Annual Report 2013

stanwell

create. generate. innovate.

About Stanwell

Stanwell Corporation Limited (Stanwell) is a Queensland Government owned corporation and is the State's largest electricity generator.

Stanwell is a diversified energy company, with a range of electricity generation assets, comprised of coal, gas and hydro, and fuel assets which are geographically dispersed across Queensland.

Stanwell is an active competitor in the National Electricity Market (NEM), managed by the Australian Energy Market Operator.

Stanwell employs approximately 800 people across its various sites.

Our mission

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

Our values

At Stanwell, we are:

- **Safe.** Everyone is a safety leader. We seek to achieve Zero Harm in all our workplaces.
- **Responsible.** We are reliable, we are accountable for our actions, we make a positive contribution to our community and we are here for the long term.
- **Commercially-focused.** Every one of us contributes to Stanwell's financial stability and performance through our decisions and actions.

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About this report

This report provides an overview of the major initiatives and achievements of Stanwell Corporation Limited (Stanwell) as well as the business' financial and non-financial performance over the 12 months ended 30 June 2013.

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

Stanwell's portfolio of assets

Stanwell's portfolio of generation assets comprises:

Coal

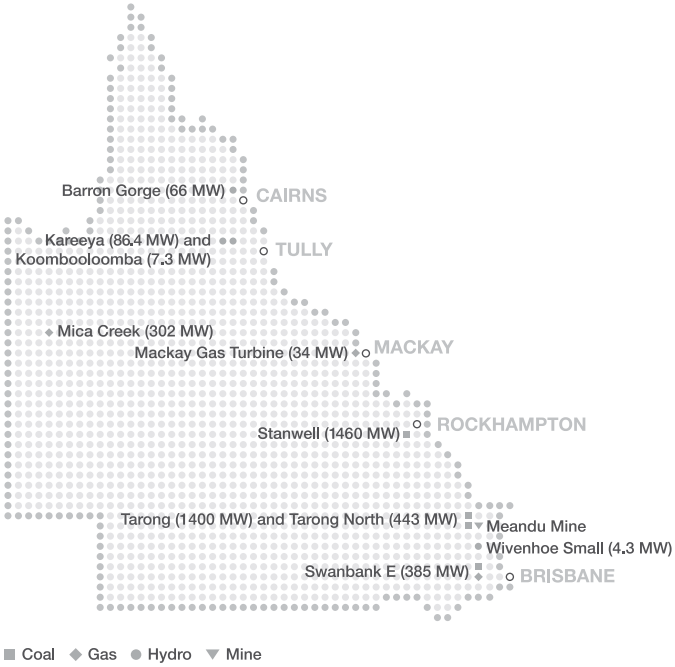
- Stanwell Power Station, Central Queensland – 1,460 MW;
- Tarong Power Station, Southern Queensland – 1,400 MW;
- Tarong North Power Station, Southern Queensland – 443 MW;

Gas

- Swanbank E Power Station, South East Queensland – 385 MW;
- Mackay Gas Turbine, Central Queensland – 34 MW;
- Mica Creek Power Station[1], North West Queensland (non-NEM) – 302 MW;

Hydro

- Kareeya Hydro, Far North Queensland – 86.4 MW;
- Barron Gorge Hydro, Far North Queensland – 66 MW;
- Koombooloomba Hydro, Far North Queensland – 7.3 MW;
- Wivenhoe Small Hydro, South East Queensland – 4.3 MW.



Stanwell's fuel assets include:

- Meandu Mine, Southern Queensland – provides coal to the adjacent Tarong Power Station and Tarong North Power Station;
- Kunioon coal resource – located 15km south east of Kingaroy and is a potential future fuel source for the Tarong Power Station and Tarong North Power Station;
- coal export, revenue sharing and supply agreements with Wesfarmers Resources' Curragh Mine and Mineral Development Licence 306 – located north west of Blackwater;
- Koombooloomba Dam – a 180,000 megalitre dam that captures water from the Tully River catchment for use at both Koombooloomba Hydro, situated next to the dam, and the Kareeya Hydro Power Station further downstream; and
- access to gas via the short-term trading market, "farm in" supply agreements, equity and other interests.

[1] Stanwell provides energy to Queensland's northwest mineral province – this is independent of the National Electricity Market.

Chairman's statement

Through adversity comes strength. That widely used phrase provides a good description of the challenges that Stanwell has faced during the past year.

From a wholesale generator perspective, the past year will undoubtedly be recognised as one of the most difficult since the inception of the National Electricity Market in 1997.

A combination of factors outside the control of Stanwell such as oversupply, falling demand, heavily subsidised renewable energy schemes and the introduction of the carbon tax, along with the increasing dominance of vertically integrated operators, has resulted in significant cost and price pressures. This resulted in a significant drop in the profitability of the business. Given these factors, delivering a Net Profit after Tax of $14.6 million is a fair result that reflects the difficult market conditions throughout the year.

Like any business experiencing difficult trading conditions, Stanwell had no option but to take action to reduce costs. During the year, a number of structural changes were implemented across the business and I'm pleased to say we are now in a significantly stronger position than we were 12 months ago.

Looking ahead, market conditions are expected to remain difficult for at least the next few years. However, there are a couple of material events in the upcoming year that should assist Stanwell in its drive to return its generation business to profitability.

The carbon tax is Stanwell's largest operating cost and any unwinding of the fixed price carbon scheme will lead to the removal of this cost burden from the business.

The first of six liquid natural gas (LNG) trains will commence operation in Queensland in 2014. When fully operational, all six trains are expected to require more than 1000 MW of electricity to operate. Ultimately, it will be up to the liquid natural gas proponents to decide whether to source their electricity requirements from the National Electricity Market or generate their own electricity on-site for both upstream and downstream operations.

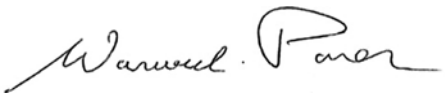
The changes we have made to the business along with any unwinding of the fixed price carbon scheme and an overall improvement in electricity demand will see Stanwell well positioned to return its generation business to profitability.

I would like to thank our shareholding Ministers, the Honourable Tim Nicholls MP, Treasurer and Minister for Trade, and the Honourable Mark McArdle MP, Minister for Energy and Water Supply, for their unwavering support of Stanwell during the past year. This provided Stanwell with the flexibility it needed to restructure the business and, in doing so, become more dynamic in responding to challenging market conditions.

My fellow directors have been tremendous in their focus throughout the year and I thank them for the advice and expertise they have provided.

I would also like to acknowledge the efforts of the Chief Executive Officer, Richard Van Breda, his leadership team and all Stanwell employees for their dedication and commitment in delivering much needed change under difficult circumstances.

Many more challenges lie ahead but I have no doubt that we are a stronger business as a result of the past 12 months and we are now in a position to reap the benefits in the years ahead.



The Honourable Warwick Parer AM
Chairman

Chief Executive Officer's review

The 2012/13 financial year has been a year of committed endeavour from our staff and significant change for Stanwell.

The organisation transformed its structure and the way it goes about its business in the face of falling electricity demand, increasing costs as a result of the introduction of a fixed price on carbon emissions and a very challenging wholesale electricity market.

While the revenue we receive from coal exports protected our overall profitability, Stanwell's core electricity generation business operated at a loss. Our continued focus on increasing revenue and operational efficiencies, making better use of capital and reducing debt, will put the business in a much better position to respond to future changes in the market.

Safety

Safety is a core Stanwell value. The business has a goal of 'Zero Harm today' and a belief that all injuries and workplace illnesses can be prevented. Our ongoing safety efforts are reflected in our improving performance and in June 2013 we achieved our first Zero Harm week across all corporate and operating sites since the business was restructured in July 2011, following the Shareholder Review of Queensland Government Owned Generators. Importantly we reported 146 injuries across the business this financial year compared to 280 injuries in the previous year. This reduction can be attributed to our unrelenting focus on safety and the dedicated safety leadership of our people.

Financial performance

Stanwell achieved a Net Profit after Tax of $14.6 million for the financial year compared to $79.9 million in 2011/12. This result is disappointing and reflects weaker, more challenging market conditions and the inability to fully recover costs (including carbon) based on falling demand and significant surplus capacity in the electricity market in Queensland.

The business is on track to return to profit on core generation in the next two years due to the major organisational changes instituted and, importantly, an anticipated increase in electricity demand in Queensland from 2015, in line with liquid natural gas and mining developments.

Market constraints

The Queensland electricity market is significantly oversupplied with, on average, a more than 60 per cent surplus in annual generation capacity compared to electricity demand.

Electricity demand has also remained subdued. Faced with increases in retail electricity costs, consumers are reducing their consumption or installing solar photovoltaic panels, with Queensland's installed photovoltaic capacity increasing from 5 MW in 2009 to more than 860 MW by the end of this financial year. The introduction of a carbon price from 1 July 2012 had a significant adverse financial and operational impact on the business, with the gross cost of a carbon tax of $355 million making this Stanwell's largest operating expense.

All of these factors have resulted in wholesale electricity prices that continue to fall short of achieving an adequate long-term return on the business.

Changes to structure and operations

In response to deteriorating market conditions and the challenges detailed above, Stanwell undertook a complete structural and functional review of its corporate and operational sites. This resulted in a reduction of more than 20 per cent of roles across the business. This work is ongoing with the operations review changes to be finalised at Stanwell Power Station and Tarong Power Station early in the 2013/14 financial year.

In late 2012, two generation units at Tarong Power Station were placed in cold storage which resulted in a significant reduction in the workforce at that site. The cold storage of these two units was a direct response to the surplus in electricity generation capacity over demand in the Queensland market.

These decisions have been very difficult and it is very challenging when people who have been with the business for many years and have made a contribution to its past success find their roles redundant. The decisions to change the business were made to ensure Stanwell's future viability and sustainability and were not made lightly.

Our people and our stakeholders

Stanwell has a dedicated and professional Board under our Chairman, the Honourable Warwick Parer AM, and I thank them for their support during this time of change for the business. I also thank the members of the executive leadership team for their support and contribution to the business.

My appreciation goes to our shareholding Ministers, the Honourable Tim Nicholls MP, Treasurer and Minister for Trade, and the Honourable Mark McArdle MP, Minister for Energy and Water Supply, Queensland Treasury and representatives from the Department of Energy and Water Supply, for working so cooperatively with Stanwell.

Finally, the commitment and dedication of our workforce cannot be understated. The changes we have made this year would not have been possible without the professionalism of Stanwell employees. Faced with significant and difficult reforms, employees took an active, positive role in the process, suggesting savings and new ways of working to repair the viability of our business which will ensure Stanwell will be well placed to make a significant contribution to its shareholders and the people of Queensland into the future.

Richard Van Breda
Chief Executive Officer

Performance indicators

	2012/13 Actual	2012/13 Target	2011/12 Actual
Safety and environment performance			
Lost Time Injury Frequency Rate[1]	**3.11**	0	1.72
Total Recordable Injury Frequency Rate[2]	**10.10**	0	14.74
All Injury Frequency Rate[3]	**37.55**	0	68.77
Notifiable safety incidents	**22**	0	32
Environmental enforcement actions[4]	**0**	0	0
Zero Harm interactions[5]	**9361**	5000	10,547
Financial performance			
Earnings before interest and tax (EBIT) ($M)	**94.5**	189.8	195.4
Net profit/(loss) after tax ($M)	**14.6**	76.5	79.9
Return on operating assets (%)	**4.7**	9.0	8.1
Return on equity (%)	**1.2**	6.0	6.3
Gearing (%)	**33.9**	38.7	36.7
EBIT interest cover (times)[6]	**2.9**	2.8	2.8
Investment			
Capital expenditure[7] ($M)	**192.7**	312.4	229.3
Operational performance			
NEM generators			
Availability (%)	**88.3**	89.9	89.6
Forced outage factor (%)	**5.0**	3.2	3.3
Mica Creek Power Station			
Availability (%)	**89.9**	90.2	83.8
Forced outage factor (%)	**2.5**	3.0	4.3

Notes to the performance indicators		
1	Lost Time Injury Frequency Rate (LTIFR)	Number of lost time injuries in the period/number of hours worked in the period X 1,000,000. Figures are based on a 12-month moving average and include employees, contractors and third party sites.
2	Total Recordable Injury Frequency Rate (TRIFR)	Recordable injuries in the period/number of hours worked in the period X 1,000,000. Figures are based on a 12-month moving average. TRIFR is a combination of lost time and medical treatment injuries. This includes employees, contractors and third party sites.
3	All Injury Frequency Rate (AIFR)	All injuries in the period/number of hours worked in the period X 1,000,000. Figures are based on a 12-month moving average. Includes first aid, medical treatment and lost time injuries. This includes employees, contractors and third party sites.
4	Enforcement action	An environmental regulator issuing an infringement notice, an environmental protection order, a program notice, a notice requiring the preparation and submission of a draft environmental management program, or the institution of any court proceedings. Environmental Impact Assessment processes are excluded from this definition.
5	Zero Harm interactions	A conversation between work colleagues about safe or unsafe work practices.
6	EBIT interest cover (times)	Net of extraordinary restructure costs and mark to market movements.
7	Capital expenditure	Actual 2012/13 capital expenditure is significantly below target following a review of Stanwell's capital expenditure program.

Performance overview

Each year we document the nature and scope of our strategies, objectives and actions in our Statement of Corporate Intent (SCI). As a Government Owned Corporation, the SCI represents our performance agreement with our shareholding Ministers[1]. Our performance against our 2012/13 SCI is summarised below.

Market conditions have been far more challenging than anticipated and this has impacted on Stanwell's ability to achieve its financial objectives, however Stanwell has successfully implemented strategies that have achieved the corporate objectives detailed in the SCI.

Consolidate and improve performance

Objective	What we set out to achieve	How we performed
Provide a safe workplace (where Zero Harm is the target)	Improve health and safety initiatives take up by the workforce Improve safety systems and processes	Established Stanwell's Safety Principles and Safeguards Implemented the Safety Fair and Just Response framework Rolled out the Safety Leadership Program to leaders in the Operations Division Implemented the recommendations from the Contractor Safety Review Action Plan
Deliver commercial returns from business operations	Reduce corporate support and discretionary expenditure Develop and implement a consolidated strategic procurement plan Seek short-term debt management initiatives to improve trading returns and contribute to reduced corporate debt liabilities Disband Portfolio Renewal projects Consolidate Brisbane Corporate Office accommodation	Reduced corporate support and discretionary costs by $30 million over the five year budgeted outlook (including more than $18 million in procurement cost efficiencies) Improved the alignment of the debt portfolio with Stanwell's long-term asset profile Disbanded Portfolio Renewal workforce and reduced annual operational costs by more than $4.5 million Co-located all Brisbane based workforce on 10 December 2012
Optimise gross margin	Develop and successfully execute integrated spot and contract trading strategies that optimise gross margin across the generation portfolio	Implemented trading strategies to optimise whole-of-portfolio generation, however difficult market conditions and lower than expected wholesale prices have impacted on the achievement of this objective

[1] The SCI is consistent with and complements our five-year Corporate Plan. A copy of the SCI will be tabled by shareholding Ministers in the Queensland Legislative Assembly in accordance with Section 121 of the *Government Owned Corporations Act 1993.*

Consolidate and improve performance (continued)

Objective	What we set out to achieve	How we performed
Secure shareholding Ministers' ongoing support for Stanwell's preferred corporate direction	Communicate the corporation's business model and associated requirements to shareholding Ministers Build each asset's links with its local community to ensure our stakeholders understand Stanwell's contribution to their communities	Ensured Stanwell's business model and the implications of potential policy changes on Stanwell's business model were understood by shareholding Ministers and key stakeholders
Create value across the value chain through portfolio optimisation	Develop and execute strategies to cost effectively and competitively procure fuel for Swanbank E Optimise power plant performance in line with market requirements Optimise overhaul cost and execution strategy across the portfolio Review of the capital expenditure program Address site water management issues - cost and quality Advocate for replacement of bulk water supply contracts with commercial contracts	Implemented flexible operating trial at Swanbank E and maximised value of gas supply arrangements Identified reductions to budgeted capital expenditure of $279 million to be achieved over the next five years by deferring or cancelling capital expenditure. This includes the cold storage of two 350 MW Tarong Power Station units for at least two years or until electricity demand improves Managed our discharge of water from Stanwell's operational sites in line with environmental requirements Achieved a $20.7 million reduction in bulk water charges for Tarong Power Station and Swanbank E Power Station
Manage asset integrity and ensure long-term right to operate	Develop strategies to secure long-term right to operate at production sites Ensure environmental compliance Implement asset management strategies and lifecycle plans that ensure asset integrity while achieving required commercial outcomes	Achieved environmental compliance with zero environmental enforcement actions Completed major overhauls at the Stanwell, Swanbank E, Tarong, Mica Creek and Kareeya Hydro power stations Completed the major overhaul on the Meandu Mine dragline on time and on budget
Govern the organisation for agility and compliance	Ensure ongoing compliance with national legislation and standards Advocate for commercial mandate and reduction in red tape with key regulatory submissions	Refer Corporate Governance Statement page 14

Expand market led initiatives

Objective	What we set out to achieve	How we performed
Develop and enhance channels to market	Expand retail channels to market to secure additional customers Develop retail alliances Execute commercial long-term hedging contracts Implement risk, settlements, funding and accounting processes to support trading portfolio value extraction	Successfully implemented trading strategies to retain and expand the number of retail contracts with industrial customers Entered into a number of wholesale contracts with the retail, banking and LNG sectors
Transition to an energy company by diversifying the revenue mix	Explore opportunities with respect to optimising and securing the export or on-sale of option coal from Curragh Expand trading activities in line with Stanwell's approved trading and risk management policies	Recorded $8.1 million in gross margin from coal exports in calendar year 2012 and $1.9 million in the 2013 year to date Implemented an active gas management strategy Successfully traded in carbon derivative products
Maximise value of fuel portfolio	Develop Meandu East Sunrise Mine project Implement long-term Mine Services Agreement (MSA)	Completed the Meandu East drilling project which identified a large increase in the quantity of low cost coal within the existing Meandu Mine surface rights and the Meandu East project area Executed a new long-term Meandu Mine Services Agreement with Downer EDI Mining Pty Ltd and transitioned to the new arrangements in January 2013

Renew the business for the future

Objective	What we set out to achieve	How we performed
Engage and retain a high performing workforce (with an optimised organisational structure)	Continue to develop an integrated Workforce Management Framework Implement a Leadership Development Framework Further optimise organisation structure (to support the delivery of business objectives)	Undertook a structural and functional review of our corporate and operational sites. This resulted in a reduction of more than 20 per cent of roles across the business. This work is ongoing with the operations review changes to be finalised early in the 2013/14 financial year Commenced implementation of the recommendations contained within the Culture Development Plan Rolled out the Leader Development Framework to enhance the behavioural capabilities of Stanwell's leaders
Renew the plant and fuel portfolio for the future	Rationalise gas investments in line with corporate and gas strategy Investigate opportunities for use of the Kunioon coal resource Divest Burdekin Hydro project Maximise value of Mica Creek Power Station	Determined Stanwell's gas management strategy which is focused on procuring gas for Swanbank E Power Station using a mixed portfolio approach to medium and short-term gas supply arrangements to meet electricity generation requirements Commenced a staged divestment of Stanwell's upstream gas investments Sold Stanwell's interest in the Burdekin Hydro project Entered into arrangements that extended the MMG Century Limited Power Purchase Agreement at Mica Creek Power Station including additional electricity supply to the Dugald River Mine until December 2019 Negotiated with interested parties regarding the future of Mica Creek Power Station

The year ahead

The challenging commercial environment Stanwell faced in 2012/13 is expected to continue into 2013/14 and potentially beyond. However, the development of the liquefied natural gas industry in Queensland offers a potential turning point from the current, unsustainably low, wholesale market prices. There is an expectation of increased demand for electricity and the opportunity for a resurgence in coal-fired generation.

Stanwell's primary business goal is to achieve a return on equity of eight to 10 per cent from its core business of electricity generation by 2017/18. The challenge for the next two years is to return the electricity generation business to sustained profitability.

Stanwell's corporate objectives for 2013/14, which support achievement of its financial goals, can be summarised in three themes:

- **Simplify and streamline our business** – create value from the way we operate the generation portfolio.

  Stanwell has made significant changes to its organisational structure and business processes in 2012/13. It is also implementing a major and fundamental review of workforce structure and work practices across its generation and mining sites. This review will require a material change to work practices and procedures and the overall approach to operational and maintenance risk philosophies. Accordingly, the benefits from this review will ultimately be realised over a number of years from 2013/14.

- **Sell our energy for the best return** – optimise our trading revenue, find alternative outlets for our energy and diversify our revenue streams.

  The 2013/14 integrated trading strategy focuses on optimising the portfolio value through constant assessment of energy market alternatives. Successful implementation of our trading strategy will be evidenced through the achievement of targeted gross margin results and future business value, and also by ensuring the business is positioned to respond to changing market conditions.

- **Secure our future** – provide a safe workplace, engage and retain a high performing workforce and secure ongoing support for Stanwell's operations and corporate direction.

