

Operation	Year	Power sent out (GWh)	Availability	Capacity Factor	Planned Outage Factor	Forced Outage Factor	Coal (tonnes) /Water Used (megalitres)	Thermal Efficiency
			(12 month average)					(12 month average)
Stanwell Power Station	1999/2000*	9156	94.40%	79.70%	3.73%	0.92%	3,351,853	35.89%
	1998/1999	8964	94.67%	78.80%	2.76%	2.57%	3,291,380	36.13%
	1997/1998	8513	94.70%	74.96%	3.03%	2.27%	3,144,382	36.40%
Barron Gorge Hydro	1999/2000	295	92.50%	56.40%	7.00%	0.50%	443,700	
	1998/1999	234	87.15%	44.91%	12.50%	0.35%	351,592	
	1997/1998	165	99.20%	31.60%	0.30%	0.50%	248,478	
Kareeya Hydro	1999/2000	519	90.61%	80.70%	8.39%	1.00%	520,000	
	1998/1999	533	95.56%	84.85%	3.76%	0.68%	535,000	
	1997/1998	435	94.65%	70.00%	4.75%	0.60%	435,000	
			(3 month average)					
Koombaloo Hydro	1999/2000	8.22	69.27%	53.70%	14.43%	16.30%	9,634	
			(6 month average)					
WindyHill Wind Farm	1999/2000	1.55	89.47%	34.96%				

\* Maintenance Outage Factor for 1999/2000 was 0.95%



DAVE MILLICAN - CHEMICAL PLANT TECHNICIAN INSPECTS VALVES AT STANWELL POWER STATION'S WATER TREATMENT PLANT, AS PART OF A ROUTINE MAINTENANCE PROGRAM.

## NON-RENEWABLE GENERATION

### STANWELL POWER STATION

Stanwell Power Station continued to enhance its reputation as a low non-fuel cost generator and one of the most environmentally responsible coal-fired power stations in Australia.

During the year, there were two statutory planned unit overhauls. The first was on Unit 4 in August 1999 and the second, the largest undertaken at Stanwell Power station to date, was completed in March 2000 – on time and within budget.

There were two extended forced plant outages. Unit 4 experienced a superheater tube failure when returning from the scheduled unit overhaul and required a further 10 days off-line to make repairs. Unit 3 was also removed from

service for 10 days to complete reheater pipe inspections and modifications. This was the final unit to have reheated pipe modifications, following on from the initial reheater pipe failure experienced during the previous financial year.

There were six unit trips, a substantial decrease from the 12 recorded over the previous year. All resulted from relatively minor operational problems and were rectified quickly with no significant lost production resulting.

As part of the risk management program, an additional compressed air plant was installed to reduce the risk of multiple unit trips due to low compressed air pressure and a spare generator transformer, purchased following ongoing problems with Unit 3 generator transformer, was delivered to site in early 2000.

The installation of the extra

capacity system at Stanwell Power Station allowed SCL to take advantage of short-term peak prices, with the station able to achieve an extra 20 MW per unit during the winter peak load periods.

SCL successfully negotiated a resolution to the long-running Curragh coal supply dispute. Coal supplies for Stanwell Power Station have been secured under a combination of short- and long-term supply contracts from three primary coal mines. With the Curragh dispute resolved, the development of the Pisces Project (formerly Jellinbah Station) coal reserves held by SCL will not require fast-tracking and will be considered in terms of future commercial opportunity.

**GAS TURBINE**

Mackay Gas Turbine can be called on to meet peak loads in emergency situations and, accordingly, does not operate on a daily basis.

**RENEWABLE GENERATION**

** BarronGorgeHydro**

Barron Gorge Hydro performed well, increasing its capacity factor by more than 10% over the previous year. Output was boosted by torrential rain associated with two cyclones passing through the region during February/March 2000. Tinaroo Dam was again filled to capacity within days of the first flooding and was still spilling at the end of the financial year. Total annual spillage from Kuranda Weir was 1,156,410 megalitres.

RHODNEY DODDS - FITTER REASSEMBLES A STRAIGHT FLOW VALVE AFTER RECONDITIONING, PART OF THE KAREEYA HYDRO HALF-LIFE REFIT.



A condition assessment inspection of the 132 kV transformer for Unit 1, performed in late 1999, also addressed replacement of all joint gaskets. Both unit turbo/generators were out of service while minor overhauls and a penstock condition inspection were carried out.

The station's inaugural year operating to a site-produced business plan reflected a high level of achievement. Ongoing high performance in quality system compliance and community relations was recognised this year by the site's third party ISO14001 accreditation for its EMS.

Support for local tourism continued with record numbers of visitors accessing the station's

upgraded visitors' centre and guided tours, and through regular water releases for commercial rafting.

** KareeyaHydro**

Kareeya Hydro achieved good plant availability and, due to an extended wet season and higher than average rainfall, was able to generate more power than forecast.

Excess water flow over Koombooloomba Dam, due to cyclonic influences, also meant that the "Fabridam" (on top of the dam) had to be deflated twice during the year. This is unusual and it is estimated that the volume of water that overtopped the weir was sufficient to fill Koombooloomba Dam three times.

During 1999/2000, the station's Unit 1 "straight flow valves" were overhauled for the first time in 12 years and preparations were stepped up for the half-life refit, for all four units, to be carried out progressively over several months during 2000/2001. Options for improving the capacity and efficiency of the station's generating units were also examined. Investigations, tendering and expressions of interest for reducing noise in the turbine hall proceeded.

In June 2000, the station achieved certification of its EMS to the international standard ISO14001.

**KoombooloombaHydro**

Koombooloomba Hydro was commissioned in March 2000, some four weeks ahead of its Contractual Completion Date. Since then it has generated electrical output in



STEVE SCIBAN - KOOMBOOLOOMBA DAM MANAGER MEASURES WATER SEEPAGE LEVELS INSIDE THE KOOMBOOLOOMBA DAM SPILLWAY.

**MAXIMUM CAPACITY**

		Maximum Capacity (MW)
<b>Coal-fired</b>	Stanwell Power Station	1,400
<b>Hydro-electric</b>	Barron Gorge Hydro	60
	Kareeya Hydro	72
	Koombooloomba Hydro	7
<b>Peak load</b>	Mackay Gas Turbine	34
<b>Wind</b>	WindyHill Wind Farm	12
<b>TOTAL</b>		<b>1,585</b>

excess of projections, despite two major outages experienced in April and June 2000.

The first of these outages was due to a mechanical failure in the oil head that caused major damage and required a total rebuild of the oil head. A new oil head was manufactured in Cairns in record time and the unit was back in service within 15 days.

The second major outage was caused by a combination of oil leaks from fittings and required an internal clean-up of the generator. There were also several minor communication and control problems that caused the unit to trip for short periods.

Except for the oil head failure, these occurrences can be regarded as typical for a new hydro plant during its "running-in" period. It is expected that Koombooloomba Hydro will continue to operate successfully in the future and provide annual revenue in excess of the budget estimate.

**WindyHill**

Construction began on the first stage of the WindyHill Wind Farm

in December 1999, with the erection of the first two 600 kW Enercon E40 wind generators completed in late January 2000. Excavations for a further 18 generators under the second stage of the project began in April 2000. Following a prolonged wet season, erection of the Stage 2 generators commenced in late June 2000. With the continuing wet impacting on construction works, the 20 wind generators are expected to be erected and operational by the end of August 2000. This will complete the first phase of the WindyHill project.

A number of minor technical problems during the testing of the equipment meant that the contractor has yet to officially hand over the wind farm to SCL. Works carried out on the generators have contributed to the availability of the plant being below the guaranteed 95% for the first five months. Capacity has, however, been higher than the expected 30%. Since going on-line in January 2000, the first two generators produced over 1.5 GWh total energy to the end of the financial year, well above the anticipated 1.3 GWh.

Further detail on SCL's environmental performance is contained in the 1999/2000 Environment, Health and Safety Performance Report. Copies of the Report are available on request.

Telephone: (07) 3335 7444  
 Facsimile: (07) 3335 7477  
 E-mail: envhelp@stanwell.com

EDDIE O'BRIEN - ENVIRONMENTAL LIAISON OFFICER CHECKS PLANT GROWTH IN A NEW NATURE RESERVE AREA WHICH SERVES AS A DISPOSAL PAD FOR TREATED EFFLUENT FROM BARRON GORGE HYDRO.



**ENVIRONMENTAL AUTHORITIES AND WET TROPICS MANAGEMENT AUTHORITY PERMITS**

Environmental Authorities (Licences) pertaining to SCL's business, issued by the Environmental Protection Agency (EPA) under the *Environmental Protection Act 1994*:

	Authority Number	Commencement Date
<b>Stanwell Power Station</b>	CR0060	5 April 1999 (EPA updated)
<b>Mackay Gas Turbine</b>	NM104	8 March 1999 (EPA updated)

The Environmental Authorities held for Barron Gorge Hydro and Kareeya Hydro for the operation of visitors' toilets were surrendered to the EPA in September 1999. The toilet facilities are located outside the station's security fence and the operation and maintenance of the facilities was handed over to the Department of Natural Resources (DNR) for Barron Gorge Hydro and the EPA for Kareeya Hydro.

Wet Tropics permits issued by the Wet Tropics Management Authority:

	Authority Number	Commencement Date
<b>Barron Gorge Hydro</b>	WTMA 98052	1 July 1999
<b>Kareeya Hydro</b>	WTMA 98052	1 July 1999

SCL holds a three-year maintenance permit for maintenance of all hydro assets within the Wet Tropics in Far North Queensland.

To manage the potential risk of oil and chemicals entering river systems adjacent to SCL's hydro-electric generation facilities, the company upgraded existing oil separation systems at Kareeya Hydro during the year. The upgrade at Barron Gorge Hydro will be completed by June 2001.

**ENVIRONMENTAL MANAGEMENT**

EMS are in place at all production sites. The Board receives a monthly report on environmental performance and is briefed on incidents that may have a significant impact on the environment.

