Together we create energy solutions

stanwell

Annual Report
2018/19

Cover: *Jodi Liddell, Environmental Advisor and Shane Lubbe, Environmental Advisor, Stanwell Power Station.*
Above: *Tarong power stations.*

Table of contents

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 2019.

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 2018/19 Statement of Corporate Intent is summarised on pages 22 to 32.

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

Our performance

In 2018 we successfully implemented a standardised **safe work system** at all of our sites, providing consistent, robust safety processes to keep our people safe.

We provided a **secure supply** of electricity for Queenslanders, delivering more than 19,200 GWh of electricity. This was 33 per cent of Queensland's total energy demand in 2018/19.

Our plant operated at a world class reliability standard of **97.3%** during the peak demand period (January to March 2019).

We invested $126.3 million in our power stations to ensure we operated as **efficiently and reliably** as possible.

Shane Lubbe, Environmental Advisor, Stanwell Power Station

Our
diversified revenue streams
provided additional significant dividends to Queenslanders.

Coal rebate revenue, the Coronado transaction and gas sales accounted for approximately 49 per cent of Stanwell's total Net Profit After Tax.

85%
of our electricity revenue came from contracts.

Made significant progress on
flexible and low load operations
across our portfolio.

Gained White Ribbon accreditation,
recognising the initiatives we have put in place in relation to domestic and family violence prevention.

About **Stanwell**

Our vision

Together we create energy solutions
means we strive to:

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

Our values

At Stanwell, we are:

- Safe – Everyone is a safety leader. We seek to achieve Zero Harm Today.
- Responsible – We are reliable, we are accountable for our actions, we make a positive contribution to our community and we are here for the long-term.
- Commercial – Every one of us contributes to Stanwell's financial stability and performance through our decisions and actions.

Meandu Creek Dam.

CleanCo Queensland

In 2018, the Queensland Government announced its plan to create CleanCo Queensland, a third Government-owned energy generator.

CleanCo Queensland (CleanCo) will initially own a foundation portfolio of existing assets, including a number of assets currently owned by Stanwell – Swanbank E, Barron Gorge, Kareeya and Koombooloomba power stations.

These physical assets will be transferred to CleanCo on 31 October 2019, at which time Stanwell will begin delivering operations, maintenance and corporate support services to CleanCo under a Transitional Services Agreement.

Once CleanCo has built the capability to operate and support the power stations, the employees who work at each asset will transfer to CleanCo and the Transitional Services Agreement will end. In the meantime, Stanwell is working with the Queensland Government and CleanCo to ensure the smooth transition of assets, ongoing engagement of our people and the safe and efficient operation of those assets throughout the transition period.

Stanwell is also engaging with the Queensland Government in relation to the complementary role our business will play in the State's renewable energy future. Our priorities include identifying opportunities for diversification and strengthening of generation capacity, investments and performance.

Our **story**

We are a diversified energy business.
Our revenue comes from a variety of sources. We generate electricity, we have an electricity retail business and we trade gas and coal. We also provide services to the electricity market to deliver secure and reliable energy.

Having a variety of revenue sources allows us to achieve the best possible returns for our owners, the people of Queensland. Gas sales, coal rebate revenue, and a transaction with Coronado Coal accounted for approximately 49 per cent of Stanwell's total Net Profit After Tax in 2018/19.

We have a responsibility to produce and deliver energy for Queensland that's reliable, affordable and sustainable and this is clearly demonstrated through our business performance.

We are helping to keep Queensland electricity affordable.
In 2018/19, Queensland's contract and spot market electricity prices were, on average, the lowest and most stable in the National Electricity Market. In 2018/19 our portfolio delivered more than 19,200 GWh of electricity, increasing supply to the market and helping to put downward pressure on wholesale electricity prices. We have also worked closely with our customers to provide them with competitively priced contracts which protect them from price volatility in the market. We have carefully managed our costs so that our business is sustainable into the future – allowing us to continue to deliver solutions which will meet the evolving needs of our customers.

We make sure Queenslanders have a secure supply of electricity. Throughout the 2018/19 summer, our power stations played a major role in keeping the lights on when the market was dealing with record electricity demand. We have proven ourselves to be one of Australia's most reliable energy providers, with our assets achieving 97.3 per cent availability during the peak demand period (January to March 2019).

We consider our impact on the environment, as well as the need to keep energy affordable, in the decisions we make, every day. Several state and federal regulations outline how the energy industry should perform. However, simply complying with regulations is not enough for us. We are committed to operating beyond compliance requirements by considering the social, environmental and commercial implications of everything we do, and balancing those elements in every decision we make.

We make a difference in the communities in which we operate. At Stanwell, we understand that our ability to generate electricity is, in large part, dependent on the support of the communities in which we operate, so we work directly with community leaders to help them achieve the priorities which are most important to their regions. This year, we invested more than $289,000 to support a variety of initiatives which will deliver long-term value to our host communities. In addition, as at 30 June 2019, we employed 697 (full time equivalent) people at our sites and offices, the majority of whom are located throughout regional Queensland. Through our business partners we also indirectly employ hundreds of contractors who live in our local communities.

We are committed to achieving Zero Harm Today.
We encourage best practice in health and safety management, process safety and a continuous improvement culture. During 2018/19 there have been no serious injuries at any of our sites and a number of our sites have been 12 months injury free. This is a positive reflection of our strong reporting culture which ensures issues are raised and learnings shared.

About Stanwell Energy

stanwell energy

Stanwell Energy is the retail brand of Stanwell Corporation Limited. Through Stanwell Energy, we sell electricity to large commercial and industrial customers in Queensland, New South Wales, Victoria and the Australian Capital Territory.

Our customers include some of Australia's leading infrastructure, resources, manufacturing, retail and commercial sector companies. The success of Stanwell Energy is driven by our willingness to listen to our customers and tailor innovative and competitively priced products which are supported by one of the most diverse and reliable electricity generation portfolios in Australia.

We are proud of our personalised and proactive customer service and our high customer retention rate.

Our achievements

2011
Stanwell becomes the largest generator in Queensland following the restructure of Queensland Government generators.

2011
Completed the $28 million refurbishment of Barron Gorge Hydro,
extending the power station's life for another 40 years.

2012
Decommissioned the coal-fired Swanbank B Power Station after more than 40 years of operation.

2012
Two units at Tarong power stations put into cold storage,
in response to an oversupplied electricity market, partly driven by excess gas-fired generation associated with the ramp up of the LNG industry in Queensland.

2013
Adopted a new Life of Mine Plan
for Meandu Mine to deliver lower cost coal to Tarong power stations.

2013
Implemented flexible operating trials at Swanbank E Power Station.

2014
Launched Stanwell's retail arm – Stanwell Energy
to provide tailored and innovative energy products to large industrial and commercial customers.

2014
Achieved our short-term goal
of returning our electricity generation business to profitability for the first time since 2009/10.

2014
Returned one generating unit to service
at Tarong power stations.

2014
Placed Swanbank E Power Station into cold storage for three years in response to increasing gas prices.

2015
Achieved a world record
of 1,087 days of continuous operation for Stanwell Power Station's Unit 1, evidence of its world-class reliability.

2016
Temporarily ceased generation at Mica Creek Power Station following the power station's only customer closing its operations. All units were placed into cold storage until 2017.

2016
Tarong power stations' Unit 2 returned to service
after it was placed into cold storage in late 2012. This marked the first time in more than three years that all five units at the Tarong site were in operation.

Tarong power stations.

2017

To meet market demand for electricity, **production increased at Meandu Mine** to support increased generation at Tarong power stations.

2017

Returned one generating unit to service at Mica Creek Power Station to support customer requirements.

2017

Signed a number of 10-year deals with large energy users, providing these businesses with long-term price certainty.

2017

Returned the gas-fired Swanbank E Power Station to full operational capacity providing additional generation in the market to meet increasing demand for electricity.

2018

Commenced low demand response study at our Swanbank, Stanwell and Tarong power stations, so that we can increase the flexibility of operations as demand patterns change.

2018

Transitioned our Environment Policy into an Environmental Sustainability Policy which requires our people to consider environmental, social and commercial opportunities and implications in all the decisions they make.

2018

Secured a long-term, competitively priced coal supply for Stanwell Power Station through an agreement with Coronado.

2019

Became a foundation signatory of The Energy Charter. For Stanwell, this means continuing to build our customer-centric culture and progressing solutions that deliver a more affordable, sustainable and reliable energy system for all Australians.

2019

Installed a $2.0 million **continuous emissions monitoring system** at Tarong Power Station which will allow the site to more accurately measure and report its emissions using real-time data straight from the power stations' stack.

How the **electricity market works**

National Electricity Market

The National Electricity Market (NEM) is one of the largest interconnected electricity systems in the world. It incorporates approximately 40,000 kilometres of transmission lines and cables, supplying around nine million customers in Australia.

The NEM is a wholesale market through which generators and retailers, like Stanwell, trade electricity. It interconnects the six eastern and southern states and territories and delivers around 80 per cent of all electricity in Australia.

The electricity spot market

The electricity spot market is a highly regulated, highly competitive market, in which electricity supply and demand are instantaneously matched in real-time.

Generators like Stanwell offer to supply the market with specific amounts of electricity at particular prices. These offers are stacked in ascending price order and then progressively scheduled into production to meet demand, starting with the least-cost generation option.

The spot price is calculated on a half-hourly basis. All generators whose energy is dispatched during the half-hour production period receive a price which represents the average of the six, five-minute dispatch periods.

There are more than 30 participants with scheduled market generators in the National Electricity Market. Any of these participants can set the price.

The electricity contract market

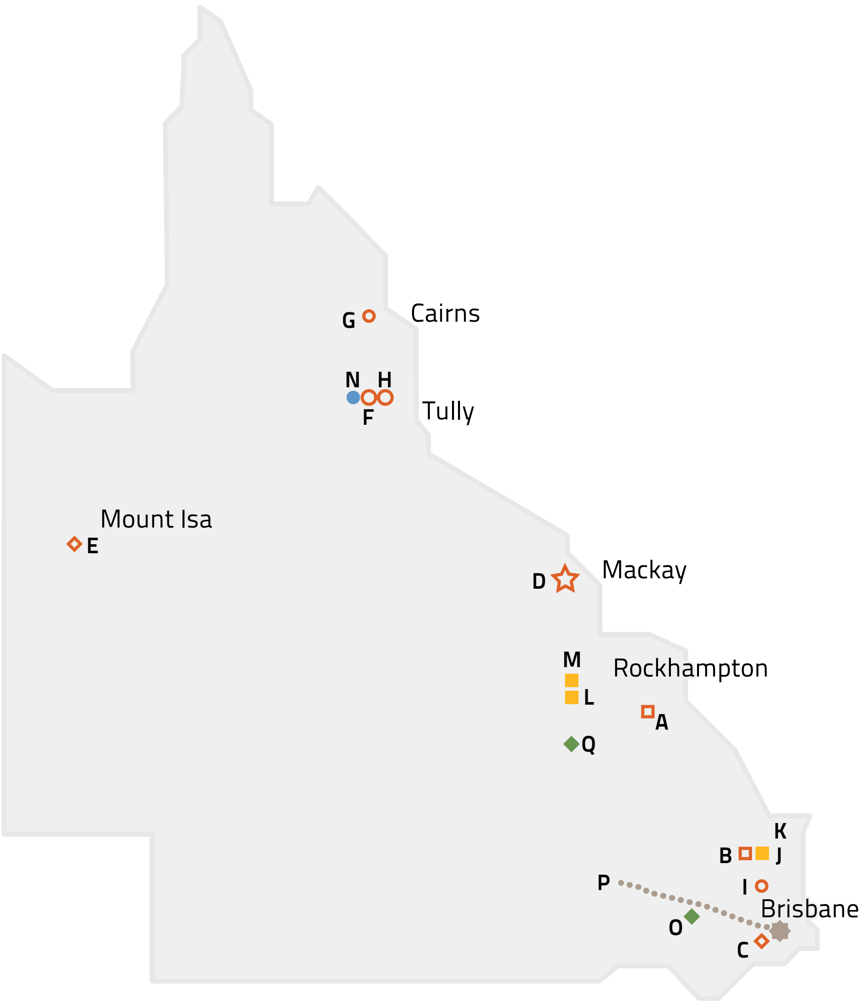
Stanwell manages the financial risks associated with spot price volatility by participating in the contract market to lock in firm prices for longer periods of time.

We have a strong contract position which we have built over a number of years. Approximately 85 per cent of our electricity revenue comes from our contracts. These contracts protect both the business and our customers from volatility in the spot market. As the owner of a large diverse portfolio, Stanwell is able to offer a broad range of contracts that can be tailored to meet our customers' requirements – it's not one size fits all.

Troy Harris, Mechanical Fitter and Kelvin Williams, Maintainer Operator, Swanbank E Power Station.

Our **assets**

Our portfolio includes more than 4,000 MW of coal, hydro and gas generation, which we can leverage to support the provision of secure and reliable electricity.



Generation Assets

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

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

C. **SWANBANK E POWER STATION**, South East Queensland – 385 MW (gas)*

D. **MACKAY GAS TURBINE**, Central Queensland – 34 MW (diesel)

E. **MICA CREEK POWER STATION**, North West Queensland – 218 MW (gas)

F. **KAREEYA HYDRO**, Far North Queensland – 88 MW (hydro)*

G. **BARRON GORGE HYDRO**, Far North Queensland – 66 MW (hydro)*

H. **KOOMBOOLOOMBA HYDRO**, Far North Queensland – 7.3 MW (hydro)*

I. **WIVENHOE SMALL HYDRO**, South East Queensland – 4.3 MW (hydro)

Coal Assets

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

K. **KUNIOON COAL RESOURCE**, Southern Queensland – potential future fuel supply for the Tarong power stations

L. **CURRAGH NORTH MINE**, Central Queensland – long-term agreement with Coronado Curragh which provides low-cost coal to Stanwell Power Station, and a revenue stream for coal exports

M. **MINERAL DEVELOPMENT LICENCE 306,** Central Queensland – coal resource located near the Curragh North Mine

Water Assets

N. **KOOMBOOLOOMBA DAM**, Far North Queensland – captures water for use at Koombooloomba Hydro and Kareeya Hydro power stations*

Gas Assets

O. **KOGAN NORTH JOINT VENTURE***, South East Queensland – provides up to four petajoules per annum of gas to Swanbank E Power Station via the Roma to Brisbane Gas Pipeline

P. **CONTRACTED CAPACITY - ROMA TO BRISBANE GAS PIPELINE** – of 52 terajoules per day*

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

** Transferring to CleanCo Queensland.*

Chairman's statement

I am pleased to report Stanwell's strong performance in 2018/19.

Our diversified business model and a commitment to cost reduction measures delivered a Net Profit After Tax of $736.0 million (compared to $490.8 million in 2017/18). This has resulted in a dividend to our owners, the people of Queensland, of $550.2 million ($494.2 million in 2017/18).

Stanwell optimises its financial results through rigorous cost management, and by having a variety of revenue sources, including coal rebate revenue and gas sales.

Over a number of years, we have worked to build a strong contract position; approximately 85 per cent of our electricity revenue comes from contracts. These contracts provide certainty to our customers with electricity being one of the largest operating costs for many and a key driver to their profitability.

There has also been a sustained effort by the business to improve our health and safety culture and performance. We now have a single safe work system at all power stations, which has standardised our safety processes throughout the business. During the year a significant number of health, wellbeing and safety initiatives were implemented and our efforts were recognised through industry awards at a national and state level.

Supporting energy affordability and security

Generation in the energy market of the future will be led by variable renewables, supported by storage, gas and existing coal-fired generation. Having flexible thermal capacity will be important to help meet Queensland's growing summer peak demand. This will be essential in the late afternoon and early evenings, as generation from solar decreases at the same time as demand increases.

Stanwell has made considerable progress towards understanding the capability of our coal-fired fleet to operate flexibly. Our coal-fired generation units were originally designed to run at a relatively constant high level of output. During 2018/19, we successfully trialled running them at low load and then ramping them up to meet peak demand requirements. In 2019/20, we will focus on trialling alternative operating modes and plant modifications that may be required to further extend their operating range.

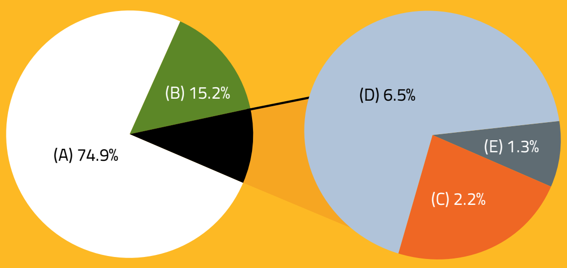
In 2018/19, Stanwell delivered approximately 19,200 GWh of electricity; this was 33 per cent of Queensland's total energy demand in 2018/19.

Our portfolio achieved average availability and reliability factors of 87.7 per cent and 95.9 per cent, respectively. These levels are considered world class when compared to the performance of other coal-fired assets, both within Australia and internationally.

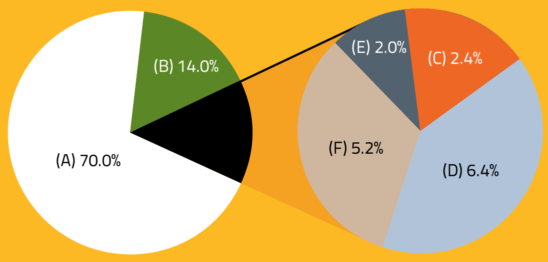
For the second consecutive year, Queensland's wholesale electricity prices were, on average, the lowest and most stable in the National Electricity Market. Stanwell's contribution to this was through our commitment to cost leadership and running our low cost generators at sustained high capacity.

While there has been significant growth in renewable generation, coal-fired generation contributed 74 per cent to meeting total energy demand in the National Electricity Market during the year. Stanwell's relatively young and efficient coal-fired assets, combined with our long–term, competitively priced fuel supplies means that Stanwell will continue to have an important role in providing firming generation to support the orderly transition to a lower carbon energy market.

Revenue 2017/18



Revenue 2018/19



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

CleanCo Queensland

In 2018, the Queensland Government announced the establishment of a third Government owned energy generation company - CleanCo Queensland (CleanCo).

CleanCo will own a foundation portfolio of existing assets, including a number of assets currently owned by Stanwell. These include Swanbank E, Barron Gorge, Kareeya and Koombooloomba power stations.

When the power stations are transferred to CleanCo on 31 October 2019, Stanwell will deliver services to CleanCo, including operations, maintenance and corporate support services under a Transitional Services Agreement.

Once CleanCo has developed the capability to operate and support the power stations, power station employees will transfer to CleanCo and the Transitional Services Agreement will end. This is expected to occur before the end of 2020.

With the transfer of these assets to CleanCo, Stanwell's generation portfolio will consist almost exclusively of coal-fired units (with the exception of the gas-fired Mica Creek Power Station which is not connected to the National Electricity Market).

We are exploring opportunities to evolve and renew our portfolio to include low and no emission generation. This may be through financial arrangements, such as power purchase agreements with renewable energy projects. We are also undertaking a study into a possible hydrogen demonstration plant at Stanwell Power Station.

Acknowledgements

On behalf of the Board I would like to thank our Chief Executive Officer, Richard Van Breda, for the leadership he has provided to Stanwell throughout the year.

I would like to acknowledge our people for their hard work, commitment and expertise. Together with Richard and the Executive Leadership Team, they make Stanwell's achievements possible.

I thank Karen Smith-Pomeroy, Jacqueline King and Adam Aspinall for their valuable contributions to the Board and for their stewardship of the business.

I also extend appreciation to our stakeholders, customers, suppliers, business partners and local communities for their continued support of Stanwell.

Finally, I acknowledge the work of our shareholding Ministers as they look towards the future of Queensland's electricity portfolio and the energy needs of our State.

Stanwell's vision 'Together we create energy solutions' guides us in delivering strategy, programs and projects and in working with our customers, shareholders, communities and other stakeholders. The Board remains committed to its long-term strategy of adapting Stanwell to be competitive in the energy market of the future, while continuing to deliver value for the people of Queensland.

Dr Ralph Craven
Non Executive Chairman

Chief Executive Officer's review

During 2018/19, Stanwell continued to focus on supporting a transition to a low carbon future by helping to balance reliability, affordability and environmental sustainability.

We tested and improved the flexibility of our coal-fired plant so that it can ramp up and down to meet changing daily patterns of demand as an increasing proportion of renewables enter the market, and we achieved levels of reliability which are among the best in Australia and indeed the world.

We ran our low-cost power stations at sustained high capacity to exert downward pressure on prices, and we investigated opportunities to participate in low carbon energy solutions including storage, hydrogen, biofuels and firmed renewable products.

At the same time, we worked to ensure the strength of our business for our owners, the people of Queensland. To this end, Stanwell achieved a strong financial result, returning a Net Profit After Tax (NPAT) of $736.0 million (a further improvement on the $490.8 million achieved in 2017/18) and paying a dividend of $550.2 million (compared with $494.2 million in 2017/18).

Importantly, more than 49 per cent of our NPAT came from sources other than the sale of electricity.

Coal rebate revenue accounted for 25 per cent ($260.7 million) of NPAT. During the year we signed a new agreement with Coronado Curragh Pty Ltd, locking in a long-term, low-cost fuel supply for Stanwell Power Station through to 2038. More than 20 per cent of NPAT in 2018/19 related to this deal.

Strategic achievements

Everything we do at Stanwell aligns with and supports the four elements of our strategy. These are:

- Flexible and competitive plant
- Innovative energy products
- Back a low carbon future
- Enablers

In 2018/19, we achieved a number of important milestones in relation to our strategy.

Flexible and competitive

Peak electricity demand continues to increase in Queensland with another record (9,988 MW) set on 13 February 2019. Combined with new demand lows in the middle of the day which are being driven by the ongoing installation of rooftop solar panels, our coal-fired plant is being called on to operate far more flexibly than it was designed to do. Through the year, we continued trials to ensure our power stations can ramp down after morning peak demand, run at record low loads (or even shut down) during the middle of the day, and then ramp up again quickly so Queenslanders have the energy they need when demand increases each evening.

The availability and reliability of Queensland's dispatchable generators is also key to a smooth transition to renewables. In 2018/19, Stanwell's generation portfolio achieved an average availability of 87.7 per cent, and a reliability factor of 95.9 per cent. This compares favourably to an average market availability factor of 75.1 per cent and an average market reliability of 95.0 per cent.

We also maintained a strict focus on cost leadership to ensure the energy we dispatched was as affordable as possible. Our fuel supplies were a key element of this effort in 2018/19. We began a market process to select the organisation which will operate our Meandu Mine over coming years, and we negotiated new agreements for the long-term supply of coal to Stanwell Power Station and for the transport of gas for Swanbank E Power Station.

Innovative energy products

Stanwell Energy – Stanwell's retail energy business – tailors contracts to meet the needs of large commercial and industrial customers in Queensland, New South Wales, Victoria and the Australian Capital Territory. In 2018/19 we commissioned an independent survey of Stanwell Energy customers to understand what they value about the service we provide and what elements of our offering they would like us to change.

We have used the results of this survey to refine our retail strategy, offering new energy products and, in the future, energy monitoring and analysis services. As renewable energy projects come on stream throughout the State, we are working with project proponents to provide network services which enable them to generate intermittent energy into the grid while also safeguarding security of supply for Queenslanders.

Back a low carbon future

Our large, diverse portfolio of dispatchable generation allows us to facilitate the introduction of renewables in the grid while also providing reliability and security.

During the year we continued to provide our customers with commercially attractive green energy through power purchase agreements with renewable projects.

