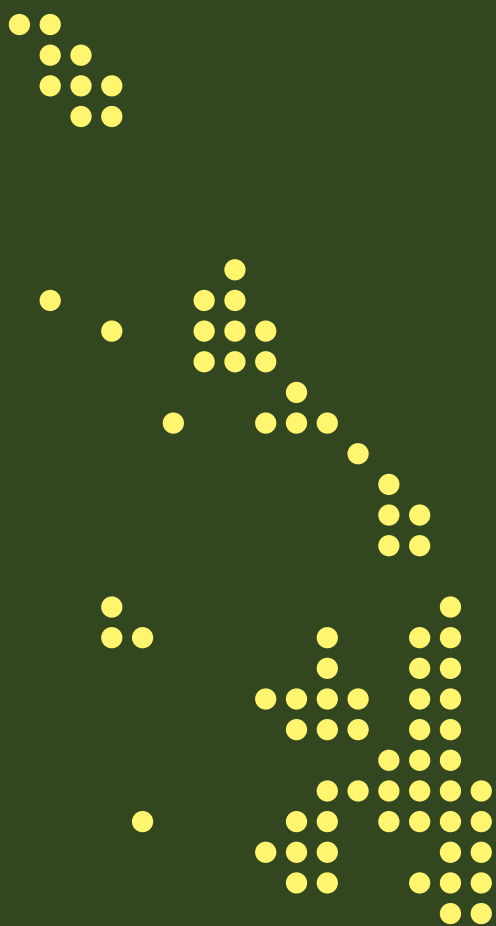


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Directors' report 30 June 2008

The directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Stanwell Corporation Limited and the entities it controlled at the end of, or during, the year ended 30 June 2008.

Directors

The Board comprises non-executive directors who have a diversity of business experience as well as community responsibilities. The names, qualifications and experience of directors in office during the financial year and until the date of this report are shown under the heading 'Board of Directors' of this annual report.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Group during the financial year are set out in the 'Corporate Governance' section of this annual report.

Company secretary

The company secretary is Mr M O'Rourke (BCom, LLB, G Dip App Fin and G Dip App Coy Sec Prac). Mr O'Rourke was appointed to the position of company secretary in 2002.

Principal activity

The principal activity of the Group during the financial year was to generate energy for sale as electricity to customers within Australia.

The Government Owned Corporations (QPTC Restructure - Stage 2) Regulation 2007 was passed by the Executive Council on 30 August 2007. This regulation transferred the net liabilities of the Gladstone Business Unit of the Queensland Power Trading Corporation ("QPTC") to Stanwell Corporation Limited as of 2 September 2007. More information regarding this is provided below in 'Significant changes in the state of affairs'.

There were no other significant changes in the nature of the activities of the Group during the year.

Group structure

The wind farm assets sale process, undertaken at the direction of the Queensland Government, resulted in a number of subsidiaries being incorporated and subsequently sold during the year. Further information is provided below in 'Significant changes in the state of affairs'.

There were no other changes to the group structure during the year.

Review and results of operations

A full review of the operations of the Group during the financial year, and the results of these operations, is set out under the heading 'Business Performance' of the annual report.

	Consolidated		Parent	
	2008	2007	2008	2007
Profit attributable to ordinary equity holders of the company - \$'000	135,590	155,762	127,461	151,898
Basic earnings per share - cents	13.86	15.91		

Directors' report 30 June 2008

Derivatives and other financial instruments

The Group has potential exposures as a result of changes in foreign exchange rates, interest rates and electricity commodity prices. Credit, liquidity and cash flow risks also can arise from its operations. The Board has confirmed policies in each of these areas to manage the exposures and risks. The Board requires regular confirmation of adherence to these policies.

It is the policy of the Group to use derivative financial instruments to hedge cash flows subject to electricity commodity price risks. Derivative financial instruments are not held for speculative purposes.

Exposures, including related derivative hedges, are reported to the Board on a monthly basis.

To ensure highly probable forecast transactions are not subject to material variation due to movements in foreign currencies, forward foreign exchange contracts are entered into to match known future foreign currency payments.

The Group has a strict credit policy for all customers trading on credit terms. It has a range of measures for determining counterparty credit worthiness relying on a risk adjusted assessment principally based on the counterparty's credit rating determined by a recognised rating agency. Where appropriate, acceptable credit support is also obtained.

Financing facilities and operating cash flows are managed to ensure that the Group is not exposed to any adverse liquidity risks. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material cash outflows in the ordinary course of business.

Dividends - Stanwell

Corporation Limited

Dividends paid or declared by the company in accordance with the *Government Owned Corporations Act 1993*, since the end of the previous financial year were:

	Cents per share	Total amount \$'000
<i>As proposed and provided for in last year's report:</i>		
Final ordinary dividend paid on 31 December 2007	12.50	122,301
<i>In respect of the current financial year:</i>		
Approved final ordinary dividend to be paid on 31 December 2008	9.96	92,105

Significant changes in the state of affairs

Wind farms

On 3 June 2007, the Queensland Government announced its intention to sell the wind farm assets of its Government Owned Corporations in order to fund its ClimateSmart initiative. The Board were issued with a number of directions in order to support the sale process, identify appropriate assets and liabilities, restructure the business, divest of the assets and liabilities and repatriate the sales proceeds. The directions are outlined below.

A direction dated 12 June 2007 was issued under Section 229 of the *Electricity Act 1994* for Stanwell Corporation Limited to provide support and cooperation to the sale process, provide documents and information as required, and identify wind farm assets and liabilities for the purposes of restructuring and divesting of the businesses through the sale of shares.

Under Section 11 of the *Energy Assets (Restructuring and Disposal) Act 2006* the following directions were issued:

- Direction dated 11 September 2007 which supplements the direction noted above.
- Direction dated 23 October 2007 to effect the discharge and satisfaction of the obligations of EDWF Holdings 1 Pty Ltd in relation to secured limited recourse borrowing facilities and subordinated debt provided by Stanwell Corporation Limited to enable the wind farm assets to be sold debt free.
- Three Directions dated 28 November 2007 to give effect to restructuring steps in readiness for the divestment of the wind farm assets.
- Two Directions dated 14 December 2007 in relation to the completion of the Wind Assets Sale and Purchase Agreement and the Wind Portfolio Sale and Purchase Agreement.

- Direction dated 23 March 2008 to commence legal proceedings in relation to the consent to the change in control of Stanwell Corporation Limited's share in the Emu Downs Wind Farm.
- Direction dated 14 April 2008 to repatriate appropriate proceeds of disposal of wind farm assets sold through a share buy back.

In order to give effect to these directions the following actions were undertaken or events occurred:

- The incorporation by Stanwell Corporation Limited on 31 August 2007 of three subsidiaries, Toora Wind Farm Pty Ltd, Windy Hill Wind Farm Pty Ltd and Wind Project Developments Pty Ltd.
- On 26 November 2007, the limited recourse borrowing relating to EDWF Holdings 1 Pty Ltd was repaid by Stanwell Corporation Limited. The resulting intercompany debt from this and existing subordinated debt was satisfied on 30 November 2007 through the issue of share capital of EDWF Holdings 1 Pty Ltd to Wind Portfolio Pty Ltd and the issue of share capital of Wind Portfolio Pty Ltd to Stanwell Corporation Limited.
- In November and December 2007, restructuring steps were taken to novate contracts and agreements and transfer appropriate assets and liabilities of the wind farms into the new subsidiaries.
- On 20 December 2007, the sale of Toora Wind Farm Pty Ltd, Windy Hill Wind Farm Pty Ltd and Wind Project Developments Pty Ltd completed, resulting in profit after tax of \$18.4 million from proceeds of \$54.1 million.
- On 27 June 2008, \$54,479,054 was repatriated to the Queensland Government through the buy back of 54,479,054 ordinary non-voting (B class) shares for \$54,479,054 million.

- On 28 November 2007 Stanwell Corporation Limited entered into the Wind Portfolio Sale and Purchase agreements as directed by the Queensland Government. In order to complete this sale, the other joint venture participant must first consent to the change in control of Stanwell Corporation Limited's share in the Emu Downs Wind Farm. This consent has as yet not been provided and a direction has been given for EDWF Holdings 1 Pty Ltd to commence legal proceedings in relation to the consent. Accordingly, legal proceedings have commenced and as at the date of this report the case has not been heard in court.

Subject to satisfactory resolution of these legal proceedings, the divestment of Wind Portfolio Pty Ltd and its share in the Emu Downs Wind Farm will be completed in the 2008-09 year and the assets continue to be disclosed as 'assets of a disposal group classified as held for sale' in the statement of financial position.

Gladstone Business Unit

On 30 August 2007 the Government Owned Corporations (QPTC restructure - Stage 2) Regulation 2007 transferred the net liabilities of the Gladstone Business Unit of the Queensland Power Trading Corporation ("QPTC") to Stanwell Corporation Limited as of 2 September 2007.

This transfer included an onerous contract, being the Interconnection and Power Pooling Agreement ("IPPA"), liabilities associated with the financial derivatives transferred with the IPPA and QPTC's existing Mandatory Renewable Energy Target liability.

All assets and liabilities relating to the Gladstone Business Unit were transferred to Stanwell Corporation Limited at book value based on QPTC's closing balance sheet. Immediately post-transfer the assets and liabilities were revalued by Stanwell Corporation Limited based on its own operating assumptions.

Business performance

In addition to the gain on sale of the wind farm assets, the continued strong profit after tax result of the Group for the financial year ended 30 June 2008 reflects the ongoing significant benefits of the revenue sharing arrangements of coal exports from the Curragh coal mine. It is anticipated that the coal revenue sharing benefits will continue in future financial years but are dependent on continuing high export coal prices.

The Group profit after tax for the year was \$135.6 million against the previous year's result of \$155.8 million. The Group's total revenue from ordinary activities increased by 4% over the previous year, to \$536.5 million (2006-07: \$514.5 million). Reduced coal rebate revenue on the back of reduced export prices for coal has been compensated by an increase in sales of electricity, an increase in other revenue including revenue from the Gladstone Business Unit and an increase in interest income.

A change in Stanwell's operating and trading strategy was required during the 2007-08 year as a result of the inclusion of the Gladstone Business Unit into the portfolio and operational issues encountered at Gladstone Power Station. The addition of the Gladstone Business Unit has provided advantages in allowing for efficient generation substitution when either Stanwell Power Station or Gladstone Power Station have generation limitations.

The restrictions on South Queensland generators caused by the drought, which allowed Stanwell to take advantage of the resulting high electricity prices in 2006-07, were eased early in 2007-08 as the drought conditions eased. This resulted in an increased supply to the market and consequently reduced electricity prices and reduced generation. This was compounded by other constraints on demand including the mild summer and substantial reductions in mining loads due to the floods in Central

Queensland. Stanwell's total generation sent out, net of purchases for supply commitments relating to the Gladstone IPPA, decreased from 9,899.8 GWh for 2006-07 to 9,211.4 GWh for 2007-08.

The profile of the balance sheet of the group has significantly improved in the year as a result of reduced volatility in the electricity derivative market. Forward electricity prices have decreased significantly from the unprecedented levels in existence around the end of the last financial year, which has resulted in an improvement in the mark-to-market valuation of electricity derivatives and the hedging reserve. The electricity hedge book has moved to an out-of-the-money position of \$247.8 million at 30 June 2008 from an out-of-the-money position of \$1,026.8 million at 30 June 2007.

Environmental regulation

The Group's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its generating of electricity. Refer to comments under the heading 'Environmental Performance' of this annual report.

Events subsequent to the end of the financial year

No matter or circumstance has arisen between 30 June 2008 and the date of this report that has significantly affected, or may significantly affect:

- the Group's operations in future financial years;
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years.

Likely developments and expected results of operations

An outline of future developments in the Group's operations is submitted in the 'Chairman's Statement' and the 'Chief Executive Officer's Review' of this annual report. Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Directors' and senior executives' compensation

The Human Resources and Workplace Health and Safety Committee of the Board is responsible for making recommendations to the Board on the compensation policies and packages applicable to the senior executives of the Group. The compensation policies and packages are subject to Queensland Government guidelines that may be issued from time to time.

Senior executives may receive an 'at risk' payment based on the achievement of specific goals related to the performance of the Group (including operational results). Directors do not receive any performance related compensation.

Directors' report 30 June 2008

Details of the remuneration of the directors and key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Stanwell Corporation Limited and the Group are set out in the following table.

Details of compensation policies are disclosed in note 28 of the financial statements.

Name	Salary and fees \$'000	Short-term employee benefits	Termin- ation \$'000	Post employment benefits	Total \$'000
		Non- monetary \$'000		Super- annuation \$'000	
Directors					
D Byrne (Chairman)	69	-	-	6	75
L Gillespie (Chairman Human Resources and Workplace Health and Safety Committee from 21 August 2007 to current)	31	-	-	3	34
P Gregg (Chairman Audit and Risk Management Committee from 24 October 2007 to current)	30	-	-	3	33
B Kelly (Chairman Human Resources and Workplace Health and Safety Committee from 1 July 2007 to 21 August 2007)	29	-	-	3	32
B Morris (Chairman Audit and Risk Management Committee from 1 July 2007 to 24 October 2007)	29	-	-	3	32
D Watson	29	-	-	3	32
M Williamson	29	-	-	3	32
Other key management personnel					
Chief Executive Officer	403	-	-	38	441
Chief Financial Officer ¹	55	-	15	5	75
Chief Operating Officer ¹	283	-	62	25	370
General Manager Business Services ¹	280	-	-	23	303
General Manager Business Development ^{1,2}	206	-	-	19	225
General Manager Trading ¹	208	-	36	17	261
General Manager Corporate Services ^{1,2}	167	-	-	14	181

¹ During part of the year these positions were performed by other employees or external contractors until permanent employees were/will be appointed. The costs of contractors are excluded on the basis that they are not employees.