Both Barron Gorge Hydro and Kareeya Hydro EMS were recommended for certification to ISO14001 by external auditors in June 2000. Due to non-conformances at Kareeya Hydro, a detailed action plan was submitted to the auditor to address stringent conditions placed on the certification.

At WindyHill Wind Farm an internal Environmental Audit, conducted in June 2000, led to a number of minor non-conformances being identified.

Stanwell Power Station maintained its EMS certification for the third consecutive year, with surveillance audits conducted in November 1999 and February 2000.

**LICENCE COMPLIANCE (STANWELL POWER STATION)**

		Compliance	Non-compliance 1999/2000
<b>Air</b>	Particulates	✓	Nil
	NO <sub>x</sub>	✓	Nil
	SO <sub>x</sub>	✓	Nil
<b>Water</b>	pH	✓	Nil
	Total dissolved salts (TDS)	✗	3
	Discharge volume	✓	Nil

**COMPLIANCE, PROSECUTIONS AND CONVICTIONS**

SCL was not prosecuted or fined during the past 12 months and has no prior convictions under the Environmental Protection Act and Regulations.

On three occasions the total dissolved salts (TDS) limit of Stanwell Power Station's discharge water quality was exceeded. The exceedances were less than 1% of the maximum limit of 1450 mg/L. Modifications to the cooling water system, to reduce the risk, will be implemented by October 2000.

Mackay Gas Turbine had no exceedances of licence conditions during 1999/2000.

SCL contracted an environmental consultant to investigate the extent of the fuel oil spill that occurred at Mackay Gas Turbine prior to SCL taking control in 1996. As a result of the investigation, SCL has been able to establish that contamination occurred in both the groundwater



SCL HAS COMMITTED TO RESEARCH AND DEVELOPMENT OF SOLAR THERMAL TECHNOLOGY. HERE ANDREW EVANS - ELECTRICAL TECHNICIAN ADJUSTS SOLAR MIRROR ALIGNMENT OF THE DEMONSTRATION SOLAR CONCENTRATOR AT STANWELL POWER STATION.

and soil profile, with the greatest residual concentrations occurring at the spill source point. Although the site remains contaminated, it currently poses no significant threat to the environment. The final investigation report is expected in October 2000 and will detail remedial options, timeframes and costs for clean-up. From this, an action plan will be developed to remediate the contaminated areas.

### Chief Executive Officer

**Ted Scott**

Mr Scott's experience in the electricity industry spans more than 37 years. He has gained a reputation for his expertise in creating productive workplace cultures, innovations in the application of technology, work design and industrial relations. He is also co-author of the book *Humanity at Work* and a director of Rockhampton Enterprises Limited.

### Marketing Manager

**David Burbidge**

Mr Burbidge's extensive involvement in the energy sectors in Australia, New Zealand and South East Asia spans some 16 years in industry and engineering consulting, during which time he has performed both marketing and general management roles. He is a Board member of the Australian Cogeneration Association.

### Business Development Manager

**Wayne Collins**

Mr Collins has worked in the electricity industry for 20 years, principally in power stations. During this time he has covered the full gamut of power plant operation and maintenance – from technically focused roles to senior management. He was involved with the initial establishment of SCL, before moving to set up and manage the Business Development function within the company.

### Engineering Manager

**Des Covey**

Mr Covey has 29 years' experience in the electricity industry and has contributed significantly to establishing the Stanwell Power Station greenfield site, its management philosophy, recruitment process, maintenance and operational philosophies. He is currently involved in research and development of solar energy at Stanwell Power Station and continues to apply his process knowledge to various industries.

### Company Secretary

**David Crevola**

Mr Crevola has over 21 years' experience in the electricity industry and has gained extensive experience in administration and secretarial practice in Government owned electricity businesses. He is a director of the Board of Finance and Property for Surf Life Saving Queensland and a Board member of EcoCarbon Incorporated.

### Employee Relations Manager

**Roy Evans**

Mr Evans' employee relations management experience spans 19 years in the electricity industry. He has been involved in the establishment of the workplace culture in two greenfield site power station projects, the negotiation of innovative industrial agreements for the industry, and the encouragement of a learning environment within the new market-driven corporate culture.

### Chief Financial Officer

**Gary Humphrys**

Mr Humphrys has 32 years' experience in the finance field in roles covering taxation, accounting, treasury operations, and internal and external audit. He has also been involved in evaluating commercial transactions, including acquisitions and disposals. He joined the electricity industry in 1998.

### Production Manager

**Peter Schmidt**

Mr Schmidt's 22 years' experience in the electricity industry has involved senior roles in engineering, maintenance, production, and project management. He is responsible for the management of the company's generation assets at Stanwell Power Station, Barron Gorge Hydro, Kareeya Hydro and Mackay Gas Turbine.

### Trading Manager

**Paul Simshauser**

Mr Simshauser has nine years' experience in the electricity industry and was instrumental in developing and implementing market trading systems, processes and procedures for the generating sector of the Queensland electricity industry. He is accountable for physical and financial trading, market forecasting and settlements.



(from left) BARRY KELLY, MAUREEN PALMER, BERNIE STEIN - CHAIRMAN, DAVID CREVOLA - COMPANY SECRETARY, PETER MCINNES, BRONWYN MORRIS, TED SCOTT - CHIEF EXECUTIVE OFFICER, (inset, from left) PETER DOWLING - DEPUTY CHAIRMAN, TOM NULTY.

### Bernie Stein

BA, Dip.Pub.Admin., FAICD

#### Chairman

Age: 61 years,  
appointment tenure 30 June 2001

### Peter Dowling

BA (Acc), FCA, FTIA, FAICD

Deputy Chairman, Chairman Business Risk Management Committee, Member Business Development Strategy Committee and Audit Committee

Age: 49 years,  
appointment tenure 30 June 2001

Bernie Stein has worked for a range of Government departments, agencies and Boards during the course of his career. Previous posts include Secretary to the State Electricity Commissioner (1964-75), Assistant Commissioner for Corporate Affairs, Chief Executive Officer of Parliament House and, during the 1980s, Assistant Under Treasurer and Assistant Under Secretary, Queensland Treasury.

Bernie's support of education is reflected in the previously held roles of Chairman of the Council of the Presbyterian and Methodist Schools Association, and of Clayfield College Council.

Peter is a Chartered Accountant and has a portfolio of business interests which include Government, public company and private company directorships and consulting arrangements with investment bankers, InterFinancial Limited, and the federal bureaucracies charged with the implementation of the Ralph Committee's Review of Business Taxation initiatives.

Peter retired in 1999 from public practice in the taxation and business advisory areas. He was employed in these areas for 15 years, with eight years at PriceWaterhouseCoopers (as it is now known) followed by seven years as a Partner with Ernst & Young. Peter also worked for BHP Coal for two years in the mid 1980s and for the Australian Taxation Office in the 1970s and early 1980s.

Peter is a director of Monto Minerals NL, Queensland Capital Corporation Ltd, Spyrus Pty Ltd, The Queensland Ballet, and The Australian Tax Research Foundation. He is also Chairman of CPA Australia's Taxation Centre of Excellence.

**Bronwyn Morris**

BCom (Acc), FCA

**Chairman Audit Committee and  
Member Business Development  
Strategy Committee**

*Age: 45 years,  
appointment tenure 30 June 2001*

Bronwyn is a chartered accountant and a former partner of KPMG. During her 20 years with this firm (and its predecessor firms), she was involved in the provision of audit and corporate services to a wide range of industries.

She is Chairman of Queensland Rail and a member of the Board of Colorado Group Ltd. Bronwyn is also a member of the Gold Coast District Health Council, the Gold Coast Hospital Foundation, and the Queensland and National Councils of the Institute of Chartered Accountants in Australia.

**Maureen Palmer**

Assoc.Dip.IR

**Member Remuneration and Succession  
Planning Committee**

*Age: 70 years,  
appointment tenure 30 June 2003*

Maureen Palmer has expertise in Industrial Relations as organiser and member of the Shop Distributive & Allied Employees' Association. She has held various roles including traineeship liaison, equal opportunity adviser, and is a representative to the Retail and Wholesale Trade Industry Workplace Health and Safety Committee.

Ms Palmer was a member of the Furniture Trades Apprenticeship Board and was previously a member of the Industry and Commerce Advisory Committee for the furniture and interior decoration industry.

**Tom Nulty**

LLB, Notary Public

**Member Business Development Strategy  
Committee and Business Risk  
Management Committee**

*Age: 58 years,  
appointment tenure 30 June 2003*

Tom Nulty is a Partner of the national law firm Phillips Fox. He heads the Property Planning and Environment Group in Brisbane and is a member of the National Electricity and Energy Group. His areas of expertise include: commercial and infrastructure projects (particularly electricity), compulsory acquisition, due diligence, planning and environment issues, native title and indigenous cultural heritage issues.

**Peter McInnes**

Solicitor

**Chairman Remuneration and Succession  
Planning Committee**

*Age: 52 years,  
appointment tenure 30 June 2003*

Peter McInnes is the Senior Partner of McInnes Wilson Lawyers in Brisbane. His experience includes property, leasing, contracts and general security work. He currently specialises in litigation work, especially in professional indemnity, personal injuries and intellectual property.

Mr McInnes is a member of the Prince Charles District Health Council and Hospital Foundation, and previously served on the Brisbane North Regional Health Authority.

**Barry Kelly**

**Chairman Business Development  
Strategy Committee and Member Audit  
Committee**

*Age: 57 years,  
appointment tenure 30 June 2003*

Barry Kelly is Managing Director of Golden Circle Limited, having been with the company for 34 years. He has participated in implementing the strategic restructure of the pineapple industry and improving competitiveness and sales.

Mr Kelly is Treasurer and Board member of the Australian Food and Grocery Council Board. He is a member of the Canned Foods Information Service and the Centre of Food Technology Advisory Boards. He was previously Chairman of the Queensland Food Industry Council.

## CORPORATE GOVERNANCE

SCL's corporate governance process is consistent with best practice indicators. The company aims to remain among the top Australian companies in applied corporate governance and this will be achieved by the Board continually reviewing its processes.

