stanwell

Annual Report

2020/21

We **care**
We **adapt**
We **deliver**

About **this report**

This report provides an overview of the major initiatives and achievements of Stanwell Corporation Limited (Stanwell), as well as the business' financial and non-financial performance for the year ended 30 June 2021.

Each year, we document the nature and scope of our strategy, objectives and actions in our Statement of Corporate Intent, which represents our performance agreement with our shareholding Ministers. Our performance against our 2020/21 Statement of Corporate Intent is summarised on pages 22 to 28.

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

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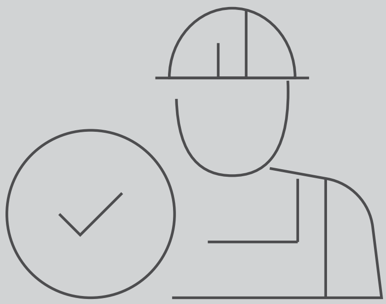
Our **performance**



Safety focus

Our continued focus on our safety performance resulted in a 14 per cent decrease in recordable injuries across our sites, from 14 in 2019/20 to 12 in 2020/21.

77% of our revenue

came from electricity contracts as we continue to explore new products and energy solutions with our customers.

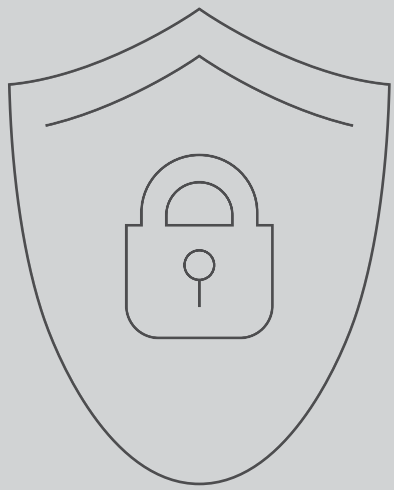
We introduced several

new retail product offerings

(with more in the pipeline) for our customers. Our new product offerings allow them to power their operations sustainably and meet their business' needs.

Corporate **strategy**

Through the ongoing development of our corporate strategy, we examined a range of scenarios, each representing a different scale and pace of change to understand what our future operating environment would look like. Through this process we identified a range of business risks and opportunities that need to be addressed to ensure we continue to succeed.



94.0% reliability

We continued to maintain the reliability of our plant, with National Electricity Market-connected assets achieving a reliability factor of 94.0 per cent.

We have entered into a long-term

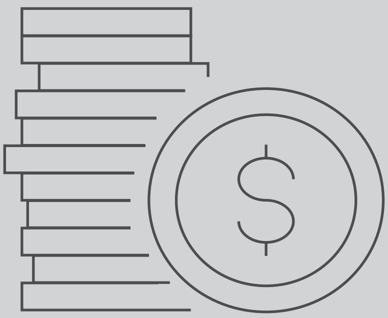
348 MW offtake

agreement with Clarke Creek Wind Farm to provide clean, renewable energy to our customers and help decarbonise our portfolio.

2020/**21**

We invested $235 million

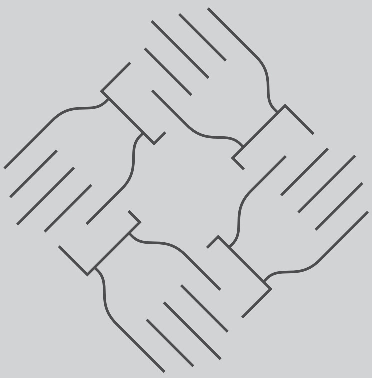
in our operational assets to provide a reliable, secure and safe supply of energy for Queenslanders and our customers along the eastern seaboard.



We provided a secure supply of electricity with

18,655 GWh

sent out by our National Electricity Market-connected assets.



A major **milestone**

was reached in the establishment of a large-scale hydrogen industry in Central Queensland with Stanwell securing land for our proposed 3,000 MW renewable hydrogen electrolysis facility at Aldoga, 20 kilometres west of Gladstone.

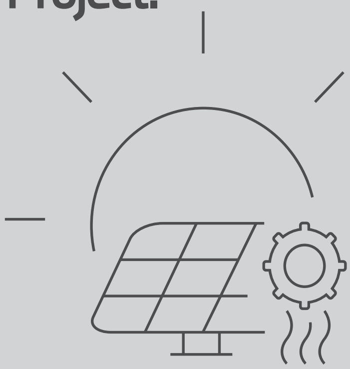
EOI

We ran a successful renewable energy project expression of interest process to identify high quality, mature and early stage Queensland-based projects to incorporate into our portfolio via power purchase agreements and/or equity investment.

We announced a joint development agreement with Vast Solar to undertake a

$10 million **feasibility study**

for Vast Solar's ground-breaking North West Queensland **Hybrid Power Project.**



About **Stanwell**

Who we are

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

As a company that operates generation assets critical for energy reliability, we are working with our customers, host communities, shareholders, regulators, partners, suppliers and one another, to achieve long-term solutions to ensure a reliable electricity supply and provide system security. Whatever the challenge, our commitment is to do business in ways which recognise and respond to the needs of the people around us, while also ensuring the long-term sustainability and profitability of our business. We have a variety of income sources which allow us to achieve the best possible returns for our owners, the people of Queensland.

We sell wholesale electricity into the National Electricity Market and we have an electricity retail business, Stanwell Energy, serving large commercial and industrial customers. We also have an additional revenue based on coking coal exported from Curragh Mine (coking coal is used to produce steel).

At Stanwell, we value a diverse and inclusive culture where we attract, employ and develop people who share our values. As at 1 July 2021, we employed 699 full time equivalent direct employees, in addition to more than 560 specialist contractors across our sites. Our aim is to create a workplace where everyone is included, treated fairly, respected and given the opportunity to develop and contribute to our success.

Our values

On 1 July 2020, we launched our new values and behaviours to reflect our culture, what is important to our people and the direction of our business. The new company values - We care, We adapt and We deliver have been firmly embedded through everyday business decisions, employee performance discussions, leadership stories and values discussions at the start of formal meetings.

Our values and behaviours are:

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

About **Stanwell Energy**

Stanwell Energy is an energy retailer for large users of energy across the eastern seaboard of Australia. For more than 10 years, we have been working with some of Australia's biggest commercial and industrial businesses to deliver tailor-made, flexible solutions to meet their specific energy needs.

Stanwell Energy is backed by one of the largest traditional electricity generators in the National Electricity Market, with 3,341 MW of installed generation capacity, and a diverse range of renewable energy and storage projects in its development pipeline.

Stanwell Energy's tailored solutions include, but are not limited to:

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

A flexible renewable offering:

Stanwell Energy has several renewable energy options available, which can be flexibly applied, to meet its customers' specific renewable energy and sustainability requirements.

- **Energy Renewell:** Our Energy Renewell product allows customers to allocate a percentage of their load to come from one of Stanwell's renewable energy partners in Queensland. By choosing Energy Renewell, businesses can market that they are backed by electricity generation from a wind or solar proponent in Queensland.
- **PPA Management:** We can integrate our customers' power purchase agreements into an energy contract with Stanwell Energy, to ensure customer demand is met.
- **Large-scale Green Certificates (LGCs):** Customers can purchase LGCs from a range of renewable energy projects on the market, through either fixed price or progressive arrangements, allowing customers to offset their carbon emissions with up to 100 per cent renewable energy.
- **Accredited GreenPower:** As an accredited GreenPower provider, Stanwell Energy customers can elect to have from one to 100 per cent of their generation backed by the Federal Government's managed GreenPower program.

Stanwell Energy's difference is:

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

Accurate, timely billing: We understand that costs and timing are vital – timely and accurate billing is essential to ensure our customers' cash flows are managed as efficiently as possible. Our invoices are fully itemised and issued by the fifth business day of each month. Our accurate, transparent, and timely billing allows our customers to get on with the other important aspects of running their business.

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

Expert energy partners: As one of Australia's largest energy generators, we draw upon the expertise of our electricity trading desk and business origination teams to keep our customers up to date on market changes. We have worked hard to build strong relationships with key network service providers, metering coordinators and embedded network managers to ensure we can assist with queries from our customers when required.

Visit StanwellEnergy.com to learn more.

How the electricity **market works**

National Electricity Market

The National Electricity Market (NEM) is a wholesale electricity market in which generators (like Stanwell) sell electricity and retailers buy it to on-sell to consumers. It is a highly competitive market, with more than 100 generator and retailer participants.

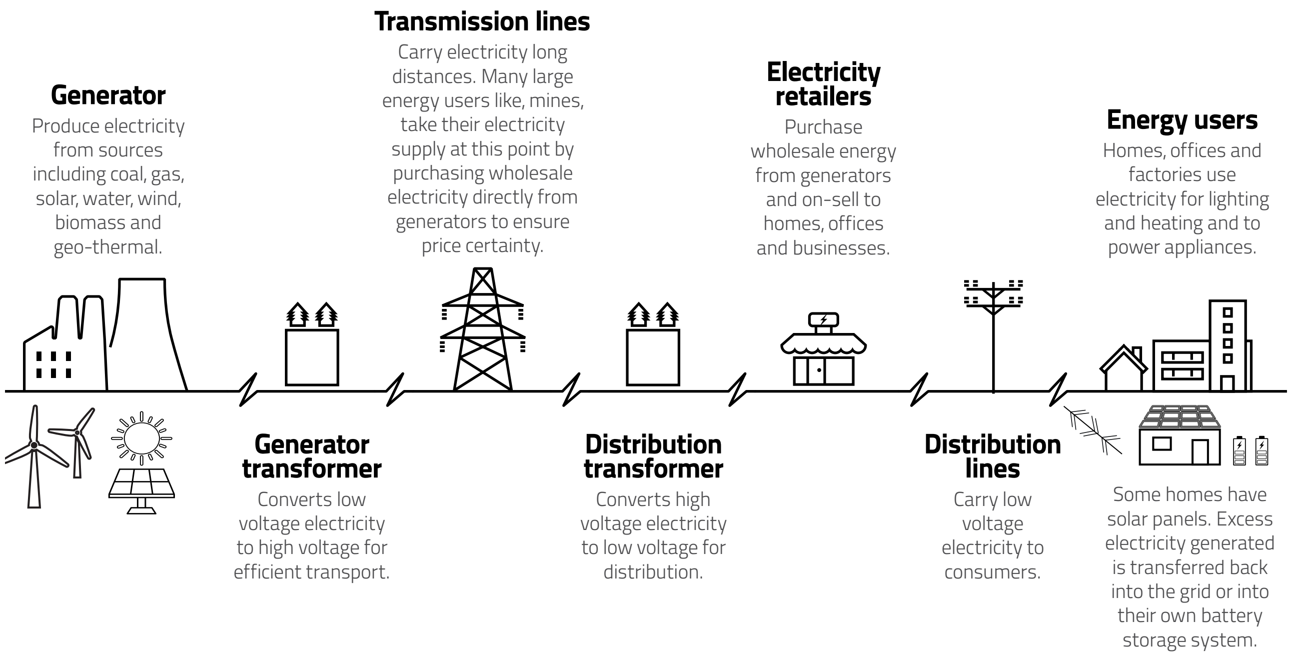
The NEM incorporates one of the world's longest interconnected power grids - stretching 5,000 kilometres from Port Douglas in Queensland to Port Lincoln in South Australia and across the Bass Strait to Tasmania.

All electricity generated is sold through the NEM. It is a wholesale market and prices fluctuate every five minutes in response to supply and demand.

Rooftop solar installations continue to reduce total NEM demand as it is consumed directly by households, reducing their grid consumption. Surplus energy from rooftop solar is also fed into the NEM, further reducing requirements for generation from grid connected generators.

Visit Stanwell's energy explainer platform, What's Watt **to learn more about Australia's National Electricity Market and the energy industry.**

The electricity supply chain



Our **assets**

Stanwell's portfolio includes 3,341 MW of traditional energy generation assets located throughout Queensland. We own and operate Stanwell Power Station near Rockhampton, the Tarong power stations and Meandu Mine near Kingaroy, as well as Mica Creek Power Station near Mount Isa.

As of 1 January 2021, the 218 MW gas-fired Mica Creek Power Station, located six kilometres from Mount Isa, was taken out of operation due to a lack of customer contracts. Mica Creek was not connected to the National Electricity Network and supplied electricity to just two industrial customers. Both customer contracts expired on 31 December 2020.

Stanwell took over Mica Creek Power Station from CS Energy in 2011, as part of the Queensland Government's restructuring of energy assets.

For sixty years, Mica Creek Power Station has been a feature in the Mount Isa community. Not just as a prominent structure on the horizon, but it has played an important role keeping the lights on, industry running and providing a place of work for generations of people.

Stanwell's ability to operate is dependent on the support of the communities we operate in – so we thank the Mount Isa community for its support.

As of 16 December 2020, Stanwell's Mackay Gas Turbine was also removed from service and is in the process of being decommissioned.

Generation

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

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

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

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

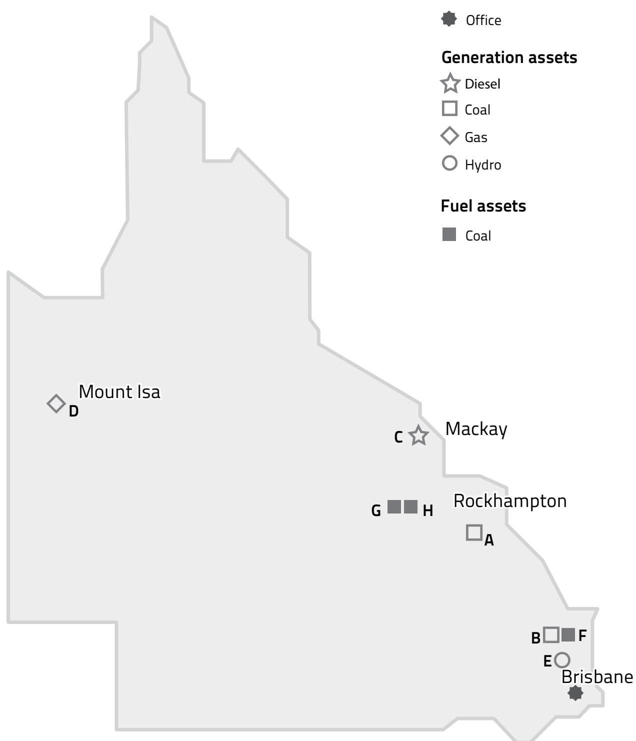
E WIVENHOE SMALL HYDRO,
South East Queensland – 4.3 MW (hydro)

Coal

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

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

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



**As of 16 December 2020, Mackay Gas Turbine was removed from service and is in the process of being decommissioned.*

***As of 1 January 2021, Mica Creek Power Station was taken out of operation.*

Chair's **statement**

Throughout the 2020/21 financial year, Stanwell made important progress in keeping energy prices affordable, advancing our strategic priorities and maintaining the safety and reliability of our assets.

The rapid introduction of low-cost variable large-scale renewables, together with consumer preferences and government policies, is transforming both the generation mix and patterns of electricity consumption.

In 2020/21 there was an additional 3,214 MW of large-scale semi-scheduled renewable generation connected to the National Electricity Market (NEM), this is 37 per cent more than the previous year.

Consumers are also increasing their share of energy produced, investing in behind-the-meter distributed energy resources such as solar and battery storage to lower their carbon footprint and electricity costs. Between July 2020 and the end of June 2021, there was 2,650 MW of rooftop solar PV added to the National Electricity Market. Rooftop solar PV continues to 'carve out' market supplied electrical energy demand in the middle of the day as businesses and households use their rooftop solar systems instead of grid power.

This has led to records continuing to be set for minimum electrical energy demand and the combination of low demand and low cost renewable generation is resulting in a record number of negative spot prices and significant changes to the daily price curve. In the summer period of January to March 2021, Queensland's minimum demand was 4,346 MW – this is the lowest it has been since the 2012/13 financial year.

This reduction in minimum demand is making it challenging for coal-fired plant like the Stanwell and Tarong power stations to operate in an efficient and cost-effective manner, particularly during the middle of the day when solar generation peaks.

In response to these drivers, Stanwell is positioning itself to capture and commercialise renewable energy opportunities in the evolving commercial and industrial retail market. To do this, we will leverage the continued operation of our Stanwell and Tarong power stations to provide reliable electricity for Queensland and the National Electricity Market, as well as build a new diversified portfolio of renewable assets and energy storage projects.

During the year we progressed the development of a large-scale renewable hydrogen export opportunity in Central Queensland, a solar thermal hybrid energy project in the North West Minerals Province and a large-scale battery project storage system to help maintain system security at the Tarong Power Station. We also entered into power purchase agreements for offtake from the Clarke Creek Windfarm and Bluegrass solar projects. The offtake from these projects will be sold to our large commercial and industrial customers who purchase electricity through Stanwell Energy - our retail business.

You can read more about Stanwell's progress against its strategy on pages 22 to 28.

Queensland Renewable Energy and Hydrogen Jobs Fund

The Queensland Government has announced it will make available up to $2 billion to support its Government Owned Corporations in investing in new renewable energy generation and job creating initiatives. The Board thank the Government for making these funds available. Stanwell has applied for funding for a series of projects which at this point remain confidential - we also intend to make further applications. One project we can provide more information about is Stanwell's proposed Central Queensland hydrogen feasibility study which is expanded on below.

When considering projects for funding a key focus for the Board is on new renewable energy generation and storage in the catchment areas of the Stanwell and Tarong power stations. As we develop these facilities, we intend to operate and maintain them using our own workforce.

Central Queensland Hydrogen Project

Stanwell has undertaken a range of studies to understand the technical and commercial viability of renewable hydrogen projects, including a concept study into a scaled-up hydrogen project in Central Queensland. We have partnered with Japan's largest hydrogen supplier, Iwatani Corporation, to progress plans for a large-scale renewable hydrogen production, liquefaction and export facility based in Central Queensland, with the view to producing renewable hydrogen for export to Japan and for use in local industries.

A key project milestone was reached when Stanwell secured the land for the hydrogen electrolysis facility at Aldoga, 20 kilometres west of Gladstone.

Hydrogen presents an opportunity for Stanwell to leverage key competitive advantages and build on our core strengths as an energy provider. It is also an opportunity for us to decarbonise our portfolio and support our customers to do the same. You can read more about the project on page 24.

> On behalf of the Board I wish to extend our sincere thanks to each and every one of Stanwell's employees.

Our business performance

I am pleased to report that Stanwell has recorded a strong operational and financial performance in 2020/21.

As daily demand patterns continue to shift, our priority is to ensure our portfolio meets electricity demand and provides a secure supply of electricity for Queenslanders. In 2020/21 Stanwell sent out 18,655 GWh of energy (18,595 GWh in 2019/20) and achieved reliability of 94.0 per cent (94.4 per cent in 2019/20) across our NEM-connected assets.

Our commitment to the health and safety of all our employees and contractors remains Stanwell's highest priority. For the second year in a row, there was a decrease in recordable injuries across our sites, from 14 in 2019/20 to 12 in 2020/21. Our sustained efforts to improve our safety performance resulted in all lead indicator metrics being achieved or exceeded. While this is a positive result, we recognise the need to remain vigilant and seek continual improvement.

The COVID-19 pandemic continued to create additional challenges for our people undertaking overhauls throughout the 2021 financial year. Despite the complex operating environment, our workforces delivered five planned major overhauls and several unplanned outages, with outstanding safety performance, improved schedule, and cost management.

On 25 May 2021, CS Energy's Callide Power Station Unit C4 experienced a catastrophic failure, which resulted in the tripping of multiple generators causing low frequency load shedding across the Queensland network.

The Stanwell and Tarong power stations played a critical role in maintaining the stability of the Queensland network during this event, with the Stanwell Power Station units 1, 3, and 4 successfully tripping to house load. Consequently, these units were the first ones available for resynchronisation and loading and this was critical for restoring electricity supply and system strength to the network.

