STANWELL
CORPORATION LIMITED

ANNUAL REPORT 2010

THE RIGHT DIRECTION

Through continued strong financial performance and ongoing development to reduce emissions and prepare for the future, stanwell is leading the energy industry in the right direction.

2010 HIGHLIGHTS

Commenced our Fitness For Duty program and our zero harm Safety Performance Action Plan across all our sites and offices.

Health and safety page 18.

Recorded a net profit after tax of $149.5 million, $54.3 million above budget.

Economic performance page 37.

Delivered cost savings required under operational efficiencies savings target.

Economic performance page 38.

Maintained triple certification against Australian standards for our quality, health and safety and environmental management systems.

Health and safety page 20 and Environmental performance page 35.

Commenced a feasibility study into a hydro power station on the Burdekin Falls Dam in North Queensland.

Project development page 33.

Undertook a major overhaul of Stanwell Power Station's Unit 3, including upgrading the low pressure turbine and generator to deliver a 2.25% improvement in efficiency.

Operations page 26.

Maintained our record of no Level 4 or 5 environmental incidents.

Environmental performance page 35.

Finalised the renegotiation of the Interconnection and Power Pooling Agreement for Gladstone Power Station.

Market trading page 31.

Installed low NOx burners on Unit 3 at Stanwell Power Station to reduce Nitrous Oxide emissions.

Environmental performance page 34.

ABOUT THIS REPORT

Our Annual Report reflects how we are implementing our strategy and focusing on our key objectives.

The report provides an accurate and detailed review of the company's financial and non-financial performance in 2009–10 against our strategy, objectives and targets detailed in our Statement of Corporate Intent (SCI).

Our strategy, which we report against, is categorised into six key areas:

Right people,
Right markets,
Right fuels,
Right plant,
Right organisation, and
Right locations.

For a detailed review of our strategy, refer to Strategic direction page 4.

For each of the reporting sections, we have summarised our performance against both SCI and departmental indicators and outlined our objectives for 2010–11.

The report also provides information on other important business process such as our approach to corporate governance and risk management.

Stanwell is responsibly managing our business to deliver value to our shareholders and, ultimately, to the people of Queensland. Our stakeholders include, but are not limited to, shareholders, employees, contractors, customers, local communities, suppliers and prospective business partners.

To assist in reading our annual report, we have included a glossary of terms and an index at the back of the report. Electronic versions of this and previous years' annual reports are available online at **www.stanwell.com** or contact Stanwell Corporate Communications for a hard copy.

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Stanwell Annual Report 2010
Printed using environmentally friendly waterless printing.
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Pictured on Front Cover: Electrical Superintendent Tim Hogan at Stanwell Power Station

Pictured on Outer (front) Fold: Boilermaker Daryl Schreiweis at Stanwell Power Station

Pictured at left: Mechanical Technician Jeff Clayton at Stanwell Power Station

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FINANCIAL HIGHLIGHTS

Indicator	Actual annual change (%)	2009–10	2008–09	2007–08	2006–07	2005–06
Total revenue ($'000)	(1.11%)	662,995	670,367	540,949	515,357	424,193
Operating profit before income tax equivalent ($'000)	(22.71%)	205,527	265,903	167,621	222,926	103,842
Operating profit after income tax equivalent ($'000)	(23.59%)	149,462	195,605	135,590	155,762	72,889
Dividends declared ($'000)	(21.65%)	116,700	148,944	92,105	122,301	60,617
Total assets ($'000)	2.65%	1,981,966	1,930,734	1,916,386	2,626,402	1,692,790
Total liabilities ($'000)	33.71%	1,302,045	973,779	1,183,414	2,291,046	667,087
Total shareholders' equity ($'000)	(28.95%)	679,921	956,955	732,972	335,356	1,025,703
Return on total assets* (%)	(19.31%)	11.7	14.5	7.5	10.7	7.0
Return on total equity** (%)	(21.11%)	18.3	23.1	25.4	22.9	7.2
Earnings per share (cents)	(23.59%)	16.2	21.2	13.8	15.9	7.4

* Earnings before interest and tax/average total assets ** Operating profit after tax/average total equity. Reduction of $380 million due to capital repatriation in December 2009.

WHO WE ARE

Stanwell Corporation Limited (Stanwell) is a Queensland Government Owned Corporation with an energy portfolio comprising coal, hydro and wind generation facilities across Queensland and in Western Australia.

We trade more than 30% of Queensland's electricity requirements. Our plant portfolio includes:

- Stanwell Power Station, Central Queensland – 1,434 MW;
- Kareeya Hydro, Far North Queensland – 86.4 MW;
- Barron Gorge Hydro, Far North Queensland – 60 MW;
- Mackay Gas Turbine, North Queensland – 32 MW;
- Koombooloomba Hydro, Far North Queensland – 7.3 MW;
- Wivenhoe Small Hydro, South East Queensland – 4.3 MW; and
- Emu Downs Wind Farm, Western Australia (50% interest) – 80 MW (being held for sale).

In addition to our own generating plant, Stanwell trades the output of Gladstone Power Station (1,680 MW) in the National Electricity Market (NEM) and also has gas interests, including an equity stake in Blue Energy Limited.

Our coal supply agreement with Wesfarmers Resources includes the sharing of revenue from their coal exports.

CORE BUSINESS

Stanwell bids its available generating capacity into the NEM, a wholesale market for the supply and purchase of electricity managed by the Australian Energy Market Operator.

Within the NEM, electricity generators compete for the right to generate electricity into a central pool by submitting competitive price bids to supply nominated quantities of generation in certain timeslots throughout the day. Stanwell sells the electricity from our power stations into this market pool and is paid according to the spot price.

We also undertake financial transactions with counterparties, generally electricity retailers, in the electricity derivative market to manage the price risk that Stanwell is exposed to in the NEM.

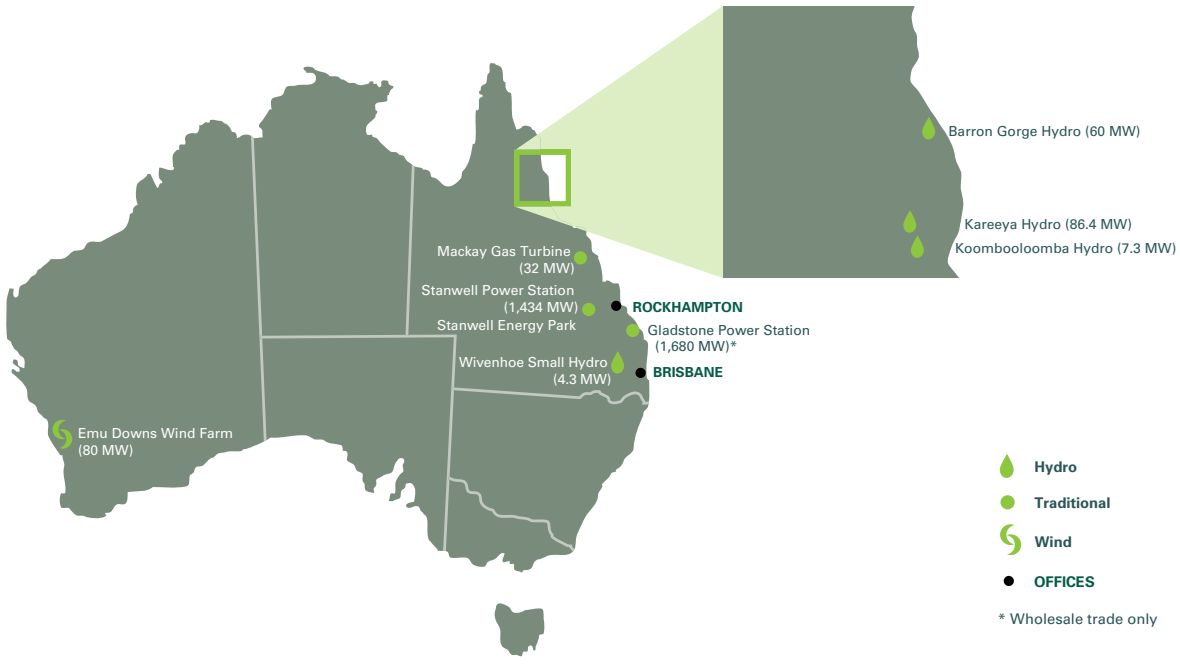
OUR CUSTOMERS

As an electricity wholesaler, Stanwell has a small number of valued wholesale customers, including Ergon Energy Queensland, AGL, Origin Energy, Energy Australia, Westpac, Country Energy and a range of other generators, energy retailers and trading companies.

OUR SHAREHOLDERS

Stanwell was formed on 1 July 1997 under the *Government Owned Corporations Act (Qld) 1993* and registered under the *Corporations Act (Cth) 2001*. The State of Queensland holds all of our shares and we contribute to the fast-growing Queensland economy by providing dividends and income tax equivalents to the Queensland Government. Stanwell's dividend to its Shareholding Ministers, relating to the 2009–10 year, will be $116.7 million (2008–09: $148.9 million).

Stanwell's two voting shareholders, as at 30 June 2010, were The Honourable Andrew Fraser MP, Treasurer and Minister for Employment and Economic Development, and The Honourable Stephen Robertson MP, Minister for Natural Resources, Mines and Energy and Minister for Trade.



VISION FOR CHANGE

By operating a diverse energy portfolio, Stanwell will:

- reduce its carbon intensity;
- capitalise on the opportunities presented by emerging industry challenges; and
- generate competitive rates of return for our shareholders.

We will achieve this by:

- protecting the health of our people;
- balancing our plant types and fuel sources to include gas, coal and renewables;
- improving the performance of our existing assets;
- responding to market and customer needs; and
- engaging talented people and strengthening our regional presence.

We will realise this vision (Strategic direction page 4) through six key strategic objectives:

Right people,
Right markets,
Right fuels,
Right plant,
Right organisation, and
Right locations.

OUR PEOPLE SECURING OUR POSITION AS AN INDUSTRY LEADER

Highly skilled, experienced and motivated people are the key to achieving our business goals and objectives. We employ more than 380 people across a range of professional, technical, trade and administrative roles. We value our employees' skills and experience and we are committed to providing ongoing opportunities for staff training and development to ensure we have the necessary capabilities to meet our future requirements (Employee relations page 21).

CHANGING OUR BUSINESS FOR THE ENVIRONMENT

Stanwell's business strategy is centred on creating options to reduce our future carbon intensity, underpinned by access to quality coal, gas and renewable energy resources.

Although the Commonwealth's proposed Carbon Pollution Reduction Scheme has been delayed, we continue to position our business to be viable in a future lower carbon environment. This is consistent with our support for the Queensland Government's *Climate Smart 2050* strategy.

Stanwell is committed to maintaining reliable performance and to upgrading our existing plants to improve environmental performance. This, together with our ongoing exploration of cleaner forms of energy, is the key to our future business operations.

With three of our hydro facilities located in the most northern parts of Australia in remote environments, our management systems recognise the unique sensitivities of the ecosystems that surround these and our other power stations.

GENERATING POSITIVE COMMUNITY OUTCOMES

Stanwell prides itself on being an active participant in the communities in which we operate by supporting community-driven initiatives, involving youth, education, environment and health and safety.

Our sponsorship program provides opportunities for financial support and community engagement on both a regional and state level. The diverse nature of our operations enables us to deliver a range of socio-economic benefits, including direct local employment and training and the procurement of local goods and services.

ELECTRICITY SUPPLY CHAIN

GENERATORS

Coal-fired, gas, wind, biomass and hydro generators. Total capacity of more than 97,800 MW.

Stanwell has a Queensland based trading portfolio of more than 3,270 MW.

MARKETS

Energy is traded in the National Electricity Market.

TRANSMISSION

Transmission companies include Powerlink Qld who manages the transmission of electricity in Queensland and is licensed to operate Queensland's high voltage transmission network, transporting electricity from the generators to the distribution networks and directly to large customers such as aluminium smelters.

DISTRIBUTION

Distribution companies include ENERGEX and Ergon Energy who have a network of powerlines and power poles that connect the high voltage transmission system to individual premises.

RETAILERS

Electricity is sold to customers, including households and small business (other than excluded customers or receivers), who may choose their electricity retailer.

CONSUMERS

Customers are switched on.

STRATEGIC DIRECTION

Stanwell is committed to reduce its carbon intensity, capitalise on the opportunities presented by emerging industry challenges and generate competitive rates of return for our shareholders.

Stanwell's focus is to continue to create options for future low emissions coal, gas-fired, hydro and other alternative generation as well as ensuring the long-term sustainability and competitiveness of our existing assets.

To ensure we achieve our vision and future goals, we have developed objectives in six key areas:

1. RIGHT PEOPLE

We are equipping the organisation with the capabilities to take the business in the right direction by ensuring our people are skilled to meet our business needs. We will provide staff with growth and development opportunities in alignment with business needs and provide strong leadership.

Our principal focus is to ensure that our people are not hurt at work. We are committed to the goal of a zero harm workplace and we will support this with significant investment to improve leadership quality, staff capability, safe practices, safe behaviours and the safety of the work environment.

2. RIGHT MARKETS

Stanwell strives to be an industry leader by forging strong commercial relationships. We are particularly focused on understanding our energy customers' needs and working closely with them to deliver energy services and products that best meet their requirements.

Stanwell remains actively engaged in the emissions abatement debate, with a view to ensuring we have the flexibility to quickly adapt our approach and systems to meet changed requirements.

3. RIGHT FUELS

Stanwell will continue developing and securing options to reduce our future carbon emissions with a mixture of cleaner coal, gas and renewable energy resources. We will also ensure that we have long-term certainty of supply and fuel cost for Stanwell Power Station.

4. RIGHT PLANT

Stanwell will develop new projects that deliver a sustainable long-term portfolio of lower CO_2 intensive plants while continuing to secure a cost effective electricity supply for Queensland.

We will lower the emissions from our existing plant by investing in emission reduction initiatives, particularly at Stanwell Power Station. To ensure we have production plant availability commensurate with market needs, we will continue to invest to sustain the existing production fleet.

5. RIGHT ORGANISATION

Stanwell's strong financial position provides opportunities for new projects and an appropriate response to a carbon constrained future.

We also strive to optimise our operations to manage costs to increase value to our shareholders.

6. RIGHT LOCATIONS

As a Queensland based and regionally focused corporation, Stanwell is creating options for clean energy and services for future generation across the State.

As well as developing new site options, Stanwell is committed to building greater organisational capabilities in regional areas where we currently operate.

YEAR IN REVIEW

RIGHT PEOPLE

Implemented the Fitness For Duty (FFD) program across the organisation to reduce the risk of health and safety related incidents resulting from fatigue, alcohol and other drugs in the workplace (Health and safety page 19).

Recruited four new people into Stanwell's Apprentice and Trainee Program in January 2010 and seven new graduates into our Graduate Development Program in 2009–10 (Employee relations page 21).

Recorded nine lost time injuries for employees and contractors and a 37.57% reduction in our All Injuries Frequency Rate (Health and safety page 20).

Commenced implementation of our Safety Performance Action Plan to help us manage our health and safety risks with a goal that no one gets hurt (Health and safety page 18).

RIGHT MARKETS

Quality products developed in consultation with our customers to deliver positive outcomes for both customers and Stanwell (Market trading page 30).

Actively involved in assisting in the delivering of key regulatory outcomes impacting on the energy market (Market trading page 30).

Achieved average plant availability of 90.20% across all sites (Operations page 26).

Delivered a net profit of $149.5 million (Economic performance page 37).

Delivered cost savings required under our operational efficiencies savings target (Economic performance page 38).

RIGHT FUELS

Funded and actively participated in a range of clean coal research and development initiatives (Project development page 32).

Commenced negotiations with Icon Energy for the second stage of a gas farm-in agreement (Project development page 32).

Remained active in investigating the viability of deploying cleaner coal technology in Queensland through our involvement in the Wandoan Power Project (Project development page 32).

Commenced a feasibility study into a hydro power station on the Burdekin Falls Dam in North Queensland (Project development page 33).

Continued to refine our large-scale renewable strategy (Project development page 32).

Completed and implemented a water management strategy to manage our use of water and our impact on the environment (Environmental performance page 36).

RIGHT PLANT

Conducted an overhaul at Stanwell Power Station on Unit 3, including an upgrade of the low pressure turbine and a generator rewind to deliver greater efficiency at the station (Operations page 26).

Completed the implementation of low NOx burners on Unit 3 at Stanwell Power Station to lower NOx emissions (Environmental performance page 34).

RIGHT ORGANISATION

Completed negotiations with Wesfarmers resulting in a revised coal supply agreement for Stanwell Power Station. This facilitates further expansion of coal exports while providing a more certain future fuel solution for Stanwell Power Station (Project development page 32).

Responded to feedback from key stakeholders to identify and implement improvements to strengthen stakeholder relationships (Community relations page 24).

Recorded no Level 4 or 5 environmental incidents for the fourth consecutive year (Environmental performance page 35).

RIGHT LOCATIONS

Re-committed our major sponsorships and key areas of community support in Central and Far North Queensland (Community relations page 24).

Secured locations for future gas or polygeneration sites in Queensland (Project development page 32).

Performance indicators

	2009–10			2008–09	
Indicator	Budget	Actual	Actual annual change (%)	Budget	Actual
FINANCIAL					
Total revenue ($m)	574.7	663.0	(1.11)	559.7	670.4
Earnings before interest and tax ($m)	242.0	237.4	(18.03)	177.1	278.5
Profit after tax ($m)	95.2	149.5	(23.59)	102.3	195.6
Net assets ($m)	328.9	679.9	(28.95)	860.2	957.0
Return on total assets (%)	8.3	11.7	(19.31)	11.3	14.5
Return on equity (after interest and tax) (%)	17.3	18.3	(21.11)	12.0	23.1
Debt/debt + equity (%)	66.0	48.4	128.41	20.1	21.2
Interest cover (times)*	5.4	5.8	(73.65)	9.7	22.1
Current ratio (times)	0.6	1.9	36.65	0.7	1.4
OPERATIONAL					
Annual availability (Stanwell Power Station) (%)	92.20	91.63	3.61	92.30	95.06
Forced outage factor (Stanwell Power Station) (%)	2.40	1.97	302.04	2.40	0.49
HEALTH AND SAFETY					
Lost Time Injury Frequency Rates					
- employees only	0	10.32	578.90	0	1.52
- contractors and employees	0	7.80	19.80	0	9.73
ENVIRONMENT					
Environmental incidents					
- Level 1, 2 or 3	0	110	17	0	93
- Level 4 or 5	0	0	0	0	0

* Interest cover has been calculated using net interest received. The actual comparatives has been restated.

PERFORMANCE OVERVIEW 2009–10

Each year we document the nature and scope of our strategies, objectives and actions in our Statement of Corporate Intent (SCI).

As a Queensland Government Owned Corporation, this document is part of our performance agreement with our Shareholding Ministers. The SCI is consistent with and complements our five-year Corporate Plan. Our performance against our 2009–10 SCI is summarised below. A full copy of the SCI will be tabled in the Legislative Assembly in accordance with Section 132 of the *Government Owned Corporations Act 1993.*

Initiative	Actions	Desired outcomes	Results
RIGHT PEOPLE SKILLED PEOPLE, STRONG LEADERSHIP			
Drive to zero harm by providing a safe workplace through demonstrated leadership, safe practices, safe behaviours and improvements to the work environment.	Implement initiatives that continue to improve our safety performance and eliminate hazards for the benefit of our employees and contractors.	Achieve zero major non-compliances on Occupational Health and Safety Management System audits.	**Achieved** Recorded no major non-compliances. Achieved management system re-certification.
		Benchmark performance against industry organisations.	**Achieved** Benchmarked performance against Queensland Government Owned Corporations (Health and safety page 20).
Ensure our skills meet our business needs.	Perform a skills capability review to assess current organisational capability in relation to the delivery of key objectives and outcomes.	Implement recommendations from the skills capability review.	**On track** Completed skills capability review. Recommendations from the review are being implemented.
Optimise Stanwell's recruitment and retention strategies to ensure competitiveness.	Review Stanwell's key employee processes to ensure alignment with our future needs.	Review attraction and retention policy.	**On track** Review of the attraction and retention policy is in progress.
RIGHT MARKETS PROFITABLE MARKET GROWTH			
Engage our customers to develop positive long-term, commercial relationships.	Identify potential opportunities in the market and pursue these with both existing and new customers, with the aim to improve gross margin.	Develop and trade new products that best meet our customers' needs.	**Achieved** Transacted a number of significant new product deals (Market trading page 30).
	Update our trading systems to flexibly manage our future trading needs.	Implement electricity risk measurement and contract pricing system.	**Achieved** Implemented risk and pricing system during the year (Market trading page 30).
Develop and implement emissions trading processes and systems.	Implement systems and processes that allow Stanwell to comply with the Carbon Pollution Reduction Scheme and associated emissions trading scheme.	Implement systems and processes to ensure compliance.	**On track** The review of Stanwell's Climate Change Strategy was deferred as a result of the Carbon Pollution Reduction Scheme legislation not passing through the Federal Parliament. A revised date for this review will be determined when there is clarity on this matter (Environmental performance page 35).
		Determine Stanwell's anticipated carbon permit requirements.	**Achieved** Determined carbon permit requirements by June 2010.
Match plant performance to portfolio and market needs.	Operate our existing portfolio plant to a regime that best meets the needs of the market.	Average more than 92% portfolio availability.	**Further improvement/action required** Average availability across all sites was 90.20% due to an extended outage at Barron Gorge Hydro, an additional outage at Stanwell Power Station to modify low NOx burners and a change in availability requirements as a result of a milder summer experienced across Queensland (Operations page 26, 27).
		Average less than 2.4% portfolio forced outage factor.	**Achieved** Recorded 1.85% portfolio forced outage factor (Operations page 29).
		Maintain Stanwell Power Station summer availability at greater than 97%.	**Further improvement/action required** Availability at Stanwell Power Station was 92.20%. This was a conscious reduction in view of surplus generation over the 2009–10 summer.
Manage costs to improve profitability.	Reduce costs across the organisation to improve the return to shareholders.	Provide an efficiency dividend to shareholders in the form of cost savings of $5 million.	**Achieved** Achieved $5.6 million of cost savings.

RIGHT FUELS DIVERSIFY OUR FUEL MIX

Strategy	Actions	Desired outcomes	Results
Create options to reduce Stanwell's carbon footprint and CO_2 intensity with a mixture of coal, gas and renewable energy resources.	Identify potential energy resources.	Sign gas supply agreement for purchase of gas.	**On track** Stanwell has secured a gas supply agreement that is attached to the Icon farm-in agreement (Project development page 32). Two other options are at different stages of advancement.
		Secure participation in an Integrated Gasification and Combined Cycle project by December 2009.	**Achieved** Stanwell has a 50% interest in the Wandoan Power Project. This is a joint venture between GE and Stanwell (Project development page 32).
Ensure long-term certainty of supply and fuel cost for Stanwell Power Station.	Use our equity in our fuel resources to ensure certainty of availability and price for Stanwell Power Station coal through to 2043.	Retain long-term resources giving price certainty for Stanwell Power Station coal supply beyond 2025, with excess resources monetised. Define post-2025 cost structures.	**Achieved** Concluded a revised coal supply agreement with Wesfarmers. This agreement will result in an increase in mine coal production, and increases to Stanwell's export rebate revenues. It also provided sufficient data to demonstrate the long-term fuel certainty and cost structures for Stanwell Power Station to its forecast end of asset life in 2043.

RIGHT PLANT LOWER OUR CARBON INTENSITY

Develop a pipeline of new project options with varying life spans that will deliver a sustainable long-term portfolio of lower CO_2 intensive plant and secure cost effective electricity supply.	Investigate the best options for future gas generation in Queensland.	Complete a pre-feasibility study for two sites.	**On track** Progressed pre-feasibilty studies however pre-feasibility program was delayed while the business case was peer reviewed and shareholders were consulted.
Improve performance of Stanwell's existing plant.	Continue to develop and implement performance improvements that have a positive impact on portfolio emission intensity.	Complete Barron Gorge Hydro Unit 1 generator rewind by November 2009.	**Action required** Barron Gorge Hydro Unit 1 generator rewind delayed due to defects detected during the upgrade (Operations page 27).
		Complete Stanwell Power Station Unit 3 low pressure turbine upgrade and generator rewind by December 2009.	**Achieved** Completed Stanwell Power Station Unit 3 low pressure turbine upgrade and generator rewind in October 2009.

RIGHT ORGANISATION IMPROVE ORGANISATIONAL CAPABILITY AND RESPONSIVENESS

Identify and implement partnerships to create growth opportunities.	Develop the capability to analyse and maintain suitable partnering arrangements, financing and ownership structures and apply them to new growth opportunities.	Work with the right partners in delivering opportunities.	**On track** Secured partnering arrangements for the Wandoan Power Project and the Solar Flagship bids.
Create an agile and responsive organisation.	Ensure we have the right systems and processes to deliver our strategic plan.	Complete business and organisational structure review.	**On track** Re-organisation of responsibilities among existing General Managers was undertaken following Chief Executive Officer and General Manager Trading resignations.
		Streamline reporting process.	**On track** New Key Performance Indicators and monthly reporting format largely implemented by 30 June.
Engage stakeholders to ensure a clear understanding of Stanwell's business.	Improve and maintain key stakeholder perceptions in areas where we have, or intend to have, our operations.	Key stakeholders have a clear understanding of Stanwell's business.	**Achieved** Addressed four recommendations from stakeholder surveys (Community relations page 24).

RIGHT LOCATIONS QUEENSLAND BASED, REGIONALLY FOCUSED

Secure sites and services for future generation.	Investigate and secure new sites and services that provide a range of options for the future.	Secure four sites suitable for gas generation.	**On track** Purchase a South East Queensland generation site.
		Bid for sequestration rights was completed.	**Achieved** Wandoan Power Project consortium partner has lodged bid for these rights.
Build greater organisational capability in regional areas where we operate.	Recruit to fill new or replacement positions into regional areas where possible.	Investigate need and options for future office premises for Rockhampton and Cairns.	**On track** Increased employee numbers in Rockhampton office by 82% from 2008 to 2010 (Employee relations page 21).
Maintain our right to operate.	Manage our impact on the environment to meet legislative and permit conditions.	Install Stanwell Power Station Unit 3 low NOx burners by December 2009.	**Achieved** Completed installation in October 2009.
		Maintain zero Level 4 and 5 environmental incidents.	**Achieved** Recorded zero Level 4 and 5 environmental incidents.
		Achieve no material external environmental audit non-conformances.	**Achieved** Recorded no material external environmental audit non-conformances.

YEAR AHEAD 2010–11

In 2010–11, we will continue to drive the business in the right direction by focusing on our six key objectives of right people, right markets, right fuels, right plant, right organisation and right locations.

Our business development projects are subject to investment approvals.

Strategy	Actions	Desired outcomes
RIGHT PEOPLE SKILLED PEOPLE, STRONG LEADERSHIP		
Drive to zero harm by providing a safe workplace through demonstrated leadership, safe practices, safe behaviours and improvements to the work environment.	Implement initiatives that continue to improve our safety performance and eliminate hazards for the benefit of our employees and contractors.	Equal to or greater than 15% improvement in the All Injury Frequency Rate. Occupational Health and Safety Management System audits—zero major non-compliances.
Ensure our skills meet our business needs.	Implement actions arising from the skills capability review undertaken to assess current organisational capability in relation to the delivery of Stanwell's strategic objectives.	Identified action plans implemented.
Optimise Stanwell's recruitment and retention strategies to ensure competitiveness.	Review Stanwell's key employee processes to ensure alignment with our future needs.	Staff turnover rate to be comparable to industry rates.
RIGHT MARKETS PROFITABLE MARKET GROWTH		
Engage our customers to develop positive long-term, commercial relationships.	Pursue revenue opportunities with both existing and new customers with the aim to improve gross margin. Update our trading systems to flexibly manage our future trading needs.	One or more significant large structured value adding transaction completed.
Develop and implement emissions trading processes and systems.[1]	Implement systems and processes that allow Stanwell to comply with the Carbon Pollution Reduction Scheme (CPRS) and associated emissions trading scheme. Monitor and review alternative carbon reduction schemes or variations to CPRS that may emerge.	Systems and processes implemented to ensure compliance to legislation prior to commencement. Plans adjusted to accommodate any change of timing or approach.
Match plant performance to portfolio and market needs.	Operate our existing portfolio plant to a regime that best meets the needs of the market.	Portfolio average availability >91%. Portfolio average forced outage factor ≤2.6%. Stanwell Power Station summer availability >96%. Stanwell Power Station 2015 and beyond project to review asset life plans and refurbishment requirements substantially progressed.
Manage costs to improve profitability.	Reduce controllable costs across the organisation to improve the return to shareholders.	Provide an efficiency dividend to shareholders each year in the form of cost savings of $5 million for the years 2010–11 to 2013–14.

1 The need for emissions trading processes and systems is dependent on the finalisation of legislation.

RIGHT FUELS DIVERSIFY OUR FUEL MIX

Strategy	Actions	Desired outcomes
Create options to reduce Stanwell's carbon footprint and carbon dioxide (CO_2) intensity with a mixture of coal, gas and renewable energy resources.	Identify and secure access to potential energy resources.	Additional gas resource opportunities identified and progressed after the current gas positions are resolved. Solar data monitoring program underway at a number of locations.
Ensure long-term certainty of supply and fuel cost for Stanwell Power Station.	Review Stanwell Power Station's key fuel arrangements to achieve a better match between supply chain flexibility and forecast market conditions.	Stanwell Power Station rail agreement revised to provide long-term flexibility by June 2011. Complete sale of MDL 162.

RIGHT PLANT LOWER OUR CARBON INTENSITY

Develop a pipeline of new projects with varying life spans that will deliver sustainable long-term portfolio of lower CO_2 intensive plant and secure cost effective electricity supply.	Investigate a range of project opportunities that will lead to future low emission plant.	Gas plant prefeasibility study complete. Gas plant feasibility study initiated. One South East Queensland gas generating site permitting in progress. Burdekin Hydro feasibility study complete. Electric Power Research Industry carbon capture technology trials completed. Accelerated the pre-feasibility study to complete the Wandoan Power Project. Solar thermal concept study initiated. Business positioned to learn and participate in a large-scale solar initiative.
Improve performance of Stanwell's existing plant.	Continue to develop and implement performance improvements that have a positive impact on portfolio emission intensity.	Stanwell Power Station Unit 4 low pressure turbine upgrade and generator rewind completed by December 2010.

RIGHT ORGANISATION IMPROVE ORGANISATIONAL CAPABILITY AND RESPONSIVENESS

Create an agile and responsive organisation.	Ensure we have the right systems and processes to deliver our strategic plan.	Plant Information Management System (PIMS) commitment decision reached—subject to final business case (project to make plant data available in corporate data warehouse).
Engage stakeholders to ensure a clear understanding of Stanwell's business.	Improve and maintain key stakeholder perceptions in areas where Stanwell has, or intends to have, operations.	Key stakeholders have a clear understanding of Stanwell's business.

