the formation of CleanCo. No shares were transferred to the State of Queensland.

** Under the *Government Owned Corporations (Generator Restructure-CleanCo) Regulation 2019,* Stanwell Corporation Limited transferred its hydro electric generation and water assets (including Barron Gorge, Kareeya and Koombooloomba Dam) as well as Swanbank Power Station to CleanCo on 31 October 2019. Net assets transferred from the balance sheet, via equity, amounted to $77,432,276.

*** Relates to four solar projects as part of the Queensland Government Solar 150 large-scale solar investment program. The initiative is conducted by the Australian Renewable Energy Agency (ARENA) and helps support the development of large-scale solar energy projects in Queensland. Stanwell has entered into an Agency Agreement with the State, under which Stanwell will make required support payments and in return receive Large-Scale Generation Certificates (LGCs) created through the Clean Energy Regulator by the solar projects on the generation of electricity.

The Solar 150 Scheme obligations are in essence forward purchase agreements for environmental certificates (LGCs) and are recognised as derivative instruments recorded at fair value through profit and loss.

The value on initial recognition of $4,707,335 (loss) (inclusive of tax effect) has been recognised in equity on the basis that this is a transfer between government entities.

18. Contributed equity (continued)

Ordinary shares
The Company is wholly owned by the State of Queensland.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and holders of A class shares are entitled to one vote per share at a shareholders' meeting. B class shares have non-voting rights at a shareholders' meeting. The shares have no par value.

In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

Capital risk management

The Group's and the Parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to maintain the required credit rating for a Government Owned Corporation generator operating in a deregulated electricity market, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group and the Parent entity monitors capital on the basis of their gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total borrowings. Total capital is calculated as 'equity' as shown in the balance sheet plus debt.

The gearing ratio at the reporting date was as follows:

	Consolidated	
	2020 $'000	**2019 $'000**
Current liabilities - current borrowings (note 16)	5,179	3,422
Non-current liabilities - non-current borrowings (note 17)	826,395	818,181
Total borrowings	831,574	821,603
Total equity	1,134,602	1,292,288
Total capital	**1,966,176**	**2,113,891**
Gearing ratio	**42%**	**39%**

19. Dividends

Dividends paid/payable during the financial year were as follows:

	Consolidated	
	2020 $'000	**2019 $'000**
Final dividend for the year ended 30 June 2020 of 25.0 cents (2019: 59.5 cents) per fully paid share	231,018	550,166

Application of accounting policies

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

20. Income tax

	Consolidated 2020 $'000	Consolidated 2019 $'000
Income tax equivalent expense/(benefit)		
Current tax equivalent	193,334	335,308
Deferred tax equivalent	(294,656)	(20,904)
Adjustments for current tax equivalent of prior periods	(22)	(14)
Under provision in prior year deferred tax	(1,646)	(640)
Aggregate income tax equivalent expense/(benefit)	(102,990)	313,750
Income tax equivalent expense/(benefit) is attributable to:		
Profit/(loss) from continuing operations	(107,038)	298,357
Profit from discontinued operations	4,048	15,393
Aggregate income tax equivalent expense/(benefit)	(102,990)	313,750
Deferred tax included in income tax equivalent expense/(benefit) comprises:		
(Increase)/decrease in deferred tax equivalent assets	(184,492)	(93,138)
(Increase)/decrease in deferred tax equivalent liabilities	(110,164)	72,234
Deferred tax equivalent	(294,656)	(20,904)
Numerical reconciliation of income tax equivalent expense/(benefit) and tax at the statutory rate		
Profit/(loss) before income tax equivalent (expense)/benefit from continuing operations	(356,749)	998,448
Profit before income tax equivalent expense from discontinued operations	13,495	51,311
	(343,254)	1,049,759
Tax at the statutory tax rate of 30%	(102,976)	314,928
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Deferred tax asset/liability adjustment in period	-	(806)
Non-deductible expenses	8	16
	(102,968)	314,138
Adjustments for current tax equivalent of prior periods	(22)	(14)
Utilisation of previously unrecognised tax losses	-	(8,821)
Derecognition of deferred tax assets	-	8,447
Income tax equivalent expense/(benefit)	(102,990)	313,750
Tax equivalent benefit/(expense) relating to items of other comprehensive income and recognised directly in equity		
Cash flow hedges recognised in other comprehensive income	(170,716)	71,427
Cash flow hedges recognised in reserves	188	60
Actuarial (gains)/losses on defined benefit plans	927	2,335
Transfer through equity - transfer to CleanCo	(37,497)	-
Transfer through equity - Solar 150 Program	2,018	-
	(205,080)	**73,822**

20. Income tax (continued)

The Company and its wholly owned Australian controlled entities form a tax consolidated group.