We have reviewed our operational risk processes to understand the commonality between the Callide unit and our power stations as information on the causes of this event is made available by CS Energy. We are and will continue to address any work-scope changes resulting from these investigations.

Profit result

We proved the strength and resilience of our business and our people by providing reliable energy and support to our customers and communities, while also delivering solid financial results despite challenging market conditions.

Stanwell's performance in the past year illustrates our ability to provide value for the people of Queensland. Stanwell achieved a Net Profit After Tax result for 2020/21 of $375.4 million (2019/20: Net Loss After Tax $240.3 million) which exceeds the full year target by $121.3 million.

Financial strength

We have continued our focus on the disciplined allocation of capital, rigorous cost management and received revenue from a variety of sources including coal rebates, long-term energy contracts and spot market electricity sales. Stanwell has a strong electricity contract position and approximately 77 per cent of our electricity revenue comes from contracts. These contracts protect our customers from electricity spot market volatility.

The Stanwell Board has agreed a residual dividend policy with its shareholding Ministers whereby the amount of dividend paid to shareholders is based on the profits remaining, after allowing for future debt repayments and the funding of approved capital expenditure. Stanwell will pay a dividend to our shareholder, the Queensland Government, in respect of this financial year of $107.8 million ($231.0 million in 2019/20).

Stanwell's strong balance sheet and access to undrawn bank facilities means that we are well positioned to withstand current and future market events. Gearing (calculated as total debt dividend by total capital) at 30 June 2021 was 46 per cent compared with 42 per cent at 30 June 2020. In June 2021, Stanwell transitioned to a principal and interest debt repayment plan, with the first principal repayment to be made in August 2021.

Our people and communities

For Stanwell, powering Queensland is about more than just providing electricity – it is about working with our asset communities to deliver long-term benefit. We understand that our ability to generate electricity is, in a large part, dependent on the support of our communities.

Stanwell cares about its people and is committed to our workforces at the Tarong and Stanwell power stations, and Meandu Mine. This is why we are focussed on investing in new energy generation and storage in the "catchment areas" of our existing sites and in having our workforces operate and maintain them.

Changes to our Executive Leadership Team

I would like to acknowledge former Chief Executive Officer (CEO), Richard Van Breda, for the leadership role he has played in the energy industry over the past twenty years, particularly since 2012, in the role of Stanwell's CEO. Richard led Stanwell through many challenges over the past nine years and was instrumental in making Stanwell the business that it is today. We thank Richard for his outstanding contribution to Stanwell and to the broader energy industry.

I would also like to thank Stanwell Director, Adam Aspinall, who was appointed as Acting Chief Executive Officer in May 2021. He will remain in the role while the recruitment search for a new Chief Executive Officer is undertaken. Adam was appointed as a Director of Stanwell in 2016, and his leadership and electricity industry expertise are of immense value to Stanwell.

To facilitate a dedicated period of intense resourcing on our strategic goals we have temporarily restructured the business. The restructure created two divisions – 'Energy Trading' and 'Commercial Strategy and Energy Futures' led by senior executives, Sophie Naughton and Steve Quilter respectively.

This is an important step to ensure we meet the changing demands of customers and electricity markets, while proactively supporting the business and Queensland's move towards a lower carbon future.

Acknowledgements

On behalf of the Board I wish to extend our sincere thanks to each and every one of Stanwell's employees. I wish to thank our shareholding Ministers, the Honourable Cameron Dick MP and the Honourable Mick de Brenni MP for their support of our business, as well as their advisors and departmental staff. In addition, I also thank Stanwell's suppliers, host communities and customers for their continued support of our business.

P.A. Binsted

Paul Binsted
Chair

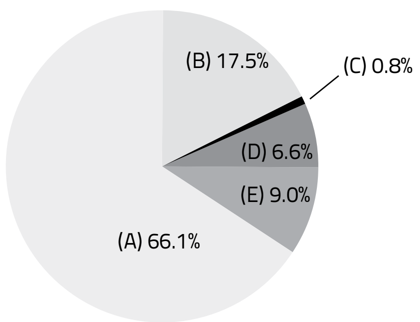
Chief Executive Officer's **review**

I have been a member of Stanwell's Board for five years and I was honored to step in as Acting Chief Executive Officer in May 2021. I am immensely proud of Stanwell, our people and the important role we play in providing affordable, reliable and secure electricity to Queenslanders and the National Electricity Market (NEM).

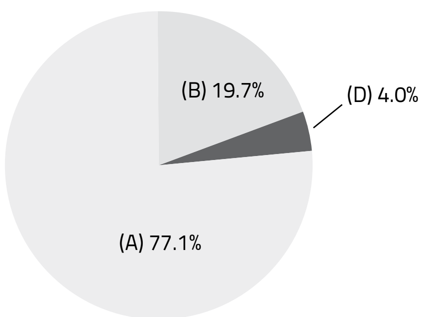
Stanwell is a value-driven business. Our values – *We care, We adapt, We deliver* – aren't just words, they guide us in the decisions we make and the work we do with each other, and our suppliers, partners, communities and shareholders. Our values help us maintain our focus and momentum in responding to the challenges facing our business and industry, while providing a reliable energy supply to our large commercial and industrial customers, and homes and businesses across the State.

Over the past 12 months, we have made significant progress in diversifying our portfolio. Stanwell has done this while balancing the need to deliver affordable wholesale prices with the need to deliver appropriate dividends. Importantly, we have continued providing market services which safeguard the stability of the electricity network, as well as preserving long-term value in our business, for the people of Queensland.

Revenue 2019/20



Revenue 2020/21



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

Our performance

Stanwell delivered strong financial results in the 2020/21 financial year, despite the continued impacts of COVID-19, volatile energy demand and surplus energy supply impacting electricity prices.

Stanwell's diversified business model delivered a strong financial result for the 2020/21 financial year, returning a Net Profit After Tax of $375.4 million (2019/20: Net Loss After Tax $240.3 million) and paying a total dividend of $107.8 million (2019/20: $231.0 million).

Stanwell's financial performance has been managed in the short to medium-term by our electricity contract position, careful management of operating costs and locking in good value long-term fuel supply arrangements.

In 2020/21 we continued building a strong contract position, with a significant proportion (77 per cent) of our revenue coming from contracts. Entering contracts allows us to lock in a firm price for a specific volume of electricity to hedge against spot price volatility and risk and provide price certainty to our customers, insulating them from the price fluctions of the spot market.

Longer-term there are implications for the sustainability of our thermal generation industry. In the market we are seeing the erosion of electrical energy demand from the grid as consumers opt to self-supply, primarily via rooftop solar PV. This self-supply (and associated exports to the grid) has caused an increasingly significant change in the day-shape of electricity demand. This in turn is driving down energy prices, particularly during daytime hours, and forcing coal-fired generators to plan for a future dominated by more renewable generation and storage options.

In the NEM, the energy supply and demand mix are changing. Energy reliability and security is critical but is increasingly challenging as the generation mix continues to shift to variable renewable energy. Each year, we conduct inspections, maintenance, refurbishment and replacement of plant and equipment to maintain the reliability, efficiency, and safety of our generation plant.

> We must balance the needs.... of our customers, host communities, business partners, regulators and end users.

In 2020/21, we achieved availability and reliability factors of 84.4 per cent and 94.0 per cent respectively (88.8 per cent and 94.4 per cent respectively in 2019/20) across our NEM-connected assets. We invested more than $235.0 million in our operational assets during 2020/21, to improve efficiency and maintain their performance.

Living true to our value of, *We care*, our people continuously strive to achieve 'zero harm' across our organisation. Our continued focus on safety performance and leadership has yielded strong improvements this year. Well done to our people and contractors for their commitment to safety, which saw a 14 per cent decrease in recordable injuries across our sites, from 2019/20 to 2020/21.

Stretching our thinking to 2035

Every year, Stanwell continues to review and evolve its corporate strategy in response to the ongoing technical, social, policy, political, environmental and economic changes affecting our business. In 2020/21 we extended our strategic view out to 2035.

We analysed future markets, considered drivers of change, and spoke to our customers and stakeholders to better understand their expectations of us. In response, we are developing a strategy to meet the future requirements of the energy market, retain value for our business and deliver lasting benefits to the people of Queensland.

As we look to the future, we will continue to operate our traditional assets as efficiently and reliably as possible while gradually introducing renewable and low emission technologies into our portfolio to meet market and customer expectations.

Our strategic themes guide us as we adapt our business to respond to future customer and market needs, and they are:

- Work smart and build capability
- Create future energy solutions
- Benefit community and our shareholders
- Affordable emissions reduction.

Work smart and build capability

Investing in the capability of our people, systems and business processes ensures we can continue to meet the challenges of the evolving market. Our people's skills mean they will be ideally positioned for the new jobs created by the changes that are happening across the energy industry.

On 1 January 2021, our apprentices and trainees became direct employees of Stanwell. This was an exciting and important milestone, and this transition ensures that Stanwell can manage the entire cycle of apprentices and trainees, from their recruitment through to the end of their program.

This year we also delivered our Next Level Leadership program to our people to help develop leadership behaviours that enable safe, productive, and effective outcomes across all levels of the organisation.

In the past 12 months, we upgraded several critical business systems to improve their efficiency and deliver technology changes to support regulatory and market rule changes.

We continued our strong cost leadership focus to help reduce generation costs and assist in keeping energy prices affordable. We have also made significant efforts to optimise and reduce our plant, fuel and water costs.

Create future energy solutions

We are working to create future energy solutions to ensure we develop the products our customers want, keep the energy system secure and enable the transformation of the electricity grid and market. This includes developing energy solutions for existing customers and facilitating the growth of new industries and energy load within the National Electricity Market.

Throughout the year, we progressed a pipeline of commercial project opportunities to position Queensland and our business for the future. This included progressing plans for the development of a large-scale renewable hydrogen export opportunity in Central Queensland (CQ-H_2 project), a solar thermal hybrid energy solution for the North West Minerals Province (North West Queensland Hybrid Power Project), and a large-scale battery storage system to help maintain system security and reliability (Tarong Battery Storage Project).

In 2020/21, we focused on alternative operating modes and plant modifications required to extend the operating range of our power stations to meet the market requirements created by the increasing penetration of renewable generation, both now and into the future.

Deliver affordable emissions reductions

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

To ensure our ongoing success in this market, we are evolving our retail offerings and products through a new diversified portfolio of renewable energy and storage assets, and by leveraging the continued operation of the Stanwell and Tarong power stations.

In early-2021, we ran an expression of interest process to gain an understanding of the opportunities in the renewable energy market. This process helped identify the most suitable renewable energy projects in Queensland to incorporate into our portfolio via power purchase agreements and/or equity investment. The process attracted significant interest, with more than 80 Queensland renewable energy projects providing submissions. We are working with selected project proponents to progress partnership opportunities over the short, medium and longer-term.

We have entered into a long-term 348 MW offtake agreement with Clarke Creek Wind Farm located in Central Queensland to enable us to provide clean, renewable energy to our customers and help decarbonise our portfolio. Our power purchase agreement with the Clarke Creek Wind Farm will enable us to provide renewable energy output from 2023 and is an important step in meeting our customers' growing sustainability requirements.

Benefit community and shareholders

We must balance the needs and expectations of our customers, host communities, business partners, regulators and end users of electricity with the needs of our shareholders, the people of Queensland. Stanwell is committed to doing business in ways which recognise and respond to the needs of the people around us, while also ensuring the long-term sustainability of our business.

Our people successfully delivered multiple overhauls at the Stanwell and Tarong power stations, which have ensured the ongoing reliability, efficiency and safety of our assets. These maintenance projects delivered important flow-on economic benefits to our host communities through the use of local suppliers, contractors and accommodation providers.

Our involvement in the Energy Charter acknowledges the importance of considering all customers when making business decisions, recognising the things we do well and identifying areas for improvement.

This year we continued our focus on creating an inclusive and supportive culture within our workplace. In particular, the key Inclusion and Diversity focus areas, which included preliminary discussions with external stakeholders about progressing a Reconciliation Action Plan.

Acknowledgements

In May 2021, after more than 20 years in the energy industry, including nearly ten as Stanwell's Chief Executive Officer, Stanwell farewelled Richard Van Breda. Richard's strong vision, values and leadership ensured Stanwell consistently achieved strong financial performance, earned the trust and high regard of our people and communities, and positioned the business as a key participant in the energy market of the future. On behalf of everyone at Stanwell, and as a representative of the whole Queensland electricity industry, I want to thank Richard for his hard work and dedication to making Stanwell the successful, values-driven business it is today, and for the significant role he has played in shaping Australia's energy market.

Thank you to my fellow Executive Leadership Team members for your support and counsel as I have adjusted to my role as Acting Chief Executive Officer. Stanwell's Executive Leadership Team is a group of experienced and highly skilled professionals, who drive our business and ensure its success.

Thank you to the whole Board, for your focus throughout the year, and for the support, advice and expertise you have provided in guiding Stanwell.

I acknowledge our shareholding Ministers and thank them for supporting the business' key initiatives in line with our 2020 Shareholder Mandate.

Last but certainly not least, I would like to thank our people for their unwavering commitment and dedication to keeping the lights on for Queenslanders despite the ongoing challenges we have experienced over the past year. Overcoming these challenges would not have been possible without your professionalism and hard work. Because of you, Stanwell is well placed to make a valued contribution to its shareholders and the people of Queensland well into the future.

As I prepare to handover the Chief Executive Officer role, I am optimistic about the future of Stanwell and I know the incoming CEO and our Board will form a formidable leadership team.

I am extremely proud of all we have achieved in 2020/21, and as we look forward to the year ahead, we remain focused on delivering our strategic priorities, while generating energy safely and creating value for our owners – the people of Queensland.

A. Aspinall

Adam Aspinall
Director and Acting Chief Executive Officer

Performance **indicators**

In 2020/21, Stanwell committed to achieving the following financial and non-financial targets.

Measure	2020/21 actual	2020/21 target	2019/20 actual
Earnings before interest and tax (EBIT) ($M)	552.7	379.4	(301.7)
Earnings before interest, tax, depreciation, amortisation, impairment and fair value movements (EBITDAIF) ($M)	449.8	393.5	729.8
Net profit after tax ($M)	375.4	254.1	(240.3)
Operating cash flow ($M)	433.5	408.6	454.1
Capital expenditure ($M)	251.3	280.4	185.5
Return on equity (%)	37.1	28.3	(20.8)
Total recordable injury frequency rate	3.49	3.6	4.1
Environmental enforcement actions	0	0	0

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

Asset performance

Year	Energy sent out (GWh)*	Capacity factor (%)	Targeted availability (%)	Actual availability (%)	Planned[1] outage factor (%)	Forced outage factor (%)
Tarong power stations – coal – 1,843 MW						
2020/21	11,124	74.2	85.0	87.7	9.4	2.9
2019/20	10,285	68.58	89.9	85.6	4.0	10.4
Stanwell Power Station – coal – 1,460 MW						
2020/21	7,523	63.7	91.4	80.3	10.0	9.7
2019/20	7,631	64.57	91.9	94.5	5.2	0.3
Mica Creek Power Station[2] – gas – 218 MW						
2020/21	226	36.0	94.1	93.5	3.0	3.5
2019/20	423	34.79	93.2	88.5	2.4	9.1
Mackay Gas Turbine[3] – gas – 34 MW						
2020/21	0.03	0.02	91.0	77.3	0.0	22.7
2019/20	0.14	0.05	91.0	96.4	2.3	1.3
Wivenhoe Small Hydro – hydro – 4.7 MW						
2020/21	8.04	21.4	95.8	93.0	7.0	0.0
2019/20	12.55	33.3	95.6	99.7	0.0	0.3

[1]Includes planned and maintenance outage factors.
[2]As of 1 January 2021, Mica Creek Power Station was taken out of operation.
[3]As of 16 December Mackay Gas Turbine was removed from service and is in the process of being decommissioned.

**Energy sent out is the amount of energy supplied to the transmission network.*

Safety performance

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

In 2020/21, we achieved our best record to date for both our Total Recordable Injury Frequency Rate (TRIFR) and Lost Time Injury Frequency Rate (LTIFR). Our TRIFR improved to 3.49, compared to 4.13 in 2019/20 and our LTIFR result was 0.29, compared to 0.59 in 2019/20.

There was a total of one Lost Time Injury (LTI), compared with two in 2019/20. Leading safety indicators (predictive measurements) met the targets set for the year and there were no serious injury or fatality (SIF) events at our sites.

Environmental sustainability

Environmental sustainability at Stanwell means we balance social, environmental, and commercial implications in the decisions we make in our business.

The implementation of Stanwell's environmental sustainability policy provides the framework for the setting of environmental objectives, targets, and action plans to ensure compliance and continual environmental performance improvement. Our sustainability policy sets the direction for both our short-term goals and positions the business for its long-term future.

Stanwell is progressing detailed plans to renew its portfolio to include low emission renewable generation in response to changing market and consumer expectations, including:

- a large-scale standalone 150 MW battery at Tarong Power Station
- establishing a large-scale renewable hydrogen industry in Central Queensland
- entering into a long-term 348 MW offtake agreement with Clarke Creek Wind Farm
- a joint development agreement with Vast Solar to undertake a feasibility study for Vast Solar's North West Queensland Hybrid Power Project
- investigating other renewable energy opportunities across Queensland. In support of this, Stanwell conducted a renewable energy project expression of interest process to identify high quality, mature and early stage Queensland-based projects to incorporate into our portfolio via power purchase agreements and/or equity investment.

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

Strategic **direction**

Market overview

Australian energy markets are undergoing significant change which has accelerated over the past 12 months. The change has been driven by increasing global commitment to decarbonisation, not only on the part of governments, but also in terms of the choices large businesses and industries are making in response to consumer demands.

The energy market of the future

Energy markets are being transformed as countries across the globe push towards decarbonisation. Several drivers are shaping the transformation of the National Electricity Market (NEM): the push for emissions reduction, differences between international, federal and state energy and emissions policy, the accelerating rate of technology, and the decreasing costs of those technologies, the system security issues (which are now regarded by many as the most pressing concern in the market), the limitations of the existing NEM structure, and the economic outlook.

To understand how these drivers are likely to affect the long-term future of our business, Stanwell developed a range of scenarios for the future.

Whichever future scenario materialises within the next 15 years, Stanwell expects to see significant market reform, accelerated investment in transmission assets and renewable generation, and intensified demand for renewable energy, both from business customers and other end users of electricity.

Stanwell's development of renewables to diversify its generation portfolio will assist the Queensland Government respond to the challenges of climate change, and meet its key policy objective of 50 per cent renewable generation capacity by 2030 under the Queensland Renewable Energy Target (QRET).

Energy reliability and security of supply is critical

Ensuring a reliable and secure supply of electricity as the generation mix continues to shift, is paramount. Currently, the Queensland energy market is oversupplied, with Queensland's generating capacity increasing by 18 per cent in the last five years, while demand has fallen by four per cent.

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

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

For the first nine months of the financial year, the Queensland time weighted average price was $39.89/MWh, driven by unseasonably mild temperatures and increased variable renewable generation. The final quarter of the financial year averaged $127.83/MWh. The causes of this dramatic price recovery were varied and included increased planned and unplanned outages (including the Callide C4 failure and flooding at the Yallourn Power Station), the ongoing impacts of COVID-19, network constraints, low wind conditions and ramping constraints.

Overall, in 2020/21 intermittent generation supply has increased while demand has reduced due to increased rooftop solar penetration. Hence, while the intraday volatility is rising, the overall average price is falling as an increasing volume of energy is consumed at low and sometimes negative prices.

Responding to the challenges: our strategic response

The ongoing development of our corporate strategy, has been informed by analysis of future market scenarios and Stanwell's competitive advantages. Four strategic goals have been identified to guide the strategy, each with specific targets. These goals are designed to be enduring, lasting through changes in mandates and market conditions, and include:

- maintain commercial sustainability
- reduce portfolio emission intensity
- support market requirements
- contribute to Future Pathways for our employees and host communities.

