stanwell

ANNUAL REPORT 2014/15

DIVERSIFIED ENERGY

ABOUT THIS REPORT

This report provides an overview of the major initiatives and achievements of Stanwell Corporation Limited (Stanwell) as well as the business' financial and non-financial performance for the 12 months ended 30 June 2015.

Each year, we document the nature and scope of our strategies, objectives and actions in our Statement of Corporate Intent. The Statement of Corporate Intent represents our performance agreement with our shareholding Ministers. Our performance against our 2014/15 Statement of Corporate Intent is summarised on pages 3 to 19.

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

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ABOUT STANWELL

Stanwell is a diversified energy business.

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

With a generating capacity of more than 4,000 megawatts (MW), Stanwell is the largest electricity generator in Queensland. We have the capacity to supply approximately 45 per cent of the State's peak electricity requirements through our coal, gas and hydro generation assets.

We are a proud generator of environmentally-responsible energy. Through our portfolio of hydro power stations, we generate more than 150 MW of clean energy. We also operate two of Australia's most efficient coal-fired power stations: the supercritical 443 MW Tarong North Power Station and the sub-critical 1,460 MW Stanwell Power Station. We have undertaken a number of initiatives to optimise the efficiency of our coal-fired plant and reduce emissions.

In 2014/15, we spent more than $123 million on sustaining capital at our power stations and Meandu Mine to maintain asset integrity and performance, and to ensure that we continue to meet statutory and environmental compliance requirements.

We own and have access to competitively-priced fuel, which has assisted our transformation to a diversified energy company. In cases where it provides a better return, we sell our coal or gas to customers instead of using it to generate electricity.

We also have an established retail business, selling electricity directly to business customers. We are growing this retail service to include a broader range of commercial and industrial business customers in Queensland, New South Wales and Victoria.

As at 30 June 2015, we employed 698 people at our sites and offices (30 June 2014: 710).

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

OUR VALUES – Safe, Responsible and Commercial – shape how we lead and operate our business. Together, they guide how we think, make decisions and act on a day-to-day basis at Stanwell.

ABOUT
STANWELL ENERGY

In 2008, Stanwell started selling electricity directly to large commercial and industrial customers, predominately in Queensland.

We have expanded our retail offering to target a broader range of business customers and extended our geographical market presence to include New South Wales and, more recently, Victoria.

In December 2014, our retail brand, Stanwell Energy, was launched.

Stanwell Energy is more than just a business energy retailer; it is backed by one of the largest electricity generation portfolios in Australia. This means we can offer products that match our customers' requirements at a competitive price.

We are proud of our high level of customer service and in 2014/15 we were successful in retaining 100 per cent of our existing customers.

stanwell energy

GENERATION ASSETS

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

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

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

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

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

F. **KAREEYA HYDRO**, Far North Queensland – 86.4 MW (hydro)

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

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

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

COAL ASSETS

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

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

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

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

WATER ASSETS

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

GAS ASSETS

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

P. **ROMA TO BRISBANE GAS PIPELINE** – contracted capacity of 52 terrajoules per day

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

CHAIRMAN'S STATEMENT

Stanwell performed strongly in 2014/15, continuing the transition from a wholesale generator to a diversified energy business.

This was evidenced by new revenue streams such as trading in gas and expanding our retail business to wider and more geographically dispersed markets. These new revenue streams, combined with our traditional sources of revenue from electricity trading and coal exports, along with our continued focus on cost reductions, delivered a Net Profit after Tax of $254.9 million (2013/14: $108.6 million).

Importantly, the generation business contributed $209.4 million (2013/14: $35.0 million) to the Net Profit after Tax result which reflects the considerable efforts Stanwell has made to manage and reduce costs, streamline processes and optimise margins.

STRONG COMMITMENT TO ZERO HARM TODAY

Safety is a core value at Stanwell, and, while we continue to make good progress toward our aspiration of Zero Harm Today, we still have some way to go to make this a reality. In 2014/15 our Total Recordable Injury Frequency Rate (which reflects the proportion of lost time and medical treatment injuries sustained at our sites and offices against total hours worked) was at its lowest level since the restructure of Queensland Government owned generators in 2011.

The Board acknowledges that these positive results are a reflection of the strong commitment and professionalism that Stanwell's employees have towards ensuring our assets are safely operated.

EVER-CHANGING ENERGY INDUSTRY

The national debate about the future of fossil fuels and the growth of renewable energy has continued this year, following the repeal of the Carbon Tax in July 2014 and the reduction in the Renewable Energy Target in June 2015. Given that 80 per cent of Stanwell's generation portfolio is coal-fired, it is a topic the Board is actively considering as part of the long-term strategic direction of the business.

The present and future challenges the business faces are many. In Queensland, the National Electricity Market has the capacity to generate 30 per cent more electricity than we need. Additional factors such as the continuing growth in solar panels and the development of battery storage; volatile commodity markets; and changing global sentiment about renewables and fossil fuels will impact the market in the future.

In the short-term, coal will continue to be the most cost-effective source of electricity for Queensland and the nation. However, rapidly improving technology, particularly in renewable energy, is a game changer. Energy users will be offered cost-effective renewable energy solutions, which will challenge the entire energy supply chain. Ensuring we continue to provide sustainable dividends for the people of Queensland throughout the transition from fossil fuels to renewables will be a key focus for Stanwell in coming years.

CHAIRMAN'S STATEMENT (CONTINUED)

Despite the difficult market conditions, Queensland's energy industry achieved two significant milestones for the year, which have had a positive impact on the market.

On 5 March 2015, Queensland recorded a peak demand of 8,831 MW — the highest demand on record for March and only 82 MW below the all-time peak for Queensland of 8,897 MW set five years ago. The high demand translated to high prices, which we were able to capitalise on through plant availability. Overall, the performance of our plant in March, which was the warmest March on record, was excellent and resulted in a significant contribution to our financial results. This milestone reinforces that Stanwell continues to fulfil a vital role in ensuring Queensland's security of supply of electricity.

The other positive milestone was Queensland's first export of Liquefied Natural Gas (LNG) in January 2015. All three LNG proponents are due to reach full production in the next two to three years. The LNG industry is highly energy intensive and this is expected to increase Queensland's energy demand for the second consecutive year.

POSITIONING THE BUSINESS

Stanwell must adapt if it wants to thrive in the changing energy market and the Board is well-advanced in evolving its long-term business strategy to respond to these emerging global drivers. This will see the business well-prepared to compete in the market in the next five to 10 years.

As a result of our continued focus on optimising costs, diversifying revenue streams and simplifying the business, Stanwell achieved a return on equity of 15.1 per cent on our generation business in 2014/15. This is three years earlier than our forecast of a return on equity of eight to 10 per cent on our generation business in 2017/18.

ACKNOWLEDGEMENTS

I have been in the position of Chairman since November 2014 and have been fortunate to visit all of Stanwell's generation and mining sites throughout the state. I have been impressed with the professionalism and attitude of our people across our sites in maintaining and operating our assets safely and reliably.

I would like to thank my fellow directors, our Chief Executive Officer, Richard Van Breda, and his leadership team for the work they have done during the past year in delivering positive safety and financial results in difficult market conditions.

I wish to acknowledge the support of our shareholding Ministers: the Minister for Main Roads, Road Safety and Ports, and Minister for Energy and Water Supply, The Honourable Mark Bailey MP; and the Treasurer, Minister for Employment and Industrial Relations and Minister for Aboriginal and Torres Strait Islander Partnerships, The Honourable Curtis Pitt MP.

The Board and the Executive Leadership Team will continue to challenge and explore commercial opportunities to ensure maximum value is realised from the business to provide sustainable dividends to our shareholders.

Shane Charles
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

Improving profitability from our core electricity generation business, diversification of our revenue streams and a concerted and focused effort on commercial outcomes have delivered a strong financial result for the 2014/15 financial year.

This has been supported by high reliability from our power stations, a flexible portfolio of energy assets and a disciplined approach to managing costs.

As the energy industry embarks on a further period of unprecedented change, the business is well positioned to respond to market opportunities and deliver long-term, commercial returns to shareholders.

ZERO HARM TODAY IS ACHIEVABLE

While our Total Recordable Injury Frequency Rate has fallen to a four-year low (7.67 in 2014/15), the number of injuries reported across the business increased this year from 70 injuries in 2013/14 to 106 in 2014/15.

Although this is disappointing given our commitment to Zero Harm Today, I am encouraged by a reduction in the severity of injuries at our sites and offices and the strong reporting culture we have in the business. In order to learn, it is essential that all incidents and injuries are reported, no matter how minor they are.

Following the introduction in July 2014 of a single supplier to deliver facilities, overhauls and asset maintenance and management services at our power stations, we have seen an alignment in contractor safety culture and behaviours. We expect this to result in an improved safety performance.

During the year, we continued to make a considerable investment in our health and safety initiatives. This includes education programs on the impact of alcohol and drugs in the workplace, mental health awareness and fitness for work training. Most recently, our internally developed YOLO (You Only Live Once) young worker safety intervention program was successful in winning an Australian Psychological Society's Workplace Excellence Award. This follows two commendations in the 2014 Queensland Safe Work Awards.

These initiatives will continue to be a centrepiece of our business as we drive further improvement in our safety culture.

SUSTAINED FINANCIAL PERFORMANCE

This year, our core generation business continued to be profitable; Net Profit after Tax – Generation was $209.4 million (2013/14: $35.0 million). This has been achieved despite the ongoing subdued conditions in the electricity market, caused by an oversupply of generation. While demand in the National Electricity Market in 2014/15 was comparable to the prior year, Queensland showed signs of improvement in line with the commissioning of the first Liquefied Natural Gas (LNG) projects and high summer demand.

The profitability of our generation business was driven by the availability of our plant to respond to market demands, access to low cost fuel sources and securing forward contracts for our electricity.

CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

On a consolidated basis, we again benefited from the contribution of other revenue streams, including coal rebate revenue, resulting in a Net Profit after Tax of $254.9 million (2013/14: $108.6 million). Non cash accounting adjustments, including the reversal of the impairment of Stanwell Power Station of $184.3 million, have contributed to this result. An adjusted Net Profit after Tax result of $112.4 million has been used to calculate the $89.9 million dividend we will return to our shareholders.

This financial outcome was also the result of comprehensive reviews of our structure, projects, systems and expenditure in recent years, which have collectively ensured a strong focus on responsible cost management across the business.

STRATEGY ACHIEVEMENTS

Our corporate strategy is composed of three themes:

Sell our energy for the best return

On 1 December 2014, Swanbank E Power Station was placed in cold storage for up to three years and 28 petajoules of the power station's gas entitlements were sold, along with a portion of our pipeline capacity entitlements. By selling the gas and pipeline entitlements rather than using the gas to generate electricity, we will achieve a $54.5 million improvement to Net Profit after Tax (over the five-year reporting period).

In July 2014, Unit 4 at the Tarong power stations was returned to service, following its storage in late 2012. Replacing higher cost gas generation from Swanbank E with lower cost coal-fired generation from the Tarong power stations provides a better financial return, and aligns with an expected improvement in electricity demand in the coming years. Unit 2 at the Tarong power stations will remain in cold storage until at least 2016 and its return to service will be subject to further improvement in market conditions.

We also launched our electricity retail brand – Stanwell Energy. While we have been retailing to select large commercial and industrial customers in Queensland and New South Wales since 2008, we have expanded this to Victoria and are targeting a broader range of industries. Our retail business provides another channel to market and a valuable means of diversifying revenue streams, specifically in response to a subdued wholesale electricity market. It allows us to contract our generation in times when there is often limited interest from retailers in hedging directly with generators. For the past 18 months, the business has been successful in retaining 100 per cent of its existing customers and, in March 2015, Stanwell Energy won its first Victorian retail contract.

Simplify and streamline our business

This year, UGL Engineering Pty Ltd (UGL) commenced as the sole contractor to provide facilities, overhauls and asset maintenance and management services at our operating sites.

This has significantly streamlined our processes for contracted services, which were previously performed by more than 80 companies. I expect further improvements in safety and productivity, and reductions in cost, to be realised as full implementation is reached.

In December 2014, Mica Creek Power Station ceased being the primary electricity source for Mount Isa and the surrounding North West Minerals Province. The power station continues to operate to fulfil a power purchase agreement (PPA) with one customer. Our current focus is on operating and maintaining the power station to meet the requirements of this PPA in the most cost-effective manner.

Secure our future

This year, we negotiated new enterprise agreements at the majority of our sites and offices, in line with the Government Owned Corporation Wages and Industrial Relations Policy 2015. We have been successful in finalising a number of these agreements and expect to resolve the remaining agreements early in the 2015/16 financial year. These new, simplified agreements are important in providing certainty to employees and the business.

We have also worked closely with the relevant regulators to gain environmental approvals that support our long-term electricity and mining operations. This includes the $26.3 million Black Creek diversion project at the Tarong power stations, which was completed in November 2014 and involved the construction of a channel to divert stormwater around the ash dam. The project is part of a long-term ash disposal strategy and allows the ash dam to store more ash, matching its operational life to that of the power stations.

Extending the surface rights of Meandu Mine is a critical component in achieving an $865 million reduction in costs for the life of the mine.

We continue to work closely with the Department of Natural Resources and Mines and the Department of Environment and Heritage Protection to gain the necessary approvals to progress this project and consult with stakeholders.

AN IMPROVING OUTLOOK

As Australia, along with the rest of the world, considers post 2020 emissions reductions, Stanwell is examining how best to position the business to provide sustainable dividends to shareholders in a lower carbon economy.

Our generation portfolio is dominated by two large coal-fired power stations, which are best in class. Stanwell Power Station is one of Australia's most efficient conventional coal-fired power stations, while the super critical Tarong North is one of the most efficient fossil-fuel power stations in the country.

Furthermore, all our power stations have emissions intensity at or below the grid average. This means that the business will play an important role in providing safe, secure and low cost energy as the market transitions to a new energy environment.

Maintaining flexibility and diversity in our fuel and generation portfolios and competing cost effectively will continue to be central themes to our business strategy.

The commissioning of further LNG projects in Queensland will provide a welcome boost to electricity demand, however, the oversupply in generation is forecast to persist for the five-year outlook.

It is likely that new entrant generation will only be from renewable sources, possibly assisted by federal and state subsidies.

In addition, the advent and commercialisation of distributed generation technologies, such as solar power and battery storage, is challenging the traditional generator business model.

Stanwell is positioning itself to turn these changes into opportunities.

At the same time, the energy sector must enter a period of regulatory stability to allow it to position itself for the next round of transformation.

SPECIAL THANKS

I wish to thank Stanwell's Chairman, Shane Charles, and the Board of Directors for their stewardship of the business and for ensuring Stanwell can respond to the impending industry challenges.

I recognise the efforts of our shareholding Ministers and their offices and departments in working closely with the business on key initiatives and projects that have ensured our financial sustainability.

In my role as Chief Executive Officer, I am ably supported by an experienced executive leadership team that continues to challenge the way we do business and improve performance.

Our host communities play an important role in supporting our operations. I very much value the trust placed in the business by those communities, and the co-operative and productive relationships that we have formed.

Importantly, I thank the Stanwell people for their hard work and commitment in helping the business achieve its goals in 2014/15. There is no doubt that the years ahead will be challenging but I am confident that our people will rise to the challenge, as they have done in the past, with determination to create a successful future for the business.

Richard Van Breda
Chief Executive Officer

PERFORMANCE INDICATORS

	2014/15 ACTUAL	2014/15 TARGET	2013/14 ACTUAL
Safety and environment performance			
Lost time injury frequency rate[1]	**2.56**	0	**2.35**
Total recordable injury frequency rate[2]	**7.67**	0	**9.72**
All classified injury frequency rate[3]	**33.87**	0	**23.46**
Notifiable safety incidents	**16**	0	**21**
Environmental enforcement actions[4]	**0**	0	**1**
Values interactions[5]	**11,240**	7,000	**8,930**
Financial performance[6]			
Earnings before interest and tax (EBIT) ($M)	**419.3**	273.1	**185.1**
Net profit/(loss) after tax — generation ($M)	**209.4**	49.7	**35.0**
Net profit/(loss) after tax ($M)	**254.9**	138.0	**108.6**
Return on operating assets (%)	**15.2**	9.7	**8.6**
Return on equity (%)	**18.4**	10.8	**8.7**
Gearing (%)[7]	**30.1**	32.6	**25.6**
Investment			
Capital expenditure ($M)[8]	**138.8**	222.5	**101.1**
Operational performance			
NEM generators			
Availability (%)	**90.0**	90.1	**93.1**
Forced outage factor (%)	**1.0**	3.3	**1.1**
Mica Creek Power Station			
Availability (%)	**85.6**	89.6	**93.0**
Forced outage factor (%)	**6.9**	3.0	**3.1**

Notes to the key performance indicators

[1] Lost time injury frequency rate (LTIFR)	Number of lost time injuries in the period/number of hours worked in the period, multiplied by 1,000,000. Figures are based on a 12-month moving average and include employees, contractors and third party sites.
[2] Total recordable injury frequency rate (TRIFR)	Recordable injuries in the period/number of hours worked in the period, multiplied by 1,000,000. Figures are based on a 12-month moving average. TRIFR is a combination of lost time and medical treatment injuries. This includes employees, contractors and third party sites.
[3] All classified injury frequency rate (ACIFR)	All injuries in the period/number of hours worked in the period, multiplied by 1,000,000. Figures are based on a 12-month moving average. Includes first aid, lost time and medical treatment injuries. This includes employees, contractors and third party sites.
[4] Enforcement action	An environmental regulator issuing an infringement notice, an environmental protection order, a program notice, a notice requiring the preparation and submission of a draft environmental management program, or the institution of any court proceedings. Environmental Impact Assessment processes are excluded from this definition.
[5] Values interaction	A conversation or interaction with a workmate about the safe, responsible or commercial behaviours that impact how we operate at Stanwell.
[6] Financial performance	The 2014 comparatives have been amended for a prior year correction.
[7] Gearing	Gearing ratio is net debt (net of borrowings and cash equivalents) as a percentage of total equity plus net debt.
[8] Capital expenditure	Expenditure on capital projects.

ASSET PERFORMANCE

YEAR	ENERGY SENT OUT (GWh)	CAPACITY FACTOR (%)	BUDGETED AVAILABILITY (%)	AVAILABILITY (%)	PLANNED[1] OUTAGE FACTOR (%)	FORCED OUTAGE FACTOR (%)
Tarong power stations – coal – 1843 MW						
2014/15	7,023	58.2	87.7	82.5	16.0	1.5
2013/14	6,218	65.6	92.6	89.0	10.1	0.9
Stanwell Power Station – coal – 1460 MW						
2014/15	8,072	68.3	92.9	96.9	2.7	0.4
2013/14	7,762	65.6	91.5	94.7	3.9	1.4
Swanbank E Power Station – gas – 385 MW						
2014/15	938	69.1	86.3	89.4	8.4	2.2
2013/14	2,282	69.1	93.4	99.5	0.0	0.5
Northern hydros – hydro – 159.7 MW						
2014/15	631	45.3	89.7	94.4	5.3	0.3
2013/14	804	58.1	91.3	95.1	3.8	1.1
Mica Creek Power Station – gas – 218 MW						
2014/15	619	33.6	90.3	85.6	7.5	6.9
2013/14	1,501	59.5	93.9	93.0	3.9	3.1

[1] Includes planned and maintenance outage factors.

Asset performance calculations take into consideration the cold storage of Unit 2 at Tarong Power Station for the 2013/14 and 2014/15 years, and the cold storage of Unit 4 at Tarong Power Station for 11 months of 2013/14. Unit 4 was returned to service in July 2014. Swanbank E calculations take into account the cold storage of the power station on 1 December 2014, while Mica Creek calculations take into consideration the withdrawal of generation units that are no longer required.

STRATEGIC DIRECTION

MARKET OVERVIEW

There is an unprecedented and rapid change sweeping the Queensland energy industry. Although this will make for a challenging operating environment, it also creates opportunities for Stanwell to consolidate its market leading position and continue our transformation as a diversified energy business.

The development of the Liquefied Natural Gas (LNG) industry in Queensland, the continued proliferation of solar PV and changing customer behaviours are already influencing the industry. Emerging technologies, such as battery storage and electric vehicles, will further impact the energy industry in the future.

In Queensland in 2014/15, solar generation was estimated to be approximately 1,890 gigawatt hours (GWh). This equates to less than four per cent of total generation in Queensland during the year, with coal continuing to dominate the energy mix. However, advancements in battery storage have the potential to change the energy mix. Cost effectively storing solar PV generation in any significant volume will transform the way people use and source electricity.

Emissions reduction remains on the global policy agenda and renewable energy is a key component in reducing greenhouse emissions from the energy sector. Australia's commitment to post 2020 emissions reductions and the mechanism by which Australia will achieve this, coupled with growing consumer sentiment for the environment, will see the move to renewables continue to gain momentum. Combined with the developments being made in battery storage technology and smart grids, renewable energy, particularly solar, has the potential to become a major player in Australia's electricity industry and to further disrupt traditional generation.