The Company as head entity in the tax consolidated group is required to make income tax equivalent payments to the State Government and is not liable to pay Commonwealth tax that would be payable if it were not a Government Owned Corporation.

These payments are made pursuant to section 129(4) of the *Government Owned Corporations Act 1993* and are based upon rulings set out in the Treasurer's Tax Equivalents Manual. The National Tax Equivalents Regime gives rise to obligations which reflect in all material respects those obligations for taxation which would be imposed by the *Income Tax Assessment Act 1936* and the *Income Tax Assessment Act 1997*.

Income tax equivalent expense is made up of current tax equivalent expense and deferred tax equivalent expense. Current tax equivalent expense represents the expected tax payable on the taxable income for the year, using current tax rates and any adjustment to the tax payable in respect of previous years. Deferred tax equivalent expense represents change in temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

	Consolidated	
	2020 $'000	2019 $'000
Deferred tax liability		
Net deferred tax equivalent asset/(liability) comprises temporary differences attributable to:		
Employee benefits	15,910	11,712
Derivatives	231,571	124,071
Provisions	155,125	150,416
Other liabilities	8,994	36,207
Property, plant and equipment	(114,253)	(341,608)
Defined benefits plan	(2,026)	(3,539)
Derivatives	(286,405)	(81,602)
Inventories	(44,912)	(41,807)
Exploration, evaluation and development	-	(4,774)
Other assets	(33,573)	(8,221)
Deferred tax liability	**(69,569)**	**(159,145)**
Deferred tax liability from continuing operations	(69,700)	(199,139)
Deferred tax asset from discontinuing operations	131	39,995
	(69,569)	**(159,145)**
Movements:		
Opening balance	(159,145)	(253,871)
Charged to profit or loss	294,656	20,844
Cash flow hedges charged to equity	(170,716)	71,487
Cash flow hedges recognised in reserves	188	60
Actuarial (gains)/losses on defined benefit plans	927	2,335
Transfer through equity - transfer to CleanCo	(37,497)	-
Transfer through equity - Solar 150 Program	2,018	-
Closing balance	**(69,569)**	**(159,145)**

20. Income tax (continued)

Tax effect accounting

The Group adopts the balance sheet approach to accounting for income tax equivalent payments.

Deferred tax equivalent balances arise when there are temporary differences between carrying amounts and the tax bases of assets and liabilities, other than for the following:

- Where the difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit nor taxable profit or loss;
- Where the temporary difference relates to investments in subsidiaries, associates and interests in joint arrangements to the extent the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Where the temporary difference arises on the initial recognition of goodwill.

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

Deferred tax equivalent assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on the tax rates and the tax laws that have been enacted or substantively enacted at the balance sheet date.

Tax equivalent assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax equivalent balances attributable to amounts recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity.

	Consolidated	
	2020 $'000	2019 $'000
Current tax equivalent liability/(assets)	(13,665)	96,323

Tax consolidation

As a consequence of the establishment of the tax consolidated group, the current and deferred tax equivalent amounts for the tax consolidated group are allocated among the entities in the Group using a stand-alone taxpayer approach whereby each entity in the tax consolidated group measures its current and deferred taxes as if it continued to be a separate taxable entity in its own right. Deferred tax equivalent assets and deferred tax equivalent liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values under consolidation.

The tax consolidated group has entered into a tax sharing agreement and tax funding agreement. The tax funding agreement requires each wholly owned controlled entity to pay to the Company the current tax equivalent liability (or asset) and any unused tax losses assumed by the Company. The tax sharing agreement sets out the allocation of income tax equivalent liabilities amongst the entities should the Company default on its tax obligations and the treatment of entities exiting the tax consolidated group.

20. Income tax (continued)

In accordance with the tax funding agreement and *Interpretation 1052 Tax Consolidation Accounting*, any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses from the wholly owned controlled entities in the tax consolidated group are recognised by the Company. To the extent that the amounts recognised by the Company and its wholly owned entities are equivalent, amounts payable to (receivable by) the Company are accounted for through inter-company loan accounts. Any differences between these amounts are recognised by the Company as an equity contribution to or distribution from the wholly owned controlled entities. Distributions firstly reduce the carrying amount of the investment in the wholly owned controlled entities and are then recognised as revenue.