We also recently commenced a $5 million feasibility study into a hydrogen electrolysis plant at Stanwell Power Station near Rockhampton. By deploying hydrogen electrolysis at large scale, the demonstration plant could help support the development of new domestic and export markets for hydrogen. The proposed plant would support electricity security and reliability, and help underpin renewable energy integration and investment in Central Queensland. It would also enhance the flexibility of Stanwell Power Station and enable Stanwell to play an important role in facilitating Queensland's transition to a lower carbon future.

Enablers

The fourth element of our strategy, enablers, is about simplifying the way we do business; attracting, developing and retaining great people in our workplace; keeping our people safe; and operating in ways which benefit our customers, neighbours, host communities, owners and suppliers as well as our business.

Our priority is the safety of our people. This year the total number of injuries recorded at our sites increased from 88 in 2017/18 to 114 in 2018/19. While this represents our second safest year on record, any injury is unacceptable to us. The increase in the number of incidents was mainly due to hand and finger injuries and we are addressing this trend through a business-wide hand safety campaign. To further secure the safety of anyone who works at or visits our sites, we also implemented a single standardised safe work system.

Every day, in every part of our business, our people make decisions which have potential social, environmental and commercial implications. One of our key areas of focus throughout the year was encouraging our people to consider and balance those implications, regardless of whether the decision they are making is of strategic importance to the business or a day-to-day decision related to our fuel, plant, systems, budgets or people.

Our transition to continuous emissions monitoring systems at our Tarong and Stanwell power stations is part of this commitment. The systems will increase the transparency of our emissions reporting and enable us to further optimise our operations and improve coal ignition efficiencies. During the year we used this new real-time monitoring system for the first time to publicly report Stanwell Power Station's emissions. We also installed the system at our Tarong power stations and will commence reporting this data from 2019/20.

Acknowledgements

My thanks to our Chairman, Dr Ralph Craven, and to our directors for their leadership, advice and focus throughout the year.

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.

Throughout the year our people have continued to display dedication, energy, professionalism and true ownership in the work they do, in all parts of our business.

Queensland's energy landscape will continue to evolve over the years to come and I look forward to continuing to work with our people, our customers, communities, partners and shareholders as we overcome new challenges and create solutions together.

Richard Van Breda
Chief Executive Officer

The Energy Charter

Stanwell is proud to be a foundation signatory to **The Energy Charter.**

The Energy Charter was officially launched in January 2019 and comprises 19 energy companies from across the supply chain.

The Energy Charter's vision, *Together, deliver energy for a better Australia*, focuses all participants to work together to deliver energy in line with community expectations. The Energy Charter is about genuine customer outcomes and industry accountability. The primary purpose of The Energy Charter is to progress the business solutions and culture required to deliver a more affordable, sustainable and reliable energy system for all Australians.

The Energy Charter signatories commit to five principles:

1. We will put customers at the centre of our business and the energy system.
2. We will improve energy affordability for customers.
3. We will provide energy safely, sustainably and reliably.
4. We will improve the customer experience.
5. We will support customers facing vulnerable circumstances.

As part of our commitment to The Energy Charter, Stanwell will deliver its first public disclosure in September 2019 detailing how we are delivering against The Energy Charter principles.

Our report will be available at www.stanwell.com

It will discuss:

- our maturity in relation to the five principles;
- some of the areas where we have not yet achieved alignment with the principles;
- what solutions have worked well for us and our stakeholders, as well as those which may require further refinement; and
- those areas where we believe we have further work to do.

An independent accountability panel will review our disclosure and produce an evaluation report.

The Energy Charter aligns with our vision of working transparently with our stakeholders to achieve mutually beneficial outcomes over the long-term.

Performance **indicators**

In 2018/19, Stanwell committed to achieving the following financial and non-financial targets.

Measure

	2018/19 actual	2018/19 target	2017/18 actual
Operating profit ($M)	673.0	552.3	598.5
Earnings before interest and tax (EBIT) ($M)[1]	1,004.3	683.9	742.0
Earnings before interest, tax, depreciation, amortisation, impairment and fair value movements (EBITDAIF) ($M)[1,2]	899.4	749.0	857.7
Net Profit After Tax ($M)	736.0	441.7	490.8
Free cash flow ($M)[2]	644.5	508.6	682.4
Capital expenditure ($M)	158.8	208.6	141.7
Return on equity (%)	51.2	32.1	36.2
Total recordable injury frequency rate	5.3	3.6	3.6
Environmental enforcement actions	0	0	0

[1]Includes Coronado interest.
[2]EBITDAIF and free cash flow excludes coal rebate revenue.

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						
2018/19	10,879	72.55	88.5	87.2	9.0	3.8
2017/18	11,171	74.97	93.5	89.6	2.9	7.5
Stanwell Power Station – coal – 1,460 MW						
2018/19	7,856	66.65	91.4	93.5	5.0	1.5
2017/18	8,120	68.73	89.1	93.9	5.7	0.4
Swanbank E Power Station – gas – 385 MW						
2018/19	588	18.36	92.7	64.8	18.1	17.1
2017/18	616	30.19	80.6	99.6	0	0.4
Hydros – water – 164 MW						
2018/19	891	62.28	87.9	93.5	5.3	1.2
2017/18	605	42.33	86.8	88.3	10.6	1.1
Mica Creek Power Station – gas – 115 MW						
2018/19	309	29.06	93.1	87.3	5.1	7.6
2017/18	120	13.84	87.9	69.5	12.4	18.1

[1]Includes planned and maintenance outage factors.
Swanbank E calculations take into account the cold storage of the power station from 1 December 2014 to 31 December 2017.
Mica Creek calculations take into account the phased withdrawal, cold storage and subsequent restart of generation units from September 2016 to November 2017.
*Energy sent out is the amount of energy supplied to the transmission network.

Strategic direction

Market overview

The Australian energy market is in transition as it responds to changing customer and social demands, technology driven changes and the retirement of ageing thermal coal generation.

Working together, there are a number of challenges which government, industry and consumers need to solve:

- The way people consume and source electricity continues to change. The growing proportion of generation from rooftop-solar means that grid-supplied electricity demand is declining overall and peaking more dramatically during the course of the day. Energy efficiency has resulted in people using less electricity overall; however there are days or even a few hours each year (typically during summer heat wave conditions) where demand increases significantly. The challenge is to design a market that can ensure enough generation capacity to supply this peak demand for just a few days or hours.
- Policies restricting or banning the exploration and development of gas in various states have contributed to the general tightening of gas supply across the National Electricity Market. This is resulting in increased costs for gas-fired generation, which would otherwise have the potential to assist in the transition to a lower carbon economy (gas has lower emissions than coal-fired generation and is able to quickly respond to changes in electricity demand).
- Ensuring a reliable supply of electricity as the generation mix changes is paramount. The proportion and generation profile of renewable energy, along with the rate at which the 'take up' of batteries and other technology occurs, will change the supply and demand dynamics of the National Electricity Market. The ability to manage the risks associated with variable renewable energy by pairing it with firming generation is a critical next step.

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

Stanwell's strategic response

Stanwell has an important role to play in the National Electricity Market over the coming years, as the grid transitions away from fossil fuel to renewable energy and storage. As the owner of two of the most efficient coal-fired power stations in Australia, we have a key part to play in keeping the lights on and delivering affordable energy.

Through the four elements of our strategy, we are creating energy solutions which help us meet energy users' short and long-term needs.

Firstly, having a **flexible and competitive portfolio** means we operate efficiently to reduce our power generation costs while increasing the flexibility of our portfolio so it can meet consumers' changing demand needs.

Over the past two years, we have been looking at how the role of our coal-fired power stations needs to change to support an increasing proportion of renewable generation. As more solar energy comes online, there is less need for coal-fired generation in the middle of the day. However, we need to be ready to respond when demand increases in the evening.

Originally designed to run at a relatively constant high level of output, we recognised that work needed to be done to adapt our plant for a different operations profile. In the past year, we have applied what we have studied and have trialled running our power stations at low load and then ramping up our generation to meet peak demand requirements. There is more work to be done, but the trials and testing to date have been promising. We have also been studying the impact of 'two shifting' where a generation unit is shut down during the middle of the day and then restarted and loaded up for the evening peak.

Innovative energy products is the second arm of our strategy. We are working closely with our customers to tailor energy solutions to their needs, as technologies and consumer expectations evolve.

Over the past year we have included power purchase agreement options, green products, customised billing, long-term pricing (up to 10 years), hybrid contracting arrangements, self-management of consumption and environmental certificate requirements in our customer offering.

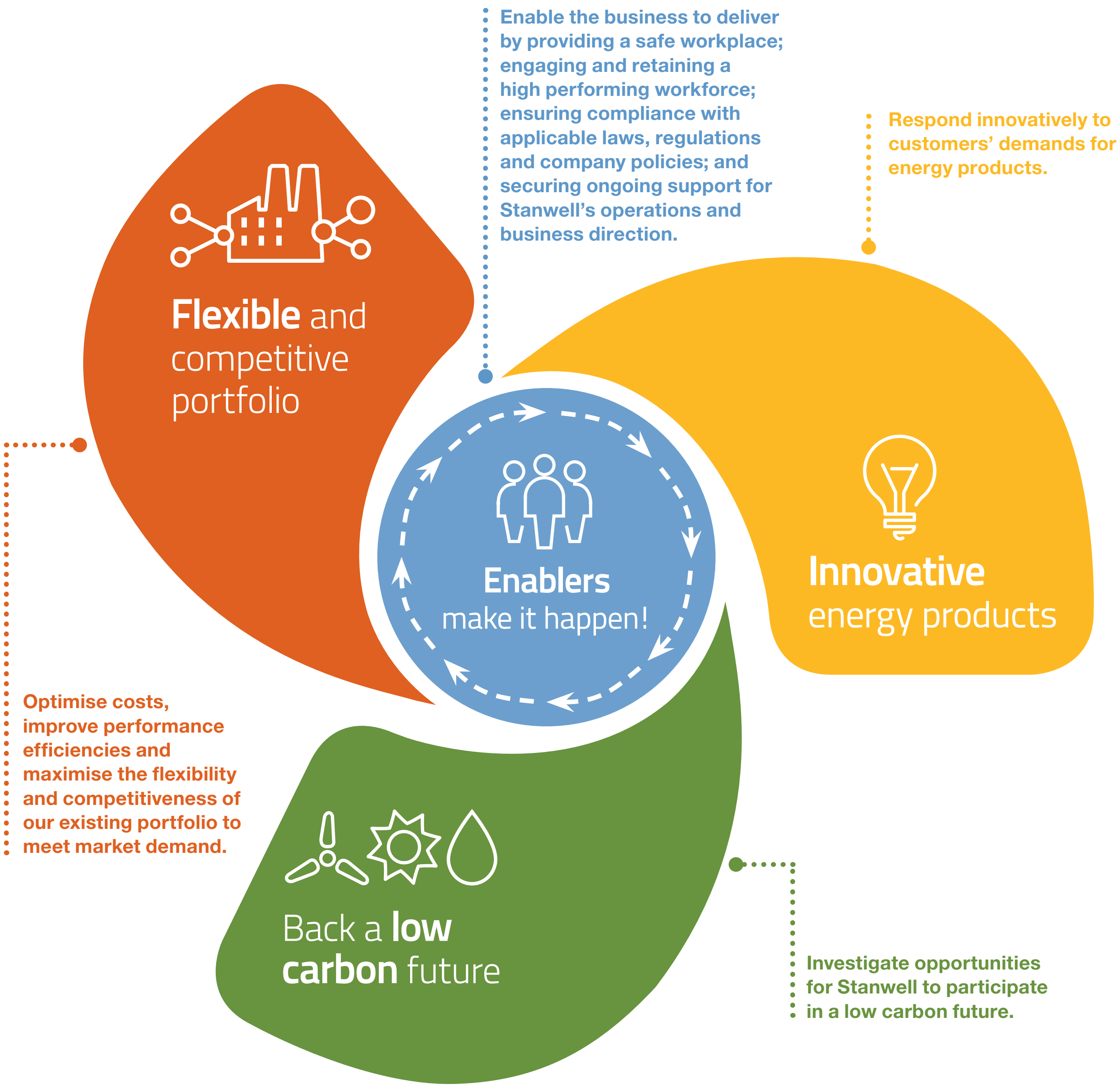
The third element of our strategy is **back a low carbon future.** We want to be part of the lower carbon future. We will do this in many ways – we may trade the output from renewable energy assets or we may purchase the electricity directly from renewable generators.

The final element of our strategy – **enablers** – is about our people and processes. It highlights our focus on engaging and retaining a high performing workforce, complying with - and often going beyond - what is required by regulation, and continuing to deliver a safe workplace so that together we can deliver on our strategy.

Our Environmental Sustainability Policy encourages our people to consider and balance the social, environmental and commercial implications of every decision they make, regardless of whether those decisions are key strategic initiatives or day-to-day workplace choices.

We are working on a diversity and inclusion program to grow career pathways, simplifying our internal systems to continue to keep costs low, and offering greater workplace flexibility for our people. We have also successfully rolled out a new system which provides a consistent approach to managing safety at all our sites.

Together Stanwell's vision and strategy pushes us to continue finding better ways of doing things so that we can deliver reliable, affordable and lower carbon energy for Queensland.



Our **five year plan**

Our goals

Within the next five years Stanwell will:

- be free of injury and occupational illness;
- be diverse and inclusive; and
- have simple and robust systems that make business easy.

We will provide commercial returns to our shareholders. Over the coming years, we will work to achieve this goal by:

- helping make energy affordable through our business decisions;
- adapting our portfolio and providing the energy solutions consumers want;
- helping our people work in ways which are aligned with our vision, strategy and values;
- ensuring our plant is available to respond to consumers' energy demands; and
- considering environmental, social and commercial impacts when we make decisions.

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

Innovative energy products

Over the next five years we will work with our stakeholders to achieve the following objectives:

- deliver commercial value and price certainty for our customers and Stanwell, through the Stanwell Energy retail business;
- investigate retail opportunities through partnerships and wholesale support; and
- develop products and energy solutions to defend current loads and facilitate new and existing load growth.

We know we are successful when:

- we are consistently delivering value for our customers by tailoring energy solutions to their needs and providing them price certainty;
- we have ensured a future market for our energy products; and
- Queensland remains an attractive place for investment, with affordable, reliable and sustainable energy.

Flexible and competitive portfolio

Over the next five years we will work with our stakeholders to achieve the following objectives:

- ensure flexible generation plant that meets changing market demand and system security requirements;
- maintain plant in response to market requirements now and over the long-term and effectively manage asset risk;
- secure commercial water supply arrangements; and
- ensure best value coal supply for our power stations.

We know we are successful when we:

- maintain security of electricity while supporting a transition to a lower carbon future;
- provide low cost dispatchable generation to support energy affordability for consumers;
- optimise the value of existing assets over their remaining economic life; and
- ensure a sustainable impact on the environment.

Brianna Smith, Health and Safety Graduate, Stanwell Power Station.

Back a low carbon future

Over the next five years we will play our part in the transition to lower emissions from the electricity industry while also retaining the value of our business for our owners, the people of Queensland.

We know we are successful when:

- we have integrated renewable energy sources into our portfolio at an affordable price;
- our portfolio emissions are in line with or better than national targets; and
- our business is sustainable and profitable, in the short, medium and longer term.

Enablers - Make it happen!

Over the next five years we will achieve the following objectives:

- provide a safe and inclusive workplace;
- achieve operational efficiencies;
- engage and retain a high performing workforce;
- ensure compliance with applicable laws, regulations and company policies;
- enhance our risk strategies and frameworks;
- implement Stanwell's Environmental Sustainability Policy;
- improve and simplify business systems;
- secure information technology and operational technology assets from cyber security threats; and
- secure ongoing support for Stanwell's strategy and operations.

We know we are successful when:

- our business is simple, safe and smart – it's easy to work at Stanwell;
- we take charge of our future and create it; and
- our stakeholders and communities say they benefit from our presence.

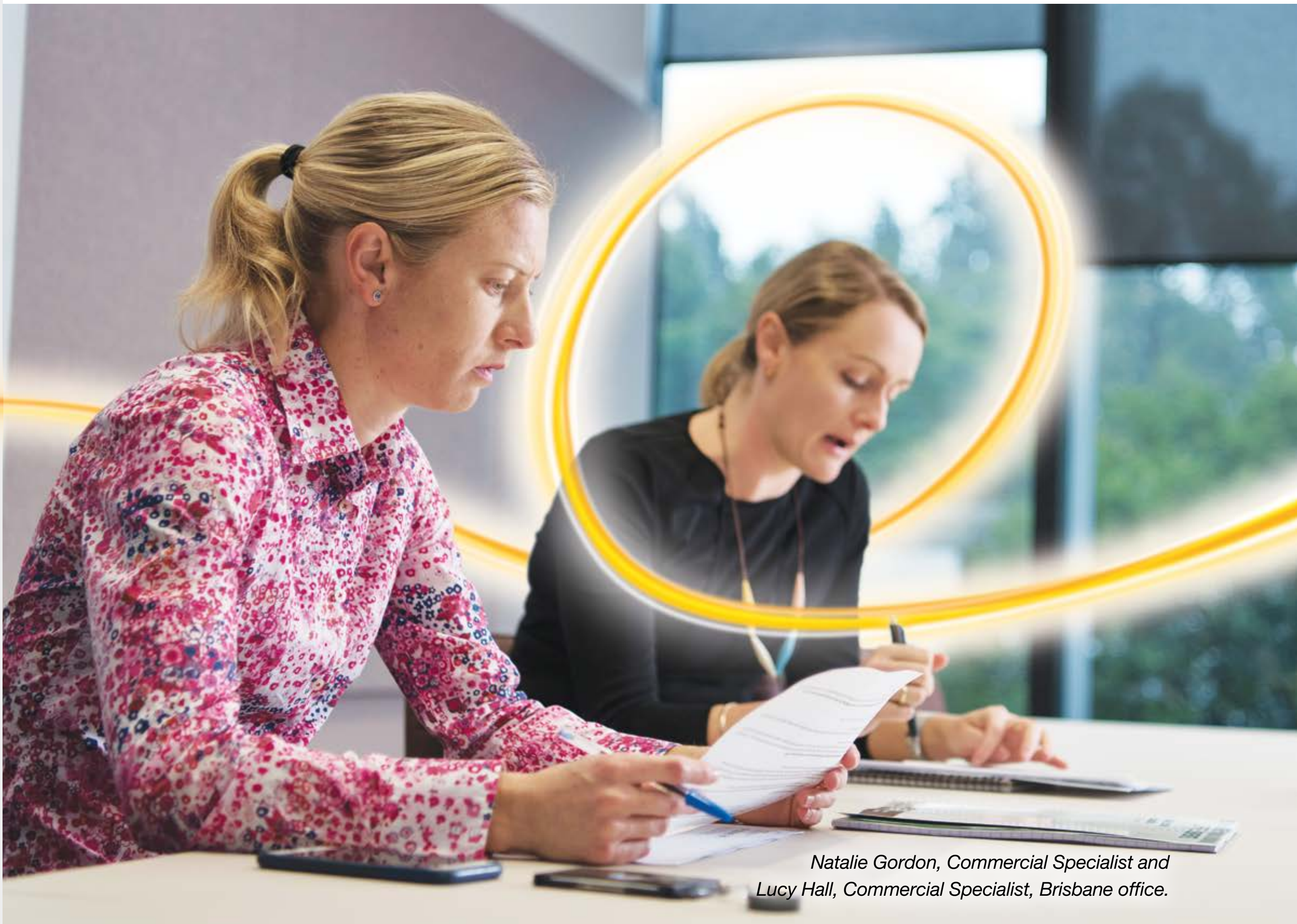
Meandu Mine

Our **2018/19 performance**

Throughout 2018/19, Stanwell worked on the following objectives as part of our strategy to deliver innovative energy products, provide a flexible and competitive portfolio, back a low carbon future and ensure we have the right people, culture and processes.

Innovative
energy products

Our stable cost base and customer focus enable us to offer energy products that meet our customers' needs and provide them with certainty in relation to energy prices.



Natalie Gordon, Commercial Specialist and Lucy Hall, Commercial Specialist, Brisbane office.

Objectives

Deliver commercial value through the Stanwell Energy retail business

Result: Achieved

Investigate retail opportunities through partnerships and wholesale support

Result: In Progress

Develop products and energy solutions to defend current loads and facilitate new and existing load growth

Result: Achieved

The 'innovative energy products' element of our strategy seeks to deliver:

- value for our customers by tailoring energy solutions to their needs and providing them price certainty;
- value for our business by ensuring we have a future market for our energy products; and
- economic development and regional growth by ensuring Queensland remains an attractive place for investment, with affordable, reliable and sustainable energy.

For the second consecutive year, Queensland's wholesale electricity prices were on average the lowest and most stable in the mainland National Electricity Market (see Chart 1).

Average wholesale prices in Queensland in 2018/19 were below the peak of 2016/17, but were higher than 2017/18.

Prices in the wholesale market reflect an energy market in transition, particularly following the closure of Hazelwood Power Station in Victoria in 2017.

While there has been significant growth in renewable energy, coal-fired generation met 74 per cent of total energy demand in the National Electricity Market.

On 13 February 2019 at 5:00 pm, Queensland recorded a new peak electricity demand record of 9,988 MW (the previous record of 9,840 MW was set in February 2018). This demand was driven by high temperatures across Queensland. Power station availability was high and most generation units in Queensland performed as expected with no threat to security of supply. In particular, Stanwell's seven coal, gas and hydro power stations throughout the State sent out 3,481 MW to help meet the record demand.

Deliver commercial value through the Stanwell Energy retail business

We work with some of Australia's largest energy users in the mining, industrial and commercial sectors to deliver customised energy products tailored to their specific energy requirements.

More than 20 per cent of our retail book is under long-term contracts (five years or more). This provides our customers with cost certainty for their businesses, and enables us to lock in a portion of our future revenue which provides us with long-term certainty.

Throughout 2018/19, we continued to work with our customers to tailor products to the needs of their business, with more than 35 per cent of our customers on highly tailored products.

In 2018, we commissioned an independent survey of our target retail market. Through this research, we learnt our customers value our accurate, timely and transparent billing. Our proactive account management and our flexible terms were also highly rated.

The survey also provided insights into how we can improve our service offering. Using this feedback, we have developed a new retail strategy which includes new energy products (including renewable energy) and energy monitoring and analysis services.

Investigate retail opportunities through partnerships and wholesale support

Stanwell has helped to increase competition within Queensland's retail electricity market by actively pursuing relationships with small and mid-tier electricity retailers which have customer bases or aspirations in Queensland. By providing these small and medium-sized electricity retailers with wholesale products, Stanwell aims to ensure consumers benefit from lower prices.

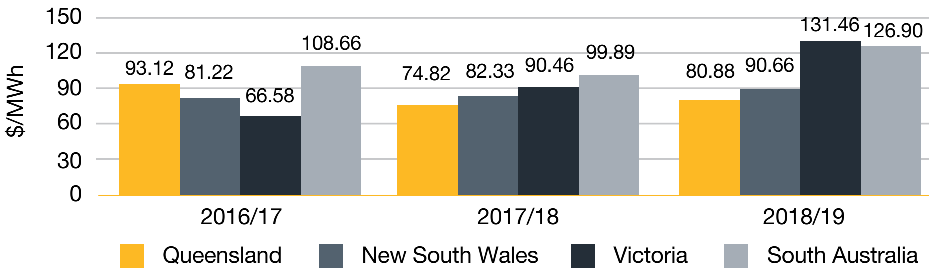
Develop products and energy solutions to defend current loads and facilitate new and existing load growth

In 2018/19, Stanwell continued to negotiate a number of long-term energy deals with major customers, providing energy price certainty to these businesses, which are significant regional employers and drivers of economic growth for the State.