In the meantime, the LNG industry has been a major driver behind the first increase in five years in average daily electricity demand in Queensland. In 2014/15, average daily electricity demand reached 5,920 megawatts (MW) (5,672 MW in 2013/14).

Despite the increase in demand, the wholesale electricity price in Queensland averaged $52.52 per megawatt hour (MWh) in 2014/15, which is $5.90/MWh lower than the previous year ($58.42/MWh in 2013/14). This is partly attributable to the repeal of the Carbon Tax in July 2014.

The LNG industry is expected to reach full production in the next two to three years. According to Australian Energy Market Operator's (AEMO) 2015 National Electricity Forecasting Report, this will boost Queensland's industrial electricity demand by 15 per cent. However, the Queensland electricity market is expected to remain oversupplied.

Energy businesses that are agile and able to transform to meet changing customer behaviours and desires will be in the strongest position to take advantage of this challenging market.

STANWELL'S STRATEGIC RESPONSE

We have transformed the business to become a diversified energy company, with a more flexible approach to the market. We will continue to review the actions that our business can take to ensure we remain relevant and commercial.

Our strategic approach is structured around three themes:

- **Sell our energy for the best return** – optimise gross margin, seek alternative outlets for our energy and diversify revenue streams.
- **Simplify and streamline our business** – deliver cost and performance efficiencies.
- **Secure our future** – provide a safe workplace, engage and retain a high performing workforce and secure ongoing support for our operations and corporate direction.

Sell our energy for the best return

Stanwell is flexible. We actively participate in the market and, in 2014/15, we adjusted our portfolio to ensure the best commercial and operational outcomes were achieved. This included shifting generation between fuel types and selling fuel rather than using it for generation when it was more commercial to do so.

In addition to trading electricity through the National Electricity Market and selling coal and gas, our retail business, Stanwell Energy, provides us with another channel to market. In 2014/15, we expanded our retail offering to target a broader range of large commercial and industrial customers. In 2015/16, we will continue to connect with our existing and potential customers to understand their changing attitudes towards energy consumption and electricity supply, and shift our business model to meet our customers' changing needs.

Simplify and streamline our business

We will continue the robust management of operating and capital expenditure. This ensures the business is in a strong commercial position and able to respond to industry changes, while maintaining our asset integrity to meet market demands. As part of this, we will pursue further cost efficiencies and improvements in safety and productivity through our consolidated contracting arrangement. Maximising the value of our assets, rationalising our investments and reducing the complexity of our information and business systems will also contribute to a more streamlined business.

Secure our future

The business would not be successful without the commitment of our workforce. We value the safety of our people above all else. We believe that all injuries and occupational illnesses can be prevented and we continue to work with our employees and contractors to improve our safety culture and the safety of our workplaces, systems and equipment.

THE YEAR AHEAD

SELL OUR ENERGY FOR THE BEST RETURN

OBJECTIVE	WHAT WE SET OUT TO ACHIEVE
Optimise gross margin	Increase our trading revenue
	Ensure asset performance supports trading requirements
	Reduce fuel and mine costs
	Secure commercial water supply arrangements
Seek alternative outlets for our energy	Expand exposure to direct retail markets
	Develop retail alliances
	Expand trading activities into new markets and commodities
	Execute commercial long-term hedging contracts
	Ensure back office processes support trading activities
Diversify revenue	Realise best value from our gas portfolio
	Realise best value from our coal portfolio

SIMPLIFY AND STREAMLINE

OBJECTIVE	WHAT WE SET OUT TO ACHIEVE
Simplify and streamline our business	Deliver operational cost efficiencies
	Improve and simplify business systems
	Maximise the value of Mica Creek Power Station
	Continue to rationalise gas investments

SECURE OUR FUTURE

OBJECTIVE	WHAT WE SET OUT TO ACHIEVE
Provide a safe workplace	Continue to improve safety performance, systems and processes
Engage and retain a high performing workforce	Improve cultural alignment to Stanwell values and objectives
	Finalise new Enterprise Agreements
	Increase employee engagement in achieving business objectives
Secure ongoing support for Stanwell's operations and strategy	Secure shareholder and stakeholder support for our activities
	Ensure Stanwell's environmental right to operate
	Ensure compliance with applicable laws, regulations and company policies

SELL OUR ENERGY FOR THE BEST RETURN

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

Our generation portfolio achieved our target total availability of

90.0%

in 2014/15.

OPTIMISE GROSS MARGIN

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

We operate our generation portfolio in line with this trading strategy to capitalise on periods of high demand.

In March 2015 (the warmest March on record), Stanwell's trading strategy was supported by high availability and reliability of our plant, resulting in solid returns on both wholesale electricity sales and contracts for that quarter.

Electricity (wholesale and contract) revenue for 2014/15 totalled $1,118.8 million. This is less than the previous year's total revenue of $1,443.7 million, reflecting lower generation and a lower wholesale electricity price. The lower wholesale electricity price in 2014/15 was primarily attributable to the repeal of the carbon tax in July 2014 and subsequent removal of the carbon tax component of the wholesale price.

Asset performance

We invested more than $123.0 million throughout the year in sustaining capital at our power stations and Meandu Mine to maintain asset integrity and performance. This included major overhauls at Mica Creek, Tarong and Stanwell power stations. These overhauls are important in preserving the value of our assets and ensuring we can operate safely, reliably and efficiently to meet both current and future market requirements.

Our high standard of asset care is reflected in our performance outcomes. In 2014/15, we achieved our target total availability of 90.0 per cent across our generation portfolio (excluding Mica Creek Power Station, which is not connected to the National Electricity Market). During the same period, the portfolio recorded a forced outage rate of 1.0 per cent, significantly favourable to the target of 3.3 per cent. Meandu Mine delivered 3.5 million tonnes of coal to the Tarong power stations in 2014/15 (2013/14: 3.6 million tonnes).

In recognition of our commitment to continuous improvement in maintenance and reliability, Stanwell Power Station received a Finalist Award in the Australasian Maintenance and Excellence Awards in December 2014.

OBJECTIVE	WHAT WE SET OUT TO ACHIEVE	HOW WE PERFORMED
Optimise gross margin	Develop and implement strategies that increase our trading revenue	**Achieved**
	Ensure asset performance supports trading requirements	**Achieved**
	Reduce fuel and mine costs	**Achieved**
	Secure commercial water supply arrangements	**Ongoing**
Seek alternative outlets for our energy	Expand exposure to direct retail markets	**Achieved**
	Develop retail alliances	**Ongoing**
	Expand trading activities into new markets and commodities	**Achieved**
	Execute long-term hedging contracts	**Achieved**
	Ensure back office processes support trading activities	**Achieved**
Diversify revenue	Realise best value from our gas and coal portfolios	**Achieved**
	Expand the available energy portfolio	**Achieved**

We make a high proportion of our electricity revenue during the warmer months, when demand is at its highest, so it's critical that our plant is available to generate at that time. We have a summer readiness plan for our generation and mining sites to ensure maximum availability over the high-demand summer period. The summer availability (from 1 December 2014 to 28 February 2015) of our power stations connected to the National Electricity Market was 97.4 per cent, which was higher than the target of 96.0 per cent.

In June 2014, Tarong North was removed from service after damage to the turbine. Short-term repairs were undertaken and the turbine was returned to service in early October 2014 at a reduced capacity of approximately 380 MW. Full repairs, including the installation of a new rotor, will be undertaken at the unit's next major overhaul in early 2016.

On 20 February 2015, Tropical Cyclone Marcia crossed the Queensland coast approximately 50 km north of Rockhampton. The rainfall led to localised flooding, impacting some of our people and locations. However, as a result of preparations made throughout the year, Stanwell Power Station was able to maintain operations during the cyclone with minimal damage and very few plant issues.

During the year, we started preparations for two major projects at Stanwell Power Station: to replace all the condenser tubes in the four generating units in the next four-year cycle of major overhauls, commencing in August 2015 and ending in 2018; and to upgrade the control system, which is more than 20 years old and at risk of ongoing faults as it nears the end of its operational life. The four-year installation program of the new control system will start during the Unit 2 overhaul in 2016 and finish in 2019.

Fuel and water costs

Fuel and water are critical inputs for the generation of electricity and the most significant costs to the business. Therefore, it is essential that we secure fuel and water at reasonable costs. The Tarong power stations have access to cost-effective coal from the neighbouring Stanwell-owned Meandu Mine. To secure continued access to sufficient economic coal, Stanwell is seeking approvals for the development of the eastern zone of the mining lease at Meandu Mine. This development would increase the approved surface area of the mine by approximately 130 hectares.

The surface rights extension is subject to a regulatory process and, in early 2015, Stanwell received approvals from the Department of Environment and Heritage Protection and from the Department of State Development, Infrastructure and Planning. Neighbouring land owners and communities will continue to be kept informed and Stanwell will continue to monitor and manage any environmental impacts associated with the development.

We expanded our mining fleet at Meandu Mine by purchasing a Caterpillar grader and leasing two additional Hitachi dump trucks. The new machinery increases the efficiency of our mining operations and reduces the cost of the coal we produce. A trial of automated mine trucks by global engineering firm Hitachi, which started in April 2013, continued at Meandu Mine throughout the year. Later in 2015, we will be integrating the autonomous truck trial into our mining operations, which will see the trucks move 3.2 million cubic tonne of waste as part of the trial, and at no cost to Stanwell.

The Tarong power stations source their 29,270 megalitre annual water allocation from Boondooma Dam, through a water supply agreement with SunWater. Statutory agreements are in place for bulk water supply arrangements from Seqwater to the Tarong, Tarong North and Swanbank power stations.

Boondooma Dam currently has enough water to maintain electricity generation operations for at least the next five years. As a consequence, Stanwell continues to negotiate commercially-priced contracts with Seqwater for future bulk water supply that reflect the value of the water to the business.

SELL OUR ENERGY FOR THE BEST RETURN (CONTINUED)

SEEK ALTERNATIVE OUTLETS FOR OUR ENERGY

As part of our strategy to diversify revenue, we are expanding our retail offering to target a broader range of business customers and extending our geographical market presence to include Victoria. The total pool of potential target customers is approximately 600 to 1,000 businesses.

In December 2014, we launched our retail brand, Stanwell Energy, and secured a Victorian Electricity Retail Licence. In 2015, Stanwell Energy won a number of retail customers, including our first Victorian retail contract.

DIVERSIFY REVENUE

During the year, we responded to market conditions by switching generation between fuel types and selling fuel rather than using it to generate electricity when it was more commercial to do so.

Gas

On 1 December 2014, Swanbank E Power Station was placed in cold storage for up to three years (subject to market conditions), after we secured a competitive price for our gas entitlement and made a commercial decision to sell the gas rather than use it to generate electricity.

During the year, we sold more than 7.6 petajoules (PJ) of gas through bi-lateral gas sales agreements with counterparties, traded approximately 340 terajoules of gas through the Wallumbilla Hub and sold 5.7 PJ of gas transport capacity on the Roma to Brisbane pipeline.

Coal

To offset the loss of generation from Swanbank E, Stanwell successfully returned Unit 4 at Tarong Power Station to service in July 2014. Unit 4 and Unit 2 at Tarong Power Station were withdrawn from service in late 2012 in response to the oversupplied electricity market and subdued wholesale electricity prices. The electricity market remains oversupplied and, as a result, Stanwell has deferred the return to service of Unit 2 at Tarong Power Station until early 2016, subject to market conditions.

Stanwell has a long-term agreement with Wesfarmers Curragh Pty Ltd (Wesfarmers) for the supply of competitively-priced coal from Curragh Mine near Blackwater in Central Queensland for generation at Stanwell Power Station. The agreement includes the option to receive additional coal to be used for generation at Stanwell Power Station or to be exported. In 2014/15, Stanwell achieved a gross margin return of $2.6 million from the export of option coal from Curragh Mine.

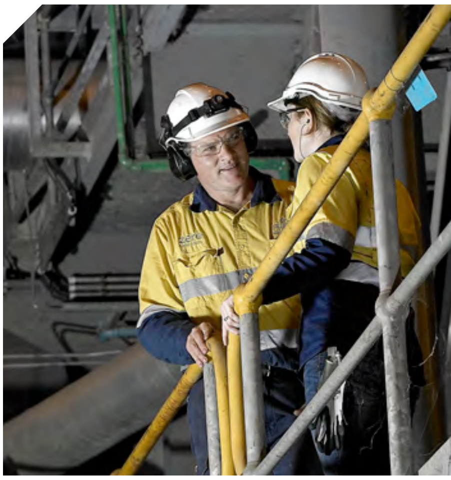
In addition, Stanwell receives a revenue stream, which is based on the total volume of coal exported from Curragh Mine.

This contributed more than $65.0 million to our pre-tax profit result for 2014/15. This was less than the $105.1 million contributed in 2013/14 due to a disputed change in the coal reference price calculation methodology adopted by Wesfarmers in February 2014 and a fall in global coal prices.

Stanwell is investigating options to leverage value from its other coal assets, including the Kunioon resource, near the Tarong power stations.

In August 2014, Stanwell invested $1 million in a concept study into the construction and operation of a large-scale fuel manufacturing plant near Tarong Power Station and Meandu Mine. The concept study, being undertaken by a third party, identified that the plant would have the capacity to produce up to 900 million litres per annum of premium quality, clean fuels, including low emissions biodiesel. Stanwell is considering whether to invest in a feasibility study to investigate plant design, layout, schedule and cost, and eliminate risks identified in the concept study.

IMAGES FROM LEFT TO RIGHT:
Stanwell Power Station. Meandu Mine.



SIMPLIFY AND STREAMLINE OUR BUSINESS

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

Stanwell has consolidated contracted services previously provided by more than

80

separate contractors.

The business continues to benefit from corporate and operational reviews conducted in recent years. To deliver further efficiencies and simplify Stanwell's contracting model, Stanwell has entered into a four-year contract with UGL Engineering Pty Ltd (UGL) to provide the facilities, overhauls, and asset maintenance and management services at Stanwell's generation sites.

On 1 July 2014, UGL started to deliver these services, which had previously been provided by more than 80 separate contractors and as many as 400 suppliers. The consolidation of a significant number of these contracted services to a single contractor will provide alignment in safety culture, cost savings and productivity improvements.

During the year, Stanwell also consolidated the number of coal combustion product off-take contracts from 13 to one, by entering into a 10-year contract with Coal Reuse Pty Ltd (Coal Reuse) to manage the removal and utilisation of coal combustion products at Stanwell and Tarong power stations and Meandu Mine (where coal combustion products are currently stored in mine voids).

The contract commenced on 1 August 2014 and Stanwell forecasts it will receive revenue of $12.9 million over a 10-year period through the sale of coal combustion products to Coal Reuse. The operational benefits are significant because, as more ash is moved off-site, less needs to be stored onsite, extending the life of the ash storage facilities on site.

There were a number of extensions to the Power Purchase Agreement (PPA) between Stanwell and Mount Isa Mines through until December 2014. These contract extensions added significant value to Mica Creek Power Station and commercial returns for Stanwell.

From December 2014, Mica Creek Power Station is operating to fulfil one PPA with Minerals and Metal Group (MMG) for the supply of Century and Dugald River mines up to 2016 and 2019, respectively. The older Mica Creek Power Station generation units, which are no longer required, have been decommissioned and plant operation and maintenance is being optimised to meet the requirements of the MMG PPA.

As a result, Mica Creek Power Station's availability of 85.6 per cent was below the budgeted 89.6 per cent and the station's forced outage factor of 6.9 per cent was worse than the budget of 3.0 per cent.

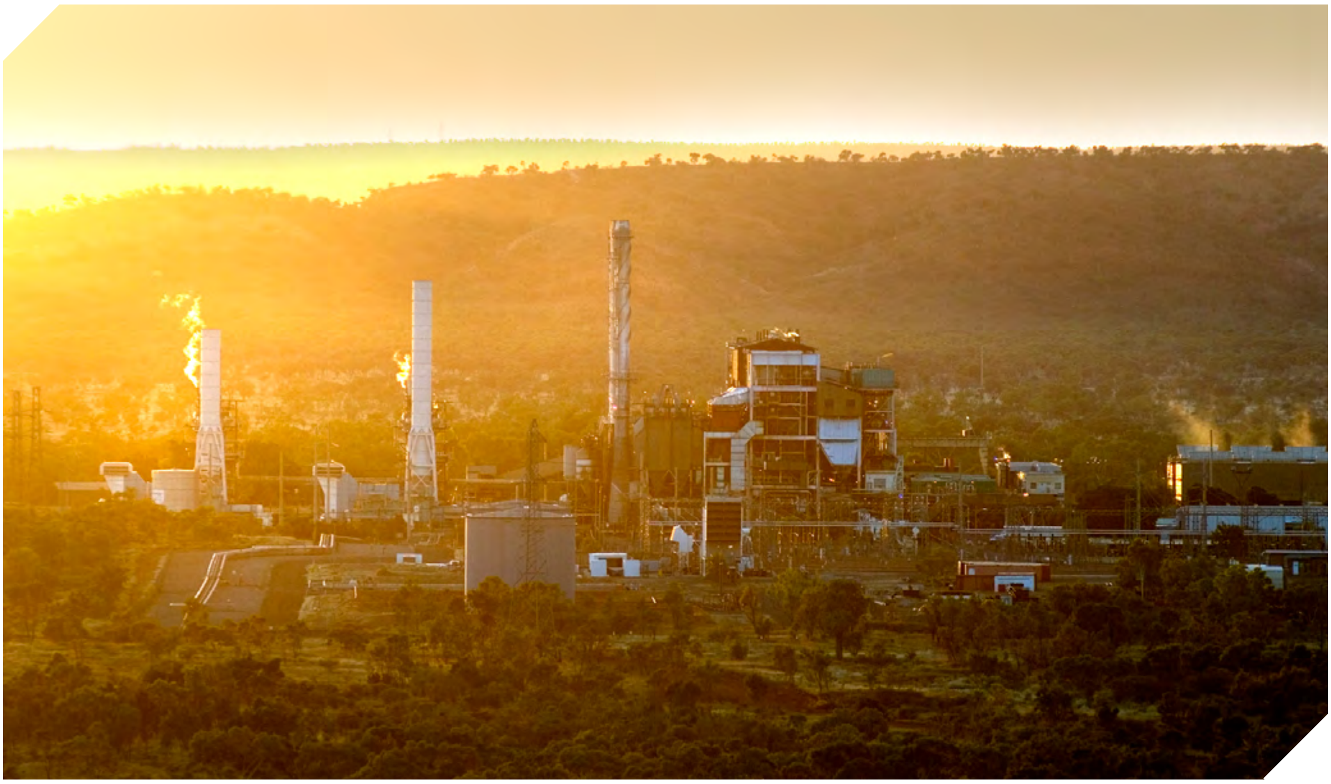
SIMPLIFY AND STREAMLINE OUR BUSINESS (CONTINUED)

OBJECTIVE	WHAT WE SET OUT TO ACHIEVE	HOW WE PERFORMED
Simplify and streamline our business	Deliver operational cost efficiencies	**Achieved**
	Improve and simplify business systems	**Ongoing**
	Maximise the value of Mica Creek Power Station	**Ongoing**
	Continue to rationalise gas investments	**Achieved**

In September 2014, Stanwell finalised an agreement with Comet Ridge Mahalo Pty Ltd, which provides Stanwell with options to secure long-term gas (up to 10 years) or to exit for an agreed payment to Stanwell of $20 million.

We have commenced a project to upgrade the enterprise resource planning application at a number of our sites. The upgrade is scheduled to be completed in December 2015 and will reduce support costs and risks associated with the obsolete systems.

Mica Creek Power Station.



SECURE OUR FUTURE

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

The frequency of injuries that require medical attention or result in time away from work fell by

21%

in 2014/15.

PROVIDE A SAFE WORKPLACE

At Stanwell, we value the safety of our people above all else. Through engagement sessions, our employees have confirmed their strong personal commitments to health and safety, and to our goal of Zero Harm Today. We firmly believe that all injuries and occupational illnesses can be prevented and we aim to achieve this through continuous learning and improvement in our leadership, behaviours, systems and plant.

As a result of this ongoing diligence towards personal safety, combined with our safety initiatives, we have achieved a 21 per cent reduction in the frequency of injuries that require medical attention or result in time away from work. Our Total Recordable Injury Frequency Rate dropped from 9.72 in 2013/14 to 7.67 in 2014/15; our lowest level since 2011.

Although the frequency of more severe injuries has fallen, the total number of injuries reported across the business increased this year. This is disappointing. However, it is also reflective of our strong reporting culture, which enables us to learn from our safety incidents.

In recent years, there has been a rising concern in Australian communities and organisations about the increasing use of, and issues associated with, alcohol and other drugs. Stanwell shares this concern and we are taking strong action to prevent and manage this trend at our sites and offices.

In 2014/15, we carried out an extensive program of consultation with our employees to better understand the factors contributing to the problem and to educate our employees on how alcohol and other drugs can impair and impact on their safety and the safety of their workmates. We are continuing to engage with our employees and contractors to develop strategies to deal with these issues.