21. Key Management Personnel

(a) Directors

The following persons were Directors of the Company and its subsidiaries during the financial year.

Chairman - non-executive directors
Dr Ralph Craven (1 July 2019 to 30 September 2019)
Paul Binsted (7 May 2020 to 30 June 2020)

Non-executive directors
Adam Aspinall
Jacqueline King
Karen Smith-Pomeroy
The Hon. Wayne Swan (12 December 2019 to 30 June 2020)

(b) Other key management personnel

The following management personnel, all of whom were employed by the Company, had the authority and responsibility for planning, directing and controlling the activities of the Group during the financial year:

Chief Executive Officer - Richard Van Breda
Chief Financial Officer - Michael O'Rourke
Chief Operating Officer - James Oliver
Executive General Manager Business Services - Jennifer Gregg (1 July 2019 to 21 December 2019)
Executive General Manager Business Services - Sophie Naughton (22 December 2019 to 30 June 2020)
Executive General Manager Energy Trading and Commercial Strategy - Stephen Quilter

(c) Remuneration of key management personnel

Directors

Directors' remuneration is determined by the shareholding Ministers. In addition, the shareholding Ministers have determined remuneration payable to Directors who are members of various Board committees. Directors' remuneration comprises Directors' fees, committee fees and superannuation contributions.

Directors' compensation does not include insurance premiums paid by the Company or related parties in respect of Directors' and officers' liabilities and legal expenses, as the insurance policies do not specify premiums paid in respect of individual directors. Further, the Directors do not receive any performance related compensation.

21. Key Management Personnel (continued)

Other key management personnel

Remuneration policy

The Company's Board approved *Senior Executive - Recruitment, Appointment and Remuneration Policy* provides that:

- recruitment and appointment of Senior Executives will be based on the principles of merit and equity;
- remuneration of Senior Executives will be aligned to the Company's Corporate Plan and organisational objectives and reviewed regularly to ensure that strategic business requirements are supported; and
- remuneration arrangements will be consistent with the Queensland Government's Policy for Government Owned Corporations Chief and Senior Executive Arrangements Version 2.

Remuneration packages for the Chief Executive Officer and other key management personnel comprise the following components:

- base salary, which is payable in cash and based on an applicable market rate, as assessed by independent remuneration consultants;
- retirement benefits delivered under defined contribution superannuation funds nominated by the key management personnel;
- at-risk performance incentives, which are payable annually in cash or superannuation, or a combination of both, depending upon the satisfaction of key criteria; and
- other benefits, which may include private health insurance, access to a pool car park, Qantas club membership or equivalent, mobile device and associated costs and residential internet connection for remote access.

Link between remuneration paid and performance of the Group

Directors' remuneration is not directly linked to the performance of the Group, with any remuneration increases being determined by the shareholding Ministers in accordance with section 84 of the *Government Owned Corporations Act 1993*. Directors do not receive any performance related remuneration.

In accordance with the *Senior Executive - Recruitment, Appointment and Remuneration Policy*, remuneration increases for the Chief Executive Officer and other key management personnel are determined on an annual basis taking into account:

- the outcome of individual performance reviews;
- movement in market rates;
- government policy;
- the Company's capacity to pay; and
- advice from shareholding ministers.

Where the Chief Executive Officer and other key management personnel are not currently remunerated at the market median for their role, increases may be awarded up to 10% of their total fixed remuneration. Where they are remunerated above the market median (except in cases where this remuneration has been approved by the shareholding Ministers), increases may be in line with either the All Groups Brisbane Consumer Price Index or the Australian Bureau of Statistics Wages Price Index (Queensland - All sectors - excluding bonuses) for the March quarter each year. Increases of the total fixed remuneration (including annual performance reviews) for the Chief Executive Officer and other key management personnel are approved by the Board.

At-risk performance incentive payments of the Chief Executive Officer and other key management personnel are capped at 15% of total fixed remuneration (base salary and superannuation). The amounts payable are tied to the achievement of pre-determined corporate, divisional, individual performance targets and a values assessment as approved by the Board.

21. Key Management Personnel (continued)

Service agreements

Service agreements are not in place for Directors.

The Chief Executive Officer's appointment is approved by the shareholding Ministers upon recommendation of the Board. The remuneration and other terms of employment for the Chief Executive Officer are specified in an employment contract.

