We provide the **spark** for a **bright future.**

Annual Report
2021/22

stanwell

About **this report**

This report provides an overview of the major initiatives and achievements of Stanwell Corporation Limited (Stanwell), as well as the business' financial and non-financial performance for the year ended 30 June 2022.

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 2020/21 Statement of Corporate Intent is summarised on pages 18 to 25.

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

Stanwell acknowledges the Yuggera, Turrbal, Wakka Wakka, Darumbal, Yuwi and Kalkadoon peoples on whose Country we operate throughout Queensland, and extend that respect to all Traditional Owners of Country throughout Australia.

We recognise Aboriginal and Torres Strait Islander peoples continuing connection to land, sea and community, and pay our respects to elders, both past and present.

Table of **contents**

Our **performance** 2021/22

Safety focus

Our continued focus on our safety resulted in all of our leading indicator metric targets and 70 per cent of our lagging indicator metric targets being achieved or exceeded. We achieved our best results on record for our All Injury Frequency Rate and our Serious Injury and Fatality Frequency Rate.

We continued to maintain the reliability of our plant, with Stanwell's assets achieving a

reliability factor of **98.1%.**

We are investing in **the workforce of the future**

and creating new employment opportunities in the communities where we operate. In 2022, we welcomed 17 new apprentices, trainees and graduates to our business.

Corporate **strategy**

We continued to review and adapt our corporate strategy, a blueprint for Stanwell's future in a rapidly changing energy sector.

Our Meandu Mine received approval for the largest area of

native vegetation rehabilitation

in Queensland, with approximately 153 hectares of land certified. The certified area is part of nearly 600 hectares which has been rehabilitated at Meandu Mine since 1989.

We were available when the market needed us, providing a secure supply of electricity with

18,237 GWh sent out.

We invested $144.2 million

in our operational assets to provide a reliable, secure and safe supply of energy for Queenslanders and our customers.

Between 1 January and 30 June 2022, we operated our coal-fired power stations at a high availability factor of

96.6%.

We are increasing our portfolio of renewable energy

through power purchase agreements, direct asset ownership and battery storage.

We provided $429,299

in social investment funding, including significant support for 76 community organisations and groups in the South Burnett and Central Queensland in the areas of health and wellbeing, community safety, economic capacity, social connectedness and education.

We progressed our reconciliation journey

with our Reflect Reconciliation Action Plan receiving conditional endorsement from Reconciliation Australia.

Stanwell progressed negotiations

for ownership and/or power purchase agreements

for a number of wind farms (which are at various phases), and development of two large-scale batteries.

We took another step towards

leading Australia's renewable hydrogen industry

with the signing of the consortium Memorandum of Understanding for the renewable hydrogen export hub in Gladstone.

About **Stanwell**

Who we are

At Stanwell, we provide the spark for a bright future. That future starts now.

We are a major provider of electricity and energy solutions to Queensland, the National Electricity Market and large energy users throughout Australia.

We are creating a new, lower carbon generation portfolio that is complemented by energy storage, we are driving the development of a renewable hydrogen export industry in Central Queensland and we are providing an essential service by powering the State.

Our portfolio includes new renewable projects as well as two of the most efficient coal-fired power stations in Australia - the Tarong power stations near Kingaroy, and Stanwell Power Station west of Rockhampton. As we continue to develop our pipeline of renewable projects, we are also operating flexibly, ramping generation from our coal-fired power stations up and down, when needed by the market. We ensure low-cost fuel for our coal units by owning the Meandu Mine, adjacent to our Tarong power stations and having a long term contract for the supply of low-cost fuel from the Coronado Curragh Mine for the Stanwell Power Station.

We are finding better, cleaner ways to reliably generate and store electricity for our customers. Through our pipeline of renewable energy and storage projects throughout Central and Southern Queensland, we will reduce our emissions intensity of our asset portfolio and create future opportunities for our people and the communities in which we operate. We are also leading Australia's renewable hydrogen industry, with plans to progress the development of the country's largest green hydrogen export hub in Gladstone.

Our values

We care. We adapt. We deliver. These values are the driving force behind everything we do. At Stanwell, we value a diverse and inclusive culture where we attract, employ and develop people who share our values, and as at 30 June 2022, we had 720 direct employees across our sites. We continue to strive to create a workplace where everyone is included, treated fairly, respected and provided the opportunity to develop and contribute to our success.

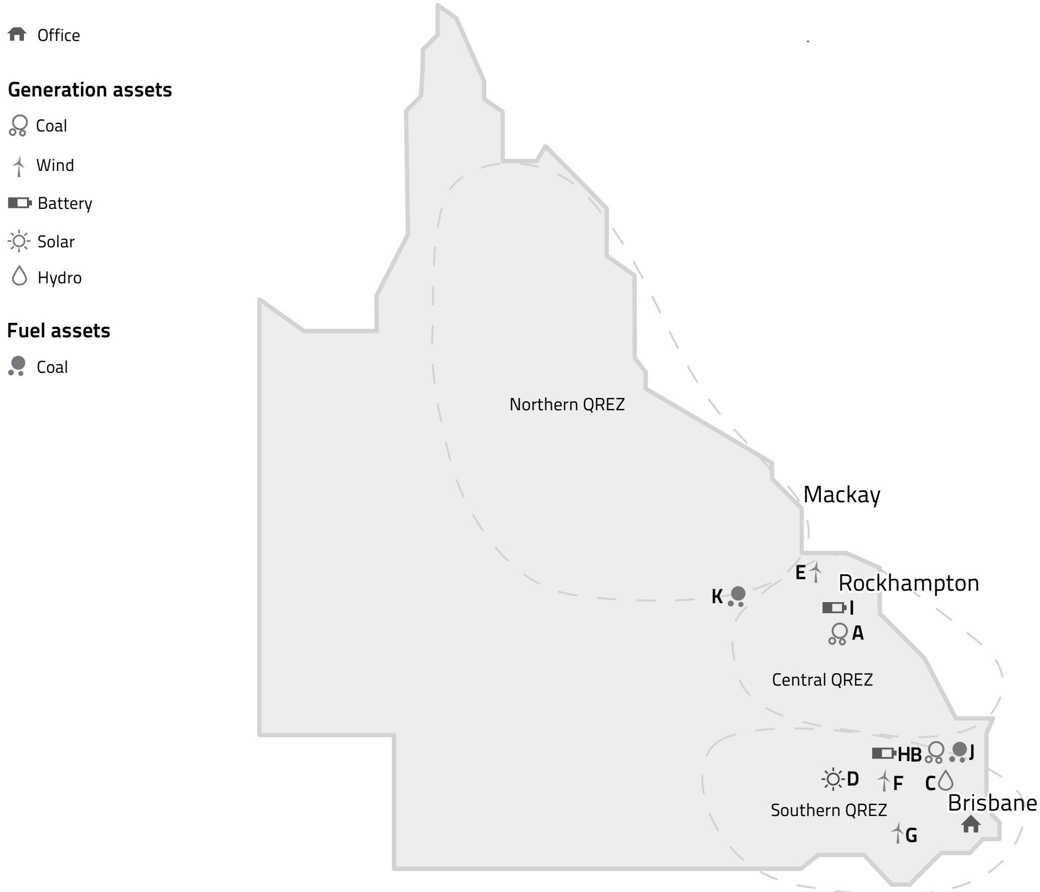
Our values and behaviours are:

We care by:	We adapt by:	We deliver by:
• focusing on our health, safety and wellbeing • looking after each other, the environment and our community • being inclusive and communicating openly • respecting and helping each other grow and succeed.	• embracing change and new ideas • working together and sharing learnings • encouraging questions and different perspectives.	• keeping our commitments and trusting each other • making responsible commercial decisions • owning our actions and outcomes.

Our current **portfolio**

As the energy sector continues to change, so is our business, in order to deliver for our customers, stakeholders, communities and our people. This includes the addition of renewable energy, battery and hydrogen assets to our portfolio, as well as the ongoing operation of our current generation portfolio at Tarong power stations and Stanwell Power Station.

Our new energy assets will be located in Queensland's Central and Southern Renewable Energy Zones (REZs). Over time, we will repurpose our existing sites, so that they become 'energy hubs' within these zones.



Generation

A STANWELL POWER STATION, Central Queensland – 1,460 MW (coal)

B TARONG POWER STATIONS, Southern Queensland – 1,843 MW (coal)

C WIVENHOE SMALL HYDRO, South East Queensland – 4.3 MW (hydro)

D BLUE GRASS SOLAR FARM, Western Downs – 49 MW (Power Purchase Agreement)

E CLARKE CREEK WIND FARM, Central Queensland – 346.5 MW (Power Purchase Agreement)

F WAMBO WIND FARM, Western Downs – 252 MW (potential joint venture with Cubico Sustainable Investments)

G MACINTYRE WIND FARM, Southern Downs - 150 MW (Power Purchase Agreement)

H SOUTHERN RENEWABLE ENERGY ZONE BATTERY, Southern Queensland – anticipated to be operational 2024 (150 MW, two hours storage)

I CENTRAL RENEWABLE ENERGY ZONE BATTERY, Central Queensland – anticipated to be operational 2024 (150 MW, two hours storage)

Coal supply

J MEANDU MINE, Southern Queensland – long-term coal supply to the Tarong power stations

K CORONADO CURRAGH COAL MINE, Central Queensland – long-term agreement with Coronado Curragh which provides coal to Stanwell Power Station, and a revenue stream for coal exports

Chair's **statement**

The financial year ended 30 June 2022 has been one of unprecedented challenges for energy supply both globally and here in Australia.

The market

The first half of the financial year saw low rainfall in China, leading to lower hydro-electric generation and unusually low wind in Europe lowering wind generation. This lifted global prices of thermal coal and liquid natural gas (LNG) as Chinese and European electricity generators turned to these fuels. The rising prices were pushed higher again after the Russian invasion of Ukraine in February 2022, and the subsequent restrictions on exports of Russian oil, gas and thermal coal.

Against the background of high spot gas and coal prices, the National Electricity Market (NEM) has been challenged by plant outages, putting upward pressure on spot prices, and announced proposed future generator closures have put upward pressure on forward prices.

Stanwell's experience during NEM disruptions

Stanwell's fleet of nine thermal generating units performed strongly and were available 92.1 per cent of the time over the financial year.

Stanwell believes that electricity prices have been too high. Accordingly, we have generated as hard as our fleet can and coal supplies have allowed. Stanwell has also continued to sell electricity in the futures market to the maximum levels of prudence.

Stanwell has been challenged by critically low coal stockpiles at Stanwell Power Station due to:

- difficult mining conditions at the Curragh Mine due to wet weather;
- a five-day interruption to coal deliveries when the railway line was cut by floods; and
- congestion on the Central Queensland Railway Network meaning no spare train paths.

The Tarong power stations, having a mine mouth coal supply, have been somewhat better placed, however, continued heavy rains adversely impacted mining rates.

The outages of competitor generation meant there was an increased reliance on generation from the Stanwell, Tarong and Tarong North power stations. In addition, widespread wet and cloudy weather markedly reduced solar generation, leading to continued heavy drawing on low coal stockpiles during core solar generation hours.

The answer to high prices

The ultimate answer to high prices is to add substantially more generation to the National Electricity Market.

As detailed throughout this report, Stanwell is pursuing opportunities to invest in, maintain and resell the power from a range of renewable energy projects, including solar, wind and battery storage.

Stanwell's role in a volatile market

As outlined above, additional renewable generation, along with energy storage, will be the ultimate answer to curing high prices. In the meantime, Stanwell is doing everything it can to exert downward pressure on prices. We continue to run our Stanwell and Tarong power stations at high levels, purchasing additional coal outside our normal supply arrangements when we can and maintaining each of our generation units to a high standard to ensure robust levels of reliability.

Given the significant growth in non-synchronous generator connections in Queensland, maintaining power system strength will be an ongoing challenge in some parts of the electricity distribution system. As a result, our Stanwell and Tarong power stations (synchronous generators) will play a vital role in providing the electricity system with inertia and system strength. In the short to medium term, Stanwell's power stations will need to generate at a high capacity to ensure a reliable supply of energy, while both Queensland and Stanwell move to lower carbon generation.

Stanwell also progressed the development of two large-scale batteries, the Southern REZ Battery Project (at the Tarong Power Station site) and the proposed Central REZ Battery Project (at the Stanwell Power Station site). In addition, Stanwell is examining the use of "grid forming inverters" or "virtual synchronous machines" with its proposed batteries, as well as with future wind generation.

> **Stanwell is a values-based organisation.**
> Our people, their families and the communities they live in sit at the heart of everything we do."

Transforming our business

In 2021/22 the Stanwell Board worked with leaders from throughout our business to develop a new corporate strategy. Our strategy, and the progress we have already made to put that strategy into action, provide the basis for our business to transform.

Our strategy provides us with a blueprint to:

- Create a new, lower carbon generation portfolio that is complemented by energy storage.
- Lead the development of a new renewable hydrogen export industry that will bring long-term economic prosperity and jobs to the State.
- Work alongside our customers to deliver energy strategies that meet their business and environmental goals.
- Establish a clear environmental, social and governance (ESG) platform that will enable us to create shared value with our people, customers, community, regulators, owners and business partners.

You can read more about the projects which are integral to our strategy on pages 18 to 25.

Our business performance

In 2021/22, Stanwell's high levels of generation helped ensure the reliability and stability of the Queensland energy system. Our focus was to do everything we can to exert downward pressure on wholesale prices.

In 2021/22 Stanwell sent out 18,237 GWh of energy (2020/21: 18,654 GWh) and achieved reliability of 98.1 per cent across our assets.

During the year significant effort and focus went into managing and improving health, safety and environment (HSE) performance. This included the development of the new HSE Strategy for the 2023 financial year.

There was a substantial decrease in the number of injuries occurring, from 106 in 2020/21 to 63 this financial year. However, an increase in the Total Recordable Injury Frequency Rate indicates to us that there is still work to be done on our Zero Harm journey and we must remain focused on safety in everything we do.

Financial strength

I am pleased to report another successful year for Stanwell in 2021/22. Thanks to these milestone accomplishments and the actions outlined on the following pages, we achieved stable financial returns, and supported regional jobs and businesses whilst continuing to deliver value for Queensland.

Stanwell achieved a Net Profit After Tax for 2021/22 of $148.4 million (2020/21: $375.4 million).

During 2021/22, Stanwell also continued our disciplined approach to managing costs and allocation of capital, while maintaining our focus on reliability and affordability for our customers and the NEM.

Our people and communities

As we transform our business, maintaining job security and prosperity for our people will be one of our highest orders of business. Stanwell is a values-based organisation. Our people, their families and the communities they live in sit at the heart of everything we do.

Changes to our Executive Leadership Team

In November 2021, Stanwell's Board was pleased to appoint Michael O'Rourke as Chief Executive Officer.

Michael joined Stanwell in 1998. He has held several executive roles in the business and oversaw Stanwell's financial performance as Chief Financial Officer between 2012 and 2021.

I would like to thank Adam Aspinall, who was Stanwell's Acting Chief Executive Officer (CEO) for the six months leading up to Michael's appointment. Adam maintained Stanwell's momentum while the CEO recruitment process was conducted, before returning to the role of non-executive Board member once Michael had commenced in the role.

During the year, the Board approved several amendments to Stanwell's organisational structure, which will help the business facilitate the delivery of its strategy. This included establishing our Growth and Future Energy division to deliver our pipeline of renewable projects. This was an important step to ensure we meet the changing demands of customers and electricity markets, while proactively supporting the business and Queensland's move towards a lower carbon future.

Acknowledgements

Thank you to our employees for contributing to Stanwell's outstanding operational and financial performance throughout the year.

I acknowledge the support of our shareholding Ministers, the Honourable Cameron Dick MP and the Honourable Mick de Brenni MP, along with their advisors and departmental staff.

I also thank Stanwell's suppliers, communities and customers for their continued support of our business.

The Board and I do not underestimate the challenges and opportunities ahead, as we seek to transform Stanwell's portfolio. We are confident Stanwell is firmly focused on delivering value for Queensland for many years to come.

I know Stanwell's future is bright. We will build on our momentum from 2021/22, taking steps to ensure the business is well-positioned to lead the energy transformation across the State, while delivering sustainable value to you, our owners – the people of Queensland.

P.A. Binsted

Paul Binsted
Independent Non-executive Chair and Director

Chief Executive Officer's review

There is no doubt 2021/22 was a challenging year for Stanwell and all National Electricity Market (NEM) participants. I'm extremely proud of how our people approached every challenge that they have faced with commitment, tenacity and, most importantly, care. We lived our values.

The significant levels of turbulence in the NEM cannot be addressed or controlled by any one player. However, as a government owned generator with some of the youngest and most reliable plant in the market, Stanwell has a unique role to play to continue to support the market as it moves towards lower carbon generation.

Unfortunately, there is no overnight solution to high energy prices. We have, however, worked hard to put downward pressure on prices and our actions throughout the year demonstrate this. We have been operating our Stanwell and Tarong power stations at high levels, purchasing additional coal to ensure that we can continue to run our power stations as the market requires.

Between 1 January and 30 June 2022, we operated our coal-fired power stations at an availability factor of 96.6 per cent, putting downward pressure on prices by increasing where possible the amount of energy available to the market.

Over recent years, we have continued to invest to ensure the long term reliability and operational flexibility of our plant. This investment has paid off with Stanwell's assets achieving a reliability factor during 2021/22 of 98.1 per cent.

As a result of our asset management, and the expertise and dedication of our Operations and Trading teams, our plant was able to operate efficiently and reliably in response to extreme market conditions.

Transforming our business for the future

We are working to transition our thermal portfolio to renewable generation and battery storage while also keeping the lights on and helping to keep energy prices down.

To transform our portfolio, and meet our customers' needs as well as the future needs of the market, we are pursuing a range of projects including new build renewable generation, energy storage and hydrogen. Our pipeline of renewable projects will help re-position Stanwell as a diversified and renewable energy provider.

We will establish renewable energy hubs at our existing sites, provide future opportunities for our people and advocate for the development of our regions. We will also work alongside our commercial and industrial customers to sell them energy that will meet their business and environmental requirements.

We, along with our consortium partners, have also made significant progress with our renewable hydrogen export project at Gladstone.