² These positions were created during the year due to a restructuring of General Manager responsibilities.

This table provides disclosure in respect of employees who formed the group of key management personnel during the reporting period. Executives may also earn performance based 'at risk' incentive bonuses which are not shown in this table.

Directors' interests

The directors have no interest in any shares of the Group as all shares are held for the benefit of the State of Queensland by Ministers of the Crown.

Risk management

The Group, in carrying out its business, maintains a risk management philosophy that appropriately:

- protects the wellbeing of the Group's workforce, the wider community in which it operates and its physical environment; and
- manages threats that could adversely affect the Group's ability to meet its corporate objectives, its growth in shareholder value and its stewardship of company assets.

Business environment risks

Board approved policies have been implemented for risks associated with operating in the electricity market. The Board determines the upper limit of electricity generation that will be hedged by way of approved financial instruments. Contracts are established with counterparties in accordance with the Board approved counterparty credit risk policy.

The established legal compliance program is a control framework which ensures that employees remain aware of their responsibilities with respect to State and Commonwealth legislation applying to the Group.

Operational risks

Operational risks embrace all of the risks arising in day-to-day operations, some of which may be site specific. Business managers and asset management teams actively participate in the identification, analysis and management processes for all operating risks. The objective is to ensure that operational risks are managed on a priority basis through operational controls and where appropriate, to mitigate or eliminate exposures through capital investment and finance residual risks through insurance or other means.

Decision making risks

Strategic risks include project, transaction, planning and organisation risks relating to the building of the Group's future business capability. The Group's Capital Investment System is designed to ensure that discrete projects or acquisitions will be assessed on the basis of an extensive analysis of project specific risk and, where appropriate, the utilisation of third party assurance of the processes, systems, models and risk allocation. The Group's Program Management Office facilitates the identification and prioritisation of the various activities to help complete selected projects and acquisitions.

Indemnification and insurance of officers

Indemnification

Article 17 of Stanwell Corporation Limited's Constitution provides that every person who is or has been an officer of the company is indemnified by the company against a liability for costs and expenses incurred by that person as an officer in defending any proceedings in which a judgment has been given in favour of that person or where the Court has granted relief. This indemnity excludes actions arising from conduct involving a lack of good faith or improper use of position.

The directors, company secretary and executive officers (current and former) receive benefit of this indemnity.

Insurance premiums

During the financial year the Group has paid an insurance premium for an insurance policy for the benefit of the directors and officers. The insurance premium relates to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and

- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

Rounding of amounts

The company is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that class order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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 87.

Dated at Brisbane this 27th day of August 2008.

Signed in accordance with a resolution of the directors:



D Byrne
Chairman



P Gregg
Director and Audit and Risk Management
Committee Chairman

Auditor's independence declaration 30 June 2008

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

As lead auditor for the audit of Stanwell Corporation Limited for the year ended 30 June 2008, 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.



G G POOLE, FCPA
Auditor-General of Queensland



Queensland Audit Office
Brisbane

Income statements for the year ended 30 June 2008

	Notes	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue	4	540,949	515,357	525,337	506,681
Other income	5	40,142	14,247	40,217	-
Cost of sales		(226,901)	(127,128)	(226,003)	(126,557)
Depreciation and amortisation	6	(70,858)	(73,286)	(70,858)	(70,665)
Employee expenses		(41,066)	(37,126)	(41,003)	(37,034)
Business support costs		(34,443)	(33,685)	(33,998)	(33,343)
Research and development		(870)	(11,186)	(870)	(1,335)
Development costs written off		-	(3,581)	-	(3,581)
Finance costs	6	(11,771)	(12,259)	(9,269)	(8,189)
Other expenses		(27,561)	(8,427)	(27,577)	(8,561)
Profit before income tax equivalent expense		167,621	222,926	155,976	217,416
Income tax equivalent expense	7	(32,031)	(67,164)	(28,515)	(65,518)
Profit for the year		135,590	155,762	127,461	151,898
		Cents	Cents		
Basic earnings per share	37	13.86	15.91		
Diluted earnings per share	37	13.86	15.91		

The income statements should be read in conjunction with the accompanying notes.

Statements of financial position as at 30 June 2008

	Notes	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	8	62,499	132,739	62,494	132,738
Trade and other receivables	9	94,080	222,126	94,083	245,242
Inventories	10	26,372	18,644	26,372	18,644
Derivative financial instruments	11	140,074	208,208	140,074	208,208
		323,025	581,717	323,023	604,832
Assets of disposal group classified as held for sale	12	90,049	134,708	-	35,927
Total current assets		413,074	716,425	323,023	640,759
Non-current assets					
Derivative financial instruments	11	77,306	215,337	77,306	215,337
Other financial assets	13	-	-	76,726	-
Property, plant and equipment	14	1,324,048	1,357,665	1,324,025	1,357,665
Intangible assets	15	7,304	3,566	7,304	3,566
Deferred tax assets	16	86,300	318,173	86,286	318,092
Other non-current assets	17	6,002	4,605	6,002	4,605
Retirement benefit surplus	18	2,352	10,631	2,352	10,631
Total non-current assets		1,503,312	1,909,977	1,580,001	1,909,896
Total assets		1,916,386	2,626,402	1,903,024	2,550,655
LIABILITIES					
Current liabilities					
Trade and other payables	19	65,412	158,135	65,389	158,133
Provisions	20	128,178	123,361	128,178	123,361
Derivative financial instruments	11	294,837	931,872	294,837	931,872
Current tax liabilities		21,193	10,053	19,180	10,053
Other current liabilities	21	22,241	512	22,241	512
Liabilities directly associated with assets of disposal group classified as held for sale	12	810	78,001	500	6,699
Total current liabilities		532,671	1,301,934	530,325	1,230,630
Non-current liabilities					
Borrowings	22	130,517	116,517	130,517	116,517
Deferred tax liabilities	23	343,672	344,653	341,767	343,265
Provisions	24	3,722	7,188	3,722	7,188
Derivative financial instruments	11	172,832	520,754	172,832	520,754
Total non-current liabilities		650,743	989,112	648,838	987,724
Total liabilities		1,183,414	2,291,046	1,179,163	2,218,354
Net assets		732,972	335,356	723,861	332,301
EQUITY					
Contributed equity	25	924,569	979,048	924,569	979,048
Reserves	26(a)	(154,910)	(717,750)	(154,910)	(719,823)
Other owner contributions	26(b)	(148,309)	-	(148,309)	-
Retained profits	26(c)	111,622	74,058	102,511	73,076
Total equity		732,972	335,356	723,861	332,301

The balance sheets should be read in conjunction with the accompanying notes.

Statements of changes in equity for the year ended 30 June 2008

	Notes	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Total equity at the beginning of the financial year		335,356	1,025,703	332,301	1,028,006
Changes in the fair value of cash flow hedges	26(a)	804,058	(1,039,520)	807,019	(1,041,653)
Tax on changes in the fair value of cash flow hedges	26(a)	(241,218)	311,857	(242,106)	312,496
Actuarial (losses) gains on defined benefit plans	26(c)	(8,458)	5,489	(8,458)	5,489
Tax benefit (expense) on actuarial gains or losses on defined benefit plans	26(c)	2,537	(1,634)	2,537	(1,634)
Net income recognised directly in equity		556,919	(723,808)	558,992	(725,302)
Profit for the year		135,590	155,762	127,461	151,898
Total recognised income and expense for the year		692,509	(568,046)	686,453	(573,404)
Contributions of equity, net of transaction costs	26(b)	(148,309)	-	(148,309)	-
Buy-back of ordinary non-voting (B class) shares	25	(54,479)	-	(54,479)	-
Dividends provided for or paid	27	(92,105)	(122,301)	(92,105)	(122,301)
		(294,893)	(122,301)	(294,893)	(122,301)
Total equity at the end of the financial year		732,972	335,356	723,861	332,301

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

Statements of cash flows for the year ended 30 June 2008

	Notes	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash flows from operating activities					
Cash receipts in the course of operations (inclusive of goods and services tax)		441,724	519,925	426,932	511,082
Cash payments in the course of operations (inclusive of goods and services tax)		(270,629)	(262,774)	(269,285)	(251,395)
Interest received		10,829	5,343	9,678	3,970
Interest paid		(12,433)	(10,529)	(9,083)	(7,986)
Income taxes paid		(28,648)	(101)	(28,648)	-
Net cash inflow from operating activities	36	140,843	251,864	129,594	255,671
Cash flows from investing activities					
Payments for property, plant and equipment		(33,416)	(83,712)	(29,826)	(50,130)
Payments for intangible assets		(6,838)	(987)	(6,838)	(987)
Proceeds from disposal of net assets held for sale in disposal groups		54,110	-	54,110	-
Proceeds from disposal of non-current assets		55	54	55	27
Net payments for exploration and evaluation expenditure		(1,493)	(865)	(1,493)	(865)
Net cash inflow (outflow) from investing activities		12,418	(85,510)	16,008	(51,955)
Cash flows from financing activities					
Share buy-back	25(a)	(54,479)	-	(54,479)	-
Proceeds from borrowings		14,000	26,047	14,000	-
Loan payments to subsidiary		-	-	-	(21,848)
Repayment of borrowings		(66,419)	(2,387)	(56,216)	(2,000)
Dividends paid	27	(122,301)	(60,617)	(122,301)	(60,617)
Receipts from subsidiary		-	-	3,150	-
Net cash outflow from financing activities		(229,199)	(36,957)	(215,846)	(84,465)
Net (decrease) increase in cash and cash equivalents		(75,938)	129,397	(70,244)	119,251
Cash and cash equivalents at the beginning of the financial year		145,280	15,883	132,738	13,487
Cash and cash equivalents at end of year	8	69,342	145,280	62,494	132,738

The cash flow statements 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 report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Stanwell Corporation Limited as an individual entity and the consolidated entity consisting of Stanwell Corporation Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with International Financial Reporting Standards

The consolidated financial statements and notes of Stanwell Corporation Limited comply with Australian Accounting Standards which incorporate Australian equivalents to International Financial Reporting Standards (AIFRS).

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.

Critical accounting estimates

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

Estimates and judgments 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 high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principles of consolidation

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 2008 and the results of all subsidiaries for the year then ended. Stanwell Corporation Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date that control is transferred out of the Group. Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Stanwell Corporation Limited.

Joint ventures

The proportionate interests in the assets, liabilities and expenses of joint venture operations have been incorporated in the financial statements under the appropriate headings. Details of joint ventures are set out in note 34.

(c) Foreign currency translation

Foreign currency transactions are translated to Australian currency at the exchange rates prevailing at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting date are translated at the rates of exchange prevailing on that date. Translation differences relating to amounts payable and receivable in foreign currencies are recognised in the income statement in the financial year in which the exchange rates change, except when deferred in equity as qualifying cash flow hedges.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

- Electricity: when the electricity generated is traded in the pool market, or in the period that the electricity is generated pursuant to a contract, as applicable. The net result of electricity derivatives, relating to electricity traded in the pool market, is recognised in the period to which the contract settlement relates;
- Coal revenue sharing arrangements: when coal is exported by the coal supplier;
- Interest income: as it accrues; and
- Other revenue: on an accruals basis.

1 Summary of significant accounting policies (continued)

(e) Income tax

The Group is exempt from Commonwealth Government income taxation but subject to the National Tax Equivalent Regime.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax 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 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 exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax 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 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 liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled

entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax 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 balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The parent entity and its controlled entities have not implemented the tax consolidation legislation.

(f) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance lease are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other non-current liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is amortised over the term of the relevant lease, or where it is likely the Group will obtain ownership of the asset, the life of the asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

For assets subject to cross border leases, refer note 38.

(g) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed 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 the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, being cash generating units.

In assessing recoverable amounts of non-current assets the relevant cash flows have been discounted to their present value at a pre tax nominal discount rate.

(h) Cash and cash equivalents

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

1 Summary of significant

accounting policies (continued)

(i) Trade receivables

Trade receivables are recognised initially at fair value. Subsequent measurement is at fair value, less provision for impairment. Trade receivables are generally due for settlement within no more than 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The movement in the provision is recognised in the income statement in other expenses.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(j) Inventories

Consumable fuel and stores

Consumable fuel and stores are carried at the lower of their weighted average cost per individual item of inventory and net realisable value. Costs of inventory are determined after deducting associated rebates and discounts. Net realisable value is estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Green energy products

A number of the Group's sites are accredited to create green energy products which can be used to either acquit the mandatory renewable energy liability of the Group or alternatively can be realised through the market. The green energy products are created through various Commonwealth and State legislation. Green energy products that are available for sale are recognised in the financial statements at fair market value.