A Stanwell program, developed to address the health and safety risks associated with young workers, won an Australian Psychological Society's Workplace Excellence Award and received two commendations in the Queensland Safe Work Awards 2014. The YOLO (You Only Live Once) program provides a valuable insight into how the brain is developing in 18 to 25 year olds, and the risks associated with this.

We have progressed a project to consolidate our safe work systems. The project entered the detailed planning phase in June 2015 and implementation is expected to begin in the first half of 2016 in line with outage schedules. Once implemented, the project will deliver a consistent, repeatable process across our sites, to ensure we continue to manage hazards and risks, and carry out our work safely.

SECURE OUR FUTURE (CONTINUED)

OBJECTIVE	WHAT WE SET OUT TO ACHIEVE	HOW WE PERFORMED
Provide a safe workplace	Continue to improve our safety performance, systems and processes	**Achieved**
	Standardise our safe systems of work	**Ongoing**
Engage and retain a high performing workforce	Deliver our cultural and leader development program	**Achieved**
	Negotiate new Enterprise Agreements	**Ongoing**
	Consolidate and simplify human resource policies and procedures	**Achieved**
	Optimise our organisation structure (to support business objectives)	**Achieved**
Secure ongoing support for Stanwell's operations and corporate direction	Secure shareholder and stakeholder support for our activities	**Achieved**
	Ensure Stanwell's environmental right to operate	**Achieved**
	Ensure compliance with applicable laws, regulations and company policies	**Achieved**

ENGAGE AND RETAIN A HIGH PERFORMING WORKFORCE

In February and March 2015, we conducted an employee engagement survey to understand how engaged and motivated our employees are and where we can focus our attention to ensure Stanwell is a place where people want to work. Overall, 86 per cent of our employees participated in the engagement survey. The results and subsequent action plans will feed into future divisional and organisational development planning processes, so the outcomes become part of our ongoing business strategy.

During the year, we renegotiated four Enterprise Agreements (EAs) which expired in 2014: Stanwell Power Station, Swanbank Power Station, Mica Creek Power Station and the Corporate Offices. The EAs, which were negotiated in line with the Government Owned Corporation Wages and Industrial Relations Policy 2015, provide certainty to our employees and the business by securing the terms of their employment.

On 8 July 2015, we reached in-principle agreement with employees and the relevant unions on the Barron Gorge and Kareeya Hydro EAs, which expired in December 2014.

We have commenced discussions on the Tarong Power Station EA, which expires in July 2015, and we are hopeful of reaching agreement before the end of 2015.

A new suite of human resource policies and procedures came into effect on 1 July 2014, replacing the legacy policies and procedures which had been preserved for the three years following the restructure of Queensland Government owned generators on 1 July 2011. This has streamlined our business and provided consistency across our corporate and operational sites.

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 January 2015, we appointed nine apprentices and two trainees at Stanwell, Tarong and Kareeya Hydro power stations. This brought the total number of apprentices and trainees to 34 across the business.

SECURE ONGOING SUPPORT FOR STANWELL'S OPERATIONS AND CORPORATE DIRECTION

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

During the year, we held Community Information Sessions in Cairns, Tully, Rockhampton, Stanwell and the South Burnett to update community leaders and interested residents on our current operating conditions, safety performance and future plans.

Stanwell's two community partnership funds provide financial support for community-led projects that strengthen the long-term capacity of the communities surrounding Stanwell and Tarong power stations and Meandu Mine.

Community-led projects that deliver increased employment, improved access to critical services, support for vulnerable members of the community and educational opportunities are priorities for the partnership funds.

The Stanwell Power Station Community Fund prioritised funding to assist community organisations to make repairs following Cyclone Marcia.

In addition to maintaining positive relationships with the communities in which we operate, our relationships with regulators, including the Department of Environment and Heritage Protection (DEHP) and the Wet Tropics Management Authority, are also important to us.

We are committed to operating in an environmentally-responsible and compliant manner.

As part of this commitment, amended Environmental Authorities were successfully negotiated and approved by DEHP for Meandu Mine and Swanbank B, Swanbank E, Tarong, Tarong North and Stanwell power stations.

During 2014/15, a water monitoring point upstream of the Meandu Creek Dam recorded several exceedances of the electrical conductivity due to an increase in water salinity levels. All exceedances were reported to DEHP. In February 2015, Stanwell engaged a ground water technical expert to investigate the issue.

Stanwell has started to implement the recommendations, some of which are long-term options that will take time to investigate, plan and implement. Interim controls have been put in place to ensure ongoing compliance.

We are continually looking for ways to improve the environmental performance of our operations and to mitigate the risk of adverse environmental events occurring.

A 3.2km channel to divert stormwater from Black Creek Dam around the ash dam at Tarong Power Station and into Meandu Creek was completed on schedule and within budget in November 2014. The diversion reduces the risk of contaminants from the ash dam overflowing into Meandu Creek and allows the ash dam to store more ash, extending its life until the end of the power stations' expected life in 2037. The project was selected as a finalist in the Civil Contractors Federation Queensland Branch Earth Awards, which recognise construction and environmental excellence.

During 2014/15, almost 19 hectares at Meandu Mine were rehabilitated, and another 18.3 hectares of rehabilitation are planned for 2015/16. Stanwell's environment team is investigating the potential for a commercial timber production on the coal mine spoil using species of Eucalyptus.

A study of the health of the Barron River, which was conducted in November 2014, confirmed that the flora, fauna and water in the river were in good condition.

The demolition of Swanbank B Power Station, which ceased production in May 2012, continued throughout 2014/15 and is expected to be completed in late 2015. A large percentage of the power station will be recycled. Stanwell is investigating options for the future use of the land, including the ash dam, and is committed to ensuring a positive commercial and environmental outcome is achieved.

IMAGES FROM LEFT TO RIGHT:
Engaging and retaining a high performing workforce is a priority.
Barron Gorge Hydro Power Station is a generator of clean energy.

CORPORATE GOVERNANCE

KEY AREAS OF FOCUS AND ACHIEVEMENT IN 2014/15

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

- the Board Charter, the Board Committee Charters, the Board Handbook and the Delegations Framework were all reviewed to ensure that Stanwell's governance arrangements remain appropriate as Stanwell's circumstances change;
- following the introduction of the new International Standard for compliance (ISO 19600:2014 *Compliance management systems – Guidelines*) in December 2014, the Compliance and Regulatory Management System was reviewed and updated to align with the International Standard and continue to reflect best practice;
- as part of Stanwell's commitment to delivering a business resilience platform across all levels of its business, a new Business Resilience and Risk Management Policy was developed. The Policy incorporates and integrates risk management, business continuity, security and insurance and strengthens Stanwell's business resilience and risk management practices by providing the structural framework that will allow Stanwell to achieve its strategic and operational objectives when faced by risks (including both opportunities and threats) and vulnerabilities;
- successfully conducted a Controlled Failover Exercise for disaster recovery of critical Information and Communication Technologies (ICT). The exercise provided validation that ICT infrastructure, communications networks and business systems would continue to operate in the event of a business interruption;
- performed a review of the Fraud Control Plan, including confidential fraud control strategies, specific fraud management plans and the timetable for ongoing operational and monitoring activities;
- continued monitoring the ongoing volatility and uncertainties associated with the electricity market and their impact upon the framework within which Stanwell manages its market risk arising from its trading activities; and
- confirmed that the strategy in relation to capital and funding remains appropriate and that financial risk activities are undertaken within an appropriate compliance framework.

APPROACH TO CORPORATE GOVERNANCE

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

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

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

Stanwell has adopted all of the principles outlined in the *Corporate Governance Guidelines for Government Owned Corporations* and believes that, throughout the reporting period, its governance arrangements have been consistent with these principles.

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

PRINCIPLE 1 – FOUNDATIONS OF MANAGEMENT AND OVERSIGHT

Role and function of the Board

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 corporate strategies, the annual budget and financial plans;
- make decisions in relation to major corporate initiatives above the Chief Executive Officer's (CEO) approval threshold;
- oversee and monitor organisational performance and the achievement of Stanwell's strategic goals and objectives;
- ensure the adequacy and effectiveness of key aspects of Stanwell's financial management, reporting and accounting practices;
- oversee the review and update of corporate governance arrangements and processes as necessary to support Stanwell's commitment to best practice corporate governance;
- monitor and influence Stanwell's culture, values, reputation and ethical standards;
- appoint and assess the performance of the CEO and senior executives;
- review and oversee systems of risk management, internal control and legal compliance;
- oversee the process for identifying and managing Stanwell's business critical risks and the control, monitoring and reporting mechanisms in place; and
- report to and communicate with Stanwell's shareholding Ministers.

Delegation of authority

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

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

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

- decisions related to specific matters are reserved for the Board;
- certain powers and limits of authority are delegated to specified persons; and
- subject to the above, the Board delegates its power and authority to manage and supervise the management of the day-to-day operations of Stanwell to the 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, the Trading Risk Management Policy and the Financial Risk Management Policy.

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

Committees of the Board

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

The roles, responsibilities and delegated authorities of each committee are set out in 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 2015, the People and Safety Committee comprised the following directors:

Russell James Kempnich (Chairman)

Shane Paul Charles

CORPORATE GOVERNANCE (CONTINUED)

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

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

Audit and Risk Management Committee

As at 30 June 2015, the Audit and Risk Management Committee comprised the following directors:

Paul Breslin (Chairman)

Dominic Joseph Condon

Shane Paul Charles

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

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

Executive remuneration and performance review

Each year, the Board, with the assistance of the People and Safety Committee, undertakes a formal process of reviewing the performance of the CEO and senior executives. The rate of remuneration 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 Corporation, business division and individual performance targets. The CEO is not present at the Board meeting or People and Safety Committee meeting when the CEO's own remuneration and performance are being considered.

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

PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

At the date of this report, the Board consisted of four independent, non-executive directors. The names, qualifications and relevant skills, experience and expertise of the directors who held office during the financial year and up to the date of this report, along with their terms of appointment, are set out on page 31.

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

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

The Board held 12 meetings between 1 July 2014 and 30 June 2015. The table on page 33 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 directors' qualifications and experience.

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

Director independence

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

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

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

Access to independent professional advice

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

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

Access to management

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

Board evaluation

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

During the year, 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:

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

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

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

CORPORATE GOVERNANCE (CONTINUED)

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.

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

Avoidance of conflicts of interest

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

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

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

Trading in securities

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

PRINCIPLE 4 - SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Audit and Risk Management Committee assists the Board in overseeing the reliability and integrity of financial reporting practices, accounting policies, auditing and external reporting. The Committee provides advice to the Board on financial statements, financial systems integrity and business critical 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 Corporation that complies with statutory obligations.

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

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.

Following the conclusion of audits, 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. Internal Audit also follows-up on 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 Auditor-General meet periodically with the Audit and Risk Management Committee without management present.

In accordance with the *Corporations Act 2001*, when presenting financial statements for approval, the CEO and the Chief Financial Officer 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*; and
- Stanwell's financial statements and notes to the financial statements comply in all material respects with the Accounting Standards and present a true and fair view of the company's financial position and performance.

In addition, the CEO and Chief Financial Officer 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 30 June 2015 that would materially change the above statements.

As at 30 June 2015, the Audit and Risk Management Committee consisted of three members.

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

PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURES

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

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

Release of Information Publication Scheme

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

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

PRINCIPLE 6 - RESPECT THE RIGHTS OF SHAREHOLDERS

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

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

CORPORATE GOVERNANCE (CONTINUED)

- an **Annual Report** (containing those matters outlined in Section 120 of the GOC Act) is prepared and issued to shareholders and interested stakeholders and is published on Stanwell's website; and
- **briefings to shareholding Ministers** and their **representatives** are conducted on a regular basis for the purpose of disclosing business activities and performance against agreed targets.

PRINCIPLE 7 - RECOGNISE AND MANAGE RISK

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

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

Stanwell's Business Resilience and Risk Management Policy, Risk Management Framework and Risk Evaluation Matrix are based upon ISO 31000:2009 *Risk Management Principles and Guidelines.*

The Risk Management Framework clearly communicates and provides the necessary foundations and organisational arrangements for managing risk across the business. The Framework outlines how Stanwell ensures that it manages risk effectively and efficiently. It illustrates how risk management is embedded in Stanwell's organisational systems to ensure it is integrated at all levels and work contexts. It describes the elements and processes that guide all levels of the organisation in effectively managing risk, making it part of day-to-day decision-making and business practices.

Risk controls and associated actions are captured and monitored using a Corporation-wide information technology tool which integrates reporting of events, audits, risks and compliance obligations and breach reporting.

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

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

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 the organisation 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 a Corporation-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 the shareholding Ministers and advised to Stanwell.

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

At 30 June 2015, the People and Safety Committee consisted of two members. Other directors who are not members of the committee and other senior executives attend meetings by invitation.

Details of the remuneration paid to directors and senior executives are set out in note 26 on pages 91 and 92 of this report.

GOVERNMENT OWNED CORPORATIONS ACT REQUIREMENTS

Government directions and notifications

Section 120(e) of the GOC Act requires Stanwell to provide, in its Annual Report, particulars of any directions and notifications given to Stanwell by shareholding Ministers that relate to the relevant financial year.

During the 2014/15 financial year, Stanwell's shareholding Ministers issued the following formal directions.

On 28 August 2014, The Honourable Tim Nicholls MP, Treasurer and Minister for Trade and The Honourable Mark McArdle MP, Minister for Energy and Water Supply, issued a direction to Stanwell pursuant to section 299 of the *Electricity Act 1994*. The direction required Stanwell to provide all information and assistance necessary to the Queensland Capital Project Team to undertake its activities.

On 14 May 2015, The Honourable Curtis Pitt MP, Treasurer, Minister for Employment and Industrial Relations, Minister for Aboriginal and Torres Strait Islander Partnerships and The Honourable Mark Bailey MP, Minister for Main Roads, Road Safety and Ports and Minister for Energy and Water Supply, issued a direction to Stanwell in accordance with section 299 of the *Electricity Act 1994*. The direction requires Stanwell to provide all necessary information and assistance in relation to the Energy Mergers Working Group's program of works.

Dividend Policy

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

On 1 May 2015, the Board of Stanwell recommended to shareholders a dividend amount equivalent to 80 per cent of Stanwell's net profit after tax (adjusted for unrealised gains on the revaluation of derivative financial instruments and any other asset impairment adjustment that may arise during the testing of asset carrying values) for the 2014/15 year.

Overseas travel

During the 2014/15 year, the Chief Financial Officer and General Manager Corporate Services travelled to the United Kingdom to present to London-based insurers offering Industrial and Special Risk cover and Combined Liability cover.

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

Event	Date	Cost ($)
Stanwell Energy Business Breakfast	11/06/15	11,446

FINANCIAL RESULTS

Stanwell Corporation Limited ABN 37 078 848 674 ▪ 30 June 2015

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

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

Its registered office is:

Stanwell Corporation Limited
42 Albert Street
Brisbane QLD 4000

Stanwell Corporation Limited is a Queensland based integrated wholesale energy provider.

The financial statements were authorised for issue by the directors on 27 August 2015. The directors have the power to amend and reissue the financial statements.

Stanwell Corporation Limited

DIRECTORS' REPORT

2015

The directors present their report on the consolidated entity consisting of Stanwell Corporation Limited and its subsidiaries (together referred to as the 'Group') at the end of the 2015 financial year.

PRINCIPAL ACTIVITIES

The Group's principal activity during the 2015 financial year was the operation of a diversified energy portfolio which included:

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

FINANCIAL RESULTS

	2015 $'000	2014* $'000
Profit before income tax	**365,233**	145,333
Profit after income tax	**254,936**	108,594
Profit attributable to members of the Group	**254,936**	108,594

* The 2014 comparatives have been amended for a correction to prior year which is outlined in note 3.

DIVIDENDS – STANWELL CORPORATION LIMITED

The directors recommend that a dividend of $89,930,000 be paid in respect of the 2015 financial year (2014: $96,504,000).

REVIEW OF OPERATIONS

Safety

Safety is a core value and the Group continues to focus on the goal of achieving and sustaining Zero Harm Today. During the 2015 financial year, the Total Recordable Injury Frequency Rate, which reflects the proportion of lost time and medical treatment injuries sustained at our operating sites and corporate offices against total hours worked, was at its lowest level since 2011.

Market

For the first time in five years, average daily electricity demand in Queensland increased, reaching 5,920 megawatts in 2014/15 (2013/14: 5,672 megawatts). However, the Queensland electricity market is still oversupplied, having the capacity to produce about 30% more electricity than required.

The Liquefied Natural Gas industry, which has been in development in Queensland for the past six years, is expected to reach full production in the next two to three years and boost Queensland's total electricity demand by 15%.

The national debate about the future of fossil fuels and a rise in renewable energy generation, coupled with regulatory uncertainty, continues to have a detrimental impact on the electricity market. Clear, concise policy and regulatory frameworks are required to allow the electricity market to function effectively.

In the short-term, coal will continue to be the most cost-effective source of electricity for Queensland and Australia. However, rapidly improving technology, particularly in renewable energy, is driving sectoral change. Energy users will be offered cost effective renewable energy solutions which will challenge the entire energy supply chain.

In these circumstances, and given that approximately 80% of the Group's generation portfolio is coal-fired, Stanwell must adapt if it wants to continue to provide a commercial return to its shareholders. In the short-term, maintaining flexibility and diversity in the Group's fuel and generation portfolios and competing cost effectively will continue to be a central theme of Stanwell's business strategy. Longer term strategies that will allow the business to prosper in a lower carbon economy are being developed.

Operations

The Group has continued to respond to challenging market conditions by ensuring the maximum availability to generate during high demand periods.

Robust maintenance practices resulted in total availability across the National Electricity Market portfolio of 90.0% (2014: 93.2%). A forced outage factor of 1.0% (2014: 1.3%) was recorded which is equivalent to achieving 99% reliability.

In December 2014, Swanbank E Power Station was withdrawn from service for a period of up to three years. Having secured a competitive price for the Group's gas entitlement, the commercial decision was made to sell the gas rather than burn it to generate electricity.

Unit 2 and Unit 4 at Tarong Power Station were withdrawn from service in 2012 in response to an oversupplied electricity market and subdued prices. In July 2014, Unit 4 at Tarong Power Station was successfully returned to service. Unit 2 will be returned to service in early 2016 (subject to market conditions).

Coal for the Tarong power stations is sourced from the neighbouring Stanwell owned Meandu Mine. To secure continued access to sufficient economic coal for the Tarong power stations, the Group is seeking approvals to develop the eastern zone of the Meandu mining lease (an area comprising of approximately 130 hectares).

DIRECTORS' REPORT (CONTINUED)

Preparatory activities are occurring for two major projects at the Stanwell Power Station: to replace the condenser tubes in the four generating units during the next four year cycle of major overhauls; and to upgrade the 20 year old control system.

On 1 July 2014, UGL Engineering Pty Ltd commenced providing facility, overhaul and asset maintenance and management services to the Group's operational sites under a four year contract. The consolidation of these services to a single contractor has provided an alignment in safety culture and consequential cost savings and efficiency benefits.

The carrying value of the Group's assets and liabilities has been reviewed at year end and the decision was taken to reverse, to the extent available, the $232.0 million impairment of the Stanwell Power Station cash generating unit that was recorded in the financial year ended 30 June 2011. After adjusting for the impact of depreciation across the years that these assets were impaired, the Group recorded an impairment reversal as at 30 June 2015 of $184.3 million.

A number of external factors led to the impairment loss that was recorded in the financial year ended 30 June 2011 including the introduction of Carbon Pricing, the increasing impact on demand of solar generation and the continuing increase in oversupply of generation in the Queensland market. The reversal of this impairment loss was based on changes to future cash flow assumptions in relation to these external factors and included, but were not limited to assumptions regarding, electricity demand, wholesale electricity prices, discount rates, cost of fuel and achievable market values for asset disposal.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the 2015 financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has been no matter or circumstance which has arisen since 30 June 2015 that has significantly affected, or may significantly affect:

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

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

(c) the Group's state of affairs in future financial years.

ENVIRONMENTAL REGULATION

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

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

Carbon Emissions Reporting and Expenditure

The Group is subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007* (NGER Act). The NGER Act requires the Group to report its annual greenhouse gas emissions and energy production and use. The Group began reporting under the NGER Act during the 2009 financial year and is now in its seventh 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.

On 17 July 2014, the Carbon Tax Repeal Bills passed the Senate of the Federal Government and gained Royal Assent on that day. The *Clean Energy Legislation (Carbon Tax Repeal) Act 2014* is retrospective to 1 July 2014 meaning that Stanwell has no carbon liability under this legislation in the 2015 financial year.

DIRECTORS

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

- Paul Breslin; and
- Russell James Kempnich.

