ABN 17 090 574 431

Consolidated Financial Report for the Reporting Period

28 June 2014 to 27 June 2015

Snowy Hydro Limited

CONSOLIDATED FINANCIAL REPORT
FOR THE REPORTING PERIOD ENDED 27 JUNE 2015

Snowy Hydro Limited

DIRECTORS' REPORT

The Directors of Snowy Hydro Limited submit herewith the annual financial report for Snowy Hydro Limited (the Company) and its controlled entities (here within referred to as the "consolidated entity" or the Group) for the reporting period 28 June 2014 to 27 June 2015. In order to comply with the provisions of the *Corporations Act 2001* (Cwlth), the Directors report as follows:

The names and particulars of the Directors of the Company during or since the end of the reporting period are:

Name	***Particulars***
Noel Harold Cornish	Chairman – from 1 February 2015
BSc(Met), MEngSc	Mr Cornish was appointed to the Board on 10 August 2012. He is currently a director of IMB Bank, director of Forestry Corporation NSW, Deputy Chancellor of the University of Wollongong and National President of Ai Group. His former roles include Chief Executive of BlueScope Steel Limited's Australian and New Zealand steel manufacturing businesses, President NorthstarBHP LLC in Ohio USA and Group General Manager Whyalla Steelworks in South Australia. Mr Cornish chairs the Safety Operations and Environment Risk Committee.
Paul Anthony Broad	Chief Executive Officer
BCom (Hons), M.Comm (Econ)	Mr Broad was appointed as a non-executive director of the Company on 20 June 2013 and was appointed as Chief Executive Officer from 23 July 2013. Before being appointed as a director, Mr Broad was Chief Executive Officer of Infrastructure NSW, AAPT, PowerTel, EnergyAustralia, Sydney Water and Hunter Water. He is Chairman of the Hunter Development Corporation. Mr Broad is the sole director of each of the Company's wholly owned subsidiaries.
Michael Francis Ihlein	Non-executive Director
BBus (Acc), FCPA, FAICD, F Fin (Finsia)	Mr Ihlein was appointed to the Board on 10 August 2012. He is a non-executive director and Chair of the Risk and Audit Committee of CSR Limited and a non-executive director and Chair of the Audit and Risk Committee of Scentre Group. He is also a non-executive director and Chair of the Compliance Committee of Murray Goulburn Co-operative Co. Limited. He previously spent six years at Brambles Limited as an executive director with roles as Chief Executive Officer and Chief Financial Officer. Prior to that he had a 26 year career with Coca-Cola Amatil Limited including seven years as Chief Financial Officer and Executive Director and numerous senior operational and financial roles in both Australia and overseas. He is also Chair of Australian Theatre for Young People. Mr Ihlein chairs the People and Culture Committee.
Joycelyn Cheryl Morton	Non-executive Director
BEc, FCPA, FCA, FIPA, FCIS, FGIA, FAICD	Ms Morton was appointed to the Board on 10 August 2012. She is a non-executive director of Argo Investments Limited, Argo Global Listed Infrastructure Limited, and Chairperson of Thorn Group Limited. She is also a member of the Business School Divisional Board and Board of Advice of the University of Sydney. Her

former roles include being a non-executive director of Crane Group Limited, Noni B Limited and Count Financial Limited and executive positions with Woolworths Limited, The Shell Company of Australia, Shell International BV and with Coopers and Lybrand (now PricewaterhouseCoopers).

Ms Morton chairs the Audit and Compliance Committee.

The Hon. Helen Lloyd Coonan BA, LLB	Non-executive Director Ms Coonan was appointed to the Board on 23 January 2014. As the former Australian Government Cabinet Minister for Communication, Minister for Revenue and Assistant Treasurer, Deputy Leader of the Government in the Senate, Shareholder Minister for the Telstra Corporation and Australia Post, commercial lawyer and trained mediator, Ms Coonan has a proven track record of leading stakeholders through major economic reforms and handling complex policy settings, especially where public policy and regulation intersects with business interests. In addition to her appointment with Snowy Hydro, Ms Coonan serves on the Advisory Council of JP Morgan and the Board of Advice of Aon Risk Services Australia Ltd. She is a Non-Executive Director of Crown Resorts Ltd, Chair of the Crown Resorts Foundation, Chair of the Sydney Harbour Foreshore Authority, Chair of GRACosway Pty Ltd (a subsidiary of the Clemenger Group), a Trustee of the Sydney Opera House Trust and a Non-Executive Director of Obesity Australia Ltd. Ms Coonan chairs the Retail Operations Committee.
Nigel Julien Clark B Bus (Acc), FCPA, Grad Dip Bus, GAICD, CFTP (Snr)	Non-executive Director Mr Clark was appointed to the Board on 13 May 2015. Prior to joining the Company Mr Clark was Managing Director of Momentum Energy. Mr Clark held several senior roles at Momentum including Chief Financial Officer and General Manager, Commercial. Previous roles also include Head of Strategy and Development at TRUenergy and Manager Energy Developments, East Australia at Alcoa Australia. Mr Clark is a director at EastDock Consulting and Chief Commercial Officer of the Carlton Football Club.
Wallace Richard Sheppard BEc (Hons)	Non-executive Director Mr Sheppard was appointed to the Board on 13 May 2015. He is currently a director of Dexus Property Group and director of Echo Entertainment Group. His former roles include Chief Executive Officer and Managing Director of Macquarie Bank. Mr Sheppard has held the positions of Chairman, Eraring Energy, Chairman of the Australian Government Financial Sector Advisory Council and Chairman of Macquarie Airports. He is also Treasurer of the Bradman Foundation. Mr Sheppard chairs the Portfolio Risk Committee.

Directors Who Ceased to Hold Office During the Reporting Period

Bruce Anthony Hogan AM BEc (Hons), FAICD	Mr Hogan was Chairman until 31 January 2015.
Peter Scott Lowe MBA, BCom, FCPA, MAICD	Mr Lowe was a Non-executive Director until 13 May 2015.

Other than the Directors who ceased to hold office as noted above, and Messrs Clark and Sheppard who were appointed in May 2015, the above named Directors held office during and since the end of the year.

Glen Dewing BCom, MBA, FCPA, FCIS, FGIA, MAICD	Company Secretary Glen Dewing has over 31 years' experience in auditing, finance and governance-related roles, 27 years of which have been spent with the Company and its legal predecessor. Glen was admitted as a Chartered Secretary in 1995.

Principal Activities

The consolidated entity comprises Snowy Hydro Limited ("Snowy Hydro" or "the Company") and its active wholly owned controlled entities; Red Energy Pty Ltd ("Red Energy"), Valley Power Pty Ltd ("Valley Power"), Lumo Energy Australia Pty Ltd (Lumo Energy), Direct Connect Australia Pty Ltd ("Direct Connect") and various inactive subsidiaries. A full list of controlled entities is provided in Note 29.