RIGHT LOCATIONS QUEENSLAND BASED, REGIONALLY FOCUSED

Maintain our Right to Operate.	Manage our impact on the environment to meet legislative and permit conditions.	Stanwell Power Station Unit 4 low NOx burners complete by December 2010. Zero Level 4 and 5 environmental incidents. No material external environmental audit non-conformances.

CHAIRMAN'S STATEMENT

This year, Stanwell recorded a good financial result, with a net profit after tax of $149.5 million (2008–09: $195.6 million).

Our successful performance in 2009–10 was the result of the solid performance of our power generation assets, prudent financial management, and a diversified revenue stream. This provides a strong base from which we can further drive the business in the right direction, as we enter a period of challenging market conditions.

OUR SAFETY PERFORMANCE—ROOM FOR IMPROVEMENT

While we have performed well in many areas of the business, our safety performance this year is below expectation. The Board is concerned that people are still being hurt at our sites and offices and this is not acceptable.

The Safety Performance Action Plan is designed to improve the way in which we identify and address health and safety matters within the organisation and to provide the step change required in our culture to deliver on our goal of a zero harm work environment.

Our new safety vision, "We will manage health and safety risks with a goal that no one gets hurt", reflects our clear intentions when it comes to health and safety.

The Board will be closely monitoring the roll out and effectiveness of the improvement plan to ensure the wellbeing of all our employees, contractors and visitors.

On a positive note, implementation of our Fitness for Duty program is a step in the right direction to reduce the risk of health and safety related incidents resulting from fatigue, alcohol and other drugs in the workplace.

A YEAR OF SOLID PERFORMANCE

This year, Stanwell recorded a good financial result, with a net profit after tax of $149.5 million (2008–09: $195.6 million).

Revenue totalled $663.0 million (2008–09: $670.4 million), with operating cash flows of $273.0 million (2008–09: $191.9 million).

Profit was down on the prior year's result due to lower coal prices reducing coal revenue sharing arrangements, the recognition of impairment and market value adjustments on assets, offset by an increase in electricity revenue and cost savings. This outcome has been achieved against a challenging backdrop of softening wholesale electricity prices.

Our coal export sharing arrangements and coal onsales contributed $116.9 million to after tax profit demonstrating the value to our balance sheet of diversifying our revenue streams.

We delivered commendable outcomes in other business areas, including:

- high reliability, with an average availability of 90.2% across our portfolio. High reliability means we are available to generate when needed in the market;
- investigating a number of gas opportunities, as part of our objective to deliver 300 MW of gas-fired generation by 2015;

- successfully negotiating amendments to the Gladstone Power Station Interconnection and Power Pooling Agreement and securing the necessary regulatory approvals. The revised agreement ensures Gladstone Power Station is operated and dispatched in line with market requirements and that key risks are appropriately managed;
- securing government and industry funding for our clean coal project in the Surat Basin which will support the delivery of a pre-feasibility study for this project of national significance; and
- completing more than $71.4 million of capital works at our operating sites designed to improve reliability, efficiency and environmental performance.

In December 2009, Stanwell repatriated $380 million of capital under the Queensland Government's Capital Structure Review.

A DYNAMIC ELECTRICITY INDUSTRY

Stanwell's business environment going forward will be influenced by a range of external drivers.

This includes climate change and the State and Federal government policy responses, including any future emissions trading scheme, carbon pricing and amendments to the Renewable Energy Target.

Changes in the electricity market and industry structure will see a growth in demand for electricity in the south east of the state, increasing coal costs and increased development of gas and renewables based generation.

Investigations into the development and commercialisation of clean coal will also have a profound impact on our future business direction.

Stanwell will need to respond in a considered yet timely manner to these market influences to ensure we are well positioned to manage the inherent risks of owning and operating a fleet of assets dominated by coal-fired generation.

STEERING THE BUSINESS IN THE RIGHT DIRECTION

Our business development efforts in the short-term will be focused on providing the business and the State with a range of fuel resources and project options that can be further defined and developed in response to market requirements.

This includes a range of renewable, gas and clean coal project opportunities throughout regional Queensland.

In 2010–11, we will be looking towards making a final investment decision on the merits of a hydro project at the Burdekin Falls Dam in North Queensland, and securing upstream gas investments. Diversifying our portfolio to include gas-fired generation is important in ensuring Stanwell is positioned for a carbon constrained future.

We will maintain an active interest in clean coal technologies through the Wandoan Power Project. The proposed 400 MW power station will use Integrated Gasification Combined Cycle with carbon capture and storage technologies to achieve a significant reduction in CO_2 emissions compared with existing coal and gas fuelled power stations. On completion of the pre-feasibility study, further external funding will be necessary to move the project forward.

All of these projects are being pursued with a view to reducing Stanwell's exposure to any future emissions trading regime and diversifying and renewing our asset portfolio to maximise profitability.

STRONG GOVERNANCE DELIVERING ACCOUNTABILITY AND INTEGRITY

As a government owned corporation, Stanwell understands the value of a strong corporate governance framework.

This year, we continued the review of our corporate governance framework. The review of the performance of the Stanwell Board and Board committees by an external third party was concluded. The objectives of that review were to focus on continuous improvement, enhance the effectiveness of the Board's operations and corporate governance practices and continue to align Board development opportunities with Stanwell's core values and the competitive environment in which Stanwell operates.

The Board is continuing its work in implementing these opportunities for performance enhancement.

In July, the Australian Energy Regulator instituted proceedings in the Federal Court, Brisbane against Stanwell relating to rebidding in the National Electricity Market. Stanwell awaits the outcome of the case.

THE YEAR AHEAD

Residual generation capacity in the market will drive lower wholesale electricity prices in 2010–11. This will place pressure on Stanwell's financial performance. When combined with an expected softening in coal prices, Stanwell's profit result will be sound next year, but unlikely to rival the prior years' results.

Despite challenging market conditions and a difficult electricity trading environment, the Board is confident that the business is moving in the right direction to capitalise on emerging business development opportunities and ensure we maintain a high performing asset portfolio.

On behalf of the Board, I thank our two Shareholding Ministers for their ongoing support: the Treasurer and Minister for Employment and Economic Development, The Honourable Andrew Fraser MP; and the Minister for Natural Resources, Mines and Energy and the Minister for Trade, The Honourable Stephen Robertson MP.

I would like to acknowledge the wise counsel of my fellow Board colleagues and thank them for the depth of skills and knowledge they each bring to the Board.

During the year, we farewelled our Chief Executive Officer, Kim Wood, and welcomed Wayne Collins into the acting position. Both have ably led the organisation through a period of significant activity and change.

Our solid performance this year is a reflection of the quality of the management team as a whole who has provided the stability and leadership from which we can build a stronger business.

I also extend thanks to our stakeholders—customers, suppliers, business partners and local communities—for their ongoing support and contribution to our business.

Importantly, thank you to our employees. Our business is built on the back of your continued commitment and hard work.

Denis Byrne
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

The challenge for all of us is to manage health and safety risks with a goal that no one gets hurt.

This year we had a mixed outcome in terms of safety performance. While we saw reductions in the overall number of people getting hurt (37.57% reduction in the All Injuries Frequency Rate) and a reduction in the contractor Lost Time Injury Frequency Rate (LTIFR), we saw a disappointing increase in the LTIFR for our own employees.

The challenge for all of us is to manage health and safety risks with a goal that no one gets hurt. We have seen from other similar businesses that it is possible to achieve a zero harm workplace and that is what we are seeking to achieve within Stanwell.

To this end, we remain focused on reducing the number of people who get hurt at our workplaces and we have commenced a new phase of investment to further improve safety within our business. We are implementing a Safety Performance Action Plan (SPAP) and I am committed to seeing our safety values being integrated into all parts of our business.

However further improvement will require commitment and action by every person, to ensure that hazards are identified and risks managed to reduce the potential for injuries in the workplace.

A key element of the SPAP is the engagement of DuPont to help us make the required cultural and other changes in our business to achieve this zero harm objective.

OUR FINANCIAL PERFORMANCE

For 2009–10, total revenue of $663.0 million was higher than anticipated and our profit after tax was $149.5 million.

Stanwell turned in a solid financial performance, despite difficult trading conditions. The electricity business faced softening contract and spot markets throughout the year with mild weather conditions and over supply having a noticeable impact on the market.

Despite this, electricity production and trading turned in a better than expected result. Financial performance again benefited from the contribution of coal export rebates, however it was pleasing to see other new diversified revenue sources starting to make a contribution as well.

Stanwell has achieved this profit outcome, after delivering the efficiency dividend requested by Government.

ASSET PERFORMANCE

As a generator of an essential, non-storable product, it is important we continue to maintain appropriate levels of reliability and performance from our production assets.

During the year, we completed a major overhaul on Unit 3 at Stanwell Power Station. As part of this overhaul, the low pressure turbine and generator were upgraded to increase efficiency and capacity. Low NOx burners were also installed during this overhaul.

These upgrades demonstrate the pro-active approach Stanwell takes to improve our environmental performance in order to ensure that our plant can remain productive well into the future. When low NOx burners are installed on all units, NOx emissions will reduce by around 40%.

At Barron Gorge Hydro we completed a generator upgrade involving the replacement of the defective generator stator core and a generator rewind. The unit will be re-commissioned in August 2010. This work extends the life of the plant and will allow an increased capacity of approximately 10%.

CHANGING GENERATION TECHNOLOGY

Stanwell continued to investigate opportunities to transition our portfolio to one with greater fuel diversity and lower emissions, to ensure we are able to respond to future market requirements.

In 2009–10, Stanwell commenced a feasibility study into the 37 MW Burdekin Hydro project and we hope to make a final investment decision on this project in mid 2011.

In conjunction with GE and Xstrata, Stanwell actively pursued clean coal technology via the Wandoan Power Project pre-feasibility study. This project was short-listed under the Federal Government CCS Flagship program and has subsequently received funding support from the Federal Government and the Australian Coal Association Low Emission Technology Fund.

The Burdekin Hydro and Wandoan Power projects both have the capability to deliver lower emission energy options for Queensland and reinforce Stanwell's commitment to develop low emissions generation options.

GENERATING A SUSTAINABLE WORKFORCE

During the year, we completed a capability review of the business and we are currently implementing strategies to address the issues which were identified from this review. Further, we have commenced reviewing the competitiveness of our attraction and retention offerings, to ensure that we are well positioned to withstand an expected increase in competition in the labour market from large resource projects.

We continue to invest in enhancing the capability of existing staff and growing the pool of skilled staff in regions where we operate.

Seven of our employees completed the 2009 Leadership Development Program. The program is designed to develop and strengthen our leadership capability across the organisation. An additional seven people will complete the program in 2010.

In January 2010, Stanwell welcomed four new apprentices and trainees into our apprenticeship and traineeship program. Stanwell currently has 27 people enrolled in the program which emphasises our support for training and developing the workforce.

MAINTAINING OUR REGIONAL FOCUS

As opportunities have arisen through natural attrition, we have continued to regionalise our workforce. We have increased the number of staff in the Rockhampton office by 82% from 2008 to 2010 largely as a result of a transfer of roles that were previously performed in Brisbane.

Through our Regional Sponsorships Fund, Stanwell has made significant contributions to a number of community organisations doing great work in the areas in which we operate, specifically Rockhampton and Far North Queensland.

RECOGNISING OUR PEOPLE AND OUR STAKEHOLDERS

As Acting Chief Executive Officer, I am proud to have been given the opportunity to have worked along side a committed and professional executive management team. Their contribution and efforts to deliver these results have been invaluable and I thank them for the support they have provided me in my acting position. I look forward to continuing this productive relationship while I remain in this role.

I must also recognise the efforts and support provided by our Board and our shareholder's representatives: the Office of Government Owned Corporations and the Department of Employment, Economic Development and Innovation—Queensland Mines and Energy.

We could not have achieved this year's results without the commitment and professionalism of all our employees and contractors. Overall, this is a result that you should take great pride in.

The coming year will bring further challenges, however I am very confident that we have the capacity within this organisation to meet and deal with whatever challenges we are presented with.

Wayne Collins
Acting Chief Executive Officer

EXECUTIVE MANAGEMENT TEAM

WAYNE COLLINS

BEng (Electrical), BBus, CPEng, GAICD

CHIEF OPERATING OFFICER
(May 2008 – December 2009)

ACTING CHIEF EXECUTIVE OFFICER
(January 2010 – current)

Wayne Collins has worked in the electricity industry for almost 30 years, in a variety of engineering, managerial and business development roles, principally associated with power generation.

In January 2010, Wayne was appointed Acting Chief Executive Officer of Stanwell.

He has been a senior executive with Stanwell for 13 years, with previous management roles in business services, asset management and technical services, and business development.

GARRY BUTTON

BCom (UNSW), FCPA, FFTP, MAICD

CHIEF FINANCIAL OFFICER
(February 2008 – current)

Garry is responsible for Stanwell's finance, business improvement, energy and financial risk management and procurement functions.

Prior to this, Garry held several senior financial and corporate roles within Queensland Rail, Fairfax and Unilever Australia. Garry is a non-executive director of Blue Energy Limited.

IAN GILBAR

BEng (Electrical)

ACTING CHIEF OPERATING OFFICER
(April 2010 – current)

Ian has worked for Stanwell for 13 years and has almost 30 years' experience in the electricity industry in various engineering and technical management roles.

During the past three years at Stanwell, Ian has been heavily involved in the renegotiation of the Gladstone Interconnection and Power Pooling Agreement.

In April 2010, Ian was appointed Acting Chief Operating Officer and is responsible for managing the organisation's plant operations.

DEREK HANNIGAN

BEng (Civil), MBA

GENERAL MANAGER BUSINESS DEVELOPMENT (April 2008 – current)

Derek has worked for Stanwell for nine years, initially as Manager Group Procurement. This role was then expanded to include the energy resources functions.

Derek has overseen Stanwell's Business Development division since October 2006 and was appointed General Manager Business Development in 2008. He is responsible for facilitating the development of corporate strategy, the operational and strategic fuel and water needs of existing assets, and investigating and securing investment opportunities in gas, clean coal, and renewable energy. He is now responsible for Corporate Communications.

He has worked previously as a consulting structural design engineer, a mechanical projects engineer for a mining company, and a senior management consultant with Pricewaterhouse Coopers.

BRAD NEVEN

MBA (HRM), ComDec, MAHRI, MIRSQ

GENERAL MANAGER BUSINESS SERVICES (May 2008 – current)

Brad has worked for Stanwell for more than 10 years in a variety of human resource and managerial roles, including Employee Relations Manager.

He is the General Manager Business Services and is responsible for managing health and safety, risk, information and communication technology, land and property, environment, quality, information resources and human resources.

MICHAEL O'ROURKE

BLaw, BCom, GDip Applied Finance and Management, GDip Company Secretarial Practice

GENERAL MANAGER CORPORATE SERVICES (September 2007 – current)

ACTING GENERAL MANAGER TRADING (March 2010 – current)

Michael has worked for Stanwell for 12 years, initially as Legal Counsel and then as Company Secretary/Senior Counsel.

In September 2007, Michael was appointed General Manager Corporate Services (and continued as Stanwell's Company Secretary/General Counsel). As General Manager Corporate Services, Michael is responsible for the internal departments of secretariat, legal, internal audit, corporate communications, insurance and quality.

In March 2010, Michael was appointed Acting General Manager Trading and is responsible for the physical and financial trading of electricity and market forecasting.

BOARD OF DIRECTORS

DENIS BYRNE

LLB

CHAIRMAN
1 July 2006 to 30 September 2012

Denis Byrne practised commercial law for 28 years with wide experience in the corporate, infrastructure and resources areas. He has pursued a career as a non-executive director since 1997.

He is currently a Director of Asia Pacific Nickel Pty Ltd and Jimfitz Custodian Pty Ltd.

Denis served for 10 years on the Australian Takeovers Panel and seven years on the New Zealand Takeovers Panel. Denis was also President of the Queensland Law Society from 1985–86, President of the Law Council of Australia in 1988–89, former Managing Partner of Freehill Hollingdale & Page, and inaugural Chairman of the Queensland Gas Appeals Tribunal. He also served as a member of the Prime Minister's Rail Taskforce.

Denis was Chairman of a number of national committees within the horticulture industry and was also a Director of Horticulture Australia Limited from 2001 to 2004. He has served as Chairman of the Fisheries Research and Development Corporation (Commonwealth), and as a Director of Blue Energy Limited, ZeroGen Pty Ltd and other corporations.

MARK WILLIAMSON

Assoc. Dip. Ind. Eng and MAICD

CHAIRMAN PROJECT ADVISORY GROUP
5 July 2001 to 30 September 2011

Mark Williamson is currently the Chairman of the company's Project Advisory Group.

Mark currently holds Director positions for SingTel Optus (Northern Region), and Starlight Children's Foundation (QLD).

Prior to his appointment at SingTel Optus, Mark held senior executive roles in the electricity, IT, telecommunications and airline industries. His professional career has been primarily in sales and marketing and in general management at state, national and international levels.

Mark is an experienced director who has served on a number of boards, including North Queensland Cowboys Rugby League Club, Brisbane Marketing Ltd, Hamilton Island Airport Ltd, Brisbane Visitors' and Convention Bureau and AFTA (Qld).

LAURIE GILLESPIE

GAICD

CHAIRMAN HUMAN RESOURCES AND WORKPLACE HEALTH AND SAFETY COMMITTEE
1 July 2006 to 30 September 2011

Laurie Gillespie is currently the Chairman of the company's Human Resources and Workplace Health and Safety Committee.

Laurie is a former General Secretary of the Queensland State Service Union.

He has more than three decades of experience in the trade union movement as administrator and advocate in both the public and private sectors.

GRAEME CROW

B.Com, LL.B. (Hons)

1 October 2008 to 30 September 2011

Graeme Crow is currently Chairman of the Rockhampton Leagues Club and a panel Barrister to WorkCover Queensland, Suncorp, several other major insurers and a large international mining corporation.

Graeme is a Barrister who has practised in personal injury, commercial and estate litigation for the past 17 years.

Prior to his career in law, Graeme worked as an accountant with Coopers & Lybrand Brisbane prior to taking up an appointment as a Judge's Associate.

After completing his Bachelor of Commerce in 1987, Graeme worked as a tutor in financial and managerial accounting and law at The University of Queensland and Queensland University of Technology and lectured and tutored in commercial and corporate law at Central Queensland University.

TONY ANDERSEN

BE, MIE (Aust)

1 October 2009 to 30 September 2012

Tony Andersen is the principal of Andersen Advisory which provides consultancy services to the energy sector.

His career in the energy sector spans 37 years. In that time, he progressed from a mechanical engineer to senior management positions at Tarong, Callide and Swanbank power stations. Following the formation of CS Energy in 1997, Tony held various General Manager roles and was responsible for the development and delivery of the Joint Venture Callide C Project, the Swanbank E Gas Combined Cycle Project, the Kogan Creek Project and the demolition of Swanbank A. He steered CS Energy's clean coal development to establish the internationally funded Callide A Oxyfuel Project. For most of 2007, Tony held the position of Acting Chief Executive.

He left CS Energy early in 2008 to establish Andersen Advisory.

In addition to holding various director roles on subsidiary boards of CS Energy and the Callide Joint Venture, Tony has held the positions of Chair of the Queensland Overseas Foundation and Chair of the Advisory Board for Environmental Engineering at Griffith University. He is a Graduate Member of the Australian Institute of Company Directors.

JULIE LEAVER

BCom, FCPA MAICD

CHAIRMAN AUDIT AND RISK MANAGEMENT COMMITTEE
1 October 2009 to 30 September 2012

Julie Leaver is currently Chairman of the company's Audit and Risk Management Committee.

Julie is an accountant with significant expertise in financial and management accounting, project management, accounting standards and corporate governance. She has held senior roles in both the telecommunications and mining industries.

During her 10 years with Telstra Corporation, Julie was responsible for preparing the Group's financial statements, annual reports and US prospectus. She was the Telstra Group coordinator of the US prospectus for T2, the second tranche of the sale of the federal government's interest in its ownership of Telstra.

Julie's experience also extends to 15 years with the former MIM Group, membership of the Australian Accounting Standards Board and project management and corporate governance roles.

Julie is a former director and Chairman of the Audit Committee of CS Energy.

SOCIAL PERFORMANCE

Team Leader Michael Hancock at Stanwell Power Station

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HEALTH AND SAFETY

Stanwell strives to manage health and safety risks with a goal that no one gets hurt.

We recognise that while our health and safety record in 2009–10 showed some improvement from 2008–09, overall performance was still unacceptable. We are working hard to implement change throughout the organisation to ensure less people are hurt.

SAFETY RESULTS

During the year, there were nine (seven employees and two contractors) lost time injuries compared to 11 lost time injuries (one employee and ten contractors) in 2008–09.

Stanwell recorded a Lost Time Injury Frequency Rate (LTIFR) of 10.32 for employees and 4.20 for contractors, resulting in a combined LTIFR of 7.80 (compared with 9.73 in 2008–09).

Although the contractor LTIFR was lower than the previous year, the employee frequency rate significantly increased. We have investigated this increase and the employee LTIFR occurred across both sites and offices. As a result of this increase, Stanwell has commenced implementing the Safety Performance Action Plan. Stanwell will continue to identify methods and procedures, to ensure less people are hurt in the future.

SAFE PEOPLE

To send a clear message to the corporation of the safety performance we aspire to, we have developed a new safety vision 'We will manage health and safety risks with a goal that no one gets hurt'.

To achieve this vision, we are pursuing improvement guided by the Safety Performance Action Plan. As well as internal improvements within the plan, Stanwell has engaged the services of DuPont for a two-year period to assist with improving performance, including the roll out of additional safety training to management and all employees. Elements of the plan were guided by the outcomes from a safety culture survey conducted in 2009.

Controlled Document Support Rachael Wright and Outage Coordinator Ed Barrett at Stanwell Power Station

SAFE PRACTICES

The Fitness for Duty program was implemented across all of Stanwell on 1 February 2010. This included alcohol and other drug testing as well as improvements to the management of fatigue.

In March 2010, Stanwell implemented the Authority to Work (ATW) system at Stanwell Power Station. ATW represents significant re-engineering of work authorisation, hazard management and work planning systems at a daily, routine work level.

Stanwell continues to seek ways to improve the standard of safety in our working environments.

The ATW safe work system was rolled out at Stanwell Power Station following intensive training and preparation on site. ATW implementation at Stanwell Power Station means that we now have the same safe system of work in place at all production sites.

SAFE WORK ENVIRONMENT

Stanwell continues to seek ways to improve the standard of safety in our working environments. Improvements to manage falling objects were implemented at Stanwell Power Station in 2009 and 2010. General safety improvements have been carried out throughout the year at all sites. These include access and guarding, electrical safety, manual handling/storage and parts fall protection improvements.

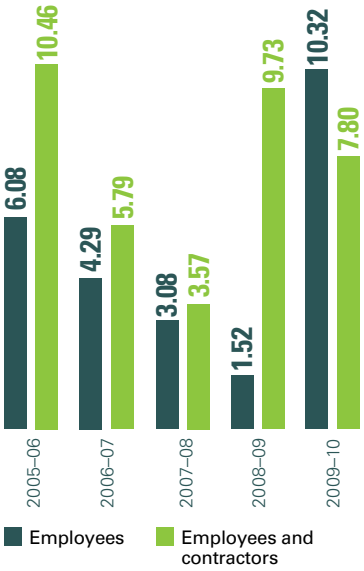
WHAT WE SET OUT TO ACHIEVE THIS YEAR	HOW WE PERFORMED
Target zero harm.	**Further improvement/action required** Recorded nine lost time injuries (Safety results page 18). All Injuries Frequency Rate (AIFR) reduced by 37.57% on previous year.
Implement a Fitness for Duty (FFD) program to reduce the risk of alcohol and other drugs and fatigue in the workplace.	**Achieved** Implemented the FFD program across all our sites in February 2010.
Finalise implementation of the Authority to Work system at Stanwell Power Station.	**Achieved** Implemented March 2010.
Enhance the Zero Incident Process with complementary improvement initiatives.	**Achieved** Delivered refresher and new starter training to new and existing employees across all of Stanwell.
Undertake arc flash analysis to determine appropriate flame retardant clothing and personal protective equipment for the different ranges of arc flash energy.	**Achieved** Won Category 5 for "Best solution to an identified electrical safety issue" at the 2009 Queensland Work Safe Awards (case study page 20).
Conduct compliance/improvement audits against corporate health and safety standards.	**Achieved** Conducted audits to schedule.
Conduct safety culture survey.	**Achieved** Conducted survey as part of broader DuPont safety management review. The Safety Performance Action Plan was developed in response to the survey.
Retain AS/NZS 4801:2001 certification.	**Achieved** Maintained certification compliance levels as confirmed by external audit.
Implement ongoing systems, practices and work environment improvements.	**Achieved** Implemented throughout the year, with material improvements reported to management quarterly.
Implement Safety Performance Action Plan.	**Achieved** Implemented June 2010.

WHAT WE WANT TO ACHIEVE NEXT YEAR
Maintain the Zero Incident Process.
Maintain the FFD program.
Undertake compliance/improvements audits against health and safety corporate standards.
Continue implementation of Safety Performance Action Plan.
Retain AS/NZS 4801:2001 certification.
Undertake ongoing work environment improvements.
Target zero harm.
Continue to lower our All Injuries Frequency Rate.

During the October 2009 outage, a number of new safety initiatives were implemented, including handrail in fills, catch netting and furnace air conditioning.

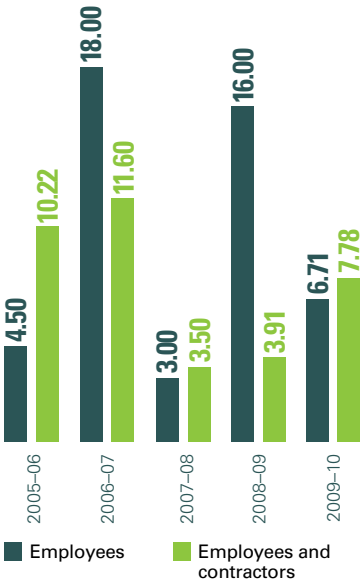
There were two lost time injuries and three notifiable incidents, which was an improvement from the Unit 2 outage in 2008 but is still considered unacceptable by Stanwell.

Lost time injury frequency rate



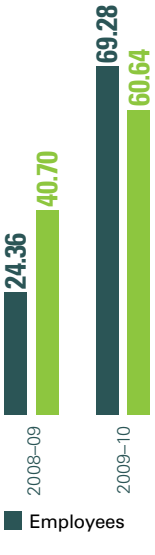
This year we had an increase in office based injuries. The injuries recorded during the year included soft tissue injuries, an eye injury and a broken leg. Stanwell will continue to focus on improving its safety performance

Lost time injury duration rate



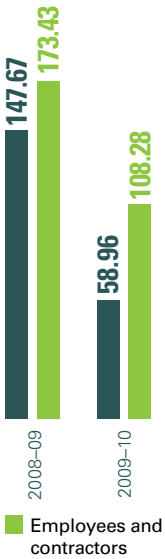
An increase in the combined employee and contractor LTIDR can be attributed to an increase of days lost due to injury

Lost time injury severity rate



A higher LTISR was recorded due to more days lost on average to each injury, with the majority of days lost during the outage

All injury frequency rate



A decrease in AIFR this year can be attributed to a decrease in outage related injuries, with the positive result of less people overall being hurt during the year

BENCHMARKING AND IMPROVING OUR SYSTEMS

The six-monthly surveillance audit was undertaken in November 2009 to maintain compliance to AS/NZ 4801 Occupational Health and Safety Management Systems. There were no major non-conformances.

The annual internal and external audit of designated corporate standards was undertaken, in line with the five year plan for cyclic review.

Stanwell implemented the Event, Audit and Risk System to integrate the management of health and safety, environment, risk and audit and improve outcomes in these areas through more effective reporting and management of preventative and corrective actions.

Stanwell also continues to benchmark our safety performance against other Queensland Government Owned Corporation (GOC) generators through a collaboration of data provided by each GOC.

EMPLOYEE HEALTH AND WELLBEING INITIATIVES

A range of health and wellbeing initiatives continued to be offered to all employees through our Stanwell*being* program (Employee relations page 22).

Trainee Electrical Technician Kevin Perfect at Stanwell Power Station

STANWELL RECOGNISED FOR SAFETY SOLUTION

Stanwell embarked on a project in 2006 to develop a system at production sites to protect our people from, and manage the hazard of, arc flash in electrical panels.

The project involved calculation of arc flash energy in all switchboards across all production sites. This analysis led to the addition of labels for doors on our electrical panels, providing information for people intending to access these panels. The analysis also delivered site arc flash registers that can be used when planning work, isolating and fault finding on electrical panels, and modifying plant.

Complementing this project was the development of a Queensland Generator's Arc Flash Personal Protective Equipment (PPE) Guide. This document works hand-in-hand with our panel door labels, providing a guide to the required levels and combinations of PPE for specific levels of potential arc flash energy.

Stanwell's arc flash management system is our starting point to move forward in an 'evolving' area of electrical safety.

This system was entered in the 2009 Queensland Work Safe Awards and won Category 5 for 'Best solution to an identified electrical safety issue'.

EMPLOYEE RELATIONS

Stanwell's employee relations strategy recognises the importance of our people and ensuring we have the appropriate skills to run the business both now and in the future. The strategy seeks to ensure that we can attract and retain quality staff and provide opportunities for growth and development in line with business needs.

Our current workforce consists of 383 employees, including graduates, and an additional 211 Full Time Equivalent contractors.

BUILDING A STRONG REGIONAL WORKFORCE

Stanwell has continued to focus its workforce planning requirements in regional areas. In the Rockhampton office, we have increased our employment numbers from 22 in 2008 to 40 as at 30 June 2010—an 82% increase.

This regional employment drive is part of Stanwell's objective to have a full complement of qualified, locally based staff.

ADDRESSING THE SKILLS GAP

In 2009–10, we completed the company's second capability review. The review assisted in determining our future skills requirements and identified gaps in the existing skills base. Key outcomes from the capability review included:

- commencement of frontline management training in April 2010. This training is specifically targeted at supervisor and superintendent levels. The training addresses a range of leadership and operational management requirements. Participants are exposed to a number of tutorial and practical assessments aligned to Stanwell's business needs. Certificate IV and diploma qualifications will be received by successful participants;
- development of a supervisor handbook to provide guidance to supervisors and managers on key management issues and how to address personnel problems when they arise; and
- organised monthly forums for supervisors and managers from across the organisation. These forums will provide supervisors and managers with an opportunity to be briefed by management team members on important issues impacting on the corporation. Targeted training will also be delivered to this group on legislative changes and statutory compliance.

Stanwell has a range of initiatives in place as part of a strategy to attract and retain a skilled workforce to the energy industry. This includes initiatives such as:

- the Power Generation Skills Development Program which, in conjunction with three Queensland universities, offers professional engineers and paraprofessionals the opportunity to accelerate their technical competency. There are currently 11 employees participating in the program;
- hosting engineering students and lecturers from Central Queensland University at Stanwell Power Station to demonstrate engineering career opportunities;
- participating in career fairs and expos across Queensland;
- providing part-time study support to 43 employees across the company; and
- employment of graduates, apprentices and trainees.

