stanwell

Building Value. Securing the Future.

ANNUAL REPORT 2015/16

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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 for the year ended 30 June 2016.

Each year, we document the nature and scope of our strategies, objectives and actions in our Statement of Corporate Intent, which represents our performance agreement with our shareholding Ministers. Our performance against our 2015/16 Statement of Corporate Intent is summarised on pages 16 to 25.

Electronic versions of this and previous years' annual reports are available online at www.stanwell.com.

ABOUT STANWELL

Stanwell is a diversified energy business.

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

Our coal, gas and hydro power stations are located at eight geographically dispersed sites across Queensland and have the capacity to generate more than 4,000 megawatts (MW), or more than half of Queensland's average daily electricity demand.

The safe and efficient operation of our plant is paramount to Stanwell. Our belief is that our people, contractors and visitors who enter our sites and offices should be able to do so with the knowledge they will return home safely to family and friends each day.

We are a proud generator of environmentally-responsible energy. Through our portfolio of hydro power stations, we have the capacity to generate more than 160 MW of electricity with no greenhouse gas emissions.

We also operate two of Australia's most efficient coal-fired power stations: the supercritical 443 MW Tarong North Power Station and the subcritical 1,460 MW Stanwell Power Station.

In the past year we have invested more than $200 million in capital projects to ensure the plant at our sites operates as efficiently as possible and meets statutory and environmental compliance requirements.

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

As at 30 June 2016, we employed 694 people at our sites and offices (30 June 2015: 698).

OUR VALUES

At Stanwell, we are:

- **Safe** – Everyone is a safety leader. We seek to achieve Zero Harm Today 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.
- **Commercial** – Every one of us contributes to Stanwell's financial stability and performance through our decisions and actions.

ABOUT STANWELL ENERGY

Stanwell Energy is the retail brand of Stanwell Corporation Limited and sells electricity to commercial and industrial customers in Queensland, New South Wales, Victoria and the Australian Capital Territory.

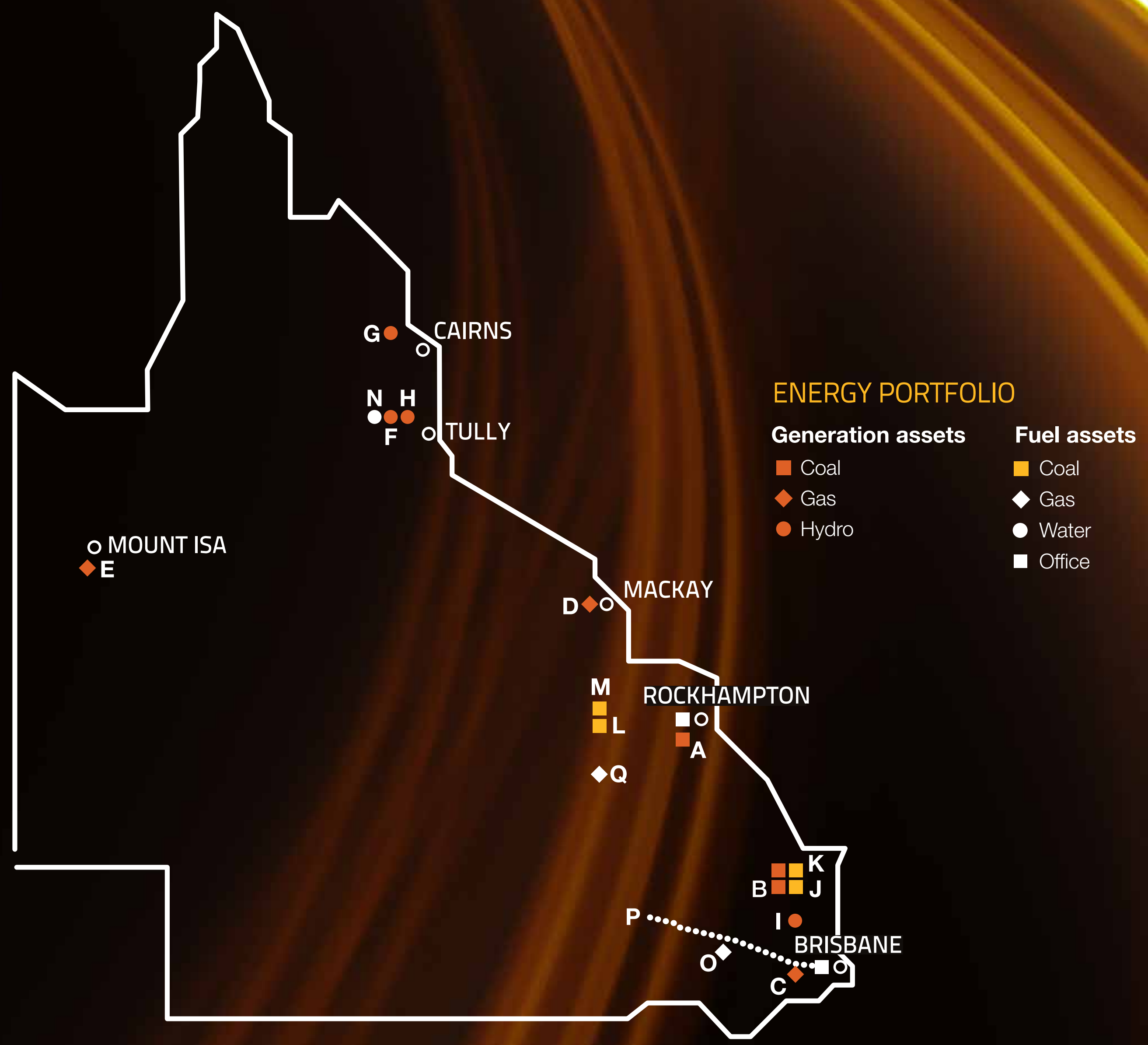
The business, which was launched in December 2014 to address market liquidity challenges, continues to grow its customer base. Our customers range from medium to large independent businesses to some of Australia's biggest multinational companies.

Our growth is driven by our ability to listen to our customers and to tailor innovative and competitively priced products which are supported by one of the largest electricity generation portfolios in Australia.

We are proud of our high level of customer service and we continue to have an extremely high success rate in retaining our existing customers.

stanwell energy

ENERGY PORTFOLIO



GENERATION ASSETS

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

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

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

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

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

F. **KAREEYA HYDRO**, Far North Queensland – 88 MW (hydro)

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

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

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

COAL ASSETS

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

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

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

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

WATER ASSETS

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

GAS ASSETS

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

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

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

CHAIRMAN'S STATEMENT

Stanwell has reported another strong financial result in 2015/16. This result reflects the value of work done over the past five years to adapt and streamline the business.

Excluding impairment reversals the business has returned a Net Profit after Tax of $161.6 million (2014/15: $125.9 million). As a result of this improved profitability and our strong balance sheet, Stanwell will pay a total dividend to shareholders of $311.6 million (2014/15: $89.9 million) which includes a special dividend of $150.0 million.

Our diversified revenue streams of electricity, coal and gas sales, along with a disciplined approach to cost management, have underpinned this strong financial result. In addition, the commissioning of the Queensland liquefied natural gas (LNG) Curtis Island plant resulted in an increase in wholesale electricity demand in the Queensland market of more than four per cent for the year. This contributed to improved wholesale electricity prices and higher generation. Further growth in demand from LNG operations is expected to continue through to 2018 before stabilising. We will use this time to further transform our business in terms of its cost base, its portfolio strategy and its role in the Australian electricity market.

ENSURING A LONG-TERM FUTURE FOR THE BUSINESS

The Australian electricity market is going through a period of unprecedented change. This is being driven by the increased development of low emissions generation, a change in the attitude and behaviour of customers, and a shift in social and political values.

The challenge for State and Federal Governments and for the energy sector is to ensure that the transition to lower emissions technologies occurs in an economically viable way that allows Australian consumers to continue to have access to an efficient, affordable and reliable supply of energy.

The increasing role of renewables in the generation mix, coupled with the take up of batteries, will fundamentally impact on Stanwell's business. As intermittent renewable generation accounts for an increasing proportion of Australia's energy mix, the most efficient and flexible fossil fuel generators will play an increasingly important role in maintaining system security. Those generators which fail to adapt to the new electricity market dynamics will quickly become obsolete.

As the owner of two of Queensland's largest coal-fired power stations, Stanwell recognises these challenges and is taking action to ensure the business has a long-term future.

This year, the Stanwell Board along with leaders from throughout our business developed a new corporate strategy. Our strategy seeks to balance the energy market objectives of reliability, sustainability and affordability while responding to the rapidly changing market dynamics. Our focus will be on responding to customer requirements by offering innovative energy products, ensuring our generation portfolio is flexible in meeting changing demand and is operated as efficiently as possible. We will also use our assets and trading skills to consider participating in commercially viable renewable energy projects.

CHAIRMAN'S STATEMENT (CONTINUED)

During the first half of 2016, the Queensland Government developed mandates for its energy businesses, which reflect the changing energy landscape and the needs of the market. As part of this process, clear targets have been established to increase our returns to our shareholders, which will contribute to a reduction in Government debt. We intend to exceed these requirements.

While we will deliver on the more immediate targets for the business, we are mindful that the changes we make must also ensure its relevance and profitability over the longer term. Enhancing revenue, optimising costs, and reviewing and challenging capital expenditure will all be key, ongoing areas of focus.

OUR GOAL IS ZERO HARM TODAY

In November 2015, we were deeply saddened by the tragic death of Grahame Meyer at the Tarong North Power Station. The accident had a devastating effect both within Stanwell and in the local community in which Grahame lived.

Grahame's death serves as a stark reminder that there is still work to be done on our Zero Harm Today journey and we must remain focused on safety in everything we do.

Our injury performance, as measured by our Total Recordable Frequency Injury Rate, increased from 7.67 in 2014/15 to 10.11 in 2015/16. This result is disappointing and unacceptable. There have, however, been improvements in other areas of safety performance including high priority areas such as falling objects, working at heights and eye and lung protection. There continues to be a strong personal commitment to health and safety among the workforce, along with a reporting culture that enables us to learn from safety incidents.

ACKNOWLEDGEMENTS

I joined the Stanwell Board as Chairman in October 2015. In my short time with the business, I have had the privilege of visiting our sites and talking to the many dedicated and passionate people who make Stanwell great.

I thank my fellow Board members, our Chief Executive Officer Richard Van Breda, his highly committed leadership team and the hard working people at our sites and offices. All these valued people have contributed to the outstanding operational and financial performance of the business.

I acknowledge the support of our shareholding Ministers, the Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply, The Honourable Mark Bailey MP, and the Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport, The Honourable Curtis Pitt MP.

Stanwell is well positioned for the challenges it faces. It has high quality, high performing assets, trading expertise and strong financial credentials. Our track record of successful business transformation will stand us in good stead as we work together to ensure the business thrives in the energy market of the future; a market which will be far more competitive and challenging than the one we know today.

Dr Ralph Craven
Non-Executive Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

REMEMBERING GRAHAME MEYER

On the morning of 29 November 2015, I received the phone call that no Chief Executive Officer wants to receive, informing me that a person working at Tarong North Power Station had been fatally injured. That person was Grahame Meyer. Grahame had been working at Stanwell sites in the South Burnett for a number of years, was a member of our South Burnett community and was well known to many of our people.

This was an extremely painful time for Grahame's family and friends, our people who knew and worked with him and the wider South Burnett and Stanwell communities. No words from me will change the events of that day but it is important that we remember Grahame by learning from the investigation which followed the accident, and by putting actions in place to ensure that such a tragic event never occurs again.

OUR 2015/16 SAFETY PERFORMANCE

Our 2015/16 safety performance as measured by the Total Recordable Injury Frequency Rate (TRIFR) of 10.11 did not meet our target of 7.67, which we achieved in 2014/15. This is disappointing given the focus and effort in ensuring that our people are safe and reflects the continued focus we need to have on safety.

We did achieve some significant safety milestones throughout the year. Our safety performance during our extensive overhaul program improved markedly and this was reflected by the Tarong Power Station Unit 2 overhaul being the safest on record for that site. Our efforts to educate and inform our people about the impact of alcohol and other drugs have resulted in a dramatic reduction in people attending our sites unfit for duty.

A number of safety initiatives including the prevention of falling objects and eye and hand injuries have resulted in a marked reduction in the number of injuries and will continue to be a focus in future years.

STRONG FINANCIAL PERFORMANCE

Excluding impairment reversals Stanwell delivered a Net Profit after Tax of $161.6 million for the year (2014/15: $125.9 million). This strong result will enable the business to pay a total dividend to shareholders of $311.6 million (2014/15: $89.9 million) which includes a special dividend of $150.0 million.

The profitability of our generation business was underpinned by a range of factors including a well balanced trading strategy supported by increased generation from our reliable plant, particularly during the peak and volatile summer period. Continued access to competitive fuel sources provides Stanwell with the flexibility to switch between generation fuels to maximise value, by either using fuel to generate electricity or selling it in the commodity markets.

CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

In addition, a continuing reduction in costs, which we have delivered year-on-year for the past five years as part of our focus on responsible cost management, has significantly contributed to improved profitability at a time when being agile and lean are keys to ongoing success.

STRATEGY ACHIEVEMENTS

Our corporate strategy for 2015/16 was based on three themes:

SELL OUR ENERGY FOR THE BEST RETURN

Stanwell invested a record $203.3 million in capital projects during the year to ensure our plant and equipment operates as efficiently as possible when it is required to do so. More than half of this capital expenditure was invested in an unprecedented overhaul of four units at the Tarong and Stanwell power stations.

In February 2016 Tarong Power Station's Unit 2 was returned to service after it was placed into cold storage in late 2012. The return to service of Unit 2 saw all five units at the Tarong site available for the first time in more than three years.

During the Tarong North overhaul we also took the opportunity to replace the rotor and high pressure turbine, which were damaged in 2014, along with an upgrade to the control system. Having Tarong North fully available is vital to our wider generation portfolio as it is Australia's most efficient super critical coal-fired power station. Stanwell Power Station's Unit 1 was taken offline in October 2015 for its statutory overhaul after a world record 1,087 continuous days of operation.

Our Stanwell Energy brand continues to go from strength to strength. Our retail business allows us to contract our generation in times when there is limited interest from retailers in hedging directly with generators. Our retail book contains large and medium energy users throughout Queensland, New South Wales, Victoria and the Australian Capital Territory.

SIMPLIFY AND STREAMLINE OUR BUSINESS

After more than 60 years of operation, Mica Creek Power Station ceased generation on 29 February 2016 following the closure of MMG's Century Mine. All units have been placed into cold storage until mid-2017, when MMG is forecast to commence the commissioning of its Dugald River Project.

Our decision two years ago to consolidate facility management, overhaul, asset and maintenance management services under a single contractor, UGL Limited, will deliver benefits through improved safety, innovation and cost efficiencies. The transition to this alliance relationship has not been without its challenges but the relationship is starting to provide measurable improvements.

A vast amount of work has been undertaken to streamline the number of information technology systems across the business. This includes a new Enterprise Resource Planning system which will reduce the reliance on older systems and deliver more cost efficient outcomes across the business.

SECURE OUR FUTURE

This year, we successfully certified six out of seven new enterprise agreements covering our sites and offices. For the remaining enterprise agreement, we reached agreement with employees and received certification from the Fair Work Commission in late July 2016. These new, simplified agreements are important in providing certainty to employees and the business.

The surface rights extension project at Meandu Mine gained a significant number of regulatory approvals throughout the year and we are aiming to commence mining operations in 2017. Having access to lower cost coal in a 130 hectare area to the east of the current mining area will assist the Tarong Power Stations to become more cost efficient and sustain operations in an increasingly competitive market.

In July 2014, Stanwell identified an increase in saline water levels in Meandu Mine's drainage system, which exceeded the site's Environmental Authority. Stanwell received a penalty infringement notice from the environmental regulator as a result and has implemented a range of actions to understand, monitor and manage this long-term issue.

Operating our sites within all environmental regulations is what our neighbours, wider communities and the environmental regulator have come to expect from Stanwell. In order to meet these expectations, we need to refocus our efforts in the year ahead to ensure we continue to maintain our environmental and social right to operate.

WELL PLACED FOR THE FUTURE

Over the past year, our people have worked together to reposition the business in the radically changing energy industry. A diversifying energy mix, led by an increase in renewables and technology innovations such as battery storage, will challenge the traditional electricity generation model.

For energy companies with large coal-fired generators, such as Stanwell, the next decade undoubtedly will be demanding but also rewarding.

Stanwell is preparing for a decade of change. For an energy business to survive in the future, it will need to offer customers innovative products, operate a flexible generation portfolio to respond to market demand and be involved in renewable energy projects.

SPECIAL THANKS

I wish to thank Stanwell's Non-Executive Chairman, Dr Ralph Craven, and the Board of Directors for their support in overseeing the business over the past year and preparing it for the inevitable challenges it faces in the future. I would also like to acknowledge the support of Shane Charles as Chairman between July and September 2015.

In my role as Chief Executive Officer, I am ably supported by an experienced executive leadership team, which continues to seek improvements across all aspects of the business.

I thank our shareholding Ministers for their continued support in working closely with the business on key initiatives and projects. I also acknowledge the support of our communities which is vital in maintaining our social right to operate.

Finally, I thank our people and contractors for the hard work and commitment they have given to the business during the past year. I look forward to the year ahead when our people will play a central role in transforming the business so that it will continue to prosper in the future.

Richard Van Breda
Chief Executive Officer

PERFORMANCE INDICATORS

	2015/16 ACTUAL	2015/16 TARGET	2014/15 ACTUAL
Safety and environment performance			
Lost time injury frequency rate[1]	**1.44**	<2.56	**2.56**
Total recordable injury frequency rate[2]	**10.11**	<7.67	**7.67**
Notifiable safety incidents	**20**	0	**16**
Environmental enforcement actions[3]	**1**	0	**0**
Values interactions[4]	**14,966**	>7,000	**11,240**
Financial performance			
Earnings before interest and tax (EBIT) ($Million)	**300.4**	307.6	**419.3**
Net profit after tax – generation ($Million)	**126.9**	106.3	**209.4**
Net profit after tax ($Million)	**170.2**	157.7	**254.9**
Return on operating assets (%)	**10.4**	11.4	**15.2**
Return on equity (%)	**12.9**	11.9	**18.4**
Gearing (%)	**35.0**	29.8	**30.1**
Investment			
Capital expenditure ($Million)[5]	**203.3**	226.5	**138.8**
Operational performance			
NEM generators			
Availability (%)	**89.1**	>89.8	**90.0**
Forced outage factor (%)	**1.9**	<3.4	**1.0**

Notes to the key performance indicators

1. Lost time injury frequency rate (LTIFR)	Number of lost time injuries in the period/number of hours worked in the period, multiplied by 1,000,000. Figures are based on a 12-month moving average and include employees, contractors and third party sites.
2. Total recordable injury frequency rate (TRIFR)	Recordable injuries in the period/number of hours worked in the period, multiplied by 1,000,000. Figures are based on a 12-month moving average. TRIFR is a combination of lost time and medical treatment injuries. This includes employees, contractors and third party sites.
3. Environmental 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.
4. Values interaction	A conversation or interaction with a workmate about the safe, responsible or commercial behaviours that impact how we operate at Stanwell.
5. Capital expenditure	Expenditure on capital projects.