Over the next 15 years, Stanwell will position itself to capture opportunities in the evolving commercial and industrial retail, essential system services, and hydrogen markets.

In the short-term

We will accelerate the development of our renewable generation and energy storage portfolio through our pipeline of renewable generation and battery storage projects, as well as initiatives such as our expression of interest to energy and storage project proponents. We will also work to keep our traditional power stations operating as efficiently and reliably as possible, and provide system support to ensure security of supply for the Queensland energy market.

In the long-term

Stanwell has established a strong partnership with Iwatani (Japan's largest hydrogen supplier) and is building strategic partnerships across the hydrogen supply chain, to support the development of a large-scale renewable hydrogen export industry in Central Queensland.

Stanwell's strategy will enable the business to respond to the future needs of customers and the market, and actively contribute to Queensland's future prosperity.

In 2020/21 we achieved several important milestones in relation to our corporate strategy, and these are outlined in detail in pages 22 to 28.

Our five-year plan **2021-2026**

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

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

Work smart and build capability

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

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

Create future energy solutions

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

- influence regulatory change to ensure security and resilience services have a commercial value
- develop products, services and asset capability to meet the future needs of our customers and markets
- develop a range of renewable generation, energy storage and system support projects.

Affordable emissions reduction

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

- reduce emissions at our existing sites and across our generation portfolio while maintaining affordability
- deliver customers' requirements commercially, by selling energy that is generated using a variety of technologies which we will incorporate into our portfolio through equity ownership or power purchase agreements
- reduce our emissions footprint in ways that help keep energy affordable.

Benefit community and our shareholders

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

- help our people thrive and develop skills that will be required for future energy supply
- maintain a workplace culture that is safe and inclusive
- balance environmental, social and commercial priorities
- understand community and shareholder expectations and perceptions
- operate and evolve in ways that benefit community and our business. We're transparent about those expectations we can't meet, and why.

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Our 2020/21 **performance**

Throughout 2020/21, Stanwell worked on the following objectives in keeping with our strategic themes of work smart and build capability, create future energy solutions, deliver affordable emissions reductions and benefit our communities and shareholders.

Work smart and **build capability**

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

We engage talented people

We continue to provide opportunities for employees to participate in training programs, delivered in-house and externally, that are highly tailored to the business.

In 2020/21, we continued our Leading for the Future program, which develops our leaders' capabilities to adapt during times of ambiguity and change. Participants were challenged to think differently in the context of strategic thinking, leadership and culture. The 2021 Leading for the Future cohort commenced in July 2021.

In 2020/21 we commenced the roll-out of Stanwell's Next Level Leadership program, which supports employees to maintain a questioning mindset, make better in the moment decisions and keep important safety practices front of mind.

Over the past 12 months extensive work has gone into our employee value proposition (EVP) program to help ensure Stanwell's position as an employer of choice. Understanding Stanwell's EVP and our people's perception of our EVP, allows us to articulate the unique and relevant value employees gain through their employment, which helps drive attraction, engagement, and retention.

In 2020/21, the total number of trainees, apprentices and graduates employed at Stanwell's sites and office was 58. This included ten new apprentices, three new trainees and seven graduates. In 2021/22, we will host a further 12 apprentices and trainees, and three graduates.

As of 1 January 2021, Stanwell employs all its apprentices and trainees directly. This transition means Stanwell manages the entire cycle of apprentices and trainees, from their recruitment through until the end of their program.

Stanwell actively encourages constructive working relationships with our employees, site delegates and unions who are party to our enterprise agreements. Stanwell is currently in the process of negotiating the Corporate and the Tarong Power Station Enterprise Agreements. The Stanwell Power Station Enterprise Agreements is not due to expire until 1 March 2023. Planning for this enterprise agreement will commence in late-2021, with a view to bargaining framework approval in early-2022 and negotiations to commence six months prior to expiry.

We have integrated, intuitive and secure systems

In 2020/21 Stanwell finalised implementation of its 2016 Information Technology Communication (ICT) strategy. This strategy delivered significant technology simplification and eliminated the need for multiple enterprise resource planning and safety systems.

Stanwell continued to deliver system changes to support the implementation of the Australian Energy Market Commission's five-minute settlement market rule change. This included completing all required projects to the agreed schedule and under budget.

This year, Stanwell implemented a new data and digital strategy to help us make better decisions and improve efficiencies across the business. This extensive program of works is part of a five-year plan focused on using data, analytics and digital technology to boost our processes and performance.

We continued to strengthen the security controls in our systems and workforce management practices, as well as improving our response to cybersecurity threats and incidents. We also refreshed our cybersecurity strategy and improved our system maturity in line with the Australian Energy Sector Cybersecurity Framework.

To better understand and leverage emerging technologies in our business in 2020, Stanwell collaborated with The University of Queensland to explore the use of emerging technologies such as artificial intelligence, computer vision, drones and lidar. Our work together identified that emerging technologies could significantly benefit Stanwell's operations in three major areas including revenue and cost optimisation, compliance, and health and safety.

We simplify, standardise and improve our business processes

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

In 2020/21, our National Electricity Market connected generation portfolio achieved average availability and reliability factors of 84.4 per cent and 94.0 per cent, respectively.

Stanwell continued its participation in reduced unit load exercises to ensure preparedness, and that our systems are safe, secure and integrated. Our participation in regular electricity market exercises meant we were well rehearsed to respond to the Callide Power Station incident in May 2021, and this showed in both our trip to house load and in our quick return to full-load operation.

We challenge and optimise our costs

In 2020/21, Stanwell continued to deliver operational efficiencies across the business. This has been driven by a range of initiatives, including efficiencies in mining operations which reduced fuel costs, overhaul programs, a business-wide focus on reducing operations and corporate costs, and optimising our capital expenses.

During the year we invested more than $235.0 million in capital projects across our operational sites to improve efficiency or maintain performance, ensuring our assets can respond when needed by the market.

As part of this five major overhauls were delivered across our sites, including:

- Tarong Power Station Unit 2
- Tarong North Power Station
- Stanwell Power Station Unit 2
- Tarong Power Station Unit 1
- Meandu Mine dragline overhaul.

The COVID-19 pandemic created many additional challenges for our people undertaking the unit overhauls during 2020/21. Despite the complex operating environment, our people delivered and kept each other and our communities safe.

Overhauls are the largest one-off project spend for Stanwell and a strong improvement focus in this area provides significant benefits. In 2020, Stanwell developed data tools to assist in understanding resource allocation and scope impacts to ensure costs are allocated effectively during overhauls. This included facilitating overhaul performance workshops and establishing the generation working group.

At Meandu Mine, we invested in wash plant technology enhancements to improve efficiency in the mine's overall performance. This work and new investment in equipment and technology ensures Meandu Mine can maintain the reliability and safety required to operate and support energy stability and security well into the future.

In early 2019, Stanwell commenced a comprehensive procurement process to secure a long-term rail haulage partner for Stanwell Power Station. On 16 September 2020, a contract was signed with Pacific National, securing up to 400 rail services per year, for up to 10 years. Pacific National commenced coal haulage operations for Stanwell Power Station on 1 January 2021. The competitive tender process delivered a great commercial outcome for Stanwell while providing some business certainty for both organisations.

Create future **energy solutions**

Customers and communities are demanding sustainable, affordable and secure sources of energy. We are working to develop the products customers want, keep the system secure and enable the transformation of the grid, as well as the markets in which we operate. This includes customising our product offerings and offering bespoke solutions to suit our retail customers' current and future requirements.

We are also improving the capabilities of our coal-fired power stations to meet consumers' needs for electricity, both now and into the future. This year we focused on alternate operating modes and plant modifications required to extend the operating range of our power stations. We implemented a program of work which has enabled our Stanwell and Tarong power stations to generate at a low load of 100 MW at times when renewable plant is generating at high levels. This load is lower that the levels at which our plant was originally designed to operate.

We are beginning to diversify our portfolio to align with the changing operating environment, new and emerging markets and evolving customer expectations. We are positioning Stanwell to capture and commercialise new energy technologies in the evolving commercial and industrial retail market as well as a future hydrogen market. Throughout the year, Stanwell has made critical headway:

- facilitating the proposed development of a large-scale renewable hydrogen export opportunity in Central Queensland (CQ-H_2 project).
- developing feasibility options for electrifying the North West Minerals Province resources sector with dispatchable, competitively priced renewable energy (North West Queensland Hybrid Power Project); and
- progressing front end engineering and design work for a proposed 150 MW standalone battery energy storage system at Tarong Power Station to help support energy system security and reliability (Tarong Battery Storage Project).

To ensure system security and reliability into the future and to drive sensible and reasonable market and regulatory reform for transformation energy markets, we also engage with market bodies and industry groups to influence regulatory change. Throughout the year, we provided submissions to various consultation processes with a view to minimising the long-term cost of the energy system for which consumers ultimately pay; improving market transparency; avoiding unnecessary complexity; and ensuring change (and the cost of change) is based on holistic assessment of overall benefits being delivered to consumers. This included providing input into regulatory processes relating to interim reliability and security initiatives, post-2025 market design, and longer-term system strength, security and reliability frameworks and services. Our regulatory submissions are available online.

Affordable **emissions reduction**

Our large commercial and industrial retail customers are demanding renewable energy products that support their individual sustainability requirements. To ensure our ongoing success in this market, we are evolving our retail offerings and products through a new diversified portfolio of renewable energy and storage assets and by leveraging the continued operation of the Stanwell and Tarong power stations.

We are also exploring opportunities to decrease our carbon intensity and develop new lower emission energy retail products for our customers by incorporating renewable energy into our portfolio via equity investments and power purchase agreements.

We have entered into a long-term 348 MW offtake agreement with Clarke Creek Wind Farm located in Central Queensland. A certain percentage of this offtake will be offered to our retail customers as a premium renewable energy retail product that matches customer load with output exclusively from the Clarke Creek Wind Farm.

Building on this, Stanwell has undertaken a market bid process to identify high-quality Queensland-based renewable energy projects (including the potential for storage) that could be incorporated into our portfolio via power purchase agreements and investment. The process supports Stanwell's portfolio renewal strategy and will enable Stanwell to meet current and future retail customer demand for renewable products.

We are also exploring a range of initiatives to reduce emissions, maximise the value of resources, minimise waste and support local industries. This includes exploring opportunities to partner with biofuel suppliers for the supply of products suitable for co-firing at our power stations as part of our bioenergy strategy, and the use of coal combustion products (CCPs) – ash – in major projects within the Central Queensland region. We have recently completed a road repair trial using CCPs at Stanwell Power Station to prove the concept and are now actively engaging with industry to further develop use of these products.

Benefit communities and **shareholders**

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

We help our people thrive

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

We have a workplace culture that is safe and inclusive

Stanwell remains committed to creating and providing workplace environments that are safe and positive for our people, our contractors, and our visitors.

Our 2022 gender pay gap target is that there is no gender pay variance that cannot be explained by experience, merit, performance or enterprise agreement obligations. Stanwell proudly continues to be a Workplace Gender Equality Agency ambassador.

Stanwell continues to develop and implement recruitment strategies to attract more women, as well as improve career and leadership pathways. As a result of these initiatives, Stanwell experienced an increase in female job applicants, from 26 per cent to 35 per cent, and an increase in women in senior leader roles in the past 12 months (21 per cent to 27 per cent).

We continue to support our employees throughout every life stage of their career. In 2021 Stanwell's newest recruits aged under 25 complete our young worker program, You Only Live Once (YOLO). Celebrating its eighth year, the intervention program included sessions on understanding the brain, hazard and risk management, psychological safety, safe driver training and a session with Mates in Energy.

More than 100 employees participated in our Transition to Retirement (TTR) program during 2020/2021. The purpose of the program is to help our retiring employees plan for the next phase of life, explore their future options, as well as ensure their knowledge and experience are passed onto incoming employees.

Stanwell continues to focus on creating an inclusive and supportive culture within our workplace. In particular, the key Inclusion and Diversity focus areas which include:

- Workplace for the Future - building a pipeline of talent to support Stanwell now and into the future.
- Reflective of the communities in which we operate – investing in initiatives that support community resilience, economic capacity, community wellbeing, youth, indigenous employment and regional leadership.
- Inclusive culture – creating an inclusive and supportive culture within the workplace.

In recognition of the benefits of a healthy lifestyle, Stanwell focuses on four areas to ensure the wellbeing of our people - those being core health, mental health, physical wellbeing, and musculoskeletal health. Stanwell implements a holistic approach to employee health through the integration of health, safety, and wellbeing initiatives.

In early 2021, Stanwell offered free skin cancer checks to all employees. Working with Skin Patrol, 313 employees participated in these checks, with more than two dozen referred on for further intervention.

In 2021, 31 Stanwell teams competed in the Virgin Pulse GO challenge, a 63-day international health and wellbeing initiative. Travelling 'around the world', Stanwell's 200 participants completed more than 146,904,809 steps with an average of 734,524 per day, all while learning daily habits to become healthier and happier.

Our people continually work hard to ensure they achieve zero harm across our organisation. In 2020 and 2021, Stanwell's achievements were recognised at the Queensland Generator Safety Forum (QGSF) awards, which recognise and share positive contributions by teams or individuals in improving health and safety across the Queensland energy generation industry.

Stanwell has provided our people with access to the Mates in Energy (MIE) program at our sites since 2018. The program is focused on providing suicide prevention and intervention skills and raising suicide awareness in the industry. In 2020/21, we offered our people the opportunity to participate in General Awareness, Connector and Applied Suicide Intervention Skills (ASIST) training.

We understand community and shareholder expectations and perceptions

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

In response, in 2020/21 we implemented several initiatives to address our research findings. These included providing more regular updates on our business operations and ensuring those in our asset communities felt confident with the information we provided.

We balance environmental, social and commercial priorities

The importance of balancing the needs of customers, communities and others who are affected by our operations is a primary focus across our day-to-day business activities.

The Queensland Generators Environmental Forum (QGEF) was established by Stanwell representatives in 2020 as a platform for Environment Advisors in Queensland's energy sector to collaborate, share and discuss environmental learnings and initiatives. This aligns with the Energy Charter commitment to provide energy safely, sustainably, and reliably.

Paving the road to sustainable construction, Stanwell progressed a joint initiative with Capricorn Enterprise and the Ash Development Association of Australia (ADAA) to demonstrate how Stanwell's coal combustion products (ash) can be used in major civil projects proposed in the Central Queensland region. As part of this initiative, Stanwell undertook a successful trial at Stanwell Power Station to demonstrate the benefits of using coal combustion products in civil construction works. The benefits here are two-fold, we are re-purposing what was traditionally seen as a waste product, demonstrating how the product can be used successfully across a range of applications, and creating a new revenue stream in the process.

Sustainable water use

As water is an essential requirement for thermal electricity generation, Stanwell is continually evolving our practices to ensure sustainable water management across our sites. Stanwell's decision-making regarding water takes a balanced approach, considering the needs and priorities of other users and the community, our operations, as well as National Electricity Market conditions. Stanwell is focused on how we can help to mitigate the impact of drought in our asset communities of Central Queensland and the South Burnett.

Our 2020/21 **performance**

In 2020/21 at Tarong power stations, Stanwell initiated a strategy to take a greater proportion of our allocation from Lake Wivenhoe and the Western Corridor Recycled Water Scheme. We continued to meet with the Meandu Barker Creek Water Advisory Committee, which includes downstream users and irrigators, to understand their priorities and ensure these are considered as we release water from our site into the Meandu Barker Creek.

Stanwell remains committed to further investigating water saving initiatives, and engaging with our neighbours, downstream water users, host communities and the Queensland Government to ensure our responsible and sustainable use of water resources.

We operate and adapt in ways that benefit community and our business

For Stanwell, powering Queensland is about more than just providing electricity – it is about working with the communities in which we operate to deliver long-term benefit.

In response to COVID-19, we worked with our community leaders, and identified areas where impacts were being felt within the region, as well as how Stanwell could best provide support. By adapting our social investment program, we prioritised financial support for organisations responding to emergency and priority needs.

Stanwell's social investment program distributed more than $488,000 in our host communities during the 2020/21 financial year.

Stanwell has undertaken progressive rehabilitation of Meandu Mine since acquiring the site, minimising the active area of mining operations at any point in time. Our commitment to progressive rehabilitation is an important part of our mine planning process, and we regularly review our plans to ensure we are undertaking rehabilitation of mined land in a safe and sustainable manner.

Since 1989, more than 590 hectares (ha) of rehabilitation has been completed, representing approximately 27 per cent of the area currently disturbed by mining activities. In the last year alone, Stanwell rehabilitated 21.5 ha, against a target of 19.8 ha. During 2020/21, we engaged with our near-neighbours and local communities surrounding Meandu Mine to understand their preferences for future use of rehabilitated land at Meandu. After extensive consultation with local landholders in community forums and one-on-one meetings, Stanwell has adopted two additional post-mining land uses – grazing and plantation forestry.

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

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Corporate **governance**

Key areas of governance focus and achievement in 2020/21

The Board, with assistance from its Committees, engaged in key strategic governance and oversight activities in 2021, including:

- conducting two Board strategy workshops focused on the long-term success of the company;
- regularly discussing the risks and opportunities arising from the significant structural change occurring within the National Electricity Market and the business impact on, and involvement of, Stanwell;
- regularly discussing Stanwell's strategic priorities, including the refinement and implementation of each priority with the Chief Executive Officer (CEO);
- having oversight of Stanwell's employee and industrial relations framework;
- reviewing and approving Stanwell's financial and strategic plans;
- continuing to focus on Stanwell's corporate culture by setting the 'tone at the top' and providing oversight to the review of Stanwell's values and supporting behaviours;
- discussing emerging technologies and how Stanwell could respond to threats and capitalise on opportunities;
- regularly discussing and having oversight of Stanwell's response to regulatory changes;
- reviewing Stanwell's governance processes for the preparation of the financial statements; and
- participating in the detailed examinations of Stanwell's key strategic risks (including climate change risk).

Approach to corporate governance

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

It provides the framework within which:

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

Stanwell's Board, with the support of the Board committees, is responsible for the oversight of Stanwell's Governance framework. The framework seeks to provide effective and responsible decision making to assist with the delivery of Stanwell's strategic objectives.

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

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

The diagram on the following page shows Stanwell's current governance framework, including the committees of the Board.

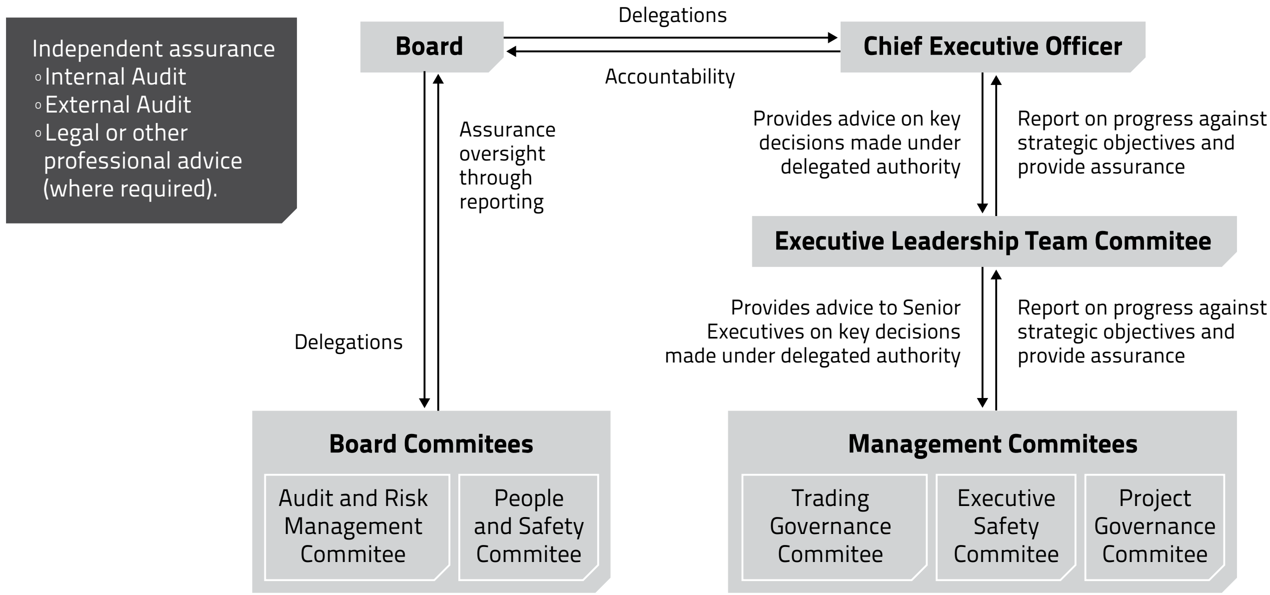
From time to time, the Board may participate (either directly or through representatives) in due diligence type committees in relation to strategic decisions or funding activities.