(k) Disposal groups held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets, investment property and non-current biological assets that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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

Fair value is determined on the basis of the price in a binding sale agreement in an arms length transaction. In the absence of a binding sale agreement the fair value is determined based on the best information available to reflect the amount that could be obtained from disposal in an arm's length transaction between knowledgeable, willing parties. In determining this amount, consideration

is given to the outcome of recent transactions for similar assets within the same industry, and where material, independent valuation prepared by external valuation experts may be used.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(l) Derivatives

The Group is potentially exposed to commodity price, interest rate and foreign currency fluctuations and enters into economic hedges to manage these risks. The following derivative financial instruments are used to hedge these risks: forward foreign exchange contracts, commodity price and interest rate swaps and commodity cap, collar and floor contracts.

AIFRS have a strict definition of what qualifies as an accounting hedge and in some circumstances some economic hedges will not qualify as hedges for accounting purposes. Derivative financial instruments are not held for speculative purposes.

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value in line with market fluctuations at each reporting date. 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.

1 Summary of significant accounting policies (continued)

(I) Derivatives (continued)

The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 11. Movements in the hedging reserve in shareholders' equity are shown in note 26. 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.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the

hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised within other income or other expense together with the gain or loss relating to the ineffective portion and changes in the fair value of the hedge fixed rate borrowings attributable to the risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustments to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within 'revenue'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, property, plant and equipment) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

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

Derivatives not hedge accounted

Certain derivative instruments are not hedge accounted for either because they do not qualify for hedge accounting or through management decision. Changes in the fair value of any derivative instrument not hedge accounted for is recognised immediately in the income statement.

Embedded derivatives

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

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

1 Summary of significant

accounting policies (continued)

(m) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

As part of the electricity industry restructure, which established the parent entity, independent experts valued non-current assets at 30 June 1997 in conjunction with the Electricity Reform Unit (ERU) on the following basis:

- power stations at depreciated optimised replacement value except where otherwise noted. This approach arrived at values based on the optimum set of replacement assets to achieve the same service potential with no inappropriate surplus capacity;
- land at Valuer-General valuations or market values;
- buildings at market values;
- vehicles at market values; and
- other assets at depreciated historical cost where it was not material or reasonable to undertake a detailed revaluation exercise, otherwise at depreciated replacement cost.

These non-current asset values were taken up in the financial statements as cost to the parent entity as at 1 July 1997.

Assets acquired with a cost of \$500 or lower are immediately expensed at the date of purchase. All other purchases are capitalised and depreciated where appropriate.

Subsequent costs

Subsequent costs 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. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Rehabilitation and decommissioning

Where the Group has an obligation to dismantle or remove an asset, or rehabilitate a site, the obligation is recognised as a provision (refer note 1(s)) and is included in the initial cost of the asset. This cost is depreciated over the asset's useful life.

Business development project costs

Business development project costs are expensed as incurred until such time as it is determined that the relevant project should proceed to the bankable feasibility stage. Costs associated with the development of a bankable feasibility study are capitalised. Capitalised feasibility costs are expensed if subsequently the related project does not proceed. Acquisition bid costs are capitalised and treated in the same manner as feasibility costs.

Complex assets

The components of major assets that have materially different useful lives are effectively accounted for as separate assets, and are separately depreciated.

Depreciation and amortisation

All physical non-current assets, with the exception of freehold land, have limited useful lives and are depreciated or amortised using the straight line method over their estimated useful lives, taking into account estimated residual values, with the following exceptions:

- carried forward exploration and evaluation and development expenditure in the production phase which is amortised on a units of production basis over the life of the economically recoverable reserves; and

- finance lease assets which are amortised over the term of the relevant lease, or where it is likely the Group will obtain ownership of the asset, the life of the asset.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate. Expenditure relating to major power station overhauls is capitalised and then depreciated over the period of the expected benefits of the overhaul.

The effective lives used to calculate depreciation for each class of asset or component thereof are as follows:

Power stations – leased	6 - 47 years
Power stations – owned	4 - 47 years
Other property, plant and equipment – leased	4 - 45 years
Other property, plant and equipment – owned	2 - 45 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

1 Summary of significant

accounting policies (continued)

(n) Exploration, evaluation and development expenditure

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

Deferred exploration and evaluation costs are being amortised over the period in which economic benefit will be obtained. When an area of interest is abandoned or the Board decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

(o) Intangible assets

Capitalised software

Software which is not integral to the operation of property, plant and equipment is recognised as an intangible asset. Software which is integral to the operation of property, plant and equipment is treated as property, plant and equipment. Capitalised software is amortised using the straight-line method over its useful life, which ranges from 2 to 5 years.

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will, (after considering its commercial and technical feasibility) be completed and generate future economic benefits, and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services,

direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised over the period the related benefit is derived.

(p) Trade and other payables

These amounts 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.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

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 balance sheet date.

Stanwell Corporation Limited operates a debt-offset facility with Queensland Treasury Corporation as part of its debt management approach.

(r) Borrowing costs

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which generally take more than 12 months to get ready for their intended use or sale.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings.

(s) 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.

If the effect is material, a provision is determined by discounting the expected future cash flows required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the recovery receivable is recognised as an asset when it is probable that the recovery will be received and is measured on a basis consistent with the measurement of the related provision. In the income statement, the expense recognised in respect of a provision is presented net of the recovery. In the balance sheet, the provision is recognised net of the recovery receivable only when the entity:

- has a legally recognised right to set-off the recovery receivable and the provision; and
- intends to settle on a net basis or to realise the asset and settle the provision simultaneously.

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.

1 Summary of significant

accounting policies (continued)

(s) Provisions (continued)

Restoration

Provisions for restoration costs are made for the remediation of soil, groundwater and untreated waste as soon as a legal, equitable and/or constructive obligation as a result of a past event is identified.

Rehabilitation and decommissioning

Provisions for rehabilitation and decommissioning costs are recognised for dismantling and removal of assets and site restoration costs where there is a legal, equitable and/or constructive obligation which arises as a result of the original construction of the asset.

Onerous contracts

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

(t) Employee benefits

Wages and salaries

Liabilities for employee benefits in relation to wages and salaries resulting from employees' service provided to reporting date are calculated at undiscounted amounts based on remuneration wage and salary rates that are expected to be paid as at each reporting date, including related on-costs.

Annual leave and long service leave

The provisions for annual leave and long service leave are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

The provisions are calculated using expected future increases in wage and salary levels, including related on-costs and experience of employee departures and periods of service. Future payments not expected to be settled within 12 months are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency

that match, as closely as possible, the estimated future cash outflows.

Retirement benefit obligations

Employees of Stanwell Corporation Limited are entitled to benefits on retirement, disability or death from the Queensland Electricity Supply Industry Employees' Superannuation Scheme. Stanwell Corporation Limited has a defined benefit section and a defined contribution section within the scheme. The defined benefit fund provides lump sum benefits based on years of service and final average salary. The defined contribution fund receives fixed contributions from the entity and the entity's legal or constructive obligation is limited to these contributions. New employees are only entitled to join the defined contribution fund.

A liability or asset in respect of defined benefit funds is recognised in the balance sheet, and it is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the fund's assets at that date. 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 independent actuaries 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 using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Gains and losses arising from changes in actuarial estimates are recognised directly in equity.

Past service costs are recognised immediately in the income statement, unless the changes to the fund are conditional on the employees remaining

in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes, such as taxes on investment income and employer contributions, are taken into account in the actuarial assumptions used to determine the relevant components of the employer's defined benefit liability or asset.

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

Further information is set out in note 18.

(u) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit after income tax equivalent by the weighted average number of ordinary shares of the parent entity.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(v) 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 fair value and the amount initially recognised less cumulative amortisation, where appropriate.

1 Summary of significant accounting policies (continued)

(w) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST 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 ATO is included as a current asset or liability in the balance sheet.

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

(x) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]*

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group

does already capitalise borrowing costs relating to qualifying assets.

(ii) AASB-I 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
AASB-I 14 will be effective for annual reporting periods commencing on or after 1 January 2008. It provides guidance on the maximum amount that may be recognised as an asset in relation to a defined benefit plan and the impact of minimum funding requirements on such an asset. None of the Group's defined benefit plans are subject to minimum funding requirements. The Group will apply AASB-I 14 from 1 July 2008, but it is not expected to have an impact on the Group's financial statements.

(iii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*
A revised AASB 101 was issued in September 2007 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and commodity price risk), credit risk and liquidity risk. Financial risk management is implemented pursuant to Government and Group policy covering specific areas such as foreign exchange risk, the use of derivative financial instruments and the management of electricity market risk and associated credit risk. The policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Group. Derivatives are exclusively used for hedging purposes i.e. not as trading or other speculative instruments.

The Group measures risk exposure using a variety of methods as follows:

- Interest rate risk: duration measured by modified duration;
- Electricity price risk: sensitivity analysis;
- Foreign exchange risk: sensitivity analysis;
- Liquidity risk: sensitivity analysis; and
- Credit risk: credit value at risk.

The Group uses derivative financial instruments to hedge certain exposures as follows:

- Interest rate risk: swaps;
- Electricity price risk: over the counter swaps and options, exchange traded futures; and
- Foreign exchange risk: forward currency contracts.

Notes to the financial statements 30 June 2008

2 Financial risk management

(continued)

Electricity price risk and credit risk is managed by the Trading Division and all other risks are managed by the Financial Services Division. All of these risks are managed under policies approved by the Board of Directors. There are written principles and policies for overall risk management.

(a) Market risk

Foreign exchange risk

Foreign exchange risk arises when future transactions are denominated in non-Australian currency.

The Group and parent entity's risk management policy is to hedge a proportion of anticipated transactions that are denominated in a foreign currency. All projected purchases qualify as "highly probable" forecast transactions for hedge accounting purposes.

Forward currency contracts are used to manage foreign exchange risk. The Group and parent entity classifies forward exchange contracts which hedge forecast transactions as cash flow hedges and states them at fair value.

The carrying amounts of the Group and parent entity's financial assets and liabilities denominated in foreign currencies are set out below:

Commodity price risk

The Group and the parent entity are exposed to commodity price risk in the National Electricity Market. The risk arises from fluctuations in the wholesale price of electricity. Electricity derivatives such as swaps, futures and option contracts are used to manage this commodity price risk.

The Group's and the parent entity's risk management policy is to hedge a proportion of the production that is highly likely to occur. The Board policy prescribes a target range of allowable hedging levels for discrete time periods based on a number of operational, technical and market parameters. The derivative contracts are negotiated at arms length on commercial terms. The majority of commodity price risk is in the Queensland market and the Group and the parent entity are not exposed to basis risk as a result of hedging underlying electricity generation.

The Group and the parent entity designate electricity derivatives as cash flow hedges where they qualify for hedge accounting and measures them at fair value. Price information is acquired from external sources and where appropriate, industry valuation techniques are used. Electricity derivative contracts are settled on a weekly basis with reference to the half hourly spot prices for electricity provided by the National Electricity Market Management Company.

	2008	2007
	AUD	AUD
	\$'000	\$'000
Forward exchange contracts		
- buy foreign currency (JPY cash flow hedges)	(3,316)	(2,767)
- sell foreign currency (USD cash flow hedges)	778	490
	(2,538)	(2,277)

Notes to the financial statements 30 June 2008

2 Financial risk management

(continued)

(a) Market risk (continued)

Sensitivity analysis

The following table summarises the sensitivity of the Group and parent entity's financial assets and financial liabilities to foreign exchange risk and commodity price risk. The analysis is based on similar information to that

which would be provided to management and depicts the impact on the Group and parent entity's financial position should there be a 20% movement in the underlying foreign exchange risk variable and a 10% movement in the underlying commodity price risk variable. The analysis assumes that the movement occurs at the beginning of a year and that the rate would remain unchanged over the next financial year.

	Carrying amount \$'000	-20% / -10%		+20% / +10%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Foreign exchange risk (-/+ 20%)					
2008	(2,538)	-	8,205	-	(5,470)
2007	(2,277)	-	7,481	-	(4,987)
Commodity price risk (-/+10%)					
2008	(247,751)	(229)	106,012	221	(106,012)
2007	(1,026,804)	(2,231)	193,064	2,230	(196,587)

Cash flow interest rate risk

The Group and parent entity are exposed to interest rate risk through its entities' loan facilities and deposits in interest bearing and debt offset accounts.

As at the reporting date, the Group and the parent entity had the following variable rate borrowings outstanding:

	30 June 2008		30 June 2007	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank overdrafts and bank loans	6.73	130,517	6.88	182,936
Net exposure to cash flow interest rate risk		130,517		182,936

2 Financial risk management

(continued)

(a) Market risk (continued)

The Group is exposed to changes in interest rates via its borrowings. Group financial policies set the parameters for the management of interest rate risk, and detailed risk management plans are approved at least annually by the Board.

The Group's financier, Queensland Treasury Corporation (QTC), provides loan facility arrangements to assist in managing this risk. The Group specifies to QTC the overall target term structure of its debt portfolio and the weighting of various component maturities of debt. The term structure of the debt is set so as to reduce exposure to adverse interest rate movements, match underlying business cash flows and reduce the overall cost of funding. The Group's pricing for the debt is set based on QTC's financing cost to issue its own debt instruments of equivalent terms, and QTC's active management of their debt portfolio.

The following summarises the sensitivity of the Group and parent entity to cash flow interest rate risk for this debt. At 30 June 2008, if interest rates applicable to borrowings provided by QTC had changed by 100 basis points from the reporting date with all other variables held constant, profit would have been \$167,436 higher or lower (2007: \$149,476 higher or lower) with an offsetting movement in borrowings.