During 2021/22, Stanwell applied to the Queensland Government's Queensland Renewable Energy and Hydrogen Jobs Fund (QREHJF) for funding towards a number of high potential projects. We progressed contract negotiations for ownership and/or power purchase agreements for a number of wind farms and solar plants.

Each project is in a different stage, from concept through to financing agreements, with operational dates targeted between 2023 to 2025. These projects are spread throughout Queensland's Central and Southern Renewable Energy Zones (REZ), and not too far from our existing sites – which will create future opportunities for our people and our communities.

To complement these renewable resources, we are increasing our investments in energy storage. Our Southern REZ Battery Project will be located at the Tarong power stations site, and our Central REZ Battery Project will be located at our Stanwell Power Station site. Both are proposed to be 150 MW battery energy storage systems (BESS) and will have two hours storage.

Throughout this report, there are examples of the various ways we go about creating value both internal and external to our business, with many relating to environmental, social and governance (ESG) issues. While sustainability has been a long-standing focus for our business and a key element of our strategy and values, it is important that we continually challenge our approach to achieve better outcomes.

Understanding what aspects of sustainability matter most to us and defining our ambition in relation to each of those aspects will be a key focus of our ESG strategy. We will continue developing our ESG strategy over the coming months, ensuring it reflects the growing expectations of our stakeholders and aligns with government policy objectives.

Our financial results in 2021/22 demonstrate that the fundamentals of our business are robust and will support our investment in future energy opportunities.

Our strategy in action

We review and adapt our corporate strategy each year in response to the technical, environmental, social, legislative, regulatory and political changes affecting our external environments and their potential to impact our business. During the year, the Board worked with Stanwell's executive team as well as specialists from throughout the business to refine our strategy.

Our business activities are structured around four strategic goals:

- **Deliver a balanced portfolio for the future;**
- **Progress our environmental, social and governance platform;**
- **Support our customers; and**
- **Lead Australia's renewable hydrogen industry.**

You can read more about our strategic achievements from 2021/22 on pages 18 to 25.

Ensuring the safety of our people and communities

While we are bringing about important and necessary changes in our business, our focus on safety remains the same. In the past year, we continued to invest in maintaining best practice safety standards and a strong safety culture.

With the rapidly changing COVID-19 situation in Australia, Stanwell maintained constant vigilance across our sites and our offices to protect the health of our employees, contractors and communities.

Turning to operational safety performance, our continued focus on safety resulted in all of our leading indicator metric targets and 70 per cent of our lagging indicator metric targets being achieved or exceeded. We achieved our best results on record for our All Injury Frequency Rate and our Serious Injury and Fatality Frequency Rate. However, we did record increases in our results for our Total Recordable Injury Frequency Rate and Lost Time Injury Frequency Rate. These increases remind us of the need to remain vigilant and to seek continual improvement to prevent all injuries.

Importantly, our health and safety performance during the Stanwell Power Station Unit 3 major overhaul improved based on key performance indicator results. Our Tarong North Power Station transformer outage and the Tarong Power Station Unit 4 outage were also completed successfully.

During the year, we continued our Next Level Leadership program that equips our people with behaviours that enable safe, productive and effective outcomes across all levels of the business. We are also focussing on initiatives to accelerate safety improvement including working with our contract partners to improve safety processes, and a specific focus on identifying and learning from events that have the potential to cause injury.

Delivering results

Our financial results in 2021/22 demonstrate that the fundamentals of our business are robust and will support our investment in future energy opportunities.

Our underlying business performance was strong, delivering an Operating Profit of $430.6 million (2020/21: $321.9 million). The profitability of our generation business was underpinned by a range of factors, including a well-balanced trading strategy and reliable generation from our plant, particularly during peak and volatile periods that occurred within the past 12 months. Our mine and long-term coal supply contract with Coronado Curragh delivered stable lower-cost fuel, insulating Stanwell from extraordinary domestic and international coal prices that have been recently observed.

Stanwell delivered a Net Profit After Tax of $148.4 million (2020/21: $375.4 million). This decrease compared to last year is due to substantial unfavourable fair value movements on existing wholesale electricity contracts. Whilst these unfavourable fair value derivative instrument movements have had an impact on our earnings and financial position in the current period, Stanwell's electricity contract position will underpin our financial performance in future years.

For the 2021/22 financial year, shareholding Ministers have approved that any dividend otherwise payable is retained by Stanwell to support portfolio diversification and the development of renewable energy and storage projects. The funds will be used to support investment in critical infrastructure and growth initiatives which could deliver future revenue benefits and put downward pressure on electricity prices.

Acknowledgements

I would like to recognise and thank our Board and Executive Leadership Team who provided strategic direction and counsel throughout the year. I would particularly like to thank Adam Aspinall, who as Acting CEO in 2021, provided Stanwell with valuable expertise and leadership during this time of change for the business.

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

Finally, my thanks go to our employees, whose efforts have been central to the success we have achieved during the year. They have shown dedication and professionalism in all the work they do, during a very challenging period for the Australian energy industry.

I am incredibly optimistic about the future of Stanwell. I believe together with our customers, communities, shareholders and partners, we will create lasting value for Queensland while delivering on our commitment to provide safe, secure and reliable energy.

Michael O'Rourke
Chief Executive Officer

Performance **indicators**

In 2021/22, Stanwell committed to achieving the following financial and non-financial targets.

Measure	2021/22 actual	2021/22 target	2020/21 actual
Earnings before interest and tax (EBIT) ($M)	215.3	355.0	552.7
Earnings before interest, tax, depreciation, amortisation, impairment and fair value movements (EBITDAIF) ($M)	567.1	336.4	449.8
Net profit after tax ($M)	148.4	245.6	375.4
Operating cash flow ($M)	(778.9)	256.6	433.5
Capital expenditure ($M)	144.2	170.2	251.3
Return on equity (%)	12.2	22.4	37.1
Total recordable injury frequency rate	7.09	3.49	3.49
Environmental enforcement actions	0	0	0
Carbon emissions[1] (ktCO2e)	17,226	16,579*	17,495
Energy sent out (GWh)	18,237	17,641	18,654

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.

[1]*Includes carbon emissions from Stanwell, Tarong, Tarong North and Mica Creek power stations.*
**Carbon emissions budget based on generation forecast.*

Asset performance

Year	Energy sent out (GWh)*	Capacity factor (%)	Targeted availability (%)	Actual availability (%)	Planned[1] outage factor (%)	Forced outage factor (%)
Tarong power stations – coal – 1,843 MW						
2021/22	10,284	68.7	91.4	93.2	5.4	1.4
2020/21	11,124	74.2	85.0	87.7	9.4	2.9
Stanwell Power Station – coal – 1,460 MW						
2021/22	7,953	67.4	91.5	91.0	6.5	2.5
2020/21	7,523	63.7	91.4	80.3	10.0	9.7
Total						
2021/22	18,237	68.0	91.4	92.1	6.0	1.9
2020/21[2]	18,654	69.2	87.9	84.4	9.6	6.0

[1]*Includes planned and maintenance outage factors.*
[2]*Total figures for 2020/21 included generation from Wivenhoe Small Hydro and Mackay Gas Turbine.*
**Energy sent out is the amount of energy supplied to the transmission network.*

Health, safety and environment performance

Living true to our values of, *We care*, *We adapt*, *We deliver*, our people work hard to ensure they continuously strive to achieve Zero Harm across our organisation.

WorkSafe Queensland Awards Finalist

The Tarong power stations team was a finalist in two categories of the 2021 WorkSafe Queensland Awards:

Best commitment to work health and wellbeing

Best demonstrated leadership in work health and safety

HSE Policy

The inaugural Health, Safety and Environment (combined) Policy was endorsed by the Stanwell People and Safety Committee and approved by the Board in 2022.

Stanwell was recognised for its proactive approach to mental health interventions facilitated by programs including Bunyarra Counselling and Mediation, the Employee Assistance Program and Mates in Energy.

Risk management

Our overhaul HSE management and planning process continued successfully. Driven by a continuous improvement cycle, key learnings were drawn from all overhauls and maintenance outages and shared collaboratively between our sites.

Progressive **rehabilitation**

Successful submission of the Meandu Mine Progressive Rehabilitation and Closure Plan (PRCP), with the Department of Environment and Science providing positive feedback.

Leading indicators

Values interactions
Target exceeded by 125 per cent.

Critical Control Verification
Target exceeded by 116 per cent.

Lagging indicators

Serious Injury and Fatality Frequency Rate (actual + potential) 0.35 – our best result to date and a new benchmark.

All injuries
The total number of injuries has decreased from 106 last year to 63 in FY22.

All Injury Frequency Rate

22.33 – our best result to date and a new benchmark.

Strategic **direction**

Our purpose

In 2021/22, we developed a new company purpose which articulates why Stanwell undertakes the business it does – "We provide the spark for a bright future". Our purpose will help guide our business decisions and support us to achieve our strategic goals.

Our strategy

Our strategy sets out our roadmap for the future. It outlines Stanwell's purpose and the goals we are focused on achieving by 2035, as well as setting out our priorities for the next five years.

Stanwell carries out an ongoing analysis of its external environments to understand their impact on our business. We analyse future markets, taking into account economic, technological, political, customer, community, policy, regulatory and social drivers. We also engage with our customers and stakeholders to understand their expectations of us.

Based on this ongoing analysis, we continue to refine our strategy to meet the future requirements of the energy market, retain value in our business and deliver lasting benefits to the people of Queensland.

Our strategy articulates Stanwell's four strategic goals:

- **Deliver a balanced portfolio for the future;**
- **Progress our environmental, social and governance platform;**
- **Support our customers; and**
- **Lead Australia's renewable hydrogen industry.**

Delivering value for Queensland and our customers

In the coming years, Stanwell will prioritise work that helps us achieve our four strategic goals, as we continue to serve our communities and deliver the power Queensland and our customers need.

We will create a new, lower carbon generation portfolio that is complemented by energy storage, and we will be at the centre of a new renewable hydrogen export industry that will bring long-term economic prosperity and jobs to the State.

We will use our thermal portfolio to help maintain the security and stability of the energy system. We will work alongside our customers to deliver energy strategies that meet their business and environmental goals. Having a clear environmental, social and governance platform will be key to our transition to a lower carbon future.

As we transform our business, maintaining job security and prosperity for our people will be important.

All of our people - from those who work at our power stations and mine, to those who provide support services and those who are working to develop our energy storage and renewable energy portfolio – will have a critical role to play in our future.

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Our 2021/22 **performance**

Deliver a **balanced portfolio** for the future

We have continued making significant progress in the past 12 months in diversifying our portfolio, positioning Queensland and our business for the future.

This has included developing a pipeline of Queensland-based renewable energy projects for incorporation into Stanwell's portfolio, developing a large-scale battery storage project in the Southern Renewable Energy Zone and investigating a large-scale battery project in the Central Renewable Energy Zone, and advancing a large-scale renewable hydrogen export project in Central Queensland.

Queensland Renewable Energy and Hydrogen Jobs Fund Stanwell's stage one projects

To meet customer demand for green products, in early 2021, we undertook a market sounding process which identified high quality renewable energy projects (including the potential for storage) to incorporate into Stanwell's portfolio, with co-funding through the Queensland Renewable Energy and Hydrogen Jobs Fund (QREHJF).

This process allowed Stanwell to develop a compelling pipeline of projects for delivery between 2024 and 2027. These projects will be delivered through a combination of offtake and ownership structures, with service and maintenance arrangements a key part of each proposal.

In 2021/22, Stanwell was advised it would receive funding through QREHJF to establish equity in Queensland-based renewable energy projects and to co-fund the front-end engineering design phase of the proposed Central Queensland Hydrogen Project (CQ-H_2). For more information on the CQ-H_2 project, refer to page 25.

In the past financial year, Stanwell has also progressed contract negotiations for ownership and/or power purchase agreements for a number of wind farms and solar plants (which are at various stages). Funding for our ownership of these renewable generation assets is planned to come from the QREHJF.

In March 2022, Wambo Wind Farm – a proposed 252 MW project in the Western Downs, was shortlisted to receive investment through the QREHJF under a potential joint venture arrangement between Stanwell and project developer, Cubico Sustainable Investments. Stanwell will receive up to $192.5 million from the QREHJF to deliver its proportion of the project, pending the successful outcome of a Board approved Business Case and subsequent shareholding Minister approval. Construction is expected to commence in 2022, with commercial operations expected from 2024.

In 2021/22, Stanwell progressed the development of its two large-scale batteries, the Southern REZ Battery Project (at the Tarong Power Station site) and the Central REZ Battery Project (at Stanwell Power Station site). Both the 150 MW battery energy storage systems (BESS) will have two hours storage. Staged commercial operations will commence in July 2024 (Southern REZ Battery) and December 2024 (Central REZ Battery).

Stanwell's batteries in the Central Queensland and South Burnett regions will be located in Queensland's Central and Southern Renewable Energy Zones, supporting new renewables to come online while also ensuring system security.

With a view to creating future employment opportunities for our people, Stanwell will provide specialist service and maintenance activities to renewable energy projects. The new organisation is initially intended to supply maintenance services to projects in which Stanwell has an equity interest or an offtake arrangement in place. Once established and operating on a commercial footing, the service could be offered to non-Stanwell projects, achieving further economies of scale and employment opportunities.

Funding our future

Given the size of the Queensland Government's ambition of achieving 50 per cent renewable generation by 2030, Stanwell is working to develop commercial and financing structures that will enable the business to leverage QREHJF funding, in order to maximise the renewable energy projects that are brought to market.

We are working with our shareholders and departmental representatives on the strategic, commercial, and legal considerations of preferred commercial structures that will support Stanwell's investment in renewable energy projects.

In early 2022, Stanwell signed the Central Queensland Statement of Cooperation, an agreement committing companies to work with the Queensland Government to promote the vision for Central Queensland as a net zero emissions industrial and advanced manufacturing region. Stanwell was also joined by ACCIONA Energia, Rio Tinto Australia, Alpha HPA and Orica in signing the agreement to ensure more opportunities for Central Queensland to decarbonise and create more jobs.

Flexibility from our coal assets

In 2021/22, our Stanwell and Tarong power stations (synchronous generators) have played a vital role, sending out 18,237 GWh of energy and providing the electricity system with inertia and system strength. This essential role is set to continue into the future, as Stanwell's coal-fired power stations will need to continue generating at a high capacity to ensure a reliable supply of energy, while Queensland moves towards lower carbon generation.

Throughout the year, Stanwell has continued to focus on the flexible and reliable operation of our coal assets, adapting our approach in response to the rapid and dynamic changes that have occurred in the market over the past six months.

We have reviewed our asset strategies to extend our unit overhaul cycles from four years to five years. We have also continued developing future asset plans that support network services, such as frequency and voltage support, while ensuring that these assets secure long-term affordable electricity supply to the market.

Our coal asset management strategy offers:

- the flexibility to respond to rapidly changing markets and customer requirements;
- lower emissions intensity;
- improved fuel and water usage and reduced maintenance and capital expenditure costs; and
- improved plant reliability.

Stanwell retains a strong focus on plant availability to ensure our coal units can respond when the market needs us. We are working closely with external fuel suppliers and Meandu Mine operator, BUMA Australia to ensure production expectations are aligned and sufficient coal is stockpiled for high demand periods.

We continue to invest in our thermal assets to improve efficiency and maintain their high levels of performance. This positioned Stanwell to operate with market leading levels of reliability and availability between January 2022 and June 2022 and ensured that the market remained secure while exerting downward pressure on wholesale prices. In 2021/22 we invested more than $144.2 million in capital projects at our operational sites - Tarong power stations, Stanwell Power Station and Meandu Mine. The major overhauls delivered at Stanwell Power Station Unit 3 and Tarong North Power Station, were important in ensuring our power stations could run safely, efficiently, and at a high capacity while putting downward pressure on energy prices.

Engaging with market bodies and industry groups

Stanwell engages with market bodies and industry groups to influence regulatory change and to ensure system security and reliability into the future. In the latter half of 2021/22, prices were more volatile than at any other time in the history of the NEM. Given that situation, Stanwell's role in helping drive sensible and reasonable market and regulatory reform for the transformation of energy markets was a key focus.

Throughout 2021/22, we provided submissions to various consultation processes with a view to minimising the long-term cost of the energy system for which consumers ultimately pay; improving market transparency; avoiding unnecessary complexity; and ensuring change (and the cost of change) is based on holistic assessment of overall benefits being delivered to consumers. This included providing input into regulatory processes relating to reliability and security initiatives, response to post-2025 market design, and longer-term system strength, security and reliability frameworks and services. Our regulatory submissions are available on our website.

October 2021 marked the culmination of three years of hard work and collaboration between our Information, Communication and Technology, Trading, Risk and Settlements teams to ensure that our systems were ready to operate in the new five-minute settlements market. This was one of the NEM's most complex rule change to date and necessitated significant changes to our systems and processes.

Our 2021/22 **performance**

Progress our **environmental, social** and **governance** platform

As a major provider of electricity to Queensland, the NEM and large energy users – we are a key enabler and contributor to the broader economy, with a strong social purpose of providing reliable and affordable energy.

Over many years we have worked hard to keep our people safe and to provide them with security and opportunity. We play a unique role in our host regions, linking people and organisations together and providing funding to help solve community challenges. We have also worked with our communities to build a strong, long-term future together.

Stanwell is also working with our stakeholders to explain our strategic roadmap. Customers, suppliers, investors, insurers, potential and current employees, advocacy groups and the media are focused on the need to manage climate change risk while also providing social, environmental and economic value to stakeholders. They are meeting social expectations, and they expect to work with organisations which do the same.

Sustainability is key to Stanwell's strategy and values. Understanding which aspects of sustainability matter most to us and defining our ambition in relation to each of those aspects will be a key focus of the environmental, social and governance (ESG) strategy development, which we commenced in 2021/22.

Developing Stanwell's ESG platform

Our ESG platform will consist of a strategy that outlines the critical elements of ESG related to our business and our level of ambition for each element. It will include a roadmap to achieve our ambition and the reporting framework by which we will be held accountable, both internally and externally.

We will continue developing our ESG strategy over the coming months, ensuring it reflects the expectations of our customers, suppliers, shareholders, investors, insurers, and employees, and aligns to broader government policy objectives. Stanwell will work in conjunction with the Queensland Government to develop its ESG strategy.