The intermittent nature of renewable energy can present challenges to the stability of the electricity network. We have worked with some of these projects to provide the network services that enable them to generate while also safeguarding security of supply to Queenslanders.

Chart 1

Average wholesale electricity prices ($/MWh)



Flexible and **competitive portfolio**

Our flexible and cost competitive portfolio of high performing assets will assist in responding to changes in demand for electricity as more variable renewable energy enters the market. We provide the energy and essential services to ensure a secure supply of electricity to Queensland.

Kirstie Schumacher, Community Relations Advisor and Doreen Gleeson, Commercial Superintendent, Meandu Mine.

Objectives

Ensure flexible generation plant that meets market demand	**Result:** In Progress
Optimise plant costs	**Result:** Achieved
Reduce fuel and mine costs	**Result:** In Progress
Secure commercial water supply arrangements	**Result:** In Progress
Realise best value from our coal portfolio	**Result:** Achieved
Realise best value from our gas portfolio	**Result:** Achieved


Brett Connor, Process Chemist and Emily Powell, Marketing and Communication Advisor, Stanwell Power Station.

The 'flexible and competitive portfolio' element of Stanwell's strategy seeks to:

- ensure our generation plant is flexible to meet changing market demands as more variable renewable energy enters the market;
- optimise and reduce our plant, fuel and water costs to ensure we are putting downward pressure on energy generation costs, while delivering a reliable, secure supply of electricity; and
- continue to realise best value from our coal and gas portfolios as they are a strong contributor to Stanwell's commercial results.

Ensure flexible generation plant that meets market demand

Our coal-fired power stations play an important role in maintaining security and affordability of electricity supply as Queensland transitions towards lower carbon energy generation.

Our priority is ensuring our power stations can respond promptly and flexibly to changes in electricity supply and demand.

In 2018/19, our generation portfolio achieved an average availability of 87.7 per cent, compared to a market average of 75.1 per cent. Our average reliability factor was 95.9 per cent, compared to a market average of 95.0 per cent.

During the year, we invested more than $126.3 million in capital projects at our sites to improve efficiency and maintain performance, ensuring our assets can respond when needed by the market. This included more than $65.0 million spent on overhauls, which are important in preserving the value of our assets and ensuring we can operate safely, efficiently and reliably.

In February 2019, very hot weather conditions throughout Queensland led to a record peak electricity demand of 9,988 MW. This year is the fourth year in a row a new maximum demand record has been set in Queensland. Stanwell has responded to challenging market conditions by ensuring maximum availability of our generation assets during high demand periods.

As Queensland transitions to higher levels of solar and wind energy generation, it will be important for Stanwell to operate and maintain our power stations to ensure they can flex to meet changes in demand. During the year, we made significant progress on flexible and low load operations across our portfolio. At Stanwell and Tarong power stations, the initial focus has been on low load within the existing plant

design constraints. Through the low load trials, we have taken a measured approach to challenge the boundaries of the original design concepts of our plant. As daily demand patterns continue to change, this will enable us to run our coal-fired power stations at low levels during the day (when the output from renewable generators is high) and then ramp up to meet evening peak demand. In 2019/20 the second phase of the flexible plant strategy will focus on alternate operating modes, and plant modifications that may be required to further extend the operating range.

We have successfully implemented flexible operating mode for Swanbank E Power Station, with the asset achieving 100 per cent availability during the high demand period of January to March 2019.

In 2018/19, we also investigated opportunities including storage, hydrogen, biomass and firmed renewable products.

Optimise plant costs

We continue to invest in our assets to meet current and future operating requirements. In 2018/19 we invested more than $50.0 million in an overhaul of Stanwell Power Station's Unit 4, which included a thorough inspection and maintenance program and coincided with a number of critical projects including a condenser re-tube and an upgrade of the power station's control system. The overhaul injected an estimated $11.0 million into the local Rockhampton economy during the 77-day program.

In June 2019, Stanwell Power Station Unit 1 commenced an overhaul which included an upgrade to the unit's control and protection systems to ensure long-term reliability of the control system and provide enhanced automation and control of the plant. The overhaul delivered $10.0 million in flow-on economic benefits to Central Queensland.

In late 2018, more than $35.0 million was spent on Tarong Power Station Unit 3 overhaul works. This included extensive turbine and generator overhauls, boiler and air heater inspections and repairs, as well as major electrical switchboard maintenance and motor overhauls. Approximately 50 local people were engaged by Stanwell's contractors for the duration of the outage.

The way forward for Mica Creek

Stanwell continues to explore opportunities to optimise generation at Mica Creek Power Station. We are negotiating with prospective customers in a challenging environment to extend the life of the power station beyond 31 December 2020.

Reduce fuel and mine costs

In February 2019, Stanwell released a tender for the Meandu Mine Services Agreement (MSA) to shortlisted participants. With the cost of coal from Meandu Mine making up two-thirds of the total cost of generation at the Tarong power stations, a new MSA is a significant step in securing the commercial future of Stanwell in the South Burnett region.

The new agreement is expected to deliver significant additional value by drawing on knowledge and experience gained from the current MSA and enabling Stanwell to adopt an operating model for the mine which responds to the changes underway in the National Electricity Market.

We are currently progressing through the tender process and recommendations will be put forward for approval to the Stanwell Board and shareholders, with a final decision expected before the end of 2019.

Left: *Liz Beavis, Operations Manager and Jon Gusthart, Production Technician, Tarong power stations.* ***Right:*** *Meandu Mine.*

Realise best value from our coal portfolio

In September 2018, Stanwell signed a new agreement with Coronado Curragh Pty Ltd which locked in a long-term, low-cost fuel supply for Stanwell Power Station through to 2038. Under the deal, Stanwell will receive $210 million (plus interest) for the Stanwell Reserved Area (an area within the Curragh Mine complex reserved for future coal supply to Stanwell Power Station) through discounted coal supplies. The agreement is for 10 years and 20 million tonnes of coal over the life of the agreement.

This deal has provided Stanwell Power Station with certainty in relation to the price and quantity of its coal supply. This will enable the power station to maintain its competitive position in the electricity market.

Secure commercial water supply arrangements

Water is a critical input for the generation of electricity so ensuring we have secure water at commercial rates is a key objective of our business.

Boondooma Dam is the primary source of water supply for the Tarong power stations and Meandu Mine. Stanwell has access to high priority water allocations from the dam under a water supply agreement with SunWater. Once the level of Boondooma Dam reduces to 34 per cent capacity, medium priority allocation holders are curtailed. This curtailment was triggered twice in 2018/19. To ensure a secure water supply for the Tarong power stations, Stanwell also has a bulk water supply agreement with Seqwater to access water from Wivenhoe Dam. At the time of writing, the Tarong power stations were using water from Wivenhoe Dam in order to conserve water from Boondooma Dam. Stanwell was also using recycled water at Swanbank E Power Station, in order to assist Seqwater with pre-commissioning work at a number of its recycled water treatment plants.

Realise best value from our gas portfolio

Gas sales were a strong contributor to Stanwell's financial performance in 2018/19.

Stanwell continues to be an active participant in the Wallumbilla Hub and the Brisbane Short Term Trading Market. We also have a number of gas sales agreements with private counterparties.

In 2018/19, Stanwell sold more than 2.5 petajoules of gas through bilateral sales agreements, traded approximately 1.5 petajoules of gas through the Wallumbilla Hub and sold more than 250 terajoules of gas transport capacity on the Roma to Brisbane pipeline.

The Kogan North Joint Venture is an unincorporated 50/50 joint venture between Stanwell and Arrow Energy. The joint venture provides a proportion of the gas requirements for Swanbank E Power Station and ensures Stanwell receives competitively priced gas at below-market rates. During 2018/19 we commenced an evaluation of a new gas development program under the Kogan North Joint Venture.

In December 2018, Stanwell finalised an amended gas transport agreement with APA Group for Swanbank E Power Station. The amended agreement secures gas transport and storage services for Swanbank E Power Station for a three-year period from 1 January 2019 to 1 January 2022.

These gas agreements will transfer to CleanCo Queensland, along with the gas-fired Swanbank E Power Station, on 31 October 2019.

Left: *Meandu Mine.*
Right: *Carissa Muller, Karen McCormack, Jordan Hooper, James Oliver, Rod Keep (UGL) and Dave Geddes, Stanwell Power Station.*

Back a
low carbon future

Stanwell is exploring opportunities to evolve and renew our portfolio in response to the market and to support Queensland's transition to a lower carbon future. Our participation in renewable energy may include direct involvement in renewable projects as well as power purchase agreements with renewable proponents.

Brad Kreis, Plant Officer, Swanbank E Power Station.

Objectives

Engage in the transition to lower emissions from the electricity industry and protect long-term market share

Result: In Progress

Through our vision and strategy we are helping Queensland transition seamlessly to the energy market of the future. Stanwell has a low carbon energy strategy which seeks to:

- work with existing and prospective customers to develop energy supply arrangements involving renewable energy, large-scale generation certificates and other energy services;
- respond to customer-led enquiries for renewable projects on Stanwell-owned potential development sites; and
- integrate commercially-attractive power purchase agreements into our portfolio.

Innovative and sustainable energy products

Stanwell has reliable, flexible and low cost plant to provide attractive, long-term cost-based pricing. However, we need access to a range of new energy products to service customers into the future and to meet the changing needs of the energy system in a way which safeguards reliability and delivers a lower carbon solution.

Renewable energy power purchase agreements

Stanwell's large and diverse portfolio and trading function allows us to facilitate the introduction of renewables into the electricity grid while also providing reliability and security.

Stanwell supports the integration of renewable energy into the market through commercially-attractive power purchase agreements, providing a means of managing the impact of variability on both the physical and financial markets.

Participation in low carbon energy remains a critical part of Stanwell's strategy as we seek to provide our customers with the products they need. Throughout 2018/19, Stanwell worked with a range of renewable and firming project proponents in relation to electricity and large-scale generation certificate off-take (negotiations are ongoing).

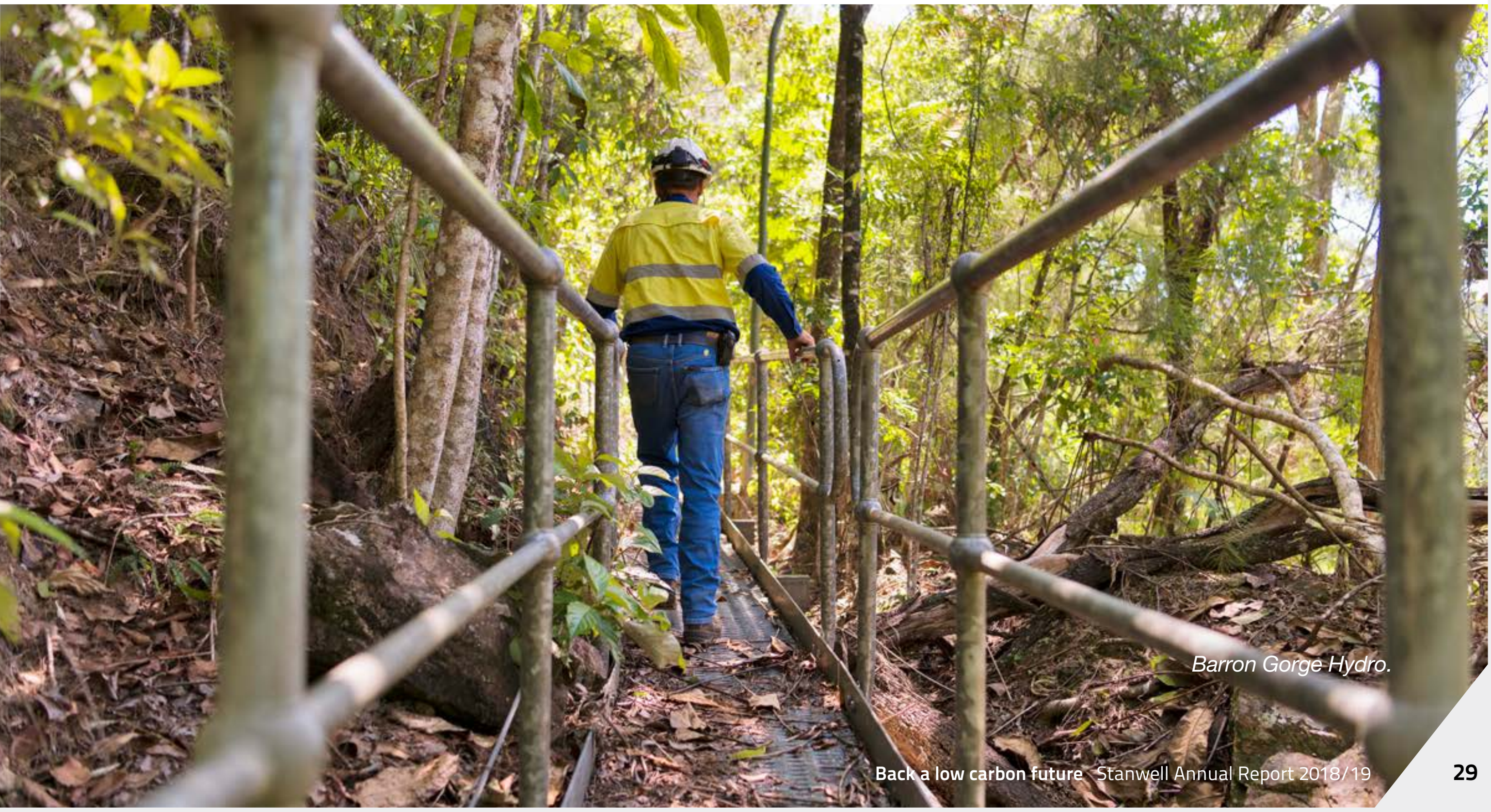
We are a proud generator of environmentally responsible energy

Our long-life renewable energy assets in Far North Queensland ensure Queenslanders benefit from secure and environmentally responsible energy.

The ability of these hydro-electric power stations to start up quickly means they play an important role in ensuring a secure, reliable power supply.

Our hydro power stations generated more than 890 GWh of electricity in 2018/19. This is a significant level of output, driven by substantial and consistent rainfall.

Stanwell's northern hydro assets will transfer to CleanCo Queensland on 31 October 2019.



Barron Gorge Hydro.

Enablers

At Stanwell, providing a safe workplace, engaging and retaining a high performing workforce and securing ongoing support for our operations are key to our success.

Marcus Taylor, Facilities Manager and Bill Granville, Principal Advisor, Stanwell Power Station with Kalapa Hall and Sports Committee President, Greg Health.

Objectives

Provide a safe workplace

Result: Achieved

Achieve operational efficiencies

Result: Achieved

Engage and retain a high performing workforce

Result: Achieved

Ensure compliance with applicable laws, regulations and company policies

Result: Achieved

Implement Stanwell's Environmental Sustainability Policy

Result: Achieved

Secure information technology and operational technology assets from cyber threats

Result: Achieved

Secure ongoing support for Stanwell's strategy and operation

Result: Achieved

To enable the successful execution of Stanwell's corporate strategy, we:

- take a holistic approach to ensuring a safe workplace where people take personal ownership for their own safety and the safety of others;
- encourage constructive working relationships with our employees, unions, government departments, shareholders and regulators; and
- simplify our business systems and provide efficient and transparent information communication technology services across the business.

Achieve operational efficiencies

In 2018/19, Stanwell continued to deliver operational efficiencies across the business. This has been driven by a range of initiatives including efficiencies in mining operations which reduced fuel costs, a business-wide focus on reducing operating and corporate costs, and optimising our capital expenses.

Provide a safe workplace

At Stanwell, our priority is the safety of our people. Our goal of Zero Harm Today means we strive to keep all our people safe and well every day. Central to this is a focus on continuous learning and improvement across all levels of our business.

This year our Total Recordable Injury Frequency Rate (TRIFR) was 5.30 against a target of 3.61, which represents an increase from 2017/18. Meanwhile, the Significant Injury and Fatality (SIF) metric for the year reduced to 0.96 - well below the target of 2.29. The increase in recordable injuries was mainly due to injuries sustained to hands and fingers and we are addressing this trend through a business-wide hand safety campaign aimed at managing the hazards associated with using powered and non-powered hand tools.

This year we successfully implemented a standardised safe work system at our sites, providing consistent and robust safety processes to keep our people safe. As part of continuous learning, a multi-media Questioning Mindset campaign was rolled out to our workforce. This encouraged our people to be mindful of conditions or activities that could potentially have negative effects on the safety of themselves or others.

In recognition of our commitment to safety, Tarong power stations received two awards at the Queensland Generator Safety Forum Health and Safety Innovation Awards. Meandu Mine was also recognised in the top ten at the Queensland Mining Conference Innovation Awards for the slide in rollers innovation, which reduces the likelihood of musculoskeletal injury risks and improves productivity.

Stanwell was a finalist at the National Safety Awards of Excellence in the Best Health and Wellbeing Program category. A key focus of our health and wellbeing program this year was nutrition and weight management where we offered one-on-one tailored nutrition and dietary assessments to employees across our sites.

In 2018 we commenced the roll out of the MATES in Energy program which provides suicide prevention and intervention skills, and suicide awareness training.

Engage and retain a high performing workforce

Developing the capabilities of our people is key to building a high performance culture across our business. This year we continued to roll out our Leading for the Future program where participants are challenged to think differently in the context of business improvement, leadership and culture.

Building on our diversity and inclusion initiatives, we were proud to be successfully accredited as a White Ribbon workplace in late 2018. Our accreditation recognised that Stanwell has demonstrated effective leadership, resource allocation, communication, human resources policy development and training to create a safer and more respectful workplace where there is zero tolerance of domestic and family violence.

In 2018/19, we had a total of 43 trainees and apprentices across the business including nine new apprentices and four new trainees. We also welcomed five new graduates in energy trading, finance, information and communication technology, and people and culture. In 2019/20, we will host a further eight trainees and apprentices and five graduates.

Stanwell actively encourages constructive working relationships with our employees, site delegates and the unions that are party to our enterprise agreements.

This year we have been successful in finalising a number of our enterprise agreements. This included the Corporate Offices Enterprise Agreement and the Tarong Power Stations Enterprise Agreement. We have also reached in-principle agreement with the unions for the Kareeya, Barron Gorge, Mica Creek and Stanwell Power Stations enterprise agreements.

Implement Stanwell's Environmental Sustainability Policy

Stanwell continues to foster a positive relationship with our neighbours, broader stakeholders and regulators including the Department of Environment and Science, the Department of Natural Resources, Mines and Energy, and the Wet Tropics Management Authority.

When making business decisions at Stanwell, we give due consideration to environmental consequences and opportunities in conjunction with social and commercial imperatives. Our continuous improvement culture contributes to delivering environmentally sustainable initiatives and outcomes across our business. The following two examples were implemented under Stanwell's Environmental Sustainability Policy which the business transitioned to in early 2018.

Managing our air emissions at Tarong power stations

As part of Stanwell's commitment to transparent reporting of air emissions a $2.0 million Continuous Emissions Monitoring System (CEMS) was installed at Tarong power stations in early 2019. This system provides accurate measurements using real-time data of air particulate emissions directly from the power station stack. The move to CEMS provides air emission data that will be used to further optimise our operations and improve coal ignition efficiencies.

During 2018/19 Stanwell also improved the electrostatic precipitator rapping procedure at Tarong power stations. (Electrostatic precipitators capture particulates before they exit the stack.) This has lowered airborne particulate concentrations released to the surrounding environment.

Implementing our water strategy at Swanbank E Power Station

Following Swanbank E Power Station's successful return to service in late 2017, the implementation of sustainable water use practices became a significant focus at the site. In early 2018, Stanwell commenced flexible operation trials for Swanbank E Power Station, providing the opportunity to trial more efficient methods for managing water use.

In 2018/19, through several initiatives, we achieved more than 700 mega litres of water savings. Specific operational areas targeted as part of the Swanbank E Power Station water strategy included:

- The delivery of water to site was optimised to ensure production rates were in line with Swanbank E Power Station's flexible operation trials. Stanwell also utilised the capacity of Swanbank Lake to capture rain events and implemented a lake management strategy.
- A commercial agreement was finalised with Seqwater to reinstate the supply of Purified Recycled Water (PRW) through the Bundamba treatment plant. Using PRW significantly reduces the use of water from the Moogerah and Wivenhoe dams.
- In mid-2018, the Swanbank A weir discharge gate was installed as a permanent solution to control the pH of our discharge water. The installation of the gate has reduced the need for water diluting practices and has also resulted in a reduction of raw water usage.

Improve and simplify business systems

During 2018/19 Stanwell reached a significant milestone in the simplification of our information and communication technology. We moved to a single Enterprise Resource Planning (ERP) system, allowing for consistent work practices across our sites and improved business planning. Significant systems, reporting processes and ICT infrastructure were also simplified.

We invested further in our cyber security capabilities, with a strategic focus on addressing technical vulnerabilities. We also continued to participate and assist the Australian Energy Market Operator with an industry-wide approach to cyber security.

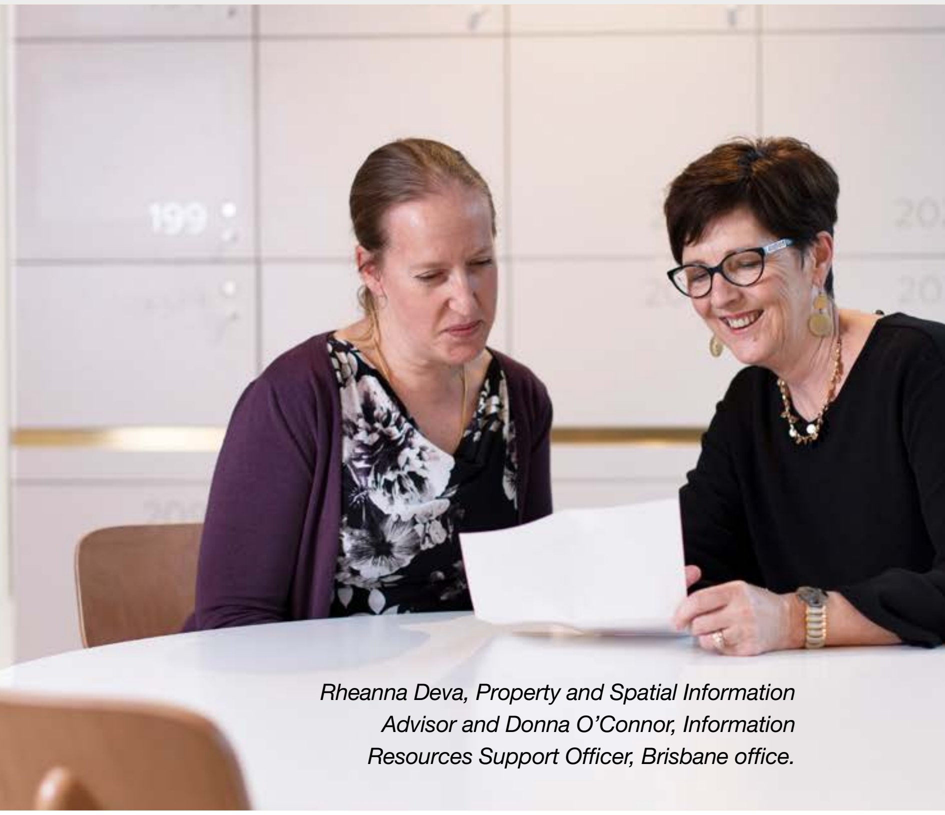
In 2018 we began a major project to ensure Stanwell's people and systems are prepared for the Five Minute Settlement market rule change, due to take effect on July 2021.