The following persons were directors of Stanwell Corporation Limited during part of the financial year:

- Shane Paul Charles was Chairman and non-executive director for the period 11 December 2014 and up to the date of this report;
- Dominic Joseph Condon was a non-executive director for the period 11 December 2014 and up to the date of this report;
- Kym Louise Collins was a non-executive director for the period 1 July 2014 to 30 September 2014;
- Ann Allison Fitzpatrick was a non-executive director for the period 1 July 2014 to 31 December 2014; and
- Stephen Robert Rochester was a non-executive director for the period 1 July 2014 to 30 September 2014.

INFORMATION ON DIRECTORS

Shane Paul Charles
LLB.
Chairman – Non-executive director.

Term: 11 December 2014 to 30 September 2017

Mr Charles was appointed Chairman and non-executive director of Stanwell Corporation Limited on 11 December 2014. He is also a member of the Audit and Risk Management Committee and the People and Safety Committee.

Mr Charles is a lawyer with extensive experience in sustainable regional and state development. He is currently Chief Executive Officer of Toowoomba and Surat Basin Enterprise and a Commissioner on the GasFields Commission Queensland. In addition, Mr Charles is also Chairman of Sunrise Way, a Toowoomba therapeutic community for people with drug and alcohol addictions, and Vice President of the Royal Agricultural Society of Queensland.

Mr Charles was Managing Director of Condon Charles Lawyers for more than 10 years and a Faculty Advisory Committee Member for the Faculty of Business and Law, University of Southern Queensland.

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

Term: 5 July 2012 to 30 September 2015

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

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

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

Dominic Joseph Condon
B.Com, B.Econ, GAICD.
Non-executive director.

Term: 11 December 2014 to 30 September 2017

Mr Condon was appointed a non-executive director of Stanwell Corporation Limited on 11 December 2014 and is a member of the Audit and Risk Management Committee.

Mr Condon is Managing Director and founding partner of Chase Commercial, a commercial real estate agency specialising in Industrial, Commercial and Retail property in the wider South East Queensland market. Prior to entering the commercial property market more than 12 years ago, Mr Condon worked as an accountant in Brisbane.

Mr Condon is a fellow of the Urban Development Institute of Australia, graduate member of the Australian Institute of Company Directors, Licensed Real Estate Agent and member of the Real Estate Institute of Queensland.

Russell James Kempnich
BEng (Mech).
Non-executive director.

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

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

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

Mr Kempnich has extensive management experience being a founding partner, past Managing Director and currently, a non-executive Director of ASX listed Sedgman Limited.

Kym Louise Collins
MBA, BEng (Elec), GAICD.
Non-executive director.

Ms Collins was appointed a non-executive director of Stanwell Corporation Limited on 1 July 2011 and was a member of the People and Safety Committee. The term of Ms Collins' directorship expired on 30 September 2014.

Ann Allison Fitzpatrick
BA, LLB, GAICD.
Non-executive director.

Ms Fitzpatrick was appointed a non-executive director of Stanwell Corporation Limited on 1 July 2011 and was a member of the People and Safety Committee. The term of Ms Fitzpatrick's directorship expired on 31 December 2014.

Stephen Robert Rochester
BEc, MAICD, FFTP.
Non-executive director.

Mr Rochester was appointed a non-executive director of Stanwell Corporation Limited on 1 July 2011 and was the Chairman of the Audit and Risk Management Committee. Mr Rochester resigned as a director on 30 September 2014.

Stanwell Corporation Limited

DIRECTORS' REPORT (CONTINUED)

INFORMATION ON OFFICERS

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

Mr Van Breda was appointed Chief Executive Officer in July 2012 and has been involved in the energy industry since 2001. He originally joined Stanwell Corporation Limited in 2002 and was appointed Chief Financial Officer in 2005. Mr Van Breda joined Tarong Energy Corporation Limited in the role of Chief Financial Officer in April 2008. After the restructure of the Queensland Government owned electricity generators in July 2011, he was appointed to the position of Chief Financial Officer at Stanwell Corporation Limited.

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

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

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

Before commencing with Stanwell in July 2011, Ms Gregg was with Tarong Energy Corporation Limited in the role of General Manager People and Communication. Prior to this, she worked for more than six years at SunWater, holding the position of Manager Human Resources and Acting General Manager Corporate.

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

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

Mr O'Rourke was appointed Chief Financial Officer in September 2012. As Chief Financial Officer, Mr O'Rourke is responsible for the internal functions of financial risk, settlements, tax and treasury, business reporting and commercial analysis, secretariat, corporate services, legal, internal audit and supply chain management.

Mr O'Rourke joined Stanwell in 1998 and has held a number of management positions in the areas of legal, marketing and trading, secretariat, insurance, enterprise risk, compliance, corporate communications and land and property management. Prior to his appointment as Chief Financial Officer, he held the position of Executive General Manager Governance and Corporate Strategy.

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

Mr Quilter joined Stanwell in February 2012 as Swanbank Power Station Manager and was appointed General Manager of Stanwell's gas and hydro generation portfolio in May 2013. In a career spanning more than 20 years in the energy industry both in Queensland and New South Wales, Mr Quilter has worked in various operational roles including senior engineering positions.

Mr Quilter was appointed Acting Executive General Manager Energy Trading and Commercial Strategy in December 2014. In this role, he is responsible for the trading of Stanwell's generation in the National Electricity Market. He also oversees the development of commercial strategies targeted at diversifying revenue streams and creating value from Stanwell's various fuel resources.

Ian James Gilbar
BE (Hons).
Acting Chief Operating Officer / Acting Executive General Manager Safety and Asset Services.

Mr Gilbar held the position of Acting Chief Operating Officer of Stanwell from April 2014 until April 2015.

Mr Gilbar was appointed Acting Executive General Manager Safety and Asset Services in April 2015 and is responsible for managing the Group's health, safety and environment; asset management; engineering services; and asset project delivery and governance.

Mr Gilbar has worked for Stanwell for more than 17 years and has more than 30 years' experience in the electricity industry in various engineering and technical management roles.

Philips David
EMBA, MEng (Studies), BSc (Engineering).
Acting Executive General Manager Production.

Mr David was appointed Acting Executive General Manager Production in April 2015. In this role, he is responsible for the management of the operational, maintenance, engineering, overhaul and site services for a geographically diverse 4,250 MW generation portfolio of thermal coal, gas and hydro power stations, and a coal mining operation. This responsibility extends to all infrastructure supporting these power generating and mine sites. Mr David also oversees mining operations at the Meandu Mine which can produce up to six million tonnes of coal a year to fuel the adjacent Tarong power stations.

Mr David joined Stanwell in 2011 and has more than 34 years of experience in the Queensland energy industry. He specialises in mining operations and the operation, maintenance, asset management and performance management of power stations spanning a diverse range of fuel sources, including coal, gas, biomass, hydro and wind.

DIRECTORS' REPORT (CONTINUED)

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

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

Ms Mills has more than 14 years' experience in the electricity industry and previously led the Electricity Modelling Team within Queensland Treasury. Ms Mills originally joined Stanwell Corporation Limited in 2004 and then Tarong Energy Corporation Limited in 2008.

Ms Mills was seconded to Queensland Treasury in December 2014.

COMPANY SECRETARY

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

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

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

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

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of directors and of each Board committee held during the 2015 financial year, and the numbers of meetings attended by each director were:

			Meetings of Board committees			
	Board meetings of directors		Audit and Risk Management Committee		People and Safety Committee	
	A	B	A	B	A	B
Shane Paul Charles	6	6	3	3	1	1
Paul Breslin	12	11	5	5	–	–
Kym Louise Collins	4	4	–	–	1	1
Dominic Joseph Condon	6	6	3	3	–	–
Ann Allison Fitzpatrick	6	4	–	–	2	2
Russell James Kempnich	12	11	2	2	3	3
Stephen Robert Rochester	4	4	1	1	–	–

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

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 2015 financial year, paid an insurance premium in respect of the directors and executive officers of the Group. In accordance with normal commercial practice, the insurance contract prohibits disclosure of the nature or the liability covered by, or the amount payable under, the contract of insurance.

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 34.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report.

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

AUDITOR

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

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

Shane Paul Charles
Chairman

Paul Breslin
Director

Brisbane
27 August 2015

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Stanwell Corporation Limited

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

Independence Declaration

As lead auditor for the audit of Stanwell Corporation Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been -

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

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

N George

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

Queensland Audit Office
Brisbane

Stanwell Corporation Limited

STATEMENTS OF COMPREHENSIVE INCOME

2015

	Notes	Consolidated entity 2015 $'000	Consolidated entity 2014 $'000	Parent entity 2015 $'000	Parent entity 2014 $'000
Revenue from continuing operations	5	**1,465,740**	1,721,522	**1,316,042**	1,470,660
Other income	6	**60,834**	18,073	**60,821**	17,930
Impairment reversal	15	**184,269**	–	**184,269**	–
Fuel costs		**(349,163)**	(357,141)	**(286,267)**	(267,288)
Changes in inventories of finished goods and work in progress		**43,712**	61,233	**–**	–
Raw materials and consumables used		**(559,519)**	(452,248)	**(554,534)**	(437,127)
Employee benefits expense		**(107,916)**	(114,644)	**(100,945)**	(105,893)
Depreciation and amortisation expense	15, 16, 17	**(183,357)**	(183,976)	**(126,990)**	(131,722)
Carbon emissions expense		**–**	(348,506)	**–**	(273,594)
Non hedge accounted change in fair value of derivative instruments	13	**(32,891)**	(43,570)	**(32,891)**	(43,570)
Other expenses		**(79,345)**	(94,917)	**(70,066)**	(83,372)
Finance costs	7	**(77,131)**	(60,493)	**(68,119)**	(53,178)
Profit before income tax		**365,233**	145,333	**321,320**	92,846
Income tax expense equivalent	8	**(110,297)**	(36,739)	**(97,123)**	(20,991)
Profit for the year		**254,936**	108,594	**224,197**	71,855
Other comprehensive (loss)/income					
Items that may be reclassified to profit or loss					
Changes in the fair value of cash flow hedges	25	**(40,229)**	163,970	**(40,229)**	163,970
Income tax relating to these items		**12,069**	(49,191)	**12,069**	(49,191)
Items that will not be reclassified to profit or loss					
Actuarial gains on retirement benefit obligation	18	**15,735**	6,692	**15,735**	6,692
Income tax relating to these items		**(4,721)**	(2,008)	**(4,721)**	(2,008)
Other items					
Other		**–**	–	**2**	(6)
Other comprehensive (loss)/income for the year, net of tax		**(17,146)**	119,463	**(17,144)**	119,457
Total comprehensive income for the year		**237,790**	228,057	**207,053**	191,312
Profit is attributable to:					
Owners of Stanwell Corporation Limited		**254,936**	108,594	**224,197**	71,855
Total comprehensive income is attributable to:					
Owners of Stanwell Corporation Limited		**237,790**	228,057	**207,053**	191,312
Total comprehensive income attributable to owners of Stanwell Corporation Limited arises from:					
Continuing operations		**237,790**	228,057	**207,053**	191,312

The above statements of comprehensive income should be read in conjunction with the accompanying notes.
The 2014 comparatives have been amended for a correction to prior year which is outlined in note 3.

Stanwell Corporation Limited

BALANCE SHEETS

2015

	Notes	Consolidated entity 2015 $'000	Consolidated entity 2014 $'000	Parent entity 2015 $'000	Parent entity 2014 $'000
ASSETS					
Current assets					
Cash and cash equivalents	9	**184,895**	110,405	**184,189**	109,654
Trade and other receivables	10	**134,905**	147,491	**131,766**	139,076
Inventories	11	**214,639**	160,190	**188,366**	129,455
Other current assets	12	**185,533**	156,947	**75,862**	27,464
Derivative financial instruments	13	**75,325**	128,711	**75,325**	128,711
Total current assets		**795,297**	703,744	**655,508**	534,360
Non-current assets					
Loans to subsidiaries		**–**	–	**677,816**	696,251
Derivative financial instruments	13	**32,924**	52,408	**32,924**	52,408
Available-for-sale assets	14	**16,922**	11,368	**16,922**	11,368
Property, plant and equipment	15	**2,364,382**	2,169,991	**1,771,884**	1,618,362
Intangible assets	16	**92,046**	85,495	**16,767**	10,216
Exploration and evaluation	17	**12,908**	22,494	**44**	9,630
Retirement benefit surplus	18	**22,520**	8,607	**22,520**	8,607
Other non-current assets	19	**24,445**	5,782	**3,171**	1,870
Total non-current assets		**2,566,147**	2,356,145	**2,542,048**	2,408,712
Total assets		**3,361,444**	3,059,889	**3,197,556**	2,943,072
LIABILITIES					
Current liabilities					
Trade and other payables	20	**142,692**	146,701	**109,323**	105,486
Finance lease liabilities	21	**10,553**	8,181	**–**	–
Derivative financial instruments	13	**119,185**	104,797	**119,185**	104,797
Current tax liabilities		**–**	28,476	**–**	28,476
Provisions	22	**124,001**	211,349	**116,538**	200,206
Other current liabilities		**7,752**	10,202	**7,752**	10,202
Total current liabilities		**404,183**	509,706	**352,798**	449,167
Non-current liabilities					
Finance lease liabilities	21	**30,328**	32,515	**–**	–
Borrowings	23	**772,210**	521,280	**772,210**	521,280
Derivative financial instruments	13	**37,937**	52,576	**37,937**	52,576
Deferred tax liabilities	24	**328,067**	253,918	**274,695**	211,561
Provisions	22	**330,418**	373,312	**176,215**	235,765
Other non-current liabilities		**–**	6,145	**–**	6,145
Total non-current liabilities		**1,498,960**	1,239,746	**1,261,057**	1,027,327
Total liabilities		**1,903,143**	1,749,452	**1,613,855**	1,476,494
Net assets		**1,458,301**	1,310,437	**1,583,701**	1,466,578

The above balance sheets should be read in conjunction with the accompanying notes.
The 2014 comparatives have been amended for a correction to prior year which is outlined in note 3.

Stanwell Corporation Limited

BALANCE SHEETS (CONTINUED)

	Notes	Consolidated entity 2015 $'000	Consolidated entity 2014 $'000	Parent entity 2015 $'000	Parent entity 2014 $'000
EQUITY					
Contributed equity		**1,214,693**	1,214,693	**1,214,692**	1,214,693
Reserves	25	**1,440**	29,600	**1,440**	29,600
Retained earnings		**242,168**	66,144	**367,569**	222,285
Capital and reserves attributable to owners of Stanwell Corporation Limited		**1,458,301**	1,310,437	**1,583,701**	1,466,578
Total equity		**1,458,301**	1,310,437	**1,583,701**	1,466,578

The above balance sheets should be read in conjunction with the accompanying notes.
The 2014 comparatives have been amended for a correction to prior year which is outlined in note 3.

Stanwell Corporation Limited

STATEMENTS OF CHANGES IN EQUITY

2015

Consolidated entity	Notes	Attributable to owners of Stanwell Corporation Limited Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2013		1,214,693	(85,179)	43,692	1,173,206
Correction for prior year adjustment		–	–	5,678	5,678
Restated total equity at the beginning of the financial year		**1,214,693**	**(85,179)**	**49,370**	**1,178,884**
Profit for the year		–	–	127,812	127,812
Correction of error (net of tax)		–	–	(19,216)	(19,216)
Restated profit for the year		–	–	108,596	108,596
Net change in fair value of cash flow hedges transferred to profit and loss	25	–	(10,758)	–	(10,758)
Effective portion of changes in fair value of cash flow hedges	25	–	174,809	–	174,809
Net change in fair value of cash flow hedges transferred to property, plant and equipment	25	–	(81)	–	(81)
Actuarial gains on defined benefit plan	18	–	–	6,692	6,692
Income tax equivalent relating to components of other comprehensive income	25	–	(49,191)	(2,008)	(51,199)
Other		–	–	(2)	(2)
Total comprehensive income for the year		–	**114,779**	**113,278**	**228,057**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid		–	–	(96,504)	(96,504)
Balance at 30 June 2014		**1,214,693**	**29,600**	**66,144**	**1,310,437**
Balance at 1 July 2014		1,214,693	29,600	66,144	1,310,437
Profit for the year		–	–	254,936	254,936
Net change in fair value of cash flow hedges transferred to profit and loss	25	–	124,484	–	124,484
Effective portion of changes in fair value of cash flow hedges	25	–	(163,951)	–	(163,951)
Net change in fair value of cash flow hedges transferred to property, plant and equipment	25	–	(762)	–	(762)
Actuarial gains on defined benefit plan	18	–	–	15,735	15,735
Income tax equivalent relating to components of other comprehensive income	25	–	12,069	(4,721)	7,348
Other		–	–	4	4
Total comprehensive income for the year		–	**(28,160)**	**265,954**	**237,794**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid		–	–	(89,930)	(89,930)
Balance at 30 June 2015		**1,214,693**	**1,440**	**242,168**	**1,458,301**

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

Stanwell Corporation Limited

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Parent entity	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2013		1,214,692	(85,179)	236,578	1,366,091
Correction for prior year adjustment		–	–	5,678	5,678
Restated total equity at the beginning of the financial year		**1,214,692**	**(85,179)**	**242,256**	**1,371,769**
Profit for the year		–	–	91,074	91,074
Correction of error (net of tax)		–	–	(19,216)	(19,216)
Restated profit for the year		–	–	71,858	71,858
Net change in fair value of cash flow hedges transferred to profit and loss	25	–	(10,758)	–	(10,758)
Effective portion of changes in fair value of cash flow hedges	25	–	174,809	–	174,809
Net change in fair value of cash flow hedges transferred to property, plant and equipment	25	–	(81)	–	(81)
Actuarial gains on defined benefit plan	18	–	–	6,692	6,692
Income tax equivalent relating to components of other comprehensive income	25	–	(49,191)	(2,008)	(51,199)
Other		1	–	(9)	(8)
Total comprehensive income for the year		**1**	**114,779**	**76,533**	**191,313**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid		–	–	(96,504)	(96,504)
Balance at 30 June 2014		**1,214,693**	**29,600**	**222,285**	**1,466,578**
Balance at 1 July 2014		1,214,693	29,600	222,285	1,466,578
Profit for the year		–	–	224,197	224,197
Net change in fair value of cash flow hedges transferred to profit and loss	25	–	124,484	–	124,484
Effective portion of changes in fair value of cash flow hedges	25	–	(163,951)	–	(163,951)
Net change in fair value of cash flow hedges transferred to property, plant and equipment	25	–	(762)	–	(762)
Actuarial gains on defined benefit plan	18	–	–	15,735	15,735
Income tax equivalent relating to components of other comprehensive income	25	–	12,069	(4,721)	7,348
Other		(1)	–	3	2
Total comprehensive income for the year		**(1)**	**(28,160)**	**235,214**	**207,053**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid		–	–	(89,930)	(89,930)
Balance at 30 June 2015		**1,214,692**	**1,440**	**367,569**	**1,583,701**

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

Stanwell Corporation Limited

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

SHARE CAPITAL

	Notes	Consolidated entity and Parent entity 2015 Shares	Consolidated entity and Parent entity 2014 Shares	Consolidated entity and Parent entity 2015 $'000	Consolidated entity and Parent entity 2014 $'000
Ordinary shares					
Ordinary voting (A class), fully paid		**4**	4	**–**	–
Ordinary non-voting (B class), fully paid		**924,568,658**	924,568,658	**1,214,693**	1,214,693
Total Consolidated and Parent entity contributed equity		**924,568,662**	924,568,662	**1,214,693**	1,214,693

ORDINARY SHARES

The Company is wholly owned by the State of Queensland.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and holders of A class shares are entitled to one vote per share at a shareholders' meeting.

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

DIVIDENDS

	Consolidated entity and Parent entity 2015 $'000	Consolidated entity and Parent entity 2014 $'000
Final dividend for the year ended 30 June 2015 of 9.7 cents (2014: 10.4 cents) per fully paid share		
Final dividend declared	**89,930**	96,504

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

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

Stanwell Corporation Limited

STATEMENTS OF CASH FLOWS

2015

	Notes	Consolidated entity 2015 $'000	Consolidated entity 2014 $'000	Parent entity 2015 $'000	Parent entity 2014 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**1,489,764**	1,952,225	**1,320,458**	1,687,370
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,264,043)**	(1,559,781)	**(1,216,979)**	(1,393,492)
Interest received		**5,566**	3,123	**5,566**	3,087
Interest paid		**(58,416)**	(44,452)	**(56,147)**	(43,802)
Income tax equivalents paid		**(58,976)**	(33,029)	**(56,813)**	(33,029)
Net cash inflow (outflow) from operating activities	34	**113,895**	318,086	**(3,915)**	220,134
Cash flows from investing activities					
Payments for property, plant and equipment		**(187,433)**	(96,528)	**(88,995)**	(76,344)
Loans to related parties		**–**	–	**18,435**	–
Proceeds from sale of property, plant and equipment		**7,690**	3,216	**8,673**	3,216
Loans provided to subsidiaries		**–**	–	**–**	64,836
Payments for intangible assets		**(14,088)**	(2,152)	**(14,088)**	(2,150)
Net payments for exploration and evaluation expenditure		**–**	(13,028)	**–**	(164)
Net cash (outflow) from investing activities		**(193,831)**	(108,492)	**(75,975)**	(10,606)
Cash flows from financing activities					
Proceeds from/(repayment of) borrowings		**250,930**	(250,928)	**250,929**	(250,928)
Dividends paid		**(96,504)**	(11,704)	**(96,504)**	(11,704)
Transfer of cash on 1 July		**–**	–	**–**	1
Net cash inflow (outflow) from financing activities		**154,426**	(262,632)	**154,425**	(262,631)
Net increase (decrease) in cash and cash equivalents		**74,490**	(53,038)	**74,535**	(53,103)
Cash and cash equivalents at the beginning of the financial year		**110,405**	163,443	**109,654**	162,757
Cash and cash equivalents at end of year	9	**184,895**	110,405	**184,189**	109,654

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

(i) Going concern

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

(ii) Date of issue

The consolidated financial statements were authorised for issue by the Board of Directors on 27 August 2015.