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

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

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

Governance Framework



Principle 1 - Foundations of management and oversight

Role and function of the Board

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

The Board's responsibilities are set out in a formal charter which the Board reviews annually.

These responsibilities include but are not limited to:

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

Delegation of authority

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

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

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

- decisions related to specific matters are reserved for the Board;
- certain powers and limits of authority are delegated to specific persons; and

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- subject to the above, the Board delegates its power and authority to manage and supervise the management of the day-to-day operations of Stanwell to the CEO and, through the CEO, to other senior executives and employees.

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

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

Committees of the Board

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

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

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

People and Safety Committee

As at 30 June 2021, the People and Safety Committee comprised the following directors:

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

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

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

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

Audit and Risk Management Committee

As at 30 June 2021, the Audit and Risk Management Committee comprised the following directors:

- Karen Smith-Pomeroy (Chair)
- Paul Binsted

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

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

Executive remuneration and performance review

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

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

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

In compliance with the temporary Addendum to the Queensland Government's *Policy for Government Owned Corporations Chief and Senior Executive Employment Arrangements*, page 96, the CEO and senior executives did not receive remuneration increases nor were they awarded at-risk performance incentive payments for the 2019/20 financial year.

Further details about the CEO and senior executive remuneration are disclosed in the Key management personnel note on page 96.

Principle 2 - Structure the board to add value

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

The names, qualifications and relevant skills, experience and expertise of the directors who held office during the financial year and up to the date of this report, along with their terms of appointment, are set out on page 49.

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

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

The Board held 12 meetings between 1 July 2020 and 30 June 2021. The table on page 49 of this report details the number of Board and Board committee meetings held during the year that each director was eligible to attend, and the number of meetings attended by each director.

Director induction and continuing education

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

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

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

Director independence

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

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

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

Access to independent professional advice

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

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

Access to management

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

Board evaluation

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

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

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

Principle 3 - Promote ethical and responsible decision-making

Code of Conduct - The way we work at Stanwell

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

The principles underlying Stanwell's Code of Conduct are:

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

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

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

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

Whistleblower Protection Policy

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

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

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

Avoidance of conflicts of interest

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

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

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

Diversity and inclusion

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

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

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

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

Trading in securities

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

Principle 4 - Safeguard integrity in financial reporting

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

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

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

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

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

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

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

A summary of the final report, together with management's agreed actions and implementation dates, is presented to the Audit and Risk Management Committee for consideration. The Group Manager Internal Audit monitors the implementation of audit recommendations and maintains the Audit Issues Register, which is presented to the Audit and Risk Management Committee for approval.

As a Government Owned Corporation, Stanwell's external audit is performed by or on behalf of, the Queensland Auditor-General. The external auditor's role is to provide an independent opinion that Stanwell's financial reports are true and fair and comply with applicable regulations. The Auditor-General has unfettered access and can examine and report to Parliament on the efficiency and effectiveness of any aspect of public sector finances and administration.

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

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

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

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

- the assurances given above and the integrity of Stanwell's financial statements are founded on a sound system of risk management, compliance and internal control which implements, in all material respects, the policies and processes adopted by the Board; and
- to the extent that they relate to financial reporting, the risk management, compliance and internal control systems are operating effectively in all material respects and that nothing has occurred since 1 July 2020 that would materially change the above statements.

Principle 5 - Make timely and balanced disclosures

In line with the requirements of the *Government Owned Corporations Act 1993* (Qld), shareholding Ministers are advised in a timely manner of all issues likely to have a significant financial, operational, employee, community or environmental impact.

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

Release of Information Publication Scheme

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

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

Principle 6 - Respect the rights of shareholders

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

Communication is undertaken through a number of forums. These include:

- Statement of Corporate Intent, Corporate Plan and Quarterly Reports. The Statement of Corporate Intent and Corporate Plan provide a transparent set of agreed performance criteria and strategic objectives on which to report to shareholding Ministers and their representatives via the Quarterly Report. The Statement of Corporate Intent (with commercially sensitive information deleted) is tabled in Parliament and published on Stanwell's website;
- an Annual Report (containing those matters outlined in section 120 of the *Government Owned Corporations Act 1993* (Qld) is prepared and issued to shareholders and interested stakeholders and is published on Stanwell's website; and
- briefings to shareholding Ministers and their representatives are conducted on a regular basis for the purpose of disclosing business activities and performance against agreed targets.

Principle 7 - Recognise and manage risk

Risk management originates at the Board level and cascades throughout Stanwell via policies, delegated authorities and committee structures. The Board establishes the foundation for risk management through its Risk Appetite Statement. It is also responsible for overseeing the establishment of systems for risk management including the key frameworks and policy components.

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

Stanwell recognises that managing risk is fundamentally about creating and protecting value.

Stanwell's risk management approach is characterised by the following principles:

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

- appropriate behaviour and culture are fundamental to the effectiveness of Stanwell's risk management practices and decision-making and our key decision makers are expected to familiarise themselves with Stanwell's Enterprise Risk Management Framework and apply its principles at all times.

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

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

Board	
Audit and Risk Management Commitee	People and Safety Commitee

Executive Leadership Team

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

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

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

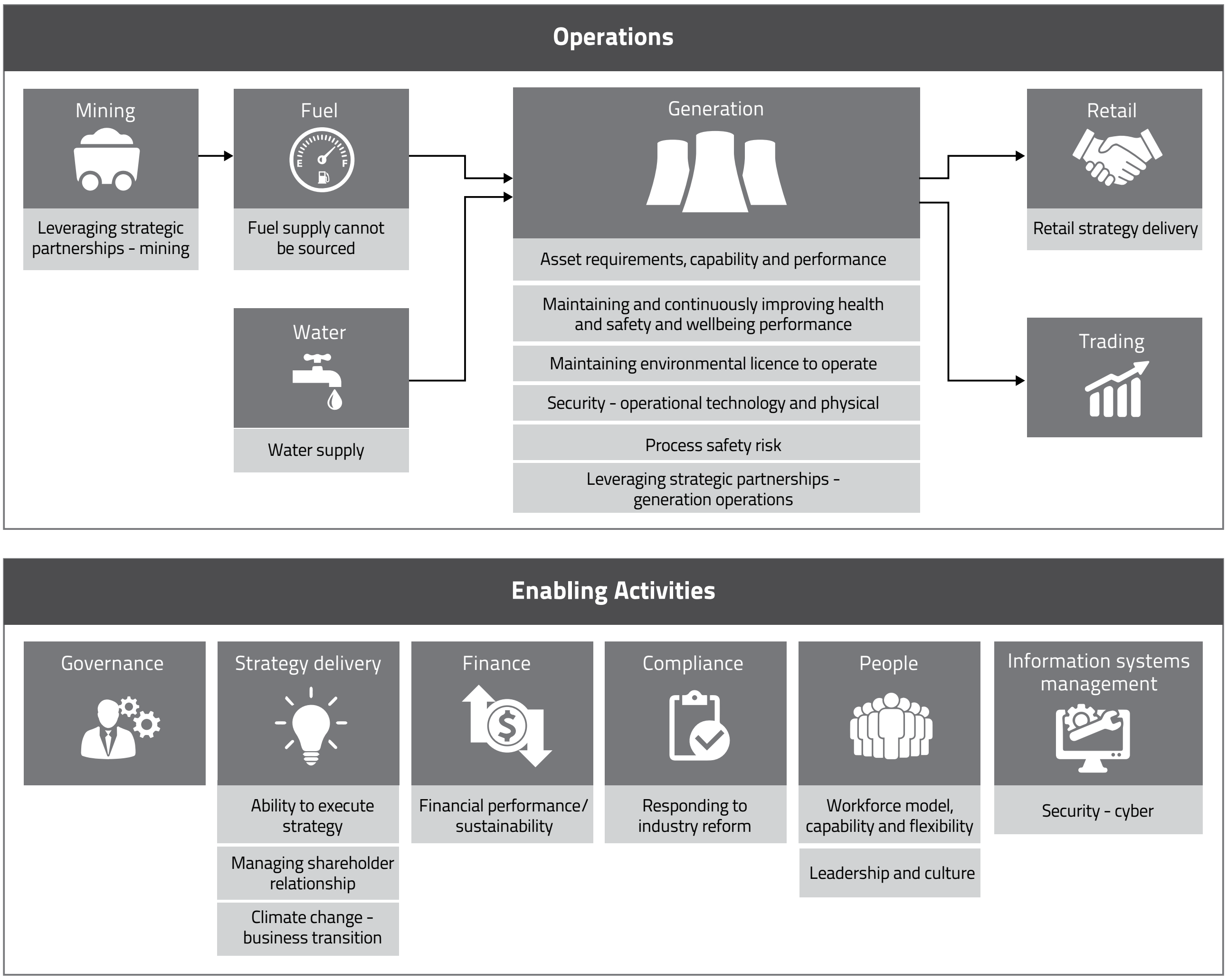
The Risk Appetite Statement considers the most significant risks to which Stanwell is exposed and provides guidance on the approach to managing these risks. These guiding principles are based on the key drivers of creating and protecting value.

At an aggregate level, Stanwell's risk appetite is qualitatively defined as 'conservative'. However, as the electricity market within which Stanwell operates is characterised by a propensity for high price fluctuations often driven by unforeseen events and external factors that drive supply/demand imbalance, it is consequentially exposed to and accepts a higher level of risk in order to achieve its gross profit targets. It is Stanwell's objective to minimise the impact of these unforeseen events whilst optimising returns from its generation assets. In achieving this objective, Stanwell balances the costs of mitigating potential risk against the anticipated consequences and likelihood of the risk crystalising.

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

Stanwell seeks to embed risk management principles and practices into strategy development and day-to-day business processes to achieve robust and responsible commercial outcomes. Stanwell faces a variety of risks due to the nature of its operations.

The material strategic risks faced by Stanwell's operation are illustrated in the diagram below:



Stanwell is one of Australia's largest emitters of greenhouse gases and its generation portfolio is predominantly comprised of coal fired power stations. Recognising the requirement for affordable, reliable and sustainable energy, Stanwell needs to manage the transition to a lower emission's future in a safe, orderly and sustainable manner.

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

- **Transitional risks:** Transitional risks include risks to end-of-life planning and the subsequent rehabilitation requirement with the misalignment of these plans leading to possible stranded assets. It also includes the inability to fund future business renewal activities that support Stanwell's transition to a lower emission's intensity generation portfolio. The risk of unfavorable societal attitude towards coal fired power stations may also lead to reduced support from a variety of stakeholders, including customers, community, suppliers, financiers and insurers; and
- **Physical risks:** Physical risks include increased frequency and severity of extreme weather events resulting in operational disruption, droughts impacting water supply, higher average temperatures causing increases to the frequency and magnitude of peak electricity demand and the derating of thermal plant.

Refer to Stanwell's strategy review detailed on pages 22 to 28 for our response to these risks.

The Audit and Risk Management Committee receives presentations from management on Stanwell's material strategic risks (both financial and non-financial) and the controls in place to mitigate or manage those risks at each meeting. The Committee also provides advice and assistance to the Board by regularly monitoring Stanwell's systems of risk management, internal control and compliance with regulatory obligations.

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

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

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

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

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

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

Principle 8 - Remunerate fairly and responsibly

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

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

Details of the remuneration paid to directors and senior executives are set out in note 21 on pages 96 to 100 of this report..

Corporate **governance**

Government Owned Corporations Act requirements

Government directions and notifications

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

During the 2020/21 financial year, Stanwell's shareholding Ministers issued a direction under section 257 of the *Electricity Act 1994* (Qld) requiring Stanwell to continue to manage the State's contractual rights and obligations relating to the Solar 150 program until 30 June 2023.

Dividend Policy

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

On 25 March 2021, the Board of Stanwell approved a residual dividend policy whereby the amount of dividends paid to shareholders is based on the profits remaining after allowing for future debt repayments and the funding of approved capital expenditure.

Overseas travel

During the 2020/21 financial year, there was no overseas travel undertaken by Stanwell's employees.

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

After 60 years of service, the Mica Creek Power Station was taken out of operation on 1 January 2021. In cognition of the role that the Mica Creek Power Station played in the Mount Isa region, a function was held for former and current Mica Creek Power Station employees, suppliers, customers and contractors. The cost of the event was $11,138.

Financial results

Stanwell Corporation Limited ABN 37 078 848 674 30 June 2021

General information

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

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

Stanwell Corporation Limited
L2, 180 Ann Street
Brisbane QLD 4000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 August 2021. The directors have the power to amend and reissue the financial statements.

Directors' report

The directors present their report on the consolidated entity consisting of Stanwell Corporation Limited and its subsidiaries (together, referred to as the 'Group') as at the end of the 2021 financial year.

Principal activities

The Group's principal activities during the 2021 financial year were the operation of a diversified energy portfolio which includes the generation, trading and retail of electricity and electricity related products.

Financial results

		2021 $M	2020 $M
Profit/(Loss)	**before income tax**	536.3	(343.3)
Profit/(Loss)	**after income tax**	375.4	(240.3)
Profit/(Loss)	**attributable to members of the Group**	375.4	(240.3)

Dividends - Stanwell corporation limited

The Group has agreed a residual dividend policy with its shareholding Ministers whereby the amount of dividend paid is based on the profits remaining after allowing for future debt repayments and the funding of approved capital expenditure.

The directors declared a dividend of $107.8 million for the 2021 financial year, being 11.7 cents per share payable on 30 November 2021 to the State of Queensland (as the owner of the shares in accordance with section 80 of the *Government Owned Corporations Act 1993*) (2020: $231.0 million).

Year in review

Financial performance

Australian energy markets are undergoing significant structural change which has escalated over the past twelve months, driven by increasing global commitment to decarbonisation.

In Queensland, the Government is helping to facilitate this change via the renewable energy targets detailed in the *Powering Queensland Plan*, as well as the availability of funding, most recently through the *Queensland Renewable Energy and Hydrogen Jobs Fund* (QREHJF).

Longer term, Stanwell expects variable renewable energy sources combined with short and long-term storage, to supply most of the electricity to the Queensland market, with a much diminished and financially challenged role for coal-fired power stations.

This future energy mix will require significant investment in variable renewable energy technologies, as well as battery and pumped hydro storage systems.

Stanwell must transition its business from its existing high emissions thermal generation to a portfolio of variable renewable energy technologies, energy storage and desirably, participation in the developing hydrogen industry, as quickly as possible to respond to changing customer and market needs.

For the 2021 financial year, the Group recorded a Net Profit after Tax of $375.4 million (2020: Net Loss after Tax of $240.3 million). Stanwell's financial performance improved as a consequence of increases in market pricing, the prudent management of operating costs and taking advantage of our long-term fuel supply arrangements to generate additional electricity when required.

Notwithstanding the short-term improvement, the year-end valuation assessment of the Group's generation assets resulted in an impairment expense of $118.7 million (before tax) due to a reduction in the future earning potential of the Group's generation assets. Greater than expected market penetration of new build renewable generation was forecast to have a negative impact upon market pricing and this assumption has driven an impairment expense.

National Electricity Market

The rapid introduction of roof-top and large-scale variable renewable energy generation has created concerns over electricity security. While coal remains the largest source of energy in the National Electricity Market, Australia's coal-fired power stations are aging, with most coal plants being scheduled to retire by 2040.

As coal plants retire, the ability to maintain electricity system security and reliability is at risk. New markets and rules are needed to reward other technologies such as large-scale storage (for example, batteries and pumped hydro energy storage) which can provide these services. Greater network investment and coordination is also required to support the ongoing de-centralisation of the electricity system.

Consumers are increasing their share of energy produced, investing in behind-the-meter distributed energy resources such as solar and battery storage to lower their carbon footprint and electricity costs. Rooftop solar PV continues to 'carve out' National Electricity Market supplied electrical energy demand in the middle of the day as businesses and households use their rooftop solar systems instead of grid power.

This has led to records continuing to be set for minimum electrical energy demand and the combination of low demand and low-cost renewable generation is resulting in a record number of negative spot prices and a further deterioration of the daily price curve. In the summer period of January to March 2021, Queensland's minimum demand was 4,346 MW –the lowest that it has been since the 2013 financial year.

Consistent with the rest of the National Electricity Market, the Queensland electricity system is being impacted by the rapid transition to Variable Renewable Energy (VRE) generation. In the five years between 2015 and 2020, over 6,000 MW of VRE has entered the Queensland system.

This reduction in minimum demand is making it challenging for coal-fired plant like the Stanwell and Tarong power stations to operate in an efficient and cost-effective manner particularly during the middle of the day when solar generation peaks.

In response to these drivers, Stanwell has positioned itself to capture and commercialise renewable energy opportunities in the evolving commercial and industrial retail market, as well as the international hydrogen export market. To do this, Stanwell will leverage the continued operation of our power stations to provide reliable electricity for Queensland and the National Electricity Market, as well as build a new diversified portfolio of renewable assets and energy storage.

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

Stanwell seeks to:

- equip the organisation to respond to the renewable energy needs of large commercial and industrial customers which purchase electricity through retail channels;
- use our synchronous assets to serve new markets for system security services (such as inertia and fast frequency response); and
- position the organisation to play a central role in the emerging renewable hydrogen industry.

Throughout the year, Stanwell progressed a pipeline of commercial project opportunities to position the Group for the future. These included progressing the development of a large-scale renewable hydrogen export opportunity in Central Queensland, a solar thermal hybrid energy project in the North West Minerals Province and a large-scale battery project storage system to help maintain system security at the Tarong power stations.

In early 2021, Stanwell undertook an expression of interest process to understand the opportunities in the renewable energy market with a view to incorporate the most suitable of these projects into its portfolio via power purchase agreements and/or equity investment. The process attracted significant interest and Stanwell is working with selected project proponents to progress partnership opportunities over the short, medium and long-term.

Stanwell has also entered into power purchase agreements for off take from the Clarke Creek Windfarm and Bluegrass Solar projects. The off-take from these projects will be sold to our large commercial and industrial customers who purchase energy through Stanwell Energy – our retail business.

Queensland Renewable Energy and Hydrogen Jobs Fund

The Queensland Government has established a Queensland Renewable Energy and Hydrogen Jobs Fund with up to $2 billion for government investments.

The Queensland Renewable Energy and Hydrogen Fund will allow government-owned energy corporations to increase ownership of commercial renewable energy and hydrogen projects, as well as supporting infrastructure, including in partnership with the private sector.

Stanwell has identified investment opportunities, has submitted proposals and intends to make additional applications for funding for a series of projects on which it has completed due diligence and which meet the key investment objectives and criteria for funding.

When considering projects for investment, the key focus for Stanwell is on new energy generation and storage in the 'catchment areas' of the Stanwell and Tarong power stations.