The Chief Executive Officer's remuneration contract is a fixed term of contract, initially for a period of three years commencing in July 2012 and was extended for a further two year period, concluding in July 2017. The option to reappoint under a new fixed term contract for a further three year period was exercised by the Board and the Chief Executive Officer. The Board has exercised the contract extension for the Chief Executive Officer which will now expire in July 2022.

The termination benefits applicable to the Chief Executive Officer include:

- payment of termination benefit on early termination by the Group, except for serious misconduct, bankruptcy, serious offence, unsatisfactory performance or incapacity is equal to two weeks' salary for each year of continuous service (with a minimum of 13 weeks' and a maximum of 52 weeks' salary), 20% of residual salary value of the contract (with a minimum of 13 weeks' salary) and any accrued entitlements; or
- where employment terminates on contract expiry and the Group does not offer further employment, a severance payment equal to two weeks' salary for each year of continuous service (with a minimum of 13 weeks' and a maximum of 52 weeks' salary) and any accrued entitlements.

Senior Executive appointments are approved by the Board. The remuneration and other terms of employment for these roles are specified in employment contracts. Senior Executive appointments continue to be made in accordance with the *Queensland Government's Policy for Government Owned Corporation Chief and Senior Executive Employment Arrangements Version 2* unless otherwise determined by shareholding Ministers.

Contract dates for the Senior Executive roles are as follows:

- Chief Financial Officer - employed on an ongoing (tenured) basis commencing in January 2020.
- Chief Operating Officer - employed on an ongoing (tenured) basis commencing in June 2019.
- Executive General Manager Business Services - employed on an ongoing (tenured) basis commencing in December 2019.
- Executive General Manager Energy Trading and Commercial Strategy - employed on an ongoing (tenured) basis commencing in July 2016.

(d) Details of remuneration

Details of the remuneration of each Director of the Company and each of the other key management personnel of the Group are set out in the following tables:

Directors of Stanwell Corporation Limited

Name	Short-term employee benefits		Post- employment	
2020	Cash salary $'000	Committee Fees $'000	Superannuat-ion $'000	Total $'000
Paul Binsted	12	1	1	14
Dr Ralph Craven	20	2	2	24
Adam Aspinall	31	9	4	44
Jacqueline King	31	7	4	42
Karen Smith-Pomeroy	31	9	4	44
The Hon. Wayne Swan	17	-	2	19

21. Key Management Personnel (continued)

2019				
Dr Ralph Craven	79	9	9	97
Adam Aspinall	31	9	4	44
Jacqueline King	31	6	4	41
Karen Smith-Pomeroy	31	6	4	41

Other key management personnel of the Group

Position	**Short-term employee benefits**				**Post employ-ment**	**Long-term benefits**	
	Cash Salary	Bonus*	Non-monetary benefits	Other short-term benefits**	Superann-uation	Long service leave	Total
2020	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Chief Executive Officer	**693**	**94**	**24**	**-**	**79**	**17**	**907**
Chief Financial Officer	**358**	**53**	**23**	**-**	**42**	**9**	**485**
Chief Operating Officer	**361**	**37**	**29**	**-**	**40**	**9**	**476**
Executive General Manager Business Services	**306**	**54**	**16**	**140**	**23**	**4**	**543**
Executive General Manager Business Services***	**169**	**-**	**5**	**-**	**17**	**4**	**195**
Executive General Manager Energy Trading and Commercial Strategy	**361**	**54**	**19**	**-**	**41**	**9**	**484**
Total	**2,248**	**292**	**116**	**140**	**242**	**52**	**3,090**
2019							
Chief Executive Officer	663	101	28	-	76	17	885
Chief Financial Officer	356	52	23	-	41	9	481
Chief Operating Officer****	143	55	42	8	20	3	271
Chief Operating Officer*****	205	-	1	-	21	4	231
Executive General Manager Business Services	356	52	23	-	41	9	481
Executive General Manager Energy Trading and Commercial Strategy	356	52	19	-	40	9	476
Total	**2,079**	**312**	**136**	**8**	**239**	**51**	**2,825**

*Represents the bonus paid during the financial year for the performance of the previous financial year. Note that no bonus or pay increase will be paid in Financial Year 2020/21, as per Government guidance, due to the financial impacts of COVID-19.
**Represents payment in lieu for early cessation of employment.
***Sophie Naughton was appointed Executive General Manager Business Services on 22 December 2019.
****Andrew Richardson performed the role of Chief Operating Officer between 1 July 2018 to 9 November 2018.
*****James Oliver performed the role of Chief Operating Officer in an acting capacity from 10 November 2018 prior to his formal appointment on 16 June 2019.