ASSET PERFORMANCE

YEAR	ENERGY SENT OUT (GWh)	CAPACITY FACTOR (%)	TARGETED AVAILABILITY (%)	AVAILABILITY (%)	PLANNED[1] OUTAGE FACTOR (%)	FORCED OUTAGE FACTOR (%)
Tarong Power Stations – coal – 1,843 MW						
2015/16	9,659	71.6	88.0	83.6	14.3	2.1
2014/15	7,023	58.2	87.7	82.5	16.0	1.5
Stanwell Power Station – coal – 1,460 MW						
2015/16	8,409	70.9	92.7	95.5	3.0	1.5
2014/15	8,072	68.3	92.9	96.9	2.7	0.4
Swanbank E Power Station – gas – 385 MW						
2015/16	0	0	0	0	0	0
2014/15	938	69.1	86.3	89.4	8.4	2.2
Hydros – water – 163.7 MW						
2015/16	419	29.3	86.5	92.0	7.6	0.4
2014/15	631	45.3	89.7	94.4	5.3	0.3
Mica Creek Power Station – gas – 218 MW						
2015/16	191	18.0	93.1	85.6	8.4	6.0
2014/15	619	33.6	90.3	85.6	7.5	6.9

[1] Includes planned and maintenance outage factors.

Asset performance calculations take into consideration the cold storage of Unit 2 at Tarong Power Station for 2014/15 and seven months of 2015/16. Unit 2 was returned to service in February 2016. Swanbank E calculations take into account the cold storage of the power station on 1 December 2014, while Mica Creek calculations take into consideration the withdrawal of generation units that are no longer required.

STRATEGIC DIRECTION

MARKET OVERVIEW

The Queensland electricity market passed two significant milestones in 2015/16. On 1 February 2016, Queensland electricity demand broke through the 9,000 MW barrier for the first time, with demand peaking at 9,097 MW in the afternoon. In late June 2016, a cold front across the State saw demand peak at 8,011 MW, the first time it has ever passed 8,000 MW in Quarter 2 (1 April to 30 June 2016).

The liquefied natural gas (LNG) industry has been the major driver behind the increase in average daily electricity demand in Queensland, adding approximately 600 MW of load to the Bulli and Surat regions.

Rising demand and changes to the supply mix resulted in an increase in the average Queensland wholesale electricity price to $59.99 per megawatt hour (MWh) in 2015/16, compared with $52.52/MWh in 2014/15.

MARKET OUTLOOK

For 2016/17, the Australian Energy Market Operator has forecast a further increase in demand of 2.3 per cent for the Queensland electricity market. This increase continues to be driven primarily by the LNG industry as it gears up to full production in 2018. No growth is forecast in 2016/17 for Queensland's residential and commercial markets and an overall surplus of installed capacity is expected to remain for several more years.

The external environment is complex, competitive and challenging. Regulation is influencing market capacity, the nature of the generation mix, consumer choices and retail price. Energy businesses throughout the world are facing unprecedented change. They must respond by transforming their business models or they will eventually be forced out of the market.

Circumstances in South Australia and internationally reinforce the importance of a well planned, co-ordinated market approach to transitioning to a more diverse energy mix, with an increasing proportion of renewables. Stanwell has an important role to play in this transition, with its coal, gas and hydro generation assets.

In the Queensland energy industry, a number of variables will determine the nature of the market to which Stanwell must adapt:

- the Queensland LNG industry will alter the balance of supply and demand, and is likely to increase the wholesale price of electricity, although this may be tempered by a structural long-term decline in oil prices;
- a future price on carbon may impact on the business but, unless it is substantially higher than the current pricing signals under the safeguard mechanism, it is unlikely to affect the relative competitiveness of coal; and
- the proportion of renewables in the generation mix, along with the rate at which batteries and other new technology are adopted, will determine the need for security of supply and the future of Stanwell's coal-fired power stations.

Stanwell is well positioned to adapt to this rapidly changing environment.

SHAREHOLDER MANDATE

Since January 2016, Stanwell has worked with Queensland Treasury Corporation on the Queensland Government's review of its government-owned generators, Stanwell and CS Energy Limited.

The review was announced by the Queensland Government in December 2015, along with the decision that the government-owned generators would not be merged. At the same time, the Queensland Government reaffirmed its commitment to realise efficiency savings over five years from both generators through a Shareholder Mandate which Stanwell received in July 2016.

The mandate acknowledges that the electricity market is undergoing fundamental changes, and supports Stanwell's existing core operations in fuel management, generation and trading. It also acknowledges the ongoing role for coal-fired generation in Queensland but precludes Stanwell from developing, investing in or owning new generation capacity.

The mandate sets clear performance targets for the business:

- Stanwell must meet or exceed the efficiency saving targets detailed in the Government's 2015/16 Mid-Year Review of $110.0 million over the five years commencing 2015/16.
- We must optimise spending on support functions to a level that is commensurate with industry peers.
- We must also determine the optimal information technology requirements to meet our business needs and establish an information technology roadmap.

STANWELL'S STRATEGIC RESPONSE

Stanwell is well positioned to adapt to the rapidly changing energy market and deliver on shareholder expectations and performance targets.

Stanwell must monitor, anticipate and adapt it's business to respond to unprecedented global change if it is to continue to thrive and deliver on this commitment.

Our business strategy has been developed in the following context:

- to ensure security of electricity supply, in view of the intermittent nature of supply and demand;
- to safeguard the value of the business, on behalf of its owners, the people of Queensland; and
- to ensure sustainable dividends to the Queensland Government.

Stanwell's short-term strategic focus is to capitalise on the forecast growth in electricity demand in Queensland. Longer term, we will protect and increase the value of our business while the economy transitions to a different energy outlook with a higher proportion of renewables.

Our strategy has four elements which are detailed on pages 12 to 15:

THE YEAR AHEAD

	OBJECTIVES	INITIATIVES
INNOVATIVE ENERGY PRODUCTS	**Deliver commercial value through the Stanwell Energy retail business**	Organic growth of Stanwell's retail business, targeting a broader range of customer types and load[1] within the commercial and industrial market segment (as defined in the 2014 business plan)
		Monitor the changing industrial landscape and take value creation opportunities
		Customised and niche retail offering based on customer requirements and commercial benefit to Stanwell
	Investigate retail opportunities through partnerships and wholesale support	Explore commercially viable strategic relationships as a means of accessing smaller customer segments[1]
	Manage Stanwell's underlying exposure to global commodity markets	Participation in commodity markets where we have an underlying exposure, as appropriate
	Develop expanded commodity trading in line with customer requirements	Provide commercial packaged offering to customers – e.g. commodity linked pricing and commodity trading services as part of a retail offering
	Develop products and energy solutions to facilitate new or existing load growth	Target commercial medium to long-term retail and wholesale contracts. This will include existing major and potential new loads
		Explore alternative commercial energy solutions, incorporating customer owned embedded generation or storage (including for remote sites)

[1] Customers that use equal to or greater than 2.5 GWh per year (at an aggregate customer level).

FLEXIBLE AND COMPETITIVE PORTFOLIO

OBJECTIVES	INITIATIVES
Ensure flexible generation plant that meets market demand	Investigate and evaluate opportunities to improve generation plant ramping rates and load ranges
	Investigate the cost and complexity of energy storage to provide a ramp rate boost for existing machines
	Investigate seasonal plant shutdowns
	Investigate change in operating regimes and alternative start-up approaches
	Revise asset life planning
Optimise plant costs	Re-assess plant efficiency opportunities
	Reduce operating costs through increased automation
	Optimise overhaul costs
Reduce fuel and mine costs	Secure fuel supplies for future operations
	Optimise operations at Tarong Power Station/Meandu Mine for changing generation profile
Secure commercial water supply arrangements	Implement strategies to secure a commercial water supply for Stanwell's generation assets
	Investigate options for Bulk Water Supply Agreement for Swanbank and Tarong Power Stations with Seqwater
Realise best value from our coal portfolio	Monitor and develop opportunities for export coal sales
	Seek commercial resolution of Wesfarmers amended coal supply agreement dispute
Realise best value from our gas portfolio	Assess long-term generation strategy for Swanbank E Power Station
	Monitor and develop opportunities for sales of gas into domestic or LNG gas markets

THE YEAR AHEAD (CONTINUED)

	OBJECTIVES	INITIATIVES
PARTICIPATE IN RENEWABLE ENERGY	**Engage in the transition to lower emissions from the electricity industry and protect long-term market share**	Identify and evaluate sources of large scale generation certificates
		Gradually build a portfolio of renewable energy power purchase agreements where commercial and beneficial to Stanwell's overall position
	Explore opportunities to be a facilitator, manager or aggregator of market interface for renewable projects	Identify Stanwell's value to renewable projects
		Identify and implement external projects
	Negotiate with renewable project proponents in relation to providing land, operations and maintenance, and other support services	For each potential project, undertake evaluation of commercial attractiveness, project timing and interaction with the market and with Stanwell's portfolio

ENABLERS

Stanwell's strategy is supported by an ongoing commitment to the following business enablers

OBJECTIVES	INITIATIVES
Achieve operational efficiencies	Achieve annual efficiency savings, targeting $111.0 million over the five year period from 2015/16 to 2019/20
Provide a safe workplace	Continue to improve safety culture, performance, systems and processes
	Reduce our Total Recordable Injury Frequency Rate compared to the 2015/16 result
	Deliver improvement in contractor safety through the facilities, overhauls and asset maintenance and management contract
Engage and retain a high performing workforce	Maintain engagement in Stanwell's values (Safe, Responsible and Commercial) and associated behaviours
	Ensure our behaviour, practices and processes are aligned to deliver on business strategy
	Deliver initiatives that increase efficiency and commercial returns, and progress towards cultural improvement and alignment
	Ongoing support and development of leaders to assist them in retaining and engaging a high performing workforce
	Ongoing review and optimisation of the organisational structure to support delivery of business objectives
Ensure compliance with applicable laws, regulations and company policies	Ensure ongoing compliance with applicable legislation, standards and licences, with no material breaches
Ensure Stanwell's environmental right to operate	Ensure compliance with applicable legislation, standards and licences, with no material breaches
Improve and simplify business systems	Commence implementation of a five-year information technology strategy to: • maintain cost effective business system platforms that are fit-for-purpose • maintain a prioritised schedule of work to reduce the risk, cost and complexity of information and business systems • maintain assets (hardware and software) in line with vendor maintenance and support agreements
Secure ongoing support for Stanwell's strategy and operations	Secure support for our activities by proactively communicating Stanwell's business model and associated requirements to shareholding Ministers on Stanwell's communication of business issues, key projects, operations or strategy
	Build each asset's links with its local community to ensure our key opinion leaders: • have a relationship of trust with the management of their local Stanwell asset • perceive the asset benefits the community
	Maintain a positive relationship with Traditional Owners
	Secure environmental approvals that align with commercial operating requirements
	Monitor and lobby for changes to the National Electricity Market that support the business' strategy

SELL OUR ENERGY FOR THE BEST RETURN

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

OPTIMISE GROSS MARGIN

INCREASE OUR TRADING REVENUE

Stanwell's trading strategy for 2015/16 was supported by the availability and reliability of our generation portfolio. This resulted in positive returns on both wholesale electricity sales and contracts for the year.

Stanwell operates its generation portfolio in line with an integrated spot and contract trading strategy. This strategy focusses on capitalising on periods of high demand to optimise business value through current and future years.

We increased our trading revenue for the year to $1,525.5 million compared with $1,118.8 million for 2014/15. The increase in trading revenue was, in part, a reflection of higher wholesale electricity prices due to increased demand from the operation of liquified natural gas plant in Central Queensland, which resulted in higher spot and contract electricity prices.

ENSURE ASSET PERFORMANCE SUPPORTS TRADING REQUIREMENTS

Ensuring our plant is available to meet trading requirements is a fundamental goal of the business. Our generation portfolio operating within the National Electricity Market achieved average availability and reliability factors of 89.1 per cent and 98.0 per cent respectively.

In 2015/16 we invested $203.3 million in capital projects at our sites to improve equipment productivity and maintain plant integrity and performance. This included more than $100 million on overhauls which are important in meeting our legislative requirements, preserving the value of our assets and ensuring we can operate safely, reliably and efficiently to meet both current and future market requirements.

This involved expenditure on an unprecedented four major overhauls, three units at Tarong and one at Stanwell Power Station, within a period of 12 months.

In response to increasing demand in the Queensland market, Stanwell successfully returned Unit 2 at Tarong Power Station to service in February 2016, with Unit 4 at Tarong returning in July 2014. This meant that all five units at the Tarong site were available for the first time since late 2012. Unit 2 and Unit 4 were placed in cold storage in response to the oversupplied electricity market and subdued wholesale electricity prices.

We increased our trading revenue to $1,525.5m in 2015/16.

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

In April 2016, Tarong North Power Station was taken offline for one of the largest outages Stanwell has undertaken. During the overhaul, we also took the opportunity to update the control system, replace the auxiliary boiler, overhaul the steam feed pump and install a new turbine rotor to restore the unit to its full capacity of 443 MW. This followed damage to the turbine in June 2014 which reduced the unit's capacity to 380 MW for the past two years. The total cost of this project was $60.0 million.

In August 2015, Stanwell Power Station's Unit 1 was taken offline for its major overhaul after a world record 1,087 days of continuous operation. In June 2016, Unit 2 was taken offline for one of the largest ever overhauls at Stanwell Power Station. The 53-day overhaul included the replacement of all the condenser tubes and a mid-life replacement of the control system. The four-year installation program for the condensers and new control systems will finish in 2018 and 2019 respectively.

Maintaining our hydro power stations in Far North Queensland remains a priority due to their flexibility in responding quickly to market volatility. Barron Gorge Hydro Power Station was closed for five weeks in August and September 2015 for a once-in-five-year cleaning and repair of its 411-metre penstock, which transports water from Kuranda Weir to the power station for electricity generation. At Kareeya Hydro Power Station, a major overhaul was undertaken on Unit 1 between August and October 2015 and a new intake building was built.

In February 2016, generation at Mica Creek Power Station (not connected to the National Electricity Market) reduced to zero for the first time in 60 years, as the site's sole customer ceased mining operations. As a result, we placed all of the power generation units in cold storage until the customer requires electricity for mining operations from mid-2017 onwards.

Due to a forecast earlier and longer summer and against a backdrop of increasing demand in the Queensland market, our summer readiness program was extended to include November 2015 and March 2016. During this period, our objective was to have all plant available to meet volatility driven by a narrowing between supply and demand and subsequent high wholesale electricity prices.

Meandu Mine delivered 4.5 million tonnes of coal to the Tarong Power Stations in 2015/16 (2014/15: 3.5 million tonnes), reflecting the return of the site's five units to full availability.

SELL OUR ENERGY FOR THE BEST RETURN (CONTINUED)

The coal stockpile at Tarong Power Station

REDUCE FUEL AND MINE COSTS

Meandu Mine's surface rights extension is a key project under the Life of Mine plan to lower fuel costs. Regulatory approval is well progressed to expand the mine's surface rights area by approximately 130 hectares. The extension area is adjacent to two current mine pits and will provide Stanwell with access to more economical fuel to sustain the operations of the Tarong Power Stations. In January 2016, Stanwell entered into an agreement with the land owner for the conversion of hoop pine plantation land into the surface rights area. Mining operations within the surface rights area are expected to commence within 12 months.

We continue to modernise our fleet at Meandu Mine with the purchase of two new open-bowl scrapers, a water truck and a new dozer. The new machinery increases the productivity of our mining operations, reducing maintenance costs and the overall cost of the coal we produce.

A trial of automated mine trucks, started at Meandu Mine in April 2013 by global engineering firm Hitachi, continued throughout the year. The three truck trial has assisted with rehabilitation work at the mine by moving almost 300,000 base cubic metres of earth. Stanwell is currently in discussions with Hitachi to potentially extend the trial for a further two years ending in 2019.

Downer Mining, which operates Meandu Mine under a mine services agreement with Stanwell, had its agreement extended for a further two years, until June 2020. The original agreement, which began in January 2013, has been highly beneficial to both Stanwell and Downer Mining through a joint delivery approach focussing on safety, financial performance and operating efficiencies.

SECURE COMMERCIAL WATER SUPPLY ARRANGEMENT

Water is a critical input for the generation of electricity and a significant cost to the business. Therefore, it is essential that we secure water at commercial rates.

The Tarong Power Stations source their 29,270 megalitre (ML) annual water allocation from Boondooma Dam, through a commercial water supply agreement with SunWater. Other statutory agreements are also in place for bulk water supply from Seqwater to the Tarong, Tarong North and Swanbank power stations up to June 2018.

As the statutory bulk water supply agreements are surplus to our requirements, Stanwell is in discussions with Seqwater to reduce the cost of the agreements to better align with our business requirements.

Long-term commercial agreements remain in place with SunWater for the supply of Stanwell and Barron Gorge Hydro power stations. Stanwell owns and operates Koombooloomba Dam which is the fuel source for Kareeya Hydro Power Station.

SEEK ALTERNATIVE OUTLETS FOR OUR ENERGY

EXPAND EXPOSURE TO DIRECT RETAIL MARKETS

Through our electricity retailing business, Stanwell Energy, we have successfully increased our retail exposure by expanding our target market to include a wider spread of commercial and industrial customers across Queensland, New South Wales, Victoria and Australian Capital Territory.

For 2015/16, retail tender responses increased by 28 per cent and the number of customer meters that we monitor increased by more than 100 per cent compared with the previous year.

DEVELOP RETAIL ALLIANCES

Stanwell's wholesale energy team engages with a variety of retailers operating in the National Electricity Market, including Stanwell Energy. We support entry into contracts with other second-tier retailers to ensure we maximise value from our generation portfolio and facilitate retail market diversity and customer choice.

EXPAND TRADED PRODUCTS INTO NEW MARKETS AND COMMODITIES

We continually work with our retail and wholesale client base in a variety of markets to offer innovative and tailored energy solutions that meet our customers' energy needs and provide an appropriate commercial return for Stanwell. Stanwell has investigated the profitability and risk profile of trading associated commodities such as coal and gas and engaged with customers for other related commodities.

LONG-TERM HEDGING CONTRACTS

Long-term contracts continue to be a target for Stanwell as they protect the value of our generation portfolio. We actively engage with large industrial customers to provide long-term and cost effective energy solutions for their operations.

ENSURE BACK OFFICE PROCESSES SUPPORT TRADING ACTIVITIES

We continue to develop and implement in-house settlement systems to support our energy trading activities in their respective markets.

In May 2016, Stanwell revised its Trading Risk Management Policy to provide better flexibility in times of market and structural change. Financial risk management models underpinning the revised policy were developed and implemented.

DIVERSIFY REVENUE

REALISE BEST VALUE FROM OUR GAS PORTFOLIO

Gas sales contributed strongly to our financial results in 2015/16. This was a result of our increased trading activity in both the Wallumbilla Hub and Brisbane Short Term Trading Market, and through bilateral gas sales agreements.

During the year, we sold more than 10 petajoules (PJ) of gas through bilateral gas sales agreements, traded approximately 630,000 terajoules of gas through the Wallumbilla Hub and sold approximately 1.6 PJ of gas transport capacity on the Roma to Brisbane pipeline.

Our partner in the Kogan North Joint Venture, Arrow Energy, successfully completed the drilling of nine new wells which are expected to be operational by the end of 2016. We invested further capital in the joint venture to maintain the gasfield production in readiness for the return to service of Swanbank E Power Station.

REALISE BEST VALUE FROM OUR COAL PORTFOLIO

Stanwell has a long-term agreement with Wesfarmers Curragh for the supply of competitively-priced coal from Curragh Mine (near Blackwater in Central Queensland) for generation at Stanwell Power Station.

The agreement includes the option to receive additional coal to be used for generation at Stanwell Power Station or to be exported.

