

DIRECTORS' REPORT

The directors present their report together with the financial report of Stanwell Corporation Limited ("the Company") for the year ended 30 June 2002 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.

	2002 \$'000	2001 \$'000
Results – Operating profit after income tax equivalent	54,383	96,778

There were no items of an extraordinary nature.

	2002 Cents	2001 Cents
Earnings per Share – Basic earnings per share	5.55	9.88

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 expenditure is 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.

DIRECTORS' REPORT

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:

	Cents per share	Total amount \$'000	Date of payment
As proposed and provided for in last year's report: Final – Ordinary shares	7.41	72,583	31 Dec 2001
In respect of the previous financial year, but not proposed and provided for in last year's report: Additional Final – Ordinary shares:	1.98	19,356	31 Dec 2001
In respect of the current financial year: Proposed Final – Ordinary shares	5.28	51,664	31 Dec 2002

State of Affairs

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

Since commissioning, the Rocky Point project has encountered significant operational problems that translate into a permanent diminution in the carrying value of the assets. As a result of this diminution in value, a write down of \$18,940,000 has been applied to the 2001/02 result.

There were no other significant changes in the state of affairs of the Company during the financial year.

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 Community Report for further information.

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.

For details regarding the Rocky Point co-generation project, refer footnote 3 at Note 3.

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. Directors' and Senior Executives' Emoluments

The Human Resources, Workplace Health and Safety 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). Directors do not receive any performance related remuneration.

DIRECTORS' REPORT

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
Directors				
Ms E Nosworthy	49	6	4	59
Mr B Kelly	20	6	2	28
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	6	-	26
Mr M Williamson	20	6	2	28

	Base salary \$'000	Motor vehicle \$'000	Superannuation \$'000	Other benefits \$'000	Total \$'000
Executive Officers					
Chief Executive Officer ¹	85	11	16	207	319
Chief Executive Officer ²	143	13	24	3	183
Chief Financial Officer	128	19	24	7	178
Trading Manager	124	9	21	8	162
Company Secretary	107	19	28	7	161

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

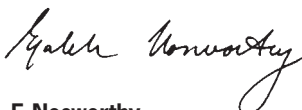
Insurance Premiums

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, company 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 thousand dollars, unless otherwise stated.

Dated at Brisbane this 27th day of August 2002. Signed in accordance with a resolution of the directors:



E Nosworthy
Chairman, Director & Audit and Risk Management



B Morris
Committee Chairman

STATEMENT OF FINANCIAL PERFORMANCE*for the year ended 30 June 2002*

	Notes	2002 \$'000	2001 \$'000
Revenue from ordinary activities	2	382,472	416,820
Expenses from ordinary activities, excluding borrowing costs expense	3	(283,033)	(251,043)
Borrowing costs expense		(21,579)	(27,108)
Profit from ordinary activities before related income tax equivalent expense		77,860	138,669
Income tax equivalent relating to ordinary activities	6	(23,477)	(41,891)
Profit from ordinary activities after related income tax equivalent expense		54,383	96,778
Net profit		54,383	96,778
Basic earnings per Share		\$0.0555	\$0.0988

The statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 27 to 45.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2002

	Notes	2002 \$'000	2001 \$'000
Current Assets			
Cash assets	8	5,869	11,442
Receivables	9	79,846	45,442
Inventories	10	12,257	12,548
Other	11	1,224	1,224
Total Current Assets		99,196	70,656
Non-Current Assets			
Property, plant and equipment	12	1,555,479	1,580,607
Deferred tax assets	6(c)	3,592	2,956
Other	13	7,920	8,596
Total Non-Current Assets		1,566,991	1,592,159
Total Assets		1,666,187	1,662,815
Current Liabilities			
Interest-bearing liabilities	14	466	1,615
Payables	15	57,123	30,172
Provisions	16	57,008	76,686
Other	17	1,050	44
Total Current Liabilities		115,647	108,517
Non-Current Liabilities			
Interest-bearing liabilities	18	337,788	348,848
Deferred tax liabilities	6(b)	204,653	180,541
Provisions	19	2,174	2,347
Total Non-Current Liabilities		544,615	531,736
Total Liabilities		660,262	640,253
Net Assets		1,005,925	1,022,562
Equity			
Contributed Equity	20	979,048	979,048
Retained profits	21	26,877	43,514
Total Equity		1,005,925	1,022,562

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 27 to 45.