In the prior year the Group held interest rate swap contracts with a value of \$2,961,441, with sensitivity analysis showing that if interest rates had changed by 10% from the reporting date with all other variables held constant, equity would have been \$2,028,000 higher or \$2,548,000 lower, with no impact on profit or loss. These swap contracts were closed out during 2008.

Secured private facility

A secured private facility was in place to finance the Group's share of the Emu Downs Wind Farm project. This was a long-term borrowing facility issued at a floating rate. Interest rate swaps were entered into to manage this floating rate exposure within the Group's policy. Under the interest rate swaps, the Group received the difference between the fixed rate amount and variable rate amount, calculated by reference to agreed notional principal amounts. The Group classified these interest rate swaps as cash flow hedges and stated them at fair value. The secured private facility was repaid during 2008.

Secured bank overdraft

The overdraft facility is with the Australia and New Zealand Banking Group Ltd and has an approved limit of \$1,000,000. This facility remained fully undrawn at 30 June 2008 and is available for use in the next reporting period.

(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 discharge their 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 electricity industry counterparties under International Swaps and Derivatives Association (ISDA) agreements.

The Group has a strict credit policy for all customers trading on credit terms. It has a range of measures for determining counterparty credit worthiness relying on a risk adjusted assessment principally based on the counterparty's credit rating determined by a recognised rating agency.

Where appropriate, the Group also obtains acceptable credit support. Receivable balances are monitored on an ongoing basis with the result that the entity's exposure to bad debts is not significant.

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. A concentration of credit risk for derivative instruments exists predominantly in the Queensland electricity market.

The credit exposure of derivative contracts is calculated utilising the 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 and the volatility of market prices.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates, as outlined in the table on the next page. The carrying amount of financial assets recorded in the financial statements, net of allowances for losses, represents the Group's maximum exposure to credit risk.

Notes to the financial statements 30 June 2008

2 Financial risk management (continued)

(b) Credit risk (continued)

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Trade receivables				
<i>Counterparties with external credit rating</i>				
AA+ to AA-	4,645	21	4,645	21
BBB+ to BBB-	13,080	13,266	13,080	13,266
	17,725	13,287	17,725	13,287
<i>Counterparties without external credit rating *</i>				
Group 1	61,523	199,680	61,523	199,680
Group 2	2,750	250	2,750	250
	64,273	199,930	64,273	199,930
Total trade receivables	81,998	213,217	81,998	213,217
Cash at bank and short-term bank deposits				
AAA	62,418	130,066	62,413	130,066
AA	81	2,673	81	2,672
	62,499	132,739	62,494	132,738
Derivative financial assets				
AAA	54,451	144,436	54,451	144,436
AA+ to AA-	71,178	136,298	71,178	136,298
BBB+ to BBB	59,791	127,769	59,791	127,769
Counterparties without external credit ratings	31,960	15,042	31,960	15,042
	217,380	423,545	217,380	423,545

* Group 1 - existing customers (more than 6 months) with no defaults in the past. This balance is primarily composed of open trades with NEMMCO.
Group 2 - existing customers (more than 6 months) with some defaults in the past.

(c) Liquidity risk

Liquidity risk refers to the situation where the Group may encounter difficulty in meeting obligations associated with financial liabilities. The Group manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.

The Group and the parent entity had access to the following undrawn borrowing facilities at the reporting date:

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
- Expiring within one year (bank overdraft and bill facility)	11,000	11,000	11,000	11,000
- Expiring beyond one year (bank loans)	739,733	753,733	739,733	753,733
	750,733	764,733	750,733	764,733

Notes to the financial statements 30 June 2008

(2 Financial risk management (continued))

c) Liquidity risk (continued)

Funding approval is sought in advance for expenditure commitments that extend beyond the current financial year, pursuant to the Queensland Government's State Borrowing Program. The Group is wholly owned by the State of Queensland and has been subject to review by an international credit rating agency. The public long term rating of the Group is AA-.

Parent and Group - At 30 June 2008

	0 to 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
Non-derivatives				
Fixed rate	9,849	39,458	130,517	179,824
Total non-derivatives	9,849	39,458	130,517	179,824
Derivatives				
Electricity hedging contracts	291,482	180,824	-	472,306
Forward foreign exchange contracts	2,181	1,174	-	3,355
Total derivatives	293,663	181,998	-	475,661

Parent and Group - At 30 June 2007

Non-derivatives				
Fixed rate	8,775	35,061	116,517	160,353
Total non-derivatives	8,775	35,061	116,517	160,353
Derivatives				
Electricity hedging contracts	929,105	541,120	-	1,470,225
Forward foreign exchange contracts	1,783	984	-	2,767
Total derivatives	930,888	542,104	-	1,472,992

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets and liabilities held by the Group is the current mid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held.

The fair value of the remaining financial instruments are determined using other techniques including estimated discounted cash flows. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The fair value of cash and cash equivalents and non interest bearing monetary financial assets and financial liabilities approximate their carrying amounts and are not disclosed separately. The fair value of other monetary financial assets and financial liabilities is based on market prices where a market exists, or is determined by discounting expected future cash flows by the current interest rate for financial assets and liabilities with similar risk profiles. The carrying value of trade receivables less impairment provision and payables are assumed to approximate their fair values due to their short term nature. The fair value of prepayments is represented by the book value as the period of time to consumption is short and there are no rates involved in the calculation, therefore they are not disclosed separately.

3 Critical accounting estimates and judgments

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

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

Impairment of non-financial assets

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment.

If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions including the expected operational performance of the asset and appropriate discount rate used for net present value purposes.

For non-current assets classified as held for sale, significant judgment may be required in the determination of fair value if there is no binding agreement in an arms length transaction. This judgment involves consideration of the best information available regarding recent transactions for similar assets.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(b) Critical accounting estimates and assumptions

Electricity hedging contracts

The Group follows the guidance of AASB 139 *Financial Instruments: Recognition and Measurement* in determining the value of electricity hedging contracts. The value of contracted electricity swap transactions to occur at future dates is required to be marked-to-market at fair value. The lack of liquidity in the market coupled with problems in obtaining quoted market prices has resulted in the decision to apply a valuation technique to estimate fair value.

The aim of the valuation technique is to incorporate the maximum number of market inputs, and rely as little as possible on entity-specific inputs. A forward curve is constructed on a daily basis with appropriate external and internal information sources and is used to value the electricity contracts.

Note 2 contains a sensitivity analysis for electricity price risk.

Rehabilitation and decommissioning provision

The Group recognises decommissioning and rehabilitation provisions for its operating sites. The methodology adopted to determine the value of these provisions utilises a number of estimates and assumptions.

The estimates of the cost of decommissioning power stations and rehabilitating the sites utilises an accepted market methodology. These estimates are prepared internally and are periodically validated by an external independent expert. Various scenarios are considered in relation to timing and method of decommissioning.

Defined benefit plans

Various actuarial assumptions underpin the determination of the Group's pension obligations. These assumptions and the related carrying amounts are discussed in note 18.

Long service leave provision

As discussed in note 1(t), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Estimation of useful lives of assets

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

Onerous contract provision

The Group recognises an onerous contract provision relating to the Gladstone Interconnection and Power Pooling Agreement. The methodology adopted to value this provision includes a number of key assumptions including estimates of future wholesale pool prices, generation output and the appropriate discount rate for net present value purposes.

If the estimated future wholesale pool prices were 10% higher or lower from the reporting date, with all other variables held constant, the carrying value of the onerous contract provision would range from \$nil to \$102,733,668 with an offsetting movement in the income statement.

Notes to the financial statements 30 June 2008

4 Revenue

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
From operating activities				
Sales of electricity	402,762	374,112	396,677	370,108
Coal revenue sharing arrangements	60,593	125,154	60,593	125,154
Other revenue	62,337	9,954	56,436	5,763
Interest	10,766	5,293	10,226	4,817
	536,458	514,513	523,932	505,842
From outside operating activities				
Other revenue	4,491	844	1,405	839
	540,949	515,357	525,337	506,681

5 Other income

Remeasurement of liabilities acquired on transfer of Gladstone Business Unit				
- onerous contract (note 20)	11,622	-	11,622	-
- derivative financial instruments and other liabilities	10,120	-	10,120	-
Net gain on disposal of net assets held for sale in disposal groups/investment in subsidiaries (note (a))	18,400	14,247	18,475	-
	40,142	14,247	40,217	-

(a) Net gain on disposal of net assets held for sale in disposal groups/investment in subsidiaries

Toora Wind Farm Pty Ltd, Windy Hill Wind Farm Pty Ltd and Wind Project Developments Pty Ltd were incorporated on 31 August 2007 and were sold on 20 December 2007. The sale of the subsidiaries resulted in a consolidated after tax gain on disposal of \$18.4 million.

Notes to the financial statements 30 June 2008

6 Expenses

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Profit before income tax includes the following specific expenses:				
<i>Depreciation</i>				
Power stations	19,938	22,881	19,938	20,343
Other property, plant and equipment	3,364	2,651	3,364	2,568
Total depreciation	23,302	25,532	23,302	22,911
<i>Amortisation</i>				
Power stations	43,625	43,834	43,625	43,834
Other property, plant and equipment	735	806	735	806
Intangible assets	3,100	3,019	3,100	3,019
Exploration and evaluation expenditure	96	95	96	95
Total amortisation	47,556	47,754	47,556	47,754
<i>Finance costs</i>				
Interest and finance charges paid/payable	11,771	13,991	9,269	8,189
Amount capitalised	-	(1,732)	-	-
Finance costs expensed	11,771	12,259	9,269	8,189
<i>Net loss on disposal of property, plant and equipment</i>	8	199	8	186
<i>Net bad and doubtful receivables expense including movements in provision for doubtful receivables</i>	23,016	36	23,016	36
<i>Rental expense relating to operating leases</i>	2,391	2,625	2,181	2,479
<i>Net expense/(benefit) from movement in employee entitlements provision</i>	380	(91)	376	(95)
<i>Defined contribution superannuation expense</i>	2,395	2,216	2,395	2,216

Borrowing costs

The capitalisation rate used to determine the capitalised amount of borrowing costs is the weighted average interest rate applicable to the entity's outstanding borrowings. There were no borrowing costs capitalised in 2008.

Notes to the financial statements 30 June 2008

7 Income tax equivalent expense

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(a) Income tax equivalent expense				
Current tax	39,500	10,053	37,381	10,053
Deferred tax	(7,486)	56,843	(8,883)	55,197
Adjustments for current tax of prior periods	17	268	17	268
	32,031	67,164	28,515	65,518
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 16)	(10,308)	79,964	(10,300)	78,818
(Decrease) increase in deferred tax liabilities (note 23)	2,444	(22,853)	1,039	(23,353)
(Under) over provision in prior year	378	(268)	378	(268)
	(7,486)	56,843	(8,883)	55,197
(b) Numerical reconciliation of income tax equivalent expense to prima facie tax payable				
Profit before income tax equivalent expense	167,621	222,926	155,976	217,416
Tax at the Australian tax rate of 30% (2007 - 30%)	50,287	66,877	46,793	65,224
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non-deductible expenses	594	73	594	73
Sundry items	1,480	(59)	1,458	(52)
Leave provision transfer	1	5	1	5
Non-assessable income	(20,348)	-	(20,348)	-
	32,014	66,896	28,498	65,250
Adjustments for current tax of prior periods	17	268	17	268
Income tax equivalent expense	32,031	67,164	28,515	65,518
(c) Amounts recognised directly in equity				
Deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or (credited) to equity was as follows:				
Deferred tax assets (note 16)	(242,106)	(308,496)	(242,106)	(308,496)
Deferred tax liabilities (note 23)	3,425	(1,727)	2,537	(2,366)
	(238,681)	(310,223)	(239,569)	(310,862)

Notes to the financial statements 30 June 2008

8 Current assets - Cash and cash equivalents

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	1,904	2,673	1,899	2,672
Deposits at call - Queensland Treasury Corporation	60,595	130,066	60,595	130,066
	62,499	132,739	62,494	132,738

Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statements as follows:

Balances as above	62,499	132,739	62,494	132,738
Cash and cash equivalents classified as held for sale (note 12)	6,843	12,541	-	-
Balances per statement of cash flows	69,342	145,280	62,494	132,738

Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in note 2.

9 Current assets - Trade and other receivables

Trade receivables	105,168	213,371	105,168	213,371
Provision for impairment of receivables	(23,170)	(154)	(23,170)	(154)
	81,998	213,217	81,998	213,217
Receivable from subsidiaries	-	-	3	23,116
Other receivables	11,050	7,807	11,050	7,807
Prepayments	1,032	1,102	1,032	1,102
	94,080	222,126	94,083	245,242

(a) Impaired trade receivables

As at 30 June 2008 current trade receivables of the Group and parent with a nominal value of \$25,366,401 (2007: \$404,050) were impaired. The amount of the provision was \$23,169,983 (2007: \$153,919). The impaired receivable primarily relates to a contract which is currently in dispute.