In addition, Stanwell receives a revenue stream which is based on the total volume of coal exported from Curragh Mine. This contributed more than $61.9 million to our pre-tax profit result for 2015/16.

SIMPLIFY AND STREAMLINE OUR BUSINESS

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

DELIVER OPERATIONAL COST EFFICIENCIES

Corporate and operational reviews conducted in recent years have helped the business to continue reducing its operating, corporate and site-support costs. In light of the Shareholder Mandate received in July 2016, we will continue to seek further efficiencies from across the business over the next four years to meet the targets required by our shareholders.

IMPROVE AND SIMPLIFY BUSINESS SYSTEMS

Stanwell's relationship with UGL Limited (UGL), its sole contractor for facility management, overhaul, asset and maintenance management services at our sites, was extended for one year and now has an expiry date of 30 June 2019.

The appointment of UGL in July 2014 consolidated 80 separate existing contractors and more than 400 suppliers across the business. Over the past two years the relationship has delivered many benefits including efficiency improvements, and significant cost savings and reductions in administration. Going forward, Stanwell and UGL will be working together to deliver the next generation of improvements in safety, innovation and value for money.

We have commenced a project to upgrade the Ellipse system that supports key functions at the Tarong Power Stations and corporate offices, including finance, supply chain and asset maintenance. The upgrade is scheduled to be completed in December 2016 and will reduce support costs and risks associated with obsolete systems at those sites. Further project work is underway to implement this system across other sites.

400

suppliers across the business

have been consolidated since the appointment of UGL.

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

MAXIMISE THE VALUE OF MICA CREEK POWER STATION

We continue to explore options to maximise the value of Mica Creek Power Station in Mount Isa. In February 2016, generation at Mica Creek Power Station reduced to zero for the first time in 60 years, as the site's sole remaining customer ceased mining operations. As a result we have placed all of the power generation units in cold storage until the customer requires electricity for mining operations from mid-2017 onwards.

CONTINUE TO RATIONALISE GAS INVESTMENTS

Stanwell continues to hold and monitor its stake in two upstream gas investments.

We hold an option with Comet Ridge Mahalo Pty Ltd. This option provides Stanwell with the flexibility to either enter into a long-term gas sale agreement for up to 10 years or receive a cash consideration that represents the present value of our initial investment.

Stanwell also continues to hold a 7.66 per cent investment in Blue Energy Limited.

Tarong Power Station

SECURE OUR FUTURE

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

PROVIDE A SAFE WORKPLACE

CONTINUE TO IMPROVE OUR SAFETY PERFORMANCE, SYSTEMS AND PROCESSES

On 29 November 2015, Grahame Meyer was fatally injured in a workplace accident at Tarong North Power Station.

Stanwell and UGL have worked closely with all relevant authorities in investigating the tragedy and both companies are determined to do all they can to prevent such an accident occurring again. This incident devastated the Stanwell community. Grahame had worked for contracting companies at our Tarong site for a number of years. The safety of any person entering our sites is fundamental to meeting our core value of 'Safe' and this tragic loss has been felt deeply at the site and across our business.

Through our goal of Zero Harm Today, we have a firm belief that all injuries and occupational illnesses can be prevented. We aim to achieve this through continuous learning and improvement in our safety leadership, behaviours, systems and plant.

Our Total Recordable Injury Frequency Rate for 2015/16 of 10.11 did not meet our key performance indicator target of less than 7.67. While our achievement against this performance indicator is disappointing, it does not reflect the effort and commitment shown across the business to improve and effectively manage health and safety risks.

During the financial year and through to the end of 2016, we have had to complete an unprecedented number of major overhauls at our coal-fired stations. Four major overhauls were done in 2015/16 with two more scheduled for completion before December 2016.

Safety remains paramount and each overhaul has included a clear and direct focus on health and safety, making strategic improvements in light of lessons learned from earlier outages. In this way, we have continued to improve health and safety as each overhaul occurs.

The Tarong site recorded its safest ever overhaul result during the Unit 2 overhaul at the beginning of 2016.

The focus for many leaders and teams this year has been on improving interactions through higher trust relationships.

OBJECTIVE	WHAT WE SET OUT TO ACHIEVE	HOW WE PERFORMED
Provide a safe workplace	Continue to improve our safety performance, systems and processes	**Not achieved**
Engage and retain a high performing workforce	Improve cultural alignment to Stanwell values and objectives	**Ongoing**
	Finalise new Enterprise Agreements	**Achieved**
	Increase employee engagement in achieving business objectives	**Ongoing**
Secure ongoing support for Stanwell's operations and corporate direction	Secure shareholder and stakeholder support for our activities	**Achieved**
	Ensure Stanwell's environmental right to operate	**Achieved**
	Ensure compliance with applicable laws, regulations and company policies	**Not achieved**

During the year, we continued our focus on the risk of working while affected by alcohol or other drugs. Our prevention strategy focussed on awareness and mental health impacts. Expert speakers addressed our people, support mechanisms were reviewed and a robust testing regime was in place across our sites and offices. The strategy has delivered a 40 per cent reduction in the number of people testing confirmed positive to alcohol and other drugs from our peak result in 2014.

As part of our strategy to improve the health and wellbeing of our people, we offer comprehensive voluntary health checks to all employees across all locations. During Safe Work Month (October 2015), we also held an awareness program on health and wellbeing, highlighting aspects such as mental health, drugs, physical, financial and family life health. The sessions were well received and further sessions were subsequently held for the family and friends of our people in the regions in which we operate.

ENGAGE AND RETAIN A HIGH PERFORMING WORKFORCE

IMPROVE CULTURAL ALIGNMENT TO STANWELL VALUES AND OBJECTIVES

We continue to provide opportunities for employees to participate in training programs, delivered in-house and externally, that are tailored to the business. The focus for many leaders and teams this year has been on improving interactions through higher trust relationships. Significantly, more than 85 per cent of our leaders have participated in a Leading at the Speed of Trust program, with leaders introducing the lessons learned to their teams on team planning days.

We took a new approach to our strategy development this year, engaging a broad group of thought leaders from across Stanwell in the preparation of scenarios for Board consideration. This has resulted in greater collaboration and diversity in thinking about our strategy development.

In January 2016, we appointed nine apprentices and five trainees at Stanwell, Tarong, Barron Gorge Hydro and Kareeya Hydro power stations. This brought the total number of apprentices and trainees to 36 across the business. We also appointed two graduates in mechanical engineering and environment, taking the graduate program to five people. Our graduates are currently working across our corporate and operational sites as they build their skills and learn our business.

SECURE
OUR FUTURE (CONTINUED)

FINALISE NEW ENTERPRISE AGREEMENTS

During the year, six of our seven enterprise agreements (EAs) that were up for renegotiation were finalised and approved. This included Stanwell Power Station, Mica Creek Power Station, corporate offices, Tarong Power Station, Barron Gorge and Kareeya Hydro power stations. For the Swanbank Power Station EA, we received certification from the Fair Work Commission on 28 July 2016. The EAs, which were negotiated in line with the Government Owned Corporation Wages and Industrial Relations Policy 2015, provide certainty to our employees and the business by securing the terms of their employment.

INCREASE EMPLOYEE ENGAGEMENT IN ACHIEVING BUSINESS OBJECTIVES

In February and March 2015, we conducted an employee engagement survey to understand how engaged and motivated our employees were and where we can focus our efforts to ensure Stanwell is a place where people want to work.

In response to the survey results, we launched an employee engagement action plan to further empower our people by focussing on three key themes:

- trust and confidence in senior management;
- streamline decision making; and
- management of poor performance.

The objective of the action plan is to have our people engaged as we implement our new corporate strategy which shapes the future direction of the business.

SECURE ONGOING SUPPORT FOR STANWELL'S OPERATIONS AND CORPORATE DIRECTION

ENSURE STANWELL'S ENVIRONMENTAL RIGHT TO OPERATE

In addition to maintaining positive relationships with the communities in which we operate, Stanwell is committed to having open and transparent interactions with our regulators, including the Department of Environment and Heritage Protection, the Department of Natural Resources and Mines and the Wet Tropics Management Authority to ensure we maintain our environmental right to operate.

The Environmental Policy and Environmental Management System Manual were reviewed and updated during the year. Both these documents reflect our commitment to a full environmental compliance culture where environmental risks are managed to ensure that we continue to operate within our site approvals and other relevant environmental requirements.

At Meandu Mine this year, we successfully rehabilitated 36 hectares with native flora, which was almost double our target of 19 hectares for the year.

The control of vegetation encroaching on the corridor underneath the 22 kilovolt powerline from Koombooloomba Dam to Kareeya Hydro Power Station was reviewed. This strategy is a critical element of the hydro power station's Environmental Management Plan, with changes approved by the Wet Tropics Management Authority.

Stanwell successfully negotiated and provided input into the development of the Barron Resource Operations Plan and associated water licensing amendments. There were no material impacts on the operations of Barron Gorge Hydro Power Station as a result of these developments.

The Tarong Black Creek Dam Diversion Channel was recognised for its excellence in civil construction at the Queensland 2015 Civil Contractors Federation Earth Awards. The rainwater-diversion channel extends the life of the Tarong Power Stations' ash storage facility and significantly reduces the risk of ash storage overflow entering Meandu Creek.

Stanwell Power Station contractor Alex Finnegan

ENSURE COMPLIANCE WITH APPLICABLE LAWS, REGULATIONS AND COMPANY POLICIES

In July 2014, Stanwell identified an increase in the volume and concentration of saline and acidic water streams in the Meandu Mine drainage system. This has resulted in three releases of water within the mining area (but still contained entirely within Stanwell land) that were not compliant with the site Environmental Authority.

These breaches were reported to the Department of Environment and Heritage Protection which, after a site visit and a show-cause process, issued Stanwell with a Penalty Infringement Notice and fine of $11,385 in December 2015.

The investigation into the non-compliances has revealed that acid mine drainage, is responsible for the increase in salinity and that the issue has periodically occurred at the mine since 2005 in periods of high rainfall.

Stanwell has implemented a number of actions to manage this long-term issue in line with our environmental obligations, with this work overseen by a recently appointed project director.

During the year we identified seven environmental compliance breaches, all of which were administrative in nature and caused no environmental harm.

Stanwell immediately notified the Department of Environment and Heritage Protection about the events.

Following investigations to identify the causes of these events, we undertook a detailed review of compliance at our Meandu and Tarong sites and took a number of actions to strengthen the sites' environmental compliance systems.

CORPORATE GOVERNANCE

KEY AREAS OF FOCUS AND ACHIEVEMENT IN 2015/16

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

- the Board Charter, the Board Committee Charters, the Board Handbook and the Delegations Framework were all reviewed to ensure that Stanwell's governance arrangements remain appropriate as Stanwell's circumstances change;
- development of a Risk Appetite Statement that will protect the interests of Stanwell's stakeholders, guide strategic direction, support the achievement of business objectives and establishes an appropriate approach to, and culture of, risk management within the corporation;
- commenced the integration of the Risk Appetite Statement's guiding principles into Stanwell's Risk Management Framework;
- undertook a comprehensive review of the framework within which Stanwell manages the risks arising from its trading activities, to ensure that it is aligned to the risk appetite's guiding principles in relation to credit and market risk;
- established an executive Trading Governance Committee to have oversight of, and to ensure that Stanwell's trading strategies will achieve business objectives and that risk identification systems and management practices continue to be robust and remain appropriate;
- continued with an independent review of the daily rebids submitted by Stanwell's spot traders to ensure compliance with the National Electricity Rules;
- reviewed, tested and refreshed Stanwell's Business Resilience Framework and responses to business interruption events to ensure that Stanwell has the ability to respond, to and recover from, an event while still continuing to maintain critical business operations;
- successfully conducted a Controlled Failover Exercise for disaster recovery of critical Information and Communication Technologies (ICT). The exercise provided validation that ICT infrastructure, communications networks and business systems would continue to operate in the event of a business interruption; and
- confirmed that the strategy in relation to capital and funding remains appropriate and that financial risk activities are undertaken within an appropriate compliance framework.

APPROACH TO CORPORATE GOVERNANCE

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

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

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

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

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

PRINCIPLE 1 – FOUNDATIONS OF MANAGEMENT AND OVERSIGHT

ROLE AND FUNCTION OF THE BOARD

The Board's primary function is to ensure that Stanwell and its controlled entities have an appropriate corporate governance structure which creates and protects shareholder value. The Board derives its authority to act from Stanwell's Constitution.

The Board's responsibilities are set out in a formal Charter which the Board reviews annually.

These responsibilities include but are not limited to:

- monitor the progress of Stanwell's commitment to the elimination of work-related injuries and occupational illnesses;

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

DELEGATION OF AUTHORITY

The Constitution allows the Board to delegate any of their Directors' powers as permitted by the *Corporations Act 2001 (Cth)* and the *Government Owned Corporations Act 1993 (Qld)*, including delegation to a committee of Directors or any other person on the terms and subject to any restrictions that the Board may decide.

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

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

- decisions related to specific matters are reserved for the Board;
- certain powers and limits of authority are delegated to specified persons; and
- subject to the above, the Board delegates its power and authority to manage and supervise the management of the day-to-day operations of Stanwell to the CEO and, through the CEO, to other senior executives and employees.

The principles by which the CEO sub-delegates the power and authority vested by the Board are documented in the Stanwell CEO Manual of Authorities.

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

COMMITTEES OF THE BOARD

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

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

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

People and Safety Committee

As at 30 June 2016, the People and Safety Committee comprised the following directors:

Russell James Kempnich (Chairman)

Ralph Howard Craven

Jacqueline Elizabeth King

CORPORATE GOVERNANCE (CONTINUED)

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

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

Audit and Risk Management Committee

As at 30 June 2016, the Audit and Risk Management Committee comprised the following directors:

Karen Elisabeth Smith-Pomeroy (Chairman)

Dominic Joseph Condon

Ralph Howard Craven

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

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

EXECUTIVE REMUNERATION AND PERFORMANCE REVIEW

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

Further details about the CEO and senior executive remuneration are disclosed on pages 107 and 108.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

At 30 June 2016, the Board consisted of five 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 pages 38 to 40.

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 nine meetings between 1 July 2015 and 30 June 2016. The table on page 41 of this report details the number of Board and Board committee meetings held during the year that each director was eligible to attend and the number of meetings attended by each director.

DIRECTOR INDUCTION AND CONTINUING EDUCATION

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

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

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

DIRECTOR INDEPENDENCE

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

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

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

ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

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

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

ACCESS TO MANAGEMENT

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

BOARD EVALUATION

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

During the year, performance evaluations of the Board's committees were undertaken. The results of these evaluations were returned to the Board for discussion.

As part of the Board's commitment to continuously improving its governance practices, the last agenda item of every Board meeting is a critique of the Board's performance.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

CODE OF CONDUCT – THE WAY WE WORK AT STANWELL

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

The principles underlying Stanwell's Code of Conduct are:

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

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

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

CORPORATE GOVERNANCE (CONTINUED)

When commencing work with Stanwell and thereafter on a biennial basis, all Stanwell employees, contractors and directors are required to complete a training course that takes them through the seven principles of the Code of Conduct and a summary of their obligations under each of the policies in the Code of Conduct Policy Framework.

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

AVOIDANCE OF CONFLICTS OF INTEREST

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

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

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

TRADING IN SECURITIES

The Trading in Securities Policy deals with the manner in which Stanwell's directors and employees can trade in securities. This policy is specifically designed to raise awareness of the prohibitions on insider trading contained within the *Corporations Act 2001 (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 critical risks. It also oversees compliance with applicable laws, regulations and corporate policies.

The internal audit function is established by the Stanwell Board and its responsibilities are defined by the Audit and Risk Management Committee.

The Audit and Risk Management Committee is responsible for assessing whether the internal audit function is independent of management and is adequately resourced and funded.

The overall objective of Stanwell's internal audit function is to assist the Stanwell Board and all levels of management to discharge their responsibilities in maintaining Stanwell as a well-controlled, economic, efficient and effective corporation that complies with statutory obligations.

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

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

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

Following the conclusion of audits, the Group Manager Internal Audit prepares and issues to management a formal Internal Audit Report of findings and recommendations.

As a Government Owned Corporation, Stanwell's external audit is performed by or on behalf of the Queensland Auditor-General. The external auditor's role is to provide an independent opinion that Stanwell's financial reports are true and fair and comply with applicable regulations. The Auditor-General has unfettered access and can examine and report to Parliament on the efficiency and effectiveness of any aspect of public sector finances and administration.

Internal audit and external audit operate, perform and report as separate, independent functions

The Group Manager Internal Audit and representatives of the Auditor-General meet periodically with the Audit and Risk Management Committee without management present.

In accordance with the *Corporations Act 2001 (Cth)*, when presenting financial statements for approval, the CEO and the CFO provide a written statement to the Board to the effect that:

- the financial records of Stanwell for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001 (Cth)*; and
- Stanwell's financial statements and notes to the financial statements comply in all material respects with the Australian Accounting Standards and present a true and fair view of the company's financial position and performance.

In addition, the CEO and CFO state to the Board in writing that:

- the assurances given above and the integrity of Stanwell's financial statements are founded on a sound system of risk management, compliance and internal control which implements, in all material respects, the policies and processes adopted by the Board; and
- to the extent that they relate to financial reporting, the risk management, compliance and internal control systems are operating effectively in all material respects and that nothing has occurred since 30 June 2016 that would materially change the above statements.

As at 30 June 2016, 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.

CORPORATE GOVERNANCE (CONTINUED)

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 tabled in Parliament and 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; and
- **briefings** to **shareholding Ministers** and their **representatives** are conducted on a regular basis for the purpose of disclosing business activities and performance against agreed targets.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Risk Management originates at Board level and cascades through the corporation via policies, delegated authorities and committee structures. The Board sets the foundation for risk management via its articulated Risk Appetite Statement. It is also responsible for overseeing the establishment of systems for risk management including the key frameworks and policy components.

Stanwell's Risk Appetite Statement articulates the level of risk the Board is willing to accept in pursuit of Stanwell's strategic objectives. The Risk Appetite Statement considers the most significant risks to which Stanwell is exposed and provides guidance on the approach to managing these risks. These guiding principles are based on the key drivers of value creation and value destruction and include a mixture of both qualitative and quantitative measures.

At an aggregate level, Stanwell's risk appetite is qualitatively defined as 'conservative'. However, as the electricity market within which Stanwell operates is characterised by a propensity for high price volatility often driven by unforeseen events and external factors that drive supply/demand imbalance, it is consequentially exposed to and accepts, a higher level of risk in order to achieve its gross profit targets.

Stanwell's Trading Risk Management Policy provides the governance framework that ensures that electricity market and credit risk exposures are measured, managed and controlled within the parameters of Stanwell's risk appetite.

All breaches of Stanwell's risk appetite are reported through to the Board via the Stanwell compliance breach reporting mechanism and/or the reporting mechanisms contained within each underlying policy framework.

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

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

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

The Risk Management Framework clearly communicates and provides the necessary foundations and organisational arrangements for managing risk across the business. The Framework outlines how Stanwell ensures that it manages risk consistently within its risk appetite. It illustrates how risk management is embedded in Stanwell's organisational systems to ensure it is integrated at all levels and work contexts.

It describes the elements and processes that guide all levels of the organisation in effectively managing risk, making it part of day-to-day decision-making and business practices.

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

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

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

Stanwell's Compliance and Regulatory Management System is based upon the International Standard ISO 19600:2014 *Compliance management systems – Guidelines*. The Board approved Compliance and Regulatory Management Policy outlines Stanwell's commitment to ensuring that the organisation is able to meet all of its compliance obligations and appropriately respond to any compliance and/or regulatory issues. Any compliance issue and/or breach is recorded, monitored and escalated using a corporation-wide information technology tool, which ensures prompt attention and analysis.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

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

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

At 30 June 2016, the People and Safety Committee consisted of three 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 20 on page 109 and page 110 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 2015/16 financial year, Stanwell's shareholding Ministers did not issue any formal directions or notifications.