STATEMENT OF CASH FLOWS*for the year ended 30 June 2002*

	Notes	2002 \$'000	2001 \$'000
Cash flows from Operating Activities			
Cash receipts in the course of operations		382,165	450,712
Cash payments in the course of operations		(205,232)	(200,473)
Interest received		966	1,571
Borrowing costs paid		(28,471)	(27,273)
Other		1,686	(3,664)
Net cash provided by operating activities	26(b)	151,114	220,873
Cash flows from Investing Activities			
Payments for property, plant and equipment		(52,218)	(76,946)
Proceeds from disposal of non-current assets		1,057	486
Payments for exploration and evaluation expenditure		(1,377)	(243)
Net cash (used in) investing activities		(52,538)	(76,703)
Cash flows from Financing Activities			
Repayment of borrowings		(11,061)	(23,017)
Dividends paid		(91,939)	(121,194)
Net cash (used in) financing activities		(103,000)	(144,211)
Net Increase/(Decrease) in Cash Held			
Cash at the beginning of the financial year		9,827	9,868
Cash at the end of the financial year	26(a)	5,403	9,827

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 27 to 45.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

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 Act 2001*.

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

(b) Revenue Recognition – Note 2

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the Australian Taxation Office (ATO).

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.

Sale of non-current assets – gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Research and development grants – where a grant is received relating to research and development costs that have been expensed, 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.

Other revenue – is recognised when an invoice is issued.

(c) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

(d) Foreign Currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling 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 statement of financial performance 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 statement of financial performance.

(e) Derivatives – Note 22

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(d).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

1. Statement of Significant Accounting Policies

(e) Derivatives – Note 22 (continued)

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.

(f) 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.

(g) Taxation- Note 6

Income Tax

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

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

Income tax equivalent expense is calculated in accordance with the provisions of the National Tax Equivalent 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 statement of financial position 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 effects of capital losses are not recorded unless realisation is virtually certain.

(h) Acquisitions of Assets

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisitions.

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.

The cost of assets constructed or internally generated by the Company, other than goodwill, include 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.

Research and Development Costs

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond reasonable doubt, in which case it is deferred.

Subsequent Additional Costs

Costs incurred on assets 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. Costs that do not meet the criteria for capitalisation are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

(h) Acquisitions of Assets (continued)

Business Development Project Costs

Business development project costs are expensed as incurred until such time as it is determined that the relevant project should proceed to the bankable feasibility stage. Costs associated with the development of a bankable feasibility study are capitalised.

(i) Revisions of Accounting Estimates

Revisions to accounting estimates are recognised prospectively in current and future periods only.

(j) Receivables – Note 9

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 uncollectible are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

(k) Inventories – Note 10

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

(l) Leased Assets

For assets subject to cross border leases, refer Note 31.

Leases 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.

Finance 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. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Operating Leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(m) Exploration and Evaluation Expenditure – Note 13

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.

(n) Recoverable Amount of Non-Current Assets Valued on Cost Basis

The carrying amounts of non-current assets valued on the cost basis, other than exploration and evaluation expenditure carried forward (refer Note 1(m)), 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. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have been discounted to their present value at a discount rate of 8.5%.

Under AASB 1040:8.2, 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 financial statements.

(o) Depreciation and Amortisation

Complex Assets

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

Useful Lives

All assets, including intangibles, have limited useful lives and are depreciated or amortised using the straight line method over their estimated useful lives.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

(o) Depreciation and Amortisation (continued)

Useful Lives (continued)

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

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

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

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

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

	2002	2001
Power stations – leased	3 – 43 years	3 – 43 years
Power station – owned	3 – 43 years	3 – 43 years
Property, plant and equipment – leased	40 years	40 years
Property, plant and equipment – owned	2 – 40 years	2 – 40 years

(p) Payables – Note 15

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 30 days.

(q) Interest-bearing Liabilities – Notes 14 and 18

Borrowings are recognised at their principal amounts. Interest expense is accrued at the contracted rate and included in “Other Creditors and Accruals” – refer Note 15.

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

(r) Employee Entitlements – Notes 16, 19 and 23

(i) Wages, Salaries, Annual Leave and Sick Leave

Liabilities for employee entitlements to wages, salaries, annual leave and sick leave represent present obligations resulting from employees’ services provided up to the reporting date calculated at undiscounted amounts based on current wage and salary rates, including 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 resulting from employees’ services provided up to the reporting date.