The consolidated entity owns, manages and maintains the Snowy Mountains Hydro-electric Scheme, which consists of eight power stations and sixteen large dams located mainly in the Kosciuszko National Park, and owns three gas-fired power stations. In January 2015, Snowy Hydro acquired the 667MW Colongra Power Station in New South Wales. Snowy Hydro operates a 320 MW power station at Laverton North and the 300 MW Valley Power power station in Victoria. In addition, following the acquisition of Lumo Generation SA Pty Ltd and its controlled entities in September 2014, Snowy Hydro Limited owns and operates diesel-fuelled power stations in South Australia and the New South Wales Hunter Valley Region.

Snowy Hydro Limited's operations consist of the generation of electricity and the provision of products and services related to the Scheme's capacity and energy, and ancillary services and other related electricity products, to the National Electricity Market, and the storage and diversion of bulk water to the Murray and Murrumbidgee Rivers. Through its controlled entities, Red Energy Pty Limited and Lumo Energy Australia Pty Ltd, Snowy Hydro Ltd retails electricity and gas in the National Electricity Market to retail customers, small to medium enterprises and commercial and industrial customers.

Review of Operations

For the reporting period ended 27 June 2015, net profit after tax was $210.6 million. This result is after bringing to account the increase in market values of the consolidated entity's price risk hedging contracts in the amount of $84.0 million before tax, as prescribed by accounting standards AASB 13 "Fair Value Measurement" and AASB 139 "Financial Instruments: Recognition and Measurement".

For the reporting period ended 28 June 2014, net profit after tax was $495.5 million. This result is after bringing to account the increase in market values of the consolidated entity's price risk hedging contracts in the amount of $323.7 million before tax, as prescribed by accounting standards AASB 13 "Fair Value Measurement" and AASB 139 "Financial Instruments: Recognition and Measurement".

The prescriptive nature of the accounting standard AASB 139 "Financial Instruments" precludes the consolidated entity's electricity price risk hedging contracts from being designated and recognised as hedges, despite the fact that these instruments function as economic hedges by dampening the impact of spot price volatility on the value of the consolidated entity's generation output. Consequently, all price risk hedging contracts are deemed to be trading instruments. The valuation of these financial derivative instruments is subject to significant management judgement in the application of appropriate forward price curves and with respect to assumptions that need to be made regarding future counterparty behaviour. The changes in valuations between reporting periods are known as mark-to-market adjustments and are recognised in the Statement of Profit and Loss as "movements in fair value of derivatives".

Notably, AASB 139 "Financial Instruments" precludes Snowy Hydro from recognising any increase in the future income stream that would be expected to result if the prices implied in these same curves were applied to the expected generation output. This one sided accounting treatment is likely to produce high volatility in reported net profit after tax from one year to the next, which will not necessarily be accompanied by any corresponding change in underlying economic earnings.

Both the 2014 and 2015 reporting periods were characterised by low NEM volatility alleviated by a very small number of high-price events and a further, substantial, improvement in water inflows.

In the reporting period ended 27 June 2015, Snowy Hydro generated 2,605 GWh from gas and hydro-electric sources, and released 1,251 GL of water. In the previous reporting period, generation was 3,850 GWh and water releases were 1,835 GL.

Snowy Hydro gained immediate and material benefits from the acquisitions completed in 2015.

The ability to use Colongra Power Station to manage transmission flows into the Sydney node created an effective mitigant to transmission risk faced by the hydroelectric power stations. This obviated the need to accept increased (and unmanageable) transmission risk and/or to reduce the exposures of the NSW contracts portfolio, both of which would have been highly undesirable outcomes.

The acquisition of Lumo was instrumental in more than doubling retail EBITDA across the group, to $83.2 million, while stabilising earnings. The protection that Lumo and Red Energy provided to consolidated EBITDA, by removing a material element of downside exposure to the adverse NEM conditions, allowed the company to withhold in the order of 600GWh of generation (compared to budget). This energy is now held in reserve, ready to back the energy requirements of the growing retail customer base and also to support the creation of renewable energy certificates, which is expected to occur in calendar 2016.

Snowy Hydro's water storage position at year-end was 2,619Gl, or 49.4% of active storage, which was 630Gl above the budgeted ending storage of 1,989Gl (37.5% of active storage).

Snowy Hydro's earnings in 2015 demonstrated the commercial strength gained by the diversification between the market-risk manager business, which is based on selling long-term, capacity-intensive wholesale insurance products, and the vertically integrated, mass-market retail business, which delivered record results in terms of both customer numbers and profit.

Underlying Cash Net Profit After Tax from Normal Operations

	27 June 2015 $M	28 June 2014 $M
Reported net profit after tax	210.6	495.5
Acquisition costs charged to the Statement of Profit and Loss	3.7	-
Expensed stamp duty	14.8	-
Non-cash gain on acquisition for Colongra Power Station (note 26)	(32.8)	-
Amortisation of intangibles	34.0	-
Depreciation of assets	83.5	69.8
Movement in the fair value of derivatives	(84.0)	(323.7)
Tax effect	(11.2)	76.2
Underlying cash Net Profit after Tax from normal operations	218.6	317.8

Significant Matters

In September 2014, Snowy Hydro Limited acquired Lumo Energy Australia Pty Ltd and its controlled entities, Lumo Generation SA Pty Ltd and its controlled entities, and TFI Partners Pty Ltd and its controlled entities.

In January 2015, Snowy Hydro Limited acquired the 667MW Colongra gas-fired Power Station located in the New South Wales Hunter Valley region.

Subsequent Events

There have not been any matters or circumstances that have arisen since the end of the reporting period that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future reporting periods.

Future Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental Regulations

The consolidated entity is subject to the full range of Commonwealth, Victorian and New South Wales environmental laws including the *Environmental Protection and Biodiversity Conservation Act 1999* (Cwlth), the *Environmental Planning and Assessment Act 1979 (NSW)*, the *Protection of the Environment Operations Act 1997* (NSW), the *National Parks and Wildlife Act 1974* (NSW) and the *Contaminated Lands Management Act 1997* (NSW).

Within the Kosciuszko National Park, Snowy Hydro's operations are subject to both the Kosciuszko Plan of Management and the Snowy Management Plan. Both are plans of management made under the *National Parks and Wildlife Act 1974* (NSW). The latter is specifically enforceable against Snowy Hydro through regulation.

On corporatisation, the Snowy Scheme was given deemed planning approvals for the purposes of the *Environmental Planning and Assessment Act 1979* (NSW) and the *Local Government Act 1993* (NSW). Any future development by Snowy Hydro is subject to the standard approval processes under relevant legislation.