We know that to provide long-term value for Queensland and meet the needs of each of our stakeholder groups, we must deliver more than just electricity and financial returns. The following actions and initiatives are just some of the highlights achieved across environmental, social and governance in 2021/22.

The health and safety of our people

The health and safety of our employees, contractors and communities remains our top priority. During the financial year, we continued to implement a significant number of COVID-19 risk management activities in preparation for when the Queensland borders reopened in December 2021. Our effective management of COVID-19 health risks was particularly important during our major overhaul projects, due to the large transient workforce attending our sites and working within our regional communities.

Stanwell was recognised as a finalist in the *best commitment to work health and wellbeing, and best demonstrated leadership in work health and safety* at the 2021 Safe Work Queensland Awards. This recognition was for Stanwell's proactive approach to mental health interventions facilitated by programs including Bunyarra Counselling and Mediation, Employee Assistance Program (EAP) and Mates in Energy to support positive mental health outcomes, in addition to the traditional elements of physical safety.

During the financial year, Stanwell developed a new Health, Safety and Environment (HSE) strategy. The goals in developing our new five-year HSE strategy include:

- ensuring that the foundations of the previous HSE strategy that have directly contributed to the success of the business's HSE performance remain in place;
- supporting Stanwell's corporate strategy and aligning with our broader business strategic goals;
- having a balanced approach and focus on health, safety and environment; and
- the ongoing ownership of the HSE strategy by our workforce.

In 2021/22, we continued the roll-out of Stanwell's Next Level Leadership program, which supports employees to maintain a questioning mindset, make better decisions in the moment and keep important safety practices front of mind.

Inclusion and diversity

Stanwell remains committed to an inclusive and diverse workplace. In 2022, after surveying our people, we updated our Inclusion and Diversity strategy for 2023 to 2025, with reconciliation, age diversity, gender equity and respect as the four main focus areas. To strengthen process, practices and leadership through the strategy we will focus on:

- strengthening and adapting our policies, processes and practices to ensure they support an inclusive and diverse workforce;
- continuing to develop our leaders to ensure an inclusive and psychologically safe work environment; and
- ensuring our decision making practices maximise the benefits a diverse workforce can bring.

Reconciliation Action Plan (RAP)

We are embarking on a journey of learning through the development of Stanwell's RAP. Our Reflect RAP aims to provide a framework to realise our organisation's vision for reconciliation and continue to strengthen our relationships with Traditional Owners.

In May 2022, Reconciliation Australia issued conditional endorsement for our Reflect RAP, and we are currently finalising the document to attain formal endorsement. Our RAP focuses on the actions Stanwell will commit to undertaking to establish foundations for sustainable change. These actions include:

- maintaining an effective RAP Working Group to drive governance of Stanwell's RAP;
- increasing the understanding, value and recognition of First Nations cultures, histories, knowledge and rights through cultural learning;
- creating opportunities to engage Aboriginal and Torres Strait Islander employees, suppliers and contractors; and
- continuing to strengthen and expand mutually beneficial relationships with First Nations stakeholders and organisations.

Building a pipeline of future talent

Building a pipeline of talent to support Stanwell now and into the future remains a priority. This includes the engagement of younger talent (25 years and under) through our early careers program and creating supporting pathways for those transitioning to retirement (55 years and over).

In 2021/22 there were 46 apprentices and trainees (inclusive of two adult apprentices). A further 11 apprentices and trainees will join Stanwell in February 2023. In 2021/22 there were 13 graduates across our sites and office, and six new graduates will commence with Stanwell in February 2023.

Our Respect Framework

In 2021, Stanwell combined our existing processes and procedures for preventing and managing discrimination, harassment and bullying into a single consolidated Respect Framework.

To embed this across the business, our people participated in workshops to increase understanding of the framework and psychological safety principles. In the coming year, we will continue to strengthen and improve our policies and procedures, cultural initiatives and learning and development opportunities that underpin the Respect Framework.

Being environmentally responsible

Meandu Mine rehabilitation

In 2021/22, our Meandu Mine received approval from the Queensland Department of Environment and Science, certifying that approximately 153 hectares of land at the mine has been rehabilitated. This marks the largest native vegetation rehabilitation area approved in a single application in Queensland.

Our progressive rehabilitation approach at Meandu Mine minimises the active area of our mining operations at any point in time and ensures that land can be successfully returned to a native eucalypt woodland, similar to the Yarraman State Forest and Tarong National Park bordering the site.

The newly certified area forms part of a total of nearly 600 hectares which has been progressively rehabilitated at Meandu Mine since 1989.

Our 2021/22 **performance**

Coal combustion products (CCP)

Stanwell has demonstrated its commitment to sustainability and implementing a circular economy through a newly built CCP offtake facility at Tarong Power Station. CCP (including fly ash and bottom ash) are by-products created by the coal-fired power generation process.

CCP reduce greenhouse gas emissions associated with conventional concrete manufacturing and have many applications for use in concrete, construction and building products.

Commissioned in late 2021, the ash offtake facility has the capacity to deliver 400,000 tonnes per annum of high-quality cement grade fly ash. This will enable us to reduce the volume of CCP that must be stored as waste at the Tarong site and facilitate the use of CCP in infrastructure projects.

Stanwell is working proactively with industry participants and relevant institutions across Queensland to increase the utilisation of CCP from both our power station sites.

Supporting our communities and human rights

Social investment

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 programs distributed more than $429,299 in our host communities during the 2021/22 financial year.

Our social investment responds to the needs identified within our asset communities and provides support to community organisations and groups in the areas of health and wellbeing, arts, community safety, economic resilience and capacity, social connectedness and education.

Stanwell supports activities that make a genuine quality of life contribution to our communities in the South Burnett and Central Queensland. Three examples from the past financial year include:

- Westwood State School received funding from the Stanwell Community Partnership Fund to upgrade its tuckshop. This included new fridges, benches and installation of air-conditioning and has made the tuckshop an import part of the learning curriculum where students are taught about the paddock to plate food process.
- Timbertown Sporting and Community Hub was provided funding from the Tarong Community Partnership Fund to upgrade its clubhouse and kitchen facilities, enhancing the space for the several community organisations which use the facility for collaborative events and activities.
- Murgon State High School received funding from the Tarong Community Partnership Fund to purchase iPads, as well as engage Wakka Wakka Elders to support the delivery of the Wakka Wakka language with year seven and eight students.

The major overhauls and maintenance projects delivered at our sites also deliver important flow-on economic benefits to our host communities through the use of local suppliers, contractors and accommodation providers.

Modern Slavery Statement

We recognise that the way we do business has the potential to not only impact our people, but also our customers and communities. Stanwell acknowledges its responsibility to help eradicate modern slavery and we consider modern slavery to be unacceptable in any form. In 2021, we completed our second Modern Slavery Statement, and we are currently developing our third. This statement outlines how we work to identify, manage and mitigate the specific risks of modern slavery in our operations and supply chains.

Our assessments to date have not identified any known modern slavery practices in our operations or supply chain, however, we recognise this is an ongoing process and continue to review.

For more information, read our Modern Slavery Statements.

Commitment to the Queensland Procurement Policy

Stanwell confirms its commitment to comply with the Queensland Procurement Policy (QPP) and conduct its procurement arrangements accordingly.

Ensuring compliance and governance

One of the significant challenges of the past two years has been a class action brought against Stanwell. Stanwell has always acted in the best interests of its customers and complied with the rules of the National Electricity Market. The National Electricity Market is heavily monitored and scrutinised by a range of independent regulatory agencies, including the Australian Energy Regulator and the Australian Energy Market Commission. Stanwell strongly refutes the allegations made in relation to the class action and will defend them through the court system.

Support our **customers**

Stanwell Energy is an energy retailer for large users of electricity. For more than 10 years, we have been working with some of Australia's biggest commercial and industrial businesses to deliver tailored, flexible solutions to help them meet the challenges of managing their ongoing energy requirements.

Stanwell Energy provides a number of energy options for customers including, but not limited to:

- power purchase agreement options;
- long-term pricing;
- hybrid contracting arrangements; and
- self-management of consumption and environmental certificate requirements.

Setting the industry benchmark

Expert energy partners: As one of Australia's largest energy generators, we draw upon the expertise of our energy and environmental trading desks and Growth and Future Energy team to keep our cutomers up to date on market changes. We have worked hard to build strong relationships with key network service providers, metering coordinators and embedded network managers to ensure we can assist with queries from our cusomters when required.

Flexibility: Stanwell Energy works to understand our customers' specific needs and tailor an energy solution that is the best fit for their electricity use and load profile.

Accurate, timely billing: Timely, accurate and transparent billing is essential to ensure our customers' cash flows are managed as efficiently as possible.

Dedicated and responsive management of customer accounts: All our customers have a dedicated account manager as a single point of contact for any account queries. Our Stanwell Energy account managers provide clarity in how regulatory schemes may impact retail pricing and provide regular market updates.

Our work this year

During 2021/22 Stanwell Energy began the implementation phase of a five-year strategy.

Central to this strategy is responding to the energy needs of our customers, establishing our value proposition and developing tailored products based on the requirements of our customers.

In the past 12 months we:

- continued our product development initiatives, such as a tiered retail service, prototype electrification service, demand response capability and a specialised long-term product to meet the needs of customers and the changing energy market;
- commenced a review of our analytical and information technology requirements to support an improved customer experience and reduce costs; and
- worked on the development of an integrated communication and marketing plan to support Stanwell Energy's growth.

Our 2021/22 **performance**

Delivering solutions that meet our customers' business and environmental goals

Stanwell Energy's product offerings provide our customers with the flexibility to choose what works best for them over the short, medium and long-term. Our focus is on delivering reliable, affordable renewable energy products that enable industrial decarbonisation and help our customers meet their broader sustainability goals.

In the 2021/22 financial year we:

- introduced renewable-backed contracts to provide longer-term revenue certainty and diversity to Stanwell's contract portfolio, in addition to standard retail contracts; and
- continued to offer renewable energy from the Clarke Creek Wind Farm and Blue Grass Solar projects to our customers.

Understanding our changing customer needs

In late 2021, Stanwell Energy reviewed the retail offerings of our competitors and emerging retail customer trends. The findings are a show of confidence in the work that we are doing as we continue to make strong progress in prioritising and implementing changes and offerings to meet our customers' current and future needs.

In the past financial year, we implemented several initiatives to meet the changing needs of our customers. Two key actions included:

- we refreshed and modernised our customer portal and we are continuing further upgrades to ensure it is a market-leading platform; and
- we continued to provide renewable energy products, while communicating the challenges of the current energy market, through the distribution of customer newsletters and monthly energy market updates in the form of articles and videos.

Visit StanwellEnergy.com to learn more.

Lead Australia's **renewable hydrogen industry**

Throughout the 2021/22 financial year we continued to drive the development of a renewable hydrogen industry in the State, progressing the proposed Central Queensland Hydrogen Project (CQ-H_2 Project).

In September 2021, Stanwell took another step toward leading Australia's renewable hydrogen industry, announcing the four new members that would be joining the CQ-H_2 consortium between Stanwell and Japanese hydrogen supplier, Iwatani Corporation.

The members of our consortium are Japanese companies Kawasaki Heavy Industries, Kansai Electric Power Company and Marubeni, and Australian energy infrastructure business, APA Group.

The announcement of the consortium and the signing of the consortium Memorandum of Understanding (MoU) is a show of international confidence in Stanwell, and Queensland's growing reputation as an ideal location for renewable hydrogen projects.

In December 2021, Stanwell and international renewables company, ACCIONA Energia, signed a MoU on the future energy supply for the proposed CQ-H_2 Project. This MoU highlights the importance we are placing on developing strategic partnerships across the supply chain to support the development of Queensland's renewable energy future.

We further established ourselves as a key player in the future renewable hydrogen export market, completing a detailed feasibility study which is planned to pave the way for a proposed front-end engineering design (FEED) program of works, commencing in the second half of the 2022 calendar year. The 12-month FEED study will further develop the technical, commercial and strategic elements of the project to allow for a final investment decision to be made in late 2023.

In June 2022, Stanwell along with Queensland's Deputy Premier, Minister for State Development, Infrastructure, Local Government and Planning and Minister Assisting the Premier on Olympics Infrastructure, Steven Miles, participated in a trade mission to Tokyo and Osaka. During this visit, the Australian delegation met with key consortium partners, funding decision makers and other Japanese Government representatives. The visit played an important role in strengthening Stanwell's relationship with our project partners, relevant government agencies, industry bodies and potential offtakers.

CQ-H_2 funding

In the past financial year, our project secured strong support from all levels of government and our consortium partners. During the 2021/22 financial year, Stanwell and its consortium partners applied for funding from a range of organisations including, the QREHJF and the Australian Renewable Energy Agency (ARENA). In 2021, the ARENA confirmed a contribution of $2.17 million towards the CQ-H_2 feasibility study. In June 2022, the Queensland Government announced a $15 million allocation to Stanwell from the QREHJF to progress the FEED study for CQ-H_2.

Following the trade mission to Japan, in June 2022 the Queensland Government committed $15 million from the QREHJF to support Stanwell to progress the FEED program of works for the CQ-H_2 project.

We anticipate outcomes from the remaining applications in late 2022.

Central Queensland Hydrogen Hub

We continued to work with local, national and international organisations to ensure a collaborative and coordinated approach to the planning and development of the hydrogen industry in Central Queensland. Through collaboration with key partners, we will help facilitate the creation of jobs and investment in the industry, and support electricity security and reliability.

In April 2022, the Australian Government, via its Clean Hydrogen Industrial Hubs program, announced $69.2 million in funding to Stanwell to support the development of a Central Queensland Hydrogen Hub. This funding will bring together key industry and community stakeholders to support the sustainable development of a hydrogen industry in the region ensuring that it is a catalyst for Queensland's future economic and community development.

Corporate **governance**

Key areas of governance focus and achievement in 2021/22

The Board, with assistance from its Committees, engaged in key strategic governance and oversight activities in 2022, including:

- conducting a Board strategy workshop focused on the long-term success of the company;
- regularly discussing the risks and opportunities arising from the significant structural change occurring within the National Electricity Market and the business impact on, and involvement of, Stanwell;
- discussing emerging technologies and how Stanwell could respond to threats and capitalise on opportunities;
- regularly discussing Stanwell's strategic goals, including the refinement and implementation of each priority with the Chief Executive Officer (CEO);
- reviewing and approving Stanwell's financial and strategic plans;
- setting the tone at the top and influencing Stanwell's culture, values and ethical standards. This includes the Board satisfying itself that the desired culture is being lived in practice and is reflective of the behaviours associated with Stanwell's values;
- having oversight of Stanwell's employee engagement, and inclusion and diversity strategies and plans;
- conducting an externally facilitated evaluation of the Board's performance;
- the recruitment of the new Stanwell Chief Executive Officer;
- regularly discussing and having oversight of Stanwell's response to regulatory changes;
- 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 and cyber security 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 establishment and agreement of Stanwell’s strategies and goals;
- the identification and management of key risks; and
- the promotion through a fair and just culture ethical values and behaviours and responsible decision-making.

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 to assist with the delivery of Stanwell’s strategic goals.

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

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

The below diagram shows Stanwell’s current governance framework, including the committees of the Board.

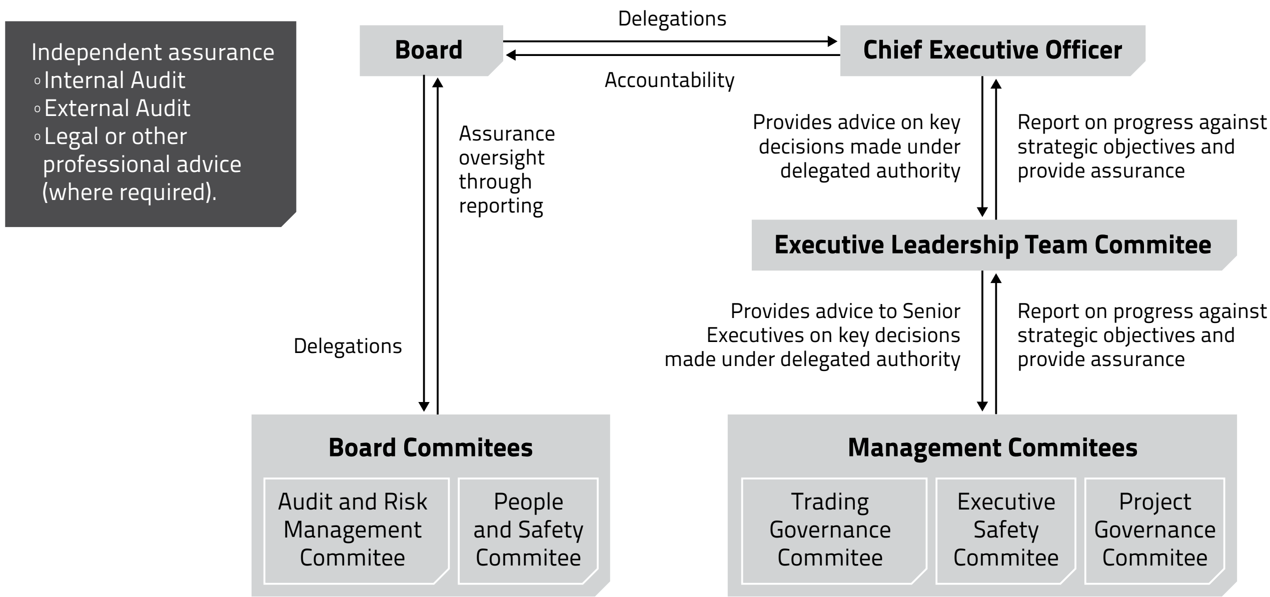
From time to time, the Board may participate (either directly or through representatives) in due diligence type working groups in relation to strategic decisions or funding activities.

Stanwell also has several 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).

This Corporate Governance Statement sets out how Stanwell adopts each of the principles outlined in the Corporate Governance Guidelines for Government Owned Corporations.

Governance Framework



Corporate **governance**

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 which 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 which 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 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 and other stakeholders.

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 necessary, 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 2022, the People and Safety Committee comprised the following directors:

- Jacqueline King (Chair)
- Adam Aspinall
- Paul Binsted
- Marianna O'Gorman
- 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 which 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 2022, the Audit and Risk Management Committee comprised the following directors:

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

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;
- oversee the process for:
  - o identifying and managing material business risks;
  - o implementing appropriate and adequate control, monitoring and reporting mechanisms; and
  - o 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 with regard to 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.