SUPPORTING GRADUATES, APPRENTICES AND TRAINEES

In January 2010, Stanwell welcomed four new apprentices and trainees in the areas of business administration, electrical, fitting and turning, and boilermaking into its Apprentice and Trainee Program and seven participants into its Graduate Development Program across disciplines such as electrical and mechanical engineering, environmental management, finance and electricity trading.

In 2009, seven employees participated in Stanwell's Leadership Development Program. The program is designed to enhance the leadership and management capabilities of participants.

In 2010, a further seven people will complete the program. Many past participants have now moved onto more senior roles and special projects within the company and provide ongoing support and encouragement to new program participants (case study page 22).

WHAT WE SET OUT TO ACHIEVE THIS YEAR	HOW WE PERFORMED
Complete capability review of all positions to identify training and recruitment requirements.	**Achieved** Completed in January 2010. The recommendations from this review were noted by the Human Resources and Workplace Health and Safety Committee in April 2010.
Improve recruitment process efficiency.	**Achieved** Streamlined recruitment processes through the improved utilisation of internal resources. This has reduced the reliance on external agencies for recruitment and ensures internal management of the process and timelines.
Expand human resource tools to more efficiently report and record data.	**Achieved** Optimised the Human Resources Information System (Chris21) database to more effectively collect, report and manage contractor and employee training currency information.

WHAT WE WANT TO ACHIEVE NEXT YEAR
Finalise new workplace agreement for Stanwell Power Station, Barron Gorge Hydro and Kareeya Hydro.
Implement e-Recruitment—a technology to improve efficiency in the recruitment process.
Implement a new performance management system.

SECURING CONDITIONS OF EMPLOYMENT

There are four certified agreements that contain the conditions of employment for our employees: Stanwell Power Station, Barron Gorge Hydro, Kareeya Hydro and Corporate Offices.

The Stanwell Power Station agreement expires on 31 March 2011, with the Barron Gorge Hydro and Kareeya Hydro agreements expiring on 23 June 2011. Preparatory work on the new Stanwell agreement is on track for commencement of negotiations in late 2010.

Stanwell has a range of initiatives in place as part of a strategy to attract and retain a skilled workforce to the energy industry.

HELPING OUR PEOPLE STAY HEALTHY AND WELL

The Stanwell*being* program focuses on proactively improving the health, wellness and fitness of all employees. The program is available to all staff and includes health assessments and cancer screenings; a free, confidential and voluntary counselling service; flu vaccinations; first aid training support; access to a child care referral service; ergonomic assessments; and a range of educational newsletters and fact sheets addressing key health and wellbeing topics.

In 2009–10:

- 160 employees received flu vaccinations provided by Stanwell;
- 217 employees received a health assessment;
- two people completed a basic first aid course funded by the company, which was in addition to Stanwell nominated first aiders;
- 51 employees volunteered to undertake cancer screening(s);
- 166 people received an ergonomic assessment; and
- two employees utilised Stanwell's childcare referral service.

SUPPORTING EEO AND DIVERSITY

Stanwell develops an annual Equal Employment Opportunity (EEO) Management Plan. The plan establishes goals, objectives and training requirements to encourage responsible workplace relationships.

Workforce numbers

Year	
2005–06	367
2006–07	360
2007–08	368
2008–09	395
2009–10	383

* Workforce numbers do not include positions within the organisation that were vacant at the time of reporting which are intended to be filled in the future.

Our workforce numbers have decreased slightly due to a recent increase in turnover and a number of fixed- term employment contracts coming to an end

Fitter Malcom Olive at Stanwell Power Station

Environmental Systems Coordinator Nicole Lashmar at Brisbane Office

THE RIGHT PEOPLE

The Leadership Development Program (LDP) was introduced at Stanwell in 2005 and is designed to further develop our leaders and managers.

This year Stanwell's Environmental Management Systems Coordinator Nicole Lashmar is one of seven people participating in LDP.

"Initially I was reluctant about the program and what to expect," Nicole said.

"However after only four months into the program I learnt a lot about myself through the feedback questionnaires and also learnt a lot about management and leadership through the team and individual coaching sessions.

"There is a lot more to being a manager, in terms of being a good manager and leader."

The LDP offers participants the opportunity to accelerate personal and professional development.

"Overall the program has challenged a lot of my views and beliefs about myself, working with others and what is management and leadership," she said.

"The next challenge is putting the knowledge into action while maintaining a work-life balance."

Nicole and the other six participants are due to complete the program at the end of 2010.

Employees by occupation

Occupation	Number of employees	EEO Target Group*
Managerial	58	9
Professional**	149	59
Trade or related***	129	17
Clerical****	49	41

* The EEO Target Group incorporates employees (including graduates) from any of the following categories: females, non-English speaking background, Aboriginal and Torres Straight Islander (ATSI) and people with a disability.

** Professional roles are those that require a Bachelor degree or higher qualification.

*** Trade or related perform, or assist in the performance of, a variety of tasks and operate a variety of production machinery or plant. Most occupations in this major group have a level of skill commensurate with an AQF Certificate III or higher qualification. In some instances, relevant experience is required in addition to the formal qualification. Associate professionals are included under Trade, previously reported against professional.

**** Clerical roles are those required to perform secretarial and other administrative tasks.

The number of professional and clerical employees in the EEO Target Group has increased from 2009

EEO numbers

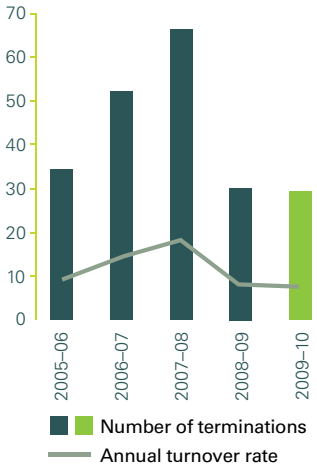
EEO*	Number of employees as at 30 June 2010	Position category
Females	101	Managerial, professional and clerical
Males	284	Managerial, professional, trade or related, clerical
Non-English speaking background	22	Managerial, professional, clerical
Aboriginal and Torres Strait Islander (ATSI)	3	Professional, clerical
People with a disability	18	Managerial, professional, trade or related, clerical

* Employees have the option not to respond to our EEO questionnaire. As at 30 June 2010, 23 employees had not responded. The number of respondents that chose not to respond to each of the EEO categories are:

- Non-English speaking background: 32
- ATSI: 54
- People with a disability: 43

The number of Aboriginal and Torres Strait Islander employees, and employees with a disability remains consistent with last year. The number of female employees has increased

Employee turnover



Our turnover rate continues to be below our target of 10%.There were signs during the second half of the year of a slight increase in the number of employee resignations although numbers are consistent with last year

Entry level career development programs

Positions	Number of positions as at 30 June 2010
Trainees	9
Apprentices	15
Graduate development	7
Co-op engineers	5
TOTAL	36

Approximately 9% of the workforce is involved in an entry level career development program. Additional staff are also being supported under part time study programs where this is relevant to our business

COMMUNITY RELATIONS

WHAT WE SET OUT TO ACHIEVE THIS YEAR	HOW WE PERFORMED
Review major sponsorship commitments, in line with our social investment strategy.	**Achieved** Completed review. Major sponsorships and key areas of support confirmed in April 2010.
Enhance stakeholder engagement practices to incorporate current stakeholder priorities and perceptions.	**Achieved** Responded to key stakeholder feedback by identifying and implementing improvements to strengthen stakeholder relationships.
Communicate Stanwell's carbon management strategy to stakeholders.	**Achieved** Developed and rolled out carbon communications strategy to key stakeholders in the second half of 2009.
Assess the socio-economic impact of Stanwell's operations in the Central Queensland region.	**Further improvement/action required** Postponed study until after upgrade works have been completed on our major assets.

WHAT WE WANT TO ACHIEVE NEXT YEAR

Apply agreed social investment protocols to ensure support remains regionally focused and relevant to the communities in which we operate, and to achieve mutually beneficial outcomes from sponsor partnerships.

Explore and continue to develop our stakeholder database system to improve reporting and the management and analysis of interactions with stakeholders.

OUR SOCIAL INVESTMENT STRATEGY

In April 2010, Stanwell reviewed its social investment strategy and major sponsorships. Ongoing support was confirmed for the Beacon and Life Stream foundations, the Stanwell Power Station Rocky River Run, and the Central Queensland Comets.

In order to effectively address Stanwell's social interests, our key areas of support are, as follows:

- **Education**—support for youth in areas of educational and self development, with particular focus on regional Queensland, and support for educational opportunities to improve the outlook for skilled engineering and other professions related to Stanwell's core business;
- **Environment**—support for positive environmental initiatives, particularly those aligning with Stanwell's business direction and/or those that are of benefit to our regional communities; and
- **Health and Safety**—support for initiatives that seek to promote a healthy, active and safe lifestyle and which demonstrate Stanwell's commitment to a positive work-life balance and to the communities in which we operate.

INVESTING IN OUR COMMUNITY

We continued to focus our social investment activities in the regions where Stanwell operates, and to provide opportunities for local communities and employees to engage in positive ways through financial and non-financial contributions to support these activities. Some examples of our major community support initiatives are as follows:

The Beacon Foundation

As part of our support for Beacon, Stanwell sponsored Rockhampton students' travel and attendance at Beacon's annual student ambassadors conference in Brisbane; conducted student and teacher industry tours and professional development events for teachers at our power stations and offices; and sponsored the delivery of Beacon's *Polish Program* to students from nine North Queensland schools.

Life Stream Rockhampton

Stanwell continued to have a representative on Life Stream's Board and to provide office space to Life Stream Rockhampton to assist with the expansion of its services to Central Queensland.

Life Stream Rockhampton implemented and expanded its local school-based sport programs; delivered disability workshops and practical community programs like *On Ya Bike* maintenance and repair, organised multi-sport expos at Central Queensland University, and interschool athletics competitions.

Stanwell continues to provide social investment activities and opportunities for local communities and employees to support these activities.

Central Queensland Comets Rugby League Development Squad

Stanwell's sponsorship of the Central Queensland Comets Rugby League Development Program supported specialised development and mentoring sessions; talent identification programs; and player training requirements for young footballers, such as development squad and leadership camps, referees' courses, and alcohol and drug seminars conducted by local police to promote responsible drinking in the community.

Comets representatives also attended and assisted with Stanwell-sponsored Life Stream Inter School Multi Sport Expos for local students with a disability, and participated in the annual Stanwell Power Station Rocky River Run.

Employee support

Employee-driven support of charitable programs has meant staff members have personally committed to community initiatives, including:

- Stanwell Power Station's Live Wires team, who competed in the local annual Cancer Council's *Relay for Life* for the seventh consecutive year in May 2010 and raised $4,835, which was matched dollar for dollar by the company; and
- in November 2009, a team of Stanwell employees took part in the annual *Cool Night Classic* race in Brisbane to raise funds for the Wesley Research Institute and Centacare.

ENGINEERING EDUCATION

We recognise the value of promoting the uptake of power engineering-related careers to advance the development of the next generation of engineers and ensure the long-term capability of the energy industry.

In 2009–10, Stanwell continued to support several educational initiatives, including the:

- Australian Power Institute, which promotes power engineering in our universities and assists undergraduate students undertaking studies in areas of engineering relevant to the energy sector;

- Queensland Minerals and Energy Academy, a joint venture between the Queensland Resources Council and the Queensland Government, which aims to attract school leavers into careers in the resources sector;
- Engineering Link Group, a not-for-profit organisation established to facilitate the introduction of secondary school students to the discipline of engineering through practical projects, conducted during school vacation periods in Rockhampton for students from the Central Queensland region; and
- Power Generation Skills Development Program, a joint collaboration by the three Queensland Government owned generators and leading Queensland universities to offer innovative professional development for engineers and paraprofessionals.

ADVANCING LOCAL GOODS AND SERVICES

Stanwell recognises the importance of supporting local economic development and we are committed to fostering good relationships with our suppliers.

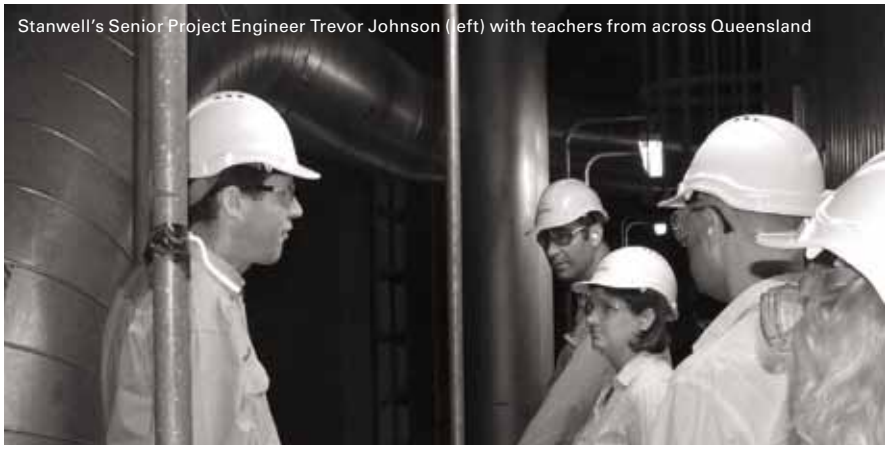
Locally procured supplies during the Stanwell Power Station Unit 3 planned outage, from August to October 2009, represented a considerable injection into the region's economy. With the combination of routine maintenance, inspections, repairs and capital modifications aimed at improving plant reliability and performance, it was the largest overhaul undertaken at the station to date. Due to the amount of work, Stanwell inducted 644 extra contractors onsite. Supplying local accommodation, transportation, catering and other goods and services for the increased workforce meant substantial additional business for local suppliers.

COMMUNITY CONNECTIONS

Stanwell is mindful of the impacts that our site-related activities can have and is dedicated to establishing and maintaining positive relationships with our neighbours and other stakeholders.

In 2010, Stanwell met with key stakeholders associated with the proposed Burdekin Hydro Project, including Charters Towers Regional Council, Townsville Chamber of Commerce, North Queensland Irrigators Group and Ayr Chamber of Commerce.

Stanwell Power Station hosted regular community meetings and Stanwell provided updates through its Central Queensland and Far North Queensland community newsletters.



Stanwell's Senior Project Engineer Trevor Johnson (left) with teachers from across Queensland

TEACHERS TOUR DELIVERS POWERFUL LESSONS

In 2009–10, as part of Stanwell's ongoing support of the Queensland Minerals and Energy Academy (QMEA), Stanwell Power Station hosted a site tour for a group of science teachers from 10 schools across Queensland.

The visit was part of QMEA's *Powering the Future: Teacher Professional Development Opportunity,* held in Rockhampton in December 2009. The aim of the two-day course was to expose teachers to minerals and energy industries and assist in the development of teaching resources to enhance the delivery of related topics to students.

The QMEA is a partnership between the Queensland Government, the Queensland Resources Council, training and academic providers and industry, designed to encourage students to enter careers in the minerals and energy sector.

The course incorporated a 'Greening Coal' seminar which delivered information about the low-emission technologies being developed to reduce carbon emissions.

The seminar—conducted at Central Queensland University with guest speakers including Stanwell representatives—was followed by a Stanwell site tour and curriculum planning at North Rockhampton State High School.

Teachers visiting the station were from Bundamba State Secondary College and Wavell (Brisbane), Nanango, Kirwan (Townsville), Dysart, Pioneer (Mackay), Emerald, Blackwater, North Rockhampton and Moranbah state high schools.

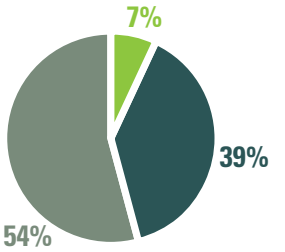
Hosting the event presented an opportunity for Stanwell to provide assistance to the education sector, while profiling Stanwell as a potential future employer.

By working directly with teachers to provide insight into the energy industry, meaningful and practical information can be communicated to schools to provide students with realistic expectations of the jobs on offer within the industry.

In Northern Queensland, Stanwell continued to engage with local indigenous groups, regarding cultural heritage protocol for future property works and to guide Stanwell's duty of care obligations for our strategic land assets in the region.

Scheduled water releases from both Kareeya and Barron Gorge hydros continued to support local commercial rafting activities on the Tully and Barron rivers.

Areas of community support



- Environment (incl. community development initiatives, conferences and awards)
- Education
- Health and safety (incl. sport).

BUSINESS PERFORMANCE

Mechanical Technician Trevor Carige and Acting Community Relations Officer Toni Hooper at Stanwell Power Station

OPERATIONS 26
MARKET TRADING 30
PROJECT DEVELOPMENT 32

OPERATIONS

Stanwell is focused on the management and upgrade of its generation assets to ensure we maintain a reliable supply of electricity to Queensland.

During the year, we continued to invest in reducing our emissions from Stanwell Power Station. Despite the delay in the implementation of a national emissions trading scheme, Stanwell remains committed to reducing emissions through asset upgrades and maintenance activities.

STANWELL POWER STATION

Stanwell Power Station achieved a total availability of 91.63% (2008–09: 95.06%) against a budget of 92.20%, with a forced outage factor of 1.97%. The total generation from Stanwell Power Station was 8,160.50 GWh (2008–09: 8,631.70 GWh) which was lower than expected due to the lower demand experienced in the market throughout the year.

Stanwell Power Station's Unit 3 planned outage was completed in October 2009, with a total of 7,668 individual work tasks. The outage was the largest undertaken at Stanwell Power Station, with the installation of low NOx burners (Environmental performance page 34) and a low pressure turbine and generator upgrade.

The low pressure turbine upgrade will improve turbine efficiency by 2.25% and, when complete on all four units next year, will further reduce greenhouse gas emissions from the station by approximately 170,000 tonnes a year.

An additional Unit 3 outage was required in February 2010 to allow the contractor to modify the low NOx burners to improve flame stability. While NOx levels have been reduced by up to 40%, further work is required to optimise the impact on overall boiler performance and efficiency.

KAREEYA HYDRO

Kareeya Hydro generated strongly during the year, with station availability of 95.28% (2008–09: 89.57%) and 349.90 GWh sent out to the Queensland electricity grid.

A number of improvement initiatives were completed, including:

- preparation for a Water Resource Plan for the Tully River, including ecology studies, flow monitoring and initial data submissions to the Department of Environment and Resource Management;
- greenhouse gas monitoring of water storages in conjunction with other sites;
- installation of electrical arc flash rating signage;
- improvement of site security and safety monitoring systems;
- access and guarding improvements; and
- rubber dam safety work.

Next year, Stanwell will continue work on the development of a Water Resource Plan and a Resource Operations Plan for the Tully River in conjunction with the relevant governing bodies.

We will also undertake improvement work to further embed good maintenance management processes and activities.

BARRON GORGE HYDRO

During the year, Barron Gorge Hydro's availability was 48.77% (2008–09: 91.58%), with 157.20 GWh sent out to the Queensland electricity grid.

The rewind of the Unit 1 generator presented some challenges and impacted on the availability of the station, with significant additional work identified during the planned outage, including the need to replace the stator core. This resulted in the rewind outage being extended through to the end of the 2009–10 financial year. Due to the extension in the Unit 1 rewind outage, the Unit 2 rewind has been deferred from commencing in 2010 and is scheduled to commence in 2011.

This project will extend the life of the station, improve the reliability of the generating units and increase the maximum electrical output capacity of the generators by approximately 10%. This is the final stage of the Barron Gorge Hydro life extension activities, which started in 2005.

WHAT WE SET OUT TO ACHIEVE THIS YEAR	HOW WE PERFORMED
Undertake a major overhaul on Stanwell Power Station Unit 3.	**Achieved** Completed in October 2009.
Implement the low pressure turbine upgrade and generator rewind on Stanwell Power Station Unit 3.	**Achieved** Completed on time and under budget in October 2009.
Implement low NOx burners on Stanwell Power Station Unit 3.	**Further improvement/action required** Installed low NOx burners, with further performance improvements required.
Replacement of Barron Gorge Unit 1 generator windings.	**Further improvement/action required** Barron Gorge Hydro Unit 1 generator rewind delayed due to defects detected during the upgrade, including the need to replace the stator core.
Better understand carbon trading implications and begin to factor into asset life plans.	**On track** Reviewed and evaluated the potential impacts carbon may have on the dispatch of our assets and the flow on effects of load cycling and minimum load operation on the asset life.

WHAT WE WANT TO ACHIEVE NEXT YEAR
Undertake a major overhaul on Stanwell Power Station Unit 4.
Implement low pressure turbine and generator upgrade on Unit 4.
Implement low NOx burners at Stanwell Power Station Unit 4.
Complete ash storage extensions at Stanwell Power Station.
Prepare for Unit 2 generator rewind at Barron Gorge Hydro.
Clean and inspect the penstock at Barron Gorge Hydro.

Next year, Stanwell will continue work on the development of a Water Resource Plan and a Resource Operations Plan for the Tully River.

Other completed improvement work at Barron Gorge Hydro included a fire systems upgrade on the administration building and the emergency diesel generator, installation of arc flash rating signage, replacement of generator thrust bearing coolers, greenhouse gas monitoring of water storages in conjunction with other sites, and continued access and guarding improvements.

In 2010–11, Barron Gorge Hydro will focus on the generator rewind for Unit 2, fire systems upgrade on the hydrant pumping system, improving fuel availability and maintenance management improvements.

KOOMBOOLOOMBA HYDRO

Koombooloomba Hydro performed above expectations during the year, with 88.40% availability (2008–09: 87.96%) and 18.00 GWh sent out.

Koombooloomba Hydro had an extended forced outage in February and March 2010 when damage was sustained to the plant due to a lightning strike on the 22kV aerials. However, the unit has continued to perform well throughout the remainder of the year. The installation of external access and guarding improvements during the year provided safer access to the equipment that requires routine maintenance. A significant upgrade was also carried out on the deck of the Koombooloomba Dam Bridge.

WIVENHOE SMALL HYDRO

The earlier part of the 2009–10 year continued to be challenging for Wivenhoe Small Hydro due to the drought conditions and implementation of the South East Queensland Water Grid which restricted water releases from the dam into the Brisbane River. This significantly impacted production from Wivenhoe Small Hydro during the first half of the year and constrained output to levels well below normal. Improved dam capacity due to rain saw an improvement in the releases during the later part of 2009–10, which lifted production levels. Water releases returned to normal by the end of the financial year and are expected to stay around this level into 2010–11.

Wivenhoe Small Hydro performed above expectations during the year, with 93.35% availability and 9.00 GWh sent out.

Water flow regime modelling is being developed to identify opportunities to improve operation and production of Wivenhoe Small Hydro.

EMU DOWNS WIND FARM

In 2009–10, Emu Downs Wind Farm availability was 97.14% (2008–09: 91.05%), with 119.20 GWh sent out to the West Australian energy market.

Emu Downs Wind Farm is currently being held for sale (Financial report page 51).

MACKAY GAS TURBINE

Stanwell conducted start reliability testing at Mackay Gas Turbine during the year. Availability was 98.08% in 2009–10 (2008–09: 99.05%) with 0.10 GWh sent out, which was the same as the previous year.

Electrical Tradesperson Steve Diehm at Stanwell Power Station

Koombooloomba Dam in Far North Queensland

SAFETY ON THE TULLY RIVER PUT TO THE TEST

In November 2009, Stanwell took part in an incident response exercise on the Tully River, as part of the region's emergency response preparations.

Simulating an emergency rescue on the river, the exercise allowed the participating organisations to practice coordinated communications, response and rescue procedures.

The exercise was coordinated by the Queensland Police Service and involved Queensland Fire and Rescue Service (QFRS), local rafting organisations and Stanwell.

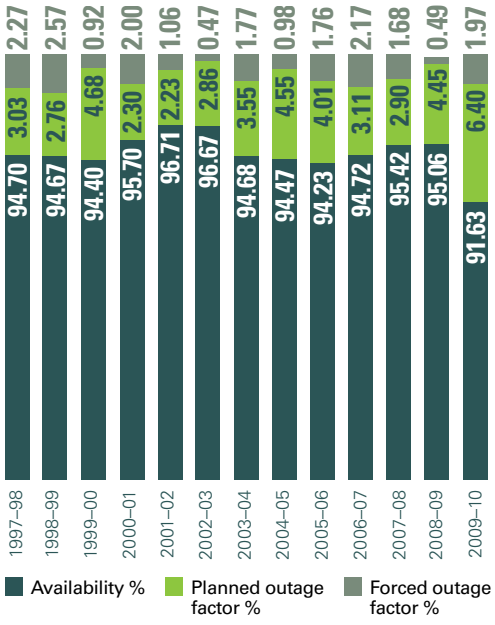
Water releases from Kareeya Hydro were shut down after local rafting companies finished tours for the day.

In the case of a real incident, this is standard practice to provide response agencies with access to the area and allow them to conduct the rescue in a safe environment.

During the emergency response training, QFRS oversaw the exercise and provided feedback to participants for continuous improvement to procedures.

Stanwell continues to promote river safety through a range of activities and advertising in major tourism outlets across Far North Queensland and signs located along the banks of the Tully and Barron rivers.

Stanwell Power Station historical availability and outage factors



Stanwell Power Station's availability was slightly below budget due to a milder than expected summer

Year	Energy sent out (GWh)	Capacity factor (%)	Budgeted availability (%)	Availability (12 month average) (%)	Planned outage factor (%)[A]	Forced outage factor (%)	Coal (tonnes) or water (ML) used and returned to river (hydros only)*
STANWELL POWER STATION (1,434 MW)							
2009–10	8,063	70.3	92.20	91.63	6.40	1.97	3,013,743
2008–09	7,845	68.7	92.30	95.06	4.45	0.49	2,914,089
2007–08	8,713	76.5	94.10	95.42	2.90	1.68	3,254,110
2006–07	8,842	77.8	92.20	94.72	3.11	2.17	3,249,854
2005–06	9,463	83.1	93.90	94.23	4.01	1.76	3,444,352
KAREEYA HYDRO (86.4 MW)							
2009–10	349.9	47.3	91.90	95.28	4.49	0.23	349,900
2008–09	495.4	67.1	86.50	89.57	8.78	1.65	498,016
2007–08	490.0	64.8	88.90	92.05	5.39	2.56	490,000
2006–07	620.0	81.8	93.70	94.97	3.50	1.53	[I] 620,000
2005–06	381.0	50.7	90.40	[B] 83.61	11.01	5.38	381,000
BARRON GORGE HYDRO (60 MW)							
2009–10	157.2	29.9	79.70	48.77	50.62	0.61	235,800
2008–09	264.2	50.4	93.00	91.58	7.95	0.47	416,500
2007–08	256.0	48.8	91.30	96.36	2.15	1.49	384,000
2006–07	235.0	44.7	88.90	95.09	1.96	2.95	352,500
2005–06	98.0	17.6	45.20	[C] 24.23	75.19	0.58	147,000
KOOMBOOLOOMBA HYDRO (7.3 MW)							
2009–10	18.0	29.7	92.5	88.40	0.93	10.67	279,083
2008–09	22.7	37.3	92.5	87.96	5.97	6.07	396,565
2007–08	23.6	41.5	89.5	91.63	6.37	2.00	355,972
2006–07	29.2	61.4	88.8	[H] 80.73	12.02	7.25	785,875
2005–06	9.3	17.9	84.4	[D] 44.23	2.18	53.59	157,218
WIVENHOE SMALL HYDRO (4.3 MW)[E]							
2009–10	9.0	23.7	95.0	93.35	6.02	0.63	143,960
2008–09	4.1	10.9	95.0	93.20	2.01	4.79	99,562
2007–08	4.6	11.6	93.1	96.61	3.29	0.10	114,519
2006–07	4.6	12.1	93.1	96.63	2.25	1.12	123,393
2005–06	7.5	19.9	96.1	99.08	0.04	0.88	167,341
MACKAY GAS TURBINE (32 MW)							
2009–10	0.10	0.04	92.9	98.08	1.64	0.28	
2008–09	0.10	0.04	94.4	99.05	0.64	0.31	
2007–08	0.30	N/A	N/A	98.73	0.00	1.27	
2006–07	0.41	N/A	N/A	72.91	0.26	[G] 26.83	
2005–06	0.47	N/A	N/A	79.72	0.27	20.01	
EMU DOWNS WIND FARM (80 MW)[J]							
2009–10	119.20	35.6	97.0	97.14	0.77	2.09	
2008–09	127.90	38.3	98.0	91.05	0.37	8.58	
2007–08	262.00	38.3	98.0	97.34	0.73	1.93	
2006–07[F]	184.00	39.6	95.5	96.34	0.73	2.93	

* Water use figures are calculation based as opposed to measured flow

A Stanwell's planned outage factor calculation includes the planned outage factor and maintenance outage factor, using Energy Supply Association of Australia definitions
B Upgrade project defect rectification works and plant AVR/exciter faults
C Greater time than expected on mid-life electrical and control refit
D Turbine inlet valve failure and turbine overspeed damage. 22kV transmission line damaged during Cyclone Larry
E Wivenhoe Small Hydro uses water releases for other primary purposes without commanding dedicated water releases
F Data is from the period of practical completion—20 October 2006
G Failed gas generator reduced output to 50% capacity for the first half of 2006–07
H Dam gate rail repairs and transmission restraints reduced Koombooloomba Hydro's output
I Based on 1 MWh = 1 ML water used
J 100% of the energy sent out (Stanwell owns a 50% share in the wind farm)

MARKET TRADING

Very high generation availability throughout Queensland and the National Electricity Market (NEM), along with lower than expected demand, resulted in a softening of the contract and spot market prices for electricity in 2009–10.

WEATHER INFLUENCE ON THE ELECTRICITY SPOT MARKET

The relatively soft spot prices seen through the majority of 2009–10 were largely as a result of lower than expected demand, increased supply and constraints on the interconnector to New South Wales. The average Queensland 30 minute spot price was $33.30 MWh (2008–09: $34.00 MWh).

The price for the financial year was largely supported by the short lived price spikes in November 2009. Excluding the November average price of $84.44, the average spot price for the financial year would have only been $28.72 which is more representative of the soft wholesale market outcomes seen through the majority of 2009–10.

Mild temperatures throughout the financial year have led to demand being only slightly higher than last financial year and substantially lower than Australian Energy Market Operator forecasts. Average demand was 6,067 MW, while the maximum Queensland demand was 8,891 MW set on 18 January 2010 at 15:00. This maximum demand is a new Queensland record and an increase of 214 MW over the previous year's maximum.

Inside Stanwell Power Station

SUPPLY OF GENERATION DRIVES CONTRACT PRICES LOWER

Significant reserve capacity in the market and softer demand depressed the electricity contracts market during the year.