### ROLE OF THE BOARD OF DIRECTORS

The Board of Directors is responsible to its shareholders for the corporate governance of SCL. The Board ensures that SCL achieves the objectives of the Statement of Corporate Intent and the Corporate Plan by participating with Management in formulating strategic direction, setting policy guidelines, monitoring business activity, overseeing business expansion in accordance with agreed strategies, and approving capital expenditure and company budgets.

The Board maintains close contact with business operations through four committees covering

Audit, Business Risk Management, Remuneration and Succession Planning, and Business Development Strategy, and by attending workshops with Management.

### COMPOSITION OF THE BOARD

The Board consists of seven directors, all of whom are appointed by the Governor in Council acting under the *Government Owned Corporations Act (1993)*. The selection process for directors has ensured the benefit of independent views by the appointment of seven independent directors who have no prior executive role in the company or any substantial supplier or customer relationship. There is no requirement for share qualification for any director.

The Board follows a strict protocol in the event of conflicts of interest.

The directors' names and their experience are set out on pages 28 to 29 of this Report.

### BOARD ACTIVITIES

The Board has determined to meet regularly according to the needs of

the business while ensuring that at least 10 meetings are held each year. All committees meet regularly. The attendance record for each director is tabulated below.

The Board receives regular reports on the progress of all company strategies and its financial position. In addition, directors may request, through the Chairman, internal reviews or reports on specific areas of interest or projects under development or seek independent external advice on any matter. The company bears the whole expense of approved external advice.

In the performance of their duties, all directors are expected to act lawfully, in a professional manner, and with the utmost integrity and objectivity in their dealings with external parties and one another.

The Constitution provides an indemnity to directors and officers for costs and liabilities incurred in the execution of their duty, and allows the company to pay the premium to insure directors and

	Board Meetings		Audit Committee Meetings		Business Risk Management Committee Meetings		Remuneration and Succession Planning Committee Meetings		Business Development Strategy Committee Meetings	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held
<b>B Stein (Chairman)</b>	12	13	4	5	5	6	6	7	7	11
<b>PG Dowling (Deputy)</b>	13	13	5	5	*6	6	3	7	*10	11
<b>BJ Kelly</b>	11	13	*1	5					*9	11
<b>P McInnes</b>	13	13					*7	7		11
<b>BK Morris</b>	12	13	*5	5	*6	6				11
<b>T Nulty</b>	12	13			*6	6			*11	11
<b>M Palmer</b>	13	13					*7	7		11

\* Indicates Committee members

officers against such liabilities other than for a wilful breach of duty or contravention of the law.

## COMMITTEE STRUCTURE

The Board may delegate its powers to a committee of directors. During the financial year, the following structure of committees, each with its charter, allowed the Board to give due attention to the detail of company operations.

### *Audit Committee*

*(Chairman - BK Morris)*

The committee reviews the accounting policies and practices, financial statements, information presented to the shareholders and general public, and the quality of the audit conducted by the external and internal auditors.

It monitors compliance with approved policies and controls and approves the audit plan and audit fees.

### *Business Risk Management Committee*

*(Chairman - PG Dowling)*

The committee ensures that Management establishes, maintains, operates and demonstrates an appropriate framework of business processes and controls for risks that threaten assets, earnings or essential products.

### *Remuneration and Succession Planning Committee*

*(Chairman - P McInnes)*

The committee obtains independent advice on executive appointments and the policies and practice for

directors and executive remuneration, as well as remuneration and succession strategies for the company as a whole.

### *Business Development*

#### *Strategy Committee*

*(Chairman - BJ Kelly)*

The committee monitors the strategic development process and reviews the strategic plan and investment decisions related to major projects.

## ROLE OF THE SHAREHOLDERS

SCL was established under the *Government Owned Corporations Act (1993)* and registered under the Corporations Law. All of the shares are held by the State of Queensland which is represented by the company's two voting shareholders (the Minister for Mines and Energy and Minister Assisting the Deputy Premier on Regional Development, and the Treasurer).

The shareholders appoint the Board, review and agree to the Corporate Plan and the Statement of Corporate Intent (a summary of which appears on pages 58 to 59 of this Report), approve major developments and may require the Board to act in the public interest.

The Board ensures that shareholders are kept informed on developments affecting the company. This is done through regular updates including quarterly reports, the Annual Report, and other communications as appropriate.

## RISK MANAGEMENT

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

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

The Business Risk Management Committee of the Board sets the risk management philosophies and the company's risk tolerance levels. It also approves risk management policies and processes, and oversees the framework of risk plans. An integrated risk management process has been adopted which analyses impacts on health and safety, environment, production and commercial activities.

Risk management processes are implemented by:

- maintaining a risk-aware culture that views risk as an inherent part of the day-to-day operation of the business;
- ensuring that the potential increases in shareholder value must be commensurate with the additional risk incurred by the organisation; and
- establishing an integrated risk management system covering health and safety, environment, production and commercial risks that includes:

- corporate-wide criteria for the measurement of risk;
- formal processes for identifying new risks including a regularly reviewed crisis management plan;
- management plans which adequately address identified risks;
- prompt implementation of risk management plans;
- systems and processes for contingency planning and disaster recovery; and
- regular review and audit of the risk management process.

Risks are identified and managed at all levels of the organisation. SCL's Board and Executive Management focus primarily on the business environment, decision-making and high level operational risks. The broader workforce concentrates on the operational risks.

## BUSINESS

### ENVIRONMENT RISKS

Board-approved policies and procedures have been implemented for risks associated with operating in the electricity market. The Board determines the upper limit of electricity production that will be hedged by way of approved financial instruments. Contracts are established only with those counterparties that have an appropriate credit rating, as set by a recognised credit rating agency.

SCL's business growth strategy is to reduce the impact of its electricity generation on the environment by examining and developing niche markets, for example "green power"

and off-market opportunities.

Queensland Treasury Corporation (QTC) manages transaction exposure risks, in relation to interest rates, within certain parameters set by SCL.

The established legal compliance program ensures that SCL employees remain aware of their responsibilities, with respect to the Queensland and Federal legislation applying to the company.

### 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, where appropriate, to mitigate or eliminate exposures through capital investment, and finance residual risks through insurance or other means.

### DECISION-MAKING RISKS

Making investment decisions entails an extensive analysis of project-specific risk and, where possible, the utilisation of third party assurance of the processes, systems, models and risk allocation.

Trading, pricing and credit risks are managed by application of approved policies and processes which:

- ensure trading staff, Management and the Board have continuous awareness of exposures;

- enable measurement and management of risks; and
- provide a methodology and assign responsibility for managing risks.

### GST READINESS

Like many organisations, SCL began its preparation for GST months before the new regime was due to start. SCL adopted a project management approach to dealing with the issue. A multi-disciplinary team from across the company has worked together to deal with the myriad issues that were generated by the introduction of GST.

The project team set itself the goal of ensuring a smooth transition into the new regime, notwithstanding the wider risks that may arise, with the least adverse impact as possible on our employees and relationships with suppliers.

It is pleasing to report the project achieved its goal and the transition went very smoothly.

In line with SCL's philosophy on Corporate Governance, the project team reported to the Audit Committee and Board periodically on progress against milestones and on the evolving risk matrix.

Whilst GST was introduced on 1 July 2000, SCL will continue to provide support and training to its most effected employees during the settling down period.

## Directors' Report

The directors present their report together with the financial report of Stanwell Corporation Limited ("the Company") for the year ended 30 June 2000 and the auditor's report thereon.

### Directors

The Board comprises seven non-executive directors who have a diversity of business experience as well as community responsibilities. The names, qualifications and experience of directors who are in office at the date of this report are shown under the heading "Board of Directors" of the Annual Report.

### Directors' meetings

The number of directors' meetings (including meetings of committees of the Board) and the number of meetings attended by each of the directors of the Company during the financial year are set out earlier in the Corporate Governance section of this Annual Report.

### Principal activity

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

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

### Review and results of operations

A full review of the operations of the Company during the financial year, and the results of these operations, is set out under the heading "Business Performance" of the Annual Report.

	2000 \$'000	1999 \$'000
<b>Results – Operating profit after income tax equivalent</b>	<b>127,573</b>	<b>109,929</b>
There were no items of an abnormal or extraordinary nature.	2000 Cents	1999 Cents
<b>Earnings per share – Basic earnings per share</b>	<b>13.03</b>	<b>11.23</b>

### Derivatives and other financial instruments

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

It is Company policy 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 approved capital expenditures 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 Company has a strict credit policy for all customers trading on credit terms, and only deals with counterparties with an acceptable credit rating determined by a recognised rating agency or alternatively obtains acceptable credit support.

Financing facilities and operating cash flows are managed to ensure that the Company 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.

### State of affairs

Significant changes in the state of affairs of the Company during the financial year were as follows:

- the Board has received 13 directions/notifications from Shareholding Ministers which are summarised in the Annual Report.

### Environmental regulation

The Company'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 "The Environment" of the Annual Report and the annual Environment, Health and Safety Performance Report for further information.

## Directors' Report (continued)

### Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

### Likely developments

An outline of future developments in the Company'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 Company 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 Company.

### Dividends

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:

Type	Cents per share	Total amount \$'000	Date of payment
As proposed and provided for in last year's report:			
Interim – Ordinary shares	4.39	43,000	30 Jun 1999
Final – Ordinary shares	3.47	33,950	30 Dec 1999
		<b>76,950</b>	
In respect of the previous financial year, but not proposed and provided for in last year's report:			
Final – Ordinary shares	0.56	5,497	30 Dec 1999
Additional Final – Ordinary shares as directed by the Shareholding Ministers in accordance with S159(4)(b) of the <i>Government Owned Corporations Act 1993</i> .	2.29	22,414	18 Jan 2000
		27,911	
In respect of the current financial year:			
Proposed Final – Ordinary shares	9.77	95,680	29 Dec 2000
		<b>123,591</b>	

### Directors' and senior executives' emoluments

The Remuneration and Succession Planning Committee is responsible for making recommendations to the Board on the remuneration policies and packages applicable to the Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities; and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

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). The at risk amount paid to senior executives (excluding the Chief Executive Officer) during the current financial year related to the 1997/98 and 1998/99 financial years. Directors do not receive any performance related remuneration.

