stanwell

DIVERSIFIED ENERGY

ANNUAL REPORT 2013/14

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 12 months ended 30 June 2014.

Each year, we document the nature and scope of our strategies, objectives and actions in our Statement of Corporate Intent. The Statement of Corporate Intent represents our performance agreement with our shareholding Ministers. Our performance against our 2013/14 Statement of Corporate Intent is summarised on page 5 and pages 8 to 15.

Electronic versions of this and previous years' reports are available online at www.stanwell.com or from Stanwell's Stakeholder Engagement team on 1800 300 351.

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About Stanwell

Stanwell is a diversified energy business.

We own coal, gas and water assets, which we use to generate electricity; we sell electricity directly to business customers; and we trade gas and coal.

With a generating capacity of approximately 4,200 megawatts, Stanwell is the largest electricity generator in Queensland. We have the capacity to supply more than 45 per cent of the State's peak electricity requirements through our coal, gas and hydro generation assets.

As at 30 June 2014, we employed 710 people at our sites and offices.

Our mission

Stanwell contributes to Queensland's prosperity through the safe and responsible provision of energy and commercial returns from business operations.

Our values

Our values – Safe, Responsible and Commercial – shape how we lead and operate our business.

Together, they guide how we think, make decisions and act on a day-to-day basis at Stanwell.

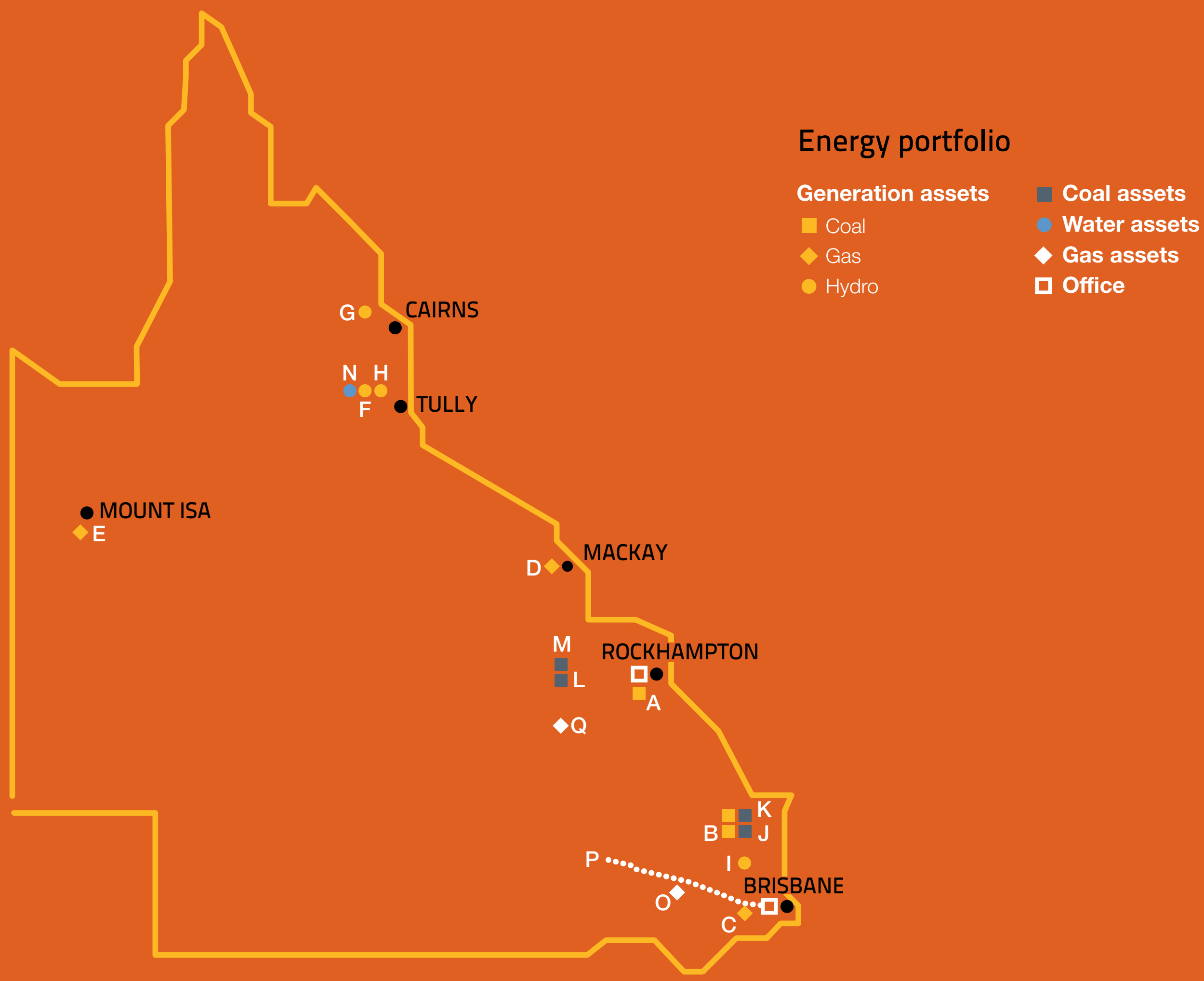
POWER STATIONS – BEST-IN-CLASS MAINTENANCE

COMPETITIVE STABLE FUEL SUPPLY

FUEL ASSETS – COAL, GAS AND HYDRO

INNOVATION AND DEVELOPMENT

STRONG TRADING AND RISK MANAGEMENT TEAMS



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 – 302 MW (gas)

F. **KAREEYA HYDRO**, Far North Queensland – 86.4 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 Wesfarmers 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. **ROMA TO BRISBANE GAS PIPELINE** – contracted capacity of 52 terrajoules 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

Report **from the Board**

In 2013/14 Stanwell performed strongly, ensuring the long-term competitiveness of its existing assets and laying the foundation for future revenue growth.

This success is the result of our deliberate strategic decision to reposition Stanwell from an electricity generator to a diversified energy business.

Sadly, Stanwell's Chairman, the Honourable Warwick Parer A.M., passed away suddenly in March 2014.

Warwick will be remembered for his many years of public service and long contribution to the people of Queensland whom he proudly represented as a Senator from 1984 to 2000.

Warwick was appointed Chairman of the Stanwell Board in 2012. During his tenure, he oversaw the transformation of the business, within one of the most disruptive and difficult trading markets in Australia.

This year, Stanwell achieved its short-term goal of returning its electricity generation business to profitability for the first time since 2009/10. The generation business recorded a net profit after tax of $54.3 million — a turnaround of $158.1 million from the $103.8 million loss in 2012/13. Furthermore, the Board is pleased to report that the consolidated business achieved a net profit after tax of $127.8 million (2012/13: $7.4 million). These results have been achieved against a backdrop of subdued electricity market conditions which have challenged the profitability of merchant generators.

Our strong results reflect the hard work of the organisation in both restoring the profitability of our generation assets and diversifying our revenue streams into other energy markets.

Another major achievement is the significant reduction of more than 50 per cent in the number of injuries at our sites and offices. While commendable and encouraging, these results are only a step in the journey to achieving our goal of Zero Harm in everything we do.

At a state and federal government level, there have been several major policy announcements that may have a significant impact on Stanwell.

In December 2013, the Queensland Government announced that it would examine options for future ownership of government-owned assets, including Stanwell, and that it will seek a mandate from the people of Queensland at the next state election before implementing any sale process. The government is yet to finalise its policy plan regarding future ownership. Against this backdrop, the Board is focused on ensuring Stanwell is commercial, safe and responsible and continues to maximise value.

In July 2014, the Federal Government successfully repealed the carbon tax which removed a significant cost from Stanwell's business. Stanwell is also supportive of any measures that encourage competition and assist in securing lower cost energy sources that underpin economic growth.

Looking forward, conditions in the Queensland electricity market are expected to improve and we anticipate an uplift in demand for electricity in line with the commissioning of the liquefied natural gas plants in Queensland.

We are focused on achieving commercial sustainability of our business through flexible portfolio operations, diversification of revenue streams and aggressive, but appropriate, cost management.

Our longer term financial goal is to achieve a return on equity of eight to 10 per cent on our electricity generation business by 2017/18. We are confident the business can achieve this in 2015/16 – two years ahead of our original target.

Thank you to our shareholding Ministers: the Treasurer and Minister for Trade, The Honourable Tim Nicholls MP; and the Minister for Energy and Water Supply, The Honourable Mark McArdle MP – for their continued stewardship of the business.

We would like to acknowledge the efforts of the Chief Executive Officer, Richard Van Breda, his leadership team and all Stanwell employees. It is through their hard work and commitment that we have been able to reshape and renew our business and restore the financial viability of our electricity generation assets.

Warwick would have been proud of what Stanwell achieved in 2013/14. It is important that we continue to maximise the value of our business for the benefit of our employees, our shareholders and the people of Queensland.

Russell Kempnich
Director
On behalf of the Stanwell Board

Chief Executive Officer's review

This year, we began to fully realise the benefits of our transformation from a baseload merchant generator to a diversified energy business.

We have returned our core generation business to profitability by significantly reducing operational costs, reviewing our workforce structures, improving the efficiency of systems and processes, and getting the best return for our energy resources.

At the same time, we have created further value by flexing our portfolio to meet the market and maximising returns through both electricity and fuel sales.

Our diversified revenue streams and strong contract position have insulated the business from the challenging conditions that persist in the electricity market, with low demand and low wholesale prices.

However, this positive development was overshadowed by the sudden passing of Stanwell's highly regarded Chairman, the Honourable Warwick Parer A.M., in March this year. Warwick's leadership and advice were critical to Stanwell's transformation. This business lost not only a champion and mentor but also a great friend.

Safety is a core value

At Stanwell, we have a Zero Harm culture based on the belief that all workplace injuries and illnesses can be prevented.

In 2013/14, our safety performance continued to improve. We recorded 70 injuries compared with 145 injuries in 2012/13. Despite this improvement, no workplace injury or illness is acceptable at Stanwell and we continue to strive for Zero Harm.

In May 2014, we appointed a single contractor to provide major facilities, overhaul, and asset maintenance and management services.

The new contractor was chosen in part for its superior safety performance and, as a result, I expect to see a major improvement in the safety performance of our business.

Strong financial results

The business delivered a consolidated net profit after tax result of $127.8 million (2012/13: $7.4 million).

In addition, the return to profitability of our generation business is an outstanding accomplishment, given the difficult trading conditions characterised by an oversupply of generation, falling electricity demand and low wholesale electricity prices. This financial outcome was driven by two factors: Stanwell's strong contract position which insulated against low wholesale prices for electricity; and a reduction in operating costs across the business as a result of cost and efficiency reviews in the preceding 18 months.

The challenge going forward will be to sustain the profitability of the generation business, with the goal of achieving a return on equity of eight to 10 per cent.

Strategy in action

Stanwell's business activities are structured around three themes:

- Simplify and streamline our business;
- Sell our energy for the best return; and
- Secure our future.

Simplify and streamline our business

The finalisation of a cost and efficiency review of our generation and mining sites during the year resulted in more than $40 million in cost savings.

In addition, based on forecast coal requirements, a new Life of Mine plan for Meandu Mine is expected to deliver an $865 million reduction in total mine costs over the life of the mine. This will provide a reduction in fuel costs to the adjacent Tarong power stations against the previous Life of Mine plan.

The appointment of a single contractor to provide facility management, overhaul, asset and maintenance management services at our operating sites will reduce costs and improve productivity and safety. These services were previously provided by numerous contractors.

Our generation assets achieved high levels of availability and reliability. Given some of our power stations are between 20 and 50 years old, this is an outstanding achievement and reflects our high standard of asset care.

Sell our energy for the best return

In February 2014, we made the decision to place Swanbank E Power Station into cold storage for up to three years from late 2014. We will sell the gas rather than use it to generate electricity as this provides a much greater financial return. This decision meant we also had to review the workforce requirements of the power station. This was a difficult time for the site and indeed the business. Our people responded with professionalism and fortitude.

We also announced the return to service of two generating units at the Tarong power stations scheduled for 2014/15. The units had been placed in cold storage in 2012 in response to enduring low wholesale prices for electricity. Their return will coincide with an expected uplift in the demand for electricity in line with the commissioning of liquefied natural gas (LNG) plants in Queensland.

Chief Executive Officer's review (continued)

A number of extensions were successfully negotiated to the Power Purchase Agreement between Stanwell and Mount Isa Mines. This will see Mica Creek Power Station continue to deliver electricity to Xstrata's operations in Mount Isa until December 2014.

To manage our exposure to the wholesale electricity market, we continued to grow our retail offering to commercial and industrial customers. In 2013/14, we retained 100 per cent of our existing contracts upon expiry. In the coming year, we will seek to expand our retail customer base to include small and medium sized business customers.

Stanwell benefits from a long-term coal supply agreement for the purchase of thermal coal from the Wesfarmers Curragh Mine in Blackwater. This coal is used to fuel Stanwell Power Station. The agreement also allows for a coal rebate arrangement which sees Stanwell share in the value of coal exported from Curragh North Mine. This coal revenue sharing arrangement has added $105.1 million to our pre-tax profit result.

The Wallumbilla Gas Hub, which began operating in March 2014, has been an important avenue to secure additional, competitively priced gas for generation at Swanbank E Power Station. This has allowed Stanwell to optimise generation and offset higher fuel costs and higher carbon emitting plant within the generation portfolio.

Secure our future

During the year, we commenced planning and negotiations for new Enterprise Agreements at a number of sites and offices. This is an important initiative for both our people and the business in ensuring we have a highly engaged and motivated workforce while taking into consideration the external factors that impact on Stanwell's outlook.

We also secured a number of environmental approvals that will ensure we are able to meet commercial operating requirements. This included approval for an expansion of the ash storage area at Stanwell Power Station which will provide sufficient ash storage for the remaining economic life of the power station. We also commenced construction of a $26.3 million diversion channel at the Tarong power stations that will extend the life of the ash dam and ensure it can store ash for the remaining life of the power stations.

A challenging market

Our results in 2013/14 were achieved in difficult market conditions, with an oversupply of generation and falling demand for energy. In the latter part of 2013/14, there has been a short-term abundance of low priced gas, as LNG fields in Queensland ramp up production. This has resulted in a temporary increase in gas-fired generation ahead of coal fired generation.

Faced with increasing power bills, consumers are reducing consumption or installing solar rooftop panels. Despite positive action by the Queensland Government in rolling back some of the very generous rebates to households with solar panels, solar photovoltaic generation continues to have a detrimental impact on the efficient functioning of the electricity market.

In 2013/14, Stanwell incurred a gross carbon expense of $348.5 million, making it the business' largest single operating cost. Stanwell's carbon bill, since the introduction of the carbon tax, has totalled more than $700.0 million. Not all of this expense has been passed through to the market, meaning Stanwell has sustained a net carbon expense.

The repeal of the carbon tax by the Federal Government in July 2014 was strongly welcomed by Stanwell, as is the review of the Renewable Energy Target.

Acknowledgements

Stanwell has a dedicated and professional Board and I thank all the directors for their hard work and support through the year. In particular, I pay tribute to the Honourable Warwick Parer A.M. who, as Chairman, not only graciously served the business but also provided wise counsel to me as the Chief Executive Officer. I am most grateful for the close and respectful relationship I had with Warwick during his time at Stanwell.

Thank you to our shareholding Ministers: the Treasurer and Minister for Trade, The Honourable Tim Nicholls MP; and the Minister for Energy and Water Supply, The Honourable Mark McArdle MP. We have also enjoyed a close and co-operative working relationship with Queensland Treasury and the Department of Energy and Water Supply.

I would also like to recognise the local communities in which we operate. I am appreciative of the strong, productive relationships we have with them and their ongoing support of our local operations.

Finally, the commitment and professionalism of our employees is exemplary. Our people should be proud of the transformation of the business and the role each of them has played in our success.

Richard Van Breda
Chief Executive Officer

Performance indicators

	2013/14 ACTUAL	2013/14 TARGET	2012/13 ACTUAL
Safety and environment performance			
Lost Time Injury Frequency Rate[1]	2.35	0	3.11
Total Recordable Injury Frequency Rate[2]	9.72	0	10.10
All Injury Frequency Rate[3]	23.46	0	37.55
Notifiable safety incidents	21	0	22
Environmental enforcement actions[4]	1	0	0
Zero harm interactions	8,930	5,000	9,361
Financial performance			
Earnings before interest and tax (EBIT) ($M)	212.6	75.7	66.0
Net profit/(loss) after tax - Generation ($M)	54.3	(75.4)	(103.8)
Net profit after tax ($M)	127.8	3.8	7.4
Return on operating assets (%)	8.6	4.2	4.1
Return on equity (%)	9.7	0.3	0.6
Gearing (%)	25.4	37.2	34.2
EBITDA interest cover (times)[5]	10.3	5.8	5.8
Investment			
Capital expenditure ($M)[6]	101.1	182.0	192.7
Operational performance			
National Electricity Market generators			
Availability (%)	93.1	92.1	88.3
Forced outage factor (%)	1.1	3.2	5.0
Mica Creek Power Station			
Availability (%)	93.0	93.9	89.9
Forced outage factor (%)	3.1	3.0	2.5

Notes to the key performance indicators

[1] Lost Time Injury Frequency Rate (LTIFR)	Number of lost time injuries in the period/number of hours worked in the period, multiplied by 1,000,000. Figures are based on a 12-month moving average and include employees, contractors and third party sites.
[2] Total Recordable Injury Frequency Rate (TRIFR)	Recordable injuries in the period/number of hours worked in the period, multiplied by 1,000,000. Figures are based on a 12-month moving average. TRIFR is a combination of Lost Time and Medical Treatment Injuries. This includes employees, contractors and third party sites.
[3] All Injury Frequency Rate (AIFR)	All injuries in the period/number of hours worked in the period, multiplied by 1,000,000. Figures are based on a 12-month moving average. Includes first aid, Medical Treatment and Lost Time Injuries. This includes employees, contractors and third party sites.
[4] Environmental enforcement action	An Environmental Regulator issuing an infringement notice, an environmental protection order, a program notice, a notice requiring the preparation and submission of a draft environmental management program, or the institution of any court proceedings. Environmental Impact Assessment processes are excluded from this definition.
[5] EBITDA interest cover (times)	Net of extraordinary restructure costs and mark to market movements.
[6] Capital expenditure	Expenditure on capital projects.

Asset performance

YEAR	ENERGY SENT OUT (GWH)	CAPACITY FACTOR (%)	BUDGETED AVAILABILITY (%)	AVAILABILITY (%)	PLANNED OUTAGE FACTOR (%)	FORCED OUTAGE FACTOR (%)
Tarong power stations – coal – 1843 MW						
2013/14	6,218	65.6	92.6	89.0	10.1	0.9
2012/13	7,550	67.0	90.4	84.8	5.6	9.6
Stanwell Power Station – coal – 1460 MW						
2013/14	7,762	65.6	91.5	94.7	3.9	1.4
2012/13	7,606	64.3	91.5	92.9	5.5	1.6
Swanbank E Power Station – gas – 385 MW						
2013/14	2,282	69.1	93.4	99.5	0.0	0.5
2012/13	1,381	42.8	84.2	81.3	14.7	4.0
Northern Hydros – hydro – 159 MW						
2013/14	804	58.1	91.3	95.1	3.8	1.1
2012/13	641	46.0	84.3	82.2	17.1	0.7
Mica Creek Power Station – gas – 302 MW (248 MW with Unit A1 and A2 removed from service)						
2013/14	1,501	59.5	93.9	93.0	3.9	3.1
2012/13	1,700	64.5	90.2	89.9	7.6	2.5

Asset performance calculations take into consideration the cold storage of Unit 2 at Tarong Power Station for the 2013/14 year and the cold storage for Unit 4 at Tarong Power Station for 11 months of the year. Unit 4 entered a maintenance state in June 2014 to prepare it for a return to service in July 2014. Mica Creek calculations take into consideration the withdrawal from service of units A1 and A2 at the beginning of June 2014.

Strategic direction

Market overview

The liquefied natural gas (LNG) industry is changing the face of the Queensland energy market.

As LNG gas fields move into production, LNG-related electricity consumption is forecast to increase, from an estimated 250 GWh in 2013/14 to 8,350 GWh in 2018/19. This will boost Queensland's electricity demand by approximately 15 per cent. This additional demand is expected to result in higher wholesale electricity and gas prices, leading to improved business conditions and an increase in earnings.

Domestic gas prices are forecast to reach export parity, meaning gas will have greater value when sold rather than burned to generate electricity. This will change the merit order in which electricity is dispatched into the National Electricity Market, as currently low-priced gas generation increases in cost and is replaced by lower cost coal-fired generation.

The expected increase in electricity demand from the LNG industry will be tempered by the continued proliferation of solar photovoltaic (PV) panels and consumers' ongoing sensitivity to increases in electricity retail tariffs. At 30 June 2014, installed PV capacity in Australia was more than 3.4 GW, of which more than 1.1 GW was installed in Queensland. Solar PV generation in Queensland in 2013/14 was more than 1,500 GWh.

The trend towards consolidation and integration of energy companies is continuing. The market is now characterised by a small number of large participants.

It is difficult for new entrant retailers to gain market share and merchant generators are facing significant commercial challenges. This level of market concentration is not expected to change in the medium term.

Stanwell's strategic response

We have taken action to position the business in the new, LNG-led energy industry and to realise the commercial benefits of our portfolio.

Our strategic approach is based on three themes:

Simplify and streamline our business

Create value from the way we operate our generation portfolio by continuing to focus on improving cost and performance efficiencies from business operations.

Sell our energy for the best return

Optimise trading revenue, find alternative outlets for our energy and diversify our revenue streams.

Secure our future

Provide a safe workplace, engage and retain a high performing workforce and secure ongoing support for our operations and corporate direction.

In 2013/14, the business achieved its short-term goal of returning its core electricity generation business to profitability – one year ahead of schedule. Our strategic performance across the year reflects the optimised structures and improving efficiency of our systems and processes. These have been key contributors to our improved financial returns.

Our challenge is to deliver further improvements in commercial performance, as well as sustained profitability from the generation business. Our goal is to achieve a return on equity of eight to 10 per cent on our core electricity generation business. We expect to achieve this in 2015/16 – two years earlier than originally forecast.

We will do this by remaining responsive to market conditions and adjusting the level of activity across our portfolio to ensure we meet demand for our energy products. This will allow us to shift revenue between generation and other energy markets.

Simplify and streamline our business

We create value from the way we operate our portfolio, with an ongoing focus on improving cost and performance efficiencies from our core business operations.

Stanwell has delivered savings in operational expenses and fuel costs of more than

$100

million in 2013/14.

Achieve the best gross margin from the portfolio

In February 2014, Stanwell announced plans to return to service two of Tarong Power Station's generating units which were in cold storage. Stanwell withdrew the two, 350 MW units from service in late 2012, in response to an oversupplied electricity market with subdued wholesale electricity prices.

Unit 4 at Tarong Power Station will be returned to service in July 2014. Unit 2 is expected to be returned to service in mid 2015, although the exact timing will depend on market conditions and portfolio requirements which Stanwell continues to review.

Replacing higher cost gas generation with lower cost coal generation enables Stanwell to achieve the best gross margin from its portfolio.

Deliver commercial returns from business operations

The business continues to benefit from a corporate cost and efficiencies review conducted in 2012/13. Over the five-year forecast, savings of $279 million in capital expenditure were identified along with a reduction of $30 million from corporate support costs.

Stanwell is on track to achieve its target reduction through the reprioritisation and rescheduling of activities and projects over the five-year outlook.

A separate review of the generation and mining sites concluded early in the 2013/14 year. The review reduced operational costs and streamlined day-to-day operations.

As a consequence of both reviews and an ongoing focus on aggressive cost management, Stanwell has delivered savings in operational expenses and fuel costs of more than $100 million in 2013/14.

In May 2014, Stanwell entered into a four-year contract with UGL Engineering Pty Ltd to deliver the facilities, overhauls, and asset maintenance and management services at its operating sites effective from 1 July 2014. Once the contract is fully implemented, it will reduce the number of contracts required to provide these services from 97 to approximately 50. This new approach will simplify Stanwell's contract model and deliver a quantum improvement in safety and productivity while also reducing costs.