In compliance with the extension to the temporary Addendum to the Queensland Government's Policy for Government Owned Corporations Chief and Senior Executive Employment Arrangements, the CEO and senior executives were not awarded at-risk performance incentive payments for performance accrued in the 2020/21 financial year.

Further details about the CEO and senior executive remuneration are disclosed in the Key Management Personnel note on page 93.

Principle 2 - Structure the board to add value

At the date of this report, the Board consisted of four independent, non-executive directors, one non-independent non-executive director 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 44.

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 nine meetings between 1 July 2021 and 30 June 2022. The table on page 48 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 briefings, 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.

Corporate **governance**

Director independence

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

- the exercise of objective, unfettered or independent judgement; 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 as a whole. 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 Chair, 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.

In early 2022, the Stanwell Board undertook an externally facilitated evaluation of its performance. The evaluation methodology comprised of:

- initial discussions with the Chair;
- a review of key governance and Board documentation;
- a survey of each of the directors and collation of survey responses to assist in identifying areas for further follow up;
- one on one interviews with each director, the Chief Executive Officer and members of the executive team;
- analysis of data and information to enable the drawing of observations; and
- a facilitated Board workshop discussion regarding the evaluation observations.

Performance evaluations of the Board's committees were also undertaken with the results 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 act ethically at all times;
- 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; and
- 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;
- Conflicts of Interest Policy;
- Fair Treatment Policy;
- Fraud and Corruption Prevention Policy;
- Gifts and Benefits Policy;
- Health, Safety and Environment Policy;
- Systems Usage Policy;
- Compliance and Regulatory Management Policy;
- Privacy Policy;
- Trading in Securities Policy; and
- Whistleblower 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.

Whistleblower Protection Policy

Stanwell's Whistleblower 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 taking action against those parties who have not met its standards of behaviour.

The Board through the Audit and Risk Management Committee monitors the progress of all investigations into concerns raised by whistleblowers.

Avoidance of conflicts of interest

The Board is conscious of its obligation to ensure that directors avoid conflicts of interest (that is, actual, potential or perceived conflicts of interest) 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. Comprising of four focus areas, the 2023-25 Inclusion and Diversity strategy has been formulated to complement Stanwell's Values and strategic goals.

Monitoring of the performance of the strategy occurs through measurement and reporting on specific metrics underpinning each of the four focus areas and is overseen by the Board's People and Safety Committee.

Trading in securities

The Trading in Securities Policy deals with the manner in which 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.

Corporate **governance**

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 2021 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 a number of 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 (with commercially sensitive information deleted) 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, Risk Appetite Statement 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 frameworks 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 expected to familiarise themselves with Stanwell's Enterprise Risk Management Framework and always apply its principles.

Corporate **governance**

Stanwell's enterprise risk management model is based on the 'three lines of defence' and is illustrated in the diagram below:

Board	
Audit and Risk Management Commitee	People and Safety Commitee

Executive Leadership Team

- Set risk appetite.
- Ensure risk taking is aligned with strategic plan and direction.
- Ensure a strong oversight and control structures are in place.
- Ensure clear accountability and ownership of risk and control across the organisation.

1st Line of Defence Identify and control		**2nd Line of Defence** Set standard and challenge	**3rd Line of Defence** Independent assurance
A. Divisional, Site and Corporate Teams (*front line*)	B. Support Teams (*within Divisional and Corporate Teams*)	Risk, Compliance, Business Continuity, Financial Control, Security, Health, Safety and Wellbeing, and Information Security.	Internal Audit External Audit Regulator
• Identify, take and manage risks in day-to-day activities. • Execute risk and control procedures on a day-to-day basis. • Ensure risks are within the organisation's risk appetite, risk management and control policies.	• Monitor and test risk management activities formed by A. • Monitor compliance with organisation's risk appetite, risk management and control policies. • Provide input for risk reporting.	• Develop and facilitate effective risk management and control policies. • Independently challenge and oversee the 1st line of defence. • Monitor and report risk exposure (including internal control) status. • Provide training, tools, advice and support to the 1st line.	• Provide independent assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the other lines of defence achieve risk management and control objectives.

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.

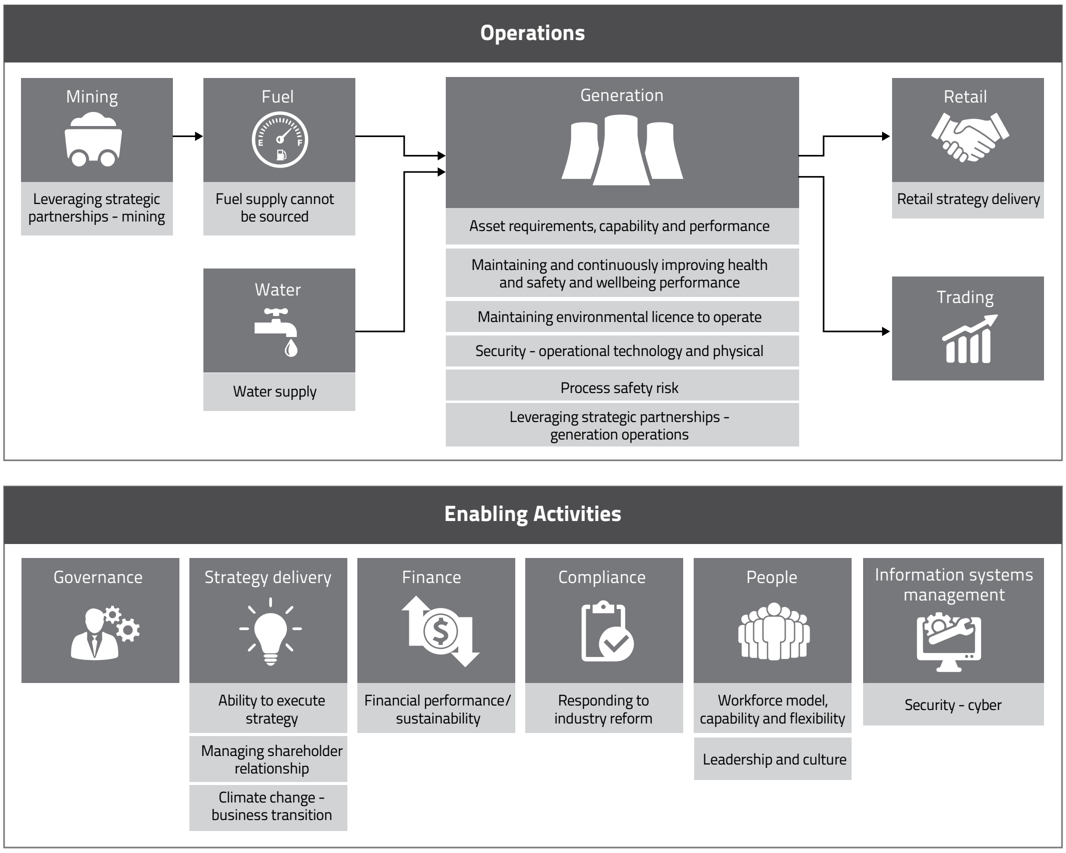
Stanwell's Risk Appetite Statement details the level of risk the Board is willing to accept in pursuit of Stanwell's strategic objectives.

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 fluctuations 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. It is Stanwell's objective to minimise the impact of these unforeseen events whilst optimising returns from its generation assets. In achieving this objective, Stanwell balances the costs of mitigating potential risk against the anticipated consequences and likelihood of the risk crystalising

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 below:



Corporate **governance**

Stanwell is one of Australia's largest emitters of greenhouse gases and its generation portfolio is predominantly comprised of coal fired power stations. Recognising the requirement for affordable, reliable and sustainable energy, Stanwell needs to manage the transition to a lower emission's 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 future scenarios leading to possible stranded assets and revenue loss. It also includes the ability to fund future renewable energy projects and storage technologies that support Stanwell's transition to a lower emission's intensity generation portfolio;
- The risk of unfavourable societal attitude towards coal fired power stations may also lead to reduced support from a variety of stakeholders, including customers, community, suppliers, financiers and insurers; 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 18 to 25 for our response to these risks.

The Audit and Risk Management Committee receives presentations from management at each meeting on Stanwell's material strategic risks (both financial and non-financial), the controls in place to manage those risks and actions to reduce the risk to the Target level within a prescribed timeframe.

Stanwell has implemented a number of 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.

Stanwell conducts reviews of its business 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 manages cyber security as a material strategic risk. Our cyber security program is designed to improve our cyber security maturity which leverages and aligns with the Australian Energy Sector Cyber Security Framework. The five security functions of 'Identify', 'Protect', 'Detect', 'Respond' and 'Recover' are the foundation of our cyber security framework.

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 is able to meet all of 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 responsibly

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 note 21 on pages 96 to 98 of this report.

Government Owned Corporations Act requirements

Government directions and notifications

Section 120(e) of the *Government Owned Corporations Act 1993* (Qld) 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 2021/22 financial year, Stanwell acted in compliance with a shareholding Minister direction under section 257 of the *Electricity Act 1994* (Qld) requiring Stanwell to manage the State's contractual rights and obligations relating to the Solar 150 program until 30 June 2023.

Dividend Policy

For the 2021/22 financial year, shareholding Ministers have approved that any dividend payable is retained by Stanwell to support portfolio diversification and the continued development of renewable energy and storage projects. The dividend retention is to be used to support investment in critical infrastructure and growth initiatives which could deliver future revenue benefits and put downward pressure on electricity prices.

Overseas travel

During the 2021/22 financial year, the Stanwell Chief Executive Officer, Acting Executive General Manager Growth and Future Energy, Commercial Manager Origination and Innovation, and Commercial Partnerships Specialist travelled to Japan (in June) to meet with the Central Queensland Hydrogen Project's consortium members and key Japanese government departments to confirm the Queensland Government's support for Stanwell's hydrogen project. Meetings were also held with key potential hydrogen off-takers such as Nippon Steel, JFE Steel, Tokyo Gas and JERA.

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

During the 2021/22 financial year, there were no individual entertainment and hospitality events that cost more than $5,000.

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Financial results

Stanwell Corporation Limited ABN 37 078 848 674 30 June 2022

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 26 August 2022. The directors have the power to amend and reissue the financial statements.

Directors' report

The directors present their report on the consolidated entity consisting of Stanwell Corporation Limited and its subsidiaries (together, referred to as the 'Group') as at the end of the 2022 financial year.

Principal activities

The Group's principal activities during the 2022 financial year were the operation of a diversified energy portfolio which includes the origination, generation, trading and retail of electricity and electricity-related products.

Financial results

		2022 $M	2021 $M
Profit/(Loss)	before income tax	208.1	536.3
Profit/(Loss)	after income tax	148.4	375.4
Profit/(Loss)	attributable to members of the Group	148.4	375.4

Dividends - Stanwell corporation limited

For the 2021/22 financial year, shareholding Ministers have approved that any dividend otherwise payable is retained by Stanwell to support portfolio diversification and the continued development of renewable energy and storage projects. The funds will be used to support investment in critical infrastructure and growth initiatives which could deliver future revenue benefits and put downward pressure on electricity prices.

Year in review

Financial performance

Stanwell's financial results in 2021/22 demonstrate that the fundamentals of the business are solid.

Stanwell delivered a Net Profit After Tax of $148.4 million (2020/21: $375.4 million). This decrease is due to substantial unfavourable fair value movements on existing wholesale electricity contracts caused by the significant increase in forward curve pricing since November 2021. It is expected that the unrealised losses on these forward electricity sales will unwind (in the event of the forward price falling), or be recognised through profit or loss should the forecast settlement of the wholesale electricity contract take place. Whilst these fair value movements have had a material impact on earnings and Stanwell's financial position, they do not reflect the underlying operational business performance.

Stanwell recorded an underlying Operating Profit[1] of $430.6 million (2020/21: $321.9 million). This increase was due to prudent management of operating costs, a disciplined approach to capital allocation, a well-balanced trading strategy and the reliability of our coal generation assets. Ownership of the Meandu Mine, which supplies coal to the Tarong Power Stations, and the long-term coal supply contract for the Stanwell Power Station, helped insulate the Group from the significant increases in domestic and international coal prices.

National Electricity Market

The past 12 months has seen significant challenges in the Australian National Electricity Market (NEM), following trends in the international energy markets. Spot prices in the NEM have been rising, with higher price generation and market fluctuations since April 2021. This has been the result of a number of factors, mainly on the supply side.

International commodity prices soared from 2021, following a strong rebound after the 2020 global recession, and the 2021 European winter energy crisis. The Russian invasion of Ukraine in February 2022 then sent the price of oil, gas and coal to unprecedented highs. These volatile international coal prices have meant that any additional coal that needs to be secured by Australian coal generators or during the negotiation of new coal supply agreements is occurring at higher netback prices linked to the Newcastle Coal Index. High international gas prices have resulted in the tightening of the correlation between international and domestic gas prices. These higher fuel prices are increasing the cost of gas generation resulting in sustained higher electricity prices in Australia.

Weather events have also impacted supply. Coal generators with mine mouth operations and rail deliveries were impacted by the higher-than-average rainfall which curtailed coal production, necessitating the implementation of coal conservation strategies by reducing generation output to match coal deliveries. Renewable generators were also

[1] Operating Profit is non-IFRS information and a measure used by management to assess the financial performance of the Group excluding certain items such as gains and losses from non-hedge accounted derivatives, impairment and coal rebate revenue. It has not been subject to audit or review.

impacted by higher-than-average rainfall. Increased cloud cover led to less energy from solar, while wind conditions were mixed, with periods of wind drought leading to low production from windfarms.

Closure plans for several coal generators have been brought forward. Since 2020, announcements have been made that four power stations (Yallourn and Loy Yang A - Victoria; and Eraring and Bayswater – New South Wales) will be retired several years earlier than planned. Anecdotally, coal generation appears to be less reliable as it approaches retirement, with numerous prolonged outages occurring across the National Electricity Market. The Energy Security Board has warned that early closure of coal generators could spark a disorderly transition that could send electricity prices even higher.

These factors, and the early onset of colder temperatures increasing demand, caused an unprecedented level of volatility and unsustainably high spot and wholesale electricity prices, which culminated on 12 June 2022, in the cumulative high price threshold of $1,359,100 (accumulated over seven days) being reached, triggering an administrated price cap of $300/MWh in Queensland. On 13 June 2022, New South Wales wholesale prices reached the cumulative high price threshold, followed shortly after by other states, requiring the Australian Energy Market Operator to intervene multiple times, which ultimately meant that the National Electricity Market became unworkable, and the Market was suspended on 15 June 2022. The Market suspension was lifted on 24 June 2022, but average spot prices have continued to be high.

Power system security

The continued growth of roof-top solar photovoltaics is causing increasing intra-day swings - the difference between daily maximum and minimum demands with the swing occurring within a relatively short timeframe. The intra-day volatility is expected to increase further as coal generators retire and renewable penetration increases.

Maintaining power system strength will be an ongoing challenge in some parts of the electricity distribution system. As a result, the Stanwell and Tarong power stations (synchronous generators) will play a vital role in providing the electricity system with inertia and system strength. In the short to medium term, Stanwell's coal generation units will need to generate at high-capacity factors to ensure reliability and affordability of energy supply.

In the longer-term, Stanwell expects variable renewable energy sources, combined with short, medium and deep storage, will supply the majority of electricity to the National Electricity Market.

Transforming our business for the future

In 2021/22, the Board and Stanwell's senior leaders developed a new corporate strategy which builds on the progress already made and provides the basis to transform.

The strategy provides the blueprint to:

Deliver a balanced portfolio for the future

- We'll do this by developing our pipeline of renewable generation and energy storage projects via a combination of equity and power purchase agreements as well as service and maintenance contracts.
- We'll also continue to operate our Stanwell and Tarong power stations, along with Meandu Mine, for as long as the market requires to help ensure energy security, affordability and system services.

Progress our environmental, social and governance platform

- We'll help the Queensland Government achieve its emission targets.
- Over time, we'll convert our coal-fired sites to become hubs for renewable generation and battery storage. We'll also create future opportunities for our people and advocate for the development of our host regions.
- We'll establish and progress our environmental, social and governance strategy and reporting framework.

Support our customers

- We'll engage with our customers to ensure we understand how their needs are changing and we'll ensure our pipeline of new build renewable energy projects responds to those needs. We'll deliver retail solutions that meet our customers' business and environmental goals.

Lead Australia's renewable hydrogen industry

- We'll work with our consortium partners to progress the front end engineering design for our renewable hydrogen export project.

Further details on Stanwell's strategy and the projects that are integral to our strategy can be found on page 16.

Directors' report

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's 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.

The Health, Safety and Environment Strategy aligns to the broader Stanwell strategy and strategic goals. It seeks to support the people who work at Stanwell as the business transforms to encompass renewable energy generation and storage technologies, while also maintaining the existing coal generation units.

All of Stanwell's leading safety indicators and 70 per cent of its lagging safety indicators were met or exceeded during the 2022 financial year. Stanwell recorded its best result to date for its All Injury Frequency Rate (AIFR) and the Serious Injury and Fatality Frequency Rate (SIFFR). However, Stanwell also recorded an increase in its Total Recordable Injury Frequency Rate (TFIR) and Lost Time Injury Frequency Rate (LTIFR). Significant analysis was undertaken on the injury data and, while no significant trends were identified, the data is being utilised for future hazard awareness sessions. These increases underline the importance of constant improvement when it comes to Stanwell's safety performance.

Environment

During the 2022 financial year, Stanwell's Meandu Mine received approval from the Queensland Department of Environment and Science, certifying that approximately 153 hectares of land at the mine has been rehabilitated. This was the largest native vegetation rehabilitation area approved in a single application in Queensland.

This certified area forms part of a total of nearly 600 hectares which has been progressively rehabilitated at Meandu Mine since 1989.

Plant

During the 2022 financial year, the Group's NEM connected generators - the Tarong and Stanwell power stations - achieved average availability and capacity factors of 92.1 per cent and 68.0 per cent respectively. Combined, they sent out 18,239 GWh of energy and provided the electricity system with critical inertia and system strength services.

Stanwell invested more than $144.2 million in its portfolio of assets to improve efficiency or maintain their performance, ensuring that our assets can respond when required by the market.

As part of this, major overhauls were delivered at the Tarong North Power Station and Stanwell Power Station Unit 3.