(e) Other transactions with key management personnel

A number of key management personnel of the Group are or were also Directors of other organisations which have or had transactions with the Group. All transactions in the years ended 30 June 2019 and 30 June 2020 between the Group and Directors or other key management personnel, including their related parties, were on normal commercial terms and conditions.

21. Key Management Personnel (continued)

The Company's shareholding Ministers are identified as part of the Company's key management personnel. During the year, these Ministers were:

- The Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships, The Honourable Jacklyn Trad MP (1 July 2019 to 10 May 2020);
- The Treasurer, Minister for Infrastructure and Planning, The Honourable Cameron Dick MP (11 May 2020 to 30 June 2020); and
- The Minister for Natural Resources, Mines and Energy, The Honourable Dr Anthony Lynham MP.

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The Company does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by the Ministerial Services Branch within the Department of Premier and Cabinet. As all Ministers are reported as key management personnel of the Queensland Government, aggregate remuneration expenses for all Ministers are disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements for the 2020 financial year, which are published as part of Queensland Treasury's Report on State Finances.

22. Contingencies

Guarantees

All guarantees are provided in the form of unconditional undertakings provided by QTC and all except for one are secured through indemnity agreements.

These guarantees may give rise to liabilities in the Parent entity if the Parent or subsidiaries do not meet their obligations under the terms of the agreements or other liabilities subject to the guarantees.

The fair value of the above guarantees is $Nil (2019: $Nil).

Application of accounting policies

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, which is determined as the present value of the amount that would be payable to a third party for assuming the obligation, and subsequently at the higher of the amount of the obligation under the contract, as determined under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

23. Commitments

Lease commitments: Group as lessee

Non-cancellable operating leases

The Group leases various offices under non-cancellable operating leases expiring within 1 to 10 years. The leases have varying terms, escalation clauses and renewal rights.

The Group also leases motor vehicles under leases with an average term of 3 years with no renewal option included in the contracts.

From 1 July 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 9 for further information.

23. Commitments (continued)

	Consolidated 2020 $'000	Consolidated 2019 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	-	4,138
One to five years	-	12,606
More than five years	-	11,310
	-	28,054

All commitments are shown exclusive of GST.

24. Related party transactions

Parent entity
Ultimate control of the Group resides with the State of Queensland. The ultimate Parent entity within the Group is Stanwell Corporation Limited.

Key management personnel
Disclosures relating to key management personnel are set out in note 21.

Other State of Queensland controlled entities and post employment benefit plans

All State of Queensland controlled entities meet the definition of a related party in AASB 124 *Related Parties*. The Group transacts with other State of Queensland controlled entities as part of its normal operations on terms equivalent to those that prevail in arms length transactions.

The following transactions occurred with related parties:

	Consolidated 2020 $'000	Consolidated 2019 $'000
Sales of electricity - retail	85,672	100,995
Hedging gain/(loss)	66,079	(29,658)
Revenue from services to CleanCo	50,313	-
Other revenue	6,824	20,803
Fuel costs	(16,287)	(25,280)
Employee benefits expense	(6,659)	(6,079)
Other expenses	(3,730)	(5,684)
Raw materials and consumables	(218,230)	(229,124)
Finance costs	(50,902)	(53,862)
Non hedge accounted change in fair value of derivative instruments	(10,071)	37,959
Dividend provided	(231,018)	(550,166)
Capital distribution to shareholder	-	(160,000)
Income tax equivalent expense	102,990	(313,750)

24. Related party transactions (continued)

Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2020 $'000	2019 $'000
Cash and cash equivalents	75,792	54,815
Trade and other receivables	390,959	712,684
Derivative financial instrument assets	149,932	29,755
Trade and other payables	(702)	(5,213)
Derivative financial instrument liabilities	(25,275)	(67,851)
Deferred tax equivalent balances	(69,569)	(159,145)
Current tax equivalent liabilities	13,665	(96,323)
Borrowings	(821,418)	(821,603)
Provision for dividends	(231,018)	(550,166)

Key management personnel

Disclosures relating to key management personnel are set out in note 21. A Director, Karen Smith-Pomeroy is currently a member of the Queensland Treasury Corporation Capital Markets Board. The outstanding balances reported for Cash and cash equivalents and Borrowings relate solely to QTC. Finance costs totalling $41,087,601 were paid to QTC during the year and interest revenue of $9,540,092 was earned from QTC. Transactions between the Group and QTC were on normal commercial terms and conditions.