  A key initiative for Stanwell in 2013/14 is the consolidation of our health and safety management system and further development of our safe work systems, with an aim to achieve Zero Harm for our people, our contractors, our environment and our plant. Succession planning strategies are being implemented to identify and maintain critical roles which are vital for the successful operation of the business. Stanwell continues to be committed to the future training of its employees through learning and development courses, leadership training and the employee reward and recognition program. Stanwell will continue to foster its relationship with its shareholders and communities for ongoing operation of its generation assets.

Business overview

Stanwell's performance for 2012/13 against performance indicators is provided on page 5.

Health and safety

In 2012/13, Stanwell continued on its journey towards achieving the goal of a Zero Harm workplace across all of its sites and offices.

We have markedly improved upon our safety performance over the 2012/13 financial year with a total of 146 injuries reported this year against 280 last year.

The encouraging results validate our corporate-wide belief that all injuries and workplace illnesses are preventable and that a Zero Harm workplace is more than aspirational—it is an achievable goal.

Stanwell employees recorded more than 9000 Zero Harm interactions against a target of 5000. These interactions encourage employees to have conversations with their colleagues about safe or unsafe work practices. This proactive safety behaviour was undoubtedly one of the factors that contributed to the improvement in safety performance.

Contractor safety remains a focus, with the contractor workforce accounting for three out of every four injuries at Stanwell sites for the past year. Stanwell has implemented a number of initiatives while working more closely with our contractors to develop shared safety values and improve contractor safety performance. This has included introducing a new procurement process which requires any contractor interested in working for Stanwell to detail their safety systems and performance prior to being invited to tender for a contract at a Stanwell site.

Environment

Stanwell successfully managed its environmental compliance obligations and this was demonstrated through the absence of significant environmental incidents in 2012/13.

The environmental management of ash storage facilities at Stanwell Power Station, Tarong Power Station and Swanbank Power Station remains a focus. Projects aimed at increasing ash storage facilities at Tarong Power Station and Stanwell Power Station are underway and necessary to ensure the respective power stations remain operational well into the future.

Stanwell Power Station successfully managed the challenge of increased salinity in the Fitzroy River (the water supply for Stanwell Power Station) in line with its environmental obligations.

A proactive systematic review of factors that can trigger a site environmental approval exceedance is well advanced at Stanwell Power Station, Barron Gorge Hydro and Kareeya Hydro and has commenced at Tarong Power Station and Swanbank Power Station. This project will lead to the implementation of improved controls, resulting in a reduction of environmental exceedance risk.

The post-combustion capture pilot plant project at Tarong Power Station concluded following a successful two-year trial. Stanwell partnered with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) to research the capture of CO_2 from power station exhaust gasses. The plant demonstrated that carbon can successfully be captured using two different processes and the CSIRO is now evaluating the results.

Stanwell also partnered with MBD Energy Limited, which constructed a one-hectare plant at Tarong Power Station, to trial the use of CO_2 in flue gas to intensively grow algae for possible use in fuels and fertilisers.

Asset performance

We are committed to maintaining our generation assets to ensure they operate efficiently to meet both current and future market requirements.

During the year, we completed overhauls on our generation plant at Stanwell Power Station, Swanbank E Power Station, Tarong Power Station, Mica Creek Power Station and Kareeya Power Station.

We achieved total availability across the National Electricity Market portfolio of 88.3 per cent which was below the targeted 89.9 per cent. The lower than target availability also reflects the commercial decisions on returning our plant to service that we made as a consequence of the oversupplied wholesale electricity market.

Asset performance overview

	Energy sent out (GWh)	Capacity factor (%)	Budgeted availability (%)	Availability (%)	Planned outage factor (%)	Forced outage factor (%)	Fuel consumption – coal (tonnes), gas (terajoules), water (ML)
Tarong Power Station – coal – 1843 MW[1]							
2012/13	7550	67.0	90.4	84.8	5.6	9.6	3,730,376
2011/12	8947	60.3	89.0	88.1	7.6	4.3	4,553,512
Stanwell Power Station – coal – 1460 MW							
2012/13	7606	64.3	91.5	92.9	5.5	1.6	3,025,745
2011/12	6796	57.5	91.1	90.8	7.0	2.2	2,589,501
Swanbank E Power Station – gas – 385 MW							
2012/13	1381	42.8	84.2	81.3	14.7	4.0	11,002
2011/12	2058	63.9	93.4	96.0	1.5	2.5	15,975
Northern Hydros – hydro – 159.7 MW							
2012/13	641	46.0	84.3	82.2	17.1	0.7	732,693
2011/12	703	52.5	82.2	84.0	15.5	0.5	836,900

[1] The asset performance reflects two units (700 MW) being placed in cold storage at Tarong Power Station.

Mining operations

Meandu Mine currently has five working pits and is capable of supplying the Tarong Power Stations with more than seven million tonnes of coal a year.

Stanwell commenced a new long-term Mining Services Agreement with Downer EDI Mining Pty Ltd (Downer Mining) for the delivery of long-term, competitively-priced fuel to the Tarong Power Stations. This followed a successful transition from the former mine contractor in December 2012.

A major overhaul of the 30-year-old dragline was successfully completed during the year. Significant investments were also made in upgrading the mine fleet, which along with the dragline overhaul, will provide better reliability and assist to underpin low-cost mining to support power station operations well beyond 2020.

Stanwell concluded its exploration drilling in an area known as Meandu East, which is within the current mining lease but to the east of the active mining area at Meandu Mine. Stanwell is now considering its options to achieve the lowest-cost coal options which will result in the development of a new mine plan to be implemented later in 2013/14.

Energy trading and commercial strategy

In 2012/13, Stanwell implemented trading strategies that have secured and diversified the channels by which we sell our electricity to the market. Through constant assessment of alternative ways that we can maximise the value of our products, we have optimised our portfolio of assets. For example, we managed our fuel mix and accessed opportunities to on-sell both coal and gas when revenues from commodity sales exceeded those from generation. We effectively managed our carbon liabilities and implemented systems to support the introduction of the carbon scheme.

Our operating sites were managed to support our electricity contracting business and consideration was given to market demand when scheduling for our generation plant to be taken offline to undergo important maintenance works.

People and community

In 2012/13, Stanwell undertook a major review of the workforce structure and work practices at its corporate office and commenced a review at its mining and generation sites. The objective of these reviews is to further reduce costs to help return Stanwell's core generation business to sustained profitability. As part of the process, our employees have provided feedback on how we can streamline our practices and improve the way we do business. This has provided the business with increased flexibility and a more sound financial base from which we can meet the ongoing challenges in the electricity market.

Throughout 2012/13, we worked to create relationships of trust between our assets' management teams and the leaders of surrounding communities. Through our social investment program, we worked with community leaders to identify and fund those projects which are of the highest long-term value to each community.

Corporate governance

2012/13 key areas of focus and achievement

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

- Given the impacts of the regulatory and electricity market environment in which Stanwell is now operating, a review of Stanwell's approach to risk management was undertaken. This resulted in changes being made to Stanwell's Risk Management Policy, Risk Evaluation Matrix and the Board Risk Oversight Model.
- Consistent with Stanwell's Fraud Prevention Policy, an externally facilitated Fraud Vulnerability Assessment was undertaken. The assessment indicated that Stanwell has no high or extreme residual fraud risks.
- The impacts on the National Electricity Market arising from the continuing volatility and uncertainties caused by the introduction of the carbon tax legislation have resulted in changes being made to the framework within which Stanwell manages its market risk arising from its trading activities.
- A comprehensive review of the Board's delegation of its power and authority was undertaken to ensure that Stanwell has an appropriate system of internal control over those who exercise the Board's delegated authority.
- An information technology solution was deployed to more efficiently manage Stanwell's compliance obligations and reporting.
- The Board Charter, the Board Committee charters and the Board Handbook were reviewed to ensure that Stanwell's governance arrangements remain appropriate as Stanwell's circumstances change.

Approach to corporate governance

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

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

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

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

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

Principle 1 - Foundations of management and oversight

Role and function of the Board and senior management

The Board has adopted a charter that sets out the role and responsibilities of the Board within the governance structure of Stanwell. The conduct of the Board is also governed by the *Corporations Act 2001* (Cth), the *Government Owned Corporations Act 1993* (Qld) (GOC Act) and Stanwell's Constitution.

These responsibilities include but are not limited to:

- monitor the progress of Stanwell's commitment to the elimination of work-related injuries and occupational illnesses;
- review and approve corporate strategies, the annual budget and financial plans;
- make decisions in relation to major corporate initiatives above the Chief Executive Officer's (CEO) approval threshold;
- oversee and monitor organisational performance and the achievement of Stanwell's strategic goals and objectives;

- ensure the adequacy and effectiveness of key aspects of Stanwell's financial management, reporting and accounting practices;
- oversee the review and update of corporate governance practices and procedures as necessary to support Stanwell's commitment to best practice corporate governance;
- monitor and influence Stanwell's culture, values, reputation and ethical standards;
- appoint and assess the performance of the CEO and senior executives;
- review and oversee systems of risk management, internal control and legal compliance;
- oversee the process for identifying and managing Stanwell's significant risks and the control, monitoring and reporting mechanisms in place; and
- report to, and communicate with, Stanwell's shareholding Ministers.

The CEO has responsibility for the overall operational management and financial performance of Stanwell, while also managing the organisation in accordance with the strategy, plans and policies approved by the Board to achieve agreed targets.

The Board and each of the Stanwell group entities have delegated powers to the CEO to perform this role.

Senior executives reporting to the CEO have their roles and responsibilities defined in specific position profiles.

Committees of the Board

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

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

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

People and Safety Committee

As at 30 June 2013, the People and Safety Committee comprised the following directors:

Russell James Kempnich (Chairman)
Kym Louise Collins
Ann Allison Fitzpatrick
Warwick Raymond Parer AM

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

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

Audit and Risk Management Committee

As at 30 June 2013, the Audit and Risk Management Committee comprised the following directors:

Stephen Robert Rochester (Chairman)
Paul Breslin
Warwick Raymond Parer AM

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

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

Executive remuneration and performance review

Each year, the Board, with the assistance of the People and Safety Committee, undertakes a formal process of reviewing the performance of the CEO and senior executives. The rate of remuneration increase for the CEO and senior executives is determined with regard to market salary movements and individual performance. At-risk performance incentive payments for the CEO and senior executives are capped at 15 per cent of total fixed remuneration, with the amount payable tied to the achievement of pre-determined Board-approved corporation, business division and individual performance targets. The CEO is not present at the Board meeting or People and Safety Committee meeting when the CEO's own remuneration and performance are being considered.

Further details about CEO and senior executive remuneration are disclosed in the Remuneration Report on page 99.

Principle 2 - Structure the Board to add value

At the date of this report, the Board consisted of six independent, non-executive directors. The names, qualifications and relevant skills, experience and expertise of the directors who held office during the financial year and up to the date of this report, along with their terms of appointment, are set out on page 26 and 27.

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

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

The Board held 10 meetings between 1 July 2012 and 30 June 2013. The table on page 29 of this report details the number of Board and Board committee meetings held during the year the Director was eligible to attend, and the number of meetings attended by each Director.

Director induction and professional development

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

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

To facilitate continual improvement, all directors are encouraged to participate in professional and self-development activities. Activities undertaken by directors that assist their responsibilities to Stanwell are paid for by the business.

Director independence

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

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

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

Access to independent professional advice

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

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

Access to management

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

Board evaluation

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

During the year, performance evaluations for both Board committees took place, with the results of those evaluations being returned to the Board for further discussion. The Board also critiques its performance as a standing agenda item at the end of every scheduled Board meeting.

Principle 3 - Promote ethical and responsible decision-making

Code of Conduct

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

The principles underlying Stanwell's Code of Conduct are:

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

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

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

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

Avoidance of conflicts of interest

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

All directors are required to provide written disclosure of any actual, potential or perceived conflicts of interest on appointment. At least annually, or when relevant changes occur, directors are required to update these disclosures. The Company Secretary ensures that copies of all disclosures, including updated disclosures, are provided to each director.

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

Trading in securities

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

Principle 4 - Safeguard integrity in financial reporting

The Audit and Risk Management Committee assists the Board in overseeing the reliability and integrity of financial reporting practices, accounting policies, auditing and external reporting. The committee provides advice to the Board on financial statements, financial systems integrity and business risks. It also oversees compliance with applicable laws, regulations and corporate policies, and ensures that an adequate, current internal control system is operating for areas such as business, operational, asset and financial risk.

The external audit function is performed by or on behalf of the Queensland Auditor General. Additional work is conducted as required by independent professionals.

The internal audit function is established by the Stanwell Board and its responsibilities are defined by the Board's Audit and Risk Management Committee, as part of its oversight function. The overall objective of Stanwell's internal audit function is to assist the Stanwell Board and all levels of management to discharge their responsibilities in maintaining Stanwell as a well-controlled, economic, efficient and effective corporation that complies with statutory obligations.

As at 30 June 2013, the Audit and Risk Management Committee consisted of three members. Other directors who are not members of the committee, the auditors and other senior executives attend meetings by invitation.

Principle 5 - Make timely and balanced disclosures

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

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

Release of Information Publication Scheme

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

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

Principle 6 - Respect the rights of shareholders

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

- **Statement of Corporate Intent, Corporate Plan** and **Quarterly Reports.** The Statement of Corporate Intent and Corporate Plan provide a transparent set of agreed performance criteria and strategic objectives on which to report to shareholding Ministers and their representatives via the Quarterly Report. The Statement of Corporate Intent (with commercially sensitive information deleted) is published on Stanwell's website.
- An **Annual Report** (containing those matters outlined in Section 120 of the GOC Act) is prepared and issued to shareholders and interested stakeholders and is published on Stanwell's website.
- An **Interim Report** for the six months ending 31 December provides details of Stanwell's performance against key financial and non financial targets contained within its Statement of Corporate Intent for the current year. It is published on Stanwell's website.
- A **Forecast Report** detailing Stanwell's expectation of its performance for the coming financial year is published on Stanwell's website.
- **Briefings** to **shareholding Ministers** and their **representatives** are conducted on a regular basis for the purpose of disclosing business activities and performance against agreed targets.

Principle 7 - Recognise and manage risk

Stanwell views effective risk management as the key to achieving its strategic and operational objectives. The Board has ensured, through its Board Risk Oversight Model (which comprehensively summarises Stanwell's risk oversight and reporting to the Board), that Stanwell has the ability to understand and manage its business critical risks.

Stanwell's Board-approved Risk Management Policy Framework and Risk Evaluation Matrix give affect to ISO 31000:2009 *Risk Management Principles and Guidelines* and assign responsibility to individual Executive General Managers for the management of specific business critical risks for which they are functionally responsible. The Risk Management Framework clearly communicates the Board's and management's position on the process, terminology and tolerances for risk assessments (as calculated by the Risk Evaluation Matrix) and the requirements for risk reporting.

The Audit and Risk Management Committee assists the Board by regularly reviewing and overseeing the systems of risk management, internal control and legal and regulatory compliance.

Risk identification and review is conducted on an ongoing basis throughout Stanwell, and risk is captured and monitored using a corporation-wide risk management system, which links risk with audit and events.

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

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

Stanwell's Board-approved Legal and Regulatory Compliance Policy outlines the overarching principles and commitments with respect to managing legal and regulatory compliance risks at Stanwell. Stanwell's compliance system ensures Stanwell employees are aware of their compliance obligations and responsibilities, as outlined within the policy. The policy is based upon Australian Standard 3806-2006: Compliance Programs.

Stanwell's internal audit function provides independent, objective assurance and supports Stanwell in accomplishing its objectives by bringing a systematic and disciplined approach to reviewing, evaluating and continuously improving the effectiveness of its risk management, internal control and governance processes.

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

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

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

Each year, the internal audit function prepares an Audit Strategic Plan that considers Stanwell's risk profile and appetite, control criticality, previous years' engagements, results and Board requests. The plan has a risk-based rolling five-year scope and forms the basis of the detailed Annual Internal Audit Program. The plan is provided to the Audit and Risk Management Committee for approval.

Following the conclusion of audits included in the plan, Internal Audit prepares and issues to management a formal Internal Audit report of findings and recommendations. The final report, together with management's agreed actions and implementation dates, is presented to the Audit and Risk Management Committee for consideration. Internal Audit also follows-up on the implementation of audit recommendations and maintains the Audit Issues Log, which is presented to the Audit and Risk Management Committee for approval.

At the conclusion of Audit and Risk Management Committee meetings, the Group Manager Internal Audit and representatives of the Auditor-General meet with the committee without management present.

When presenting financial statements for approval, the CEO and the Chief Financial Officer provide a written statement to the Board to the effect that:

- Stanwell's financial statements and notes to the accounts comply in all material respects with the Accounting Standards and present a true and fair view, in all material respects, of the company's financial performance;
- Stanwell's financial statements are founded on a sound system of risk management and internal control and the system is operating effectively in relation to financial reporting risks; and
- the risk management and internal control systems are operating effectively in relation to all material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

Principle 8 - Remunerate fairly and responsibly

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

The People and Safety Committee oversees, and provides advice to the Board on, employment strategies and frameworks. It makes recommendations to the Board on Enterprise Agreement (EA) frameworks as well as remuneration settings for non EA employees and the remuneration and other terms of employment for senior executives. Increasing senior executive remuneration or awarding incentive payments is done in accordance with Government guidelines.

At 30 June 2013, the People and Safety Committee consisted of four members. Other directors who are not members of the committee and other senior executives attend meetings by invitation.

Details of the remuneration paid to directors and senior executives are set out in note 36 on page 99 of this report.

Government Owned Corporations Act requirements

Government directions and notifications

Section 120(e) of the GOC Act requires Stanwell to provide, in its Annual Report, particulars of any directions and notifications given to Stanwell by shareholding Ministers that relate to the relevant financial year. During the 2012/13 financial year, Stanwell's shareholding Ministers issued the following formal directions pursuant to section 299 of the *Electricity Act 1994.*

On 25 October 2012, the Queensland Government announced that it would be exploring potential electricity procurement options for the Ergon Energy Queensland retail load, including potential supply arrangements with Government Owned Generators CS Energy Limited and Stanwell (the Project).

In order for the Queensland Government to fully evaluate the potential procurement options, on 9 November 2012, Stanwell's shareholding Ministers directed the Board and employees of Stanwell to:

- provide cooperation and assistance to enable the Government to undertake the Project; and
- provide or make available information as requested by Government for the purposes of the Project.

On 22 May 2013, the Queensland Government announced that it would be implementing new wholesale electricity supply arrangements for the Ergon Energy Queensland retail load to improve the efficiency and financial viability of the State-owned energy portfolio.

In order to implement these new arrangements, Stanwell's shareholding Minister's directed the Board and employees of Stanwell to:

- execute the prescribed contracting arrangements; and
- provide any other cooperation and assistance required to implement the new arrangements.

Dividend Policy

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

On 9 May 2013, the Board of Stanwell recommended to shareholders a dividend amount equivalent to 80 per cent of Stanwell's net profit after tax (adjusted for unrealised gains on the revaluation of derivative financial instruments) for the 2012/13 year.

Overseas travel

During the year, a Stanwell Senior Electrical Engineer travelled to Switzerland to ensure that the new plant automation system for the Swanbank E Power Station was delivered on-time, on budget and that the customised requirements had been correctly incorporated into the new system.

The Site Manager Swanbank Power Station travelled to the United States of America to participate in the Electric Power Research Institute (EPRI) plant evaluation process which provided knowledge that was applicable to all of Stanwell's operational sites.

The Lead Electrical Engineer travelled to China to inspect and accept on Stanwell's behalf the manufacture of generator and transformer inspection panels prior to their shipment to Stanwell's operational sites.

The Meandu Mine Asset Manager travelled to Japan to agree on the site requirements for the autonomous truck pilot project being held at the mine and the protocols for the commissioning of the new EX8000 excavator.

Corporate entertainment and hospitality (individual events more than $5000)

Event	Date	Cost ($)
Employee end of year Christmas functions held across all of Stanwell's sites[1]	December 2012	8252

[1] Cost did not exceed $25 per head at these events.

Financial results

Contents

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

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

Its registered office is:

Stanwell Corporation Limited
42 Albert Street
Brisbane QLD 4001

Stanwell Corporation Limited is an integrated wholesale energy provider operating in Queensland.

The financial statements were authorised for issue by the directors on 22 August 2013. The directors have the power to amend and reissue the financial statements.

Directors' report

The directors present their report on the consolidated entity consisting of Stanwell Corporation Limited and its subsidiaries (together referred to as the 'Group') at the end of the 2013 financial year.

PRINCIPAL ACTIVITY

The Group's principal activity during the 2013 financial year was the generation and sale of electricity.

FINANCIAL RESULTS

	2013 $'000	2012 $'000
Profit before income tax	**18,622**	105,508
Profit after income tax	**14,630**	79,860
Profit attributable to members of the Economic entity	**14,630**	79,860

DIVIDENDS - Stanwell Corporation Limited

The directors recommend that a dividend of $11,704,000 be paid in respect of the 2013 financial year (2012: $63,900,000).