Above: *Claire Peever, Deputy General Counsel and Rachael Warren, Senior Legal Counsel, Brisbane office.*

Top: *Meandu Mine.*
Bottom left: *Ivor Ralph, Mechanical Apprentice and Mitchell Glossop, Mechanical Apprentice, Stanwell Power Station.*
Bottom right: *Liz Beavis, Operations Manager, Tarong power stations.*

Corporate governance

Stanwell's governance arrangements are subject to continuous review by the Stanwell Board and relevant Board Committees.



Rheanna Deva, Property and Spatial Information Advisor and Donna O'Connor, Information Resources Support Officer, Brisbane office.

Key areas of governance focus and achievement in 2018/19

- The Board Charter, the Board Committee Charters, the Board Handbook and the Delegations Framework were all reviewed to ensure that Stanwell's governance arrangements remain appropriate as Stanwell's circumstances change.
- Commenced implementation of an enhanced Enterprise Risk Management Framework (ERMF) which will ensure that risks are considered and addressed in a systematic way. The application of the ERMF to the management of risk supported by an appropriate risk culture will deliver a number of benefits to Stanwell including reducing performance variability, improving resource deployment and enhancing Stanwell's business resilience.
- Reviewed Stanwell's risk appetite statement to ensure there is alignment between Stanwell's strategy and the level of risk the business is willing to accept in pursuit of its strategic objectives and an appropriate level of risk taking is occurring across Stanwell's operations.
- Reviewed the framework by which Stanwell manages the risks arising from its energy market trading activities.
- Monitored, measured and assessed Stanwell's Compliance and Regulatory Management System to ensure that it continues to reflect best practice and is relevant and appropriate for Stanwell's business activities.
- Conducted a business continuity exercise involving Stanwell's operating sites and our Crisis Leadership Team for the purpose of testing the response to and recovery from a disruptive physical security incident.
- Provided assurance that Stanwell's information technology infrastructure, communication networks and business systems can operate in the event of a significant service interruption by successfully conducting a physical fail-over from Stanwell's primary data-centre to its secondary data-centre.
- Confirmed the strategy in relation to capital and funding remains appropriate and risk activities are undertaken within an appropriate compliance framework.
- Refreshed the Stanwell Code of Conduct and the underlying policy framework.

Approach to corporate governance

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

It provides the framework within which:

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

Chart 2
Stanwell's current governance framework

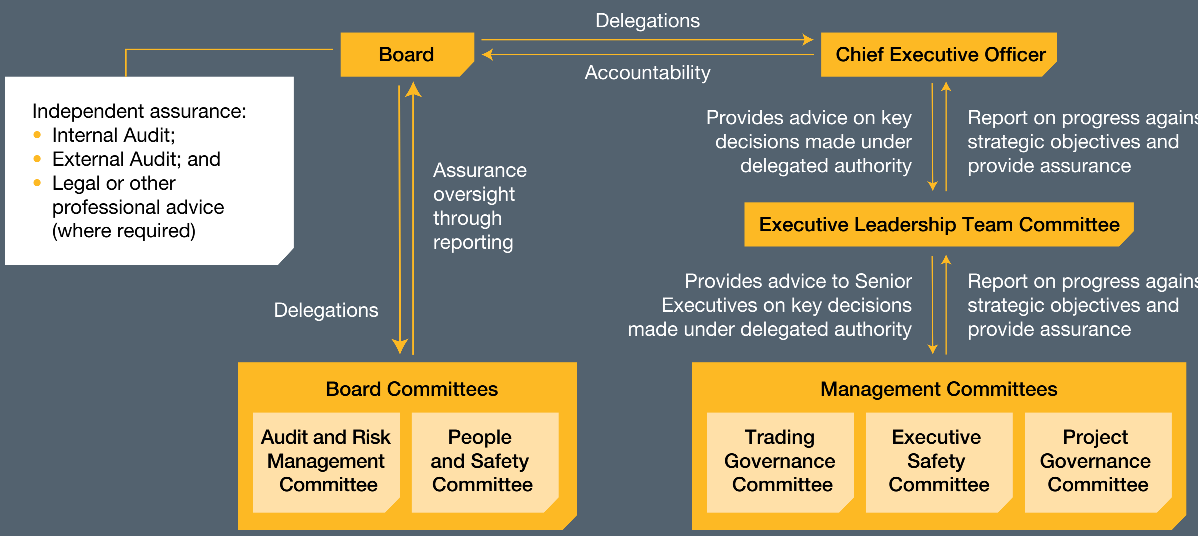


Chart 2 above shows Stanwell's current governance framework, including the Committees of the Board.

- The Executive Leadership Team, Executive Safety, Project Governance and Trading Governance committees sit beneath the Chief Executive Officer (CEO) to implement Board-approved strategies, policies and manage risks across the organisation.
- Further information on Stanwell's corporate governance practices, including key policies and copies of the Board and Board Committee Charters, are available on the Stanwell website (www.stanwell.com).
- Stanwell has adopted all of the principles outlined in the Corporate Governance Guidelines for Government Owned Corporations and the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council (where applicable) and believes that, throughout the reporting period, its governance arrangements have been consistent with these principles.
- This Corporate Governance Statement sets out each of these principles and how Stanwell has addressed them.

Principle 1 - Foundations of management and oversight

Role and function of the Board

The Board's primary function is to ensure that Stanwell and its controlled entities have an appropriate corporate governance structure 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, the annual budget and financial plans;
- oversee and monitor organisational performance and the achievement of Stanwell's strategic goals and objectives;
- ensure the adequacy and effectiveness of key aspects of Stanwell's financial management, reporting and accounting practices;
- oversee the review and update of corporate governance arrangements and processes as necessary to support Stanwell's commitment to best practice corporate governance;
- monitor and influence Stanwell's culture, values, reputation and ethical standards;
- appoint and assess the performance of the CEO and senior executives;
- approve, review and oversee systems of risk management, internal control and regulatory compliance; and
- report to and communicate with Stanwell's shareholding Ministers.

Delegation of authority

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

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

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

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

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

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

Committees of the Board

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

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

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

People and Safety Committee

As at 30 June 2019, the People and Safety Committee comprised the following directors:

- Jacqueline King (Chair)
- Adam Aspinall
- Dr Ralph Craven

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 employees, contractors and visitors;
- 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 2019, the Audit and Risk Management Committee comprised the following directors:

- Karen Smith-Pomeroy (Chair)
- Adam Aspinall
- Dr Ralph Craven

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

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:
  - identifying and managing material business risks;
  - implementing appropriate and adequate control, monitoring and reporting mechanisms; and
- monitor and assess the performance of the internal and external audit functions (to the extent relevant).

Executive remuneration and performance review

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

The rate of remuneration increases for the CEO and senior executives is determined 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.

Further details about the CEO and senior executive remuneration are disclosed in the Key Personnel note on page 102.

Principle 2 - Structure the Board to add value

At the date of this report, the Board consisted of four independent, non-executive directors. 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 48.

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 2018 and 30 June 2019. The table on page 50 of this report details the number of Board and Board committee meetings held during the year that each director was eligible to attend and the number of meetings attended by each director.

Director induction and continuing education

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

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

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

Director independence

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

- the exercise of objective, unfettered or independent 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 in the event that they require additional information. Each director is encouraged to contact the CEO or Company Secretary prior to a Board meeting to discuss any matters that require clarification.

Board evaluation

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

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

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

Principle 3 - Promote ethical and responsible decision-making

Code of Conduct – the way we work at Stanwell

Stanwell has a Code of Conduct that applies to its directors, employees and contractors. The code promotes ethical and responsible decision-making and requires high standards of honesty, integrity, fairness and equity in all aspects of employment with Stanwell – the behaviour this fosters is integral to supporting Stanwell's values and governance practices.

The principles underlying Stanwell's Code of Conduct are:

- We contribute to a safe workplace and strive to achieve Zero Harm Today.
- We act ethically at all times.
- We treat others with fairness and respect and value diversity.
- We identify conflicts of interest (whether real or perceived) and manage them responsibly.
- We respect and maintain privacy and confidentiality.

- We comply with this code, the law, Stanwell's contractual commitments and Stanwell's policies and procedures.
- We immediately report any breaches of this code, the law or Stanwell's policies and procedures.

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

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

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

Whistle-blower Protection Policy

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

When a whistle-blower raises a concern, they may choose to involve the Whistle-blower Protection Officer who is responsible for protecting the whistle-blower against personal disadvantage as a result of making a report.

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 investigations on concerns raised by whistle-blowers.

Avoidance of conflicts of interest

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

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

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

Diversity and inclusion

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

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

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

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 2018 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 ensures 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 articulated Risk Appetite Statement. It is also responsible for overseeing the establishment of systems for risk management including the key frameworks and policy components.

Stanwell's Risk Appetite Statement enunciates 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 and include a mixture of both qualitative and quantitative measures.

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

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

Stanwell's Enterprise Risk and Business Resilience Policy, Enterprise Risk Management Framework and Risk Evaluation Matrix are consistent with *ISO 31000:2018 Risk Management Principles and Guidelines and COSO: Enterprise Risk Management Integrating with Strategy and Performance (2017)*.

Stanwell has defined its desired risk culture as a robust values-based culture where risk management is seamlessly integrated into daily operations and the risk management approach is characterised by the following principles:

- the objective of Stanwell's risk management practices is not necessarily to eliminate risk but to understand and to take a measured level of risk commensurate to the value that is being protected or created;
- Stanwell applies a structured and comprehensive approach to risk management to ensure that it achieves consistent and measurable results;
- the risk environment is not static, therefore our people should be aware of and respond to internal or external changes and events in an appropriate and timely manner;
- risk management should be integrated into day-to-day decision-making and leverage existing forums and processes wherever possible;
- the quality of Stanwell's decision-making will be further enhanced by ensuring that the appropriate stakeholders are involved so as 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 people are expected to familiarise themselves with Stanwell's Enterprise Risk Management Framework and apply its principles at all times.

Stanwell's Trading Risk Management Policy 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 has a robust system of risk management and internal control which, together with its governance structure, is designed to ensure that the material risks of conducting its business are effectively managed.

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

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

Stanwell conducts reviews of its business interruption risks and implements appropriate planning to mitigate those risks. These plans are tested by periodic business continuity and disaster recovery exercises that are designed to provide a sound degree of resilience should Stanwell need to respond to, and recover from, an adverse event while continuing to maintain business critical functions.

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

Stanwell's Compliance and Regulatory Management System is based upon the *International Standard ISO 19600:2014 Compliance management systems – Guidelines*. The Board approved Compliance and Regulatory Management Policy outlines Stanwell's commitment to ensuring that Stanwell 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. It 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 page 102 of this report.

Government Owned Corporations Act requirements

Government directions and notifications

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

During the 2018/19 financial year, Stanwell's shareholding Ministers issued the following formal directions:

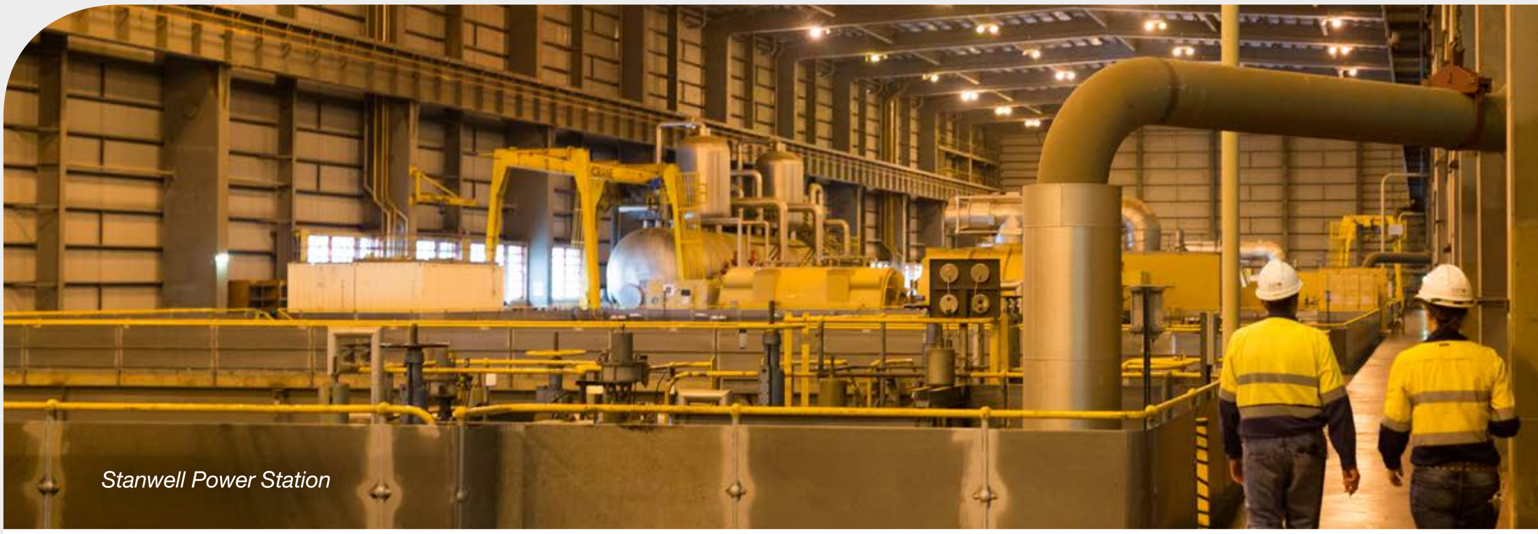
On 6 September 2018, the Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Island Partnerships and the Honourable Dr Anthony Lynham MP, Minister for Natural Resources, Mines and Energy issued a direction pursuant to section 257 of the *Electricity Act 1994* requiring Stanwell to assist in the establishment of CleanCo by:

- consulting with the Clean Energy asset employees in accordance with relevant Fair Work Instruments regarding the establishment of CleanCo;
- disclosing documents and information to the CleanCo Implementation Taskforce regarding the operation or performance of the Clean Energy assets;
- permitting and facilitating the use and duplication of Stanwell's systems by the CleanCo Implementation Taskforce; and
- providing full cooperation and assistance to the CleanCo Implementation Taskforce.

On 28 September 2018, the Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Island Partnerships and the Honourable Dr Anthony Lynham MP, Minister for Natural Resources, Mines and Energy issued a direction pursuant to section 257 of the *Electricity Act 1994*, during the direction periods:

- to offer the Australian Energy Market Operator the directed offer volume at bid bands no greater than the directed amount;
- to offer the Australian Energy Market Operator dispatch from the Swanbank E Power Station at the directed volume at bid bands no greater than the directed amount; and
- to consult with the Under Treasurer and Director General Energy on Stanwell's strategy to comply with the Direction and to keep them reasonably informed on progress.

On 23 June 2019, the Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Island Partnerships and the Honourable Dr Anthony Lynham MP, Minister for Natural Resources, Mines and Energy issued a direction pursuant to section 257 of the *Electricity Act 1994* requiring Stanwell to continue to manage the contractual rights and obligations relating to the Solar 150 program until 30 June 2020.



Stanwell Power Station

On 28 June 2019, the Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Island Partnerships and the Honourable Dr Anthony Lynham MP, Minister for Natural Resources, Mines and Energy issued a direction pursuant to section 131(3)(b) of the *Government Owned Corporations Act 1993* requiring Stanwell to pay a dividend in respect of the 2018/19 financial year comprising:

- 100 per cent of audited adjusted Net Profit After Tax for the 2018/19 financial year; and
- $100 million to be allocated against Stanwell's retained earnings.

Dividend Policy

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

On 27 March 2019, the Board of Stanwell recommended to shareholders a dividend amount equivalent to 100 per cent of Stanwell's Net Profit After Tax adjusted for:

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

Overseas travel

During the 2018/19 financial year:

- the Centralised Gas Manager and Mechanical Engineer travelled to Switzerland and the United Kingdom to inspect the Swanbank E Power Station hot gas parts being manufactured for the planned (October 2019) major overhauls and to agree on the replacement strategy and to view the low load and flexibility upgrades implemented by GE with a view to implement these learnings at the Swanbank E Power Station;
- the Power Systems Superintendent travelled to China to witness Factory Acceptance Testing of the new WEG HGF 330 kW Mill Motors to ensure that the quality of manufacture met the intent of the technical specification;
- the Chief Executive Officer travelled to Singapore to attend the INSEAD leadership development program; and
- the Tarong Power Station Electrical Engineer and Engineering Manager travelled to Japan to inspect the rotor coil disassembly and the high voltage bushings refurbishment process at the Hitachi Works factory.

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

Event:	Energy Trading and Commercial Strategy Annual Charity Fundraising Bowls Day
Date:	29/11/2018
Cost:	$7,241.00

Financial results

Stanwell Corporation Limited
ABN 37 078 848 674 30 June 2019

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 29 August 2019. 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') at the end of the 2019 financial year.

Principal activities

The Group's principal activity during the 2019 financial year was the operation of a diversified energy portfolio which included:

- the generation and sale of electricity; and
- the trading of gas, coal and electricity products.

Financial results

	2019 $'000	2018 $'000
Profit before income tax	1,049,759	700,800
Profit after income tax	736,009	490,824
Profit attributable to members of the Group	736,009	490,824

Dividends - Stanwell Corporation Limited

The directors recommend that a dividend of $550.2 million be paid in respect of the 2019 financial year (2018: $494.2 million).

Year in review

Financial Performance

The Group's diversified business model and commitment to cost leadership delivered a strong financial result. Net Profit After Tax was $736.0 million (compared to $490.8 million in 2017/18).

Coal sales (including coal revenue sharing agreements) delivered revenue of $263.8 million.

During the year the Group signed a new agreement with Coronado Curragh Pty Ltd, locking in a long-term, low-cost fuel supply for Stanwell Power Station through to 2038. $210 million of the Group's revenue in 2018/19 related to this agreement.

Gas sales were also a strong contributor to the Group's financial result delivering $95.5 million of revenue.

Strategy

Stanwell's vision, *Together we create energy solutions* guides us in delivering strategy, programs and projects and in performing for our customers, shareholders, communities and other stakeholders.

It is for these reasons that the Group's commitment to the four elements of its long term strategy is unchanged:

- Respond innovatively to our customers' demands for energy products;
- Investigate opportunities for Stanwell to participate in low carbon energy solutions;
- Optimise costs, improve performance efficiencies and maximize the flexibility and competitiveness of our existing portfolio to meet market demand; and
- Enable the business to deliver by providing a safe workplace; engaging and retaining a high performing workforce; ensuring compliance with applicable laws, regulations and companies policies; and securing ongoing support for Stanwell's operations and business direction.

During the year, Stanwell made considerable progress against each element of its strategy.

National Electricity Market

The public debate has continued on energy policy as a result of rising electricity prices over recent years. This has ensured that the industry continues to remain under an unprecedented level of scrutiny and the outcome of this scrutiny, is discussion on more regulation. Stanwell will continue to advocate for energy policy certainty that delivers reliable electricity generation to supply households and business and delivers a genuine reduction in prices for Australians.

The pace of change in the National Electricity Market (NEM) is accelerating. Renewables projects across the NEM have continued to expand rapidly throughout financial year 2018/19. The installed capacity in solar generation has recently plateaued at ~1900 MW, however, a further 1200 MW of committed projects are expected to be completed over the next 12 months. This is in addition to a further 1400 MW of wind capacity that is expected to be commissioned during the same period.

Generation in the National Electricity Market of the future will be led by variable renewables, supported by storage, gas and existing coal-fired generation. Having flexible thermal capacity will be important to help meet Queensland's growing summer peak demand in the late afternoon and early evenings as generation from solar falls at the same time as demand increases.

During the 2018/19 financial year, the Group made significant progress towards understanding the capability of its coal fired fleet to operate flexibly. Originally designed to run at a relatively constant high level of output, the Group has successfully trialed running its coal-fired power stations at low load and then ramping up generation to meet peak demand requirements.

While there has been significant growth in renewable energy, coal-fired generation contributed 74 per cent of total energy demand in the National Electricity Market during the 2018/19 year.

The Group's relatively young, coal-fired assets, combined with its Meandu resource and long–term competitively priced coal, gas and water supply contracts means that Stanwell will play an important role in providing firming generation to support the orderly transition to the power systems of the future.

Queensland Market

For the second consecutive year, Queensland's wholesale electricity prices were on average the lowest and most stable in the mainland National Electricity Market.

On 13 February 2019, Queensland recorded a new peak electricity demand record of 9,988 MW (the previous record of 9,840 MW was set in February 2018). This is the fifth year in a row that a new maximum demand record has been set in Queensland.

This demand was driven by high temperatures across Queensland. Power station availability was strong and most generation units in Queensland performed as expected, with no threat to reliability of supply. In particular, the Group's seven coal, gas and hydro power stations despatched 3,481 MW to help meet the record demand.

During the 2018/19 financial year, the Group generated approximately 19,220 GWh of electricity; this was 33 per cent of Queensland's total electricity generation in 2018/19.

Retail Electricity Business

The Group's retail electricity business was established in 2014 and since that time, has continued to build a customer base in key sectors including mining, industrial, healthcare, government, education and commercial. The geographical spread of the Group's retail operations allows it to service large commercial and industrial customers who have multiple sites across the eastern states of Australia.

In 2018/19, the Group negotiated a number of long-term energy contracts with major businesses. Long-term deals provide certainty to these businesses, with electricity being one of the largest operating costs for many and a key factor driving their profitability.

The Group is also assisting customers understand the value of demand side management activities, such as curtailing load or using onsite generation to support their electricity needs, particularly in times of high electricity prices.

The Group has actively pursued relationships with small and mid-tier electricity retailers with customer bases or aspirations in Queensland. These relationships are aimed at improving small and medium sized retailers' ability to attract and retain retail electricity customers. In turn, this adds competitive tension to the retail electricity market in Queensland.

Operations

Safety

Safety is a core value and reflects the Group's belief that all injuries and occupational illnesses can be prevented. Central to this is a focus on continuous learning and improvement across all levels of our business.

In 2018/19, the Group's reported Total Recordable Injury Frequency Rate (TRIFR) was 5.30, against a target of 3.61. The increase in recordable injuries was mainly due to injuries sustained to hands and fingers during the first quarter of the financial year. A business-wide hand safety campaign has since been implemented, that targets the higher order controls to manage the primary hazard source being the use of powered and non-powered hand tools.

There were a significant number of safety initiatives and controls implemented across the business during the 2018/19 financial year. A large proportion were higher order controls, demonstrating the Group's commitment to identifying the most effective controls measures that are reasonably practicable in the circumstances and targeted at eliminating or reducing the exposure to identified health and safety hazards.

Plant

In 2018/19, the Group's NEM connected generation portfolio achieved average availability and reliability factors of 89.4 per cent and 91.7 per cent, respectively.

The Group invested more than $158.8 million in its portfolio of assets to improve efficiency and maintain their performance.

This included an outage on Stanwell Power Station's Unit 4 to undertake a major overhaul involving a complete control system upgrade and replacement of condenser tubes at a total cost of approximately $34.5 million.

In September 2018, $29.7 million was spent on Tarong Power Station Unit 3 overhaul works. This included extensive turbine and generators overhauls, boiler and air heater inspections as well as, major electrical switchboard maintenance and more overhauls.