All other transactions between the Group and Directors or other key management personnel, including their related parties, were immaterial in nature.

25. Events after the reporting period

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

26. Parent entity information

Statement of profit or loss and other comprehensive income

	Parent	
	2020	**2019**
	$'000	**$'000**
Profit from continuing operations after income tax equivalent	(164,450)	419,190
Profit from discontinuing operations after income tax equivalent	9,447	35,918
	(155,003)	455,108
Total comprehensive income	(155,003)	455,108

Balance sheet

	Parent	
	2020	**2019**
	$'000	**$'000**
Total current assets	1,585,418	1,565,563
Total assets	3,128,961	3,385,952
Total current liabilities	953,388	1,342,493
Total liabilities	2,347,207	2,533,936
Equity		
Contributed equity	972,553	1,054,692
Reserves	255,484	(142,414)
Accumulated losses	(446,283)	(60,262)
Total equity	781,754	852,016

Guarantees entered into by the Parent entity in relation to the debts of its subsidiaries
The Company has entered into a Deed of Cross Guarantee with its subsidiaries under which each company guarantees the debts of the others.

Contingent liabilities
The Parent entity had no contingent liabilities as at 30 June 2020.

Capital commitments - Property, plant and equipment
The Parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 (2019: Nil).

Application of accounting policies

The accounting policies of the Parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for investments in subsidiaries which are accounted for at cost, less any impairment in the Parent entity.

27. Discontinued operations

On 29 August 2018, the Queensland Government announced its plan to create CleanCo, a third Government-owned energy generator.

On 31 October 2019, Stanwell transferred to CleanCo assets related to Swanbank E, Kareeya, Barron Gorge and Koombooloomba power stations, with the exception of inventory. From 31 October 2019, Stanwell began delivering operations, maintenance and corporate support services to CleanCo under a Transitional Services Agreement that will end on 29 August 2020.

Subsequent to the end of the Transitional Services Agreement, the employees who work at each asset will transfer to CleanCo and the provisions for employee entitlements along with inventory balances will also be transferred to CleanCo on 30 August 2020.

Application of Accounting Policies

Non-current assets and disposal groups classified as held for distribution are measured at the lower of their carrying amount and fair value less costs to distribute, except for the following assets and liabilities:

- Deferred tax balances;
- Assets and liabilities with employee benefits;
- Financial assets and liabilities; and
- Investments.

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

Non-current assets and disposal groups classified for distribution are not depreciated or amortised while they are classified as held for distribution. Interest and other expenses attributable to the liabilities of a non-current asset or disposal groups classified as held for distribution continue to be recognised. Non-current assets and liabilities and disposal groups classified as held for distribution are presented separately from other assets in the balance sheet.

Financial performance information

	2020 $'000	**2019 $'000**
Sale of electricity - wholesale	14,585	123,815
Environmental certificate revenue	7,842	2,520
Other revenue	82	381
Total revenue	22,509	126,716
Fuel costs	(1,292)	(44,947)
Raw materials and consumables used	(910)	(4,839)
Electricity and energy services expense	(1,398)	(4,144)
Employee benefits expense	(2,640)	(7,908)
Depreciation and amortisation expense	-	(8,322)
Impairment	-	4,333
Finance costs	(632)	(3,088)
Other expenses	(2,142)	(6,490)
Total expenses	(9,014)	(75,405)
Profit before income tax equivalent expense	13,495	51,311
Income tax equivalent expense	(4,048)	(15,393)
Profit after income tax equivalent expense from discontinued operations	**9,447**	**35,918**

27. Discontinued operations (continued)

Cash flow information

	2020 $'000	2019 $'000
Net cash inflow from operating activities	17,713	45,816
Net cash outflow from investing activities	-	(16,074)
Net increase in cash and cash equivalents from discontinued operations	**17,713**	**29,742**

	Consolidated 2020 $'000	Consolidated 2019 $'000
Assets held for distribution		
Cash and cash equivalents	-	107
Inventories	2,359	1,814
Other current assets	-	36
Property, plant and equipment	-	97,862
Deferred tax assets	131	39,995
Other non-current assets	-	20,000
Total assets	2,490	159,814
Liabilities held for distribution		
Trade and other payables	-	1,186
Provisions	2,797	73,221
Total liabilities	2,797	74,407
Net Assets	**(307)**	**85,407**