For completeness it should also be noted that under Part 5 of the *Snowy Hydro Corporatisation Act 1997 (NSW)*, Snowy Hydro has been issued with the Snowy Water Licence. The Snowy

Water Licence prescribes Snowy Hydro's rights and obligations with respect to the collection, diversion, storage, use and release of water within the Snowy area. The Snowy Water Licence also imposes some obligations on Snowy Hydro Limited in terms of releasing environmental flows into the Snowy River and the montane rivers within the Snowy Mountains area. Snowy Hydro has complied with the environmental flow obligations that have come into effect up until the date of this report.

Snowy Hydro and its subsidiaries are subject to the *Renewable Energy (Electricity) Act 2000* (Cwlth) and the *Renewable Energy (Electricity) (Charge) Act 2000* (Cwlth), supported by the *Renewable Energy (Electricity) Regulations 2001* (Cwlth). Under this legislation, renewable energy generators including Snowy Hydro are entitled to create Renewable Energy Certificates. Electricity retailers (including Snowy Hydro's subsidiary Red Energy Pty Limited and Lumo Energy Australia Pty Ltd) and wholesale electricity buyers on liable grids in all States and Territories are required to annually surrender Renewable Energy Certificates to the Regulator equal to the proportion of energy purchased.

Dividends

A fully franked cash dividend of $75 million ($0.375 per share) was paid on 22 October 2014. A further fully franked cash dividend of $80 million ($0.40 per share) was paid on 24 April 2015. In the previous year, a fully franked cash dividend of $125 million ($0.625 per share) was paid on each of 23 October 2013 and 15 April 2014.

Share Options

Snowy Hydro has not granted share options to Directors or Executives.

Indemnification of Officers and Auditors

During the financial year, Snowy Hydro paid a premium in respect of a contract insuring the Directors of the Company (as named above), the company secretary and all officers of the Company and of any related body corporate against a liability incurred by a director, secretary or officer to the extent permitted by the *Corporations Act 2001* (Cwlth). The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Snowy Hydro Limited has not otherwise, during or since the reporting period, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 13 board meetings and 20 committee meetings were held.

	Board of Directors		Audit & Compliance		People & Culture		Portfolio Risk		Retail Operations		Safety, Operations & Environment Risk	
Director	Held	Present	Held	Present	Held	Present	Held	Present	Held	Present	Held	Present
N H Cornish	13	12			6	6					4	4
P A Broad	13	13							2	2		
H L Coonan	13	13	3	3					2	2	4	4
M F Ihlein	13	12	4	4	3	3	4	4				
J C Morton	13	13	4	4	6	6	4	4				
N J Clark	1	1										
W R Sheppard	1	1	1	1								
B A Hogan	8	7			3	2	2	1				
P S Lowe	12	12	3	3			2	2	1	1	4	4

Auditor's Independence Declaration

The Auditor's independence declaration is included on page 9 of the financial report.

Rounding Off of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the financial report are rounded off to the nearest one hundred thousand dollars.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors

Noel H Cornish
Chairman
Sydney 26 August 2015

Paul A Broad
Chief Executive Officer
Sydney 26 August 2015

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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The Board of Directors
Snowy Hydro Limited
Monaro Highway
Cooma NSW 2630

26 August 2015

Dear Board Members

Snowy Hydro Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Snowy Hydro Limited.

As lead audit partner for the audit of the financial statements of Snowy Hydro Limited for the financial period ended 27 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jamie C.J. Gatt
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the members of Snowy Hydro Limited

We have audited the accompanying financial report of Snowy Hydro Limited, which comprises the consolidated statement of financial position as at 27 June 2015, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the and the entities it controlled at the period's end or from time to time during the financial period as set out on pages 12 to 65.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit 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 the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

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

Opinion

In our opinion:

(a) the financial report of Snowy Hydro Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 27 June 2015 and of its performance for the period ended on that date; and

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

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jamie Gatt

Jamie C.J. Gatt
Partner
Chartered Accountants
Sydney, 26 August 2015

Snowy Hydro Limited

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the consolidated entity; and

(c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as detailed in Note 1 to the financial statements.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is a party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in Note 29 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Noel H Cornish
Chairman
Sydney 26 August 2015

Paul A Broad
Chief Executive Officer
Sydney 26 August 2015

Snowy Hydro Limited

CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE REPORTING PERIOD ENDED 27 JUNE 2015

	Notes	Consolidated Period ended 27 June 2015 $M	Consolidated Period ended 28 June 2014 $M
Revenue		1,712.9	1,285.5
Other income		42.1	6.1
Direct costs of revenue		(1,045.0)	(593.0)
Consumables and supplies		(54.6)	(51.2)
Employee benefits expense		(163.8)	(126.6)
Depreciation expense and amortisation		(117.5)	(69.8)
Borrowing costs		(42.6)	(18.6)
Other expenses from ordinary activities		(123.3)	(49.4)
Movements in fair value of derivatives	1(i)	84.0	323.7
Profit before income tax expense		292.2	706.7
Income tax expense	3	(81.6)	(211.2)
Profit attributable to members of the parent entity	2	210.6	495.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE REPORTING PERIOD ENDED 27 JUNE 2015

Other Comprehensive Income	Notes	Consolidated Period ended 27 June 2015 $M	Consolidated Period ended 28 June 2014 $M
Items that may be subsequently reclassified to profit or loss:			
Cash flow hedges			
Gain taken to equity		(28.0)	1.1
Income tax effect		8.4	(0.3)
Other comprehensive income (net of tax)		(19.6)	0.8
Profit for the period		210.6	495.5
Total comprehensive income for the period attributable to members of the parent entity		191.0	496.3

Notes to the financial statements are on pages 17 to 65.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 27 JUNE 2015

		Consolidated	
		As at 27 June 2015	As at 28 June 2014
	Notes	$M	$M
Current Assets			
Cash and cash equivalents		9.3	5.0
Trade and other receivables	6	417.7	268.0
Inventories	7	16.3	27.7
Other financial assets	8	472.1	385.2
Tax Assets	3	5.5	-
Other	9	78.9	58.2
Total Current Assets		999.8	744.1
Non Current Assets			
Deferred tax assets	3	-	41.3
Intangibles	10	605.0	79.3
Property, plant & equipment	11	2,112.4	1,757.9
Total Non Current Assets		2,717.4	1,878.5
Total Assets		3,717.2	2,622.6
Current Liabilities			
Trade and other payables	12	220.1	116.6
Tax payable	3	-	14.6
Provisions	13	25.9	22.3
Interest bearing liabilities	14	30.9	34.0
Other financial liabilities	15	19.7	13.8
Total Current Liabilities		296.6	201.3
Non Current Liabilities			
Deferred tax liability	3	5.0	-
Other financial liabilities	16	9.9	-
Interest bearing liabilities	17	1,299.2	363.2
Provisions	18	28.9	16.5
Total Non Current Liabilities		1,343.0	379.7
Total Liabilities		1,639.6	581.0
Net Assets		2,077.6	2,041.6
Equity			
Issued capital	20	816.1	816.1
Reserves	21	(19.6)	-
Retained earnings		1,281.1	1,225.5
Total Equity		2,077.6	2,041.6

Notes to the financial statements are included on pages 17 to 65.