In June 2019, Stanwell Power Station Unit 1 commenced an overhaul which included an upgrade to the unit's control and protection systems to ensure long-term reliability of the control systems and provide enhanced automation and control of the plant.

Fuel

Fuel costs are the Group's largest operating expense. In September 2018, the Group signed a new agreement with Coronado Curragh Pty Ltd which locked in a long-term low cost fuel supply for Stanwell Power Station through to 2038. Under the Agreement, Stanwell will receive $210.0 million (plus interest) for the Stanwell Reserved Area (an area within the Curragh Mine complex, reserved for future coal supply to Stanwell Power Station) through discounted coal supplies.

Coal for the Tarong Power Station is supplied by the Group's Meandu Mine. The Group is currently progressing through the tender process to secure a new Mine Services Agreement for the Meandu Mine. The new Agreement is expected to deliver additional value by drawing on the knowledge and experience gained from the current Agreement, and enables the Group to adopt an operating model for the mine which responds to the current and future dynamics of the National Electricity Market.

Coal for the Stanwell Power Station is supplied by the Curragh Coal Mine under an agreement with Coronado Coal LLC. This agreement also provides Stanwell with a revenue stream based on coking coal exported from the Curragh Mine. In 2018/19, this contributed $263.8 million to the Group's revenue.

Gas sales were a strong performer to the Group's 2018/19 financial result. In 2018/19, the Group sold more than 2.5 petajoules of gas through bi-lateral sales agreements, traded approximately 1.5 petajoules of gas through the Wallumbilla Hub and sold more than 250 terajoules of gas transport capacity on the Roma to Brisbane pipeline. In 2018/19, this contributed $95.5 million to the Group's revenue.

Water

Boondooma Dam is the primary source of water supply for the Tarong power stations and Meandu Mine. Under a Water Supply Agreement with SunWater, the Group has access to high priority water allocations from Boondooma Dam. Once the level of Boondooma Dam reduces to 34.0 per cent capacity, medium priority allocation holders are curtailed. This curtailment was triggered twice in 2018/19 and the dam is still at a capacity level less than 34.0 per cent. To ensure a secure water supply for the Tarong power stations, Stanwell also has a Bulk Water Supply Agreement with Seqwater to access water from the Wivenhoe Dam.

The Group is currently using water from the Wivenhoe Dam for the Tarong power stations and is also using recycled water at Swanbank E Power Station to assist Seqwater in its pre-commissioning work at a number of its recycled water treatment plants.

The Group has a high priority water allocation under its Water Services Agreement with SunWater for the transportation of water from the Fitzroy River to Stanwell Power Station's raw water dam.

In Far North Queensland, the Barron Gorge Hydro Power Station utilises run off from the Barron River and water releases from Tinaroo Dam (under a Water Release Agreement with SunWater) to generate renewable energy.

Kareeya Hydro Power Station is supplied with water from Koombooloomba Dam, an asset which is also owned by Stanwell.

Engage and retain a high performing workforce

Developing the capabilities of our people is key to building a high performance culture across our business. During the year the Group continued to roll out the Leading for the Future program where participants are challenged to think differently in the context of business improvement, leadership and culture.

In 2018/19, the Group hosted a total of 43 trainees and apprentices including nine new apprentices and four new trainees across the business. The Group also welcomed five new graduates in energy trading, finance, information and communication technology, and people and culture.

During the year the Group also successfully finalised a number of enterprise agreements.

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 helps Stanwell to forge stronger connections with its stakeholders and make better decisions for its business.

During 2018/19, the Group made progress against the aspirational targets contained within its integrated diversity and inclusion strategy. Highlights include reducing the gender pay-gap to 9.29 per cent (2018: 11.1%) and increasing women in senior leadership positions to 21 per cent (2018: 14%).

As a result of the demonstrated commitment to create a safer and more respectful workplace where there is zero tolerance of domestic and family violence, in late 2018, the Group was accredited as a White Ribbon Workplace.

Simplify and strengthen information technology systems

During 2018/19 Stanwell reached a significant milestone in the simplification of our information and communication technology.

The Group progressed to a single Enterprise Resource Planning (ERP) system, allowing for consistent work practices across the operating sites and improved business planning. Significant systems, reporting processes and ICT infrastructure were also simplified.

Investment was made in the Group's cyber security capabilities, with a strategic focus on addressing technical vulnerabilities.

Significant changes in the state of affairs

CleanCo Queensland

In 2018, the Queensland Government announced the establishment of a third Government owned energy company - CleanCo Queensland (CleanCo).

Consistent with the *Government Owned Corporations (Generator Restructure – CleanCo) Regulation 2019*, the following assets (the foundation assets) and items in relation to the foundation portfolio will be transferred from the Group to CleanCo.

1. All contracts (excluding financial electricity contracts), assets and liabilities relating to:

- The Swanbank Power Station Complex including the Swanbank E gas generation unit and all surrounding land and related assets;
- Barron Gorge Power Station;
- Kareeya Power Station including the King Ranch timber plantation and the Tully Millstream site; and
- Koombooloomba Power Station and the Koombooloomba Dam.

2. All gas transportation and gas supply agreements and contracts as well as ownership in all gas joint ventures relating to the Swanbank Power Station Complex.
3. The transfer of $160.0 million from Stanwell's cash reserves to CleanCo to contribute to asset ownership costs and rehabilitation liabilities of the foundation assets.

The $160.0 million was transferred on 9 May 2019, through a one-off transfer schedule prepared by shareholding Minister's departments under sections 5 and 11 of the Regulation.

All other foundation assets will transfer from the Group to CleanCo on 31 October 2019. From that date, The Group will deliver services to CleanCo, including operations, maintenance and corporate supports services under a Transitional Services Agreement.

Once CleanCo has built the capability to operate and support the power stations, the power station employees will transfer to CleanCo and the Transitional Services Agreement will end. This is expected to occur before the end of 2020.

Matters subsequent to the end of the financial year

After the end of the reporting period, the State of Queensland announced the transfer of foundation assets and related liabilities to CleanCo to be completed by 31 October 2019.

Apart from the above, no matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the result of those operations, or the Group's state of affairs in future years.

Environmental regulation

The Group is subject to a broad range of environmental regulation under both Commonwealth and State legislation. The primary environmental Commonwealth legislation governing the Group's activities in Queensland is the *Wet Tropics of Queensland World Heritage Area Conservation Act 1994* and the primary State legislation is the *Environmental Protection Act 1994*, *Mineral Resources Act 1989* and *the Wet Tropics World Heritage Protection and Management Act 1993*.

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

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

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

For the 2018/19 financial year, the established systems and processes were effective in maintaining environmental compliance. In order to meet the compliance requirements of the site environmental authority, the exceedance against a groundwater trigger value at Meandu mine was notified to the Department of Environment and Science. As reported in the Group's 2018 Annual Report, this occurred as a result of the known acid mine drainage on-site and is being managed through the controls which were establish under the environmental evaluation.

Directors

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

- Dr Ralph Craven
- Adam Aspinall
- Jacqueline King
- Karen Smith-Pomeroy

Information on Directors

Dr Ralph Craven

BE PhD, FIEAust, FIPENZ, FAICD
Chairman and Independent Non-executive Director

Dr Craven was appointed Chairman and non-executive director of Stanwell on 1 October 2015 and is a member of the Audit and Risk Management Committee and People and Safety Committee.

Dr Craven has been a full-time non-executive director for over 10 years. He has broad experience in energy, resources, infrastructure and agribusiness. He has served on the boards of many companies, both listed and unlisted. His professional background encompasses electricity and gas businesses, mining, commodities trading, management of large scale system operations at the national level and the delivery of major infrastructure projects.

Dr Craven is currently a non-executive director and Chairman of Genex Power Limited (ASX:GNX) and a non-executive director of Senex Energy Limited (ASX:SXY) and AusNet Services Limited (ASX:AST). Some of his previous roles include being a non-executive director and Chairman of Invion Limited and Ergon Energy Corporation Limited, non-executive Deputy Chairman of Arrow Energy Limited, non-executive director of Windlab Limited, Mitchell Services Limited and for six years a non-executive director on the Council Board of the International Electrotechnical Commission.

Dr Craven has international experience from roles in Switzerland, Canada and as Chief Executive Officer of Transpower New Zealand Limited. Other senior executive roles include being General Manager of Shell Coal Pty Ltd and Executive Director of NRG Asia Pacific Limited.

Adam Aspinall

B.ENG (Mech), MIEAust, GAICD
Independent Non-executive Director

Mr Aspinall was appointed a non-executive director of Stanwell on 15 November 2016 and is a member of the Audit and Risk Management Committee and People and Safety Committee.

Mr Aspinall is a Mechanical Engineer with more than 37 years' experience in the electricity and energy industries and is a leading advisor in the power generation industry, having consulted globally to the private and government sectors on power generation projects and issues.

His expertise includes electricity and gas infrastructure development, generation and transmission procurement, electricity trading and regulatory compliance. He is currently a Special Advisor for the advisory firm Advisian, a wholly owned subsidiary of the WorlyParsons Group, having previously led the Power engineering practice of Advisian Asia Pacific and before that, Evans & Peck.

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

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

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

Jacqueline King

MBA, WHS, TDD, GAICD
Independent Non-executive Director

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

Ms King has worked across the energy, power and construction sectors of industry for over twenty years and has an extensive background in industrial relations, work health and safety, and skills and training. She currently provides management consultancy services, primarily to organisations' in the area of vocational education and training and workforce skilling programs.

Ms King is also a director of Energy Skills Queensland, which is the leading, independent, not-for-profit organisation facilitating workforce skilling initiatives and enabling a skilled and safe energy industry for the energy, gas and telecommunication sectors in Queensland.

She is a Graduate Member of the Australian Institute of Company Directors and is currently in her last year of study for her Bachelor of Laws (Honours) at Queensland University of Technology.

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

Ms Smith-Pomeroy was appointed a non-executive director of Stanwell on 1 October 2015 and is Chairman of the Audit and Risk Management 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 and governance and a detailed understanding of a number of industry sectors.

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

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

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

Information on Officers

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

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

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

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

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

Jennifer Gregg
MBA, BA, Grad Cert (BAdmin), GAICD
Executive General Manager Business Services

Before the restructure of the Queensland Government owned electricity generators in July 2011, Ms Gregg worked with Tarong Energy Corporation Limited in the role of General Manager People and Communication.

Throughout her diverse career, Ms Gregg has gained experience in the utilities, human services and health sectors in broader leadership and executive roles and within the human resources field.

Ms Gregg was appointed to her current role of Executive General Manager Business Services in September 2012.

Her responsibilities include community and stakeholder engagement, information and communications technology and people and culture.

James Oliver
BE (Mech), MBA, CPEng, MIEAust, RPEQ Mech, NER Mech, APEC Engineer
Chief Operating Officer

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

Mr Oliver was appointed to the position of Chief Operating Officer in May 2019.

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 strategies, policies, systems and risk management controls to facilitate the achievement of Stanwell's short and long-term business objectives.

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

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

Mr O'Rourke joined Stanwell in 1998 and has held a number of management positions (including executive general manager of corporate services, marketing and trading and governance and corporate strategy).

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

As Stanwell's Chief Financial Officer, Mr O'Rourke is currently responsible for the functions of secretariat and enterprise risk, legal and compliance, financial services, procurement and supply, quantitative risk and analytics, tax, treasury and energy settlements and land and property.

Stephen Quilter
BEng (Mech), MBA
Executive General Manager, Energy Trading and Commercial Strategy

Mr Quilter joined Stanwell in February 2012 as Manager of Swanbank Power Station. In May 2013, he was appointed

General Manager of Stanwell's gas and hydro generation portfolio, leading the operation of two hydro and two gas turbine power stations.

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 operational roles, including senior engineering and management positions.

Mr Quilter was appointed Executive General Manager of Energy Trading and Commercial Strategy at Stanwell Corporation Limited in July 2016. He is responsible for the trading of Stanwell's generation in the National Electricity Market and the Stanwell Energy retail business which services commercial and industrial customers. A key function of his role is the development and delivery of commercial strategies and projects that diversify revenue streams and leverage opportunities for Stanwell, such as biomass co-firing, energy market services, new customer load and participation in Queensland's future hydrogen industry.

Company Secretary

Karen Buckley

BA, Grad Cert Law, FGIA, FCIS, GAICD

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

Michael O'Rourke

LLB, BCom, GDip AppFin, GDip CSA.

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

Meetings of Directors

The numbers of meetings of the Company's Board of directors and of each Board committee held during the 2018/19 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
Dr Ralph Craven	9	9	3	3	4	4
Adam Aspinall	9	9	3	3	4	3
Jacqueline King	9	9	3	3	-	-
Karen Smith-Pomeroy	9	9	-	-	4	4

A = Number of meetings held during the time the director held office or was a member of the committee during the year. (This includes two meetings held at short notice).

B = Number of meetings attended.

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 2018/19 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 52.

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.

Dr Ralph Craven
Non-executive Chairman

Karen Smith-Pomeroy
Non-executive Director

29 August 2019 Brisbane

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 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

Damon Olive
as delegate of the Auditor-General of Queensland
29 August 2019

Queensland Audit Office
Brisbane

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

	Note	2019 $'000	Restated* 2018 $'000
Continuing operations			
Revenue	2	3,665,410	3,330,502
Other income	2	210,000	-
Finance income	2	44,770	15,997
Expenses			
Electricity and energy services expense		(1,919,960)	(1,559,417)
Fuel costs		(414,260)	(389,130)
Depreciation and amortisation expense	3	(166,819)	(207,106)
Employee benefits expense		(115,326)	(107,277)
Other expenses		(101,561)	(77,384)
Raw materials and consumables used		(79,348)	(75,682)
Finance costs	3	(67,268)	(70,410)
Gas purchases		(72,143)	(47,064)
Non hedge accounted change in fair value of derivative instruments		120,247	(43,726)
Impairment	3	(105,294)	-
Profit before income tax equivalent expense		**998,448**	**769,303**
Income tax equivalent expense	20	(298,357)	(230,527)
Profit after income tax equivalent expense		**700,091**	**538,776**
Profit/(loss) after income tax equivalent (expense)/benefit from discontinued operations	28	35,918	(47,952)
Profit after income tax equivalent (expense)/benefit for the year attributable to the owners of Stanwell Corporation Limited		**736,009**	**490,824**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefit obligation	12	(7,784)	4,978
Income tax equivalent relating to these items	20	2,335	(1,493)
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	13	(238,091)	233,790
Income tax equivalent relating to these items	20	71,427	(70,137)
Other comprehensive income for the year, net of tax		**(172,113)**	**167,138**
Total comprehensive income for the year attributable to the owners of Stanwell Corporation Limited		**563,896**	**657,962**
Total comprehensive income for the year is attributable to:			
Continuing operations		527,978	705,914
Discontinued operations		35,918	(47,952)
		563,896	657,962

*Refer to note 28 for the restatement

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 2019

	Note	2019 $'000	2018 $'000
Assets			
Current assets			
Cash and cash equivalents	4	78,034	63,304
Current receivables	5	999,688	1,087,256
Inventories	6	145,580	204,033
Other current assets	7	54,643	12,574
Derivative financial instruments	13	185,127	106,439
		1,463,072	1,473,606
Assets held for distribution	28	159,814	-
Total current assets		**1,622,886**	**1,473,606**
Non-current assets			
Non-current receivables	9	229,212	-
Derivative financial instruments	13	91,853	110,961
Property, plant and equipment	10	2,161,755	2,224,498
Intangibles	11	25,238	96,537
Exploration and evaluation		9,060	11,709
Retirement benefit surplus	12	11,797	21,213
Other non-current assets	8	5,924	26,584
Total non-current assets		2,534,839	2,491,502
Total assets		**4,157,725**	**3,965,108**
Liabilities			
Current liabilities			
Trade and other payables	14	269,125	274,864
Derivative financial instruments	13	309,960	102,571
Current tax liabilities	20	96,323	105,121
Current provisions	15	606,807	526,266
Other current liabilities		6,694	7,005
		1,288,909	1,015,827
Liabilities directly associated with the assets held for distribution	28	74,407	-
Total current liabilities		**1,363,316**	**1,015,827**
Non-current liabilities			
Borrowings	17	821,603	821,866
Derivative financial instruments	13	103,614	78,339
Deferred tax equivalent liabilities	20	199,139	253,871
Non-current provisions	16	372,798	350,921
Other non-current liabilities		4,967	5,587
Total non-current liabilities		**1,502,121**	**1,510,584**
Total liabilities		**2,865,437**	**2,526,411**
Net assets		**1,292,288**	**1,438,697**
Equity			
Contributed equity	18	1,054,693	1,214,693
Reserves	13	(142,414)	24,389
Retained earnings		380,009	199,615
Total equity		**1,292,288**	**1,438,697**

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

Consolidated statement of changes in equity

For the year ended 30 June 2019

	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2017	**1,214,693**	**(139,101)**	**199,326**	**1,274,918**
Profit after income tax equivalent expense for the year	-	-	490,824	490,824
Other comprehensive income for the year, net of tax	-	163,653	3,485	167,138
Total comprehensive income for the year	-	163,653	494,309	657,962
Transfer from reserve	-	(163)	163	-
Transactions with owners in their capacity as owners:				
Dividends paid (note 19)	-	-	(494,183)	(494,183)
Balance at 30 June 2018	1,214,693	24,389	199,615	1,438,697
Balance at 1 July 2018	**1,214,693**	**24,389**	**199,615**	**1,438,697**
Profit after income tax equivalent expense for the year	-	-	736,009	736,009
Other comprehensive income for the year, net of tax	-	(166,664)	(5,449)	(172,113)
Total comprehensive income for the year	-	(166,664)	730,560	563,896
Transfer of cash flow hedge reserve to property, plant and equipment	-	(139)	-	(139)
Transactions with owners in their capacity as owners:				
Capital distribution to shareholder (note 18)	(160,000)	-	-	(160,000)
Dividends paid (note 19)	-	-	(550,166)	(550,166)
Balance at 30 June 2019	**1,054,693**	**(142,414)**	**380,009**	**1,292,288**

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

Consolidated statement of cash flows

For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		4,225,705	3,329,777
Payments to suppliers and employees (inclusive of GST)		(3,130,909)	(2,297,306)
Interest received		20,940	15,997
Interest paid		(53,844)	(57,184)
Income tax equivalents paid		(343,453)	(255,688)
Net cash inflow from operating activities	25	718,439	735,596
Cash flows from investing activities			
Payments for property, plant and equipment	10	(169,508)	(126,425)
Payments for intangibles	11	(12,799)	(6,495)
Cash advances		131,871	(829,252)
Proceeds from disposal of property, plant and equipment		1,280	957
Net cash outflow from investing activities		(49,156)	(961,215)
Cash flows from financing activities			
Repayment of borrowings		(263)	(237)
Dividends paid	19	(494,183)	(260,567)
Capital distribution to shareholder	18	(160,000)	-
Net cash outflow from financing activities		(654,446)	(260,804)
Net increase/(decrease) in cash and cash equivalents		14,837	(486,423)
Cash and cash equivalents at the beginning of the financial year		63,304	549,727
Cash and cash equivalents at the end of the financial year from continuing operations	4	78,034	63,304
Cash and cash equivalents at the end of the financial year from discontinuing operations	28	107	-
Total cash and cash equivalents		**78,141**	**63,304**

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

Notes to the consolidated financial statements

30 June 2019

1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 9 Financial Instruments

In the current year, the Group has applied AASB 9 *Financial Instruments* (as revised) and the related consequential amendments to other Accounting Standards for the first time. AASB 9 introduces new requirements for :1) the classification and measurement of financial assets and financial liabilities; 2) impairment of financial assets; and 3) general hedge accounting. Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied AASB 9 in accordance with the transition provisions set out in AASB 9.

All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;
- Debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income (FVTOCI); and
- All other debt investments and equity investments are subsequently measured at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which AASB 3 Business Combinations applies in other comprehensive income.
- The Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Group has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

1. Significant accounting policies (continued)

The Group's existing financial assets as at 1 July 2018 were reviewed and assessed based on the facts and circumstances that existed at that date and it was concluded that the initial application of AASB 9 has had the following impact on the Group's financial assets as regards to their classification and measurement:

- Financial assets classified as loans and receivables under AASB 139 *Financial Instruments: Recognition and measurement* that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.
- Financial assets that were measured at FVTPL under AASB 139 continue to be measured as such under AASB 9.

None of the reclassifications of financial assets have had any impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income for either the current or comparative period.

Impairment of financial assets

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, AASB 9 requires the Group to recognise a loss allowance for expected credit losses ('ECL') on: i) debt investments subsequently measured at amortised cost or at FVTOCI; ii) lease receivables; iii) contract assets; and iv) loan commitments and financial guarantee contracts to which the impairment requirements of AASB 9 apply.

In particular, AASB 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for the financial instrument at an amount equal to a 12 month ECL. AASB 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

As at 1 July 2018, the Group reviewed and assessed the credit risk on existing financial assets and amounts due from customers using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of AASB 9 and compared to the credit risk of the respective items at the date they were initially recognised.

The assessment for impairment of financial assets as at 1 July 2018 had no impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income as at 1 July 2018.

Classification and measurement of financial liabilities

One major change introduced by AASB 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, AASB 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under AASB 139, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of AASB 9 has had no impact on the classification and measurement of the Group's financial liabilities.

1. Significant accounting policies (continued)

General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

Consistent with prior periods, the Group has continued to designate the change in fair value of the entire forward contract, i.e. including the forward element, as the hedging instrument in the Group's cash flow hedge relationships.

The application of the AASB 9 hedge accounting requirements has had no material impact on the results and financial position of the Group for the either current or prior periods.

Disclosures in relation to the initial application of AASB 9

The table below illustrates the classification and measurement of financial assets and financial liabilities under AASB 9 and AASB 139 at the date of initial application, 1 July 2018.

Category	Original measurement category under AASB 139	New measurement category under AASB 9	Original carrying amount under AASB 139 30 June 2018 $'000	New carrying amount under AASB 9 1 July 2018 $'000
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	63,304	63,304
Trade and other receivables	Loans and receivables	Amortised cost	1,087,256	1,087,256
Other current assets - Cash collateral	Loans and receivables	Amortised cost	8,239	8,239
Derivative financial instruments	FVTPL	FVTPL	217,400	217,400
Other non - current assets - Investments	Available-for-sale	FVTPL	20,000	20,000
Financial liabilities				
Trade and other payables	Amortised cost	Amortised cost	(274,864)	(274,864)
Borrowings	Amortised cost	Amortised cost	(821,866)	(821,866)
Derivative financial instruments	FVTPL	FVTPL	(180,910)	(180,910)
Security deposits	Amortised cost	Amortised cost	(4,250)	(4,250)

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018 using the modified retrospective approach. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based five-step revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's balance sheet as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period. While the adoption of AASB 15 resulted in changes to accounting policies which are outlined in note 2, it had no material impact on the results and financial position of the Group for either the current or prior periods.

Notes to the consolidated financial statements

30 June 2019

1. Significant accounting policies (continued)

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the AASB, 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 the 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 27.

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 2019 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% (2018:100%) ordinary equity holding in the following subsidiaries. All of them were incorporated in Australia.

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

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

Tarong Fuel Pty Ltd is a holding company.

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

1. Significant accounting policies (continued)

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

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

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

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

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

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

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

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

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.

1. Significant accounting policies (continued)

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.

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

Pursuant to the GOC Act, the Minister decreed the formation of CleanCo Queensland Corporation Limited (CleanCo) on 26th April 2019. This resulted in the 'would-be' transfer of foundation assets and related liabilities to the newly formed entity. At 30 June 2019, Stanwell has restated the comparative information relating to the foundation assets to be transferred as “discontinued operations” in the income statement in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* and the GOC Act.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

<u>General impact of application of AASB 16 *Leases*</u>

AASB 16 *Leases* provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of AASB 16 for the Group will be 1 July 2019.