The ageing of these receivables is as follows:

0 to 3 months	999	-	999	-
3 to 6 months	2,127	-	2,127	-
Over 6 months	22,240	404	22,240	404
	25,366	404	25,366	404

Movements in the provision for impairment of receivables are as follows:

At 1 July	(154)	(117)	(154)	(117)
Provision for impairment recognised during the year	(23,121)	(37)	(23,121)	(37)
Provision released during the year	105	-	105	-
	(23,170)	(154)	(23,170)	(154)

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Notes to the financial statements 30 June 2008

9 Current assets - Trade and other receivables (continued)

(b) Past due but not impaired

As of 30 June 2008, there were no trade receivables past due but not impaired (2007: \$Nil).

The other classes within trade and other receivables contain receivables past due but not impaired of \$448,556 (2007: \$169,513). This balance relates to a customer with whom there is no history of default. Based on the credit history of these other classes, it is expected that all other amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

(c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at 9.5% per annum (2007: 9.5% per annum) where payment is after the due date.

(d) Foreign exchange and interest rate risk

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

(e) Fair value and credit risk

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

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

10 Current assets - Inventories

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Fuel at weighted average cost	8,045	7,978	8,045	7,978
Stores at weighted average cost	12,759	8,194	12,759	8,194
Green energy products at fair market value	5,568	2,472	5,568	2,472
	26,372	18,644	26,372	18,644

11 Derivative financial instruments

Current assets

Electricity hedging contracts	139,296	207,718	139,296	207,718
Forward foreign exchange contracts	778	490	778	490
Total current derivative financial instrument assets	140,074	208,208	140,074	208,208

Non-current assets

Electricity hedging contracts	77,267	215,337	77,267	215,337
Forward foreign exchange contracts	39	-	39	-
Total non-current derivative financial instrument assets	77,306	215,337	77,306	215,337

Current liabilities

Electricity hedging contracts	291,482	929,105	291,482	929,105
Forward foreign exchange contracts	3,355	2,767	3,355	2,767
Total current derivative financial instrument liabilities	294,837	931,872	294,837	931,872

Non-current liabilities

Electricity hedging contracts	172,832	520,754	172,832	520,754
Total non-current derivative financial instrument liabilities	172,832	520,754	172,832	520,754
Net derivative financial instrument liabilities	250,289	1,029,081	250,289	1,029,081

11 Derivative financial instruments (continued)

(a) Instruments used by the Group

The Group has a range of policies and procedures in place to control financial risks associated with its operating activities. Derivative financial instruments are used to hedge exposure to fluctuations in electricity prices, foreign exchange rates and interest rates. Throughout the period under review, no speculative trading in financial instruments was undertaken.

Interest rate swap contracts - cash flow hedges

A long term limited recourse borrowing facility was in place, which was issued at a variable rate. It is policy to protect such loans from exposure to increasing interest rates. Accordingly, the Group entered into interest rate swaps under which it was obliged to receive interest at variable rates and pay interest at fixed rates.

Swaps in place covered the loan principal outstanding and were timed to expire as each loan repayment fell due. The contracts required settlement of net interest receivable or payable each 90 days. The settlement dates coincided with the dates on which interest was payable on the underlying debt. The contracts were settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value was deferred in equity in the hedging reserve, to the extent that the hedge was effective, and reclassified into profit and loss when the hedged interest expense was recognised. On 26 November 2007 the long term limited recourse borrowing was fully repaid and the interest rate swap contract terminated. On termination of the swap, an amount of \$3,150,000 reflecting the gain on the hedging instruments at fair value was recognised in the income statement.

There were no new interest rate swap contracts entered into by the parent entity in 2008 (2007: none).

Foreign exchange contracts - cash flow hedges

Transaction exposures relating to foreign currencies are managed by entering into forward exchange contracts to purchase and sell foreign currencies. These transactions relate to the contracted purchase of capital equipment denominated in Japanese Yen and the receipt of revenue from coal export sharing arrangements with prices referenced to US Dollars. 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 over the next three years and are timed to expire as each cash flow is due. The contracts require settlement of net cash flows receivable or payable on maturity and are settled on a net basis.

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, and reclassified into profit and loss when the hedged transaction is recognised. The amount that was recognised in equity during the period was \$260,561 (2007: \$2,055,023).

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

Electricity contracts - cash flow hedges

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

Swaps and futures currently in place cover a large proportion of the total load to be generated over the next three years and are timed to expire as each cash flow is received from the NEM. The contracts require settlement of net cash flows receivable or payable each week and are settled on a net basis.

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, and reclassified into profit and loss when the hedged electricity revenue is recognised. The mark-to-market movement in the year was a reduction in the out-of-the money position of \$807,280,018 (2007: increase in the out-of-the money position of \$1,039,519,345).

The gain or loss on derivatives entered into for economic hedge purposes and which are not hedge accounted for are recognised in the income statement immediately. In the year ended 30 June 2008 a gain of \$6,523,711 (2007: \$5,725,274 loss) was included in the income statement.

All electricity swap and futures contracts were entered into by the parent entity.

(b) Risk exposures

For an analysis of the sensitivity of derivatives to interest rate, foreign exchange and commodity price risk refer to note 2.

Notes to the financial statements 30 June 2008

12 Disposal groups classified as held for sale

On 3 June 2007, the Queensland Government announced that it would dispose of all wind farms and related assets held by Government Owned Corporations. On 20 December 2007, the Group disposed of assets relating to Toora wind farm, Windy Hill wind farm and the wind farm development portfolio through the sale of Toora Wind Farm Pty Ltd, Windy Hill Wind Farm Pty Ltd and Wind Project Developments Pty Ltd.

At balance date, Stanwell Corporation Limited owns 50% of the Emu Downs Wind Farm Joint Venture in Western Australia through the wholly owned subsidiaries Wind Portfolio Pty Ltd and EDWF Holdings 1 Pty Ltd. On 28 November 2007 the parent entity entered into a Sale and Purchase Agreement with the State of Queensland and a third party to sell its share of the Emu Downs Wind Farm Joint Venture through the sale of its shares in Wind Portfolio Pty Ltd and EDWF Holdings 1 Pty Ltd.

The timing of the disposal of these assets is dependent upon the outcome of litigation in relation to the consent of the joint venture partner to the change in control of Stanwell Corporation Limited's share in the Emu Downs Wind Farm.

Carrying amounts of assets and liabilities

The carrying amounts of the Group's wind assets and liabilities as at 30 June are:

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	80,078	115,978	-	35,927
Cash and cash equivalents	6,843	12,541	-	-
Trade and other receivables	2,634	2,745	-	-
Interest rate swap contract	-	2,961	-	-
Other receivables	494	483	-	-
Total assets classified as held for sale	90,049	134,708	-	35,927
Trade and other payables	(526)	(5,128)	(500)	(500)
Electricity hedging contracts	-	(4,963)	-	(4,963)
Borrowings	-	(66,419)	-	-
Provision for rehabilitation and decommissioning	(284)	(1,491)	-	(1,236)
Total liabilities classified as held for sale	(810)	(78,001)	(500)	(6,699)
Net assets	89,239	56,707	(500)	29,228

13 Non-current assets - Other financial assets

Investments in subsidiaries (note 33)	-	-	76,726	-
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These financial assets are carried at cost.

Notes to the financial statements 30 June 2008

14 Non-current assets - Property, plant and equipment

Consolidated	Power stations owned at cost \$'000	Power stations owned at recoverable amount \$'000	Power stations under finance lease \$'000	Other property, plant and equipment at cost \$'000	Other property, plant and equipment under finance lease \$'000	Works in progress at cost \$'000	Total \$'000
At 1 July 2006							
Cost or fair value	264,103	7,127	1,532,700	47,401	18,613	93,246	1,963,190
Accumulated depreciation	(86,641)	-	(387,262)	(15,681)	(5,203)	-	(494,787)
Net book amount	177,462	7,127	1,145,438	31,720	13,410	93,246	1,468,403
Year ended 30 June 2007							
Opening net book amount at 1 July	177,462	7,127	1,145,438	31,720	13,410	93,246	1,468,403
Additions	1,071	-	-	188	-	78,906	80,165
Transfers between asset classes	132,366	-	-	11,089	-	(143,455)	-
Transfers to disposal groups held for sale	(102,992)	(6,505)	-	(5,323)	-	(1,158)	(115,978)
Re-estimation of rehabilitation and decommissioning asset	(435)	(81)	-	-	-	-	(516)
Disposals	(143)	-	(195)	(318)	-	-	(656)
Development costs written off	-	-	-	-	-	(3,581)	(3,581)
Depreciation	(22,340)	(541)	-	(2,651)	-	-	(25,532)
Amortisation	-	-	(43,834)	-	(806)	-	(44,640)
Closing net book amount at 30 June	184,989	-	1,101,409	34,705	12,604	23,958	1,357,665
At 30 June 2007							
Cost or fair value	301,259	337	1,513,100	50,576	18,608	23,958	1,907,838
Accumulated depreciation	(116,270)	(337)	(411,691)	(15,871)	(6,004)	-	(550,173)
Net book amount	184,989	-	1,101,409	34,705	12,604	23,958	1,357,665

Notes to the financial statements 30 June 2008

14 Non-current assets - Property, plant and equipment (continued)

Consolidated	Power stations owned at cost \$'000	Power stations under finance lease \$'000	Other property, plant and equipment at cost \$'000	Other property, plant and equipment under finance lease \$'000	Works in progress at cost \$'000	Total \$'000
Year ended 30 June 2008						
Opening net book amount at 1 July	184,989	1,101,409	34,705	12,604	23,958	1,357,665
Additions	-	-	605	-	38,579	39,184
Transfers between asset classes	30,931	-	5,209	-	(36,140)	-
Transfers to inventory	(1,616)	(1,675)	-	-	-	(3,291)
Transfers to disposal groups held for sale	(362)	-	(915)	-	-	(1,277)
Re-estimation of rehabilitation and decommissioning asset	(6)	-	-	-	-	(6)
Disposals	(313)	(32)	(95)	-	(125)	(565)
Development costs written off	-	-	-	-	-	-
Depreciation	(19,938)	-	(3,364)	-	-	(23,302)
Amortisation	-	(43,625)	-	(735)	-	(44,360)
Closing net book amount at 30 June	193,685	1,056,077	36,145	11,869	26,272	1,324,048
At 30 June 2008						
Cost or fair value	329,655	1,511,180	53,624	18,608	26,272	1,939,339
Accumulated depreciation	(135,970)	(455,103)	(17,479)	(6,739)	-	(615,291)
Net book amount	193,685	1,056,077	36,145	11,869	26,272	1,324,048

Notes to the financial statements 30 June 2008

14 Non-current assets - Property, plant and equipment (continued)

Parent Entity	Power stations owned at cost \$'000	Power stations owned at recoverable amount \$'000	Power stations under finance lease \$'000	Other property, plant and equipment at cost \$'000	Other property, plant and equipment under finance lease \$'000	Works in progress at cost \$'000	Total \$'000
At 1 July 2006							
Cost or fair value	264,103	7,127	1,532,700	47,401	18,613	40,566	1,910,510
Accumulated depreciation	(86,641)	-	(387,262)	(15,681)	(5,203)	-	(494,787)
Net book amount	177,462	7,127	1,145,438	31,720	13,410	40,566	1,415,723
Year ended 30 June 2007							
Opening net book amount at 1 July	177,462	7,127	1,145,438	31,720	13,410	40,566	1,415,723
Additions	1,070	-	-	188	-	48,874	50,132
Transfers between asset classes	51,942	-	-	8,801	-	(60,743)	-
Transfers to disposal groups held for sale	(25,105)	(6,505)	-	(3,159)	-	(1,158)	(35,927)
Re-estimation of rehabilitation and decommissioning asset	(435)	(81)	-	-	-	-	(516)
Development costs written off	-	-	-	-	-	(3,581)	(3,581)
Disposals	(143)	-	(195)	(277)	-	-	(615)
Depreciation	(19,802)	(541)	-	(2,568)	-	-	(22,911)
Amortisation	-	-	(43,834)	-	(806)	-	(44,640)
Closing net book amount at 30 June	184,989	-	1,101,409	34,705	12,604	23,958	1,357,665
At 30 June 2007							
Cost or fair value	301,259	-	1,513,100	50,576	18,608	23,958	1,907,501
Accumulated depreciation	(116,270)	-	(411,691)	(15,871)	(6,004)	-	(549,836)
Net book amount	184,989	-	1,101,409	34,705	12,604	23,958	1,357,665

Notes to the financial statements 30 June 2008

14 Non-current assets - Property, plant and equipment (continued)

Parent Entity	Power stations owned at cost \$'000	Power stations under finance lease \$'000	Other property, plant and equipment at cost \$'000	Other property, plant and equipment under finance lease \$'000	Works in progress at cost \$'000	Total \$'000
Year ended 30 June 2008						
Opening net book amount at 1 July	184,989	1,101,409	34,705	12,604	23,958	1,357,665
Additions	-	-	582	-	38,580	39,162
Transfers between asset classes	30,931	-	5,209	-	(36,140)	-
Transfers to inventory	(1,616)	(1,675)	-	-	-	(3,291)
Transfers to disposal groups held for sale	(362)	-	(915)	-	-	(1,277)
Re-estimation of rehabilitation and decommissioning asset	(6)	-	-	-	-	(6)
Development costs written off	-	-	-	-	-	-
Disposals	(313)	(32)	(95)	-	(126)	(566)
Depreciation	(19,938)	-	(3,364)	-	-	(23,302)
Amortisation	-	(43,625)	-	(735)	-	(44,360)
Closing net book amount at 30 June	193,685	1,056,077	36,122	11,869	26,272	1,324,025
At 30 June 2008						
Cost or fair value	329,655	1,511,180	53,601	18,608	26,272	1,939,316
Accumulated depreciation	(135,970)	(455,103)	(17,479)	(6,739)	-	(615,291)
Net book amount	193,685	1,056,077	36,122	11,869	26,272	1,324,025

Carrying amounts of land and buildings

The carrying amounts of land and buildings included in the tables above are set out below:

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Land and buildings	69,191	70,584	69,191	70,584

Notes to the financial statements 30 June 2008

15 Non-current assets - Intangible assets

Consolidated and parent entity	Capitalised software \$'000
<hr/>	
At 1 July 2006	
Cost	14,033
Accumulated amortisation	(8,435)
Net book amount	5,598
Year ended 30 June 2007	
Opening net book amount	5,598
Additions	987
Amortisation charge	(3,019)
Closing net book amount at 30 June	3,566
At 30 June 2007	
Cost	15,008
Accumulated amortisation	(11,442)
Net book amount	3,566
Year ended 30 June 2008	
Opening net book amount at 1 July	3,566
Additions	6,838
Amortisation charge	(3,100)
Closing net book amount at 30 June	7,304
At 30 June 2008	
Cost	21,845
Accumulated amortisation	(14,541)
Net book amount	7,304

Amortisation of \$3,100,023 (2007: \$3,019,000) is included in the depreciation and amortisation expense in the income statement.