REVIEW OF OPERATIONS

Safety

During the 2013 financial year, the Group continued on its journey towards achieving the goal of a Zero Harm workplace. The Group's ongoing focus on improving its safety performance has resulted in positive improvements being achieved.

During the 2013 financial year, a total of 146 injuries were reported (against 280 last year). The Group's all injury frequency rate that measures injuries on the basis of a rolling 12-month average has declined as a result. In June 2013, the Group achieved its first Zero Harm week across all corporate and operating sites since the business was restructured in July 2011.

Market

The Queensland electricity market is significantly oversupplied with, on average, more than 60% surplus in annual generation capacity compared to electricity demand.

During the 2013 financial year, electricity demand has remained subdued. Faced with increases in retail electricity costs, consumers have reduced their consumption or have installed solar photovoltaic panels, with Queensland's installed photovoltaic capacity increasing from 5 MW in 2009 to more than 860 MW by the end of the 2013 financial year. The introduction of a carbon price from 1 July 2012 has had a significant adverse financial and operational impact upon the business, with the gross cost of a carbon tax of $355 million making this the Group's largest operating expense.

All of these factors have resulted in wholesale electricity prices that continue to fall short of achieving an adequate long-term return on the business.

The challenging commercial environment the Group faced in the 2013 financial year is expected to continue into the 2014 financial year and potentially beyond. However, the development of the liquefied natural gas industry in Queensland offers a potential turning point from the current, unsustainably low, wholesale market prices. There is an expectation of increased demand for electricity and the opportunity for a resurgence in coal-fired generation.

Operations

The Group is committed to maintaining its generation assets to ensure that they operate efficiently to meet both current and future market requirements.

During the 2013 financial year, the Group completed overhauls on generation plant at Stanwell Power Station, Swanbank E Power Station, Tarong Power Station, Mica Creek Power Station and Kareeya Power Station.

The Group achieved total availability across the National Electricity Market portfolio of 88.3 per cent which was below the targeted 89.9 per cent. The lower than target availability reflects increased forced outages along with commercial decisions on return to service dates that were made as a consequence of the oversupplied wholesale electricity market.

In response to deteriorating market conditions and the challenges detailed above, the Group undertook a complete structural and functional review of its corporate and operational sites. This resulted in a reduction of more than 20 per cent of roles across the business. This work is ongoing with the operational review changes to be finalised across the business early in the 2014 financial year.

In late 2012, two generation units at Tarong Power Station were placed in cold storage which resulted in a significant reduction in the workforce at that site. The cold storage of these two units was a direct response to the surplus in electricity generation capacity over demand in the Queensland market.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the 2013 financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Apart from the termination of the joint venture arrangement with Icon Energy Limited on 2 July 2013 as reported in Note 47, there has been no matter or circumstance which has arisen since 30 June 2013 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years;
(b) the results of those operations in future financial years; or
(c) the Group's state of affairs in future financial years.

ENVIRONMENTAL REGULATION

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

The Group undertakes a number of systematic processes to manage its environmental activities. These systems include line management environmental responsibilities for day-to-day activities, specialist environmental personnel providing environmental advice and monitoring compliance, and a reporting regime which involves the Chief Executive Officer providing monthly environmental exception reports to the Board.

The directors are not aware of any breaches of environmental regulation occurring during the period covered by this report that led to material environmental harm or regulator enforcement actions.

Carbon Emissions Reporting and Expenditure

The Group is subject to the reporting requirements of both the *Energy Efficiency Opportunities Act 2006* (EEO Act) and the *National Greenhouse and Energy Reporting Act 2007* (NGER Act). The Group is also subject to the requirements of the *Clean Energy Act 2011* and during the 2013 financial year, was obligated to surrender Carbon Units to the Clean Energy Regulator.

The EEO Act requires the Group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities and to report publicly on the assessments undertaken, including what action the Group intends to take as a result. The Group continues to meet its obligations under this Act.

The NGER Act requires the Group to report its annual greenhouse gas emissions and energy use. The Group began reporting under the NGER Act during the 2009 financial year and is now in its fifth reporting year. The Group has implemented systems and processes for the collection and calculation of the data required and submits annual reports to the Clean Energy Regulator. For the 2013 financial year, the Group was also obligated to engage a registered Greenhouse and Energy Auditor to perform an audit of the Group's NGER Act report.

The *Clean Energy Act 2011* was passed by the Federal Parliament in November 2011 and introduced a carbon pricing mechanism from 1 July 2012. The carbon pricing mechanism applies to entities which have operational control over a facility which annually emits greater than 25,000 tonnes of selected carbon (CO2) equivalent emissions. For each facility that exceeds the threshold, the Group is obligated to surrender to the Clean Energy Regulator Carbon Units equal to the total volume of selected CO2 equivalent emissions. Carbon Units can be purchased from the Clean Energy Regulator at $23 per unit. During the 2013 financial year, the Group was required to surrender Carbon Units costing over $355 million. An interim settlement of $267 million (75%) was completed in June 2013 and a final expected settlement of $88 million (25%) is due in February 2014.

Directors

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

The Hon. Warwick Raymond Parer AM
Kym Louise Collins
Ann Allison Fitzpatrick
Russell James Kempnich
Stephen Robert Rochester

Paul Breslin was appointed a director of Stanwell Corporation Limited during the financial year and up to the date of this report.

INFORMATION ON DIRECTORS

The Hon. Warwick Raymond Parer AM BComm (Melb), FAIMM.
Chairman - Non-executive director.
Term: 31 May 2012 to 30 September 2015

Mr Parer was appointed Chairman and non-executive director of Stanwell Corporation Limited on 31 May 2012 and is a member of both the Audit and Risk Management Committee and People and Safety Committee.

Mr Parer has extensive experience in the energy industry with previous appointments including Federal Minister for Resources and Energy, Chairman of the Coalition of Australian Governments Energy Market Review and Chairman of the Energy and Transport Advisory Sector CSIRO.

Mr Parer also has experience in the coal industry, having chaired the Boards of the Australian Coal Exporters Association, the Queensland Coal Mine Management Pty Ltd and Jellinbah Resources Pty Ltd.

Mr Parer is currently Chairman of the Royal Brisbane and Women's Hospital Foundation.

Paul Breslin BSc (Hons), BEcon.
Non-executive director.
Term: 5 July 2012 to 30 September 2015

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

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

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

Kym Louise Collins MBA, B Eng (Elec), GAICD.
Non-executive director.
Term: 1 July 2011 to 30 September 2014

Ms Collins was appointed a non-executive director of Stanwell Corporation Limited on 1 July 2011 and is a member of the People and Safety Committee.

Ms Collins is an experienced electrical engineer and project manager from the commercial construction industry, once leading Siemens Ltd Building Automation in Queensland.

Ms Collins has previously held the positions of Chair and Director of Tarong Energy Corporation Limited and also served as a committee member of the Institute of Hospital Engineers, Little Athletics, St Aidan's Old Girls Association and C&K Kindergartens.

Ms Collins is currently Chair of Green Cross Australia and President of Carina C&K Kindergarten.

Ann Allison Fitzpatrick BA, LLB, GAICD.
Non-executive director.
Term: 1 July 2011 to 30 September 2014

Ms Fitzpatrick was appointed a non-executive director of Stanwell Corporation Limited on 1 July 2011 and is a member of the People and Safety Committee.

Ms Fitzpatrick has practiced as a lawyer for more than 25 years and specialises as an employment, industrial and anti-discrimination lawyer. Ms Fitzpatrick retired from private practice in 2008, however, prior to this was a partner in two major law firms and in the first half of her career practised as a commercial litigator within intellectual property and construction law.

For the past few years, Ms Fitzpatrick has been a member of various tribunals, first in the Anti-Discrimination Tribunal and currently in the Queensland Civil and Administrative Tribunal.

Russell James Kempnich BEng (Mech), MAICD.
Non-executive director.
Term: 1 July 2011 to 30 September 2013

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

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

Mr Kempnich is a founding partner, past Managing Director and, currently, non-executive Chairman of Sedgman Limited.

Stephen Robert Rochester BEc, FFTP, MAICD.
Non-executive director.
Term: 1 July 2011 to 30 September 2014

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

Mr Rochester is an established leader in public sector financing, the banking and finance industry, and the global financial markets, with a career spanning more than 35 years. Mr Rochester has held the positions of Chief Executive and Chairman at Queensland Treasury Corporation, Director of Tarong Energy Corporation Limited and Chief Executive of Sun Retail.

Mr Rochester is currently Chairman of Powerlink Queensland.

INFORMATION ON OFFICERS

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

Mr Van Breda has been involved in the energy industry since 2001. He originally joined Stanwell Corporation Limited in 2002 and was appointed Chief Financial Officer in 2005. Mr Van Breda joined Tarong Energy Corporation Limited in the role of

Chief Financial Officer in April 2008. After the restructure of the Queensland Government owned electricity generators in July 2011, he was appointed to the position of Chief Financial Officer at Stanwell Corporation Limited.

Mr Van Breda was appointed Chief Executive Officer of Stanwell Corporation Limited in July 2012.

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

Wayne Alexander Collins BEng (Elect), BBus, CPEng, GAICD.
Chief Operating Officer.

In July 2011, Mr Collins was appointed Chief Operating Officer of Stanwell Corporation Limited, responsible for managing the organisation's mining and power plant operations, as well as health, safety and environment for the business.

Mr Collins has been a senior executive with Stanwell Corporation Limited for 15 years, with previous management roles in business services, asset management and technical services, business development and operations.

Mr Collins is a member of the Audit and Risk Management Committee of the Capricorn Tourism and Economic Development Limited and the Compliance Committee of Capricorn Diversified Investment Fund.

Mr Collins has worked in the electricity industry for 32 years in a variety of engineering, managerial and business development roles, principally associated with power generation.

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

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

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

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

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

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

Ms Mills is responsible for the marketing and trading of Stanwell Corporation Limited's 4,200MW of installed capacity in the National Electricity Market. She also oversees commercial strategy to diversify revenue streams and optimise value from various fuel sources.

Ms Mills has more than 12 years experience in the electricity industry and previously led the Electricity Modelling Team within Queensland Treasury. Ms Mills originally joined Stanwell Corporation Limited in 2004 and then Tarong Energy Corporation Limited in 2008.

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

Mr O'Rourke was appointed to the position of Chief Financial Officer in September 2012.

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

Mr O'Rourke joined Stanwell Corporation Limited in 1998 and has held a number of management positions in the areas of legal, marketing and trading, secretariat, corporate communication and land and property management including his previous position as Executive General Manager - Governance and Corporate Strategy and General Manager Corporate Services.

COMPANY SECRETARIES

Karen Ann Buckley BA, Grad Cert Law, GAICD.

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

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

Mr O'Rourke was appointed company secretary in 2002. Mr O'Rourke is the Chief Financial Officer of Stanwell Corporation Limited and is responsible for the internal functions of financial risk and services, business reporting and commercial analysis, secretariat, corporate services, legal, internal audit and supply chain management.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of directors and of each Board committee held during the 2013 financial year, and the numbers of meetings attended by each director were:

			Meetings of Board committees			
	Board meetings of directors		Audit and Risk Management Committee		People and Safety Committee	
	A	B	A	B	A	B
The Hon. Warwick Raymond Parer AM	10	9	5	5	3	3
Paul Breslin	10	6	5	2	-	-
Kym Louise Collins	10	8	-	-	3	3
Ann Allison Fitzpatrick	10	10	-	-	3	3
Russell James Kempnich	10	10	-	-	3	3
Stephen Robert Rochester	10	9	5	5	-	-

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

B = Number of meetings attended.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification and insurance

In accordance with its Constitution, the Group has entered into a standard form Deed of Access, Insurance and Indemnity with the current directors of the Group to indemnify them to the maximum extent permitted by law against all liabilities which they may incur in the performance of their duties as directors of the Group, except for a liability for a pecuniary penalty order or a compensation order under the *Corporations Act 2001*.

The indemnity is made available to current and former directors of the Group for a period of seven years from the date of their resignation. To the extent permitted by law, the indemnity covers liability for legal costs.

In accordance with the standard form Deed of Access, Insurance and Indemnity referred to above, the Group has, during the 2013 financial year, paid an insurance premium in respect of the directors and executive officers of the Group. In accordance with normal commercial practice, the insurance contract prohibits disclosure of the nature or the liability covered by, or the amount payable under, the contract of insurance.

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 31.

ROUNDING OF AMOUNTS

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

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

AUDITOR

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

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

The Hon. Warwick Raymond Parer AM
Director

Stephen Robert Rochester
Director

Brisbane
22 August 2013

Auditor's independence declaration

To the Directors of Stanwell Corporation Limited

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

Independence Declaration

As lead auditor for the audit of Stanwell Corporation Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been -

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

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

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

Queensland Audit Office
Brisbane
22 August 2013

Statements of comprehensive income for the year ended 30 June 2013

		Consolidated entity		Parent entity	
	Notes	**2013**	2012	**2013**	2012
		$'000	$'000	**$'000**	$'000
Revenue from continuing operations	4	**1,669,861**	1,319,045	**1,399,576**	1,139,902
Other income	5	**27,673**	13,447	**23,630**	7,403
Non hedge accounted change in fair value of derivative instruments		**(42,591)**	(56,969)	**(42,591)**	(56,969)
Fuel costs		**(377,178)**	(393,845)	**(274,249)**	(302,033)
Changes in inventories of finished goods and work in progress		**41,664**	27,261	**–**	–
Raw materials and consumables used		**(407,441)**	(224,860)	**(371,456)**	(192,017)
Employee benefits expense		**(168,043)**	(143,745)	**(145,407)**	(128,145)
Depreciation and amortisation expense	6	**(171,310)**	(172,637)	**(123,483)**	(129,218)
Net loss on disposal of property, plant and equipment		**185**	(561)	**(5)**	(343)
Carbon emissions expense		**(355,204)**	–	**(281,759)**	–
Other expenses		**(104,690)**	(134,737)	**(82,573)**	(103,088)
Onerous contract		**–**	20,538	**–**	20,538
Impairment loss	6	**(11,467)**	(48,246)	**(2,942)**	(17,048)
Finance costs	6	**(82,837)**	(99,183)	**(76,370)**	(92,622)
Profit before income tax		**18,622**	105,508	**22,371**	146,360
Income tax equivalent expense	7	**(3,992)**	(25,648)	**(6,256)**	(19,738)
Profit for the year		**14,630**	79,860	**16,115**	126,622
Other comprehensive (loss)/income					
Items that may be reclassified to profit or loss					
Changes in the fair value of cash flow hedges	34(a)	**(135,900)**	(38,814)	**(135,900)**	(38,814)
Income tax relating to these items		**40,770**	11,644	**40,770**	11,644
Items that will not be reclassified to profit or loss					
Actuarial gains/(losses) on retirement benefit obligation	24(f)	**19,206**	(24,168)	**19,206**	(24,168)
Income tax relating to these items		**(5,762)**	7,250	**(5,762)**	7,250
Other					
Derecognition of deferred tax asset (or timing difference) previously recognised within equity	34(b)	**–**	(3,792)	**–**	–
Other	34(b)	**(4)**	(14)	**(4)**	(7)
Other comprehensive loss net of tax		**(81,690)**	(47,894)	**(81,690)**	(44,095)
Total comprehensive (loss)/income for the year		**(67,060)**	31,966	**(65,575)**	82,527
Profit is attributable to: Owners of Stanwell Corporation Limited		**14,630**	79,860	**16,115**	126,622
Total comprehensive (loss)/income is attributable to: Owners of Stanwell Corporation Limited		**(67,060)**	31,966	**(65,575)**	82,527
Total comprehensive (loss)/income attributable to owners of Stanwell Corporation Limited arises from: Continuing operations		**(67,060)**	31,966	**(65,575)**	82,527

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

Balance sheets at 30 June 2013

	Notes	Consolidated entity		Parent entity	
		2013	2012	**2013**	2012
		$'000	$'000	**$'000**	$'000
ASSETS					
Current assets					
Cash and cash equivalents	9	**163,443**	46,334	**162,757**	43,233
Trade and other receivables	10	**176,978**	146,694	**162,682**	137,137
Inventories	11	**101,827**	112,796	**71,081**	92,400
Financial assets	12	**29,153**	64,431	**29,153**	64,431
Derivative financial instruments	14	**138,355**	167,724	**138,355**	167,724
Intangible assets	15	**368**	–	**368**	–
Current tax receivables		**–**	35,776	**–**	35,776
Other current assets	13	**73,842**	75,494	**11,159**	10,537
Total current assets		**683,966**	649,249	**575,555**	551,238
Non-current assets					
Receivables	16	**591**	–	**773,308**	712,503
Derivative financial instruments	14	**27,319**	103,841	**27,319**	103,841
Available-for-sale financial assets	17	**10,669**	36,751	**10,669**	36,751
Property, plant and equipment	18	**2,201,955**	2,213,369	**1,668,481**	1,697,779
Intangible assets	19	**90,569**	88,063	**15,292**	12,782
Biological assets	20	**463**	463	**463**	463
Exploration and evaluation	21	**19,933**	17,484	**19,933**	9,621
Deferred tax assets	22	**248,123**	148,843	**188,987**	107,399
Retirement benefit surplus	24	**3,334**	–	**3,334**	–
Other non-current assets	23	**60,635**	22,209	**1,665**	1,673
Total non-current assets		**2,663,591**	2,631,023	**2,709,451**	2,682,812
Total assets		**3,347,557**	3,280,272	**3,285,006**	3,234,050
LIABILITIES					
Current liabilities					
Trade and other payables	25	**161,789**	179,015	**117,795**	109,533
Borrowings	26	**–**	4,783	**–**	4,783
Derivative financial instruments	14	**229,332**	160,527	**229,332**	160,527
Current tax liabilities		**17,878**	–	**17,878**	–
Provisions	27	**143,070**	99,629	**127,757**	96,438
Other current liabilities	28	**2,848**	2,456	**2,848**	2,426
Total current liabilities		**554,917**	446,410	**495,610**	373,707

Balance sheets at 30 June 2013

	Notes	Consolidated entity		Parent entity	
		2013	2012	**2013**	2012
		$'000	$'000	**$'000**	$'000
Non-current liabilities					
Trade and other payables		**526**	–	**526**	–
Borrowings	29	**772,208**	772,224	**772,208**	772,224
Derivative financial instruments	14	**47,170**	37,850	**47,170**	37,850
Deferred tax liabilities	30	**458,375**	407,989	**384,851**	359,526
Provisions	31	**333,972**	338,218	**211,367**	221,761
Retirement benefit obligations	24	**–**	15,845	**–**	15,845
Other non-current liabilities	32	**–**	2,583	**–**	2,583
Total non-current liabilities		**1,612,251**	1,574,709	**1,416,122**	1,409,789
Total liabilities		**2,167,168**	2,021,119	**1,911,732**	1,783,496
Net assets		**1,180,389**	1,259,153	**1,373,274**	1,450,554
EQUITY					
Contributed equity	33	**1,214,693**	1,214,693	**1,214,692**	1,214,693
Reserve	34(a)	**(85,179)**	9,951	**(85,179)**	9,951
Retained earnings	34(b)	**50,875**	34,509	**243,761**	225,910
Capital and reserves attributable to owners of Stanwell Corporation Limited		**1,180,389**	1,259,153	**1,373,274**	1,450,554
Total equity		**1,180,389**	1,259,153	**1,373,274**	1,450,554

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

Statements of changes in equity for the year ended 30 June 2013

Consolidated entity	Notes	Contributed equity $'000	Reserve $'000	Other owner contributions $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2011		544,569	37,121	(148,309)	177,040	610,421
Profit for the year		–	–	–	79,860	79,860
Net change in fair value of cash flow hedges transferred to profit and loss	34	–	(92,493)	–	–	(92,493)
Effective portion of changes in fair value of cash flow hedges	34	–	53,513	–	–	53,513
Net change in fair value of cash flow hedges transferred to property, plant and equipment	34	–	166	–	–	166
Actuarial gains/(losses) on defined benefit plan	34	–	-	–	(24,168)	(24,168)
Income tax equivalent relating to components of other comprehensive income	34	–	11,644	–	7,250	18,894
Derecognition of deferred tax asset (or timing difference) previously recognised within equity	30	–	–	–	(3,792)	(3,792)
Other	34	–	–	–	(14)	(14)
		–	(27,170)	–	59,136	31,966
Total comprehensive income for the year		**–**	**(27,170)**	**–**	**59,136**	**31,966**
Transactions with owners in their capacity as owners:						
Transfer of net assets and subsidiaries by regulation on 1 July		818,433	–	–	–	818,433
Transfer of other owner contributions to contributed equity on 1 July		(148,309)	–	148,309	–	–
Dividends provided for or paid	35	–	–	–	(63,900)	(63,900)
Retained earnings of subsidiaries transferred on 1 July		–	–	–	(137,767)	(137,767)
		670,124	-	148,309	(201,667)	616,766
Balance at 30 June 2012		**1,214,693**	**9,951**	**–**	**34,509**	**1,259,153**
Balance at 1 July 2012		1,214,693	9,951	–	34,509	1,259,153
Profit for the year		–	–	–	14,630	14,630
Effective portion of changes in fair value of cash flow hedges	34	–	(305,090)	–	–	(305,090)
Net change in fair value of cash flow hedges transferred to profit and loss	34	–	169,139	–	–	169,139
Net change in fair value of cash flow hedges transferred to property, plant and equipment	34	–	51	–	–	51
Income tax equivalent relating to components of other comprehensive income	34	–	40,770	–	(5,762)	35,008
Actuarial gains/(losses) on defined benefit plan	34	–	–	–	19,206	19,206
Other	34	–	–	–	(4)	(4)
Total comprehensive income for the year		**–**	**(95,130)**	**–**	**28,070**	**(67,060)**
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	35	–	–	–	(11,704)	(11,704)
Balance at 30 June 2013		**1,214,693**	**(85,179)**	**–**	**50,875**	**1,180,389**