OBJECTIVE	WHAT WE SET OUT TO ACHIEVE	HOW WE PERFORMED
Create value from the way we operate the generation portfolio	Achieve best gross margin from the portfolio	**Achieved** ✓
	Deliver commercial returns from business operations	**Achieved** ✓
	Manage asset integrity in line with market requirements	**Achieved** ✓
	Reduce fuel costs	**Achieved** ✓
	Manage water costs	**Achieved** ✓
	Maximise value of Mica Creek Power Station in line with finalised customer offtake contracts	**Achieved** ✓
	Continue to rationalise gas investments	**Achieved** ✓

Manage asset integrity in line with market requirements

Stanwell has responded to challenging market conditions by ensuring maximum availability of its generation assets during high demand periods. The total summer availability (from December 2013 to February 2014) of Stanwell's generators connected to the National Electricity Market was 98.3 per cent.

During the year, we invested more than $85 million in sustaining capital to maintain asset integrity and performance. We undertook major overhauls at Stanwell Power Station, Barron Gorge Hydro, Kareeya Hydro, Swanbank E Power Station and the Tarong power stations.

These overhauls are important in preserving the value of our assets and ensuring we can operate safely, reliably and efficiently to meet both current and future market requirements.

Our high standard of asset care is reflected in our performance outcomes. We achieved a total availability across the generation portfolio of 93.2 per cent, which was slightly above the target of 92.3 per cent. The portfolio recorded a forced outage rate of 1.3 per cent, significantly lower than the target of 3.2 per cent.

A $53 million dragline overhaul at Meandu Mine was completed in July 2013 and ensures this vital machinery is as efficient as possible in meeting the future needs of the mine. The dragline is an essential part of the Meandu Mine fleet as it is the most cost-effective way to remove dirt to access coal.

Following its closure in May 2013, the demolition of Swanbank B Power Station commenced in March 2014. Works include the safe demolition of station plant, and the eventual demolition of the main stacks and cooling towers. The project is expected to be completed by August 2015.

IMAGES FROM LEFT TO RIGHT:
Pelton wheel, Kareeya Hydro;
Stanwell Power Station.

Simplify and streamline our business (continued)

Reduce our fuel costs

In October 2013, Stanwell adopted a new Life of Mine plan for Meandu Mine that will deliver lower cost coal to the Tarong power stations. Based on forecast coal requirements, the new plan is expected to achieve substantial savings, including a 22 per cent improvement in strip ratio and an $865 million reduction in total mining costs over the life of the mine against the previous Life of Mine plan. The plan also indicates that Meandu Mine has the capacity to deliver a continued supply of cost effective coal to the adjacent power stations up until 2037.

To support the new Life of Mine plan, Stanwell has purchased eight new Hitachi dump trucks. Six of these trucks were commissioned during the year. The new, larger mine trucks mean Meandu Mine can operate more efficiently and provide cheaper coal to the Tarong power stations.

This year, Stanwell also completed a two-year exploration program in the eastern part of the mining lease and confirmed that existing pits could be extended as the coal in those areas is shallower and thicker than previously predicted.

This coal is potentially more commercially viable to mine than the existing pits and would ultimately allow the Tarong power stations to produce cheaper electricity. This proposed expansion of mining operations by 130 hectares (equivalent to five per cent of the current lease) would be subject to a number of agreements and approvals from relevant regulatory bodies. Stanwell expects to lodge its application for this addition to its mining activities area in 2014/15.

The business has also been successful in managing its gas costs to fuel Swanbank E Power Station. The availability of significant volumes of ramp gas from the developing LNG projects in Queensland has provided temporary access to competitively priced gas to fuel the power station prior to its planned cold storage from late 2014. This has meant Swanbank E Power Station has generated considerably more electricity than originally planned.

Manage our water costs

It is essential that a secure and cost efficient water supply is in place to ensure the ongoing commercial operation of our power stations.

Statutory agreements are in place with Seqwater for bulk water supply arrangements to the Tarong, Tarong North and Swanbank power stations. In 2013/14, Stanwell's bulk water supply charges were reduced by 50 per cent of the 2012/13 contract amount. This resulted in a reduction of approximately $20 million. Charges for 2014/15 will remain at this reduced level, with an adjustment for inflation.

In 2013/14, the Tarong power stations did not use any of the 17,500 ML available under contract, while Swanbank E Power Station used only 300 ML of its 12,000 ML allocation.

As such, Stanwell will continue to negotiate commercially priced contracts with Seqwater for future bulk water supply beyond 2014/15 that reflect the value of the water to the business.

Maximise value of Mica Creek Power Station

This year, there were a number of extensions to the Power Purchase Agreement between Stanwell and Mount Isa Mines. This will see Mica Creek Power Station continue to provide electricity to Xstrata's mining operations, and local residents and industry until December 2014, albeit at a reduced load.

These contract extensions have added significant value to Mica Creek Power Station and commercial returns for Stanwell. However, this has meant that certain generating units due for retirement at the power station have remained operational for up to six months longer than originally anticipated. This has required considerable effort to improve the operational reliability of that site and to implement changes to the workforce transition plan to support the increased generation requirements.

IMAGE BELOW:
Meandu Mine.

Divestment of assets surplus to core operations

We continued to monitor our investments in assets that are considered surplus to our business, with a view to divesting these assets in a way which maximises value.

In July 2013, we terminated our joint venture arrangement with Icon Energy Limited and transferred our one per cent registered legal interest in ATP 626P to Icon Energy.

In March 2014, we terminated a Gas Sale and Purchase Option Agreement with Comet Ridge Mahalo Pty Ltd (Comet Ridge), a subsidiary of Comet Ridge Limited, and executed a new agreement with the same counterparty which provides Stanwell with options to secure long-term gas (up to 10 years) or to exit for an agreed payment to Stanwell of $20 million.

THE YEAR AHEAD

In 2014/15, we will:

- continue to deliver on operational cost efficiencies. This will be achieved by matching the performance of our assets to meet market needs and adjusting our capital expenditure program accordingly;
- return to service two generating units at the Tarong power stations, with the exact timing dependent on market conditions and portfolio requirements;
- implement asset management strategies and lifecycle plans to ensure asset performance meets market needs;
- undertake overhauls at the Tarong, Stanwell and Mica Creek power stations to maintain asset integrity and performance in line with market requirements. Other major projects include a proposed control system upgrade and condenser retube project at Stanwell Power Station;
- reduce our fuel, mine and water costs, including the process to secure the required agreement and regulatory approvals for the proposed surface rights extension at Meandu Mine;
- realise the safety, efficiency and cost benefits from the consolidation of our facilities management, maintenance services and outage services contracts;
- rationalise our gas investments in a considered and timely way which maximises returns to the business;
- improve and simplify business systems, with a view to reducing the risk, cost and complexity; and
- continue to explore options to maximise the value of Mica Creek Power Station.

Sell our energy for the best return

We optimise financial returns by finding alternative outlets for our energy, expanding our trading activities and diversifying our revenue streams.

As a result of withdrawing Swanbank E Power Station, Stanwell expects to achieve a

$50.1

million improvement

to net profit after tax over the three-year forecast.

Optimise trading revenue

Our diverse portfolio of coal, gas and hydro power stations and our upstream ownership of coal and gas resources means we can quickly and easily respond to market needs. We can increase generation when demand is high. We can sell our coal or gas into the market when it provides a better financial return for the business.

Stanwell operates an integrated spot and contract strategy, balancing its physical (generation) and financial (hedge) market activities to optimise business value through current and future returns.

Electricity (wholesale and contract) sales for the year totalled $1,443.7 million. While this is more than last year's total sales of $1,367.3 million, it is less than anticipated for the year and reflects continuing low prices and subsequent lower generation.

Gross carbon costs for the year were $348.5 million (2012/13: $355.2 million) and reflect lower levels of generation and a less carbon intensive mix of generation, with our gas and hydro plant performing well. Not all of this expense has been passed through to the market, meaning Stanwell has sustained a net carbon expense. The recent abolition of the carbon tax will see this significant expense removed from the business effective from 2014/15.

Seek alternative outlets for our energy

Selling electricity directly to energy users is a valuable way of diversifying revenue streams and locking in a portion of our revenue. It also reduces our exposure to volatility in the wholesale electricity market.

In 2013/14, Stanwell's ability to retain its existing commercial and industrial retail customers was a key contributor to our commercial success. We retained 100 per cent of our retail contracts on renewal date. Of new customers targeted, we achieved a 30 per cent success rate.

To support this, we have continued to look for new ways to expand our offering and services.

We are seeking to grow our retail business and target a broader range of small and medium sized commercial and industrial customers.

Diversify the revenue mix

Our upstream access to coal and gas resources diversifies our revenue streams and minimises our risk exposure to any one market.

OBJECTIVE	WHAT WE SET OUT TO ACHIEVE	HOW WE PERFORMED
Optimise trading revenue	Optimise gross margin across the operations portfolio	**Achieved**
Seek alternative outlets for our energy	Expand retail channels to market	**Achieved**
	Develop retail alliances	**Achieved**
	Execute commercial long-term hedging contracts	**Achieved**
	Implement processes to support trading portfolio value extraction	**Achieved**
Diversify the revenue mix	Expand trading activities in line with Stanwell's approved trading and risk management policies	**Achieved**
	Maximise value of the fuel portfolio	**Achieved**

Coal

Stanwell has a long-term agreement with Wesfarmers Curragh which supplies low-cost, export quality coal by rail from Curragh Mine near Blackwater in Central Queensland to fuel Stanwell Power Station near Rockhampton. Without the current coal supply agreement, Stanwell Power Station would be subject to less competitive coal costs linked to export prices.

Through this agreement, Stanwell also has access to an annual option to receive additional coal, which can either be used to generate or can be sold for export. This allows Stanwell to optimise its position across the electricity and coal markets, depending on conditions. In 2013/14, Stanwell achieved a gross margin return of $7.9 million from the export of option coal from the Curragh Mine.

In addition, Stanwell receives a revenue stream based on the total volume of coal exported from Curragh Mine. This is a critical element of Stanwell's business because it provides an important energy revenue stream.

In 2013/14, coal rebate revenue contributed $105.1 million to our pre-tax profit result.

Based on current operations and the total volumes under contract, the agreement with Wesfarmers is expected to continue until 2026.

Stanwell also owns the Kunioon coal resource located adjacent to the Meandu Mine in the South Burnett. This year, we investigated options to unlock the value of this coal resource through additional generation or technology such as coal to liquids.

Gas

In February 2014, Stanwell announced plans to place Swanbank E Power Station in cold storage for a period of up to three years from late 2014. Analysis of the electricity and gas trading markets concluded that greater value could be achieved from our gas entitlements for Swanbank E Power Station by selling our gas rather than burning it to generate electricity.

Through this initiative, Stanwell expects to achieve a $50.1 million improvement to net profit after tax over the three-year forecast.

Stanwell also has contracted capacity of 52 terrajoules per day in the Roma to Brisbane Pipeline. We are exploring opportunities to on-sell this significant volume of capacity.

During the year, we actively traded gas via the Short-term Trading Market, the Wallumbilla Hub and directly with counterparties.

The Wallumbilla Hub is a new market that commenced operation on 20 March 2014. Stanwell has used the Wallumbilla Hub to procure gas for generation at Swanbank E Power Station, and can sell excess gas and trade between the Wallumbilla Hub and the Brisbane Short-term Trading Market.

THE YEAR AHEAD

In 2014/15, we will:

- **withdraw Swanbank E Power Station from service in late 2014;**
- **increase our trading revenue through integrated spot, contract and fuel trading activities that improve short and long-term revenue performance;**
- **extract the best value from our coal and gas assets and increase our access to tradeable energy resources; and**
- **expand our retail business to target a broader range of small and medium sized customers, with a view to having 30 per cent of our generation sold under retail contracts by 2017.**

Secure our future

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

Provide a safe workplace

Our most important responsibility is the safety of our people. We strive for a Zero Harm workplace through strong personal commitments, safe behaviours, and safe systems, plant and equipment.

In 2013/14, we recorded 70 workplace injuries compared with 145 in the previous year. This result can partly be attributed to fewer hours worked during the financial year. But it also reflects a focus on safety leadership, management of workplace risks and an ongoing effort to improve and embed a positive safety culture. This is demonstrated by the reduction in the All Injury Frequency Rate from 37.55 in 2012/13 to 23.46 in 2013/14. However, further improvement is required if we are to realise our goal of Zero Harm.

This is expected to come from the consolidation of contracts for facilities management, asset maintenance and overhaul services at Stanwell's operating sites. In 2013/14, contractors accounted for more than half of our total injuries and this figure is unacceptable. UGL Engineering Pty Ltd, the new contractor, has a strong safety record and well established safety systems which it will seek to replicate at our sites.

Our improved safety performance has resulted in our WorkCover premiums for 2013/14 being 6.5 times less than the average for the Queensland electricity industry.

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6.5 times less than the average

for the Queensland electricity industry.

Engage and retain a high performing workforce

In 2013/14, we delivered a range of programs focused on developing the management and leadership capabilities of Stanwell's people. These programs have been developed and delivered in-house and are highly tailored to the Stanwell business.

We have also undertaken workforce planning and functional reviews to ensure the business structures are aligned and have the capability to meet the commercial requirements of the business.

With the majority of Stanwell's seven enterprise agreements having expired or nearing expiry, three bargaining frameworks have been finalised and four are under development. During 2013/14, negotiations commenced for new agreements at Stanwell Power Station, Mica Creek Power Station and the Corporate Offices.

During the year, Stanwell developed a suite of new human resource policies and procedures. These replaced the legacy policies and procedures which were preserved for three years following the restructure of Queensland Government owned generators on 1 July 2011. This has significantly streamlined and simplified our business by establishing one platform of human resource policies and procedures.

Further, Stanwell has successfully consolidated three complex and resource intensive human resource payroll systems, processes and procedures into a single application. This project has materially streamlined the management of this key function of the business.

Secure ongoing support for Stanwell's operations and corporate direction

Supporting and engaging with the communities in which we operate is of key importance to us. Our relationships with community leaders and special interest groups enable us to understand our communities' needs, operate in ways which respect and complement those needs, and actively contribute to the future of the regions where our assets are located.

OBJECTIVE	WHAT WE SET OUT TO ACHIEVE (INITIATIVES)	HOW WE PERFORMED
Provide a safe work place (where zero harm is the target)	Continue to improve health and safety initiative take up by the workforce	**Improvement required**[1]
	Continue to improve safety systems and processes	**Achieved**
	Rationalise systems of work	**Achieved**
Engage and retain a high performing workforce (with an optimised organisational structure)	Deliver Cultural and Leader Development	**Achieved**
	Prepare for the expiry of a range of human resource policies and procedures	**Achieved**
	Negotiate Stanwell's Enterprise Bargaining Agreements	**Achieved**
	Optimise organisational structure (to support the delivery of business objectives)	**Achieved**
Secure ongoing support for Stanwell's operations and corporate direction	Secure shareholding Ministers' ongoing support for Stanwell's preferred corporate direction	**Achieved**
	Secure Stanwell's social licence to operate	**Achieved**
	Govern the organisation for agility and compliance	**Improvement required**[2]
	Improve and simplify systems to support the business	**Achieved**

[1] Stanwell recorded 70 workplace injuries during the year, against a target of zero.
[2] Stanwell received one environmental enforcement action during the year, against a target of zero.

Equally important is our relationship with various regulatory bodies, including environmental authorities.

The final Environmental Authority to expand the ash storage area at Stanwell Power Station was issued by the Department of Environmental and Heritage Protection during the year. This significant milestone means that Stanwell Power Station now has regulatory certainty for the storage of all ash that will be produced up until the projected end of the power station's life in 2043.

The $26.3 million Black Creek diversion project at the Tarong power stations commenced construction in March 2014.

This project involves the construction of a 3.2 kilometre earth and rock channel to divert water from Black Creek around the Tarong ash dam and into Meandu Creek. The project ensures that ash can be safely and compliantly disposed of for the remaining 20-plus years of the planned life of the Tarong power stations.

We continue to manage the discharge of water from Stanwell's operational sites in line with environmental requirements. In 2013/14, the Stanwell Power Station Development Approval was amended to allow for an increased volume of water to be released from site at times of high salinity in the lower part of the Fitzroy River with minimal environmental impact.

This change minimises the likelihood of capacity restraints at Stanwell Power Station resulting from increased salinity.

In April 2014, Stanwell received an environmental infringement notice from the Department of Environment and Heritage Protection, relating to dust burden testing at Tarong North Power Station. The tests indicated a discrepancy between the emissions monitoring system and a physical sample. An investigation concluded that the primary cause was the monitoring system not being calibrated based on physical sample results. Stanwell has taken action to rectify this issue, including routine calibration of the monitoring system.

THE YEAR AHEAD

In 2014/15, we will:

- **continue to improve our safety performance, systems and processes and, in particular, reduce the number of workplace injuries;**
- **begin to implement a single safe work system across all sites;**
- **continue to implement cultural, employee and leader development activities;**
- **negotiate new, simplified enterprise bargaining agreements at our sites and offices, to ensure the business is flexible and responsive to future challenges and considers the needs of employees; and**
- **employ 10 new apprentices and trainees across our operational sites commencing in January 2015.**

Corporate governance

Key areas of focus and achievement in 2013/14

Stanwell's governance arrangements are reviewed continuously by the Stanwell Board and relevant Board committees. During the year, the following activities were undertaken to enhance Stanwell's governance arrangements:

- reviewed the Board Charter, the Board committee charters, the Board Handbook and the Delegations Framework to ensure that Stanwell's governance arrangements remain appropriate as Stanwell's circumstances change;
- undertook an internally managed evaluation of the Board's performance to establish whether the current governance practices enabled the Board to maximise its effectiveness and to provide direction on areas of potential improvement;
- reviewed and tested Stanwell's Business Continuity Framework and responses to business interruption events to ensure that Stanwell has the ability to respond to and recover from a crisis while still continuing to maintain business critical operations;
- reviewed the Risk Management Policy and Legal and Regulatory Compliance Policy (and associated documents) to ensure that the policies remain relevant for Stanwell's circumstances;
- performed a review of the Fraud Control Plan, including confidential fraud control strategies, specific fraud management plans and the timetable for operational and monitoring activities;
- continued monitoring the ongoing volatility and uncertainties associated with the electricity market and their impact upon the framework within which Stanwell manages its market risk arising from its trading activities;
- commissioned an independent review of the forecast model and scenarios used by Stanwell for short-term forecast trading strategies and medium-term commercial forecasts. The review identified that Stanwell's current modelling processes are fit for purpose and are up to or better than industry standard;
- introduced a spot trading compliance review process to independently review daily rebids submitted by Stanwell's spot traders to ensure compliance with the National Electricity Rules; and
- confirmed that the strategy in relation to capital and funding remains appropriate and that financial risk activities are undertaken within an appropriate compliance 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 set 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.

Further information on Stanwell's corporate governance practices, including key policies and copies of the Board and Board Committee Charters, is 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 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 and senior management

The Board has adopted a charter that sets out the role and responsibilities of the Board within the governance structure of Stanwell. The conduct of the Board is also governed by the *Corporations Act 2001* (Cth) (the Corporations Act), the *Government Owned Corporations Act 1993* (Qld) (GOC Act) and Stanwell's Constitution.

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 corporate strategies, the annual budget and financial plans;
- make decisions in relation to major corporate initiatives above the Chief Executive Officer's (CEO) approval threshold;
- 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;
- review and oversee systems of risk management, internal control and legal and regulatory compliance;
- oversee the process for identifying and managing Stanwell's significant risks and the control, monitoring and reporting mechanisms in place; and
- report to, and communicate with, Stanwell's shareholding Ministers.

Delegation of authority

The Constitution allows the Board to delegate any of their directors' powers as permitted by the Corporations Act and the GOC Act, 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 specified 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 Chief Executive Officer (CEO).

In recognition that the CEO can not perform or closely supervise all of the day-to-day activities and functions of Stanwell, the Board has authorised the CEO to sub-delegate his power and authority to senior executives and other 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.

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 the 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 2014, the People and Safety Committee comprised the following directors:

- Russell James Kempnich (Chairman);
- Kym Louise Collins; and
- Ann Allison Fitzpatrick.

Corporate governance (continued)

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

- the health, safety and welfare of employees;
- 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 2014, the Audit and Risk Management Committee comprised the following directors:

- Stephen Robert Rochester (Chairman); and
- Paul Breslin.

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 and regulatory compliance;
- oversee the process for:
  - identifying and managing significant business risks; and
  - implementing appropriate and adequate control, monitoring and reporting mechanisms; and
- monitor and assess the performance of the internal and external audit functions.

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 increase 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 corporation, business division and individual performance targets. The CEO is not present at the Board meeting or People and Safety Committee meeting when the CEO's own remuneration and performance are being considered.

Further details about the CEO and senior executive remuneration are disclosed in the Remuneration Report on page 92.

Principle 2 - Structure the Board to add value

At the date of this report, the Board consisted of five 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 27 and 28.

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 specified period.

The Board held 11 meetings between 1 July 2013 and 30 June 2014. The table on page 29 of this report details the number of Board and Board committee meetings held during the year the director was eligible to attend, and the number of meetings attended by each director.

Director induction and professional development

Stanwell has a comprehensive director induction program in place that 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.

To facilitate continual improvement, all directors are encouraged 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 Chairman or the Company Secretary where the Chairman 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 or senior executives 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 Chairman 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, the Board undertook an internally managed evaluation of its performance to establish whether the current governance practices enabled the Board to maximise its effectiveness and to provide direction on areas of potential improvement. The evaluation process involved:

- directors completing a questionnaire which surveyed the Board's performance of its role, function and responsibilities as detailed in the Board Handbook and Charter;
- the Chairman and Company Secretary meeting with each individual director to discuss the findings of the evaluation and potential improvement opportunities; and
- the development of a 'road map' for the implementation of any actions from the evaluation process.

The results of the review were very positive with directors showing a belief that the Board:

- is of an appropriate size and has the right skills mix and competencies to match its strategic direction and future requirements; and
- is discharging its role, function and responsibilities as detailed in the Stanwell Board Handbook and Charter.

Performance evaluations for both Board committees were also undertaken, with the results of these evaluations being returned to the Board for further discussion.

Principle 3 - Promote ethical and responsible decision-making

Code of Conduct

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:

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

Corporate governance (continued)

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 Policy;
- Legal and Regulatory Compliance Policy;
- Privacy Policy;
- Trading in Securities Policy; and
- Whistleblower Protection Policy.

Stanwell's Whistleblower Protection Policy is designed to support and protect employees and contractors who disclose illegal, unethical or non-compliant conduct by other employees. The policy formalises Stanwell's commitment to protecting the confidentiality and position of its employees and contractors who wish to raise serious matters that affect the integrity of Stanwell.

Avoidance of conflicts of interest

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

All directors are required to provide written disclosure on appointment of any business or other relationship that he or she has directly, or as a partner, shareholder or officer of a company or other entity that has an interest in Stanwell or another related entity.

At least annually, or when relevant changes occur, directors are required to update these disclosures. The Company Secretary ensures that copies of all disclosures, including updated disclosures, are provided to each director.

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

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 financial statements, financial systems integrity and business risks.

It also oversees compliance with applicable laws, regulations and corporate policies, and ensures that an adequate, current internal control system is operating for areas such as business, operational, asset and financial risk.

The external audit function is performed by or on behalf of the Queensland Auditor General. Additional work is conducted as required by independent professionals.

The internal audit function is established by the Stanwell Board and its responsibilities are defined by the Board's Audit and Risk Management Committee. 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 corporation that complies with statutory obligations.

As at 30 June 2014, the Audit and Risk Management Committee consisted of two members. Other directors who are not members of the committee, the auditors and other senior executives attend meetings by invitation.

Principle 5 - Make timely and balanced disclosures

In line with the requirements of the GOC Act, shareholding Ministers are advised in a timely manner of all issues likely to have a significant financial, operational, employee, community or environmental impact.

Stanwell also regularly assesses the key information requirements of its stakeholders.

Release of Information Publication Scheme

Stanwell is committed to providing the public with information about Stanwell in a timely and open manner.

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

Principle 6 - Respect the rights of shareholders

Stanwell is committed to ensuring that its shareholding Ministers are continually and appropriately informed of its performance and activities. Communication is undertaken through a number of forums. These include:

- **Statement of Corporate Intent, Corporate Plan and Quarterly Reports.** The Statement of Corporate Intent and Corporate Plan provide a transparent set of agreed performance criteria and strategic objectives on which to report to shareholding Ministers and their representatives via the Quarterly Report. The Statement of Corporate Intent (with commercially sensitive information deleted) is published on Stanwell's website;
- an **Annual Report** (containing those matters outlined in Section 120 of the GOC Act) 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

Stanwell views effective risk management as the key to achieving its strategic and operational objectives. The Board has ensured, through its Board Risk Oversight Model (which comprehensively summarises Stanwell's risk oversight and reporting to the Board), that Stanwell has the ability to understand and manage its business critical risks.