(iii) Historical cost convention

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

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Stanwell Corporation Limited ('Company' or 'Parent entity') as at 30 June 2015 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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 Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(ii) Joint arrangements

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Stanwell Corporation Limited has both joint operations and joint ventures.

Stanwell Corporation Limited recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

(c) Foreign currency translation

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

(d) Revenue recognition

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

(i) Sales of electricity

Revenue from the sale of electricity traded in the National Electricity Market (NEM) is recognised when the electricity generated has been dispatched or in the period that the electricity generated, which is pursuant to a power purchase agreement (PPA), is transferred to the counterparty. The effective portion of electricity derivatives designated as cash flow hedges, relating to electricity traded in the NEM, is recognised in electricity revenue in the period to which the contract settlement relates (refer to note 25). Revenue from electricity sold on the NEM is based on electricity spot prices and is calculated by the Australian Energy Market Operator (AEMO), the body responsible for administering and operating the wholesale spot electricity market and managing the security of the power system.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue recognition (continued)

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

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

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

(iv) Coal on-sale
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. These risks and rewards are considered to have passed to the buyer at the time of delivery of the goods to the customer.

(v) Gas sales
Revenue is recognised when the significant risks and rewards of ownership of the gas have passed to the buyer and can be measured reliably. These risks and rewards are considered to have passed to the buyer upon delivery of the gas at the nominated delivery point.

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

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

(e) Income tax equivalents

The Company and its wholly owned Australian controlled entities have formed a tax consolidated Group.

The Company as head entity in the tax consolidated Group is required to make income tax equivalent payments to the State Government, based upon the value of benefits derived by the tax consolidated Group and is not liable to pay Commonwealth tax that would be payable if it were not a Government Owned Corporation.

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

(f) Tax effect accounting

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

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

Deferred tax equivalent assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exemption is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax equivalent asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

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

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

(g) Tax consolidation

As a consequence of the establishment of the tax consolidated Group, 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Tax consolidation (continued)

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

In accordance with the tax funding agreement 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.

(h) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (refer to note 29). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(i) Impairment of assets

(i) Financial assets

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

(ii) Non-financial assets

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

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

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

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

(j) Cash and cash equivalents

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

(k) Trade receivables

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

(l) Inventories

(i) Fuel and stores

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Inventories (continued)

(ii) Environmental certificates

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

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

(m) Financial instruments

Classification

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (refer to note 10) in the balance sheet.

(iii) Available-for-sale assets

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

Recognition and derecognition

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

Measurement

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

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

Available-for-sale financial assets and assets at fair value through profit or loss are subsequently carried at fair value.

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

Impairment

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

(i) Assets carried at amortised cost

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Impairment (continued)

(ii) Assets classified as available-for-sale

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

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

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

(n) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged, or is at fair value through the profit and loss. The Group designates certain derivatives as hedges of a particular risk associated with highly probable forecast transactions (cash flow hedges).

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 13. Movements in the hedging reserve in shareholder's equity are shown in note 25. Derivative financial instruments spanning both current and non-current periods are split into their current and non-current components prior to valuation. The fair value of these components is then classified as a current asset or liability when the maturity profile is less than 12 months, and classified as a non-current asset or liability when the maturity profile is greater than 12 months.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'Change in fair value of derivative instruments that do not qualify for hedge accounting'.

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

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

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(ii) Derivatives that do not qualify for hedge accounting

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

(o) Deferred stripping costs

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Deferred stripping costs (continued)

Deferred stripping costs are included in 'Other current assets' if the current mine plan indicates that coal mining from a strip is expected to occur within 12 months from the reporting date. If coal mining is expected to occur in greater than 12 months, the asset is included in 'Other non-current assets'. These assets form part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

(p) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment charges. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include the costs of dismantling and removing the items and restoring the site on which they are located, capitalised borrowing costs and transfers from other comprehensive income of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment (refer to note 25).

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.

(i) Depreciation

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

Units of use basis

Operational mining assets are depreciated on a units of use basis. In applying the units of use method, 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 (ROM) tonnes for the life of the pit as the coal is mined.

Straight-line basis

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

Estimates of residual values and remaining useful lives are reassessed annually, and any change in estimate is taken into account in the determination of future depreciation charges.

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

(q) Intangible assets

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

Intangible assets are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

(i) Capitalised software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods ranging from 2 to 10 years.

(ii) Mining information and mining leases

Mining information and mining leases acquired are carried at the net fair value at date of acquisition less amortisation and impairment losses. Mining information and mining leases are amortised over the life of the mine for which the information relates using the units of production method and reflecting the pattern of economic benefit to the Group. No amortisation charge has been recognised in relation to the mining information and mining lease assets as the mine to which the information relates has not reached production (refer to note 16).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Biological assets

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

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

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

(s) Trade and other payables

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

(t) Borrowings

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

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

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

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

(u) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(v) Provisions

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects the current market assessment of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(i) Carbon emissions liability

Under the terms of the *Clean Energy Act 2011*, which commenced on 1 July 2012 and was repealed retrospectively on 17 July 2014, the entity incurred a carbon emissions liability at a number of its operating sites in the course of generating electricity for sale. Following the repeal of the legislation, no carbon emissions liability exists at 30 June 2015. Provisions were recognised in the reporting period in which the carbon was emitted, and were measured at management's best estimate of the unsettled prior obligation at the reporting date. Any variance between the carbon emissions liability provided for at the end of the financial year and the amount subsequently paid were recognised immediately in the profit or loss in the period in which the payment was made.

The Group's carbon emissions liabilities were met through the surrender of a combination of Australian Carbon Credit Units and Carbon Units. An interim surrender was completed in June 2014 with the final surrender occurring in February 2015.

(ii) Dividends

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

(iii) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Provisions (continued)

(iii) Restoration, rehabilitation and decommissioning (continued)

The cost estimates are calculated annually during the life of the operation to reflect known developments and are subject to formal review at regular intervals.

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

The costs for the restoration of site damage which arises during production are provided at their net present values and charged against operating profits as the extraction progresses.

(w) Employee benefits

(i) Short-term obligations

Liabilities for wages, salaries and other employee benefits, including non-monetary benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

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

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

(iii) Superannuation

The Group participates in Energy Super (the 'Fund'), a multiple employer defined benefit fund, with both defined benefit and defined contribution members. The defined benefit section is closed to new members. Employees may also direct the Group to make contributions to a defined contribution plan of their choice.

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.

The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs is recognised as a liability or asset in the balance sheets.

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

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

(iv) Bonus plans

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

(x) Financial guarantee contracts

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated 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 taxation authority, are presented as operating cash flows.

(z) Rounding of amounts

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

(aa) Parent entity disclosures

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

(ab) New accounting standards and interpretations

The Group has not applied any new standards or amendments for the first time during the annual reporting period commencing 1 July 2014.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not yet been applied in the financial statements. The Group's and the Parent entity's assessment of the impact of these new standards and interpretations is set out below.

AASB 9, AASB 2009-11, AASB 2010-7

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until annual reporting periods beginning on or after 1 January 2018 but is available for early adoption. When adopted, the standard will affect in particular the Group accounting for its available-for-sale assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group did not recognise any such gains in other comprehensive income.

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

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 FINANCIAL RISK MANAGEMENT

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

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

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

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Financial assets				
Cash and cash equivalents	**184,895**	110,405	**184,189**	109,654
Trade and other receivables	**134,905**	147,491	**809,582**	835,327
Cash collateral	**61,337**	8,305	**61,337**	8,305
Derivative financial instruments	**108,249**	181,119	**108,249**	181,119
Available-for-sale assets	**16,922**	11,368	**16,922**	11,368
	506,308	458,688	**1,180,279**	1,145,773
Financial liabilities				
Trade and other payables	**142,692**	146,701	**109,323**	105,487
Finance lease liabilities	**40,881**	40,696	**–**	–
Borrowings	**772,210**	521,280	**772,210**	521,280
Derivative financial instruments	**157,122**	157,373	**157,122**	157,373
Security deposits	**1,513**	5,310	**1,513**	5,310
	1,114,418	871,360	**1,040,168**	789,450

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

(i) Foreign exchange risk

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

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

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

Consolidated entity and Parent entity	2015 AUD $'000	2014 AUD $'000
Forward exchange contracts		
- sell foreign currency (USD cash flow hedges)	**(4,113)**	–
- buy foreign currency (EUR cash flow hedges)	**(193)**	–
- buy foreign currency (JPY cash flow hedges)	**(45)**	(15)
	(4,351)	(15)
Currency options		
- sell foreign currency (USD held for trading*)	**12**	667
	12	667

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

(ii) Commodity price risk

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

Electricity price risk exposures are measured weekly through the review of the Group's mark-to-market exposure of the net derivative asset and liability position and relevant at-risk simulation methods.

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

The Group is exposed to oil price movements through the sale of gas not consumed in the operation of its power stations and the purchase of diesel for the operation of its power stations and the vehicles and equipment at its coal mine. To manage its oil price risk, the Group has entered into a number of over-the-counter forward fixed price contracts. These contracts assist the Group to provide certainty in relation to revenue received and fuel costs.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(iii) Sensitivity analysis

The following commentary and tables summarise the sensitivity of the Group's financial assets and financial liabilities to foreign exchange risk and commodity price risk. The analysis is pre-tax and is based on similar information to that which would be provided to management and reflects the impact on the Group's financial position should certain price movements occur.

The sensitivity in the mark-to-market of the electricity derivative portfolio at balance date was investigated by observing the price relative impact of annualised volatility in the forward curve over a selected period under observable market conditions. The analysis assumes upward and downward movements of currencies of 20% (2014: 15%) and upward and downward movements of commodity prices of 15% (2014: 15%), which reflects the market sensitivity of positions held by the Group at balance date. The sensitivity of the Parent entity's financial instruments is not materially different to the amounts disclosed below.

	Carrying amount $'000	Profit $'000	Other equity $'000	Profit $'000	Other equity $'000
FOREIGN EXCHANGE RISK		-20% (2014: -15%)		+20% (2014: +15%)	
JPY					
2015	**(45)**	**-**	**2,623**	**-**	**(1,749)**
2014	(15)	-	1,264	-	(934)
USD					
2015	**(4,101)**	**(12)**	**(8,186)**	**857**	**5,457**
2014	667	(651)	-	3,077	-
Euro					
2015	**(193)**	**-**	**3,699**	**-**	**(2,466)**
2014	-	-	-	-	-
COMMODITY PRICE RISK		-15% (2014: -15%)		+15% (2014: +15%)	
2015	**(44,534)**	**(19,065)**	**70,004**	**14,952**	**(67,154)**
2014	23,095	5,599	65,454	(10,857)	(62,422)
INTEREST RATE RISK		-100 basis points		+100 basis points	
Cash and cash equivalents					
2015	**184,895**	**(1,849)**	**-**	**1,849**	**-**
2014	110,405	(1,104)	-	1,104	-
Borrowings non-current					
2015	**772,210**	**589**	**-**	**(553)**	**-**
2014	521,280	325	-	(298)	-

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

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

The Group utilises industry practice credit review processes and security instruments to manage its credit risks. The Group's credit risk exposure is managed by trading with energy industry counterparties under International Swaps and Derivatives Association (ISDA) agreements. The Group has a strict credit policy for all customers trading on credit terms and assesses counterparty creditworthiness using a range of quantitative and qualitative measures. Credit ratings determined by a recognised rating agency are considered where available. Particularly in instances where counterparties are not rated, the Group lowers the potential net credit impact by requiring credit support provision as appropriate. Receivable balances are monitored on an ongoing basis with the result that the entity's exposure to bad debts is not material.

The credit exposure of derivative contracts is calculated utilising value at risk methodology which takes into account the current market value, duration of exposure, diversification of the counterparty's market operations, likelihood of default of the counterparty, the expected loss given default, credit collateral and the volatility of market prices.

Concentrations of credit risk exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Wholesale trading counterparty credit risk exposures are predominantly to financial institutions and energy market participants that have a credit rating of at least BBB- or equivalent. Unrated entities and retail trading counterparties, which include large commercial and industrial customers, have ongoing credit evaluations performed on their financial condition and other qualitative measures to ensure all counterparty credit exposures remain within acceptable levels.

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

(c) Liquidity risk

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

Financing arrangements

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

	Consolidated entity and Parent entity	
	2015 $'000	2014 $'000
Expiring within one year (bank overdraft and working capital facility)	**62,000**	62,000

The overdraft facility is with the Australia and New Zealand Banking Group Ltd and has an approved limit of $2,000,000 (2014: $2,000,000). The working capital facility is with Queensland Treasury Corporation and has an approved limit of $60,000,000 (2014: $60,000,000).

As at 30 June 2015, the Company had drawn down $NIL against the working capital facility (2014: $NIL).

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

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Financing arrangements (continued)

The public long-term rating of the Group is AA+ with a stable outlook (2014: AA+ with a negative outlook).

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

(a) all non-derivative financial liabilities; and

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

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

Contractual maturities of financial liabilities	0 to 1 Year	Between 1 and 5 Years	Over 5 Years	Nominal amount
CONSOLIDATED ENTITY – AT 30 JUNE 2015	$'000	$'000	$'000	$'000
Non-derivatives				
Trade and other payables	**142,692**	**–**	**–**	**142,692**
Finance lease liabilities	**12,500**	**31,495**	**–**	**43,995**
Borrowings	**59,814**	**238,766**	**784,308**	**1,082,888**
Security deposits and retentions	**1,513**	**–**	**–**	**1,513**
Total non-derivatives	**216,519**	**270,261**	**784,308**	**1,271,088**

CONSOLIDATED ENTITY – AT 30 JUNE 2014	0 to 1 Year $'000	Between 1 and 5 Years $'000	Over 5 Years $'000	Nominal amount $'000
Non-derivatives				
Trade and other payables	146,701	–	–	146,701
Finance lease liabilities	10,167	34,796	–	44,963
Borrowings	43,172	172,807	586,437	802,416
Security deposits and retentions	5,310	–	–	5,310
Total non-derivatives	205,350	207,603	586,437	999,390

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Financing arrangements (continued)

Contractual maturities of financial liabilities	0 to 1 Year	Between 1 and 5 Years	Over 5 Years	Nominal amount
PARENT ENTITY – AT 30 JUNE 2015	$'000	$'000	$'000	$'000
Non-derivatives				
Trade and other payables	**109,323**	**–**	**–**	**109,323**
Borrowings	**59,814**	**238,766**	**784,308**	**1,082,888**
Security deposits and retentions	**1,513**	**–**	**–**	**1,513**
Total non-derivatives	**170,650**	**238,766**	**784,308**	**1,193,724**

PARENT ENTITY – AT 30 JUNE 2014	0 to 1 Year $'000	Between 1 and 5 Years $'000	Over 5 Years $'000	Nominal amount $'000
Non-derivatives				
Trade and other payables	105,487	–	–	105,487
Borrowings	43,172	172,807	586,437	802,416
Security deposits and retentions	5,310	–	–	5,310
Total non-derivatives	153,969	172,807	586,437	913,213

Contractual maturities of financial liabilities	Less than 5 months	Greater than 5 months	Nominal amount
CONSOLIDATED ENTITY AND PARENT ENTITY – AT 30 JUNE 2015	$'000	$'000	$'000
Derivatives			
Electricity contracts – cash flow hedges	**1,678**	**14,999**	**16,677**
Electricity contracts – held for trading	**46,856**	**58,847**	**105,703**
Foreign currency contracts – cash flow hedges	**3,118**	**2,318**	**5,436**
Environmental contracts – held for trading	**2,623**	**22,750**	**25,373**
Oil contracts – held for trading	**3,128**	**4,038**	**7,166**
Total derivatives	**57,403**	**102,952**	**160,355**

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Financing arrangements (continued)

CONSOLIDATED ENTITY AND PARENT ENTITY – AT 30 JUNE 2014	Less than 5 months $'000	Greater than 5 months $'000	Nominal amount $'000
Derivatives			
Electricity contracts – cash flow hedges	24	150	174
Electricity contracts – held for trading	55,622	92,737	148,359
Foreign currency contracts – cash flow hedges	–	15	15
Environmental contracts – held for trading	–	10,244	10,244
Oil contracts – held for trading	54	49	103
Total derivatives	55,700	103,195	158,895

3 CORRECTION TO PRIOR YEAR

Correction to prior year derivative financial instruments
During the period ended 30 June 2015, management identified that contracts which were out of the scope of AASB 139 *Financial Instruments: Recognition and Measurement* had incorrectly been included at fair value in derivative financial instruments in the preceding year.

The misstatement of fair values of derivative financial instruments in the previous year's financial statements represents a prior period accounting adjustment to be accounted for retrospectively in the financial statements. Consequently, Stanwell Corporation Limited has adjusted all comparative amounts presented in the current period's financial statements affected by the accounting adjustment.

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

The following tables represent the changes to the prior period financial statements and the restatements required.

Consolidated entity	30 June 2014 $'000	Adjustment $'000	30 June 2014 (Restated) $'000
Balance sheets (extract)			
Current assets			
Derivative financial instruments	146,744	(18,033)	128,711
Total current assets	721,777	(18,033)	703,744
Non-current assets			
Derivative financial instruments	55,592	(3,184)	52,408
Total non-current assets	2,359,329	(3,184)	2,356,145
Total assets	3,081,106	(21,217)	3,059,889
Current liabilities			
Derivative financial instruments	105,287	(490)	104,797
Total current liabilities	510,196	(490)	509,706

3 CORRECTION TO PRIOR YEAR (CONTINUED)

Consolidated entity	30 June 2014 $'000	Adjustment $'000	30 June 2014 (Restated) $'000
Non-current liabilities			
Derivative financial instruments	53,961	(1,385)	52,576
Deferred tax liabilities	259,720	(5,802)	253,918
Total non-current liabilities	1,246,933	(7,187)	1,239,746
Total liabilities	1,757,129	(7,677)	1,749,452
Net assets	**1,323,977**	**(13,540)**	**1,310,437**
Retained earnings	79,684	(13,540)	66,144
Total equity	**1,323,977**	**(13,540)**	**1,310,437**

Consolidated entity	30 June 2014 $'000	Adjustment $'000	30 June 2014 (Restated) $'000
Income statements (extract)			
Non hedge accounted change in fair value of derivative instruments	(16,118)	(27,452)	(43,570)
Other expenses	–	(2)	–
Profit before income tax	**172,787**	**(27,454)**	**145,333**
Income tax equivalent expense	(44,975)	8,236	(36,739)
Profit for the year	**127,812**	**(19,218)**	**108,594**

Consolidated entity	30 June 2014 $'000	Adjustment $'000	30 June 2014 (Restated) $'000
Changes in equity (extract)			
Retained Earnings – Balance at 1 July 2013	43,692	5,678	49,370
Profit for the period	127,812	(19,218)	108,594
Retained Earnings – Balance at 30 June 2014	79,684	(13,540)	66,144

Parent entity	30 June 2014 $'000	Adjustment $'000	30 June 2014 (Restated) $'000
Balance sheets (extract)			
Current assets			
Derivative financial instruments	146,744	(18,033)	128,711
Total current assets	552,393	(18,033)	534,360

3 CORRECTION TO PRIOR YEAR (CONTINUED)

Parent entity	30 June 2014 $'000	Adjustment $'000	30 June 2014 (Restated) $'000
Non-current assets			
Derivative financial instruments	55,592	(3,184)	52,408
Total non-current assets	2,411,896	(3,184)	2,408,712
Total assets	2,964,289	(21,217)	2,943,072
Current liabilities			
Derivative financial instruments	105,287	(490)	104,797
Total current liabilities	449,657	(490)	449,167
Non-current liabilities			
Derivative financial instruments	53,961	(1,385)	52,576
Deferred tax liabilities	217,363	(5,802)	211,561
Total non-current liabilities	1,034,514	(7,187)	1,027,327
Total liabilities	1,484,171	(7,677)	1,476,494
Net assets	**1,480,118**	**(13,540)**	**1,466,578**
Retained earnings	235,825	(13,540)	222,285
Total equity	**1,480,118**	**(13,540)**	**1,466,578**

Parent entity	30 June 2014 $'000	Adjustment $'000	30 June 2014 (Restated) $'000
Income statements (extract)			
Non hedge accounted change in fair value of derivative instruments	(16,118)	(27,452)	(43,570)
Other expenses	–	(3)	–
Profit before income tax	**120,301**	**(27,455)**	**92,846**
Income tax equivalent expense	(29,227)	8,236	(20,991)
Profit for the year	**91,074**	**(19,219)**	**71,855**

Parent entity	30 June 2014 $'000	Adjustment $'000	30 June 2014 (Restated) $'000
Statement of changes in equity (extract)			
Retained Earnings – Balance at 1 July 2013	236,578	5,678	242,256
Profit for the period	91,074	(19,219)	71,855
Retained Earnings – Balance at 30 June 2014	235,825	(13,540)	222,285

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Impairment of assets

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

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

Using the above assumptions, the $232 million impairment of Stanwell Power Station's generating assets that was recorded in the year ended 30 June 2011 has been reversed to the extent available. After adjusting for the impact of depreciation across the years that the assets were impaired, the Group has recorded an impairment reversal at 30 June 2015 of $184 million (2014: $Nil).