The Group has chosen the modified retrospective application of AASB 16. Consequently, the Group will not restate the comparative information.

In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.

<u>Impact of the new definition of a lease</u>

The Group will make use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and AASB Interpretation 4 will continue to apply to those leases entered into or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of AASB 16, the Group has carried out an implementation project. The project has shown that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

1. Significant accounting policies (continued)

Impact on Lessee Accounting

Operating leases

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

On initial application of AASB 16, for all leases (except as noted below), the Group will:

(a) Recognise right of use assets and lease liabilities in the balance sheet, initially measured at the present value of the future lease payments;
(b) Recognise depreciation of right of use assets and interest on lease liabilities in the statement of profit or loss and other comprehensive income;
(c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (less than $5,000), the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of $28.1million.

Under AASB 16, the present value of the Group's operating lease commitments as defined under the new standard, excluding low-value leases and short-term leases, will be shown as right of use assets and as lease liabilities on the consolidated balance sheet. The Group has completed an initial assessment of the impact of AASB 16 and determined that it will not have a material impact on the consolidated financial statements.

The Group will apply AASB 16 initially on 1 July 2019 and expects to use the modified retrospective approach. Under this approach, the cumulative effect of adopting the new requirements will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019 with no restatement of comparative information.

Critical accounting estimates and judgements

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

2. Revenue, other income and finance income

	Continuing operations		Discontinued operations*	
		Restated*		
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Revenue				
Revenue from contracts with customers				
Sale of electricity - wholesale	1,475,839	1,418,045	123,815	92,201
Sale of electricity - retail	1,297,050	1,068,206	-	-
Energy services revenue	567,007	522,291	-	-
Gas sales	95,494	77,031	-	-
Coal on-sale	3,038	1,577	-	-
	3,438,428	3,087,150	123,815	92,201
Other revenue				
Hedging (loss)/gain	(62,960)	1,600	-	-
Coal revenue sharing arrangements	260,741	223,694	-	-
Environmental certificate revenue	571	1,113	2,520	7,542
Other revenue	28,630	16,945	381	324
	226,982	243,352	2,901	7,866
Revenue	**3,665,410**	**3,330,502**	**126,716**	**100,067**
Other income				
Gain on termination of rights to Stanwell Reserved Area (refer to note 9)	210,000	-	-	-
Other income	**210,000**	**-**	**-**	**-**
Finance income				
Interest income	20,941	15,997	-	-
Unwinding of discount on financial asset	23,829	-	-	-
Finance income	**44,770**	**15,997**	**-**	**-**

*Refer to note 28

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 and generally occurs when control of the goods or service is transferred to the customer.

Revenue recognition with respect to the Group's material revenue streams are as follows:

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

Revenue from contract with customers

Revenue stream	Revenue recognition prior to 1 July 2018	Revenue recognition from 1 July 2018
Sale of electricity - wholesale Represents revenue from the sale of electricity generated by the Group and dispatched to the NEM.	Revenue from electricity sold on the NEM was recognised upon dispatch based on electricity spot prices as calculated by AEMO, the body responsible for administering and operating the wholesale spot electricity market and managing the security of the power system.	Revenue is recognised using the electricity spot price at the point in time when electricity is dispatched to the NEM.
Sale of electricity - retail Represents revenue from contracts with business customers for the supply of electricity. These contracts can be longer term in nature.	Retail contract revenue was calculated based on the terms of the individual contracts and recognised when the electricity is consumed by the customer.	Contracts with retail customers for the supply of electricity are assessed to determine if they represent a series of goods or services that are substantially the same and have the same pattern of transfer to the customer. Where considered to represent a series, it is treated as one performance obligation where revenue is recognised over time based on the consideration payable by the customer for the units of electricity delivered (output method). Where there are distinct performance obligations identified in a contract with a retail customer, Stanwell recognises revenue at a point in time when control of the goods or service has transferred to the customer. Any non-cash consideration received from the customer as fulfilment of the contract is accounted for as revenue and measured at fair value.
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.	Revenue was recognised when the electricity is consumed by the customer.	Stanwell has assessed it is acting as principal in relation to these arrangements and recognises revenue in a similar manner to revenue from retail customers i.e. as the performance obligation is satisfied over time which is generally when the electricity has been delivered to the customer.
Gas sales Represents revenue from the sale of gas.	Revenue from gas sales was recognised upon delivery to the customer at the nominated delivery point.	The Group sells and makes available gas for delivery to the customer at the delivery point specified in the agreement. The Group has assessed these arrangements are the transfer of a series of goods that represent one performance obligation and recognises the gas sales revenue over time using an output-based method i.e units delivered as measured using metering equipment.

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

Revenue stream	Revenue recognition prior to 1 July 2018	Revenue recognition from 1 July 2018
Coal revenue sharing arrangements Represents revenue from Stanwell's contractual rights to receive a share of proceeds from certain coal exported by the Curragh mine.	Revenue from coal revenue sharing arrangements was recognised when the coal is exported by the coal supplier.	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.

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 9 for the termination of Stanwell's reversionary rights at the Curragh mine.

3. Expenses

	Continuing Operations		Discontinued Operations*	
	2019 $'000	Restated* 2018 $'000	2019 $'000	2018 $'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Land and buildings	(3,424)	(3,281)	(255)	(485)
Generation assets	(133,139)	(127,414)	(4,076)	(16,244)
Operational mining assets	(37,988)	(59,146)	-	-
Other plant and equipment	(5,172)	(7,001)	(3,991)	(4,799)
Total depreciation	**(179,723)**	**(196,842)**	**(8,322)**	**(21,528)**
Amortisation				
Software	(8,410)	(9,806)	-	-
Exploration and evaluation	(2,565)	(173)	-	-
Mining Information	(410)	(285)	-	-
Total amortisation	**(11,385)**	**(10,264)**	-	-
Total depreciation and amortisation	**(191,108)**	**(207,106)**	**(8,322)**	**(21,528)**
Depreciation transferred to inventory and fuel cost	24,289	-	-	-
Total depreciation and amortisation in profit and loss	**(166,819)**	**(207,106)**	**(8,322)**	**(21,528)**

*Refer to note 28

3. Expenses (continued)

	Continuing Operations 2019 $'000	Continuing Operations Restated* 2018 $'000	Discontinued Operations* 2019 $'000	Discontinued Operations* 2018 $'000
(Impairment)/impairment reversal				
Land and buildings	-	-	2,206	(3,846)
Generation assets	-	-	2,127	(55,651)
Other plant and equipment	-	-	-	(169)
Mining development asset	(30,016)	-	-	-
Mining information (refer note 11)	(75,278)	-	-	-
Capital work in progress	-	-	-	(7,435)
Total (impairment)/impairment reversal	**(105,294)**	**-**	**4,333**	**(67,101)**
Finance costs				
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	(53,892)	(57,167)	-	-
Unwinding of the discount on provisions	(13,376)	(13,243)	(3,088)	(2,406)
Finance costs expensed	**(67,268)**	**(70,410)**	**(3,088)**	**(2,406)**
Amounts included in other expenses				
Services and consultants	(49,723)	(38,455)	(4,320)	(3,627)
Amounts included in employee benefits expense				
Defined contribution superannuation expense	(9,202)	(8,089)	(646)	(758)
Defined benefit plan expense	(1,632)	(1,664)	-	-

*Refer to note 28

Audit and other assurance services

During the financial year $390,000 (2018: $446,000) was paid/payable to the Queensland Audit Office, for the audit of the financial statements. No other services were provided by the auditor.

4. Cash and cash equivalents

Financial assets at amortised cost	2019 $'000	2018 $'000
Cash at bank and in hand	78,034	63,076
Other cash and cash equivalents	-	228
	78,034	**63,304**

4. Cash and cash equivalents (continued)

Cash at bank is bearing an interest rate of 1.2% (2018: 1.2%). The carrying amount for cash and cash equivalents reasonably equates to their fair value.

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and 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 2019 and no allowance for expected credit loss has been recognised as the amount was not material.

5. Current receivables

Financial assets at amortised cost	**2019 $'000**	**2018 $'000**
Trade receivables:		
AEMO	21,395	31,056
Retail customers	240,051	188,696
Coal revenue sharing arrangements	28,353	20,785
Other	6,318	13,031
Advances facility	697,381	829,252
Other receivables	6,190	4,473
Less: Allowance for expected credit losses	-	(37)
	999,688	**1,087,256**

Advances facility

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

GOC access to the advances is generally subject to notification periods of 24 to 48 hours. The advances facility yielded floating interest rates between 2.4% to 3.2% during the year ended 30 June 2019 (2018: 2.2% to 2.9%). Refer to note 17 for further information in 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, 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.

5. Current receivables (continued)

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 2019, $4,025,285 of the Group's financial assets were past due but not impaired (2018: $1,719,097)

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.

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 a provision matrix by reference to an aged receivables listing, externally sourced credit ratings and expected loss rates. Historic loss experiences are considered in applying the externally sourced credit ratings and expected loss rates and determining equivalent ratings to apply to unrated entities. An impairment assessment was performed at 30 June 2019 and no allowance for expected credit loss has been recognised as the amount was not material.

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. On initial application of AASB 9 the allowance for expected credit loss was applied as described above, which did not result in a material adjustment to the allowance.

6. Inventories

	2019 $'000	**2018 $'000**
Stores - at cost	55,717	60,435
Less: Provision for obsolescence	(18,652)	(20,640)
	37,065	39,795
Fuel	72,543	68,222
Environmental certificates at fair market value	35,972	96,016
	145,580	**204,033**

6. Inventories (continued)

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 normal business operations. To meet these liabilities, the Group acquires environmental certificates on the wholesale market and surrenders these to the scheme administrators periodically. A number of the Group's operating assets are also accredited to create environmental certificates which can be used to either acquit the mandatory renewable energy liability of the Group or alternatively can be realised through the market.

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.

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

	2019 $'000	2018 $'000
Prepayments	3,811	4,105
Cash collateral-Financial assets at amortised cost	50,832	8,239
Other current assets	-	230
	54,643	**12,574**

Application of accounting policies

Cash collateral

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

8. Other non-current assets

	2019 $'000	2018 $'000
Investments-Financial assets at fair value through profit and loss	-	20,000
Other non-current assets	5,924	6,584
	5,924	**26,584**

Investments

On 20 October 2014, the Group relinquished its 5% interest in the Mahalo Gas Project and the Sales and Purchase option it held. In return, the Group received an option, exercisable at the Group's election at the Final Investment Decision, to either enter into a long term gas sale agreement or receive cash consideration in respect of its investment. As the asset will be transferred to CleanCo, it has been reclassified as held for distribution at 30 June 2019 (refer to note 28).

9. 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 right 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 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 the finance income.

Financial assets at amortised cost	2019 $'000	2018 $'000
Receivables	233,829	-
Less: Allowance for expected credit losses	(4,617)	-
	229,212	**-**

Credit Risk

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.

Notes to the consolidated financial statements

30 June 2019

10. Property, plant and equipment

	2019 $'000	2018 $'000
Land and Buildings - cost or recoverable amount	136,884	159,890
Less: Accumulated depreciation and impairment	(59,817)	(69,798)
	77,067	90,092
Generation assets - cost or recoverable amount	3,668,154	3,916,901
Less: Accumulated depreciation and impairment	(2,174,832)	(2,363,967)
	1,493,322	1,552,934
Operational mining assets - cost or recoverable amount	1,708,856	1,482,253
Less: Accumulated depreciation and impairment	(1,289,929)	(1,091,871)
	418,927	390,382
Other plant & equipment - cost or recoverable amount	83,056	151,840
Less: Accumulated depreciation and impairment	(63,606)	(121,178)
	19,450	30,662
Mining development assets - cost or recoverable amount	44,233	74,249
Capital work in progress - cost or recoverable amount	108,756	86,179
	2,161,755	**2,224,498**

10. 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:

	Land and Buildings $'000	Generation assets $'000	Operational mining assets $'000	Other plant and equipment $'000	Mining development assets $'000	Capital work in progress $'000	Total $'000
Balance at 1 July 2017	**96,015**	**1,677,054**	**423,405**	**36,457**	**95,432**	**73,198**	**2,401,561**
Additions	-	-	466	992	-	121,950	123,408
Disposals	(175)	(848)	(33)	(731)	-	-	(1,787)
Write down of previously capitalised amount	-	-	-	-	(21,183)	-	(21,183)
Impairment of assets	(3,846)	(55,651)	-	(169)	-	(7,435)	(67,101)
Rehabilitation asset adjustment	-	9,647	(1,677)	-	-	-	7,970
Transfers in/(out)	1,864	66,390	27,367	5,913	-	(101,534)	-
Depreciation expense - continuing operations	(3,281)	(127,414)	(59,146)	(7,001)	-	-	(196,842)
Depreciation expense - held for distribution	(485)	(16,244)	-	(4,799)	-	-	(21,528)
Balance at 30 June 2018	**90,092**	**1,552,934**	**390,382**	**30,662**	**74,249**	**86,179**	**2,224,498**
Additions	-	-	27,725	-	-	143,370	171,097
Disposals	(175)	(1,399)	(115)	(557)	-	-	(2,246)
Classified as held for distribution	(11,415)	(64,064)	-	(8,607)	-	(13,808)	(97,894)
Impairment of assets	2,206	2,127	-	-	(30,016)	-	(25,683)
Rehabilitation asset adjustment	-	45,118	34,912	-	-	-	80,030
Transfers in/(out)	38	95,821	4,011	7,115	-	(106,985)	-
Depreciation expense - continuing operations	(3,424)	(133,139)	(37,988)	(5,172)	-	-	(179,723)
Depreciation expense - held for distribution	(255)	(4,076)	-	(3,991)	-	-	(8,322)
Balance at 30 June 2019	**77,067**	**1,493,322**	**418,927**	**19,450**	**44,233**	**108,756**	**2,161,755**

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 13).

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.

10. 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. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the depreciation or amortisation period or method, as appropriate, which is a change in accounting estimate.

Units of use basis

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

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

Straight-line basis

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

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

10. Property, plant and equipment (continued)

Impairment loss and subsequent reversal in relation to Swanbank Power Station

In 2018 Swanbank Power Station (Swanbank) was returned to service under Ministerial direction. Swanbank was previously placed into cold-storage due to high fuel costs (gas) making it uncommercial to operate. Accordingly, management estimated the recoverable amount based on value in use which was lower than the carrying amount and recognised an impairment loss of $67,101,000.

In 2019 management carried out an impairment assessment as part of reclassifying Swanbank as held for distribution (refer note 28) using both value in use and fair value less costs of disposal. The recoverable amount under the fair value less costs of disposal was higher than the value in use model. This has resulted in a reversal of impairment of $4,333,000 in the current year. The valuation was performed in June 2019 and is a Level 2 disclosure.

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 Swanbank's recoverable amount under the value in use approach:

Unobservable inputs	Nature and range of inputs	Relationship of unobservable inputs in value in use
Revenue cash flows	The cash flow projections have been performed on five scenarios and probability weightings have been assigned on the scenarios to arrive at weighted average cash flows. Prevailing electricity demand and supply conditions determine physical despatch of electricity and spot price outcomes.	A higher expected electricity generation (ceteris paribus) or an increase in the electricity prices through increased demand or decreased supply of electricity would increase the value in use.
	The scenarios under which the cashflows are modelled take into account the closure of coal fired plants and approved investments for renewable energy all of which would have an impact on demand and supply of electricity.	An increase in renewables over and above the decrease in coal fired plants will decrease the value in use.
Operating expenditure	Operating expenditures for the electricity generation have been determined based on the most recent management forecasts available at the time of the valuation.	A lower operating expenditure increases the value in use.
Capital expenditure	Future capital expenditure required to ensure the security and reliability of electricity generation has been determined based on the most recent management forecasts available at the time of the valuation.	A lower future capital expenditure increases the value in use.
Life of plant	Cash flows have been projected to the life of plants including the period for remedial/rehabilitation works.	Any increases in the projections of the life of the generating plant under certain scenarios increases the value in use.
Weighted Average Cost of Capital (WACC) discount rate	A nominal WACC of 7% (2018:5%) 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 higher the nominal WACC, the lower the value in use.

10. Property, plant and equipment (continued)

Impairment - Kunioon

Initially Kunioon was acquired to supply fuel for Tarong Power Station (TPS). In the current year management have assessed that the coal supply from Meandu mine would be sufficient to meet the coal requirements of TPS until its closure As a result, assets relating to Kunioon have been separated from the Tarong CGU and assessed for impairment.

Mine development assets comprising land and development costs relating to Kunioon have been assessed for impairment based on an estimate of their fair value less costs of disposal. As the recoverable amount exceeded their carrying values, management has recorded impairment on land amounting to $28,156,000 and development costs of $1,860,675. Refer to note 11 for further information on impairment of intangible assets relating to Kunioon.

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.

Depreciation and amortisation

Estimates of residual values and remaining useful lives are reassessed annually, and any change in estimate is taken into account in the determination of future depreciation charges. The estimation of the useful lives of assets has been based on historical experience as well as the manufacturers' design life. Adjustments to useful life are made when considered necessary.

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 sell 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 on the future cash flows based on 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.

10. Property, plant and equipment (continued)

The sources for the key estimates and assumptions include:

- Market pricing and dispatch are based on the most recent management endorsed forecast. Longer term modelling is developed on a portfolio approach, based around recent observable peak/energy demand forecasts provided by AEMO and other sources, available at the time of evaluation, combined with internally developed assumptions around forecast gas prices, new entrants and retirements and the impact of renewable energy targets.
- All other costs are based on the most recent management endorsed forecast.
- Capital expenditure is based on asset life plans.
- Escalation, taxation and discounting were applied in accordance with the Group's assumptions at the time of evaluation.
- The Group assumed a discount rate in order to calculate the present value of its projected cash flows. The discount rate represented a WACC for comparable companies operating in similar industries. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of the risks related to the projected cash flows.

11. Intangibles

	2019 $'000	2018 $'000
Mining Information - at cost	83,569	83,434
Less: Accumulated amortisation and impairment	(76,050)	(362)
	7,519	83,072
Software - at cost	113,061	100,636
Less: Accumulated amortisation	(95,342)	(87,171)
	17,719	13,465
	25,238	**96,537**

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

	Mining information $'000	Software $'000	Total $'000
Balance at 1 July 2017	**80,148**	**19,985**	**100,133**
Additions	3,209	3,286	6,495
Amortisation expense	(285)	(9,806)	(10,091)
Balance at 30 June 2018	**83,072**	**13,465**	**96,537**
Additions	135	12,664	12,799
Impairment of assets	(75,278)	-	(75,278)
Amortisation expense	(410)	(8,410)	(8,820)
Balance at 30 June 2019	**7,519**	**17,719**	**25,238**

11. 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 materials and services as well as direct payroll and payroll related costs of employees' time spent on the project.

Mining lease and information

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

Impairment

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

Amortisation of software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being 2 - 25 years.

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 10.

12. Retirement benefit surplus

Superannuation plan

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

Energy Super is managed by a trustee company, Electricity Supply Industry Superannuation (Qld) Ltd. The Trustee 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*.

The following sets out details in respect of the defined benefit section only. The expense recognised in relation to the defined contribution plan is disclosed in note 3.

12. Retirement benefit surplus (continued)

Balance sheet amounts
The amounts recognised in the balance sheet are determined as follows:

	2019 $'000	2018 $'000
Present value of the defined benefit obligation	(62,668)	(53,582)
Fair value of defined benefit plan assets	74,465	74,795
Net asset in the balance sheet	11,797	21,213

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 sheets.

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.

Categories of plan assets
The major categories of plan assets are as follows:

	2019 $'000	2018 $'000
Cash and cash equivalents	2,979	3,738
Equity instruments	36,488	37,398
Debt instruments	9,680	7,480
Property	5,957	7,480
Alternative assets	19,361	18,699
	74,465	74,795

12. Retirement benefit surplus (continued)

Reconciliations

	2019 $'000	2018 $'000
Reconciliation of the present value of the defined benefit obligation, which is fully funded:		
Balance at the beginning of the year	53,582	56,160
Current service cost	2,328	2,266
Interest cost	2,092	2,217
Experience loss/(gain)	1,194	(1,971)
Loss from change in financial assumptions	5,412	523
Contribution by plan participants	644	606
Benefit payments, insurance and tax plus net transfers	(2,584)	(6,219)
Balance at the end of the year	62,668	53,582
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	74,795	73,988
Transfer from insurance reserve	266	-
Experience (loss)/gain	(1,444)	3,530
Contribution by Group companies	-	71
Contribution by Plan participants	644	606
Benefit payments, insurance and tax plus net transfers	(2,584)	(6,219)
Expected return on plan assets	2,788	2,819
Balance at the end of the year	74,465	74,795

Amounts recognised in the statement of profit or loss and other comprehensive income
The amounts recognised in the statement of profit or loss and other comprehensive income are as follows:

	2019 $'000	2018 $'000
Current service cost	(2,328)	(2,266)
Interest cost	(2,092)	(2,217)
Expected return on plan assets	2,788	2,819
Total amount recognised in profit or loss	(1,632)	(1,664)
Experience (loss)/gain	(2,638)	5,501
Loss from change in financial assumptions	(5,412)	(523)
Transfer from insurance reserves	266	-
Total amount recognised in other comprehensive income	(7,784)	4,978

Significant actuarial assumptions

The significant actuarial assumptions used (expressed as weighted averages) were as follows:

	2019 %	2018 %
Discount rate	2.4%	3.8%
Future salary increases	3.3%	3.7%

12. Retirement benefit surplus (continued)

The sensitivity of the defined benefit obligation to changes in the significant assumptions is:

			Impact on defined benefit obligation			
	Change in assumption		Increase in assumption		Decrease in assumption	
	2019	2018	2019	2018	2019	2018
			Decrease by	Decrease by	Increase by	Increase by
Discount rate	0.5%	0.5%	4.1%	4.6%	4.4%	4.9%
			Increase by	Increase by	Decrease by	Decrease by
Salary growth rate	0.5%	0.5%	4.3%	5.0%	4.1%	4.7%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit surplus recognised in the balance sheet.

Employer contributions and risk exposure

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals, and the last such assessment was made as at 30 June 2016 by Sunsuper Financial Services Pty Ltd.

The method used to determine the employer contribution recommendations at the last actuarial review was the aggregate method. The method adopted affects the timing of the cost to the employer.

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.

An aggregate financing method can be expected to produce a higher level of volatility in recommended employer contribution rates, particularly as the defined benefit membership ages and reduces in size. Variations between actual and expected experience have a greater financial effect on future employer contribution rates as the future working lifetime of the existing defined benefit members reduces.

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

The Group may at any time by notice to the Trustee terminate its contributions. The employer has a liability to pay the monthly contributions due prior to the effective date of the notice, but there is no requirement for an employer to pay any further contributions, irrespective of the financial condition of the Fund.

The Group may benefit from any surplus in the Fund in the form of a contribution reduction or contribution holiday. Any reduction in contributions would normally be implemented only after advice from the Fund's actuary.

Based on the actuary's recommendations in the actuarial review as at 30 June 2016, a contribution rate nil (2018: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.

Total employer contributions expected to be paid by the Group for the year ended 30 June 2020 are $nil.