Stanwell's Board-approved Risk Management Policy and Risk Evaluation Matrix give effect to ISO 31000:2009 *Risk Management Principles and Guidelines* and assigns responsibility to individual Executive General Managers for the management of specific business critical risks for which they are functionally responsible. The CEO approved Risk Management Framework clearly communicates Stanwell's approach to managing risk, processes, terminology and tolerances for risk assessments and the requirements for recording and reporting on emerging and current risks.

Risk identification and review is conducted on an ongoing basis throughout Stanwell, and risk controls and associated actions are captured and monitored using a corporation-wide information technology tool, which integrates reporting of events, audits, risks and compliance obligations and breach reporting.

The Audit and Risk Management Committee assists the Board by regularly reviewing and overseeing the systems of risk management (including risk escalation), effectiveness of internal controls and legal and regulatory compliance issues and breaches.

Stanwell conducts annual 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 a crisis while continuing to maintain business critical operations.

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.

Corporate governance (continued)

Stanwell's Legal and Regulatory Compliance Policy (based upon Australian Standard 3806-2006: Compliance Programs) outlines Stanwell's commitment to manage legal and regulatory compliance. Stanwell's compliance and regulatory system ensures Stanwell employees are aware of their compliance and regulatory obligations and responsibilities, as outlined within the policy. Compliance issues and breaches are recorded and monitored and escalated using a corporation-wide information technology tool, ensuring prompt attention and analysis.

Stanwell's internal audit function provides independent, objective assurance and supports Stanwell in accomplishing its objectives by bringing a systematic and disciplined approach to reviewing, evaluating and continuously improving the effectiveness of its risk management, internal control and governance processes.

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.

The internal audit function operates under the terms of the Internal Audit Charter. The charter is reviewed periodically 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.

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.

Each year, the internal audit function prepares an Audit Strategic Plan that considers Stanwell's risk profile and appetite, control criticality, previous years' engagements, results and Board requests. The plan has a risk-based rolling five-year scope and forms the basis of the detailed Annual Internal Audit Program. The plan is provided to the Audit and Risk Management Committee for approval.

Following the conclusion of audits included in the plan, Internal Audit prepares and issues to management a formal Internal Audit Report of findings and recommendations. The final report, together with management's agreed actions and implementation dates, is presented to the Audit and Risk Management Committee for consideration. Internal Audit also follows-up on the implementation of audit recommendations and maintains the Audit Issues Log, which is presented to the Audit and Risk Management Committee for approval.

The Group Manager Internal Audit and representatives of the Auditor-General meet periodically with the Audit and Risk Management Committee without management present.

When presenting financial statements for approval, the CEO and the Chief Financial Officer provide a written statement to the Board to the effect that:

- Stanwell's financial statements and notes to the accounts comply in all material respects with the Accounting Standards and present a true and fair view, in all material respects of the company's financial performance;
- Stanwell's financial statements are founded on a sound system of risk management and internal control and the system is operating effectively in relation to financial reporting risks; and
- the risk management and internal control systems are operating effectively in relation to all material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

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 the shareholding Ministers and advised to Stanwell.

The People and Safety Committee oversees, and provides 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 *Government Owned Corporations Employment Arrangements for Chief and Senior Executives.*

At 30 June 2014, the People and Safety Committee consisted of three members. Other directors who are not members of the committee and other senior executives attend meetings by invitation.

Details of the remuneration paid to directors and senior executives are set out in note 35 on page 96 and 97 of this report.

Government Owned Corporations Act requirements

Government directions and notifications

Section 120(e) of the GOC Act requires Stanwell to provide, in its Annual Report, particulars of any directions and notifications given to Stanwell by shareholding Ministers that relate to the relevant financial year. During the 2013/14 financial year, Stanwell's shareholding Ministers issued the following formal directions.

In December 2013, the Queensland Government announced the commencement of a Scoping Study that would investigate options for the future ownership of the electricity generation assets of Stanwell, in line with the Government's response to the Commission of Audit Final Report (the Project).

On 19 December 2013, Stanwell was directed pursuant to section 158 of the GOC Act to:

- provide cooperation and assistance to the State and its advisors for the purposes of the Project; and
- provide or make available information as requested by the State and its advisors for the purposes of the Project.

On 30 January 2014, The Honourable Tim Nicholls MP, Treasurer and Minister for Trade and The Honourable Mark McArdle MP, Minister for Energy and Water Supply issued a notification pursuant to section 114 of the GOC Act and 24AA of the *Acts Interpretation Act 1954* (Qld), revoking the application of the *State Procurement Policy* to Stanwell.

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 7 May 2014, the Board of Stanwell recommended to shareholders a dividend amount equivalent to 80 per cent of Stanwell's net profit after tax (adjusted for unrealised gains on the revaluation of derivative financial instruments) for the 2013/14 year.

Overseas travel

No overseas travel was undertaken by Stanwell's employees or directors during the 2013/14 year.

Corporate entertainment and hospitality (individual events over $5000)

EVENT	DATE	COST ($)
There were no events held during the year which exceeded $5,000.		

Financial results

Stanwell Corporation Limited ABN 37 078 848 674 ▪ 30 June 2014

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Stanwell Corporation Limited and its subsidiaries. The financial statements are presented in the Australian currency.

Stanwell Corporation Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office is:

Stanwell Corporation Limited
42 Albert Street
Brisbane QLD 4000

Stanwell Corporation Limited is an integrated wholesale energy provider operating in Queensland.

The financial statements were authorised for issue by the directors on 26 August 2014. The directors have the power to amend and reissue the financial statements.

Stanwell Corporation Limited

Directors' report

2014

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 2014 financial year.

PRINCIPAL ACTIVITY

The Group's principal activity during the 2014 financial year was the generation and sale of electricity.

FINANCIAL RESULTS

	2014 $'000	2013* $'000
Profit before income tax	172,787	8,360
Profit after income tax	127,812	7,447
Profit attributable to members of the Group	127,812	7,447

* The 2013 comparatives have been amended for a correction to prior year which is outlined in note 3.

DIVIDENDS - STANWELL CORPORATION LIMITED

The directors recommend that a dividend of $96,504,000 be paid in respect of the 2014 financial year (2013: $11,704,000).

REVIEW OF OPERATIONS

Safety

During the 2014 financial year, Stanwell continued its progress towards the goal of Zero Harm. This is demonstrated by the significant reduction that has been achieved in the number of people harmed at Stanwell work sites.

During the 2014 financial year, 70 classified injuries were recorded compared to 145 in the 2013 financial year. The All Injury Frequency Rate (AIFR) that measures injuries on a rolling 12 month average has declined from 37.55 to 23.46 which equates to a 37% reduction.

Substantial effort has occurred to develop programs and initiatives that will position the organisation to make the step-change necessary to drive future improvements in safety performance.

Market

Electricity demand continued to weaken due to a combination of reduced manufacturing volumes, energy efficiency initiatives and increased installation of solar photovoltaic panels on household rooftops. This low demand coupled with excess supply of electricity generation has continued to suppress wholesale energy prices.

Regulatory uncertainty has continued to affect the electricity market. Clear, concise policy and regulatory frameworks are required to allow the market to function effectively. The repeal of the carbon tax legislation will remove a significant cost from the Group's business in the 2014/15 financial year.

Electricity demand in Queensland is forecast to increase in line with the commissioning of liquefied natural gas plants in Queensland. The additional demand is expected to result in higher wholesale electricity and gas prices which should lead to improved business conditions for Stanwell and increased earnings.

The increase in electricity demand will be tempered by the continued proliferation of solar photovoltaic panels. As at 30 June 2014, installed solar photovoltaic capacity in Australia was more than 3.4GW of which more than 1.1GW was installed in Queensland.

A diverse portfolio of coal, gas and hydro power stations and upstream ownership of coal and gas resources allows the Group to optimise its response to market requirements, diversify its revenue streams and minimise risk exposure to any one market. Generation can be increased during periods of high demand while coal and gas resources can be sold when this provides a better commercial outcome.

In February 2014, the Group announced plans to place Swanbank E in cold storage for a period of up to three years from 1 October 2014. A commercial assessment of the electricity and gas markets concluded that greater value would be achieved from selling the Swanbank E gas entitlements rather than burning the gas to generate electricity.

When the Tarong Power Station Units 2 and 4 were placed in cold storage in late 2012, their return to service was to be driven by market signals and portfolio requirements (the actual date for return to service was subject to Chief Executive Officer approval). In February 2014, the Group announced that Units 4 and 2 were to be returned to service in July 2014 and mid to late 2015 respectively.

Stanwell Corporation Limited

Directors' report (continued)

REVIEW OF OPERATIONS (CONTINUED)

Operations

The Group has responded to challenging market conditions by ensuring maximum availability of its generation portfolio during high demand periods.

Robust maintenance practices resulted in total availability across the National Electricity Market portfolio of 93.1% (2013: 88.3%). A forced outage factor of 1.1% (2013: 5.0%) was recorded which is equivalent to achieving 98.9% reliability.

During the 2014 financial year, the Group completed overhauls on generation plant at Barron Gorge Power Station, Kareeya Power Station, Stanwell Power Station, Swanbank E Power Station and the Tarong and Tarong North power stations.

A structural and functional review of operating and mining site costs concluded in the 2013/14 year. The review reduced operational costs and streamlined day-to-day activities which resulted in operational savings of more than $40 million being achieved.

In October 2013, a new Life of Mine plan for the Meandu Mine was approved which will deliver lower cost coal to the Tarong and Tarong North Power Stations.

In May 2014, the Group entered into a four year contract with UGL Engineering Pty Ltd to deliver facilities, overhauls and asset management services at its generation sites effective from 1 July 2014. Once fully implemented, the contract should deliver an improvement in safety and productivity while also reducing costs.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the 2014 financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Apart from the enactment of the Carbon Tax Repeal Bills legislation on 17 July 2014 as reported in note 46, there has been no matter or circumstance which has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years;

(b) the results of those operations in future financial years; or

(c) the Group's state of affairs in future financial 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* and the *Wet Tropics World Heritage Protection and Management Act 1993*.

The Group undertakes a number of systematic processes to manage its environmental activities. These systems include line management environmental responsibilities for day-to-day activities, specialist environmental personnel providing environmental advice and monitoring compliance and a reporting regime. The directors have remained fully informed of any breaches of environmental regulation occurring during the period covered by this report that led to material environmental harm or regulator enforcement actions.

CARBON EMISSIONS REPORTING AND EXPENDITURE

The Group is subject to the reporting requirements of both the *Energy Efficiency Opportunities Act 2006* (EEO Act) and the *National Greenhouse and Energy Reporting Act 2007* (NGER Act). The Group is also subject to the requirements of the *Clean Energy Act 2011* and during the 2014 financial year, was obligated to surrender Carbon Units to the Clean Energy Regulator.

The EEO Act requires the Group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the Group intends to take as a result.

In May 2014, the Government announced it would close the Energy Efficiency Opportunities program, reducing the burden on companies to comply with the reporting requirements. Stanwell remains committed to improving the energy efficiency of our business and will continue to investigate opportunities which show a positive benefit.

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 sixth 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. For the 2014 financial year, the Group was also obligated to engage a registered Greenhouse and Energy Auditor to perform an audit of the Group's NGER Act report.

Directors' report (continued)

CARBON EMISSIONS REPORTING AND EXPENDITURE (CONTINUED)

The *Clean Energy Act 2011* was passed by the Federal Parliament in November 2011 and introduced a carbon pricing mechanism from 1 July 2012. The carbon pricing mechanism under the legislation applied to entities which have operational control over a facility which annually emits greater than 25,000 tonnes of selected carbon (CO_2) equivalent emissions. For each facility that exceeds the threshold, the Group was obligated to surrender to the Clean Energy Regulator Carbon Units equal to the total volume of selected CO_2 equivalent emissions. On 17 July 2014, the Carbon Tax Repeal Bills passed the Senate of the Federal Government and gained Royal Assent on that day. The bills are retrospective to 1 July 2014 meaning that Stanwell will have no carbon liability under this legislation in the coming year.

DIRECTORS

The following persons were directors of Stanwell Corporation Limited during the whole of the financial year and up to the date of this report:

- Ann Allison Fitzpatrick
- Kym Louise Collins
- Paul Breslin
- Stephen Robert Rochester

The following persons were directors of Stanwell Corporation Limited during part of the financial year and up to the date of this report:

- The Hon. Warwick Raymond Parer AM was Chairman and non-executive director until his sudden passing on 15 March 2014.
- Russell James Kempnich was a non-executive director for the period 1 June 2013 to 30 September 2013 and for the period 12 December 2013 to the date of this report.

Following the sudden passing of Stanwell's Chairman The Hon. Warwick Raymond Parer AM in March 2014, the Board of Stanwell delegated the role, responsibilities, power and authority of the Chairman to Mr Kempnich on 17 March 2014 until such time that an official appointment of a Chairman is made by the Governor in Council in accordance with the *Government Owned Corporations Act 1993*.

INFORMATION ON DIRECTORS

Russell James Kempnich

BEng (Mech).
Non-executive director.

Term: 1 July 2011 to 30 September 2013 and 12 December 2013 to 30 September 2016

Mr Kempnich was appointed a non-executive director of Stanwell Corporation Limited on 1 July 2011 and was reappointed as a non-executive director on 12 December 2013. He is Chairman of the People and Safety Committee.

Mr Kempnich is an engineer with more than 30 years' experience in coal resource evaluation, process plant design, construction and commissioning.

Mr Kempnich is a founding partner, past Managing Director and, currently, non-executive Chairman of Sedgman Limited.

Kym Louise Collins

MBA, B Eng (Elec), GAICD.
Non-executive director.

Term: 1 July 2011 to 30 September 2014

Ms Collins was appointed a non-executive director of Stanwell Corporation Limited on 1 July 2011 and is a member of the People and Safety Committee.

Ms Collins is an experienced electrical engineer and project manager from the commercial construction industry and at one time led the Siemens Limited Building Automation in Queensland.

Ms Collins has previously held the positions of Chairman and Director of Tarong Energy Corporation Limited and also served as a committee member of the Institute of Hospital Engineers, Little Athletics, St Aidan's Old Girls Association and C&K Kindergartens.

Ms Collins is currently a Director of Green Cross Australia and President of Carina C&K Kindergarten.

Ann Allison Fitzpatrick

BA, LLB, GAICD.
Non-executive director.

Term: 1 July 2011 to 30 September 2014

Ms Fitzpatrick was appointed a non-executive director of Stanwell Corporation Limited on 1 July 2011 and is a member of the People and Safety Committee.

Ms Fitzpatrick has practiced as a lawyer for more than 25 years. She retired from private practice in 2008, however, prior to this was a partner in two major law firms, specialising in industrial law and commercial litigation. She currently sits as sessional member of the Queensland Civil and Administrative Tribunal and practices as a mediator.

Directors' report (continued)

INFORMATION ON DIRECTORS (CONTINUED)

Paul Breslin

BSc (Hons), BEcon.
Non-executive director.

Term: 5 July 2012 to 30 September 2015

Mr Breslin was appointed a non-executive director of Stanwell Corporation Limited on 5 July 2012 and is a member of the Audit and Risk Management Committee.

Mr Breslin has previously held the positions of Chief Executive Officer and Director of the economic consulting firm ACIL Tasman as well as the leader of ACIL Tasman's extensive energy practice. His consultancy work covered policy analysis, business regulation, competition policy and commercial analysis of markets to inform business decisions, mostly covering the energy and resources industries.

Mr Breslin is also a former Director General of the Queensland Department of Minerals and Energy and in 2002 was part of the four member Council of Australian Government's Review into the Australian Energy Market.

Stephen Robert Rochester

BEc, MAICD, FFTP.
Non-executive director.

Term: 1 July 2011 to 30 September 2014

Mr Rochester was appointed a non-executive director of Stanwell Corporation Limited on 1 July 2011 and is Chairman of the Audit and Risk Management Committee.

Mr Rochester is an established leader in public sector financing, the banking and finance industry, and the global financial markets, with a career spanning more than 35 years. Mr Rochester has held the positions of Chief Executive and Chairman at Queensland Treasury Corporation, Director of Tarong Energy Corporation Limited and Chief Executive of Sun Retail.

Mr Rochester is currently Chairman of Powerlink Queensland.

The Hon. Warwick Raymond Parer AM

BComm (Melb), FAIMM.
Chairman - Non-executive director.

Mr Parer was appointed Chairman and non-executive director of Stanwell Corporation Limited on 31 May 2012. Mr Parer passed away suddenly in March 2014. Mr Parer was a member of the Audit and Risk Management Committee and the People and Safety Committee.

INFORMATION ON OFFICERS

Richard Paul Van Breda

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

Mr Van Breda has been involved in the energy industry since 2001. He originally joined Stanwell Corporation Limited in 2002 and was appointed Chief Financial Officer in 2005. Mr Van Breda 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, he was appointed to the position of Chief Financial Officer at Stanwell Corporation Limited.

Mr Van Breda was appointed Chief Executive Officer of Stanwell Corporation Limited in July 2012.

Mr Van Breda was previously a partner with Deloitte, Zimbabwe, and spent three years with Anglo American Zimbabwe, which held a diverse range of mining and manufacturing interests.

Ian James Gilbar

BE (Hons).
Acting Chief Operating Officer.

In April 2014, Mr Gilbar was appointed Acting Chief Operating Officer of Stanwell Corporation Limited and is responsible for managing the organisation's mining and generation operations, as well as health, safety and environment and asset management and technical services.

Mr Gilbar has held senior positions with Stanwell Corporation Limited for 22 years, with previous management roles in asset management and engineering.

Jennifer Jayne Gregg

MBA, BA, Grad Cert (BAdmin), GAICD.
Executive General Manager - Business Services.

Ms Gregg is responsible for the human resources, industrial relations, stakeholder engagement and information technology functions of Stanwell Corporation Limited.

Before commencing with Stanwell Corporation Limited in July 2011, Ms Gregg was with Tarong Energy Corporation Limited in the role of General Manager People and Communication.

In a diverse career, Ms Gregg has gained experience in the utilities, human services and health sectors both in line management and within the human resources field. Previous roles include State Manager (Queensland) and National Manager Human Resources for a national provider of professional human services.

Tanya Margaret Mills

BEcon (Hons).
Acting Executive General Manager Energy Trading and Commercial Strategy.

Ms Mills was appointed Acting Executive General Manager Energy Trading and Commercial Strategy at Stanwell Corporation Limited on 1 October 2012.

Ms Mills is responsible for the marketing and trading of Stanwell Corporation Limited's 4,200MW of installed capacity in the National Electricity Market. She also oversees commercial strategy to diversify revenue streams and optimise value from various fuel sources.

Ms Mills has more than 13 years' experience in the electricity industry and previously led the Electricity Modelling Team within Queensland Treasury. Ms Mills originally joined Stanwell Corporation Limited in 2004 and then Tarong Energy Corporation Limited in 2008.

Directors' report (continued)

INFORMATION ON DIRECTORS (CONTINUED)

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

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

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

Mr O'Rourke joined Stanwell Corporation Limited in 1998 and has held a number of management positions in the areas of legal, marketing and trading, secretariat, corporate communication and land and property management including his previous position as Executive General Manager - Governance and Corporate Strategy and General Manager Corporate Services.

Wayne Alexander Collins
BEng (Elect), BBus, CPEng, GAICD.

Mr Collins was appointed to the position of Chief Operating Officer in July 2011. Mr Collins was a senior executive with Stanwell Corporation Limited for 16 years and held previous management roles in business services, asset management and technical services, business development and operations. Mr Collins resigned as Chief Operating Officer in April 2014.

COMPANY SECRETARIES

Karen Anne Buckley
BA, Grad Cert Law, GAICD, GIA (Cert).

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 Thomas 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 and is responsible for the internal functions of financial risk and services, business reporting and commercial analysis, secretariat, corporate services, legal, internal audit and supply chain management.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of directors and of each Board committee held during the 2014 financial year, and the numbers of meetings attended by each director were:

			MEETINGS OF BOARD COMMITTEES			
	BOARD MEETINGS OF DIRECTORS		AUDIT AND RISK MANAGEMENT COMMITTEE		PEOPLE AND SAFETY COMMITTEE	
	A	B	A	B	A	B
Mr Russell James Kempnich (D)	9	8	-	-	2	2
Ms Ann Allison Fitzpatrick	11	11	-	-	3	3
Ms Kym Louise Collins	11	11	-	-	3	3
Mr Paul Breslin	11	10	5	5	-	-
Mr Stephen Robert Rochester	11	11	5	5	-	-
The Hon. Warwick Raymond Parer AM (C)	7	7	4	4	3	3

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

B = Number of meetings attended.

C = The Hon. Warwick Raymond Parer AM was a director for the period 1 June 2013 to 15 March 2014.

D = Russell James Kempnich was a director for the period 1 June 2013 to 30 September 2013. He was reappointed a director for the period 12 December 2013 to 30 June 2014.

Directors' report (continued)

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 2013 financial year, paid an insurance premium in respect of the directors and executive officers 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 31.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, 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 Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR

The Auditor-General of Queensland continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

Russell James Kempnich
Director

Brisbane
26 August 2014

Auditor's independence declaration

To the Directors of Stanwell Corporation Limited

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

Independence Declaration

As lead auditor for the audit of Stanwell Corporation Limited for the year ended 30 June 2014, 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; and

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

N George

N George CPA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

Stanwell Corporation Limited

Statements of comprehensive income

2014

	NOTES	CONSOLIDATED ENTITY 2014 $'000	CONSOLIDATED ENTITY 2013 $'000	PARENT ENTITY 2014 $'000	PARENT ENTITY 2013 $'000
Revenue from continuing operations	5	1,721,522	1,669,861	1,470,659	1,399,576
Other income	6	18,073	27,673	17,930	23,630
Non hedge accounted change in fair value of derivative instruments	14	(16,118)	(42,591)	(16,118)	(42,591)
Fuel costs		(357,141)	(377,178)	(267,288)	(274,249)
Changes in inventories of finished goods and work in progress		61,233	41,664	-	-
Raw materials and consumables used		(457,306)	(407,441)	(442,185)	(371,456)
Employee benefits expense		(114,644)	(168,043)	(105,893)	(145,407)
Depreciation and amortisation expense	7	(178,918)	(181,572)	(126,664)	(133,745)
Net (loss)/gain on disposal of property, plant and equipment		(528)	185	(448)	(5)
Carbon emissions expense		(348,506)	(355,204)	(273,594)	(281,759)
Change in fair value of available for sale assets	7	699	-	699	-
Other expenses		(94,806)	(104,690)	(83,339)	(82,575)
Impairment loss	7	(280)	(11,467)	(280)	(2,942)
Finance costs	7	(60,493)	(82,837)	(53,178)	(76,370)
Profit before income tax		172,787	8,360	120,301	12,107
Income tax equivalent expense	8	(44,975)	(913)	(29,227)	(3,177)
Profit for the year		127,812	7,447	91,074	8,930
Other comprehensive income/(loss)					
Items that may be reclassified to profit or loss					
Changes in the fair value of cash flow hedges	33(a)	163,970	(135,900)	163,970	(135,900)
Income tax relating to these items		(49,191)	40,770	(49,191)	40,770
Items that will not be reclassified to profit or loss					
Actuarial gains on retirement benefit obligation	23(f)	6,692	19,206	6,692	19,206
Income tax relating to these items		(2,008)	(5,762)	(2,008)	(5,762)
Other items					
Other	33(b)	-	(4)	(6)	(3)
Other comprehensive income/(loss) net of tax		119,463	(81,690)	119,457	(81,689)
Total comprehensive income/(loss) for the year		247,275	(74,243)	210,531	(72,759)
Profit is attributable to:					
Owners of Stanwell Corporation Limited		127,812	7,447	91,074	8,930
Total comprehensive income/(loss) is attributable to:					
Owners of Stanwell Corporation Limited		247,275	(74,243)	210,531	(72,759)
Total comprehensive income/(loss) attributable to owners of Stanwell Corporation Limited arises from:					
Continuing operations		247,275	(74,243)	210,531	(72,759)

The above statements of comprehensive income should be read in conjunction with the accompanying notes.
The 2013 comparatives have been amended for a correction to prior year which is outlined in note 3.