## Directors' Report (continued)

## Directors' and senior executives' emoluments (continued)

Details of the nature and amount of each major element of the emoluments of each director and the top five senior executives of the Company are:

	Directors' fees \$'000	Committee fees \$'000	Superannuation \$'000	Total \$'000
<b>Directors</b>				
Mr B Stein	49	-	3	52
Mr P Dowling	20	7	2	29
Mr B Kelly	20	7	2	29
Mr P McInnes	20	4	2	26
Ms B Morris	20	7	2	29
Mr T Nulty	20	6	2	28
Ms M Palmer	20	3	2	25

	Base Salary \$'000	Motor Vehicle \$'000	Superannuation \$'000	Other benefits \$'000	Total \$'000
<b>Executive officers</b>					
Chief Executive Officer	154	15	30	1	200
Chief Financial Officer	130	0	23	1	154
Engineering Manager	106	5	29	0	140
Trading Manager	111	7	21	1	140
Business Development Manager	113	5	21	1	140

Note: 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 Company as all shares are held for the benefit of the State of Queensland, by Ministers of the Crown.

## Indemnification and insurance of officers

*Indemnification*

Article 17 of the Company's Articles of Association 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 judgement 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.

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

*Insurance premiums*

Since the end of the previous financial year the Company has paid an insurance premium for an insurance policy for the benefit of the directors, secretary and executive officers. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

## Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 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 one thousand dollars, unless otherwise stated.

Dated at Brisbane this thirteenth day of October 2000.

Signed in accordance with a resolution of the directors:



B Stein  
Chairman



PG Dowling  
Deputy Chairman

## Profit and Loss Statement

FOR THE YEAR ENDED 30 JUNE 2000

	Notes	2000 \$'000	1999 \$'000
Revenue	2	432,233	449,790
Operating profit before income tax equivalent	3	157,072	171,681
Income tax equivalent attributable to operating profit	5	29,499	61,752
Operating profit after income tax equivalent		127,573	109,929
Retained profits at the beginning of the financial year		40,852	38,730
Total available for appropriation		168,425	148,659
Dividends provided/paid	6	123,591	107,807
Retained profits at the end of the financial year		44,834	40,852
Earnings per share	19	\$0.1303	\$0.1123

The profit and loss statement is to be read in conjunction with the notes to the financial statements set out on pages 39 to 55.

**Balance Sheet**

AS AT 30 JUNE 2000

	Notes	2000 \$'000	1999 \$'000
<b>Current assets</b>			
Cash	7	10,269	87,117
Receivables	8	95,319	32,526
Inventories	9	10,607	11,329
Other	10	1,234	1,224
<b>Total current assets</b>		<b>117,429</b>	<b>132,196</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	1,563,279	1,569,206
Other	12	12,839	13,383
<b>Total non-current assets</b>		<b>1,576,118</b>	<b>1,582,589</b>
<b>Total assets</b>		<b>1,693,547</b>	<b>1,714,785</b>
<b>Current liabilities</b>			
Borrowings	13	401	724
Accounts payable	14	58,640	28,033
Provisions	15	99,121	36,277
Other	16	73	14
<b>Total current liabilities</b>		<b>158,235</b>	<b>65,048</b>
<b>Non-current liabilities</b>			
Borrowings	17	371,866	520,866
Provisions	18	139,564	108,971
<b>Total non-current liabilities</b>		<b>511,430</b>	<b>629,837</b>
<b>Total liabilities</b>		<b>669,665</b>	<b>694,885</b>
<b>Net assets</b>		<b>1,023,882</b>	<b>1,019,900</b>
<b>Shareholders' equity</b>			
Share capital	19	979,048	979,048
Retained profits		44,834	40,852
<b>Total shareholders' equity</b>		<b>1,023,882</b>	<b>1,019,900</b>

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 39 to 55.

## Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2000

	Notes	2000 \$'000	1999 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		368,954	409,386
Cash payments in the course of operations		(156,566)	(140,410)
Interest received		2,484	3,827
Borrowing costs paid		(37,542)	(35,169)
Other		1,254	(2,981)
<b>Net cash provided by operating activities</b>	24(b)	<b>178,584</b>	<b>234,653</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(44,644)	(16,090)
Proceeds from sale of non-current assets	2, 24(c)	544	512
Payments for exploration and evaluation expenditure		(148)	(356)
<b>Net cash used in investing activities</b>		<b>(44,248)</b>	<b>(15,934)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(149,000)	(120,000)
Dividends paid		(61,861)	(113,857)
<b>Net cash used in financing activities</b>		<b>(210,861)</b>	<b>(233,857)</b>
<b>Net decrease in cash held</b>			
Cash at the beginning of the financial year		86,393	101,531
<b>Cash at the end of the financial year</b>	24(a)	<b>9,868</b>	<b>86,393</b>

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 39 to 55.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2000

### 1. Statement of significant accounting policies

The significant policies which have been adopted in the preparation of this financial report are:

#### (a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law.

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets.

#### (b) Revenue recognition – Note 2

*Sales revenue* – is recognised for the major business activities as follows:

- Electricity – revenue is recognised when the commodity is dispatched into the electricity grid.
- Coal on-sale – revenue is recognised upon delivery of coal.

*Interest income* – is recognised as it accrues.

*Asset sales* – gross proceeds of asset sales not originally purchased for the intention of resale are included as revenue at the date an unconditional contract of sale is signed.

*Other revenue* – is recognised when an invoice is issued.

#### (c) Foreign currency

##### *Transactions*

Foreign currency transactions are translated to Australian currency at the rates of exchange at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the profit and loss account in the financial year in which the exchange rates change.

##### *Specific commitments*

Where hedge transactions are designated as a hedge against the purchase of goods, exchange differences arising up to the date of purchase, together with any costs or gains arising at the time of entering the hedge, are deferred and included in the measurement of the purchase. Any exchange differences on the hedge transaction after that date are included in the profit and loss statement.

#### (d) 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. Borrowing costs incurred during the financial year were not attributable to the acquisition, construction or production of any qualifying assets.

#### (e) Taxation – Note 5

##### *Income tax*

The Company is exempt from Commonwealth Government income taxation but subject to the Queensland Tax Equivalents Regime.

The Company adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated in accordance with the provisions of the Queensland Treasurer's Tax Equivalents Manual on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

#### (f) Non-current assets

The carrying amounts of non-current assets, other than exploration and evaluation expenditure carried forward (refer Note 1(k)), are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount.

In assessing recoverable amounts of non-current assets the relevant cash flows have been discounted to their present value.

#### (g) Receivables – Note 8

All debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

#### (h) Investments – Notes 12 and 31

##### *Associates*

An associate is an entity, other than a partnership, over which the Company exercises significant influence and where the investment in that entity has not been acquired with a view to disposal in the near future.

In the Company's financial statements investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The Company's share of the associates' net profit or loss after tax is recognised in the Company's profit and loss statement after adjustments for: revisions in depreciation of depreciable assets and amortisation of goodwill arising

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2000

## 1. Statement of significant accounting policies (continued)

## (h) Investments – Notes 12 and 31 (continued)

from notional adjustments made as at the date of acquisition; dissimilar accounting policies; and the elimination of unrealised profits and losses on both upstream and downstream transactions between the associate and the Company. Other movements in reserves are recognised directly in the Company's reserves.

## (i) Inventories – Note 9

Consumable fuel and stores are stated at the lower of their weighted average cost per individual item of inventory and net realisable value.

## (j) Property, plant and equipment – Note 11

*Acquisition*

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below.

The cost of property, plant and equipment constructed by the Company includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads.

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

*Complex assets*

Major items of plant and equipment comprising a number of components that have different useful lives are accounted for as separate assets. The components may be replaced during the useful life of the complex assets.

*Subsequent additional costs*

Costs incurred on property, plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset, will flow to the Company in future years. Where these costs represent separate components of a complex asset, they are accounted for as separate assets and are separately depreciated over their useful lives.

*Revaluations*

As part of the electricity industry restructure, which established the Company, 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;

- 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 accounts as cost to the Company as at 1 July 1997.

Under AASB 1034:6.2, material land and building holdings are to be revalued at least once every three years. As the Company's holdings of land and buildings are immaterial, revaluations have not been conducted and land and buildings continue to be carried at cost in the accounts.

*Depreciation and amortisation*

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated/amortised using the straight line method over their estimated useful lives.

The effective lives used to calculate depreciation for each class of asset, for the current and previous years, are as follows:

- |  |              |
|--|--------------|
| • Power stations – leased                | 10–40 years; |
| • Power station – owned                  | 3–40 years;  |
| • Property, plant and equipment – leased | 40 years;    |
| • Property, plant and equipment – owned  | 2–40 years.  |

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

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.

Expenditure relating to major power station overhauls is capitalised and then depreciated over the period of the expected benefits of the overhaul.

*Leased plant and equipment*

For assets subject to cross border leases, refer Note 29.

Leases of plant and equipment under which the Company assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Material finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised leased assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the Company will obtain ownership of the asset, the life of the asset.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2000

**(j) Property, plant and equipment – Note 11 (continued)***Business development project costs*

Business development project costs are written off to the profit and loss account 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.

**(k) Exploration and evaluation expenditure – Note 12**

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.

**(l) Research and development costs**

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is deferred and amortised on a straight line basis over the period in which the related benefits are expected to be realised.

Where a grant is received relating to research and development costs that have been charged to the profit and loss statement as incurred, the grant is recognised as revenue. Where a grant is received relating to research and development costs that have been deferred, the grant is deducted from the carrying amount of the deferred research and development costs.

**(m) Accounts payable – Note 14**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 30 days.

**(n) Borrowings – Notes 13 and 17**

Borrowings are carried on the balance sheet at their principal amounts. Interest expense is accrued at the contracted rate and included in "Other Creditors and Accruals", refer Note 14.