Fuel

Coal for *the Tarong Power Station is supplied by the Group's Meandu Mine. Coal for the Stanwell Power Station is* supplied by the Curragh Coal Mine under an agreement with Coronado Curragh Pty Ltd. This agreement also provides Stanwell with a revenue stream based on coking coal exported from the Curragh Mine. During the 2022 financial year, this contributed $110.7 million to the Group's revenue.

The coal stockpile levels at both the Tarong and Stanwell power stations declined due to increased generation across the portfolio to put downward pressure on prices, where possible. In addition, the higher-than-average rainfall, caused by the La Nina wet weather pattern, significantly impacted coal production from both the Curragh and Meandu Mines. Train deliveries from the Curragh Mine were also disrupted.

In response, the Group increased production at the Meandu Mine, increased its base coal nominations from the Curragh Mine and purchased supplemental coal from the spot market. These actions will support higher levels of generation while underpinning the Group's 2023 summer readiness preparations.

Stanwell Energy

Stanwell Energy commenced the implementation phase of a five-year strategy during the 2022 financial year.

Central to this strategy is responding to the energy needs of our customers, establishing our value proposition and developing tailored products based on the requirements of customers.

Achievements include:

- product development initiatives, such as a tiered retail service, prototype electrification service, demand response capability and a specialised long-term product to meet the needs of customers and the changing energy market;
- commencing a review of our analytical information technology requirements to support an improved customer experience and reduce costs; and
- development of an integrated communication and marketing plan to support Stanwell Energy's growth.

Culture and Community

Inclusion and Diversity and Gender Pay Equity

During the 2022 financial year, Stanwell developed a new Inclusion and Diversity Strategy covering the period 2022 to 2025, with reconciliation, age diversity, gender equality and respect being the four focus areas. Applicable metrics have been identified for monitoring and reporting to the Board.

The Group has continued to review its gender pay equity position on a biannual basis. Inequity that cannot be explained by experience, merit, performance or enterprise agreement obligations is identified and addressed.

Respect Framework

An external review of Stanwell's Respect Framework for the prevention and management of discrimination, harassment and bullying was conducted.

Opportunities to enhance and strengthen the Framework are in the process of being implemented.

To prepare for an 'employee experience' review that will be completed in the later part of the 2022 calendar year, Stanwell held workshops to increase employee's understanding of the Respect Framework and the principles of psychological safety. Via the 'Respect at Stanwell' video, senior leaders have demonstrated their commitment to the 'employee experience' review.

Building a pipeline of future talent

Building a pipeline of talent to support Stanwell now and into the future remains a core priority.

During the 2022 financial year, the Group commenced 17 apprentices, trainees, and graduates. Nine of these new starters were female (three graduates, four trainees and two apprentices).

In total, Stanwell has 46 apprentices and trainees (inclusive of two adult apprentices) and 13 graduates across its operating sites and corporate office.

Reconciliation Action Plan

Through the Group's Reconciliation Action Plan, Stanwell seeks to realise its vision for reconciliation and the strengthening of relationships with Traditional Owners and other first nations people.

In May 2022, Reconciliation Australia issued conditional endorsement of the Group's Reconciliation Action Plan and final endorsement of the Plan is currently progressing.

Communities

During the 2022 financial year, Stanwell's social investment programs distributed more than $432,835 in our asset communities on initiatives that support health and wellbeing; arts; community safety; economic resilience and capacity; social connectiveness and education.

Other Matters

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.

Recognising the requirement for affordable, reliable and sustainable energy, the Group is managing the transition to a lower emission future in a safe, orderly and sustainable 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 and the subsequent rehabilitation requirement with the misalignment of these leading to possible stranded assets and revenue loss. It also includes the inability to fund future *renewable* energy projects and storage technologies that support Stanwell's transition to a lower emissions intensity generation portfolio. The risk of unfavourable societal attitude towards coal fired power stations may also lead to reduced support from a variety of stakeholders, including customers, community, suppliers, financiers and insurers.

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 33 to 36 provide additional information on the Group's strategic risks.

Queensland energy class action

On 20 January 2021, law firm Piper Alderman, supported by litigation funder, Litigation Capital Management, commenced a class action in the Federal Court against Stanwell and CS Energy alleging a misuse of market power in relation to electricity trading in the period 1 January 2013 to 6 June 2017.

The National Electricity Market is heavily monitored and scrutinised by a range of independent regulatory agencies, including the Australian Energy Regulator and the Australian Energy Market Commission. Stanwell strongly refutes the allegations made in relation to the Class Action and is defending them through the court system.

Matters subsequent to the end of the financial year

On 1 July 2022, $750,000,000 was drawn down on the State Borrowing Program Facility to repay the working capital overdraft balance and the overdraft limit was reduced to $400,000,000.

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 (Qld)* and the *Mineral Resources Act 1989 (Qld)*.

The Group operates under an Environmental Management System and a Compliance and a 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 (Cth)* (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 twelfth 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 data required, and submits its reports via a third party.

Directors

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

- Paul Binsted;
- Adam Aspinall;
- Jacqueline King;
- Marianna O'Gorman;
- Karen Smith-Pomeroy; and
- The Hon. Wayne Swan.

Paul Binsted
BEc, LLB
Independent Non-executive Chair and Director

Mr Binsted was appointed a 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, mining 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
Non-independent Non-executive Director

Mr Aspinall was appointed a director of Stanwell on 15 November 2016.

Mr Aspinall is a mechanical engineer with more than 40 years' experience in the electricity and energy industries and was 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.

Mr Aspinall was regularly engaged to assist in international mergers and 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 served as the Acting Chief Executive Officer of Stanwell (between 17 May 2021 to 23 November 2021).

He has previously been a non-executive director on the Board of Ergon Energy and Chairman of SPARQ Solutions.

Jacqueline King

LLB (Honours) First Class Honours, MBA, WHS, TDD, GAICD
Independent Non-executive Director

Ms King was appointed a 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 twenty 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 was a Director of Mind Blank, a charity dedicated to raising awareness about mental health and the risk of suicide in schools, workplaces and the community.

Marianna O'Gorman

LLB (Hon), MClimChange, GAICD, GAIST, GDLP
Independent Non-Executive Director

Ms O'Gorman was appointed a director of Stanwell on 1 October 2021 and is a member of the People and Safety committee. Ms O'Gorman brings governance expertise in the areas of Environmental, Social, Governance (ESG), clean energy technology and public policy.

Her career includes time with the Australian Government in Canberra, at the Clean Energy Finance Corporation and at the World Bank in Washington. She has worked on national climate change policy and been involved in many governmental and international climate change negotiations. She has also undertaken research on decarbonisation as a Fellow at the Australian National University's Centre for Climate and Energy Policy.

Ms O'Gorman mentors founders of early-stage clean technology with Energylab. She is a recipient of the AICD Regional Leaders Scholarship, the Ross Garnaut Prize and the Chief Executive Women Sustainability Scholarship. Ms O'Gorman serves on the board of the McKell Institute in Queensland and on the Chief Executive Women Policy and Advocacy Committee in Queensland.

Karen Smith-Pomeroy

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

Ms Smith-Pomeroy was appointed a director of Stanwell on 1 October 2015 and is Chair of the Audit and Risk Management 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 Chair of Regional Investment Corporation and National Affordable Housing Consortium Limited, and a non-executive director of Queensland Treasury Corporation and Kina Securities Limited (ASX:KSL)

In addition, Ms Smith-Pomeroy is Chair of the Audit and Risk Committee of South Bank Corporation and an independent audit committee member of the Queensland Department of State Development, Infrastructure, Local Government and Planning.

Directors' report

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 enjoyed a lengthy career in Australian Federal politics, serving as Treasurer of Australia from 2007 to 2013 and Deputy Prime Minister from 2010 to 2013.

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.

During his parliamentary career, Mr Swan was committed to tackling climate change by supporting innovation in clean and renewable energy and creating economic incentives for businesses to invest in low and zero emissions technology, leading to new economic opportunities for workers, as the economy transitions to a clean energy future.

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).

Mr Swan is currently the Chair of Diatreme Resources (ASX:DRX), Chair of Cbus Super, a Director of Industry Super Australia, Trustee Member of IFM Advisory Shareholder Board, Director of the Australian Institute of Superannuation Trustees, Commissioner on the Independent Commission for the Reform of International Corporate Taxation and President of the Australian Labor Party.

Information on Officers

The following persons were officers of the Group during the 2022 financial year and up to the date of this report:

- Adam Aspinall - Acting Chief Executive Officer to 23 November 2021;
- Richard Jeffery - Acting Executive General Manager Growth & Energy Futures from 17 January 2022;
- Sophie Naughton - Executive General Manager Energy Trading;
- James Oliver - Chief Operating Officer;
- Michael O'Rourke - Chief Financial Officer to 23 November 2021;
- Michael O'Rourke - Chief Executive Officer from 24 November 2021;
- Stephen Quilter - Executive General Manager Growth & Future Energy to 16 January 2022;
- Glenn Smith - Acting Executive General Manager Business Services;
- Darren Wiltshire - Acting Chief Financial Officer from 9 December 2021.

[1] *On 1 December 2021, the Board approved a permanent restructure of the former Energy Trading and Commercial Strategy division into two Divisions – Energy Markets, and Growth & Future Energy. Ms Sophie Naughton was appointed Executive General Manager Energy Trading and Mr Stephen Quilter was appointed Executive General Manager Growth & Future Energy.*

[2] *Mr Stephen Quilter was seconded to the Department of Energy and Public Works' Queensland Energy Plan Team from 16 January 2022.*

Michael O'Rourke
LLB, BCom, GDip AppFin, GDip CSA
Chief Executive Officer

Mr Michael O'Rourke has more than 25 years' experience as a senior leader in the energy industry. He was appointed Chief Executive Officer of Stanwell Corporation in November 2021.

Mr O'Rourke joined Stanwell in 1998 and has held several executive roles in the business, including Chief Financial Officer, where he was responsible for overseeing the financial services, legal, procurement and insurance portfolios. Prior to this, Mr O'Rourke held Executive General Manager roles in the Trading, Strategy and Corporate Services functions, and as General Counsel.

As Chief Executive Officer, Mr O'Rourke leads the Stanwell team to use its existing portfolio to play a key role in maintaining the security and stability of electricity supply, while transitioning to a cleaner energy future.

Having been closely involved in the planning and development of renewable and energy storage assets, Michael has a deep understanding of the energy industry, combined with a strong commercial and safety focus.

Mr O'Rourke holds a Bachelor of Commerce and a Bachelor of Laws from the University of Queensland. He also holds post graduate qualifications in leadership, governance and finance.

Richard Jeffery
ACMA, GCMA, Bachelor of Arts (Economics & French)
Acting Executive General Manager, Growth and Future Energy

Mr Richard Jeffery is an experienced commercial manager and people leader, with significant experience across the energy, resources, and heavy industry sectors.

Having previously held leadership roles within Stanwell's financial, commercial and market modelling teams, Mr Jeffery was appointed to the role of Acting Executive Manager Growth & Future Energy in January 2022.

Under his leadership, the Growth & Future Energy division collaborates with the broader business to develop and execute Stanwell's commercial strategy. This includes a particular focus on portfolio diversification through the execution of decarbonisation projects, energy storage activities and hydrogen development.

Mr Jeffery has a Bachelor of Arts degree in French and Economics from the University of Reading. He is a qualified accountant, holding the Chartered Institute of Management Accountants designation.

Sophie Naughton

BA/LLB, GradDipEd, GAICD
Executive General Manager Energy Markets

From February 2021, Ms Naughton has held the role of Stanwell's Executive General Manager Energy Markets. In this role, Ms Naughton is responsible for Stanwell's trading and market interfaces, Stanwell Energy's retailing to C&I customers, and the regulation strategy, analytics and modelling functions.

In December 2019, Ms Naughton was appointed Executive General Manager Business Services. As Executive General Manager Business Services, Ms Naughton was responsible for Stanwell's business strategy development, community and stakeholder engagement, information and business systems, human resources management and organisational development.

Since joining Stanwell in 2011, Ms Naughton has held management roles across human resources and industrial relations and completed a teaching degree.

Ms Naughton holds a Bachelor of Laws and a Bachelor of Arts from the University of Queensland. Prior to joining Stanwell, she worked as a lawyer, then in human resources leadership roles across a range of industries and in both the public and private sector.

James Oliver

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

Mr Oliver was appointed to the position of Chief Operating Officer in May 2019. He is an experienced senior business manager, with strong project management experience, and a Master of Business Administration, focusing on organisational leadership.

In his role as Chief Operating Officer, he oversees Stanwell's operations and provides leadership and direction for both 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.

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.

Stephen Quilter

BEng (Mech), MBA
Executive General Manager Growth & Future Energy

From January 2021, Mr Quilter has held the role of Executive General Manager Growth & Future Energy. In this role, he is responsible for Stanwell's portfolio diversification through the execution of decarbonisation projects, energy storage activities and hydrogen development.

Prior to this, Mr Quilter was Executive General Manager Energy Trading & Commercial Strategy, a position he has held since July 2016.

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 25 years in the energy industry both in Queensland and New South Wales, Mr Quilter has worked in various roles including senior engineering and management positions, trading of generation in the National Electricity Market and overseeing the development of commercial strategies targeted at diversifying revenue streams and creating value from fuel sources.

From January 2022, Mr Quilter was seconded to the Queensland Department of Energy and Public Works as part of the team developing the Queensland Energy Plan.

Glenn Smith

ADip Business Management
Acting Executive General Manager Business Services

Mr Smith joined Stanwell as General Manager People and Culture in early 2020 and was appointed Acting Executive General Manager Business Services on 10 February 2021.

Directors' report

As Acting Executive General Manager Business Services, Mr Smith is responsible for Stanwell's functions of legal, land and property, corporate affairs and stakeholder engagement, information and business systems, human resources management and organisational development.

Mr Smith is an experienced executive in human resources, employee relations and external affairs. His industry experience is broad, covering both publicly listed and private companies, and the public sector across a range of industries in the resources, contracting, manufacturing, service and utilities sectors.

Darren Wiltshire
BBus (Acc), LLB, CA, GAICD
Acting Chief Financial Officer

Mr Wiltshire joined Stanwell as Financial Controller in 2013 and was appointed Acting Chief Financial Officer in December 2021.

As Acting Chief Financial Officer, Mr Wiltshire leads Stanwell's key corporate functions of finance, tax, treasury and settlements, procurement and supply, quantitative risk and analytics and internal audit.

Mr Wiltshire is an experienced Chartered Accountant and finance executive with over 19 years' experience in the energy and resources industries, covering both publicly listed companies and the public sector. Mr Wiltshire has held numerous leadership roles responsible for corporate, financial, and capital reporting, transactional accounting, payroll and insurance portfolio management.

Karen Buckley
BA, GDip Law, FGIA, FCIS, GAICD
Company Secretary

Ms Buckley was appointed as Company Secretary on 1 July 2011. Ms Buckley has extensive governance experience in both listed companies and Government Owned Corporations environments including regulatory compliance, enterprise risk management and business resilience.

Meetings of Directors

The numbers of meetings of the Company's Board of directors and of each Board committee held during the 2021 financial year, and the numbers of meetings attended by each director were:

	Board		People & Safety Committee		Audit & Risk Committee Management	
	A	B	A	B	A	B
Paul Binsted	9	9	3	3	4	4
Adam Aspinall*	9	9	1	1	2	2
Jacqueline King	9	9	3	3		
Marianna O'Gorman	6	6	1	1		
Karen Smith-Pomeroy	9	9	3	2	4	4
The Hon. Wayne Swan	9	9				

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.

Following the expiration of his term as Acting Stanwell Chief Executive Officer, Adam Aspinall was reappointed a member of the People and Safety Committee and the Audit and Risk Management Committee on 1 December 2021.

In addition to the above, during the 2022 financial year, the Board held a strategy workshop focused on the long-term success of the Group and received a briefing on the key issues contained within the financial statements and 12 briefings on various topics including the opportunities associated with Artificial Intelligence, the hydrogen value chain, carbon budgets and decarbonization, Work Health and Safety legislation, cyber security, and spot and contract trading compliance.

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 2022 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 50.

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.

P.A. Binsted

Paul Binsted
Chairman

Karen Smith-Pomeroy
Director

26 August 2022

Auditor's independence declaration

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 2022, 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.