The provision is calculated using estimated future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national Government securities at balance date which most closely match the terms of maturity of the related liabilities.

(iii) Superannuation

The Company contributes to defined benefit and defined contribution superannuation plans. Contributions are charged against income as they are made.

(s) Provisions

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligations.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Restoration

Provisions are made for estimated costs relating to the remediation of soil, groundwater and untreated waste as soon as the need is identified.

(t) Earnings per Share – Note 20

Basic Earnings per Share

Basic earnings per share is determined by dividing the profit from ordinary activities after related income tax equivalent expense of \$54.383 million (2001: \$96.778 million) by the weighted average number of Ordinary shares outstanding during the financial year of 979,047,716 shares (2001: 979,047,716 shares).

(u) Comparative Figures

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

Notes	2002 \$'000	2001 \$'000
2. Revenue from Ordinary Activities		
Revenue from Operating Activities:		
- Sales of electricity ¹	343,696	387,150
- Interest received/receivable	967	1,569
- Other	5,694	818
Revenue from Outside Operating Activities:		
- Sales of coal	28,764	26,138
- Gross proceeds from sale of non-current assets	-	486
- Other	3,351	659
	382,472	416,820
¹ Unhedged revenue based upon spot prices for electricity as provided by the National Electricity Market Management Company ("NEMMCO"); hedged revenue based upon contract prices.		
3. Expenses from Ordinary Activities Excluding Borrowing Costs Expense		
Cost of sales ²	150,477	145,266
Employee expenses	28,072	24,513
Depreciation and amortisation expenses – refer Note 4	58,308	55,718
Asset write-down ³	18,940	-
Other expenses from ordinary activities	27,236	25,546
	283,033	251,043

² Cost of Sales incorporates expenses relating to energy inputs, production processes and coal on-sale.

³ The Rocky Point cogeneration project commenced operations in February 2002. From the outset it has encountered considerable ongoing operational problems, which have necessitated additional capital expenditure not previously included in the project budget. These problems are not yet resolved and it is not yet clear what the ultimate financial impact of any such resolution will be. The project is also facing further constraints as a result of actions (including legal proceedings) by the State environmental authorities. These actions have also necessitated further capital expenditure.

In the light of these events, the directors have revised their estimate of the recoverable amount of the Rocky Point cogeneration project. In assessing the recoverable amount of this project, a number of projections and assumptions, including future generating capacity of the plant, electricity pool prices and fuel costs have been made.

The directors consider that on the balance of the information available at present, the recoverable amount of the Rocky Point assets is less than its carrying value and accordingly the assets should be written down to the lower amount.

The future performance of the Rocky Point project is uncertain and it is possible that further adjustments may be necessary.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

	2002 \$'000	2001 \$'000
4. Profit from Ordinary Activities Before Related Income Tax Equivalent Expense		
Profit from ordinary activities before income tax equivalent expense has been arrived at after charging/(crediting) the following items:		
Depreciation		
- Power stations	11,322	8,700
- Other property, plant and equipment	2,417	2,211
	13,739	10,911
Amortisation		
- Power stations	44,259	44,497
- Other property, plant and equipment	310	310
	44,569	44,807
Total depreciation and amortisation	58,308	55,718
Net bad and doubtful debts expense including movements in provision for doubtful debts	215	-
Net expense from movement in provision for:		
- employee entitlements	911	699
- restoration	157	547
Operating lease rental expense	1,726	1,126
Net loss on disposal of property, plant and equipment	2,293	589
5. Auditors' Remuneration		
Audit services:		
Auditor of the Company – Queensland Auditor-General	85	95
6. Taxation		
(a) Income Tax Equivalent Expense		
Prima facie income tax equivalent expense calculated at 30% (2001: 34%) on profit from ordinary activities:	23,358	47,147
Increase in income tax equivalent expense due to:		
- Non-deductible expenses	105	208
- Sundry items	34	-
Income tax equivalent expense on profit from ordinary activities before individually significant income tax items:	23,497	47,355
Individually significant income tax equivalent items:		
- Restatement of deferred tax balances due to change in company tax rate	-	(5,449)
	23,497	41,906
Income tax equivalent (over) provided in prior year	(20)	(15)
Income tax equivalent expense attributable to profit from ordinary activities	23,477	41,891
Income tax equivalent expense attributable to profit from ordinary activities is made up of:		
- Deferred income tax equivalent provision	24,132	42,739
- Future income tax equivalent benefit	(635)	(833)
- (Over) provision in prior year	(20)	(15)
	23,477	41,891