The Company operates a debt-offset facility with Queensland Treasury Corporation ("QTC") as part of its debt management approach.

**(o) Derivatives – Note 20**

The Company is potentially exposed to changes in foreign exchange rates and electricity commodity prices from its activities. The Company uses the following derivative financial instruments to hedge these risks: forward foreign exchange contracts and commodity price swap, cap, collar and floor contracts. Derivative financial instruments are not held for speculative purposes.

*Forward foreign exchange contracts*

The accounting for forward foreign exchange contracts is set out in Note 1(c).

*Commodity price contracts*

The Company enters into electricity hedge contracts. These contracts are not recognised in the financial statements upon inception.

The net amounts receivable or payable under the electricity hedge contracts are progressively brought to account over the respective contract periods. The amount recognised is accounted for as an adjustment to electricity sales revenue during the period and included in electricity debtors or electricity creditors at each reporting date.

**(p) Employee entitlements – Notes 15, 18 and 21***(i) Wages, salaries, annual leave and sick leave*

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represent the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates and include related on-costs.

*(ii) Long service leave*

The provision for employee entitlements to long service leave represents the present value of estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Provisions for employee entitlements which are not expected to be settled within twelve months are discounted using the rates attaching to national Government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the provision for employee entitlements, consideration has been given to future increases in wage and salary rates, and the Company's experience with staff departures. Related on-costs have also been included in the liability.

*(iii) Superannuation*

The Company contributes to a defined benefit superannuation plan. Contributions are charged against income as they are made.

**(q) Earnings per share – Note 19***Basic earnings per share*

Basic earnings per share is determined by dividing the operating profit after income tax equivalent by the weighted average number of Ordinary shares outstanding during the financial year.

**(r) Comparative figures**

Where appropriate, comparative amounts in the accounts have been restated to enable valid comparison with the prior year results.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2000

	2000 \$'000	1999 \$'000
<b>2. Revenue</b>		
Revenue from operating activities:		
– Sales of electricity <sup>1</sup>	389,716	408,305
– Interest received/receivable	2,486	3,827
– Other	9,359	2,013
Revenue from outside operating activities:		
– Sales of coal	29,022	26,003
– Gross proceeds from sale of non-current assets	544	9,083
– Other	1,106	559
	<b>432,233</b>	<b>449,790</b>
<sup>1</sup> Unhedged revenue based upon spot prices for electricity as provided by the National Electricity Market Management Company ("NEMMCO") (1999: also the Queensland System Operator); hedged revenue based upon contract prices.		
<b>3. Operating profit</b>		
Operating profit before income tax equivalent has been arrived at after charging/(crediting) the following items:		
Borrowing costs	34,533	41,468
Depreciation		
– Power stations	5,821	4,847
– Other property, plant and equipment	2,156	3,261
Total depreciation	7,977	8,108
Amortisation		
– Power stations	44,843	44,799
– Other property, plant and equipment	316	314
Total amortisation	45,159	45,113
Net expense from movement in provision for bad and doubtful debts	400	0
Net expense from movement in provision for employee entitlements	1,516	1,238
Operating lease rental expense	881	523
Net loss on sale of property, plant and equipment	357	1,723
Net foreign exchange loss	0 <sup>1</sup>	0 <sup>1</sup>
<sup>1</sup> less than \$500.		
<b>4. Auditors' remuneration</b>		
Audit services:		
– Auditor of the Company – Queensland Auditor-General	104	90

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2000

	2000 \$'000	1999 \$'000
<b>5. Taxation</b>		
<b>(a) Income tax equivalent expense</b>		
Prima facie income tax equivalent expense calculated at 36% (1999: 36%) on operating profit:	56,546	61,805
Increase in income tax equivalent expense due to:		
– <i>Non-deductible expenses</i>	468	12
Decrease in income tax equivalent expense due to:		
– <i>Sundry items</i>	(231)	0
Abnormal income tax equivalent items:		
– <i>Restatement of deferred tax balances due to change in company tax rate</i>	(27,284)	0
<b>Income tax equivalent expense on operating profit</b>	<b>29,499</b>	<b>61,817</b>
<i>Add: Income tax equivalent (over) provided in prior year</i>	<i>0</i>	<i>(65)</i>
<b>Income tax equivalent expense attributable to operating profit</b>	<b>29,499</b>	<b>61,752</b>
Income tax equivalent attributable to operating profit is made up of:		
– <i>Deferred income tax equivalent provision</i>	30,191	62,954
– <i>Future income tax equivalent benefit</i>	(692)	(1,137)
– <i>(Over) provision in prior year</i>	0	(65)
	<b>29,499</b>	<b>61,752</b>
<b>(b) Provision for deferred income tax equivalent</b>		
Provision for deferred income tax equivalent comprises the estimated expense at the applicable rate of 34% or 30%, depending on when the liability of the component is expected to be realised (1999: 36%) on the following items:		
– <i>Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax equivalent purposes</i>	144,061	115,038
– <i>Expenditure currently deductible for tax equivalent but deferred and amortised for accounting purposes</i>	3,189	3,824
	<b>147,250</b>	<b>118,862</b>
– <i>Provision for deferred income tax equivalent no longer required due to future income tax equivalent benefits attributable to tax losses</i>	(9,449)	(11,252)
	<b>137,801</b>	<b>107,610</b>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2000

	Cents per share	Total amount \$'000	Date of payment
<b>6. Dividends</b>			
Dividends proposed or paid by the Company are:			
<b>2000</b>			
1999 Final – Ordinary (additional)	0.56	5,497	30/12/1999
1999 Final – Ordinary (additional)	2.29	22,414	18/01/2000
2000 Final – Ordinary (proposed)	9.77	95,680	29/12/2000
		<b>123,591</b>	
<b>1999</b>			
1998 Final – Ordinary (additional)	3.15	30,857	30/12/1998
1999 Interim – Ordinary	4.39	43,000	30/06/1999
1999 Final – Ordinary (proposed)	3.47	33,950	31/12/1999
		<b>107,807</b>	
Pursuant to the Queensland Tax Equivalents Regime, the Company is not required to maintain a franking account.		2000 \$'000	1999 \$'000
<b>7. Current assets – Cash</b>			
Cash at bank and on hand		5	6
Deposits at call – Queensland Treasury Corporation		10,264	87,111
		<b>10,269</b>	87,117
Deposits at Call – The deposits bear floating interest rates between 4.89% (1999: 4.82%) and 6.41% (1999: 5.57%).			
<b>8. Current assets – Receivables</b>			
Trade debtors		88,796	30,320
Other debtors		6,523	2,206
		<b>95,319</b>	32,526
Other Debtors – These amounts generally arise from transactions outside the usual operating activities of the Company. Interest may be charged at 9.50% (1999: 9.50%) where repayment is after the due date. Collateral is not obtained.			
<b>9. Current assets – Inventories</b>			
Fuel at weighted average cost		6,218	7,417
Stores at weighted average cost		4,389	3,912
		<b>10,607</b>	11,329

**Notes to the Financial Statements**

FOR THE YEAR ENDED 30 JUNE 2000

	2000 \$'000	1999 \$'000
<b>10. Current assets – Other</b>		
Prepayments	1,224	1,224
GST receivable (net)	10	0
	<b>1,234</b>	<b>1,224</b>
<b>11. Non-current assets – Property, plant and equipment</b>		
<b>Power stations</b>		
Power stations at cost	100,565	76,478
Less: Accumulated depreciation	(13,267)	(7,446)
	87,298	69,032
Power station under finance lease at cost	1,554,158	1,551,189
Less: Accumulated amortisation	(134,484)	(89,641)
	1,419,674	1,461,548
<b>Total power stations</b>	<b>1,506,972</b>	<b>1,530,580</b>
<b>Works in progress at cost</b>	<b>26,992</b>	<b>9,879</b>
Other property, plant and equipment		
Other property, plant and equipment at cost	21,705	19,807
Less: Accumulated depreciation	(4,041)	(3,013)
	17,664	16,794
Other property, plant and equipment under finance lease at cost	12,596	12,582
Less: Accumulated amortisation	(945)	(629)
	11,651	11,953
<b>Total other property, plant and equipment</b>	<b>29,315</b>	<b>28,747</b>
<b>Total property, plant and equipment net book value</b>	<b>1,563,279</b>	<b>1,569,206</b>
The carrying amount of land and buildings included above:	41,056	41,214
<b>12. Non-current assets – Other</b>		
Exploration and evaluation expenditure carried forward	5,463	5,315
Future income tax equivalent benefit	2,108	1,417
Investments – refer Note 31	0	0
Debtors – Non-current	400	0
Provision for doubtful debts	(400)	0
Prepayments	5,268	6,651
	<b>12,839</b>	<b>13,383</b>

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2000

	2000 \$'000	1999 \$'000
<b>13. Current liabilities – Borrowings</b>		
Bank overdraft (due to unpresented cheques)	401	724
Financing arrangements		
The Company has access to an unsecured bank overdraft of:	1,000	1,000
Bank overdraft unused at balance date:	1,000	1,000
<p>The bank overdraft facilities may be utilised at any time. Interest rates on the facilities are variable. The interest rate at 30 June 2000 was 9.25% (1999: 7.95%).</p>		
<b>14. Current liabilities – Accounts payable</b>		
Trade creditors	39,913	4,518
Other creditors and accruals	18,727	23,515
	<b>58,640</b>	<b>28,033</b>
<b>15. Current liabilities – Provisions</b>		
Dividends	95,680	33,950
Employee entitlements – Note 21	3,441	2,327
	<b>99,121</b>	<b>36,277</b>
<b>16. Current liabilities – Other</b>		
Retentions	0	0
Security deposits	73	14
	<b>73</b>	<b>14</b>
<b>17. Non-current liabilities – Borrowings</b>		
Unsecured loan from Queensland Treasury Corporation	371,866	520,866
<p>Interest rates on the facility are fixed unless further draw-downs are required. The interest rate at 30 June 2000 was 7.56% (1999: 7.42%). An amount of \$209 million is in a Queensland Treasury Corporation debt offset account, and is reported here as a set-off against long-term borrowings.</p>		
<b>18. Non-current liabilities – Provisions</b>		
Employee entitlements – Note 21	1,763	1,361
Deferred income tax equivalent – Note 5(b)	137,801	107,610
	<b>139,564</b>	<b>108,971</b>

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2000

	2000 \$'000	1999 \$'000
<b>19. Share capital</b>		
<b>Issued and paid up capital</b>		
4 (1999: 4) voting (A class) shares, fully paid	0	0
979,047,712 (1999: 979,047,712) non-voting (B class) shares, fully paid	979,048	979,048
	<b>979,048</b>	<b>979,048</b>

**20. Additional financial instruments disclosure**

The Company has a range of policies and procedures in place to control financial risks associated with its operating activities.