Commissioning of new capacity in Queensland dampened prices in the short and medium term. Prices fell also as a result of the continued political uncertainty surrounding the implementation of the Carbon Pollution Reduction Scheme (CPRS). The announcement in May 2010 of the deferral of the scheme until after 2012 saw contract prices drop sharply. Contracts beyond 2012 remain only intermittently traded in small volumes. Contract prices across the NEM generally softened but Queensland fell more heavily than New South Wales and Victoria.

Prices for Renewable Energy Certificates (RECs) rose and fell as the market digested the implications of proposed amendments to the Mandatory Renewable Energy Target (MRET). The MRET has been split into two concurrent schemes reflecting the supply characteristics of small and large scale REC producers.

CHANGING REGULATORY ENVIRONMENT

As a member of the National Generators Forum (NGF) and other relevant industry bodies, Stanwell was actively involved in assisting in the delivering of key regulatory outcomes impacting the energy market during the year. This included the Review of Market Frameworks in Light of Climate Change Policies undertaken by the Australian Energy Market Commission (AEMC). Stanwell appreciates the important role transmission plays in the NEM and we intend to actively participate in the announced AEMC Review of Transmission Frameworks.

On greenhouse and renewable energy policies, Stanwell has closely monitored developments and ensured key stakeholders were fully informed about the market and business implications. Although the introduction of the CPRS has been delayed, Stanwell remains actively involved in an industry group providing input into the CPRS permit auction design. These design aspects could have significant implications for how participants trade and manage risk under the scheme. Together with the NGF, we continue our active involvement in the development of related polices, including the work being undertaken by the Federal Government's Task Group on Energy Efficiency and the proposed changes to the enhanced MRET.

WHAT WE SET OUT TO ACHIEVE THIS YEAR	HOW WE PERFORMED
Continue our drive to build strategic relationships with customers that result in transactions that manage both parties' risks.	**Achieved** New products developed in consultation with our customers and sold in the market to achieve premium returns.
Embed the risk measurement and valuation systems into our strategic and tactical decision making, ensuring the best decisions for creating value.	**Achieved** Implemented a financial risk and valuation system. Customer solutions were based upon enhanced risk management capability developed throughout the year.
Further prepare strategies and systems ahead of the forthcoming emissions trading scheme.	**On track** Emissions trading scheme was deferred by the Federal Government. However, Stanwell continued to progress thinking for the future implementation of an emissions trading scheme.

WHAT WE WANT TO ACHIEVE NEXT YEAR

- Develop robust commercial relationships and identify potential opportunities for market development.
- Develop and implement Trading Settlements System.
- Identify opportunities to develop and launch new products.

Stanwell appreciates the important role transmission plays in the NEM and we intend to actively participate in the announced AEMC Review of Transmission Frameworks.

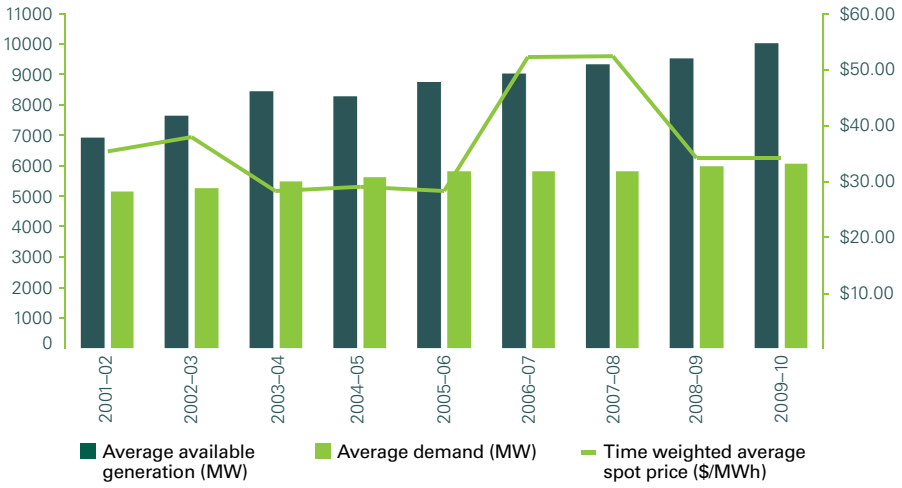
Stanwell Power Station in Central Queensland

STANWELL FINALISES GLADSTONE IPPA

During the year, Stanwell finalised the renegotiation of the Gladstone Interconnection and Power Pooling Agreement (IPPA). The settlement package was negotiated and finalised in three areas:

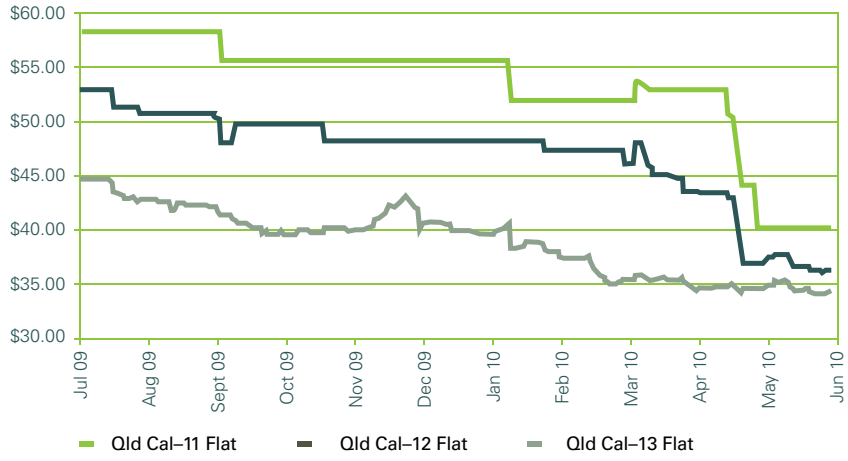
- 2009 IPPA—this agreement allows for effective operation of Gladstone Power Station in the NEM, with Stanwell the nominated generator;
- REC and Environmental Liability Arrangements—this arrangement indemnifies Stanwell for the future REC and future environmental scheme liabilities associated with Stanwell's role as the market interface for the 810 MW Boyne Smelter Load; and
- Long Term Power Purchase Agreement—this agreement provides the framework for the future sale of additional load to Boyne Smelter Limited.

Queensland annual average available generation, demand and spot price



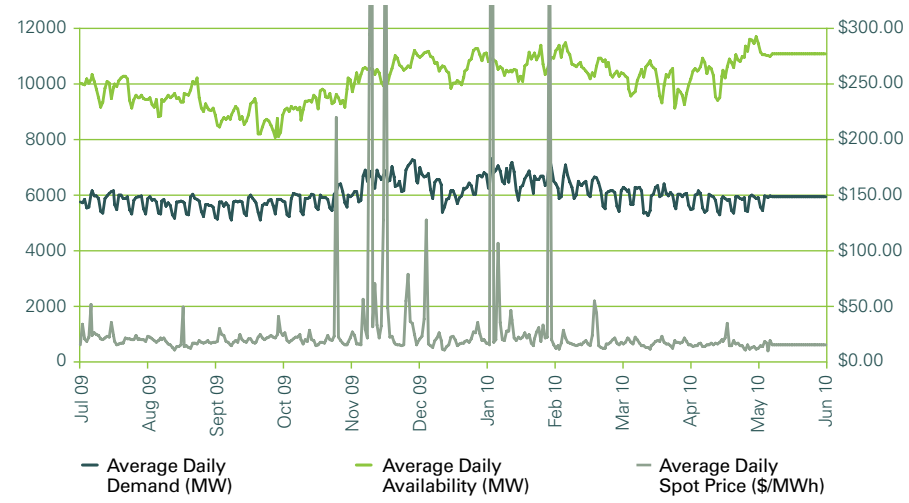
The high availability of generation plant contributed to the continued low spot price that began in 2008–09. Demand was also below expectations due to milder weather

Contract forward curve



Throughout the year prices continued to fall, continuing the trend from the previous year

Demand growth versus installed capacity and spot price



The very large margin between demand and availability throughout the year resulted in only a small number of pool price events above a $100/MWh daily average price. The spikes above this level were caused mainly by forced outages, network issues and high New South Wales demand

PROJECT DEVELOPMENT

During the year, Stanwell focused on its strategy to deliver a portfolio of development options that will diversify our existing assets as well as position the organisation as a competitive operator in a future carbon constrained market.

Despite the announcement by the Federal Government to defer the Carbon Pollution Reduction Scheme (CPRS), Stanwell continues to investigate the technical and commercial aspects of cleaner coal using coal gasification, carbon capture and storage (CCS) technologies, and the associated sequestration of CO_2 into underground reservoirs.

We continued our involvement in the Wandoan Power Project in the Surat Basin—a comprehensive proposal for the development of a 400 MW Integrated Gasification and Combined Cycle power plant with CCS. The proposal is dependent on government and industry funding and approval.

Wandoan Power is a joint venture project between Stanwell and General Electric (GE) that is investigating a low emission coal project together with the Carbon Transport and Storage Company, a subsidiary of Xstrata. The Wandoan Power Project is one of four short listed projects in the Federal Government's Carbon Capture and Storage Flagship process. Wandoan Power has secured $8 million of funding from the Federal Government and $6.7 million from the Australian Coal Association Low Emission Technology Fund to contribute to a pre-feasibility study for the 400 MW project. The pre-feasibility study will be completed in early 2011.

Stanwell also commenced a feasibility study into a proposed hydro power station on the Burdekin Falls Dam in North Queensland (case study page 33).

We investigated and undertook preliminary studies into geothermal and solar thermal project opportunities in Queensland and evaluated a range of renewable technologies. Stanwell participated in a bid for the Federal Government Solar Flagship Program, however was unsuccessful in obtaining funding.

Stanwell is nearing completion of the sale of its coal resources in Mineral Development Licence (MDL) 162. MDL 306 may be retained, with our option over additional coal resources in Mining Lease (ML) 80110, which is currently held by Wesfarmers Resources (Wesfarmers), providing a life of asset fuel solution for Stanwell Power Station.

During the year, Stanwell presented a range of gas opportunities to its Board which included our interest in acquiring long-term gas supplies through maintaining our farm-in agreement with Icon Energy. In June 2010, Stanwell's Board commenced consideration of the opportunity to invest further in Icon Energy to complete the farm-in agreement.

Stanwell also commenced a feasibility study into a proposed hydro power station on the Burdekin Falls Dam in North Queensland.

We maintained our equity stake in Blue Energy Limited which is held in escrow until August 2010.

THE RIGHT DIRECTION FOR OUR RESEARCH

Identifying and developing low emission technologies are a major focus for Stanwell, as well as improving our existing assets performance.

This year we supported a range of research memberships and collaborative research efforts:

WHAT WE SET OUT TO ACHIEVE THIS YEAR	HOW WE PERFORMED
Commence a feasibility study into a hydro power station in North Queensland.	Achieved Commenced Burdekin Hydro feasibility study in November 2009.
Conclude negotiations with Wesfarmers Resources aimed at expansion of exports from Curragh mine and monetise MDLs 162 and 306.	On track Completed negotiations with Wesfarmers regarding expansion of exports. Stanwell expects to complete the sale of MDL 162 in second half of 2010.
Position Stanwell for access to renewable energy sources and project development opportunities.	Achieved Participated in a Solar Flagship application and completed a process to identify suitable solar sites, partners and technologies.
Remain active in investigating the viability of deploying cleaner coal technology in Queensland.	On track Continued to investigate clean coal technology options, including the Wandoan Power Project.
Continue to develop gas farm-in opportunities to prove up long-term reserves.	On track Commenced negotiations with Icon in relation to the second stage of a farm-in agreement with the company.

WHAT WE WANT TO ACHIEVE NEXT YEAR
Complete Burdekin Hydro feasibility study.
Complete accelerated pre-feasibility study for the Wandoan Power Project.
Complete pre-feasibility study for a gas generation project.
Continue to monitor developments in lower emissions coal technology.
Develop and obtain stakeholder support for renewable energy strategy.

Low emission technologies

- Electric Power Research Institute (EPRI) Coal Fleet for Tomorrow
- Cooperative Research Centre for Greenhouse Gas Technologies (CO2CRC)
- University of Queensland CO_2 Sequestration in Coal Research
- Post combustion capture demonstration project being coordinated by the Electric Power Research Institute (EPRI)
- IEA Clean Coal Centre Australian Industry Consortium.

Existing assets

- EPRI programs on boiler life and availability, steam cycle chemistry and maintenance improvement
- Welding research via the Welding Trades Institute of Australia.

We also support the National Clean Coal Initiative by providing advice on the cost of generation technologies and research and development needs.

Mechanical Tradesperson Jeff Harbeck at Stanwell Power Station

Burdekin Falls Dam in North Queensland

STANWELL INVESTIGATES RENEWABLE ENERGY OPTION IN NORTH QUEENSLAND

After completing the Burdekin Hydro pre-feasibility study, in August 2009 Stanwell and SunWater executed an agreement providing Stanwell the right to commence a feasibility study, with a further option to invest in the development of a hydro power station on the Burdekin Falls Dam. The feasibility study will determine project costs and revenues to a bankable level of certainty, and enable a final investment decision to be made.

The feasibility study is expected to be completed next year.

In November 2009 we began engagement of key stakeholders across the North Queensland region.

The project proposes to use the water the dam currently releases to fuel a 37 MW hydro power station.

The development of the Burdekin Hydro supports the Federal Government's Renewable Energy Target scheme which would progressively increase Australia's annual requirement for renewable energy to 45,000 GWh by 2020.

This project would further complement Stanwell's existing renewable energy portfolio which includes Barron Gorge Hydro, Kareeya Hydro and Koombooloomba Hydro in Far North Queensland and Wivenhoe Small Hydro in South East Queensland.

ENVIRONMENTAL PERFORMANCE

Environmental Advisor Luke Johnston at Stanwell Power Station

Stanwell is committed to the protection of the natural environments in the areas we operate. Our operational strategies are built around efficient use of energy and natural resources, and minimisation of waste.

POLICY AND REGULATION

During the year, the Generator Efficiency Standards Agreement was replaced with the National Greenhouse and Energy Reporting Scheme (NGERS) and is an initiative of the Department for Climate Change. Stanwell developed and implemented a substantial data collection and reporting program to enable it to meet its NGERS reporting requirements.

In February 2010, the Department of Climate Change released the NGERS data for 2008–09. Stanwell's greenhouse gas emissions were ranked 15th in Australia. The NGERS data relates to the total quantity of CO_2 released. As a consequence, larger power stations such as Stanwell Power Station will tend to rate higher under the NGERS than smaller stations. On a CO_2/MWh basis, Stanwell Power Station is one of the more efficient coal-fired generators in Australia. We routinely monitor our environmental performance and will continue to pursue and implement strategies to minimise our emissions and improve our environmental performance.

In 2009–10, under Queensland Government climate change programs, we reported our emissions associated with office buildings, vehicles and air travel. Stanwell met its requirements under these programs, demonstrating a reduction in air travel in 2009. The combined total emissions from office buildings, vehicles and air travel emissions in 2009–10 was 2,466 tonnes.

GENERATION INVESTMENT

Stanwell Power Station installed low NOx burners on Unit 3 in August 2009, providing a 40% reduction in NOx emissions over previous levels. Further evaluation of plant performance will be conducted prior to installation on other units.

Unit 4 at Stanwell Power Station will undergo a planned outage in 2010 to install new low pressure turbines, which will reduce greenhouse gas emissions by 47,000 tonnes a year, and increase the efficiency of the station.

RENEWABLE DIRECTION

We are currently undertaking flora and fauna assessments in the environment surrounding the proposed Burdekin Hydro Project. The proposed hydro power station on the Burdekin Falls Dam, located in North Queensland, will be a renewable energy project and is currently in feasibility stage (Project development page 33).

Stanwell routinely monitors environmental performance and will continue to pursue and implement strategies to minimise emissions.

CLIMATE ADAPTATION

Stanwell's Climate Change Adaptation working group has undertaken a range of initiatives to ensure climate adaptation matters are incorporated into Stanwell's business planning and operation. This has involved:

- use of climate change modelling predictions (temperature, rainfall, humidity, etc) in asset life planning processes;
- including carbon cost forecasts in asset life planning processes;
- tailoring research and development expenditure to focus on technologies that are more applicable to a carbon constrained economy; and
- modifying existing business processes to ensure climate change becomes a part of normal business planning in preparation for the phasing out of the Climate Change Adaptation working group.

Wivenhoe Small Hydro

WHAT WE SET OUT TO ACHIEVE THIS YEAR	HOW WE PERFORMED
Maintain Environmental Management System in line with ISO14001 and achieve zero major non-conformances.	**Achieved** Recorded no major non-conformances.
Achieve nil Level 4 or 5 incidents*.	**Achieved** No Level 4 or 5 incidents recorded during the year.
Review our Environmental Policy.	**Achieved** Policy review completed.
Review Climate Change Strategy.	**Further improvement/action required** The review of the Stanwell's Climate Change Strategy was delayed as a result of the Carbon Pollution Reduction Scheme legislation not passing through the Federal Parliament. A revised date for the strategy's review will be determined during the year.
Implement Recycling and Waste Management Plan at Stanwell Power Station.	**Achieved** Implemented during Unit 3 outage in October 2009.

* refer Glossary for definitions

WHAT WE WANT TO ACHIEVE NEXT YEAR
Maintain Environment Management System in line with ISO14001.
Achieve no major non conformances.
Achieve nil Level 4 or 5 incidents.
Continue to meet our obligations under the Energy Supply Association of Australia Code of Sustainable Practice.
Review operational water monitoring programs.

Environmental incidents by site 2009–10

	Level 1, 2 or 3	Level 4 or 5
Stanwell Power Station	100	0
Kareeya Hydro, Koombooloomba Hydro and Barron Gorge Hydro	8	0
Mackay Gas Turbine	1	0
Stanwell Energy Park	1	0

Compared to 2008–09 there has been an increase in events reported at Stanwell Power Station. This can be attributed to an increase in reporting over the outage period. The number of events reported at our hydro electric power stations was lower than the previous year

Major environmental incidents

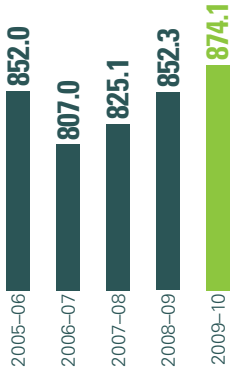
Year	Incidents
2005–06	4*
2006–07	0**
2007–08	0**
2008–09	0**
2009–10	0**

* Major incidents. Incidents assessed under the previous classification of 'Major' or 'Minor'. In 2006–07, Stanwell modified its classification system based on Levels 1 to 5

** Refers to Level 4 or 5 incidents

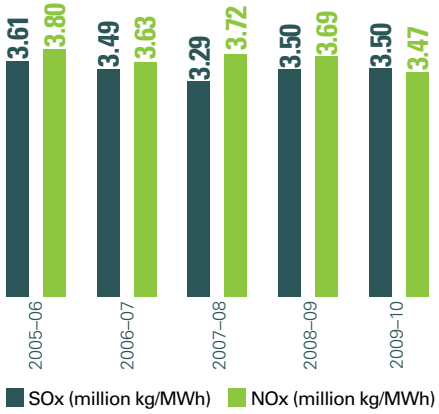
Stanwell has had four consecutive years of recording no Level 4 or 5 environmental incidents

Carbon intensity



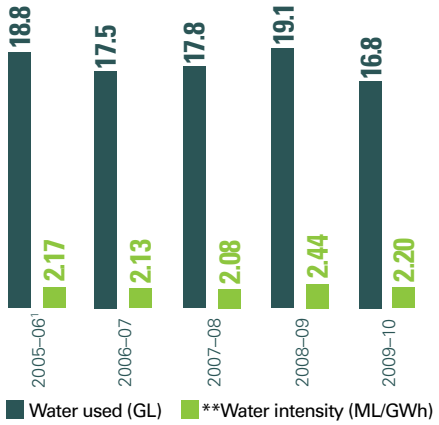
Carbon intensity considers several factors, including the production efficiency of our thermal power stations combined with the production mix from our thermal and renewable sites. This year saw a slight increase in our carbon intensity due to low levels of operation at Stanwell Power Station and a late wet season at our northern hydro power stations

SOx and NOx emissions



NOx has decreased from last year due to the installation of low NOx burners on Unit 3 at Stanwell Power Station

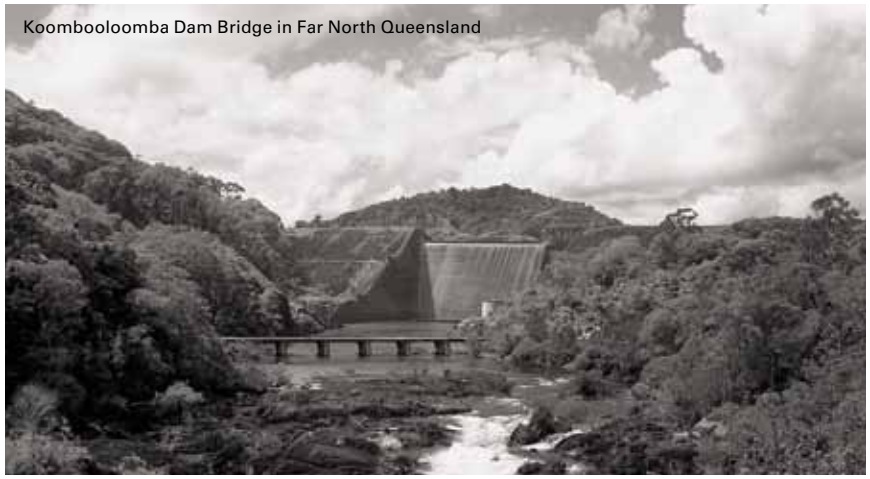
Water used and water intensity at Stanwell Power Station



** Calculations based on water delivered to the RWD. This figure includes the RWD as part of the station's operations, and therefore includes any uncontrollable losses from the dam such as seepage and evaporation

1 The 2005–06 data has been restated to reflect a plant reconfiguration which resulted from the addition of the Raw Water Pre-treatment Plant in 2005.

Total water used during the year was less than previous years due to lower generation



Koombooloomba Dam Bridge in Far North Queensland

BRIDGE DECKING REPLACEMENT PROJECT

The Koomboolomba Dam Bridge, located near Koomboolomba Hydro in Far North Queensland, required significant maintenance repairs. The project was below the Koombooloomba Dam in the Wet Tropics World Heritage Area (WTWHA).

The project, managed by Stanwell, utilised the existing concrete plinths which were the base of the existing structure. This allowed works to be conducted under the existing Wet Tropics Permit (WTMA06020—Maintenance to Infrastructure within WTWHA) and additional permits were not required. A riverside protection permit was not required as the earthworks were deemed to be above the high water level.

Given the sensitivity of the area, erosion controls were a significant component of the project. Sediment fencing and rock bunding were used on each side of the river to mitigate any sediment transportation. A scaffold structure was erected between the concrete plinths. This structure was covered firstly with plywood and then with a geotextile fabric. This fabric was used to capture any fallen material (ie bitumen, sediment, debris) during the removal of existing decking and any new material created during the installation of the newly precast decking.

Prior to construction completion, a combined health, safety and environment site audit was conducted. It was a successful project from all aspects. Construction was completed without having any environmental incidents.

DELIVERING ON OUR ENVIRONMENTAL COMMITMENTS

Thermal

Stanwell Power Station has an ash storage area that is used to store waste material from the coal burning process.

The ash facility was identified as requiring extension. Civil construction works commenced during the year and are expected to be completed in July 2010. The work involves the movement of approximately 300,000 cubic metres of material to provide a minimum of 4.5 years of additional life to the ash storage area.

Beyond this extension work, Stanwell remains committed to identifying markets for suitable reuse of both fly ash and bottom ash resources.

Hydro

Stanwell continued to develop data management and reporting systems as well as water storage and discharge reporting in line with the Bureau of Meteorology requirements under the *Water Act 2009*.

ECONOMIC PERFORMANCE

Stanwell Power Station in Central Queensland

Stanwell has recorded an after tax profit for the financial year of $149.5 million ($2008–09: $195.6 million). This performance, while lower than the previous financial year, demonstrates a strong operating result.

Stanwell recorded its highest electricity revenue of $447.4 million for the second year in succession, with an increase of $8.3 million over the 2008–09 revenue of $439.1 million. The increase in revenue is a good result given the reduced electricity demand and softer wholesale electricity pricing during the financial year.

Export coal revenue sharing arrangements and coal on sales contributed $116.9 million to Stanwell's after tax result (2008–09: $131.2 million). The fall in revenue is due to the impacts of lower coal prices and the appreciation of the Australian dollar to the United States dollar. It is anticipated these impacts will continue into the next financial year.

The net profit after tax also includes a number of large expenditure changes, including impairments and fair value adjustments of $12.1 million after tax (2008–09: $17.5 million), onerous contract recognition on the Gladstone Interconnection and Power Pooling Agreement of $11.5 million after tax (2008–09: a reversal of $21 million after tax) and additional interest of $11.3 million after tax directly attributable to the additional debt of $380.0 million utilised to fund the capital repatriation in December 2009.

The balance sheet has changed this financial year with a fall in total equity of $277.0 million. The capital repatriation of $380.0 million in December 2009 has significantly contributed to the change offset by the retention of net profit after tax and dividends of $32.8 million and the change in the hedge reserve of $70.2 million.

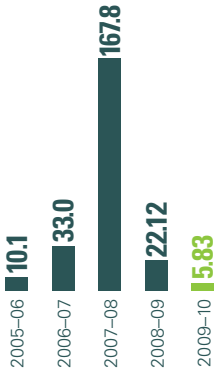
Total assets at 30 June 2010 are $1,982.0 million (2008–09: $1,930.7 million), an increase of $48.9 million, and include a cash balance of $212.0 million (2008–09: $162.7 million). The cash balance is committed for the payment of current tax liabilities and a dividend to the Queensland Government of $116.7 million in December 2010.

WHAT WE SET OUT TO ACHIEVE THIS YEAR	HOW WE PERFORMED
Provide an efficiency dividend to shareholders through cost savings of $5 million.	**Achieved** Delivered costs savings of $5.6 million.
Develop and monetise surplus assets.	**On track** The sale of Emu Downs Wind Farm and MDL 162 are in process and anticipated to complete in 2010–11.

WHAT WE WANT TO ACHIEVE NEXT YEAR

- Continue to deliver an efficiency dividend to shareholders through continued cost savings of $5 million.
- Complete the monetisation of surplus assets.
- Manage and optimise the new Gladstone Interconnection and Power Pooling Agreement.

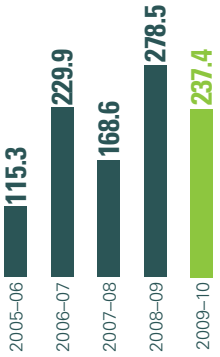
Interest cover



*Based on net interest received – prior years restated

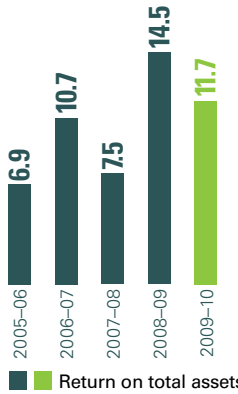
The decrease to Stanwell's interest cover is a result of the increase in debt of $380.0 million

Earnings before interest and tax



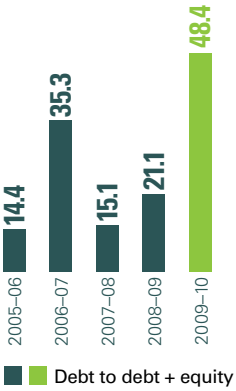
The decrease to Stanwell's earning before interest and tax this year can be attributed to a decrease in coal revenue sharing arrangements offset by coal on-sales and the impact in 2008–09 of the reversal of the onerous contract of $30.0 million before tax

Return on total assets



The decreased return on total assets was a result of Stanwell's reduced profit and increased average assets

Debt to debt + equity



Our debt/debt + equity increased due to an additional $380.0 million in debt utilised to fund the capital repatriation to the Queensland Government

STATEMENT OF COMPREHENSIVE INCOME

Stanwell's record electricity revenue included an improved net result from electricity derivatives and derivative fair value movements. Excluding derivative fair value movements, sales of electricity in 2009–10 were $709.6 million compared to $690.5 million, an increase of 2.8%.

While there was a reduction in gross generation sent out of 4.5% (16,300.8 GWh in 2008–09 to 15,565.0 GWh in 2009–10), an increase of 7.6% in electricity prices (from $42.36/MWh in 2008–09 to $45.59/MWh in 2009–10) has resulted in improving electricity revenue. This is a result of favourable revenue from electricity derivatives and derivative fair value movements, compared to the 2008–09 year.

Stanwell's record electricity revenue included an improved net result from electricity derivatives and derivative fair value movements.

Stanwell's total cost per MWh (excluding depreciation, amortisation, borrowings costs and tax) for 2009–10 was $42.32/MWh, an increase of 16.0% from $36.49 for 2008–09 due predominantly to reduced generation. Excluding the impact in 2009–10 of costs associated with impairments and the write off of development costs, the total cost per MWh is $41.23, which represents an increase of 13.0% against the previous year due to reduced generation.

The interest expense for the year increased to $31.9 million from $15.7 million in 2008–09. The additional debt cost is directly attributable to the increase in debt of $380.0 million to facilitate the payment of the capital repatriation under the Queensland Government's Capital Restructure Review.

The directors have recommended and provided for a dividend of $116.7 million for 2009–10 (2008–09: $148.9 million). This is based on a dividend payout ratio of 80% of after tax profit adjusted to exclude net unrealised gains from the revaluation of financial derivatives.

BALANCE SHEET

Stanwell's balance sheet position reflected a decrease in equity of $277.0 million from $959.9 million in 2008–09 to $679.9 million at 30 June 2010. The decrease in equity is predominately due to the $380.0 million of capital repatriated in December 2010 under the Queensland Government's Capital Structure Review. The impact of the additional debt is an increase in Stanwell's gearing (measured as debt to debt plus equity) to 48.4% in 2009–10 from 21.1% in 2008–09.

At 30 June 2010, Stanwell held cash and cash equivalents of $223.9 million (2008–09: $174.3 million), including cash held in assets held for sale. The strategy of holding cash on deposit rather than repaying debt continued during the year due to the risk of capital erosion through market yield movements. The cash held is supplemented by undrawn debt facilities of $83.1 million providing available cash of $307.0 million. The cash is committed for the payment of the dividend provided for of $116.7 million, capital expenditure commitments of $41.8 million, investment commitments of $30.0 million and current tax liabilities of $37.1 million.

As reported in 2007–08, at the direction of the Queensland Government, Stanwell commenced the sale of its wind farm portfolio. At 30 June 2010, the investment in Emu Downs Wind Farm and the Badgingarra Wind Project remain available for sale on resolution of litigation with the joint venture partner. Consistent with the requirements of the Australian Accounting Standards, the investment in the assets have been disclosed as 'held for sale'.