Statements of changes in equity for the year ended 30 June 2013

Parent entity	Notes	Contributed equity $'000	Reserve $'000	Other owner contributions $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2011		544,569	37,121	(148,309)	180,113	613,494
Profit for the year		–	–	–	126,622	126,622
Net change in fair value of cash flow hedges transferred to profit and loss	34	–	(92,493)	–	–	(92,493)
Effective portion of changes in fair value of cash flow hedges	34	–	53,513	–	––	53,513
Net change in fair value of cash flow hedges transferred to property, plant and equipment	34	–	166	–	–	166
Actuarial gains/(losses) on defined benefit plan	34	–	-	–	(24,168)	(24,168)
Income tax equivalent relating to components of other comprehensive income	34	–	11,644	–	7,250	18,894
Other	34	–	–	–	(7)	(7)
Total comprehensive income for the year		**–**	**(27,170)**	**–**	**109,697**	**82,527**
Transactions with owners in their capacity as owners:						
Transfer of net assets and subsidiaries by regulation on 1 July		818,433	–	–	–	818,433
Transfer of other owner contributions to contributed equity on 1 July		(148,309)	–	148,309	–	–
Dividends provided for or paid	35	–	–	–	(63,900)	(63,900)
		670,124	–	148,309	(63,900)	754,533
Balance at 30 June 2012		**1,214,693**	**9,951**	**–**	**225,910**	**1,450,554**
Balance at 1 July 2012		1,214,693	9,951	–	225,910	1,450,554
Profit for the year		–	–	–	16,115	16,115
Net change in fair value of cash flow hedges transferred to profit and loss	34	–	169,139	–	–	169,139
Effective portion of changes in fair value of cash flow hedges	34	–	(305,090)	–	–	(305,090)
Net change in fair value of cash flow hedges transferred to property, plant and equipment	34	–	51	–	–	51
Actuarial gains/(losses) on defined benefit plan	34	–	–	–	19,206	19,206
Income tax equivalent relating to components of other comprehensive income	34	–	40,770	–	(5,762)	35,008
Other	34	(1)	–	–	(4)	(5)
Total comprehensive income for the year		**(1)**	**(95,130)**	**–**	**29,555**	**(65,576)**
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	35	–	–	–	(11,704)	(11,704)
Balance at 30 June 2013		**1,214,692**	**(85,179)**	**–**	**243,761**	**1,373,274**

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

Statements of cash flows for the year ended 30 June 2013

	Notes	Consolidated entity		Parent entity	
		2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**1,879,740**	1,413,920	**1,620,785**	1,233,570
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,507,270)**	(1,020,259)	**(1,237,304)**	(859,013)
Interest received		**6,973**	9,525	**6,955**	9,261
Interest paid		**(64,787)**	(67,490)	**(64,790)**	(67,490)
Income tax equivalents paid		**35,776**	(80,870)	**35,776**	(80,870)
Payment to terminate contractual arrangements		**–**	(98,736)	**–**	(98,736)
Net cash inflow from operating activities	45	**350,432**	156,090	**361,422**	136,722
Cash flows from investing activities					
Payments for property, plant and equipment		**(180,935)**	(210,038)	**(119,748)**	(119,209)
Payments for available-for-sale financial assets		**–**	(7,000)	**–**	(7,000)
Proceeds from sale of property, plant and equipment		**848**	28	**931**	28
Proceeds from sale of available-for-sale financial assets		**28,280**	–	**28,280**	–
Loans provided to subsidiaries		**–**	–	**(70,437)**	(78,040)
Payments for intangible assets		**–**	(4,301)	**–**	(4,298)
Net payments for exploration and evaluation expenditure		**(12,817)**	(7,991)	**(12,225)**	(3,541)
Net cash outflow from investing activities		**(164,624)**	(229,302)	**(173,199)**	(212,060)
Cash flows from financing activities					
Proceeds from/(repayment of) borrowings		**(4,799)**	(341,429)	**(4,799)**	(341,428)
Dividends paid		**(63,900)**	–	**(63,900)**	–
Transfer of cash on 1 July		**–**	41,641	**–**	41,293
Net cash outflow from financing activities		**(68,699)**	(299,788)	**(68,699)**	(300,135)
Net increase/(decrease) in cash and cash equivalents		**117,109**	(373,000)	**119,524**	(375,473)
Cash and cash equivalents at the beginning of the financial year		**46,334**	419,334	**43,233**	418,706
Cash and cash equivalents at end of year	9	**163,443**	46,334	**162,757**	43,233

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

1 Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) Going concern

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

(ii) Date of issue

The consolidated financial statements were authorised for issue by the board of directors on 22 August 2013.

(iii) Historical cost convention

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

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2013 and the results of all subsidiaries for the period then ended.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(ii) Joint ventures

Jointly controlled assets

Jointly controlled assets involves the joint control by the venturers of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the venturers. Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred. Each venturer has control over its share of future economic benefits through its share of the jointly controlled asset.

Jointly controlled operations

When a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature.

Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

The Group's interests in assets where the Group does not have joint control are accounted for in accordance with the substance of the Group's interest. Where such arrangements give rise to an undivided interest in the individual assets and liabilities of the joint venture, the Group recognises its undivided interest in each asset and liability and classifies and presents those items according to their nature. Where the joint venture arrangement does not embody an undivided interest in individual assets and liabilities, but gives rise to a right to a net return in the form of cash or other financial assets, the Group recognises a financial asset.

(c) Foreign currency translation

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

(d) Revenue recognition

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

(i) Sales of electricity

Revenue from the sale of electricity traded in the National Electricity Market (NEM) is recognised when the electricity generated has been dispatched or in the period that the electricity generated, which is pursuant to a power purchase agreement (PPA), is transferred to the counterparty. The effective portion of electricity derivatives designated as cash flow hedges, relating to electricity traded in the NEM, is recognised in electricity revenue in the period to which the contract settlement relates (note 34(a)). Revenue from electricity sold on the NEM is based on electricity spot prices and is calculated by the Australian Energy Market Operator (AEMO), the body responsible for administering and operating the wholesale spot electricity market and managing the security of the power system.

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

1 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

(ii) Environmental certificates

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

(iii) Energy services revenue

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

(iv) Coal revenue sharing arrangements

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

(v) Coal on-sale

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest rate method.

(vii) Other income

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

(e) Income tax equivalents

The Company and its wholly owned Australian controlled entities as set out in note 41 have formed a tax consolidated group.

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

These payments are made pursuant to section 155(4) of the *Government Owned Corporations Act 1993* and are based upon rulings set out in the Treasurer's Tax Equivalents Manual. The National Tax Equivalents Regime gives rise to obligations which reflect in all material respects those obligations for taxation which would be imposed by the *Income Tax Assessment Act 1936* and the *Income Tax Assessment Act 1997.*

(f) Tax effect accounting

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

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

1 Summary of significant accounting policies (continued)

(f) Tax effect accounting (continued)

Deferred tax equivalent assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exemption is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax equivalent asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

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

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

(g) Tax consolidation

As a consequence of the establishment of the tax consolidated group (refer to note 1(e)), the current and deferred tax equivalent amounts for the tax consolidated Group are allocated among the entities in the Group using a stand-alone taxpayer approach whereby each entity in the tax consolidated Group measures its current and deferred taxes as if it continued to be a separate taxable entity in its own right. Deferred tax equivalent assets and deferred tax equivalent liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values under consolidation.

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

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

(h) Leases

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

1 Summary of significant accounting policies (continued)

(h) Leases (continued)

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

For assets subject to cross border leases, refer to note 46.

(i) Impairment of assets

(i) Financial assets

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

(ii) Non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

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

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

(j) Cash and cash equivalents

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

(k) Trade receivables

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

1 Summary of significant accounting policies (continued)

(l) Inventories

(i) Fuel and stores

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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

(ii) Environmental certificates

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

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

(m) Financial instruments

Classification

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

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

1 Summary of significant accounting policies (continued)

(m) Financial instruments (continued)

(iii) Available-for-sale financial assets (continued)

Recognition and derecognition

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

Measurement

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

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within changes in fair value of derivative instruments that do not qualify for hedge accounting in the period in which they arise.

Impairment

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

(i) Assets carried at amortised cost

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

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

Impairment testing of trade receivables is described in note 10(a).

(ii) Assets classified as available-for-sale

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

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

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

1 Summary of significant accounting policies (continued)

(n) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged, or is at fair value through the profit and loss. The Group designates certain derivatives as either:

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 14. Movements in the hedging reserve in shareholder's equity are shown in note 34. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Cash flow hedge

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

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

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

(ii) Derivatives that do not qualify for hedge accounting

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

(iii) Embedded derivatives

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

1 Summary of significant accounting policies (continued)

(n) Derivatives and hedging activities (continued)

(iii) Embedded derivatives (continued)

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

(o) Deferred stripping costs

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

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

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

(p) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment charges. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include the costs of dismantling and removing the items and restoring the site on which they are located, capitalised borrowing costs and transfers from other comprehensive income of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment (refer to note 34(a)).

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

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

(i) Depreciation

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

1 Summary of significant accounting policies (continued)

(p) Property, plant and equipment (continued)

(i) Depreciation (continued)

Units of production basis

Operational mining assets and mining development assets are depreciated on a units of production basis. In applying the units of production method, depreciation is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proven and probable reserves.

Development costs that relate to a discrete section of an ore body and which only provide benefit over the life of those reserves are depreciated over the estimated life of that discrete section. Development costs incurred which benefit the entire ore body are depreciated over the estimated life of the ore body.

Straight-line basis

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

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

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

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

(q) Intangible assets

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. No intangible assets have been assessed as having an indefinite useful life. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

1 Summary of significant accounting policies (continued)

(q) Intangible assets (continued)

(i) Capitalised software

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

(ii) Mining information and mining leases

Mining information and mining leases acquired are carried at the net fair value at date of acquisition less amortisation and impairment losses. Mining information and mining leases are amortised over the life of the mine for which the information relates using the units of production method and reflecting the pattern of economic benefit to the Group. No amortisation charge has been recognised in relation to the mining information and mining lease assets as the mine to which the information relates has not reached production (note 19).

(iii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 3 to 5 years.

(r) Biological assets

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

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

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

(s) Exploration, evaluation and development costs

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.

Development assets consist of mining development expenditure incurred by or on behalf of the Group. Mining development assets are accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure.

Once a development decision has been taken, the carrying amount of the exploration and evaluation expenditure in respect of the area of interest is aggregated with the development expenditure and classified under non-current assets as mining development assets.

1 Summary of significant accounting policies (continued)

(s) Exploration, evaluation and development costs (continued)

A mining development asset is reclassified as a mining property at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

Development assets are tested for impairment in accordance with the policy in note 1(i)(ii).

When an area of interest is abandoned or the directors decide that it is not commercial, all accumulated costs in respect of that area are impaired in the financial period in which the decision is made.

Depreciation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward exploration, evaluation and development costs are depreciated on a units of production basis over the life of the economically recoverable reserves.

(t) Trade and other payables

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

(u) Borrowings

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

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

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

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

(v) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. There were no qualifying assets in either the current or prior years.

(w) Provisions

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

1 Summary of significant accounting policies (continued)

(w) Provisions (continued)

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

(i) Carbon emissions liability

Under the terms of the *Clean Energy Act 2011*, which commenced on 1 July 2012, the entity incurs a carbon emissions liability at a number of its operating sites in the course of generating electricity for sale. The provision is recognised in the reporting period in which the carbon is emitted, and is measured at management's best estimate of the unsettled obligation at the reporting date. Any variance between the carbon emissions liability provided for at the end of the financial year and the amount subsequently paid is recognised immediately in the profit or loss in the period in which the payment is made.

(ii) Dividends

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

(iii) Onerous contracts

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

(iv) Restoration, rehabilitation and decommissioning

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

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

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

(v) Restructure

A provision for restructuring costs is recognised in the reporting period when there is legal or constructive obligation to restructure, it is probable that payments will occur and the restructure payments can be reliably estimated. A constructive obligation arises when detailed formal restructuring plans have been approved and those plans have been discussed with the affected employees. Any variance between the restructuring liability provided for at the end of the financial year and the amount subsequently paid is recognised immediately in the profit or loss in the period in which the payment is made.

1 Summary of significant accounting policies (continued)

(x) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in 'Trade and other payables'.

(ii) Other long-term employee benefit obligations

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

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

(iii) Retirement benefit obligations

All employees of the Group are entitled to benefits from the Group's superannuation plan on retirement, disability or death or can direct the group to make contributions to a defined contribution plan of their choice. The Group's superannuation plan has a defined benefit section and a defined contribution section. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

The liability or asset recognised in the balance sheets in respect of defined benefit superannuation plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit surplus (or obligation) is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by an independent actuary using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted at the reporting date using market yields on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

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

Past service costs are recognised immediately in the profit or loss, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes that are funded by the Company and are part of the provision of the existing benefit obligation (e.g. taxes on investment income and employer contributions) are taken into account in measuring the net liability or asset. Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1 Summary of significant accounting policies (continued)

(x) Employee benefits (continued)

(iv) Bonus plans

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

(v) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(y) Financial guarantee contracts

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

(z) Goods and Services Tax (GST)

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

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

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

(aa) Rounding of amounts

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

(ab) Parent entity disclosures

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

(ac) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods and have not yet been applied in the financial statements. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out overleaf.

1 Summary of significant accounting policies (continued)

(ac) New accounting standards and interpretations (continued)

(i) AASB 9 *Financial Instruments,* AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and* AASB 2012-6 *Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group did not recognise any such gains in the profit or loss.

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

(ii) AASB 10 *Consolidated Financial Statements,* AASB 11 *Joint Arrangements,* AASB 12 *Disclosure of Interests in Other Entities,* revised AASB 127 *Separate Financial Statements,* AASB 128 *Investments in Associates and Joint Ventures,* AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and AASB 2012-10 *Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles-based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

1 Summary of significant accounting policies (continued)

(ac) New accounting standards and interpretations (continued)

(iii) AASB 13 *Fair Value Measurement and* AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the consolidated financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(iv) Revised AASB 119 *Employee Benefits and,* AASB 2012-10 *Amendments to Australian Accounting Standards arising from AASB 119* (September 2012)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. The Group will apply the new standard when it becomes operative, being from 1 July 2013.

(v) *Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013)*

Interpretation 20 provides guidance on accounting for costs associated with stripping activity during the production phase of surface mining. Interpretation 20 requires the entity to account for the related production stripping costs as inventory and/or a non-current asset (stripping activity asset).

The Interpretation is effective for annual reporting periods commencing from 1 January 2013.

There are no other standards that are yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Financial risk management

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

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

2 Financial risk management (continued)

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

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Financial assets				
Cash and cash equivalents	**163,443**	46,334	**162,757**	43,233
Trade and other receivables	**177,569**	146,694	**935,990**	849,640
Financial assets	**29,153**	64,431	**29,153**	64,431
Derivative financial instruments	**165,674**	271,565	**165,674**	271,565
Available-for-sale financial assets	**10,669**	36,751	**10,669**	36,751
	546,508	565,775	**1,304,243**	1,265,620
Financial liabilities				
Trade and other payables	**162,315**	179,015	**118,321**	109,533
Borrowings	**772,208**	777,007	**772,208**	777,007
Derivative financial instruments	**276,502**	198,377	**276,502**	198,377
Security deposits	**8**	51	**8**	21
	1,211,033	1,154,450	**1,167,039**	1,084,938

(a) Market risk

(i) Foreign exchange risk

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

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

All foreign exchange contracts were entered into by the Parent entity. The carrying amounts of the financial assets and liabilities denominated in foreign currencies are set out in the table on page 56:

2 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Consolidated and Parent entity	2013 AUD $'000	2012 AUD $'000
Forward exchange contracts		
- buy foreign currency (USD cash flow hedges)	24	(27)
- buy foreign currency (USD held for trading*)	734	(222)
- sell foreign currency (USD held for trading*)	(1,030)	183
- buy foreign currency (Euro cash flow hedges)	(15)	(222)
	(287)	(288)
Currency options		
- buy foreign currency (USD held for trading*)	(9)	(1)
- sell foreign currency (USD held for trading*)	376	2,056
	367	2,055

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

(ii) Commodity price risk

The Group and Parent entity are exposed to electricity price movements in the National Electricity Market. To manage its electricity commodity price risk, the Group and Parent entity have entered into a number of electricity derivatives (including over the counter swaps, futures, cap and option contracts) in accordance with the Board approved energy trading risk management policy. For the majority of these contracts, the Group and Parent entity receive from counterparties a fixed price per megawatt hour and in return pay the actual observed pool price. These contracts assist the Group and Parent entity to provide certainty in relation to revenue received.

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

The Group and the Parent entity are exposed to environmental certificate price movements through their requirement to comply with various regulatory environmental schemes as part of their normal business operations. To manage their environmental certificate price risk, the Group and the Parent entity buy and sell these certificates in both the spot and forward markets.

The Group incurs exposure to diesel price movements through operating its vehicle fleet and equipment at its coal mine and power stations. To manage its diesel price risk, the Group has entered into a number of diesel derivatives. Two types of transactions have been entered into, either the Group pays a fixed Australian Dollar (AUD) price to counterparties and in return receives a floating AUD price referenced to actual observed daily closing oil price in United States Dollars (USD) and foreign exchange prices, or the Group pays a fixed USD price to counterparties and a separate foreign exchange forward contract is used to hedge the foreign currency exposure. Under both transaction types, the derivative settlement receipts/payments are offset against actual physical consumption that is paid for monthly. These contracts assist the Group in managing its diesel consumption costs.

2 Financial risk management (continued)

(a) Market risk (continued)

(iii) Sensitivity analysis

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

The sensitivity in the mark-to-market of the electricity derivative portfolio at balance date was investigated by observing the price relative impact of annualised volatility in the forward curve over a selected period under observable market conditions. The analysis assumes an upward movement of 15% (2012: 15%) and a downward movement of 15% (2012: 15%), which reflects the market sensitivity of positions held by the Group at balance date. The sensitivity of the Parent entity's financial instruments is not materially different to the amounts disclosed below.

		-15% (2012: -15%)		+15% (2012: +15%)	
	Carrying amount	Profit	Other equity	Profit	Other equity
	$'000	$'000	$'000	$'000	$'000
Foreign exchange risk					
USD					
2013	95	(825)	39	3,620	(29)
2012	1,989	927	200	5,684	(148)
Euro					
2013	(15)	–	117	–	(87)
2012	(222)	–	72	–	(53)
Commodity price risk					
2013	(110,908)	5,509	149,708	(15,849)	(152,366)
2012	71,421	59,248	160,516	(62,151)	(159,430)

		-100 basis points		+100 basis points	
	Carrying amount	Profit	Other equity	Profit	Other equity
	$'000	$'000	$'000	$'000	$'000
Interest rate risk					
Cash and cash equivalents					
2013	163,443	(1,634)	–	1,634	–
2012	46,334	(463)	–	463	–
Borrowings current					
2013	–	–	–	-	–
2012	4,783	48	–	(48)	–
Borrowings non-current					
2013	772,208	438	–	(438)	–
2012	772,224	560	–	(560)	–

2 Financial risk management (continued)

(b) Credit risk

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

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

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

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

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

(c) Liquidity risk

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

Financing arrangements

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

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Expiring within one year (bank overdraft and working capital facility)	**62,000**	57,217	**62,000**	57,217

2 Financial risk management (continued)

(c) Liquidity risk (continued)

The overdraft facility is with the Australia and New Zealand Banking Group Ltd and has an approved limit of $2,000,000 (2012: $2,000,000). The working capital facility is with QTC and has an approved limit of $60,000,000 (2012: $60,000,000).

As at 30 June 2013, the Company had not drawn down against the working capital facility (2012: $4,783,000).

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

The public long-term rating of the Group is AA with a stable outlook.