Stanwell Corporation Limited

Balance sheets

2014

	NOTES	CONSOLIDATED ENTITY 2014 $'000	CONSOLIDATED ENTITY 2013 $'000	PARENT ENTITY 2014 $'000	PARENT ENTITY 2013 $'000
ASSETS					
Current assets					
Cash and cash equivalents	9	110,405	163,443	109,654	162,757
Trade and other receivables	10	147,491	176,978	139,076	162,682
Inventories	11	160,190	101,827	129,455	71,081
Financial assets	12	8,305	29,153	8,305	29,153
Derivative financial instruments	14	146,744	138,355	146,744	138,355
Intangible assets	15	-	368	-	368
Other current assets	13	148,642	73,842	19,159	11,159
Total current assets		721,777	683,966	552,393	575,555
Non-current assets					
Receivables	16	-	591	696,251	773,308
Derivative financial instruments	14	55,592	27,319	55,592	27,319
Available-for-sale financial assets	17	11,368	10,669	11,368	10,669
Property, plant and equipment	18	2,169,991	2,191,693	1,618,362	1,658,219
Intangible assets	19	85,495	90,569	10,216	15,292
Biological assets	20	463	463	463	463
Exploration and evaluation	21	22,494	19,933	9,630	19,933
Retirement benefit surplus	23	8,607	3,334	8,607	3,334
Other non-current assets	22	5,319	60,635	1,407	1,665
Total non-current assets		2,359,329	2,405,206	2,411,896	2,510,202
Total assets		3,081,106	3,089,172	2,964,289	3,085,757
LIABILITIES					
Current liabilities					
Trade and other payables	24	148,598	161,536	107,499	117,542
Finance lease liabilities	25	8,181	-	-	-
Derivative financial instruments	14	105,287	229,332	105,287	229,332
Current tax liabilities		28,476	17,878	28,476	17,878
Provisions	26	209,452	143,070	198,193	127,757
Other current liabilities	27	10,202	3,101	10,202	3,101
Total current liabilities		510,196	554,917	449,657	495,610
Non-current liabilities					
Trade and other payables		-	526	-	526
Finance lease liabilities	25	32,515	-	-	-
Borrowings	28	521,280	772,208	521,280	772,208
Derivative financial instruments	14	53,961	47,170	53,961	47,170
Deferred tax liabilities	29	259,720	207,173	217,363	192,785
Provisions	30	373,312	333,972	235,765	211,367
Other non-current liabilities	31	6,145	-	6,145	-
Total non-current liabilities		1,246,933	1,361,049	1,034,514	1,224,056
Total liabilities		1,757,129	1,915,966	1,484,171	1,719,666

Balance sheets (continued)

		CONSOLIDATED ENTITY		PARENT ENTITY	
	NOTES	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Net assets		1,323,977	1,173,206	1,480,118	1,366,091
EQUITY					
Contributed equity	32	1,214,693	1,214,693	1,214,693	1,214,692
Reserve	33(a)	29,600	(85,179)	29,600	(85,179)
Retained earnings	33(b)	79,684	43,692	235,825	236,578
Capital and reserves attributable to owners of Stanwell Corporation Limited		1,323,977	1,173,206	1,480,118	1,366,091
Total equity		1,323,977	1,173,206	1,480,118	1,366,091

The above balance sheets should be read in conjunction with the accompanying notes.
The 2013 comparatives have been amended for a correction to prior year which is outlined in note 3.

Stanwell Corporation Limited

Statements of changes in equity

2014

CONSOLIDATED ENTITY	NOTES	CONTRIBUTED EQUITY $'000	RESERVE $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
Balance at 1 July 2012		1,214,693	9,951	34,509	1,259,153
Profit for the year		-	-	7,447	7,447
Net change in fair value of cash flow hedges transferred to profit and loss	33	-	169,139	-	169,139
Effective portion of changes in fair value of cash flow hedges	33	-	(305,090)	-	(305,090)
Net change in fair value of cash flow hedges transferred to property, plant and equipment	33	-	51	-	51
Actuarial gains on defined benefit plan	33	-	-	19,206	19,206
Income tax equivalent relating to components of other comprehensive income	33	-	40,770	(5,762)	35,008
Other	33	-	-	(4)	(4)
Total comprehensive loss for the year		-	(95,130)	20,887	(74,243)
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	34	-	-	(11,704)	(11,704)
Balance at 30 June 2013		1,214,693	(85,179)	43,692	1,173,206
Balance at 1 July 2013		1,214,693	(85,179)	43,692	1,173,206
Profit for the year		-	-	127,812	127,812
Effective portion of changes in fair value of cash flow hedges	33	-	174,809	-	174,809
Net change in fair value of cash flow hedges transferred to profit and loss	33	-	(10,758)	-	(10,758)
Net change in fair value of cash flow hedges transferred to property, plant and equipment	33	-	(81)	-	(81)
Income tax equivalent relating to components of other comprehensive income	33	-	(49,191)	(2,008)	(51,199)
Actuarial gains on defined benefit plan	33	-	-	6,692	6,692
Total comprehensive income for the year		-	114,779	132,496	247,275
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	34	-	-	(96,504)	(96,504)
Balance at 30 June 2014		1,214,693	29,600	79,684	1,323,977

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

Stanwell Corporation Limited

Statements of changes in equity (continued)

PARENT ENTITY	NOTES	CONTRIBUTED EQUITY $'000	RESERVE $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
Balance at 1 July 2012		1,214,693	9,951	225,910	1,450,554
Profit for the year		-	-	8,930	8,930
Net change in fair value of cash flow hedges transferred to profit and loss	33	-	169,139	-	169,139
Effective portion of changes in fair value of cash flow hedges	33	-	(305,090)	-	(305,090)
Net change in fair value of cash flow hedges transferred to property, plant and equipment	33	-	51	-	51
Actuarial gains on defined benefit plan	33	-	-	19,206	19,206
Income tax equivalent relating to components of other comprehensive income	33	-	40,770	(5,762)	35,008
Other	33	(1)	-	(2)	(3)
Total comprehensive loss for the year		(1)	(95,130)	22,372	(72,759)
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	34	-	-	(11,704)	(11,704)
Balance at 30 June 2013		1,214,692	(85,179)	236,578	1,366,091
Balance at 1 July 2013		1,214,692	(85,179)	236,578	1,366,091
Profit for the year		-	-	91,074	91,074
Net change in fair value of cash flow hedges transferred to profit and loss	33	-	(10,758)	-	(10,758)
Effective portion of changes in fair value of cash flow hedges	33	-	174,809	-	174,809
Net change in fair value of cash flow hedges transferred to property, plant and equipment	33	-	(81)	-	(81)
Actuarial gains on defined benefit plan	33	-	-	6,692	6,692
Income tax equivalent relating to components of other comprehensive income	33	-	(49,191)	(2,008)	(51,199)
Other	33	1	-	(7)	(6)
Total comprehensive income for the year		1	114,779	95,751	210,531
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	34	-	-	(96,504)	(96,504)
Balance at 30 June 2014		1,214,693	29,600	235,825	1,480,118

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

Stanwell Corporation Limited

Statements of cash flows

2014

	NOTES	CONSOLIDATED ENTITY 2014 $'000	CONSOLIDATED ENTITY 2013 $'000	PARENT ENTITY 2014 $'000	PARENT ENTITY 2013 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		1,952,225	1,879,740	1,687,370	1,620,785
Payments to suppliers and employees (inclusive of goods and services tax)		(1,564,839)	(1,507,270)	(1,398,550)	(1,237,304)
Interest received		3,123	6,973	3,087	6,955
Interest paid		(44,452)	(64,787)	(43,802)	(64,790)
Income tax equivalents (paid)/received		(33,029)	35,776	(33,029)	35,776
Net cash inflow from operating activities	44	313,028	350,432	215,076	361,422
Cash flows from investing activities					
Payments for property, plant and equipment		(91,470)	(180,935)	(71,286)	(119,748)
Proceeds from sale of property, plant and equipment		3,216	848	3,216	931
Proceeds from sale of available-for-sale financial assets		-	28,280	-	28,280
Loans provided to subsidiaries		-	-	64,836	(70,437)
Payments for intangible assets		(2,152)	-	(2,150)	-
Net payments for exploration and evaluation expenditure		(13,028)	(12,817)	(164)	(12,225)
Net cash outflow from investing activities		(103,434)	(164,624)	(5,548)	(173,199)
Cash flows from financing activities					
Repayment of from borrowings		(250,928)	(4,799)	(250,928)	(4,799)
Dividends paid		(11,704)	(63,900)	(11,704)	(63,900)
Transfer of cash on 1 July		-	-	1	-
Net cash outflow from financing activities		(262,632)	(68,699)	(262,631)	(68,699)
Net (decrease)/increase in cash and cash equivalents		(53,038)	117,109	(53,103)	119,524
Cash and cash equivalents at the beginning of the financial year		163,443	46,334	162,757	43,233
Cash and cash equivalents at end of year	9	110,405	163,443	109,654	162,757

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

Notes to the consolidated financial statements

2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include separate financial statements for Stanwell Corporation Limited ('Company' or 'Parent entity') as an individual entity and the consolidated entity consisting of Stanwell Corporation Limited and its subsidiaries (together referred to as the 'Group' or 'Consolidated Entity').

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit entity for the purpose of preparing the financial statements.

(i) 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.

(ii) Date of issue

The consolidated financial statements were authorised for issue by the Board of Directors on 26 August 2014.

(iii) New and amended standards adopted by the Group

Other than AASB 13, AASB 2011-8 and AASB 119, the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 did not affect any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The Group has applied the following standards and amendments for first time in their annual reporting period commencing 1 July 2013:

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*;
- AASB 2012-10 *Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period;
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*;
- AASB 119 *Employee Benefits (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*;
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*; and
- AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*.

The adoption of AASB 13 affected the disclosures in the notes to the financial statements. AASB 13 also clarified that fair value is an exit price notion, and as such, incorporates credit risk. This does not represent a change in accounting policy, however the Group enhanced the process for calculating fair value and, as required under AASB 13, the change to fair value measurements on adoption of the standard is applied prospectively, in the same way as a change in an accounting estimate. As a consequence, the Group and Parent entity fair values of derivative financial instruments as at 1 July 2013 were not materially amended.

The Group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Under AASB 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

The Group's accounting for its interests in joint arrangements was not affected by the adoption of the new standard since the Group had already applied the proportionate method in accounting for these interests.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value.

(v) Critical accounting estimates

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2014 and the results of all subsidiaries for the period then ended.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies 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 Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company.

(ii) Joint arrangements

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. Stanwell Corporation Limited has assessed the nature of its joint arrangements and determined these joint operations.

Joint operations

Stanwell Corporation Limited has recognised its direct right to the, and its share of, jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operations are set out in note 36.

(c) Foreign currency translation

Foreign currency transactions are translated into the functional currency (Australian dollar) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when they are deferred in equity as qualifying cash flow hedges.

(d) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Sales of electricity

Revenue from the sale of electricity traded in the National Electricity Market (NEM) is recognised when the electricity generated has been dispatched or in the period that the electricity generated, which is pursuant to a power purchase agreement (PPA), is transferred to the counterparty. The effective portion of electricity derivatives designated as cash flow hedges, relating to electricity traded in the NEM, is recognised in electricity revenue in the period to which the contract settlement relates (refer to note 33(a)).

Revenue from electricity sold on the NEM is based on electricity spot prices and is calculated by the Australian Energy Market Operator (AEMO), the body responsible for administering and operating the wholesale spot electricity market and managing the security of the power system.

Revenue from the sale of electricity includes revenue from retail contracts. Retail contract revenue is calculated based on the terms of the individual contracts and is recognised when the electricity is consumed by the counterparty.

(ii) Environmental certificates

The Group is involved in various environmental certificate schemes to meet its environmental obligations and for trading purposes. For environmental certificates held for trading purposes, revenue is recognised when the sale of certificates occurs. Until sale, the environmental certificates are recorded as Inventory (refer to note 1(l)).

(iii) Energy services revenue

Energy services revenue is received in relation to the recharge of transmission and other operating costs directly attributable to retail operations and is recognised when the electricity is consumed by the counterparty.

(iv) Coal revenue sharing arrangements

Revenue from coal revenue sharing arrangements is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. This is usually when the coal is exported by the coal supplier.

(v) Coal on-sale

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest rate method.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue recognition (continued)

(vii) Other income

Other revenue is recognised when the goods are provided or when the fee in respect of services provided is receivable.

(e) Income tax equivalents

The Company and its wholly owned Australian controlled entities as set out in note 41 have formed 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, based upon the value of benefits derived by the tax consolidated Group 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*.

(f) Tax effect accounting

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

The income tax equivalent expense or benefit for the period is the tax equivalent payable or receivable on the current period's taxable profit or loss based on the national income tax rate for each jurisdiction, adjusted by changes in deferred tax equivalent assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax equivalent assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exemption is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax equivalent asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax 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 liabilities and assets are not recognised for temporary differences between the carrying amount and tax base of investments in controlled entities where the Company is able to control the timing of the reversal of temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

(g) Tax consolidation

As a consequence of the establishment of the tax consolidated Group (refer to note 1(e)), the current and deferred tax equivalent amounts for the tax consolidated Group are allocated among the entities in the Group using a stand-alone taxpayer approach whereby each entity in the tax consolidated Group measures its current and deferred taxes as if it continued to be a separate taxable entity in its own right. Deferred tax equivalent assets and deferred tax equivalent liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values under consolidation.

The tax consolidated Group has entered into a tax sharing agreement and tax funding agreement. The tax funding agreement requires each wholly owned controlled entity to pay to the Company the current tax liability (asset) and any unused tax losses assumed by the Company. The tax sharing agreement sets out the allocation of income tax 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 (refer above) 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.

Notes to the consolidated financial statements (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The property, plant and equipment acquired under finance leases is 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.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

For assets subject to cross border leases, refer to note 45.

(i) Impairment of assets

(i) Financial assets

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the profit or loss and reflected in an allowance account against receivables.

(ii) Non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other 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.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term and 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.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

(l) Inventories

(i) 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.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Work in progress inventory relates to stocks of raw and crushed coal not in a form ready for consumption.

(ii) Environmental certificates

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Inventories (continued)

(ii) Environmental certificates (continued)

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

(m) Financial instruments

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within changes in fair value of available for sale assets in the period in which they arise.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in note 10(a).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(n) Derivatives and hedging activities

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 designated as a hedging instrument, and if so, the nature of the item being hedged, or is at fair value through the profit and loss. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

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 fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 14. Movements in the hedging reserve in shareholder's equity are shown in note 33. 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.

(i) Cash flow hedge

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 reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'Change in fair value of derivative instruments that do not qualify for hedge accounting'.

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 within revenue.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

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

(ii) Derivatives that do not qualify for hedge accounting

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

(iii) Embedded derivatives

There may be circumstances where derivatives are embedded in the Group's sale and purchase contracts. This occurs when future transactions under such contracts are to be executed at prices which will depend on the market prices of the specified financial instruments which themselves are not closely related to the commodities which are the subject of the contracts. The Group has embedded derivatives, however, the financial instruments are closely related to the commodities which are the subject of the contracts.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Derivatives and hedging activities (continued)

(iii) Embedded derivatives (continued)

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts.

(o) Deferred stripping costs

Stripping costs comprise the removal of overburden and other waste products from a mine. Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of constructing the mine and are subsequently amortised over the life of the operation.

Stripping costs incurred during the production stage of a mine are deferred when this is considered the most appropriate basis for matching the costs against the related economic benefits. The amount of stripping costs deferred is based on the ratio obtained by dividing the amount of waste mined by the amount of coal mined. Stripping costs incurred in the period are deferred to the extent that the stripping ratio for the current period exceeds the expected stripping ratio for the area or block subject to mining activity during the period. Such deferred costs are then charged to the profit and loss in subsequent periods to the extent that the current period stripping ratio falls below the block stripping ratio. The block stripping ratio is calculated based on proven and probable reserves. Any changes to the block stripping ratio are accounted for prospectively.

Deferred stripping costs are included in 'Other current assets' if the current mine plan indicates that coal mining from a strip is expected to occur within 12 months from the reporting date. If coal mining is expected to occur in greater than 12 months, the asset is included in 'Other non-current assets'.

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.

(p) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation 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 33(a)).

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 operating assets. Capitalised overhaul expenditure is depreciated over the period in which the Group expects to derive the benefits of the overhaul.

(i) 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. The major categories of property, plant and equipment are depreciated on a units of production or straight-line basis as follows:

Units of production basis

Operational mining assets and mining development assets are depreciated on a units of production basis. In applying the units of production method, depreciation is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proven and probable reserves.

Development costs that relate to a discrete section of an ore body and which only provide benefit over the life of those reserves are depreciated over the estimated life of that discrete section. Development costs incurred which benefit the entire ore body are depreciated over the estimated life of the ore body.

Straight-line basis

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

The straight-line basis for Buildings has been amended to 15-50 years (2013: 15-30 years) reflecting that some building assets have a useful life in excess of 30 years.

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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to note 1(i)(ii)).

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Intangible assets

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. No intangible assets have been assessed as having an indefinite useful life. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. 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 amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

(i) Capitalised 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 service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods ranging from 2 to 10 years.

(ii) Mining information and mining leases

Mining information and mining leases acquired are carried at the net fair value at date of acquisition less amortisation and impairment losses. Mining information and mining leases are amortised over the life of the mine for which the information relates using the units of production method and reflecting the pattern of economic benefit to the Group. No amortisation charge has been recognised in relation to the mining information and mining lease assets as the mine to which the information relates has not reached production (refer to note 19).

(iii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The ependiture capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 3 to 5 years.

(iv) Carbon permits

Carbon permits are carried at their acquisition cost. Carbon permits are generally surrendered within 12 months of their acquisition and accordingly are classified as a current asset and not amortised.

(r) Biological assets

Biological assets comprise timber plantations that are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Cost has been adopted as the basis of measurement as the fair value is not determinable at present as the plantation is in its early stages of growth and there is no observable active and liquid market for this timber.

Once the fair value of the plantation becomes reliably measurable, it will be measured at its fair value less costs to sell with all changes in fair value being recognised in the profit or loss in the period in which they arise.

(s) Exploration, evaluation and development costs

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest. Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Development assets consist of mining development expenditure incurred by or on behalf of the Group. Mining development assets are accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure.

Once a development decision has been taken, the carrying amount of the exploration and evaluation expenditure in respect of the area of interest is aggregated with the development expenditure and classified under non-current assets as mining development assets.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Exploration, evaluation and development costs (continued)

A mining development asset is reclassified as a mining property at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

Development assets are tested for impairment in accordance with the policy in note 1(i)(ii).

When an area of interest is abandoned or the directors decide that it is not commercial, all accumulated costs in respect of that area are impaired in the financial period in which the decision is made.

Depreciation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward exploration, evaluation and development costs are depreciated on a units of production basis over the life of the economically recoverable reserves.

(t) Trade and other payables

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 from the reporting date.

(u) Borrowings

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 loan facilities are recognised as transaction costs of the loan 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.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The Company operates a debt offset facility with Queensland Treasury Corporation (QTC) as part of its debt management approach. This is a legally enforceable right to offset and it is anticipated that the assets and liabilities will be settled on a net basis.

(v) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. There were no qualifying assets in either the current or prior years.

(w) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a reliably estimated future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

Provisions 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 the current market assessment of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(i) Carbon emissions liability

Under the terms of the *Clean Energy Act 2011*, which commenced on 1 July 2012, the entity incurs a carbon emissions liability at a number of its operating sites in the course of generating electricity for sale. The provision is recognised in the reporting period in which the carbon is emitted, and is measured at management's best estimate of the unsettled obligation at the reporting date. Any variance between the carbon emissions liability provided for at the end of the financial year and the amount subsequently paid is recognised immediately in the profit or loss in the period in which the payment is made.

(ii) Dividends

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.

(iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable costs of meeting the obligations under the contract.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Provisions (continued)

(iv) Restoration, rehabilitation and decommissioning

Future costs associated with the rehabilitation of power station sites, and close down and restoration of coal mines, 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.

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.

(v) Restructure

A provision for restructuring costs is recognised in the reporting period when there is legal or constructive obligation to restructure, it is probable that payments will occur and the restructure payments can be reliably estimated. A constructive obligation arises when detailed formal restructuring plans have been approved and those plans have been discussed with the affected employees. Any variance between the restructuring liability provided for at the end of the financial year and the amount subsequently paid is recognised immediately in the profit or loss in the period in which the payment is made.

(x) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in 'Trade and other payables'.

(ii) Other 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 market yields on national government bonds 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 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations

All employees of the Group are entitled to benefits from the Group's superannuation plan on retirement, disability or death or can direct the group to make contributions to a defined contribution plan of their choice. The Group's superannuation plan has a defined benefit section and a defined contribution section. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

The liability or asset recognised in the balance sheets in respect of defined benefit superannuation plans is 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. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit surplus (or 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 on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Employee benefits (continued)

(iii) Retirement benefit obligations (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.

Past service costs are recognised immediately in the profit or loss, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes that are funded by the Company 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. Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Bonus plans

The Group recognises a liability and 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. The Group recognises an amount payable where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(y) Financial guarantee contracts

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.

(z) 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 taxation authority. In this case it is recognised as part of the cost of 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 taxation authority is included with other receivables or payables in the balance sheets.

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 taxation authority, are presented as operating cash flows.

(aa) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ab) Parent entity disclosures

The Group has elected to adopt Class Order 10/654 allowing the disclosure of parent entity financial statements and notes thereto. The Class Order provides relief from the requirement preventing disclosure of single entity financial statements and disclosures of specific parent entity financial information under regulation 2M.3.01 of the *Corporations Regulations 2001*.

(ac) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not yet been applied in the financial statements. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017 but is available for early adoption. When adopted, the standard will affect in particular the Group accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group did not recognise any such gains in the profit or loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) New accounting standards and interpretations (continued)

(i) AASB 9 *Financial Instruments* (continued)

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments*: Recognition and Measurement and have not been changed. The new standard also introduces expanded disclosure requirements and changes in presentation with regards to hedging. The Group has not yet decided when to adopt AASB 9.

There are no other standards that are yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and commodity price risks for electricity and fuel), 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 derivative financial instruments to hedge certain risk exposures. 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 Financial Services group under policies approved by the Board. The Energy Trading and Commercial Strategy group 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.

The Group and the Parent entity hold the following financial instruments:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Financial assets				
Cash and cash equivalents	110,405	163,443	109,654	162,757
Trade and other receivables	147,491	177,569	835,327	935,990
Financial assets	8,305	29,153	8,305	29,153
Derivative financial instruments	202,336	165,674	202,336	165,674
Available-for-sale financial assets	11,368	10,669	11,368	10,669
	479,905	546,508	1,166,990	1,304,243
Financial liabilities				
Trade and other payables	148,598	162,062	107,499	118,068
Finance lease liabilities	40,696	-	-	-
Borrowings	521,280	772,208	521,280	772,208
Derivative financial instruments	159,248	276,502	159,248	276,502
Security deposits	5,310	261	5,310	261
	875,132	1,211,033	793,337	1,167,039

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

(i) Foreign exchange risk

Foreign 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.

The Group's risk management policy is to hedge a proportion of anticipated transactions that are denominated in or calculated by reference to a foreign currency. Currency derivatives such as forward currency contracts and currency options are used to manage foreign exchange risk. The Group designates currency derivatives as cash flow hedges where they qualify for hedge accounting and measures them at fair value.

All foreign exchange contracts were entered into by the Parent entity. The carrying amounts of the financial assets and liabilities denominated in foreign currencies are set out in the following table:

CONSOLIDATED AND PARENT ENTITY	2014 AUD $'000	2013 AUD $'000
Forward exchange contracts		
- buy foreign currency (JPY cash flow hedges)	(15)	-
- buy foreign currency (USD cash flow hedges)	-	24
- buy foreign currency (USD held for trading*)	-	734
- sell foreign currency (USD held for trading*)	-	(1,030)
- buy foreign currency (Euro cash flow hedges)	-	(15)
	(15)	(287)
Currency options		
- buy foreign currency (USD held for trading*)	-	(9)
- sell foreign currency (USD held for trading*)	667	376
	667	367

* contracts that do not meet the requirements of hedge accounting.