Central Queensland Hydrogen Project

Stanwell has undertaken a range of studies to understand the technical and commercial viability of renewable hydrogen projects, including a concept study on a large-scale hydrogen project in Central Queensland. We have partnered with Japan's largest hydrogen supplier, Iwatani Corporation, to plan for a large-scale renewable hydrogen production, liquefaction and export facility based in Central Queensland, with the view to producing green hydrogen for export to Japan and for use in local industries.

A key project milestone was reached when the Group secured the land for the 3,000 MW green hydrogen electrolysis facility at Aldoga, 20 kilometres west of Gladstone.

Hydrogen presents an opportunity for Stanwell to leverage key competitive advantages and build on our core strengths as an energy provider. It is also an opportunity to decarbonise our portfolio and support our customers to do the same.

Pages 22 to 28 provide further information on Stanwell's progress against its strategic objectives.

Review of Operations

Safety

At Stanwell, the concept of *Zero Harm Today* underpins the Group's mindset that injuries, events and incidents can be prevented through the actions of an engaged workforce.

The Group' safety performance is driven by a focus on behaviour and culture rather than regulation and enforcement with the goal of achieving a year-on-year improvement across a range of leading and lagging safety indicators.

During the 2021 financial year, Stanwell recorded a Total Recordable Injury Frequency Rate of 3.49 against a previous best performance of 3.61. All leading safety performance indicators were achieved or exceeded.

Continuous improvement projects and evidenced based solutions were implemented during the 2021 financial year to reduce exposure to injury. Stanwell continued its outward focus across all sites on sharing and seeking to learn from other businesses, regulators and industries on health and safety matters.

We have also continued to collaborate with contracted and non-contracted suppliers to ensure that work is undertaken to the health and safety standards set by Stanwell and this included proactively seeking opportunities to add value and improvements.

During the 2021 financial year, Stanwell commenced the roll-out of the Next Level Leadership program which supports employees to maintain a questioning mindset, make better 'in the moment' decisions and keep important safety practices front of mind.

Plant

During the 2021 financial year, the Group's NEM connected generation portfolio achieved average availability and reliability factors of 84.4 percent and 94.0 per cent respectively across our NEM connected assets.

Stanwell invested more than $235.0 million in its portfolio of assets to improve efficiency or maintaining their performance, ensuring that our assets can respond when needed by the market.

As part of this, five major overhauls were delivered across out sites, including:

- Tarong Power Station Unit 2;
- Tarong North Power Station;
- Stanwell Power Station Unit 2;
- Tarong Power Station Unit 1; and
- Meandu Mine dragline overhaul.

Despite the challenges of COVID-19, the Group successfully completed the overhaul program under the guidance of Stanwell's pandemic response plan and the health directions issued by Queensland Health and the Australian Department of Health.

Importantly the overhaul program delivered substantial flow-on economic benefits to our host communities through the use of local suppliers, contractors and accommodation providers.

Power System Operating Incident 25 May 2021 - Queensland generation loss and load shedding

On 25 May 2021, CS Energy's Callide Unit C4 experienced a catastrophic failure which resulted in the tripping of multiple generators causing low frequency load shedding across the Queensland network.

The Stanwell and Tarong power stations played a critical role in maintaining the stability of the Queensland network during the event.

The Group has and will continue to (as more information about the cause of this event becomes available), undertake operational risk processes to understand the commonality between the Callide Unit C4 and those at the Tarong, Tarong North and Stanwell power stations.

Consistent with its health and safety practices, Stanwell will consult with its Health and Safety Committees, union officials and employees on any required work-scope changes resulting from its investigations into the cause of the event.

Fuel

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

Coal for the Stanwell Power Station is supplied by the Curragh Coal Mine under an agreement with Coronado Curragh Pty

Ltd. This agreement also provides Stanwell with a revenue stream based on coking coal exported from the Curragh Mine During the 2021 financial year, this contributed $108.7 million to the Group's revenue.

Following a procurement process to secure a long-term rail haulage partner for Stanwell Power Station, in September 2020, Stanwell entered into an agreement with Pacific National securing 400 rail services per year for 10 years.

Water

Water is an essential requirement for coal-fired electricity generation. Stanwell is continually evolving practices to ensure sustainable water management across its sites and is committed to investigating water saving initiatives.

The Tarong power stations have access to three water sources through separate contract agreements with:

- Sunwater for supplies from Lake Boondooma; and
- Seqwater for supplies from Lake Wivenhoe or the Western Corridor Recycled Water Scheme which produces purified recycled water.

During the financial year, Stanwell initiated a strategy to take a higher proportion of its water allocation from Seqwater (Lake Wivenhoe and the Western Corridor Recycled Water Scheme) for use at its Tarong power stations to mitigate the impact of drought on the Burnett region.

Mica Creek Power Station

After 60 years of operation, in January 2021, the Group's Mica Creek Power Station was placed in cold storage.

The power station, located six kilometres outside of Mount Isa, commenced operation as a coal-fired power station in the 1960s and was converted to gas in 2000.

Stanwell acknowledges and thanks workers, suppliers, customers and the community for their commitment and support of the Mica Creek Power Station.

Other Matters

CleanCo Queensland

From 1 July 2020 to 30 August 2020, the Group delivered operations, maintenance and corporate support services to CleanCo assets under a Transitional Services Agreement.

Climate change risk

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

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

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

- **Transitional risks:** Transitional risks include risks to end-of-life planning and the subsequent rehabilitation requirement with the misalignment of these plans leading to possible stranded assets. It also includes the inability to fund future business renewable activities that support Stanwell's transition to a lower emissions intensity generation portfolio. The risk of unfavourable societal attitude towards coal fired power stations may also lead to reduced support from a variety of stakeholders, including customers, community, suppliers, financiers and insurers; and
- **Physical risks:** Physical risks include increased frequency and severity of extreme weather events resulting in operational disruption, droughts impacting water supply, higher average temperatures causing increases to the frequency and magnitude of peak electricity demand and the derating of thermal plant.

Pages 36 to 39 provide additional information on the Group's strategic risks.

Queensland energy class action

On 20 January 2021, Piper Alderman filed the QLD Energy Class Action on behalf of Stillwater Pastoral Company Pty Ltd (Applicant) and the class members (Group Members) in the Federal Court of Australia.

The Applicant and Group Members claim damages and/or statutory compensation for contravention by each of Stanwell Corporation Limited and CS Energy Limited of section 46 of the *Competition and Consumer Act* 2010 (Cth). The alleged loss and damage have not been quantified.

The Group is vigorously defending itself against the claim.

Matters subsequent to the end of the financial year

Nil

Directors' report

Environmental regulation

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

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

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

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

Directors

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

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

Information on Directors

Paul Binsted

BEc, LLB
Independent Non-executive Chairman and Director

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

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

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

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

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

Jacqueline King

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

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

She has worked across the energy, power and construction sectors of industry for over twenty years, with an extensive background in industrial relations, work health and safety, and skills and training. She is currently the Assistant General Secretary of the Queensland Council of Unions with specific responsibility for work health and safety matters and is also Chair of Mind Blank, a charity dedicated to raising awareness about mental health and the risk of suicide in schools, workplaces and the community.

Ms King is a Graduate Member of the Australian Institute of Company Directors, holds an MBA, a Bachelor of Laws (Honours) First Class Honours degree and a Graduate Diploma in Legal Practice.

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

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

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

Ms Smith-Pomeroy has a specialty in risk management and governance and significant experience across a number of industry sectors. She is currently Chair of Regional Investment Corporation and National Affordable Housing Consortium Limited, and a non-executive director of Queensland Treasury Corporation and Kina Securities Limited (ASX:KSL). In addition, Ms Smith-Pomeroy is Chair of the Audit Committee of South Bank Corporation and an independent audit committee member of the Queensland Department of State Development, Infrastructure, Local Government and Planning.

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

Mr Swan was appointed a non-executive director of Stanwell on 12 December 2019.

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

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

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

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

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

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

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

Adam Aspinall
B.ENG (Mech), MIEAust, GAICD
Executive Director and Acting Chief Executive Officer

Mr Aspinall was appointed a director of Stanwell on 15 November 2016. Mr Aspinall was appointed Stanwell Acting Chief Executive Officer on 29 May 2021.

Mr Aspinall is a mechanical engineer with more than 40 years' experience in the electricity and energy industries and is a leading advisor in the power industry, having consulted globally to the private and government sectors on power generation projects and issues.

His expertise includes electricity and gas infrastructure development, generation and transmission procurement, electricity trading and regulatory compliance.

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

He began his career working for the Queensland Electricity Commission in 1981 and was employed by the generation sector in Queensland for over 24 years prior to becoming a consultant and has previously been a non-executive director on the Board of Ergon Energy and Chair of SPARQ Solutions.

Information on Officers

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

- Adam Aspinall Acting Chief Executive Officer from 29 May 2021;
- Sophie Naughton Executive Manager Business Services to 9 February 2021;
- Sophie Naughton Acting Executive General Manager Energy Trading from 10 February 2021[1];
- James Oliver Chief Operating Officer;
- Michael O'Rourke Chief Financial Officer;
- Stephen Quilter Executive General Manager Energy Trading and Commercial Strategy to 9 February 2021[1];
- Stephen Quilter Executive General Manager Commercial Strategy and Energy Futures from 10 February 2021;

Directors' report

- Glenn Smith Acting Executive General Manager Business Services from 10 February 20211; and
- Richard Van Breda Chief Executive Officer resigned effective 28 May 2021.

[1] On 10 February 2021, the Energy Trading and Commercial Strategy division was temporarily restructured into Energy Trading and Commercial Strategy and Energy Futures. The restructure facilitates a dedicated period of intense resourcing on strategic initiatives such as Stanwell's renewable energy pipeline, portfolio transformation and the Central Queensland Hydrogen Projects.

Sophie Naughton
BA/LLB, GradDipEd, GAICD
Acting Executive General Manager Energy Trading

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

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

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

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

On 10 February 2021, she was appointed Acting Executive Manager Energy Trading. In this role, Ms Naughton is responsible for the trading of Stanwell's generation in the National Electricity Market.

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

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

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

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

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

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

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

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

In September 2012, he was appointed to the position of Chief Financial Officer.

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

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

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

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

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

As Executive General Manager Energy Trading and Commercial Strategy he is responsible for the trading of Stanwell's generation in the National Electricity Market and for overseeing the development of commercial strategies targeted at diversifying revenue streams and creating value from Stanwell's various fuel resources

On 10 February 2021, Mr Quilter was appointed Acting Executive General Manager Commercial Strategy and Energy Futures. In this role he is responsible for Stanwell's renewable energy project pipeline, portfolio transformation and the Central Queensland hydrogen project located in Gladstone.

Glenn Smith

ADip Business Management
Acting Executive General Manager Business Services

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

As Acting Executive General Manager Business Services, Mr Smith is responsible for Stanwell's business strategy development, community and stakeholder engagement, information and business systems, Human Resources management and organisational development.

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

Richard Van Breda

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

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

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

Company Secretary

Karen Buckley

BA, GDip Law, FGIA, FCIS, GAICD

Ms Buckley was appointed company secretary on 1 July 2011. Ms Buckley has extensive governance experience in both listed companies and Government Owned Corporations' environments including regulatory compliance and enterprise risk management.

Michael O'Rourke

LLB, BCom, GDip AppFin, GDip CSA.

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

Meetings of Directors

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

	Board		People & Safety Committee		Audit & Risk Committee Management	
	A	B	A	B	A	B
Paul Binsted	12	12	3	3	4	4
Adam Aspinall*	12	12	3	3	3	3
Jacqueline King	12	11	3	3	-	-
Karen Smith-Pomeroy	12	11	3	2	4	4
Wayne Swan	12	11	-	-	-	-

* Adam Aspinall resigned as a committee member from the People & Safety Committee and the Audit & Risk Management Committee effective 17 May 2021

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

In addition to the above, during the financial year the Board held two strategy workshops focused on the long term success of the Group and received nine briefings on various topics including project finance, green hydrogen, energy storage and the energy market.

Directors' report

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 2021 financial year, paid an insurance premium in respect of the directors and executive officer of the Group. In accordance with normal commercial practice, the insurance contract prohibits disclosure of the nature or the liability covered by, or the amount payable under, the contract of insurance.

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 51.

Rounding of amounts

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

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

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

P.A. Binsted

Paul Binsted
Chairman

Karen Smith-Pomeroy
Director

26 August 2021

Auditor's independence declaration

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Stanwell Corporation Limited

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

Independence declaration

As lead auditor for the audit of Stanwell Corporation Limited for the financial year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

IAsim

26 August 2021

Irshaad Asim
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Consolidated statement of profit or loss and other comprehensive income For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Revenue and other income from continuing operations	2	2,698,843	3,131,465
Finance income	2	36,789	40,007
Expenses			
Electricity and energy services expense		(1,466,742)	(1,501,458)
Fuel costs		(327,304)	(358,868)
Depreciation and amortisation expense	3	(129,797)	(194,183)
Employee benefits expense		(126,283)	(130,134)
Other expenses		(88,093)	(133,665)
Raw materials and consumables used		(70,056)	(77,663)
Finance costs	3	(54,041)	(62,264)
Gas purchases		(24)	(23,414)
Non hedge accounted change in fair value of derivative instruments		181,747	(326,993)
Impairment	3	(118,716)	(719,579)
Profit/(loss) before income tax equivalent (expense)/benefit from continuing operations		536,323	(356,749)
Income tax equivalent (expense)/benefit	20	(160,886)	107,038
Profit/(loss) after income tax equivalent (expense)/benefit from continuing operations		375,437	(249,711)
Profit after income tax equivalent expense from discontinued operations	26	-	9,447
Profit/(loss) after income tax equivalent (expense)/benefit for the year		375,437	(240,264)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefit obligation		6,659	(3,089)
Income tax equivalent relating to these items	20	(1,998)	927
Items that may be reclassified to profit or loss			
Net change in fair value of cash flow hedges	12	(624,161)	569,054
Income tax equivalent relating to these items	20	187,248	(170,716)
Other comprehensive income for the year, net of tax		(432,252)	396,176
Total comprehensive income for the year		(56,815)	155,912
Total comprehensive income for the year is attributable to:			
Continuing operations		(56,815)	146,465
Discontinued operations	26	-	9,447
		(56,815)	155,912

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

Consolidated balance sheet

As at 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Assets			
Current assets			
Cash and cash equivalents	4	114,346	112,371
Current receivables	5	650,972	613,979
Inventories	6	117,343	161,816
Other current assets	7	126,489	95,006
Derivative financial instruments	12	413,451	608,082
Income tax refund due	20	-	13,665
		1,422,601	1,604,919
Assets held for distribution	26	-	2,490
Total current assets		1,422,601	1,607,409
Non-current assets			
Non-current receivables	8	285,264	248,531
Derivative financial instruments	12	219,620	352,651
Property, plant and equipment	9	1,523,038	1,538,967
Intangibles	10	18,591	21,677
Exploration and evaluation		6,513	6,638
Deferred tax equivalent assets	20	67,906	-
Retirement benefit surplus	11	11,512	6,753
Other non-current assets		233	233
Total non-current assets		2,132,677	2,175,450
Total assets		3,555,278	3,782,859
Liabilities			
Current liabilities			
Trade and other payables	13	334,415	210,804
Current borrowings	16	31,978	5,179
Derivative financial instruments	12	560,305	511,657
Current tax liabilities	20	4,195	-
Current provisions	14	170,898	289,508
Other current liabilities		2,018	11,869
		1,103,809	1,029,017
Liabilities directly associated with the assets held for distribution	26	-	2,797
Total current liabilities		1,103,809	1,031,814
Non-current liabilities			
Non-current borrowings	17	797,258	826,395
Derivative financial instruments	12	306,429	260,239
Deferred tax equivalent liabilities	20	-	69,700
Non-current provisions	15	385,405	460,109
Total non-current liabilities		1,489,092	1,616,443
Total liabilities		2,592,901	2,648,257
Net assets		962,377	1,134,602

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

Consolidated balance sheet

As at 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Equity			
Contributed equity	18	977,619	977,260
Transactions with owners reserve	18	(13,084)	(4,707)
Cash flow hedge reserve	12	(181,021)	255,484
Retained profits/(accumulated losses)		178,863	(93,435)
Total equity		962,377	1,134,602

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

Consolidated statement of changes in equity

For the year ended 30 June 2021

Consolidated	Issued Capital $'000	Transactions with owners reserve $'000	Cash flow hedge reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2019	1,054,693	-	(142,414)	380,009	1,292,288
Loss after income tax equivalent benefit for the year	-	-	-	(240,264)	(240,264)
Other comprehensive income for the year, net of tax	-	-	398,338	(2,162)	396,176
Total comprehensive income for the year	-	-	398,338	(242,426)	155,912
Transfer of cash flow hedge reserve to property, plant and equipment, net of tax	-	-	(440)	-	(440)
Transactions with owners in their capacity as owners:					
Net transfers of assets and liabilities with other government entities	(77,433)	(4,707)	-	-	(82,140)
Dividends payable (note 19)	-	-	-	(231,018)	(231,018)
Balance at 30 June 2020	977,260	(4,707)	255,484	(93,435)	1,134,602

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

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

Consolidated statement of cash flows

For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,008,331	3,421,381
Payments to suppliers and employees (inclusive of GST)		(2,437,988)	(2,624,448)
Interest received		2,428	9,520
Interest paid		(47,338)	(50,688)
Income tax equivalents paid		(91,987)	(301,655)
Net cash inflow from operating activities	27	433,446	454,110
Cash flows from investing activities			
Payments for property, plant and equipment		(246,499)	(185,478)
Payments for intangibles	10	(4,828)	(13,321)
Cash transfers from/(to) advances facility		54,242	332,234
Proceeds from disposal of property, plant and equipment		183	86
Net cash from/(used in) investing activities		(196,902)	133,521
Cash flows from financing activities			
Repayment of borrowings		(204)	(290)
Dividends paid	19	(231,018)	(550,166)
Payment of lease liabilities		(3,347)	(2,945)
Net cash outflow from financing activities		(234,569)	(553,401)
Net increase in cash and cash equivalents		1,975	34,230
Cash and cash equivalents at the beginning of the financial year		112,371	78,141
Cash and cash equivalents at the end of the financial year	4	114,346	112,371

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

1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the *Corporations Act 2001* and the Queensland *Government Owned Corporations Act 1993* (GOC Act). Stanwell Corporation Limited is a for-profit entity for the purpose of preparing the financial statements.

Historical cost convention

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

Going concern

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

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the Parent entity is disclosed in note 25.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Stanwell Corporation Limited (‘Company’ or ‘Parent entity’) as at 30 June 2021 and the results of all subsidiaries for the year then ended. Stanwell Corporation Limited and its subsidiaries together are referred to in these financial statements as the ‘Group’.

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

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

Interests in Subsidiaries

Stanwell Corporation Limited had 100% (2020: 100%) ordinary equity holding in the following subsidiaries. All of them were incorporated in Australia.

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

1. Significant accounting policies (continued)

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

Tarong Fuel Pty Ltd is a holding company.

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

Deed of Cross-Guarantee

The Company has entered into a Deed of Cross Guarantee with its subsidiaries under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission. The companies listed above represent a 'Closed Group' for the purposes of the Corporations Instrument, and, as there are no other parties to the Deed of Cross Guarantee that are controlled by the Company, they also represent the 'Extended Closed Group'.