**(a) Foreign currency exchange risk**

The Company is not exposed to material foreign exchange risk. The revenue of the Company is denominated in Australian dollars as is its net debt. However, where considered necessary to ensure approved expenditures remain within budget, transaction exposures relating to foreign currencies are managed by entering into currency hedge contracts.

At 30 June 2000 there were no material currency hedges in place.

**(b) Commodity price risk**

The Company enters into futures contracts to hedge a proportion of electricity production. The terms of these contracts range in duration but in most circumstances do not exceed 12 months. The Board has established strict limits on the level of hedging undertaken.

A certain volume of retailer owned call options were assigned to the Company by the ERU as part of establishing operations. These contracts limit the extent that the Company can participate in the market at prevailing spot prices.

Hedge contracts use the daily spot prices for electricity provided by the NEMMCO to settle weekly. The gains/losses on these contracts are recognised as they occur.

**(c) Credit risk exposures**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Company utilises appropriate credit review processes and security instruments to manage its credit risks. The Company's credit risk exposure is minimised as it trades predominantly with other Government owned corporations in the electricity industry.

Credit settlement risks associated with electricity market trading are controlled by establishing approved credit limits only with those counterparties that have an appropriate credit rating as set by a recognised credit rating agency or, alternatively, by obtaining acceptable credit support.

**(d) Liquidity risk exposure**

The Company is wholly owned by the State of Queensland. The Company has been subject to review by an international credit rating agency. The public long-term rating of the Company is AA-.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2000

## 20. Additional financial instruments disclosure (continued)

## (e) Interest rate risk exposure

Transaction exposure risks in relation to interest rates on borrowings are managed by QTC within certain parameters set by the Company.

The Company's exposure to interest rate risks and the effective weighted average interest rates for classes of financial assets and financial liabilities are as follows:

	Notes	Weighted average interest rate	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>2000</b>						
<i>Financial assets</i>						
Cash and deposits	7	5.57%	10,269			10,269
Receivables – trade	8				88,796	88,796
Receivables – other	8	9.84%	6,519		4	6,523
<b>Total financial assets</b>			<b>16,788</b>	<b>0</b>	<b>88,800</b>	<b>105,588</b>
<i>Financial liabilities</i>						
Bank overdraft	13	9.25%	401			401
Creditors – trade	14				39,913	39,913
Creditors – other	14				18,727	18,727
Other current liabilities	16				73	73
Borrowings	17	7.56%		371,866 <sup>1</sup>		371,866
Dividends payable	15				95,680	95,680
Employee entitlements	15, 18				5,204	5,204
<b>Total financial liabilities</b>			<b>401</b>	<b>371,866</b>	<b>159,597</b>	<b>531,864</b>

<sup>1</sup> The interest rate on borrowings is managed by QTC within limits set by the Company – additional borrowings will result in the rate being recalculated. The following terms to maturity of borrowings are represented by:

	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>Fixed interest maturing in:</b>				
Borrowings	0	0	371,866	371,866

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2000

20. Additional financial instruments disclosure (continued)  
(e) Interest rate risk exposure (continued)

	Notes	Weighted average interest rate	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>1999</b>						
<i>Financial assets</i>						
Cash and deposits	7	4.82%	87,117			87,117
Receivables – trade	8				30,320	30,320
Receivables – other	8	7.17%	2,205		1	2,206
<b>Total financial assets</b>			<b>89,322</b>	<b>0</b>	<b>30,321</b>	<b>119,643</b>
<i>Financial liabilities</i>						
Bank overdraft	13	7.95%	724			724
Creditors – trade	14				4,518	4,518
Creditors – other	14				23,515	23,515
Other current liabilities	16				14	14
Borrowings	17	7.42%		520,866		520,866
Dividends payable	15				33,950	33,950
Employee entitlements	15, 18				3,688	3,688
<b>Total financial liabilities</b>			<b>724</b>	<b>520,866</b>	<b>65,685</b>	<b>587,275</b>

<sup>2</sup> The interest rate on borrowings is managed by QTC within limits set by the Company – additional borrowings will result in the rate being recalculated. The following terms to maturity of borrowings is represented by:

	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>Fixed interest maturing in:</b>				
Borrowings	0	0	520,866	520,866

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2000

	Notes	2000 \$'000	1999 \$'000
<b>20. Additional financial instruments disclosure (continued)</b>			
<b>(f) Net fair values of financial assets and liabilities</b>			
<b>On-balance sheet</b>			
The carrying value of financial assets and financial liabilities, excluding borrowings, approximates their net fair value. The net fair value of borrowings is based upon market value as advised by QTC.			
The aggregate net fair values of financial assets and liabilities at balance date are as follows:			
<i>Financial assets</i>			
Cash and deposits	7	10,269	87,117
Receivables – trade	8	88,796	30,320
Receivables – other	8	6,523	2,206
<b>Total financial assets</b>		<b>105,588</b>	<b>119,643</b>
<i>Financial liabilities</i>			
Bank overdraft	13	401	724
Creditors – trade	14	39,913	4,518
Creditors – other	14	18,727	23,515
Other current liabilities	16	73	14
Borrowings		363,727	518,395
Dividends	15	95,680	33,950
Employee entitlements	15, 18	5,204	3,688
<b>Total financial liabilities</b>		<b>523,725</b>	<b>584,804</b>

**Off-balance sheet**

For forward priced commodity contracts, the valuation of these off-balance sheet instruments in accordance with appropriate market mechanisms was not possible, as the emerging market for Queensland electricity derivatives lacks sufficient depth to reliably quantify their value to the Corporation as at balance date.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2000

	Notes	2000 \$'000	1999 \$'000
<b>21. Employee entitlements</b>			
Aggregate employee entitlements including on-costs:			
- Current	15	3,441	2,327
- Non-current	18	1,763	1,361
		<b>5,204</b>	<b>3,688</b>
The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following weighted averages:			
- Assumed rate of increase in wage and salary rates		5%	5%
- Discount rate		5.9%–6.3%	4.7%–6.4%
- Settlement term (years)		18	18

**The Electricity Supply Industry Superannuation Fund (Qld)**

Permanent employees of Stanwell Corporation Limited are entitled, after serving a qualifying period, to benefits on retirement, disability or death from the Queensland Electricity Supply Industry Employees' Superannuation Scheme. The Defined Benefit Account of this fund provides defined lump sum benefits based on years of service and final average salary. Employees contribute to the Fund based on varying percentages of their gross salaries.

In July 2000, employees are being given the choice of converting their benefits into the Defined Contribution Account of this fund. From this point in time, new employees will only be entitled to join the Defined Contribution Account.

An actuarial assessment of the Fund was last made as at 30 June 1999 by Shane Mather, FIAA of NSP Buck Manarah. Based on calculations made as part of this assessment the actuary is of the view that the assets of the Fund are sufficient to satisfy all benefits that would have been vested under the Fund in the event of termination of the Fund or voluntary or compulsory termination of employment of each employee as at the assessment date.

	1999 \$'000
The accrued benefits and fund assets at net market value were as follows:	
Present value of employees' accrued benefits	42,055
Net market value of assets held by the Fund to meet future benefit payments	53,358
Excess of the assets held to meet future benefit payments over present value of employees' accrued benefits	<b>11,303</b>
Vested benefits	<b>40,397</b>

These benefits have been determined by the actuary at the date of the most recent actuarial review, being 30 June 1999.

As the present value of employees' accrued benefits does not exceed assets held to meet future benefit payments, no liability is recognised.

Vested benefits are benefits which are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and include benefits which members were entitled to receive had they terminated their Fund membership as at the reporting date.

Employer contributions paid to the superannuation scheme for the year were \$1,562,336 (1999: \$1,327,394).

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2000

	2000 \$'000	1999 \$'000
<b>22. Commitments</b>		
<b>Capital expenditure commitments</b>		
Contracted but not provided for and payable:		
– <i>Not later than one year</i>	44,522	5,560
– <i>Later than one year but not later than two years</i>	2,892	0
	<b>47,414</b>	<b>5,560</b>
<b>Operating expenditure commitments</b>		
Contracted but not provided for and payable:		
– <i>Not later than one year</i>	2,090	
– <i>Later than one year but not later than two years</i>	1,106	
– <i>Later than two years but not later than five years</i>	896	
	<b>4,092</b>	
<b>Operating lease commitments</b>		
Future operating lease rentals not provided for in the financial statements and payable:		
– <i>Not later than one year</i>	1,080	589
– <i>Later than one year but not later than five years</i>	2,592	1,609
– <i>Later than five years</i>	0	181
	<b>3,672</b>	<b>2,379</b>

**23. Contingent liabilities**

The directors are not aware of any material contingent liabilities and consequently no provisions are included in the accounts.