No impairment loss (2014: $Nil) was recognised in relation to generation assets.

(ii) Fair value of financial instruments

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

(iii) Restoration, rehabilitation and decommissioning

The Group provides for site closure and restoration. This calculation requires the use of key assumptions including the timing of restoration work, legal requirements and a discount rate.

(iv) Retirement benefits

Actuarial assumptions underpin the determination of the Group's retirement benefit obligations. These assumptions and the related carrying amounts are outlined in note 18.

(v) Long service leave provision

As discussed in note 1(w).

(vi) Estimation of useful lives of assets

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

Stanwell Corporation Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 REVENUE

	Consolidated entity 2015 $'000	Consolidated entity 2014 $'000	Parent entity 2015 $'000	Parent entity 2014 $'000
From continuing operations				
Sales revenue				
Sales of electricity	**1,118,822**	1,443,746	**969,126**	1,192,919
Energy services revenue	**170,380**	133,792	**170,380**	133,792
	1,289,202	1,577,538	**1,139,506**	1,326,711
Other revenue				
Coal revenue sharing arrangements	**65,120**	105,070	**65,120**	105,070
Coal on-sale	**3,189**	10,315	**3,189**	10,315
Gas sales	**66,900**	9,352	**66,900**	9,352
Environmental certificate revenue	**22,281**	6,054	**22,281**	6,054
Other operating revenue	**19,048**	13,193	**19,046**	13,158
	176,538	143,984	**176,536**	143,949
Total revenue from continuing operations	**1,465,740**	1,721,522	**1,316,042**	1,470,660

6 OTHER INCOME

	Notes	Consolidated entity 2015 $'000	Consolidated entity 2014 $'000	Parent entity 2015 $'000	Parent entity 2014 $'000
Net gain on disposal of property, plant and equipment	15	**5,261**	312	**5,259**	295
Insurance recovery		**–**	17,000	**–**	17,000
Net gain on change in rehabilitation provisions		**54,712**	–	**54,075**	–
Other income		**861**	761	**1,487**	635
		60,834	18,073	**60,821**	17,930

7 EXPENSES

	Consolidated entity 2015 $'000	Consolidated entity 2014 $'000	Parent entity 2015 $'000	Parent entity 2014 $'000
Profit before income tax includes the following specific expenses:				
Amounts included in other expenses				
Services and consultants	**45,832**	48,918	**39,823**	40,930
External labour	**7,479**	7,935	**6,573**	6,356
Employee benefits expenses				
Defined contribution superannuation expense	**8,123**	5,964	**7,528**	5,955
Defined benefit plan expense	**2,949**	3,624	**2,949**	3,624

7 EXPENSES (CONTINUED)

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Finance costs				
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	**59,641**	42,912	**57,372**	42,255
Provisions: unwinding of discount	**17,490**	17,581	**10,747**	10,923
Finance costs expensed	**77,131**	60,493	**68,119**	53,178

(a) Remuneration of auditors

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

	Consolidated entity and Parent entity	
	2015 $	2014 $
Audit and other assurance services	**–**	–
Audit and review of financial statements	**414,000**	430,000
Total auditors' remuneration	**414,000**	430,000

8 INCOME TAX EQUIVALENT BENEFIT OR EXPENSE

(a) Income tax equivalent expense/(benefit)

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Current tax equivalent	**29,167**	43,914	**26,683**	55,267
Deferred tax equivalent	**81,147**	(4,534)	**70,456**	(31,634)
Adjustment for current tax equivalent of prior periods	**(17)**	(207)	**(16)**	(208)
	110,297	39,173	**97,123**	23,425
Deferred income tax equivalent expense/(benefit) included in income tax equivalent expense/(benefit) comprises:				
Decrease in deferred tax equivalent assets	**36,592**	31,699	**37,521**	33,584
Increase/(Decrease) in deferred tax equivalent liabilities	**44,904**	(36,152)	**32,961**	(66,007)
(Over)/Under provision in prior year	**(350)**	(81)	**(26)**	789
	81,146	(4,534)	**70,456**	(31,634)

8 INCOME TAX EQUIVALENT BENEFIT OR EXPENSE (CONTINUED)

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

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Profit before income tax equivalent expense	**365,233**	145,333	**321,320**	92,846
Tax at the Australian tax rate of 30% (2014 – 30%)	**109,570**	43,600	**96,396**	27,854
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:				
Deferred tax asset adjustment in period	**734**	(6,661)	**734**	(6,661)
Non-deductible expenses	**10**	7	**9**	6
Subtotal	**110,314**	36,946	**97,139**	21,199
Adjustments for current tax equivalent of prior periods	**(17)**	(207)	**(16)**	(208)
Income tax equivalent expense	**110,297**	36,739	**97,123**	20,991

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

	Consolidated entity and Parent entity	
	2015 $'000	2014 $'000
Cash flow hedges	**12,069**	(49,191)
Actuarial gains on defined benefit plans	**(4,721)**	(2,008)
	7,348	(51,199)

9 CASH AND CASH EQUIVALENTS

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Current assets				
Cash at bank and in hand	**26,533**	19,948	**25,827**	19,197
Deposits at call	**158,344**	90,072	**158,344**	90,072
Other cash and cash equivalents	**18**	385	**18**	385
	184,895	110,405	**184,189**	109,654

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

Cash held with the bank is bearing an interest rate of 1.6% (2014: 1.7%). The deposits yielded floating interest rates between 2.77% to 4.21% during the year ended 30 June 2015 (2014: 3.22% to 4.09%). The carrying amount for cash and cash equivalents reasonably equates to their fair value.

10 TRADE AND OTHER RECEIVABLES

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade receivables	**114,792**	130,824	**112,713**	123,816
Other receivables	**20,113**	16,667	**19,053**	15,260
	134,905	147,491	**131,766**	139,076

(a) Impaired trade receivables

At 30 June 2015, there were no impaired current trade receivables of the Group and Parent entity (2014: $Nil). The amount of the provision was $Nil (2014: $Nil).

As at 30 June 2015, there were no material trade receivables past due but not impaired (2014: $Nil).

11 INVENTORIES

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Fuel at weighted average cost (work in progress)	**7,400**	8,710	**–**	–
Fuel at weighted average cost (finished goods)	**69,354**	73,420	**69,354**	73,420
Environmental certificates at fair market value	**85,262**	25,185	**84,556**	23,211
Stores at cost	**59,251**	59,540	**35,725**	34,162
Provision for write down of stores	**(6,628)**	(6,665)	**(1,269)**	(1,338)
	214,639	160,190	**188,366**	129,455

(a) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2015 amounted to $103,874 (2014: $307,272) in the Group and Parent entity. The expense is included in raw materials and consumables in the profit or loss.

(b) Environmental certificates

As per AASB 13 *Fair Value Measurement*, the environmental certificates are classified as Level 2 as the market comparison valuation technique maximises the use of broker quotes reflecting actual transactions in similar instruments. There were no transfers between the fair value hierarchy levels during the year ending 30 June 2015.

12 OTHER CURRENT ASSETS

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Current assets				
Deferred stripping	**109,431**	129,017	**–**	–
Cash collateral	**61,337**	8,305	**61,337**	8,305
Prepayments	**13,064**	19,625	**12,824**	19,159
Other receivable	**1,701**	–	**1,701**	–
	185,533	156,947	**75,862**	27,464

(a) 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.

13 DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated entity and Parent entity	
	2015 $'000	2014 $'000
Current assets		
Electricity contracts – cash flow hedges	**9,096**	59,490
Electricity contracts – held for trading	**57,333**	67,584
Foreign currency contracts – cash flow hedges	**394**	1
Foreign currency contracts – held for trading	**1**	623
Environmental contracts – held for trading	**3,596**	732
Oil contracts – cash flow hedges	**4,905**	–
Oil contracts – held for trading	**–**	281
Total current derivative financial instrument assets	**75,325**	128,711
Non-current assets		
Electricity contracts – cash flow hedges	**2,283**	257
Electricity contracts – held for trading	**10,648**	49,028
Foreign currency contracts – cash flow hedges	**569**	–
Foreign currency contracts – held for trading	**11**	44
Environmental contracts – held for trading	**8,339**	3,079
Oil contracts – cash flow hedges	**11,074**	–
Total non-current derivative financial instrument assets	**32,924**	52,408
Current liabilities		
Electricity contracts – cash flow hedges	**15,558**	42
Electricity contracts – held for trading	**83,310**	103,669
Foreign currency contracts – cash flow hedges	**3,221**	–
Environmental contracts – held for trading	**10,012**	983
Oil contracts – held for trading	**7,084**	103
Total current derivative financial instrument liabilities	**119,185**	104,797
Non-current liabilities		
Electricity contracts – cash flow hedges	**2,582**	–
Electricity contracts – held for trading	**17,902**	43,300
Foreign currency contracts – cash flow hedges	**2,093**	15
Environmental contracts – held for trading	**15,360**	9,261
Total non-current derivative financial instrument liabilities	**37,937**	52,576
Net derivative financial instrument assets/(liabilities)	**(48,873)**	23,746

13 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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

	Consolidated entity and Parent entity	
	2015 $'000	2014 $'000
Electricity contracts – cash flow hedges – ineffective portion loss	**(12,876)**	(249)
Electricity contracts – held for trading – loss	**(6,027)**	(44,773)
Foreign currency contracts – cash flow hedges – ineffective portion loss	**(438)**	–
Foreign currency contracts – held for trading – gain	**127**	1,660
Environmental contracts held for trading – loss	**(6,416)**	(1,132)
Oil contracts – held for trading – (loss)/gain	**(7,261)**	924
Total non hedge accounted change in fair value of derivative instruments	**(32,891)**	(43,570)

(b) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business primarily to hedge exposure to fluctuations in the spot price of electricity and forward exchange rates in accordance with the Group's risk management policies. All derivative financial instruments were entered into by the Parent entity.

(i) Electricity contracts – cash flow hedges

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

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

(ii) Electricity contracts – held for trading

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

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

(iii) Foreign currency contracts – cash flow hedges

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

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

13 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(b) Instruments used by the Group (continued)

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

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

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

(v) Environmental contracts – held for trading
The Parent entity creates environmental certificates which can then be traded in the open market. To derive additional income from these environmental certificates, the Parent entity trades in environmental derivative contracts, such as forward contracts and options. These contracts are subject to the same risk management policies as all other derivative contracts (refer to note 2).

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

(vi) Oil contracts – cash flow hedges
The Parent entity has entered into sales contracts linked to oil prices. This exposure is managed by entering into oil derivative contracts.

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

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

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

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

- Level 1 – The fair value of derivative financial instruments traded in active markets (publicly traded derivatives) is based on quoted market prices at the end of the reporting period. The quoted market price used for these derivatives is the last settled price. These instruments are included in level 1.
- Level 2 – The fair value of derivative financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3 – If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

13 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements (continued)

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

Consolidated entity and Parent entity – at 30 June 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Current derivative financial instrument assets	**7,991**	**63,480**	**3,854**	**75,325**
Non current derivative financial instrument assets	**3,371**	**29,382**	**171**	**32,924**
Current derivative financial instrument liabilities	**(27,606)**	**(84,996)**	**(6,583)**	**(119,185)**
Non current derivative financial instrument liabilities	**(8,916)**	**(26,705)**	**(2,316)**	**(37,937)**
Net derivative financial instrument liabilities	**(25,160)**	**(18,839)**	**(4,874)**	**(48,873)**

Consolidated entity and Parent entity – at 30 June 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Current derivative financial instrument assets	10,377	105,859	12,475	128,711
Non current derivative financial instrument assets	6,328	38,487	7,593	52,408
Current derivative financial instrument liabilities	(9,015)	(90,174)	(5,608)	(104,797)
Non current derivative financial instrument liabilities	(7,386)	(35,812)	(9,378)	(52,576)
Net derivative financial instrument assets	304	18,360	5,082	23,746

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

There were no transfers between Levels 1 and 2 for derivative financial instrument fair value measurements during the year. The following tables present the changes in Level 3 derivative financial instruments for the periods ended 30 June 2014 and 30 June 2015:

Consolidated entity and Parent entity Recurring fair value measurements Level 3 valuation hierarchy	$'000
Balance at 30 June 2013	**(30,704)**
Restatement (refer to note 3)	949
Balance 1 July 2013	**(29,755)**
Gains recognised in profit or loss	31,865
Gains recognised in other comprehensive income	9,419
Purchases	5,419
Sales	(12,629)
Settlements	11,324
Transfers out of Level 3 into Level 2	(10,561)
Balance at 30 June 2014	**5,082**
Losses recognised in profit or loss	**(6,873)**
Losses recognised in other comprehensive income	**(8,271)**
Purchases	**50,926**
Sales	**(3,770)**
Settlements	**(42,402)**
Transfers out of Level 3 into Level 2	**434**
Balance at 30 June 2015	**(4,874)**

13 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements (continued)

	$'000
Total losses for the year ended 30 June 2015 recognised in profit or loss that are attributable to the change in unrealised gains or losses relating to those assets and liabilities held at 30 June 2015.	(5,475)
Total gains for the year ended 30 June 2014 recognised in profit or loss that are attributable to the change in unrealised gains or losses relating to those assets and liabilities held at 30 June 2014.	9,320

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

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

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

- Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.
- Adjusted market comparison technique: Broker quotes are adjusted using extrapolation and translation factor techniques to determine the fair value where a product does not have an observable market price.
- Option valuation model where terms are not identical to market quoted prices.

There have been no material changes in the above valuation techniques used since 30 June 2014.

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; and
- Forecast generation.

13 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements (continued)

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

Consolidated entity and Parent entity

2015

Class of derivative financial instrument	Fair value included in Level 3 $'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Derivative financial instruments	(4,874)	Scalar factors	1.02 – 1.30	A 20% increase in scalar factors would decrease fair value by $7,846,000 and a 20% decrease in scalar factors would increase fair values by $7,846,000.
		Market volatility	9% – 32%	A 20% increase in market volatilities would decrease fair value by $421,000 and a 20% decrease in market volatilities would increase fair values by $339,000.

Consolidated entity and Parent entity

2014

Class of derivative financial instrument	Fair value included in Level 3 $'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Derivative financial instruments	5,082	Scalar factors	0.97 – 1.27	A 20% increase in scalar factors would decrease fair value by $977,000 and a 20% decrease in scalar factors would increase fair values by $977,000.
		Market volatility	10% – 67%	A 20% increase in market volatilities would decrease fair value by $292,000 and a 20% decrease in market volatilities would increase fair values by $250,000.

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

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

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

(d) Offsetting positions in counterparty credit risk

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

13 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(e) Master netting arrangements – not currently enforceable

Agreements with derivative counterparties are based on an 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:

Consolidated entity and Parent entity 2015	Amounts presented in the balance sheet $'000	Amounts subject to master netting arrangements $'000	Financial instrument collateral $'000	Net amount $'000
Financial assets				
Current derivative financial instrument assets	**75,325**	**44,134**	**1,286**	**29,905**
Cash collateral	**61,337**	**–**	**25,159**	**36,178**
Non current derivative financial instrument assets	**32,924**	**10,507**	**220**	**22,197**
Total	**169,586**	**54,641**	**26,665**	**88,280**
Financial liabilities				
Current derivative financial instrument liabilities	**119,185**	**44,134**	**19,615**	**55,436**
Other current liabilities	**7,752**	**–**	**1,506**	**6,246**
Non current derivative financial instrument liabilities	**37,937**	**10,507**	**5,544**	**21,886**
Total	**164,874**	**54,641**	**26,665**	**83,568**

Consolidated entity and Parent entity 2014	Amounts presented in the balance sheet $'000	Amounts subject to master netting arrangements $'000	Financial instrument collateral $'000	Net amount $'000
Financial assets				
Current derivative financial instrument assets	128,711	57,533	3,377	67,801
Non current derivative financial instrument assets	52,408	24,612	1,228	26,568
Total	181,119	82,145	4,605	94,369
Financial liabilities				
Current derivative financial instrument liabilities	104,797	57,533	–	47,264
Other current liabilities	10,202	–	4,605	5,597
Non current derivative financial instrument liabilities	52,576	24,612	–	27,964
Total	167,575	82,145	4,605	80,825

(f) Risk exposures

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

14 AVAILABLE-FOR-SALE ASSETS

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

	Consolidated entity and Parent entity 2015 $'000	2014 $'000
Listed securities	**1,922**	4,368
Investments	**15,000**	7,000
	16,922	11,368

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

Consolidated entity and Parent entity – 2015	Listed Securities $'000	Investments $'000	Total $'000
Balance at 1 July 2014	**4,368**	**7,000**	**11,368**
Transfers from Exploration and Evaluation	**–**	**8,000**	**8,000**
Change in fair value of available for sale assets	**(2,446)**	**–**	**(2,446)**
Balance at 30 June 2015	**1,922**	**15,000**	**16,922**

Consolidated entity and Parent entity – 2014	Listed Securities $'000	Investments $'000	Total $'000
Balance at 1 July 2013	3,669	7,000	10,669
Change in fair value of available for sale assets	699	–	699
Balance at 30 June 2014	4,368	7,000	11,368

(a) Listed securities

The listed equity securities relate to a 7.67% (2014: 7.67%) holding in Blue Energy Limited (ASX: BUL). At 30 June 2015, the market value of the shares was 2.2 cents (2014: 5.0 cents). The change in fair value resulted in a loss of $2,446,144 (2014: a gain of $698,960).