Snowy Hydro Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE REPORTING PERIOD ENDED 27 JUNE 2015

	Consolidated			
	Issued Capital $M	Hedging Reserve $M	Retained Earnings $M	Total $M
Balance as at 30 June 2013	816.1	(0.8)	980.0	1,795.3
Profit for the period	-	-	495.5	495.5
Gain on cash flow hedges	-	1.1	-	1.1
Income tax relating to components of other comprehensive income	-	(0.3)	-	(0.3)
Total comprehensive income for the period	-	0.8	495.5	496.3
Dividends paid	-	-	(250.0)	(250.0)
Balance as at 28 June 2014	816.1	-	1,225.5	2,041.6
Balance as at 29 June 2014	816.1	-	1,225.5	2,041.6
Profit for the period	-	-	210.6	210.6
Loss on cash flow hedges	-	(28.0)	-	(28.0)
Income tax relating to components of other comprehensive income	-	8.4	-	8.4
Total comprehensive income for the period	-	(19.6)	210.6	191.0
Dividends paid	-	-	(155.0)	(155.0)
Balance as at 27 June 2015	816.1	(19.6)	1,281.1	2,077.6

Notes to the financial statements are included on pages 17 to 65.

Snowy Hydro Limited

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE REPORTING PERIOD ENDED 27 JUNE 2015

		Consolidated	
		Period ended 27 June 2015	Period ended 28 June 2014
	Notes	$M	$M
Cash Flows from Operating Activities			
Receipts from customers		1,772.3	1,279.0
Payments to suppliers & employees		(1,430.6)	(910.5)
Interest received		0.8	1.0
Interest and other costs of finance paid		(37.8)	(20.8)
Income tax paid		(88.4)	(99.4)
Net Cash provided by Operating Activities	24	216.3	249.3
Cash Flows from Investing Activities			
Investment in subsidiaries		(868.2)	-
Cash received on acquisition of subsidiaries		11.7	-
Payments for property, plant & equipment		(43.6)	(35.1)
Proceeds from sale of property, plant & equipment		0.8	0.9
Net Cash Used in Investing Activities		(899.3)	(34.2)
Cash Flows from Financing Activities			
Net proceeds from/(repayment of) borrowings		845.2	30.0
Payment of debt issue costs		(2.9)	(1.1)
Dividends paid	22	(155.0)	(250.0)
Net Cash Used in Financing Activities		(687.3)	(221.1)
Net (Decrease)/Increase in cash and cash equivalents		4.3	(6.0)
Cash and cash equivalents at Beginning of Period		5.0	11.0
Cash and cash equivalents at End of the Period	24	9.3	5.0

Notes to the financial statements are included on pages 17 to 65.

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1 Summary of Accounting Policies

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report comprises the consolidated financial statements of the group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial statements and notes of the Company and the consolidated entity comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Directors on 26 August 2015.

Basis of Preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

In the application of accounting policies, Directors are required to make judgments, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting Judgements and Estimation Uncertainty

Judgments made by management in the application of the accounting policies that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability thereby ensuring that the substance of the underlying transactions or other events is reported.

(a) Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Further information is contained in Note 25.

(b) Valuation of Financial Instruments

The Company uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 30 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

(c) Provision for Doubtful Debts

The consolidated entity has recognised an allowance for doubtful debts based on a percentage of receivables that in the opinion of the Company reflects expected write-offs of uncollectible revenue. Recovery action is taken where it is appropriate to the circumstances of the particular debt.

(d) Revenue recognition

A proportion of revenue recognised represents an estimate of unbilled sales for energy consumption for all customers from their previous bill to reporting date. This is derived based on an analysis of historical consumption practices and individual customer tariffs. This estimate is subject to variation because of changes in consumer behaviour.

Adoption of new and Revised Accounting Standards

The consolidated entity has adopted all of the new and revised Standard and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any material changes.

Accounting standards not yet effective

At the date of authorisation of the financial report the following Standards and Interpretations were in issue but not yet effective:

	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the reporting period ending
AASB 9 'Financial Instruments', and the relevant amending standards[1]	1 January 2018	29 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments Australian Accounting Standards arising from AASB 15'	1 January 2017	30 June 2018
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	1 July 2017

[1] The AASB has issued the following versions of AASB 9:

- AASB 9 'Financial Instruments' (December 2009) and the relevant amending standard;
- AASB 9 'Financial Instruments ' (December 2010) and the relevant amending standards;
- AASB 2013-9 'Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments', Part C – Financial Instruments;
- AASB 9 'Financial Instruments' (December 2014) and the relevant amending standards.

All of the standards have an effective date of annual reporting periods beginning on or after 1 January 2018. Either AASB 9 (December 2009) or AASB 9 (December 2010) can be early adopted if the initial application date is before 1 February 2015. After this date only AASB 9 (December 2014) can be early adopted.

	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the reporting period ending
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	1 July 2017
AASB 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants'	1 January 2016	1 July 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	1 July 2017
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Construction of Assets between an Investor and its Associate or Joint Venture	1 January 2016	1 July 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	1 July 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	1 July 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 20131 Materiality'	1 July 2015	2 July 2016
AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent'	1 July 2015	2 July 2016
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	1 July 2017

The potential effect of the revised Standards and Interpretations on the consolidated entity's financial statements has not yet been determined.

Reporting Period

Reporting period has the same meaning as financial year for the purposes of the *Corporations Act 2001* (Cwlth). The reporting period 2015 refers to 29 June 2014 to 27 June 2015. The reporting period 2014 refers to 30 June 2013 to 28 June 2014.

Changes in Accounting Policies

No material changes were made to accounting policies during the 2015 reporting period.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets, liabilities and any equity instruments transferred by the Group to the former owners. Acquisition-related costs are recognised in the Statement of Profit and Loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Provisional amounts are adjusted during the measurement period, generally a period of 12 months, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Accounts Payable

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(b) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

(c) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in Statement of Profit and Loss over the period of the borrowing using the effective interest rate method. Borrowing costs directly attributable to assets under construction are capitalised as part of those assets.

(d) Capitalisation

Expenditure, including the value of internal labour and oncosts, is capitalised when it relates to:

- Acquisition and installation of a new unit of plant,
- Replacement of a unit of plant or of a substantial part of a unit of plant,

- An addition or alteration to a unit of plant which results in a significant improvement to its overall design or production capacity.

(e) Comparative amounts

Where necessary to facilitate comparison, prior year figures have been adjusted to conform with changes in presentation in the current financial year.