This declaration is in respect of Stanwell Corporation Limited and the entities it controlled during the period

IAsim

26 August 2022

Irshaad Asim
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Consolidated statement of **profit or loss and other comprehensive income**

For the year ended 30 June 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
Revenue and other income	2	3,914,200	2,698,843
Finance income	2	39,881	36,789
Expenses			
Electricity and energy services expense		(2,813,793)	(1,466,742)
Fuel costs		(331,691)	(327,304)
Raw materials and consumables used		(66,397)	(70,056)
Employee benefits expense		(132,893)	(126,283)
Depreciation and amortisation expense	3	(144,278)	(129,797)
Other expenses		(97,834)	(88,117)
Finance costs	3	(47,079)	(54,041)
Impairment	3	-	(118,716)
Non hedge accounted change in fair value of derivative instruments		(111,994)	181,747
Profit before income tax equivalent expense		**208,122**	**536,323**
Income tax equivalent expense	20	(59,715)	(160,886)
Profit after income tax equivalent expense for the year		**148,407**	**375,437**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefit obligation		9,230	6,659
Income tax equivalent relating to these items	20	(2,769)	(1,998)
Items that may be reclassified to profit or loss			
Net change in fair value of cash flow hedges		(2,888,160)	(624,161)
Income tax equivalent relating to these items	20	866,448	187,248
Other comprehensive income for the year, net of tax		(2,015,251)	(432,252)
Total comprehensive income for the year		**(1,866,844)**	**(56,815)**

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

Consolidated **balance sheet**

As at 30 June 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
Assets			
Current assets			
Cash and cash equivalents	4	60,164	114,346
Current receivables	5	566,286	650,972
Inventories	6	121,803	117,343
Other current assets	7	1,307,063	126,489
Derivative financial instruments	12	6,258,668	413,451
Total current assets		**8,313,984**	**1,422,601**
Non-current assets			
Non-current receivables	8	330,244	285,264
Derivative financial instruments	12	2,378,912	219,620
Property, plant and equipment	9	1,549,153	1,523,038
Intangibles	10	32,516	18,591
Exploration and evaluation		6,388	6,513
Deferred tax equivalent assets	20	980,965	67,906
Retirement benefit surplus	11	19,116	11,512
Other non-current assets		290	233
Total non-current assets		**5,297,584**	**2,132,677**
Total assets		**13,611,568**	**3,555,278**
Liabilities			
Current liabilities			
Trade and other payables	13	551,608	305,894
Current borrowings	16	762,073	31,978
Derivative financial instruments	12	8,519,139	560,305
Current tax liabilities	20	4,966	4,195
Current provisions	14	75,931	199,419
Other current liabilities		6,331	2,018
Total current liabilities		**9,920,048**	**1,103,809**
Non-current liabilities			
Non-current borrowings	17	767,584	797,258
Derivative financial instruments	12	3,443,172	306,429
Non-current provisions	15	384,887	385,405
Total non-current liabilities		**4,595,643**	**1,489,092**
Total liabilities		**14,515,691**	**2,592,901**
Net assets/(liabilities)		**(904,123)**	**962,377**
Equity			
Contributed equity	18	977,619	977,619
Transactions with owners		(13,084)	(13,084)
Cash flow hedge reserve	12	(2,202,383)	(181,021)
Retained earnings		333,725	178,863
Total equity/(deficiency)		**(904,123)**	**962,377**

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

Consolidated statement of **changes in equity**

For the year ended 30 June 2022

Consolidated	Issued Capital $'000	Transactions with owners $'000	Cash flow hedge reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2020	**977,260**	**(4,707)**	**255,484**	**(93,435)**	**1,134,602**
Profit after income tax equivalent expense for the year	-	-	-	375,437	375,437
Other comprehensive income for the year, net of tax	-	-	(436,913)	4,661	(432,252)
Total comprehensive income for the year	-	-	(436,913)	380,098	(56,815)
Transfer of cash flow hedge reserve to property, plant and equipment, net of tax	-	-	408	-	408
Transactions with owners in their capacity as owners:					
Net transfers of assets and liabilities with other government entities	359	(8,377)	-	-	(8,018)
Dividends payable (note 19)	-	-	-	(107,800)	(107,800)
Balance at 30 June 2021	**977,619**	**(13,084)**	**(181,021)**	**178,863**	**962,377**

Consolidated	Issued Capital $'000	Transactions with owners $'000	Cash flow hedge reserve $'000	Retained profits $'000	Total deficiency in equity $'000
Balance at 1 July 2021	**977,619**	**(13,084)**	**(181,021)**	**178,863**	**962,377**
Profit after income tax equivalent expense for the year	-	-	-	148,407	148,407
Other comprehensive income for the year, net of tax	-	-	(2,021,712)	6,461	(2,015,251)
Total comprehensive income for the year	-	-	(2,021,712)	154,868	(1,866,844)
Transfer of cash flow hedge reserve to property, plant and equipment, net of tax	-	-	350	(6)	344
Balance at 30 June 2022	**977,619**	**(13,084)**	**(2,202,383)**	**333,725**	**(904,123)**

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

Consolidated statement of **cash flows**

For the year ended 30 June 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		5,225,729	3,008,331
Payments to suppliers and employees (inclusive of GST)		(4,694,424)	(2,396,217)
Payments of collateral		(1,164,233)	(41,771)
Interest received		1,053	2,428
Interest paid		(38,513)	(47,338)
Income tax equivalents paid		(108,474)	(91,987)
Net cash (outflow)/inflow from operating activities	26	**(778,862)**	**433,446**
Cash flows from investing activities			
Cash transfers from/(to) advances facility		310,076	54,242
Payments for property, plant and equipment		(115,200)	(246,499)
Mica Creek surrender payment	15	(32,500)	-
Payments for intangibles		(28,430)	(4,828)
Proceeds from sale of property, plant and equipment		1,468	183
Net cash from/(used in) investing activities		**135,414**	**(196,902)**
Cash flows from financing activities			
Repayment of borrowings		(30,163)	(204)
Proceeds of borrowings		730,493	-
Dividends paid	19	(107,800)	(231,018)
Payment of lease liabilities		(3,264)	(3,347)
Net cash from/(used in) financing activities		**589,266**	**(234,569)**
Net increase/(decrease) in cash and cash equivalents		(54,182)	1,975
Cash and cash equivalents at the beginning of the financial year		**114,346**	**112,371**
Cash and cash equivalents at the end of the financial year	4	**60,164**	**114,346**

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

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.

Basis of preparation

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* (GOC Act).

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 settlement of liabilities in the ordinary course of business. The financial statements as at 30 June 2022 reflect a net liability position for the Group of $904,121,356 (2021: $962,371,534 net asset position) and $1,685,629,928 (2021: $512,889,269 net asset position) for the Parent.

Cash and Cash Equivalents have decreased by $54,182,441 since 30 June 2021 and *Current Borrowings* have increased by $730,094,908, primarily due to Stanwell drawing down on its working capital overdraft facility. The reduction in cash available is primarily due to significant cash collateral payments in respect of Stanwell's electricity futures positions on the ASX.

Equity has decreased by $1,866,492,890 since 30 June 2021 and became negative in April 2022. This significant movement relates to hedge reserve balances associated with the electricity derivatives held by Stanwell.

Between 22 March 2022 and 30 May 2022, QTC approved a number of temporary increases to Stanwell's working capital facility from $120,000,000 to $1,200,000,000 to accommodate increased intra-month cashflow volatility due to the evolution of Stanwell's business activities and the electricity market.

The Directors in their consideration of the appropriateness of the preparation of the financial statements on a going concern basis, have approved cash flow forecasts and revenue projections for a period of not less than seventeen months from the date of this report. These cash flow projections show that Stanwell Corporation Limited is able to meet its repayments as and when they fall due, and includes the repayment of the $750,000,000 short-term variable rate loan facility drawn down on 1 July 2022 to replenish the overdraft facility. Stanwell is forecast to remain cash-flow positive as at 30 November 2023.

Unsecured borrowings are provided by QTC and comprise a $728,069,332 working capital overdraft used as at 30 June 2022 (against a $1,200,000,000 approved limit) and $32,493,148 of long term debt (principal due in the next 12 months). Additional information about the long term debt facility is included in note 17 Non-current borrowings.

In June 2022, the Company received State Borrowing Program approval for a new $800,000,000 variable rate loan facility with QTC with a three year term. On 1 July 2022, $750,000,000 was drawn down on this facility to repay the working capital overdraft balance and the overdraft limit was reduced to $400,000,000. The working capital facility has now been converted into a facility with a permanent $400,000,000 limit.

1. Significant accounting policies (continued)

To assist Stanwell managing its going concern assumption, on 24 June 2022, QTC provided Stanwell with a limited waiver letter in respect of both performance ratios (Adjusted EBITDA Debt Service Coverage Ratio of greater than or equal to 1.5 times and Total Debt not exceeding 45 per cent of Total Capital). This waiver will remain in place until 1 October 2023 unless otherwise agreed to in writing between the parties.

The ability of Stanwell Corporation Limited and the Group to continue as a going concern is dependent upon continued access to debt facilities with QTC.

On the basis of the information available, the Directors consider that there are reasonable grounds to believe that Stanwell Corporation Limited and the Group will be able to pay their debts as and when they fall due.

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 25.

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 2022 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% (2021: 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, Goondi Energy 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

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 equivalent assets and deferred tax equivalent liabilities 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.

Presentation of comparative amounts

Comparative information has been reclassified on the face of the Balance Sheet and between Note 13, Trade and other payables and Note 14, Current provisions, to separately disclose employee entitlements.

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 and other income

	Consolidated	
	2022	**2021**
	$'000	**$'000**
Revenue from contracts with customers		
Sale of electricity - wholesale	3,089,752	1,167,946
Sale of electricity - retail	1,290,879	940,168
Energy services revenue	552,159	538,733
Coal on-sale	7,072	460
	4,939,862	**2,647,307**
Other revenue		
Hedging (loss)/gain	(1,255,044)	(116,857)
Coal revenue sharing arrangements	110,660	108,708
Ancillary services revenue	103,920	39,690
Environmental certificate revenue	4	299
Grant income	2,168	-
Services revenue	2,397	6,464
Other revenue	10,233	13,232
	(1,025,662)	**51,536**
Revenue and other income	**3,914,200**	**2,698,843**
Finance income		
Interest Income	1,053	2,428
Unwinding of discount on financial asset	38,828	34,361
Finance income	**39,881**	**36,789**

2. Revenue and other 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 (NEM) 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 a 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.
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 and other 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

	Consolidated	
	2022 $'000	2021 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Leased Assets- Right-of-use assets	(1,519)	(1,951)
Land and buildings	(2,247)	(2,372)
Generation assets	(107,022)	(98,631)
Operational mining assets	(17,710)	(16,300)
Other plant and equipment	(5,804)	(4,289)
Total depreciation	**(134,302)**	**(123,543)**
Amortisation		
Software	(9,580)	(5,823)
Exploration and evaluation	(125)	(125)
Mining Information	(271)	(306)
Total amortisation	**(9,976)**	**(6,254)**
Total depreciation and amortisation	**(144,278)**	**(129,797)**
Impairment		
Land and buildings	-	(9,525)
Other plant and equipment	-	(344)
Right-of-use assets	-	(45)
Capital work in progress	-	(16,003)
Operational mining assets	-	(38,573)
Software (refer to note 10)	-	(572)
Generation assets	-	(53,654)
Total impairment	**-**	**(118,716)**
Finance costs		
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	(39,636)	(47,867)
Unwinding of the discount on provisions	(7,443)	(6,174)
Finance costs expensed	**(47,079)**	**(54,041)**
Amounts included in other expenses		
Services and consultants	(58,374)	(51,452)

3. Expenses (continued)

Amounts included in employee benefits expense		
Defined contribution superannuation expense	(11,250)	(10,116)
Defined benefit plan expense	(1,626)	(1,900)

During the financial year $451,000 (2020: $445,000) was paid/payable to the Queensland Audit Office, for the audit of the financial statements and Australian Financial Services Licence (AFSL).

4. Cash and cash equivalents

	Consolidated	
	2022 $'000	2021 $'000
Cash at bank and in hand	60,164	114,346

Cash at bank is bearing an interest rate of 0.1% (2021: 0.2%). 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 2022 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	
	2022 $'000	2021 $'000
Trade receivables:		
Retail customers	293,818	210,963
Other trade receivables	264,720	128,528
Advances facility	829	310,906
Other receivables	7,187	917
Less: Allowance for expected credit losses	(268)	(342)
	566,286	**650,972**

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 0.29% to 0.90% during the year ended 30 June 2022 (2021: 0.51% to 1.03%). 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 2022, $348,184 of the Group's financial assets were past due but not impaired (2021: $2,050,729).

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 2022 and an allowance for expected credit losses of $267,585 has been recognised (2021: $342,021).

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	
	2022	**2021**
	$'000	**$'000**
AA+ to AA-	8,278	320,063
A+ to A-	3,111	4,552
BBB+ to BBB-	169,786	123,706
Other and non-rated	166,737	91,756
AEMO	218,642	111,237
	566,554	**651,314**

6. Inventories

	Consolidated	
	2022	**2021**
	$'000	**$'000**
Stores - at cost	61,891	58,855
Less: Provision for obsolescence	(16,633)	(18,711)
	45,258	**40,144**
Fuel	45,821	31,587
Environmental certificates at fair market value	30,724	45,612
	121,803	**117,343**

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.

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	
	2022 $'000	**2021 $'000**
Prepayments	21,447	4,894
Cash collateral	1,285,828	121,595
Less: Allowance for expected credit losses	(212)	-
	1,307,063	**126,489**

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. The margin requirement comprises an initial margin which is designed to reduce systemic risk and ensure that market/counterparty obligations are met even if a clearing participant was to default, and a variation margin which is equal to the fair value of the Company's exchange-traded derivative positions, refer Note 12 Derivative financial instruments. As a result of higher forward electricity prices, the amount of collateral posted increased significantly over the year. The existing positions will unwind over the next three years, while new positions will be taken in the ordinary course of business.

An impairment assessment was performed at 30 June 2022 and an allowance for expected credit losses of $212,162 has been recognised (2021: nil).

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.

8. Non-current receivables (continued)

	Consolidated 2022 $'000	Consolidated 2021 $'000
Receivables	337,505	298,677
Less: Allowance for expected credit losses	(7,261)	(13,413)
	330,244	**285,264**

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 2022 $'000	Consolidated 2021 $'000
Land and Buildings - cost	183,325	185,876
Less: Accumulated depreciation and impairment	(96,567)	(97,822)
	86,758	**88,054**
Generation assets - cost	3,670,375	3,933,806
Less: Accumulated depreciation and impairment	(2,732,155)	(2,998,365)
	938,220	**935,441**
Operational mining assets - cost	2,259,668	2,027,052
Less: Accumulated depreciation	(1,881,686)	(1,726,884)
	377,982	**300,168**
Other plant & equipment - cost	102,503	95,060
Less: Accumulated depreciation and impairment	(82,777)	(81,737)
	19,726	**13,323**
Capital work in progress - cost	119,484	179,767
Right-of-use assets	12,960	13,704
Less: Accumulated depreciation and impairment	(5,977)	(7,419)
	6,983	**6,285**
	1,549,153	**1,523,038**

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	Capital work in progress $'000	Right-of-use assets $'000	Total $'000
Balance at 1 July 2020	**100,051**	**997,575**	**340,405**	**12,850**	**80,653**	**7,433**	**1,538,967**
Additions	-	-	46,226	-	248,932	848	296,006
Disposals	(183)	-	-	(4)	-	-	(187)
Project write-off	-	-	-	-	(1,397)	-	(1,397)
Transfer to CleanCo	-	-	-	-	(221)	-	(221)
Rehabilitation Asset Adjustment	-	(33,332)	(36,748)	-	-	-	(70,080)
Impairment of assets	(9,525)	(53,654)	(38,573)	(344)	(16,003)	(45)	(118,144)
Reclass FY20 WIP impairment on FY21 capitalisations	(31)	(12,298)	(1,619)	(1,175)	16,760	-	1,637
Transfers between classes	114	135,781	6,777	6,285	(148,957)	-	-
Depreciation expense	(2,372)	(98,631)	(16,300)	(4,289)	-	(1,951)	(123,543)
Balance at 30 June 2021	**88,054**	**935,441**	**300,168**	**13,323**	**179,767**	**6,285**	**1,523,038**
Additions	-	-	18,737	-	115,200	2,468	136,405
Disposals	(98)	(356)	(263)	(18)	-	(251)	(986)
Project write-off	-	-	-	-	(3,970)	-	(3,970)
Rehabilitation Asset Adjustment	-	(4,587)	31,190	-	-	-	26,603
Reclass WIP impairment	(441)	(12,358)	(7,583)	(1,257)	24,004	-	2,365
Transfers between classes	1,490	127,102	53,443	13,482	(195,517)	-	-
Depreciation expense	(2,247)	(107,022)	(17,710)	(5,804)	-	(1,519)	(134,302)
Balance at 30 June 2022	**86,758**	**938,220**	**377,982**	**19,726**	**119,484**	**6,983**	**1,549,153**

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 Derivative financial instruments.

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.

9. Property, plant and equipment (continued)

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.

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, environmental and climate risk 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.

9. Property, plant and equipment (continued)

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

Year ended 30 June 2022

In 2022, an impairment assessment was conducted on multiple sensitivities. Management's selected scenario represents a base case that is consistent with Stanwell's market expectations and reflects recent changes to market conditions, specifically higher generation, increased spot prices, fuel supply and retirement of assets.

In determining the CGU's recoverable amount at 30 June 2022, Stanwell used the value in use method based on the traditional cash flow approach. Under this approach, cash flow projections determined that the recoverable amount for the cash generating units was greater than its carrying amount.

No reversal of prior year impairments have been recognised as the directors consider that given the volatile and uncertain outlook for conditions in the energy sector, there is not yet sufficient evidence to support there has been a sustainable improvement in each CGU's performance.

Year ended 30 June 2021

In 2021, the impairment loss of $118.7 million (before tax) represented the write-down to the recoverable amount for the Tarong Precinct (comprising of the Tarong Power Station, Tarong North Power Station and the Meandu Mine) Cash Generating Unit (CGU).

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

The impairment charge in 2021 represents the impact of a reduction in discounted cash flows from electricity generation due to a subdued outlook at the time for forecast electricity prices. The recoverable amount of the Tarong Precinct at 30 June 2021 was $1.144 billion.

In determining the CGU's recoverable amount at 30 June 2021, Stanwell used the value in use method based on the traditional cash flow approach. Under this approach, cash flow projections have been performed on a single, base case scenario which incorporated a subdued price outlook until 2030. It includes the impact of investment in significant new build renewable energy.

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 dispatch of electricity and spot price outcomes. The scenario under which the cash flows were modelled take into account the closure of coal fired plants and 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.	An increase in 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.	An increase in 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 projected volume of generation of the operating plant, under certain scenarios, increases the value in use. A bringing forward of the expected closure dates may decrease the value in use.
Weighted Average Cost of Capital (WACC) discount rate	A nominal post-tax WACC of 6.5% (2021: 6.5%) 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 9.3% (2021: 9.3%).	The higher the nominal WACC, the lower the value in use.

9. Property, plant and equipment (continued)

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.

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 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.

Given the nature of the Group's operations, it is exposed to climate related risks and these are considered in determining the recoverable amounts of the CGUs.

Sources for the key estimates and assumptions in the impairment testing 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 coal and 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 required over the CGU's remaining life.
- 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.
- Selection of assumptions used to model the projected cash flows using the traditional approach to develop the base case 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.

10. Intangibles

	Consolidated 2022 $'000	Consolidated 2021 $'000
Mining Information - at cost	83,569	83,569
Less: Accumulated amortisation and impairment	(79,400)	(78,559)
	4,169	**5,010**
Software - at cost	153,905	131,209
Less: Accumulated amortisation and impairment	(125,558)	(117,628)
	28,347	**13,581**
	32,516	**18,591**

Reconciliations

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

Consolidated	Mining information $'000	Software $'000	Total $'000
Balance at 1 July 2020	5,316	16,361	21,677
Additions	-	4,828	4,828
Impairment booked from FY20 WIP	-	(1,213)	(1,213)
Impairment of FY21 assets	-	(572)	(572)
Amortisation expense	(306)	(5,823)	(6,129)
Balance at 30 June 2021	**5,010**	**13,581**	**18,591**
Additions	-	28,351	28,351
Disposals	-	(2,211)	(2,211)
Impairment on assets capitalised from FY21 WIP and reallocation	(570)	(1,794)	(2,364)
Amortisation expense	(271)	(9,580)	(9,851)
Balance at 30 June 2022	**4,169**	**28,347**	**32,516**

10. Intangibles (continued)

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.