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

	2002 \$'000	2001 \$'000
(b) Provision for Deferred Income Tax Equivalent		
Provision for deferred income tax equivalent comprises the estimated expense at the applicable rate of 30% (2001: 30%) on the following items:		
<i>Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax equivalent purposes</i>	233,111	191,493
<i>Expenditure currently deductible for tax equivalent but deferred and amortised for accounting purposes</i>	4,045	4,133
	237,156	195,626
- Provision for deferred income tax equivalent no longer required due to future income tax equivalent benefits attributable to tax losses	(32,503)	(15,085)
	204,653	180,541
(c) Future Income Tax Equivalent Benefit		
Future income tax equivalent benefit comprises the estimated future benefit at the applicable rate of 30% (2001: 30%) on the following items:		
- Provisions and accrued employee entitlements not currently deductible	3,265	2,621
- Sundry items	327	335
	3,592	2,956

	Cents per share	Total amount \$'000	Date of payment
7. Dividends			
Dividends recognised in the current year by the Company are:			
2002			
2001 Final – Ordinary (additional)	1.98	19,356	31 Dec 2001
2002 Final – Ordinary (proposed)	5.28	51,664	31 Dec 2002
		71,020	
2001			
2000 Final – Ordinary (additional)	2.61	25,514	29 Dec 2000
2001 Final – Ordinary (proposed)	7.41	72,583	31 Dec 2001
		98,097	

Pursuant to the National Tax Equivalent Regime, the Company is not required to maintain a franking account.

	2002 \$'000	2001 \$'000
8. Current Assets – Cash Assets		
Cash at bank and on hand	5	5
Deposits at call – Queensland Treasury Corporation	5,864	11,437
	5,869	11,442

Deposits at Call – The deposits bear floating interest rates between 4.17% (2001: 5.01%) and 5.43% (2001: 6.84%).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

	2002 \$'000	2001 \$'000
9. Current Assets – Receivables		
Trade debtors	69,025	33,463
Less: Provision for doubtful trade debtors	(215)	-
	68,810	33,463
Other debtors	11,036	11,979
	79,846	45,442
Other Debtors – These amounts generally arise from transactions outside the usual operating activities of the Company. Interest may be charged at 9.50% (2001: 9.43%) where repayment is after the due date. Collateral is not obtained.		
10. Current Assets – Inventories		
Fuel at weighted average cost	6,937	7,813
Stores at weighted average cost	5,320	4,735
	12,257	12,548
11. Current Assets – Other		
Prepayments	1,224	1,224
	1,224	1,224
12. Non-Current Assets – Property, Plant and Equipment		
Power Stations		
Power Stations owned at cost	136,905	130,319
Less: Accumulated depreciation	(32,152)	(21,937)
	104,753	108,382
Power Stations owned at recoverable amount		
Power Stations owned at cost	52,147	-
Less: Accumulated depreciation written back	(986)	-
Less: Asset write-down	(18,940)	-
	32,221	-
Power Station under finance lease at cost	1,555,901	1,555,644
Less: Accumulated amortisation	(223,232)	(178,980)
	1,332,669	1,376,664
Total Power Stations	1,469,643	1,485,046
Works in Progress at cost	44,833	56,181
Other Property, Plant and Equipment		
Other Property, Plant and Equipment at cost	37,516	34,079
Less: Accumulated depreciation	(7,353)	(5,848)
	30,163	28,231
Other Property, Plant and Equipment under finance lease at cost	12,388	12,388
Less: Accumulated amortisation	(1,548)	(1,239)
	10,840	11,149
Total Other Property, Plant and Equipment	41,003	39,380
Total Property, Plant and Equipment Net Book Value	1,555,479	1,580,607
The carrying amount of land and buildings included above:	48,200	49,543