(f) Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 127 "Consolidated and Separate Financial Statements". A list of controlled entities appears in Note 29 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

Where the cost of the acquisition exceeded the fair value of the identifiable assets, liabilities and contingent liabilities, acquired goodwill has been recognised in the consolidated entity's Statement of Financial Position. On the acquisition of a business any excess of the fair value of assets and liabilities acquired over the cost of acquisition has been recognised in the consolidated entity's Statement of Profit and Loss before interest and tax as a gain on acquisition.

(g) Customer Acquisition Costs

Acquisition costs of retail electricity customers are expensed as incurred unless details of customers and/or customer lists are purchased from a third party.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(h) Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation and amortisation rates and methods are reviewed at each reporting date and calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation:

- *Buildings* — *10 - 50 years*
- *Leasehold improvements* — *4 years*
- *Infrastructure, plant and equipment*
  - *Electronic & mechanical equipment* — *5 - 60 years*
  - *Civil works* — *30 – 75 years*
  - *Mobile plant* — *3 – 20 years*

- *Operations software* *5 - 8 years*
- *Commercial software* *3 years*

(i) Derivative Financial Instruments

Snowy Hydro enters into a variety of electricity price risk hedging contracts with participants in the national electricity market, and gas price risk hedging contracts with participants in the gas market. Derivative financial instruments are also entered into to manage exposure to interest rate and foreign exchange risk, including forward foreign exchange contracts and interest rate swaps.

Derivative financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently adjusted to their fair value at each reporting date. The resulting gain or loss is recognised in the Statement of Profit and Loss immediately unless the contract is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Profit and Loss depends on the nature of the hedge relationship. Snowy Hydro designates certain derivative financial instruments as cash flow hedges (highly probable forecast transactions).

<u>Cash flow hedges entered into to manage interest rate, foreign exchange and oil price risk</u>

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion of changes in the fair value of derivatives is recognised immediately in the Statement of Profit and Loss.

Amounts deferred in equity are recognised in the Statement of Profit and Loss in the periods when the hedged item is recognised in the Statement of Profit and Loss. However, when the underlying forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the cost of the asset or liability recognised on the Statement of Financial Position.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity on the instrument at that time remains in equity and is recognised in the Statement of Profit and Loss when the underlying forecast transaction is ultimately recognised in the Statement of Profit and Loss. When an underlying forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity on the instrument is recognised immediately in the Statement of Profit and Loss.

<u>Electricity and gas price risk hedging contracts</u>

The prescriptive nature of AASB 139 precludes Snowy Hydro's price risk hedging contracts from being able to be designated and recognised as hedges. Consequently, all price risk hedging contracts are deemed to be trading instruments. As such all movements in the fair value of the price risk hedging contracts between reporting periods are recognised in the Statement of Profit and Loss as "Movements in fair value of derivatives". Financial assets or liabilities held for trading are classified as a current asset or a current liability.

Further details of derivative financial instruments are disclosed in note 30 to the financial statements.

(j) Employee Benefits

Benefits accruing to employees in respect of salaries, annual leave and long service leave are recognised when it is probable that settlement will be required and they are capable of being measured reliably. Severance benefits for employees are recognised where the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. Unpaid salaries are measured as the amount at the reporting date at current pay rates.

Provisions made in respect of annual leave, long service leave, incentive payments and severance benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of long service leave, annual leave and incentives which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Employee entitlements that have vested including annual leave and long service leave (where the employee has passed the required years of service) are presented as a current provision. Sick leave is non-vesting and therefore the cost is expensed as incurred.

Snowy Hydro's incentive payment schemes include certain components that are dependant upon future results. Only those components of incentive payments that can be considered probable of being settled, relate to past services and can be reliably measured are included in the provision amount.

Employees of the Company are members of a variety of superannuation funds covering both accumulation and defined benefit arrangements. The defined benefit funds are:

- Commonwealth Superannuation Scheme
- Public Sector Superannuation Scheme
- Energy Industries Superannuation Scheme
- State Superannuation Scheme

These plans are considered to be multi employer state plans under AASB 119 "Employee Benefits" and therefore contributions made to these plans are expensed when incurred.

Contributions to defined contribution superannuation funds are expensed when incurred.

In all cases, the funds are complying funds and the level of support provided equals or exceeds the minimum level of support required under the relevant legislation.

(k) Foreign Currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction unless they are transactions entered into in order to hedge the purchase of specific goods and services. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date. Exchange differences are recognised in the Statement of Profit and Loss in the period in which they arise except as follows:

In relation to highly probable forecast transactions (cash flow hedges):

- The effective portion of changes in fair value of derivatives are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.
- Amounts deferred in equity are recognised in profit or loss in the periods when the hedged items are recognised in profit or loss or if the forecast transaction is in relation to the purchase of property plant and equipment will be recognised in work-in-progress and capitalised when the asset commences production.

Hedge accounting is discontinued when the hedging instrument expires or is sold or no longer qualifies for hedge accounting. Financial assets or liabilities relating to foreign currency hedges are classified as current assets or current liabilities.

(l) *Going Concern*

These financial statements have been prepared on a going concern basis. The Directors have reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Having considered the expected future cashflows from operating activities, and the ability of the consolidated entity to draw upon existing financing facilities, the Directors believe that preparation of this financial report on a going concern basis is appropriate in the current business environment.

(m) *Goodwill*

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. It is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the Statement of Profit and Loss and is not subsequently reversed.

(n) *Goods and Services Tax*

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST payable to the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(o) *Government Grants*

Government grants are assistance by the government in the form of transfers of resources to the consolidated entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants are not recognised until there is reasonable assurance that the consolidated entity will comply with the conditions attaching to them and the grants will be received. The grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate.

No government grants were brought to account in the current reporting period.

(p) *Impairment of Assets*

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Profit and Loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the Statement of Profit and Loss immediately.

(q) Income Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is accounted for using the comprehensive Statement of Financial Position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where Snowy Hydro is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Tax consolidation

The Company and all of its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. Snowy Hydro is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in each of the members of the tax-consolidated group using the 'stand alone taxpayer' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group). Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

(r) Inventories

Inventories are valued at the lower of cost and net realisable value.

(s) Investments

Investments in controlled entities are recorded at cost in the parent entity financial statements.

(t) Leased Assets

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased asset are consumed.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

(u) Non Derivative Tradeable Assets

Non derivative tradeable assets, including Renewable Energy Certificates ("RECs"), NSW Greenhouse Gas Abatement Certificates ("NGACs") and GreenPower are instruments that can be traded on an open market. Non derivative tradeable assets are recognised at fair value in the Statement of Financial Position when it is probable that the economic benefits embodied in the assets will eventuate and the assets possess a value that can be reliably measured. Non derivative tradeable assets are recorded at their fair value based on market prices, with gains and losses realised from the sale of non derivative tradeable assets and unrealised fair value adjustments reflected in the Statement of Profit and Loss.