DIVIDEND POLICY

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

CORPORATE GOVERNANCE (CONTINUED)

On 16 May 2016, the Board of Stanwell recommended to shareholders a dividend amount equivalent to 100 per cent of Stanwell's net profit after tax adjusted for asset impairment reversals resulting from the testing of asset carrying values.

For the 2015/16 financial year, Stanwell will also pay a special dividend of $150.0 million.

OVERSEAS TRAVEL

During the 2015/16 year:

- the Tarong Power Station Asset Engineer and the Instrument Control and Technical Support Engineer attended the factory acceptance and full integration testing of the Tarong North Power Station Integrated Control and Monitoring System Migration Project at the Toshiba Fuchu Factory, Tokyo, Japan;
- the Principal Turbine Engineer and the Turbine Asset Engineer travelled to Tokyo, Japan to meet various Toshiba design engineers to discuss issues in relation to the remaining life of the Toshiba supplied equipment at the Tarong North Power Station;
- the Plant Engineer Power Systems travelled to Shanghai, China to conduct a quality inspection of the new generator and transformer protection system equipment for Stanwell Power Station;
- the CFO and the General Manager Corporate Services travelled to London, United Kingdom to present to London based insurers offering Industrial and Special Risk insurance cover; and
- the CFO travelled to Boston, United States of America, to attend the Harvard Business School's High Potential Leadership Program.

CORPORATE ENTERTAINMENT AND HOSPITALITY (INDIVIDUAL EVENTS OVER $5,000)

Event	Date	Cost ($)
Energy Trading and Commercial Strategy Bowls Day – Industry charity fundraising event.	26 November 2016	5,053

FINANCIAL RESULTS

STANWELL CORPORATION LIMITED ABN 37 078 848 674 ▪ 30 JUNE 2016

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

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

Its registered office is:

Stanwell Corporation Limited
42 Albert Street
Brisbane QLD 4000

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

The financial statements were authorised for issue by the directors on 30 August 2016. The directors have the power to amend and reissue the financial statements.

Stanwell Corporation Limited
DIRECTORS' REPORT
2016

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 2016 financial year.

PRINCIPAL ACTIVITIES

The Group's principal activity during the 2016 financial year was the operation of a diversified energy portfolio which included:

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

FINANCIAL RESULTS

	2016 $'000	2015 $'000
Profit before income tax	**243,204**	365,233
Profit after income tax	**170,235**	254,936
Profit attributable to members of the Group	**170,235**	254,936

DIVIDENDS – STANWELL CORPORATION LIMITED

The directors recommend that a dividend of $311,629,000 be paid in respect of the 2016 financial year (2015: $89,930,000).

REVIEW OF OPERATIONS

Safety

Safety is a core value and the focus this year is on our commitment to achieving and sustaining Zero Harm Today. Tragically, on 29 November 2015, a worker was fatally injured in an incident at Tarong North Power Station. The Group provided assistance to the relevant authorities who investigated the incident. The Group has finalised its internal investigation and the recommendations from that investigation are being implemented.

In support of Stanwell's commitment to Zero Harm Today, a number of initiatives were implemented during the reporting period including an awareness program on the impacts of alcohol and other drugs in the workplace, strengthening the Group's safety leadership skills and investing in improvements to the physical work environment and systems.

While these initiatives achieved tangible results, the Total Recordable Injury Frequency Rate, which reflects the proportion of lost time and medical treatment injuries sustained at our operating sites and corporate offices against total hours worked, deteriorated over the course of the reporting period. This result does not reflect the significant effort and commitment shown across the Group's operating sites to improve and effectively manage health and safety risks.

Strategy

With changing demand patterns, growth of the liquefied natural gas industry (LNG) and continued development of the renewable energy industry, the Australian electricity market is undergoing a period of unprecedented change.

The challenge for State and Federal Governments and for the energy sector is to ensure that the transition process to lower emission technologies occurs in an economically viable way that allows Australian consumers to continue to have access to an efficient, affordable and reliable supply of electricity.

The Queensland Government expects the Group to operate its assets efficiently and effectively to maximise value and to deliver stable and appropriate cash returns which will contribute to the reduction in Government debt.

Central to achieving this will be the Group's ability to evolve its business while continuing to derive value from its existing revenue streams. Accordingly, the Group's strategy seeks to balance the energy market objectives of reliability, sustainability and affordability while responding to rapidly changing electricity market dynamics. The strategy seeks to achieve this by:

- responding proactively to consumer demand for energy products;
- maximising the flexibility and competitiveness of the Group's existing portfolio of assets; and
- participating in the renewable energy market where there is a commercial benefit to do so.

The Group will continue to focus on achieving operational efficiencies, improving safety and simplifying business systems to help enable the implementation of its strategy.

Market

The Group delivered a strong Net Profit after Tax result (excluding impairment reversal) of $161.6 million, more than a 28 per cent increase compared with the 2014/15 result of $125.9 million. Including a special dividend of $150.0 million, the Group will provide total dividends of $311.6 million to the Queensland Government.

On 1 February 2016, a new 30-minute record was achieved when electricity demand peaked at 9,097 megawatts. The LNG industry has been the major driver behind the increase in average daily demand in Queensland which averaged 6,174 megawatts in 2015/16 compared with 5,920 megawatts in 2014/15.

The rising demand resulted in an average Queensland wholesale electricity price of $59.99 per megawatt hour, compared with $52.52 per megawatt hour in 2014/15.

The increase in demand was a factor in the Group's decision to have the Tarong power stations' five units available after placing two units in cold storage in 2012. Increased electricity demand is forecast to continue until the LNG industry reaches full production and then this demand is expected to level out.

The Group's priority over the next three to five years is to capitalise on any opportunities that occur in the wholesale electricity market as a result of the tightening between electricity supply and demand.

Operations

Against a back drop of increasing demand in the Queensland market, the Group has focused on ensuring the maximum availability to generate during high demand periods. As a result, during the peak summer demand period, the Group recorded availability and reliability factors of 90 per cent and 98 per cent respectively.

During the reporting period, the Group invested $203.3 million to maintain plant integrity and performance. This included capital expenditure of more than $100 million on power station unit overhauls, including the successful return to service of Tarong Power Station Unit 2 after three and a half years in cold storage.

During the mid-life overhaul of Tarong North Power Station, the control system was upgraded and a new rotor and turbine were installed to restore the unit to its full capacity of 443 megawatts.

In August 2015, Stanwell Power Station's Unit 1 was taken off-line for a major overhaul (including replacing condenser tubing) after a world record 1,087 days of continuous operation. In June 2016, the Group commenced the overhaul of Stanwell Power Station Unit 2. During this outage, the condenser tubes were replaced and the control system was upgraded. These components will also be progressively upgraded on the remaining Stanwell Power Station units during their next scheduled major overhaul.

Kareeya Hydro Power Station's Unit 1 underwent a major overhaul and Barron Gorge Hydro Power Station was taken off-line for five weeks to allow the cleaning and repair of the 411 metre penstock (which transports water from Kuranda Weir to the power station for electricity generation).

Meandu Mine's surface rights extension is a key project that will secure continued access to sufficient economic coal for the Tarong Power Stations. The extension area of 130 hectares is adjacent to two current mine pits. Regulatory approvals are progressing and mining operations are expected to commence in the extension area within 12 months.

The Group exercised an option to extend the Meandu Mine Mining Services agreement with Downer Mining for two years with a nominal expiry of 2020. The contract extension has achieved a reduction in contract administration costs and supports a longer-term focus on improving mine planning, equipment utilisation, safety and environmental performance. All units at the Group's Mica Creek Power Station in Mount Isa have been placed into cold storage until the site's sole customer requires electricity for mining operations from 2017 onwards. The Group is continuing to explore options to maximise the value of this asset.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the 2016 financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has been no matter or circumstance which has arisen since 30 June 2016 that has significantly affected, or may significantly affect:

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

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

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

ENVIRONMENTAL REGULATION

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

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

During the reporting period, the Group reported seven environmental compliance breaches to the regulator. These were the result of a failure to report and monitor against environmental obligations across Stanwell's sites. No environmental harm was caused by these reporting breaches.

During the 2015 reporting period, there was an increase in the volume and concentration of saline and acidic water streams in Meandu Mine's drainage system. This caused releases of water from within the mining area that exceeded the electrical conductivity limit specified in Meandu Mine's Environmental Authority. These exceedances were reported to the regulator which issued the Group with a Penalty Infringement Notice and a fine of $11,385 in December 2015. The non-compliant water releases caused no environmental harm as they were contained entirely within the Tarong site. There were no reportable releases of high conductivity water during the 2016 reporting period.

Discussions and meetings have occurred with the Regulator on the Group's short and long-term actions to manage the acid, saline and metalliferous drainage across the Tarong and Meandu sites. As provided in the *Environmental Protection Act 1994*, the regulator has requested that the Group prepare an Environmental Evaluation with the primary focus of determining the source and extent of the acid mine drainage at Meandu Mine and the potential for environmental harm.

Carbon Emissions Reporting and Expenditure

The Group is subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007 (NGER Act)*. The *NGER Act* requires the Group to report its annual greenhouse gas emissions and energy production and use. The Group began reporting under the *NGER Act* during the 2009 financial year and is now in its seventh reporting year. The Group has implemented systems and processes for the collection and calculation of the data required and submits annual reports to the Clean Energy Regulator.

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:

- Dominic Condon; and
- Russell Kempnich

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

- Dr Ralph Craven was non-executive Chairman and director for the period 1 October 2015 and up to the date of this report;
- Jacqueline King was a non-executive director for the period 1 October 2015 and up to the date of this report;
- Karen Smith-Pomeroy was a non-executive director for the period 1 October 2015 and up to the date of this report;
- Shane Charles was Chairman and non-executive director for the period 1 July 2015 to 30 September 2015; and
- Paul Breslin was a non-executive director for the period 1 July 2015 to 30 September 2015.

INFORMATION ON DIRECTORS

Dr Ralph Howard Craven
BE PhD, FIEAust, FIPENZ, FAICD,
Chairman and independent non-executive Director.

Dr Craven was appointed Chairman and non-executive director of Stanwell on 1 October 2015 and is a member of the Audit and Risk Management Committee and People and Safety Committee.

Dr Craven has broad experience in energy, resources, infrastructure and agribusiness, having worked in these sectors for more than 35 years. His professional background encompasses electricity and gas businesses, mining, commodities trading, the management of large scale system operations at the national level and the delivery of major infrastructure projects.

Dr Craven is currently a non-executive director and Chairman of Genex Power Limited and a non-executive director of Senex Energy Limited and AusNet Services Limited. Some of his previous roles include being a non-executive director and Chairman of Invion Limited and Ergon Energy Corporation Limited, non-executive Deputy Chairman of Arrow Energy Limited, non-executive director of Mitchell Services Limited and a non-executive director on the Council Board of the International Electrotechnical Commission.

Dr Craven has international experience from roles in Switzerland, Canada and as Chief Executive Officer of Transpower New Zealand Limited. Other senior executive roles include being General Manager of Shell Coal Pty Ltd and Executive Director of NRG Asia Pacific Limited.

Dominic Joseph Condon
B.Com, B.Econ, GAICD,
independent non-executive Director.

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

Mr Condon is managing director and founding partner of Chase Commercial, a commercial real estate agency specialising in industrial, commercial and retail property in the wider South East Queensland market.

Prior to entering the commercial property market more than 12 years ago, Mr Condon worked as an accountant in Brisbane.

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

Russell James Kempnich
BEng (Mech), MAICD,
independent non-executive Director.

Mr Kempnich was appointed a non-executive director of Stanwell 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 gained both in Australia and internationally.

Mr Kempnich was a founding partner, past Managing Director, non-executive Chairman and non-executive director of the former Australian Stock Exchange listed Sedgman Limited.

Jacqueline Elizabeth King
MBA, WHS, TDD, GAICD,
independent non-executive Director.

Ms King was appointed a non-executive director of Stanwell on 1 October 2015 and is a member of the People and Safety Committee.

Ms King has an extensive background in industrial relations, work health and safety, and skills and training at senior levels working in industry, government and peak councils. She is a Graduate Member of the Australian Institute of Company Directors and is currently studying her Bachelor of Laws (Honours) at Queensland University of Technology.

Ms King provides consultancy services to Future Skills, an industry training company specialising in the delivery of post trade electrical and health and safety training in the energy and construction industries in Queensland and Northern Territory. She is also a consultant to Future Skills International, which is contracted by the Commonwealth Government to provide skills assessments for overseas qualified electrical workers seeking to migrate to Australia for visa and licensing purposes. Ms King was the founding Chief Executive Officer of both organisations before stepping down from her role in 2015. Ms King has previously held the position of Assistant Director of the Australian Council of Trade Unions' Education and Campaign Centre, Senior Industrial Officer of the Australian Council of Trade Unions, and senior roles in the Queensland Government including Senior Policy Advisor to the Minister for Employment, Training and Industrial Relations and Chief of Staff to the Minister for Industrial Relations.

Karen Elisabeth Smith-Pomeroy
FIPA, FFin, GIA(Cert), GAICD,
independent non-executive Director.

Ms Smith-Pomeroy was appointed a non-executive director of Stanwell on 1 October 2015 and is Chairman of the Audit and Risk Committee.

Ms Smith-Pomeroy has more than 30 years' experience in the financial services sector, and was most recently a senior executive with Suncorp Group, including a period as Chief Risk Officer of Suncorp Bank. She has a specialty in risk and governance and a detailed understanding of a number of industry sectors.

Ms Smith-Pomeroy is currently a member of Queensland Treasury Corporation Capital Markets Board, and a non-executive director of InFocus Wealth Management and National Affordable Housing Consortium Limited. In addition, she is a Queensland Advisory board member of Australian Super and an audit committee member of Queensland Department of Infrastructure, Local Government and Planning.

Ms Smith-Pomeroy is a former director of Tarong Energy Corporation Limited and CS Energy Limited.

Shane Paul Charles
LLB,
Chairman and independent non-executive director.

Mr Charles was appointed Chairman and non-executive director of Stanwell on 11 December 2014. He was a member of the Audit and Risk Management Committee and People and Safety Committee. Mr Charles resigned from the role of Chairman and non-executive director on 30 September 2015.

Paul Breslin
BSc (Hons), BEcon
independent non-executive Director.

Mr Breslin was appointed a non-executive director of Stanwell on 5 July 2012 and was Chairman of the Audit and Risk Management Committee. The term of Mr Breslin's appointment as a director expired on 30 September 2015.

INFORMATION ON OFFICERS

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

Mr Van Breda was appointed Chief Executive Officer in July 2012.

Mr Van Breda has been involved in the energy industry since 2001. He originally joined Stanwell in 2002 and was appointed Chief Financial Officer in 2005. He 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 Chief Financial Officer at Stanwell.

Mr Van Breda is a non-executive Director of the Competitive Energy Association Limited.

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

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

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

Ian James Gilbar
BEng (Electrical),
Acting Executive General Manager Safety and Asset Services.

As Acting Executive General Manager Safety and Asset Services, Mr Gilbar is responsible for managing the organisation's health, safety and environment, asset management, engineering services, and asset project delivery and governance.

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

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

Before commencing with Stanwell in July 2011, Ms Gregg worked with Tarong Energy Corporation Limited in the role of General Manager People and Communication. Through her diverse career, Ms Gregg has gained experience in the utilities, human services and health sectors in broader leadership roles and within the human resources field.

Ms Gregg was appointed to her current role of Executive General Manager Business Services in September 2012. Her current responsibilities include community and stakeholder engagement, information and business systems, human resource management and organisational development.

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

Mr O'Rourke joined Stanwell 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.

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

As Stanwell's 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.

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

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

Mr Quilter was appointed Executive General Manager Energy Trading and Commercial Strategy in July 2016. Mr Quilter was Acting Executive General Manager Energy Trading and Commercial Strategy during the year ended 30 June 2016. In this role, he is responsible for the trading of Stanwell's generation in the National Electricity Market. He also oversees the development of commercial strategies targeted at diversifying revenue streams and creating value from Stanwell's various fuel resources.

COMPANY SECRETARY

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

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

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

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

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of directors and of each Board committee held during the 2016 financial year, and the numbers of meetings attended by each director were:

			Meetings of Board committees			
	Board meetings of directors		People and Safety Committee		Audit and Risk Management Committee	
	A	B	A	B	A	B
Dr Ralph Craven	7	7	2	2	3	3
Dominic Condon	9	9			4	4
Russell James Kempnich	9	6	3	3		
Jacqueline King	7	7	2	2		
Karen Smith-Pomeroy	7	7			3	3
Shane Charles	2	2	1	1	1	1
Paul Breslin	2	2			1	1

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

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

In accordance with the standard form Deed of Access, Insurance and Indemnity referred to above, the Group has, during the 2015 financial year, paid an insurance premium in respect of the directors and executive officers of the Group. In accordance with normal commercial practice, the insurance contract prohibits disclosure of the nature or the liability covered by, or the amount payable under, the contract of insurance.

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

AUDITOR'S INDEPENDENCE DECLARATION

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

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Instrument 2016/191, 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 Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Dr Ralph Craven
Non-executive Chairman

Karen Smith-Pomeroy
Non-executive Director

30 August 2016
Brisbane

Stanwell Corporation Limited

AUDITOR'S INDEPENDENCE DECLARATION

2016

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 2016, 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.