(ii) Commodity price risk

The Group is exposed to electricity price movements in the National Electricity Market. To manage its electricity commodity price risk, the Group has entered into 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 contracts, the Group receives from counterparties a fixed price per megawatt hour and in return pay the actual observed pool price. These contracts 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.

The Group is exposed to environmental certificate price movements through their requirement to comply with various regulatory environmental schemes as part of their normal business operations. To manage their environmental certificate price risk, the Group buys and sells these certificates in both the spot and forward markets.

The Group gains exposure to diesel price movements through operating its vehicle fleet and equipment at its coal mine and power stations. To manage its diesel price risk, the Group has entered into a number of diesel derivatives. Two types of transactions have been entered into: either paying a fixed Australian Dollar (AUD) price to counterparties and in return receiving a floating AUD price referenced to actual observed daily closing oil price in United States Dollars (USD) and foreign exchange prices; or paying a fixed USD price to counterparties with a separate foreign exchange forward contract used to hedge the foreign currency exposure. Under both transaction types, the derivative settlement receipts/payments are offset against actual physical consumption that is paid for monthly. These contracts assist the Group in managing its diesel consumption costs.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(iii) Sensitivity analysis

The following commentary and tables summarise the sensitivity of the Group's financial assets and financial liabilities to foreign exchange risk and commodity price risk. The analysis is pre-tax and is based on 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.

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 curve over a selected period under observable market conditions. The analysis assumes an upward movement of 15% (2013: 15%) and a downward movement of 15% (2013: 15%), which reflects the market sensitivity of positions held by the Group at balance date. The sensitivity of the Parent entity's financial instruments is not materially different to the amounts disclosed below.

		-15% (2013: -15%)		+15% (2013: +15%)	
	CARRYING AMOUNT $'000	PROFIT $'000	OTHER EQUITY $'000	PROFIT $'000	OTHER EQUITY $'000
Foreign exchange risk					
JPY					
2014	(15)	-	1,264	-	(934)
2013	-	-	-	-	-
USD					
2014	667	(651)	-	3,077	-
2013	95	(825)	39	3,620	(29)
Euro					
2014	-	-	-	-	-
2013	(15)	-	117	-	(87)
Commodity price risk					
2014	42,436	21,108	65,454	(26,366)	(62,422)
2013	(110,908)	5,509	149,708	(15,849)	(152,366)

		-100 BASIS POINTS		+100 BASIS POINTS	
	CARRYING AMOUNT $'000	PROFIT $'000	OTHER EQUITY $'000	PROFIT $'000	OTHER EQUITY $'000
Interest rate risk					
Cash and cash equivalents					
2014	110,405	(1,104)	-	1,104	-
2013	163,443	(1,634)	-	1,634	-
Borrowings non-current					
2014	521,280	325	-	(298)	-
2013	772,208	438	-	(438)	-

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) 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 utilises industry practice credit review processes and security instruments to manage its credit risks. The Group's credit risk exposure is managed by trading with energy industry counterparties under International Swaps and Derivatives Association (ISDA) agreements. 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. Particularly in instances where counterparties are not rated, the Group lowers the potential net credit impact by requiring credit support provision as appropriate. Receivable balances are monitored on an ongoing basis with the result that the entity's exposure to bad debts is not material.

The credit exposure of derivative contracts is calculated utilising 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.

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. Wholesale trading counterparty credit risk exposures are predominantly to financial institutions and energy market participants that have a credit rating of at least BBB- or equivalent. Unrated entities and retail trading counterparties, which include large commercial and industrial customers, have ongoing credit evaluations performed on their financial condition and other qualitative measures to ensure all counterparty credit exposures remain within acceptable levels.

The Group transacts spot electricity and ancillary services with the Australian Energy Market Operator (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.

(c) 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. The Group uses stress testing to measure extreme cash flow risk. The Group has access to Queensland Treasury Corporation (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:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Expiring within one year (bank overdraft and working capital facility)	62,000	62,000	62,000	62,000

The overdraft facility is with the Australia and New Zealand Banking Group Ltd and has an approved limit of $2,000,000 (2013: $2,000,000). The working capital facility is with Queensland Treasury Corporation and has an approved limit of $60,000,000 (2013: $60,000,000).

As at 30 June 2014, the Company had drawn down $Nil against the working capital facility (2013: $Nil).

The Group is wholly owned by the State of Queensland and has been subject to review by an international credit rating agency.

The public long-term rating of the Group is AA with a negative outlook (2013: AA with a stable outlook).

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The tables below analyse both the Group and Parent entity's financial liabilities into relevant maturity groupings based on their contractual maturities for:

(a) all non-derivative financial liabilities; and

(b) derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the tables are the contractual undiscounted cash flows.

QTC borrowings are interest only with no fixed repayment date for the principal component. For the purposes of completing the maturity analysis, the principal component of these loans has been included in the more than five year time band with no interest payment assumed in this time band.

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES CONSOLIDATED ENTITY - AT 30 JUNE 2014	0 TO 1 YEAR $'000	BETWEEN 1 AND 5 YEARS $'000	OVER 5 YEARS $'000	NOMINAL AMOUNT $'000
Non-derivatives				
Trade and other payables	148,598	-	-	148,598
Finance lease liabilities	10,167	34,796	-	44,963
Borrowings	43,172	172,807	586,437	802,416
Security deposits and retentions	5,310	-	-	5,310
	207,247	207,603	586,437	1,001,287

CONSOLIDATED ENTITY - AT 30 JUNE 2013	0 TO 1 YEAR $'000	BETWEEN 1 AND 5 YEARS $'000	OVER 5 YEARS $'000	NOMINAL AMOUNT $'000
Non-derivatives				
Trade and other payables	161,536	526	-	162,062
Borrowings	63,335	253,514	776,103	1,092,952
Security deposits and retentions	261	-	-	261
	225,132	254,040	776,103	1,255,275

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES PARENT ENTITY - AT 30 JUNE 2014	0 TO 1 YEAR $'000	BETWEEN 1 AND 5 YEARS $'000	OVER 5 YEARS $'000	NOMINAL AMOUNT $'000
Non-derivatives				
Trade and other payables	107,499	-	-	107,499
Borrowings	43,172	172,807	586,437	802,416
Security deposits and retentions	5,310	-	-	5,310
	155,981	172,807	586,437	915,225

Notes to the consolidated financial statements (continued)

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

PARENT ENTITY - AT 30 JUNE 2013	0 TO 1 YEAR $'000	BETWEEN 1 AND 5 YEARS $'000	OVER 5 YEARS $'000	NOMINAL AMOUNT $'000
Non-derivatives				
Trade and other payables	117,542	526	-	118,068
Borrowings	63,335	253,514	776,103	1,092,952
Security deposits and retentions	261	-	-	261
	181,138	254,040	776,103	1,211,281

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES CONSOLIDATED ENTITY - AT 30 JUNE 2014	LESS THAN 5 MONTHS $'000	GREATER THAN 5 MONTHS $'000	NOMINAL AMOUNT $'000
Derivatives			
Electricity contracts - cash flow hedges	24	150	174
Electricity contracts - held for trading	55,891	94,453	150,344
Foreign currency contracts - cash flow hedges	-	15	15
Environmental contracts - held for trading	-	10,244	10,244
Diesel contracts - held for trading	54	49	103
	55,969	104,911	160,880

CONSOLIDATED ENTITY - AT 30 JUNE 2013	LESS THAN 5 MONTHS $'000	GREATER THAN 5 MONTHS $'000	NOMINAL AMOUNT $'000
Derivatives			
Electricity contracts - cash flow hedges	53,755	58,359	112,114
Electricity contracts - held for trading	57,615	91,585	149,200
Foreign currency contracts - cash flow hedges	53	11	64
Foreign currency contracts - held for trading	435	595	1,030
Environmental contracts - held for trading	677	6,214	6,891
Diesel contracts - held for trading	337	648	985
	112,872	157,412	270,284

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES PARENT ENTITY - AT 30 JUNE 2014	LESS THAN 5 MONTHS $'000	GREATER THAN 5 MONTHS $'000	NOMINAL AMOUNT $'000
Derivatives			
Electricity contracts - cash flow hedges	24	150	174
Electricity contracts - held for trading	55,891	94,453	150,344
Foreign currency contracts - cash flow hedges	-	15	15
Environmental contracts - held for trading	-	10,244	10,244
Diesel contracts - held for trading	54	49	103
	55,969	104,911	160,880

Notes to the consolidated financial statements (continued)

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

PARENT ENTITY - AT 30 JUNE 2013	LESS THAN 5 MONTHS $'000	GREATER THAN 5 MONTHS $'000	NOMINAL AMOUNT $'000
Derivatives			
Electricity contracts - cash flow hedges	53,755	58,359	112,114
Electricity contracts - held for trading	57,615	91,585	149,200
Foreign currency contracts - cash flow hedges	53	11	64
Foreign currency contracts - held for trading	435	595	1,030
Environmental contracts - held for trading	677	6,214	6,891
Diesel contracts - held for trading	337	648	985
	112,872	157,412	270,284

3 CORRECTION TO PRIOR YEAR

(a) Correction to prior year depreciation

Management of Stanwell Corporation Limited, while preparing financial statements of the Company for the period ended 30 June 2014, identified that incorrect useful lives were used in accounting for the depreciation in prior year's financial statements in respect of certain generation assets in the preceding year.

The misstatement of depreciation of generation assets in the previous year's financial statements represents a prior period accounting adjustment which must be accounted for retrospectively in the financial statements. Consequently, Stanwell Corporation Limited has adjusted all comparative amounts presented in the current period's financial statements affected by the accounting adjustment.

The reclassifications have been restated in each of the affected financial statements line items for the prior period as shown below.

Note that the adjustment is applied to all prior period comparative amounts affected by the above misstatements (i.e. retrospectively). Current year's profit is therefore unaffected by the correction of prior period adjustment.

The following tables represent the impact on the prior period financial statements and the restatement that was required.

CONSOLIDATED ENTITY	30 JUNE 2013 $'000	ADJUSTMENT $'000	30 JUNE 2013 (RESTATED) $'000
Balance sheets (extract)			
Property, plant and equipment	2,201,955	(10,262)	2,191,693
Deferred tax liabilities	(210,252)	3,079	(207,173)
Net assets	1,180,389	(7,183)	1,173,206
Retained earnings	50,875	(7,183)	43,692
Total equity	1,180,389	(7,183)	1,173,206

CONSOLIDATED ENTITY	30 JUNE 2013 $'000	ADJUSTMENT $'000	30 JUNE 2013 (RESTATED) $'000
Income statements (extract)			
Depreciation and amortisation expense	(171,310)	(10,262)	(181,572)
Profit before income tax	18,622	(10,262)	8,360

3 CORRECTION TO PRIOR YEAR (CONTINUED)

(a) Correction to prior year depreciation (continued)

PARENT ENTITY	30 JUNE 2013 $'000	ADJUSTMENT $'000	30 JUNE 2013 (RESTATED) $'000
Balance sheets (extract)			
Property, plant and equipment	1,668,481	(10,262)	1,658,219
Deferred tax liabilities	(195,864)	3,079	(192,785)
Net assets	**1,373,274**	**(7,183)**	**1,366,091**
Retained earnings	243,761	(7,183)	236,578
Total equity	**1,373,274**	**(7,183)**	**1,366,091**

PARENT ENTITY	30 JUNE 2013 $'000	ADJUSTMENT $'000	30 JUNE 2013 (RESTATED) $'000
Income statements (extract)			
Depreciation and amortisation expense	(123,483)	(10,262)	(133,745)
Profit before income tax	**22,369**	**(10,262)**	**12,107**

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events, that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the entity's accounting policies

(i) Impairment of assets

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 in accordance with note 1(i). 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, discount rate, cost of fuel, the impact of the carbon pricing mechanism and achievable market values for asset disposal. The sources for the key estimates and assumptions include:

- Market pricing and dispatch are based on the most recent management endorsed forecast. Longer term modelling is developed on a portfolio approach, based around recent observable peak/energy demand forecasts provided by AEMO and other sources, available at the time of evaluation, combined with internally developed assumptions around forecast gas prices, new entrants and retirements and the impact of renewable energy targets (Valuation outcomes are sensitive to price. A +/- 5.0% movement in price delivers +/- $450 million movement in portfolio value (with all other assumptions remaining unchanged)).
- A weighted approach is taken to asset valuation. The Group has considered a range of demand scenarios to reflect uncertainty moving forward. Although the *Clean Energy Legislation (Carbon Tax Repeal) Act 2014* has now received royal assent post balance sheet date, the Group has retained a carbon inclusive scenario, reflecting regulatory policy uncertainty.
- 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 weighted average cost of capital (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 (Valuation outcomes are sensitive to WACC. A +/- 0.5% movement in WACC delivers +/- $250 million movement in portfolio value (with all other assumptions remaining unchanged)).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical judgements in applying the entity's accounting policies (continued)

(i) Impairment of assets (continued)

The Group has assessed that at balance date, there is no indication that impairment losses recognised in prior years should be reversed. Both external and internal sources of information have been considered in this assessment including the assets' market value, the impact of significant changes in the market and changes in the discount rate.

No impairment loss (2013: $Nil) was recognised in relation to generation assets.

(ii) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market (for example, certain types of electricity derivatives) is determined by using valuation techniques. The Group uses its judgement to select the most appropriate method and makes assumptions that maximise the use of market information existing at each balance sheet date.

(iii) Restoration, rehabilitation and decommissioning

The Group provides for site closure and restoration in accordance with the accounting policy stated in note 1(w)(iv). This calculation requires the use of key assumptions including the timing of restoration work, legal requirements and a discount rate.

(iv) Carbon emissions liability

The Group provides for a carbon emissions expense based on National Greenhouse and Energy Reporting (NGER) requirements and management's best estimate of carbon equivalents emitted during the period multiplied by an estimated carbon credit cost per tonne. The cost of carbon credit units per tonne is based on the Group's average cost to purchase a clean energy scheme certificate to acquit each tonne of carbon equivalents. The provision recognised at the end of the financial year for the Group's carbon equivalent emissions liability is based on the estimated carbon emissions expense less interim payments made. The final payment is due in February 2015. Any variance between the carbon emissions liability provided for at the end of the financial year and the amount subsequently paid is recognised immediately in the profit or loss in the period in which the payment is made.

(v) Retirement benefits

Actuarial assumptions underpin the determination of the Group's retirement benefit obligations. These assumptions and the related carrying amounts are outlined in note 23.

(vi) Long service leave provision

As discussed in note 1(x).

(vii) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as the manufacturers' design life. Depreciation and amortisation rates are reviewed annually for appropriateness. Adjustments to useful life are made when considered necessary. Effective lives are included in note 1(p).

(viii) Restructure provision

The Group provides for restructuring costs in accordance with the accounting policy stated in note 1(w)(v). This calculation requires the use of key assumptions including the period of service, leave balances, contract conditions and legal requirements.

Notes to the consolidated financial statements (continued)

5 REVENUE

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
From continuing operations				
Sales revenue				
Sales of electricity	1,443,746	1,367,308	1,192,919	1,097,041
Coal revenue sharing arrangements	105,070	158,896	105,070	158,896
Energy services revenue	133,792	108,522	133,792	108,522
Environmental certificates	6,054	3,368	6,054	3,368
Interest	3,123	6,973	3,087	6,955
Other	17,801	17,174	17,801	17,174
	1,709,586	1,662,241	1,458,723	1,391,956
Other revenue				
Coal on-sale	10,315	6,051	10,315	6,051
Other operating revenue	1,621	1,569	1,621	1,569
	11,936	7,620	11,936	7,620
	1,721,522	1,669,861	1,470,659	1,399,576

6 OTHER INCOME

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Net gain on disposal of property, plant and equipment	312	67	295	-
Insurance recovery	17,000	2,359	17,000	2,359
Net gain on sale of exploration and evaluation assets	-	2,474	-	2,474
Net gain on change in rehabilitation provisions	-	19,030	-	14,681
Other income	761	3,743	635	4,116
	18,073	27,673	17,930	23,630

7 EXPENSES

	NOTES	CONSOLIDATED ENTITY 2014 $'000	CONSOLIDATED ENTITY 2013 $'000	PARENT ENTITY 2014 $'000	PARENT ENTITY 2013 $'000
Profit before income tax includes the following specific expenses:					
Amounts included in other expenses					
Services and consultants		48,918	53,128	40,930	39,107
External labour		7,935	19,101	6,356	14,564
Employee benefits expenses					
Defined contribution superannuation expense		5,964	8,713	5,955	7,686
Defined benefit plan expense		3,624	2,685	3,624	2,685
Depreciation					
Buildings		3,131	2,994	1,566	1,389
Operational mining assets		18,325	10,464	-	-
Generation assets		142,523	149,162	110,950	114,366
Other property, plant and equipment		7,713	11,418	6,922	10,459
Total depreciation	18	171,692	174,038	119,438	126,214
Amortisation					
Software	19	7,226	7,534	7,226	7,531
Total depreciation and amortisation		178,918	181,572	126,664	133,745
Finance costs					
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss		42,912	64,602	42,255	64,602
Provisions: unwinding of discount	30	17,581	18,235	10,923	11,768
Finance costs expensed		60,493	82,837	53,178	76,370
Rental expenses relating to operating leases		4,796	5,369	4,715	5,347
Impairment losses					
Available-for-sale financial assets	17	-	1,468	-	1,468
Exploration and evaluation expenditure	21	-	8,455	-	-
Property, plant and equipment	18	280	1,544	280	1,475
Total impairment losses		280	11,467	280	2,943
Change in fair value available-for-sale financial assets	17	(699)	-	(699)	-

(a) Impairment losses and Change in fair value

A change in fair value of available-for-sale financial assets of $698,960 (2013: impairment loss of $1,468,000) was recognised in relation to the Company's listed equity securities interest in Blue Energy Limited.

An impairment loss of $280,000 related to surplus land was recognised during the year based on market valuation. The impairment relates to the only two land holdings in the local Gatton area.

8 INCOME TAX EQUIVALENT BENEFIT OR EXPENSE

(a) Income tax equivalent (benefit)/expense

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current tax equivalent	43,914	17,764	55,267	27,017
Deferred tax equivalent	1,268	(16,649)	(25,832)	(23,639)
Adjustment for current tax equivalent of prior periods	(207)	(202)	(208)	(201)
	44,975	913	29,227	3,177
Deferred income tax equivalent (benefit)/expense included in income tax equivalent (benefit)/expense comprises:				
(Increase)/Decrease in deferred tax equivalent assets	31,699	(104,034)	33,584	(86,342)
(Decrease)/Increase in deferred tax equivalent liabilities	(30,350)	87,069	(60,205)	62,008
(Over)/Under provision in prior year	(81)	315	789	695
	1,268	(16,650)	(25,832)	(23,639)

(b) Numerical reconciliation of income tax equivalent (benefit)/expense to prima facie tax payable

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Profit before income tax equivalent expense	172,787	8,360	120,301	12,107
Tax at the Australian tax rate of 30% (2013 - 30%)	51,836	2,508	36,090	3,632
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Deferred tax asset adjustment in period	(6,661)	(1,402)	(6,661)	(260)
Non-deductible expenses	7	9	6	6
	45,182	1,115	29,435	3,378
Adjustments for current tax equivalent of prior periods	(207)	(202)	(208)	(201)
Income tax equivalent expense	44,975	913	29,227	3,177

(c) Tax equivalent benefit/(expense) relating to items of other comprehensive income

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash flow hedges	(49,191)	40,770	(49,191)	40,770
Actuarial gains on defined benefit plans	(2,008)	(5,762)	(2,008)	(5,762)
	(51,199)	35,008	(51,199)	35,008

Notes to the consolidated financial statements (continued)

9 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash at bank and on hand	19,948	11,251	19,197	10,565
Deposits at call	90,072	151,942	90,072	151,942
Other cash and cash equivalents	385	250	385	250
	110,405	163,443	109,654	162,757

The total balance reconciles to cash and cash equivalents at the end of the financial year, as shown in the statements of cash flows.

(a) Cash at bank and on hand

Cash held with the bank is bearing an interest rate of 1.7% (2013: 1.1%).

(b) Deposits at call

The deposits yielded floating interest rates between 3.22% to 4.09% during the year ended 30 June 2014 (2013: 3.59% to 4.59%).

(c) Fair value

The carrying amount for cash and cash equivalents reasonably equates to their fair value.

10 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade receivables	130,824	174,789	123,816	161,552
Other receivables	16,667	2,189	15,260	1,130
	147,491	176,978	139,076	162,682

(a) Impaired trade receivables

At 30 June 2014, there were no impaired current trade receivables of the Group and Parent entity (2013: $Nil). The amount of the provision was $Nil (2013: $Nil).

(b) Past due but not impaired

As at 30 June 2014, there were no material trade receivables past due but not impaired (2013: $Nil).

(c) Other receivables

These amounts generally arise from non-electricity related transactions of the Group. Repayment terms are generally 30 days from invoice date. No interest is charged on outstanding balances. Collateral is not normally obtained.

(d) Foreign exchange and interest rate risk

Information about the Group's and the Parent entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

(e) Fair value and credit risk

Due to the short-term nature of trade and other receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables (refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables).

Notes to the consolidated financial statements (continued)

11 CURRENT ASSETS - INVENTORIES

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Fuel at weighted average cost (work in progress)	8,710	1,531	-	-
Fuel at weighted average cost (finished goods)	73,420	33,187	73,420	33,187
Environmental certificates at fair market value	25,185	14,072	23,211	6,604
Stores at cost	59,540	61,352	34,162	34,152
Provision for write-down of stores	(6,665)	(8,315)	(1,338)	(2,862)
	160,190	101,827	129,455	71,081

(a) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2014 amounted to $307,272 (2013: $31,746) in the Group and Parent entity. The expense is included in raw materials and consumables in the profit or loss.

12 CURRENT ASSETS - FINANCIAL ASSETS

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash collateral	8,305	29,153	8,305	29,153

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

(a) Risk exposure and fair value measurements

Information about the Group's exposure to price risk and about the methods and assumptions used in determining fair value is provided in note 2.

13 CURRENT ASSETS - OTHER CURRENT ASSETS

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Deferred stripping	129,017	62,615	-	-
Prepayments	19,625	11,227	19,159	11,159
	148,642	73,842	19,159	11,159

14 DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current assets				
Electricity contracts - cash flow hedges	59,490	3,885	59,490	3,885
Electricity contracts - held for trading	85,617	133,433	85,617	133,433
Foreign currency contracts - cash flow hedges	1	71	1	71
Foreign currency contracts - held for trading	623	175	623	175
Environmental contracts - held for trading	732	791	732	791
Diesel contracts - held for trading	281	-	281	-
Total current derivative financial instrument assets	146,744	138,355	146,744	138,355
Non-current assets				
Electricity contracts - cash flow hedges	257	3,362	257	3,362
Electricity contracts - held for trading	52,212	23,224	52,212	23,224
Foreign currency contracts - held for trading	44	202	44	202
Environmental contracts - held for trading	3,079	531	3,079	531
Total non-current derivative financial instrument assets	55,592	27,319	55,592	27,319
Current liabilities				
Electricity contracts - cash flow hedges	42	101,682	42	101,682
Electricity contracts - held for trading	104,159	125,858	104,159	125,858
Foreign currency contracts - cash flow hedges	-	64	-	64
Foreign currency contracts - held for trading	-	304	-	304
Environmental contracts - held for trading	983	677	983	677
Diesel contracts - held for trading	103	747	103	747
Total current derivative financial instrument liabilities	105,287	229,332	105,287	229,332
Non-current liabilities				
Electricity contracts - cash flow hedges	-	9,362	-	9,362
Electricity contracts - held for trading	44,685	31,594	44,685	31,594
Foreign currency contracts - cash flow hedges	15	-	15	-
Environmental contracts - held for trading	9,261	6,214	9,261	6,214
Total non-current derivative financial instrument liabilities	53,961	47,170	53,961	47,170
Net derivative financial instrument assets/(liabilities)	43,088	(110,828)	43,088	(110,828)

Notes to the consolidated financial statements (continued)

14 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Change in fair value recognised in the profit and loss

Gains and losses from remeasuring the derivative financial instruments that are recognised in the statement of comprehensive income are classified as "Non hedge accounted change in fair value of derivative instruments". These gains and losses include revaluation increments on the derivative financial instruments incurred during the financial year prior to settlement of the instruments and upon settlement the reversal of the cumulative revaluation increments previously included in statement of comprehensive income.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Electricity contracts - cash flow hedges - ineffective portion gain/(loss)	(249)	(3,328)	(249)	(3,328)
Electricity contracts - held for trading - gain/(loss)	(17,321)	(39,980)	(17,321)	(39,980)
Foreign currency contracts - held for trading - gain/(loss)	1,660	(1,421)	1,660	(1,421)
Environmental contracts held for trading - gain/(loss)	(1,132)	1,943	(1,132)	1,943
Diesel contracts - held for trading - gain/(loss)	924	195	924	195
Total non hedge accounted change in fair value of derivative instruments	(16,118)	(42,591)	(16,118)	(42,591)

(b) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business primarily to hedge exposure to fluctuations in the spot price of electricity and forward exchange rates in accordance with the Group's risk management policies (refer to note 2).