(v) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

(w) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

(x) Revenue Recognition

Sale of Goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership.

Electricity and related products

Revenue from sales of electricity generation on the spot market is recognised when the generation is dispatched to the Australian Energy Market Operator Ltd (i.e. when control has passed to the buyer).

Revenue from the sales of retail electricity is recognised with respect to any customer when the customer has been assigned to the Company by the Australian Energy Market Operator Ltd. The revenue recognised is based on estimated metered usage or actual metered usage.

Interest

Interest revenue is recognised on an accrual basis.

	Period ended 27 June 2015 $M	Period ended 28 June 2014 $M
2 Profit from operations		
(a) Revenue / Other income		
Revenue and other income from continuing operations includes the following items:		
Revenue from the sale of goods	1,704.1	1,264.0
Increase in fair value of non-derivative tradeable assets (RECs & NGACs)	8.8	21.5
Settlement of litigation	0.4	-
Government grants received for staff training	-	0.1
Gain on purchase of business acquisitions	32.8	
Other income	8.1	5.0
Interest income	0.8	1.0
	1,755.0	1,291.6

In 2015 a $0.4 million settlement for an Australian Energy regulator fine was recognised. There were no settlements for litigation in 2014.

(b) Profit before income tax

Profit before income tax has been arrived at after crediting/(charging) the following gains and losses from operations:

	Period ended 27 June 2015 $M	Period ended 28 June 2014 $M
Loss on disposal of property, plant and equipment	(0.3)	(0.4)
Change in fair value of derivatives classified as trading through profit or loss	84.0	323.7
Direct costs of revenue	(1,045.0)	(593.0)
Interest on loans	(42.6)	(21.6)
Interest rate hedge costs	(4.8)	(3.0)
Bad and doubtful debts from sales	(21.1)	(2.1)
Amortistion	(34.0)	-
Depreciation	(83.5)	(69.8)
Stamp duty on business acquisitions	(14.8)	-
Operating lease rental expenses		
Lease payments	(5.6)	(4.3)
Employee benefits expense		
Defined contribution plans	(9.4)	(6.4)
Defined benefit plans	(2.4)	(2.5)
	(11.8)	(8.9)

		Period ended 27 June 2015 $M	Period ended 28 June 2014 $M
3	**Income taxes**		
(a)	**Income tax recognised in profit or loss**		
	Current tax expense	(48.6)	(101.0)
	Deferred tax expense	(33.0)	(110.2)
	Total tax expense	(81.6)	(211.2)

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Period ended 27 June 2015 $M	Period ended 28 June 2014 $M
Profit from operations	292.2	706.7
Tax (expense) calculated at 30%	(87.7)	(212.0)
Prior year adjustments	1.0	0.9
Non-deductible expenses	(5.0)	(0.4)
Tax break research & development concession	0.3	0.3
Non assessable tax gain	9.8	-
Income tax expense	(81.6)	(211.2)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

		Period ended 27 June 2015 $M	Period ended 28 June 2014 $M
(b)	**Current tax liabilities/(assets)**		
	Income tax(receivable)/payable	(5.5)	14.6
(c)	**Deferred tax balances**		
	Deferred tax balances comprise of:		
	Temporary differences	(5.0)	41.3

Snowy Hydro and its wholly-owned Australian resident entities are eligible to consolidate for tax purposes and elected to be taxed as a single entity from 1 July 2003. The head entity in the tax consolidated group is Snowy Hydro Ltd. Entities within the tax consolidated group are listed in note 29.

3 (d) Income taxes (continued)	Opening Balance $M	Charged to Income $M	Charged to equity $M	Other / Transfer $M	Closing Balance $M
2014					
Deferred tax liabilities					
Derivative financial instruments	28.6	97.5	(0.1)	-	126.0
Non derivative trading instruments	13.6	2.6	-	-	16.2
Other	4.9	(4.6)	-	-	0.3
Balance as at 28 June 2014	47.1	95.5	(0.1)	-	142.5
Deferred tax assets					
Property plant and equipment	183.2	(12.7)	-	-	170.5
Provisions	14.3	(2.2)	-	-	12.1
Other	0.5	0.1	-	0.6	1.2
Balance as at 28 June 2014	198.0	(14.8)	-	0.6	183.8
2015					
Deferred tax liabilities					
Derivative financial instruments	126.0	27.5	(4.0)	2.4	151.9
Non derivative trading instruments	16.2	(16.2)	-	-	-
Other	0.3	(10.3)	71.7	-	61.7
Balance as at 27 June 2015	142.5	1.0	67.7	2.4	213.6
Deferred tax assets					
Property plant and equipment	170.5	(11.9)	-	26.2	184.8
Provisions	12.1	0.2	-	10.6	22.9
Other	1.2	(0.4)	-	0.1	0.9
Balance as at 27 June 2015	183.8	(12.1)	-	36.9	208.6

		Period ended 27 June 2015	Period ended 28 June 2014
4	**Key management personnel remuneration**	$	$
	The aggregate compensation of key management personnel of the consolidated entity is set out below:		
	Short-term employee benefits	7,273,583	9,235,319
	Post-employment benefits	467,444	476,076
	Termination benefits	-	2,286,260
	Other long-term employee benefits	108,373	(994,875)
		7,849,400	11,002,780
5	**Remuneration of auditors**		
	Auditor of parent entity		
	Audit or review of the financial report	636,000	381,000
	Assurance Services		
	Carbon Reporting	-	5,000
	Other non-audit services		
	Taxation services	111,755	131,426
	Other non-audit services	-	9,000
		747,755	526,426

			As at 27 June 2015	As at 28 June 2014
6	**Trade and other receivables**		$M	$M
	Trade receivables		445.8	271.1
	Other receivables		0.5	2.1
	Allowance for doubtful debts		(28.6)	(5.2)
			417.7	268.0
7	**Inventories**			
	Inventories at cost		16.3	27.7
8	**Other current financial assets**			
	At fair value			
	Option fee contracts		459.9	372.6
	Electricity price risk hedging contracts		0.8	3.6
	Deposits with brokers		11.4	9.0
			472.1	385.2
9	**Other current assets**			
	Advances to other companies		2.0	0.6
	Prepayments		5.0	3.6
	Tradeable assets		71.9	54.0
			78.9	58.2
10	**Intangibles**			
(a)	**Net book value**			
	Capitalised customers on business acquisition		238.8	-
	Amortisation of capitalised customers on business acquisition		(34.0)	-
	Goodwill		400.2	79.3
			605.0	79.3
(b)	**Movement in Goodwill**			
	At the beginning of the reporting period		79.3	79.3
	Additional amounts recognised from business combinations occurring during the period	26	320.9	-
	At the end of the reporting period		400.2	79.3