~ George

QUEENSLAND
30 AUG 2016
AUDIT OFFICE

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

Queensland Audit Office
Brisbane

Stanwell Corporation Limited

STATEMENTS OF COMPREHENSIVE INCOME 2016

	Notes	Consolidated entity 2016 $'000	Consolidated entity 2015 $'000	Parent entity 2016 $'000	Parent entity 2015 $'000
Revenue from continuing operations	2	1,980,945	1,460,174	1,825,052	1,310,478
Other income	3	30,277	66,400	25,783	66,385
Impairment reversal	9	12,295	184,269	-	184,269
Raw materials and consumables used		(963,074)	(559,519)	(956,888)	(554,534)
Fuel costs		(338,538)	(349,163)	(324,218)	(286,267)
Depreciation and amortisation expense	9, 10, 11	(191,305)	(183,357)	(134,034)	(126,990)
Employee benefits expense		(99,201)	(107,916)	(92,977)	(100,945)
Other expenses		(83,843)	(79,345)	(73,550)	(70,066)
Finance costs	3	(81,524)	(77,131)	(70,263)	(68,119)
Non hedge accounted change in fair value of derivative instruments	7	(15,767)	(32,891)	(15,767)	(32,891)
Changes in inventories of finished goods and work in progress		(7,061)	43,712	-	-
Profit before income tax		243,204	365,233	183,138	321,320
Income tax expense equivalent	18	(72,969)	(110,297)	(54,949)	(97,123)
Profit for the year		170,235	254,936	128,189	224,197
Other comprehensive (loss)					
Items that may be reclassified to profit or loss					
Changes in the fair value of cash flow hedges		(189,753)	(40,229)	(189,753)	(40,229)
Income tax relating to these items	18	56,926	12,069	56,926	12,069
Items that will not be reclassified to profit or loss					
Actuarial gains on retirement benefit obligation	12	(10,575)	15,735	(10,575)	15,735
Income tax relating to these items	18	3,173	(4,721)	3,173	(4,721)
Other items					
Other		-	-	-	2
Other comprehensive (loss) for the year, net of tax		(140,229)	(17,146)	(140,229)	(17,144)
Total comprehensive income/(loss) for the year		30,006	237,790	(12,040)	207,053
Profit is attributable to:					
Owners of Stanwell Corporation Limited		170,235	254,936	128,189	224,197
Total comprehensive income / (loss) is attributable to:					
Owners of Stanwell Corporation Limited		30,006	237,790	(12,040)	207,053
Total comprehensive income / (loss) attributable to owners of Stanwell Corporation Limited arises from:					
Continuing operations		30,006	237,790	(12,040)	207,053

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

BALANCE SHEETS
2016

	Notes	Consolidated entity 2016 $'000	Consolidated entity 2015 $'000	Parent entity 2016 $'000	Parent entity 2015 $'000
ASSETS					
Current assets					
Cash and cash equivalents	4	217,926	184,895	217,268	184,189
Trade and other receivables	5	229,156	134,905	225,059	131,766
Inventories	6	173,790	214,639	159,488	188,366
Other current assets	13	281,237	185,533	167,341	75,862
Derivative financial instruments	7	106,186	75,325	106,186	75,325
Total current assets		1,008,295	795,297	875,342	655,508
Non-current assets					
Loans to subsidiaries		-	-	662,404	677,816
Derivative financial instruments	7	48,715	32,924	48,715	32,924
Available-for-sale assets	8	21,922	16,922	21,922	16,922
Property, plant and equipment	9	2,327,164	2,364,382	1,690,066	1,771,884
Intangible assets	10	97,864	92,046	22,522	16,767
Exploration and evaluation	11	12,864	12,908	-	44
Retirement benefit surplus	12	11,255	22,520	11,255	22,520
Other non-current assets	13	16,583	24,445	1,356	3,171
Total non-current assets		2,536,367	2,566,147	2,458,240	2,542,048
Total assets		3,544,662	3,361,444	3,333,582	3,197,556
LIABILITIES					
Current liabilities					
Trade and other payables	14	215,143	142,692	169,009	109,323
Current finance lease liabilities	15	25,918	10,553	-	-
Derivative financial instruments	7	287,373	119,185	287,373	119,185
Current tax liabilities		47,662	-	47,662	-
Provisions	16	338,190	124,001	331,195	116,538
Other current liabilities		3,247	7,752	3,247	7,752
Total current liabilities		917,533	404,183	838,486	352,798
Non-current liabilities					
Finance lease liabilities	15	4,401	30,328	-	-
Borrowings	17	822,287	772,210	822,287	772,210
Derivative financial instruments	7	115,462	37,937	115,462	37,937
Deferred tax liabilities	18	257,244	328,067	191,074	274,695
Provisions	16	251,053	330,418	106,241	176,215
Total non-current liabilities		1,450,447	1,498,960	1,235,064	1,261,057
Total liabilities		2,367,980	1,903,143	2,073,550	1,613,855
Net assets		1,176,682	1,458,301	1,260,032	1,583,701

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

BALANCE SHEETS (CONTINUED)
2016

	Notes	Consolidated entity 2016 $'000	Consolidated entity 2015 $'000	Parent entity 2016 $'000	Parent entity 2015 $'000
EQUITY					
Contributed equity		1,214,693	1,214,693	1,214,692	1,214,692
Reserves	19	(131,387)	1,440	(131,387)	1,440
Retained earnings		93,376	242,168	176,727	367,569
Capital and reserves attributable to owners of Stanwell Corporation Limited		1,176,682	1,458,301	1,260,032	1,583,701
Total equity		1,176,682	1,458,301	1,260,032	1,583,701

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

Stanwell Corporation Limited

STATEMENTS OF CHANGES IN EQUITY 2016

Consolidated entity	Notes	Attributable to owners of Stanwell Corporation Limited Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2014		1,214,693	29,600	66,144	1,310,437
Profit for the year		-	-	254,936	254,936
Net change in fair value of cash flow hedges transferred to profit and loss	19	-	124,484	-	124,484
Effective portion of changes in fair value of cash flow hedges	19	-	(163,951)	-	(163,951)
Net change in fair value of cash flow hedges transferred to property, plant and equipment	19	-	(762)	-	(762)
Actuarial gains on defined benefit plan	12	-	-	15,735	15,735
Income tax equivalent relating to components of other comprehensive income	18, 19	-	12,069	(4,721)	7,348
Other		-	-	4	4
Total comprehensive income for the year		**-**	**(28,160)**	**265,954**	**237,794**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid		-	-	(89,930)	(89,930)
Balance at 30 June 2015		**1,214,693**	**1,440**	**242,168**	**1,458,301**
Balance at 1 July 2015		1,214,693	1,440	242,168	1,458,301
Profit for the year		-	-	170,235	170,235
Net change in fair value of cash flow hedges transferred to profit and loss	19	-	128,354	-	128,354
Effective portion of changes in fair value of cash flow hedges	19	-	(317,416)	-	(317,416)
Net change in fair value of cash flow hedges transferred to property, plant and equipment	19	-	(691)	-	(691)
Actuarial gains on defined benefit plan	12	-	-	(10,575)	(10,575)
Income tax equivalent relating to components of other comprehensive income	18, 19	-	56,926	3,173	60,099
Other		-	-	4	4
Total comprehensive income for the year		**-**	**(132,827)**	**162,837**	**30,010**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid		-	-	(311,629)	(311,629)
Balance at 30 June 2016		**1,214,693**	**(131,387)**	**93,376**	**1,176,682**

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

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
2016

Parent entity	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2014		1,214,693	29,600	222,285	1,466,578
Profit for the year		-	-	224,197	224,197
Net change in fair value of cash flow hedges transferred to profit and loss	19	-	124,484	-	124,484
Effective portion of changes in fair value of cash flow hedges	19	-	(163,951)	-	(163,951)
Net change in fair value of cash flow hedges transferred to property, plant and equipment	19	-	(762)	-	(762)
Actuarial gains on defined benefit plan	12	-	-	15,735	15,735
Income tax equivalent relating to components of other comprehensive income	19	-	12,069	(4,721)	7,348
Other		(1)	-	3	2
Total comprehensive income for the year		**(1)**	**(28,160)**	**235,214**	**207,053**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid		-	-	(89,930)	(89,930)
Balance at 30 June 2015		**1,214,692**	**1,440**	**367,569**	**1,583,701**
Balance at 1 July 2015		1,214,692	1,440	367,569	1,583,701
Profit for the year		-	-	128,189	128,189
Net change in fair value of cash flow hedges transferred to profit and loss	19	-	128,354	-	128,354
Effective portion of changes in fair value of cash flow hedges	19	-	(317,416)	-	(317,416)
Net change in fair value of cash flow hedges transferred to property, plant and equipment	19	-	(691)	-	(691)
Actuarial gains on defined benefit plan	12	-	-	(10,575)	(10,575)
Income tax equivalent relating to components of other comprehensive income	19	-	56,926	3,173	60,099
Total comprehensive income for the year		**-**	**(132,827)**	**120,787**	**(12,040)**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid		-	-	(311,629)	(311,629)
Balance at 30 June 2016		**1,214,692**	**(131,387)**	**176,727**	**1,260,032**

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

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
2016

	Notes	Consolidated entity and Parent entity		Consolidated entity and Parent entity	
		2016	2015	2016	2015
		Shares	Shares	$'000	$'000
Ordinary shares					
Ordinary voting (A class), fully paid		4	4	-	-
Ordinary non-voting (B class), fully paid		924,568,658	924,568,658	1,214,693	1,214,693
Total Consolidated and Parent entity contributed equity		924,568,662	924,568,662	1,214,693	1,214,693

Ordinary shares

The Company is wholly owned by the State of Queensland.

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

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

Dividends

	Consolidated entity and Parent entity	
	2016	2015
	$'000	$'000
Final dividend for the year ended 30 June 2016 of 17.5 cents (2015: 9.7 cents) per fully paid share		
Final dividend declared	161,629	89,930
Special dividend for the year ended 30 June 2016 of 16.2 cents (2015: Nil) per fully paid share		
Special dividend	150,000	-

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

STATEMENTS OF CASH FLOWS
2016

	Notes	Consolidated entity 2016 $'000	Consolidated entity 2015 $'000	Parent entity 2016 $'000	Parent entity 2015 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		1,975,393	1,489,764	1,824,875	1,320,458
Payments to suppliers and employees (inclusive of goods and services tax)		(1,592,155)	(1,264,043)	(1,554,296)	(1,216,979)
Interest paid		(67,622)	(58,416)	(65,686)	(56,147)
Income tax equivalents (paid)/received		(34,330)	(58,976)	(34,330)	(56,813)
Interest received		4,872	5,566	4,872	5,566
Net cash inflow (outflow) from operating activities		286,158	113,895	175,435	(3,915)
Cash flows from investing activities					
Payments for property, plant and equipment		(207,952)	(187,433)	(112,277)	(88,995)
Loans to related parties		-	-	15,412	18,435
Proceeds from sale of property, plant and equipment		7,233	7,690	6,820	8,673
Payments for intangible assets		(12,555)	(14,088)	(12,458)	(14,088)
Net cash (outflow) from investing activities		(213,274)	(193,831)	(102,503)	(75,975)
Cash flows from financing activities					
Proceeds from borrowings		50,077	250,930	50,077	250,929
Dividends paid		(89,930)	(96,504)	(89,930)	(96,504)
Net cash (outflow) inflow from financing activities		(39,853)	154,426	(39,853)	154,425
Net increase in cash and cash equivalents		33,031	74,490	33,079	74,535
Cash and cash equivalents at the beginning of the financial year		184,895	110,405	184,189	109,654
Cash and cash equivalents at end of year	4	217,926	184,895	217,268	184,189

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

STATEMENTS OF CASH FLOWS (CONTINUED)
2016

Reconciliation of profit after income tax to net cash inflow/(outflow) from operating activities

	Consolidated entity		Parent entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Profit for the year	170,235	254,936	128,189	224,197
Add items classified as investing/financing activities:				
Net gain on disposal of property, plant and equipment	(4,647)	(5,261)	(4,643)	(5,259)
Add non-cash items:				
Depreciation and amortisation expense	191,305	183,357	134,034	126,990
Impairment gain	(12,295)	(184,269)	-	(184,269)
Non-cash retirement benefits expense	690	1,822	690	1,822
Unwinding of discount on provision	19,475	17,490	10,151	10,747
Non-cash rehabilitation provision	(20,397)	(45,655)	(18,652)	(54,906)
Stock obsolescence provision	7,984	(39)	10,208	(39)
Net gain on sale of available-for-sale assets	(5,000)	(5,554)	(5,000)	(5,554)
Share of profits of associates and joint venture partnership	44	8,037	44	8,037
Fair value losses on financial assets at fair value through profit or loss	9,309	32,389	9,308	32,389
Non-cash other provision	3,310	502	3,933	(120)
Change in operating assets and liabilities:				
(Increase)/decrease in trade and other receivables	(94,361)	12,590	(93,404)	7,310
Decrease/(increase) in inventories	32,865	(54,410)	18,670	(58,872)
Decrease in other current assets	6,092	8,785	4,270	6,335
Increase/(decrease) in trade and other payables	61,926	(5,585)	919	2,260
Decrease in other non-current liabilities	(25,927)	(6,145)	-	(6,145)
Increase/(decrease) in current tax liabilities	47,662	(28,476)	47,662	(28,476)
(Decrease)/increase in deferred tax liabilities	(70,823)	74,149	(83,621)	63,134
Decrease in provisions	(6,146)	(86,450)	-	(85,564)
Increase in current financial assets	(97,341)	(53,032)	(97,341)	(53,032)
Decrease/(increase) in current tax receivable	1,701	(1,701)	1,701	(1,701)
Decrease/(increase) in other non-current assets	1,815	(1,301)	1,815	(1,301)
Increase/(decrease) in other current liabilities	10,860	(78)	55,180	(2,450)
Deferred tax reserves movement	60,099	7,349	60,099	7,353
Decrease in Rehabilitation provisions	(2,277)	(9,555)	(8,777)	(6,801)
Net cash inflow/(outflow) from operating activities	286,158	113,895	175,435	(3,915)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

(i) Going concern

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

(ii) Date of issue

The consolidated financial statements were authorised for issue by the Board of Directors on 30 August 2016.

(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.

(b) Foreign currency translation

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

(c) 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 sheet.

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

(d) Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, 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 Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CORPORATE STRUCTURE

(a) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Stanwell Corporation Limited ('Company' or 'Parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

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

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

(b) 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*.

(c) Subsidiaries and transactions with non-controlling interests

Name of entity	Country of incorporation	Class of shares	Equity holding (%) 2016	Equity holding (%) 2015
Mica Creek Pty Ltd*	Australia	Ordinary	100	100
SCL North West Pty Ltd*	Australia	Ordinary	100	100
Energy Portfolio 1 Pty Ltd	Australia	Ordinary	100	100
Glen Wilga Coal Pty Ltd	Australia	Ordinary	100	100
Goondi Energy Pty Ltd	Australia	Ordinary	100	100
Tarong Energy Corporation Pty Ltd	Australia	Ordinary	100	100
Tarong Fuel Pty Ltd*	Australia	Ordinary	100	100
Tarong North Pty Ltd	Australia	Ordinary	100	100
TEC Coal Pty Ltd*	Australia	Ordinary	100	100
TN Power Pty Ltd*	Australia	Ordinary	100	100

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CORPORATE STRUCTURE (CONTINUED)

(d) Deed of cross guarantee

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

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

The companies listed in (c) 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'.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for the 30 June 2016 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards, amendments and interpretations is set out below.

AASB 9 Financial Instruments (AASB 2009-11 and AASB 2010-7)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not mandatory until annual reporting periods beginning on or after 1 January 2018 but is available for early adoption. The Group has decided not to early adopt this standard.

When adopted, the standard will affect in particular the Group accounting for its available-for-sale assets and financial instruments subject to mark-to-market adjustments. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available for-sale debt investments will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group did not recognise any such gains in other comprehensive income. The derecognition rules have been transferred from AASB 139 *Financial Instruments*: *Recognition and Measurement* and have not been changed.

AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* is the new comprehensive standard for revenue recognition, replacing AASB 111 *Construction Contracts*, AASB 118 *Revenue* and AASB 1004 *Contributions*, and is applicable for annual reporting periods beginning on or after 1 January 2018.

The new standard's core principle requires entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. A key difference between the new standard and the previous standard is the principle that revenue is recognised when control of a good or service transfers to the customer, superseding recognition based on the transfer of the risks and rewards of ownership. This change in definition appears unlikely to impact the Group.

A full review of the impact to the group will be conducted before commencement of the 2018/19 financial year.

AASB 16 Leases

AASB 16 *Leases* is applicable for annual reporting periods beginning on or after 1 January 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

AASB 16 Leases (continued)

Early adoption is allowed if the new revenue standard has also been applied. Given pre-existing leases are not grandfathered under the new standard, all leases will need to be reassessed when the new standard is adopted.

The main impact on lessees is that almost all leases will now need to be recognised on the balance sheet. This is because the balance sheet distinction between operating and finance leases is removed for lessees. Instead, under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exemptions are short-term and low-value leases.

Stanwell currently recognises high value leases for mining equipment on the balance sheet as finance leases. The material operating leases that are not represented on the balance sheet relate to tenancy leases for the Brisbane and Rockhampton offices.

A full review of the impact to the group will be conducted before commencement of the 2018/19 financial year.

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

OTHER ACCOUNTING POLICIES

Significant and other accounting policies that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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. Judgements and estimates that are material to the financial statements are provided throughout the notes to the financial statements.

1 FINANCIAL RISK MANAGEMENT

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

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

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

	Consolidated entity		Parent entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Financial assets				
Cash and cash equivalents	217,926	184,895	217,268	184,189
Trade and other receivables	229,156	134,905	887,463	809,582
Cash collateral	158,678	61,337	158,678	61,337
Derivative financial instruments	154,901	108,249	154,901	108,249
Available-for-sale assets	21,922	16,922	21,922	16,922
	782,583	506,308	1,440,232	1,180,279
Financial liabilities				
Trade and other payables	215,143	142,692	169,009	109,323
Finance lease liabilities	30,319	40,881	-	-
Borrowings	822,287	772,210	822,287	772,210
Derivative financial instruments	402,835	157,122	402,835	157,122
Security deposits	8	1,513	8	1,513
	1,470,592	1,114,418	1,394,139	1,040,168

(a) Market risk

(i) Foreign exchange risk

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

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

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

1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Consolidated entity and Parent entity	2016 AUD $'000	2015 AUD $'000
Currency derivatives designated as cash flow hedges		
- sell USD	-	(4,113)
- buy USD	615	-
- buy EUR	(297)	(193)
- buy JPY	162	(45)
	480	(4,351)
Currency derivatives held for trading *		
- buy EUR	(1)	-
- sell USD	(2,228)	12
	(2,229)	12

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

(ii) Commodity price risk

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

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

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

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

(iii) Sensitivity analysis

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

1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(iii) Sensitivity analysis (continued)

The sensitivity in the mark-to-market of the electricity derivative portfolio at balance date was investigated by observing the price relative impact of annualised volatility in the forward curve over a selected period under observable market conditions. The analysis assumes upward and downward movements of currencies of 20% (2015: 20%), upward and downward movements of commodity prices of 15% (2015: 15%) and upward and downward movements of interest rates of 100 basis points (2015: 100 basis points), 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.

		Sensitivity to -20% (2015: -20%)		Sensitivity to +20% (2015: +20%)	
	Carrying amount $'000	Profit $'000	Other equity $'000	Profit $'000	Other equity $'000
Foreign exchange risk					
JPY					
2016	**162**	**-**	**279**	**-**	**(184)**
2015	(45)	-	2,623	-	(1,749)
USD					
2016	**(1,613)**	**(4,321)**	**2,168**	**2,881**	**(1,446)**
2015	(4,101)	(12)	(8,186)	857	5,457
Euro					
2016	**(298)**	**-**	**4,744**	**-**	**(3,162)**
2015	(193)	-	3,699	-	(2,466)
Commodity price risk		-15% (2015: -15%)		+15% (2015: +15%)	
2016	**(246,185)**	**(94,597)**	**213,399**	**42,038**	**(161,550)**
2015	(44,534)	(19,065)	70,004	14,952	(67,154)
Interest rate risk		-100 basis points		+100 basis points	
Cash and cash equivalents					
2016	**217,926**	**(2,179)**	**-**	**2,179**	**-**
2015	184,895	(1,849)	-	1,849	-
Borrowings non-current					
2016	**822,287**	**656**	**-**	**(625)**	**-**
2015	772,210	589	-	(553)	-

1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

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

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

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

Concentrations of credit risk exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Wholesale trading counterparty credit risk exposures are predominantly to financial institutions and energy market participants. 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 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 by entering into over-the-counter hedges. To the extent that volatility still arises, the Group manages liquidity risk by maintaining sufficient cash and undrawn facilities to meet unexpected volatility. The Group uses stress testing to measure extreme cash flow risk. The Group has access to 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.

1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(i) Financing arrangements

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

	Consolidated entity and Parent entity 2016 $'000	2015 $'000
Expiring within one year (bank overdraft and working capital facility)	122,000	62,000

The overdraft facility is with the Australia and New Zealand Banking Group Ltd and has an approved limit of $2,000,000 (2015: $2,000,000). The working capital facility is with Queensland Treasury Corporation and has an approved limit of $120,000,000 (2015: $60,000,000).

As at 30 June 2016, the Company had drawn down $Nil against the working capital facility (2015: $Nil).

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 (2015: AA+ with a stable outlook).