The tables below analyse the Group and Parent entity's financial liabilities into relevant maturity groupings based on their contractual maturities for:
(a) all non-derivative financial liabilities; and
(b) derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

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

Contractual maturities of financial liabilities	0 to 1 year	Between 1 and 5 years	Over 5 years	Nominal amount
Consolidated entity - at 30 June 2013	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives				
Trade and other payables	**161,789**	**526**	**–**	**162,315**
Borrowings	**63,335**	**253,514**	**776,103**	**1,092,952**
Security deposits and retentions	**8**	**–**	**–**	**8**
Total non-derivatives	**225,132**	**254,040**	**776,103**	**1,255,275**
Consolidated entity - at 30 June 2012				
Non-derivatives				
Trade and other payables	179,015	–	–	179,015
Borrowings	66,676	266,887	781,020	1,114,583
Security deposits and retentions	51	–	–	51
Total non-derivatives	245,742	266,887	781,020	1,293,649

Contractual maturities of financial liabilities	0 to 1 year	Between 1 and 5 years	Over 5 years	Nominal amount
Parent entity - at 30 June 2013	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives				
Trade and other payables	**117,795**	**526**	**–**	**118,321**
Borrowings	**63,335**	**253,514**	**776,103**	**1,092,952**
Security deposits and retentions	**8**	**–**	**–**	**8**
Total non-derivatives	**181,138**	**254,040**	**776,103**	**1,211,281**
Parent entity - at 30 June 2012				
Non-derivatives				
Trade and other payables	109,533	–	–	109,533
Borrowings	66,676	266,887	781,020	1,114,583
Security deposits and retentions	21	–	–	21
Total non-derivatives	176,230	266,887	781,020	1,224,137

2 Financial risk management (continued)

(c) Liquidity risk (continued)

Contractual maturities of financial liabilities	Less than 5 months	Greater than 5 months	Nominal amount
Consolidated entity - at 30 June 2013	**$'000**	**$'000**	**$'000**
Derivatives			
Electricity contracts - cash flow hedges	**53,755**	**58,359**	**112,114**
Electricity contracts - held for trading	**57,615**	**91,585**	**149,200**
Foreign currency contracts - cash flow hedges	**53**	**11**	**64**
Foreign currency contracts - held for trading	**435**	**595**	**1,030**
Environmental contracts - held for trading	**677**	**6,214**	**6,891**
Diesel contracts - held for trading	**337**	**648**	**985**
	112,872	**157,412**	**270,284**
Consolidated entity - at 30 June 2012			
Derivatives			
Electricity contracts - cash flow hedges	28,405	10,932	39,337
Electricity contracts - held for trading	68,062	62,387	130,449
Foreign currency contracts - cash flow hedges	81	169	250
Foreign currency contracts - held for trading	144	112	256
Environmental contracts - held for trading	2,226	7,629	9,855
Diesel contracts - held for trading	505	545	1,050
	99,423	81,774	181,197

Contractual maturities of financial liabilities	Less than 5 months	Greater than 5 months	Nominal amount
Parent entity - at 30 June 2013	**$'000**	**$'000**	**$'000**
Derivatives			
Electricity contracts - cash flow hedges	**53,755**	**58,359**	**112,114**
Electricity contracts - held for trading	**57,615**	**91,585**	**149,200**
Foreign currency contracts - cash flow hedges	**53**	**11**	**64**
Foreign currency contracts - held for trading	**435**	**595**	**1,030**
Environmental contracts - held for trading	**677**	**6,214**	**6,891**
Diesel contracts - held for trading	**337**	**648**	**985**
	112,872	**157,412**	**270,284**
Parent entity - at 30 June 2012			
Derivatives			
Electricity contracts - cash flow hedges	28,405	10,932	39,337
Electricity contracts - held for trading	68,062	62,387	130,449
Foreign currency contracts - cash flow hedges	81	169	250
Foreign currency contracts - held for trading	144	112	256
Environmental contracts - held for trading	2,226	7,629	9,855
Diesel contracts - held for trading	505	545	1,050
	99,423	81,774	181,197

2 Financial risk management (continued)

(d) Fair value measurements

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

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables present the Group's assets and liabilities measured and recognised at fair value:

	Level 1	Level 2	Level 3	Total
Consolidated entity - at 30 June 2013	**$'000**	**$'000**	**$'000**	**$'000**
Assets				
Derivative financial instruments	4,716	153,938	14,624	173,278
Available-for-sale financial assets				
- equity securities	3,669	–	–	3,669
- other	–	7,000	–	7,000
Total assets	8,385	160,938	14,624	183,947
Liabilities				
Derivative financial instruments	14,732	217,002	45,328	277,062
Total liabilities	14,732	217,002	45,328	277,062
Consolidated entity - at 30 June 2012				
Assets				
Derivative financial instruments	4,668	181,213	79,349	265,230
Available-for-sale financial assets				
- equity securities	5,137	–	–	5,137
- other	–	31,614	–	31,614
Total assets	9,805	212,827	79,349	301,981
Liabilities				
Derivative financial instruments	51,441	95,770	45,466	192,677
Total liabilities	51,441	95,770	45,466	192,677

2 Financial risk management (continued)

(d) Fair value measurements (continued)

The following tables present the net changes in Level 3 instruments for the period ended 30 June 2013 and 30 June 2012:

Consolidated entity	Total $'000
Opening balance 1 July 2011	**32,738**
Transfers out of Level 3 into Level 2	**(13,442)**
Gains recognised in other comprehensive income	**18,612**
Losses recognised in statement of comprehensive income	**(4,025)**
Closing balance 30 June 2012	**33,883**
Transfers out of Level 3 into Level 2	**(1,213)**
Losses recognised in other comprehensive income	**(22,315)**
Losses recognised in statement of comprehensive income	**(41,059)**
Closing balance 30 June 2013	**(30,704)**

Although the Group and the Parent entity believe that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Levels 2 and 3 of the fair value hierarchy, changing one or more of the derived or unobservable inputs used could lead to a reasonably possible alternative fair value being reached. For fair value measurements in Level 3 of the fair value hierarchy, changing one or more of the unobservable inputs used, to reasonably possible alternative assumptions would have the following effects:

	Effect on profit or loss		Effect on hedging reserve	
	Favourable $'000	(Unfavourable) $'000	Favourable $'000	(Unfavourable) $'000
Consolidated and Parent entity				
Derivative financial assets	2,144	(2,238)	–	–
Derivative financial liabilities	4,078	(3,564)	735	(735)
Total	6,222	(5,802)	735	(735)

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

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

(i) Impairment of assets

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to it that may lead to indicators of impairment of assets in accordance with note 1(i). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Key estimates and assumptions are made in determining the recoverable amount of assets including electricity demand, wholesale electricity prices, discount rate and the impact of the carbon pricing mechanism. The sources for the key estimates and assumptions include:

- Market pricing and dispatch are based on the most recent management endorsed forecast. Longer term modelling is developed on a portfolio approach, based around recent observable peak/energy demand forecasts available at the time of evaluation, combined with internally developed assumptions around new entrants and retirements and the impact of renewables.
- A weighted approach is taken to asset valuation. Both carbon inclusive and carbon exclusive scenarios are considered, driven by political uncertainty. The carbon inclusive cases assume a price path which follows a fixed trajectory initially, transitioning to a floating trajectory which reflects linkage to overseas markets.
- All other costs are based on the most recent management endorsed forecast.
- Capital expenditure is based on asset life plans.
- Escalation, taxation and discounting were applied in accordance with the Group's assumptions at the time of evaluation.

No impairment loss (2012: $30,198,000) was recognised in relation to generation assets.

(ii) Fair value of financial instruments

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

(iii) Restoration, rehabilitation and decommissioning

The Group provides for site closure and restoration in accordance with the accounting policy stated in note 1(w)(iv). This calculation requires the use of key assumptions including the timing of restoration work, legal requirements and a discount rate.

(iv) Carbon emissions liability

The Group provides for a carbon emissions expense based on National Greenhouse and Energy Reporting (NGER) requirements and management's best estimate of carbon equivalents emitted during the period multiplied by an estimated carbon credit cost per tonne. The cost of carbon credit units per tonne is based on the Group's average cost to purchase a clean energy scheme certificate to acquit each tonne of carbon equivalents. The provision recognised at the end of the financial year for the Group's carbon equivalent emissions liability is based on the estimated carbon emissions expense less interim payments made. The final payment is due in February 2014. Any variance between the carbon emissions liability provided for at the end of the financial year and the amount subsequently paid is recognised immediately in the profit or loss in the period in which the payment is made.

(v) Retirement benefits

Actuarial assumptions underpin the determination of the Group's retirement benefit obligations. These assumptions and the related carrying amounts are outlined in note 24.

3 Critical accounting estimates and judgements (continued)

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

(vi) Long service leave provision

As discussed in note 1(x).

(vii) Estimation of useful lives of assets

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

(viii) Onerous contract provision

The Group has not recognised any onerous contract provisions at 30 June 2013. In the prior year, the Group recognised an onerous contract provision (refer to note 8) on 1 July 2011 in relation to the Collinsville Power Purchase Agreement which was transferred from CS Energy Limited. The onerous contract provision was recognised for obligations under the contract, determined by taking into account the following assumptions:

- Estimated future wholesale pool prices;
- Generation output; and
- Discount factor.

The estimated carrying value of the provision upon transfer to Stanwell on 1 July 2011 was $136,051,000, calculated by ascribing values to the above assumptions. The early termination of the Collinsville Power Purchase Agreement was negotiated during the prior year and the contract was terminated on 30 June 2012 for a cash payment which was $20,538,000 below the provision value. This amount is classified as an Onerous contract remeasurement in the profit or loss for the year ended 30 June 2012.

(ix) Restructure provision

The Group provides for restructuring costs in accordance with the accounting policy stated in note 1(w)(v). This calculation requires the use of key assumptions including the period of service, leave balances, contract conditions and legal requirements.

4 Revenue

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
From continuing operations				
Sales revenue				
Sales of electricity	**1,367,308**	987,209	**1,097,041**	808,827
Coal revenue sharing arrangements	**158,896**	208,877	**158,896**	208,877
Energy services revenue	**108,522**	74,004	**108,522**	74,004
Environmental certificates	**3,368**	20,642	**3,368**	20,545
Interest	**6,973**	9,316	**6,955**	9,268
Other	**17,174**	11,566	**17,174**	11,056
	1,662,241	1,311,614	**1,391,956**	1,132,577
Other revenue				
Coal on-sale	**6,051**	5,312	**6,051**	5,312
Other operating revenue	**1,569**	2,119	**1,569**	2,013
	7,620	7,431	**7,620**	7,325
	1,669,861	1,319,045	**1,399,576**	1,139,902

5 Other income

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Net gain on disposal of property, plant and equipment	**67**	–	**–**	–
Insurance recovery	**2,359**	5,516	**2,359**	–
Net gain on sale of exploration and evaluation assets	**2,474**	–	**2,474**	–
Net gain on change in rehabilitation provisions	**19,030**	–	**14,681**	–
Other income	**3,743**	7,931	**4,116**	7,403
	27,673	13,447	**23,630**	7,403

6 Expenses

	Notes	Consolidated entity 2013 $'000	Consolidated entity 2012 $'000	Parent entity 2013 $'000	Parent entity 2012 $'000
Profit before income tax includes the following specific expenses:					
Amounts included in other expenses					
Services and consultants		**53,128**	63,109	**39,107**	49,539
External labour		**19,101**	22,275	**14,564**	13,947
Employee benefits expenses					
Defined contribution superannuation expense		**8,713**	7,619	**7,686**	7,527
Defined benefit plan expense		**2,658**	2,463	**2,658**	2,463
Depreciation					
Buildings		**2,787**	2,932	**1,182**	1,460
Operational mining assets		**10,464**	12,254	**–**	–
Generation assets		**139,126**	136,620	**104,330**	107,805
Other property, plant and equipment		**11,399**	15,195	**10,440**	14,325
Total depreciation	18	**163,776**	167,001	**115,952**	123,590
Amortisation					
Software	19	**7,534**	5,636	**7,531**	5,628
Total depreciation and amortisation		**171,310**	172,637	**123,483**	129,218
Research and development		**–**	2,964	**–**	2,964
Finance costs					
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss		**64,602**	69,403	**64,602**	69,403
Provisions: unwinding of discount	31	**18,235**	29,780	**11,768**	23,219
Finance costs expensed		**82,837**	99,183	**76,370**	92,622
Rental expenses relating to operating leases		**5,369**	7,087	**5,347**	7,087
Impairment losses					
Available-for-sale financial assets	17	**1,468**	14,048	**1,468**	14,048
Exploration and evaluation expenditure	21	**8,455**	4,000	**–**	3,000
Property, plant and equipment	18	**1,544**	30,198	**1,475**	–
Total impairment losses		**11,467**	48,246	**2,943**	17,048

6 Expenses (continued)

(a) Impairment losses

An impairment of available-for-sale financial assets of $1,468,000 (2012: $3,930,000) was recognised in relation to the Company's listed equity securities interest in Blue Energy Limited.

The prior year impairment losses also include a $10,118,000 impairment recognised in relation to the Company's investment in the Tri-Star joint venture aimed at the exploration and development of ATP 606P and ATP 972P (refer to note 17). Stanwell disposed of its interest in this joint venture during January 2013.

Exploration and evaluation expenditure impairment relates to the Group's expenditure in relation to Icon Energy Limited. The Group impaired the expenditure incurred to date by $8,455,000 (2012: $4,000,000) as a result of unfavourable drilling results and a lack of commercial gas reserves being found (refer to note 21). Stanwell terminated its joint venture arrangement with Icon Energy Limited on 2 July 2013. The Deed of Termination and Release has resulted in Stanwell avoiding the requirement to fund the full $16,132,000, removing all future obligations and limiting exposure to existing claims.

The Company holds a number of non-operational land and residential properties. These properties were revalued during the year and write downs were recorded to bring the properties back in line with market valuations.

(b) Restructure costs

Stanwell is operating in a very challenging business environment and undertook a full review of its operating model and team functions during the year to ensure it is best placed for the future. The review resulted in a number of voluntary redundancy compensation packages being paid and provided for during the year across multiple sites and functional teams.

7 Income tax equivalent expense

(a) Income tax equivalent expense/(benefit)

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Current tax equivalent	**17,764**	(14,908)	**27,017**	11,489
Deferred tax equivalent	**(13,570)**	32,387	**(20,560)**	11,329
Adjustments for current tax equivalent of prior periods	**(202)**	8,169	**(201)**	(3,080)
Income tax equivalent expense/(benefit)	**3,992**	25,648	**6,256**	19,738
Deferred income tax equivalent expense/(benefit) included in income tax equivalent expense/(benefit) comprises:				
(Increase) decrease in deferred tax equivalent assets	**(104,034)**	30,594	**(86,342)**	31,041
(Decrease) increase in deferred tax equivalent liabilities	**90,148**	25,074	**65,087**	(7,950)
Under provision in prior year	**315**	(23,281)	**695**	(11,762)
	(13,571)	32,387	**(20,560)**	11,329

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

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Profit from continuing operations before income tax	**18,622**	105,508	**22,371**	146,360
Tax at the Australian tax rate of 30% (2012 - 30%)	**5,587**	31,652	**6,711**	43,908
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Non-deductible expenses	**9**	617	**6**	614
Deferred tax asset adjustment in period	**(1,402)**	15,851	**(260)**	8,937
Non-assessable income	**–**	(30,641)	**–**	(30,641)
	4,194	17,479	**6,457**	22,818
Adjustments for current tax equivalent of prior periods	**(202)**	8,169	**(201)**	(3,080)
Income tax expense/(benefit)	**3,992**	25,648	**6,256**	19,738

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

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Cash flow hedges	**40,770**	11,644	**40,770**	11,644
Actuarial gains on defined benefit plans	**(5,762)**	7,250	**(5,762)**	7,250
	35,008	18,894	**35,008**	18,894

8 Restructure of the Queensland Government Owned Electricity Generator Corporations during the prior year

The restructure of the three Queensland Government owned electricity generator corporations, CS Energy Limited, Stanwell Corporation Limited and Tarong Energy Corporation Limited into two generator companies was effected on 1 July 2011. As a result of the Generator Restructure, the Gladstone Interconnection and Power Pooling Agreement was transferred from the Group to CS Energy Limited and certain subsidiaries, assets and liabilities were transferred to the Group as an equity contribution from the Queensland Government. All transfers as a result of the restructure are reflected within the prior year closing balances as at 30 June 2012. Transfers as a result of the restructure are referred to in movement schedules throughout the financial statements as Transfers in (or out) on 1 July 2011. A summary of the transfers to the Group is provided below.

Net assets received from CS Energy Limited

Assets, liabilities and subsidiaries previously held by CS Energy Limited in relation to Mica Creek Power Station, Swanbank B and E Power Stations, with a net carrying value of $51,638,000 were transferred to the Group on 1 July 2011.

The transfer also included the shares in CS Energy Mica Creek Pty Ltd and CS North West Pty Ltd.

In addition to the above assets and business units, the Group also received net liabilities of $126,092,000 relating to the Collinsville Power Purchase Agreement (PPA) from CS Energy Limited, which included an onerous contract for the PPA, trade and other receivables, trade and other payables and related deferred tax. The onerous contract provision for the PPA was measured at $136,051,000 on 1 July 2011. The Group subsequently negotiated an early termination of the PPA on 30 June 2012 (refer to note 3).

Net assets received from Tarong Energy Corporation Limited

Assets and business units previously held by Tarong Energy Corporation Limited in relation to Tarong Power Station, Tarong North Power Station, coal mining assets, and its subsidiaries, with a net carrying value of $640,528,000, were transferred to the Group on 1 July 2011.

9 Current assets - Cash and cash equivalents

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Cash at bank and on hand	**11,251**	6,172	**10,565**	3,071
Deposits at call	**151,942**	39,635	**151,942**	39,635
Other cash and cash equivalents	**250**	527	**250**	527
	163,443	46,334	**162,757**	43,233

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

(a) Cash at bank and on hand

Cash held with the bank is bearing an interest rate of 1.1% (2012: 2.5%).

(b) Deposits at call

The deposits yielded floating interest rates between 3.59% to 4.59% during the year ended 30 June 2013 (2012: 4.03% to 5.52%).

(c) Fair value

The carrying amount for cash and cash equivalents reasonably equates to their fair value.

10 Current assets - Trade and other receivables

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Trade receivables	**174,789**	135,336	**161,552**	126,595
Other receivables	**2,189**	11,358	**1,130**	10,542
	176,978	146,694	**162,682**	137,137

(a) Impaired trade receivables

At 30 June 2013, there were no impaired current trade receivables of the Group and Parent entity (2012: $Nil). The amount of the provision was $Nil (2012: $Nil).

(b) Past due but not impaired

As at 30 June 2013, there were no material trade receivables past due but not impaired (2012: $Nil).

(c) Other receivables

These amounts generally arise from non-electricity related transactions of the Group. Repayment terms are generally 30 days from invoice date. No interest is charged on outstanding balances. Collateral is not normally obtained.

(d) Foreign exchange and interest rate risk

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

(e) Fair value and credit risk

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

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables (refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables).

11 Current assets - Inventories

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Fuel at weighted average cost (work in progress)	**1,531**	3,170	**–**	–
Fuel at weighted average cost (finished goods)	**33,187**	32,226	**33,187**	32,226
Environmental certificates at fair market value	**14,072**	32,041	**6,604**	28,633
Stores at cost	**61,352**	51,975	**34,152**	32,703
Provision for write-down of stores	**(8,315)**	(6,616)	**(2,862)**	(1,162)
	101,827	112,796	**71,081**	92,400

(a) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2013 amounted to $31,746 (2012: $957,000) in the Group and Parent entity. The expense is included in Raw materials and consumables in the profit or loss.

12 Current assets - Financial assets

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Cash collateral	**29,153**	64,431	**29,153**	64,431

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

(a) Risk exposure and fair value measurements

Information about the Group's exposure to price risk and about the methods and assumptions used in determining fair value is provided in note 2.

13 Current assets - Other current assets

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Deferred stripping	**62,615**	64,177	**–**	–
Prepayments	**11,227**	8,741	**11,159**	8,132
Other	**–**	2,576	**–**	2,405
	73,842	75,494	**11,159**	10,537

14 Derivative financial instruments

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Current assets				
Electricity contracts - cash flow hedges	**3,885**	40,673	**3,885**	40,673
Electricity contracts - held for trading	**133,433**	120,267	**133,433**	120,267
Foreign currency contracts - cash flow hedges	**71**	–	**71**	–
Foreign currency contracts - held for trading	**175**	1,400	**175**	1,400
Environmental contracts - held for trading	**791**	5,384	**791**	5,384
Total current derivative financial instrument assets	**138,355**	167,724	**138,355**	167,724
Non-current assets				
Electricity contracts - cash flow hedges	**3,362**	44,951	**3,362**	44,951
Electricity contracts - held for trading	**23,224**	57,621	**23,224**	57,621
Foreign currency contracts - held for trading	**202**	656	**202**	656
Environmental contracts - held for trading	**531**	506	**531**	506
Diesel contracts - held for trading	**–**	107	**–**	107
Total non-current derivative financial instrument assets	**27,319**	103,841	**27,319**	103,841
Current liabilities				
Electricity contracts - cash flow hedges	**101,682**	40,423	**101,682**	40,423
Electricity contracts - held for trading	**125,858**	112,360	**125,858**	112,360
Foreign currency contracts - cash flow hedges	**64**	175	**64**	175
Foreign currency contracts - held for trading	**304**	21	**304**	21
Environmental contracts - held for trading	**677**	6,498	**677**	6,498
Diesel contracts - held for trading	**747**	1,050	**747**	1,050
Total current derivative financial instrument liabilities	**229,332**	160,527	**229,332**	160,527
Non-current liabilities				
Electricity contracts - cash flow hedges	**9,362**	1,127	**9,362**	1,127
Electricity contracts - held for trading	**31,594**	33,273	**31,594**	33,273
Foreign currency contracts - cash flow hedges	**–**	74	**–**	74
Foreign currency contracts - held for trading	**–**	19	**–**	19
Environmental contracts - held for trading	**6,214**	3,357	**6,214**	3,357
Total non-current derivative financial instrument liabilities	**47,170**	37,850	**47,170**	37,850
Net derivative financial instrument (liabilities)/assets	**(110,828)**	73,188	**(110,828)**	73,188

14 Derivative financial instruments (continued)

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business primarily to hedge exposure to fluctuations in the spot price of electricity and forward exchange rates in accordance with the Group's risk management policies (refer to note 2).