Carrying amounts of assets and liabilities disposed

	Consolidated 2020 $'000
Cash and cash equivalents	107
Other current assets	69
Property, plant and equipment	92,966
Deferred tax assets	37,497
Other non-current assets	20,000
Total assets	150,639
Trade and other payables	144
Provisions	73,062
Total liabilities	73,206
Net assets	77,433
Transfer of Net Assets to CleanCo recognised as a distribution to owners in contributed equity (refer note 18)	77,433

28. Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities

	Consolidated 2020 $'000	Consolidated 2019 $'000
Profit/(loss) after income tax equivalent (expense)/benefit for the year	(240,264)	736,009
Adjustments for:		
Depreciation and amortisation	194,183	199,424
Impairment of non-current assets	719,579	100,961
Write off of non-current assets	-	3,469
Net loss on disposal of property, plant and equipment	24	967
Unwinding of discount on provision	12,119	16,464
Non-cash retirement benefits expense	5,819	2,446
Non-cash rehabilitation provision	-	(1,626)
Stock obsolescence provision	7,158	4,248
Non-cash expected credit losses	11,353	4,617
Fair value loss/(gain) on financial instruments at fair value through profit and loss	161,473	(57,287)
Fair value (gain)/loss on environmental certificates	(19,293)	2,590
Non-cash finance income	(30,486)	(23,829)
Non-cash other provision	206	14,776
Gain on termination of rights to SRA	-	(210,000)
Change in operating assets and liabilities:		
Decrease/(increase) in current receivables	56,074	(44,303)
(Increase)/decrease in inventories	(10,785)	49,802
(Increase)/decrease in other current assets	(38,284)	489
Decrease/(increase) in current financial assets	69,061	(50,514)
Decrease in other non-current assets	19,970	-
(Increase)/decrease in trade and other payables	(57,016)	3,328
Decrease in provision for income tax	(93,956)	(8,798)
Decrease in deferred tax liabilities	(127,423)	(94,726)
Increase in current provisions	3,713	473
Increase/(decrease) in other current liabilities	4,113	(64)
Decrease in rehabilitation provisions	(4,995)	(4,299)
Decrease in other non-current liabilities	(4,967)	-
Deferred tax reserves movement	(183,266)	73,822
Net cash inflow from operating activities	454,110	718,439

Directors' **declaration**

30 June 2020

In the Directors' opinion:

(a) the financial statements and notes set out on pages 1 to 68 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 1 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in the corporate structure described in note 1.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Karen Smith-Pomeroy
Non-executive Director

Jacqueline King
Non-executive Director

27 August 2020
Brisbane

Independent auditor's **report**

Queensland
Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Members of Stanwell Corporation Limited

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Stanwell Corporation Limited and its controlled entities (the group).

In my opinion, the financial report:

a) gives a true and fair view of the group's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended

b) complies with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards.

The financial report comprises the consolidated balance sheet as at 30 June 2020, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*. I am also independent of the group in accordance with the auditor independence requirements of the *Corporations Act 2001*.

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

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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Carrying values of Stanwell's property, plant and equipment

Refer to note 9 in the financial report

Key audit matter	How my audit addressed the key audit matter

Assessing carrying values of property, plant and equipment for impairment is complex and highly judgemental.
Stanwell's assessment is based on forward looking assumptions about operating and market conditions. It also involves the use of complex models to measure the recoverable amount.
An impairment loss of $719.6m was recognised against the Tarong Precinct, Stanwell Power Station and Mica Creek Power Station Cash Generating Units (CGUs) during the year.
Key assumptions, judgements and estimates used in the group's impairment testing process and determination of the impairment loss include:
• allocating assets to cash generating units (CGUs)
• selection of the scenarios for forecasting future cash flows under the expected cash flow approach and determining the probability weightings assigned to each scenario
• estimating future cash inflows and outflows for each scenario based on:
  - electricity demand and available generation
  - wholesale electricity prices
  - cost of fuel and water
  - timing of overhauls relating to the power units
  - planned plant retirements
• determining the rate used to discount the forecast cashflows to their present value.
	My procedures included, but were not limited to:
	• with the assistance of valuation specialists:
	  - assessing the design, integrity and appropriateness of the discounted cash flow models with reference to common industry practices and the requirements of the accounting standards
	  - assessing the reasonableness of the scenarios selected by management and probability weightings assigned in estimating recoverable amounts using the expected cash flow approach
	  - evaluating the scope, competency and objectivity of the group's external expert to provide assumptions adopted by management for forecast wholesale electricity prices
	  - evaluating whether the discount rates applied were within a reasonable range by comparison to my own assessment with reference to market data and industry research
	• agreeing forecast cash flows to the latest budgets and forecasts approved by the Board
	• challenging the reasonableness of the key assumptions underlying the cash flow forecasts in light of the impacts of COVID-19 and in comparison to AEMO published data and other relevant internal and external evidence
	• assessing the reasonableness of long-term fuel and water costs comparing them to contractual arrangements
	• assessing the historical accuracy of Stanwell's internally generated financial forecasts by comparing prior year budgets to actual results
	• checking the mathematical accuracy of the net present value calculations
	• assessing the allocation of impairment losses to the specific assets in the CGUs using our understanding obtained from our testing and against the requirements of the accounting standards
	• assessing the appropriateness of the disclosures included in note 9 to the financial statements.