There have been no impairment losses to goodwill

NOTES TO THE FINANCIAL STATEMENTS

FOR THE REPORTING PERIOD ENDED 27 JUNE 2015

11 Property, plant and equipment

	Freehold Land at Cost $M	Buildings at Cost $M	Software at Cost $M	Leasehold Improvements at Cost $M	Plant and Equipment at Cost $M	Construction in Progress $M	Leased assets	Total $M
Gross carrying amount								
Balance at 29 June 2013	26.0	50.6	39.4	4.0	2,167.5	56.5	-	2,344.0
Additions	-	-	-	-	-	33.6	-	33.6
Capitalised to asset class	-	1.1	7.4	-	24.6	(33.1)	-	-
Disposals	-	-	-	-	(2.6)	-	-	(2.6)
Balance at 28 June 2014	26.0	51.7	46.8	4.0	2,189.5	57.0	-	2,375.0
Additions	2.2	3.6	13.5	1.5	275.6	53.4	89.4	439.2
Capitalised to asset class	-	0.3	24.3	0.3	19.6	(44.5)	-	-
Disposals	(0.1)	-	-	-	(2.1)	-	-	(2.2)
Balance at 27 June 2015	28.1	55.6	84.6	5.8	2,482.6	65.9	89.4	2,812.0
Accumulated Depreciation /Amortisation								
Balance at 29 June 2013	-	(12.4)	(33.1)	(2.3)	(500.8)	-	-	(548.6)
Disposals	-	-	-	-	1.3	-	-	1.3
Depreciation expense	-	(1.7)	(4.7)	(0.3)	(63.1)	-	-	(69.8)
Balance at 28 June 2014	-	(14.1)	(37.8)	(2.6)	(562.6)	-	-	(617.1)
Disposals	-	-	-	-	1.0	-	-	1.0
Depreciation expense	-	(1.8)	(10.6)	(0.6)	(67.9)	-	(2.6)	(83.5)
Balance at 27 June 2015	-	(15.9)	(48.4)	(3.2)	(629.5)	-	(2.6)	(699.6)
Net Book Value								
As at 28 June 2014	26.0	37.6	9.0	1.4	1,626.9	57.0	-	1,757.9
As at 27 June 2015	28.1	39.7	36.2	2.6	1,853.1	65.9	86.8	2,112.4

		As at 27 June 2015 $M	As at 28 June 2014 $M
12	**Current trade and other payables**		
	Trade payables	205.3	110.7
	Other payables	10.9	5.6
	Goods and services tax payable	3.9	0.3
		220.1	116.6
13	**Current provisions**		
	Employee benefits	25.4	22.0
	Workers compensation	0.3	0.3
	Other current provisions	0.2	-
		25.9	22.3

Employee benefits provisions are for employee leave, and terminations and that portion of incentive scheme provisions which is due and payable.

		As at 27 June 2015 $M	As at 28 June 2014 $M
14	**Current interest bearing liabilities**		
	Unsecured		
	Bank loans	27.5	34.0
	Finance lease liability	3.4	-
		30.9	34.0
15	**Current financial liabilities**		
	At fair value		
	Foreign currency and interest rate contracts	5.7	5.5
	Option fee contracts	5.6	0.1
	Oil price hedge	2.6	-
	Electricity price risk hedging contracts	5.8	8.2
		19.7	13.8

		As at 27 June 2015	As at 28 June 2014
16	**Non Current financial liabilities**	**$M**	**$M**
	At fair value		
	Interest rate contracts	6.2	-
	Oil price hedge	3.6	-
	Electricity price risk hedging contracts	-	-
		9.9	-
17	**Non current interest bearing liabilities**		
	Unsecured		
	Bank loans	1,218.0	365.0
	Borrowing costs	(3.4)	(1.8)
	Finance lease liability	84.6	-
		1,299.2	363.2
18	**Non current provisions**		
	Employee benefits	17.9	15.8
	Workers compensation	0.6	0.7
	Rehabilitation of sites	10.0	-
	Other provisions	0.4	-
		28.9	16.5

		2015
19	**Movement in provisions**	**Employee Benefits**
		$M
	Balance at the beginning of the reporting period	37.8
	Additional provisions recognised	17.3
	Reductions from payments	(17.9)
	Balances acquired in business combination	4.8
	Unwinding of discount and effect of change in discount rate	1.3
	Balance at the end of the reporting period	43.3
	Current (Note 13)	25.4
	Non Current (Note 17)	17.9
	Balance at the end of the reporting period	43.3

	2015
	Workers Compensation
	$M
Balance at the beginning of the reporting period	1.0
Additional provisions recognised	-
Reductions from payments	-
in discount rate	(0.1)

Balance at the end of the reporting period	0.9
Current (Note 13)	0.3
Non Current (Note 17)	0.6
Balance at the end of the reporting period	0.9

20 Issued capital	**As at 27 June 2015 $M**	**As at 28 June 2014 $M**
200,000,000 fully paid ordinary shares	816.1	816.1

	2015	
	No 'M	**$M**
Fully paid ordinary shares		
Balance at the beginning and end of the reporting period	200.0	816.1

Fully paid ordinary shares carry one vote per share and are eligible for dividends if declared.

21 Reserves	**As at 27 June 2015 $M**	**As at 28 June 2014 $M**
Hedging reserves		
Balance at the beginning of the reporting period	-	(0.8)
Gains/(loss) recognised:		
Currency swaps	-	1.1
Interest rate swaps	(8.6)	-
Other financial instruments	(19.4)	-
Deferred tax arising on hedges	8.4	(0.3)
Balance at the end of the reporting period	(19.6)	-

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges.

22 Dividends	**2015**	
Fully paid ordinary shares	**Cents per share**	**Total $M**
Dividend fully franked	77.5	155.0
Franking account balance at 27 June 2015		59.7

	2014	
Fully paid ordinary shares	**Cents per share**	**Total $M**
Dividend fully franked	125.0	250.0
Franking account balance at 28 June 2014		40.5

	As at 27 June 2015 $M	As at 28 June 2014 $M
23 Commitments for expenditure		
(a) Capital expenditure commitments		
Plant and equipment		
Not longer than 1 year	11.2	4.4
Longer than 1 year and not longer than 5 years	3.2	6.1
Longer than 5 years	5.0	-
	19.4	10.5
(b) Lease commitments		
Operating lease commitments		
Not longer than 1 year	33.8	4.4
Longer than 1 year and not longer than 5 years	104.9	8.4
Longer than 5 years	157.8	56.1
	296.5	68.9

The lease of office premises for Red Energy in Melbourne was renewed in 2011 for a period of 5 years with a rent escalation of 3.5% per annum.The lease for Lumo Energy office premises in Melbourne expires in 2019. Land leased in Melbourne for the site of the Laverton North Power Station commenced in 2005 for a period of 30 years with a rent escalation based on the consumer price index. Land leased in South Australia for the Port Stanvac and Lonsdale Diesel Generation sites commenced in 2009 for a period of 30 years. The Anagston Diesel Generation site lease expires in 2030. Both the Blowering land lease and the Kosiuzsko National Park lease commenced in 2002 for a period of 75 years. Rent is escalated by the consumer price index subject to five yearly rent reset reviews. The lease of office premises in Sydney commenced in 2006 and expires in 2016. Rent is escalated at the rate of 4.25% per annum. There are no restrictions imposed by any operating lease.