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

	2002 \$'000
12. Non-Current Assets – Property, Plant and Equipment (continued)	
Reconciliations	
Reconciliations of the carrying amounts for each class of Property, Plant and Equipment are set out below:	
<i>Power stations owned at cost</i>	
Carrying amount at beginning of year	108,382
Additions	25,218
Transfer from capital works in progress	33,709
Transfer to Power Stations Owned at Recoverable Amount	(51,161)
Retirements	(194)
Depreciation	(11,201)
Carrying amount at end of year	104,753
<i>Power stations owned at recoverable amount</i>	
Carrying amount at beginning of year	-
Transfers from Power Stations Owned at Cost	52,147
Accumulated depreciation written back	(986)
Asset write-down – refer footnote 3 at Note 3	(18,940)
Carrying Amount at end of year	32,221
<i>Power stations under finance lease</i>	
Carrying amount at beginning of year	1,376,664
Additions	322
Retirements	(65)
Depreciation	(44,252)
Carrying amount at end of year	1,332,669
<i>Works in progress</i>	
Carrying amount at beginning of year	56,181
Additions	26,418
Transfer to power stations and other property, plant and equipment	(35,830)
Retirements	(1,936)
Carrying amount at end of year	44,833
<i>Other property, plant and equipment at cost</i>	
Carrying amount at beginning of year	28,231
Additions	3,508
Transfer from capital works in progress	2,121
Disposals	(2,191)
Depreciation	(1,506)
Carrying amount at end of year	30,163
<i>Other property, plant and equipment under finance lease</i>	
Carrying amount at beginning of year	11,149
Depreciation	(309)
Carrying amount at end of year	10,840

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

	2002 \$'000	2001 \$'000
13. Non-Current Assets – Other		
Exploration and evaluation expenditure carried forward	7,083	5,706
Debtors – Non-Current	397	397
Provision for Doubtful Debts	(397)	(397)
Prepayments	637	2,890
Inventory	200	-
	7,920	8,596
14. Current Liabilities – Interest-bearing Liabilities		
Bank Overdraft (due to unrepresented cheques)	466	1,615
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
<small>The bank overdraft facilities may be utilised at any time. Interest rates on the facilities are variable. The interest rate at 30 June 2002 was 8.60% (2001: 8.75%).</small>		
15. Current Liabilities – Payables		
Trade creditors	44,459	9,218
Other creditors and accruals	12,664	20,954
	57,123	30,172
16. Current Liabilities – Provisions		
Dividends	51,664	72,583
Employee entitlements – Note 23	5,087	3,853
Restoration	257	250
	57,008	76,686
17. Current Liabilities – Other		
Security Deposits and Retentions	1,050	44
	1,050	44
18. Non-Current Liabilities – Interest-bearing Liabilities		
Unsecured loan from Queensland Treasury Corporation	337,788	348,848
<small>Interest rates on the facility are fixed unless further draw-downs are required. The interest rate at 30 June 2002 was 6.62% (2001: 7.76%).</small>		
<small>An amount of \$243 million (2001: \$232 million) is in a Queensland Treasury Corporation debt offset account, and is reported here as a set-off against long term borrowings.</small>		
19. Non-Current Liabilities – Provisions		
Employee entitlements – Note 23	1,727	2,050
Restoration	447	297
	2,174	2,347

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

	2002 \$'000	2001 \$'000
20. Contributed Equity		
Share Capital		
4 (2001: 4) ordinary voting (A class) shares, fully paid	-	-
979,047,712 (2001: 979,047,712) ordinary non-voting (B class) shares, fully paid	979,048	979,048
	979,048	979,048
<p> Holders of ordinary shares are entitled to receive dividends as declared from time to time and holders of A class shares are entitled to one vote per share at shareholders' meetings.</p> <p> In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.</p>		
21. Retained Profits		
Retained profits at beginning of year	43,514	44,833
Net profit after income tax equivalent	54,383	96,778
Dividends	(71,020)	(98,097)
Retained profits at end of year	26,877	43,514

22. 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 2002 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.

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 2002

22. Additional Financial Instruments Disclosure

(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 risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Notes	Weighted average interest rate	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
2002						
<i>Financial assets</i>						
Cash and deposits	8	4.76%	5,869	-	-	5,869
Receivables – trade	9	-	-	-	69,025	69,025
Receivables – other	9	9.50%	9,971	-	1,065	11,036
Total financial assets			15,840	-	70,090	85,930
<i>Financial liabilities</i>						
Bank overdraft	14	8.60%	466	-	-	466
Creditors – trade	15	-	-	-	44,459	44,459
Creditors – other	15	-	-	-	12,664	12,664
Other current liabilities	17	-	-	-	1,050	1,050
Borrowings	18	6.62%	-	337,788 ¹	-	337,788
Dividends payable	16	-	-	-	51,664	51,664
Employee entitlements	23	-	-	-	6,814	6,814
Total financial liabilities			466	337,788	116,651	454,905-

¹ 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
Fixed interest maturing in:				
Borrowings	-	-	337,788	337,788