**24. Notes to the statement of cash flows****(a) Reconciliation of cash**

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	Notes	2000 \$'000	1999 \$'000
Cash at bank and on hand	7	5	6
Deposits at call	7	10,264	87,111
Bank overdraft	13	(401)	(724)
		<b>9,868</b>	<b>86,393</b>

**Notes to the Financial Statements**

FOR THE YEAR ENDED 30 JUNE 2000

	2000 \$'000	1999 \$'000
<b>24. Notes to the statement of cash flows (continued)</b>		
<b>(b) Reconciliation of operating profit after income tax equivalent to net cash provided by operating activities</b>		
Operating profit after income tax equivalent	127,573	109,929
Add/(less) items classified as investing/financing activities:		
– <i>Loss on sale of non-current assets</i>	357	1,723
Add/(less) non-cash items:		
– <i>Amortisation</i>	45,159	45,113
– <i>Depreciation</i>	7,977	8,108
– <i>Market realisation charge</i>	0	783
Change in assets and liabilities:		
– <i>(Increase)/decrease in debtors</i>	(62,793)	4,280
– <i>(Increase)/decrease in inventories</i>	722	(2,621)
– <i>(Increase) in future income tax equivalent benefits</i>	(692)	(1,164)
– <i>Decrease in other operating assets</i>	1,373	976
– <i>Increase in accounts payable</i>	27,141	4,214
– <i>Increase in provision for deferred income tax equivalent</i>	30,191	62,916
– <i>Increase in other provisions/liabilities</i>	1,576	396
<b>Net cash provided by operating activities</b>	<b>178,584</b>	<b>234,653</b>

**(c) Non-cash investing activities**

During the financial year the Company exchanged property, plant and equipment with an aggregate fair value of \$0 (1999: \$8,571,086) for prepaid coal. This exchange is not reflected in the statement of cash flows.

	2000 Number	1999 Number
<b>25. Directors' remuneration</b>		
The numbers of directors of the Company whose income from the Company or any related party falls within the following bands:		
\$20,000–29,999	6	6
\$40,000–49,999	0	1
\$50,000–59,999	1	0

	2000 \$'000	1999 \$'000
Total income paid or payable, or otherwise made available, to all directors of the Company from the Company or any related party	217	195

Directors' income does not include insurance premiums paid by the Company 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 directors.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2000

	2000 Number
<b>26. Executives' remuneration</b>	
Executive officers are those officers involved in the strategic direction, generation management or control of business at a company or operating division level.	
The numbers of executive officers of the Company whose remuneration from the Company or related parties falls within the following bands:	
\$140,000–149,999	7
\$150,000–159,999	1
\$200,000–209,999	1
<p>Note: Executives may also earn performance based at risk incentive bonuses which are not shown in this table</p>	
	2000 \$'000
Total income received, or due and receivable, from the Company or related parties by executive officers of the Company whose income is \$100,000 or more	1,334

Note: Executives may also earn performance based at risk incentive bonuses which are not show in this table.

Executives' remuneration does not include insurance premiums paid by the Company 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.

**27. Related parties****Directors**

The names of each person holding the position of director of the Company during the financial year are Messrs B Stein, PG Dowling, T Nulty, P McInnes, B Kelly, Ms M Palmer and Ms BK Morris.

Details of directors' remuneration are set out in Note 25.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year end.

**Other transactions with the Company**

Mr B Stein is a director of a wholly owned subsidiary company – Ashcrete Technologies Pty Ltd – refer Note 31.

Mr PG Dowling was a partner of Ernst & Young, Chartered Accountants, for the period 1 July 1999 to 13 August 1999. This firm renders accounting advice to the Company in the ordinary course of business.

The terms and conditions of the transactions with directors and their director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director-related entities on an arm's length basis.

A number of the directors of the Company are also directors of other organisations which have transactions with the Company. The directors do not believe that they have the capacity to control or significantly influence the financial or operating policies of the Company or the organisations in their dealings with each other.

Those organisations are therefore not considered to be director-related entities.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2000

### 27. Related parties (continued)

#### Other transactions with the Company (continued)

The value of the transactions during the year with directors and their director-related entities were as follows:

Director	Director-related entity	2000 \$'000	1999 \$'000
B Stein	Ashcrete Technologies Pty Ltd	0 <sup>1</sup>	0 <sup>1</sup>
PG Dowling	Ernst & Young	20	191

<sup>1</sup> less than \$500

#### Other related parties

There were no material other related party transactions during the financial year.

### 28. Segment information

#### Industry segments

The Company operates principally in the electricity generation industry.

#### Geographical segments

The Company operates solely in Australia.

### 29. Cross border lease

The 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 profit and loss statement over the estimated life of the assets on a straight line basis consistent with the Company'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.

### 30. Events subsequent to balance date

No significant events have occurred since balance date that would impact on the 2000 financial accounts or current operations of the Company.

### 31. Investment in subsidiary

The Company acquired a further 50% shareholding in an associate during the financial year, bringing its shareholding in the associate (now a subsidiary) to 100%. The subsidiary has not operated, however, it holds intellectual property with a carrying value of \$2. These patents will be revalued once reliable future cash flows can be determined.

Given that the investment is immaterial, consolidated accounts have not been prepared.

Details of investment in subsidiary is as follows:

Name	Principal activity	Balance date	Ownership interest		Investment carrying amount	
			2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Ashcrete Technologies Pty Ltd	Non-operating	30 June	100%	50%	0 <sup>1</sup>	0 <sup>1</sup>

<sup>1</sup> less than \$500.

## Directors' Declaration

---

### Directors' declaration

In the opinion of the directors of Stanwell Corporation Limited:

- (a) the financial statements and notes set out on pages 36 to 55 are in accordance with the Corporations Law, including:
  - (i) giving a true and fair view of the financial position of the Company as at 30 June 2000 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; 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.

Dated at Brisbane this thirteenth day of October 2000.

Signed in accordance with a resolution of the directors:



B Stein  
Chairman



P G Dowling  
Deputy Chairman

## Independent Audit Report

TO THE MEMBERS OF STANWELL CORPORATION LIMITED

### Scope

I have audited the financial statements, being the Directors' Declaration, the Profit and Loss Statement, Balance Sheet, Statement of Cash Flows and Notes to the financial statements of Stanwell Corporation Limited for the financial year ended 30 June 2000 as set out on pages 36 to 56. The Directors of the Company are responsible for the preparation and the presentation of the financial statements and information they contain. I have audited these financial statements in order to express an opinion on them to the members of the Company.

The audit has been conducted in accordance with QAO Auditing Standards, which incorporate Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and statutory requirements so as to present a view which is consistent with my understanding of the Company's financial position and the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### Audit Opinion

In my opinion, the financial statements of Stanwell Corporation Limited have been properly drawn up –

- (a) so as to give a true and fair view of –
  - (i) the company's state of affairs as at 30 June 2000 and its profit and cash flows for the financial year ended on that date; and
  - (ii) the other matters required by sections 292 to 297 of the Corporations Law to be dealt with in the financial statements;
- (b) in accordance with –
  - (i) the provisions of the Corporations Law; and
  - (ii) the applicable Accounting Standards and other mandatory professional reporting requirements.



L J SCANLAN  
Auditor-General of Queensland

Queensland Audit Office  
Brisbane  
13 October 2000

(Government Owned Corporations Act Requirements)

**SUMMARY OF STATEMENT OF CORPORATE INTENT**

For the year ended 30 June 2000

**INTRODUCTION**

A Statement of Corporate Intent (SCI) is required each financial year in accordance with Part 8 of the *Government Owned Corporations Act (1993)* (GOC Act).

The SCI is the formal statement of intentions, key policies and performance agreement between the Board of Stanwell Corporation Limited and its voting shareholding Ministers – the Minister for Mines and Energy and Minister Assisting the Deputy Premier on Regional Development, and Treasurer. It is consistent with and complements the company's five-year Corporate Plan.

Provided below is a summary of the SCI for the 12 months ended 30

June 2000. The full statement will be tabled in the Legislative Assembly in accordance with Section 132 of the GOC Act.

**SUMMARY**

The SCI outlines the nature and scope of the company's activities, including its main undertakings and capital investments for the period.

**INVESTMENTS**

The major projects, which will be progressed during the year, are:

- North Queensland Gas Power Project – completion of feasibility study and agreement of input process;
- 7 MW Koombooloomba mini hydro;
- Securing Stanwell Energy Park foundation customer; and
- Cogeneration feasibility studies for 54 MW.

**PERFORMANCE MONITORING**

The SCI contains a framework for performance monitoring which is intended to ensure that the Board is strictly accountable to the shareholding Ministers for the company's performance and provides accurate reporting which satisfies relevant legislation and accounting standards.

The SCI requires reports on an annual and quarterly basis. The Annual Report is central to meeting these requirements.

Quarterly reports are required to detail the actual operating results for each quarter and the year to date. Results are compared against the approved budget and any planning forecasts.

The SCI requires reports on a number of financial and non-financial indicators to achieve a balanced perspective of the company's overall performance.

**PERFORMANCE COMPARISON 1999/2000**

Indicator	SCL Target	Actual
Total operating revenue	\$352.2 million	\$432.2 million
EBIT (earnings before interest and tax)	\$146.4 million	\$191.6 million
Profit after tax	\$68.8 million	\$127.6 million
Net assets	\$1,041.7 million	\$1023.9 million
Return on assets (EBIT)	8.37%	11.24%
Return of equity (after interest and tax)	6.67%	12.48%
Debt/debt + equity	33.33%	26.64%
Interest cover	3.77 times	5.55 times
Current ratio	2.54 times	0.74 times
Annual availability (Stanwell Power Station)	94.00%	94.40%
Forced outage factor (Stanwell Power Station)	2.5%	0.92%
Lost time injury frequency rate	11	11.26

## POLICIES

The SCI also includes details of policies and programs for capital and borrowings, risk management, and tax payments to Government for the period.

The company did not identify in the SCI any obligations to perform activities which were not in its commercial interest to perform.

Other information contained in the SCI includes policies for asset management, accounting and purchasing and the identification of any intention to acquire or dispose of major assets. No intention to dispose of major assets is identified.

Also included as part of the SCI is a comprehensive Employment and Industrial Relations (EIR) Plan that provides for the company to develop and maintain conditions of employment for its employees, including labour market-based remuneration. It recognises the multi-skilling and flexibility that need to be retained to maintain high productivity.

These conditions take into account the competitive market within which the company conducts its business. The EIR Plan contains information relating to employment practice, remuneration arrangements, workplace health and safety, workplace equity, redundancy and superannuation arrangements, training and development, and consultation.