Health and Safety Manager Allan Thomson and CQ Steel owner Tony Wust at Stanwell Power Station

CASH FLOW

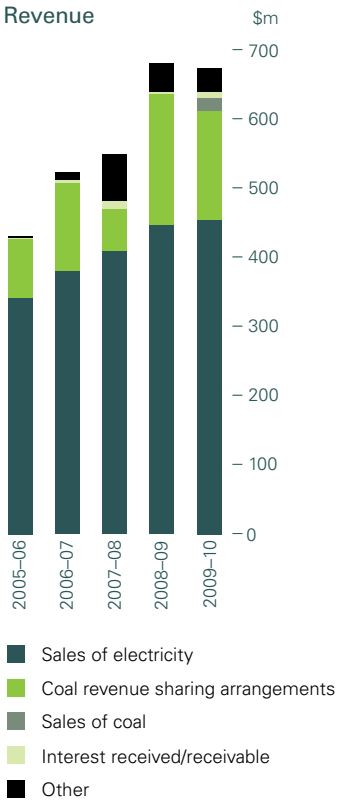
Stanwell generated net cash inflows from operating activities of $273.0 million (2008–09: $191.7 million) after the payment of tax and interest. This represents an increase of $82.0 million or 42.9% over the previous financial year. The cash inflow represents a strong trading result offset by an increase in interest payments through the additional debt drawn in the financial year and corresponding increase in tax payments.

RETURN ON TOTAL ASSETS

Our return on total assets for 2009–10 was 11.7% compared to 14.5% in the previous year. The decrease is due to the comparatively lower results from the coal revenue sharing arrangements and the impact of the additional uplift in 2008–09 through the reversal of the onerous contract of $21.0 million (after tax).

OUTLOOK

The current outlook for the electricity pool price and contract markets is a softening of electricity prices and lower demand growth. Stanwell will continue to benefit from the coal revenue sharing arrangements however the 2010–11 outlook reflects the impact of the softening of export coal prices. The continued strength of the Australian dollar to United States dollar will however subdue the impact of any upward export coal price improvements. Accordingly, Stanwell anticipates a positive profit result however somewhat weaker than the 2009–10 profit.



Sharing of export coal revenue from the Curragh North coal mine contributed to this year's strong revenue result

CORPORATE GOVERNANCE

Inside Stanwell Power Station

APPROACH TO CORPORATE GOVERNANCE

Stanwell is committed to achieving the highest standards of corporate governance to enable the organisation to function efficiently and effectively.

As part of its ongoing commitment to best practice corporate governance, in 2004, the Board developed and implemented Stanwell's corporate governance framework in the form of a Board Handbook.

Stanwell is required to comply with the Corporate Governance Guidelines for Government Owned Corporations developed by the Queensland Government.

These guidelines summarise the expectations of Shareholding Ministers in relation to the corporate governance of all Government Owned Corporations (GOCs) and provide a framework to develop, implement, review and report on corporate governance arrangements. The guidelines are based on eight principles of good corporate governance (Office of Government Owned Corporations principles and reporting requirements table page 45).

Further information relating to corporate governance at Stanwell, including a copy of our Board Handbook, can be found on our website at **www.stanwell.com**.

SHAREHOLDING MINISTERS

As at 30 June 2010, Stanwell's Shareholding Ministers are:

- the Honourable Andrew Fraser MP, the Treasurer and Minister for Employment and Economic Development; and
- the Honourable Stephen Robertson MP, Minister for Natural Resources, Mines and Energy and Minister for Trade.

SUBSIDIARIES

The directors of Stanwell's subsidiaries are Mr Wayne Collins and Mr Michael O'Rourke.

BOARD AND COMMITTEES

As at 30 June 2010, Stanwell's Board consisted of six non-executive directors, who were all appointed in accordance with the *Government Owned Corporations Act 1993* (GOC Act).

Role of Board of Directors

The GOC Act establishes that the Board is ultimately responsible for all matters related to the operations of Stanwell. Within this regulatory framework, the Board's overall role is to govern the organisation rather than manage it.

It is the purpose of the Executive Management Team to manage the organisation in accordance with the direction and delegations of the Board. It is the responsibility of the Board to oversee the activities of management in carrying out these delegated duties. The Board is responsible for and has the authority to determine all matters relating to the policies, practices, management and operations of Stanwell, except where Shareholding Ministers exercise their reserve powers of policy and direction under the GOC Act.

The Board is required to do all things necessary to carry out the objectives of Stanwell and, subject to the reserve powers of our Shareholding Ministers, has the final responsibility for the successful operation of the company.

The principal functions and responsibilities of the Board include:

- health, safety and wellbeing of employees;
- leadership of the organisation;
- strategy formulation;
- overseeing planning activities;
- stakeholder liaison;
- monitoring, compliance and risk management;
- matters relating to the Chief Executive Officer; and
- delegation of authority.

Director independence

All of Stanwell's directors are considered by the Board to be independent. In determining the independent status of a director, the Board has considered whether the director:

- is a material supplier or customer of Stanwell or its subsidiaries; and
- has a material contractual relationship with Stanwell other than as a director.

Board committees

Stanwell has three standing Board committees:

- Audit and Risk Management Committee,
- Human Resources and Workplace Health and Safety Committee, and
- Project Advisory Group.

In each case, the committee has no executive powers with regard to its findings and recommendations. These executive powers remain with the Board.

Each committee has a charter (available on Stanwell's website) which sets out the objectives, composition, term of office, duties and responsibilities of each committee. The charters of each committee are reviewed and updated, as appropriate, on a regular basis.

Stanwell also has three executive management committees that report through to the Audit and Risk Management Committee at every committee meeting. These are the Trading Risk Management Committee, Trading Compliance Committee and Financial Risk Management Committee.

Composition of the Board and committees (as at 30 June 2010)

Director	Date first appointed	Expiry of term of office	Board membership	Committee membership		
				Audit and Risk Management	Human Resources and Workplace Health and Safety	Project Advisory Group
Denis Byrne	1 July 2006	30 September 2012	Independent Non-executive Chairman	Member	Member	Member*
Mark Williamson	5 July 2001	30 September 2011	Independent Non-executive Director		Member	Chairman*
Laurie Gillespie	1 July 2006	30 September 2011	Independent Non-executive Director		Chairman	
Graeme Crow	1 October 2008	30 September 2011	Independent Non-executive Director	Member		
Tony Andersen	1 October 2009	30 September 2012	Independent Non-executive Director		Member	Member
Julie Leaver	1 October 2009	30 September 2012	Independent Non-executive Director	Chairman		

* Barry Kelly's, Peter Gregg's and David Watson's terms as directors of Stanwell expired 30 September 2009 and Clifton Hefner resigned as a director of Stanwell taking effect 14 April 2010. On 2 October 2009, Mark Williamson was appointed Chairman of the Project Advisory Group Committee replacing Denis Byrne.

STANWELL STRUCTURE AS AT 30 JUNE 2009

THE PEOPLE OF QUEENSLAND	SHAREHOLDING MINISTERS	BOARD OF DIRECTORS	CHIEF EXECUTIVE OFFICER	MANAGEMENT TEAM
	Treasurer and Minister for Employment and Economic Development Minister for Natural Resources, Mines and Energy and Minister for Trade	Denis Byrne Mark Williamson Laurie Gillespie Graeme Crow Tony Andersen Julie Leaver	Wayne Collins (Acting)	Garry Button Ian Gilbar (Acting) Derek Hannigan Brad Neven Michael O'Rourke

Board and committee evaluation

The Board conducts a review of its performance and the performance of each committee on a regular basis. These reviews ensure that the Stanwell Board is maintaining best practice corporate governance standards.

External review

An independent third-party consultant undertook a Board and Board committee performance evaluation, which was completed at the end of 2009. The objectives of the review were to:

- focus on continuous improvement,
- provide directors with an opportunity to respond openly in an independent environment,
- strengthen relationships within the Board,
- enhance the effectiveness of the Board's operations and corporate governance practices,
- strengthen the culture of performance and accountability, and
- continue to align Board development opportunities with Stanwell's core values and the competitive environment in which Stanwell operates.

Based on the outcomes of the review, key opportunities for Board focus over the next 12 months were identified.

As part of its continuous development program, and in the context of changes to the Board's composition during the year, the Board has been progressing development opportunities, including:

- holding a targeted 'refresher' Board workshop on governance, including duties and obligations as they apply to Stanwell directors; and
- holding workshops in relation to Board 'expectations' in the context of the Board's role as a GOC board, Stanwell's strategic plan and the current competitive environment.

The Board is continuing its work in implementing opportunities for performance enhancement.

Internal review

Since February 2008, the Board has conducted internal reviews where the Board's individual and collective performance and the performance of each Board committee has been reviewed and evaluated. These reviews have been conducted on a quarterly basis during the Non-Executive Director sessions of the Board meeting following each quarter.

Meetings

The attendance of Stanwell's directors at Board and Board committee meetings is shown opposite.

ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

Stanwell is committed to high standards of integrity, honesty and accountability. We value ethical behaviour and actions that are consistent with our six key strategic objectives. Stanwell's commitment to this is reflected in the codes of conduct which apply to directors and employees.

Avoidance of conflicts of interest

Stanwell's Constitution and Board Handbook require directors to disclose to the Board potential, perceived or actual conflicts of interest that may exist between the director and any other parties in carrying out the activities of Stanwell. On appointment, directors must disclose to the Board any potential, perceived or actual conflicts of interest in accordance with the Conflict of Interest Probity Protocol (which forms part of the Board Handbook) and must keep these disclosures up to date.

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

The Conflict of Interest Probity Protocol provides for the appointment of an external probity auditor to carry out an audit function regarding the management of conflicts of interest as they occur from time to time. During the 2009–10 financial year, there were no outstanding material issues raised by Stanwell's external probity auditor.

Access to information and independent professional advice

All directors have a right of access to company books and receive regular detailed financial and operational reports from executive management.

Directors may request, via the Chairman, independent professional advice at Stanwell's expense. A copy of advice received by a director is provided to all other Board members.

FINANCIAL REPORTING

CEO and CFO certificate

The Audit and Risk Management Committee (ARMC) reviews and makes recommendations to the Board on all significant accounting policy changes and the annual financial statements, including the auditor's report. The ARMC considers the annual financial accounts and endorses the accounts to be submitted for approval by the Board.

Stanwell's Chief Executive Officer and Chief Financial Officer also provide a certificate stating that, in their opinion, Stanwell's annual financial statements and notes give a true and fair view of the financial position and performance of Stanwell, as the parent entity and the group consisting of Stanwell and its subsidiaries, and that the accounting policies of the parent entity and the group are in accordance with the relevant standards and legislation.

This certification is based on implementation of the policies adopted by the Board and the company's risk management system and internal compliance and control measures, which operate efficiently and effectively in all material respects in relation to financial reporting risks.

Board meeting attendance

D Byrne	B Kelly	L Gillespie	P Gregg	M Williamson	D Watson	G Crow	J Leaver	T Andersen	C Hefner
10 of 10*	1 of 2 (term expired 30/9/09)	11 of 11	2 of 2 (term expired 30/9/09)	7 of 10*	2 of 2 (term expired 30/9/09)	9 of 11	8 of 8* (appointed 1/10/09)	9 of 9 (appointed 1/10/09)	6 of 6 (appointed 1/10/09; resigned 14/4/10)

* Leave of absence granted

Audit and Risk Management Committee meeting attendance

J Leaver	P Gregg	D Byrne	G Crow	D Watson	C Hefner
5 of 5 (appointed 1/10/09)	1 of 1 (term expired 30/9/09)	5 of 5*	6 of 6	1 of 1 (term expired 30/9/09)	3 of 3 (appointed 1/10/09; resigned 14/4/10)

* Leave of absence granted

Human Resources and Workplace Health and Safety Committee meeting attendance

L Gillespie	B Kelly	D Byrne	M Williamson	T Andersen
8 of 8	2 of 2 (term expired 30/9/09)	7 of 7*	2 of 8	6 of 6 (appointed 1/10/09)

* Leave of absence granted

Project Advisory Group Committee meeting attendance

M Williamson	D Byrne	P Gregg	D Watson	T Andersen	C Hefner
1 of 3	3 of 3	1 of 1 (term expired 30/9/09)	1 of 1 (term expired 30/9/09)	2 of 2 (appointed 1/10/09)	2 of 2 (appointed 1/10/09; resigned 14/4/10)

RISK MANAGEMENT

Risk management system

Stanwell has a comprehensive risk management system to identify, analyse, evaluate, treat and monitor material business risks.

Stanwell's Risk Management Policy aligns with International/Australian Standard 31000:2009 and assigns responsibility to each General Manager for the management of business risks pertaining to their divisions. To fulfil this responsibility, they are supported by the Corporate Risk Manager, business wide common risk language and a risk register database. The Board has approved a Risk Evaluation Framework to guide the business in the measurement of risk and setting management approaches according to risk tolerance.

In addition, significant domains of business risk are supported by specialist staff, processes and systems designed to address specific regulatory and professional requirements while simultaneously integrating with the corporate risk framework. These domains include health and safety, environment, energy trading, financial risk, legal compliance and production.

Risk reports and risk maps are tabled at each meeting of the ARMC. These advise the ARMC of risks with a current rating of high, emerging issues in the business environment, internal control issues and internal control improvements.

Each General Manager reports to the Board on a quarterly basis regarding material compliance exceptions. The Board is continuously advised of the effectiveness of the risk management system and the internal control system through these processes.

Senior Project Engineer Trevor Johnson and Mechanical Technician Peter Woodall at Stanwell Power Station

Health and Safety Officer Kirsten Klease at Stanwell Power Station

MILESTONES

Milestones in 2009–10

- Oversight of a new phase of investment in safety and engagement of DuPont to assist with achieving Stanwell's zero harm objectives.
- Approval of investments in low emission energy for future sustainable generation, including hydro (eg. Burdekin Hydro project), clean coal (eg. Wandoan Power Project) and gas (eg. continuing investment in a farm-in opportunity with Icon Energy Limited).
- Oversight of negotiations to amend the Gladstone Power Station (GPS) Interconnection and Power Pooling Agreement and securing the necessary regulatory approvals to permit GPS to be operated and dispatched in accordance with market requirements in a way which maximises value to Stanwell.
- Oversight of the Unit 3 outage at Stanwell Power Station, including a low pressure turbine and generator upgrade.
- Oversight of Stanwell annual after tax profit of $149.5 million, achieved against a challenging backdrop of softening electricity prices.
- Oversight of Stanwell's defence of the Federal Court proceeding brought by the Australian Energy Regulator concerning Stanwell's rebidding of electricity generation in the National Electricity Market.

DISCLOSURE AND COMMUNICATIONS WITH SHAREHOLDERS

Shareholding Ministers have a general right to obtain information from Stanwell about its operations by virtue of the accountability of Stanwell to the government, Parliament and the public.

Stanwell respects the rights of Shareholding Ministers and their representatives, having regard to the requirements of responsible government, and facilitates the effective exercise of those rights.

We actively consult with Shareholding Ministers and give them ready access to balanced and understandable information about the company and corporate proposals.

This is achieved via the following mechanisms:

- Annual Report (containing those matters outlined in Section 120 of the GOC Act);
- Corporate Plan;
- Statement of Corporate Intent;
- Quarterly Reporting (pursuant to Section 119 of the GOC Act);
- Interim Report;
- Forecast Report;
- Ministerial Briefing Notes, as required;
- fortnightly updates from the Chief Executive Officer; and
- regular meetings between Stanwell's Chairman/Chief Executive Officer and the portfolio minister.

In accordance with Section 122 of the GOC Act, Stanwell:

- keeps Shareholding Ministers reasonably informed of the operations, financial performance and financial position of Stanwell and its subsidiaries, including the assets and liabilities, profits and losses, and prospects of Stanwell and its subsidiaries;
- gives to Shareholding Ministers reports and information that they require to enable them to make informed assessments of matters relating to operations, financial performance and the financial position of Stanwell and its subsidiaries; and
- if matters arise that in the Board's opinion may prevent, or significantly affect, achievement of Stanwell's objectives outlined in the Statement of Corporate Intent or targets under Stanwell's Corporate Plan, will immediately inform Shareholding Ministers of the matters and its opinion in relation to them.

OFFICE OF GOVERNMENT OWNED CORPORATIONS (OGOC) PRINCIPLES AND REPORTING REQUIREMENTS

Stanwell reports against the Corporate Governance Guidelines for Government Owned Corporations. The table below outlines our compliance against the eight principles of good corporate governance.

Recommendation	Annual Report requirement	Reference material
PRINCIPLE 1 FOUNDATIONS OF MANAGEMENT AND OVERSIGHT		
The Board should have a formal statement or Board Charter which clearly defines the roles and responsibilities of the Board and individual directors and the matters which are delegated to management. This also applies to any committee established by the Board. A Board Handbook should be available to facilitate Board operations and induction and self-evaluation processes. Appropriate induction processes should be developed for new members in relation to their Board and committee functions and for senior executives to allow them to participate fully and actively in management decision making at the earliest opportunity. A register of committees and their functions should be maintained. The process for performance evaluation of the Chief Executive Officer and senior executives should be disclosed.	Disclose whether a performance evaluation for the Chief Executive Officer and senior executives has taken place in the reporting period and how it was conducted.	Performance evaluations for Stanwell's Chief Executive Officer and senior executives for the 2008–09 financial year were carried out in August 2009 and will be carried out in August 2010 for the 2009–10 financial year. The performance evaluation for the Chief Executive Officer was conducted by the Board. The performance evaluation for senior executives was carried out by the Board and the Chief Executive Officer. Both the performance evaluation for the Chief Executive Officer and the senior executives were undertaken in accordance with Stanwell's *Executive Management—Recruitment, Appointment and Remuneration Policy* against agreed key performance indicators of financial management; health and safety; environment; operating, maintaining and managing assets; revenue; corporate governance; growth and stakeholder relations.
PRINCIPLE 2 STRUCTURE THE BOARD TO ADD VALUE		
A majority of the Board should be independent directors. The Board should develop and implement a plan for identifying, assessing and enhancing director competencies. Disclose the process for performance evaluation of the Board, committees and individual directors. The Board and committees regularly review their information needs (quality, quantity and timeliness) to ensure the information they receive is appropriate for the effective discharge of their duties. Develop and implement appropriate, formal self-evaluation processes for the Board and committees.	Skills, experience and expertise relevant to the position of director held by each director in office at the date of the report. Names of the directors considered to be independent and Stanwell's materiality thresholds. A statement as to whether there is a procedure agreed by the Board to take independent professional advice at the expense of Stanwell. The term of office held by each director in office at the date of the report, including the date the director was first appointed. Whether a performance evaluation for the Board and its members has taken place in the reporting period and how it was conducted.	See Board member biographies on p16. See Director independence on p41. See Access to information and independent professional advice on p42. See Composition of Board and committees as at 30 June 2010 on p41. See Board and committee evaluation on p42.
PRINCIPLE 3 PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING		
Establish and maintain a code of conduct outlining the practices necessary to maintain confidence in the company's integrity and to guide compliance with legal and other obligations to stakeholders. Establish and disclose the policy for trading in securities by directors, officers and employees. Establish the code of conduct in line with best practice.		For a copy of Stanwell's codes of conduct for directors and employees, please refer to our website.

Recommendation	Annual Report requirement	Reference material
PRINCIPLE 4 SAFEGUARD INTEGRITY IN FINANCIAL REPORTING		
The Board should establish an audit committee. The Chief Executive Officer and Chief Financial Officer (or equivalent) state in writing that the financial reports present a true and fair view and are in accordance with accounting standards.	Details of the names and qualifications of those appointed to the Audit and Risk Management Committee (ARMC), or those who perform the function of an ARMC member. The number of meetings held by the ARMC and the names of the attendees.	See Composition of the Board and committees as at 30 June 2010 on p41 and Board member biographies on p16. See Meetings on p43.
PRINCIPLE 5 MAKE TIMELY AND BALANCED DISCLOSURES		
Establish written policies and procedures to ensure compliance with disclosure requirements (including those in the GOC Act) and generally ensure the accountability of senior management for that compliance.		For a copy of Stanwell's Board Handbook, please refer to our website.
PRINCIPLE 6 RESPECT THE RIGHTS OF SHAREHOLDERS		
Design and disclose a communication strategy to promote effective communication with Shareholding Ministers.		See Disclosure and communications with shareholders on p44.
PRINCIPLE 7 RECOGNISE AND MANAGE RISK		
The Board or an appropriate committee should establish policies in risk management and oversight. Ensure the integration and alignment of the risk management system with corporate and operational objectives. Ensure clear communication throughout Stanwell of the Board and senior management's position on risk. Ensure a common risk management terminology across Stanwell. Ensure risk management is undertaken as part of normal business practice and not as a separate task at set times. Ensure information systems for reporting on risk are integrated to enable aggregation and reporting at a corporate level. Undertake a risk assessment to identify any high-risk fraud areas and develop strategies to mitigate any significant fraud risks. Implement policies and procedures which include: ■ staff responsibilities in relation to fraud, prevention and identification, ■ responsibility for fraud investigation once a fraud has been identified, ■ processes for reporting on fraud related matters to management, ■ reporting and recording processes to be followed to record allegations of fraud, ■ requirements for staff training to be conducted on fraud prevention and identification, and ■ a reference to Stanwell's code for ethical behaviour. Implement a fraud control plan for ongoing monitoring and compliance of fraud control activities which identifies fraud risk, incorporates control strategies, action plans and a timetable for implementation, and sets out responsibilities and accountabilities for fraud control at all levels of Stanwell. The Chief Executive Officer and the Chief Financial Officer (or equivalent) state to the Board that the statement given under the recommendations applying to Principle 4 is founded on a sound system of risk management and internal compliance and control which implements Board policies and the risk management and control system is operating efficiently and effectively in all material respects.	Disclose that Stanwell's management has reported to the Board as to the effectiveness of Stanwell's management of its material business risks.	See Financial reporting on p42 and Monitoring our risk on p43.

Recommendation	Annual Report requirement	Reference material
PRINCIPLE 8 REMUNERATE FAIRLY AND RESPONSIBLY		
Stanwell should disclose its remuneration policies to show the broad structure and objectives of the policies and the link between remuneration of the Chief Executive Officer and senior executives and corporate performance. The Board should establish a remuneration committee.	Disclosure of Stanwell's remuneration policies.	Stanwell has an *Executive Management—Recruitment, Appointment and Remuneration Policy* which was approved by Stanwell's Shareholding Ministers in June 2007. The policy applies to the Chief Executive Officer and senior executives of Stanwell, who report directly to the Chief Executive Officer and whose position is commensurate with an office held by a senior executive under the *Public Service Act 1996*. The policy aims to attract, retain and challenge the best executives to ensure the company achieves its growth and operational objectives while ensuring that these arrangements are consistent with required levels of public sector accountability.
	The names of the members of the remuneration committee and their attendance at meetings of the committee.	See Meetings on page 43.

GOVERNMENT OWNED CORPORATIONS ACT REQUIREMENTS

Summary of Statement of Corporate Intent for the year ended 30 June 2010

INTRODUCTION

Section 102 of the GOC Act requires Stanwell to have a Statement of Corporate Intent (SCI) for each financial year.

The SCI represents a formal performance agreement between Stanwell's Board of Directors and its Shareholding Ministers with respect to the financial and non-financial targets specified for the financial year. The SCI also represents an acknowledgment and agreement on major activities, the objectives, undertakings, policies, investments and borrowings of Stanwell for the financial year.

STRATEGY

Stanwell's corporate strategies, actions and performance outcomes are summarised in the 'Performance overview 2009–10' section on page 6.

PERFORMANCE MONITORING

The SCI specifies Stanwell's financial and non-financial performance targets for its activities during the 2009–10 financial year. Please refer to page 5 for performance against financial indicators and page 6 for performance against non-financial indicators.

OTHER MATTERS

No community service obligations were identified for Stanwell for the year ending 30 June 2010.

DIVIDEND POLICY

Stanwell's dividend policy takes into account the return that shareholders expect from their investments. The Board of Stanwell has recommended a dividend amount equivalent to 80% of Stanwell's audited net profit after tax for the 2009–10 financial year, after adjustment to exclude unrealised gains from the upward revaluation of financial instruments.

The Board has adopted a dividend on the basis of Shareholding Ministers agreeing to provide the necessary funding for projects which have received Board and Shareholding Ministers' approval or for the maintenance of Stanwell's approved capital structure or for ensuring the operational viability of Stanwell.

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 relevant financial year. During the 2009–10 financial year, Shareholding Ministers gave the following notifications to Stanwell: Application of Sport and Recreation Sponsorship Policy (6 October 2009); and Revocation of previous direction that applied the Audit and Reporting Requirements for Government Owned Corporation Controlled Entities and Investments (4 May 2010).

CORPORATE ENTERTAINMENT AND HOSPITALITY

The following table identifies all corporate entertainment and hospitality over $5,000 which was undertaken in 2009–10.

Event	Date	Cost ($)
Staff end of year Christmas functions held across Stanwell sites	December 2009	31,656
Stanwell Power Station community function	December 2009	6,712

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DIRECTORS' REPORT 30 JUNE 2010

The directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Stanwell Corporation Limited and the entities it controlled at the end of, or during, the year ended 30 June 2010.

DIRECTORS

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

DIRECTORS' MEETINGS

The number of directors' meetings (including Board committee meetings) and the number of meetings attended by each of the directors of Stanwell Corporation Limited during the financial year are set out in this annual report (Corporate governance page 40).

COMPANY SECRETARY

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

PRINCIPAL ACTIVITY

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

There have been no significant changes in the principal activities during the year.

REVIEW AND RESULTS OF OPERATIONS

A full review of the operations of the Group during the financial year, and the results of these operations, are set out in this annual report (Operations and Economic performance pages 26 and 37).

Business performance

While the electricity generation business continues to be profitable there are ongoing significant benefits of the revenue sharing arrangements of coal exports from the Curragh coal mine. It is anticipated that the coal revenue sharing benefits will continue in future financial years, but are impacted in the near term by lower coal prices and an appreciating Australian dollar.

The Group profit after tax for the year was $149.5 million against the previous year's result of $195.6 million. The Group's total revenue decreased by 1.1% over the previous year to $663.0 million (2008–09: $670.4 million).

The net profit after tax relating to generation activities was $32.6 million (2009: $64.4 million). The reduction from 2009 relates to the $21 million after tax impact from the Gladstone Interconnection and Power Pooling Agreement (IPPA) onerous contract reversal in 2009, and the $11.3 million increase in borrowing costs following the $380 million capital repatriation in December 2009.

The net profit after tax includes coal on-sales and coal revenue sharing arrangements of $116.9 million (2009: $131.2 million). The decrease in coal related revenues is due to lower coal prices and an appreciating Australian dollar against the United States dollar.

DIVIDENDS—STANWELL CORPORATION LIMITED

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

	Cents per share	Total amount $'000
As declared and provided for in last year's report: Final ordinary dividend paid by 31 December 2009	16.11	148,944
In respect of the current financial year: Declared final ordinary dividend to be paid by 31 December 2010	12.62	116,700

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Capital repatriation

On 23 December 2009, a capital reduction of $380,000,000 was effected in accordance with a direction from State Government under section 115(3) of the *Government Owned Corporations Act 1993*.

Gladstone Interconnection and Power Pooling Agreements (IPPA)

During the financial year a revised IPPA was negotiated for the effective operation of the Gladstone Power Station with Stanwell Corporation Limited as the nominated generator. The agreements also provide for the indemnification of Stanwell Corporation Limited from future environmental scheme liabilities and the Long Term Power Purchase Agreement for the Boyne Smelter additional load.

Wandoan Power Project

Wandoan Power is a joint venture project between Stanwell Corporation Limited and General Electric LLC that is investigating a 400 MW low emission generation project in the Surat Basin using Integrated Gasification Combined Cycle technology with Carbon Capture. Together with the Carbon Transport and Storage Company Pty Ltd, a subsidiary of Xstrata Coal Queensland Pty Ltd, Wandoan Power is one of four short listed projects in the Federal Government's Carbon Capture and Storage Flagship process. Wandoan Power has secured $8 million of funding from the Federal Government and $6.7 million from the Australian Coal Association's Low Emission Technology Fund to contribute to a pre-feasibility study for the project. The pre-feasibility study will be completed in early calendar 2011.

ENVIRONMENTAL REGULATION

The Group's operations are subject to significant environmental regulations under Commonwealth and state legislation (Environmental performance page 34).

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 5 July 2010 the trial of the proceeding brought by the Australian Energy Regulator was concluded. The judgement of the Court was reserved. The costs or penalties associated with the proceeding are not determinable as they are contingent upon the final outcome of the proceeding.

In August 2010, approval was received from the Shareholding Ministers to commit $30 million to a farm-in with Icon Energy Limited to secure 2P reserves. Stanwell Corporation Limited will earn a 50% interest in the four blocks on completion of the farm-in. Key commercial terms have been agreed for the Group to purchase 225 PJ from ATP 626P under a gas sale agreement, over a 15 year period, subject to completion of the second stage of the farm-in agreement.

On 24 August 2010, Stanwell Corporation Limited and Griffin Energy Windfarms announced their intention to jointly sell the Emu Downs Wind Farm and the Badgingarra Wind Farm development project of which they are 50/50 joint venture owners. These assets are disclosed in note 12 as 'assets held for sale' in the financial statements.

Prior to the balance date, Stanwell Corporation Limited commenced a process for the sale of a surplus asset and associated land, being its interest in a mineral development licence in Queensland. At the date of this report the sale process is progressing and is anticipated to be completed early in the 2010–11 financial year subject to final settlement. The anticipated proceeds exceed the book value recorded in note 12 in the financial statements.

No other significant events have occurred between 30 June 2010 and the date of this report that have significantly affected, or may significantly affect:

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

Every person who is, or has been, an officer of the company, is indemnified by the company against a liability for costs and expenses incurred by that person (as an officer) in defending any proceedings in which a judgement has been given in favour of that person, or where the Court has granted relief. This indemnity is detailed in Section 8 of Stanwell's constitution (as approved by Shareholding Ministers on 29 September 2008). This indemnity excludes actions arising from conduct involving a lack of good faith or improper use of position.

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

Insurance premiums

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

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal, and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that class order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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 Corporation Regulations.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 52.

Dated at Brisbane this 25th day of August 2010.

Signed in accordance with a resolution of the directors:

D. Byrne
Chairman

J. Leaver
Director and Audit and Risk Management Committee Chairman

AUDITOR'S INDEPENDENCE DECLARATION 30 JUNE 2010

TO THE DIRECTORS OF STANWELL CORPORATION LIMITED

This audit independence declaration has been provided pursuant to s307C of the *Corporations Act 2001*.

INDEPENDENCE DECLARATION

As lead auditor for the audit of Stanwell Corporation Limited for the year ended 30 June 2010, 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.

Stephen G. Stavrou
(as delegate of the Auditor-General of Queensland)

Brisbane
25 August 2010

ANNUAL FINANCIAL REPORT 30 JUNE 2010

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This financial report covers the separate financial statements of Stanwell Corporation Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Stanwell Corporation Limited and its subsidiaries. The financial report is presented in the Australian currency.