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

(a) all non-derivative financial liabilities; and

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

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

Contractual maturities of financial liabilities	0 to 1 Year	Between 1 and 5 Years	Over 5 Years	Nominal amount
Consolidated entity - at 30 June 2016	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives				
Trade and other payables	215,143	-	-	215,143
Finance lease liabilities	26,963	4,492	-	31,455
Borrowings	59,565	238,425	833,094	1,131,084
Security deposits and retentions	8	-	-	8
Total non-derivatives	301,679	242,917	833,094	1,377,690

1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(i) Financing arrangements (continued)

Consolidated entity - at 30 June 2015	0 to 1 Year $'000	Between 1 and 5 Years $'000	Over 5 Years $'000	Nominal amount $'000
Non-derivatives				
Trade and other payables	142,692	-	-	142,692
Finance lease liabilities	12,500	31,495	-	43,995
Borrowings	59,814	238,766	784,308	1,082,888
Security deposits and retentions	1,513	-	-	1,513
Total non-derivatives	216,519	270,261	784,308	1,271,088

Contractual maturities of financial liabilities	0 to 1 Year	Between 1 and 5 Years	Over 5 Years	Nominal amount
Parent entity - at 30 June 2016	$'000	$'000	$'000	$'000
Non-derivatives				
Trade and other payables	169,009	-	-	169,009
Borrowings	59,565	238,425	833,094	1,131,084
Security deposits and retentions	8	-	-	8
Total non-derivatives	228,582	238,425	833,094	1,300,101
Parent entity - at 30 June 2015				
Non-derivatives				
Trade and other payables	109,323	-	-	109,323
Borrowings	59,814	238,766	784,308	1,082,888
Security deposits and retentions	1,513	-	-	1,513
Total non-derivatives	170,650	238,766	784,308	1,193,724

1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(i) Financing arrangements (continued)

Contractual maturities of financial liabilities	Less than 5 months	Greater than 5 months	Nominal amount
Consolidated entity and Parent entity - at 30 June 2016	**$'000**	**$'000**	**$'000**
Derivatives			
Electricity contracts - cash flow hedges	95,121	145,772	240,893
Electricity contracts - held for trading	52,593	77,565	130,158
Foreign currency contracts - cash flow hedges	70	290	360
Foreign currency contracts - held for trading	-	2,261	2,261
Environmental contracts - held for trading	1,317	24,811	26,128
Total derivatives	**149,101**	**250,699**	**399,800**
Consolidated entity and Parent entity - at 30 June 2015			
Derivatives			
Electricity contracts - cash flow hedges	1,678	14,999	16,677
Electricity contracts - held for trading	46,856	58,847	105,703
Foreign currency contracts - cash flow hedges	3,118	2,318	5,436
Environmental contracts - held for trading	2,623	22,750	25,373
Oil contracts - held for trading	3,128	4,038	7,166
Total derivatives	57,403	102,952	160,355

2 REVENUE

	Consolidated entity		Parent entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
From continuing operations				
Sales revenue				
Sales of electricity	1,525,543	1,118,822	1,369,626	969,126
Energy services revenue	277,612	170,380	277,612	170,380
	1,803,155	1,289,202	1,647,238	1,139,506
Other revenue				
Gas sales	104,855	66,900	104,855	66,900
Coal revenue sharing arrangements	61,943	65,120	61,943	65,120
Environmental certificate revenue	1,931	22,281	1,931	22,281
Coal on-sale	735	3,189	735	3,189
Other items	8,326	13,482	8,350	13,482
	177,790	170,972	177,814	170,972
Total revenue from continuing operations	1,980,945	1,460,174	1,825,052	1,310,478

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. Recognition occurs when significant risks and rewards of ownership have passed to the buyer and can be measured reliably. 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 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. Electricity derivative settlement amounts are recognised in electricity revenue in the period to which the contract settlement relates. Revenue from electricity sold on the NEM is based on electricity spot prices and is calculated by the 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.

(ii) Energy services revenue

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

(iii) Coal revenue sharing arrangements

Revenue from coal revenue sharing arrangements is recognised when the coal is exported by the coal supplier.

(iv) Coal on-sale

Revenue from coal on-sale is recognised at the time of delivery of the goods to the customer.

2 REVENUE (CONTINUED)

(v) Gas sales

Revenue from gas sales is recognised upon delivery of the gas at the nominated delivery point.

(vi) Environmental certificates

The Group is involved in various environmental certificate schemes to meet its environmental obligations and for trading purposes. For environmental certificates held for trading purposes, revenue is recognised when the sale of certificates occurs. Until sale, the environmental certificates are recorded as Inventory (refer to note 6).

3 OTHER INCOME AND EXPENSE ITEMS

(a) Other income

	Notes	Consolidated entity 2016 $'000	Consolidated entity 2015 $'000	Parent entity 2016 $'000	Parent entity 2015 $'000
Net gain on disposal of property, plant and equipment		4,647	5,261	4,643	5,259
Net gain on change in rehabilitation provisions		15,051	54,712	10,807	54,075
Fair value gain on investments	8	5,000	-	5,000	-
Interest income		4,872	5,566	4,872	5,564
Other income		707	861	461	1,487
		30,277	66,400	25,783	66,385

(i) Recognition of other income

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

(b) Finance costs

	Consolidated entity 2016 $'000	Consolidated entity 2015 $'000	Parent entity 2016 $'000	Parent entity 2015 $'000
Finance costs				
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	(62,049)	(59,641)	(60,112)	(57,372)
Provisions: unwinding of discount	(19,475)	(17,490)	(10,151)	(10,747)
Finance costs expensed	**(81,524)**	**(77,131)**	**(70,263)**	**(68,119)**

3 OTHER INCOME AND EXPENSE ITEMS (CONTINUED)

(c) Expenses

	Consolidated entity 2016 $'000	Consolidated entity 2015 $'000	Parent entity 2016 $'000	Parent entity 2015 $'000
Profit before income tax includes the following specific expenses:				
Amounts included in other expenses				
Services and consultants	(42,129)	(45,832)	(37,300)	(39,823)
External labour	(8,394)	(7,479)	(7,797)	(6,573)
Employee benefits expenses				
Defined contribution superannuation expense	(8,403)	(8,123)	(7,874)	(7,528)
Defined benefit plan expense	(1,458)	(2,949)	(1,458)	(2,949)

	Consolidated entity and Parent entity 2016 $	Consolidated entity and Parent entity 2015 $
Audit and other assurance services		
Audit and review of financial statements	(400,000)	(414,000)

4 CASH AND CASH EQUIVALENTS

	Consolidated entity 2016 $'000	Consolidated entity 2015 $'000	Parent entity 2016 $'000	Parent entity 2015 $'000
Cash at bank and in hand	3,986	26,533	3,328	25,827
Deposits at call	213,848	158,344	213,848	158,344
Other cash and cash equivalents	92	18	92	18
	217,926	184,895	217,268	184,189

Cash held with the bank is bearing an interest rate of 1.8% (2015: 1.6%). The deposits yielded floating interest rates between 2.6% to 3.6% during the year ended 30 June 2016 (2015: 2.8% to 4.2%). The carrying amount for cash and cash equivalents reasonably equates to their fair value.

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

5 TRADE AND OTHER RECEIVABLES

	Consolidated entity		Parent entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade receivables	214,285	114,792	211,401	112,713
Provision for impairment of receivables	(4,790)	-	(4,790)	-
	209,495	114,792	206,611	112,713
Other receivables	19,661	20,113	18,448	19,053
	229,156	134,905	225,059	131,766

(a) Impaired trade receivables

As at 30 June 2016, trade receivables of $877,218 were past due but not impaired (2015: $Nil).

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. Trade and other receivables are stated at the gross values.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group may not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate and is calculated using historical recovery rates. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

6 INVENTORIES

	Consolidated entity		Parent entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Environmental certificates at fair market value	89,611	85,262	89,373	84,556
Fuel at weighted average cost (work in progress)	7,526	7,400	-	-
Fuel at weighted average cost (finished goods)	32,926	69,354	32,926	69,354
Stores at cost	58,339	59,251	48,666	35,725
Provision for write down of stores	(14,612)	(6,628)	(11,477)	(1,269)
	173,790	214,639	159,488	188,366

6 INVENTORIES (CONTINUED)

(a) Environmental certificates

As per AASB 13 *Fair Value Measurement,* the environmental certificates are classified as Level 1 as these instruments are traded in active markets and the valuation is based on quoted market prices at the end of the reporting period.

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.

(b) Fuel and stores

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

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

7 DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated entity and Parent entity	
	2016	2015
	$'000	$'000
Current assets		
Electricity contracts - cash flow hedges	6,683	9,096
Electricity contracts - held for trading	86,411	57,333
Foreign currency contracts - cash flow hedges	483	394
Foreign currency contracts - held for trading	-	1
Environmental contracts - held for trading	1,289	3,596
Oil contracts - cash flow hedges	3,972	4,905
Oil contracts - held for trading	7,348	-
Total current derivative financial instrument assets	106,186	75,325
Non-current assets		
Electricity contracts - cash flow hedges	1,275	2,283
Electricity contracts - held for trading	29,557	10,648
Foreign currency contracts - cash flow hedges	357	569
Foreign currency contracts - held for trading	-	11
Environmental contracts - held for trading	17,526	8,339
Oil contracts - cash flow hedges	-	11,074
Total non-current derivative financial instrument assets	48,715	32,924
Current liabilities		
Electricity contracts - cash flow hedges	183,967	15,558
Electricity contracts - held for trading	96,963	83,310
Foreign currency contracts - cash flow hedges	105	3,221
Foreign currency contracts - held for trading	2,228	-
Environmental contracts - held for trading	4,110	10,012
Oil contracts - held for trading	-	7,084
Total current derivative financial instrument liabilities	287,373	119,185
Non-current liabilities		
Electricity contracts - cash flow hedges	56,110	2,582
Electricity contracts - held for trading	37,079	17,902
Foreign currency contracts - cash flow hedges	255	2,093
Foreign currency contracts - held for trading	1	-
Environmental contracts - held for trading	22,017	15,360
Total non-current derivative financial instrument liabilities	115,462	37,937
Net derivative financial instrument liabilities	247,934	48,873

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Derivative valuation and hedging activities

Derivatives are classified as held for trading unless they are designated as hedges.

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed above. Movements in the hedging reserve in shareholder's equity are shown in note 19. Derivative financial instruments spanning both current and non-current periods are split into their current and non-current components prior to valuation. The fair value of these components is then classified as a current asset or liability when the maturity profile is less than 12 months, and classified as a non-current asset or liability when the maturity profile is greater than 12 months.

(b) 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 'Non hedge accounted change in fair value of derivative instruments'.

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

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

	Consolidated entity and Parent entity	
	2016	2015
	$'000	$'000
Electricity contracts - cash flow hedges - ineffective portion loss	(924)	(12,876)
Electricity contracts - held for trading - loss	(32,908)	(6,027)
Foreign currency contracts - cash flow hedges - ineffective portion loss	-	(438)
Foreign currency contracts - held for trading - (loss)/gain	(1,887)	127
Environmental contracts held for trading - gain/(loss)	5,521	(6,416)
Oil contracts - held for trading - gain/(loss)	14,431	(7,261)
Total non hedge accounted change in fair value of derivative instruments	**(15,767)**	(32,891)

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(d) Instruments used by the Group

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

(i) Electricity contracts - cash flow hedges

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

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

The cash flows of the hedged electricity purchases and sales are expected to occur over the financial years ending 30 June 2017 and 2018 with the hedge reserve reclassifications to the profit or loss within the same financial years as the cash flows.

(ii) Electricity contracts - held for trading

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

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

(iii) Foreign currency contracts - cash flow hedges

Transaction exposures relating to foreign currencies are managed by entering into forward exchange contracts 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 on a net basis.

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

The cash flows of the hedged foreign currency denominated transactions are expected to occur over the financial years to 30 June 2020. The hedge reserve reclassifications capitalised to property, plant and equipment are expected to impact the profit and loss as depreciation over the financial years to 30 June 2045.

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(d) Instruments used by the Group (continued)

(iv) Foreign currency contracts - held for trading

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

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

(v) Environmental contracts - held for trading

The Parent entity creates environmental certificates which can then be traded in the open market. To derive additional income from these environmental certificates, the Parent entity trades in environmental derivative contracts, such as forward contracts and options. These contracts are subject to the same risk management policies as all other derivative contracts.

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

(vi) Oil contracts - cash flow hedges

The Parent entity has entered into sales contracts linked to oil prices. This exposure is managed by entering into oil derivative contracts.

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

The cash flows of hedged transactions are expected to occur over the financial year ending 30 June 2017 with the hedge reserve reclassifications to the profit or loss within the same financial year as the cash flows.

(vii) Oil contracts - held for trading

The Group has exposure to oil price movements through operating its vehicle fleet and equipment and sales contracts linked to oil prices. This exposure is managed by entering into oil derivative contracts. These contracts are economic hedges and are subject to the same risk management policies as all other derivative contracts.

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

(e) Fair value measurements

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

- Level 1 - The fair value of derivative financial instruments traded in active markets (publicly traded derivatives) is based on quoted market prices at the end of the reporting period. The quoted market price used for these derivatives is the last settled price. These instruments are included in level 1.

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurements (continued)

- Level 2 - The fair value of derivative financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3 - If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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

Consolidated entity and Parent entity - at 30 June 2016	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Recurring fair value measurements				
Current derivative financial instrument assets	16,697	88,264	1,225	106,186
Non current derivative financial instrument assets	15,102	31,924	1,689	48,715
Current derivative financial instrument liabilities	(143,761)	(140,280)	(3,332)	(287,373)
Non current derivative financial instrument liabilities	(45,538)	(68,919)	(1,005)	(115,462)
Net derivative financial instrument liabilities	(157,500)	(89,011)	(1,423)	(247,934)

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

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

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurements (continued)

There were no transfers between levels 1 and 2 for derivative financial instrument fair value measurements during the year. The following tables present the changes in level 3 derivative financial instruments for the periods ended 30 June 2015 and 30 June 2016:

Consolidated entity and Parent entity
Recurring fair value measurements
Level 3 valuation hierarchy

	$'000
Balance 1 July 2014	**5,082**
Losses recognised in profit or loss	(6,873)
Losses recognised in other comprehensive income	(8,271)
Purchases	50,926
Sales	(3,770)
Settlements	(42,402)
Transfers out of level 3 into level 2	434
Balance at 30 June 2015	**(4,874)**
Losses recognised in profit or loss	**(11,361)**
Losses recognised in other comprehensive income	**(6,380)**
Purchases	**983**
Sales	**(1,636)**
Settlements	**8,169**
Transfers out of level 3 into level 2	**11,747**
Transfers out of level 2 into level 3	**1,929**
Balance at 30 June 2016	**(1,423)**

Total gains for the year ended 30 June 2016 recognised in profit or loss that are attributable to the change in unrealised gains or losses relating to those assets and liabilities held at 30 June 2016.	1,489
Total losses for the year ended 30 June 2015 recognised in profit or loss that are attributable to the change in unrealised gains or losses relating to those assets and liabilities held at 30 June 2015.	(5,475)

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

Transfers out of level 3 into level 2 were as a result of the availability of additional observable forward prices. Transfers out of level 2 into level 3 were as a result of increased significance of credit risk inputs.

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

- Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurements (continued)

- Adjusted market comparison technique: Broker quotes are adjusted using extrapolation and translation factor techniques to determine the fair value where a product does not have an observable market price.
- Option valuation model where terms are not identical to market quoted prices.

There have been no material changes in the above valuation techniques used since 30 June 2015.

The significant inputs used in these valuation techniques are:

- Published over-the-counter forward prices;
- Exchange traded market prices;
- Extrapolation rates;
- Scalar and translation factors;
- Market volatilities;
- Credit risk factors; and
- Forecast generation.

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

Consolidated entity and Parent entity				
2016				
Class of derivative financial instrument	Fair value included in Level 3 $'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Derivative financial instruments	(1,423)	Credit risk factors	45%	An increase in the credit risk factor to 75% would increase fair value $1,286,000 and a decrease in the credit risk factor to 10% would decrease fair value $1,500,000.
		Market volatility	9% - 32%	A 20% increase in market volatilities would decrease fair value $40,000 and a 20% decrease in market volatilities would increase fair values by $33,000.

Consolidated entity and Parent entity				
2015				
Class of derivative financial instrument	Fair value included in Level 3 $'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Derivative financial instruments	(4,874)	Scalar factors	1.02 - 1.30	A 20% increase in scalar factors would decrease fair value $7,846,000 and a 20% decrease in scalar factors would increase fair values by $7,846,000.
		Market volatility	9% - 32%	A 20% increase in market volatilities would decrease fair value $421,000 and a 20% decrease in market volatilities would increase fair values by $339,000.

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurements (continued)

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

- Extrapolation, translation and scalar factors applied where market price is not quoted.
- Contracts with optionality are valued using an option valuation model using implied volatility.
- Credit risk factors applied to adjust fair values for non-performance risk.

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

(f) Offsetting positions in counterparty credit risk

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

(g) Master netting arrangements – not currently enforceable

Agreements with derivative counterparties are based on an ISDA Master Agreement and similar agreements. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Group does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, but have been presented separately in the following tables:

Consolidated entity and Parent entity 2016	Amounts presented in the balance sheet $'000	Amounts subject to master netting arrangements $'000	Financial instrument collateral $'000	Net amount $'000
Financial assets				
Current derivative financial instrument assets	106,186	67,586	-	38,600
Cash collateral	158,678	-	157,500	1,178
Non current derivative financial instrument assets	48,715	24,616	-	24,099
Total	313,579	92,202	157,500	63,877
Financial liabilities				
Current derivative financial instrument liabilities	287,373	67,586	127,064	92,723
Non current derivative financial instrument liabilities	115,462	24,616	30,436	60,410
Total	402,835	92,202	157,500	153,133

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(g) Master netting arrangements – not currently enforceable (continued)

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

(h) Risk exposures

Details of the Group's exposure to risks arising from derivative financial instruments are set out in note 1.

8 AVAILABLE-FOR-SALE ASSETS

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

	Consolidated entity and Parent entity 2016 $'000	2015 $'000
Listed securities	1,922	1,922
Investments	20,000	15,000
	21,922	16,922

Consolidated entity and Parent entity - 2016	Listed Securities $'000	Investments $'000	Total $'000
Balance at 1 July 2015	1,922	15,000	16,922
Change in fair value of available for sale assets	-	5,000	5,000
Balance at 30 June 2016	1,922	20,000	21,922

8 AVAILABLE-FOR-SALE ASSETS (CONTINUED)

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

(a) Listed securities

The listed equity securities relate to a 7.67% (2015: 7.67%) holding in Blue Energy Limited (ASX: BUL).
At 30 June 2016, the market value of the shares was 2.2 cents (2015: 2.2 cents). There was no change in the fair value during the period (2015: a loss of $2,446,144).

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

(b) Investments

On 20 October 2014, the Company relinquished its 5% interest in the Mahalo Gas Project and the Sale and Purchase option it held. In return, the Company received an option, exercisable at the Company's election at the Final Investment Decision, to either enter into a long term gas sale agreement or receive cash consideration in respect of its investment.