(i) Foreign currency contracts - cash flow hedges

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

The forward contracts in place cover a proportion of highly probable transactions and are timed to expire as each cash flow is due. The contracts are settled either on a net basis or by taking delivery of the contracted foreign currency.

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

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

(ii) Foreign currency contracts - held for trading

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

The gain or loss on derivatives entered into for economic hedge purposes and which are not hedge accounted for are recognised in the profit or loss immediately. In the 2013 financial year, a loss of $1,421,000 (2012: $4,161,000 loss) was included in the profit or loss.

(iii) Electricity contracts - cash flow hedges

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

Swaps currently in place are timed to settle as each cash flow is received from the NEM.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified to the profit or loss when the hedged electricity revenue is recognised.

The ineffective portion that arises from cash flow hedges is recognised immediately in the profit or loss. In the 2013 financial year, a loss of $3,328,000 (2012: $20,517,000 gain) was included in the profit or loss.

All electricity contracts were entered into by the Parent entity.

(iv) Electricity contracts - held for trading

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

14 Derivative financial instruments (continued)

(a) Instruments used by the Group (continued)

(iv) Electricity contracts - held for trading (continued)

The gain or loss on derivatives entered into for economic hedge purposes and which are not hedge accounted are recognised in the profit or loss. In the 2013 financial year, a loss of $39,980,000 (2012: $63,795,000 loss) was included in the profit or loss.

(v) Environmental contracts - held for trading

The Parent entity creates environmental certificates which can then be traded in the open market. To derive additional income from these environmental certificates the Parent entity trades in environmental derivative contracts, such as forward contracts and options.

The gain or loss on derivatives is recognised in the profit or loss. In the 2013 financial year, a gain of $1,943,000 (2012: $7,697,000 loss) was included in the profit or loss.

(vi) Diesel contracts - held for trading

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

The gain or loss on derivatives is recognised in the profit or loss immediately. In the 2013 financial year, a gain of $196,000 (2012: $1,833,000 loss) was included in the profit or loss.

(b) Risk exposures and fair value measurements

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

15 Current assets - Intangible assets

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Carbon permit intangible asset	**368**	–	**368**	–
Movements				
Opening balance at 1 July	**–**	–	**–**	–
Additions	**267,606**	–	**250,211**	–
Surrendered	**(267,238)**	–	**(249,843)**	–
Closing balance at 30 June	**368**	–	**368**	–

16 Non-current assets - Receivables

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Trade receivables	**591**	–	**591**	–
Loans to subsidiaries	**–**	–	**772,717**	712,503
	591	–	**773,308**	712,503

Non-current receivables comprise loans provided to subsidiaries for their net cash requirements. These loans are non-interest bearing and are eliminated upon consolidation.

17 Non-current assets - Available-for-sale financial assets

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

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Listed equity securities	**3,669**	5,137	**3,669**	5,137
Investments in joint ventures	**7,000**	31,614	**7,000**	31,614
	10,669	36,751	**10,669**	36,751

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

Consolidated and Parent entity - 2013	Listed Equity Securities $'000	Investments in Joint Ventures $'000	Total $'000
Balance at 1 July 2012	5,137	31,614	36,751
Acquisitions	–	–	–
Disposals	–	(24,614)	(24,614)
Losses from impairment	(1,468)	–	(1,468)
Balance at 30 June 2013	3,669	7,000	10,669

Consolidated and Parent entity - 2012	Listed Equity Securities $'000	Investments in Joint Ventures $'000	Total $'000
Balance at 1 July 2011	9,067	34,732	43,799
Acquisitions	–	7,000	7,000
Losses from impairment	(3,930)	(10,118)	(14,048)
Balance at 30 June 2012	5,137	31,614	36,751

(a) Listed equity securities

The listed investment relates to a 7.67% (2012: 7.67%) holding in Blue Energy Limited (ASX: BUL). At 30 June 2013, the market value of the shares was 4.2 cents (2012: 5.9 cents) resulting in the recognition of an impairment in the profit or loss of $1,468,000 (2012: $440,000). A further impairment of $3,490,000 was recognised for the 2012 financial year in relation to the option to a Gas Development Alliance Agreement reflecting the diminution of value in the investment.

17 Non-current assets - Available-for-sale financial assets (continued)

(b) Investments in joint ventures

During January 2013, the Company disposed of its investment in the Tri-Star joint venture which covered the exploration and development of ATP 606P and ATP 972P. The assets disposed of included a 1% interest in the joint venture and accumulated exploration and evaluation expenditure of $1,193,000 (refer to note 21).

The Company acquired a 5% interest for $7,000,000 in the ATP 337P Mahalo carve out block from Comet Ridge during December 2011. The Sales and Purchase Option Agreement committed the Company to fund its 5% share and Comet Ridge's 35% share of funding of a reserves certification program up to $8,000,000. At the end of this program, the Company will have the option to purchase a further 15% or 35% of the block, based on a competitive predetermined price. Expenditure on the program is accumulated as Exploration and evaluation assets.

18 Non-current assets - Property, plant and equipment

Consolidated entity	Land and buildings $'000	Generation assets $'000	Operational mining assets $'000	Other plant & equipment $'000	Mining development assets $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2013							
Opening net book amount*	104,245	1,717,013	139,508	56,753	90,697	105,153	2,213,369
Additions	–	–	–	–	–	183,356	183,356
Transfer between asset classes	295	139,902	9,380	28,895	4,692	(183,164)	–
Transfer to Intangible Assets	–	–	–	(10,041)	–	–	(10,041)
Impairment loss	(1,544)	–	–	–	–	–	(1,544)
Disposals	(595)	(3,901)	(19)	(46)	–	–	(4,561)
Depreciation	(2,787)	(139,126)	(10,464)	(11,399)	–	–	(163,776)
Change in rehabilitation assets	–	(18,643)	3,795	–	–	–	(14,848)
Closing net book amount	99,614	1,695,245	142,200	64,162	95,389	105,345	2,201,955
At 30 June 2013							
Cost or recoverable amount	148,336	3,772,199	193,249	96,676	95,389	105,345	4,411,194
Accumulated depreciation	(48,722)	(2,076,954)	(51,049)	(32,514)	–	–	(2,209,239)
Net book amount	99,614	1,695,245	142,200	64,162	95,389	105,345	2,201,955

* The prior period has been restated to reflect the reclassification of balances between asset classes.

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

Consolidated entity	Land and buildings $'000	Generation assets $'000	Operational mining assets $'000	Other plant & equipment $'000	Mining development assets $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2012							
Opening net book amount*	34,084	936,398	–	37,709	–	31,053	1,039,244
Transfer in on 1 July	71,642	770,099	131,444	20,456	88,185	58,672	1,140,498
Additions	–	–	–	–	–	212,202	212,202
Transfer between asset classes	1,973	149,022	29,195	14,072	2,512	(196,774)	–
Impairment loss	–	(30,198)	–	–	–	–	(30,198)
Disposals	(522)	(909)	(164)	(289)	–	–	(1,884)
Depreciation	(2,932)	(136,620)	(12,254)	(15,195)	–	–	(167,001)
Change in rehabilitation assets	–	29,221	(8,713)	–	–	–	20,508
Closing net book amount	104,245	1,717,013	139,508	56,753	90,697	105,153	2,213,369
At 30 June 2012							
Cost or recoverable amount*	147,123	3,945,871	180,972	222,207	90,697	105,153	4,692,023
Accumulated depreciation*	(42,878)	(2,228,858)	(41,464)	(165,454)	–	–	(2,478,654)
Net book amount	104,245	1,717,013	139,508	56,753	90,697	105,153	2,213,369

* The prior period has been restated to reflect the reclassification of balances between asset classes.

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

Parent entity	Land and buildings	Generation assets	Other plant & equipment	Mining development assets	Capital work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2013						
Opening net book amount*	67,882	1,408,483	61,108	90,697	69,609	1,697,779
Additions	–	–	–	–	121,013	121,013
Transfer between asset classes	(380)	150,051	(9,115)	4,692	(145,248)	–
Transfer to Intangible Assets	–	–	(10,041)	–	–	(10,041)
Impairment loss	(1,475)	–	–	–	–	(1,475)
Disposals	(205)	(3,417)	(38)	–	–	(3,660)
Depreciation	(1,182)	(104,330)	(10,440)	–	–	(115,952)
Change in rehabilitation assets	–	(19,183)	–	–	–	(19,183)
Closing net book amount	64,640	1,431,604	31,474	95,389	45,374	1,668,481
At 30 June 2013						
Cost or recoverable amount	105,471	3,096,337	88,280	95,389	45,374	3,430,851
Accumulated depreciation	(40,831)	(1,664,733)	(56,806)	–	–	(1,762,370)
Net book amount	64,640	1,431,604	31,474	95,389	45,374	1,668,481

* The prior period has been restated to reflect the reclassification of balances between asset classes.

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

Parent entity	Land and buildings $'000	Generation assets $'000	Other plant & equipment $'000	Mining development assets $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2012						
Opening net book amount*	34,084	930,116	43,991	–	31,053	1,039,244
Transfer in on 1 July	33,921	474,183	18,071	88,185	17,171	631,531
Additions	–	–	–	–	120,976	120,976
Transfer between asset classes	1,344	82,080	13,655	2,512	(99,591)	–
Disposals	(7)	(692)	(284)	–	–	(983)
Depreciation	(1,460)	(107,805)	(14,325)	–	–	(123,590)
Change in rehabilitation assets	–	30,601	–	–	–	30,601
Closing net book amount	67,882	1,408,483	61,108	90,697	69,609	1,697,779
At 30 June 2012						
Cost or recoverable amount*	104,324	3,266,511	122,427	90,697	69,609	3,653,568
Accumulated depreciation*	(36,442)	(1,858,028)	(61,319)	–	–	(1,955,789)
Net book amount	67,882	1,408,483	61,108	90,697	69,609	1,697,779

* The prior period has been restated to reflect the reclassification of balances between asset classes.

(a) Leased assets

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

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Leased assets				
Cost	**1,228,725**	1,462,902	**1,228,725**	1,462,902
Accumulated depreciation	**(604,357)**	(837,754)	**(604,357)**	(837,754)
Net book amount	**624,368**	625,148	**624,368**	625,148

19 Non-current assets - Intangible assets

Consolidated entity	Software	Mining Lease and Information	Total
	$'000	$'000	$'000
Year ended 30 June 2013			
At 1 July	12,785	75,278	88,063
Transfer from Property, Plant & Equipment	10,040	–	10,040
Amortisation charge	(7,534)	–	(7,534)
At 30 June	15,291	75,278	90,569
At 30 June 2013			
Cost	86,619	75,278	161,897
Accumulated amortisation	(71,328)	–	(71,328)
Net book amount	15,291	75,278	90,569

Consolidated entity	Software	Mining Lease and Information	Total
	$'000	$'000	$'000
Year ended 30 June 2012			
At 1 July	9,315	–	9,315
Transfers in on 1 July	4,834	75,278	80,112
Additions	4,272	–	4,272
Amortisation charge	(5,636)	–	(5,636)
At 30 June	12,785	75,278	88,063
At 30 June 2012			
Cost	43,516	75,278	118,794
Accumulated amortisation	(30,731)	–	(30,731)
Net book amount	12,785	75,278	88,063

19 Non-current assets - Intangible assets (continued)

Parent entity	Software $'000	Total $'000
Year ended 30 June 2013		
At 1 July	12,782	12,782
Transfer from Property, Plant & Equipment	10,041	10,041
Amortisation charge	(7,531)	(7,531)
At 30 June	15,292	15,292
At 30 June 2013		
Cost	86,581	86,581
Accumulated amortisation	(71,289)	(71,289)
Net book amount	15,292	15,292

Parent entity	Software $'000	Total $'000
Year ended 30 June 2012		
At 1 July	9,315	9,315
Transfers in on 1 July	4,823	4,823
Additions	4,272	4,272
Amortisation charge	(5,628)	(5,628)
At 30 June	12,782	12,782
At 30 June 2012		
Cost	43,261	43,261
Accumulated amortisation	(30,479)	(30,479)
Net book amount	12,782	12,782

Mining lease and information

The Kunioon coal resource was transferred in from Tarong Energy Corporation Pty Ltd as a result of the Generator Restructure. Additional economic coal reserves at the Meandu Mine were confirmed during the 2009 financial year which enabled the Group to defer a full-scale development and transition to the Kunioon coal resource. Activities relating to the transition to the Kunioon coal resource have been deferred, however the resource continues to be part of the Group's long-term fuel supply plan. Amortisation of the Kunioon mining lease and mining information will occur over the life of the Kunioon Mine using a units of production method and reflecting the pattern of economic benefit to the Group in accordance with note 1(q)(ii). Amortisation will commence once the Kunioon Mine is operational.

20 Non-current assets – Biological assets

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

Rockhampton

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

Tully River

In 2010, Stanwell planted a 20-hectare native (mixed species) timber plantation on the King Ranch property. The plantation comprises a mix of native rainforest and eucalypt species, selected after a 5 hectare trial plot was established several years earlier. The plantation was impacted heavily by Cyclone Yasi in 2011, with more than 30% of the plantation lost. Stanwell will maintain the woodlot and monitor opportunities for potential future use of the resource.

Tarong

Stanwell was transferred a joint venture interest from Tarong Energy Corporation Pty Ltd on 1 July 2011 in a 79-hectare hoop pine plantation in the Tarong area. The principle activity of the joint venture is the commercial production of plantation timber.

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Plantation growing timber				
At 1 July	**463**	513	**463**	513
Other	**–**	(50)	**–**	(50)
Carrying amount at 30 June	**463**	463	**463**	463

(a) Financial risk management strategies

The Group is exposed to financial risks arising from changes in the price of timber. The Group does not anticipate that timber prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in timber prices. The Group reviews its outlook for timber prices regularly in considering the need for active financial risk management.

(b) Contractual obligations

See note 39 for disclosure of commitments to develop or acquire biological assets.

21 Non-current assets - Exploration and evaluation

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
At 1 July	**17,484**	7,485	**9,621**	3,072
Transfers in on July 1	**–**	6,008	**-**	6,008
Expenditure incurred	**13,424**	9,302	**12,832**	4,852
Amortisation charge	**(1,327)**	(1,311)	**(1,327)**	(1,311)
Disposals	**(1,193)**	–	**(1,193)**	–
Impairment loss	**(8,455)**	(4,000)	**–**	(3,000)
At 30 June	**19,933**	17,484	**19,933**	9,621

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

(a) Disposal of interest in ATP606P and ATP972P

During January 2013, the Company disposed of its investment in the Tri-Star joint venture which covered the exploration and development of ATP 606P and ATP 972P. The assets disposed of included a 1% interest in the joint venture (refer to note 17), which had a carrying amount of $24,614,000, and accumulated exploration and evaluation expenditure of $1,193,000.

(b) Impairment of interest in ATP626P

The Group exited its contractual interest in coal seam gas resources ATP 626P with Icon Energy Limited on 2 July 2013. As a result, the expenditure in exploration and evaluation has been fully impaired at year end.

22 Non-current assets - Deferred tax assets

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
The balance comprises temporary differences attributable to:				
Retirement benefit obligations	**–**	4,754	**–**	4,754
Provisions and accrued employee entitlements not currently deductible	**9,012**	18,552	**7,687**	17,523
Sundry items (including tax losses c/f)	**238,602**	124,776	**180,791**	84,361
Investment writedown	**509**	761	**509**	761
Total deferred tax assets	**248,123**	148,843	**188,987**	107,399
Deferred tax assets expected to be recovered within 12 months	**3,204**	25,639	**1,568**	19,580
Deferred tax assets expected to be recovered after more than 12 months	**244,919**	123,204	**187,419**	87,819
	248,123	148,843	**188,987**	107,399

22 Non-current assets - Deferred tax assets (continued)

Movements – Consolidated entity	Employee benefits $'000	Retirement benefit obligation $'000	Investment impairment $'000	Other $'000	Total $'000
At 30 June 2012	18,552	4,754	761	124,776	148,843
(Charged)/credited					
- to profit or loss	(9,540)	–	(252)	113,826	104,034
- to other comprehensive income	–	(4,754)	–	–	(4,754)
At 30 June 2013	**9,012**	**–**	**509**	**238,602**	**248,123**
At 1 July 2011	5,469	–	9,982	3,139	18,590
Transfers in on 1 July	11,779	(736)	–	127,646	138,689
(Charged)/credited					
- to profit or loss	1,304	(1,760)	(9,221)	(20,917)	(30,594)
- to other comprehensive income	–	7,250	–	–	7,250
- tax losses carried forward	–	–	–	14,908	14,908
At 30 June 2012	**18,552**	**4,754**	**761**	**124,776**	**148,843**

Movements – Parent entity	Employee benefits $'000	Retirement benefit obligation $'000	Investment impairment $'000	Other $'000	Total $'000
At 30 June 2012	17,523	4,754	761	84,361	107,399
(Charged)/credited					
- to profit or loss	(9,836)	–	(252)	96,430	86,342
- to other comprehensive income	–	(4,754)	–	–	(4,754)
At 30 June 2013	**7,687**	**–**	**509**	**180,791**	**188,987**
At 1 July 2011	5,469	–	8,658	3,139	17,266
Transfers in on 1 July	10,560	(736)	–	89,192	99,016
(Charged)/credited					
- to profit or loss	1,494	(1,760)	(7,897)	(22,878)	(31,041)
- to other comprehensive income	–	7,250	–	–	7,250
- tax losses carried forward	–	–	–	14,908	14,908
At 30 June 2012	**17,523**	**4,754**	**761**	**84,361**	**107,399**

23 Non-current assets - Other non-current assets

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Deferred stripping	**58,970**	20,536	**–**	–
Other	**1,665**	1,673	**1,665**	1,673
	60,635	22,209	**1,665**	1,673

24 Non-current liabilities - Retirement benefit obligations

(a) Superannuation plan

The Group contributes on behalf of its employees to a number of defined contribution funds as well as to the industry multiple employer superannuation scheme, managed by Energy Super, which consists of a defined benefit fund and a defined contribution fund. The defined benefit section provides lump sum benefits based on years of service and average salary. The defined contribution section receives fixed contributions from the Group and the Group's legal or constructive obligation is limited to these contributions.

The following sets out details in respect of the defined benefit section only. The expense recognised in relation to the defined contribution plan is disclosed in note 6.