Stanwell Corporation Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Stanwell Corporation Limited
ABN 37 078 848 674
Level 12, Waterfront Place
1 Eagle Street
Brisbane QLD 4000

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

The financial report was authorised for issue by the directors on 25 August 2010.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
REVENUE	4	662,955	670,367	656,716	660,196
Other income	5	25,299	17,782	25,299	17,782
Cost of sales		(218,948)	(190,798)	(217,021)	(188,849)
Depreciation and amortisation expense	6	(78,934)	(73,181)	(78,934)	(73,181)
Other expenses		(31,571)	(33,245)	(31,571)	(33,291)
Employee expenses		(49,532)	(46,399)	(49,525)	(46,354)
Business support costs		(37,899)	(37,260)	(37,678)	(37,003)
Development costs written off		-	(6,603)	-	(6,603)
Net loss on disposal of property, plant and equipment		(8,068)	(6,988)	(8,068)	(6,978)
Impairment loss		(9,160)	(11,400)	(9,160)	(11,400)
Research and development		(315)	(595)	(315)	(595)
Onerous contract		(16,400)	-	(16,400)	-
Finance costs	6	(31,900)	(15,777)	(31,861)	(15,743)
Profit before income tax		**205,527**	**265,903**	**201,482**	**257,981**
Income tax expense	7	(56,065)	(70,298)	(53,171)	(65,550)
Profit from continuing operations		149,462	195,605	148,311	192,431
Profit for the year		**149,462**	**195,605**	**148,311**	**192,431**
Other comprehensive income					
Cash flow hedges:	30				
- effective portion of changes in fair value	30	151,168	119,569	151,168	119,569
- net change in fair value transferred to profit or loss	30	(49,997)	135,670	(49,997)	135,670
- net change in fair value transferred to property plant and equipment	30	(1,088)	(320)	(1,088)	(320)
Actuarial gains/(losses) on defined benefit plans	30	208	(1,601)	208	(1,601)
Income tax equivalent relating to components of other comprehensive income	7(c)	(30,087)	(75,996)	(30,087)	(75,996)
Other comprehensive income for the year, net of tax		**70,204**	**177,322**	**70,204**	**177,322**
Total comprehensive income for the year		**219,666**	**372,927**	**218,515**	**369,753**
Profit is attributable to:					
Owners of Stanwell Corporation Limited		149,462	195,605	148,311	192,431
Total comprehensive income for the year is attributable to:					
Owners of Stanwell Corporation Limited		219,666	372,927	218,515	369,753

		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share	40	16.17	21.16
Diluted earnings per share	40	16.17	21.16

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

BALANCE SHEETS AS AT 30 JUNE 2010

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
ASSETS					
Current assets					
Cash and cash equivalents	8	212,034	162,670	212,031	162,665
Trade and other receivables	9	94,327	102,959	94,326	102,959
Inventories	10	36,424	47,539	36,424	47,539
Derivative financial instruments	11	106,288	97,140	106,288	97,140
		449,073	410,308	449,069	410,303
Assets of disposal group classified as held for sale	12	109,391	96,115	13,849	-
Total current assets		558,464	506,423	462,918	410,303
Non-current assets					
Derivative financial instruments	11	60,911	38,819	60,911	38,819
Available-for-sale financial assets	13	18,757	26,187	18,757	26,187
Other financial assets	14	-	-	76,726	76,726
Property, plant and equipment	15	1,297,523	1,318,296	1,297,523	1,318,296
Intangible assets	16	4,351	5,967	4,351	5,967
Biological assets	17	424	342	424	342
Exploration and evaluation expenditure	18	6,132	10,916	6,132	10,916
Deferred tax assets	19	24,177	18,018	24,141	17,994
Retirement benefit surplus	20	3,379	3,266	3,379	3,266
Other non-current assets	21	7,848	2,500	7,848	2,500
Total non-current assets		1,423,502	1,424,311	1,500,192	1,501,013
Total assets		**1,981,966**	**1,930,734**	**1,963,110**	**1,911,316**
LIABILITIES					
Current liabilities					
Trade and other payables	22	68,392	75,611	68,392	75,611
Provisions	23	128,194	155,552	128,194	155,552
Derivative financial instruments	11	17,406	78,034	17,406	78,034
Current tax liabilities		39,489	23,736	39,489	20,738
Other current liabilities	24	26,614	22,597	26,614	22,597
		280,095	355,530	280,095	352,532
Liabilities directly associated with assets of disposal group classified as held for sale	12	694	936	-	-
Total current liabilities		280,789	356,466	280,095	352,532
Non-current liabilities					
Borrowings	25	637,146	257,146	637,146	257,146
Deferred tax liabilities	26	351,999	340,587	347,273	337,388
Provisions	27	16,364	4,931	16,364	4,931
Derivative financial instruments	11	13,247	12,149	13,247	12,149
Other non-current liabilities	28	2,500	2,500	2,500	2,500
Total non-current liabilities		1,021,256	617,313	1,016,530	614,114
Total liabilities		**1,302,045**	**973,779**	**1,296,625**	**966,646**
Net assets		**679,921**	**956,955**	**666,485**	**944,670**
EQUITY					
Contributed equity	29	544,569	924,569	544,569	924,569
Reserves	30(a)	93,591	23,533	93,591	23,533
Other owner contributions	30(b)	(148,309)	(148,309)	(148,309)	(148,309)
Retained profits	30(c)	190,070	157,162	176,634	144,877
Total equity		**679,921**	**956,955**	**666,485**	**944,670**

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
Total equity at the beginning of the financial year		**956,955**	**732,972**	**944,670**	**723,861**
Profit for the year		149,462	195,605	148,311	192,431
Other comprehensive income		70,204	177,322	70,204	177,322
Total comprehensive income for the year		**219,666**	**372,927**	**218,515**	**369,753**
Capital repatriation	29	(380,000)	-	(380,000)	-
Dividends provided for or paid	31	(116,700)	(148,944)	(116,700)	(148,944)
		(496,700)	(148,944)	(496,700)	(148,944)
Total equity at the end of the financial year		**679,921**	**956,955**	**666,485**	**944,670**

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

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
Cash flows from operating activities					
Cash receipts in the course of operations (inclusive of goods and services tax)		697,684	622,415	685,509	610,741
Cash payments in the course of operations (inclusive of goods and services tax)		(337,110)	(340,051)	(334,674)	(338,417)
Interest received		9,132	3,188	8,745	2,750
Interest paid		(31,577)	(15,136)	(31,577)	(15,136)
Income taxes paid		(65,145)	(78,554)	(60,992)	(76,075)
Net cash (outflow) inflow from operating activities	39	**272,984**	**191,862**	**267,011**	**183,863**
Cash flows from investing activities					
Payments for property, plant and equipment		(71,297)	(78,625)	(71,157)	(77,701)
Payments for intangible assets		(1,819)	(1,251)	(1,819)	(1,251)
Payments for biological assets		(82)	(269)	(82)	(269)
Payments for available-for-sale financial assets		-	(34,927)	-	(34,927)
Net payments for exploration and evaluation expenditure		(1,553)	(6,448)	(1,553)	(6,448)
Proceeds from disposal of net assets held for sale in disposal groups		-	-	-	-
Proceeds from disposal of non-current assets		310	108	310	80
Dividends received	36	-	-	5,600	2,300
Net cash (outflow) inflow from investing activities		**(74,441)**	**(121,412)**	**(68,701)**	**(118,216)**
Cash flows from financing activities					
Capital repatriation		(380,000)	-	(380,000)	-
Proceeds from borrowings		380,000	126,629	380,000	126,629
Repayment of borrowings		-	-	-	-
Dividends paid	31	(148,944)	(92,105)	(148,944)	(92,105)
Net cash inflow/(outflow) from financing activities		**(148,944)**	**34,524**	**(148,944)**	**34,524**
Net increase/(decrease) in cash and cash equivalents		49,599	104,974	49,366	100,171
Cash and cash equivalents at the beginning of the financial year		174,316	69,342	162,665	62,494
Cash and cash equivalents at end of year	8	**223,915**	**174,316**	**212,031**	**162,665**

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

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

(b) Principles of consolidation

(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 2010 and the results of all subsidiaries for the year then ended. Stanwell Corporation Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

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

(ii) Joint ventures

The proportionate interests in the assets, liabilities and expenses of joint venture operations have been incorporated in the financial statements under the appropriate headings. Details of joint ventures are set out in note 38.

(c) Foreign currency translation

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

(d) Revenue recognition

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

- electricity: when the electricity generated is traded in the pool market, or in the period that the electricity is generated pursuant to a contract, as applicable. The net result of electricity derivatives, relating to electricity traded in the pool market, is recognised on a fair value basis over the period of the derivative contracts except when deferred in equity as qualifying cash flow hedges until the period to which the contract settlement relates;
- coal revenue sharing arrangements: when coal is exported by the coal supplier;
- coal on-sale: direct sale or export of coal as it accrues;
- interest income: as it accrues; and
- other revenue: on an accruals basis.

(e) Tax equivalents

The Corporation and its wholly-owned Australian controlled entities as set out in note 37 have formed a tax consolidated group from 1 July 2009.

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(f) Tax effect accounting

The consolidated entity 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 bases of investments in controlled entities where the parent entity 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.

Deferred tax equivalent assets and liabilities are offset when there is a legally enforceable right to offset current equivalent tax assets and liabilities and when the deferred tax equivalent balances relate to the same taxation authority. Current tax equivalent assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

(g) Tax consolidation

As a consequence of the establishment of the tax consolidated group (refer note 1e), 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 Corporation's balance sheet and their tax values under consolidation.

Any current tax equivalent liabilities (or assets) and deferred tax equivalent assets arising from unused tax equivalent losses assumed by the head entity from the wholly-owned controlled entities in the tax consolidated group are recognised in accordance with the tax funding agreement (refer below). Any difference between these amounts is recognised by the Corporation 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.

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 Corporation the current tax equivalent liability (asset) and any unused tax losses assumed by the Corporation. The tax sharing agreement sets out the allocation of income tax equivalent liabilities amongst the entities should the Corporation default on its tax equivalent payment obligations and the treatment of entities exiting the tax consolidated group.

(h) Leases

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

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

For assets subject to cross border leases, see note 41.

(i) Impairment of assets

The carrying value of non-current assets are assessed when an indicator of impairment exists or annually for assets that have an indefinite useful life. Where an impairment indicator has been identified an assessment is undertaken to determine if the carrying value of the asset is in excess of its recoverable amount. An impairment loss is recognised in the statement of comprehensive income if the asset value is in excess of the recoverable amount.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(i) 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 statement of comprehensive income only to the extent that the carrying value does not exceed the original carrying value net of depreciation 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 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.

(j) Cash and cash equivalents

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

(k) Trade receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

(l) Inventories

Consumable fuel and stores

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

Environmental certificates

A number of the Group's sites are 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 that are available for sale are recognised in the financial statements at fair market value.

(m) Disposal groups held for sale

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

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

Fair value is determined on the basis of the price in a binding sale agreement in an arm's length transaction. In the absence of a binding sale agreement the fair value is determined based on the best information available to reflect the amount that could be obtained from disposal in an arm's length transaction between knowledgeable, willing parties. In determining this amount, consideration is given to the outcome of recent transactions for similar assets within the same industry, and where material, independent valuation prepared by external valuation experts may be used.

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(n) Financial instruments

Financial assets

Classification - Financial Assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets.

Financial instruments: Recognition and measurement

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

Financial assets at fair value through profit or loss are financial assets held for trading. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current and non-current assets based on their expected settlement date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 9) and other non-current assets (note 21) in the balance sheet.

(iii) Available-for-sale financial assets

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

Recognition and derecognition - Financial assets

Regular purchases and sales of financial assets are recognised on trade-date which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement - Financial assets

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

Available-for-sale and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise.

Details on how the fair value of financial instruments is determined are disclosed in note 2.

Classification - Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss. Derivatives are classified as held for trading unless they are designated as hedges.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 2 and other non-current liabilities.

Financial liabilities at fair value through profit or loss are included in the balance sheets as derivative financial instruments, see note 11 and other non-current liabilities.

(ii) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Other financial liabilities are included in the balance sheets as trade and other payables (note 22), other current liabilities (note 24), borrowings (note 25) and other non-current liabilities (note 28).

(o) Derivatives

The Group is potentially exposed to commodity price, interest rate and foreign currency fluctuations and enters into economic hedges to manage these risks. Derivative financial instruments including forward foreign exchange contracts and currency options, commodity price and interest rate swaps, exchange traded futures, commodity caps and collar and floor contracts are used to hedge these risks.

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

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value in line with market fluctuations at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(o) Derivatives (continued)

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 11. Movements in the hedging reserve in shareholders' equity are shown in note 30. 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.

Cash flow hedge

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

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

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

Derivatives not hedge accounted

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

Embedded derivatives

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

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

(p) Property, plant and equipment

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

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

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

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

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

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(p) Property, plant and equipment (continued)

Business development project costs

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

Complex assets

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

Depreciation and amortisation

All physical non-current assets, with the exception of freehold land, have limited useful lives and are depreciated or amortised using the straight line method over their estimated useful lives, taking into account estimated residual values, except for finance lease assets. Finance lease assets are amortised over the term of the relevant lease, or where it is likely the Group will obtain ownership of the asset, the life of the asset.

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

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

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

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

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

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

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

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

(q) Intangible assets

Capitalised software

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

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will, (after considering its commercial and technical feasibility) be completed and generate future economic benefits, and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services and direct labour. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised over the period the related benefit is derived.

Rights to gas supply

The cost of acquiring or securing long term gas arrangements are recorded at the cost of acquisition less accumulated amortisation and any impairment in value. The intangible asset will be amortised from commencement of supply over the life of the supply arrangement. Where the intangible asset is not amortised, it is reviewed annually for indicators of impairment or whenever events or circumstances indicate the carrying amount will not be recoverable.

(r) Biological assets

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

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

Once the fair value of the plantation becomes reliably measurable it will be measured at its fair value less estimated point-of-sale costs with all changes in fair value being recognised in the statement of comprehensive income in the period in which they arise.

(s) Exploration, evaluation and development expenditure

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

When an area of interest is abandoned or the Board decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year, which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(u) Borrowings

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

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

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

(v) Borrowing costs

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

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

(w) Provisions

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

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

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

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

Dividends

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

Restoration

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

Rehabilitation and decommissioning

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

Onerous contracts

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

(x) Employee benefits

Wages and salaries

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

Annual leave and long service leave

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

The annual leave accrual and long service provision are calculated using expected future increases in wage and salary levels, including related on-costs and experience of employee departures and periods of service. Future payments not expected to be settled within 12 months are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Retirement benefit obligations

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

A liability or asset in respect of defined benefit funds is recognised in the balance sheet, and it is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the fund's assets at that date. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(x) Employee benefits (continued)

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

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

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

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

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

Further information is set out in note 20.

(y) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

(z) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued.

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

(aa) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

(ab) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*

In December 2009 the AASB issued AASB 9 which is part of phase one of the comprehensive project to replace AASB 139. It addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. The standard eliminates the existing AASB 139 categories of held to maturity, available for sale and loans and receivables. The standard is not applicable until 1 January 2013 and the Group is yet to assess its full impact. However, initial indications are that it will affect the Group's accounting for available for sale assets which will be reclassified as fair value assets under AASB 9. Any future movements on the valuation of these assets would be recognised as other comprehensive income instead of being recognised as profit or loss. The Group has not yet decided when to adopt AASB 9.

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards*

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. It is not expected to have any effect on the Group's or the parent entity's related party disclosures.

(iii) AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project effective for periods beginning on or after 1 July 2010. The Group will apply the amendments from 1 July 2010. It does not expect that any adjustments will be necessary as the result of applying the revised Standards.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(ab) New accounting standards and interpretations (continued)

(iv) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. It is effective for periods beginning on or after 1 July 2013. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Stanwell Corporation Limited is State Government owned and is therefore not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will have no impact on the financial statements of the Group.

(ac) Rounding of amounts

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

(ad) 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 Corporation Regulations.

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and commodity price risk), credit risk and liquidity risk. Financial risk management is implemented pursuant to Government and Group policy covering specific areas such as foreign exchange risk, the use of derivative financial instruments and the management of electricity market risk and associated credit risk.

The policies focus on the unpredictability of financial and commodity markets and seek to minimise potential adverse effects on the financial performance of the Group. Derivatives are exclusively used for hedging purposes i.e. not as trading or other speculative instruments.

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

- *interest rate risk:* duration measured by modified duration;
- *electricity price risk:* sensitivity analysis;
- *foreign exchange risk:* sensitivity analysis;
- *liquidity risk:* maturity analysis; and
- *credit risk:* credit value at risk and aging analysis.

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

- *electricity price risk:* over the counter swaps, caps and options, exchange traded futures; and
- *foreign exchange risk:* forward currency contracts and currency options.

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

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Financial assets				
Cash and cash equivalents	212,034	162,670	212,031	162,665
Trade and other receivables	94,327	102,959	94,326	102,959
Derivative financial instruments	167,199	135,959	167,199	135,959
Available-for-sale financial assets	18,757	26,187	18,757	26,187
Other financial assets	-	-	76,726	76,726
Other non-current assets	7,848	2,500	7,848	2,500
	500,165	430,275	576,887	506,996
Financial liabilities				
Trade and other payables	68,392	75,611	68,392	75,611
Borrowings	637,146	257,146	637,146	257,146
Derivative financial instruments	30,653	90,183	30,653	90,183
Other current liabilities	26,614	22,597	26,614	22,597
Other non-current liabilities	2,500	2,500	2,500	2,500
	765,305	448,037	765,305	448,037

2 FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk

Foreign exchange risk

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

The Group and parent entity's risk management policy is to hedge a proportion of anticipated transactions that are denominated in or calculated by reference to a foreign currency.

All projected transactions qualify as "highly probable" forecast transactions for hedge accounting purposes. Currency derivatives such as forward currency contracts and currency options are used to manage foreign exchange risk. The Group and the parent entity designate currency derivatives as cash flow hedges where they qualify for hedge accounting and measures them at fair value.

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

	2010 AUD $'000	2009 AUD $'000
Forward exchange contracts		
- buy foreign currency (USD cash flow hedges)	(12)	(399)
- buy foreign currency (USD held for trading*)	57	1
- buy foreign currency (GBP cash flow hedges)	64	(61)
- buy foreign currency (Euro cash flow hedges)	(305)	(96)
- buy foreign currency (JPY cash flow hedges)	1,958	4,983
- buy foreign currency (JPY held for trading*)	1,326	-
- sell foreign currency (USD held for trading*)	-	6
- sell foreign currency (JPY cash flow hedges)	-	(25)
- sell foreign currency (JPY held for trading*)	(342)	-
	2,746	**4,409**
Currency options		
- buy foreign currency (USD held for trading*)	238	-
- sell foreign currency (USD held for trading*)	786	4,819
	1,024	**4,819**

* held for trading are economic hedges that do not meet the requirements of hedge accounting

Commodity price risk

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

The Group's and the parent entity's risk management policy is to hedge a proportion of the production that is highly likely to occur. The Board policy prescribes a target range of allowable hedging levels for discrete time periods based on a number of operational, technical and market parameters. The derivative contracts are negotiated at arm's length on commercial terms.

The majority of commodity price risk is in the Queensland market and the Group and the parent entity are not exposed to basis risk as a result of hedging underlying electricity generation.

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

Sensitivity analysis

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

2 FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk (continued)

$'000	Carrying amount $'000	-20% / -10% Profit $'000	-20% / -10% Other equity $'000	+20% / +10% Profit $'000	+20% / +10% Other equity $'000
Foreign exchange risk (-/+ 20%)					
USD					
2010	**1,068**	**866**	**238**	**6,312**	**(159)**
2009	4,427	(4,649)	435	9,397	(290)
GBP					
2010	**64**	**-**	**338**	**-**	**(225)**
2009	(61)	-	100	-	(67)
Euro					
2010	**(305)**	**-**	**256**	**-**	**(171)**
2009	(96)	-	347	-	(231)
JPY					
2010	**2,942**	**123**	**3,578**	**(82)**	**(2,385)**
2009	4,958	-	10,050	-	(6,650)
Commodity price risk (-/+10%)					
2010	**132,833**	**1,326**	**56,021**	**(1,391)**	**(55,984)**
2009	36,548	3,500	49,942	(3,644)	(49,783)

Cash flow interest rate risk

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

As at the reporting date, the Group and the parent entity had the following mix of financial assets and liabilities exposed to variable interest rates:

	30 JUNE 2010 Weighted average interest rate %	30 JUNE 2010 Balance $'000	30 JUNE 2009 Weighted average interest rate %	30 JUNE 2009 Balance $'000
Group				
Financial assets				
Cash at bank and in hand	3.65%	5,419	2.00%	735
Deposits at call - Queensland Treasury Corporation	5.28%	206,615	3.47%	161,935
Held for sale - cash and cash equivalents	4.86%	11,881	2.90%	11,646
		223,915		174,316
Financial liabilities				
Borrowings	7.05%	637,146	6.97%	257,146
Net exposure to cash flow interest rate risk		(413,231)		(82,830)
Parent entity				
Financial assets				
Cash at bank and in hand	3.65%	5,416	2.00%	730
Deposits at call - Queensland Treasury Corporation	5.28%	206,615	3.47%	161,935
		212,031		162,665
Financial liabilities				
Borrowings	7.05%	637,146	6.97%	257,146
Net exposure to cash flow interest rate risk		(425,115)		(94,481)

2 FINANCIAL RISK MANAGEMENT
CONTINUED

(a) Market risk (continued)

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

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

The following summarises the sensitivity of the Group and parent entity to cash flow interest rate risk.

At 30 June 2010 if interest rates applicable to these financial assets changed by 100 basis points from the reporting date with all other variables held constant, profit in the subsequent year would be:

- Group $2,239,000 (2009: $1,743,000) higher or lower; and
- Parent Entity $2,120,000 (2009: $1,627,000) higher or lower.

At 30 June 2010 if interest rates applicable to these financial liabilities changed by 100 basis points from the reporting date with all other variables held constant, profit in the subsequent year would be:

- Group $609,300 (2009: $329,884) higher or lower; and
- Parent Entity $609,300 (2009: $329,884) higher or lower.

Secured bank overdraft and bill facility

The overdraft facility is with the Australia and New Zealand Banking Group Ltd and has an approved limit of $1,000,000. The bill facility is with Queensland Treasury Corporation and has an approved limit of $10,000,000. These facilities remained fully undrawn at 30 June 2010 and are available for use in the next reporting period.

(b) Credit risk

Credit risk exposure refers to the situation where the Group may incur financial loss as a result of another party to a financial instrument failing to fulfill their obligation. The Group utilises industry practice credit review processes and security instruments to manage its credit risks. The Group's credit risk exposure is managed by trading with electricity industry counterparties under International Swaps and Derivatives Association (ISDA) agreements. The Group has a strict credit policy for all customers trading on credit terms. It has a range of measures for determining counterparty credit worthiness relying on a risk adjusted assessment principally based on the counterparty's credit rating determined by a recognised rating agency.

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

Concentrations of credit risk exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. A concentration of credit risk for derivative instruments exists predominantly in the Queensland electricity market.

The credit exposure of derivative contracts is calculated utilising the value-at-risk methodology which takes into account the current market value, duration of exposure, diversification of the counterparty's market operations, likelihood of default of the counterparty, the expected loss given default and the volatility of market prices. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates, as outlined in the table below. The carrying amount of financial assets recorded in the financial statements, net of allowances for losses, represents the Group's maximum exposure to credit risk.

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Trade receivables				
Counterparties with external credit rating (Standard & Poor's)				
AA+ to AA-	3,628	6,607	3,628	6,607
BBB+ to BBB-	21,715	56,842	21,715	56,842
	25,343	**63,449**	**25,343**	**63,449**
*Counterparties without external credit rating **				
Group 1	33,674	22,223	33,674	22,223
Group 2	20,809	1,633	20,809	1,633
	54,483	**23,856**	**54,483**	**23,856**
Total trade receivables	**79,826**	**87,305**	**79,826**	**87,305**

2 FINANCIAL RISK MANAGEMENT CONTINUED

(b) Credit risk (continued)

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Cash at bank and short-term bank deposits				
AA+	212,034	161,935	212,031	161,935
AA	-	735	-	732
	212,034	**162,670**	**212,031**	**162,667**
Other non-current assets				
BBB	5,348	-	5,348	-
Counterparties without external credit ratings	2,500	2,500	2,500	2,500
	7,848	**2,500**	**7,848**	**2,500**
Derivative financial assets				
AA+ to AA-	89,200	61,142	89,200	61,142
BBB+ to BBB-	36,892	55,419	36,892	55,419
Counterparties without external credit ratings**	41,107	19,398	41,107	19,398
	167,199	**135,959**	**167,199**	**135,959**

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

** These counterparties include government owned corporations and counterparties for whom credit support has been obtained.

(c) Liquidity risk

Liquidity risk refers to the situation where the Group may encounter difficulty in meeting obligations associated with financial liabilities on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group.

These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Group manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.

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

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
- Expiring within one year (bank overdraft and bill facility)	11,000	11,000	11,000	11,000
- Expiring beyond one year (bank loans)	83,105	613,105	83,105	613,105
	94,105	**624,105**	**94,105**	**624,105**

Funding approval is sought in advance for expenditure commitments that extend beyond the current financial year, pursuant to the Queensland Government's State Borrowing Program.

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

2 FINANCIAL RISK MANAGEMENT CONTINUED

(c) Liquidity risk (continued)

The tables below analyse the Group's and the parent entity's financial liabilities, net and gross settled financial instruments, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows and include both interest and principal cash flows.

Contractual maturities of financial liabilities	0 to 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
GROUP - AT 30 JUNE 2010				
Non-derivatives				
Trade and other payables	67,247	1,145	-	68,392
Security deposits and retentions	7	-	-	7
Borrowings	45,036	180,269	619,845	845,150
Financial guarantee contracts	2,750	-	993	3,743
Total non-derivatives	**115,040**	**181,414**	**620,838**	**917,292**
Derivatives				
Electricity contracts	17,107	13,312	-	30,419
Foreign currency contracts	469	199	-	668
Total derivatives	**17,576**	**13,511**	**-**	**31,087**
GROUP - AT 30 JUNE 2009				
Non-derivatives				
Trade and other payables	74,319	1,292	-	75,611
Security deposits and retentions	18	-	-	18
Borrowings	17,908	71,594	260,390	349,892
Financial guarantee contracts	4,000	-	993	4,993
Total non-derivatives	**96,245**	**72,886**	**261,383**	**430,514**
Derivatives				
Electricity contracts	78,068	12,738	-	90,806
Foreign currency contracts	494	86	-	580
Total derivatives	**78,562**	**12,824**	**-**	**91,386**
PARENT ENTITY - AT 30 JUNE 2010				
Non-derivatives				
Trade and other payables	67,247	1,145	-	68,392
Security deposits and retentions	7	-	-	7
Borrowings	45,036	180,269	619,845	845,150
Financial guarantee contracts	2,750	-	993	3,743
Total non-derivatives	**115,040**	**181,414**	**620,838**	**917,292**
Derivatives				
Electricity contracts	17,107	13,312	-	30,419
Forward currency contracts	469	199	-	668
Total derivatives	**17,576**	**13,511**	**-**	**31,087**

2 FINANCIAL RISK MANAGEMENT CONTINUED

(c) Liquidity risk (continued)

Contractual maturities of financial liabilities	0 to 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
PARENT ENTITY - AT 30 JUNE 2009				
Non-derivatives				
Trade and other payables	74,319	1,292	-	75,611
Security deposits and retentions	18	-	-	18
Borrowings	17,908	71,594	260,390	349,892
Financial guarantee contracts	4,000	-	993	4,993
Total non-derivatives	**96,245**	**72,886**	**261,383**	**430,514**
Derivatives				
Electricity contracts	78,068	12,738	-	90,806
Forward currency contracts	494	86	-	580
Total derivatives	**78,562**	**12,824**	**-**	**91,386**

The tables below analyse the Group's and the parent entity's financial assets which are held for managing liquidity risk, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

Contractual maturities of financial assets	0 to 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
Group - at 30 June 2010				
Electricity contracts	105,411	64,378	-	169,789
Foreign currency contracts	1,810	1,604	-	3,414
	107,221	**65,982**	**-**	**173,203**
Group - at 30 June 2009				
Electricity contracts	91,445	37,752	-	129,197
Foreign currency contracts	1,718	3,271	-	4,989
	93,163	**41,023**	**-**	**134,186**
Parent - at 30 June 2010				
Electricity contracts	105,411	64,378	-	169,789
Foreign currency contracts	1,810	1,604	-	3,414
	107,221	**65,982**	**-**	**173,203**
Parent - at 30 June 2009				
Electricity contracts	91,445	37,752	-	129,197
Foreign currency contracts	1,718	3,271	-	4,989
	93,163	**41,023**	**-**	**134,186**

(d) Fair value measurements

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

As of 1 July 2009, the Group has adopted the amendments to AASB 7 *Financial Instruments: Disclosures* which requires disclosures of fair value measurements by level of the following fair value measurement hierarchy.

(a) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

(c) Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2 FINANCIAL RISK MANAGEMENT CONTINUED

(d) Fair value measurements (continued)

The following tables present the Group's and the parent entity's assets and liabilities measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the revised Standard.

Group - as at 30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	4,535	21,403	-	25,938
Derivatives used for hedging	-	141,261	-	141,261
Available-for-sale financial assets				
Other	-	18,757	-	18,757
Total assets	**4,535**	**181,421**	**-**	**185,956**
Liabilities				
Financial liabilities at fair value through profit or loss - trading derivatives	(1,747)	(28,330)	-	(30,077)
Borrowings	-	(576)	-	(576)
Total liabilities	**(1,747)**	**(28,906)**	**-**	**(30,653)**

Parent - as at 30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	4,535	21,403	-	25,938
Derivatives used for hedging	-	141,261	-	141,261
Available-for-sale financial assets				
Other	-	18,757	-	18,757
Total assets	**4,535**	**181,421**	**-**	**185,956**
Liabilities				
Financial liabilities at fair value through profit or loss - trading derivatives	(1,747)	(28,330)	-	(30,077)
Borrowings	-	(576)	-	(576)
Total liabilities	**(1,747)**	**(28,906)**	**-**	**(30,653)**

The fair value of financial instruments traded in active markets (such as publicly trading derivatives) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets and liabilities held by the Group is the current mid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. The fair value of the remaining financial instruments are determined using other techniques including estimated discounted cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. The fair value of currency options is determined by valuation techniques which use forward exchange market rates, currency market volatility, currency spot rates, option strike rates and the remaining term of the option. These instruments are included in level 2 and comprise debt investments and derivative financial instruments.

In the circumstances where a valuation technique for financial instruments is based on significant unobservable inputs, such instruments are included in level 3.

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Impairment of non-financial assets

Impairment testing is based on management's judgement and the availability of appropriate information to support certain assumptions.

These assumptions may contain information that is uncertain or subject to fluctuation over time that may have a material impact on the assessment of the asset. Any change in the assumptions selected by management or change in the useful life of the asset may have a significant impact on the cash flow projections and materially affect the impairment assessment.