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Accounting for derivative financial assets and liabilities

Refer to note 12 in the financial report

Key audit matter	How my audit addressed the key audit matter
Accounting for derivative financial assets and liabilities is inherently complex. Key factors contributing to this complexity include: • use of internal valuation models in Stanwell's estimation of the fair value of certain financial instruments. These models are complex and use key inputs that involve significant judgment due to the absence of observable market data for some assumptions; and • the group's application of hedge accounting involves judgements about Stanwell's forecast generation profile to monitor on-going hedge effectiveness for compliance with the specific requirements of AASB 9 *Financial instruments.*	My procedures included but were not limited to: • use of a derivative valuation specialist to assist me in: - obtaining an understanding of the valuation models, and assess their design, integrity and appropriateness with reference to common industry practices - challenging management assumptions used in the valuation process and assessing the reasonableness of the key inputs by comparison to my expectations based on my own assessment using knowledge and understanding of industry specific factors - for a sample of derivatives, testing the reasonableness of the valuation calculations by agreeing key terms to supporting documents (including contracts) and counter-party confirmations and recalculating the fair values for comparison to those calculated by the group based on our understanding of generally accepted derivative valuation practices • assessing Stanwell's hedge accounting process for compliance with accounting standards. This included reviewing hedge accounting documentation and testing the methodology for calculating hedge effectiveness • for cash flow hedges, assessing the reasonableness of forecast information used to support that hedged transactions are considered highly probable of occurring • assessing the appropriateness of the disclosures included in note 12 to the financial statements.

Measurement of the provision for restoration, rehabilitation and decommissioning

Refer to notes 14 and 15 in the financial report

Key audit matter	How my audit addressed the key audit matter
As at 30 June 2020, the group has provisions for restoration, rehabilitation and decommissioning relating to its power stations and mining operations. The measurement of these provisions required significant judgments in: • assessing the group's obligations under current environmental, regulatory and legal requirements and the impact on the completeness of the activities incorporated into the provision estimate;	My procedures included, but were not limited to: • assessing the competence, capability and objectivity of the external experts used by Stanwell in measuring the provisions • reading the group's external expert reports, where available, as well as internal and external documentation supporting the group's estimation of future required activities, their timing and associated costs and comparing them to the nature and quantum of costs contained in the provision calculation • evaluating the completeness of the provisions through examination of Stanwell's operating sites, external expert advice and relevant environmental and regulatory requirements

Key audit matter	How my audit addressed the key audit matter
• estimating the quantum and timing of future costs for restoration, rehabilitation and decommissioning activities; and • determining appropriate rates for annual cost escalation and to discount the forecast costs to their present values. The group determines its estimate of the provision using a combination of external expert advice and internal assessments.	• evaluating whether annual cost escalation factors and discount rates were within a reasonable range with reference to market and industry research • testing the mathematical accuracy of the group's present value calculations.

Other information

Other information comprises financial and non-financial information (other than the audited financial report). At the date of this auditor's report, the available other information in Stanwell Corporation Limited's annual report for the year ended 30 June 2020 was the directors' report.

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the company for the financial report

The company's directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Corporations Act 2001, the Corporations Regulations 2001 and Australian Accounting Standards, and for such internal control as the company's directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The company's directors are also responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.
- Conclude on the appropriateness of the group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicate with the company's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the company's directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

27 August 2020
Queensland Audit Office
Brisbane

Damon Olive
as delegate of the Auditor-General

stanwell.com