In addition, Stanwell has various software-as-a-service cloud computing arrangements in place. The Group does not have possession of the underlying software, rather, the Group has non-exclusive access and use of the software, over the contract period.

The accounting treatment of costs incurred in relation to these arrangements is to recognise contract fees for use of the application and customisation costs as an operating expense over the term of the service contract. Configuration costs, data conversion and migration costs, testing costs and training costs are recognised as an operating expense as the service is received.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets. Judgement has been applied in determining whether the changes to the owned software meets the definition of and recognition criteria for an intangible asset in accordance with AASB 138 *Intangible Assets*.

Stanwell has assessed that no change is required in its accounting policy following implementation of the International Financial Reporting Standards Interpretations Committee (IFRIC) cloud computing final agenda decisions in its 30 June 2022 financial statements.

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.

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 Property, plant and equipment.

11. Retirement benefit surplus

	Consolidated	
	2022 $'000	2021 $'000
Present value of the defined benefit obligation	(48,666)	(58,866)
Fair value of defined benefit plan assets	67,782	70,378
Net asset in the balance sheet	**19,116**	**11,512**

11. Retirement benefit surplus (continued)

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, LGIAsuper (the 'Fund'), previously known as Energy Super, 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.

The Fund is managed by a trustee company, LGIAsuper Trustee (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 during the year ended 30 June 2020 on the Fund Position 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 (2021: 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.

The Fund 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 2022 $'000	Consolidated 2021 $'000
Current assets		
Electricity contracts - cash flow hedges	1,247,451	47,309
Electricity contracts - held for trading	4,956,369	343,173
Foreign currency contracts - cash flow hedges	4	35
Environmental contracts - held for trading	43,211	21,927
Oil contracts - held for trading	11,633	1,007
	6,258,668	**413,451**
Non-current assets		
Electricity contracts - cash flow hedges	370,252	43,724
Electricity contracts - held for trading	1,780,524	166,829
Environmental contracts - held for trading	226,978	8,663
Oil contracts - held for trading	1,158	404
	2,378,912	**219,620**
Current liabilities		
Electricity contracts - cash flow hedges	(3,609,019)	(248,592)
Electricity contracts - held for trading	(4,893,411)	(286,636)
Foreign currency contracts - cash flow hedges	(334)	(164)
Environmental contracts - held for trading	(16,326)	(24,913)
Oil contracts - held for trading	(49)	-
	(8,519,139)	**(560,305)**
Non-current liabilities		
Electricity contracts - cash flow hedges	(1,248,708)	(100,251)
Electricity contracts - held for trading	(2,163,533)	(193,256)
Foreign currency contracts - cash flow hedges	(23)	(49)
Environmental contracts - held for trading	(29,277)	(12,873)
Oil contracts - held for trading	(1,631)	-
	(3,443,172)	**(306,429)**
Net derivative financial instrument assets/(liabilities)	**(3,324,731)**	**(233,663)**

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.

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.

12. Derivative financial instruments (continued)

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 revenue, 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.

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

12. Derivative financial instruments (continued)

2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurement				
Assets				
Current derivative financial instrument assets	5,949,047	272,350	37,271	6,258,668
Non-current derivative financial instrument assets	1,942,943	171,492	264,477	2,378,912
Total assets	**7,891,990**	**443,842**	**301,748**	**8,637,580**
Liabilities				
Current derivative financial instrument liabilities	(6,222,942)	(1,976,513)	(319,684)	(8,519,139)
Non-current derivative financial instrument liabilities	(2,949,347)	(447,386)	(46,439)	(3,443,172)
Total liabilities	**(9,172,289)**	**(2,423,899)**	**(366,123)**	**(11,962,311)**
Net derivative financial instrument assets/(liabilities)	**(1,280,299)**	**(1,980,057)**	**(64,375)**	**(3,324,731)**

2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurement				
Assets				
Current derivative financial instrument assets	378,550	34,475	426	413,451
Non-current derivative financial instrument assets	183,675	22,722	13,223	219,620
Total assets	**562,225**	**57,197**	**13,649**	**633,071**
Liabilities				
Current derivative financial instrument liabilities	(422,411)	(118,407)	(19,487)	(560,305)
Non-current derivative financial instrument liabilities	(260,608)	(31,692)	(14,129)	(306,429)
Total liabilities	**(683,019)**	**(150,099)**	**(33,616)**	**(866,734)**
Net derivative financial instrument assets/(liabilities)	**(120,794)**	**(92,902)**	**(19,967)**	**(233,663)**

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 2 were into level 3 as a result of the increased significance of entity-specific estimates. 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 financial instruments for the years ended 30 June 2021 and 30 June 2022.

Level 3 Net assets/(liabilities)	2022 $'000	2021 $'000
Balance at the beginning of the year	**(19,967)**	**43,841**
Gains/(losses) recognised in profit or loss	222,602	(36,130)
Gains/(losses) recognised in other comprehensive income	(101,582)	(48,949)
Losses recognised in equity	-	(11,967)
Purchases	-	315
Sales	-	(2,426)
Settlements	73,807	21,857
Transfers out of level 2 into level 3	(237,070)	-
Transfers out of level 3 into level 2	(2,165)	13,492
Balance at the end of the year	**(64,375)**	**(19,967)**
Total unrealised gains/(losses) for the year included in profit or loss that relate to level 3 derivative financial instruments held at the end of the year	**260,867**	**(17,328)**

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 a number of IES long-term forward curve scenarios, which are weighted by the strike prices of existing long-terms deals in the portfolio 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 and independently sourced modelled scenarios to interpolate over-the-counter forward prices to a greater level of granularity.
- Market prices for long term power purchase agreements are determined using the “adjusted market comparison technique” and the “forward curve decomposition methodology”. The expected generation profile of each project is determined using site specific data.
- Where power purchase agreements have an LGC component, the market price of LGCs is determined by a process of linear interpolation from the last observable market price to a value of zero at the end of the LGC scheme, unless an observable price is present. The expected quantity of generated LGCs is determined using site specific data.

The significant inputs used in these valuation techniques are:

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

Floor valuations utilise implied option volatilities which are inferred from other traded instruments. Increasing or decreasing the volatilities by 30%, results in a change to profit before tax of between $1,171,517 (2021: $4,923,179) (decrease) to $738,424 (2021: $4,945,899) (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.

12. Derivative financial instruments (continued)

2022	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	8,637,580	(8,176,822)	(6,126)	454,632
Cash collateral	1,285,616	-	(1,280,299)	5,317
Total	**9,923,196**	**(8,176,822)**	**(1,286,425)**	**459,949**
Financial liabilities				
Derivative financial instrument liabilities	(11,962,311)	8,176,822	1,280,299	(2,505,190)
Other current liabilities	(6,331)	-	6,126	(205)
Total	**(11,968,642)**	**8,176,822**	**1,286,425**	**(2,505,395)**

2021	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	633,071	(601,736)	(1,506)	29,829
Cash collateral	121,595	-	(120,794)	801
Total	**754,666**	**(601,736)**	**(122,300)**	**30,630**
Financial liabilities				
Derivative financial instrument liabilities	(866,734)	601,736	120,794	(144,204)
Other current liabilities	(2,018)	-	1,506	(512)
Total	**(868,752)**	**601,736**	**122,300**	**(144,716)**

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 analysis 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 and Commercial division under policies approved by the Board. The Energy Markets 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.

12. Derivative financial instruments (continued)

Electricity contracts

The Group is exposed to electricity price movements in the NEM. To manage this 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.

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.

Sensitivity analysis

The following table summarises the sensitivity of the Group's derivative financial instruments to electricity and environmental 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 50% (2021: 30%) or environmental certificate forward prices of 20% 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 - 2022	50%	764,450	(2,738,052)	(50%)	(796,345)	2,737,672
Electricity price - 2021	30%	272,786	(375,645)	(30%)	(281,662)	372,285
Environmental price - 2022	20%	60,852	-	(20%)	(60,816)	-

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.

12. Derivative financial instruments (continued)

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

	Consolidated	
	2022 $'000	2021 $'000
AA+ to AA-	68,078	3,339
A+ to A-	7,950,788	571,663
BBB+ to BBB-	65,419	12,471
Other and non-rated	553,295	45,598
	8,637,580	**633,071**

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 derivatives. 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 - 2022	8,547,334	3,470,397	12,017,731
Derivative financial instrument liabilities - 2021	560,339	306,568	866,907

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 as part of the economic hedging strategies in accordance with the Trading Risk Management Policy.

The cash flows of the hedged electricity sales and purchases are expected to occur over the next 5 years (2021: 6 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.

12. Derivative financial instruments (continued)

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.

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

As at 30 June 2022	Highly probable forecast electricity sales $'000	Highly probable forecast electricity purchases $'000	Total $'000
Current assets	-	1,247,451	1,247,451
Non-current assets	38,472	331,780	370,252
Current liabilities	(3,608,953)	(66)	(3,609,019)
Non-current liabilities	(1,248,676)	(32)	(1,248,708)
Nominal amount of electricity swap hedging instruments	**43,367,139 MWh**	**10,053,567 MWh**	
The fixed cash flows are for prices per MWh of:	**$31 to $235**	**$30 to $334**	

As at 30 June 2021	Highly probable forecast electricity sales $'000	Highly probable forecast electricity purchases $'000	Total $'000
Current assets	3,897	43,412	47,309
Non-current assets	14,293	29,431	43,724
Current liabilities	(244,903)	(3,689)	(248,592)
Non-current liabilities	(98,284)	(1,967)	(100,251)
Nominal amount of electricity swap hedging instruments	**26,602,314 MWh**	**7,963,776 MWh**	
The fixed cash flows are for prices per MWh of:	**$31 to $85**	**$32 to $89**	

12. Derivative financial instruments (continued)

The effect of the cash flow hedge in the statement of profit and 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 2022					
Highly probable forecast electricity sales	(6,030,789)	(138,473)	(6,169,262)	5,632,478	(1,781,204)
Highly probable forecast electricity purchases	1,888,230	41,746	1,929,976	(1,889,631)	526,160
	(4,142,559)	**(96,727)**	**(4,239,286)**	**3,742,847**	**(1,255,044)**
Year ended 30 June 2021					
Highly probable forecast electricity sales	(863,457)	(6,216)	(869,673)	866,228	(98,007)
Highly probable forecast electricity purchases	123,092	2,481	125,573	(125,900)	(18,850)
	(740,365)	**(3,735)**	**(744,100)**	**740,328**	**(116,857)**

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

	2022 $'000	2021 $'000
Cash flow hedge reserve movements		
Balance at the beginning of the year	**(181,021)**	**255,484**
Effective portion of changes in fair value of cash flow hedges of electricity swaps	(4,142,559)	(740,365)
Effective portion of changes in fair value of cash flow hedges of currency forwards	(645)	(653)
Net change in fair value of cash flow hedges of electricity swaps transferred to other revenue	1,255,044	116,857
Net change in fair value of cash flow hedges of currency forwards transferred to property, plant and equipment	500	583
Income tax equivalent relating to these items	866,298	187,073
Balance at the end of the year	**(2,202,383)**	**(181,021)**
Represented by:		
Balances for continuing hedges		
Highly probable forecast electricity sales	(3,199,265)	(241,631)
Highly probable forecast electricity purchases	996,537	46,872
Highly probable forecast foreign currency purchases	(247)	(125)
Balances remaining for which hedge accounting is no longer applied		
Highly probable forecast electricity sales	(2,975)	14,104
Highly probable forecast electricity purchases	3,613	(174)
Highly probable forecast foreign currency purchases	(46)	(67)
	(2,202,383)	**(181,021)**

13. Trade and other payables

	Consolidated 2022 $'000	Consolidated 2021 $'000
Trade payables	383,462	168,102
Accrued expenses	168,146	137,792
	551,608	**305,894**

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 2022 $'000	Consolidated 2021 $'000
Employee benefits	49,534	52,578
Dividends	-	107,800
Restoration, rehabilitation and decommissioning	9,145	12,589
Other	16,675	24,675
Restructuring costs	577	1,777
	75,931	**199,419**

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 2022 $'000	Consolidated 2021 $'000
Employee benefits obligation expected to be settled after 12 months	17,940	18,364

14. Current provisions (continued)

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	
	2022 $'000	**2021 $'000**
Employee benefits - long service leave	992	970
Restoration, rehabilitation and decommissioning	367,915	366,560
Other provisions	15,980	17,875
	384,887	**385,405**

	Total Restoration
Consolidated - 2022	**$'000**
Carrying amount at the start of the year	**379,149**
Payments	(3,501)
Movement in estimates	26,959
Unwinding of discount	7,443
Unused provision	(404)
Derecognised rehabilitation provision of Mica Creek Power Station	(32,586)
Carrying amount at the end of the year	**377,060**

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.

15. Non-current provisions (continued)

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.

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.

Surrender liability- Mica Creek

On 21 February 2022, the surrender of the Mica Creek Power Station sublease to Mount Isa Mines (Glencore) was executed by Stanwell and Glencore signing the Sublease Surrender Deed. The conditions precedent to that agreement were satisfied and completed on 27 June 2022.

Stanwell paid Glencore a sublease surrender fee and Glencore has agreed to assume all obligations at completion. The provision for Mica Creek Power Station has been derecognised due to the sublease surrender.

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 2022, the Group reassessed its estimate of the pre-tax discount rate from a range of 0.10% to 2.35% to a range of 2.95% to 3.05% resulting in a decrease to the provision of $50,898,923

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	
	2022 $'000	2021 $'000
Unsecured borrowings	760,562	30,069
Lease liability	1,511	1,909
	762,073	**31,978**

Unsecured borrowings are provided by QTC and comprise a $728,069,332 working capital overdraft used at the end of the period (against a $1,200,000,000 approved limit) and $32,493,148 of long term debt (principal due in the next 12 months). Additional information about the long term debt facility is included in note 17 Non-current borrowings.

In June 2022, the Company received State Borrowing Program approval for a new $800,000,000 variable rate loan facility with QTC with a three year term. On 1 July 2022, $750,000,000 was drawn down on this facility to repay the working capital overdraft balance and the overdraft limit was reduced to $400,000,000.

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.

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.

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.

16. Current borrowings (continued)

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 2022, potential future cash outflows of $12,203,359 (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	
	2022 $'000	2021 $'000
Unsecured borrowings	760,981	791,144
Lease liability	6,603	6,114
	767,584	**797,258**

Unsecured borrowings

Unsecured long-term borrowings of $793,474,381 are provided by QTC and include $32,493,148 of current borrowings, refer note 16 Current borrowings and $760,981,233 of non-current borrowings. The loan principal is to be repaid over the loan agreement period to 2037 ($400,692,083 principal) and 2042 ($392,782,298 principal).

Lease liabilities

Refer to note 16 Current borrowings for further information on lease liabilities.

Fair value

The fair value of unsecured borrowings for the Group at 30 June 2022 was $760,117,663 (2021: $942,892,017) compared to a carrying amount of $793,474,381 (2021: $821,213,804). Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. This is classified as level 2 in the fair value movements hierarchy.

17. Non-current borrowings (continued)

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.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

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 of 100 basis points (2021: range between 10 and 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		
	%	Effect on profit before tax $'000	Effect on equity $'000	%	Effect on profit before tax $'000	Effect on equity $'000
2022						
Cash and cash equivalents	1.00%	602	-	(1.00%)	(602)	-
Advances facility	1.00%	8	-	(1.00%)	(8)	-
Borrowings	1.00%	(144)	-	(1.00%)	180	-
		466	-		**(430)**	-

	Basis points increase			Basis points decrease		
	%	Effect on profit before tax $'000	Effect on equity $'000	%	Effect on profit before tax $'000	Effect on equity
2021						
Cash and cash equivalents	0.10%	114	-	(0.10%)	(114)	-
Advances facility	0.10%	311	-	(0.10%)	(311)	-
Borrowings	1.00%	(157)	-	(1.00%)	194	-
		268	-		**(231)**	-

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. Ongoing credit criteria and reporting requirements must be met and the facility is assessed by QTC annually.

Capital management

The Group sources all long-term borrowings from QTC and QTC manages debt financing, including new debt raising and the re-financing of existing borrowings, on behalf of the Group in accordance with agreed benchmarks.

The Group monitors capital on the basis of agreed financial covenants (EBITDA Debt Service Coverage Ratio and Total Debt to Total Capital Ratio). QTC has provided Stanwell with a limited waiver in respect of these ratios until 1 October 2023.

Financing arrangements

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

	2022 $'000	2021 $'000
Expiring within one year (bank overdraft and working capital facility)	1,202,000	122,000

The overdraft facility is with the Australia and New Zealand Banking Group Ltd and has an approved limit of $2,000,000 (2021: $2,000,000). The working capital facility is with QTC and has an approved limit of $1,200,000,000 (2021: $120,000,000). This limit will revert to $400,000,000 on 1 July 2022.

As at 30 June 2022, the Group had drawn down $728,069,332 against the working capital facility (2021: $Nil). Additional information about this facility is included in note 16 Current borrowings.

17. Non-current borrowings (continued)

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.

	1 year or less $'000	Between 1 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Borrowings - 2022	59,647	238,869	826,124	1,124,640
Borrowings - 2021	57,186	235,876	872,354	1,165,416

18. Contributed equity

	Consolidated			
	2022 Shares	2021 Shares	2022 $'000	2021 $'000
Ordinary shares (A class) - fully paid *	4	4	-	-
Ordinary shares (B class) - fully paid *	924,568,658	924,568,658	977,619	977,619
	924,568,662	**924,568,662**	**977,619**	**977,619**

* Balance of Ordinary shares comprises Share Capital and Transactions with owners

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.

19. Dividends

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

	Consolidated	
	2022 $'000	2021 $'000
There were no dividends paid or declared in respect to the year ended 30 June 2022 (2021: 11.7 cents per fully paid share)	-	107,800

For the 2021/22 financial year, shareholding Ministers have approved that any dividend otherwise payable is retained by Stanwell to support portfolio diversification and the continued development of renewable energy and storage projects. The funds will be used to support investment in critical infrastructure and growth initiatives which could deliver future revenue benefits and put downward pressure on electricity prices.