(i) Electricity contracts - cash flow hedges

The Parent entity bids all electricity generated into the NEM. Cash flows received from the NEM can be volatile and accordingly the Parent entity has entered into electricity derivatives such as price swaps under which it is obliged to receive cash flows at fixed electricity prices and pay cash flows at variable electricity prices.

Swaps currently in place are timed to settle as each cash flow is received from the NEM.

The gain or loss from remeasuring at fair value electricity derivatives designated into a cash flow hedging relationship is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified to the profit or loss when the hedged electricity revenue is recognised.

The ineffective portion arising from cash flow hedges is recognised immediately in the profit or loss. All electricity derivatives were entered into by the Parent entity.

(ii) Electricity contracts - held for trading

The Parent entity has entered into electricity derivative contracts which are economic hedges but do not satisfy the requirements for hedge accounting. These contracts are subject to the same risk management policies as all other derivative contracts (refer to note 2).

The gain or loss on electricity derivative contracts which are not hedge accounted are recognised in the profit or loss.

(iii) Foreign currency contracts - cash flow hedges

Transaction exposures relating to foreign currencies are managed by entering into forward exchange contracts to purchase and sell foreign currencies. These transactions relate to the contracted purchase of capital equipment and operating expenditure denominated in US Dollars, Japanese Yen and Euros. The Group classifies its forward exchange contracts which hedge forecast transactions as cash flow hedges and states them at fair value.

The forward contracts in place cover a proportion of highly probable transactions and are timed to expire as each cash flow is due. The contracts are settled on a net basis.

14 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(b) Instruments used by the Group (continued)

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective. When the cash flows occur for hedges of capital equipment purchases, the Group adjusts the initial measurement of the capital equipment recognised in the balance sheet by the related amount deferred in equity. Gains and losses deferred in equity for hedges of operating expenditure are reclassified in the profit or loss when the hedged transaction is recognised.

All foreign exchange contracts were entered into by the Parent entity.

(iv) Foreign currency contracts - held for trading

The Parent entity has entered into forward exchange contracts and currency options which are economic hedges but do not satisfy the requirements for hedge accounting. These transactions relate to the contracted purchase of capital equipment and operating expenditure denominated in US Dollars, Japanese Yen and Euro and the receipt of revenue from coal export sharing arrangements with prices referenced to US Dollars. These contracts are subject to the same risk management policies as all other derivative contracts (refer to note 2).

The gain or loss on derivatives entered into for economic hedge purposes and which are not hedge accounted for are recognised in the profit or loss immediately.

(v) Environmental contracts - held for trading

The Parent entity creates environmental certificates which can then be traded in the open market. To derive additional income from these environmental certificates, the Parent entity trades in environmental derivative contracts, such as forward contracts and options.

The gain or loss on derivatives is recognised in the profit or loss.

(vi) Diesel contracts - held for trading

The Group has exposure to diesel price movements through operating its vehicle fleet and equipment. This exposure is managed by entering into diesel derivative contracts. These contracts are economic hedges and are subject to the same risk management policies as all other derivative contracts (refer to note 2).

The gain or loss on derivatives is recognised in the profit or loss immediately.

(c) Fair value measurements

The fair value of derivative financial instruments must be estimated for recognition and measurement or for disclosure purposes. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards, being:

- Level 1 - The fair value of derivative financial instruments traded in active markets (publicly traded derivatives) is based on quoted market prices at the end of the reporting period. The quoted market price used for these derivatives is the last settled price. These instruments are included in Level 1.
- 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. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.
- Level 3 - If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Notes to the consolidated financial statements (continued)

14 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements (continued)

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

CONSOLIDATED AND PARENT ENTITY - AT 30 JUNE 2014	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Recurring fair value measurements				
Current derivative financial instrument assets	10,377	108,371	27,996	146,744
Non current derivative financial instrument assets	6,328	38,488	10,776	55,592
Current derivative financial instrument liabilities	(9,015)	(90,238)	(6,034)	(105,287)
Non current derivative financial instrument liabilities	(7,386)	(35,825)	(10,750)	(53,961)
Net derivative financial instrument assets/(liabilities)	304	20,796	21,988	43,088

CONSOLIDATED AND PARENT ENTITY - AT 30 JUNE 2013	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Recurring fair value measurements				
Derivative financial instrument assets	4,716	153,938	14,624	173,278
Derivative financial instrument liabilities	14,732	217,002	45,328	277,062

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.

14 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements (continued)

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 period ended 30 June 2013 and 30 June 2014:

CONSOLIDATED AND PARENT ENTITY RECURRING FAIR VALUE MEASUREMENTS LEVEL 3 VALUATION HIERARCHY	TOTAL $'000
Opening balance 1 July 2012	33,883
Transfers out of Level 3 into Level 2	(1,213)
Losses recognised in other comprehensive income	(22,315)
Losses recognised in profit or loss	(41,059)
Closing balance 30 June 2013	(30,704)
Gains recognised in profit or loss	49,720
Gains recognised in other comprehensive income	9,419
Purchases	5,419
Sales	(12,629)
Settlements	11,324
Transfers out of Level 3 into Level 2	(10,561)
Closing balance 30 June 2014	21,988
Total gains for the year ended 30 June 2014 recognised in profit or loss that are attributable to the change in unrealised gains or losses relating to those assets and liabilities held at 30 June 2014.	25,812

Gains/(Losses) recognised in profit or loss are included in the statements of comprehensive income as non hedge accounted change in fair value of derivative instruments. Gains/(Losses) recognised in other comprehensive income are included as changes in the fair value of cash flow hedges.

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

The significant valuation techniques 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 and translation factor techniques to determine the fair value where a product does not have an observable market price.
- Option valuation model where terms are not identical to market quoted prices.

There have been no material changes in the above valuation techniques used since 30 June 2013.

The significant inputs used in these valuation techniques are:

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

14 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements of derivative financial instruments:

CONSOLIDATED AND PARENT ENTITY
2014

CLASS OF DERIVATIVE FINANCIAL INSTRUMENT	FAIR VALUE INCLUDED IN LEVEL 3 $'000	UNOBSERVABLE INPUTS	RANGE OF INPUTS	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Derivative financial instruments	21,988	Scalar factors	0.97 - 1.27	A 20% increase in scalar factors would decrease fair value $977,000 and a 20% decrease in scalar factors would increase fair values by $977,000.
		Market volatility	10% - 67%	A 20% increase in market volatilities would decrease fair value $292,000 and a 20% decrease in market volatilities would increase fair values by $250,000.

The Group uses the following valuation processes for fair value measurements of derivative financial instruments categorised within Level 3:

- Extrapolation, translation and scalar factors applied where market price not quoted.
- Contracts with optionality are valued using an option valuation model using implied volatility.

Valuation policies and procedures are developed by Financial Services, reviewed by Portfolio Modelling and approved by the General Manager Financial Services. Changes in fair values of financial instruments are reported to management and the Board monthly.

(d) Offsetting positions in counterparty credit risk

The Group manages its exposure to credit risk for certain derivative financial instruments on a net position basis for each of the counterparties. Accordingly, the Group measures the fair value of those derivative financial instruments based on the net positions held with each of those counterparties.

(e) Master netting arrangements – not currently enforceable

Agreements with derivative counterparties are based on an ISDA Master Agreement and similar arrangements. 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:

CONSOLIDATED ENTITY 2014	AMOUNTS PRESENTED IN THE BALANCE SHEET $'000	AMOUNTS SUBJECT TO MASTER NETTING ARRANGEMENTS $'000	FINANCIAL INSTRUMENT COLLATERAL $'000	NET AMOUNT $'000
Financial assets				
Current derivative financial instrument assets	146,744	57,533	3,377	85,834
Non current derivative financial instrument assets	55,592	24,612	1,228	29,752
	202,336	82,145	4,605	115,586

14 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(e) Master netting arrangements – not currently enforceable (continued)

CONSOLIDATED ENTITY 2014	AMOUNTS PRESENTED IN THE BALANCE SHEET $'000	AMOUNTS SUBJECT TO MASTER NETTING ARRANGEMENTS $'000	FINANCIAL INSTRUMENT COLLATERAL $'000	NET AMOUNT $'000
Financial liabilities				
Current derivative financial instrument liabilities	105,287	57,533	-	47,754
Current security deposits	5,310	-	4,605	705
Non current derivative financial instrument liabilities	53,961	24,612	-	29,349
	164,558	82,145	4,605	77,808

CONSOLIDATED ENTITY 2013	AMOUNTS PRESENTED IN THE BALANCE SHEET $'000	AMOUNTS SUBJECT TO MASTER NETTING ARRANGEMENTS $'000	FINANCIAL INSTRUMENT COLLATERAL $'000	NET AMOUNT $'000
Financial assets				
Current derivative financial instrument assets	138,355	102,388	-	35,967
Current financial assets	29,153	-	10,015	19,138
Non current derivative financial instrument assets	27,319	12,708	-	14,611
	194,827	115,096	10,015	69,716
Financial liabilities				
Current derivative financial instrument liabilities	229,332	102,388	7,593	119,351
Non current derivative financial instrument liabilities	47,170	12,708	2,422	32,040
	276,502	115,096	10,015	151,391

PARENT ENTITY 2014	AMOUNTS PRESENTED IN THE BALANCE SHEET $'000	AMOUNTS SUBJECT TO MASTER NETTING ARRANGEMENTS $'000	FINANCIAL INSTRUMENT COLLATERAL $'000	NET AMOUNT $'000
Financial assets				
Current derivative financial instrument assets	146,744	57,533	3,377	85,834
Non current derivative financial instrument assets	55,592	24,612	1,228	29,752
	202,336	82,145	4,605	115,586

14 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(e) Master netting arrangements – not currently enforceable (continued)

PARENT ENTITY 2014	AMOUNTS PRESENTED IN THE BALANCE SHEET $'000	AMOUNTS SUBJECT TO MASTER NETTING ARRANGEMENTS $'000	FINANCIAL INSTRUMENT COLLATERAL $'000	NET AMOUNT $'000
Financial liabilities				
Current derivative financial instrument liabilities	105,287	57,533	-	47,754
Current security deposits	5,310	-	4,605	705
Non current derivative financial instrument liabilities	53,961	24,612	-	29,349
	164,558	82,145	4,605	77,808

PARENT ENTITY 2013	AMOUNTS PRESENTED IN THE BALANCE SHEET $'000	AMOUNTS SUBJECT TO MASTER NETTING ARRANGEMENTS $'000	FINANCIAL INSTRUMENT COLLATERAL $'000	NET AMOUNT $'000
Financial assets				
Current derivative financial instrument assets	138,355	102,388	-	35,967
Current financial assets	29,153	-	10,015	19,138
Non current derivative financial instrument assets	27,319	12,708	-	14,611
	194,827	115,096	10,015	69,716
Financial liabilities				
Current derivative financial instrument liabilities	229,332	102,388	7,593	119,351
Non current derivative financial instrument liabilities	47,170	12,708	2,422	32,040
	276,502	115,096	10,015	151,391

(f) Risk exposures

Details of the Group's exposure to risks arising from derivative financial instruments are set out in note 2.

15 CURRENT ASSETS - INTANGIBLE ASSETS

	CONSOLIDATED ENTITY 2014 $'000	CONSOLIDATED ENTITY 2013 $'000	PARENT ENTITY 2014 $'000	PARENT ENTITY 2013 $'000
Carbon permit intangible asset	-	368	-	368
Movements				
Opening balance at 1 July	368	-	368	-
Additions	352,084	267,606	331,990	250,211
Surrendered	(352,452)	(267,238)	(332,358)	(249,843)
Closing balance at 30 June	-	368	-	368

Notes to the consolidated financial statements (continued)

16 NON-CURRENT ASSETS - RECEIVABLES

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade receivables	-	591	-	591
Loans to subsidiaries	-	-	696,251	772,717
	-	591	696,251	773,308

Non current receivables comprise loans provided to subsidiaries for their net cash requirements. These loans are non-interest bearing and are eliminated upon consolidation.

17 NON-CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets includes the following classes of financial assets:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Listed equity securities	4,368	3,669	4,368	3,669
Investments in joint operations	7,000	7,000	7,000	7,000
	11,368	10,669	11,368	10,669

Movements for each class of available-for-sale financial assets were as follows:

CONSOLIDATED AND PARENT ENTITY - 2014	LISTED EQUITY SECURITIES $'000	INVESTMENTS IN JOINT OPERATIONS $'000	TOTAL $'000
Balance at 1 July 2013	3,669	7,000	10,669
Acquisitions	-	-	-
Disposals	-	-	-
Change in fair value of available for sale assets	699	-	699
Balance at 30 June 2014	4,368	7,000	11,368

CONSOLIDATED AND PARENT ENTITY - 2013	LISTED EQUITY SECURITIES $'000	INVESTMENTS IN JOINT VENTURES $'000	TOTAL $'000
Balance at 1 July 2012	5,137	31,614	36,751
Acquisitions	-	-	-
Disposals	-	(24,614)	(24,614)
Impairment losses	(1,468)	-	(1,468)
Balance at 30 June 2013	3,669	7,000	10,669

Notes to the consolidated financial statements (continued)

17 NON-CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(a) Listed equity securities

The listed equity securities relate to a 7.67% (2013: 7.67%) holding in Blue Energy Limited (ASX: BUL). At 30 June 2014, the market value of the shares was 5.0 cents (2013: 4.2 cents) resulting in the recognition of a change in fair value in the profit or loss of $698,960 (2013: impairment loss recognised of $1,468,000).

As per AASB 13 *Fair Value Measurement*, the listed equity securities are traded in an active market and the fair value of the asset is measured within Level 1 as the product of the quoted price for the individual asset and the quantity held by the entity.

(b) Investments in joint operations

The Company acquired a 5% interest for $7,000,000 in the ATP 337P Mahalo carve out block from Comet Ridge during December 2011. The Sales and Purchase Option Agreement committed the Company to fund its 5% share and Comet Ridge's 35% share of funding of a reserves certification program up to $8,000,000. At the end of this program, the Company will have the option to purchase a further 15% or 35% of the block, based on a competitive predetermined price. Expenditure on the program is accumulated as Exploration and evaluation assets. The investments in joint operations are measured at historical cost in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

During January 2013, the Company disposed of its investment in the Tri-Star joint operations which covered the exploration and development of ATP 606P and ATP 972P. The assets disposed of included a 1% interest in the joint operations and accumulated exploration and evaluation expenditure of $1,193,000 (refer to note 21).

Notes to the consolidated financial statements (continued)

18 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED ENTITY	LAND AND BUILDINGS $'000	GENERATION ASSETS $'000	OPERATIONAL MINING ASSETS $'000	OTHER PLANT & EQUIPMENT $'000	MINING DEVELOPMENT ASSETS $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
Year ended 30 June 2014							
Opening net book amount	99,407	1,685,209	142,200	64,143	95,389	105,345	2,191,693
Additions	-	20,968	24,865	5,425	-	101,916	153,174
Transfer between asset classes	1,122	40,441	74,899	3,178	35	(119,675)	-
Impairment loss	(280)	-	-	-	-	-	(280)
Disposals	(1,719)	(519)	(610)	(56)	-	-	(2,904)
Depreciation	(3,131)	(142,523)	(18,325)	(7,713)	-	-	(171,692)
Closing net book amount	95,399	1,603,576	223,029	64,977	95,424	87,586	2,169,991
At 30 June 2014							
Cost or recoverable amount	147,252	3,518,661	294,112	100,316	95,424	87,586	4,243,351
Accumulated depreciation	(51,853)	(1,915,085)	(71,083)	(35,339)	-	-	(2,073,360)
Net book amount	95,399	1,603,576	223,029	64,977	95,424	87,586	2,169,991

CONSOLIDATED ENTITY	LAND AND BUILDINGS $'000	GENERATION ASSETS $'000	OPERATIONAL MINING ASSETS $'000	OTHER PLANT & EQUIPMENT $'000	MINING DEVELOPMENT ASSETS $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
Year ended 30 June 2013							
Opening net book amount	104,245	1,717,013	139,508	56,753	90,697	105,153	2,213,369
Additions	-	-	-	-	-	183,356	183,356
Transfer between asset classes	295	139,902	9,380	28,895	4,692	(183,164)	-
Transfer to Intangible Assets	-	-	-	(10,041)	-	-	(10,041)
Impairment loss	(1,544)	-	-	-	-	-	(1,544)
Disposals	(595)	(3,901)	(19)	(46)	-	-	(4,561)
Depreciation	(2,787)	(139,126)	(10,464)	(11,399)	-	-	(163,776)
Prior year adjustment	(207)	(10,036)	-	(19)	-	-	(10,262)
Change in rehabilitation assets	-	(18,643)	3,795	-	-	-	(14,848)
Closing net book amount	99,407	1,685,209	142,200	64,143	95,389	105,345	2,191,693
At 30 June 2013							
Cost or recoverable amount	148,336	3,772,199	193,249	96,676	95,389	105,345	4,411,194
Accumulated depreciation	(48,722)	(2,076,954)	(51,049)	(32,514)	-	-	(2,209,239)
Prior year adjustment	(207)	(10,036)	-	(19)	-	-	(10,262)
Net book amount	99,407	1,685,209	142,200	64,143	95,389	105,345	2,191,693

18 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

PARENT ENTITY	LAND AND BUILDINGS $'000	GENERATION ASSETS $'000	OTHER PLANT & EQUIPMENT $'000	MINING DEVELOPMENT ASSETS $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
Year ended 30 June 2014						
Opening net book amount	64,433	1,421,568	31,455	95,389	45,374	1,658,219
Additions	-	12,385	5,384	-	63,462	81,231
Transfer between asset classes	1,004	39,576	2,981	35	(43,787)	(191)
Impairment loss	(280)	-	-	-	-	(280)
Disposals	(620)	(505)	(54)	-	-	(1,179)
Depreciation	(1,566)	(110,950)	(6,922)	-	-	(119,438)
Closing net book amount	62,971	1,362,074	32,844	95,424	65,049	1,618,362
At 30 June 2014						
Cost or recoverable amount	105,498	2,964,127	91,836	95,424	65,049	3,321,934
Accumulated depreciation	(42,527)	(1,602,053)	(58,992)	-	-	(1,703,572)
Net book amount	62,971	1,362,074	32,844	95,424	65,049	1,618,362

PARENT ENTITY	LAND AND BUILDINGS $'000	GENERATION ASSETS $'000	OTHER PLANT & EQUIPMENT $'000	MINING DEVELOPMENT ASSETS $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
Year ended 30 June 2013						
Opening net book amount	67,882	1,408,483	61,108	90,697	69,609	1,697,779
Additions	-	-	-	-	121,013	121,013
Transfer between asset classes	(380)	150,051	(9,115)	4,692	(145,248)	-
Transfer to Intangible Assets	-	-	(10,041)	-	-	(10,041)
Impairment loss	(1,475)	-	-	-	-	(1,475)
Disposals	(205)	(3,417)	(38)	-	-	(3,660)
Depreciation	(1,182)	(104,330)	(10,440)	-	-	(115,952)
Prior year adjustment	(207)	(10,036)	(19)	-	-	(10,262)
Change in rehabilitation assets	-	(19,183)	-	-	-	(19,183)
Closing net book amount	64,433	1,421,568	31,455	95,389	45,374	1,658,219
At 30 June 2013						
Cost or recoverable amount	105,471	3,096,337	88,280	95,389	45,374	3,430,851
Accumulated depreciation	(40,831)	(1,664,733)	(56,806)	-	-	(1,762,370)
Prior year adjustment	(207)	(10,036)	(19)	-	-	(10,262)
Net book amount	64,433	1,421,568	31,455	95,389	45,374	1,658,219

Notes to the consolidated financial statements (continued)

18 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Leased assets

Included within property, plant and equipment are assets subject to cross border leases with carrying amounts as follows:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Leased assets				
Cost	623,505	1,228,725	623,505	1,228,725
Accumulated depreciation	(325,307)	(604,357)	(325,307)	(604,357)
Net book amount	298,198	624,368	298,198	624,368

(b) Correction to prior year depreciation

Refer to note 3(a) for explanations of an adjustment required to be made in the accounting for depreciation in the previous financial year and retrospective adjustments recognised on 30 June 2013. The amounts disclosed in this note are post these adjustments.

19 NON-CURRENT ASSETS - INTANGIBLE ASSETS

CONSOLIDATED ENTITY	SOFTWARE $'000	MINING LEASE AND INFORMATION $'000	TOTAL $'000
Year ended 30 June 2014			
At 1 July	15,291	75,278	90,569
Additions	2,152	-	2,152
Amortisation charge	(7,226)	-	(7,226)
At 30 June	10,217	75,278	85,495
At 30 June 2014			
Cost	88,770	75,278	164,048
Accumulated amortisation	(78,553)	-	(78,553)
Net book amount	10,217	75,278	85,495

CONSOLIDATED ENTITY			
Year ended 30 June 2013			
At 1 July	12,785	75,278	88,063
Transfer from property, plant and equipment	10,040	-	10,040
Amortisation charge	(7,534)	-	(7,534)
At 30 June	15,291	75,278	90,569
At 30 June 2013			
Cost	86,619	75,278	161,897
Accumulated amortisation and impairment	(71,328)	-	(71,328)
Net book amount	15,291	75,278	90,569

Notes to the consolidated financial statements (continued)

19 NON-CURRENT ASSETS - INTANGIBLE ASSETS (CONTINUED)

PARENT ENTITY	SOFTWARE $'000	TOTAL $'000
Year ended 30 June 2014		
At 1 July	15,292	15,292
Additions	2,150	2,150
Amortisation charge	(7,226)	(7,226)
At 30 June	10,216	10,216
At 30 June 2014		
Cost	88,731	88,731
Accumulated amortisation	(78,515)	(78,515)
Net book amount	10,216	10,216

PARENT ENTITY		
Year ended 30 June 2013		
At 1 July	12,782	12,782
Transfer from property, plant and equipment	10,041	10,041
Amortisation charge	(7,531)	(7,531)
At 30 June	15,292	15,292
At 30 June 2013		
Cost	86,581	86,581
Accumulated amortisation and impairment	(71,289)	(71,289)
Net book amount	15,292	15,292

Mining lease and information

The Kunioon coal resource was transferred in from Tarong Energy Corporation Pty Ltd as a result of the Generator Restructure. Additional economic coal reserves at the Meandu Mine were confirmed during the 2009 financial year which enabled the Group to defer a full-scale development and transition to the Kunioon coal resource. Activities relating to the transition to the Kunioon coal resource have been deferred, however the resource continues to be part of the Group's long-term fuel supply plan. Amortisation of the Kunioon mining lease and mining information will occur over the life of the Kunioon Mine using a units of production method and reflecting the pattern of economic benefit to the Group in accordance with note 1(q)(ii). Amortisation will commence once the Kunioon Mine is operational.

20 NON-CURRENT ASSETS - BIOLOGICAL ASSETS

The Group has three timber plantations situated at Rockhampton, the Tully River and Tarong.

Rockhampton

Stanwell is a joint operations partner with HQPlantations Pty Ltd in a 99 hectare native (mixed eucalypt species) hardwood plantation on Stanwell Power Station non-operational land. Planted in 2008, Stanwell works with the joint operations partner to manage the plantation for the commercial production of plantation timber in accordance with good forestry and environmental practice. To maximise return on investment, forest management and harvest planning will consider both market opportunities and the biological requirements of the plantation.

Tully River

In 2010, Stanwell planted a 20-hectare native (mixed species) timber plantation on the King Ranch property. The plantation comprises a mix of native rainforest and eucalypt species, selected after a 5 hectare trial plot was established several years earlier. Stanwell will maintain the woodlot and monitor opportunities for potential future use of the resource.