(b) Balance sheet amounts

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

	Consolidated and Parent entity	
	2013 $'000	**2012 $'000**
Present value of the defined benefit obligation	**(82,435)**	(109,699)
Fair value of defined benefit plan assets	**85,269**	96,231
	2,834	(13,468)
Adjustment for contributions tax	**500**	(2,377)
Net (liability)/asset before adjustment for contributions tax	**2,834**	(13,468)
Net asset in the balance sheet	**3,334**	(15,845)

24 Non-current liabilities - Retirement benefit obligations (continued)

(c) Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated and Parent entity	
	2013 $'000	2012 $'000
Cash	**8,527**	9,623
Unlisted property	**8,527**	9,623
Fixed interest securities	**8,527**	9,623
Domestic equities	**23,875**	26,946
Private equity	**17,054**	19,246
International equities	**18,759**	21,170
	85,269	96,231

(d) Reconciliations

	Consolidated and Parent entity	
	2013 $'000	2012 $'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:		
Balance at 1 July	**112,076**	29,095
Current service cost	**5,081**	3,376
Interest cost	**3,310**	3,631
Actuarial (gains) and losses	**(12,795)**	20,947
Contributions by plan participants	**1,090**	1,146
Estimated benefit payments, insurance and tax plus net transfers	**(26,827)**	53,881
Balance at 30 June	**81,935**	112,076
Reconciliation of the fair value of plan assets:		
Balance at 1 July	**96,231**	32,228
Expected return on plan assets	**5,706**	4,559
Actuarial (losses)/gains	**6,411**	(3,221)
Contributions by Group companies	**2,658**	2,923
Estimated benefit payments, insurance and tax plus net transfers	**(26,827)**	58,611
Contributions by plan participants	**1,090**	1,146
Other cash flow	**–**	(15)
Balance at 30 June	**85,269**	96,231

24 Non-current liabilities - Retirement benefit obligations (continued)

(e) Amounts recognised in profit or loss

The amounts recognised in the profit or loss are as follows:

	Consolidated and Parent entity	
	2013 $'000	2012 $'000
Current service cost	5,081	3,376
Interest cost	3,310	3,631
Expected return on plan assets	(5,706)	(4,559)
Other	–	15
Total included in employee benefits expense	2,685	2,463
Actual gain on plan assets	12,117	1,338

(f) Amounts recognised in other comprehensive income

	Consolidated and Parent entity	
	2013 $'000	2012 $'000
Cumulative actuarial losses at 1 July	(25,616)	(1,448)
Actual gain/(loss) recognised in the year	19,206	(24,168)
	(6,410)	(25,616)

(g) Reconciliation of net liability/(asset) recognised in balance sheet

	Consolidated and Parent entity	
	2013 $'000	2012 $'000
Net liability/(asset) recognised in balance sheet at 1 July	15,845	(3,133)
Net (asset) transferred in on 1 July	-	(4,730)
Estimated company contributions	(2,658)	(2,923)
Expense recognised in income statement	2,685	2,463
(Gain)/loss in year	(19,206)	24,168
Net (asset)/liability recognised in balance sheet at 30 June	(3,334)	15,845

24 Non-current liabilities - Retirement benefit obligations (continued)

(h) Principal actuarial assumptions

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

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
Discount rate	**3.8%**	3.1%	**3.8%**	3.1%
Expected return on plan assets	**6.0%**	6.0%	**6.0%**	6.0%
Future salary increases	**4.0%**	4.0%	**4.0%**	4.0%

The expected rate of return on plan assets has been calculated based on the current asset allocation to each of the major asset classes and the expected future investment return for each of these asset classes. This resulted in the selection of a 6% (2012: 6%) expected return (net of investment fees and tax).

(i) Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals, and the last such assessment was made as at 1 July 2010 by Sunsuper Financial Services Pty Ltd.

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

Using the projected unit credit method and particular actuarial assumptions as to the plan's future experience, the actuary recommended in the actuarial review as at 1 July 2010, the payment of employer contributions to the fund of 12% of defined benefit members salaries. A contribution rate of 12% (2012: 12%) has been adopted by the Group.

Total employer contributions expected to be paid by the Group for the year ended 30 June 2014 are $2,280,000.

(j) Historic summary

Consolidated and Parent entity	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
Defined benefit plan obligation	**(82,435)**	(109,699)	(29,565)	(25,870)	(24,355)
Plan assets	**85,269**	96,231	32,228	28,742	27,131
(Deficit)/surplus	**2,834**	**(13,468)**	**2,663**	**2,872**	**2,776**
Experience adjustments and change in assumptions arising on plan liabilities	**12,795**	(16,217)	1,186	(601)	1,430
Experience adjustments arising on plan assets	**6,411**	(7,951)	(879)	809	(3,031)

25 Current liabilities - Trade and other payables

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Trade payables	**46,527**	34,327	**37,487**	29,049
Other payables and accrued expenses	**115,262**	144,688	**80,308**	80,484
	161,789	179,015	**117,795**	109,533

Trade and other payables are generally due within 30 days.

The carrying value of trade payables approximates their fair value.

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

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

	Consolidated entity		Parent entity	
Notes	**2013 $'000**	2012 $'000	2013 $'000	**2012 $'000**
Leave obligations expected to be settled after 12 months	**6,839**	6,003	5,941	**5,222**

26 Current liabilities - Borrowings

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Unsecured				
Loans from Queensland Treasury Corporation	**–**	4,783	**–**	4,783

The loan from Queensland Treasury Corporation represents a Working Capital Facility, used for short-term funding. The terms of the facility are reviewed annually. Interest is charged (or earned) based on an interest rate that changes daily based on the Reserve Bank of Australia's official cash rate.

At 30 June 2013, the Working Capital Facility had a credit balance of $3,211,430 and is classified as cash and cash equivalents in note 9.

27 Current liabilities - Provisions

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Carbon emissions liability	**87,960**	–	**83,261**	–
Employee benefits	**19,003**	23,114	**17,163**	21,351
Restructuring costs	**22,399**	–	**15,429**	–
Restoration, rehabilitation and decommissioning	**2,004**	12,615	**200**	11,187
Dividends	**11,704**	63,900	**11,704**	63,900
	143,070	99,629	**127,757**	96,438

(a) Movements in provisions

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

Consolidated entity 2013	Carbon emissions liability $'000	Dividends $'000	Restoration, rehabilitation and decommissioning $'000	Total $'000
At 1 July	–	63,900	12,615	76,515
Amounts used/paid during the year	(267,238)	(63,900)	(747)	(331,885)
Additional provisions recognised	355,198	11,704	390	367,292
- unused amounts reversed	–	–	(10,254)	(10,254)
At 30 June	87,960	11,704	2,004	101,668

Consolidated entity 2012	Dividends $'000	Restoration, rehabilitation and decommissioning $'000	Onerous contracts $'000	Total $'000
At 1 July	–	773	–	773
Transfers in on 1 July	–	10,679	40,619	51,298
Amounts used/paid during the year	–	(7,197)	(40,619)	(47,816)
Additional provisions recognised	63,900	8,360	–	72,260
At 30 June	63,900	12,615	–	76,515

27 Current liabilities - Provisions (continued)

(a) Movements in provisions (continued)

Parent entity 2013	Carbon emissions liability $'000	Dividends $'000	Restoration, rehabilitation and decommissioning $'000	Total $'000
At 1 July	–	63,900	11,187	75,087
Amounts used/paid during the year	(249,843)	(63,900)	(747)	(314,490)
Additional provisions recognised	333,104	11,704	–	344,808
- unused amounts reversed	–	–	(10,240)	(10,240)
At 30 June	83,261	11,704	200	95,165

Parent entity 2012	Dividends $'000	Restoration, rehabilitation and decommissioning $'000	Onerous contracts $'000	Total $'000
At 1 July	–	773	–	773
Transfers in on 1 July	–	2,610	40,619	43,229
Amounts used/paid during the year	–	(1,629)	(40,619)	(42,248)
Additional provisions recognised	63,900	9,433	–	73,333
At 30 June	63,900	11,187	–	75,087

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

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

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Long service leave obligation expected to be settled after 12 months	**17,104**	20,862	**15,448**	19,099

28 Current liabilities - Other current liabilities

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Deferred revenue	**2,840**	2,405	**2,840**	2,405
Security deposits and retentions	**8**	51	**8**	21
	2,848	2,456	**2,848**	2,426

29 Non-current liabilities - Borrowings

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Unsecured borrowings	**772,208**	772,224	**772,208**	772,224

* Further information relating to loans from related parties is set out in note 40.

(a) Unsecured borrowings

The unsecured borrowings are provided by Queensland Treasury Corporation (QTC). The borrowings have no fixed repayment date however the facility is assessed by QTC annually. An amount of $568.1 million (2012: $568.1 million) is held in a debt offset account, and is reported as a set-off against non-current borrowings. The net balance after offset is $772.2 million (2012: $772.2 million). Interest rates on the unsecured borrowings are at book rate which is reviewed and updated as necessary once per year to reflect the evolving market rate of interest that Queensland Treasury Corporation pays to investors to service the underlying bond funding. The total interest rate payable includes a Competitive Neutrality Fee payable to Queensland Treasury, representing the difference between the cost at which QTC is able to source debt and the estimated cost of debt for the Economic Entity were it to be a stand-alone entity not owned by the Queensland Government. The Competitive Neutrality Fee can be adjusted up or down according to changes in credit quality of the Economic Entity and market changes to the relative cost of debt compared with a highly-rated government issuer.

In addition to the unrestricted access to funds as noted above, the Company has a $60 million Working Capital Facility with QTC which meets short-term funding requirements. At 30 June 2013, the facility was not utilised (2012: $4,783,000) (refer to note 26).

(b) Fair value

The fair value of unsecured borrowings for the Group and Parent entity at 30 June 2013 was $852.8 million (2012: $864.4 million) compared to a carrying amount of $772.2 million (2012: $772.2 million). Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes.

(c) Risk exposures

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

30 Non-current liabilities - Deferred tax liabilities

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
The balance comprises temporary differences attributable to:				
Differences in depreciation and amortisation of property, plant and equipment for accounting and income tax equivalent purposes	**312,202**	250,327	**277,400**	252,866
Expenditure currently deductible for tax equivalent purposes but deferred and amortised for accounting purposes	**67,341**	114,600	**30,861**	66,031
Revenue recognised in accounting revenue but deferred for tax purposes	**26,025**	18,881	**26,025**	16,448
Defined benefit plan asset	**1,000**	–	**1,000**	–
Derivative assets	**51,807**	24,181	**49,565**	24,181
	458,375	407,989	**384,851**	359,526
Deferred tax liabilities expected to be settled within 12 months	**117,196**	98,951	**87,551**	70,533
Deferred tax liabilities expected to be settled after more than 12 months	**341,179**	309,038	**297,299**	288,993
	458,375	407,989	**384,850**	359,526

Movements – Consolidated entity	Property, plant and equipment $'000	Defined benefit plan $'000	Derivatives $'000	Other $'000	Total $'000
At 1 July 2012	**250,327**	**–**	**24,181**	**133,481**	**407,989**
Charged/(credited)					
- profit or loss	61,875	(8)	68,396	(40,115)	90,148
- to other comprehensive income	–	1,008	(40,770)	–	(39,762)
At 30 June 2013	**312,202**	**1,000**	**51,807**	**93,366**	**458,375**

Movements – Consolidated entity	Property, plant and equipment $'000	Defined benefit plan $'000	Derivatives $'000	Other $'000	Total $'000
At 1 July 2011	**206,938**	**940**	**16,123**	**13,846**	**237,847**
Transfers in on 1 July	51,993	–	45,345	55,582	152,920
Charged/(credited)					
- profit or loss	(12,396)	(940)	(25,643)	64,053	25,074
- to other comprehensive income	3,792	–	(11,644)	–	(7,852)
At 30 June 2012	**250,327**	**–**	**24,181**	**133,481**	**407,989**

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

Movements – Parent entity	Property, plant and equipment $'000	Defined benefit plan $'000	Derivatives $'000	Other $'000	Total $'000
At 1 July 2012	**252,868**	**–**	**24,179**	**82,479**	**359,526**
Charged/(credited)					
- profit or loss	24,532	(8)	66,156	(25,593)	65,087
- to other comprehensive income	–	1,008	(40,770)	–	(39,762)
At 30 June 2013	**277,400**	**1,000**	**49,565**	**56,886**	**384,851**

Movements – Parent entity	Property, plant and equipment $'000	Defined benefit plan $'000	Derivatives $'000	Other $'000	Total $'000
At 1 July 2011	**206,938**	**940**	**16,123**	**13,846**	**237,847**
Transfers in on 1 July	72,586	–	45,345	23,342	141,273
Charged/(credited)					
- profit or loss	(26,656)	(940)	(25,645)	45,291	(7,950)
- to other comprehensive income	–	–	(11,644)	–	(11,644)
At 30 June 2012	**252,868**	**–**	**24,179**	**82,479**	**359,526**

31 Non-current liabilities - Provisions

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Employee benefits - long service leave	**2,571**	4,060	**2,571**	3,927
Restoration, rehabilitation and decommissioning	**331,401**	334,158	**208,796**	217,834
	333,972	338,218	**211,367**	221,761

(a) Restoration, rehabilitation and decommissioning

Provision is made for site rehabilitation costs expected to be incurred upon the closure of each operating site, including corporate offices. The estimated costs include reclamation, plant closure, waste site closure, monitoring activities and make-good. The costs have been determined on the basis of current costs, current legal requirements and current technology. The calculation of the provision is in accordance with note 1(w)(iv).

31 Non-current liabilities - Provisions (continued)

(b) Movements in provisions

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

Consolidated entity 2013		Restoration, rehabilitation and decommissioning $'000	Total $'000
At 1 July		334,158	334,158
Unwinding of discount		18,235	18,235
Reversal of unused amounts		(20,992)	(20,992)
At 30 June		331,401	331,401

Consolidated entity 2012	Restoration, rehabilitation and decommissioning $'000	Onerous contracts $'000	Total $'000
At 1 July	2,868	–	2,868
Transfers in on 1 July	297,698	99,091	396,789
Unwinding of discount	16,373	13,407	29,780
Additional provision recognised	17,219	–	17,219
Amounts paid during the year	–	(91,960)	(91,960)
Reversal of unused amounts	–	(20,538)	(20,538)
At 30 June	334,158	–	334,158

Parent entity 2013		Restoration, rehabilitation and decommissioning $'000	Total $'000
At 1 July		217,834	217,834
Unwinding of discount		11,768	11,768
Reversal of unused amounts		(20,806)	(20,806)
At 30 June		208,796	208,796

Parent entity 2012	Restoration, rehabilitation and decommissioning $'000	Onerous contracts $'000	Total $'000
At 1 July	2,868	–	2,868
Transfers in on 1 July	182,105	99,091	281,196
Unwinding of discount	9,812	13,407	23,219
Additional provision recognised	23,049	–	23,049
Amounts paid during the year	–	(91,960)	(91,960)
Reversal of unused amounts	–	(20,538)	(20,538)
At 30 June	217,834	–	217,834

32 Non-current liabilities - Other non-current liabilities

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Other non-current liabilities	**–**	2,583	**–**	2,583

33 Contributed equity

(a) Share capital

	Consolidated and Parent entity		Consolidated and Parent entity	
	2013 Shares	2012 Shares	**2013 $'000**	2012 $'000
Ordinary shares				
Ordinary voting (A class), fully paid	**4**	4	**–**	–
Ordinary non-voting (B class), fully paid	**924,568,658**	924,568,658	**1,214,693**	1,214,693
Total Consolidated and Parent entity contributed equity	**924,568,662**	924,568,662	**1,214,693**	1,214,693

(b) Movements in ordinary non-voting (B class)

Date	Details	Number of shares	$'000
1 July 2011	Opening balance	924,568,658	544,569
1 July 2011	Transfer of net assets and subsidiaries by regulation	–	818,433
1 July 2011	Transfer of other owner contributions	–	(148,309)
30 June 2012	Closing balance	924,568,658	1,214,693
1 July 2012	Opening balance	924,568,658	1,214,693
30 June 2013	Balance	924,568,658	1,214,693

(c) Ordinary shares

The Company is wholly owned by the State of Queensland.

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

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

(d) Capital risk management

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

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

33 Contributed equity (continued)

(d) Capital risk management (continued)

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

During 2013, the Group's board continued to support a target debt range of between 30% and 50% of total capital. The gearing ratios at 30 June were as follows:

		Consolidated entity		Parent entity	
	Notes	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000
Total borrowings	26, 29	**772,208**	777,007	**772,208**	777,007
Total equity		**1,180,389**	1,259,153	**1,373,274**	1,450,554
Total capital		**1,952,597**	2,036,160	**2,145,482**	2,227,561
Gearing ratio		**39.5%**	38.2%	**36.0%**	34.9%

34 Reserves and retained earnings

(a) Reserves

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Cash flow hedges	**(85,179)**	9,951	**(85,179)**	9,951

		Consolidated entity		Parent entity	
	Notes	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000
Movements:					
Cash flow hedges					
Balance at 1 July		**9,951**	37,121	**9,951**	37,121
(Loss)/Gain on revaluation - gross: electricity contracts		**(305,148)**	53,541	**(305,148)**	53,541
Gain/(Loss) on revaluation - gross: foreign exchange contracts		**58**	(28)	**58**	(28)
Transfer to profit or loss - gross: electricity contracts		**168,991**	(92,631)	**168,991**	(92,631)
Transfer to profit or loss - gross: foreign currency contracts		**148**	138	**148**	138
Transfer to property, plant and equipment - gross: foreign currency contracts		**51**	166	**51**	166
Deferred tax equivalent liabilities	30	**40,770**	11,644	**40,770**	11,644
Balance at 30 June		**(85,179)**	9,951	**(85,179)**	9,951

34 Reserves and retained earnings (continued)

(b) Retained earnings

Movements in retained earnings were as follows:

		Consolidated entity		Parent entity	
	Notes	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000
At 1 July		**34,509**	177,040	**225,910**	180,113
Subsidiary accumulated losses transferred in on 1 July		**-**	(137,767)	**-**	-
Net profit for the year		**14,630**	79,860	**16,115**	126,622
Dividends	35	**(11,704)**	(63,900)	**(11,704)**	(63,900)
Actuarial gains/(losses) on defined benefit plans		**19,206**	(24,168)	**19,206**	(24,168)
Deferred tax equivalent on actuarial losses on defined benefit plans		**(5,762)**	7,250	**(5,762)**	7,250
Derecognition of deferred tax asset (or timing difference) previously recognised within equity		**-**	(3,792)	**-**	-
Other		**(4)**	(14)	**(4)**	(7)
Balance at 30 June		**50,875**	34,509	**243,761**	225,910

(c) Nature and purpose of other reserves

(i) Cash flow hedges

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

35 Dividends

(a) Ordinary shares

	Consolidated and Parent entity	
	2013 $'000	2012 $'000
Final dividend for the year ended 30 June 2013 of 1.3 cents (2012: 6.9 cents) per fully paid share		
Final dividend declared	**11,704**	63,900

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

36 Key management personnel disclosures

(a) Directors

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

Chairman - non-executive director
The Hon. Warwick Raymond Parer AM

Non-executive directors
Paul Breslin (5 July 2012 to 30 June 2013)
Kym Louise Collins
Ann Allison Fitzpatrick
Russell James Kempnich
Stephen Robert Rochester

(b) Other key management personnel

In September 2012, shareholding Ministers approved a restructure of the Company's senior executive positions. This resulted in a reduction in the number of senior executive positions (excluding the Chief Executive Officer) from six to four.

The following positions, all of which are employed by the Company, had the authority and responsibility for planning, directing and controlling the activities of the Group during the financial year:

Chief Executive Officer
Chief Financial Officer
Chief Operating Officer
Executive General Manager Trading and Commercial Strategy (acting appointment effective 1 October 2012)[1]
Executive General Manager Business Services (appointment effective 25 September 2012)[1]
Executive General Manager Human Resources and Stakeholder Engagement (appointment ceased 24 September 2012)[2]
Executive General Manager Marketing and Trading (appointment ceased 14 September 2012)[2]
Executive General Manager Governance and Corporate Strategy (appointment ceased 24 September 2012)[2]
Mr Van Breda was appointed as Acting Chief Executive Officer on 26 March 2012 and was appointed as Chief Executive Officer on 18 July 2012.

(c) Remuneration of key management personnel

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

	2013 $'000	2012 $'000
Short-term employee benefits	**2,226**	2,607
Post-employment benefits	**221**	297
Long-term benefits	**10**	49
Termination benefits	**569**	-
	3,026	2,953

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

[1] New position under the revised executive structure.
[2] Position not continued under the revised executive structure.

36 Key management personnel disclosures (continued)

(c) Remuneration of key management personnel (continued)

Directors

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

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

Other key management personnel

Remuneration policy

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

- Recruitment and appointment of Senior Executives will be based on the principles of merit and equity and be undertaken in consultation with shareholding Ministers;
- Remuneration of Senior Executives will be aligned to the Company's strategic plan and organisational objectives and reviewed regularly to ensure continued relevance to and effectiveness in supporting strategic business requirements; and
- Remuneration arrangements will be consistent with the *Government Owned Corporations - Governance Arrangements for Chief and Senior Executives.*

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

- base salary, which is payable in cash and based on the general market rate, as assessed by external consultants;
- other benefits, which may include motor vehicle allowances, private health insurance and access to a pool car park, depending on individual employment arrangements;
- retirement benefits delivered under defined contribution superannuation funds nominated by the key management personnel apart from one key management person who is provided defined lump sum benefits based on years of service and final average salary; and
- at-risk performance incentives, that may be payable annually in cash, depending upon satisfaction of key criteria.

Link between remuneration paid and the performance of the Group

Directors' remuneration is not directly linked to the performance of the Group, with any remuneration increases being determined by the shareholding Ministers in the annual meeting. Directors do not receive any performance related remuneration.

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

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

Where the Chief Executive Officer and other key management personnel are not currently remunerated at the market median for their role, increases may be up to 10% of their total fixed remuneration. Where they are remunerated above the market median (except in cases where this remuneration has been approved by the shareholding Ministers), increases may be in line with either the All Groups Brisbane Consumer Price Index or the Australian Bureau of Statistics Wages Price Index (Queensland - All sectors - excluding bonuses) for the March quarter each year. Increases of the total fixed remuneration (including annual performance reviews) for the Chief Executive Officer and other key management personnel are approved by the Board. Total fixed remuneration increases, above market median requires approval from shareholding Ministers.

36 Key management personnel disclosures (continued)

(c) Remuneration of key management personnel (continued)

At-risk performance incentive payments of the Chief Executive Officer and other key management personnel are capped at 15% of total fixed remuneration (base salary, superannuation and motor vehicle allowance if applicable). The amounts payable are tied to the achievement of pre-determined corporate, business unit and individual performance targets as approved by the Board.