Current and non-current classification

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

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

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

Finance costs

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

Finance income

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

Goods and Services Tax (GST)

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

1. Significant accounting policies (continued)

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

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

Rounding of amounts

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

Critical accounting estimates and judgements

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

2. Revenue and other income

	Continuing Operations 2021 $'000	Discontinued Operations 2021 $'000	Continuing Operations 2020 $'000	Discontinued Operations 2020 $'000
Revenue				
Revenue from contracts with customers				
Sale of electricity - wholesale	1,167,946	-	966,989	14,585
Sale of electricity - retail	940,168	-	1,125,746	-
Energy services revenue	538,733	-	556,452	-
Gas sales	-	-	26,370	-
Coal on-sale	460	-	2,241	-
	2,647,307	-	2,677,798	14,585
Other revenue				
Hedging gain/(loss)	(116,857)	-	165,519	-
Coal rebate sharing arrangements	108,708	-	209,215	-
Environmental certificate revenue	299	-	10	7,842
Revenue from services to CleanCo	6,464	-	50,313	-
Other revenue	52,922	-	28,610	82
	51,536	-	453,667	7,924
Revenue	2,698,843	-	3,131,465	22,509
Finance income				
Interest income	2,428	-	9,521	-
Unwinding of discount on financial asset	34,361	-	30,486	-
Finance income	36,789	-	40,007	-

2. Revenue and other income (continued)

Application of accounting policies

Revenue from Contracts with Customers

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

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

2. Revenue and other income (continued)

Finance income

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Finance income includes interest income on the non-current receivable disclosed in note 8 for the termination of Stanwell's reversionary rights at the Curragh mine.

3. Expenses

	Continuing Operations 2021 $'000	Discontinued Operations 2021 $'000	Continuing Operations 2020 $'000	Discontinued Operations 2020 $'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Land and buildings	(2,372)	-	(3,364)	-
Generation assets	(98,631)	-	(137,799)	-
Operational mining assets	(16,300)	-	(35,408)	-
Other plant and equipment	(4,289)	-	(5,972)	-
Right-of-use assets	(1,951)	-	(2,779)	-
Total depreciation	(123,543)	-	(185,322)	-
Amortisation				
Software	(5,823)	-	(8,324)	-
Exploration and evaluation	(125)	-	(122)	-
Mining information	(306)	-	(415)	-
Total amortisation	(6,254)	-	(8,861)	-
Total depreciation and amortisation	(129,797)	-	(194,183)	-
Total depreciation and amortisation in profit and loss	(129,797)	-	(194,183)	-
(Impairment)/impairment reversal				
Land and buildings	(9,525)	-	(22,778)	-
Generation assets	(53,654)	-	(521,187)	-
Operational mining assets	(38,573)	-	(114,409)	-
Other plant and equipment	(344)	-	(6,250)	-
Right-of-use assets	(45)	-	(2,646)	-
Capital work in progress	(16,003)	-	(41,936)	-
Software (refer to note 10)	(572)	-	(8,143)	-
Exploration and evaluation	-	-	(2,230)	-
Total (impairment)/impairment reversal	(118,716)	-	(719,579)	-
Finance costs				
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	(47,867)	-	(51,030)	-
Unwinding of the discount on provisions	(6,174)	-	(11,234)	(632)
Finance costs expensed	(54,041)	-	(62,264)	(632)
Amounts included in other expenses				
Services and consultants	(51,452)	-	(55,705)	(1,526)

3. Expenses (continued)

Amounts included in employee benefits expense				
Defined contribution superannuation expense	(10,116)	-	(10,351)	(381)
Defined benefit plan expense	(1,900)	-	(1,955)	-

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

4. Cash and cash equivalents

	2021 $'000	2020 $'000
Financial assets at amortised cost		
Cash at bank and in hand	114,346	112,371

Cash at bank is bearing an interest rate of 0.2% (2020: 0.5%). The carrying amount for cash and cash equivalents reasonably equates to their fair value. Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Credit risk

Cash and cash equivalent balances are held with Queensland Treasury Corporation (QTC) and other bank and financial institution counterparties which are rated AA- to AA+. An impairment assessment was performed at 30 June 2021 and no allowance for expected credit loss has been recognised as the amount was not material.

5. Current receivables

Financial assets at amortised cost

	Consolidated	
	2021 $'000	2020 $'000
Trade receivables:		
Retail customers	210,963	196,044
Other trade receivables	128,528	44,000
Advances facility	310,906	365,148
Other receivables	917	8,972
Less: Allowance for expected credit losses	(342)	(185)
	650,972	613,979

Trade receivables

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

5. Current receivables (continued)

Advances facility

Under the Queensland Government's cash management regime, Government Owned Corporations (GOCs) advance surplus cash to Queensland Treasury. GOC access to the advances is generally subject to notification periods of 24 to 48 hours. The deposits at call yielded floating interest rates between 0.51% to 1.03% during the year ended 30 June 2021 (2020: 0.86% to 2.13%). Refer to note 17 for further information on interest rate risk. Because of the short-term nature of the advances, their carrying amount is assumed to be a reasonable approximation of fair value.

Application of accounting policies

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

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

Application of accounting estimates and judgements

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

Financial risk management objective

Credit risk

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

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

The carrying amount of financial assets best represent the Group's maximum exposure to credit risk at the reporting date. At 30 June 2021, $2,050,729 of the Group's financial assets were past due but not impaired (2020: $7,021,205).

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

5. Current receivables (continued)

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

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

The expected credit losses on trade receivables are estimated using externally and internally sourced credit ratings and expected loss rates, taking into account historical and forward looking metrics. An impairment assessment was performed at 30 June 2021 and an allowance for expected credit losses of $342,021 has been recognised (2020: $185,543).

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

	Consolidated	
	2021 $'000	2020 $'000
AA+ to AA-	320,063	384,897
A+ to A-	4,552	5,754
BBB+ to BBB-	123,706	123,279
Other and non-rated	91,756	97,799
AEMO	111,237	2,435
	651,314	614,164

In determining expected credit losses on trade receivables at 30 June 2021, the Group has considered the impacts of COVID-19 and assessed it to be immaterial.

6. Inventories

	Consolidated	
	2021 $'000	2020 $'000
Stores - at cost	58,855	59,506
Less: Provision for obsolescence	(18,711)	(22,668)
	40,144	36,838
Fuel	31,587	75,853
Environmental certificates at fair market value	45,612	49,125
	117,343	161,816

Application of accounting policies

Environmental certificates

The Group is subject to various regulatory environmental schemes and as such accrues environmental liabilities as part of its general business operations. To meet these liabilities, the Group acquires environmental certificates on the wholesale market and surrenders these to the scheme administrators periodically.

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

6. Inventories (continued)

Fuel and stores

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

Provision for obsolescence

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

Application of critical accounting estimates and judgements

Environmental certificates

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

7. Other current assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
Prepayments	4,894	15,181
Cash collateral	121,595	79,825
	126,489	95,006

Application of accounting policies

Cash collateral

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

8. Non-current receivables

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Receivables	298,677	264,316
Less: Allowance for expected credit losses	(13,413)	(15,785)
	285,264	248,531

8. Non-current receivables (continued)

Application of critical estimates and judgements

Credit risk

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

9. Property, plant and equipment

	Consolidated	
	2021 $'000	2020 $'000
Land and Buildings - cost	185,876	186,007
Less: Accumulated depreciation and impairment	(97,822)	(85,956)
	88,054	100,051
Generation assets - cost	3,933,806	3,831,356
Less: Accumulated depreciation and impairment	(2,998,365)	(2,833,781)
	935,441	997,575
Operational mining assets - cost	2,027,052	1,914,373
Less: Accumulated depreciation	(1,726,884)	(1,573,968)
	300,168	340,405
Other plant & equipment - cost	95,060	88,758
Less: Accumulated depreciation and impairment	(81,737)	(75,908)
	13,323	12,850
Capital work in progress - cost	179,767	80,653
Right-of-use assets	13,704	12,858
Less: Accumulated depreciation and impairment	(7,419)	(5,425)
	6,285	7,433
	1,523,038	1,538,967

9. Property, plant and equipment (continued)

Reconciliations

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

Consolidated	Land and Buildings $'000	Generation assets $'000	Operational mining assets $'000	Other plant and equipment $'000	Mining development assets $'000	Capital work in progress $'000	Right-of-use assets $'000	Total $'000
Balance at 1 July 2019	77,067	1,493,322	418,927	19,450	44,233	108,756	-	2,161,755
Additions	5	1,380	39,839	17	-	144,238	13,037	198,516
Disposals	(4)	(15)	(72)	(14)	-	-	(5)	(110)
Reversal of impairment	2,767	-	-	-	-	-	-	2,767
Classified as held for distribution	-	(188)	-	(2,123)	-	(3,362)	(174)	(5,847)
Impairment of assets	(22,778)	(521,187)	(114,409)	(6,250)	-	(41,936)	(2,646)	(709,206)
Rehabilitation Asset Adjustment	-	50,843	25,571	-	-	-	-	76,414
Transfers between classes	46,358	111,219	5,957	7,742	(44,233)	(127,043)	-	-
Depreciation expense-continuing operations	(3,364)	(137,799)	(35,408)	(5,972)	-	-	(2,779)	(185,322)
Balance at 30 June 2020	100,051	997,575	340,405	12,850	-	80,653	7,433	1,538,967
Additions	-	-	46,226	-	-	248,932	848	296,006
Disposals	(183)	-	-	(4)	-	-	-	(187)
Project write-off	-	-	-	-	-	(1,397)	-	(1,397)
Transfer to CleanCo	-	-	-	-	-	(221)	-	(221)
Rehabilitation Asset Adjustment	-	(33,332)	(36,748)	-	-	-	-	(70,080)
Impairment of assets	(9,525)	(53,654)	(38,573)	(344)	-	(16,003)	(45)	(118,144)
Reclass FY20 WIP impairment on FY21 capitalisations	(31)	(12,298)	(1,619)	(1,175)	-	16,760	-	1,637
Transfers between classes	114	135,781	6,777	6,285	-	(148,957)	-	-
Depreciation expense-continuing operations	(2,372)	(98,631)	(16,300)	(4,289)	-	-	(1,951)	(123,543)
Balance at 30 June 2021	88,054	935,441	300,168	13,323	-	179,767	6,285	1,523,038

9. Property, plant and equipment (continued)

Application of accounting policies

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

Subsequent costs of replacing part of an item of property, plant and equipment are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced asset is derecognised. The costs of day to day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

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

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

Stripping costs

(i) Pre production stripping costs

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

(ii) Post production stripping costs

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

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

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

9. Property, plant and equipment (continued)

Depreciation

Depreciation is recorded over the useful life of the asset, or over the remaining life of the mine or power station if shorter. Assets are depreciated from the date they become available for use. Land is not depreciated. Operational mining assets are depreciated on either a units of use or straight-line basis. Other major categories of property, plant and equipment are depreciated on a straight-line basis. The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Physical, economic, environmental and climate risk factors are taken into consideration in assessing useful lives of assets, including but not limited to asset condition and obsolescence, technology changes, commercial contract lives and renewals, regional electricity supply-and-demand, and environmental policy changes. Any reassessment of useful lives in a particular year will affect the depreciation expense.

Units of use basis

Where operational mining assets are depreciated on a units of use basis, depreciation is normally calculated using the equipment hours extracted from the mine in the period as a percentage of the total equipment hours for the relevant asset. Development expenditure which is capitalised represents initial or up front development mining costs that create future benefits, by providing access to coal in new pits. These are proportionally depreciated over the Run of Mine tonnes for the life of the pit as the coal is mined.

Straight-line basis

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

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

Impairment

Year ended 30 June 2021

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

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

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

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

Year ended 30 June 2020

In 2020, the impairment loss of $719.6 million (before tax) represented the write-down to the recoverable amount for the Tarong Precinct (comprising of the Tarong Power Station, Tarong North Power Station and the Meandu Mine), Stanwell Power Station and Mica Creek Power Station Cash Generating Units (CGU)s.

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

9. Property, plant and equipment (continued)

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

Unobservable inputs	Nature of inputs	Relationship of unobservable inputs and value in use
Revenue cash flows	Prevailing electricity demand and supply conditions determine physical dispatch of electricity and spot price outcomes. The scenario under which the cash flows were modelled take into account the closure of coal fired plants and investments for renewable energy all of which would have an impact on demand and supply of electricity.	A higher expected electricity generation or an increase in the electricity prices through increased demand or decreased supply of electricity would increase the value in use. An increase in generation from renewables over and above the decrease in coal fired plants will decrease the value in use.
Operating expenditure	Operating expenditures for the electricity generation have been determined based on the most recent management forecasts available at the time of the valuation.	A lower operating expenditure decreases the value in use.
Capital expenditure	Future capital expenditure required to ensure the security and reliability of electricity generation has been determined based on the most recent management forecasts available at the time of the valuation.	A lower future capital expenditure decreases the value in use.
Life of plant	Cash flows have been projected based on the expected life of the plant.	Any increases in the projections of the life of the generating plant under certain scenarios increases the value in use.
Weighted Average Cost of Capital (WACC) discount rate	A nominal post-tax WACC of 6.5% (2020: 6.0%) has been employed in the valuation. The WACC discount rate has been determined in consultation with independent experts based on a long-term view of the market cost of capital. The WACC equates to a pre-tax discount rate of approximately 9.3% (2020: 8.8%).	The higher the nominal WACC, the lower the value in use.

Application of critical accounting estimates and judgements

Stripping costs

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

Impairment of assets

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

9. Property, plant and equipment (continued)

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

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

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

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to it that may lead to indicators of impairment of assets. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Key estimates and assumptions are made in determining the recoverable amount of assets including, but not limited to, electricity demand, wholesale electricity prices, a discount rate, cost of fuel and achievable market values for asset disposal. Given the nature of the Group's operations, it is exposed to climate related risks and these are considered in determining the recoverable amounts of the CGUs.

Sources for the key estimates and assumptions in the impairment testing include:

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

9. Property, plant and equipment (continued)

Right-of-use assets

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

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

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line-basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

10. Intangibles

	Consolidated 2021 $'000	Consolidated 2020 $'000
Mining Information - at cost	83,569	83,569
Less: Accumulated amortisation and impairment	(78,559)	(76,465)
	5,010	7,104
Software - at cost	131,209	126,381
Less: Accumulated amortisation and impairment	(117,628)	(111,808)
	13,581	14,573
	18,591	21,677

Reconciliations

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

Consolidated	Mining information $'000	Software $'000	Total $'000
Balance at 1 July 2019	7,519	17,719	25,238
Additions	-	13,321	13,321
Impairment of assets	(1,788)	(6,355)	(8,143)
Amortisation expense	(415)	(8,324)	(8,739)
Balance at 30 June 2020	5,316	16,361	21,677
Additions	-	4,828	4,828
Impairment booked from FY20 WIP	-	(1,213)	(1,213)
Impairment of FY21 assets	-	(572)	(572)
Amortisation expense	(306)	(5,823)	(6,129)
Balance at 30 June 2021	5,010	13,581	18,591

10. Intangibles (continued)

Application of accounting policies

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

Software

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

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

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

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

Stanwell has assessed that no change is required in its accounting policy following implementation of the International Financial Reporting Standards Interpretations Committee (IFRIC) cloud computing final agenda decisions in its 30 June 2021 financial statements.

Mining lease and information

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

Application of critical accounting estimates and judgements

Estimates of useful lives are reassessed annually, and any change in estimate is taken into account in the determination of future amortisation charges. Adjustments to useful life are made when considered necessary. Impairment of intangible assets is considered along with property, plant and equipment. Refer to note 9.

11. Retirement benefit surplus

	Consolidated	
	2021 $'000	2020 $'000
Present value of the defined benefit obligation	(58,866)	(62,750)
Fair value of defined benefit plan assets	70,378	69,503
Net asset in the balance sheet	11,512	6,753

11. Retirement benefit surplus (continued)

Superannuation plan

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

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

Application of accounting policies

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

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

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

Employer contributions and risk exposure

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

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

Based on the actuary's recommendations in the actuarial review as at 30 June 2019, a contribution rate of nil (2020: nil) of defined benefit members' salaries has been adopted. In the event that further funding is required, the Group will immediately contribute that funding as required.

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

12. Derivative financial instruments

Financial assets and liabilities at fair value

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current assets		
Electricity contracts - cash flow hedges	47,309	297,170
Electricity contracts - held for trading	343,173	276,415
Foreign currency contracts - cash flow hedges	35	-
Environmental contracts - held for trading	21,927	34,497
Oil contracts - held for trading	1,007	-
	413,451	608,082
Non-current assets		
Electricity contracts - cash flow hedges	43,724	181,224
Electricity contracts - held for trading	166,829	160,337
Environmental contracts - held for trading	8,663	11,090
Oil contracts - held for trading	404	-
	219,620	352,651
Current liabilities		
Electricity contracts - cash flow hedges	(248,592)	(58,382)
Electricity contracts - held for trading	(286,636)	(412,587)
Foreign currency contracts - cash flow hedges	(164)	(144)
Environmental contracts - held for trading	(24,913)	(35,891)
Oil contracts - held for trading	-	(4,653)
	(560,305)	(511,657)
Non-current liabilities		
Electricity contracts - cash flow hedges	(100,251)	(19,403)
Electricity contracts - held for trading	(193,256)	(230,037)
Foreign currency contracts - cash flow hedges	(49)	(54)
Environmental contracts - held for trading	(12,873)	(8,521)
Oil contracts - held for trading	-	(2,224)
	(306,429)	(260,239)
Net derivative financial instrument assets/(liabilities)	(233,663)	188,837

Application of accounting policies

Derivatives and hedging activities

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

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

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

12. Derivative financial instruments (continued)

Change in fair value recognised in the profit or loss

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

Hedge accounted change in fair value of derivative instruments

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

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

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

Application of critical accounting estimates and judgements

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

Fair value hierarchy

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

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

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

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

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

2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurement				
Assets				
Current derivative financial instrument assets	378,550	34,475	426	413,451
Non-current derivative financial instrument assets	183,675	22,722	13,223	219,620
Total assets	562,225	57,197	13,649	633,071

12. Derivative financial instruments (continued)

2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurement				
Assets				
Current derivative financial instrument assets	378,550	34,475	426	413,451
Non-current derivative financial instrument assets	183,675	22,722	13,223	219,620
Total assets	562,225	57,197	13,649	633,071
Liabilities				
Current derivative financial instrument liabilities	(422,411)	(118,407)	(19,487)	(560,305)
Non-current derivative financial instrument liabilities	(260,608)	(31,692)	(14,129)	(306,429)
Total liabilities	(683,019)	(150,099)	(33,616)	(866,734)
Net derivative financial instrument assets/(liabilities)	(120,794)	(92,902)	(19,967)	(233,663)
2020				
Recurring fair value measurement				
Assets				
Current derivative financial instrument assets	328,406	265,875	13,801	608,082
Non-current derivative financial instrument assets	150,038	154,154	48,459	352,651
Total assets	478,444	420,029	62,260	960,733
Liabilities				
Current derivative financial instrument liabilities	(371,206)	(131,494)	(8,957)	(511,657)
Non-current derivative financial instrument liabilities	(187,817)	(62,960)	(9,462)	(260,239)
Total liabilities	(559,023)	(194,454)	(18,419)	(771,896)
Net derivative financial instrument assets/(liabilities)	(80,579)	225,575	43,841	188,837

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

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

The following table presents the changes in level 3 derivative instruments for the years ended 30 June 2020 and 30 June 2021:

Level 3 Net assets/(liabilities)	2021 $'000	2020 $'000
Balance at the beginning of the year	43,841	25,034
Gains/(losses) recognised in profit or loss	(36,130)	8,738
Gains/(losses) recognised in other comprehensive income	(48,949)	77,675
Losses recognised in equity	(11,967)	(6,725)
Purchases	315	1,492
Sales	(2,426)	(3,439)
Settlements	21,857	3,437
Transfers out of level 3 into level 2	13,492	(62,371)
Balance at the end of the year	(19,967)	43,841
Total unrealised gains/(losses) for the year included in profit or loss that relate to level 3 assets held at the end of the year	(17,328)	1,123

12. Derivative financial instruments (continued)

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

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

The significant inputs used in these valuation techniques are:

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

Floor valuations utilise implied option volatilities which are inferred from other traded instruments. Increasing or decreasing the volatilities by 30%, results in a change to profit before tax of between $4,923,179 (2020: $4,234,695) (decrease) to $4,945,899 (2020: $6,711,372) (increase). Solar 150 program valuations utilise published over-the-counter forward electricity prices. Increasing or decreasing these prices by 30%, results in a change to profit before tax of between $5,940,773 (decrease) to $6,676,201 (increase).