20 NON-CURRENT ASSETS - BIOLOGICAL ASSETS (CONTINUED)

Tarong

Stanwell is a joint operations partner with HQPlantations Pty Ltd in a 79 hectare hoop pine plantation in the Tarong area. Planted in 1997, Stanwell works with the joint operations partner to manage the plantation for the commercial production of plantation timber in accordance with good forestry and environmental practice. To maximise return on investment, forest management and harvest planning will consider both market opportunities and the biological requirements of the plantation.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Plantation growing timber				
Carrying amount at 30 June	463	463	463	463

(a) Financial risk management strategies

The Group is exposed to financial risks arising from changes in the price of timber. The Group does not anticipate that timber prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in timber prices. The Group reviews its outlook for timber prices regularly in considering the need for active financial risk management.

21 NON-CURRENT ASSETS - EXPLORATION AND EVALUATION

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
At 1 July	19,933	17,484	19,933	9,621
Expenditure incurred	13,028	13,424	164	12,832
Amortisation charge	(5,058)	(1,327)	(5,058)	(1,327)
Disposals	-	(1,193)	-	(1,193)
Impairment loss	-	(8,455)	-	-
Transfer to property, plant and equipment	(5,409)	-	(5,409)	-
At 30 June	22,494	19,933	9,630	19,933

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the areas of interest.

(a) Disposal of interest in ATP606P and ATP972P

During January 2013, the Company disposed of its investment in the Tri-Star joint operations which covered the exploration and development of ATP 606P and ATP 972P. The assets disposed of included a 1% interest in the joint operations (refer to note 17), which had a carrying amount of $24,614,000, and accumulated exploration and evaluation expenditure of $1,193,000.

(b) Impairment of interest in ATP626P

The Group exited its contractual interest in coal seam gas resources ATP 626P with Icon Energy Limited on 2 July 2013. The interest in ATP 626P was fully impaired at 30 June 2013, therefore no value for disposal was recorded.

22 NON-CURRENT ASSETS - OTHER NON-CURRENT ASSETS

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Deferred stripping	3,912	58,970	-	-
Other	1,407	1,665	1,407	1,665
	5,319	60,635	1,407	1,665

Notes to the consolidated financial statements (continued)

23 NON-CURRENT ASSETS - RETIREMENT BENEFIT SURPLUS

(a) Superannuation plan

The Group contributes on behalf of its employees to a number of defined contribution funds as well as to the industry multiple employer superannuation scheme, managed by Energy Super, which consists of a defined benefit fund and a defined contribution fund. The defined benefit section provides lump sum benefits based on years of service and average salary. The defined contribution section receives fixed contributions from the Group and the Group's legal or constructive obligation is limited to these contributions.

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 7.

(b) Balance sheet amounts

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

	CONSOLIDATED AND PARENT ENTITY	
	2014 $'000	2013 $'000
Present value of the defined benefit obligation	(71,288)	(82,435)
Fair value of defined benefit plan assets	78,604	85,269
	7,316	2,834
Adjustment for contributions tax	1,291	500
Net (liability)/asset before adjustment for contributions tax	7,316	2,834
Net asset in the balance sheet	8,607	3,334

(c) Categories of plan assets

The major categories of plan assets are as follows:

	CONSOLIDATED AND PARENT ENTITY	
	2014 $'000	2013 $'000
Cash	7,860	8,527
Unlisted property	7,860	8,527
Fixed interest securities	7,860	8,527
Domestic equities	22,010	23,875
Private equity	15,721	17,054
International equities	17,293	18,759
	78,604	85,269

23 NON-CURRENT ASSETS - RETIREMENT BENEFIT SURPLUS (CONTINUED)

(d) Reconciliations

	CONSOLIDATED AND PARENT ENTITY	
	2014 $'000	2013 $'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:		
Balance at 1 July	81,935	112,076
Current service cost	3,786	5,081
Interest cost	3,056	3,310
Actuarial (gains) and losses	(7)	(12,795)
Contributions by plan participants	877	1,090
Estimated benefit payments, insurance and tax plus net transfers	(19,650)	(26,827)
Balance at 30 June	69,997	81,935
Reconciliation of the fair value of plan assets:		
Balance at 1 July	85,269	96,231
Expected return on plan assets	3,218	5,706
Actuarial (losses)/gains	6,685	6,411
Contributions by Group companies	2,205	2,658
Estimated benefit payments, insurance and tax plus net transfers	(19,650)	(26,827)
Contributions by plan participants	877	1,090
Balance at 30 June	78,604	85,269

(e) Amounts recognised in profit or loss

The amounts recognised in the profit or loss are as follows:

	CONSOLIDATED AND PARENT ENTITY	
	2014 $'000	2013 $'000
Current service cost	3,786	5,081
Interest cost	3,056	3,310
Expected return on plan assets	(3,218)	(5,706)
Total included in employee benefits expense	3,624	2,685
Actual gain on plan assets	9,903	12,117

(f) Amounts recognised in other comprehensive income

	CONSOLIDATED AND PARENT ENTITY	
	2014 $'000	2013 $'000
Cumulative actuarial losses at 1 July	(6,410)	(25,616)
Actual gain recognised in the year	6,692	19,206
	282	(6,410)

Notes to the consolidated financial statements (continued)

23 NON-CURRENT ASSETS - RETIREMENT BENEFIT SURPLUS (CONTINUED)

(g) Reconciliation of net liability/(asset) recognised in balance sheet

	CONSOLIDATED AND PARENT ENTITY	
	2014 $'000	2013 $'000
Net (asset)/liability recognised in balance sheet at 1 July	(3,334)	15,845
Estimated company contributions	(2,205)	(2,658)
Expense recognised in income statement	3,624	2,685
(Gain) in year	(6,692)	(19,206)
Net (asset) recognised in balance sheet at 30 June	(8,607)	(3,334)

(h) Principal actuarial assumptions

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

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014	2013	2014	2013
Discount rate	3.5%	3.8%	3.5%	3.8%
Expected return on plan assets	3.5%	3.8%	3.5%	3.8%
Future salary increases	4.0%	4.0%	4.0%	4.0%

The expected rate of return on plan assets has been calculated based on the current asset allocation to each of the major asset classes and the expected future investment return for each of these asset classes. This resulted in the selection of a 1.9% (2013: 6.0%) expected return (net of investment fees and tax).

(i) Employer contributions

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 1 July 2014 by Sunsuper Financial Services Pty Ltd.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the projected unit credit method. This funding method seeks to have the benefits funded by means of a total contribution which is expected to be a consistent percentage of members' salaries over their working lifetime.

Using the projected unit credit method and particular actuarial assumptions as to the plan's future experience, the actuary recommended in the actuarial review as at 1 July 2014, the payment of employer contributions to the fund of 6% of defined benefit members' salaries for the next reporting year. A contribution rate of 12% (2013: 12%) has been adopted by the Group for the year ended 30 June 2014.

Total employer contributions expected to be paid by the Group for the year ended 30 June 2015 are $2,949,000.

(j) Historic summary

CONSOLIDATED AND PARENT ENTITY	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000
Defined benefit plan obligation	(71,288)	(82,435)	(109,699)	(29,565)	(25,870)
Plan assets	78,604	85,269	96,231	32,228	28,742
(Deficit)/surplus	7,316	2,834	(13,468)	2,663	2,872
Experience adjustments arising on plan liabilities	7	12,795	(16,217)	1,186	(601)
Experience adjustments arising on plan assets	6,685	6,411	(7,951)	(879)	809

Notes to the consolidated financial statements (continued)

24 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade payables	43,020	46,527	31,018	37,487
Other payables and accrued expenses	105,578	115,009	76,481	80,055
	148,598	161,536	107,499	117,542

Trade and other payables are generally due within 30 days.
The carrying value of trade payables approximates their fair value.

(a) Amounts not expected to be settled within 12 months

The current provision for employee benefits included within other payables and accrued expenses includes accrued annual leave and vesting sick 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 accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Leave obligations expected to be settled after 12 months	8,452	6,839	7,230	5,941

25 FINANCE LEASE LIABILITIES

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current liabilities				
Lease liabilities	8,181	-	-	-
Total current finance lease liabilities	8,181	-	-	-
Non-current liabilities				
Lease liabilities	32,515	-	-	-
Total non-current finance lease liabilities	32,515	-	-	-
Total finance leases	40,696	-	-	-

The Group leases mining equipment with a carrying amount of $42,313,739 (2013 - $Nil) under finance leases expiring within 3 years. The Group has the option to acquire the leased assets on the expiry of the leases. This acquisition cost has been recognised as part of the finance lease liability.

Notes to the consolidated financial statements (continued)

25 FINANCE LEASE LIABILITIES (CONTINUED)

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Commitments in relation to finance leases are payable as follows:				
Within one year	10,167	-	-	-
Later than one year but not later than five years	34,796	-	-	-
Minimum lease payments	44,963	-	-	-
Future finance charges	(4,267)	-	-	-
Total finance lease liabilities	40,696	-	-	-
The present value of finance lease liabilities is as follows:				
Within one year	8,181	-	-	-
Later than one year but not later than five years	32,515	-	-	-
Minimum lease payments	40,696	-	-	-

26 CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Carbon emissions liability	84,185	87,960	80,528	83,261
Employee benefits	16,449	19,003	14,395	17,163
Restructuring costs	7,688	22,399	4,660	15,429
Restoration, rehabilitation and decommissioning	3,519	2,004	999	200
Dividends	96,504	11,704	96,504	11,704
Onerous contracts	1,107	-	1,107	-
	209,452	143,070	198,193	127,757

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits and onerous contracts, are set out below:

CONSOLIDATED ENTITY 2014	CARBON EMISSIONS LIABILITY $'000	DIVIDENDS $'000	RESTORATION, REHABILITATION AND DECOMMISSIONING $'000	TOTAL $'000
At 1 July	87,960	11,704	2,004	101,668
Amounts used/paid during the year	(352,375)	(11,704)	(402)	(364,481)
Additional provisions recognised	350,636	96,504	1,917	449,057
Unused amounts reversed	(2,036)	-	-	(2,036)
At 30 June	84,185	96,504	3,519	184,208

26 CURRENT LIABILITIES - PROVISIONS (CONTINUED)

(a) Movements in provisions (continued)

CONSOLIDATED ENTITY 2013	CARBON EMISSIONS LIABILITY $'000	DIVIDENDS $'000	RESTORATION, REHABILITATION AND DECOMMISSIONING $'000	TOTAL $'000
At 1 July	-	63,900	12,615	76,515
Amounts used/paid during the year	(267,238)	(63,900)	(747)	(331,885)
Additional provisions recognised	355,198	11,704	390	367,292
Unused amounts reversed	-	-	(10,254)	(10,254)
At 30 June	87,960	11,704	2,004	101,668

PARENT ENTITY 2014	CARBON EMISSIONS LIABILITY $'000	DIVIDENDS $'000	RESTORATION, REHABILITATION AND DECOMMISSIONING $'000	TOTAL $'000
At 1 July	83,261	11,704	200	95,165
Amounts used/paid during the year	(332,281)	(11,704)	(132)	(344,117)
Additional provisions recognised	331,584	96,504	931	429,019
Unused amounts reversed	(2,036)	-	-	(2,036)
At 30 June	80,528	96,504	999	178,031

PARENT ENTITY 2013	CARBON EMISSIONS LIABILITY $'000	DIVIDENDS $'000	RESTORATION, REHABILITATION AND DECOMMISSIONING $'000	TOTAL $'000
At 1 July	-	63,900	11,187	75,087
Amounts used/paid during the year	(249,843)	(63,900)	(747)	(314,490)
Additional provisions recognised	333,104	11,704	-	344,808
Unused amounts reversed	-	-	(10,240)	(10,240)
At 30 June	83,261	11,704	200	95,165

(b) Amounts not expected to be settled within 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. However, based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	CONSOLIDATED ENTITY 2014 $'000	CONSOLIDATED ENTITY 2013 $'000	PARENT ENTITY 2014 $'000	PARENT ENTITY 2013 $'000
Long service leave obligation expected to be settled after 12 months	14,804	17,104	12,956	15,448

Notes to the consolidated financial statements (continued)

26 CURRENT LIABILITIES - PROVISIONS (CONTINUED)

(c) Restructure costs

The Company is operating in a very challenging business environment. In February 2014, the Board approved the strategy of placing the Swanbank E site into cold storage from 1 October 2014 for up to three years. This decision resulted in a number of voluntary redundancy compensation packages being paid and provided for during the year.

27 CURRENT LIABILITIES - OTHER CURRENT LIABILITIES

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Deferred revenue	4,892	2,840	4,892	2,840
Security deposits and retentions	5,310	261	5,310	261
	10,202	3,101	10,202	3,101

28 NON-CURRENT LIABILITIES - BORROWINGS

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Unsecured borrowings	521,280	772,208	521,280	772,208

* Further information relating to loans from related parties is set out in note 40.

(a) Unsecured borrowings

The unsecured borrowings are provided by Queensland Treasury Corporation (QTC). The borrowings have no fixed repayment date however the facility is assessed by QTC annually. An amount of $818.1 million (2013: $568.1 million) is held in a debt offset account, and is reported as a set-off against non-current borrowings. The net balance after offset is $521.3 million (2013: $772.2 million). 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 Queensland Treasury Corporation 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.

In addition to the unrestricted access to funds as noted above, the Company has a $60 million Working Capital Facility with QTC which meets short-term funding requirements. At 30 June 2014, the facility was not utilised (2013: $Nil).

(b) Fair value

The fair value of unsecured borrowings for the Group and Parent entity at 30 June 2014 was $639.2 million (2013: $852.8 million) compared to a carrying amount of $521.3 million (2013: $772.2 million). Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes.

(c) Risk exposures

For an analysis of the sensitivity of borrowings to interest rate risk refer to note 2.

Notes to the consolidated financial statements (continued)

29 NET DEFERRED TAX EQUIVALENT BALANCES

(a) Deferred tax assets

	CONSOLIDATED ENTITY 2014 $'000	CONSOLIDATED ENTITY 2013 $'000	PARENT ENTITY 2014 $'000	PARENT ENTITY 2013 $'000
The balance comprises temporary differences attributable to:				
Employee benefits	13,826	9,012	11,960	7,687
Provision - carbon emissions liability	25,256	26,388	24,158	24,978
Investment impairment	-	509	-	509
Derivatives	44,443	77,560	44,443	77,560
Other	132,899	134,654	74,842	78,253
Total deferred tax equivalent assets	216,424	248,123	155,403	188,987
Deferred tax equivalent assets expected to be recovered within 12 months	3,094	3,204	1,496	1,568
Deferred tax equivalent assets expected to be recovered after more than 12 months	213,330	244,919	153,907	187,419
	216,424	248,123	155,403	188,987

MOVEMENTS - CONSOLIDATED ENTITY	EMPLOYEE BENEFITS $'000	DEFINED BENEFIT PLAN $'000	CARBON EMISSIONS LIABILITY $'000	OTHER $'000	TOTAL $'000
At 1 July 2012	18,552	4,754	-	125,537	148,843
(Charged)/credited					
- to profit or loss	(9,540)	-	26,388	87,186	104,034
- to other comprehensive income	-	(4,754)	-	-	(4,754)
At 30 June 2013	9,012	-	26,388	212,723	248,123
At 30 June 2013	9,012	-	26,388	212,723	248,123
(Charged)/credited					
- to profit or loss	4,814	-	(1,132)	(35,381)	(31,699)
At 30 June 2014	13,826	-	25,256	177,342	216,424

29 NET DEFERRED TAX EQUIVALENT BALANCES (CONTINUED)

(a) Deferred tax assets (continued)

MOVEMENTS - PARENT ENTITY	EMPLOYEE BENEFITS $'000	DEFINED BENEFIT PLAN $'000	CARBON EMISSIONS LIABILITY $'000	OTHER $'000	TOTAL $'000
At 1 July 2012	17,523	4,754	-	85,122	107,399
(Charged)/credited					
- to profit or loss	(9,836)	-	24,978	71,200	86,342
- to other comprehensive income	-	(4,754)	-	-	(4,754)
At 30 June 2013	7,687	-	24,978	156,322	188,987
At 30 June 2013	7,687	-	24,978	156,322	188,987
(Charged)/credited					
- to profit or loss	4,273	-	(820)	(37,037)	(33,584)
At 30 June 2014	11,960	-	24,158	119,285	155,403

(b) Deferred tax liabilities

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 RESTATED $'000	2014 $'000	2013 RESTATED $'000
The balance comprises temporary differences attributable to:				
Property, plant and equipment	301,668	309,123	264,324	274,321
Defined benefit plan	2,582	1,000	2,582	1,000
Derivatives	61,108	51,807	61,107	49,565
Inventories	79,384	45,775	30,453	18,371
Exploration, evaluation and development	8,077	3,018	4,218	2,100
Other	23,325	44,573	10,082	36,415
Total deferred tax equivalent liabilities	476,144	455,296	372,766	381,772
Deferred tax equivalent liabilities expected to be settled within 12 months	127,153	117,196	78,221	87,551
Deferred tax equivalent liabilities expected to be settled after more than 12 months	348,991	338,100	294,545	294,221
	476,144	455,296	372,766	381,772
Set-off of deferred tax assets pursuant to set-off provisions	(216,424)	(248,123)	(155,403)	(188,987)
Net deferred tax equivalent liabilities	259,720	207,173	217,363	192,785

29 NET DEFERRED TAX EQUIVALENT BALANCES (CONTINUED)

(b) Deferred tax liabilities (continued)

MOVEMENTS - CONSOLIDATED ENTITY	PROPERTY, PLANT AND EQUIPMENT $'000	DEFINED BENEFIT PLAN $'000	DERIVATIVES $'000	OTHER $'000	TOTAL $'000
At 1 July 2012	250,327	-	24,181	133,481	407,989
Charged/(credited)					
- profit or loss	58,796	(8)	68,396	(40,115)	87,069
- to other comprehensive income	-	1,008	(40,770)	-	(39,762)
At 30 June 2013 (restated)	309,123	1,000	51,807	93,366	455,296
At 1 July 2013 (restated)	309,123	1,000	51,807	93,366	455,296
Charged/(credited)					
- profit or loss	(7,455)	(426)	(39,890)	17,420	(30,351)
- to other comprehensive income	-	2,008	49,191	-	51,199
At 30 June 2014	301,668	2,582	61,108	110,786	476,144

MOVEMENTS - PARENT ENTITY	PROPERTY, PLANT AND EQUIPMENT $'000	DEFINED BENEFIT PLAN $'000	DERIVATIVES $'000	OTHER $'000	TOTAL $'000
At 1 July 2012	252,868	-	24,179	82,479	359,526
Charged/(credited)					
- profit or loss	21,453	(8)	66,156	(25,593)	62,008
- to other comprehensive income	-	1,008	(40,770)	-	(39,762)
At 30 June 2013 (restated)	274,321	1,000	49,565	56,886	381,772
At 1 July 2013 (restated)	274,321	1,000	49,565		
Charged/(credited)				56,886	381,772
- profit or loss	(9,997)	(426)	(37,649)	(12,133)	(60,205)
- to other comprehensive income	-	2,008	49,191	-	51,199
At 30 June 2014	264,324	2,582	61,107	44,753	372,766

Notes to the consolidated financial statements (continued)

30 NON-CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Employee benefits - long service leave	3,154	2,571	3,033	2,571
Other provisions	6,141	-	6,141	-
Restoration, rehabilitation and decommissioning	364,017	331,401	226,591	208,796
	373,312	333,972	235,765	211,367

(a) Restoration, rehabilitation and decommissioning

Provision is made for site rehabilitation costs expected to be incurred upon the closure of each operating site, including corporate offices. The estimated costs include reclamation, plant closure, waste site closure, monitoring activities and make-good. The costs have been determined on the basis of current costs, current legal requirements and current technology. The calculation of the provision is in accordance with note 1(w)(iv).

(b) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out in the following tables:

CONSOLIDATED ENTITY 2014	RESTORATION, REHABILITATION AND DECOMMISSIONING $'000	TOTAL $'000
At 1 July	331,401	331,401
Unwinding of discount	17,581	17,581
Additional provision recognised	15,035	15,035
At 30 June	364,017	364,017

CONSOLIDATED ENTITY 2013	RESTORATION, REHABILITATION AND DECOMMISSIONING $'000	TOTAL $'000
At 1 July	334,158	334,158
Unwinding of discount	18,235	18,235
Reversal of unused amounts	(20,992)	(20,992)
At 30 June	331,401	331,401

PARENT ENTITY 2014	RESTORATION, REHABILITATION AND DECOMMISSIONING $'000	TOTAL $'000
At 1 July	208,796	208,796
Unwinding of discount	10,923	10,923
Additional provision recognised	6,872	6,872
At 30 June	226,591	226,591

Notes to the consolidated financial statements (continued)

30 NON-CURRENT LIABILITIES - PROVISIONS (CONTINUED)

(b) Movements in provisions (continued)

PARENT ENTITY 2013	RESTORATION, REHABILITATION AND DECOMMISSIONING $'000	TOTAL $'000
At 1 July	217,834	217,834
Unwinding of discount	11,768	11,768
Reversal of unused amounts	(20,806)	(20,806)
At 30 June	208,796	208,796

31 NON-CURRENT LIABILITIES - OTHER NON-CURRENT LIABILITIES

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Deferred revenue	6,145	-	6,145	-

32 CONTRIBUTED EQUITY

(a) Share capital

	CONSOLIDATED AND PARENT ENTITY		CONSOLIDATED AND PARENT ENTITY	
	2014 SHARES	2013 SHARES	2014 $'000	2013 $'000
Ordinary shares				
Ordinary voting (A class), fully paid	4	4	-	-
Ordinary non-voting (B class), fully paid	924,568,658	924,568,658	1,214,693	1,214,693
Total Consolidated and Parent entity contributed equity	924,568,662	924,568,662	1,214,693	1,214,693

(b) 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.

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

(c) 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.

32 CONTRIBUTED EQUITY (CONTINUED)

(c) Capital risk management (continued)

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 (including current and non-current borrowings as shown in the balance sheets). Total capital is calculated as 'equity' as shown in the balance sheets plus debt.

During 2014, the Group's Board continued to support a target debt range of between 30% and 50% of total capital. The gearing ratios at 30 June were as follows:

		CONSOLIDATED ENTITY		PARENT ENTITY	
	NOTES	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Total borrowings	28	521,280	772,208	521,280	772,208
Total equity		1,323,977	1,173,206	1,480,118	1,366,091
Total capital		1,845,257	1,945,414	2,001,398	2,138,299
Gearing ratio		28.2%	39.7%	26.0%	36.1%

33 RESERVES AND RETAINED EARNINGS

(a) Reserves

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash flow hedges	29,600	(85,179)	29,600	(85,179)

		CONSOLIDATED ENTITY		PARENT ENTITY	
	NOTES	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Movements:					
Cash flow hedges					
Balance at 1 July		(85,179)	9,951	(85,179)	9,951
Gain/(loss) on revaluation - gross		174,809	(305,090)	174,809	(305,090)
Transfer to profit or loss - gross		(10,758)	169,139	(10,758)	169,139
Transfer to property, plant and equipment - gross		(81)	51	(81)	51
Deferred tax equivalent liabilities	29	(49,191)	40,770	(49,191)	40,770
Balance at 30 June		29,600	(85,179)	29,600	(85,179)

Notes to the consolidated financial statements (continued)

33 RESERVES AND RETAINED EARNINGS (CONTINUED)

(b) Retained earnings

Movements in retained earnings were as follows:

		CONSOLIDATED ENTITY		PARENT ENTITY	
	NOTES	2014 $'000	2013 $'000	2014 $'000	2013 $'000
At 1 July		43,692	34,509	236,578	225,910
Net profit for the year		127,812	7,447	91,074	8,930
Dividends	34	(96,504)	(11,704)	(96,504)	(11,704)
Actuarial losses on defined benefit plans		6,692	19,206	6,692	19,206
Deferred tax equivalent on actuarial losses on defined benefit plans		(2,008)	(5,762)	(2,008)	(5,762)
Other		-	(4)	(7)	(2)
Balance at 30 June		79,684	43,692	235,825	236,578

(c) Nature and purpose of other reserves

Cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 1(n). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

34 DIVIDENDS

(a) Ordinary shares

CONSOLIDATED AND PARENT ENTITY	2014 $'000	2013 $'000
Final dividend for the year ended 30 June 2014 of 10.4 cents (2013: 1.3 cents) per fully paid share		
Final dividend declared	96,504	11,704

Pursuant to the National Tax Equivalents Regime (refer to note 1(e)) the Group is not required to maintain a franking account.