12. Retirement benefit surplus (continued)

Defined benefit obligation maturity profile

The weighted average duration of the defined benefit obligation is 8 years (2018 - 9 years). The expected maturity analysis of undiscounted defined benefit obligations is as follows:

	2019 $'000	2018 $'000
Within one year	5,036	3,407
One to two years	5,052	4,033
Two to five years	17,589	14,464
Over five years	29,322	86,802
	56,999	108,706

13. Derivative financial instruments

Financial assets and liabilities at fair value	**2019 $'000**	**2018 $'000**
Current assets		
Electricity contracts - cash flow hedges	28,271	29,961
Electricity contracts - held for trading	117,323	61,968
Foreign currency contracts - cash flow hedges	551	104
Environmental contracts - held for trading	37,709	8,961
Oil contracts - held for trading	1,273	5,445
	185,127	**106,439**
Non-current assets		
Electricity contracts - cash flow hedges	5,040	63,685
Electricity contracts - held for trading	73,766	24,693
Foreign currency contracts - cash flow hedges	-	359
Environmental contracts - held for trading	12,938	18,488
Oil contracts - held for trading	109	3,736
	91,853	**110,961**
Current liabilities		
Electricity contracts - cash flow hedges	(181,769)	(43,337)
Electricity contracts - held for trading	(83,535)	(43,959)
Foreign currency contracts - cash flow hedges	(21)	(85)
Environmental contracts - held for trading	(44,635)	(15,190)
	(309,960)	**(102,571)**
Non-current liabilities		
Electricity contracts - cash flow hedges	(54,411)	(14,497)
Electricity contracts - held for trading	(35,587)	(47,485)
Foreign currency contracts - cash flow hedges	-	(47)
Environmental contracts - held for trading	(13,616)	(16,310)
	(103,614)	**(78,339)**
Net derivative financial instrument (liabilities)/assets	**(136,594)**	**36,490**

13. Derivative financial instruments (continued)

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.

Change in fair value recognised in the profit or loss

Gains and losses that are recognised in the statements 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 income. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, plant and equipment) the gain or loss previously deferred in equity is transferred from equity and included in the initial measurement of the cost of the asset. This transfer does not affect other comprehensive income. The deferred amounts are ultimately recognised in profit or loss as depreciation or impairment in the case of non-financial assets.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria. This includes when a hedging instrument expires, is sold or is terminated. The discontinuance is accounted for prospectively. Any gain or loss accumulated in equity reserves at that time remains in equity and is reclassified to profit or loss as other income when the forecast transaction occurs. However, when a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity reserves is immediately reclassified to profit or loss within "non hedge accounted change in fair value of derivative instruments".

Application of critical accounting estimates and judgements

The fair value of derivative financial instruments must be estimated for recognition and measurement or for 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:

13. Derivative financial instruments (continued)

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:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2019				
Recurring fair value measurement				
Assets				
Current derivative financial instrument assets	67,719	112,654	4,754	185,127
Non current derivative financial instrument assets	26,589	30,705	34,559	91,853
Total assets	**94,308**	**143,359**	**39,313**	**276,980**
Liabilities				
Current derivative financial instrument liabilities	(103,615)	(197,124)	(9,221)	(309,960)
Non current derivative financial instrument liabilities	(41,596)	(56,960)	(5,058)	(103,614)
Total liabilities	**(145,211)**	**(254,084)**	**(14,279)**	**(413,574)**
2018				
Recurring fair value measurement				
Assets				
Current derivative financial instrument assets	16,358	89,918	163	106,439
Non current derivative financial instrument assets	10,991	82,518	17,452	110,961
Total assets	**27,349**	**172,436**	**17,615**	**217,400**
Liabilities				
Current derivative financial instrument liabilities	(23,779)	(78,181)	(611)	(102,571)
Non current derivative financial instrument liabilities	(11,913)	(41,751)	(24,675)	(78,339)
Total liabilities	**(35,692)**	**(119,932)**	**(25,286)**	**(180,910)**

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. The following tables present the changes in level 3 derivative financial instruments for the years ended 30 June 2018 and 30 June 2019.

13. Derivative financial instruments (continued)

Level 3 Net assets/(liabilities)	**$'000**
Balance at 1 July 2017	11,141
Losses recognised in profit or loss	(12,477)
Gains recognised in other comprehensive income	4,327
Purchases	1,045
Sales	(1,047)
Settlements	(10,660)
Balance at 30 June 2018	(7,671)
Gains recognised in profit or loss	52,805
Losses recognised in other comprehensive income	(49,215)
Purchases	2,750
Sales	(3,062)
Settlements	4,210
Transfers out of level 3 into level 2	25,217
Balance at 30 June 2019	**25,034**
Total unrealised gains for the current year included in profit or loss that relate to level 3 assets held at the end of the current year	**31,461**

In the prior year, unrealised gains and losses for the year recognised in profit or loss that relate to level 3 assets and liabilities held at 30 June 2018 were a net loss of $10,707,000.

Transfers out of level 3 were into level 2 as a result of the availability of additional observable forward prices.

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

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

The significant inputs used in these valuation techniques are:

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

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.

13. Derivative financial instruments (continued)

2019	Amounts presented in the balance sheet $'000	Amounts subject to master netting arrangements $'000	Financial instrument collateral $'000	Net amount $'000
Financial assets				
Derivative financial instrument assets	276,980	(202,471)	-	74,509
Cash collateral	50,832	-	(50,832)	-
Total	**327,812**	**(202,471)**	**(50,832)**	**74,509**
Financial liabilities				
Derivative financial instrument liabilities	(413,574)	202,471	50,832	(160,271)
Total	**(413,574)**	**202,471**	**50,832**	**(160,271)**
2018				
Financial assets				
Derivative financial instrument assets	217,400	(116,306)	(397)	100,697
Cash collateral	8,239	-	(8,239)	-
Total	**225,639**	**(116,306)**	**(8,636)**	**100,697**
Financial liabilities				
Derivative financial instrument liabilities	(180,910)	116,306	8,239	(56,365)
Other current liabilities	(4,250)	-	397	(3,853)
Total	**(185,160)**	**116,306**	**8,636**	**(60,218)**

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including commodity price risks, interest rate risk and foreign currency 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, Governance and Commercial division under policies approved by the Board. The Energy Trading and Commercial Strategy division identifies, evaluates and hedges market risks. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as mitigating interest rate and credit risk, use of derivative financial instruments and investment of surplus funds.

Market risk

Instruments used by the Group

The Group uses derivative financial instruments to hedge certain risk exposures, primarily exposure to fluctuations in the spot price of electricity and foreign currency exchange rates.

Foreign currency exchange risk

Foreign currency exchange risk arises when future transactions are denominated in non-Australian currency or where future transaction values are calculated by reference to a non-Australian currency.

Forward currency contracts are used to manage foreign currency exchange risk. Forward currency contracts are designated as hedging instruments in cash flow hedges of forecast transactions for the contracted purchase of capital equipment and operating expenditure denominated in US Dollars, Japanese Yen, Euro, Canadian Dollars and Pounds Sterling. These forecast transactions are highly probable, and the Group's risk management policy is to hedge significant anticipated purchases that are denominated in a foreign currency. The forward currency contract balances vary with the level of expected foreign currency purchases and changes in foreign exchange forward rates.

13. Derivative financial instruments (continued)

For forward currency contracts designated as hedging instruments, the cash flows of the hedged foreign currency denominated transactions are expected to occur during the financial year ended 30 June 2020. The hedge reserve cumulative gains and losses capitalised to property, plant and equipment are expected to impact the profit or loss as depreciation over the financial years to 30 June 2043.

Commodity price risk

Electricity contracts

The Group is exposed to electricity price movements in the National Electricity Market (NEM). To manage its electricity price risk, the Group has entered into electricity sales contracts and a number of electricity derivatives (including over-the-counter and exchange traded swaps, caps and option contracts) in accordance with the Board approved Trading Risk Management Policy. For the majority of these derivatives, the Group receives from counterparties a fixed price per megawatt hour and in return pays the actual observed pool price. These contracts and derivatives assist the Group to provide certainty in relation to revenue received. 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.

Swaps currently in place are timed to settle as each cash flow is received from the NEM. For electricity contracts designated as hedging instruments, the cash flows of the hedged electricity sales and purchases are expected to occur as described in the following table, with the hedge reserve reclassifications to the profit or loss within the same financial years as the cash flows.

Hedge accounted over-the-counter and exchange traded swaps are designated as cash flow hedges of forecast electricity sales. These derivatives are entered into in accordance with the Trading Risk Management Policy for a proportion of the exposure remaining after economic hedging strategies.

The electricity swap contracts designated as cash flow hedges of Stanwell's electricity sales (Queensland node) are a net receive fixed and pay variable cash flows on 23,561 GWh. The fixed cash flows are for prices of between $47 to $111.

The electricity swap contracts designated as cash flow hedges of Stanwell's electricity purchases (Queensland, NSW and Victoria nodes) are a net receive variable and pay fixed cash flows on 2,828 GWh. The fixed cash flows are for prices of between $53 and $145.

Environmental contracts

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

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

Oil contracts

The Group is exposed to oil price movements through operating its vehicle fleet and equipment. To manage its oil price risk, the Group has entered into a number of over-the-counter forward fixed price contracts. These contracts assist the Group to provide certainty in relation to fuel costs.

Sensitivity analysis

The following commentary and table summarises the sensitivity of the Group's derivative financial instruments to electricity price risk. 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 should certain price movements occur.

13. Derivative financial instruments (continued)

The sensitivity in the mark-to-market of the electricity derivative portfolio at balance date was investigated by observing the price relative impact of annualised volatility in the forward curves over a selected period under observable market conditions. The analysis assumes upward and downward movements of electricity prices of 30% (2018: 30%), which reflects the market sensitivity of positions held by the Group at balance date.

	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 - 2019	30%	(29,835)	(450,031)	(30%)	18,826	450,135
Electricity price - 2018	30%	(34,511)	(274,729)	(30%)	66,724	254,422

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. The fair values of derivatives include adjustment for credit risk factors.

Liquidity risk

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

Remaining contractual maturities

The following tables analyse the Group's remaining contractual maturity for its derivative financial instrument liabilities. The tables have been drawn up 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 - 2019	333,309	145,640	478,949
Derivative financial instrument liabilities - 2018	97,185	80,464	177,649

Hedge accounting activities

Hedge relationship - cash flow hedges

13. Derivative financial instruments (continued)

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 foreign exchange forward contracts and commodity swaps closely match the terms of the expected highly probable forecast transactions (i.e. nominal amount and expected settlement date). 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 components (electricity price or exchange rate). To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Differences in the periodic volumes of the hedging instruments and hedged items;
- Different indexes (and accordingly different curves) 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 hedging instruments (electricity swaps) on the balance sheet is, as follows:

Derivative financial instrument line in the balance sheet	Nominal amount	Carrying amount	Change in fair value used for measuring ineffective-ness for the period
As at 30 June 2019	**MWh**	**$'000**	**$'000**
Highly probable forecast electricity sales			
Current assets	298,215	660	
Non-current assets	731,416	1,872	
Current liabilities	14,396,111	(181,338)	
Non-current liabilities	8,135,360	(54,237)	
Annual movement			(384,202)
Highly probable forecast electricity purchases			
Current assets	1,850,232	27,611	
Non-current assets	695,160	3,168	
Current liabilities	226,941	(431)	
Non-current liabilities	55,200	(173)	
Annual movement			75,594

The impact of hedged items (electricity sales and purchases) on the balance sheet is, as follows:

13. Derivative financial instruments (continued)

30 June 2019	Change in fair value during the year of the hedged item used for recognising hedge ineffective-ness $'000	Balances in the cash flow hedge reserve at year end for continuing hedges $'000	Balances remaining in the cash flow hedge reserve at year end for which hedge accounting is no longer applied to the hedge relationship $'000
Highly probable forecast electricity sales	382,117	(229,515)	(6,236)
Highly probable forecast electricity purchases	(70,323)	27,631	4,149

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

Year ended 30 June 2019	Total hedging gain/(loss) recognised in OCI $'000	Ineffective-ness gains/(loss) recognised in profit or loss $'000	Gain/(loss) reclassified from OCI to profit or loss $'000
Highly probable forecast electricity sales	(378,127)	(6,075)	(86,362)
Highly probable forecast electricity purchases	76,698	(1,104)	23,402

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

Hedging reserve – cash flow hedges

The reserve is used to recognise the effective portion of the gains and losses on derivatives designated as cash flow hedges.

Movements in reserves

13. Derivative financial instruments (continued)

	$'000
Balance at 1 July 2017	(139,264)
Effective portion of changes in fair value of cash flow hedges of electricity swaps	234,720
Effective portion of changes in fair value of cash flow hedges of currency forwards	731
Net change in fair value of cash flow hedges of electricity swaps transferred to other revenue	(1,600)
Net change in fair value of cash flow hedges of currency forwards transferred to property, plant and equipment	(61)
Income tax equivalent relating to these items	(70,137)
Balance at 30 June 2018	**24,389**
Effective portion of changes in fair value of cash flow hedges of electricity swaps	(301,429)
Effective portion of changes in fair value of cash flow hedges of currency forwards	378
Net change in fair value of cash flow hedges of electricity swaps transferred to other revenue	62,960
Net change in fair value of cash flow hedges of currency forwards transferred to property, plant and equipment	(199)
Income tax equivalent relating to these items	71,487
Balance at 30 June 2019	**(142,414)**

14. Trade and other payables

Financial liabilities at amortised cost	**2019 $'000**	**2018 $'000**
Trade payables	79,906	79,399
Accrued expenses	189,219	195,465
	269,125	**274,864**

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.

15. Current provisions

	2019 $'000	**2018 $'000**
Employee benefits	21,767	21,708
Dividends	550,166	494,183
Restoration, rehabilitation and decommissioning	9,138	9,948
Restructuring costs	-	427
Other	25,736	-
	606,807	**526,266**

Dividends
Refer to note 19 for further information.

Notes to the consolidated financial statements

30 June 2019

15. Current provisions (continued)

Other provisions

Boondooma Dam Spillway
A provision for Boondooma Dam spillway repairs has been recognised as Stanwell is currently negotiating with Sunwater Limited and their insurers for the settlement of the claim. Under the Water Supply Agreement with Sunwater, 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.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	2019 $'000	2018 $'000
Employee benefits obligation expected to be settled after 12 months	16,750	14,100

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.

16. Non-current provisions

	2019 $'000	2018 $'000
Employee benefits-long service leave	1,500	1,686
Restoration, rehabilitation and decommissioning	356,648	336,211
Other provisions	14,650	13,024
	372,798	**350,921**

Financial guarantee in respect of the Meandu Mine

The Group has a financial guarantee with State of Queensland pursuant to section 292 of the *Environmental Protection Act 1994* in respect of the Meandu mine. The purpose of the guarantee is to ensure costs associated with the restoration and rehabilitation of the Meandu mine site can be met as required, at a future date. The Group's exposure to the liability is Guaranteed by Queensland Treasury Corporation (QTC) for an amount of $171,553,555 as at 30 June 2019 (2018: $171,553,555).

16. Non-current provisions (continued)

	Total Restoration, Rehabilitation and decommissioning $'000
Carrying amount at the start of the year	346,159
Payments	(4,298)
Movement in estimates	79,727
Unwinding of discount	16,464
Unused amounts reversed	(440)
Transfer to held for distribution	(71,826)
Carrying amount at the end of the year	365,786

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 sheets if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Superannuation

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

Restoration, rehabilitation and decommissioning

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

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.

16. Non-current provisions (continued)

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 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. At 30 June 2019, the Group reassessed its estimate of the pre-tax discount rate from 5.0% to 3.15% resulting in an increase to the provision of $93,643,107.

17. Borrowings

Financial liabilities at amortised cost	2019 $'000	2018 $'000
Unsecured borrowings	821,603	821,866

Unsecured borrowings

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

Fair value

The fair value of unsecured borrowings for the Group at 30 June 2019 was $970,481,082 (2018: $921,298,740) compared to a carrying amount of $821,602,667 (2018: $821,866,303). Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes.

Application of accounting policies

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

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

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

17. Borrowings (continued)

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 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.

An increase/decrease in interest rates of 100 (2018: 100) basis points would have an adverse/favourable effect as described in the following tables. The percentage change is based on the expected volatility of interest rates using QTC forecasts.

	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax $'000	Effect on equity $'000	Basis points change	Effect on profit before tax $'000	Effect on equity $'000
2019						
Cash and cash equivalents	100	780	-	(100)	(780)	-
Advances facility	100	6,974	-	(100)	(6,974)	-
Borrowings	100	(575)	-	(100)	638	-
		7,179	-		(7,116)	-
2018						
Cash and cash equivalents	100	630	-	(100)	(630)	-
Advances facility	100	8,293	-	(100)	(8,293)	-
Borrowings	100	(545)	-	(100)	605	-
		8,378	-		(8,318)	-

Liquidity risk

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

Financing arrangements

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

	2019 $'000	2018 $'000
Expiring within one year (bank overdraft and working capital facility)	122,000	122,000

17. Borrowings (continued)

The overdraft facility is with the Australia and New Zealand Banking Group Ltd and has an approved limit of $2,000,000 (2018: $2,000,000). The working capital facility is with QTC and has an approved limit of $120,000,000 (2018: $120,000,000).

As at 30 June 2019, the Company had drawn down $Nil against the working capital facility (2018: $Nil).

The public long-term rating of the Company as at November 2018 was AA with a stable outlook (2018: AA with a positive outlook) which aligns with the State of Queensland due to its strong linkages with the State. In November 2018, Stanwell elected to withdraw from the ratings process.

Remaining contractual maturities

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

	1 year or less $'000	Between 1 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Borrowings - 2019	40,381	160,759	818,181	1,019,321
Borrowings - 2018	42,753	169,923	818,181	1,030,857

18. Contributed equity

	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Ordinary shares (A class) - fully paid	4	4	-	-
Ordinary shares (B class) - fully paid	924,568,658	924,568,658	1,054,693	1,214,693
	924,568,662	924,568,662	1,054,693	1,214,693

Movements in ordinary share capital

Details	**$'000**
Balance 1 July 2017	1,214,693
Balance 30 June 2018	1,214,693
Capital distribution to shareholder*	(160,000)
Balance 30 June 2019	**1,054,693**

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

18. Contributed equity (continued)

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

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

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

Capital risk management

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

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

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

The gearing ratio at the reporting date was as follows:

	2019 $'000	2018 $'000
Non-current liabilities - borrowings (note 17)	821,603	821,866
Total equity	1,292,288	1,438,697
Total capital	2,113,891	2,260,563
Gearing ratio	**39%**	**36%**

19. Dividends

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

	2019 $'000	2018 $'000
Final dividend for the year ended 30 June 2019 of 59.5 cents (2018: 53.5 cents) per fully paid share	550,166	494,183

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

	2019 $'000	2018 $'000
Income tax equivalent expense		
Current tax equivalent	335,308	253,177
Deferred tax equivalent	(20,904)	(43,046)
Adjustments for current tax equivalent of prior periods	(14)	(14)
Under provision in prior year deferred tax	(640)	(141)
Aggregate income tax equivalent expense	313,750	209,976
Income tax equivalent expense is attributable to:		
Profit from continuing operations	298,357	230,527
Profit/(loss) from discontinued operations	15,393	(20,551)
Aggregate income tax equivalent expense	313,750	209,976
Deferred tax included in income tax equivalent expense comprises:		
Decrease/(increase) in deferred tax assets	(93,138)	97,103
Increase/(decrease) in deferred tax liabilities	72,234	(140,149)
Deferred tax equivalent	(20,904)	(43,046)

20. Income tax (continued)

	2019 $'000	2018 $'000
Numerical reconciliation of income tax equivalent expense and tax at the statutory rate		
Profit before income tax equivalent expense from continuing operations	998,448	769,303
Profit/(loss) before income tax equivalent (expense)/benefit from discontinued operations	51,311	(68,504)
	1,049,759	700,800
Tax at the statutory tax rate of 30%	314,928	210,240
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Deferred tax equivalent asset adjustment in period	(806)	(288)
Non-deductible expenses	16	38
	314,138	209,990
Derecognition of deferred tax assets	8,447	-
Adjustments for current tax equivalent of prior periods	(14)	(14)
Utilisation of previously unrecognised tax losses	(8,821)	-
Income tax equivalent expense	**313,750**	**209,976**
Tax equivalent benefit/(expense) relating to items of other comprehensive income and recognised directly in equity		
Cash flow hedges recognised in OCI	71,427	(70,137)
Actuarial(gains)/losses on defined benefit plans recognised in OCI	2,335	(1,493)
Recognised directly in equity	60	-
	73,822	**(71,630)**

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

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

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

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

20. Income tax (continued)

	2019 $'000	2018 $'000
Deferred tax liability		
Net deferred tax equivalent asset/(liability) comprises temporary differences attributable to:		
Employee benefits	11,712	16,359
Derivatives	124,071	52,511
Provisions	150,416	109,660
Other	36,207	42,292
Property, plant and equipment	(341,608)	(345,209)
Defined benefits plan	(3,539)	(6,364)
Derivatives	(81,602)	(63,193)
Inventories	(41,807)	(39,840)
Exploration, evaluation and development	(4,774)	(4,774)
Other	(8,221)	(15,313)
Deferred tax liability	**(159,145)**	**(253,871)**
Deferred tax liability from continuing operations	(199,139)	(253,871)
Deferred tax asset from discontinuing operations	39,995	-
	(159,145)	**(253,871)**
Movements:		
Opening balance	(253,871)	(225,287)
Recognised in profit or loss	20,904	43,046
Recognised in equity:		
Cash flow hedges	71,487	(70,137)
Actuarial gains/(losses) on defined benefit plans	2,335	(1,493)
Closing balance	**(159,145)**	**(253,871)**

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 & 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.

20. Income tax (continued)

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.

	2019 $'000	2018 $'000
Current tax equivalent liabilities	96,323	105,121

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 sheets 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.

Chairman - non-executive director
Dr Ralph Craven

Non-executive directors
Adam Aspinall
Jacqueline King
Karen Smith-Pomeroy

(b) Other key management personnel

The following management personnel, all of whom were employed by the Company, had the authority and responsibility for planning, directing and controlling the activities of the Group during the financial year:

Chief Executive Officer - Richard Van Breda
Chief Financial Officer - Michael O'Rourke
Chief Operating Officer - Andrew Richardson (1 July 2018 to 9 November 2018)
Chief Operating Officer - James Oliver (as an acting appointment 10 November 2018 to 15 June 2019 and as an incumbent from 16 June 2019 to 30 June 2019)
Executive General Manager Business Services - Jennifer Gregg
Executive General Manager Energy Trading and Commercial Strategy - Stephen Quilter

21. Key Management Personnel (continued)

(c) Remuneration of key management personnel

Directors

Directors' remuneration is determined by the shareholding Ministers. In addition, the shareholding Ministers have determined remuneration payable to Directors who are members of various Board committees. Directors' remuneration comprises Directors' fees, committee fees and superannuation contributions.

Directors' compensation does not include insurance premiums paid by the Company or related parties in respect of Directors' and officers' liabilities and legal expenses, as the insurance policies do not specify premiums paid in respect of individual directors. Further, the Directors do not receive any performance related compensation.