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

22. Additional Financial Instruments Disclosure

(e) Interest rate risk exposure

	Notes	Weighted average interest rate	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
2001						
<i>Financial assets</i>						
Cash and deposits	8	6.13%	11,442	-	-	11,442
Receivables – trade	9	-	-	-	33,463	33,463
Receivables – other	9	9.43%	10,486	-	1,493	11,979
Total financial assets			21,928	0	34,956	56,884
<i>Financial liabilities</i>						
Bank overdraft	14	8.75%	1,615	-	-	1,615
Creditors – trade	15	-	-	-	9,218	9,218
Creditors – other	15	-	-	-	20,954	20,954
Other current liabilities	17	-	-	-	44	44
Borrowings	18	7.76%	-	348,848 ²	-	348,848
Dividends payable	16	-	-	-	72,583	72,583
Employee entitlements	23	-	-	-	5,903	5,903
Total financial liabilities			1,615	348,848	108,702	459,165

² 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
Fixed interest maturing in:				
Borrowings	-	-	348,848	348,848

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

22. Additional Financial Instruments Disclosure

(f) Net fair values of financial assets and liabilities

Net fair values of financial assets and liabilities are determined by the Company on the following bases:

Recognised Financial Instruments

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:

	Notes	2002 \$'000	2001 \$'000
<i>Financial Assets</i>			
Cash and deposits	8	5,869	11,442
Receivables – trade	9	69,025	33,463
Receivables – other	9	11,036	11,979
Total financial assets		85,930	56,884
<i>Financial liabilities</i>			
Bank overdraft	14	466	1,615
Creditors – trade	15	44,459	9,218
Creditors – other	15	12,664	20,954
Other Current Liabilities	17	1,050	44
Borrowings		330,828	340,526
Dividends	16	51,664	72,583
Employee Entitlements	23	6,814	5,903
Total financial liabilities		447,945	450,843

Unrecognised Financial Instruments

For forward priced commodity contracts, the valuation of these unrecognised financial 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 Company as at balance date.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

	Notes	2002 \$'000	2001 \$'000
23. Employee Entitlements			
Aggregate liability for employee entitlements, including on-costs:			
- Current	16	5,087	3,853
- Non-current	19	1,727	2,050
		6,814	5,903

	2002	2001
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	5.3%-6.1%	4.8%-6.2%
- Settlement term (years)	18	18

The Electricity Supply Industry Superannuation Fund (Qld)

Permanent employees of Stanwell Corporation Limited are entitled 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. The Defined Contribution Account of this fund provides lump sum benefits based on contributions and the performance of the Fund. Employees contribute to the Fund based on varying percentages of their superannuation salaries.

New employees are only 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.

The accrued benefits and fund assets at net market value were as follows:

	1999 \$'000
Present value of employees' accrued benefits	15,467
Net market value of assets held by the Fund to meet future benefit payments	21,816
Excess of the assets held to meet future benefit payments over present value of employees' accrued benefits	6,349
Vested benefits	15,467

These benefits have been determined by the actuary at the date of the most recent actuarial review, being 30 June 1999. An actuarial valuation is due to be completed as at 30 June 2002. As at reporting date, this valuation had not been completed.

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 \$2,136,061 (2001: \$1,844,735).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

	2002 \$'000	2001 \$'000
24. Commitments		
Capital Expenditure Commitments		
Contracted but not provided for and payable:		
- Within one year	21,077	4,702
- One year or later and no later than five years	0	0
	21,077	4,702
Operating Expenditure Commitments		
Contracted but not provided for and payable:		
- Within one year	4,671	3,377
- One year or later and no later than five years	2,959	3,319
	7,630	6,696
Operating Lease Commitments		
Future operating lease rentals not provided for in the financial statements and payable:		
- Within one year	1,141	1,286
- One year or later and no later than five years	968	2,006
	2,109	3,292

25. Contingent Liabilities

The details of contingent liabilities that may become payable are set out below. The directors are not aware of any circumstances or information which would lead them to believe that these liabilities will crystallise and consequently no provisions are included in the accounts in respect of these matters.