Notes to the financial statements 30 June 2008

16 Non-current assets - Deferred tax assets

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
The balance comprises temporary differences attributable to:				
Provisions and accrued employee entitlements not currently deductible	14,932	5,331	14,918	5,325
Development costs deductible in the future	1,703	2,271	1,703	2,271
Sundry items	274	283	274	283
Derivatives	69,391	310,213	69,391	310,213
Tax losses utilised	-	75	-	-
Total deferred tax assets	86,300	318,173	86,286	318,092
Movements:				
Opening balance at 1 July	318,173	89,641	318,092	88,414
Credited/(charged) to the income statement (note 7)	10,308	(79,964)	10,300	(78,818)
(Charged)/credited to equity - derivative financial instruments (note 26)	(242,106)	308,496	(242,106)	308,496
Tax losses utilised	(75)	-	-	-
Closing balance at 30 June	86,300	318,173	86,286	318,092
Deferred tax assets to be recovered within 12 months	53,362	227,700	53,348	227,620
Deferred tax assets to be recovered after more than 12 months	32,938	90,473	32,938	90,472
	86,300	318,173	86,286	318,092

17 Non-current assets - Other non-current assets

Other				
Exploration and evaluation expenditure	6,376	4,883	6,376	4,883
Accumulated amortisation on exploration and evaluation expenditure	(374)	(278)	(374)	(278)
	6,002	4,605	6,002	4,605

18 Non-current assets - Retirement benefit obligations

(a) Superannuation plan

The Group contributes on behalf of its employees to a number of defined contribution funds as well as to the industry multiple employer superannuation scheme, the Queensland Electricity Supply Industry Employees' Superannuation Scheme, which consists of a defined benefit plan and a defined contribution plan. The defined benefit section provides lump sum benefits based on years of service and average salary. The defined contribution section receives fixed contributions from the Group and the Group's legal or constructive obligation is limited to these contributions.

The following sets out details in respect of the defined benefit section only.

Notes to the financial statements 30 June 2008

18 Non-current assets - Retirement benefit obligations (continued)

(b) Balance sheet amounts

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

	Consolidated and Parent Entity	
	2008	2007
	\$'000	\$'000
Present value of the defined benefit obligation	(24,706)	(22,866)
Fair value of defined benefit plan assets	26,705	31,902
Net asset before adjustment for contributions tax	1,999	9,036
Adjustment for contributions tax	353	1,595
Net asset in the balance sheet	2,352	10,631

The Group intends to continue to contribute to the defined benefit plan at a rate of 10% (2007: 10.0%) of salaries having consideration for the actuary's latest recommendations.

(c) Categories of plan assets

The major categories of plan assets are as follows:

Cash	1,843	1,818
Fixed interest	5,287	7,338
Domestic equities	6,062	8,295
Private equity	2,377	1,563
International equities	7,851	9,283
Unlisted property	3,285	3,605
	26,705	31,902

(d) Reconciliations

Reconciliation of the present value of the defined benefit obligation, which is fully funded:

Opening balance at 1 July	22,866	21,970
Current service cost	1,515	1,555
Interest cost	1,182	1,043
Actuarial (gains) and losses	1,092	(1,278)
Contributions by members	416	423
Benefits paid	(1,123)	(1,664)
Contributions tax	(1,242)	817
Balance at the end of the year	24,706	22,866

Reconciliation of the fair value of plan assets:

Opening balance at 1 July	31,902	26,376
Expected return on plan assets	2,072	1,711
Actuarial (decrease) increase in assets	(7,366)	4,211
Contributions by Group companies	804	845
Contributions by members	416	423
Benefits paid	(1,123)	(1,664)
Balance at the end of the year	26,705	31,902

Notes to the financial statements 30 June 2008

18 Non-current assets - Retirement benefit obligations (continued)

(e) Amounts recognised in income statement

The amounts recognised in the income statement are as follows:

	Consolidated and Parent Entity	
	2008	2007
	\$'000	\$'000
Current service cost	1,515	1,555
Finance cost	1,182	1,043
Expected return on plan assets	(2,072)	(1,711)
Total included in employee benefits expense	625	887
Actual return on plan assets	(5,294)	5,922

(f) Principal actuarial assumptions

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

	Consolidated and Parent Entity	
	2008	2007
Discount rate	5.4%	5.3%
Expected return on plan assets	6.5%	6.5%
Future salary increases	4.5%	4.5%

The expected rate of return on plan assets has been calculated based on the current asset allocation to each of the major asset classes and the expected future investment return for each of these asset classes. This resulted in the selection of a 6.5% (2007: 6.5%) expected return (net of investment fees and tax).

(g) Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals, and the last such assessment was made as at 1 July 2005 by Sunsuper Financial Services Pty Ltd.

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

Using the projected unit credit method and particular actuarial assumptions as to the plan's future experience the actuary recommended, in the actuarial review as at 1 July 2005, the payment of employer contributions to the fund of 8.0% of defined benefit members salaries from 1 July 2006. A contribution rate of 10% has been adopted by the Group. This is higher than the rate recommended by the actuary due to differing wage growth assumptions and to minimise the risk of any downward fluctuations in market investment returns.

Total employer contributions expected to be paid by the Group for the year ending 30 June 2009 are \$874,000.

(h) Historic summary

	2008	2007	2006	2005
	\$'000	\$'000	\$'000	\$'000
Defined benefit plan obligation	(24,353)	(21,271)	(21,192)	(21,914)
Plan assets	26,705	31,902	26,376	21,888
Surplus / (deficit)	2,352	10,631	5,184	(26)
Experience adjustments arising on plan liabilities	(1,092)	1,278	1,119	(3,689)
Experience adjustments arising on plan assets	(7,366)	4,211	3,899	1,892

Notes to the financial statements 30 June 2008

19 Current liabilities - Trade and other payables

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Trade payables	16,852	129,309	16,852	129,309
Other payables and accruals	48,560	28,826	48,537	28,824
	65,412	158,135	65,389	158,133

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

Other payables and accruals include accruals for annual leave. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months. The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Annual leave obligation expected to be settled after 12 months	1,197	1,073	1,197	1,073

(b) Risk exposure

Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in note 2.

20 Current liabilities - Provisions

Employee benefits	4,764	374	4,764	374
Onerous contracts	30,602	-	30,602	-
Restoration	707	686	707	686
Dividends (refer note 27)	92,105	122,301	92,105	122,301
	128,178	123,361	128,178	123,361

(a) Employee Benefits

Details of the calculations used for these benefits are included in note 24.

(b) Onerous contracts

The onerous contracts provision has been calculated by projecting the revenue and expenditure attributable to the contract up to the contract expiry date and discounting back to present values using the Group's cost of capital.

(c) Movements in provisions

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

	Onerous contracts	Restoration	Dividends	Total
	\$'000	\$'000	\$'000	\$'000
Consolidated and Parent Entity - 2008				
Opening balance at 1 July	-	686	122,301	122,987
Provision transferred through equity	43,850	-	-	43,850
Charged/(credited) to the income statement				
- additional provisions recognised	-	151	-	151
- reduction from remeasurement on transfer	(11,622)	-	-	(11,622)
- reduction from remeasurement at reporting date	(1,626)	-	-	(1,626)
Dividends paid	-	-	(122,301)	(122,301)
Dividends proposed	-	-	92,105	92,105
Amounts used during the period	-	(130)	-	(130)
Closing balance at 30 June	30,602	707	92,105	123,414

Notes to the financial statements 30 June 2008

20 Current liabilities - Provisions (continued)

(d) Amounts not expected to be settled within the next 12 months

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

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Long service leave obligation expected to be settled after 12 months	4,133	4,207	4,133	4,207

21 Other current liabilities

Security deposits and retentions	17	512	17	512
Mandatory Renewable Energy Target obligations	22,224	-	22,224	-
	22,241	512	22,241	512

22 Non-current liabilities - Borrowings

Unsecured borrowings	130,517	116,517	130,517	116,517
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(a) Unsecured borrowings

The unsecured borrowings are provided by Queensland Treasury Corporation. An amount of \$589,733,117 (2007 - \$603,733,117) is held in a debt offset account, and is reported as a set-off against non-current borrowings. Interest rates on the unsecured borrowings are fixed unless further draw downs are required and funds may be drawn from the offset account at any time.

(b) Fair value

The fair value of unsecured borrowings for the Group and parent entity at 30 June 2008 was \$127,151,416 (2007: \$113,834,222) compared to a carrying amount of \$130,516,945 (2007: \$116,516,945).

(c) Risk exposures

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

23 Non-current liabilities - Deferred tax liabilities

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
The balance comprises temporary differences attributable to:				
Differences in depreciation and amortisation of property, plant and equipment for accounting and income tax equivalent purposes	321,121	332,824	319,804	332,699
Expenditure currently deductible for tax equivalent purposes but deferred and amortised for accounting purposes	16,177	5,491	15,876	5,403
Revenue recognised in accounting revenue but deferred for tax purposes	1,327	2,261	1,040	1,974
Defined benefit plan asset	706	3,189	706	3,189
Derivative assets	-	888	-	-
Revaluation of liabilities	4,341	-	4,341	-
Net deferred tax liabilities	343,672	344,653	341,767	343,265

Notes to the financial statements 30 June 2008

23 Non-current liabilities - Deferred tax liabilities (continued)

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Movements:				
Opening balance at 1 July	344,653	369,233	343,265	368,984
Charged/(credited) to the income statement (note 7)	2,444	(22,853)	1,039	(23,353)
Credited to equity - derivative financial instruments (note 26)	(888)	(3,361)	-	(4,000)
Charged to equity - retirement benefit obligations (note 26)	(2,537)	1,634	(2,537)	1,634
Closing balance at 30 June	343,672	344,653	341,767	343,265
Deferred tax liabilities to be settled within 12 months	23,162	8,956	21,257	7,568
Deferred tax liabilities to be settled after more than 12 months	320,510	335,697	320,510	335,697
	343,672	344,653	341,767	343,265

24 Non-current liabilities - Provisions

Employee benefits	1,959	5,899	1,959	5,899
Restoration	540	185	540	185
Rehabilitation and decommissioning	1,223	1,104	1,223	1,104
	3,722	7,188	3,722	7,188

(a) Employee benefits

The present value of employee benefits not expected to be settled within 12 months of balance date have been calculated using the following weighted averages:

	2008	2007
Estimate of average labour cost increases	5.5%	5.5%
Discount rate	6.9%	6.3%
Settlement term (years)	19	19

(b) Movements in provisions

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

	Restoration \$'000	Rehabilitation and decommissioning \$'000	Total \$'000
Consolidated and parent entity - 2008			
Opening balance at 1 July	185	1,104	1,289
Charged to the income statement			
- additional provisions recognised	355	-	355
- unwinding of discount	-	134	134
Reduction from remeasurement	-	(15)	(15)
Closing balance at 30 June	540	1,223	1,763

(c) Rehabilitation and decommissioning

The rehabilitation and decommissioning provision has been calculated by projecting the estimated costs in current values by the expected long-term inflation rate to the end of the useful life of each site, which may include a mothball period, and discounting back to present value using the Group's cost of capital.

Notes to the financial statements 30 June 2008

25 Contributed equity

	Consolidated and Parent Entity		Consolidated and Parent Entity	
	2008	2007	2008	2007
	Shares	Shares	\$'000	\$'000
Share capital				
Ordinary voting (A class) \$1 shares, fully paid	4	4	-	-
Ordinary non-voting (B class) \$1 shares, fully paid	924,568,658	979,047,712	924,569	979,048
	924,568,662	979,047,716	924,569	979,048
Total contributed equity - parent entity			924,569	979,048
Total consolidated contributed equity			924,569	979,048

(a) Movements in ordinary share capital - parent entity

Ordinary non-voting (B class) shares

Date	Details	Number of shares	Issue price	\$'000
30 June 2007	Balance	979,047,712		979,048
1 July 2007	Opening balance	979,047,712		979,048
27 June 2008	Shares bought back and cancelled	(54,479,054)	\$1.00	(54,479)
30 June 2008	Balance	924,568,658		924,569

(b) Share buy back

On 27 June 2008, 54,479,054 Ordinary non-voting (B class) shares were bought back and cancelled at a cost of \$54,479,054 in accordance with a meeting of the Board held pursuant to a direction signed by the Treasurer for the State of Queensland and issued in accordance with Section 11 of the *Energy Assets (Restructuring and Disposal) Act 2006* (Qld). This share buy back was undertaken as a means of repatriating proceeds from the sale of wind farm subsidiaries, as outlined in note 33.