## DIVIDEND POLICY

The Board will make a recommendation on the dividend to be paid, from 1 July 1999 to 30 June 2000 profit, in the light of end of year financial results, after taking into account SCL's existing and target capital structure, future capital investment commitments, and capacity to pay with prudent financial management.

## SUMMARY OF DIRECTIONS AND NOTIFICATIONS GIVEN UNDER THE GOVERNMENT OWNED CORPORATIONS ACT (1993)

For the year ended 30 June 2000

The company is required to give particulars of directions and notifications given to the Board by the shareholding Ministers that relate to the financial year. The following directions/notifications were received:

### ■ 25 August 1999

A notification to appoint a Legal Panel of firms from which legal advice is obtained.

### ■ 1 September 1999

A notification of Government Guidelines for Overseas Travel for Official Purposes.

### ■ 30 November 1999

A notification that the Corporation's Annual General Meeting would be conducted by way of a Flying Minute as prescribed by Section 81 of *Government Owned Corporations Act 1993*.

### ■ 14 December 1999

A notification to implement Remuneration Guidelines for Senior Executive Staff in Government Owned Corporations.

### ■ 11 January 2000

A direction to pay a dividend of \$104.861 million in respect of the 1998/1999 financial year.

### ■ 21 January 2000

A notification regarding the establishment of an Electricity Monitoring Unit within the Department of Mines and Energy.

### ■ 18 February 2000

A notification to reinforce the Government's policy for the use of collective bargaining.

### ■ March 2000

A notification regarding the introduction of Local Industry Policy.

### ■ 28 March 2000

A notification to appoint new employees under collective bargaining agreements instead of individual contracts.

### ■ 20 April 2000

A notification to advise bonus payments to senior executives prior to finalisation.

### ■ 3 May 2000

A notification to implement the Local Industry Policy and ensure full compliance.

### ■ 24 May 2000

A notification of the release of the Queensland Energy Policy.

### ■ 7 June 2000

A notification to adhere to the Local Content Policy and State Purchasing Policy.

(Government Owned Corporations Act Requirements)

**OVERSEAS TRAVEL**

To meet reporting requirements, the following information is provided:

<b>Name/Position</b>	<b>Trip/Date</b>	<b>Major Destinations</b>	<b>Cost</b>	<b>Purpose of Travel</b>
Beavon Timings - North Queensland Power Project Manager	Townsville to Papua New Guinea (return) 15-16 September 1999	Port Moresby, PNG to visit Kutubu (PNG Gas Project)	\$2,000 total (\$1,000 paid by SCL)	To review existing project infrastructure and operations - oil and gas, in order that fuel risk issues can be better understood and resolved.
Ian Gilbar - Asset Manager and Simon Gorbachinski - Senior Thermal Engineer	Brisbane to Japan (return) September 1999	Hitachi City, Japan to visit Hitachi plant to discuss technical options	\$12,138	To meet with Hitachi engineers carrying out design study for turbine extracted steam limitations for AMC supply and other engineering issues.
Des Covey - Engineering Manager	Brisbane to United Kingdom, Europe and USA (return) October 1999	Join mission to Glasgow, United Kingdom - for senior people from the power generation section in Australia and New Zealand	\$11,700 total (\$7,000 paid by British Consulate)	At the invitation of the British Consul-General visited British equipment suppliers, including turbine and generator manufacturers, and visited solar thermal applications in Europe.
Ted Scott - Chief Executive Officer and Beavon Timings - North Queensland Power Project Manager	Brisbane to Seoul, Korea (return) November 1999	Onsan, Korea	\$12,010	To attend meetings with CG Choi - Chairman of Korea Zinc Ltd, CY Choi of Sun Metals Corporation, and Messrs Ji Sann Hong, Chris Kim and Min Song to secure support to the long-term electricity supply agreement for the North Queensland Power Project.
Richard Mackie - Business Development Project Manager, Toora Wind Farm	Brisbane to Europe (return) April 2000	Germany, Denmark and Holland	\$8,855.51	To visit wind turbine manufacturers including Enercon and Nordex (Germany), Vestas, NEG-micon and Bonus (Denmark), and Llargerwey (Holland).
Nev Turner - Energy Resources Manager and Ben Lacey - Mechanical Engineer (RockyPoint Project Engineer)	Brisbane to USA and New Zealand (return) 9-27 May 2000	Los Angeles, San Francisco, Eugene, Boston, Atlanta and other sites in Virginia, USA, sites near Rotorua in New Zealand	\$28,099.88	To gain insight into how utilities and private companies in the USA and NZ operate and maintain their power plants, particularly in cogeneration applications which use organic waste as their primary fuel. The main areas of interest for SCL included fuel logistics, fuel contracting and stockpile management, materials processing and handling, combustion and environmental considerations.

## GLOSSARY OF TERMS

<b>Availability</b>	The total energy available to the system, allowing for planned maintenance and breakdowns, as a percentage of total energy capacity.
<b>Baseload</b>	The minimum electrical load that is always present in the system. Baseload stations operate more or less continuously to meet demand.
<b>Capacity</b>	The greatest load that can be supplied by a generating unit, power station or entire grid system.
<b>Capacity Factor</b>	Capacity factor is the ratio of actual usage of the plant to the total capacity of the plant (or system).

## ABBREVIATIONS

<b>AGO</b>		Australian Greenhouse Office.
<b>CO<sub>2</sub></b>		Carbon dioxide.
<b>DNR</b>		Department of Natural Resources.
<b>DPI</b>		Department of Primary Industries.
<b>EBA</b>		Enterprise Bargaining Agreement.
<b>EIR</b>		Employment and Industrial Relations.
<b>EMP</b>		Environmental Management Program.
<b>EMS</b>		Environmental Management System.
<b>EPA</b>		Environmental Protection Agency.
<b>ERU</b>		Electricity Reform Unit (previously QERU).
<b>GOC</b>		A Government owned corporation under the <i>Government Owned Corporations Act 1993</i> .
<b>GW</b>	<b>Gigawatt</b>	One GW = one thousand megawatts = one thousand million watts.
<b>GWh</b>	<b>Gigawatt hour</b>	One GWh = one thousand megawatt hours.
<b>IAS</b>		Impact Assessment Study.
<b>Kt</b>	<b>Kilotonne</b>	One Kt = one thousand tonnes.
<b>kW</b>	<b>Kilowatt</b>	One kW = one thousand watts.
<b>KWh</b>	<b>Kilowatt hour</b>	The standard unit of energy representing consumption of electrical energy at the rate of one kilowatt over a period of one hour.
<b>LTIFR</b>		Lost Time Injury Frequency Rate.
<b>MW</b>	<b>Megawatt</b>	One MW = one million watts.
<b>MWh</b>	<b>Megawatt hour</b>	One MWh = one thousand kilowatt hours.
<b>NEM</b>		National Electricity Market.
<b>NEMMCO</b>		National Electricity Market Management Company.
<b>NQPP</b>		North Queensland Power Project.
<b>QSEIF</b>		Queensland Sustainable Energy Innovation Fund.
<b>QSO</b>		Queensland System Operator.
<b>QTC</b>		Queensland Treasury Corporation.
<b>SCI</b>		Statement of Corporate Intent.
<b>SCL</b>		Stanwell Corporation Limited.
<b>TUoS</b>		Transmission Use of System Charge.
<b>W</b>	<b>Watt</b>	A watt is the unit of power or the rate of doing work.
<b>Y2K</b>	<b>Year 2000</b>	Information Technology issues relating to the transition into the year 2000.



# STANWELL CORPORATION LIMITED

ACN 078 848 674 ABN 3707 884 8674



## ElementalPower

Elemental Power is a trademark of  
Stanwell Corporation Limited.

**For more information, contact**  
Stanwell Corporation Limited at:  
GPO Box 773 Brisbane Q 4001

**Phone 1300 659 033**

**Or visit our website at:**  
[www.elementalpower.com](http://www.elementalpower.com)  
Email: [info@elementalpower.com](mailto:info@elementalpower.com)

### ROCKHAMPTON OFFICE

Suite 3 74-78 Victoria Parade Rockhampton Q 4700  
PO Box 6510 Central Queensland Mail Centre Q 4702  
Phone: (07) 4931 3000 Fax: (07) 4931 3050

### BRISBANE OFFICE (Registered Office)

Level 13 Citibank Building 199 Charlotte Street Brisbane Q 4000  
GPO Box 773 Brisbane Q 4001  
Phone: (07) 3335 7444 Fax: (07) 3335 7477

### TRADING DIVISION

Level 15 Citibank Building 199 Charlotte Street Brisbane Q 4000  
GPO Box 773 Brisbane Q 4001  
Phone: (07) 3335 3800 Fax: (07) 3335 3822

### MELBOURNE OFFICE

832 High Street East Kew VIC 3102  
Locked Bag 8000, MDC Kew VIC 3101  
Phone: (03) 9249 9611 Fax: (03) 9249 9646

### PERTH OFFICE

Suite 2, Level 3 267 St Georges Terrace Perth WA 6000  
PO Box 7798 Cloisters Square WA 6850  
Phone: (08) 9261 7702 Fax: (08) 9261 7700

### CAIRNS OFFICE

Floor 1, 25 Sheridan Street Cairns Q 4870  
PO Box 8176 Cairns Q 4870  
Phone: (07) 4051 4258 Fax: (07) 4051 4664

### TOWNSVILLE OFFICE

Level 1 41 Denham Street Townsville Q 4810  
PO Box 2015 Townsville Q 4810  
Phone: (07) 4772 4988 Fax: (07) 4772 5697

### STANWELL POWER STATION

PO Box 5895 Central Queensland Mail Centre Q 4702  
Phone: (07) 4930 3444 Fax: (07) 4930 3272

### KAREEYA HYDRO

PO Box 398 Tully Qld 4854  
Phone: (07) 4035 0222 Fax: (07) 4035 0200

### BARRON GORGE HYDRO

PO Box 320R Redlynch Qld 4870  
Phone: (07) 4035 0255 Fax: (07) 4035 0250

Website: [www.stanwell.com](http://www.stanwell.com)

Email: [information@stanwell.com](mailto:information@stanwell.com)