9 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 2016							
Opening net book amount	97,472	1,740,956	288,808	62,999	95,432	78,715	2,364,382
Additions	-	1	33,166	5,705	-	185,822	224,694
Disposals	(2,309)	(20)	(218)	(39)	-	-	(2,586)
Depreciation	(3,538)	(136,449)	(33,854)	(10,683)	-	-	(184,524)
Impairment reversal	-	12,295	-	-	-	-	12,295
Transfer between asset classes	5,154	100,798	14,410	11,049	-	(131,411)	-
Rehabilitation asset adjustment	-	(94,375)	7,278	-	-	-	(87,097)
Closing net book amount	96,779	1,623,206	309,590	69,031	95,432	133,126	2,327,164
At 30 June 2016							
Cost or recoverable amount	152,861	3,815,041	432,311	140,118	95,432	133,126	4,768,889
Accumulated depreciation and impairment losses	(56,082)	(2,191,835)	(122,721)	(71,087)	-	-	(2,441,725)
Net book amount	96,779	1,623,206	309,590	69,031	95,432	133,126	2,327,164
Year ended 30 June 2015							
Opening net book amount	95,399	1,603,576	223,029	64,977	95,424	87,586	2,169,991
Impairment reversal	2,072	182,197	-	-	-	-	184,269
Additions	-	5	53,946	632	-	133,674	188,257
Disposals	(1,819)	(518)	(62)	(1,502)	-	-	(3,901)
Depreciation	(3,097)	(137,216)	(26,028)	(9,442)	-	-	(175,783)
Transfer between asset classes	4,917	105,848	24,987	6,785	8	(142,545)	-
Transfer from exploration and evaluation	-	-	-	1,549	-	-	1,549
Rehabilitation asset adjustment	-	(12,936)	12,936	-	-	-	-
Closing net book amount	97,472	1,740,956	288,808	62,999	95,432	78,715	2,364,382
At 30 June 2015							
Cost or fair value	154,677	3,581,436	384,985	124,374	95,432	78,715	4,419,619
Accumulated depreciation	(57,205)	(1,840,480)	(96,177)	(61,375)	-	-	(2,055,237)
Net book amount	97,472	1,740,956	288,808	62,999	95,432	78,715	2,364,382

9 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 2016						
Opening net book amount	63,061	1,525,103	30,740	95,432	57,548	1,771,884
Additions	-	-	5,693	-	113,584	119,277
Disposals	(2,122)	(19)	(36)	-	-	(2,177)
Depreciation	(1,793)	(115,801)	(9,692)	-	-	(127,286)
Transfer between asset classes	3,689	96,340	8,195	-	(108,224)	-
Rehabilitation asset adjustment	-	(71,632)	-	-	-	(71,632)
Closing net book amount	62,835	1,433,991	34,900	95,432	62,908	1,690,066
At 30 June 2016						
Cost or recoverable amount	106,410	3,124,205	128,084	95,432	62,908	3,517,039
Accumulated depreciation and impairment losses	(43,575)	(1,690,214)	(93,184)	-	-	(1,826,973)
Net book amount	62,835	1,433,991	34,900	95,432	62,908	1,690,066
Year ended 30 June 2015						
Opening net book amount	62,971	1,362,074	32,844	95,424	65,049	1,618,362
Impairment reversal	2,072	182,197	-	-	-	184,269
Additions	-	-	620	-	89,914	90,534
Disposals	(1,408)	(518)	(1,488)	-	-	(3,414)
Depreciation	(1,515)	(109,224)	(8,677)	-	-	(119,416)
Transfer between asset classes	941	90,574	5,892	8	(97,415)	-
Transfer from exploration and evaluation	-	-	1,549	-	-	1,549
Closing net book amount	63,061	1,525,103	30,740	95,432	57,548	1,771,884
At 30 June 2015						
Cost or fair value	109,437	3,224,233	115,125	95,432	57,548	3,601,775
Accumulated depreciation	(46,376)	(1,699,130)	(84,385)	-	-	(1,829,891)
Net book amount	63,061	1,525,103	30,740	95,432	57,548	1,771,884

The comparative cost and accumulated depreciation amounts for Generating assets in the parent and consolidated entities have been adjusted to reflect an overstatement due to the allocation of an impairment expense when it was recognised. The adjustment has no effect on the comparative net book amount.

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Cross border leases

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

	Consolidated entity and Parent entity	
	2016	2015
	$'000	$'000
Leasehold equipment		
Cost	740,605	622,892
Accumulated depreciation	(381,862)	(340,120)
Net book amount	358,743	282,772

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

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

(b) 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 19).

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

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

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Property, plant and equipment (continued)

(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. Operational mining assets are depreciated on either a units of use or straight line basis. Other major categories of property, plant and equipment are depreciated on a straight-line basis.

Units of use basis

Where operational mining assets are depreciated on a units of use basis, depreciation is normally calculated using the equipment hours extracted from the mine in the period as a percentage of the total equipment hours for the relevant asset.

Development expenditure which is capitalised represents initial or up front development mining costs that create future benefits, by providing access to coal in new pits. These are proportionally depreciated over the Run of Mine tonnes for the life of the pit as the coal is mined.

Straight-line basis

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

(c) Application of critical judgements

(i) Depreciation

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. The estimation of the useful lives of assets has been based on historical experience as well as the manufacturers' design life. Adjustments to useful life are made when considered necessary.

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

(ii) Impairment of assets

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

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

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Application of critical judgements (continued)

(ii) Impairment of assets (continued)

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.

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

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

10 INTANGIBLE ASSETS

Consolidated entity	Mining Lease and Information $'000	Software $'000	Total $'000
Year ended 30 June 2016			
At 1 July	75,278	16,768	92,046
Additions	-	12,555	12,555
Amortisation charge	-	(6,737)	(6,737)
Closing net book amount	75,278	22,586	97,864
At 30 June 2016			
Cost	75,278	91,239	166,517
Accumulated amortisation and impairment losses	-	(68,653)	(68,653)
Net book amount	75,278	22,586	97,864

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

10 INTANGIBLE ASSETS (CONTINUED)

Parent entity	Software $'000	Total $'000
Year ended 30 June 2016		
At 1 July	16,767	16,767
Additions	12,459	12,459
Amortisation charge	(6,704)	(6,704)
Closing net book amount	22,522	22,522
At 30 June 2016		
Cost	91,103	91,103
Accumulated amortisation and impairment losses	(68,581)	(68,581)
Net book amount	22,522	22,522

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

(a) Intangible assets

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

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

10 INTANGIBLE ASSETS (CONTINUED)

(a) Intangible assets (continued)

(i) 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 lease and information

Mining information and mining leases acquired are carried at the net fair value at date of acquisition less amortisation and impairment losses. 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.

11 EXPLORATION AND EVALUATION

	Consolidated entity		Parent entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
At 1 July	12,908	22,494	44	9,630
Amortisation charge	(44)	(37)	(44)	(37)
Transfer to investments	-	(8,000)	-	(8,000)
Transfer to property, plant and equipment	-	(1,549)	-	(1,549)
At 30 June	12,864	12,908	-	44

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.

12 RETIREMENT BENEFIT SURPLUS

(a) Superannuation plan

The Group contributes on behalf of its employees to a number of defined contribution funds as well as participating in the industry multiple employer superannuation fund, Energy Super (the 'Fund'), which consists of a defined contribution section and a defined benefit section. The defined contribution section receives fixed contributions from the Group, which are recognised as an expense as they become payable. The Group's legal or constructive obligation is limited to these contributions. The defined benefit section, which is closed to new members, provides lump sum benefits based on years of service and average salary.

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

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

12 RETIREMENT BENEFIT SURPLUS (CONTINUED)

(b) Balance sheet amounts

The present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs is recognised as a liability or asset in the balance sheets.

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income, in the period in which they occur. Future taxes that are funded by the Group and are part of the provision of the existing benefit obligation (e.g. taxes on investment income and employer contributions) are taken into account in measuring the net liability or asset.

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

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

12 RETIREMENT BENEFIT SURPLUS (CONTINUED)

(b) Balance sheet amounts (continued)

Consolidated entity and Parent entity	Present value of obligation $'000	Fair value of plan assets $'000	Net amount $'000
Balance sheet as at 1 July 2015	(50,423)	72,943	22,520
Current service cost	(2,328)	-	(2,328)
Interest cost	(2,318)	-	(2,318)
Expected return on plan assets	-	3,188	3,188
Total amount recognised in profit or loss	(4,646)	3,188	(1,458)
Remeasurements:			
Experience (loss)/gain	(4,302)	12	(4,290)
Loss from change in financial assumptions	(6,285)	-	(6,285)
Total amount recognised in other comprehensive income	(10,587)	12	(10,575)
Contributions:			
Group companies	-	768	768
Plan participants	(621)	621	-
Benefit payments, insurance and tax plus net transfers	8,916	(8,916)	-
Balance sheet as at 30 June 2016	(57,361)	68,616	11,255

(c) Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated entity and Parent entity 2016 $'000	2015 $'000
Cash and cash equivalents	3,430	8,753
Property	6,862	7,294
Fixed interest	6,862	5,106
Australian shares	17,154	18,236
Alternative assets	17,154	13,859
International shares	17,154	19,695
	68,616	72,943

12 RETIREMENT BENEFIT SURPLUS (CONTINUED)

(d) Principal actuarial assumptions and sensitivity

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

	Consolidated entity and Parent entity	
	2016	2015
Discount rate	3.3%	4.4%
Future salary increases	3.7%	3.7%

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

	Change in assumption		Impact on defined benefit obligation			
			Increase in assumption		Decrease in assumption	
Consolidated entity and Parent entity	2016	2015	2016	2015	2016	2015
Discount rate	0.5%	0.5%	Decrease by 5.0%	Decrease by 5.3%	Increase by 5.4%	Increase by 5.7%
Salary growth rate	0.5%	0.5%	Increase by 5.4%	Increase by 5.8%	Decrease by 5.1%	Decrease by 5.4%

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

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

(e) Employer contributions and Risk exposure

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals, and the last such assessment was made as at 30 June 2013 by Sunsuper Financial Services Pty Ltd.

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

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

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

12 RETIREMENT BENEFIT SURPLUS (CONTINUED)

(e) Employer contributions and Risk exposure (continued)

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

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

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

Based on the actuary's recommendations in the actuarial review as at 30 June 2013, a contribution rate of 6% (2015: 6%) of defined benefit members' salaries has been adopted by the Group for the year ended 30 June 2016.

Total employer contributions expected to be paid by the Group for the year ended 30 June 2017 are $715,000.

(f) Defined benefit obligation maturity profile

The weighted average duration of the defined benefit obligation is 9 years (2015 - 10 years). The expected maturity analysis of undiscounted defined benefit obligations is as follows:

Consolidated entity and Parent entity	Less than a year $'000	Between 1 - 2 years $'000	Between 2 - 5 years $'000	Over 5 years $'000	Total $'000
Defined benefit obligation (undiscounted) at 30 June 2016	**3,267**	**2,799**	**11,996**	**99,123**	**117,185**
Defined benefit obligation (undiscounted) at 30 June 2015	2,238	2,682	10,040	109,514	124,474

13 OTHER ASSETS

	Consolidated entity		Parent entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Other current assets				
Deferred stripping	**113,858**	109,431	**-**	-
Cash collateral	**158,678**	61,337	**158,678**	61,337
Prepayments	**8,592**	13,064	**8,554**	12,824
Other receivable	**109**	1,701	**109**	1,701
	281,237	185,533	**167,341**	75,862

13 OTHER ASSETS (CONTINUED)

	Consolidated entity		Parent entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Other non-current assets				
Deferred stripping	15,227	21,274	-	-
Biological assets	463	463	463	463
Other	893	2,708	893	2,708
	16,583	24,445	1,356	3,171

(a) 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 and is an enhancement of the existing asset. 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.

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.

(b) Cash collateral

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

(c) 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.

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

13 OTHER ASSETS (CONTINUED)

(c) Biological assets (continued)

Tarong

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

Rockhampton

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

Tully River

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

14 TRADE AND OTHER PAYABLES

	Consolidated entity		Parent entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade payables	61,510	37,298	48,816	28,799
Accrued expenses	153,633	105,394	120,193	80,524
	215,143	142,692	169,009	109,323

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.

The Group recognises an amount payable where contractually obliged or where there is a past practice that has created a constructive obligation. The Group accrues 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.

15 FINANCE LEASE LIABILITIES

	Consolidated entity	
	2016	2015
	$'000	$'000
Current liabilities		
Current finance lease liabilities	25,918	10,553
Non-current liabilities		
Non-current finance lease liabilities	4,401	30,328
Total finance lease liabilities	30,319	40,881

The Group leases mining equipment with a carrying amount of $42,775,861 (2015: $47,778,936) under finance leases expiring within 3 years. The Group has the option to acquire the leased assets on the expiry of the leases. This acquisition cost has been recognised as part of the finance lease liability.

	Consolidated entity	
	2016	2015
	$'000	$'000
Commitments in relation to finance leases are payable as follows:		
Within one year	26,963	12,500
Later than one year but not later than five years	4,492	31,495
Minimum lease payments	31,455	43,995
Future finance charges	(1,136)	(3,114)
Total finance lease liabilities	30,319	40,881
The present value of finance lease liabilities is as follows:		
Within one year	25,918	10,553
Later than one year but not later than five years	4,401	30,328
Minimum lease payments	30,319	40,881

(a) 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.

16 PROVISIONS

	Consolidated entity		Parent entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Employee benefits	16,943	18,448	13,968	15,696
Other provisions	4,919	1,609	4,919	987
Restructuring costs	332	2,200	-	1,868
Restoration, rehabilitation and decommissioning	4,367	11,814	679	8,057
Dividends	311,629	89,930	311,629	89,930
Total current provisions	338,190	124,001	331,195	116,538
Employee benefits - long service leave	2,595	2,857	2,461	2,723
Other provisions	7,048	9,559	-	4,919
Restoration, rehabilitation and decommissioning	241,410	318,002	103,780	168,573
Total non-current provisions	251,053	330,418	106,241	176,215
Total provisions	589,243	454,419	437,436	292,753

(a) Movements in provisions

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

Consolidated entity	Dividends $'000	Restoration, rehabilitation and decommissioning $'000
At 1 July 2015	89,930	329,816
Amounts used/paid during the year	(89,930)	(2,277)
Unused amounts reversed	-	(7,103)
Additional provisions recognised	311,629	-
Unwinding of discount	-	19,475
Movement in Estimates	-	(94,133)
At 30 June 2016	311,629	245,778

16 PROVISIONS (CONTINUED)

(a) Movements in provisions (continued)

Consolidated entity	Dividends $'000	Restoration, rehabilitation and decommissioning $'000
At 1 July 2014	96,504	367,536
Amounts used/paid during the year	(96,504)	(9,555)
Additional provisions recognised	89,930	-
Unused amounts reversed	-	(15,499)
Unwinding of discount	-	17,490
Movement in Estimates	-	(30,156)
At 30 June 2015	89,930	329,816

Parent entity	Dividends $'000	Restoration, rehabilitation and decommissioning $'000
At 1 July 2015	89,930	176,598
Amounts used/paid during the year	(89,930)	(989)
Additional provisions recognised	311,629	-
Unwinding of discount	-	10,151
Movement in Estimates	-	(74,229)
At 30 June 2016	311,629	111,531
At 1 July 2014	96,504	227,590
Amounts used/paid during the year	(96,504)	(6,801)
Unused amounts reversed	-	(15,000)
Additional provisions recognised	89,930	-
Unwinding of discount	-	10,747
Movement in Estimates	-	(39,938)
At 30 June 2015	89,930	176,598

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

The current provision for employee benefits includes long service 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 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Leave obligation expected to be settled after 12 months	14,047	12,944	13,281	12,165

16 PROVISIONS (CONTINUED)

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

(c) Provisions

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

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

(i) Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

Superannuation

A defined contribution plan receives fixed contributions from the Group and the Group's legal or constructive obligation is limited to these contributions. The contributions are recognised as an expense as they become payable.

(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.

16 PROVISIONS (CONTINUED)

(c) Provisions (continued)

(iii) Restoration, rehabilitation and decommissioning

Future costs associated with the rehabilitation of power station sites, close down and restoration of coal mines, and the make good of corporate office space are estimated and provided for. In relation to mining activities, restoration and rehabilitation costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the site development or during the production phase, based on the net present value of estimated future costs. Provisions for restoration and rehabilitation costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. 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. This calculation requires the use of key assumptions including the timing of restoration work, legal requirements and a discount rate.

Provisions for Restoration, rehabilitation and decommissioning obligations are based on risk adjusted cash flows. These estimates have been discounted to their present value at a pre-tax risk free rate including a 2.0% risk premium, based on an estimate of the long term, risk free, pre-tax cost of borrowing. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. For the year ended 30 June 2016 the Group has used a pre-tax discount rate of 6.50%.

The Group has a financial guarantee with State of Queensland pursuant to s292 of the *Environmental Protection Act 1994* in respect of the Meandu mine. The purpose of the guarantee is to ensure costs associated with the restoration and rehabilitation of the Meandu mine site can be met as required, at a future date. The Group's exposure to the liability is Guaranteed by the QTC for an amount of $176,631,234 as at 30 June 2016.

17 BORROWINGS

	Consolidated entity and Parent entity	
	2016 $'000	2015 $'000
Unsecured borrowings	822,287	772,210

* Further information relating to loans from related parties is set out in note 24.

17 BORROWINGS (CONTINUED)

(a) Unsecured borrowings

The unsecured borrowings are provided by QTC. The borrowings have no fixed repayment date however the facility is assessed by QTC annually. The net balance after offset is $822,287,285 (2015: $772,210,017). Interest rates on the unsecured borrowings are at book rate which is reviewed and updated as necessary once per year to reflect the evolving market rate of interest that the QTC pays to investors to service the underlying bond funding. The total interest rate payable includes a Competitive Neutrality Fee payable to Queensland Treasury, representing the difference between the cost at which QTC is able to source debt and the estimated cost of debt for the Company were it to be a stand-alone entity not owned by the Queensland Government. The Competitive Neutrality Fee can be adjusted up or down according to changes in credit quality of the Company and market changes to the relative cost of debt compared with a highly-rated government issuer.

In addition to the unrestricted access to funds as noted above, the Company has a $120,000,000 Working Capital Facility with QTC which meets short-term funding requirements. At 30 June 2016, the facility was not utilised (2015: $Nil).

(b) Fair value

The fair value of unsecured borrowings for the Group and Parent entity at 30 June 2016 was $980,813,098 (2015: $902,688,961) compared to a carrying amount of $822,287,285 (2015: $772,210,017). Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes.

(c) Capital risk management

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

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

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

During 2016, 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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Loans from related parties	822,287	772,210	822,287	772,210
Total equity	1,176,682	1,458,301	1,260,032	1,583,701
Total capital	1,998,969	2,230,511	2,082,319	2,355,911
Gearing ratio	41.1%	34.6%	39.5%	32.8%

17 BORROWINGS (CONTINUED)

(d) 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 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. Borrowings are reported on a net basis, comprising gross unsecured borrowings of $1,340,391,818 (2015: $1,340,314,550), offset by $518,104,533 (2015: $568,104,533).

(e) 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.