Other key management personnel

Remuneration policy

The Company's Board approved *Senior Executive - Recruitment, Appointment and Remuneration Policy* provides that:

- recruitment and appointment of Senior Executives will be based on the principles of merit and equity;
- remuneration of Senior Executives will be aligned to the Company's Corporate Plan and organisational objectives and reviewed regularly to ensure that strategic business requirements are supported; and
- remuneration arrangements will be consistent with the *Queensland Government's Policy for Government Owned Corporations Chief and Senior Executive Arrangements Version 2.*

Remuneration packages for the Chief Executive Officer and other key management personnel comprise the following components:

- base salary, which is payable in cash and based on an applicable market rate, as assessed by independent remuneration consultants;
- retirement benefits delivered under defined contribution superannuation funds nominated by the key management personnel;
- at-risk performance incentives, which are payable annually in cash or superannuation, or a combination of both, depending upon the satisfaction of key criteria; and
- other benefits, which may include private health insurance, access to a pool car park, Qantas club membership or equivalent, mobile device and associated costs and residential internet connection for remote access.

Link between remuneration paid and performance of the Group

Directors' remuneration is not directly linked to the performance of the Group, with any remuneration increases being determined by the shareholding Ministers in accordance with section 84 of the *Government Owned Corporations Act 1993*. Directors do not receive any performance related remuneration.

In accordance with the *Senior Executive - Recruitment, Appointment and Remuneration Policy*, remuneration increases for the Chief Executive Officer and other key management personnel are determined on an annual basis taking into account:

- the outcome of individual performance reviews;
- movement in market rates;
- government policy;
- the Company's capacity to pay; and
- advice from shareholding ministers

Where the Chief Executive Officer and other key management personnel are not currently remunerated at the market median for their role, increases may be awarded up to 10% of their total fixed remuneration. Where they are remunerated above the market median (except in cases where this remuneration has been approved by the shareholding Ministers), increases may be in line with either the All Groups Brisbane Consumer Price Index or the Australian Bureau of Statistics Wages Price Index (Queensland - All sectors - excluding bonuses) for the March quarter each year. Increases of the total fixed remuneration (including annual performance reviews) for the Chief Executive Officer and other key management personnel are approved by the Board.

21. Key Management Personnel (continued)

At-risk performance incentive payments of the Chief Executive Officer and other key management personnel are capped at 15% of total fixed remuneration (base salary and superannuation). The amounts payable are tied to the achievement of pre-determined corporate, divisional, individual performance targets and a values assessment as approved by the Board.

Service agreements

Service agreements are not in place for Directors.

The Chief Executive Officer's appointment is approved by the shareholding Ministers upon recommendation of the Board. The remuneration and other terms of employment for the Chief Executive Officer are specified in an employment contract.

The Chief Executive Officer's remuneration contract is a fixed term of contract, initially for a period of three years commencing in July 2012 and was extended for a further two year period, concluding in July 2017. The option to reappoint under a new fixed term contract for a further three year period was exercised by the Board and the Chief Executive Officer. This contract concludes in July 2020 (following this there is an option to extend for a further two year period).

The termination benefits applicable to the Chief Executive Officer include:

- payment of termination benefit on early termination by the Group, except for serious misconduct, bankruptcy, serious offence, unsatisfactory performance or incapacity is equal to two weeks' salary for each year of continuous service (with a minimum of 13 weeks' and a maximum of 52 weeks' salary), 20% of residual salary value of the contract (with a minimum of 13 weeks salary) and any accrued entitlements; or
- where employment terminates on contract expiry and the Group does not offer further employment, a severance payment equal to two week's salary for each year of continuous service (with a minimum of 13 weeks' and a maximum of 52 weeks' salary) and any accrued entitlements.

Senior Executive appointments are approved by the Board. The remuneration and other terms of employment for these roles are specified in employment contracts. Senior Executive appointments continue to be made in accordance with the *Queensland Government's Policy for Government Owned Corporation Chief and Senior Executive Employment Arrangements Version 2* unless otherwise determined by shareholding Ministers.

Contract dates for the Senior Executives are as follows:

- Chief Financial Officer - initial fixed term employment contract for a period of three years commencing in January 2009 and extended for a further two year period concluding in January 2014; the option to reappoint under a new contract for a further three years was exercised and was extended for a further two year period concluding in January 2019; the option to reappoint under a new one year contract was exercised and will conclude in January 2020.
- Chief Operating Officer - employed on an on going (tenured) basis commencing June 2019.
- Executive General Manager Business Services - initial fixed term contract for a period of three years commencing in March 2009 was extended for a further two year period, concluding in December 2013; the option to reappoint under a new contract for another three years was exercised and was extended for a further two year period concluding in December 2018; the option to reappoint under a new one year contract was exercised and will conclude in December 2019.
- Executive General Manager Energy Trading and Commercial Strategy - employed on an on going (tenured) basis commencing in July 2016.

The termination benefits applicable to Senior Executives, depending upon individual employment arrangements, include:

Fixed term contract:

- payment of a termination benefit on early termination by the Group, except for serious misconduct, bankruptcy, serious offence, unsatisfactory performance, or incapacity equal to two weeks' salary for each year of continuous service (with a minimum of four weeks' and a maximum of 52 weeks' salary), separation payment of 20% of the residual salary value of the contract and any accrued entitlements; or
- where the employment terminates on contract expiry and the Group does not offer further employment, a severance payment comprising 2 weeks' salary for each year of continuous service (with a minimum of four weeks' and a maximum of 52 weeks' salary) and any accrued entitlements.

21. Key Management Personnel (continued)

On going (tenured) basis contract:

- any accrued leave entitlements;
- total fixed remuneration for the balance of the notice period, if the employment is terminated by the GOC immediately or during the notice period; and
- a termination payment, except for serious misconduct, bankruptcy, serious offence, unsatisfactory performance or incapacity, equal to three months' base salary.

(d) Details of remuneration

Details of the remuneration of each Director of the Company and each of the other key management personnel of the Group are set out in the following tables:

Directors of Stanwell Corporation Limited

Name	Short-term employee benefits		Post employment	
	Cash salary	Committee Fees	Superannuat-ion	Total
2019	$'000	$'000	$'000	$'000
Dr Ralph Craven	**79**	**9**	**9**	**97**
Adam Aspinall	**31**	**9**	**4**	**44**
Jacqueline King	**31**	**6**	**4**	**41**
Karen Smith-Pomeroy	**31**	**6**	**4**	**41**
2018				
Dr Ralph Craven	79	8	9	96
Adam Aspinall	31	6	4	41
Allison Warburton	18	3	2	23
Dominic Condon	6	1	1	8
Jacqueline King	31	6	4	41
Karen Smith-Pomeroy	31	6	4	41

21. Key Management Personnel (continued)

Other key management personnel of the Group

Position	Short term employee benefits				Post employment	Long-term benefits	
2019	Cash Salary $'000	Bonus[1] $'000	Non-monetary benefits $'000	Other short term benefits[2] $'000	Superannuation $'000	Long service leave $'000	Total $'000
Chief Executive Officer	**663**	**101**	**28**	**-**	**76**	**17**	**885**
Chief Financial Officer	**356**	**52**	**23**	**-**	**41**	**9**	**481**
Chief Operating Officer	**143**	**55**	**42**	**8**	**20**	**3**	**271**
Chief Operating Officer[3]	**205**	**-**	**1**	**-**	**21**	**4**	**231**
Executive General Manager Business Services	**356**	**52**	**23**	**-**	**41**	**9**	**481**
Executive General Manager Energy Trading and Commercial Strategy	**356**	**52**	**19**	**-**	**40**	**9**	**476**
Total	**2,079**	**312**	**136**	**8**	**239**	**51**	**2,825**
2018							
Chief Executive Officer	644	96	28	-	74	16	858
Chief Financial Officer	341	48	23	-	39	9	460
Chief Operating Officer	392	32	66	-	42	10	542
Executive General Manager Business Services	339	48	24	-	39	8	458
Executive General Manager Energy Trading and Commercial Strategy	341	46	19	-	39	8	453
Total	**2,057**	**270**	**160**	**-**	**233**	**51**	**2,771**

[1]Represents the bonus paid during the financial year for the performance of the previous financial year.
[2]Represents payment in lieu for early cessation of employment.
[3]James Oliver performed the role of Chief Operating Officer in an acting capacity from 10 November 2018 prior to his formal appointment on 16 June 2019.

(e) Other transactions with key management personnel

A number of key management personnel of the Group are or were also Directors of other organisations which have or had transactions with the Group. All transactions in the years ended 30 June 2018 and 30 June 2019 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 Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships, The Honourable Jacklyn Trad MP; and
- The Minister for Natural Resources, Mines and Energy, The Honourable Anthony Lynham MP.

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The Company does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by the Ministerial Services Branch within the Department of Premier and Cabinet. As all Ministers are reported as key management personnel of the Queensland Government, aggregate remuneration expenses for all Ministers are disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements for the 2019 financial year, which are published as part of Queensland Treasury's Report on State Finances.

Notes to the consolidated financial statements

30 June 2019

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 (2018: $Nil).

Application of accounting policies

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, which is determined as the present value of the amount that would be payable to a third party for assuming the obligation, and subsequently at the higher of the amount of the obligation under the contract, as determined under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

23. Commitments

Lease commitments: Group as lessee

Non-cancellable operating leases

The Group leases various offices under non-cancellable operating leases expiring within 1 to 10 years. The leases have varying terms, escalation clauses and renewal rights.

The Group also leases motor vehicles under leases with an average term of 3 years with no renewal option included in the contracts.

	2019 $'000	2018 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	4,138	2,909
One to five years	12,606	13,192
More than five years	11,310	13,673
	28,054	**29,774**

All commitments are shown exclusive of Goods and Services Tax (GST)

24. Related party transactions

Parent entity
Ultimate control of the Group resides with the State of Queensland. The ultimate Parent entity within the Group is Stanwell Corporation Limited.

Key management personnel
Disclosures relating to key management personnel are set out in note 21.

24. Related party transactions (continued)

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:

	2019 $'000	2018 $'000
Sales of electricity - retail	100,995	91,059
Hedging (loss)/gain	(29,658)	19,859
Finance income	20,803	15,983
Fuel costs	(25,280)	(18,247)
Employee benefits expense	(6,079)	(5,711)
Other expenses	(5,684)	(5,440)
Raw materials and consumables	(229,124)	(234,671)
Finance costs	(53,862)	(57,161)
Non hedge accounted change in fair value of derivative instruments	37,959	(4,814)
Dividends provided for or paid	(550,166)	(494,183)
Capital distribution to shareholder	(160,000)	-
Income tax equivalent expense	(313,750)	(209,976)

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

	2019 $'000	2018 $'000
Cash and cash equivalents	54,815	43,147
Trade and other receivables	712,684	838,097
Derivative financial instrument assets	29,755	42,002
Trade and other payables	(5,213)	(861)
Derivative financial instrument liabilities	(67,851)	(36,375)
Deferred tax equivalent balances	(159,145)	(253,871)
Current tax equivalent liabilities	(96,323)	(105,121)
Borrowings	(821,603)	(821,866)
Provision for dividends	(550,166)	(494,183)

Key management personnel

A Director, Karen Smith-Pomeroy is currently a member of the Queensland Treasury Corporation Capital Markets Board. The outstanding balances reported for Cash and Cash Equivalents and Borrowings relate partially to QTC. Finance costs totalling $43,648,604 were paid to QTC during the year and interest revenue of $20,802,622 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.

Notes to the consolidated financial statements

30 June 2019

25. Reconciliation of profit after income tax to net cash inflow from operating activities

	2019 $'000	2018 $'000
Profit after income tax equivalent expense for the year	736,009	490,824
Adjustments for:		
Depreciation and amortisation	199,424	228,634
Impairment of non-current assets	105,294	67,101
Reversal of impairment	(4,333)	
Write off of non-current assets	3,469	34,970
Net gain on disposal of property, plant and equipment	967	(130)
Gain on termination of rights to SRA	(210,000)	-
Unwinding of discount on provision	16,464	15,649
Non-cash retirement benefits expense	2,446	4,452
Non-cash rehabilitation provision	(1,626)	-
Net gain on sale of available-for-sale financial assets	-	3,154
Fair value (gain) on financial assets at fair value through profit and loss	(57,287)	(46,624)
Non-cash other provision	14,776	(620)
Non-cash stock obsolescence	4,248	-
Non-cash finance income	(23,829)	-
Non-cash expected credit loss provision	4,617	-
Fair value losses/(gains) on environmental certificates	2,590	-
Change in operating assets and liabilities:		
(Increase) in current receivables	(44,303)	(48,539)
Decrease/(increase) in inventories	49,802	(52,714)
Decrease in other current assets	489	323
(Increase)/decrease in current financial assets	(50,514)	53,480
(Decrease)/increase in rehabilitation provisions	(4,299)	3,954
Increase in trade and other payables	3,328	18,958
Increase/(decrease) in other provisions	473	(2,891)
(Decrease) in current tax equivalent liabilities	(8,798)	(2,666)
(Decrease)/increase in deferred tax equivalent liabilities	(94,726)	28,584
Decrease in other non-current assets	-	7,085
(Decrease)/increase in other current liabilities	(64)	4,242
Deferred tax equivalents reserves movement	73,822	(71,630)
Net cash inflow from operating activities	718,439	735,596

26. Events after the reporting period

After the end of the reporting period, the State of Queensland announced the transfer of foundation assets and related liabilities to CleanCo to be completed by 31 October 2019.

Apart from the above, no matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group’s operations, the result of those operations, or the Group’s state of affairs in future years.

27. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2019 **$'000**	**2018** **$'000**
Profit from continuing operations after income tax equivalent	419,190	469,533
Profit from discontinuing operations after income tax equivalent	35,918	(47,952)
Profit after income tax	455,108	421,581
Total comprehensive income	455,108	421,581

Balance sheet

	Parent	
	2019 **$'000**	**2018** **$'000**
Total current assets	1,565,563	1,459,939
Total assets	3,385,952	3,506,232
Total current liabilities	1,342,493	933,619
Total liabilities	2,533,936	2,232,353
Equity		
Contributed equity	1,054,692	1,214,692
Reserves	(142,414)	24,389
Retained earnings	(60,262)	34,798
Total equity	852,016	1,273,879

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 2019 (2018: Nil).

Capital commitments – Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 (2018: Nil).

Application of accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1, except for investments in subsidiaries which are accounted for at cost, less any impairment in the parent entity.

28. Discontinued operations

On 29 August 2018, the Queensland Government announced the establishment of CleanCo. CleanCo is the third Queensland Government owned electricity generator. As a result, some assets and related liabilities of Stanwell will be transferred to CleanCo. The Stanwell assets to be transferred was announced on 26 April 2019 and the transfer is expected to be completed by 31 October 2019.

28. Discontinued operations (continued)

The assets and liabilities to be transferred have been presented as "disposal group(s) held for distribution to owners" from the date the draft regulation was approved by the Governor in Council on 26 April 2019.

Key aspects of the distribution have included the following foundation assets of Stanwell Corporation Limited:

- Swanbank E power station
- Kareeya Hydroelectric power station
- Barron Gorge Hydroelectric power station
- Koombooloomba Hydroelectric power station

Application of Accounting Policies

Non-current assets and disposal groups classified as held for distribution are measured at the lower of their carrying amount and fair value less costs to distribute, except for the following assets and liabilities:

- Deferred tax balances;
- Assets and liabilities with employee benefits
- Financial assets and liabilities; and
- Investments.

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

Non-current assets and disposal groups classified for distribution are not depreciated or amortised while they are classified as held for distribution. Interest and other expenses attributable to the liabilities of a non-current asset or disposal groups classified as held for distribution continue to be recognised. Non-current assets and liabilities and disposal groups classified as held for distribution are presented separately from other assets in the balance sheet.

Financial performance information

	2019 $'000	**2018 $'000**
Sale of electricity - wholesale	123,815	92,201
Environmental certificate revenue	2,520	7,542
Other revenue	381	324
Total revenue	126,716	100,067
Fuel costs	(44,947)	(56,435)
Raw materials and consumables used	(4,839)	(5,278)
Electricity and energy services expense	(4,144)	(3,657)
Employee benefits expense	(7,908)	(6,423)
Depreciation and amortisation expense	(8,322)	(21,528)
Impairment reversal/(impairment)	4,333	(67,101)
Finance costs	(3,088)	(2,406)
Other expenses	(6,490)	(5,743)
Total expenses	(75,405)	(168,570)
Profit/(loss) before income tax equivalent (expense)/benefit	51,311	(68,503)
Income tax equivalent (expense)/benefit	(15,393)	20,551
Profit/(loss) after income tax equivalent (expense)/benefit from discontinued operations	**35,918**	**(47,952)**

28. Discontinued operations (continued)

Set out below are the assets and liabilities held for distribution:

	2019 $'000
Assets held for distribution	
Cash and cash equivalents	107
Inventories	1,814
Other current assets	36
Property, plant and equipment	97,862
Deferred tax assets	39,995
Other non-current assets	20,000
Total assets	**159,814**
Liabilities held for distribution	
Trade and other payables	1,186
Provisions	73,221
Total liabilities	**74,407**
Net assets	**85,407**

Cash flow information

	2019 $'000	2018 $'000
Net cash inflow from operating activities	45,816	38,495
Net cash outflow from investing activities	(16,074)	(33,961)
Net cashflow from financing activities	-	-
Net increase in cash and cash equivalents from discontinued operations	**29,742**	**4,534**

Directors' declaration

30 June 2019

In the Directors' opinion:

(a) the financial statements and notes set out on pages 53 to 111 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 2019 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 1 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in the corporate structure described in note 1.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Dr Ralph Craven
Non-executive Chairman

Karen Smith-Pomeroy
Non-executive Director

29 August 2019
Brisbane

Independent auditor's report to the members of Stanwell Corporation Limited

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INDEPENDENT AUDITOR'S REPORT

To the Members of Stanwell Corporation Limited

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Stanwell Corporation Limited and its controlled entities (the group).

In my opinion, the financial report:

a) gives a true and fair view of the group's financial position as at 30 June 2019, 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 2019, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*. I am also independent of the group in accordance with the auditor independence requirements of the *Corporations Act 2001*, and confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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.

Independent auditor's report to the members of Stanwell Corporation Limited

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Accounting for derivative financial assets and liabilities

Refer to note 13 in the financial report

<table>
<tr><th>Key audit matter</th><th>How my audit addressed the key audit matter</th></tr>
<tr><td>Accounting for derivative financial assets and liabilities is inherently complex. Key factors contributing to this complexity include:

use of internal valuation models in Stanwell's estimation of the fair value of certain financial instruments. These models are complex and use key inputs that involve significant judgment due to the absence of observable market data for some assumptions; and
the group's application of hedge accounting involves judgements about Stanwell's forecast generation profile to monitor on-going hedge effectiveness for compliance with the specific requirements of AASB 9 Financial instruments.
</td><td>My procedures included but were not limited to:

use of a derivative valuation specialist to assist me in:

obtaining an understanding of the valuation models, and assess their design, integrity and appropriateness with reference to common industry practices
challenging management assumptions used in the valuation process and assessing the reasonableness of the key inputs by comparison to my expectations based on my own assessment using knowledge and understanding of industry specific factors
for a sample of derivatives, testing the reasonableness of the valuation calculations by agreeing key terms to supporting documents (including contracts) and counter-party confirmations and recalculating the fair values for comparison to those calculated by the group based on our understanding of generally accepted derivative valuation practices

assessing Stanwell's hedge accounting process for compliance with accounting standards. This included reviewing hedge accounting documentation and testing the methodology for calculating hedge effectiveness
for cash flow hedges, assessing the reasonableness of forecast information used to support that hedged transactions are considered highly probable of occurring
assessing the appropriateness of the disclosures included in note 13 to the financial statements.
</td></tr>
</table>

Measurement of the provision for restoration, rehabilitation and decommissioning

Refer to notes 15 and 16 in the financial report

<table>
<tr><th>Key audit matter</th><th>How my audit addressed the key audit matter</th></tr>
<tr><td>As at 30 June 2019, the group has provisions for restoration, rehabilitation and decommissioning relating to its power stations and mining operations.
The measurement of these provisions required significant judgments in:

assessing the group's obligations under current environmental, regulatory and legal requirements and the impact on the completeness of the activities incorporated into the provision estimate;
</td><td>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
</td></tr>
</table>

Independent auditor's report to the members of Stanwell Corporation Limited

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Key audit matter	How my audit addressed the key audit matter
• estimating the quantum and timing of future costs for restoration, rehabilitation and decommissioning activities; and • determining appropriate rates for annual cost escalation and to discount the forecast costs to their present values. The group determines its estimate of the provision using a combination of external expert advice and internal assessments.	• testing the mathematical accuracy of the group's present value calculations.

Carrying values of Stanwell's property, plant and equipment

Refer to note 10 in the financial report

Key audit matter	How my audit addressed the key audit matter
Assessing carrying values of property, plant and equipment for impairment is complex and highly judgemental. Stanwell's assessment is based on forward looking assumptions about operating and market conditions. It also involves the use of complex models to measure the recoverable amount. Key assumptions, judgements and estimates used in the group's impairment testing process include: • allocating assets to cash generating units (CGUs) • estimating future cash inflows and outflows based on: - electricity demand - wholesale electricity prices - cost of fuel - timing of overhauls relating to the power units - planned plant retirements. • determining the rate used to discount the forecast cashflows to present value.	My procedures included, but were not limited to: • with the assistance of valuation specialists: - assessing the design, integrity and appropriateness of the discounted cash flow models with reference to common industry practices and the requirements of the accounting standards - evaluating the scope, competency and objectivity of the group's external expert to provide assumptions adopted by management for forecast wholesale electricity prices - evaluating whether the discount rates applied were within a reasonable range by comparison to my own assessment with reference to market data and industry research • assessing the reasonableness of cash flow forecasts relative to corporate plans, AEMO published data and other relevant internal and external evidence • assessing the reasonableness of long-term fuel prices by agreeing them to known contracts in place • assessing the accuracy of Stanwell's internally generated financial forecasts by comparing prior year budgets to actual results • performing sensitivity analysis to assist in considering the potential impact of reasonably possible changes (downside/upside) in these key assumptions • verifying the mathematical accuracy of the net present value calculations • assessing the appropriateness of the disclosures included in note 10 to the financial statements.

Independent auditor's report to the members of Stanwell Corporation Limited

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Accounting for the gain on termination of right to the Stanwell Reserved Area

Refer to notes 2 and 9 in the financial report

Key audit matter	How my audit addressed the key audit matter
As disclosed in notes 2 and 9 to the financial statements, the group recognised a gain of $210,000,000 in relation to the exchange of its reversionary right to coal resources in the Stanwell Reserve Area (SRA) at the Curragh mine as part of negotiating a new, long term coal supply agreement for the Stanwell Power Station. Stanwell has recognised a non-current receivable at 30 June 2019 for the consideration receivable in respect of exchanging the reversionary right. This was a key audit matter due to the: • financial significance of the transaction to the financial statements; and • complexity of the arrangements and the judgement applied in determining the accounting required under the accounting standards.	My procedures included, but were not limited to: • reading the agreement to understand the key terms and conditions of the transactions and Stanwell's internal reporting on the basis for its rationale for the accounting treatment adopted • using our understanding of the transaction and its commercial substance to evaluate Stanwell's accounting treatment against the requirements of the accounting standards • assessing the appropriateness of the group's disclosures based on our understanding of the transaction and the requirements of the accounting standards.

Other information

Other information comprises the information included in the group's annual report for the year ended 30 June 2019 but does not include the financial report and my auditor's report thereon.

The company's directors are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the company for the financial report

The company's directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards, and for such internal control as the company's directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Independent auditor's report to the members of Stanwell Corporation Limited

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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.

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.

Independent auditor's report to the members of Stanwell Corporation Limited

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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.

Damon Olive
as delegate of the Auditor-General

29 August 2019
Queensland Audit Office
Brisbane

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