Key assumptions or information used in the impairment assessment include:

- electricity pricing and projections;
- timing and quantum of sustaining capital expenditure;
- appropriate long term growth rates and indexation; and
- assessment of discount rates and the impacts of risks thereon.

At 30 June 2009 the impairment assessment included assumptions relating to the proposed Carbon Pollution Reduction Scheme (CPRS). In May 2010 the Federal Government announced it would not move to legislate an Emissions Trading Scheme (ETS) or CPRS before 2013.

Any CPRS/ETS legislation would be contingent on sufficient international action post the Kyoto commitment period. As there is no enacted or proposed CPRS/ETS legislation the impairment assessment has excluded any assumptions relating to the previously proposed scheme. Any future significant change in the Federal Government's position may have a significant impact on the cash flow projections and materially affect the impairment assessment.

When preparing a value in use assessment management uses internally approved five year business plans which are held on a stable or declining rate from year six. When assessing generating assets it is considered relevant to determine the present value of the estimated future cash flows arising from the continued use and eventual disposal of the asset.

The financial impact of any changes in the above assumptions is reflected as follows:

		SENSITIVITY	
Assumption		**$'000 +5%**	**$'000 -5%**
Electricity pool price		159,900	(159,900)
		+1%	-1%
WACC pre tax		(92,300)	107,600

Recovery of deferred tax assets

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

(b) Critical accounting estimates and assumptions

Derivative electricity contracts

The Group follows the guidance of AASB 139 *Financial Instruments: Recognition and Measurement* in determining the value of electricity contracts.

The value of contracted electricity swap transactions to occur at future dates is required to be marked-to-market at fair value. The lack of liquidity in the market coupled with problems in obtaining quoted market prices has resulted in the decision to apply a valuation technique to estimate fair value. The aim of the valuation technique is to incorporate the maximum number of market inputs, and rely on limited entity-specific inputs. A forward curve is constructed on a daily basis with appropriate external and internal information sources and is used to value the electricity contracts.

Note 2 contains a sensitivity analysis for electricity price risk.

Rehabilitation and decommissioning provision

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

(b) Critical accounting estimates and assumptions (continued)

Defined benefit plans

Various actuarial assumptions underpin the determination of the Group's pension obligations. These assumptions and the related carrying amounts are discussed in note 20.

Long service leave provision

As discussed in note 1(x).

Estimation of useful lives of assets

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

Onerous contract provision

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

		SENSITIVITY	
Assumption	**$'000 +5%**		**$'000 -5%**
Contract price	50,000		(50,000)

4 REVENUE

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**
From operating activities				
Sales of electricity	447,413	439,059	441,743	433,177
Coal revenue sharing arrangements	153,919	187,384	153,919	187,384
Other revenue	32,163	38,708	26,562	32,867
Interest	9,134	3,187	8,746	2,748
Dividends	-	-	5,600	2,300
	642,629	**668,338**	**636,570**	**658,476**
From outside operating activities				
Coal on-sale	19,085	-	19,085	-
Other revenue	1,241	2,029	1,061	1,720
	20,326	**2,029**	**20,146**	**1,720**
	662,955	**670,367**	**656,716**	**660,196**

5 OTHER INCOME

Renewable Energy Certificate income	21,549	15,782	21,549	15,782
Distribution from trustees - defined benefit plan (note 20(e))	-	2,000	-	2,000
Grants	3,750	-	3,750	-
	25,299	**17,782**	**25,299**	**17,782**

6 EXPENSES

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Power stations	26,559	21,783	26,559	21,783
Other property, plant and equipment	3,981	3,022	3,981	3,022
Total depreciation	**30,540**	**24,805**	**30,540**	**24,805**
Amortisation				
Power stations	44,199	45,036	44,199	45,036
Other property, plant and equipment	760	761	760	761
Intangible assets	3,435	2,579	3,435	2,579
Total amortisation	**48,394**	**48,376**	**48,394**	**48,376**
Finance costs				
Interest and finance charges paid/payable	31,900	15,777	31,861	15,743
Rental expense relating to operating leases	2,798	2,389	2,601	2,184
Net bad and doubtful receivables expense including movements in provision for doubtful receivables	158	887	158	887
Net expense/(benefit) from movement in employee entitlements provision	923	1,717	923	1,717
Defined contribution superannuation expense	3,381	2,937	3,381	2,937
Defined benefit plan expense	1,094	1,129	1,094	1,129
Impairment losses				
Available-for-sale financial assets (note 13)	7,430	8,740	7,430	8,740
Property, plant and equipment (note 15)	1,730	2,660	1,730	2,660
	9,160	**11,400**	**9,160**	**11,400**

7 INCOME TAX EQUIVALENT EXPENSE

(a) Income tax equivalent expense

Current tax equivalent	86,293	81,559	83,466	78,097
Deferred tax equivalent	(24,463)	(11,279)	(24,530)	(12,563)
Adjustments for current tax equivalent of prior periods	(5,765)	18	(5,765)	16
	56,065	**70,298**	**53,171**	**65,550**
Deferred income tax equivalent (benefit) expense included in income tax equivalent expense comprises:				
Decrease (increase) in deferred tax equivalent assets (note 19)	(6,159)	(1,109)	(6,148)	(1,099)
(Decrease) increase in deferred tax equivalent liabilities (note 26)	(17,196)	(10,170)	(17,274)	(11,464)
(Under) over provision in prior year	(1,108)	-	(1,108)	-
	(24,463)	**(11,279)**	**(24,530)**	**(12,563)**

7 INCOME TAX EQUIVALENT EXPENSE CONTINUED

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(b) Numerical reconciliation of income tax equivalent expense to prima facie tax payable				
Profit before income tax equivalent expense	205,527	265,903	201,482	257,981
Tax at the Australian tax rate of 30% (2009 - 30%)	61,658	79,771	60,445	77,395
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non-deductible expenses	172	49	171	49
Sundry items	-	1,245	-	1,245
Non-assessable income	-	(13,155)	-	(13,155)
Dividends paid	-	2,370	(1,680)	-
	61,830	**70,280**	**58,936**	**65,534**
Adjustments for current tax equivalent of prior periods	(5,765)	18	(5,765)	16
Income tax expense	56,065	70,298	53,171	65,550
(c) Tax equivalent expense relating to items of other comprehensive income				
Cash flow hedges (note 30)	(30,025)	(76,476)	(30,025)	(76,476)
Actuarial gains (losses) on defined benefit plans (note 30)	(62)	480	(62)	480
	(30,087)	**(75,996)**	**(30,087)**	**(75,996)**

8 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank and in hand	5,419	735	5,416	730
Deposits at call - Queensland Treasury Corporation	206,615	161,935	206,615	161,935
	212,034	**162,670**	**212,031**	**162,665**

Reconciliation to cash and cash equivalents at the end of the year

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

Balances as above	212,034	162,670	212,031	162,665
Cash and cash equivalents classified as held for sale (note 12)	11,881	11,646	-	-
Balances per statement of cash flows	**223,915**	**174,316**	**212,031**	**162,665**

Interest rate risk exposure

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

9 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Net trade receivables				
Trade receivables	79,826	97,226	79,826	97,226
Provision for impairment of receivables	-	(9,202)	-	(9,202)
	79,826	**88,024**	**79,826**	**88,024**
Other receivables	13,018	13,581	13,017	13,581
Prepayments	1,483	1,354	1,483	1,354
	94,327	**102,959**	**94,326**	**102,959**

(a) Impaired trade receivables

As at 30 June 2010 there were no impaired current trade receivables of the Group and parent (2009: $9,920,765). The amount of the provision was $nil (2009: $9,202,262). The impaired receivable in the prior year primarily related to a contract which was in dispute.

The ageing of these receivables is as follows:

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
0 to 3 months	-	34	-	34
3 to 6 months	-	1	-	1
Over 6 months	-	9,886	-	9,886
	-	**9,921**	**-**	**9,921**

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

At 1 July	(9,202)	(23,170)	(9,202)	(23,170)
Provision for impairment recognised during the year	(158)	(887)	(158)	(887)
Provision released during the year [1]	9,360	14,855	9,360	14,855
	-	**(9,202)**	**-**	**(9,202)**

[1] During the current year, a previously disputed contract was fully resolved with all of the contracted parties which resulted in the reversal of the provision and the corresponding debtor of $9,360,145 (2009: partially resolved $14,832,486).

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

(b) Past due but not impaired

As at 30 June 2010, there were no trade receivables past due but not impaired (2009: $Nil).

(c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at 9.5% per annum (2009: 9.5% per annum) where payment is after the due date.

(d) Foreign exchange and interest rate risk

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

(e) Fair value and credit risk

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

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

10 CURRENT ASSETS - INVENTORIES

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Fuel at weighted average cost	12,250	15,366	12,250	15,366
Stores at weighted average cost	15,170	15,438	15,170	15,438
Provision for write down	(814)	-	(814)	-
Environmental certificates at fair market value	9,818	16,735	9,818	16,735
	36,424	**47,539**	**36,424**	**47,539**

11 DERIVATIVE FINANCIAL INSTRUMENTS

Current assets				
Electricity contracts - cash flow hedges	82,448	26,266	82,448	26,266
Electricity contracts - held for trading	21,230	64,337	21,230	64,337
Foreign currency forward contracts - cash flow hedges	427	1,710	427	1,710
Foreign currency forward contracts - held for trading	1,383	8	1,383	8
Foreign currency option contracts - held for trading	800	4,819	800	4,819
Total current derivative financial instrument assets	**106,288**	**97,140**	**106,288**	**97,140**
Non-current assets				
Electricity contracts - cash flow hedges	56,782	28,035	56,782	28,035
Electricity contracts - held for trading	2,301	7,513	2,301	7,513
Foreign currency forward contracts - cash flow hedges	1,604	3,271	1,604	3,271
Foreign currency option contracts - held for trading	224	-	224	-
Total non-current derivative financial instrument assets	**60,911**	**38,819**	**60,911**	**38,819**
Current liabilities				
Electricity contracts - cash flow hedges	247	13,180	247	13,180
Electricity contracts - held for trading	16,633	64,360	16,633	64,360
Foreign currency forward contracts - cash flow hedges	127	494	127	494
Foreign currency forward contracts - held for trading	342	-	342	-
Environmental contracts - held for trading	57	-	57	-
Total current derivative financial instrument liabilities	**17,406**	**78,034**	**17,406**	**78,034**
Non-current liabilities				
Electricity contracts - cash flow hedges	4	4,171	4	4,171
Electricity contracts - held for trading	13,044	7,892	13,044	7,892
Foreign currency forward contracts - cash flow hedges	199	86	199	86
Total non-current derivative financial instrument liabilities	**13,247**	**12,149**	**13,247**	**12,149**
Net derivative financial instrument assets/(liabilities)	**136,546**	**45,776**	**136,546**	**45,776**

11 DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

(a) Instruments used by the Group

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

Foreign exchange contracts - cash flow hedges

Transaction exposures relating to foreign currencies are managed by entering into forward exchange contracts to purchase and sell foreign currencies. These transactions relate to the contracted purchase of capital equipment and operating expenditure denominated in Japanese Yen, Pounds Sterling, US Dollars 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 over the next five years and are timed to expire as each cash flow is due. The contracts require settlement of net cash flows receivable or payable on maturity and are settled on a net basis.

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

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

Foreign exchange contracts - held for trading

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

The gain or loss on derivatives entered into for economic hedge purposes and which are not hedge accounted for are recognised in the statement of comprehensive income immediately. In the year ended 30 June 2010 a loss of $6,879,448 (2009: $1,622,752 loss) was included in the statement of comprehensive income.

Electricity contracts - cash flow hedges

The parent entity bids all electricity generated into the National Electricity Market (NEM). Cash flows received from the NEM can be volatile and accordingly the 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 cover a large proportion of the total load to be generated over the next three years and are timed to expire as each cash flow is received from the NEM. The contracts require settlement of net cash flows receivable or payable each week and are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged electricity revenue is recognised. The mark-to-market movement in the year was an increase of the in-the-money position of $102,030,251 (2009: a change from an out-of-the-money position to an in-the-money position of $274,697,369).

All electricity contracts were entered into by the parent entity.

Electricity contracts - held for trading

The parent entity has further entered into electricity contracts which are economic hedges but do not satisfy the requirements for hedge accounting. These contracts are subject to the same risk management policies as all other derivative contracts, refer note 2 for details. However, they must be accounted for as held for trading.

The gain or loss on derivatives entered into for economic hedge purposes and which are not hedge accounted for are recognised in the statement of comprehensive income immediately. In the year ended 30 June 2010 a gain of $16,421,913 (2009: $16,264,380 loss) was included in the statement of comprehensive income.

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, i.e. options.

The gain or loss on derivatives are recognised in the statement of comprehensive income immediately. In the year ended 30 June 2010 a gain of $20,893 (2009: $nil) was included in the statement of comprehensive income.

(b) Risk exposures

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

12 DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

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

At balance date, Stanwell Corporation Limited owns 50% of the Emu Downs Wind Farm Joint Venture in Western Australia through the wholly owned subsidiaries Wind Portfolio Pty Ltd and EDWF Holdings 1 Pty Ltd. On 28 November 2007 the parent entity entered into a sale and purchase agreement with the State of Queensland and a third party to sell its share of the Emu Downs Wind Farm Joint Venture through the sale of its shares in Wind Portfolio Pty Ltd and EDWF Holdings 1 Pty Ltd. The sale did not proceed due to an unfavourable legal outcome (refer note 42).

Prior to the balance date, Stanwell Corporation Limited commenced a process for the sale of a surplus asset and associated land, being its interests in a mineral development licence in Queensland. At the balance date the sale process is progressing and is anticipated to complete early in the 2010–11 financial year subject to final settlement.

Carrying amounts of assets and liabilities

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

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Property, plant and equipment	88,418	80,988	7,289	-
Cash and cash equivalents	11,881	11,646	-	-
Trade and other receivables	2,119	3,015	-	-
Other receivables	636	466	223	-
Exploration and evaluation costs	6,337	-	6,337	-
Total assets	**109,391**	**96,115**	**13,849**	**-**
Trade and other payables	(337)	(618)	-	-
Provision for rehabilitation and decommissioning	(357)	(318)	-	-
Total liabilities	**(694)**	**(936)**	**-**	**-**
Net assets	**108,697**	**95,179**	**13,849**	**-**

13 NON-CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS

At beginning of year	26,187	-	26,187	-
Additions	-	34,927	-	34,927
Losses from impairment	(7,430)	(8,740)	(7,430)	(8,740)
At end of year	**18,757**	**26,187**	**18,757**	**26,187**

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

Listed securities (note (a))

Equity securities	**18,757**	**26,187**	**18,757**	**26,187**

(a) Listed securities

The listed investment relates to a 13.49% (2009: 15.44%) holding in Blue Energy Limited (ASX:BUL). The acquisition included the shares in Blue Energy Limited, a premium to the market price and an option to a gas supply arrangement. At the date of acquisition the share price was 29 cents. At the reporting date the investment is required to be marked to market resulting in a reduction of the investment value. At 30 June 2010 the market value of the shares was 13.5 cents resulting in the recognition of an impairment in the statement of comprehensive income of $7,430,000 (2009: $8,740,000). Future fluctuations in the share price that are not considered sustained or prolonged changes in the fair value will be recorded through equity.

(b) Investments in related parties

See note 36.

14 NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Investments in subsidiaries (note 37)	**-**	**-**	**76,726**	**76,726**

These financial assets are carried at cost.

15 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED	Power stations owned at cost $'000	Power stations owned at recoverable amount $'000	Power stations under finance lease $'000	Other property, plant and equipment at cost $'000	Other property, plant and equipment under finance lease $'000	Works in progress at cost $'000	Total $'000
At 1 July 2008							
Cost	329,655	-	1,511,180	55,627	18,608	26,097	1,941,167
Accumulated depreciation	(135,970)	-	(455,103)	(17,853)	(6,739)	-	(615,665)
Net book amount	**193,685**	**-**	**1,056,077**	**37,774**	**11,869**	**26,097**	**1,325,502**
Year ended 30 June 2009							
Opening net book amount at 1 July	193,685	-	1,056,077	37,774	11,869	26,097	1,325,502
Additions	-	-	-	-	-	80,010	80,010
Transfers between asset classes	40,818	5,190	-	5,008	-	(51,016)	-
Transfers to disposal groups held for sale	-	-	-	(24)	-	-	(24)
Re-estimation of rehabilitation and decommissioning asset	245	-	-	-	-	-	245
Impairment loss	-	(2,660)	-	-	-	-	(2,660)
Disposals	(329)	(9)	(7,016)	(218)	-	-	(7,572)
Development costs written off	-	-	-	-	-	(6,603)	(6,603)
Depreciation	(21,389)	(394)	-	(3,022)	-	-	(24,805)
Amortisation	-	-	(45,036)	(95)	(666)	-	(45,797)
Closing net book amount at 30 June	**213,030**	**2,127**	**1,004,025**	**39,423**	**11,203**	**48,488**	**1,318,296**
At 30 June 2009							
Cost	367,076	7,187	1,486,602	59,552	18,608	48,488	1,987,513
Accumulated depreciation	(154,046)	(5,060)	(482,577)	(20,129)	(7,405)	-	(669,217)
Net book amount	**213,030**	**2,127**	**1,004,025**	**39,423**	**11,203**	**48,488**	**1,318,296**
Year ended 30 June 2010							
Opening net book amount at 1 July	213,030	2,127	1,004,025	39,423	11,203	48,488	1,318,296
Additions	-	-	-	-	-	72,178	72,178
Transfers between asset classes	50,727	(5)	(78)	10,652	7	(61,303)	-
Transfers to disposal groups held for sale	-	-	-	-	-	(7,289)	(7,289)
Impairment loss	-	(1,730)	-	-	-	-	(1,730)
Disposals	(34)	-	(6,576)	(1,823)	-	-	(8,433)
Depreciation	(26,388)	(171)	-	(3,981)	-	-	(30,540)
Amortisation	-	-	(44,199)	(94)	(666)	-	(44,959)
Closing net book amount at 30 June	**237,335**	**221**	**953,172**	**44,177**	**10,544**	**52,074**	**1,297,523**
At 30 June 2010							
Cost or recoverable amount	417,721	7,181	1,470,894	69,608	18,402	52,074	2,035,880
Accumulated depreciation	(180,386)	(6,960)	(517,722)	(25,431)	(7,858)	-	(738,357)
Net book amount	**237,335**	**221**	**953,172**	**44,177**	**10,544**	**52,074**	**1,297,523**

15 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT CONTINUED

PARENT ENTITY	Power stations owned at cost $'000	Power stations owned at recoverable amount $'000	Power stations under finance lease $'000	Other property, plant and equipment at cost $'000	Other property, plant and equipment under finance lease $'000	Works in progress at cost $'000	Total $'000
At 1 July 2008							
Cost	329,655	-	1,511,180	55,604	18,608	26,097	1,941,144
Accumulated depreciation	(135,970)	-	(455,103)	(17,853)	(6,739)	-	(615,665)
Net book amount	**193,685**	**-**	**1,056,077**	**37,751**	**11,869**	**26,097**	**1,325,479**
Year ended 30 June 2009							
Opening net book amount at 1 July	193,685	-	1,056,077	37,751	11,869	26,097	1,325,479
Additions	-	-	-	-	-	80,010	80,010
Transfers between asset classes	40,818	5,190	-	5,008	-	(51,016)	-
Re-estimation of rehabilitation and decommissioning asset	245	-	-	-	-	-	245
Impairment loss	-	(2,660)	-	-	-	-	(2,660)
Disposals	(329)	(9)	(7,016)	(219)	-	-	(7,573)
Development costs written off	-	-	-	-	-	(6,603)	(6,603)
Depreciation	(21,389)	(394)	-	(3,022)	-	-	(24,805)
Amortisation	-	-	(45,036)	(95)	(666)	-	(45,797)
Closing net book amount at 30 June	**213,030**	**2,127**	**1,004,025**	**39,423**	**11,203**	**48,488**	**1,318,296**
At 30 June 2009							
Cost	367,076	7,187	1,486,602	59,552	18,608	48,488	1,987,513
Accumulated depreciation	(154,046)	(5,060)	(482,577)	(20,129)	(7,405)	-	(669,217)
Net book amount	**213,030**	**2,127**	**1,004,025**	**39,423**	**11,203**	**48,488**	**1,318,296**
Year ended 30 June 2010							
Opening net book amount at 1 July	213,030	2,127	1,004,025	39,423	11,203	48,488	1,318,296
Additions	-	-	-	-	-	72,178	72,178
Transfers between asset classes	50,727	(5)	(78)	10,652	7	(61,303)	-
Transfer to disposal groups held for sale	-	-	-	-	-	(7,289)	(7,289)
Impairment loss	-	(1,730)	-	-	-	-	(1,730)
Disposals	(34)	-	(6,576)	(1,823)	-	-	(8,433)
Depreciation	(26,388)	(171)	-	(3,981)	-	-	(30,540)
Amortisation	-	-	(44,199)	(94)	(666)	-	(44,959)
Closing net book amount at 30 June	**237,335**	**221**	**953,172**	**44,177**	**10,544**	**52,074**	**1,297,523**
At 30 June 2010							
Cost or recoverable amount	417,721	7,181	1,470,894	69,608	18,402	52,074	2,035,880
Accumulated depreciation	(180,386)	(6,960)	(517,722)	(25,431)	(7,858)	-	(738,357)
Net book amount	**237,335**	**221**	**953,172**	**44,177**	**10,544**	**52,074**	**1,297,523**

15 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT CONTINUED

Carrying amounts of land and buildings

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

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Land and buildings	**68,356**	**69,266**	**68,356**	**69,266**

16 NON-CURRENT ASSETS - INTANGIBLE ASSETS

Consolidated and parent entity	Capitalised software $'000
At 1 July 2008	
Cost	21,845
Accumulated amortisation	(14,541)
Net book amount	**7,304**
Year ended 30 June 2009	
Opening net book amount	7,304
Additions	1,251
Disposals	(9)
Amortisation charge **	(2,579)
Closing net book amount at 30 June	**5,967**
At 30 June 2009	
Cost	23,094
Accumulated amortisation	(17,127)
Net book amount	**5,967**
Year ended 30 June 2010	
Opening net book amount at 1 July	5,967
Additions	1,819
Disposals	-
Amortisation charge**	(3,435)
Closing net book amount at 30 June	**4,351**
At 30 June 2010	
Cost	24,906
Accumulated amortisation	(20,555)
Net book amount	**4,351**

** Amortisation of $3,434,750 (2009: $2,578,885) is included in the depreciation and amortisation expense in the statement of comprehensive income.

17 NON-CURRENT ASSETS - BIOLOGICAL ASSETS

The Group has an interest in a joint venture that consists of 99 hectares of hardwood plantation in the Rockhampton area (see note 38).

The Group's timber plantation resources are comprised of two hardwood species, the Western White Gum and a Spotted Gum hybrid. The trees are expected to be felled and sold in 2032 (25 years after planting).

The Western White Gum was planted on 69.2 hectares with 990 trees per hectare and the Spotted Gum hybrid was planted on 28.2 hectares with 660 trees per hectare. Initial survival of the Western White Gum was good however initial survival of the Spotted Gum hybrid was poorer and consequently trees have been replaced and a recent stock count indicated there are now 573 trees per hectare.

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Plantation growing timber				
Carrying amount at 1 July	342	175	342	175
Purchases	82	167	82	167
Carrying amount at 30 June	**424**	**342**	**424**	**342**

(a) Financial risk management strategies

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

(b) Contractual obligations

See note 35 for disclosure of any commitments to develop or acquire biological assets.

18 NON-CURRENT ASSETS - EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Cost				
Opening balance	10,916	4,373	10,916	4,373
Expenditure incurred	1,553	6,543	1,553	6,543
Less: expenditure transferred to disposal groups held for sale	(6,337)	-	(6,337)	-
Closing balance	**6,132**	**10,916**	**6,132**	**10,916**

19 NON-CURRENT ASSETS - DEFERRED TAX EQUIVALENT ASSETS

The balance comprises temporary differences attributable to:

Provisions and accrued employee entitlements not currently deductible	18,503	13,996	18,467	13,972
Development costs deductible in the future	568	1,135	568	1,135
Sundry items	255	265	255	265
Derivatives	-	-	-	-
Investment writedown	4,851	2,622	4,851	2,622
Total deferred tax assets	**24,177**	**18,018**	**24,141**	**17,994**
Deferred tax equivalent assets to be recovered within 12 months	12,987	11,882	12,987	11,882
Deferred tax equivalent assets to be recovered after more than 12 months	11,190	6,136	11,154	6,112
	24,177	**18,018**	**24,141**	**17,994**

19 NON-CURRENT ASSETS - DEFERRED TAX EQUIVALENT ASSETS CONTINUED

	Employee benefits $'000	Investment impairment $'000	Derivatives $'000	Other $'000	Total $'000
Movements - Consolidated					
At 1 July 2008	4,385	-	69,391	12,534	86,310
(Charged)/credited					
- to profit or loss	605	2,622	-	(2,128)	1,099
- to other comprehensive income	-	-	(69,391)	-	(69,391)
At 30 June 2009	**4,990**	**2,622**	**-**	**10,406**	**18,018**
At 30 June 2009	4,990	2,622	-	10,406	18,018
(Charged)/credited					
- to profit of loss	245	2,229	-	3,685	6,159
- to other comprehensive income	-	-	-	-	-
At 30 June 2010	**5,235**	**4,851**	**-**	**14,091**	**24,177**
Movements - Parent entity					
At 1 July 2008	4,385	-	69,391	12,510	86,286
(Charged)/credited					
- to profit or loss	605	2,622	-	(2,128)	1,099
- to comprehensive income	-	-	(69,391)	-	(69,391)
At 30 June 2009	**4,990**	**2,622**	**-**	**10,382**	**17,994**
At 30 June 2009	4,990	2,622	-	10,382	17,994
(Charged)/credited					
- to profit or loss	245	2,229	-	3,673	6,147
- to comprehensive income	-	-	-	-	-
At 30 June 2010	**5,235**	**4,851**	**-**	**14,055**	**24,141**

20 NON-CURRENT ASSETS - RETIREMENT BENEFIT OBLIGATIONS

(a) Superannuation plans

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

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

(b) Balance sheet amounts

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

	CONSOLIDATED AND PARENT ENTITY 2010 $'000	2009 $'000
Present value of the defined benefit obligation	(25,870)	(24,355)
Fair value of defined benefit plan assets	28,742	27,131
Net asset before adjustment for contributions tax	2,872	2,776
Adjustment for contributions tax	507	490
Net asset in the balance sheet	**3,379**	**3,266**

The Group intends to contribute to the defined benefit plan at a rate of 12.0% (2009: 12.0%) of salaries having consideration for the actuary's latest recommendations.

20 NON-CURRENT ASSETS - RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(c) Categories of plan assets

The major categories of plan assets are as follows:

	CONSOLIDATED AND PARENT ENTITY	
	2010 $'000	2009 $'000
Cash	1,438	1,899
Fixed interest securities	4,311	4,341
Domestic equities	8,048	5,698
Private equity	5,748	5,426
International equities	6,323	5,698
Unlisted property	2,874	4,069
	28,742	**27,131**

(d) Reconciliations

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

Opening balance at 1 July	24,355	24,706
Current service cost	1,404	1,562
Interest cost	1,300	1,306
Actuarial (gains) and losses	601	(1,430)
Contributions by members	437	465
Benefits paid	(2,244)	(2,391)
Contributions tax	17	137
Balance at the end of the year	**25,870**	**24,355**

Reconciliation of the fair value of plan assets:

Opening balance at 1 July	27,131	26,705
Expected return on plan assets	1,622	1,739
Actuarial (decrease) increase in assets	809	(3,031)
Contributions by Group companies	999	1,644
Contributions by members	437	465
Benefits paid	(2,244)	(2,391)
Other	(12)	-
Trustee distribution	-	2,000
Balance at the end of the year	**28,742**	**27,131**

(e) Amounts recognised in statement of comprehensive income

The amounts recognised in the statement of comprehensive income are as follows:

Current service cost	1,404	1,562
Finance cost	1,300	1,306
Expected return on plan assets	(1,622)	(1,739)
Other	12	-
Total included in employee benefits expense (note 6)	**1,094**	**1,129**
Trustee distribution (note 5)	-	(2,000)
Total included in employee benefits expense	**1,094**	**(871)**
Actual return on plan assets	**2,431**	**(1,292)**

20 NON-CURRENT ASSETS - RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(f) Principal actuarial assumptions

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

	CONSOLIDATED AND PARENT ENTITY	
	2010	2009
Discount rate	5.1%	5.5%
Expected return on plan assets	6.0%	6.0%
Future salary increases	4.5%	4.5%

The expected rate of return on plan assets has been calculated based on the current asset allocation to each of the major asset classes and the expected future investment return for each of these asset classes. This resulted in the selection of a 6.0% (2009: 6.0%) expected return (net of investment fees and tax).

g) Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary.

Actuarial assessments are made at no more than three yearly intervals, and the last such assessment was made as at 1 July 2008 by Sunsuper Financial Services Pty Ltd.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable.

To achieve this objective, the actuary has adopted a method of funding benefits known as the projected unit credit method. This funding method seeks to have the benefits funded by means of a total contribution which is expected to be a consistent percentage of members' salaries over their working lifetime.

Using the projected unit credit method and particular actuarial assumptions as to the plan's future experience the actuary recommended, in the actuarial review as at 1 July 2008, the payment of employer contributions to the fund of 12.0% of defined benefit members salaries from 1 July 2009. A contribution rate of 12% has been adopted by the Group.

Total employer contributions expected to be paid by the Group for the year ending 30 June 2011 are $936,000.

(h) Historic summary

	2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
Defined benefit plan obligation	(25,870)	(24,355)	(24,353)	(21,271)	(21,192)
Plan assets	28,742	27,131	26,705	31,902	26,376
Surplus/(deficit)	**2,872**	**2,776**	**2,352**	**10,631**	**5,184**
Experience adjustments arising on plan liabilities	(601)	1,430	(1,092)	1,278	1,119
Experience adjustments arising on plan assets	809	(3,031)	(7,366)	4,211	3,899

21 NON-CURRENT ASSETS - OTHER NON-CURRENT ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Other				
Deferred receivable	**7,848**	**2,500**	**7,848**	**2,500**

22 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Trade payables	19,630	25,617	19,630	25,617
Other payables and accruals	48,762	49,994	48,762	49,994
	68,392	**75,611**	**68,392**	**75,611**

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

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

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Annual leave obligation expected to be settled after 12 months	**1,145**	**1,292**	**1,145**	**1,292**

(b) Risk exposure

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

23 CURRENT LIABILITIES - PROVISIONS

Employee benefits	6,416	5,563	6,416	5,563
Onerous contracts	4,400	-	4,400	-
Restoration	678	1,045	678	1,045
Dividends (note 31)	116,700	148,944	116,700	148,944
	128,194	**155,552**	**128,194**	**155,552**

(a) Employee benefits

Details of the calculations used for these benefits are included in note 27.