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

(b) Investments

On 20 October 2014, the Company relinquished its 5% interest in the Mahalo Gas Project and the Sale and Purchase option it held. In return, the Company received an option, exercisable at the Company's election at the Final Investment Decision, to either enter into a long term gas sale agreement or receive cash consideration in respect of its investment. The investment is measured at historical cost in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

15 PROPERTY, PLANT AND EQUIPMENT

Consolidated entity	Land and Buildings $'000	Generation assets $'000	Operational mining assets $'000	Other plant & equipment $'000	Mining development assets $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2015							
Opening net book amount	95,399	1,603,576	223,029	64,977	95,424	87,586	2,169,991
Impairment reversal	–	184,269	–	–	–	–	184,269
Additions	–	5	53,946	632	–	133,674	188,257
Disposals	(1,819)	(518)	(62)	(1,502)	–	–	(3,901)
Depreciation	(3,097)	(137,216)	(26,028)	(9,442)	–	–	(175,783)
Transfer between asset classes	4,917	105,848	24,987	6,785	8	(142,545)	–
Transfer from exploration and evaluation	–	–	–	1,549	–	–	1,549
Transfer in rehabilitation asset class	–	(12,936)	12,936	–	–	–	–
Closing net book amount	95,400	1,743,028	288,808	62,999	95,432	78,715	2,364,382
At 30 June 2015							
Cost or recoverable amount	152,273	3,812,977	384,985	124,374	95,432	78,715	4,648,756
Accumulated depreciation and impairment losses	(56,873)	(2,069,949)	(96,177)	(61,375)	–	–	(2,284,374)
Net book amount	95,400	1,743,028	288,808	62,999	95,432	78,715	2,364,382

Consolidated entity	Land and Buildings $'000	Generation assets $'000	Operational mining assets $'000	Other plant & equipment $'000	Mining development assets $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2014							
Opening net book amount	99,407	1,685,209	142,200	64,143	95,389	105,345	2,191,693
Additions	–	20,968	24,865	5,425	–	101,916	153,174
Disposals	(1,719)	(519)	(610)	(56)	–	–	(2,904)
Depreciation	(3,131)	(142,523)	(18,325)	(7,713)	–	–	(171,692)
Impairment	(280)	–	–	–	–	–	(280)
Transfer between asset classes	1,122	40,441	74,899	3,178	35	(119,675)	–
Closing net book amount	95,399	1,603,576	223,029	64,977	95,424	87,586	2,169,991
At 30 June 2014							
Cost or fair value	149,656	3,548,859	294,112	118,749	95,424	87,586	4,294,386
Accumulated depreciation	(54,257)	(1,945,283)	(71,083)	(53,772)	–	–	(2,124,395)
Net book amount	95,399	1,603,576	223,029	64,977	95,424	87,586	2,169,991

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Parent entity	Land and Buildings $'000	Generation assets $'000	Other plant & equipment $'000	Mining development assets $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2015						
Opening net book amount	62,971	1,362,074	32,844	95,424	65,049	1,618,362
Impairment reversal	–	184,269	–	–	–	184,269
Additions	–	–	620	–	89,914	90,534
Disposals	(1,408)	(518)	(1,488)	–	–	(3,414)
Depreciation	(1,515)	(109,224)	(8,677)	–	–	(119,416)
Transfer between asset classes	941	90,574	5,892	8	(97,415)	–
Transfer from exploration and evaluation	–	–	1,549	–	–	1,549
Closing net book amount	60,989	1,527,175	30,740	95,432	57,548	1,771,884
At 30 June 2015						
Cost or recoverable amount	107,033	3,455,774	115,125	95,432	57,548	3,830,912
Accumulated depreciation and impairment losses	(46,044)	(1,928,599)	(84,385)	–	–	(2,059,028)
Net book amount	60,989	1,527,175	30,740	95,432	57,548	1,771,884

Parent entity	Land and Buildings $'000	Generation assets $'000	Other plant & equipment $'000	Mining development assets $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2014						
Opening net book amount	64,433	1,421,568	31,455	95,389	45,374	1,658,219
Additions	–	12,385	5,384	–	63,462	81,231
Disposals	(620)	(505)	(54)	–	–	(1,179)
Depreciation	(1,566)	(110,950)	(6,922)	–	–	(119,438)
Impairment	(280)	–	–	–	–	(280)
Transfer between asset classes	1,004	39,576	2,981	35	(43,787)	(191)
Closing net book amount	62,971	1,362,074	32,844	95,424	65,049	1,618,362
At 30 June 2014						
Cost or fair value	107,902	3,193,264	110,269	95,424	65,049	3,571,908
Accumulated depreciation	(44,931)	(1,831,190)	(77,425)	–	–	(1,953,546)
Net book amount	62,971	1,362,074	32,844	95,424	65,049	1,618,362

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Cross border leases

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

	Consolidated entity and Parent entity 2015 $'000	Consolidated entity and Parent entity 2014 $'000
Leasehold equipment		
Cost	**622,892**	623,505
Accumulated depreciation	**(340,120)**	(325,307)
Net book amount	**282,772**	298,198

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

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

16 INTANGIBLE ASSETS

Consolidated entity	Software $'000	Mining Lease and Information $'000	Total $'000
Year ended 30 June 2015			
At 1 July	**10,217**	**75,278**	**85,495**
Additions	**14,088**	**–**	**14,088**
Amortisation charge	**(7,537)**	**–**	**(7,537)**
Closing net book amount	**16,768**	**75,278**	**92,046**
At 30 June 2015			
Cost	**102,858**	**75,278**	**178,136**
Accumulated amortisation and impairment losses	**(86,090)**	**–**	**(86,090)**
Net book amount	**16,768**	**75,278**	**92,046**

16 INTANGIBLE ASSETS (CONTINUED)

Consolidated entity	Software $'000	Mining Lease and Information $'000	Total $'000
Year ended 30 June 2014			
At 1 July	15,291	75,278	90,569
Additions	2,152	–	2,152
Amortisation charge	(7,226)	–	(7,226)
Closing net book amount	10,217	75,278	85,495
At 30 June 2014			
Cost	88,770	75,278	164,048
Accumulated amortisation and impairment losses	(78,553)	–	(78,553)
Net book amount	10,217	75,278	85,495

Parent entity	Software $'000	Total $'000
Year ended 30 June 2015		
At 1 July	**10,216**	**10,216**
Additions	**14,088**	**14,088**
Amortisation charge	**(7,537)**	**(7,537)**
Closing net book amount	**16,767**	**16,767**
At 30 June 2015		
Cost	**102,819**	**102,819**
Accumulated amortisation and impairment losses	**(86,052)**	**(86,052)**
Net book amount	**16,767**	**16,767**

Parent entity	Software $'000	Total $'000
Year ended 30 June 2014		
At 1 July	15,292	15,292
Additions	2,150	2,150
Amortisation charge	(7,226)	(7,226)
Closing net book amount	10,216	10,216
At 30 June 2014		
Cost	88,731	88,731
Accumulated amortisation and impairment losses	(78,515)	(78,515)
Net book amount	10,216	10,216

Mining lease and information
Amortisation of the Kunioon mining lease and mining information will occur over the life of the Kunioon Mine using a units of production method and reflecting the pattern of economic benefit to the Group. Amortisation will commence once the Kunioon Mine is operational.

17 EXPLORATION AND EVALUATION

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At 1 July	**22,494**	19,933	**9,630**	19,933
Expenditure incurred	**–**	13,028	**–**	164
Amortisation charge	**(37)**	(5,058)	**(37)**	(5,058)
Transfer to investments	**(8,000)**	–	**(8,000)**	–
Transfer to property, plant and equipment	**(1,549)**	(5,409)	**(1,549)**	(5,409)
At 30 June	**12,908**	22,494	**44**	9,630

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

18 RETIREMENT BENEFIT SURPLUS

(a) 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 benefit section and a defined contribution section. The defined benefit section provides lump sum benefits based on years of service and average salary. The defined contribution section receives fixed contributions from the Group and the Group's legal or constructive obligation is limited to these contributions.

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

The following sets out details in respect of the defined benefit section only. The expense recognised in relation to the defined contribution section is disclosed in note 7.

(b) Balance sheet amounts

The amounts recognised in the balance sheet and the movements in the net retirement benefit surplus over the year are as follows:

	Consolidated entity and Parent entity		
	Present value of obligation $'000	Fair value of plan assets $'000	Net amount $'000
Balance sheet as at 1 July 2013	**(81,935)**	**85,269**	**3,334**
Current service cost	(3,786)	–	(3,786)
Interest cost	(3,056)	–	(3,056)
Expected return on plan assets	–	3,218	3,218
Total amount recognised in profit or loss	**(6,842)**	**3,218**	**(3,624)**
Remeasurements			
Loss from change in financial assumptions	(247)	–	(247)
Experience gain	254	6,685	6,939
Total amount recognised in other comprehensive income	**7**	**6,685**	**6,692**

18 RETIREMENT BENEFIT SURPLUS (CONTINUED)

(b) Balance sheet amounts (continued)

	Consolidated entity and Parent entity		
	Present value of obligation $'000	Fair value of plan assets $'000	Net amount $'000
Contributions			
Group companies	–	2,205	2,205
Plan participants	(877)	877	–
Benefit payments, insurance and tax plus net transfers	19,650	(19,650)	–
Balance sheet as at 30 June 2014	**(69,997)**	**78,604**	**8,607**

	Consolidated entity and Parent entity		
	Present value of obligation $'000	Fair value of plan assets $'000	Net amount $'000
Balance sheet as at 1 July 2014	**(69,997)**	**78,604**	**8,607**
Current service cost	(3,233)	–	(3,233)
Interest cost	(2,450)	–	(2,450)
Expected return on plan assets	–	2,734	2,734
Total amount recognised in profit or loss	**(5,683)**	**2,734**	**(2,949)**
Remeasurements			
Gain from change in financial assumptions	5,469	–	5,469
Experience gain	7,509	2,757	10,266
Total amount recognised in other comprehensive income	**12,978**	**2,757**	**15,735**
Contributions:			
Group companies	–	1,127	1,127
Plan participants	(730)	730	–
Benefit payments, insurance and tax plus net transfers	13,009	(13,009)	–
Balance sheet as at 30 June 2015	**(50,423)**	**72,943**	**22,520**

18 RETIREMENT BENEFIT SURPLUS (CONTINUED)

(c) Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated entity and Parent entity	
	2015 $'000	2014 $'000
Cash and cash equivalents	**8,753**	7,860
Property	**7,294**	7,860
Fixed interest	**5,106**	7,860
Australian shares	**18,236**	22,010
Alternative assets	**13,859**	15,721
International shares	**19,695**	17,293
	72,943	78,604

(d) Principal actuarial assumptions and sensitivity

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

	Consolidated entity and Parent entity	
	2015	2014
Discount rate	4.4%	3.5%
Future salary increases	3.7%	4.0%

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

Consolidated entity and Parent entity			Impact on defined benefit obligation			
	Change in assumption		Increase in assumption		Decrease in assumption	
	2015	2014	2015	2014	2015	2014
Discount rate	**0.5%**	0.5%	**Decrease by 5.3%**	Decrease by 5.8%	**Increase by 5.7%**	Increase by 6.2%
Salary growth rate	**0.5%**	0.5%	**Increase by 5.8%**	Increase by 5.9%	**Decrease by 5.4%**	Decrease by 5.5%

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

(e) 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 2013 by Sunsuper Financial Services Pty Ltd.

18 RETIREMENT BENEFIT SURPLUS (CONTINUED)

(e) Employer contributions and Risk exposure (continued)

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

Under the aggregate method, the future contribution rates are determined, and are expected to be sufficient to fund the difference between the value of future benefits for existing defined benefit members and the value of the plan assets attributable to defined benefit members, over the future working lifetime of the existing defined benefit members.

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

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

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

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

Based on the actuary's recommendations in the actuarial review as at 30 June 2013, a contribution rate of 6% (2014: 12%) of defined benefit members' salaries has been adopted by the Group for the year ended 30 June 2015.

Total employer contributions expected to be paid by the Group for the year ended 30 June 2016 are $762,000.

(f) Defined benefit obligation maturity profile

The weighted average duration of the defined benefit obligation is 10 years (2014 – 10 years). The expected maturity analysis of undiscounted defined benefit obligations is as follows:

Consolidated entity and Parent entity	Less than a year $'000	Between 1 – 2 years $'000	Between 2 – 5 years $'000	Over 5 years $'000	Total $'000
Defined benefit obligation (undiscounted) – 30 June 2015	**2,238**	**2,682**	**10,040**	**109,514**	**124,474**
Defined benefit obligation (undiscounted) – 30 June 2014	2,572	2,931	11,755	142,914	160,172

19 OTHER NON-CURRENT ASSETS

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Non-current assets				
Deferred stripping	**21,274**	3,912	**–**	–
Biological assets	**463**	463	**463**	463
Other	**2,708**	1,407	**2,708**	1,407
	24,445	5,782	**3,171**	1,870

19 OTHER NON-CURRENT ASSETS (CONTINUED)

(a) Biological assets

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

Tarong

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

Rockhampton

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

Tully River

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

20 TRADE AND OTHER PAYABLES

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade payables	**37,298**	43,020	**28,799**	31,018
Accrued expenses	**105,394**	103,681	**80,524**	74,468
	142,692	146,701	**109,323**	105,486

21 FINANCE LEASE LIABILITIES

	Consolidated entity	
	2015 $'000	2014 $'000
Current liabilities		
Finance lease liabilities	**10,553**	8,181
Total current finance lease liabilities	**10,553**	8,181
Non-current liabilities		
Lease liabilities	**30,328**	32,515
Total non-current finance lease liabilities	**30,328**	32,515
Total Finance Leases	**40,881**	40,696

The Group leases mining equipment with a carrying amount of $47,778,936 (2014: $42,313,739) under finance leases expiring within 3 years. The Group has the option to acquire the leased assets on the expiry of the leases. This acquisition cost has been recognised as part of the finance lease liability.

21 FINANCE LEASE LIABILITIES (CONTINUED)

	Consolidated entity 2015 $'000	Consolidated entity 2014 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**12,500**	10,167
Later than one year but not later than five years	**31,495**	34,796
Minimum lease payments	**43,995**	44,963
Future finance charges	**(3,114)**	(4,267)
Total finance lease liabilities	**40,881**	40,696
The present value of finance lease liabilities is as follows:		
Within one year	**10,553**	8,181
Later than one year but not later than five years	**30,328**	32,515
Minimum lease payments	**40,881**	40,696

22 PROVISIONS

	Consolidated entity 2015 $'000	Consolidated entity 2014 $'000	Parent entity 2015 $'000	Parent entity 2014 $'000
Carbon emissions liability	**–**	84,185	**–**	80,528
Employee benefits	**18,448**	18,667	**15,696**	16,608
Other provisions	**1,609**	1,107	**987**	1,107
Restructuring costs	**2,200**	7,367	**1,868**	4,460
Restoration, rehabilitation and decommissioning	**11,814**	3,519	**8,057**	999
Dividends	**89,930**	96,504	**89,930**	96,504
Total current provisions	**124,001**	211,349	**116,538**	200,206
Employee benefits – long service leave	**2,857**	3,154	**2,723**	3,033
Other provisions	**9,559**	6,141	**4,919**	6,141
Restoration, rehabilitation and decommissioning	**318,002**	364,017	**168,573**	226,591
Total non-current provisions	**330,418**	373,312	**176,215**	235,765
Total provisions	**454,419**	584,661	**292,753**	435,971

22 PROVISIONS (CONTINUED)

(a) Movements in provisions

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

Consolidated entity 2015	Carbon emissions liability $'000	Dividends $'000	Restoration, rehabilitation and decommissioning $'000	Total $'000
Carrying amount at the start of the year	**84,185**	**96,504**	**367,536**	**548,225**
Amounts used/paid during the year	**(83,932)**	**(96,504)**	**(9,555)**	**(189,991)**
Additional provisions recognised	**–**	**89,930**	**–**	**89,930**
Unused amounts reversed	**(253)**	**–**	**(15,499)**	**(15,752)**
Unwinding of discount	**–**	**–**	**17,490**	**17,490**
Movement in Estimates	**–**	**–**	**(30,156)**	**(30,156)**
At 30 June	**–**	**89,930**	**329,816**	**419,746**

Consolidated entity 2014	Carbon emissions liability $'000	Dividends $'000	Restoration, rehabilitation and decommissioning $'000	Total $'000
At 1 July	87,960	11,704	333,405	433,069
Amounts used/paid during the year	(352,375)	(11,704)	(402)	(364,481)
Additional provisions recognised	350,636	96,504	16,952	464,092
Unused amounts reversed	(2,036)	–	–	(2,036)
Unwinding of discount	–	–	17,581	17,581
At 30 June	84,185	96,504	367,536	548,225

Parent entity 2015	Carbon emissions liability $'000	Dividends $'000	Restoration, rehabilitation and decommissioning $'000	Total $'000
At 1 July	**80,528**	**96,504**	**227,590**	**404,622**
Amounts used/paid during the year	**(79,376)**	**(96,504)**	**(6,801)**	**(182,681)**
Unused amounts reversed	**(1,152)**	**–**	**(15,000)**	**(16,152)**
Additional provisions recognised	**–**	**89,930**	**–**	**89,930**
Unwinding of discount	**–**	**–**	**10,747**	**10,747**
Movement in Estimates	**–**	**–**	**(39,938)**	**(39,938)**
At 30 June	**–**	**89,930**	**176,598**	**266,528**

Parent entity 2014	Carbon emissions liability $'000	Dividends $'000	Restoration, rehabilitation and decommissioning $'000	Total $'000
At 1 July	83,261	11,704	208,996	303,961
Amounts used/paid during the year	(332,281)	(11,704)	(132)	(344,117)
Additional provisions recognised	331,584	96,504	7,803	435,891
Unused amounts reversed	(2,036)	–	–	(2,036)
Unwinding of discount	–	–	10,923	10,923
At 30 June	80,528	96,504	227,590	404,622

22 PROVISIONS (CONTINUED)

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

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

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Leave obligation expected to be settled after 12 months	**12,944**	14,804	**12,165**	12,956

23 BORROWINGS

	Consolidated entity and Parent entity	
	2015 $'000	2014 $'000
Unsecured borrowings*	**772,210**	521,280

* Further information relating to loans from related parties is set out in note 30.

(a) Unsecured borrowings

The unsecured borrowings are provided by Queensland Treasury Corporation (QTC). The borrowings have no fixed repayment date however the facility is assessed by QTC annually. The net balance after offset is $772.2 million (2014: $521.3 million). Interest rates on the unsecured borrowings are at book rate which is reviewed and updated as necessary once per year to reflect the evolving market rate of interest that 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.

In addition to the unrestricted access to funds as noted above, the Company has a $60 million Working Capital Facility with QTC which meets short-term funding requirements. At 30 June 2015, the facility was not utilised (2014: $Nil).

(b) Fair value

The fair value of unsecured borrowings for the Group and Parent entity at 30 June 2015 was $902.7 million (2014: $639.2 million) compared to a carrying amount of $772.2 million (2014: $521.3 million). Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes.

(c) Capital risk management

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

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

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

23 BORROWINGS (CONTINUED)

(c) Capital risk management (continued)

During 2015, the Group's board continued to support a target debt range of between 30% and 50% of total capital. The gearing ratios at 30 June were as follows:

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Total borrowings	**772,210**	521,280	**772,210**	521,280
Total equity	**1,458,301**	1,310,437	**1,583,701**	1,466,578
Total capital	**2,230,511**	1,831,717	**2,355,911**	1,987,858
Gearing ratio	**34.6%**	28.5%	**32.8%**	26.2%

24 NET DEFERRED TAX EQUIVALENT BALANCES

(a) Deferred tax assets

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:				
Defined benefits plan	**15,774**	13,826	**13,382**	11,960
Provision – carbon emissions liability	**–**	25,256	**–**	24,158
Investment impairment	**1,500**	–	**1,500**	–
Derivatives	**43,718**	44,443	**43,718**	44,443
Other	**118,840**	132,899	**59,282**	74,842
Total deferred tax equivalent assets	**179,832**	216,424	**117,882**	155,403
Deferred tax equivalent assets expected to be recovered within 12 months	**2,860**	3,094	**1,252**	1,496
Deferred tax equivalent assets expected to be recovered after more than 12 months	**176,972**	213,330	**116,630**	153,907
	179,832	216,424	**117,882**	155,403

Movements - Consolidated entity	Employee Benefits $'000	Carbon Emissions Liability $'000	Other $'000	Total $'000
At 1 July 2013	9,012	26,388	212,723	248,123
(Charged)/credited				
- to profit or loss	4,814	(1,132)	(35,381)	(31,699)
At 30 June 2014	13,826	25,256	177,342	216,424
At 1 July 2014	13,826	25,256	177,342	216,424
(Charged)/credited				
- to profit or loss	1,948	(25,256)	(13,284)	(36,592)
At 30 June 2015	15,774	–	164,058	179,832

24 NET DEFERRED TAX EQUIVALENT BALANCES (CONTINUED)

(a) Deferred tax assets (continued)

Movements - Parent entity	Employee Benefits $'000	Carbon Emissions Liability $'000	Other $'000	Total $'000
At 1 July 2013	7,687	24,978	156,322	188,987
(Charged)/credited				
- to profit or loss	4,273	(820)	(37,037)	(33,584)
At 30 June 2014	11,960	24,158	119,285	155,403
At 1 July 2014	11,960	24,158	119,285	155,403
(Charged)/credited				
– to profit or loss	1,422	(24,158)	(14,785)	(37,521)
At 30 June 2015	13,382	–	104,500	117,882

(b) Deferred tax liabilities

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000 Restated	2015 $'000	2014 $'000 Restated
The balance comprises temporary differences attributable to:				
Property, plant and equipment	**359,356**	301,668	**314,173**	264,324
Defined benefits plan	**6,756**	2,582	**6,756**	2,582
Derivatives	**32,205**	55,306	**31,992**	55,305
Inventories	**71,788**	79,384	**29,681**	30,453
Exploration, evaluation and development	**3,859**	8,077	**–**	4,218
Other	**33,935**	23,325	**9,975**	10,082
Total deferred tax equivalent liabilities	**507,899**	470,342	**392,577**	366,964
Deferred tax equivalent liabilities expected to be settled within 12 months	**97,510**	121,350	**55,191**	72,419
Deferred tax equivalent liabilities expected to be settled after more than 12 months	**410,389**	348,992	**337,386**	294,545
	507,899	470,342	**392,577**	366,964
Set-off of deferred tax assets pursuant to set-off provisions	**(179,832)**	(216,424)	**(117,882)**	(155,403)
Net deferred tax liabilities	**328,067**	253,918	**274,695**	211,561

Movements - Consolidated entity	Property, plant and equipment $'000	Defined benefit plan $'000	Derivatives $'000	Other $'000	Total $'000
At 1 July 2013	309,123	1,000	51,807	93,366	455,296
Charged/(credited)					
- profit or loss	(7,455)	(426)	(45,692)	17,420	(36,153)
- to other comprehensive income	–	2,008	49,191	–	51,199
At 30 June 2014	301,668	2,582	55,306	110,786	470,342

24 NET DEFERRED TAX EQUIVALENT BALANCES (CONTINUED)

(b) Deferred tax liabilities (continued)

Movements - Consolidated entity	Property, plant and equipment $'000	Defined benefit plan $'000	Derivatives $'000	Other $'000	Total $'000
At 1 July 2014 (restated)	**301,668**	**2,582**	**55,306**	**110,786**	**470,342**
Charged/(credited)					
- profit or loss	**57,688**	**(547)**	**(11,032)**	**(1,204)**	**44,905**
- to other comprehensive income	**–**	**4,721**	**(12,069)**	**–**	**(7,348)**
At 30 June 2015	**359,356**	**6,756**	**32,205**	**109,582**	**507,899**

Movements - Parent entity	Property, plant and equipment $'000	Defined benefit plan $'000	Derivatives $'000	Other $'000	Total $'000
At 1 July 2013	274,321	1,000	49,565	56,886	381,772
Charged/(credited)					
- to other comprehensive income	–	2,008	49,191	–	51,199
- profit or loss	(9,997)	(426)	(43,451)	(12,133)	(66,007)
At 30 June 2014	264,324	2,582	55,305	44,753	366,964
At 1 July 2014 (restated)	**264,324**	**2,582**	**55,305**	**44,753**	**366,964**
Charged/(credited)					
- to other comprehensive income	**–**	**4,721**	**(12,069)**	**–**	**(7,348)**
- profit or loss	**49,849**	**(547)**	**(11,244)**	**(5,097)**	**32,961**
At 30 June 2015	**314,173**	**6,756**	**31,992**	**39,656**	**392,577**

25 RESERVES

	Notes	Consolidated entity and Parent entity 2015 $'000	2014 $'000
Cash flow hedges			
At 1 July		**29,600**	(85,179)
(Loss)/Gain on revaluation		**(163,951)**	174,809
Transfer to profit or loss		**124,484**	(10,758)
Transfer to property, plant and equipment		**(762)**	(81)
Deferred tax equivalent liabilities	24	**12,069**	(49,191)
At 30 June		**1,440**	29,600

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

26 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

Chairman – non-executive director
Shane Paul Charles (11 December 2014 to 30 June 2015)

Non-executive directors
Paul Breslin

Kym Louise Collins (1 July 2014 to 30 September 2014)

Dominic Joseph Condon (11 December 2014 to 30 June 2015)

Ann Allison Fitzpatrick (1 July 2014 to 31 December 2014)

Russell James Kempnich

Stephen Robert Rochester (1 July 2014 to 30 September 2014)

(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 Paul Van Breda

Chief Financial Officer – Michael Thomas O'Rourke

Chief Operating Officer – Ian James Gilbar (acting appointment effective 17 April 2014 until 5 April 2015). At this time, an interim organisational structure for the Operations team was implemented. This role is currently vacant.