Service agreements

Service agreements are not in place for directors.

The Chief Executive Officer's appointment is approved by the shareholding Ministers upon recommendation of the Board. The remuneration and other terms of employment for the Chief Executive Officer are specified in an employment contract. The contract provides for the provision of performance based incentive and access to a pool car park.

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

- term of contract - three years, commencing 18 July 2012 and concluding on 17 July 2015;
- payment of termination benefit on early termination by the Group, except for serious misconduct or poor performance, equal to two weeks' salary (with a minimum of 13 weeks and maximum of 52 weeks salary) for each year of continuous service, 20% of residual salary value of the contract (with minimum of 13 weeks salary) and any accrued entitlements; and
- severance payment of 12 weeks' salary upon expiry of the agreement, and any accrued entitlements.

Senior Executive appointments have been approved by the Board. The remuneration and other terms of employment for these roles are specified in employment contracts. The contracts provide for performance based incentives and other benefits, which may include a motor vehicle allowance, health insurance and access to a pool car park, depending on individual employment arrangements.

All Senior Executives are employed on fixed term employment contracts. Under the *Senior Executive - Recruitment, Appointment and Remuneration Policy*, the contract of employment will be for a period of three years, with the option to extend the term for a maximum of two years by mutual agreement under the same terms and conditions. They may then be reappointed once under a new contract after the completion date of the initial contract for another three years extendable for a further two years. Following expiry of this reappointment, all Senior Executive positions will be tested in the market place with the successful candidate selected based on merit and equity and in consultation with Shareholder requirements.

Contract dates for the Senior Executives are as follows:

- Chief Financial Officer - 23 January 2009 and extended for a further two year period on 24 January 2012, concluding on 23 January 2014;
- Chief Operating Officer - 27 June 2008 and extended for a further two year period on 27 June 2011. A new contract was issued effective 2 July 2012, concluding 1 July 2015;
- Executive General Manager Business Services - 2 March 2009 and extended for a further two year period on 22 December 2011, concluding on 21 December 2013; and
- Executive General Manager Energy, Trading and Commercial Strategy - this is a new role created on 1 October 2012 as part of the review of Stanwell's executive structure. The current incumbent in this role is in an acting capacity and is not employed under the Senior Executive terms and conditions.

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

- a payment of termination benefit on early termination by the Group, except for serious misconduct or poor performance, equal to two weeks salary (with a minimum of four weeks and maximum of 52 weeks salary) for each year of continuous service, separation payment of 20% of the residual salary value of the contract and any accrued entitlements; and
- either a severance payment equal to 12 weeks of salary or two weeks salary (with a minimum of four weeks and maximum of 52 weeks salary) for each continuous year of service, only in circumstances where employment terminates upon expiry of the contract and where the Group has not offered further employment beyond the expiry date for reasons other than for serious misconduct or poor performance, and any accrued entitlements.

36 Key management personnel disclosures (continued)

(c) Remuneration of key management personnel (continued)

The Executive General Manager Marketing and Trading, who terminated on 14 September 2012, was employed under another contract arrangement which was not for a fixed term. The contract did not provide for the payment of a termination benefit on early termination, however under this contract, should the position become redundant a retrenchment payment would comprise of six months salary, an additional payment for each year of service subject to a cap to 75 weeks, plus an additional notice payment of 17 weeks and accrued entitlements.

(d) Performance payments for the Group

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

	Consolidated entity	
	2013 $'000	2012 $'000
Aggregate at-risk performance incentive remuneration[1]		
Chief Executive Officer and Senior Executives	**117**	305
Contract and Enterprise Bargaining Agreement employees	**5,508**	8,800
	5,625	9,105
Aggregate remuneration paid or payable[2]	**100,299**	96,135
Number of employees to whom a performance payment is paid or payable	**852**	775

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

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

Employee category	Grant date	Nature of remuneration granted
Chief Executive Officer	22 August 2013	At-risk performance incentive payable in cash (cap of 15% of total fixed remuneration)
Senior Executives	22 August 2013	At-risk performance incentive payable in cash (cap of 15% of total fixed remuneration)
Contract employees	22 August 2013	At-risk performance incentive payable in cash (cap of 15% of total fixed remuneration)
Enterprise Bargaining Agreement employees	22 August 2013	At-risk performance incentive payable in cash (cap of 12% of total fixed remuneration)

[1] Performance payment accruing in respect of the relevant year, regardless of the payment date.

[2] Total remuneration includes base salary, overtime payments, motor vehicle and other work related allowances and at-risk performance payments but excludes superannuation and non-cash benefits.

36 Key management personnel disclosures (continued)

(e) Details of remuneration

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

Directors of Stanwell Corporation Limited

Name	Short-term employee benefits			Post-employment	Total
2013	Cash Salary $'000	Committee Fees $'000	Non-monetary benefits* $'000	Super-annuation $'000	$'000
The Hon. Warwick Raymond Parer AM	79	8	–	–	87
Paul Breslin	31	4	–	3	38
Kym Louise Collins	31	4	–	3	38
Ann Allison Fitzpatrick	31	4	–	3	38
Russell James Kempnich	31	6	–	3	40
Stephen Robert Rochester	31	6	–	3	40
2012					
The Hon. Warwick Raymond Parer AM	7	–	–	–	7
Kym Louise Collins	30	4	–	3	37
Ann Allison Fitzpatrick	30	4	–	3	37
Russell James Kempnich	30	6	–	4	40
Stephen Robert Rochester	30	4	–	3	37

36 Key management personnel disclosures (continued)

(e) Details of remuneration (continued)

Other key management personnel of the Group

Position	Short-term employee benefits				Post-employment		Long-term employee benefits	Total
2013	Cash Salary	Allowance	Bonus	Non-monetary benefits	Super-annuation	Termination payments	Long Service Leave	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Chief Executive Officer	486	–	18	12	54	–	12	582
Acting Chief Executive Officer	23	2	1	1	3	–	1	31
Chief Financial Officer	207	–	19	9	31	–	5	271
Acting Chief Financial Officer	96	8	–	8	11	134	(29)	228
Chief Operating Officer	335	–	30	12	37	–	8	422
Executive General Manager Business Services	179	26	19	16	23	–	4	267
Acting Executive Manager, Trading and Commercial Strategy	197	–	19	–	20	–	5	241
Executive General Manager Human Resources and Stakeholder Engagement	55	9	6	3	11	–	1	85
Executive General Manager Marketing and Trading	72	7	–	14	9	435	1	538
Executive General Manager Governance and Corporate Strategy	62	–	6	3	6	–	2	79
2012								
Chief Executive Officer	327	25	55	19	40	–	7	473
Acting Chief Executive Officer	207	17	39	5	24	–	3	295
Chief Financial Officer	147	23	10	13	25	–	4	222
Acting Chief Financial Officer	105	13	17	3	12	–	3	153
Chief Operating Officer	301	21	46	12	35	–	8	423
Executive General Manager Integration	183	29	33	11	39	–	5	300
Executive General Manager Human Resources and Stakeholder Engagement	214	34	36	20	32	–	6	342
Executive General Manager Marketing and Trading	185	28	29	21	27	–	6	296
Acting Executive General Manager Marketing and Trading	40	7	–	–	5	–	1	53
Executive General Manager Governance and Corporate Strategy	257	–	39	12	27	–	6	341

36 Key management personnel disclosures (continued)

(e) Details of remuneration (continued)

A review of Stanwell's executive structure was undertaken during August 2012 to realign key functional areas and to reduce the number of executive level positions. All prior year positions that have continuing functions subsumed in a new position have been disclosed for transparency and completeness.

(f) Other transactions with directors and other key management personnel

All transactions in the years ended 30 June 2013 or 30 June 2012 between the Group and directors or other key management personnel, including their related parties, were on normal commercial terms and conditions and were immaterial in nature.

37 Remuneration of auditors

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

	Consolidated entity		Parent entity	
	2013 $	2012 $	**2013 $**	2012 $
Audit and other assurance services				
Audit and review of financial statements	**450,000**	481,400	**450,000**	481,400
Other assurance services	**25,978**	106,456	**25,978**	55,664
Total auditors' remuneration	**475,978**	587,856	**475,978**	537,064

38 Contingencies

Guarantees

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

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

In line with the accounting policy set out in note 1(y) the fair value of the above guarantees is $Nil (2012: $Nil).

Investment in gas exploration venture

During the financial year ended 30 June 2009, the Group signed a Farm-in Agreement and Joint Operating and Gas Supply Agreements with Icon Energy Limited and invested $6,000,000 for an initial pilot program covering four of the 30 blocks in Icon Energy Limited's ATP 626P.

In August 2010, approval was received from shareholding Ministers to commit $30,000,000 to a farm-in to secure proven and probable (2P) reserves. As at 30 June 2013, $16,132,000 (2012: $16,724,000) remains to be spent.

The Company terminated its joint venture arrangement with Icon Energy Limited on 2 July 2013. The Deed of Termination and Release with Icon Energy Limited provides that the Company will avoid the requirement to fund the full $16,132,000, removing all future obligations and limiting exposure to existing claims.

39 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated entity	
	2013 $'000	2012 $'000
Property, plant and equipment	**1,477**	28,555
Exploration and evaluation	**163**	7,850

(b) Lease commitments: Group as lessee

Non-cancellable operating leases

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

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

	Consolidated entity	
	2013 $'000	2012 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**4,948**	5,592
Later than one year but not later than five years	**15,743**	15,457
Later than five years	**6,822**	9,076
	27,513	30,125

Sub-lease payments

	Consolidated entity	
	2013 $'000	2012 $'000
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	–	194

(c) Other Commitments

	Consolidated entity	
	2013 $'000	2012 $'000
Commitments relating to other operating expenditure payable is as follows:		
Within one year	**203,690**	335,602
Later than one year but not later than five years	**585,967**	837,793
Later than five years	**864,033**	1,126,571
	1,653,690	2,299,966

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

40 Related party transactions

(a) Parent entity

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

(b) Wholly owned group

The wholly owned Group consists of Stanwell Corporation Limited and its wholly owned entities. Details of the interests in subsidiaries are set out in note 41.

The following transactions occurred with subsidiaries during the year:

	Parent entity	
	2013 $'000	2012 $'000
Fuel costs incurred for fuel provided by TEC Coal Pty Ltd	**144,645**	172,350
Loans provided to subsidiaries during the year	**–**	78,040
Loans receivable from subsidiaries	**788,489**	712,503

(c) Joint venture

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

The Group is party to the Lydia farm-in area within the ATP 626P with Icon Energy Limited.

Details of the interest and transactions with the joint ventures are set out in note 43.

(d) Key management personnel

Disclosures relating to key management personnel are set out in note 36.

Apart from specific compensation detailed in note 36, no director has entered into a contract with the Group since the end of the previous financial year.

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

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

40 Related party transactions (continued)

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

The following transactions occurred with other related parties:

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Electricity financial instrument settlements and environmental certificates	**36,160**	105,950	**8,476**	105,950
Fuel costs	**(10,953)**	(12,560)	**(315)**	(258)
Raw materials and consumables	**(118,873)**	(86,253)	**(98,028)**	(77,682)
Employee benefits expense	**(7,516)**	(6,484)	**(6,952)**	(5,939)
Other expenses	**(14,511)**	(7,071)	**(12,850)**	(7,036)
Finance costs	**(34,296)**	(69,403)	**(34,296)**	(69,403)
Superannuation contributions	**(2,764)**	(3,348)	**(2,745)**	(3,330)
Capital repatriation	**(63,900)**	–	**(63,900)**	–
Income tax equivalent (expense)/benefit	**(4,194)**	(25,648)	**(6,457)**	(19,738)

(f) Outstanding balances

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

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Cash and cash equivalents	**151,942**	39,635	**151,942**	39,635
Trade and other receivables	**2,145**	7,186	**2,145**	5,384
Current tax receivable	**–**	35,776	**–**	35,776
Derivative financial instrument assets	**26,552**	71,045	**26,552**	71,045
Deferred tax assets	**248,123**	148,843	**188,987**	107,399
Trade and other payables	**8,319**	2,572	**6,405**	1,551
Derivative financial instrument liabilities	**10,699**	11,308	**10,699**	11,308
Deferred tax liabilities	**458,375**	407,989	**384,850**	359,526
Borrowings	**768,996**	777,007	**768,996**	777,007
Provision for dividends	**11,543**	63,900	**11,543**	63,900
Current tax payable	**17,878**	–	**17,878**	–

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

41 Subsidiaries and transactions with non-controlling interests

(a) Significant investments in subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2013 %	2012%
Mica Creek Pty Ltd*,**	Australia	Ordinary	**100**	100
SCL North West Pty Ltd*,**	Australia	Ordinary	**100**	100
Energy Portfolio 1 Pty Ltd	Australia	Ordinary	**100**	100
Glen Wilga Coal Pty Ltd	Australia	Ordinary	**100**	100
Goondi Energy Pty Ltd	Australia	Ordinary	**100**	100
Tarong Energy Corporation Pty Ltd	Australia	Ordinary	**100**	100
Tarong Fuel Pty Ltd**	Australia	Ordinary	**100**	100
Tarong North Pty Ltd	Australia	Ordinary	**100**	100
TEC Coal Pty Ltd**	Australia	Ordinary	**100**	100
TN Power Pty Ltd**	Australia	Ordinary	**100**	100

*These subsidiaries were transferred by regulation to Stanwell Corporation Limited on 1 July 2011.

**These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 42.

***These subsidiaries were renamed during the current financial year. Mica Creek Pty Ltd was formerly CS Energy Mica Creek Pty Ltd. SCL North West Pty Ltd was formerly CS North West Pty Ltd.

Tarong Fuel Pty Ltd is a holding company.

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

42 Deed of cross guarantee

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

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

The companies listed in note 41 represent a 'Closed Group' for the purposes of the Class Order, and, as there are no other parties to the Deed of Cross Guarantee that are controlled by the Company, they also represent the 'Extended Closed Group'.

43 Interests in joint ventures

(a) Jointly controlled assets

The Company has a 50% (2012: 50%) interest in the Kogan North Joint Venture, a gas development joint venture with Australian CBM Pty Ltd, a wholly-owned subsidiary of Arrow Energy NL. The interest in the Kogan North Joint Venture was transferred to the Company from CS Energy on 1 July 2011 as a result of the Generator Restructure.

43 Interests in joint ventures (continued)

(b) Joint operations

The Company has an 84% (2012: 84%) interest in the Woodlands Hardwood Plantation Joint Venture and a 19% (2012: 19%) interest in the Tarong Hoop Pine Joint Venture. The interests are in unincorporated joint ventures with Hancock Queensland Plantations Pty Ltd (formerly Forestry Plantations Queensland). The principal activity of the ventures is the establishment of a viable commercial plantation of trees (refer note 20). The Company was transferred the interest in the Tarong Hoop Pine Joint Venture on 1 July 2011 as a result of the Generator Restructure.

The Group is a joint venturer in an unincorporated joint venture, the Lydia farm-in area within the ATP 626P joint venture in the Surat Basin with Icon Energy Limited. The principal activity of this venture is the exploration, and if appropriate, the exploitation of coal seam methane. Approval was received from shareholding Ministers in August 2010 to commit $30,000,000 to a farm-in which entitled the Group to joint control. As at 30 June 2013, $16,132,000 (2012: $16,724,000) remains to be spent.

The Company terminated its joint venture arrangement with Icon Energy Limited on 2 July 2013. The Deed of Termination and Release with Icon Energy Limited provides that the Company will avoid the requirement to fund the full $16,132,000, removing all future obligations and limiting exposure to existing claims.

The Group's share of assets and liabilities employed in the joint ventures are as follows:

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Share of partnership's assets and liabilities				
Current assets	**1,470**	576	**1,708**	576
Non-current assets	**13,585**	17,445	**13,585**	9,631
Total assets	**15,055**	18,021	**15,293**	10,207
Current liabilities	**910**	176	**125**	176
Non-current liabilities	**7,630**	5,240	**7,630**	5,240
Total liabilities	**8,540**	5,416	**7,755**	5,416
Net assets	**6,515**	12,605	**7,538**	4,791

For contingent liabilities relating to these joint ventures see note 38.

44 Economic dependency

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

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

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

45 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Profit/(loss) for the year	**14,630**	79,860	**16,115**	126,622
Add items classified as investing/financing activities:				
Net loss on disposal of property, plant and equipment	**–**	1,884	**–**	983
Add non-cash items:				
Depreciation and amortisation expense	**171,310**	172,637	**123,483**	129,218
Impairment loss	**11,467**	48,246	**2,943**	17,048
Non-cash retirement benefits expense adjustment	**22,425**	(460)	**15,456**	(460)
Fair value adjustment to derivatives	**48,067**	43,255	**48,066**	43,255
Unwinding of discount on provision	**18,235**	16,374	**11,768**	9,813
Non-cash provision	**(19,030)**	(20,538)	**(14,681)**	(20,538)
Stock obsolescence expense	**–**	957	**-**	957
Net (gain)/loss on sale of available-for-sale financial assets	**(3,174)**	–	**(3,067)**	–
Amortisation of investment in Exploration and Evaluation assets	**1,385**	–	**1,181**	–
Change in operating assets and liabilities:				
(Increase)/decrease in trade and other receivables	**(30,879)**	2,536	**(15,919)**	35,816
Decrease in inventories	**10,969**	15,734	**21,319**	23,028
(Increase) in current intangible assets	**(368)**	–	**(368)**	–
(Increase)/decrease in deferred tax assets	**(99,280)**	–	**(81,588)**	–
(Increase) in other assets	**(36,774)**	(31,455)	**(614)**	(565)
(Decrease)/increase in trade and other payables	**(12,299)**	27,306	**13,254**	(167)
Decrease in other liabilities	**(2,190)**	(422)	**(2,161)**	(81)
Increase/(decrease) in current tax liabilities	**17,878**	(60,204)	**17,878**	(60,204)
Increase/(decrease) in deferred tax liabilities	**50,386**	21,595	**25,325**	(10,711)
(Decrease)/increase in provisions	**81,612**	(131,043)	**76,970**	(127,120)
Increase in hedging reserve	**35,008**	18,894	**35,008**	18,894
Increase/(decrease) in current financial assets	**35,278**	(13,290)	**35,278**	(13,290)
Increase/(decrease) in current tax receivable	**35,776**	(35,776)	**35,776**	(35,776)
Net cash inflow from operating activities	**350,432**	156,090	**361,422**	136,722

46 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 in the profit or loss over the estimated life of the assets on a straight line basis consistent with the Group's policy on depreciation of power stations.

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

47 Events occurring after the reporting period

The Company terminated its joint venture arrangement with Icon Energy Limited on 2 July 2013. The Deed of Termination and Release with Icon Energy Limited provides that the Company will avoid the requirement to fund the full $16,132,000, removing all future obligations and limiting exposure to existing claims.

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

Directors' declaration

In the directors' opinion:

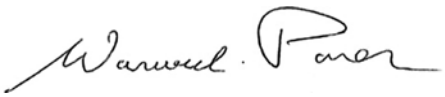
(a) the financial statements and notes set out on pages 32 to 112 are in accordance with the Corporations Act 2001, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date, and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 42 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in note 42.

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

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



The Hon. Warwick Raymond Parer AM
Director

Stephen Robert Rochester
Director

Brisbane
22 August 2013

Independent auditor's report to the members

Stanwell Corporation Limited

I have audited the accompanying financial report of Stanwell Corporation Limited, which comprises the balance sheets as at 30 June 2013, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

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

Auditor's responsibility

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

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

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

Independence

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

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor General's opinion are significant.

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Stanwell Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In my opinion the financial report of Stanwell Corporation Limited is in accordance with the *Corporations Act 2001*, including -

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

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

Queensland Audit Office
Brisbane
22 August 2013

Glossary

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

Carbon price – A pricing mechanism in which Australia's biggest polluters are required to pay for the carbon emissions they release.

Forced outage factor – The proportion of a plant's capacity that is unavailable as a result of an outage (including full outage, partial outage or a failed start) that cannot reasonably be delayed beyond 48 hours.

Power purchase agreement – A contract between an electricity generator and a power purchaser (typically a utility or a large power buyer/trader).

Short-term trading market – The short-term trading market is a market-based wholesale gas balancing mechanism established at defined gas hubs. The market uses bids, offers and forecasts to determine schedules for deliveries from the pipelines transmission users and the hubs. The market sets daily market prices and settles each hub based on the schedules and deviations from schedules. The short-term trading market is operated by the Australian Electricity Market Operator but does not operate the physical pipeline or network assets.

Spot price – The half hour average of the five-minute dispatch prices set by marginal generator.

Abbreviations

AEMO – Australian Energy Market Operator

AIFR – All Injury Frequency Rate

GOC – Government owned corporation

GWh – Gigawatt hour

LTIFR – Lost time injury frequency rate

LNG – Liquefied natural gas

MW – Megawatt

NEM – National Electricity Market

SCI – Statement of Corporate Intent

TRIFR – Total Recordable Injury Frequency Rate

Registered office
Level 13 42 Albert Street
GPO Box 800
Brisbane QLD 4001

1800 300 351
stanwell.com