(b) Onerous contracts

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

(c) Movements in provisions

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

	Onerous contracts $'000	Restoration $'000	Dividends $'000	Total $'000
Consolidated and Parent entity - 2010				
Opening balance at 1 July	-	1,045	148,944	149,989
Charged/(credited) to the statement of comprehensive income				
- additional provisions recognised	4,400	119	116,700	121,219
Dividends paid	-	-	(148,944)	(148,944)
Amounts used during the period	-	(486)	-	(486)
Closing balance at 30 June	**4,400**	**678**	**116,700**	**121,778**

23 CURRENT LIABILITIES - PROVISIONS CONTINUED

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

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

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Long service leave obligation expected to be settled after 12 months	**6,156**	**5,198**	**6,156**	**5,198**

24 OTHER CURRENT LIABILITIES

Security deposits and retentions	7	18	7	18
Mandatory Renewable Energy Target obligations[1]	26,607	22,579	26,607	22,579
	26,614	**22,597**	**26,614**	**22,597**

[1] Mandatory Renewable Energy Target obligations includes the Group's obligation to the Office of Renewable Energy Regulator for the calendar years of 2001-2006 and 2010 (2009: 2001-2006 and 2009).

25 NON-CURRENT LIABILITIES - BORROWINGS

Unsecured borrowings	**637,146**	**257,146**	**637,146**	**257,146**

(a) Unsecured borrowings

The unsecured borrowings are provided by Queensland Treasury Corporation. An amount of $83,104,533 (2009: $463,104,533) is held in a debt offset account, and is reported as a set-off against non-current borrowings. The net balance after offset is $637,145,530 (2009: $257,145,530). Interest rates on the unsecured borrowings are at book rate which is reviewed and updated as necessary once per year to reflect the evolving market rate of interest that Queensland Treasury Corporation pays to investors to service the underlying bond funding. The book rate of interest that Stanwell pays to Queensland Treasury Corporation is therefore a weighted average of previous market rates of interest but this weighted average is only updated once per year for accounting purposes.

(b) Fair value

The fair value of unsecured borrowings for the Group and parent entity at 30 June 2010 was $655,364,978 (2009: $255,469,108) compared to a carrying amount of $637,145,530 (2009: $257,145,530).

(c) Risk exposures

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

26 NON-CURRENT LIABILITIES - DEFERRED TAX EQUIVALENT LIABILITIES

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
The balance comprises temporary differences attributable to:				
Differences in depreciation and amortisation of property, plant and equipment for accounting and income tax equivalent purposes	296,661	308,889	291,935	305,814
Expenditure currently deductible for tax equivalent purposes but deferred and amortised for accounting purposes	11,911	14,909	11,911	14,785
Revenue recognised in accounting revenue but deferred for tax purposes	1,562	4,983	1,562	4,983
Defined benefit plan asset	1,014	980	1,014	980
Derivative assets	40,851	10,826	40,851	10,826
Total deferred tax liabilities	**351,999**	**340,587**	**347,273**	**337,388**
Deferred tax equivalent liabilities to be settled within 12 months	15,802	33,639	11,654	30,439
Deferred tax equivalent liabilities to be settled after more than 12 months	336,197	306,948	335,619	306,949
	351,999	**340,587**	**347,273**	**337,388**

	Property, plant and equipment $'000	Defined benefit plan $'000	Derivatives $'000	Other $'000	Total $'000
Movements - Consolidated					
At 1 July 2008	321,121	706	-	21,845	343,672
Charged/(credited)					
- to profit or loss	(12,232)	754	3,741	(1,953)	(9,690)
- to comprehensive income	-	(480)	7,085	-	6,605
At 30 June 2009	**308,889**	**980**	**10,826**	**19,892**	**340,587**
At 30 June 2009	308,889	980	10,826	19,892	340,587
Charged/(credited)					
- to profit or loss	(12,228)	(28)	-	(6,419)	(18,675)
- to comprehensive income	-	62	30,025	-	30,087
At 30 June 2010	**296,661**	**1,014**	**40,851**	**13,473**	**351,999**
Movements - Parent entity					
At 1 July 2008	319,804	706	-	21,257	341,767
Charged/(credited)					
- to profit or loss	(13,990)	754	3,741	(1,489)	(10,984)
- to comprehensive income	-	(480)	7,085	-	6,605
At 30 June 2009	**305,814**	**980**	**10,826**	**19,768**	**337,388**
At 30 June 2009					
Charged/(credited)					
- to profit or loss	(13,879)	(28)	-	(6,295)	(20,202)
- to comprehensive income	-	62	30,025	-	30,087
At 30 June 2010	**291,935**	**1,014**	**40,851**	**13,473**	**347,273**

27 NON-CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Employee benefits	2,445	2,452	2,445	2,452
Onerous contracts	12,000	-	12,000	-
Restoration	796	864	796	864
Rehabilitation and decommissioning	1,123	1,615	1,123	1,615
	16,364	**4,931**	**16,364**	**4,931**

(a) Employee benefits

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

	2010	2009
Estimate of average labour cost increases	5.5%	5.5%
Discount rate	4.4%	3.0%
Settlement term (years)	19	19

(b) Onerous contracts

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

(c) Movements in provisions

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

	Onerous contracts $'000	Restoration $'000	Rehabilitation and decommissioning $'000	Total $'000
Consolidated and Parent entity - 2010				
Opening balance at 1 July	-	864	1,615	2,479
Charged to the statement of comprehensive income				
- additional provisions recognised	12,000	-	-	12,000
- unwinding of discount	-	-	187	187
- reduction for measurement at reporting date	-	(68)	(416)	(484)
Increase/(decrease) from remeasurement	-	-	(263)	(263)
Closing balance at 30 June	**12,000**	**796**	**1,123**	**13,919**

(d) Rehabilitation and decommissioning

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

28 OTHER NON-CURRENT LIABILITIES

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Deferred revenue see note 34(b)	**2,500**	**2,500**	**2,500**	**2,500**

29 CONTRIBUTED EQUITY

	CONSOLIDATED AND PARENT ENTITY		CONSOLIDATED AND PARENT ENTITY	
	2010 Shares	2009 Shares	2010 $'000	2009 $'000
Share capital				
Ordinary voting (A class), fully paid	4	4	-	-
Ordinary non-voting (B class), fully paid	924,568,658	924,568,658	544,569	924,569
	924,568,662	**924,568,662**	**544,569**	**924,569**
Total contributed equity - parent entity			**544,569**	**924,569**
Total consolidated contributed equity			**544,569**	**924,569**

(a) Movements in ordinary share capital - parent entity

Date	Details	Number of shares	$'000
30 June 2009	Balance	924,568,662	924,569
1 July 2009	Opening balance	924,568,662	924,569
31 December 2009	Capital repatriation	-	(380,000)
30 June 2010	Balance	924,568,662	544,569

(b) Ordinary shares

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

The shares have no par value.

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

(c) Capital Repatriation

On 23 December 2009, a capital reduction of $380,000,000 was effected in accordance with a direction received from the State Government under section 115(3) of the *Government Owned Corporations Act 1993*.

(d) Capital risk management

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

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

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

During 2010, 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 2010 and 30 June 2009 were as follows:

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Borrowings	**637,146**	**257,146**	**637,146**	**257,146**
Net debt (note 25(a))	637,146	257,146	637,146	257,146
Total equity	679,921	956,955	666,485	944,670
Total capital	**1,317,067**	**1,214,101**	**1,303,631**	**1,201,816**
Gearing ratio	**48%**	**21%**	**49%**	**21%**

30 RESERVES, OTHER OWNER CONTRIBUTIONS AND RETAINED PROFITS

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(a) Reserves				
Hedging reserve - cash flow hedges	**93,591**	**23,533**	**93,591**	**23,533**
Movements:				
Opening balance at 1 July	23,533	(154,910)	23,533	(154,910)
(Loss)/gain on revaluation - gross: electricity contracts	152,828	112,968	152,828	112,968
(Loss)/gain on revaluation - gross: foreign exchange contracts	(1,660)	6,601	(1,660)	6,601
Transfer to net profit - gross: electricity contracts	(49,997)	135,026	(49,997)	135,026
Transfer to net profit - gross: foreign exchange contracts	-	644	-	644
Transfer to property, plant and equipment - gross: foreign exchange contracts	(1,088)	(320)	(1,088)	(320)
Deferred tax equivalent assets (note 19)	-	(69,391)	-	(69,391)
Deferred tax equivalent liabilities (note 26)	(30,025)	(7,085)	(30,025)	(7,085)
Balance 30 June	**93,591**	**23,533**	**93,591**	**23,533**
(b) Other owner contributions				
Other owner contributions	**(148,309)**	**(148,309)**	**(148,309)**	**(148,309)**
(c) Retained profits				
Retained profits	**190,070**	**157,162**	**176,634**	**144,877**
Movements:				
Opening balance at 1 July	157,162	111,622	144,877	102,511
Net profit for the year	149,462	195,605	148,311	192,431
Dividends	(116,700)	(148,944)	(116,700)	(148,944)
Actuarial (losses)/gains on defined benefit plans	208	(1,601)	208	(1,601)
Tax on actuarial (losses)/gains on defined benefit plans	(62)	480	(62)	480
Closing balance at 30 June	**190,070**	**157,162**	**176,634**	**144,877**

(d) Nature and purpose of reserves

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

31 DIVIDENDS

Dividends recognised by the parent entity are:

	Cents per share	Total amount $'000	Date of payment
2010			
2010 Final - Ordinary (Declared)	12.62	116,700	by 31 December 2010
2009			
2009 Final - Ordinary (Declared)	16.11	148,944	23 December 2009

32 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Compensation of directors

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

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

Name	Short-term employee benefits Salary and fees $'000	Post-employment Superannuation $'000	Total $'000
2010			
D Byrne (Chairman)	74	7	81
L Gillespie (Chairman Human Resources and Workplace Health and Safety Committee)	32	3	35
P Gregg (Chairman Audit and Risk Management Committee until 30 September 2009))	8	1	9
B Kelly (until 30 September 2009)	8	1	9
D Watson (until 30 September 2009)	8	1	9
M Williamson	31	3	34
G Crow	31	3	34
J Leaver (Chairman Audit and Risk Management Committee from 1 October 2009)	24	2	26
C Hefner (from 1 October 2009 to 14 March 2010)	17	2	19
T Andersen (from 1 October 2009)	23	2	25
2009			
D Byrne (Chairman)	72	6	78
L Gillespie (Chairman Human Resources and Workplace Health and Safety Committee)	32	3	35
P Gregg (Chairman Audit and Risk Management Committee)	32	3	35
B Kelly	30	3	33
B Morris (until 30 September 2008)	8	1	9
D Watson	30	3	33
M Williamson	30	3	33
G Crow (from 1 October 2008)	22	2	24

Directors' compensation does not include insurance premiums paid by the company or related parties in respect of directors' and officers' liabilities and legal expenses, as the insurance policies do not specify premiums paid in respect of individual directors. Further, the directors do not receive any compensation in the form of non-monetary or other benefits.

(b) Compensation of other key management personnel

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

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

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

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

32 KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

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

Name	Primary Salary and fees $'000	Primary Non-monetary benefits $'000	Post-employment Superannuation $'000	Total $'000
2010				
Chief Executive Officer [1]	502	27	50	579
Chief Financial Officer	267	12	24	303
Chief Operating Officer [2]	235	-	24	259
General Manager Business Services	246	7	22	275
General Manager Business Development	214	2	21	237
General Manager Trading [1]	258	12	24	294
General Manager Corporate Services [2]	147	9	15	171
2009				
Chief Executive Officer	410	27	41	478
Chief Financial Officer	244	9	22	275
Chief Operating Officer	265	-	26	291
General Manager Business Services	246	8	22	276
General Manager Business Development	212	3	21	236
General Manager Trading	250	13	25	288
General Manager Corporate Services	212	10	21	243

[1] During part of the year these positions were performed by other senior executives or corporate employees until permanent appointments are made. The above disclosures relate to the total compensation provided by Stanwell Corporation Limited during the year in respect of each position.

[2] During part of the year these positions were performed by other employees or external contractors while the permanent employee performed other duties. The costs of contractors are excluded on the basis that they are not employees.

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

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

(c) Total key management personnel compensation

	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
Short-term employee benefits	2,432	2,373	2,432	2,373
Termination	18	-	18	-
Post-employment benefits	230	223	230	223
	2,680	2,596	2,680	2,596

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

32 KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

(d) Compensation policy

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

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

Senior executives (inclusive of the Chief Executive Officer)

This category of employees is employed on individual employment agreements on salary and conditions outlined by the shareholder's policy 'Remuneration Guidelines and Senior Executives in Government Owned Corporations'.

The terms of these agreements and expiry dates for each senior executive position are detailed in the following table:

Position	Term (Years)	Expiry date
Chief Executive Officer [1]	-	-
Chief Financial Officer	3	13 June 2011
Chief Operating Officer	3	26 June 2011
General Manager Business Development	3	10 April 2011
General Manager Business Services	3	13 January 2012
General Manager Trading [1]	-	-
General Manager Corporate Services	3	23 January 2012

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

Separation benefits, in the event of termination by the company (in circumstances other than by ill health, misconduct or poor performance) are allowed for in the agreements.

Performance payments for senior executives are based on key performance indicators reflective of personal, division and company performance over each financial year.

Payment is subject to endorsement by the Board and approval by the Shareholding Ministers. Payments are made in cash, or if appropriate notice has been provided, paid into the employee's superannuation fund on a salary sacrifice basis.

Salaried employees

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

Performance payments for these employees are based on key performance indicators reflective of personal, site and corporate performance over each financial year. Payment is subject to endorsement by the Chief Executive Officer and approval by the Board.

Payments are made in cash or, if appropriate notice has been given, paid into employees' superannuation funds on a salary sacrifice basis.

Employees under Queensland Industrial Relations Commission

The majority of the employees of the company are employed pursuant to site bargaining agreements.

There are four agreements, covering the major operating sites and the offices. All agreements are certified by the Queensland Industrial Relations Commission. These employees have an open term of employment with the company and separation benefits are in line with the relevant site bargaining agreements. Each of the bargaining agreements has a clause allowing for the payment of team based performance bonuses which are paid six monthly.

Performance is measured against mutually agreed indicators that are renewed for each payment period.

Payments are made in cash, or if appropriate notice has been provided, paid into the employee's superannuation fund on a salary sacrifice basis.

(e) Performance payments

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

	2010 $'000	2009 $'000
Aggregate performance payment expense	2,929	3,434
Total salaries and wages (including employer contributions to superannuation funds) paid to employees receiving bonuses	45,577	38,616
The number of employees who received performance bonuses	400	388

32 KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

(e) Performance payments (continued)

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

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

33 REMUNERATION OF AUDITORS

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

	CONSOLIDATED		PARENT ENTITY	
	2010 $	2009 $	2010 $	2009 $
(a) Audit services				
Queensland Auditor-General [1]	268,867	235,034	268,867	235,034
(b) Non-audit services				
Queensland Auditor-General [1]	-	97,728	-	97,728
	268,867	**332,762**	**268,867**	**332,762**

[1] Of the 2008-09 fee, $19,728 relating to audit services has been expensed in the current year.

34 CONTINGENCIES

(a) Contingent liabilities

Parent entity guarantees in favour of third parties:

	2010 $'000	2009 $'000
Griffin Windfarm Pty Ltd	2,750	4,000
Other	993	993
	3,743	**4,993**

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

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

In line with the policy set out in note 1(z) the fair value of the above guarantees is $nil (2009: $nil).

Joint ventures

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

In August 2010, approval was received from the Shareholding Minsters to commit $30 million to a farm-in to secure 2P reserves. Stanwell Corporation Limited will earn a 50% interest in the four blocks on completion of the farm-in. Key commercial terms have been agreed for the Group to purchase 225 PJ from ATP 626P under a gas sale agreement, over a 15 year period, subject to completion of the second stage of the farm-in agreement.

Legal proceedings

On 28 July 2009, the Australian Energy Regulator announced that it had instituted proceedings against the parent entity in the Federal court, alleging that the company did not make several of its offers to generate electricity in 'good faith' contrary to the National Electricity Rules.

The trial commenced on 15 June 2010 and concluded on 5 July 2010. The judgement of the Court was reserved. The costs or penalties associated with these actions are not determinable as they are contingent upon the outcome of the trial.

(b) Contingent assets

During the financial year ended 30 June 2009, Stanwell Corporation Limited secured deferred revenue of $2,500,000 and a contingent asset of $2,500,000 to be realised between 30 June 2012 and 30 June 2014.

35 COMMITMENTS

(a) Capital expenditure commitments

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Property, plant and equipment				
Within one year	39,094	46,714	39,094	46,714
Later than one year but not later than five years	2,706	3,795	2,706	3,795
	41,800	**50,509**	**41,800**	**50,509**
Biological assets				
Within one year	3	2	3	2
Later than one year but not later than five years	172	174	172	174
Later than five years	127	129	127	129
	302	**305**	**302**	**305**

(b) Operating lease commitments

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

Within one year	2,220	2,251	2,220	2,251
Later than one year but not later than five years	3,078	5,751	3,078	5,751
Later than five years	47	-	47	-
	5,345	**8,002**	**5,345**	**8,002**

The Group has entered into operating lease agreements for commercial property, motor vehicles and equipment.

(c) Operating expenditure commitments

Commitments in relation to finance leases are payable as follows:

Within one year	66,553	74,115	66,553	74,115
Later than one year but not later than five years	194,708	238,975	194,708	238,975
Later than five years	611,694	671,814	611,694	671,814
Minimum lease payments	**872,955**	**984,904**	**872,955**	**984,904**

The Group has finance leases for various items of plant and equipment.

(d) Equity repatriation commitments

Commitment for equity repatriation - not recognised as a liability (note 29(c))	**-**	**380,000**	**-**	**380,000**

36 RELATED PARTY TRANSACTIONS

(a) Parent entity

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

(b) Wholly owned group

The wholly owned Group consists of Stanwell Corporation Limited and its wholly owned entities. Details of the interests in subsidiaries are set out in note 37.

The following transactions occurred with subsidiaries during the year:

	2010 $'000	2009 $'000
Dividends received	5,600	2,300

(c) Joint venture

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

Details of the interest and transactions with the joint ventures are set out in note 38.

36 RELATED PARTY TRANSACTIONS CONTINUED

(d) Key management personnel

Disclosures relating to key management personnel are set out in note 32.

Apart from specific compensation detailed in note 32, no director has entered into a contract with the Group since the end of the previous financial year.

A number of key management personnel of the Group are or were also directors of other organisations which have or had transactions with the consolidated entity.

During the financial year Stanwell Corporation Limited was reimbursed $60,920 relating to the after tax value of directors fees for a position held relating to its investment in Blue Energy Limited.

All other transactions are based on normal commercial terms and conditions. Material transactions with other State of Queensland controlled entities are disclosed below.

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

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

The following transactions occurred with other related parties:

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Electricity financial instrument settlements and environmental certificates	15,727	29,640	15,727	29,640
Purchase of goods and services	24,322	32,635	24,322	32,635
Recharge of costs*	7,824	27,603	7,824	27,603
Net interest (revenue)/expense	22,918	12,931	22,918	12,931
Superannuation contributions	4,403	3,886	4,403	3,886
Dividends paid and proposed	116,700	148,944	116,700	148,944
Income tax paid	65,145	85,877	60,992	83,399
Income tax received	-	7,345	-	7,345
Capital repatriation	380,000	-	380,000	-

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

Cash and cash equivalents	214,348	161,935	206,615	161,935
Receivables	3,463	16,185	3,463	16,185
Derivative financial instrument assets	50,095	41,496	50,095	41,496
Deferred tax assets	24,177	18,018	24,141	17,994
Payables	2,064	3,901	2,064	3,901
Current tax liabilities	39,489	23,736	39,489	20,738
Derivative financial instrument liabilities	3,965	18,161	3,965	18,161
Deferred tax liabilities	351,999	340,587	347,273	337,388
Borrowings	637,146	257,146	637,146	257,146
Provision for dividends	116,700	148,944	116,700	148,944

* The recharge of costs includes $3,620,000 (2009: $27,203,000) of costs recharged under a project development agreement to ZeroGen Pty Ltd, a related entity previously owned by the parent entity and sold to the Queensland Government on 16 March 2007. The Chairman of the board of directors of the parent entity was a director on the board of ZeroGen Pty Ltd until 4 February 2009. Costs are recharged to ZeroGen on normal terms and conditions.

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

37 SUBSIDIARIES

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

Name of entity	Country of incorporation	Class of shares	Equity holding 2010 %	Equity holding 2009 %
Wind Portfolio Pty Ltd [1]	Australia	Ordinary	100	100
EDWF Holdings 1 Pty Ltd [1]	Australia	Ordinary	100	100
Energy Portfolio 1 Pty Ltd (incorporated 29 May 2009) [2]	Australia	Ordinary	100	100
Goondi Energy Pty Ltd (incorporated 29 May 2009) [2]	Australia	Ordinary	100	100

[1] Held for sale (see note 12).

[2] Dormant for the period 29 May 2009 to 30 June 2010.

38 INTERESTS IN JOINT VENTURES

The Group has a 50% (2009: 50%) participating interest in the Emu Downs Wind Farm Project, whose principal activity is the operation of a wind farm in Western Australia. The joint venture interest is held by EDWF Holdings 1 Pty Ltd, which is a wholly owned subsidiary of Wind Portfolio Pty Ltd, which in turn is a wholly owned subsidiary of Stanwell Corporation Limited. The joint venture is managed by EDWF Manager Pty Ltd which is 50% owned by EDWF Holdings 1 Pty Ltd. This interest is recognised under disposal groups classified as held for sale in note 12.

The Group has an 84% (2009: 84%) interest in an unincorporated joint venture, the Woodlands Hardwood Plantation Joint Venture, with Forestry Plantations Queensland. The principal activity of this venture is the establishment of a viable commercial hardwood plantation of trees (refer note 17).

During 2009 the Group became an investor but not a joint venturer in an unincorporated joint venture, the ATP626P joint venture, with Icon Energy Limited. The principal activity of this venture is the exploration, and if appropriate, the exploitation of coal seam methane from ATP626P in the Surat Basin. In August 2010, approval was received from the Shareholding Minsters to commit $30 million to a farm-in to secure 2P reserves. Stanwell Corporation Limited will earn a 50% interest in the four blocks on completion of the farm-in.

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

	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000
Non-current assets		
Biological assets - at cost	**424**	**342**

For contingent liabilities relating to these joint ventures see note 34.

39 RECONCILIATION OF PROFIT AFTER INCOME TAX EQUIVALENT EXPENSE TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Profit for the year	149,462	195,605	148,311	192,431
Add items classified as investing/financing activities:				
Net loss/(profit) on sale of non-current assets	8,068	6,988	8,068	6,978
Dividends received	-	-	(5,600)	(2,300)
Add non-cash items:				
Depreciation and amortisation	78,934	73,181	78,934	73,181
Impairment loss	9,160	11,400	9,160	11,400
Development costs written off	-	6,615	-	6,615
Non-cash retirement benefits expense	95	(2,035)	95	(2,035)
Change in assets and liabilities:				
(Increase)/decrease in trade debtors and other receivables	8,189	(32,628)	8,189	(32,628)
(Increase)/decrease in inventories	11,115	(21,167)	11,115	(21,167)
(Increase)/decrease in assets classified as held for sale	726	(353)	(223)	-
(Increase)/decrease in deferred tax equivalent assets	(6,159)	68,282	(6,148)	68,292
(Increase)/decrease in other non-current assets	(4,951)	22,792	(4,951)	22,796
(Increase)/decrease in derivative financial instrument assets	(31,240)	80,127	(31,240)	80,127
Increase/(decrease) in trade and other payables	(8,151)	7,873	(8,151)	7,896
Increase in current tax equivalent liabilities	15,753	2,543	18,751	1,558
Increase/(decrease) in liabilities directly associated with assets classified as held for sale	(242)	126	-	(500)
Increase/(decrease) in deferred tax equivalent liabilities	11,350	(3,085)	9,826	(4,379)
(Decrease) in derivative financial instrument liabilities	(59,531)	(377,487)	(59,531)	(377,487)
Increase/(decrease) in provisions and other liabilities	20,348	(25,358)	20,348	(25,358)
Increase/(decrease) in hedging reserve	70,058	178,443	70,058	178,443
Net cash (outflow) inflow from operating activities	**272,984**	**191,862**	**267,011**	**183,863**

40 EARNINGS PER SHARE

	CONSOLIDATED 2010 Cents	CONSOLIDATED 2009 Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	16.17	21.16
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	16.17	21.16

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

	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000
Basic earnings per share		
Profit from continuing operations	149,462	195,605
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	149,462	195,605

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

	CONSOLIDATED 2010	CONSOLIDATED 2009
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	924,568,662	924,568,662
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	924,568,662	924,568,662

41 CROSS BORDER LEASES

Stanwell Power Station is subject to cross border leases which were entered into in 1995. In accordance with accounting standards, the leases are treated as finance leases.

The leased assets are being amortised in the statement of comprehensive income 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.

42 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 5 July 2010 the trial of the proceeding brought by the Australian Energy Regulator was concluded. The judgement of the Court was reserved. The costs or penalties associated with the proceeding are not determinable as they are contingent upon the final outcome of the proceeding.

In August 2010, approval was received from the Shareholding Ministers to commit $30 million to a farm-in with Icon Energy Limited to secure 2P reserves. Stanwell Corporation Limited will earn a 50% interest in the four blocks on completion of the farm-in. Key commercial terms have been agreed for the Group to purchase 225 PJ from ATP 626P under a gas sale agreement, over a 15 year period, subject to completion of the second stage of the farm-in agreement.

On 24 August 2010, Stanwell Corporation Limited and Griffin Energy Windfarms announced their intention to jointly sell the Emu Downs Wind Farm and the Badgingarra Wind Farm development project of which they are 50/50 joint venture owners. These assets are disclosed in note 12 as 'assets held for sale' in the financial statements.

Prior to the balance date, Stanwell Corporation Limited commenced a process for the sale of a surplus asset and associated land being its interest in a mineral development licence in Queensland. The sale process is progressing and is anticipated to complete early in the 2010-11 financial year subject to final settlement.

No other significant events have occurred between 30 June 2010 and the date of this report that have significantly affected, or may significantly affect:

- the Group's operations in future financial years
- the results of those operations in future financial years

or

- the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION 30 JUNE 2010

In the opinion of the directors:

(a) the financial statements and notes set out on pages 50 to 103 are in accordance with the *Corporations Act 2001*, including:

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

  (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the financial year ended on that date, and

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

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

Dated at Brisbane this 25th day of August 2010.

D. Byrne
Chairman

J. Leaver
Director and Audit and Risk Management Committee Chairman

INDEPENDENT AUDIT REPORT 30 JUNE 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STANWELL CORPORATION LIMITED

Matters relating to the Electronic Presentation of the Audited Financial Report

The auditor's report relates to the financial report of Stanwell Corporation Limited for the financial year ended 30 June 2010 included on Stanwell Corporation Limited's website. The directors are responsible for the integrity of Stanwell Corporation Limited's website. I have not been engaged to report on the integrity of Stanwell Corporation Limited's website. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from Stanwell Corporation Limited, to confirm the information included in the audited financial report presented on this website.

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

Report on the Financial Report

I have audited the accompanying financial report of Stanwell Corporation Limited, which comprises the balance sheets as at 30 June 2010, and the statements of comprehensive income, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair representation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Independence

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

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with.

Auditor's opinion

In my opinion the financial report of Stanwell Corporation Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

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

Stephen G. Stavrou
(as Delegate of the Auditor-General of Queensland)

Brisbane
25 August 2010

GLOSSARY

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

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

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

carbon capture and sequestration
The capture and long-term storage of carbon dioxide in soil, plant, ocean or underground geological formations

farm-in agreement
An arrangement in which one operator 'buys in' or acquires an interest in a lease or concession owned by another operator, on which oil or gas has been discovered or is being produced. Often, a farm-in is negotiated to assist the original owner with development costs and to secure for the buyer a source of oil or gas

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

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

levels 1–3 environmental incident
An event, usually contained to the site, which has minimal environmental effects. This also includes non compliances with business systems

levels 4–5 environmental incident
An event leading to material or serious environmental harm and may result in prosecution

mandatory renewable energy target
The quantity of total energy sales sourced from renewable energy sources

output
Dispatched generation

renewable energy
Energy generated from natural resources such as sun, wind, rain and ocean

sent out generation
The amount of power exported to the electricity grid after the energy used by the power station itself

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

spot price
The half-hour average of the five-minute dispatch prices set by marginal generator

ABBREVIATIONS

AASB	Australian Accounting Standards Board
AEMO	Australian Energy Market Operator
AIFRS	Australian equivalents to International Financial Reporting Standards
AS4801	Australian standard for health and safety
AOD	Alcohol and other drugs
ARMC	Audit and Risk Management Committee
ASX	Australian Security Exchange
ATO	Australian Taxation Office
ATSI	Aboriginal and Torres Strait Islander
ATW	Authority to Work
CCSD	Cooperative Research Centre for Coal in Sustainable Development
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIS	Capital Investment System
CO_2	Carbon dioxide
CO2CRC	Cooperative Research Centre for Greenhouse Gas Technologies
CPRS	Carbon Pollution Reduction Scheme
EEO	Equal employment opportunity
EPA	Environmental Protection Agency
EPRI	Electric Power Research Institute
ERO	Equity Referral Officer
GAGAL	Gladstone Area Group Apprenticeships Limited
GOC	A government owned corporation under the *Government Owned Corporations Act 1993*
GST	Goods and services tax
GWh	Gigawatt hour. One GWh = one thousand megawatt hours
IPPA	Interconnection and Power Pooling Agreement
ISO14001	International standard for environmental management
LTI	Lost Time Injury(ies)
LTIDR	Lost Time Injury Duration Rate
LTIFR	Lost Time Injury Frequency Rate
LTISR	Lost Time Injury Severity Rate
ML	Megalitre(s). One ML = one million litres
m	Million
MDL	Mineral Development Licence
MW	Megawatt(s). One MW = one million watts
MWh	Megawatt hour. One MWh = one thousand kilowatt hours
NEM	National Electricity Market. A competitive wholesale electricity market for eastern and south eastern Australia
NGERS	National Greenhouse and Energy Reporting Scheme
NGF	National Generators Forum
NOx	Nitrous oxide
NPI	National Pollutant Inventory
OHS	Occupational health and safety
QMEA	Queensland Minerals and Energy Academy
QTC	Queensland Treasury Corporation
SCI	Statement of Corporate Intent
SOx	Oxides of sulphur
ZIP	Zero Incident Process

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NCS INTERNATIONAL CERTIFIED SAFETY MANAGEMENT SYSTEM AS/NZS 4801

NCS INTERNATIONAL CERTIFIED ENVIRONMENTAL MANAGEMENT SYSTEM ISO 14001

NCS INTERNATIONAL CERTIFIED QUALITY MANAGEMENT SYSTEM ISO 9001

STANWELL CORPORATION LIMITED