Master netting arrangements - not currently enforceable

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

2021	Amounts presented in the balance sheet $'000	Amounts subject to master netting agreements $'000	Financial instrument collateral $'000	Net amount $'000
Financial assets				
Derivative financial instrument assets	633,071	(601,736)	(1,506)	29,829
Cash collateral	121,595	-	(120,794)	801
Total	754,666	(601,736)	(122,300)	30,630
Financial liabilities				
Derivative financial instrument liabilities	(866,734)	601,736	120,794	(144,204)
Other current liabilities	(2,018)	-	1,506	(512)
Total	(868,752)	601,736	122,300	(144,716)

12. Derivative financial instruments (continued)

2020

Financial assets				
Derivative financial instrument assets	960,733	(614,724)	(7,185)	338,824
Cash collateral	79,825	-	(79,825)	-
Total	1,040,558	(614,724)	(87,010)	338,824
Financial liabilities				
Derivative financial instrument liabilities	(771,896)	614,724	79,825	(77,347
Other current liabilities	(11,704)	-	7,185	(4,519
Total	(783,600)	614,724	87,010	(81,866

Financial risk management objectives

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

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

Commodity price risk

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

Electricity contracts

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

Environmental contracts

The Group is exposed to environmental certificate price movements through their requirement to comply with various regulatory environmental schemes as part of their normal business operations.

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

12. Derivative financial instruments (continued)

Sensitivity analysis

The following table summarises the sensitivity of the Group's derivative financial instruments to electricity price risk. The analysis is performed on a pre-tax basis using similar information to that which would be provided to management and reflects the impact on the Group's financial position at balance date should upward and downward movements of electricity forward prices of 30% (2020: 30%) occur.

	% change	Average price increase Effect on profit before tax $'000	Effect on equity $'000	% change	Average price decrease Effect on profit before tax $'000	Effect on equity $'000
Electricity price - 2021	30%	272,786	(375,645)	(30%)	(281,662)	372,285
Electricity price - 2020	30%	116,543	(259,013)	(30%)	(122,705)	251,775

Credit risk

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

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

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
AA+ to AA-	3,339	675,373
A+ to A-	571,663	27,339
BBB+ to BBB-	12,471	56,930
Other and non-rated	45,598	201,091
	633,071	960,733

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

12. Derivative financial instruments (continued)

Liquidity risk

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

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

	1 year or less $'000	Between 1 and 5 years $'000	Remaining contractual maturities $'000
Derivative financial instrument liabilities - 2021	560,339	306,568	866,907
Derivative financial instrument liabilities - 2020	511,719	260,443	772,162

Hedge accounting activities - cash flow hedges

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

The cash flows of the hedged electricity sales and purchases are expected to occur over the next 6 years (2020: 7 years), with the hedge reserve reclassifications to the profit or loss within the same financial years as the cash flows.

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

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

The hedge ineffectiveness can arise from:

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

12. Derivative financial instruments (continued)

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

As at 30 June 2021	Highly probable forecast electricity sales $'000	Highly probable forecast electricity purchases $'000	Total $'000
Current assets	3,897	43,412	47,309
Non-current assets	14,293	29,431	43,724
Current liabilities	(244,903)	(3,689)	(248,592)
Non-current liabilities	(98,284)	(1,967)	(100,251)
Nominal amount of electricity swap hedging instruments	26,602,314 MWh	7,963,776 MWh	
The fixed cash flows are for prices per MWh of:	$31 to $85	$32 to $89	
As at 30 June 2020	**$'000**	**$'000**	**$'000**
Current assets	296,901	269	297,170
Non-current assets	181,098	126	181,224
Current liabilities	(113)	(58,269)	(58,382)
Non-current liabilities	(13)	(19,390)	(19,403)
Nominal amount of electricity swap hedging instruments	26,471,718 MWh	4,325,496 MWh	
The fixed cash flows are for prices per MWh of:	$33 to $97	$37 to $145	

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

	Effective gain/(loss) recognised in OCI $'000	Ineffective gain/(loss) recognised in profit or loss $'000	Change in fair value of hedging instrument $'000	Change in fair value of the hedged item attributable to the hedged risk $'000	Gain/(loss) reclassified from OCI to profit or loss $'000
Year ended 30 June 2021					
Highly probable forecast electricity sales	(863,457)	(6,216)	(869,673)	866,228	(98,007)
Highly probable forecast electricity purchases	123,092	2,481	125,573	(125,900)	(18,850)
	(740,365)	(3,735)	(744,100)	740,328	(116,857)
Year ended 30 June 2020					
Highly probable forecast electricity sales	891,434	18,916	910,350	(904,288)	215,270
Highly probable forecast electricity purchases	(156,762)	(4,320)	(161,082)	160,439	(49,751)
	734,672	14,596	749,268	(743,849)	165,519

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

12. Derivative financial instruments (continued)

	2021 $'000	2020 $'000
Cash flow hedge reserve movements		
Balance at the beginning of the year	255,484	(142,414)
Effective portion of changes in fair value of cash flow hedges of electricity swaps	(740,365)	734,672
Effective portion of changes in fair value of cash flow hedges of currency forwards	(654)	(99)
Net change in fair value of cash flow hedges of electricity swaps transferred to other revenue	116,857	(165,519)
Net change in fair value of cash flow hedges of currency forwards transferred to property, plant and equipment	584	(628)
Income tax equivalent relating to these items	187,073	(170,528)
Balance at the end of the year	(181,021)	255,484
Represented by:		
Balances for continuing hedges		
Highly probable forecast electricity sales	(241,631)	310,625
Highly probable forecast electricity purchases	46,872	(53,657)
Highly probable forecast foreign currency purchases	(125)	(139)
Balances remaining for which hedge accounting is no longer applied		
Highly probable forecast electricity sales	14,104	(2,336)
Highly probable forecast electricity purchases	(174)	995
Highly probable forecast foreign currency purchases	(67)	(4)
Balance at the end of the year	(181,021)	255,484

13. Trade and other payables

	Consolidated	
	2021 $'000	2020 $'000
Trade payables	168,102	61,866
Accrued expenses	166,313	148,938
	334,415	210,804

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

Application of accounting policies

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

14. Current provisions

	Consolidated	
	2021	2020
	$'000	$'000
Employee benefits	24,057	23,045
Dividends	107,800	231,018
Restoration, rehabilitation and decommissioning	12,589	6,793
Other	24,675	24,675
Restructuring costs	1,777	3,977
	170,898	289,508

Dividends

Refer to note 19 for further information.

Boondooma Dam Spillway

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

Amounts not expected to be settled within the next 12 months

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

	Consolidated	
	2021	2020
	$'000	$'000
Employee benefits obligation expected to be settled after 12 months	18,364	18,236

Application of accounting policies

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

Short-term employee benefits

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

15. Non-current provisions

	Consolidated 2021 $'000	Consolidated 2020 $'000
Employee benefits - long service leave	970	1,412
Restoration, rehabilitation and decommissioning	366,560	441,636
Other provisions	17,875	17,061
	385,405	460,109

Consolidated - 2021	Total Restoration $'000
Carrying amount at the start of the year	448,429
Payments	(4,501)
Movement in estimates	(70,953)
Unwinding of discount	6,174
Carrying amount at the end of the year	379,149

Long-term employee benefit obligations

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

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

Superannuation

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

Restoration, rehabilitation and decommissioning

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

15. Non-current provisions (continued)

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

Application of accounting estimates and judgements

Employee benefits

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

Restoration, rehabilitation and decommissioning

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

Provisions for Restoration, rehabilitation and decommissioning obligations are based on risk adjusted cash flows. These estimates have been discounted to their present value at a pre-tax risk free rate, based on an estimate of the long-term, risk free, pre-tax cost of borrowing. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. As at 30 June 2021, the Group reassessed its estimate of the pre-tax discount rate from a range of 0.65% to 1.50% to a range of 0.10% to 2.35% resulting in a decrease to the provision of $47,166,288.

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

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

16. Current borrowings

	Consolidated	
	2021 $'000	2020 $'000
Unsecured borrowings	30,069	3,238
Lease liability	1,909	1,941
	31,978	5,179

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

Application of accounting policies

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

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

16. Current borrowings (continued)

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

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

To determine the incremental borrowing rate, the Group:

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

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

Variable lease payments

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

Extension and termination options

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

Critical judgements in determining the lease term

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

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

As at 30 June 2021, potential future cash outflows of $20,859,932 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended.

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

17. Non-current borrowings

Financial liabilities at amortised cost

	Consolidated 2021 $'000	Consolidated 2020 $'000
Unsecured borrowings	791,144	818,181
Lease liability	6,114	8,214
	797,258	826,395

Unsecured borrowings

The unsecured borrowings are provided by QTC. During the current year, the Group elected to move from an interest only repayment method to a principal and interest repayment method, with the first principal repayment to be made in August 2021. The loan has been divided into two components where the loan principal will be repaid over the period to 2037 ($418,819,039 principal) and 2042 ($402,394,764 principal) respectively.

Lease liabilities

Refer to note 16 for further information on lease liabilities.

Fair value

The fair value of unsecured borrowings for the Group at 30 June 2021 was $942,892,017 (2020: $980,005,715) compared to a carrying amount of $821,213,804 (2020: $821,418,122), $30,069,362 of which is shown as current borrowings. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes.

Application of accounting policies

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

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

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

17. Non-current borrowings (continued)

Financial risk management objective

Interest rate risk

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

An increase/decrease in interest rates ranging between 10 and 100 (2020: 25 and 100) basis points would have an adverse/favourable effect as described in the following tables. The percentage change is based on the expected volatility of interest rates using QTC forecasts.

	%	Basis points increase Effect on profit before tax $'000	Effect on equity $'000	%	Basis points decrease Effect on profit before tax $'000	Effect on equity $'000
2021						
Cash and cash equivalents	0.10%	114	-	(0.10%)	(114)	-
Advances facility	0.10%	311	-	(0.10%)	(311)	-
Borrowings	1.00%	(157)	-	(1.00%)	194	-
		268	-		(231)	-
2020						
Cash and cash equivalents	0.25%	281	-	(0.25%)	(281)	-
Advances facility	0.25%	913	-	(0.25%)	(913)	-
Borrowings	1.00%	(600)	-	(1.00%)	656	-
		594	-		(538)	-

Liquidity risk

The Group is subject to cash flow volatility and manages a substantial portion of that risk by entering into derivatives. To the extent that volatility still arises, the Group manages liquidity risk by maintaining sufficient cash and undrawn facilities to meet unexpected volatility. The Group uses stress testing to measure extreme cash flow risk. The Group has access to QTC funds as required once shareholding Ministers' annual approval for the borrowing purpose has been received. Ongoing credit criteria and reporting requirements must be met and the facility is assessed by QTC annually.

17. Non-current borrowings (continued)

Financing arrangements

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

	2021 $'000	2020 $'000
Expiring within one year (bank overdraft and working capital facility)	122,000	122,000

The overdraft facility is with the Australia and New Zealand Banking Group Ltd and has an approved limit of $2,000,000 (2020: $2,000,000). The working capital facility is with QTC and has an approved limit of $120,000,000 (2020: $120,000,000).

As at 30 June 2021, the Company had drawn down $Nil against the working capital facility (2020: $Nil).

Remaining contractual maturities

The following table analyses the Group's remaining contractual maturity for its borrowings. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The table includes both interest and principal cash flows.

	1 year or less $'000	Between 1 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Borrowings - 2021	57,186	235,876	872,354	1,165,416
Borrowings - 2020	37,865	150,614	818,181	1,006,660

18. Contributed equity

	Consolidated			
	2021 Shares	2020 Shares	2021 $'000	2020 $'000
Ordinary shares (A class) - fully paid	4	4	-	-
Ordinary shares (B class) - fully paid	924,568,658	924,568,658	977,619	977,260
	924,568,662	924,568,662	977,619	977,260

Movements in ordinary share capital

Details	Date	$'000
Balance	1 July 2019	1,054,693
Transfer of assets to CleanCo (1)	31 October 2019	(77,433)
Balance	30 June 2020	977,260
Transfer of inventory and employee entitlements to CleanCo (2)	30 August 2020	359
Balance	30 June 2021	977,619

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

18. Contributed equity (continued)

(2) Subsequent to the end of the Transitional Services Agreement, the employees who work at each asset transferred to CleanCo, and the provisions for employee entitlements along with inventory balances transferred to CleanCo on 30 August 2020.

Ordinary shares

The Company is wholly owned by the State of Queensland.

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

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

Transaction with owners reserve

The reserve for transaction with owners is used to recognise transactions with shareholders in their capacity as owners. On 30 June 2021, Stanwell received a direction under section 257 of the Electricity Act to continue managing the State's obligations under the Solar 150 Program for a further 24 month period until 30 June 2023. The fair value of the derivative contract liability at 30 June 2021 was a loss of $8,376,610 (net of tax) and this has been recognised in equity as a transaction with owners (2020: Fair value loss of $4,707,335 (net of tax) in relation to a 12 month period to 30 June 2021).

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 or issue new shares.

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

The gearing ratio at the reporting date was as follows:

	2021 $'000	2020 $'000
Current liabilities - current borrowings (note 16)	31,978	5,179
Non-current liabilities - non-current borrowings (note 17)	797,258	826,395
Total borrowings	829,236	831,574
Total equity	962,377	1,134,602
Total capital	1,791,613	1,966,176
Gearing ratio	46%	42%

19. Dividends

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

	Consolidated	
	2021 $'000	2020 $'000
Final dividend for the year ended 30 June 2021 of 11.7 cents (2020: 25.0 cents) per fully paid share	107,800	231,018

Application of accounting policies

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

20. Income tax

	Consolidated	
	2021 $'000	2020 $'000
Income tax equivalent expense/(benefit)		
Current tax equivalent	108,313	193,334
Deferred tax equivalent	51,038	(294,656
Adjustments for current tax equivalent of prior periods	(20)	(22
(Under)/Over provision in prior year deferred tax	1,555	(1,646
Aggregate income tax equivalent expense/(benefit)	160,886	(102,990
Income tax equivalent expense/(benefit) is attributable to:		
Profit/(loss) from continuing operations	160,886	(107,038
Profit from discontinued operations	-	4,048
Aggregate income tax equivalent expense/(benefit)	160,886	(102,990
Deferred tax included in income tax equivalent expense/(benefit) comprises:		
(Increase)/decrease in deferred tax equivalent assets	(599,155)	(184,492
Increase/(decrease) in deferred tax equivalent liabilities	650,193	(110,164
Deferred tax equivalent	51,038	(294,656
Numerical reconciliation of income tax equivalent expense/(benefit) and tax at the statutory rate		
Profit/(loss) before income tax equivalent (expense)/benefit from continuing operations	536,323	(356,749
Profit before income tax equivalent expense from discontinued operations	-	13,495
	536,323	(343,254
Tax at the statutory tax rate of 30%	160,897	(102,976
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	9	8
	160,906	(102,968
Adjustments for current tax equivalent of prior periods	(20)	(22
Income tax equivalent expense/(benefit)	160,886	(102,990

20. Income tax (continued)

	Consolidated 2021 $'000	2020 $'000
Tax equivalent benefit/(expense) relating to items of other comprehensive income and recognised directly in equity		
Cash flow hedges recognised in other comprehensive income	187,248	(170,716)
Cash flow hedges recognised in reserves	(175)	188
Actuarial (gains)/losses on defined benefit plans	(1,998)	927
Transfer through equity- transfer to CleanCo	(154)	(37,497)
Transfer through equity- Solar 150 Program	3,590	2,018
	188,511	(205,080)

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

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

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

20. Income tax (continued)

	Consolidated 2021 $'000	Consolidated 2020 $'000
Deferred tax asset/(liability)		
Net deferred tax equivalent asset/(liability) comprises temporary differences attributable to:		
Employee benefits	16,597	15,910
Derivatives	260,038	231,571
Provisions	132,410	155,125
Other liabilities	6,828	8,994
Property, plant and equipment	(123,398)	(114,253)
Defined benefits plan	(3,454)	(2,026)
Derivatives	(191,145)	(286,405)
Inventories	(29,547)	(44,912)
Other assets	(423)	(33,573)
Deferred tax liability	67,906	(69,569)
Deferred tax asset/(liability) from continuing operations	67,906	(69,700)
Deferred tax asset from discontinuing operations	-	131
	67,906	(69,569)
Movements:		
Opening balance	(69,569)	(159,145)
Charged/(credited) to profit or loss	(51,042)	294,656
Cash flow hedges charged to equity	187,254	(170,716)
Cash flow hedges recognised in reserves	(175)	188
Actuarial (gains)/losses on defined benefit plans	(1,998)	927
Transfer through equity - transfer to CleanCo	(154)	(37,497)
Transfer through equity - Solar 150 Program	3,590	2,018
Closing balance	67,906	(69,569)

Tax effect accounting

The Group adopts the balance sheet approach to accounting for income tax equivalent payments. Deferred tax equivalent balances arise when there are temporary differences between carrying amounts and the tax bases of assets and liabilities, other than for the following:

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

20. Income tax (continued)

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

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

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

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

	Consolidated	
	2021 $'000	2020 $'000
Income tax payment/(refund) due	4,195	(13,665)

Tax consolidation

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

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

In accordance with the tax funding agreement and *Interpretation 1052 Tax Consolidation Accounting*, any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses from the wholly owned controlled entities in the tax consolidated group are recognised by the Company. To the extent that the amounts recognised by the Company and its wholly owned entities are equivalent, amounts payable to (receivable by) the Company are accounted for through inter-company loan accounts.
Any differences between these amounts are recognised by the Company as an equity contribution to or distribution from the wholly owned controlled entities. Distributions firstly reduce the carrying amount of the investment in the wholly owned controlled entities and are then recognised as revenue.

21. Key Management Personnel

(a) Directors

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

Directors

Paul Binsted - *Chair*
Adam Aspinall
Jacqueline King
Karen Smith-Pomeroy
The Hon. Wayne Swan

(b) Other key management personnel

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

Chief Executive Officer - Richard Van Breda (Resigned as Chief Executive Officer effective 28 May 2021)
Acting Chief Executive Officer - Adam Aspinall (Appointed as Chief Executive Officer from 29 May 2021)
Chief Financial Officer - Michael O'Rourke
Chief Operating Officer - James Oliver
Executive General Manager Business Services - Sophie Naughton(1) (From 1 July 2020 to 9 February 2021)
Acting Executive General Manager Energy Trading - Sophie Naughton(1) (From 10 February 2021)
Acting Executive General Manager Business Services - Glenn Smith(1) (From 10 February 2021)
Executive General Manager Energy Trading and Commercial Strategy - Stephen Quilter(1) (From 1 July 2020 to 9 February 2021)
Acting Executive General Manager Commercial Strategy & Energy Futures - Stephen Quilter(1) (From 10 February 2021)

(1) On 10 February 2021, the Energy Trading and Commercial Strategy division was restructured into 1) Energy Trading and, 2) Commercial Strategy and Energy Futures. The restructure facilitates a dedicated period of intense resourcing on strategic initiatives such as Stanwell's renewable energy pipeline, portfolio transformation and the Central Queensland Hydrogen Projects.

(c) Remuneration of key management personnel

Directors

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

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

Other key management personnel

Remuneration policy

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

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

21. Key Management Personnel (continued)

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

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

Link between remuneration paid and performance of the Group

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

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

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

Where the Chief Executive Officer and other key management personnel are not currently remunerated at the market median for their role, increases may be awarded up to 10% of their total fixed remuneration. If a Senior Executive is remunerated at the market median, the Board may increase their remuneration by either the All Groups Brisbane Consumer Price Index or the Australian Bureau of Statistics Wages Price Index (Queensland – All Sectors – excluding bonuses), for the March quarter each year.