(c) Ordinary shares

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 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.

(d) 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 generator corporation 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.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total capital. Debt is calculated as total borrowings, including 'borrowings' disclosed within disposal groups classified as held for sale. Total capital is calculated as 'equity' as shown in the balance sheet plus debt.

Notes to the financial statements 30 June 2008

25 Contributed equity (continued)

(d) Capital risk management (continued)

During 2008, the Group's Board approved capital structure of 40% of total capital was changed to a target debt range of between 30% and 50% of total capital. This change was designed to balance the need to support growth strategy against the need to properly manage debt service levels and maintain the Group's public long term credit rating of AA-. The gearing ratios at 30 June 2008 and 30 June 2007 were as follows:

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Borrowings	130,517	116,517	130,517	116,517
Add: Borrowings included in liabilities classified as held for sale	-	66,419	-	66,419
Debt	130,517	182,936	130,517	182,936
Total equity	732,972	335,356	723,861	332,301
Total capital	863,489	518,292	854,378	515,237
Gearing ratio	15%	35%	15%	36%

The decrease in the gearing ratio during 2008 resulted primarily from the repayment of the limited recourse borrowing relating to EDWF Holdings 1 Pty Ltd and the significant improvement in the electricity hedge book reflected in the hedging reserve.

26 Reserves, other owner contributions and retained profits

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(a) Reserves				
Hedging reserve - cash flow hedges	(154,910)	(717,750)	(154,910)	(719,823)
Movements:				
Opening balance at 1 July	(717,750)	9,913	(719,823)	9,334
(Loss)/gain on revaluation - gross: electricity contracts	121,297	(1,056,439)	121,297	(1,056,439)
(Loss)/gain on revaluation - gross: foreign exchange contracts	1,465	(1,234)	1,465	(1,234)
(Loss)/gain on revaluation - gross: interest rate contracts	-	1,920	-	-
Transfer to net profit - gross: electricity contracts	685,983	16,841	685,983	16,841
Transfer to net profit - gross: foreign exchange contracts	(1,726)	(783)	(1,726)	(783)
Transfer to net profit - gross: interest rate contracts	(2,961)	213	-	-
Transfer to property, plant and equipment - gross: foreign exchange contracts	-	(38)	-	(38)
Deferred tax assets (note 16)	(242,106)	308,496	(242,106)	308,496
Deferred tax liabilities (note 23)	888	3,361	-	4,000
Balance 30 June	(154,910)	(717,750)	(154,910)	(719,823)
(b) Other owner contributions	148,309	-	148,309	-
Movements:				
Contributions by owners	148,309	-	148,309	-

On 30 August 2007 the Government Owned Corporations (QPTC restructure - Stage 2) Regulation 2007 transferred the net liabilities of the Gladstone Business Unit of the Queensland Power Trading Corporation to Stanwell Corporation Limited as of 2 September 2007.

Notes to the financial statements 30 June 2008

26 Reserves, other owner contributions and retained profits (continued)

(c) Retained profits

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Retained profits	111,622	74,058	102,511	73,076
Movements:				
Opening balance at 1 July	74,058	36,742	73,076	39,624
Net profit for the year	135,590	155,762	127,461	151,898
Dividends	(92,105)	(122,301)	(92,105)	(122,301)
Actuarial (losses)/gains on defined benefit plans	(8,458)	5,489	(8,458)	5,489
Tax on actuarial (losses)/gains on defined benefit plans	2,537	(1,634)	2,537	(1,634)
Closing balance at 30 June	111,622	74,058	102,511	73,076

(d) Nature and purpose of reserves

The hedging reserve is used to record gains or losses on cash flow hedges that are recognised directly in equity, as described in note 1(l). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

27 Dividends

Dividends recognised by the parent entity are:

	Cents per share	Total amount \$'000	Date of payment
2008			
2008 Final - Ordinary (Declared)	9.96	92,105	31 December 2008
2007			
2007 Final - Ordinary (Declared)	12.50	122,301	31 December 2007

Notes to the financial statements 30 June 2008

28 Key management personnel disclosures

(a) Compensation of directors

Directors' compensation is determined by the Shareholding Ministers based on recommendations provided by the Cabinet Budget Review Committee. Directors do not receive performance related compensation.

Details of the nature and amount of each major element of the compensation of each director of the company, all of whom are non-executive, are:

Name	Primary Salary and fees \$'000	Post-employment Superannuation \$'000	Total \$'000
2008			
D Byrne (Chairman)	69	6	75
L Gillespie (Chairman Human Resources and Workplace Health and Safety Committee from 21 August 2007 to current)	31	3	34
P Gregg (Chairman Audit and Risk Management Committee from 24 October 2007 to current)	30	3	33
B Kelly (Chairman Human Resources and Workplace Health and Safety Committee from 1 July 2007 to 21 August 2007)	29	3	32
B Morris (Chairman Audit and Risk Management Committee from 1 July 2007 to 24 October 2007)	29	3	32
D Watson	29	3	32
M Williamson	29	3	32
2007			
D Byrne (Chairman)	68	6	74
L Gillespie	28	3	31
P Gregg	28	3	31
B Kelly (Chairman Human Resources and Workplace Health and Safety Committee)	30	3	33
B Morris (Chairman Audit and Risk Management Committee)	30	3	33
D Watson	14	1	15
M Williamson	28	3	31
Total remuneration			
2008	246	24	270
2007	226	22	248

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 compensation in the form of non-monetary or other benefits.

(b) Compensation of other key management personnel

The Human Resources and Workplace Health and Safety Committee is responsible for making recommendations to the Board on the compensation policies and packages applicable to the senior executives of the company. The compensation policies and packages are subject to Queensland State Government guidelines that may be issued from time to time.

Senior executives may receive an 'at risk' payment based on the achievement of specific goals related to the performance of the company (including operational results).

Executive officers are those officers involved in the strategic direction, generation management or control of business at a company or operating division level.

Notes to the financial statements 30 June 2008

28 Key management personnel disclosures (continued)

(b) Compensation of other key management personnel (continued)

Details of the nature and amount of each major element of the compensation of each executive of the company are outlined in the following table:

Name	Salary and fees \$'000	Primary	Termination \$'000	Post- employment Super- annuation \$'000	Total \$'000
		Other \$'000			
2008					
Chief Executive Officer	403	-	-	38	441
Chief Financial Officer ¹	55	-	15	5	75
Chief Operating Officer ¹	283	-	62	25	370
General Manager Business Services ¹	280	-	-	23	303
General Manager Business Development ^{1,2}	206	-	-	19	225
General Manager Trading ¹	208	-	36	17	261
General Manager Corporate Services ^{1,2}	167	-	-	14	181
2007					
Chief Executive Officer	359	29	268	36	692
Chief Financial Officer	230	13	-	23	266
Chief Operating Officer	203	25	-	20	248
General Manager Business Services	185	10	-	15	210
General Manager Trading	214	32	-	21	267
Total compensation					
2008	1,602	-	113	141	1,856
2007	1,191	109	268	115	1,683

¹ During part of the year these positions were performed by other employees or external contractors until permanent employees were appointed. The costs of contractors are excluded on the basis that they are not employees.

² These positions were created during the year due to a restructuring of general manager responsibilities.

Executives may earn performance based 'at risk' incentive bonuses which are not shown in this table.

Executives' compensation does not include insurance premiums paid by the consolidated entity or related parties in respect of directors' and officers' liabilities and legal expenses insurance contracts, as the insurance policies do not specify premiums paid in respect of individual officers.

Notes to the financial statements 30 June 2008

28 Key management personnel disclosures (continued)

(c) Compensation policy

The Group seeks to attract and retain high performing individuals to ensure that it exceeds its shareholders' expectations of operational and value adding performance. One component of attracting and retaining such employees is a competitive compensation strategy that rewards based on a combination of personal, team and company performance.

The company has three broad categories of employees with each category having a specific compensation policy and framework.

Senior executives (inclusive of the Chief Executive Officer)

This category of employees is employed on individual employment agreements on salary and conditions outlined by the shareholder's policy 'Remuneration Guidelines and Senior Executives in Government Owned Corporations.' The terms of these agreements and expiry dates for each senior executive position are detailed in the following table:

Position	Term (Years)	Expiry Date
Chief Executive Officer	3	3 January 2010
Chief Financial Officer	3	13 June 2011
Chief Operating Officer	3	30 June 2010
General Manager Business Development	3	10 April 2011
General Manager Business Services ¹	-	-
General Manager Trading	3	31 March 2011
General Manager Corporate Services ²	-	-

¹ A recruitment process is currently underway to fill this position.

² Appointment subject to Shareholding Minister approval.

Separation benefits, in the event of termination by the company (in circumstances other than by ill health, misconduct or poor performance) are allowed for in the agreements. Performance payments for senior executives are based on key performance indicators reflective of personal, division and company performance over each financial year. Payment is subject to endorsement by the Board and approval by the Shareholding Ministers. Payments are made in cash, or if appropriate notice has been provided, paid into the employee's superannuation fund on a salary sacrifice basis.

Salaried employees

In line with shareholder guidelines, these employees are employed under a collective bargaining agreement framework but have some of their conditions, inclusive of salary, established by an Alternative Employment Agreement (AEA). These employees have an open term of employment and separation benefits are in line with the relevant site bargaining agreements.

Performance payments for these employees are based on key performance indicators reflective of personal, site and corporate performance over each financial year. Payment is subject to endorsement by the Chief Executive Officer and approval by the Board. Payments are made in cash or, if appropriate notice has been given, paid into employees' superannuation funds on a salary sacrifice basis.

Employees under Queensland Industrial Relations Commission

The majority of the employees of the company are employed pursuant to site bargaining agreements. There are four agreements, covering the major operating sites and the offices. All agreements are certified by the Queensland Industrial Relations Commission. These employees have an open term of employment with the company and separation benefits are in line with the relevant site bargaining agreements.

Each of the bargaining agreements has a clause allowing for the payment of team based performance bonuses which are paid six monthly. Performance is measured against mutually agreed indicators that are renewed for each payment period. Payments are made in cash, or if appropriate notice has been provided, paid into the employee's superannuation fund on a salary sacrifice basis.

Notes to the financial statements 30 June 2008

28 Key management personnel disclosures (continued)

(d) Performance payments

The following information is provided in respect of performance payments to Group employees:

	2008 \$'000	2007 \$'000
Aggregate performance payment expense	2,840	2,122
Total salaries and wages (including employer contributions to superannuation funds) paid to employees receiving bonus	35,483	36,822
The number of employees who received performance bonuses	372	371

The table below details the terms and grant dates of performance payments by category of employee:

Category	Grant Date	Criteria	Nature
Senior executives (including Chief Executive Officer)	Board approval	Performance	Cash
Salaried employees	1 July	Performance	Cash
Employees - Queensland Industrial Relation Commission	1 January /1 July	Performance	Cash

29 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Audit services:				
Queensland Auditor-General	325	137	325	129

30 Contingencies

Contingent liabilities

Parent entity guarantees in favour of third parties:

Griffin Windfarm Pty Ltd	4,000	4,000
Other	993	993
	4,993	4,993

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 policy set out in note (note 1(v)) the fair value of the above guarantees are \$nil (2007: \$nil).

Notes to the financial statements 30 June 2008

31 Commitments

(a) Capital expenditure commitments

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Property, plant and equipment				
Within one year	22,984	11,387	22,984	11,387
Later than one year but not later than five years	62,267	67,145	62,267	67,145
	85,251	78,532	85,251	78,532

(b) Operating lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	1,988	1,842	1,988	1,842
Later than one year but not later than five years	6,534	7,021	6,534	7,021
Later than five years	257	829	257	829
	8,779	9,692	8,779	9,692

The group leases premises and motor vehicles.

(c) Operating expenditure commitments

Operating expenditure commitments contracted but not provided for and payable as follows:

Within one year	68,245	7,272	68,245	7,272
Later than one year but not later than five years	249,221	7,663	249,221	7,663
Later than five years	684,998	18,281	684,998	18,281
	1,002,464	33,216	1,002,464	33,216

32 Related party transactions

(a) Parent entity

The parent entity is a Queensland Government Owned Corporation, with all shares held by the Shareholding Ministers on behalf of the State of Queensland.

(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 33.

The following transactions occurred with subsidiaries during the year:

	2008 \$'000	2007 \$'000
Issue of share capital	75,726	-
Loans provided during the year	-	22,269
Loans repaid during the year	(22,269)	-
Recharge of costs	-	9,851
Interest receivable on loans provided during the year	547	847
Interest paid on loans provided during the year	(1,394)	-
Other revenue from the provision of services	-	149
Transfer of assets	35,688	-

(c) Joint venture

The consolidated entity holds a 50% participatory interest in the Emu Downs Wind Farm through EDWF Holdings 1 Pty Ltd and is a party to the Woodlands Hardwood Plantation Joint Venture with Forestry Plantations Queensland.