Litigation

On 13 May 2002, the Environmental Protection Agency ('EPA') issued a complaint in the Beenleigh Magistrates Court alleging that at the Rocky Point cogeneration plant, Stanwell had committed one indictable and two summary offences under the Environmental Protection Act 1994. Stanwell rejects the allegations and will vigorously defend itself in court against the allegations made by the EPA. If found guilty, the maximum penalty for the indictable offence is \$1,561,875 and for the two summary offences \$61,875 and \$37,500 respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

	2002 Number	2001 Number
28. Executives' Remuneration		
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	1	6
\$150,000 – 159,999	4	2
\$160,000 – 169,999	2	0
\$170,000 – 179,999	1	0
\$180,000 – 189,999	1	0
\$200,000 – 209,999	0	1
\$310,000 – 319,999	1	0

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

	2002 \$'000	2001 \$'000
Total income in respect of the financial year received, or due and receivable, from the Company or related parties by executive officers of the Company whose income is \$100,000 or more	1,773	1,382

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

Executive's 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.

29. Related Parties

Directors

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

Details of directors' remuneration are set out in Note 27.

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.

Directors' Transactions with the Company

Mr P McInnes is a partner of McInnes Wilson Lawyers. This firm acted for the Company in relation to a coronial inquest in the ordinary course of business.

Mr T Nulty is a partner of Phillips Fox Lawyers. The Melbourne office of Phillips Fox conducted a transmission and distribution pricing code change workshop for the Company and for many other electricity entities throughout Australia. It was undertaken 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 2002

29. Related Parties (continued)

Directors' Transactions with the Company (continued)

The aggregate amounts recognised during the year relating to directors and their director related entities were as follows:

Transaction		2002 \$'000	2001 \$'000
P McInnes	Legal fees	15	3
T Nulty	Legal fees	4	0

Non-director Related Parties

There were no material non-director related party transactions during the financial year.

30. Segment Information

Business Segments

The Company operates principally in the electricity generation industry.

Geographical Segments

The Company operates solely in Australia. The Company's customers are located entirely in Australia.

31. Cross Border Leases

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

32. Events Subsequent to Balance Date

No significant events have occurred since balance date that would impact on the 2002 financial statements or future operations of the Company.

For details regarding the Rocky Point co-generation project, refer footnote 3 at Note 3.

33. Economic Dependency

There is a co-dependent relationship between the Company and ENERGEX Retail Pty Ltd (Energex) and Ergon Energy Pty Ltd (Ergon). A large portion of electricity is sold into the NEMMCO Pool with Energex and Ergon purchasing a significant amount of this electricity. In addition, a significant portion of Energex's and Ergon's hedge contracts are with the Company.

DIRECTORS' DECLARATION

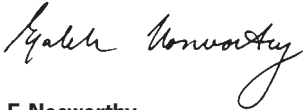
Directors' Declaration

In the opinion of the directors of Stanwell Corporation Limited:

- (a) the financial statements and notes set out on pages 24 to 45 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2002 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 in Australia and the Corporations Regulations 2001; 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 27th day of August 2002.

Signed in accordance with a resolution of the directors:



E Nosworthy
Chairman, Director & Audit and Risk Management



B Morris
Committee Chairman

INDEPENDENT AUDIT REPORT

To the members of Stanwell Corporation Limited

Scope

I have audited the financial statements, being the Directors' Declaration, the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to the financial statements of Stanwell Corporation Limited for the financial year ended 30 June 2002 as set out on pages 24 to 46. 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 and statutory requirements so as to present a view which is consistent with my understanding of the Company's financial position and performance as represented by 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 are in accordance with -

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2002 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

Queensland Audit Office
Auditor-General of Queensland
30 August 2002, Brisbane

GOC ACT REQUIREMENTS

Summary of Statement of Corporate Intent for the year ended 30 June 2002:

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 and its voting shareholding Ministers - from 5 June 2001, Stanwell's two voting shareholders were the Premier of Queensland and Minister for Trade and the Deputy Premier of Queensland, Treasurer and Minister for Sport and Energy. The SCI 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 2002. 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 that were to be progressed during the year were:

- (a) Installation of wind turbine generation in each of:
 - (i) North Queensland, planned for commissioning in 2002;
 - (ii) Victoria, planned for commissioning in 2002; and
 - (iii) completion of feasibility studies in Western Australia.
- (b) Completion of feasibility studies with major Queensland industrial customers on co-generation applications of 34 MW and biomass sugar cogeneration projects of 142 MW.
- (c) Commissioning of 30MW biomass sugar cogeneration plant in Queensland.
- (d) Crystallise the commitment from the Australian Magnesium Corporation to locate its Australian operations near the Stanwell Power Station to commence an industrial park to move 20% of capacity off-market for a period of at least 15 years.
- (e) Progress the attraction of 'light metals' industries to Stanwell Energy Park.