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

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

Service agreements

Service agreements are not in place for Directors. The Chief Executive Officer's appointment is approved by the shareholding Ministers upon recommendation of the Board. The remuneration and other terms of employment for the Chief Executive Officer are specified in an employment contract.

The Chief Executive Officer's employment contract is a fixed term (outer limit) contract ending in July 2022. The Chief Executive Officer tended his resignation on 23 April 2021, with effect from 22 October 2021 in accordance with the notice obligation under the employment contract. Where the Chief Executive Officer terminates employment at the initiative of the Executive (including resignation, retirement, or notification they do not wish to continue employment with Stanwell), the Executive is not entitled to a termination payment. The Chief Executive Officer is entitled to accrued annual leave and long service leave provisions paid on final end date of 22 October 2021. The Acting Chief Executive Officer's employment contract is a fixed term contract ending the day immediately prior to the appointment of a new permanent Chief Executive Officer in accordance with the GOC Act or 16 November 2021, unless extended with approval from shareholding Ministers.

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

21. Key Management Personnel (continued)

Contract dates for the Senior Executive roles are as follows:

- Chief Financial Officer - employed on an ongoing (tenured) basis commencing in January 2020.
- Chief Operating Officer - employed on an ongoing (tenured) basis commencing in June 2019.
- Acting Executive General Manager Energy Trading - employed on an ongoing (tenured) basis commencing in December 2019.
- Acting Executive General Manager Commercial Strategy & Energy Futures - employed on an ongoing (tenured) basis commencing in July 2016.
- Acting Executive General Manager Business Services - employed on an ongoing (tenured) basis commencing in February 2021 under a Common Law Employment Contract underpinned by the *Queensland Government's Policy for Government Owned Corporation Wages and Industrial Relations Policy 2015*.

(d) Details of remuneration

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

Directors of Stanwell Corporation Limited

Name	Short-term employee benefits		Post employment	
2021	**Cash salary $'000**	**Committee Fees $'000**	**Superannuation $'000**	**Total $'000**
Paul Binsted	79	9	9	97
Adam Aspinall	27	8	3	38
Jacqueline King	31	6	4	41
Karen Smith-Pomeroy	31	10	4	45
The Hon. Wayne Swan	31	-	3	34
2020				
Paul Binsted	12	1	1	14
Dr Ralph Craven	20	2	2	24
Adam Aspinall	31	9	4	44
Jacqueline King	31	7	4	42
Karen Smith-Pomeroy	31	9	4	44
The Hon. Wayne Swan	17	-	2	19

21. Key Management Personnel (continued)

Other key management personnel of the Group

Position 2021	Short-term Cash Salary $'000	employee Bonus* $'000	benefits Non-monetary benefits $'000	Other short- term benefits** $'000	Post employ-ment Superann-uation $'000	Long-term benefits Long service leave $'000	Total $'000
Chief Executive Officer	706	-	24	-	71	18	819
Acting Chief Executive Officer	76	-	1	-	8	2	87
Chief Financial Officer	372	-	24	-	38	9	443
Chief Operating Officer	375	-	24	-	39	9	447
Executive General Manager Business Services (1)	207	-	12	-	21	5	245
Acting Executive General Manager Energy Trading (2)	136	-	8	-	14	3	161
Executive General Manager Energy Trading and Commercial Strategy (3)	219	-	12	-	23	6	260
Acting Executive General Manager Commercial Strategy & Energy Futures (4)	149	-	8	-	15	4	176
Acting Executive General Manager Business Services (5)	121	-	-	-	12	3	136
Total	2,361	-	113	-	241	59	2,774
2020							
Chief Executive Officer	693	94	24	-	79	17	907
Chief Financial Officer	358	53	23	-	42	9	485
Chief Operating Officer	361	37	29	-	40	9	476
Executive General Manager Business Services (6)	306	54	16	140	23	4	543
Executive General Manager Business Services (7)	169	-	5	-	17	4	195
Executive General Manager Energy Trading and Commercial Strategy	361	54	19	-	41	9	484
Total	2,248	292	116	140	242	52	3,090

* Represents the bonus paid during the financial year for the performance of the previous financial year. No bonus or salary increase was paid in Financial Year 2020/21 (earned for Financial Year 2019/20), in accordance with the temporary Addendum to the Policy for *Government Owned Corporations Chief and Senior Executive Officer Employment* Contracts.

** Represents payment in lieu for early cessation of employment.

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

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

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

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

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

(6) Jennifer Gregg performed the role of Executive General Manager Business Services between 1 July 2019 to 21 December 2019.

(7) Sophie Naughton was appointed Executive General Manager Business Services on 22 December 2019.

21. Key Management Personnel (continued)

(e) Other transactions with key management personnel

A number of key management personnel of the Group are or were also Directors of other organisations which have or had transactions with the Group. All transactions in the years ended 30 June 2020 and 30 June 2021 between the Group and Directors or other key management personnel, including their related parties, were on normal commercial terms and conditions.

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

- The Treasurer, Minister for Investment, The Honourable Cameron Dick MP;
- The Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement, The Honourable Mick de Brenni MP (12 November 2020 to 30 June 2021); and
- The Minister for Natural Resources, Mines and Energy, The Honourable Dr Anthony Lynham MP (1 July 2020 to 11 November 2020).

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The Company does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by the Ministerial Services Branch within the Department of Premier and Cabinet. As all Ministers are reported as key management personnel of the Queensland Government, aggregate remuneration expenses for all Ministers are disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements for the 2021 financial year, which are published as part of Queensland Treasury's Report on State Finances.

22. Contingencies

Guarantees

All guarantees are provided in the form of unconditional undertakings provided by QTC and all except for one are secured through indemnity agreements. These guarantees may give rise to liabilities in the Parent entity if the Parent or subsidiaries do not meet their obligations under the terms of the agreements or other liabilities subject to the guarantees. The fair value of the above guarantees is $Nil (2020: $Nil).

Application of accounting policies

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

Class action and Corporation Act (Litigation Funding) declaration

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

On 25 June 2021, Stanwell issued proceedings seeking a declaration regarding the litigation funder's (Litigation Capital Management) compliance with the *Corporations Act (Litigation Funding) Regulation 2020*. Stanwell defends the claim and the claim remains ongoing at the time of signing these accounts.

23. Related party transactions

Parent entity

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

Key management personnel

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

Other State of Queensland controlled entities and post employment benefit plans

All State of Queensland controlled entities meet the definition of a related party in AASB 124 Related Parties. The Group transacts with other State of Queensland controlled entities as part of its normal operations on terms equivalent to those that prevail in arms length transactions.

The following transactions occurred with related parties:

	Consolidated	
	2021 $'000	**2020 $'000**
Sales of electricity - retail	62,079	85,672
Hedging gain/(loss)	(26,348)	66,079
Revenue from services to CleanCo	6,917	50,313
Other revenue	2,395	6,824
Fuel costs	(12,800)	(16,287)
Employee benefits expense	(5,997)	(6,659)
Other expenses	(54,277)	(3,730)
Raw materials and consumables	(62,862)	(218,230)
Finance costs	(47,308)	(50,902)
Non hedge accounted change in fair value of derivative instruments	(11,846)	(10,071)
Dividend provided	(107,800)	(231,018)
Income tax equivalent expense	(160,886)	102,990

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

	Consolidated	
	2021 $'000	**2020 $'000**
Cash and cash equivalents	71,734	75,792
Trade and other receivables	317,423	390,959
Derivative financial instrument assets	1,251	149,932
Trade and other payables	(40,897)	(702)
Derivative financial instrument liabilities	(90,795)	(25,275)
Deferred tax equivalent balances	67,906	(69,569)
Current tax equivalent liabilities	(4,195)	13,665
Borrowings	(821,214)	(821,418)
Provision for dividends	(107,800)	(231,018)

Key management personnel

Disclosures relating to key management personnel are set out in note 21. A Director, Karen Smith-Pomeroy is currently a member of the Queensland Treasury Corporation Capital Markets Board. The outstanding balances reported for Cash and cash equivalents and Borrowings relate solely to QTC. Finance costs totalling $38,225,711 were paid to QTC during the year and interest revenue of $2,395,156 was earned from QTC. Transactions between the Group and QTC were on normal commercial terms and conditions. All other transactions between the Group and Directors or other key management personnel, including their related parties, were immaterial in nature.

24. Events after the reporting period

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

25. Parent entity information

Statement of profit or loss and other comprehensive income

	Parent	
	2021 $'000	**2020 $'000**
Profit from continuing operations after income tax equivalent	278,797	(164,450)
Profit from discontinuing operations after income tax equivalent	-	9,447
	278,797	(155,003)
Total comprehensive income	278,797	(155,003)

Balance sheet

	Parent	
	2021 $'000	**2020 $'000**
Total current assets	1,414,671	1,585,418
Total assets	2,774,167	3,128,961
Total current liabilities	1,023,446	953,388
Total liabilities	2,261,277	2,347,207
Equity		
Contributed equity	977,619	977,260
Transactions with owners	(13,084)	(4,707)
Cash flow hedge reserve	(181,021)	255,484
Accumulated losses	(270,624)	(446,283)
Total equity	512,890	781,754

Guarantees entered into by the Parent entity in relation to the debts of its subsidiaries

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

Contingent liabilities

The Parent entity had no contingent liabilities as at 30 June 2021.

Capital commitments - Property, plant and equipment

The Parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 (2020: Nil).

Application of accounting policies

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

26. Discontinued operations

On 29 August 2018, the Queensland Government announced its plan to create CleanCo, a third Government-owned energy generator.

On 31 October 2019, Stanwell transferred to CleanCo assets related to Swanbank E, Kareeya, Barron Gorge and Koombooloomba power stations, with the exception of inventory. From 31 October 2019, Stanwell began delivering operations, maintenance and corporate support services to CleanCo under a Transitional Services Agreement that ceased on 29 August 2020.

Subsequent to the end of the Transitional Services Agreement, the employees who work at each asset transferred to CleanCo and the provisions for employee entitlements along with inventory balances also transferred to CleanCo on 30 August 2020.

Application of accounting policies

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

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

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

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

Financial performance information

	Consolidated	
	2021 $'000	2020 $'000
Sale of electricity - wholesale	-	14,585
Environmental certificate revenue	-	7,842
Other revenue	-	82
Total revenue	-	22,509
Fuel costs	-	(1,292)
Raw materials and consumables used	-	(910)
Electricity and energy services expense	-	(1,398)
Employee benefits expense	-	(2,640)
Finance costs	-	(632)
Other expenses	-	(2,142)
Total expenses	-	(9,014)
Profit before income tax equivalent expense	-	13,495
Income tax equivalent expense	-	(4,048)
Profit after income tax equivalent expense from discontinued operations	-	9,447

26. Discontinued operations (continued)

Cash flow information

	Consolidated 2021 $'000	Consolidatec 2020 $'000
Assets held for distribution		
Inventories	-	2,359
Deferred tax assets	-	131
Total assets	-	2,490
Liabilities held for distribution		
Provisions	-	2,797
Net Assets	-	(307

Carrying amounts of assets and liabilities disposed

	Consolidated	
	2021 $'000	2020 $'000
Cash and cash equivalents	-	107
Inventories	2,430	-
Other current assets	-	69
Property, plant and equipment	-	92,966
Deferred tax assets	154	37,497
Other non-current assets	-	20,000
Total assets	2,584	150,639
Trade and other payables	-	144
Provisions	2,943	73,062
Total liabilities	2,943	73,206
Net assets/(liabilities)	(359)	77,433
Transfer of Net Assets to CleanCo recognised as a distribution to owners in contributed equity (refer note 18)	(359)	77,433

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

	Consolidated	
	2021 $'000	2020 $'000
Profit/(loss) after income tax equivalent (expense)/benefit for the year	375,437	(240,264
Adjustments for:		
Depreciation and amortisation	129,797	194,183
Impairment of non-current assets	118,716	719,579
Net loss on disposal of property, plant and equipment	4	24
Unwinding of discount on provision	6,174	12,119
Non-cash retirement benefits expense	2,449	5,819
Non-cash rehabilitation provision	(845)	-
Stock obsolescence provision	(64)	7,158
Non-cash expected credit losses	(2,216)	11,353
Fair value loss/(gain) on financial instruments at fair value through profit and loss	(64,890)	161,473
Fair value (gain)/loss on environmental certificates	(19,812)	(19,293
Non-cash finance income	(34,361)	(30,486
Non-cash other provision	369	206
Inventory stockpile adjustments	2,979	-
Change in operating assets and liabilities:		
(Increase)/decrease in current receivables	(99,448)	56,074
(Increase)/decrease in inventories	37,974	(10,785
Increase in other current assets	(23,427)	(38,284
(Increase)/decrease in current financial assets	(125,870)	69,061
(Increase)/decrease in other non-current assets	(114,542)	19,970
Increase/(decrease) in trade and other payables	123,951	(57,016
Increase/(decrease) in provision for income tax	4,172	(93,956
Decrease in deferred tax liabilities	(68,107)	(127,423
Increase/(decrease) in current provisions	(1,361)	3,713
Increase/(decrease) in other current liabilities	(9,851)	4,113
Decrease in rehabilitation provisions	(4,521)	(4,995
Decrease in other non-current liabilities	-	(4,967
Deferred tax reserves movement	200,739	(183,266
Net cash inflow from operating activities	433,446	454,110

Directors' Declaration

30 June 2021

In the Directors' opinion:

(a) the financial statements and notes set out on pages 57 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 consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date, and

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

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

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

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

P.A. Binsted

Paul Binsted
Non-executive Director

Karen Smith-Pomeroy
Non-executive Director

26 August 2021
Brisbane

Queensland Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Members of Stanwell Corporation Limited

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

a) gives a true and fair view of the group's financial position as at 30 June 2021, and its financial performance and cash flows for the year then ended

b) complies with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards.

The financial report comprises the consolidated balance sheet as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

Basis for opinion

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

I am independent of the group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*. I am also independent of the group in accordance with the auditor independence requirements of the *Corporations Act 2001*.

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

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Queensland Audit Office
Better public services

Carry values of Stanwell's property, plant and equipment

Refer to note 9 in the financial report.

Key audit matter	How my audit addressed the key audit matter
The group's balance sheet includes property, plant and equipment totalling $1,523.0 million which is principally comprised of assets relating to coal fired power stations and mining operations. Assessing carrying values of property, plant and equipment for impairment is complex and highly judgemental. Stanwell's assessment is based on forward looking assumptions about operating and market conditions. It also involves the use of complex models to measure the recoverable amount. Key assumptions, judgements and estimates in the group's impairment testing process and determination of the impairment loss include: • allocating assets to cash generating units (CGUs) • selection of the scenario for forecasting future cash flows and determining it is the most appropriate in comparison to other possible scenarios • estimating future cash inflows and outflows for each scenario based on: - electricity demand and available generation - renewable energy targets - wholesale electricity prices - cost of fuel and water - timing of overhauls and sustaining capital expenditure - planned plant retirements • determining the rate used to discount the forecast of cashflows to their present value. An impairment loss of $118.7million was recognised against the Tarong Power Station Cash Generating Unit (CGU) during the year.	My procedures included, but were not limited to: • with the assistance of valuation specialists: - assessing the design, integrity and appropriateness of the discounted cash flow models with reference to common industry practices and the requirements of the accounting standards - assessing the reasonableness of the scenario selected by management in estimating the recoverable amount of each CGU using the traditional cash flow approach - evaluating the scope, competency and objectivity of the group's external expert to provide assumptions adopted by management for forecast wholesale electricity prices - evaluating whether the discount rates applied were within a reasonable range by comparison to my own assessment with reference to market data and industry research • agreeing forecast cash flows to the latest budgets and forecasts approved by the Board • challenging the reasonableness of the key assumptions underlying the cash flow forecasts in light of the impacts of renewable energy targets and in comparison to AEMO published data and other relevant internal and external evidence • assessing the reasonableness of long-term fuel and water costs comparing them to contractual arrangements • assessing the historical accuracy of management's forecasts by comparing prior year budgets to actual results • testing the mathematical accuracy of the discounted cash flow models • assessing the allocation of impairment losses to the specific assets in the Tarong Power Station CGU using our understanding obtained from our testing and against the requirements of the accounting standards • assessing the appropriateness of the disclosures included in note 9 to the financial statements.

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Accounting for derivative financial assets and liabilities

Refer to note 12 in the financial report.

Key audit matter	How my audit addressed the key audit matter
Accounting for derivative financial assets and liabilities is inherently complex. Key factors contributing to this complexity include: • use of internal valuation models in Stanwell's estimation of the fair value of certain financial instruments. These models are complex and use key inputs that involve significant judgment due to the absence of observable market data for some assumptions; and • the group's application of hedge accounting involves judgements about Stanwell's forecast generation profile to monitor ongoing hedge effectiveness for compliance with the specific requirements of AASB 9 *Financial instruments*.	My procedures included, but were not limited to: • use of a derivative valuation specialist to assist me in: - obtaining an understanding of the valuation models, and assess their design, integrity and appropriateness with reference to common industry practices - challenging management assumptions used in the valuation process and assessing the reasonableness of the key inputs by comparison to my expectations based on my own assessment using knowledge and understanding of industry specific factors - for a sample of derivatives, testing the reasonableness of the valuation calculations by agreeing key terms to supporting documents (including contracts) and counter-party confirmations and recalculating the fair values for comparison to those calculated by the group based on our understanding of generally accepted derivative valuation practices • assessing Stanwell's hedge accounting process for compliance with accounting standards. This included reviewing hedge accounting documentation and testing the methodology for calculating hedge effectiveness • for cash flow hedges, assessing the reasonableness of forecast information used to support that hedged transactions are considered highly probable of occurring • testing reconciliations of the cash flow hedge reserve and assessing the appropriateness of the presentation of gains and losses in the income statement • assessing the appropriateness of the disclosures included in note 12 to the financial statements.

Measurement of the provision for restoration, rehabilitation and decommissioning

Refer to note 14 and 15 in the financial report.

Key audit matter	How my audit addressed the key audit matter
As at 30 June 2021, the group has provisions for restoration, rehabilitation and decommissioning of $379.1 million relating to its power stations and mining operations. The measurement of these provisions required significant judgments in:	My procedures included, but were not limited to: • assessing the competence, capability and objectivity of the external experts used by Stanwell in measuring the provisions

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Key audit matter	How my audit addressed the key audit matter
• assessing the group's obligations under current environmental, regulatory and legal requirements and the impact on the completeness of the activities incorporated into the provision estimate • estimating the quantum and timing of future costs for restoration, rehabilitation and decommissioning activities; and • determining appropriate rates for annual cost escalation and to discount the forecast costs to their present values. The group determines its estimate of the provision using a combination of external expert advice and internal assessments.	• reading the group's external expert reports, where available, as well as internal and external documentation supporting the group's estimation of future required activities, their timing and associated costs and comparing them to the nature and quantum of costs contained in the provision calculation • evaluating the completeness of the provisions through examination of Stanwell's operating sites, external expert advice and relevant environmental and regulatory requirements • evaluating whether annual cost escalation factors and discount rates were within a reasonable range with reference to market and industry research • testing the mathematical accuracy of the group's present value calculations.

Other information

Other information comprises financial and non-financial information (other than the audited financial report). At the date of this auditor's report, the available other information in Stanwell Corporation Limited's annual report for the year ended 30 June 2021 was the directors' report.

Those charged with governance are responsible for the other information.

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

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

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

Responsibilities of the company for the financial report

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

The company's directors are also responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.
- Conclude on the appropriateness of the group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicate with the company's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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From the matters communicated with the company's directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

IAsim

26 August 2021

Irshaad Asim
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

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