Notes to the consolidated financial statements (continued)

35 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were directors of the Company and its subsidiaries during the financial year.

Chairman - non-executive director

The Hon. Warwick Raymond Parer AM (1 July 2013 to 15 March 2014)

Following the sudden passing of Mr Warwick Raymond Parer on 15 March 2014, the Board of Stanwell delegated the role, responsibilities and power and authority of the Chairman to Mr Russell James Kempnich, until such time that an official appointment of a Chairman is made by the Governor in Council in accordance with the *Government Owned Corporations Act 1993*.

Non-executive directors

Paul Breslin
Kym Louise Collins
Ann Allison Fitzpatrick
Russell James Kempnich
Stephen Robert Rochester

(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:

Richard Paul Van Breda - Chief Executive Officer
Michael Thomas O'Rourke - Chief Financial Officer
Wayne Alexander Collins - Chief Operating Officer (resigned as of 16 April 2014)
Ian James Gilbar - Chief Operating Officer (acting appointment effective 17 April 2014)
Tanya Margaret Mills - Executive General Manager Energy Trading and Commercial Strategy
(acting appointment effective 1 October 2012)
Jennifer Jayne Gregg - Executive General Manager Business Services

(c) Remuneration of key management personnel

A summary of the remuneration of the directors of the Company and other key management personnel of the Group is set out on the following table:

	2014 $'000	2013 $'000
Short-term employee benefits	2,275	2,226
Post-employment benefits	208	221
Long-term benefits	41	10
Termination benefits	298	569
	2,822	3,026

Amounts disclosed for remuneration of key management personnel exclude insurance premiums paid by the Group or related parties in respect of officers' liabilities and legal expenses insurance contracts, as the insurance policies do not specify premiums paid in respect of individual officers.

35 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Remuneration of key management personnel (continued)

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 and be undertaken in consultation with shareholding Ministers;
- remuneration of Senior Executives will be aligned to the Company's strategic plan and organisational objectives and reviewed regularly to ensure continued relevance to and effectiveness in supporting strategic business requirements; and
- remuneration arrangements will be consistent with the *Government Owned Corporations - Governance Arrangements for Chief and Senior Executives*.

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 the general market rate, as assessed by external consultants;
- other benefits, which may include private health insurance and access to a pool car park, depending on individual employment arrangements;
- retirement benefits delivered under defined contribution superannuation funds nominated by the key management personnel apart from one key management person who is provided defined lump sum benefits based on years of service and final average salary; and
- at-risk performance incentives, that may be payable annually in cash or superannuation or a combination of both, depending upon satisfaction of key criteria.

Link between remuneration paid and the 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;
- market movements;
- government policy; and
- the Company's capacity to pay.

35 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Remuneration of key management personnel (continued)

Where the Chief Executive Officer and other key management personnel are not currently remunerated at the market median for their role, increases may be 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. Total fixed remuneration increases above market median requires approval from shareholding Ministers.

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, business unit and individual performance targets 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 contract provides for the provision of performance based incentive and access to a pool car park.

Other major provisions of the Chief Executive Officer's remuneration contract are set out below:

- term of contract - three years, commencing 18 July 2012 and concluding on 17 July 2015;
- payment of termination benefit on early termination by the Group, except for serious misconduct or poor performance, equal to two weeks' salary (with a minimum of 13 weeks' and maximum of 52 weeks' salary) for each year of continuous service, 20% of residual salary value of the contract (with minimum of 13 weeks' salary) and any accrued entitlements; and
- severance payment of 12 weeks' salary upon expiry of the agreement, and any accrued entitlements.

Senior Executive appointments have been approved by the Board. The remuneration and other terms of employment for these roles are specified in employment contracts. The contracts provide for performance based incentives and other benefits, which may include health insurance and access to a pool car park, depending on individual employment arrangements.

All Senior Executives are employed on fixed term employment contracts. Under the *Senior Executive - Recruitment, Appointment and Remuneration Policy*, the contract of employment will be for a period of three years, with the option to extend the term for a maximum of two years by mutual agreement under the same terms and conditions. They may then be reappointed once under a new contract after the completion date of the initial contract for another three years extendable for a further two years. Following expiry of this reappointment, all Senior Executive positions will be tested in the market place with the successful candidate selected based on merit and equity and in consultation with shareholder requirements.

During the financial year, Stanwell received a new policy for *Government Owned Corporation - Chief and Senior Executive Employment Arrangements* (2013). On 26 August 2014, the Board approved amendments to the existing *Senior Executive - Recruitment, Appointment and Remuneration Policy* to reflect the changes contained within the new Government policy and this amended policy will apply to future executive contracts. Key amendments outlined in the revised policy include changes to annual remuneration increases, performance payments, tenured arrangements replacing fixed employment terms, reductions in the required notice period and updates to termination entitlements.

35 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Remuneration of key management personnel (continued)

Contract dates for the Senior Executives are as follows:

- Chief Financial Officer - 23 January 2009 and extended for a further two year period on 24 January 2012, concluding on 23 January 2014; then a second contract effective 23 January 2014 concluding on 23 January 2017.
- Chief Operating Officer - 27 June 2008 and extended for a further two year period on 27 June 2011. A new contract was issued effective 2 July 2012, concluding 1 July 2015. The previous incumbent in this role resigned effective 17 April 2014. This role is currently being filled in an acting capacity by an incumbent who is not employed under the Senior Executive terms and conditions.
- Executive General Manager Business Services - 2 March 2009 and extended for a further two year period on 22 December 2011, concluding on 21 December 2013; then a second contract effective 22 December 2013 concluding 21 December 2016.
- Executive General Manager Energy Trading and Commercial Strategy - this role was created on 1 October 2012 as part of the review of Stanwell's executive structure. The current incumbent in this role is in an acting capacity and is not employed under the Senior Executive terms and conditions.

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

- a payment of termination benefit on early termination by the Group, except for serious misconduct or poor performance, equal to two weeks' salary (with a minimum of four weeks' and maximum of 52 weeks' salary) for each year of continuous service, separation payment of 20% of the residual salary value of the contract and any accrued entitlements; and
- a severance payment equal to two weeks' salary (with a minimum of four weeks' and maximum of 52 weeks' salary) for each continuous year of service, only in circumstances where employment terminates upon expiry of the contract and where the Group has not offered further employment beyond the expiry date for reasons other than for serious misconduct or poor performance, and any accrued entitlements.

(d) Performance payments for the Group

The following discloses the aggregate at-risk performance bonuses and salary and wages paid to all employees who received an at-risk performance payment:

	CONSOLIDATED ENTITY	
	2014 $'000	2013 $'000
Aggregate at-risk performance incentive remuneration[1]		
Chief Executive Officer and Senior Executives	243	117
Contract and Enterprise Bargaining Agreement employees	7,525	5,508
	7,768	5,625
Aggregate remuneration paid or payable[2]	98,299	100,299
Number of employees to whom a performance payment is paid or payable	726	852

1. Performance payment accruing in respect of the relevant year, regardless of the payment date.
2. Total remuneration includes base salary, overtime payments and other work related allowances and at-risk performance payments but excludes superannuation and non-cash benefits.

Prior year figures exclude Stanwell Power Station Team Incentive Payments. In the current year, these payments are deemed to be at-risk performance payments and are disclosed in the table above.

35 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Performance payments for the Group (continued)

At-risk performance incentive remuneration in this or future reporting periods is dependent upon satisfaction of targets approved by the Board at the start of each financial year.

EMPLOYEE CATEGORY	GRANT DATE	NATURE OF REMUNERATION GRANTED
Chief Executive Officer	26 August 2014	At-risk performance incentive payable in cash (cap of 15% of total fixed remuneration)
Senior Executives	26 August 2014	At-risk performance incentive payable in cash (cap of 15% of total fixed remuneration)
Contract employees	26 August 2014	At-risk performance incentive payable in cash (cap of 15% of total fixed remuneration)
Enterprise Bargaining Agreement employees	26 August 2014	At-risk performance incentive payable in cash (cap of 12% of total fixed remuneration)

(e) 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

	SHORT-TERM EMPLOYEE BENEFITS			POST EMPLOYMENT	TOTAL
NAME	CASH SALARY	COMMITTEE FEES	NON-MONETARY BENEFITS	SUPERANNUATION	
2014	$'000	$'000	$'000	$'000	$'000
The Hon. Warwick Raymond Parer AM	59	6	-	7	72
Kym Louise Collins	31	4	-	3	38
Ann Allison Fitzpatrick	31	4	-	3	38
Russell James Kempnich	31	6	-	4	41
Stephen Robert Rochester	31	6	-	4	41
Paul Breslin	31	4	-	3	38
2013					
The Hon. Warwick Raymond Parer AM	79	8	-	-	87
Kym Louise Collins	31	4	-	3	38
Ann Allison Fitzpatrick	31	4	-	3	38
Russell James Kempnich	31	6	-	3	40
Stephen Robert Rochester	31	6	-	3	40
Paul Breslin	31	4	-	3	38

35 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(e) Details of remuneration (continued)

Other key management personnel of the Group

	SHORT-TERM EMPLOYEE BENEFITS				POST EMPLOYMENT		LONG-TERM EMPLOYEE BENEFITS	TOTAL
POSITION	CASH SALARY	ALLOWANCE	BONUS	NON-MONETARY BENEFITS	SUPER-ANNUATION	TERMINATION PAYMENTS	LONG SERVICE LEAVE	
2014	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Chief Executive Officer	537	-	74	13	56	-	13	693
Chief Financial Officer	287	-	43	13	31	-	7	381
Chief Operating Officer	282	-	40	10	28	298	7	665
Acting Chief Operating Officer	47	-	-	-	5	-	1	53
Acting Executive General Manager Marketing and Trading	288	-	43	3	31	-	6	371
Executive General Manager Business Services	269	16	43	23	33	-	7	391
2013								
Chief Executive Officer	486	-	18	12	54	-	12	582
Acting Chief Executive Officer	23	2	1	1	3	-	1	31
Chief Financial Officer	207	-	19	9	31	-	5	271
Acting Chief Financial Officer	96	8	-	8	11	134	(29)	228
Chief Operating Officer	335	-	30	12	37	-	8	422
Executive General Manager Human Resources and Stakeholder Engagement	55	9	6	3	11	-	1	85
Executive General Manager Marketing and Trading	72	7	-	14	9	435	1	538
Acting Executive Manager, Energy Trading and Commercial Strategy	197	-	19	-	20	-	5	241
Executive General Manager Governance and Corporate Strategy	62	-	6	3	6	-	2	79
Executive General Manager Business Services	179	26	19	16	23	-	4	267

(f) Other transactions with directors and other key management personnel

All transactions in the years ended 30 June 2013 or 30 June 2014 between the Group and directors or other key management personnel, including their related parties, were on normal commercial terms and conditions and were immaterial in nature.

Notes to the consolidated financial statements (continued)

36 JOINT ARRANGEMENTS

(a) Joint operations

The Company has a 50% (2013: 50%) interest in the Kogan North Joint Venture, a gas development joint operations in the Surat Basin with Australian CBM Pty Ltd, a wholly-owned subsidiary of Arrow Energy NL. The principal activity of the joint operations is the exploration and development of commercial coal seam gas assets.

The Company has an 84% (2013: 84%) interest in the Woodlands Hardwood Plantation Joint Venture and a 19% (2013: 19%) interest in the Tarong Hoop Pine Joint Venture. The interests are in unincorporated joint operations with Hancock Queensland Plantations Pty Ltd (formerly Forestry Plantations Queensland) with whom the Company has joint control over all relevant activities. The principal activity of the operations is the establishment of a viable commercial plantation of trees (refer to note 20).

The Company was involved in joint operations in an unincorporated joint venture, the Lydia farm-in area within the ATP 626P joint venture in the Surat Basin with Icon Energy Limited. The principal activity of these operations was the exploration of coal seam methane. The Company terminated this arrangement with Icon Energy Limited on 2 July 2013. The Deed of Termination and Release with Icon Energy Limited removes all future obligations and limits exposure to existing claims.

(b) Commitments and contingent liabilities in respect of joint arrangements

The contingencies and commitments in relation to the joint arrangements are set out with all contingencies and commitments in notes 38 and 39 respectively.

(c) Summarised financial information for joint arrangements

The tables on the following page provide summarised financial information for those joint operations that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint operations and not Stanwell Corporation Limited's share of those amounts. They have been amended to reflect adjustments made by the entity when accounting for the proportionate consolidation value of the joint operations.

	KOGAN NORTH JOINT VENTURE	
SUMMARISED BALANCE SHEET	30 JUNE 2014 $'000	30 JUNE 2013 $'000
Current assets		
Cash and other cash equivalents	770	500
Other current assets	21	-
Trade and other receivables	107	65
Total current assets	898	565
Non-current assets		
Property, plant and equipment	10,765	-
Exploration and evaluation	3,260	24,192
Total non-current assets	14,025	24,192
Current liabilities		
Other current liabilities	(693)	(520)
Total current liabilities	(693)	(520)

Notes to the consolidated financial statements (continued)

36 JOINT ARRANGEMENTS (CONTINUED)

(c) Summarised financial information for joint arrangements (continued)

	KOGAN NORTH JOINT VENTURE	
SUMMARISED BALANCE SHEET	30 JUNE 2014 $'000	30 JUNE 2013 $'000
Non-current liabilities		
Financial liabilities (excluding trade payables)	-	(8,478)
Other non-current liabilities	(15,140)	(15,259)
Total non-current liabilities	(15,140)	(23,737)
Net assets	(910)	500
Group's share in joint arrangements	(455)	250
Carrying amount	(455)	250

In addition to interests disclosed above, since 1997, the Company has contributed land valued at $1,027,000 and biological assets of $462,774 to the Tarong Hoop Pine Joint Venture and the Woodlands Hardwood Plantation Joint Venture with Hancock Queensland Plantations.

37 REMUNERATION OF AUDITORS

During the period the following fees were paid or payable for services provided by the auditor of the Parent entity:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $	2013 $	2014 $	2013 $
Audit and other assurance services				
Audit and review of financial statements	430,000	450,000	430,000	450,000
Other assurance services	-	25,978	-	25,978
Total auditors' remuneration	430,000	475,978	430,000	475,978

38 CONTINGENCIES

Guarantees

All guarantees are provided in the form of unconditional undertakings provided by Queensland Treasury Corporation and are secured through indemnity agreements.

These guarantees may give rise to liabilities in the Parent entity if the subsidiaries do not meet their obligations under the terms of the agreements or other liabilities subject to the guarantees.

In line with the accounting policy set out in note 1(y) the fair value of the above guarantees is $Nil (2013: $Nil).

Investment in gas exploration operations

The Company terminated its joint operations arrangement with Icon Energy Limited on 2 July 2013. The Deed of Termination and Release with Icon Energy Limited provides that the Company is released from all future obligations and limits the Company's exposure to existing claims.

39 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	CONSOLIDATED ENTITY	
	2014 $'000	2013 $'000
Property, plant and equipment	-	1,477
Exploration and evaluation	-	163

(b) 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.

	CONSOLIDATED ENTITY	
	2014 $'000	2013 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	5,292	4,948
Later than one year but not later than five years	15,538	15,743
Later than five years	7,238	6,822
	28,068	27,513

(c) Other commitments

	CONSOLIDATED ENTITY	
	2014 $'000	2013 $'000
Commitments relating to other operating expenditure payable is as follows:		
Within one year	73,584	203,690
Later than one year but not later than five years	218,948	585,967
Later than five years	172,351	864,033
	464,883	1,653,690

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

40 RELATED PARTY TRANSACTIONS

(a) Parent entity

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

(b) Wholly owned group

The wholly owned Group consists of Stanwell Corporation Limited and its wholly owned entities. Details of the interests in subsidiaries are set out in note 41.

The following transactions occurred with subsidiaries during the year:

	PARENT ENTITY	
	2014 $'000	2013 $'000
Fuel costs incurred for fuel provided by TEC Coal Pty Ltd	118,658	144,645
Loans receivable from subsidiaries	696,510	788,489

(c) Joint operations

The Group is a party to the Kogan North Joint Venture with Australian CBM Pty Ltd, a wholly-owned subsidiary of Arrow Energy NL.

The Group is party to the Woodlands Hardwood Plantation Joint Venture and the Tarong Hoop Pine Joint Venture with Hancock Queensland Plantations Pty Ltd (formerly Forestry Plantations Queensland).

The Group was party to the Lydia farm-in area within the ATP 626P with Icon Energy Limited until the termination of this agreement on 2 July 2013.

Details of the interest and transactions with the joint operations are set out in note 36.

(d) Key management personnel

Disclosures relating to key management personnel are set out in note 35.

Apart from specific compensation detailed in note 35, no director has entered into a contract with the Group since the end of the previous financial year.

(e) 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 other related parties:

Notes to the consolidated financial statements (continued)

40 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Other State of Queensland controlled entities and post employment benefit plans (continued)

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Electricity financial instrument settlements and environmental certificates	26,713	36,160	26,702	8,476
Fuel costs	(10,245)	(10,953)	(384)	(315)
Raw materials and consumables	(98,742)	(118,873)	(89,635)	(98,028)
Employee benefits expense	(5,988)	(7,516)	(5,500)	(6,952)
Other expenses	(9,660)	(14,511)	(9,395)	(12,850)
Finance costs	(22,238)	(34,296)	(22,238)	(34,296)
Superannuation contributions	(2,132)	(2,764)	(2,114)	(2,745)
Capital repatriation	(11,704)	(63,900)	(11,704)	(63,900)
Income tax equivalent (expense)	(44,975)	(913)	(29,227)	(3,177)

(f) Outstanding balances

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

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash and cash equivalents	90,072	151,942	90,072	151,942
Trade and other receivables	2,166	2,145	2,166	2,145
Derivative financial instrument assets	21,638	26,552	21,638	26,552
Trade and other payables	(6,625)	(8,319)	(5,100)	(6,405)
Derivative financial instrument liabilities	(3,561)	(10,699)	(3,561)	(10,699)
Deferred tax balances	(259,720)	(207,173)	(217,363)	(192,785)
Borrowings	(513,744)	(768,996)	(513,744)	(768,996)
Provision for dividends	(96,504)	(11,704)	(96,504)	(11,704)
Current tax payable	(28,476)	(17,878)	(28,476)	(17,878)

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

Notes to the consolidated financial statements (continued)

41 SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(b):

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING 2014 %	EQUITY HOLDING 2013 %
Mica Creek Pty Ltd*,**	Australia	Ordinary	100	100
SCL North West Pty Ltd*,**	Australia	Ordinary	100	100
Energy Portfolio 1 Pty Ltd	Australia	Ordinary	100	100
Glen Wilga Coal Pty Ltd	Australia	Ordinary	100	100
Goondi Energy Pty Ltd	Australia	Ordinary	100	100
Tarong Energy Corporation Pty Ltd	Australia	Ordinary	100	100
Tarong Fuel Pty Ltd**	Australia	Ordinary	100	100
Tarong North Pty Ltd	Australia	Ordinary	100	100
TEC Coal Pty Ltd**	Australia	Ordinary	100	100
TN Power Pty Ltd**	Australia	Ordinary	100	100

* These subsidiaries were transferred by regulation to Stanwell Corporation Limited on 1 July 2011.

** These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 42.

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.

42 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 Class Order 98/1418 issued by the Australian Securities and Investments Commission.

The companies listed in note 41 represent a 'Closed Group' for the purposes of the Class Order, 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'.

43 ECONOMIC DEPENDENCY

The Group relies upon the Australian Energy Market Operator (AEMO) to determine the Regional Reference Price used in calculating the Group's electricity sales revenue.

The Group's customers are predominantly Queensland and New South Wales based due to limitations of physical delivery to other Australian Energy Market regions.

The Group is reliant on Queensland Electricity Transmission Corporation Limited (Powerlink Queensland) to provide fully available and functioning transmission lines to enable physical delivery of electricity.

44 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Profit/(loss) for the year	127,812	7,447	91,074	8,930
Add items classified as investing/financing activities:				
Net loss on disposal of property, plant and equipment	(312)	-	(312)	-
Add non-cash items:				
Depreciation and amortisation expense	178,918	181,572	126,664	133,745
Impairment loss	280	11,467	280	2,943
Non-cash retirement benefits expense adjustment	1,419	22,425	1,419	15,456
Fair value adjustment to derivatives	10,054	48,067	10,054	48,066
Unwinding of discount on provision	17,581	18,235	10,923	11,768
Non-cash rehabilitation provision	3,024	(19,030)	2,038	(14,681)
Stock obsolescence expense	395	-	395	-
Net (gain)/loss on sale of available-for-sale financial assets	-	(3,174)	-	(3,067)
Amortisation of investment in Exploration and Evaluation assets	5,058	1,385	5,058	1,181
Fair value (gain)/loss on financial assets at fair value through profit or loss	(699)	-	(699)	-
Change in operating assets and liabilities:				
Decrease/(increase) in trade and other receivables	30,078	(30,879)	35,820	(15,919)
(Increase)/decrease in inventories	(58,758)	10,969	(58,769)	21,319
Decrease/(increase) in current intangible assets	368	(368)	368	(368)
(Increase) in other current assets	(19,484)	(36,774)	(7,742)	(614)
(Decrease) in trade and other payables	(14,028)	(12,299)	(9,767)	13,256
Increase/(decrease) in other non-current liabilities	13,246	(2,190)	13,246	(2,161)
Increase/(decrease) in current tax liabilities	10,598	17,878	10,598	17,878
Increase/(decrease) in deferred tax balances	52,547	(51,973)	24,578	(59,342)
(Decrease)/increase in provisions	(14,718)	81,612	(9,799)	76,970
Increase/(decrease) in current financial assets	20,848	35,278	20,848	35,278
Increase/(decrease) in current tax receivable	-	35,776	-	35,776
Deferred tax reserves movement	(51,199)	35,008	(51,199)	35,008
Net cash inflow from operating activities	313,028	350,432	215,076	361,422

45 CROSS BORDER LEASES

Stanwell Power Station is subject to cross border leases which were entered into in 1995 and 1996. In accordance with accounting standards, the leases are treated as finance leases. The leased assets are being amortised in the profit or loss over the estimated life of the assets on a straight line basis consistent with the Group's policy on depreciation of power stations.

Any major changes to the operational configuration of the power station must be approved by the lessors. There is no lease liability as future lease payments were prepaid at the commencement of the lease.

46 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 17 July 2014, the Carbon Tax Repeal Bills passed the Senate of the Federal Government and gained Royal Assent. The bills are retrospective to 1 July 2014 meaning that Stanwell will have a zero carbon liability for the year ending 30 June 2015. The repeal of the carbon legislation has no financial impact on the financial statements for the year ended 30 June 2014.

Apart from the above, no matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

Stanwell Corporation Limited

Directors' declaration

2014

In the directors' opinion:

(a) the financial statements and notes set out on pages 32 to 105 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 Company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the 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 42 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 note 42.

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.

Russell James Kempnich
Director

Brisbane
26 August 2014

Independent auditor's report to the members

2014

Independent auditor's report to the members Stanwell Corporation Limited

I have audited the accompanying financial report of Stanwell Corporation Limited, which comprises the balance sheets as at 30 June 2014, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor General's opinion are significant.

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Stanwell Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In my opinion the financial report of Stanwell Corporation Limited is in accordance with the *Corporations Act 2001*, including -

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

n george

N George CPA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

Glossary

Availability
The total energy available to the system, allowing for planned and forced maintenance, as a percentage of total energy capacity.

Capacity factor
The amount of energy generated compared to what would have been generated if the power station/s operated at installed capacity for the whole period.

Forced outage factor
The proportion of a plant's capacity that is unavailable as a result of an outage (including full outage, partial outage or a failed start) that cannot reasonably be delayed beyond 48 hours.

National Electricity Market
The National Electricity Market is one of the world's longest interconnected power systems, stretching from Port Douglas in Queensland to Port Lincoln in South Australia and across the Bass Strait to Tasmania – a distance of around 5,000 kilometres.

Power purchase agreement
A contract between an electricity generator and a power purchaser (typically a utility or a large power buyer/trader).

Spot price
The half hour average of the five-minute dispatch prices set by the marginal generator.

Wallumbilla Gas Hub
The Wallumbilla Hub is a voluntary gas trading exchange which facilitates the wholesale trading of natural gas.

stanwell

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