INDICATOR	2001/02 Target	2001/02 Actual	2000/01 Target	2000/01 Actual	1999/00 Actual	1998/99 Actual
Total operating revenue (\$m)	320.3	350.4	355.0	389.5	432.2	449.8
EBIT (earnings before interest and tax) (\$m)	98.6	99.4	139.6	165.8	191.6	12.2
Profit after tax (\$m)	45.4	54.4	72.8	96.8	127.5	109.9
Net assets (\$m)	1077.3	1005.9	1075.1	1022.5	1023.9	1019.9
Return on assets (EBIT) (%)	5.52	5.97	8.19	9.88	11.24	12.24
Return on equity (after interest and tax) (%)	4.26	5.37	6.89	9.46	12.48	10.79
Debt/debt + equity (%)	34.50	28.21	28.84	25.44	26.64	33.81
Interest cover (times)	2.92	4.6	4.76	6.12	5.55	5.14
Current ratio (times)	1.19	0.86	1.04	0.65	0.74	2.03
Annual availability (Stanwell Power Station) (%)	95.7	96.7	95.7	95.7	94.4	95.34
Forced outage factor (Stanwell Power Station) (%)	0.8	1.06	0.8	2.0	0.92	2.3
Lost time injury frequency rate	<5.0	6.38	<9	4.42	11.26	14.8

GOC ACT REQUIREMENTS

Summary of Statement of Corporate Intent for the year ended 30 June 2002:

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 reporting on an annual and quarterly basis. The Annual Report is central to meeting those 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.

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 that 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 was identified.

Also included as part of the SCI was 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 Stanwell 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 recommendation on the dividend to be paid from 1 July 2001 to 30 June 2002 profit, in the light of end of year financial results, after taking into account Stanwell's existing and target capital structure, future capital investment, commitments and capacity to pay with prudent financial management.

Summary of Directions and Notifications Given to the Board by Stanwell's Shareholding Ministers

Stanwell 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:

- **12 July 2001**
Notification published in the Government Gazette on 29 June 2001 advising that Government Owned Corporations (GOCs), their subsidiaries and controlled entities will need to comply with the Code of Practice for the Building and Construction Industry from 1 July 2001.
- **9 November 2001**
Notification that Stanwell's Annual General Meeting for 2000/01 would be held by way of Flying Minute as prescribed by Section 81 of the Government Owned Corporations Act 1993.
- **7 January 2002**
Notification of revised reporting arrangements for overseas travel undertaken by GOCs following a decision by cabinet on 5 November 2001.
- **20 May 2002**
Notification that GOCs, their subsidiaries and controlled entities, will be required to comply with the policy document entitled "Audit and Reporting Requirements for Government Owned Corporation Controlled Entities and Investments".

GLOSSARY OF TERMS AND ABBREVIATIONS

GLOSSARY OF TERMS

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

ABBREVIATIONS

ATO	Australian Tax Office
CO₂	Carbon dioxide
DETIR	Department of Employment and Training and Industrial Relations
DPI	Department of Primary Industries
EBA	Enterprise Bargaining Agreement
EIR	Employment and Industrial Relations
EMP	Environmental Management Program
EMS	Environmental Management System
EPA	Environmental Protection Agency
ERU	Electricity Reform Unit
GOC	A government-owned corporation under the Government Owned Corporations Act (1993)
GST	Goods and Services Tax
GW	Gigawatt One GW = one thousand megawatts = one thousand million watts
GWh	Gigawatt hour One GWh = one thousand megawatt hours
IT	Information Technology
kt	Kilotonne One kt = one thousand tonnes
kW	Kilowatt One kW = one thousand watts
kWh	Kilowatt hour The standard unit of energy representing consumption of electrical energy at the rate of one kilowatt over a period of one hour
LTIFR	Lost Time Injury Frequency Rate
MW	Megawatt One MW = one million watts
MWh	Megawatt hour One MWh = one thousand kilowatt hours
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company
NO_x	Nitrous Oxide
QSEIF	Queensland Sustainable Energy Innovation Fund
QTC	Queensland Treasury Corporation
SCI	Statement of Corporate Intent
SCL	Stanwell Corporation Limited
SEDA	Sustainable Energy Development Authority
W	Watt The unit of power or the rate of doing work
WTMA	Wet Tropics Management Authority

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