Details of the interest and transactions with the joint ventures are set out in note 34.

Notes to the financial statements 30 June 2008

32 Related party transactions (continued)

d) Key management personnel

Disclosures relating to key management personnel are set out in note 28.

Apart from specific compensation detailed in note 28, no director has entered into a contract with the Group since the end of the previous financial year.

A number of directors of the Group are/were also directors of other organisations which have/had transactions with the consolidated entity. These transactions are based on normal commercial terms and conditions. Material transactions with other State of Queensland controlled entities are disclosed below.

(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		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Electricity financial instrument settlements and green energy products	46,189	14,881	46,189	16,047
Purchase of goods and services	28,480	20,768	28,480	28,146
Recharge of costs*	27,234	3,909	27,234	3,909
Net interest (revenue)/expense	(711)	4,100	(711)	4,100
Superannuation contributions	3,248	3,078	3,248	3,078
Dividends paid and proposed	92,105	122,301	92,105	122,301
Income tax paid	28,648	101	28,648	-
Shares bought back and cancelled	54,479	-	54,479	-
Sale of investment in subsidiary	-	14,247	-	-

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

Cash and cash equivalents	62,411	130,066	62,411	130,066
Receivables	8,246	2,225	8,246	2,225
Derivative financial instrument assets	43,617	80,673	43,617	80,673
Deferred tax assets	86,300	318,173	86,286	318,092
Payables	4,383	25,865	4,383	25,865
Current tax liabilities	21,193	10,053	19,180	10,053
Derivative financial instrument liabilities	115,802	177,340	115,802	177,340
Deferred tax liabilities	343,672	344,653	341,767	343,265
Borrowings	130,517	116,517	130,517	116,517
Dividends	92,105	122,301	92,105	122,301

* The recharge of costs includes \$25,219,000 (2007: \$3,909,000) of costs recharged under a Project Development Agreement to ZeroGen Pty Ltd, a related entity previously owned by the parent entity and sold to the Queensland Government on 16 March 2007. The Chairman of the Board of Directors of the parent entity is a director on the board of ZeroGen Pty Ltd. Costs are recharged to ZeroGen on normal terms and conditions.

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

Notes to the financial statements 30 June 2008

33 Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2008 %	2007 %
Wind Portfolio Pty Ltd	Australia	Ordinary	100	100
EDWF Holdings 1 Pty Ltd	Australia	Ordinary	100	100
Toora Wind Farm Pty Ltd (incorporated 31 August 2007)	Australia	Ordinary	-	-
Windy Hill Wind Farm Pty Ltd (incorporated 31 August 2007)	Australia	Ordinary	-	-
Wind Project Developments Pty Ltd (incorporated 31 August 2007)	Australia	Ordinary	-	-

Toora Wind Farm Pty Ltd, Windy Hill Wind Farm Pty Ltd and Wind Project Developments Pty Ltd were incorporated on 31 August 2007 and were sold on 20 December 2007. The sale of the subsidiaries resulted in a gain on disposal after tax of \$18.4 million.

34 Interests in joint ventures

The Group has a 50% (2007: 50%) participating interest in the Emu Downs Wind Farm Project, whose principal activity is the operation of a wind farm in Western Australia. The joint venture interest is held by EDWF Holdings 1 Pty Ltd, which is a wholly owned subsidiary of Wind Portfolio Pty Ltd, which in turn is a wholly owned subsidiary of Stanwell Corporation Limited. The joint venture is managed by EDWF Manager Pty Ltd which is 50% owned by EDWF Holdings 1 Pty Ltd.

In the course of 2008 the Group entered into an unincorporated joint venture, the Woodlands Hardwood Plantation Joint Venture, with Forestry Plantations Queensland, with each parties' respective interests contractually defined. The principal activity of this venture is the establishment of a viable commercial hardwood plantation of trees.

The Group's share of assets employed in the joint ventures is included in the consolidated balance sheet, in accordance with the accounting policy described in note 1(b), under the following classifications:

	Consolidated	
	2008 \$'000	2007 \$'000
Current assets		
Assets of disposal groups held for sale	90,049	74,280
Non-current assets		
Property, plant and equipment - at cost	175	-
Share of assets employed in joint venture	90,224	74,280

For contingent liabilities relating to these joint ventures refer to note 30.

35 Economic dependency

There is a co-dependent relationship between the company and Origin Energy (Sun Retail) and AGL Energy (Powerdirect Australia). A large portion of electricity is sold into the National Electricity Market Pool, with Origin Energy and AGL Energy purchasing a significant amount of this electricity. In addition, a significant portion the Group's electricity hedge contracts are with Origin Energy and AGL Energy.

Notes to the financial statements 30 June 2008

36 Reconciliation of profit after income tax equivalent

expense to net cash inflow from operating activities

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Profit for the year	135,590	155,762	127,461	151,898
Add items classified as investing/financing activities:	-	-	-	-
Unpaid interest on receivable from subsidiary	-	-	-	(847)
Net (profit)/loss on sale of non-current assets	(18,392)	199	(18,467)	186
Add non-cash items:	-	-	-	-
Depreciation and amortisation	70,762	73,286	70,762	70,665
Gain on disposal of subsidiary	-	(14,247)	-	-
Impairment loss	-	-	-	-
Development costs written off	96	3,581	96	3,581
Non-cash retirement benefits expense	(179)	42	(179)	42
Other	-	57	-	(60)
Revaluation of assets and liabilities acquired from Enertrade	(21,742)	-	(21,742)	-
Change in assets and liabilities:				
Decrease/(increase) in trade debtors and other receivables	131,443	(165,084)	131,375	(166,952)
(Increase)/decrease in inventories	(1,811)	43	(1,811)	43
Increase in assets classified as held for sale	2,803	(3,224)	-	-
Decrease in deferred tax assets	231,872	79,961	231,806	78,818
(Increase)/decrease in other assets	(3,139)	-	(3,686)	-
Decrease/(increase) in derivative financial instrument assets	206,165	(30,423)	206,165	(30,424)
(Decrease)/increase in trade and other payables	(101,586)	125,257	(100,695)	123,422
Increase in current tax liabilities	11,141	9,952	9,128	10,053
Decrease/(increase) in liabilities directly associated with assets classified as held for sale	(61)	2,952	-	1,736
Increase/(decrease) in deferred tax liabilities	1,555	(22,853)	1,039	(23,353)
(Decrease)/increase in derivative financial instrument liabilities	(1,061,386)	37,433	(1,061,386)	37,433
(Decrease)/increase in provisions and other liabilities	(5,129)	(830)	(5,186)	(570)
Decrease in hedging reserve	562,841	-	564,914	-
Net cash (outflow) inflow from operating activities	140,843	251,864	129,594	255,671

37 Earnings per share

	Consolidated	
	2008 Cents	2007 Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	13.86	15.91
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	13.86	15.91

Notes to the financial statements 30 June 2008

37 Earnings per share (continued)

(c) Reconciliations of earnings used in calculating earnings per share

	Consolidated	
	2008	2007
	Cents	Cents
<hr/>		
<i>Basic earnings per share</i>		
Profit from continuing operations	135,590	155,762
<i>Diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the company		
used in calculating basic earnings per share	135,590	155,762

(d) Weighted average number of shares used as the denominator

	Consolidated	
	2008	2007
<hr/>		
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	978,601,166	979,047,712
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	978,601,166	979,047,712

38 Cross border leases

Stanwell Power Station is subject to cross border leases which were entered into in 1995. In accordance with accounting standards, the leases are treated as finance leases. The leased assets are being amortised to the income statement 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.

39 Events occurring after the balance sheet date

No matter or circumstance has arisen between 30 June 2008 and the date of this report that has significantly affected, or may significantly affect:

- the Group's operations in future financial years;
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years.

Directors' declaration 30 June 2008

In the opinion of the directors:

- (a) the financial statements and notes set out on pages 88 to 135 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001*.

Dated at Brisbane this 27th day of August 2008.

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



D Byrne
Chairman



P Gregg
Director and Audit and Risk Management Committee Chairman

Independent auditor's report

to the members of Stanwell Corporation Limited

Matters relating to the Electronic Presentation of the Audited Financial Report

The audit report relates to the financial report of Stanwell Corporation Limited for the financial year ended 30 June 2008 included on Stanwell Corporation Limited's web site. The directors are responsible for the integrity of the Stanwell Corporation Limited's web site. We have not been engaged to report on the integrity of the Stanwell Corporation Limited's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from Stanwell Corporation Limited, to confirm the information included in the audited financial report presented on this web site.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Report on the Financial Report

I have audited the accompanying financial report of Stanwell Corporation Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of 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 and fair presentation of the financial report in accordance with the *Australian Accounting Standards* (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 *Auditor General of Queensland Auditing Standards*, which incorporate the *Australian Auditing Standards*. These Auditing Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance 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 risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the audit considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies 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 *Financial Administration and Audit Act 1977* promotes the independence of the Auditor General and QAO authorised auditors. The Auditor General is the auditor of all Queensland government owned corporations and their controlled entities and can only be removed 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*, provided to the directors of Stanwell Corporation Limited on 26 August 2008, would be in the same terms if provided to the directors, as at the date of this auditor's report.

Auditor's 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 2008 and of their performance for the year ended on that date; and
- (ii) complying with *Australian Accounting Standards* (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.



G G POOLE, FCPA
Auditor-General of Queensland

Queensland Audit Office
Brisbane

Glossary

availability

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

baseload power stations

Low cost power stations that operate with a high capacity factor in order to meet the majority of the electricity demand

capacity factor

The ratio of a plant's actual usage to its total capacity

carbon intensity

The ratio of carbon dioxide per megawatt hour of electricity

energy sent out

The amount of electricity sent to the grid after the energy used by the power station

environmental incidents

classification

Level 1 – 3

An event, usually contained to the site, which has minimal environmental effects. This also includes non compliances with business systems

Level 4 – 5

An event leading to material or serious environmental harm and may result in prosecution

forced outage rate

The proportion of a plant's capacity that is unavailable as a result of forced maintenance

hedge contract

A contract between two counterparties used to manage the exposure to the volatile electricity spot market

lost time injury

A work related and/or workplace incident resulting in a fatality, permanent disability or time lost from work of one day/shift or more where the employer has direct control over preventing the occurrence

notifiable incident

An incident resulting in a person suffering a work injury that is a serious bodily injury, including a fatality, a work caused illness or a dangerous event

output

Dispatched generation

planned outage factor

The proportion of a plant's capacity that is unavailable as a result of planned maintenance

reliability

A measure of a generator's capacity to achieve full load when plant is not undergoing a planned outage

Resource Operations Plan

A plan used to implement a Water Resource Plan in specified areas to maintain a balance between the water requirements of different users, while preserving the environmental value of the river

spot market

The physical market managed by NEMMCo for the dispatch of generating units and dispatchable loads

spot price

The half-hour average of the five-minute dispatch prices set by marginal generators

zero harm

No medical treatment injuries

Abbreviations

AC/DC	Alternating current/direct current	GL	Gigalitre(s). One GL = one thousand megalitres	MW	Megawatt(s). One MW = one million watts
AEMC	Australian Energy Market Commission	GOC	A government owned corporation under the <i>Government Owned Corporations Act 1993</i>	MWh	Megawatt hour. One MWh = one thousand kilowatt hours
AETS	Australian Emissions Trading Scheme	GST	Goods and services tax	NEM	National Electricity Market. A competitive wholesale electricity market for eastern and south eastern Australia
AIFRS	Australian equivalents to International Financial Reporting Standards	GWh	Gigawatt hour. One GWh = one thousand megawatt hours	NEMMCo	National Electricity Market Management Company
AOD	Alcohol and Other Drugs	IGCC	Integrated Gasification and Combined Cycle	NGF	National Generators Forum
AS4801	Australian standard for health and safety	IPPA	Interconnection and Power Pooling Agreements	NOx	Oxides of nitrogen
ATO	Australian Taxation Office	ISDA	International Swaps and Derivatives Association	OHSMS	Occupational Health and Safety Management System
ATW	Authority to Work	ISO14001	International standard for environmental management	QMEA	Queensland Minerals and Energy Academy
CCS	Carbon capture and storage	ISO9001	International standard for quality	QPTC	Queensland Power Trading Corporation
CCSD	Cooperative Research Centre for Coal in Sustainable Development	IT	Information technology	QTC	Queensland Treasury Corporation
cLET	Centre for Low Emission Technology	kV	Kilovolts. One kV = one thousand volts	REIR	Remuneration and Employment and Industrial Relations
CO₂	Carbon dioxide	LP	Low pressure	ROP	Resource Operations Plan
CO2CRC	Cooperative Research Centre for Greenhouse Gas Technologies	LTI	Lost time injury(ies)	RWD	Raw water dam
DA	Development Application	LTIDR	Lost Time Injury Duration Rate	SCI	Statement of Corporate Intent
EBIT	Earnings Before Interest and Tax	LTIFR	Lost Time Injury Frequency Rate	SOx	Oxides of sulphur
EEO	Equal employment opportunity	m	Million	TSC	Total Safety Culture
EMS	Environmental Management System	MDL	Mining Development Licence	ZIP	Zero Incident Process
EPRI	Electric Power Research Institute	ML	Megalitre(s). One ML = one million litres		
GES	Generator Efficiency Standards				

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