Executive General Manager Business Services – Jennifer Jayne Gregg

Executive General Manager Energy Trading and Commercial Strategy – Tanya Margaret Mills (acting appointment effective 1 October 2012 until 14 December 2014)

Executive General Manager Energy Trading and Commercial Strategy – Stephen Gray Quilter (acting appointment effective 15 December 2014)

Executive General Manager Safety and Asset Services – Ian James Gilbar (acting appointment effective 6 April 2015)

Executive General Manager Production – Philips David (acting appointment effective 1 April 2015)

(c) Remuneration of key management personnel

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

	2015 $'000	2014 $'000
Short-term employee benefits	**2,364**	2,275
Post-employment benefits	**218**	208
Long-term benefits	**45**	41
Termination benefits	**–**	298
	2,627	2,822

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

26 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Remuneration of key management personnel (continued)

Directors

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

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

Other key management personnel

Remuneration policy

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

- recruitment and appointment of Senior Executives will be based on the principles of merit and equity;
- 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 *Policy for Government Owned Corporations Chief and Senior Executive Employment Arrangements Version 2*.

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

- base salary, which is payable in cash and based on the general market rate, as assessed by independent remuneration consultants;
- other benefits, which may include private health insurance, access to a pool car park and disability insurance depending on individual employment arrangements;
- retirement benefits delivered under defined contribution superannuation funds nominated by the key management personnel; and
- at-risk performance incentives, which are payable annually in cash or superannuation or a combination of both, depending upon satisfaction of key criteria.

Stephen Quilter, Ian Gilbar and Philips David are employed on Alternative Employment Arrangements, which are covered by the Remuneration Policy for Alternative Employment Arrangements Employees. Higher duties allowances are being paid, in line with the applicable market rates, for each of the respective Senior Executive acting roles.

Link between remuneration paid and the performance of the Group

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

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

- the outcome of individual performance reviews;
- movements 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 up to 10% of their total fixed remuneration. Where they are remunerated above the market median (except in cases where this remuneration has been approved by the shareholding Ministers), increases may be in line with either the All Groups Brisbane Consumer Price Index or the Australian Bureau of Statistics Wages Price Index (Queensland – All sectors – excluding bonuses) for the March quarter each year. Increases of the total fixed remuneration (including annual performance reviews) for the Chief Executive Officer and other key management personnel are approved by the Board.

At-risk performance incentive payments of the Chief Executive Officer and other key management personnel are capped at 15% of total fixed remuneration (base salary and superannuation). The amounts payable are tied to the achievement of pre-determined corporate, business unit, 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 contract provides for the provision of performance based incentive and access to a pool car park.

26 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Remuneration of key management personnel (continued)

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

- initial term of contract – three years commencing 18 July 2012. The option to extend this contract for a further two year period was exercised by the Board and the Chief Executive Officer. This contract concludes on 18 July 2017;
- payment of termination benefit on early termination by the Group, except for serious misconduct or poor performance, equal to two weeks' salary (with a minimum of 13 weeks' and maximum of 52 weeks' salary) for each year of continuous service, 20% of residual salary value of the contract (with minimum of 13 weeks' salary) and any accrued entitlements; and
- severance payment of 12 weeks' salary upon expiry of the agreement, and any accrued entitlements.

Senior Executive appointments have been approved by the Board. The remuneration and other terms of employment for these roles are specified in employment contracts. The contracts provide for performance based incentives and other benefits, which may include health insurance, disability insurance and access to a pool car park depending on individual employment arrangements. All Senior Executives are employed on fixed term employment contracts. Under the *Senior Executive – Recruitment, Appointment and Remuneration Policy*, the contract of employment will be for a period of three years, with the option to extend the term for a maximum of two years by mutual agreement under the same terms and conditions. They may then be reappointed once under a new contract after the completion date of the initial contract for another three years extendable for a further two years.

Following expiry of this reappointment, all Senior Executive positions will be tested in the market place with the successful candidate selected based on merit and equity and in accordance with the Policy for *Government Owned Corporation Chief and Senior Executive Employment Arrangements Version 2*.

During the financial year, Stanwell received an amended policy for *Government Owned Corporation – Chief and Senior Executive Employment Arrangements.* On 26 March 2015, the Board approved amendments to the existing *Senior Executive – Recruitment, Appointment and Remuneration Policy* to reflect the changes contained within the amended Government policy and this amended policy will apply to future Chief and Senior Executive contracts. The amended policy clarified certain aspects of the Version 1 Policy, including its interaction with the National Employment Standards as contained within the *Fair Work Act 2009*. There were no changes to the parameters that were contained within the Version 1 Policy.

Contract dates for the Senior Executives are as follows:

- Chief Financial Officer – 23 January 2009 and extended for a further two year period on 24 January 2012, concluding on 23 January 2014; then a second contract effective 23 January 2014 concluding on 23 January 2017.
- Chief Operating Officer – During this financial year this role was filled in an acting capacity until 5 April 2015 by an incumbent who is not employed under the Senior Executive terms and conditions. At this time, an interim organisational structure for the Operations team was implemented, whereby the responsibilities of the Chief Operating Officer were divided into two roles, each being filled in an acting capacity by incumbents not employed on Senior Executive terms and conditions. The role is currently vacant.
- Executive General Manager Business Services – 2 March 2009 and extended for a further two year period on 22 December 2011, concluding on 21 December 2013; then a second contract effective 22 December 2013 concluding 21 December 2016.
- Executive General Manager Energy Trading and Commercial Strategy – this role was created on 1 October 2012 as part of the review of Stanwell's executive structure. The current incumbent in this role is in an acting capacity and is not employed under the Senior Executive terms and conditions.

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

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

26 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Performance payments for the Group

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

	Consolidated entity	
	2015 $'000	2014 $'000
Aggregate at-risk performance incentive remuneration		
Chief Executive Officer and Senior Executives	272	243
Contract and Enterprise Bargaining Agreement employees	8,385	7,525
	8,657	7,768
Aggregate remuneration (including at-risk performance incentive remuneration) paid or payable to employees to whom a performance payment is paid or payable	100,602	98,299
Number of employees to whom a performance payment is paid or payable	682	726

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

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

Employee category	Grant date	Nature of remuneration granted
Chief Executive Officer	27 August 2015	At-risk performance incentive payable in cash (cap of 15% of total fixed remuneration)
Senior Executives	27 August 2015	At-risk performance incentive payable in cash (cap of 15% of total fixed remuneration)
Alternate Employment Contract employees	27 August 2015	At-risk performance incentive payable in cash (cap of 15% of total fixed remuneration)
Enterprise Bargaining Agreement employees	27 August 2015	At-risk performance incentive payable in cash (cap of 12% of total fixed remuneration)

(e) Details of remuneration

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

Directors of Stanwell Corporation Limited

	Short-term employee benefits		Post employment	
Name	Cash Salary	Committee Fees	Superannuation	Total
2015	$'000	$'000	$'000	$'000
S P Charles	44	3	5	52
P Breslin	31	5	4	40
K L Collins	8	1	1	10
D J Condon	17	2	2	21
A A Fitzpatrick	15	2	2	19
R J Kempnich	31	8	4	43
S R Rochester	8	1	1	10
2014				
The Hon W R Parer AM	59	6	7	72
K L Collins	31	4	3	38
A A Fitzpatrick	31	4	3	38
R J Kempnich	31	6	4	41
S R Rochester	31	6	4	41
P Breslin	31	4	3	38

26 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(e) Details of remuneration (continued)

Other key management personnel of the Group

Position	Short-term employee benefits				Post employment		Long-term employee benefits	Total
	Cash Salary	Allowance	Bonus	Non-monetary benefits	Super-annuation	Termination payments	Long Service Leave	
2015	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Chief Executive Officer	**578**	**–**	**89**	**13**	**65**	**–**	**14**	**759**
Chief Financial Officer	**302**	**–**	**47**	**14**	**35**	**–**	**8**	**406**
Acting Chief Operating Officer	**246**	**–**	**33**	**1**	**25**	**–**	**5**	**310**
Executive General Manager Business Services	**301**	**–**	**45**	**13**	**34**	**–**	**8**	**401**
Acting Executive General Manager, Energy Trading and Commercial Strategy (01/07/2014 to 14/12/2014)	**140**	**–**	**18**	**3**	**18**	**–**	**3**	**182**
Acting Executive General Manager, Energy Trading and Commercial Strategy (15/12/2014 to 30/06/2015)	**153**	**–**	**19**	**5**	**15**	**–**	**3**	**195**
Acting Executive General Manager, Safety and Asset Services	**67**	**–**	**10**	**–**	**7**	**–**	**2**	**86**
Acting Executive General Manager, Production*	**80**	**–**	**11**	**–**	**–**	**–**	**2**	**93**
2014								
Chief Executive Officer	537	–	74	13	56	–	13	693
Chief Financial Officer	287	–	43	13	31	–	7	381
Chief Operating Officer	282	–	40	10	28	298	7	665
Acting Chief Operating Officer	47	–	–	–	5	–	1	53
Executive General Manager Business Services	269	16	43	23	33	–	7	391
Acting Executive General Manager Marketing and Trading	288	–	43	3	31	–	6	371

* Superannuation contributions for Philips David have been made as part of the defined benefits plan.

(f) Other transactions with key management personnel

All transactions in the years ended 30 June 2014 or 30 June 2015 between the Group and directors or other key management personnel, including their related parties, were on normal commercial terms and conditions and were immaterial in nature.

27 JOINT ARRANGEMENTS

(a) Joint operations

The Company has a 50% (2014: 50%) interest in the Kogan North Joint Venture, a gas development joint operation in the Surat Basin with Australian CBM Pty Ltd, a wholly-owned subsidiary of Arrow Energy NL. The principal activity of the joint operations is the exploration and development of commercial coal seam gas assets.

The Company has an 84% (2014: 84%) interest in the Woodlands Hardwood Plantation Joint Venture and a 19% (2014: 19%) interest in the Tarong Hoop Pine Joint Venture. The interests are in unincorporated joint operations with HQPlantations Pty Ltd (formerly Forestry Plantations Queensland) with whom the Company has joint control over all relevant activities. The principal activity of the operations is the establishment of a viable commercial plantation of trees (refer to note 19(a)).

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

The contingencies and commitments in relation to the joint arrangements are set out with all contingencies and commitments in notes 28 and 29 respectively.

(c) Summarised financial information for joint arrangements

The net assets for those joint operations that are material to the Group are $6,500,000 (2014: $910,000). The Group's share in these joint arrangements and the amount at which they are carried is $3,275,000 (2014: $455,000).

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

28 CONTINGENCIES

Guarantees

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

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

In line with the accounting policy set out in note 1(x), the fair value of the above guarantees is $Nil (2014: $Nil).

Reference coal contract

On 18 May 2015, the company initiated proceedings with Wesfarmers Curragh Pty Ltd (Wesfarmers) seeking to recover amounts pursuant to the amended coal supply agreement between Stanwell and Wesfarmers. Wesfarmers served its defence and a counter claim on 16 June 2015. This dispute remains ongoing at the time of signing of these accounts.

29 COMMITMENTS

(a) Lease commitments: Group as lessee

Non-cancellable operating leases

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

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

29 COMMITMENTS (CONTINUED)

(a) Lease commitments: Group as lessee (continued)

	Consolidated entity	
	2015 $'000	2014 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**4,710**	5,292
Later than one year but not later than five years	**14,468**	15,538
Later than five years	**3,726**	7,238
	22,904	28,068

(b) Other commitments

	Consolidated entity	
	2015 $'000	2014 $'000
Commitments relating to other operating expenditure payable is as follows:		
Within one year	**194,859**	189,251
Later than one year but not later than five years	**581,445**	596,262
Later than five years	**725,166**	830,327
	1,501,470	1,615,840

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

30 RELATED PARTY TRANSACTIONS

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

(b) Wholly owned group
The wholly owned Group consists of Stanwell Corporation Limited and its wholly owned entities. Details of the interests in subsidiaries are set out in note 31.

The following transactions occurred with subsidiaries during the year:

	Parent entity	
	2015 $'000	2014 $'000
Fuel costs incurred for fuel provided by TEC Coal Pty Ltd	**175,979**	118,658
Loans receivable from subsidiaries during the year	**681,684**	696,510

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

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

Details of the interest and transactions with the joint operations are set out in note 27.

30 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management personnel

Disclosures relating to key management personnel are set out in note 26.

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

All State of Queensland controlled entities meet the definition of a related party in AASB 124 *Related Parties*. The Group transacts with other State of Queensland controlled entities as part of its normal operations on terms equivalent to those that prevail in arms length transactions.

The following transactions occurred with other related parties:

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Electricity financial instrument settlements and environmental certificates	**34,641**	26,713	**34,641**	26,702
Fuel costs	**(13,919)**	(10,245)	**(1,530)**	(384)
Raw materials and consumables	**(101,780)**	(98,742)	**(101,780)**	(89,635)
Employee benefits expense	**(5,540)**	(5,988)	**(5,109)**	(5,500)
Other expenses	**(6,288)**	(9,660)	**(3,907)**	(9,395)
Finance costs	**(57,642)**	(42,727)	**(57,642)**	(42,727)
Superannuation contributions	**(867)**	(2,132)	**(856)**	(2,114)
Dividends paid	**(96,504)**	(11,704)	**(96,504)**	(11,704)
Income tax equivalent (expense)	**(110,297)**	(36,739)	**(97,123)**	(20,991)

(f) Outstanding balances

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

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cash and cash equivalents	**158,344**	90,072	**158,344**	90,072
Trade and other receivables	**3,836**	2,166	**3,836**	2,166
Current tax payable	**–**	(28,476)	**–**	(28,476)
Derivative financial instrument assets	**3,010**	21,638	**3,010**	21,638
Trade and other payables	**(1,473)**	(6,625)	**(1,473)**	(5,100)
Current tax liabilities	**(1,701)**	–	**(1,701)**	–
Derivative financial instrument liabilities	**(7,806)**	(3,561)	**(7,806)**	(3,561)
Deferred tax balances	**(328,067)**	(253,918)	**(274,695)**	(211,561)
Borrowings	**(755,577)**	(513,744)	**(755,577)**	(513,744)
Provision for dividends	**(89,930)**	(96,504)	**(89,930)**	(96,504)

31 SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2015 %	2014 %
Mica Creek Pty Ltd*	Australia	Ordinary	**100**	100
SCL North West Pty Ltd*	Australia	Ordinary	**100**	100
Energy Portfolio 1 Pty Ltd	Australia	Ordinary	**100**	100
Glen Wilga Coal Pty Ltd	Australia	Ordinary	**100**	100
Goondi Energy Pty Ltd	Australia	Ordinary	**100**	100
Tarong Energy Corporation Pty Ltd	Australia	Ordinary	**100**	100
Tarong Fuel Pty Ltd*	Australia	Ordinary	**100**	100
Tarong North Pty Ltd	Australia	Ordinary	**100**	100
TEC Coal Pty Ltd*	Australia	Ordinary	**100**	100
TN Power Pty Ltd*	Australia	Ordinary	**100**	100

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 32.

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.

32 DEED OF CROSS GUARANTEE

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

By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 issued by the Australian Securities and Investments Commission.

The companies listed in note 31 represent a 'Closed Group' for the purposes of the Class Order, and, as there are no other parties to the Deed of Cross Guarantee that are controlled by the Company, they also represent the 'Extended Closed Group'.

33 ECONOMIC DEPENDENCY

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

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

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

Stanwell Corporation Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Profit for the year	**254,936**	108,594	**224,197**	71,855
Add items classified as investing/financing activities:				
Net loss on disposal of property, plant and equipment	**(5,261)**	(312)	**(5,259)**	(312)
Add non-cash items:				
Depreciation and amortisation expense	**183,357**	183,976	**126,990**	131,722
Impairment (gain)/loss	**(184,269)**	280	**(184,269)**	280
Non-cash retirement benefits expense	**1,822**	1,419	**1,822**	1,419
Unwinding of discount on provision	**17,490**	17,581	**10,747**	10,923
Non-cash rehabilitation provision	**(45,655)**	1,917	**(54,906)**	931
Stock obsolescence expense	**(39)**	395	**(39)**	395
Net gain on sale of available-for-sale assets	**(5,554)**	(699)	**(5,554)**	(699)
Share of profits of associates and joint venture partnership	**8,037**	5,058	**8,037**	5,058
Fair value losses on financial assets at fair value through profit or loss	**32,389**	37,507	**32,389**	37,511
Non-cash other provision	**502**	1,107	**(120)**	1,107
Change in operating assets and liabilities:				
Decrease/(increase) in trade and other receivables	**12,590**	30,078	**7,310**	35,820
(Increase)/decrease in inventories	**(54,410)**	(58,758)	**(58,872)**	(58,769)
Decrease/(increase) in current intangible assets	**–**	368	**–**	368
(Increase)/decrease in current financial assets	**(53,032)**	20,848	**(53,032)**	20,848
(Increase)/decrease in current tax receivable	**(1,701)**	–	**(1,701)**	–
Decrease/(increase) in other current assets	**8,785**	(74,800)	**6,335**	(8,000)
(Increase)/decrease in other non-current assets	**(1,301)**	55,316	**(1,301)**	258
(Decrease)/increase in trade and other payables	**(5,585)**	(15,925)	**2,260**	(11,779)
(Decrease)/increase in other non-current liabilities	**(6,145)**	6,145	**(6,145)**	6,145
(Decrease)/increase in current tax liabilities	**(28,476)**	10,598	**(28,476)**	10,598
Increase/(decrease) in deferred tax balances	**74,149**	46,745	**63,134**	18,776
(Decrease)/increase in provisions	**(86,450)**	(12,419)	**(85,564)**	(7,654)
(Decrease)/increase in other current liabilities	**(78)**	7,101	**(2,450)**	7,101
(Decrease)/Increase in Rehabilitation provisions	**(9,555)**	(402)	**(6,801)**	(132)
Deferred tax reserves movement	**7,349**	(53,632)	**7,353**	(53,636)
Net cash inflow from operating activities	**113,895**	318,086	**(3,915)**	220,134

35 EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

Stanwell Corporation Limited

DIRECTORS' DECLARATION

2015

In the directors' opinion:

(a) the financial statements and notes set out on pages 28 to 97 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 2015 and of its performance for the year ended on that date; and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 32 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 32.

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

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

Shane Paul Charles
Chairman

Paul Breslin
Director

Brisbane

27 August 2015

Stanwell Corporation Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

2015

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

I have audited the accompanying financial report of Stanwell Corporation Limited, which comprises the balance sheets as at 30 June 2015, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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

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

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

Opinion

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

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2015 and of their performance for the year ended on that date; and

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

Other Matters – Electronic Presentation of the Audited Financial Report

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

George

N GEORGE CPA

(as Delegate of the Auditor-General of Queensland)

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