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 2022 $'000	Consolidated 2021 $'000
Income tax equivalent expense/(benefit)		
Current tax equivalent	106,660	108,313
Deferred tax equivalent	(49,530)	51,038
Adjustments for current tax equivalent of prior periods	(16)	(20)
(Under)/Over provision in prior year deferred tax	2,601	1,555
Aggregate income tax equivalent expense	**59,715**	**160,886**
Deferred tax included in income tax equivalent expense comprises:		
(Increase)/decrease in deferred tax equivalent assets	(3,374,757)	(599,155)
Increase/(decrease) in deferred tax equivalent liabilities	3,325,227	650,193
Deferred tax equivalent	**(49,530)**	**51,038**
Numerical reconciliation of income tax equivalent expense/(benefit) and tax at the statutory rate		
Profit before income tax equivalent expense	208,122	536,323
Tax at the statutory tax rate of 30%	**62,437**	**160,897**
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Derecognition of deferred tax balances	(2,783)	-
Non-deductible expenses	77	9
	59,731	160,906
Adjustments for current tax equivalent of prior periods	(16)	(20)
Income tax equivalent expense	**59,715**	**160,886**

	Consolidated 2022 $'000	Consolidated 2021 $'000
Tax equivalent benefit/(expense) relating to items of other comprehensive income and recognised directly in equity		
Cash flow hedges recognised in other comprehensive income	866,448	187,248
Cash flow hedges recognised in reserves	(150)	(175)
Actuarial (gains)/losses on defined benefit plans	(2,769)	(1,998)
Transfer through equity- transfer to CleanCo	-	(154)
Transfer through equity- Solar 150 Program	-	3,590
	863,529	**188,511**

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 GOC Act 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.

20. Income tax (continued)

	Consolidated 2022 $'000	Consolidated 2021 $'000
Deferred tax asset/(liability)		
Net deferred tax equivalent asset/(liability) comprises temporary differences attributable to:		
Employee benefits	15,158	16,597
Derivatives	3,591,018	260,038
Provisions	125,977	132,410
Other liabilities	14,537	6,828
Property, plant and equipment	(140,197)	(123,398)
Defined benefits plan	(5,735)	(3,454)
Derivatives	(2,574,448)	(191,145)
Inventories	(34,220)	(29,547)
Other assets	(11,125)	(423)
Deferred tax asset	**980,965**	**67,906**
Movements:		
Opening balance	**67,906**	**(69,569)**
Charged/(credited) to profit or loss	49,530	(51,042)
Cash flow hedges charged to equity	866,448	187,254
Cash flow hedges recognised in reserves	(150)	(175)
Actuarial (gains)/losses on defined benefit plans	(2,769)	(1,998)
Transfer through equity - transfer to CleanCo	-	(154)
Transfer through equity - Solar 150 Program	-	3,590
Closing balance	**980,965**	**67,906**

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.

20. Income tax (continued)

	Consolidated	
	2022 $'000	2021 $'000
Income tax payment due	4,966	4,195

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.

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.

Directors

Paul Binsted - *Chair*
Adam Aspinall (Executive Director between 17 May 2021 to 23 November 2021)
Jacqueline King
Karen Smith-Pomeroy
Marianna O'Gorman (From 1 October 2021)
The Hon. Wayne Swan

21. Key Management Personnel (continued)

(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 - Michael O'Rourke (From 24 November 2021)
Acting Chief Executive Officer - Adam Aspinall (From 17 May 2021 to 23 November 2021)
Chief Financial Officer - Michael O'Rourke (From 1 July 2021 to 24 November 2021)
Acting Chief Financial Officer - Darren Wiltshire (From 9 December 2021 to 30 June 2022)
Chief Operating Officer - James Oliver
Executive General Manager Energy Markets - Sophie Naughton[1]
Acting Executive General Manager Business Services - Glenn Smith
Executive General Manager Growth & Future Energy - Stephen Quilter[1,2]
Acting Executive General Manager Growth & Future Energy - Richard Jeffery (From 17 January 2022 to 30 June 2022)

[1] In December 2021, the Executive General Manager Energy Markets and Executive General Manager Growth & Future Energy were appointed to these roles. Prior to this both acted in the respective roles for six months.

[2] In January 2022, the Executive General Manager Growth & Future Energy was seconded to Department of Energy and Public Works until 30 July 2022.

(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.

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, airline club membership or equivalent, mobile device and associated costs and residential internet connection for remote access.

21. Key Management Personnel (continued)

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 GOC Act. 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. If a Senior Executive is remunerated at the market median, the Board may increase their remuneration by 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.

Where shareholding Ministers have approved remuneration above the market median, the Board can approve annual increases up to this revised market median plus the approved above market percentage, based on performance.

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 based on achievement of pre-determined corporate, divisional, individual performance targets and a values assessment as approved by the Board.

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 is employed on an ongoing (tenured) basis commencing in November 2021. Where the Chief Executive Officer terminates employment at the initiative of the Executive (including resignation, retirement, or notification they do not wish to continue employment with Stanwell), the Chief Executive Officer is not entitled to a termination payment.

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 six months salary.

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:

- Acting Chief Financial Officer - commenced employment with Stanwell on an ongoing (tenured) basis in June 2013.
- Chief Operating Officer - commenced employment with Stanwell on an ongoing (tenured) basis in June 2019.
- Executive General Manager Energy Markets - commenced employment with Stanwell on an ongoing (tenured) basis in December 2019.
- Executive General Manager Growth & Future Energy - commenced employment with Stanwell on an ongoing (tenured) basis in July 2016.
- Acting Executive General Manager Business Services - commenced employment with Stanwell on an ongoing (tenured) basis in February 2021 under a Common Law Employment Contract underpinned by the *Queensland Government's Policy for Government Owned Corporation Wages and Industrial Relations Policy 2015*.

21. Key Management Personnel (continued)

(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 2022	Short-term benefits Cash salary $'000	Committee Fees $'000	Post employment Superannuation $'000	Total $'000
Paul Binsted	79	9	9	97
Adam Aspinall	18	5	2	25
Jacqueline King	31	6	4	41
Karen Smith-Pomeroy	31	10	4	45
Marianna O'Gorman	11	2	1	14
The Hon. Wayne Swan	31	-	3	34
Total	**201**	**32**	**23**	**256**

2021	Short-term benefits Cash salary $'000	Committee Fees $'000	Post employment Superannuation $'000	Total $'000
Paul Binsted	79	9	9	97
Adam Aspinall	27	8	3	38
Jacqueline King	31	6	4	41
Karen Smith-Pomeroy	31	10	4	45
The Hon. Wayne Swan	31	-	3	34
Total	**199**	**33**	**23**	**255**

21. Key Management Personnel (continued)

Other key management personnel of the Group

Position	Short-term employee benefits			Post employment long-term benefits		
2022	Cash Salary $'000	Bonus* $'000	Non monetary benefits $'000	Superannuation $'000	Long service leave $'000	Total $'000
Chief Executive Officer[1]	391	-	21	39	10	461
Acting Chief Executive Officer[2]	227	-	3	23	5	258
Chief Financial Officer[3]	151	-	4	15	4	174
Acting Chief Financial Officer[4]	180	-	5	18	3	206
Chief Operating Officer	378	-	25	38	9	450
Executive General Manager Energy Markets[5]	363	14	21	38	9	445
Acting Executive General Manager Business Services	318	49	6	37	8	418
Executive General Manager Growth & Future Energy[6]	379	-	16	38	9	442
Acting Executive General Manager Growth & Future Energy[7]	141	-	4	14	3	162
Total	**2,528**	**63**	**105**	**260**	**60**	**3,016**

* Represents the bonus paid during the financial year for the performance of the previous financial years earned in non-key Management roles. No bonus or salary increase was paid in Financial Year 2021/22 (earned for Financial Year 2020/21), in accordance with the temporary Addendum to the Policy for *Government Owned Corporations Chief and Senior Executive Officer Employment* Contracts.

1 Michael O'Rourke performed the role of Chief Executive Officer from 24 November 2021.

2 Adam Aspinall performed the role of Acting Chief Executive Officer between 17 May 2021 to 23 November 2021.

3 Michael O'Rourke performed the role of Chief Financial Officer between 1 July 2021 to 23 November 2021.

4 Darren Wiltshire performed the role of Acting Chief Financial Officer from 8 December 2021.

5 Sophie Naughton performed the role of Executive General Manager Energy Markets from 8 December 2021. Prior to this, Sophie Naughton acted in this role for six months.

6 Stephen Quilter performed the role of Executive General Manager Growth & Future Energy from 8 December 2021. Prior to this, Stephen Quilter acted in this role for six months. In January 2022, Stephen Quilter was seconded to Department of Energy and Public Works until 30 July 2022.

7 Richard Jeffery performed the role of Acting Executive General Manager Growth & Future Energy between 17 January 2022 and 30 June 2022.

21. Key Management Personnel (continued)

2021	Short-term employee benefits Cash Salary $'000	Non monetary benefits $'000	Post employment long-term benefits Superannuation $'000	Long service leave $'000	Total $'000
Chief Executive Officer	706	24	71	18	819
Acting Chief Executive Officer	76	1	8	2	87
Chief Financial Officer	372	24	38	9	443
Chief Operating Officer	375	24	39	9	447
Executive General Manager Business Services (8)	207	12	21	5	245
Acting Executive General Manager Energy Trading (9)	136	8	14	3	161
Executive General Manager Energy Trading and Commercial Strategy (10)	219	12	23	6	260
Acting Executive General Manager Commercial Strategy & Energy Futures (11)	149	8	15	4	176
Acting Executive General Manager Business Services (12)	121	-	12	3	136
Total	**2,361**	**113**	**241**	**59**	**2,774**

8 Sophie Naughton performed the role of Executive General Manager Business Services between 1 July 2020 to 9 February 2021.

9 Sophie Naughton performed the role of Acting Executive General Manager Energy Trading between 10 February 2021 to 30 June 2021.

10 Stephen Quilter performed the role of Executive General Manager Energy Trading and Commercial Strategy between 1 July 2020 to 9 February 2021.

11 Stephen Quilter performed the role of Acting Executive General Manager Commercial Strategy & Energy Futures between 10 February 2021 to 30 June 2021.

12 Glenn Smith performed the role of Acting General Manager Business Services between 10 February 2021 to 30 June 2021.

(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 2021 and 30 June 2022 between the Group and Directors or other key management personnel, including their related parties, were on normal commercial terms and conditions.

The Company's shareholding Ministers are identified as part of the Company's key management personnel. During the year, these Ministers were:

- The Treasurer, Minister for Investment, The Honourable Cameron Dick MP; and
- The Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement, The Honourable Michael de Brenni 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 2022 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 (2021: $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.

Class action and Corporation Act (Litigation Funding) declaration

On 20 January 2021, law firm Piper Alderman, supported by litigation funder, Litigation Capital Management, commenced a class action in the Federal Court against Stanwell and CS Energy alleging a misuse of market power in relation to electricity trading in the period 1 January 2013 to 6 June 2017.

Stanwell lodged a defence to the substantive action on 31 March 2022 in accordance with the court timetable.

Stanwell defends the claim and the claim remains ongoing at the time of signing these accounts.

23. 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 Key management personnel.

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	
	2022 $'000	2021 $'000
Sales of electricity - retail	61,609	62,079
Hedging gain/(loss)	(400,953)	(26,348)
Revenue from services to CleanCo	-	6,917
Other revenue	1,008	2,395
Fuel costs	(14,953)	(12,800)
Employee benefits expense	(6,883)	(5,997)
Other expenses	(6,698)	(54,277)
Raw materials and consumables	(182,994)	(62,862)
Finance costs	(38,625)	(47,308)
Non hedge accounted change in fair value of derivative instruments	(68,762)	(11,846)
Dividend provided	-	(107,800)
Income tax equivalent expense	(59,715)	(160,886)

Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2022 $'000	2021 $'000
Cash and cash equivalents	-	71,734
Trade and other receivables	6,782	317,423
Derivative financial instrument assets	74,446	1,251
Trade and other payables	(122,809)	(40,897)
Derivative financial instrument liabilities	(834,289)	(90,795)
Deferred tax equivalent balances	980,965	67,906
Current tax equivalent liabilities	(4,966)	(4,195)
Borrowings	(1,521,544)	(821,214)
Provision for dividends	-	(107,800)

Key management personnel

Disclosures relating to key management personnel are set out in note 21. A Director, Karen Smith-Pomeroy is currently a non-executive director of the Queensland Treasury Corporation Board. The outstanding balance reported for Borrowings relates solely to QTC. Finance costs totalling $38,624,544 were paid to QTC during the year and interest revenue of $1,007,535 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.

24. Events after the reporting period

Other than the drawdown and repayment of borrowings on 1 July 2022 as disclosed in note 16 Current borrowings, no matter or circumstance has arisen since 30 June 2022 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.

25. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2022 $'000	2021 $'000
Profit/(loss) after income tax	(185,497)	278,797
Total comprehensive income	**(185,497)**	**278,797**

Balance sheet

	Parent	
	2022 $'000	2021 $'000
Total current assets	8,305,048	1,414,671
Total assets	**12,571,741**	**2,774,167**
Total current liabilities	9,848,134	1,023,446
Total liabilities	**14,259,250**	**2,261,277**
Equity		
Contributed equity	977,619	977,619
Transactions with owners	(13,084)	(13,084)
Cash flow hedge reserve	(2,202,383)	(181,021)
Accumulated losses	(449,661)	(270,624)
Total equity/(deficiency)	**(1,687,509)**	**512,890**

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 2022.

Capital commitments - Property, plant and equipment

The Parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 (2021: 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 Significant accounting policies, except for investments in subsidiaries which are accounted for at cost, less any impairment in the Parent entity.

26. Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities

	Consolidated 2022 $'000	2021 $'000
Profit after income tax equivalent expense for the year	148,407	375,437
Adjustments for:		
Depreciation and amortisation	144,278	129,797
Impairment of non-current assets	-	118,716
Net loss on disposal of property, plant and equipment	137	4
Unwinding of discount on provision	7,443	6,174
Non-cash rehabilitation provision	(132)	(845
Non-cash retirement benefits expense	3,200	2,449
Stock obsolescence provision	652	(64
Inventory stockpile adjustments	-	2,979
Non-cash finance income	(38,828)	(34,361
Non-cash expected credit losses	(6,014)	(2,216
Fair value loss/(gain) on financial instruments at fair value through profit and loss	1,355,345	(64,890
Fair value (gain)/loss on environmental certificates and Surrender Liability	11,693	(19,812
Non-cash other provision	888	369
Change in operating assets and liabilities:		
Increase in current receivables	(219,047)	(99,448
(Increase)/decrease in inventories	(20,000)	37,974
Increase in other current assets	(1,187,057)	(23,427
Increase in current financial assets	(1,139,567)	(125,870
Decrease/(increase) in other non-current assets	(925,433)	(114,542
Increase in trade and other payables	207,231	123,951
Increase in provision for income tax	771	4,172
Decrease in current provisions	20,831	(1,361
Decrease in other current liabilities	(3,687)	(9,851
Decrease in deferred tax liabilities	(2,769)	(68,107
Decrease in rehabilitation provisions	(3,502)	(4,521
Deferred tax reserves movement	866,298	200,739
Net cash (outflow)/inflow from operating activities	**(778,862)**	**433,446**

Directors' Declaration

30 June 2022

In the Directors' opinion:

(a) the financial statements and notes set out on pages 51 to 102 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 2022 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 groupidentified in note 1 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtueof the deed of cross guarantee described in the corporate structure described in note 1.

The Directors have been given the declarations by the Acting 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.

P.A. Binsted

Paul Binsted
Non-executive Director

Karen Smith-Pomeroy
Non-executive Director

26 August 2022
Brisbane

Queensland
Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Members of Stanwell Corporation Limited (the Company)

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 2022, 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 2022, the consolidated statement of profit or 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 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 *Auditors' 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 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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Carry values of Stanwell's property, plant and equipment

Refer to note 9 in the financial report.

<table>
<tr><th>Key audit matter</th><th>How my audit addressed the key audit matter</th></tr>
<tr><td>The Group's consolidated balance sheet includes property, plant and equipment totalling $1,549.2 million which is principally comprised of assets relating to coal fired power stations and mining operations.

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.

Key assumptions, judgements and estimates in the Group's impairment testing process and determination of the impairment loss include:
• allocating assets to cash generating units (CGUs)
• selection of the scenario for forecasting future cash flows and determining it is the most appropriate in comparison to other possible scenarios
• estimating future cash inflows and outflows for each scenario based on:
- electricity demand and available generation
- renewable energy targets
- wholesale electricity prices
- cost of fuel and water
- timing of overhauls and sustaining capital expenditure
- planned plant retirements
• determining the rate used to discount the forecast of cashflows to their present value.</td><td>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 scenario selected by management in estimating the recoverable amount of each CGU using the traditional cash flow approach
- evaluating the scope, competency and objectivity of the Group's external expert 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 renewable energy targets 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
• Accessing the historical accuracy of management's forecasts by comparing prior year budgets to actual results
• testing the mathematical accuracy of the discounted cash flow models
• assessing the appropriateness of the disclosures included in note 9 to the financial statements.</td></tr>
</table>

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Better public services

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 estimate 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 • the Group's application of hedge accounting involves judgements about Stanwell's forecast generation profile to monitor ongoing 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 methodologies and assessing their appropriateness with reference to accounting standards and common industry practices - challenging management assumptions used in the valuation process and assessing the reasonableness of the key inputs by comparison to independently sourced external market data and 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 • testing reconciliations of the cash flow hedge reserve and assessing the appropriateness of the presentation of gains and losses in the consolidated statement of profit or loss and other comprehensive income • assessing the appropriateness of the disclosures included in note 12 to the financial statements.

Queensland Audit Office
Better public services

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 2022, the Group has provisions for restoration, rehabilitation and decommissioning of $377.1 million 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 • estimating the quantum and timing of future costs for restoration, rehabilitation and decommissioning activities • 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.	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 • 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).

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's directors 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

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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.

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.

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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.

IAsim

26 August 2022

Irshaad Asim
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

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