18 TAX

Income tax equivalent expense

(a) Income tax equivalents

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

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

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

18 TAX (CONTINUED)

Income tax equivalent expense (continued)

(b) Income tax equivalent expense

	Consolidated entity		Parent entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Current tax equivalent	85,854	29,167	79,621	26,683
Deferred tax equivalent	(12,881)	81,147	(24,668)	70,456
Adjustment for current tax equivalent of prior periods	(4)	(17)	(4)	(16)
	72,969	110,297	54,949	97,123
Deferred income tax equivalent expense/(benefit) included in income tax equivalent expense/(benefit) comprises:				
(Increase)/Decrease in deferred tax equivalent assets	(64,838)	36,592	(64,826)	37,521
Increase in deferred tax equivalent liabilities	54,114	44,904	41,305	32,961
Under provision in prior year	(2,157)	(350)	(1,147)	(26)
	(12,881)	81,146	(24,668)	70,456

(c) Numerical reconciliation of income tax equivalent expense to prima facie tax payable

	Consolidated entity		Parent entity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Profit before income tax equivalent expense	243,204	365,233	183,138	321,320
Tax at the Australian tax rate of 30% (2015: 30%)	72,961	109,570	54,941	96,396
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:				
Deferred tax asset adjustment in period	-	734	-	734
Non-deductible expenses	12	10	12	9
Subtotal	72,973	110,314	54,953	97,139
Adjustments for current tax equivalent of prior periods	(4)	(17)	(4)	(16)
Income tax equivalent expense	72,969	110,297	54,949	97,123

18 TAX (CONTINUED)

Income tax equivalent expense (continued)

(c) Numerical reconciliation of income tax equivalent expense to prima facie tax payable (continued)

(i) Tax equivalent expense relating to items of other comprehensive income

	Consolidated entity and Parent entity 2016 $'000	2015 $'000
Cash flow hedges	56,926	12,069
Actuarial gains/(losses) on defined benefit plans	3,173	(4,721)
	60,099	7,348

Net deferred tax equivalent balances

(a) Tax effect accounting

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

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

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

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

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

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

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

18 TAX (CONTINUED)

Net deferred tax equivalent balances (continued)

(b) Deferred tax assets

	Consolidated entity 2016 $'000	Consolidated entity 2015 $'000	Parent entity 2016 $'000	Parent entity 2015 $'000
The balance comprises temporary differences attributable to:				
Employee benefits	12,164	15,774	9,769	13,382
Investment impairment	-	1,500	-	1,500
Derivatives	119,585	43,718	119,585	43,718
Other	112,921	118,840	53,355	59,282
Total deferred tax equivalent assets	244,670	179,832	182,709	117,882
Deferred tax equivalent assets expected to be recovered within 12 months	14,344	2,860	12,027	1,252
Deferred tax equivalent assets expected to be recovered after more than 12 months	230,326	176,972	170,682	116,630
	244,670	179,832	182,709	117,882

Movements - Consolidated entity	Employee Benefits $'000	Derivative financial instruments $'000	Other $'000	Total $'000
At 1 July 2014	13,826	43,880	158,718	216,424
(Charged)/credited				
- to profit or loss	1,948	(162)	(38,378)	(36,592)
At 30 June 2015	15,774	43,718	120,340	179,832
At 1 July 2015	15,774	43,718	120,340	179,832
(Charged)/credited				
- to profit or loss	(3,610)	75,867	(7,419)	64,838
At 30 June 2016	12,164	119,585	112,921	244,670

18 TAX (CONTINUED)

Net deferred tax equivalent balances (continued)

(b) Deferred tax assets (continued)

Movements - Parent entity	Employee Benefits $'000	Derivative financial instruments $'000	Other $'000	Total $'000
At 1 July 2014	11,960	43,880	99,563	155,403
(Charged)/credited				
- to profit or loss	1,422	(162)	(38,781)	(37,521)
At 30 June 2015	13,382	43,718	60,782	117,882
At 1 July 2015	13,382	43,718	60,782	117,882
(Charged)/credited				
- to profit or loss	(3,613)	75,867	(7,427)	64,827
At 30 June 2016	9,769	119,585	53,355	182,709

(c) Deferred tax liabilities

	Consolidated entity 2016 $'000	Consolidated entity 2015 $'000	Parent entity 2016 $'000	Parent entity 2015 $'000
The balance comprises temporary differences attributable to:				
Property, plant and equipment	352,842	359,356	297,257	314,173
Defined benefits plan	3,376	6,756	3,376	6,756
Derivatives	46,162	32,205	46,090	31,992
Inventories	61,954	71,788	22,635	29,681
Exploration, evaluation and development	3,859	3,859	-	-
Other	33,721	33,935	4,425	9,975
Total deferred tax equivalent liabilities	501,914	507,899	373,783	392,577
Deferred tax equivalent liabilities expected to be settled within 12 months	96,888	97,510	57,497	55,191
Deferred tax equivalent liabilities expected to be settled after more than 12 months	405,026	410,389	316,286	337,386
	501,914	507,899	373,783	392,577
Set-off of deferred tax assets pursuant to set-off provisions	(244,670)	(179,832)	(182,709)	(117,882)
Net deferred tax liabilities	257,244	328,067	191,074	274,695

18 TAX (CONTINUED)

Net deferred tax equivalent balances (continued)

(c) Deferred tax liabilities (continued)

Movements - Consolidated entity	Property, plant and equipment $'000	Defined benefit plan $'000	Derivative financial instruments $'000	Other $'000	Total $'000
At 1 July 2014	301,668	2,582	55,306	110,786	470,342
Charged/(credited)					
- profit or loss	57,688	(547)	(11,032)	(1,204)	44,905
- to other comprehensive income	-	4,721	(12,069)	-	(7,348)
At 30 June 2015	359,356	6,756	32,205	109,582	507,899
At 1 July 2015	359,356	6,756	32,205	109,582	507,899
Charged/(credited)					
- profit or loss	(6,514)	(207)	70,881	(10,046)	54,114
- to other comprehensive income	-	(3,173)	(56,926)	-	(60,099)
At 30 June 2016	352,842	3,376	46,160	99,536	501,914

Movements - Parent entity	Property, plant and equipment $'000	Defined benefit plan $'000	Derivative financial instruments $'000	Other $'000	Total $'000
At 1 July 2014	264,324	2,582	55,305	44,753	366,964
Charged/(credited)					
- profit or loss	49,849	(547)	(11,244)	(5,097)	32,961
- to other comprehensive income	-	4,721	(12,069)	-	(7,348)
At 30 June 2015	314,173	6,756	31,992	39,656	392,577
At 1 July 2015	314,173	6,756	31,992	39,656	392,577
Charged/(credited)					
- profit or loss	(16,917)	(207)	71,023	(12,594)	41,305
- to other comprehensive income	-	(3,173)	(56,926)	-	(60,099)
At 30 June 2016	297,256	3,376	46,089	27,062	373,783

18 TAX (CONTINUED)

Net deferred tax equivalent balances (continued)

(d) Tax consolidation

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

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

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

19 RESERVES

	Notes	Consolidated entity and Parent entity 2016 $'000	2015 $'000
Cash flow hedges			
At 1 July		1,440	29,600
Loss on revaluation		(317,416)	(163,951)
Transfer to profit or loss		128,354	124,484
Transfer to property, plant and equipment		(691)	(762)
Deferred tax equivalent liabilities	18	56,926	12,069
At 30 June		(131,387)	1,440

The hedging reserve is used to record gains and losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income.

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 'Non hedge accounted change in fair value of derivative instruments'.

19 RESERVES (CONTINUED)

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss is recognised in profit or loss within revenue. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, 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 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.

20 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

Chairman - non-executive director
Shane Charles (1 July 2015 to 30 September 2015)
Dr Ralph Craven (1 October 2015 to 30 June 2016)

Non-executive directors
Paul Breslin (1 July 2015 to 30 September 2015)
Russell Kempnich
Dominic Condon
Karen Smith-Pomeroy (1 October 2015 to 30 June 2016)
Jacqueline King (1 October 2015 to 30 June 2016)

(b) Other key management personnel

The following management personnel, all of whom were employed by the Company, had the authority and responsibility for planning, directing and controlling the activities of the Group during the financial year:

Chief Executive Officer - Richard Van Breda
Chief Financial Officer - Michael O'Rourke
Chief Operating Officer - This role is currently vacant
Executive General Manager Business Services - Jennifer Gregg
Executive General Manager Energy Trading and Commercial Strategy - Stephen Quilter (acting appointment)
Executive General Manager Safety and Asset Services - Ian Gilbar (acting appointment)
Executive General Manager Production - Philips David (acting appointment)

20 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Remuneration of key management personnel

Directors

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

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

Other key management personnel

Remuneration policy

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

- recruitment and appointment of Senior Executives will be based on the principles of merit and equity;
- remuneration of Senior Executives will be aligned to the Company's Corporate Plan and organisational objectives and reviewed regularly to ensure that strategic business requirements are supported; and
- remuneration arrangements will be consistent with the *Queensland Government's Policy for Government Owned Corporations Chief and Senior Executive Employment Arrangements Version 2*.

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

- base salary, which is payable in cash and based on the applicable market rate, as assessed by independent remuneration consultants;
- retirement benefits delivered under defined contribution superannuation funds nominated by the key management personnel;
- at-risk performance incentives, which are payable annually in cash or superannuation, or a combination of both, depending upon satisfaction of key criteria; and
- other benefits, which may include private health insurance, access to a pool car park, Qantas club membership or equivalent, mobile device and associated costs and residential internet connection for remote access.

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

Link between remuneration paid and the performance of the Group

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

20 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Remuneration of key management personnel (continued)

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

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

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

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

Service agreements

Service agreements are not in place for Directors.

The Chief Executive Officer's appointment is approved by the shareholding Ministers upon recommendation of the Board. The remuneration and other terms of employment for the Chief Executive Officer are specified in an employment contract.

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

- initial term of contract - three years commencing 18 July 2012. The option to extend this contract for a further two year period was exercised by the Board and the Chief Executive Officer. This contract concludes on 18 July 2017;
- payment of termination benefit on early termination by the Group, except for serious misconduct or poor performance is equal to two weeks' salary for each year of continuous service (with a minimum of 13 weeks and maximum of 52 weeks salary), 20% of residual salary value of the contract (with a minimum of 13 weeks salary) and any accrued entitlements; or
- where employment terminates on contract expiry and the Group does not offer further employment, a severance payment comprising of the greater of 13 weeks salary or a sum representing 2 weeks salary per year of service (up to a maximum of 52 weeks salary) and any accrued entitlements.

20 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Remuneration of key management personnel (continued)

Senior Executive appointments are approved by the Board. The remuneration and other terms of employment for these roles are specified in employment contracts. All Senior Executives are currently employed on fixed term employment contracts comprising of a three year term with the option to extend the term for a maximum of two years by mutual agreement under the same terms and conditions. Following expiry of the contract extension or upon appointment to a vacant position, Senior Executive's will be employed on an on-going basis with no specific end date in accordance with the *Queensland Government's Policy for Government Owned Corporation Chief and Senior Executive Employment Arrangements Version 2.*

Contract dates for the Senior Executives are as follows:

- Chief Financial Officer - 23 January 2009 and extended for a further two year period on 24 January 2012, concluding on 23 January 2014; then a second contract effective 23 January 2014 concluding on 23 January 2017.
- Chief Operating Officer - During the financial year this role was vacant. The Board approved an interim organisational structure for the Operations' division, whereby the responsibilities of the Chief Operating Officer were divided into two roles, each being filled in an acting capacity by incumbents who are employed on Alternative Employee Arrangements. This interim structure will continue until the appointment of a Chief Operating Officer.
- Executive General Manager Business Services - 2 March 2009 and extended for a further two year period on 22 December 2011, concluding on 21 December 2013; then a second contract effective 22 December 2013 concluding 21 December 2016.
- Executive General Manager Energy Trading and Commercial Strategy - during the financial year this role was vacant and has been filled in an acting capacity by an incumbent who is employed on an Alternative Employee Arrangement. In July 2016, the Board approved the appointment of Stephen Quilter as Executive General Manager Energy Trading and Commercial Strategy.

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

- payment of a termination benefit on early termination by the Group, except for serious misconduct or poor performance, equal to two weeks' salary for each year of continuous service (with a minimum of four weeks' and maximum of 52 weeks' salary), separation payment of 20% of the residual salary value of the contract and any accrued entitlements; or
- where the employment terminates on contract expiry and the Group does not offer further employment, a severance payment comprising of the greater of 4 weeks salary or 2 weeks salary per year of service up to a maximum of 52 weeks and any accrued entitlements.

20 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) 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	
	Cash Salary	Committee Fees	Superannuation	Total
2016	$'000	$'000	$'000	$'000
Dr Ralph Craven	59	7	7	73
Shane Charles	20	2	2	24
Paul Breslin	8	1	1	10
Dominic Condon	31	4	3	38
Russell Kempnich	31	6	4	41
Jacqueline King	23	3	3	29
Karen Smith-Pomeroy	23	4	3	30
2015				
Shane Charles	44	3	5	52
Paul Breslin	31	5	4	40
Kym Collins	8	1	1	10
Dominic Condon	17	2	2	21
Ann Fitzpatrick	15	2	2	19
Russell Kempnich	31	8	4	43
Stephen Rochester	8	1	1	10

20 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Details of remuneration (continued)

Other key management personnel of the Group

Position	Short-term employee benefits			Post employment	Long-term employee benefits	Total
2016	Cash Salary $'000	Bonus $'000	Non-monetary benefits $'000	Super-annuation $'000	Long Service Leave $'000	$'000
Chief Executive Officer	618	66	37	68	15	804
Chief Financial Officer	323	38	35	36	8	440
Executive General Manager Business Services	332	35	24	35	8	434
Acting Executive General Manager Marketing and Trading	301	30	13	33	6	383
Acting Executive General Manager, Safety and Asset Services	305	26	1	33	7	372
Acting Executive General Manager, Production*	334	28	21	4	7	394
Total	2,213	223	131	209	51	2,827
2015						
Chief Executive Officer	578	89	13	65	14	759
Chief Financial Officer	302	47	14	35	8	406
Acting Chief Operating Officer	246	33	1	25	5	310
Executive General Manager Business Services	301	45	13	34	8	401
Acting Executive General Manager, Energy Trading and Commercial Strategy (01/07/2014 to 14/12/2014)	140	18	3	18	3	182
Acting Executive General Manager, Energy Trading and Commercial Strategy (15/12/2014 to 30/06/2015)	153	19	5	15	3	195
Acting Executive General Manager, Safety and Asset Services	67	10	-	7	2	86
Acting Executive General Manager, Production*	80	11	-	1	2	94
Total	1,867	272	49	200	45	2,433

* Superannuation contributions (excluding higher duties allowances and bonus payments) for Philips David have been made as part of the defined benefits plan

(e) Other transactions with key management personnel

A number of key management personnel of the Group are or were also Directors of other organisations which have or had transactions with the Group. All transactions in the years ended 30 June 2015 and 30 June 2016 between the Group and Directors or other key management personnel, including their related parties, were on normal commercial terms and conditions.

21 JOINT OPERATIONS

The Company has a 50% (2015: 50%) interest in the Kogan North Joint Venture, a gas development joint operation in the Surat Basin with Australian CBM Pty Ltd, a wholly-owned subsidiary of Arrow Energy NL. The principal activity of the joint operation is the exploration and development of commercial coal seam gas assets.

21 JOINT OPERATIONS (CONTINUED)

The Company has an 84% (2015: 84%) interest in the Woodlands Hardwood Plantation Joint Venture and a 19% (2015: 19%) interest in the Tarong Hoop Pine Joint Venture. The interests are in unincorporated joint operations with HQPlantations Pty Ltd (formerly Forestry Plantations Queensland Pty Ltd) with whom the Company has joint control over all relevant activities. The principal activity of the operations is the establishment of a viable commercial plantation of trees (refer to note 13(c)).

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

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

(a) Summarised financial information for joint operations

The net assets for those joint operations that are material to the Group are $6,702,893 (2015: $6,549,813). The Group's share in these joint operations and the amount at which they are carried is $3,351,446 (2015: $3,274,907).

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

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

The contingencies and commitments in relation to the joint arrangements are set out with all contingencies and commitments in notes 22 and 23 respectively.

22 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.

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.

The fair value of the above guarantees is $Nil (2015: $Nil).

22 CONTINGENCIES (CONTINUED)

Reference coal contract

On 18 May 2015, the company initiated proceedings with Wesfarmers Curragh Pty Ltd (Wesfarmers) seeking to recover amounts pursuant to the amended coal supply agreement between Stanwell and Wesfarmers. Wesfarmers served its defence and a counter claim on 16 June 2015. This dispute remains ongoing at the time of signing of these accounts. The matter has been set down to be heard in November 2016.

23 COMMITMENTS

(a) Lease commitments: Group as lessee

Non-cancellable operating leases

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

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

	Consolidated entity	
	2016	2015
	$'000	$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	4,507	4,710
Later than one year but not later than five years	11,476	14,468
Later than five years	2,249	3,726
	18,232	22,904

(b) Other commitments

	Consolidated entity	
	2016	2015
	$'000	$'000
Commitments relating to other operating expenditure payable is as follows:		
Within one year	197,029	194,859
Later than one year but not later than five years	566,012	581,445
Later than five years	636,499	725,166
	1,399,540	1,501,470

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

24 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 on page 10.

(c) Joint operations

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

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

Details of the interests with the joint operations are set out in note 21.

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

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

The following transactions occurred with other related parties:

	Consolidated entity		Parent entity	
	2016	2015	**2016**	2015
	$'000	**$'000**	**$'000**	**$'000**
Electricity financial instrument settlements and environmental certificates	**59,771**	34,641	**59,771**	34,641
Fuel costs	**(14,126)**	(13,919)	**(1,086)**	(1,530)
Raw materials and consumables	**(134,988)**	(101,780)	**(134,262)**	(101,780)
Employee benefits expense	**(5,608)**	(5,540)	**(5,334)**	(5,109)
Other expenses	**(4,288)**	(6,288)	**(3,712)**	(3,907)
Finance costs	**(60,587)**	(57,642)	**(60,587)**	(57,642)
Dividends provided for or paid	**(311,629)**	(96,504)	**(311,629)**	(96,504)
Income tax equivalent (expense)	**(72,969)**	(110,297)	**(54,949)**	(97,123)

24 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) 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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Cash and cash equivalents	**213,848**	158,344	**213,848**	158,344
Trade and other receivables	**2,444**	3,836	**2,444**	3,836
Derivative financial instrument assets	**3,178**	3,010	**3,178**	3,010
Trade and other payables	**(809)**	(1,473)	**(809)**	(1,473)
Derivative financial instrument liabilities	**(51,438)**	(7,806)	**(51,438)**	(7,806)
Deferred tax balances	**(257,242)**	(328,067)	**(191,074)**	(274,695)
Current tax liabilities	**(47,662)**	(1,701)	**(47,662)**	(1,701)
Borrowings	**(809,334)**	(755,577)	**(809,334)**	(755,577)
Provision for dividends	**(311,629)**	(89,930)	**(311,629)**	(89,930)

(f) Key management personnel

Disclosures relating to key management personnel are set out in note 20. A Director, Karen Smith-Pomeroy is currently a member of the Queensland Treasury Corporation Capital Markets Board. The outstanding balances reported for Cash and cash equivalents and Borrowings relate solely to QTC. Transactions totalling $49,356,818 were paid to QTC in relation to finance costs during the year. Transactions between the Group and QTC were on normal commercial terms and conditions.

All other transactions between the Group and Directors or other key management personnel, including their related parties, were immaterial in nature.

25 EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

DIRECTORS' DECLARATION
2016

In the directors' opinion:

(a) the financial statements and notes set out on pages to are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

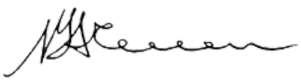
(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group 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 the corporate structure.

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.



Dr Ralph Craven
Non-executive Chairman

Karen Smith-Pomeroy
Non-executive Director

Brisbane
30 August 2016

Stanwell Corporation Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS 2016

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

I have audited the accompanying financial report of Stanwell Corporation Limited, which comprises the balance sheets as at 30 June 2016, 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 2016 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

– George

QUEENSLAND
30 AUG 2016
AUDIT OFFICE

N GEORGE CPA

(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

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