	As at 27 June 2015 $M	As at 28 June 2014 $M
(c) Other expenditure commitments		
Not longer than 1 year	63.7	4.3
Longer than 1 year and not longer than 5 years	88.6	5.5
Longer than 5 years	0.1	-
	152.4	9.8

	As at 27 June 2015 $M	As at 28 June 2014 $M
24 Notes to the statement of cash flows		

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand, in banks and term deposits. Cash at the end of the financial year, as shown in the statement of cash flows, is reconciled to the related items in the balance sheet as follows:

	27 June 2015 $M	28 June 2014 $M
Cash and cash equivalents	9.3	5.0
Term deposits	-	-
	9.3	5.0

(b) Financing facilities

	27 June 2015 $M	28 June 2014 $M
Unsecured debt facilities with various maturity dates through to 2017		
Amount used	1,242.1	363.2
Amount unused	357.0	455.0
	1,599.1	818.2
Short term money market funds		
Amount used	-	34.0
Amount unused	17.5	11.0
	17.5	45.0

(c) Reconciliation of profit for the period to net cash flows from operating activities

	27 June 2015 $M	28 June 2014 $M
Profit for the period	210.6	495.5
Loss on sale of non current assets	0.3	0.4
Mark to market movements direct to equity	(28.0)	1.1
Gain on acquisition	(32.8)	-
Depreciation and amortisation of current and non current assets	118.9	70.9
Increase/(decrease) in current tax balances	(22.4)	2.6
Decrease in deferred tax balances	15.6	109.2
(Increase)/decrease in assets:		
Current receivables	(7.8)	(108.8)
Current inventories	14.0	(15.5)
Other current assets	(2.2)	6.6
Current financial assets	(78.2)	(233.1)
Other non current assets	12.8	-
Increase/(decrease) in liabilities:		
Current payables	15.4	9.7
Current provisions	(0.2)	(17.3)
Other current financial liabilities	(5.5)	(84.7)
Other current debt liabilities	0.1	-
Non current provisions	6.9	12.7
Non current payables	(1.2)	-
Net cash from operating activities	216.3	249.3

25 Goodwill

Snowy Hydro's goodwill results from two acquisitions; Valley Power in October 2005 and the Lumo Energy entities in September 2014. In both acquisitions, the value that Snowy Hydro attributed to the acquired entities based on the expected contribution to the combined business, and what Snowy Hydro was willing to pay the vendor for, was greater than the allocable tangible assets. This goodwill on acquisition is a mix of standalone base case valuation, and some synergy value, both of which underpin the purchase price. As a willing buyer of quality NEM assets for risk-adjusted value(s) that meet or exceed Board-approved investment criteria, Snowy Hydro continues to strengthen the core business which necessarily requires the recognition of goodwill.

There are three cash generating units in the consolidated entity comprising Direct Connect, a utility connections service provider, a gas and electricity retailer and an electricity generator. Notwithstanding this the gas and electricity retailer and the electricity generator operate in unison and therefore form one operating segment. It is not possible to separate the goodwill components of the gas and electricity retailer and the electricity generator. Therefore, impairment of this goodwill is assessed against the operating segment.

During the financial year, the consolidated entity assessed the recoverable amount of the operating segment and the cash generating unit and determined that no impairment existed. The recoverable amount of the operating segment and the cash generating unit has been determined based on a value in use calculation of an asset with an indefinite life. The corporate valuation model provides for a 20-year projection of revenue, operating and capital expenditure, financing activities and taxation. This projection term reflects the perpetual nature of the Snowy Hydro assets and also provides for a realistic pattern of replacement capital expenditure over the projection term.

In accordance with the accounting standard, the recoverable amount test discounts un-geared, pre-tax real asset cash flows (including routine maintenance and refurbishment capital expenditure), at a pre-tax real WACC of 5.73% (2014: 6.42%). These cash flows do not include any planned development capital expenditure or the revenues that may relate to such expenditure. The valuation includes a terminal value calculated by assuming that the final year's cash flow is maintained in perpetuity (in real terms) and discounted to the valuation date using the same pre-tax real WACC noted above. The recoverable amount is most sensitive to changes in the following assumptions:

Sensitivity	Management's approach to determining the value	Growth rate
Forward market price projections for spot, contract and option premium revenue	Spot and contract revenue projections are consistent with Snowy Hydro's recent performance and are based on forward market curves from ICAP. Capacity pricing (i.e. option premium income and difference payments made under the contracts) is based on a blended combination of ICAP and Snowy Hydro's assessment of long-term pricing based on new-entrant modelling.	Zero real growth in prices
Water inflows	The water inflow sequence underlying the projections reflects the expectation that 2015 inflows will be average and that future average inflows will thereafter trend back towards, but be lower than, past experience. The starting water storage	Not applicable

Sensitivity	Management's approach to determining the value	Growth rate
	levels are also reflected in the projections.	
Capital expenditure	Capital expenditure is derived from Snowy Hydro's long-term capital asset planning model and includes all expenditure relating to existing assets.	Zero real growth in prices
Retail tariffs	The retail operating cost model is sufficiently flexible to respond to customer growth and is modelled as such; customer growth targets drive cost to acquire and cost to serve. The most sensitive valuation assumption is what tariffs the retail businesses charge mass-market customers. This valuation sensitivity exercise is performed in isolation of a corporate response that might ensue (such as reducing customer targets).	+/- 10% (real) mass-market tariffs for all fuels and regions
Direct Connect – revenue growth	The revenue target is based on expected connections. The valuation is highly dependent on the success of various initiatives to convert applications to connections to meet the forecast in 2016 and beyond.	22% revenue growth for 2016 followed by an average growth rate of 8.8% over the following four years

26	Business Acquisitions	Period ended 27 June 2015 $M

On 30 September 2014 Snowy Hydro Limited acquired a 100% interest in the following four companies;

26 (a) TFI Partners Pty Ltd and its wholly owned subsidiaries including Direct Connect Australia which is a utilities connection provider, and was acquired as a channel to market for Snowy Hydro's retail sections.

Consideration transferred	
Cash	67.8
Assets acquired and liabilities assumed at the date of acquisition at fair value	
Current Assets	
Cash and cash equivalents	1.5
Receivables	0.3
Accrued revenue	0.6
Other current assets	0.5
Non Current Assets	
Plant and equipment	6.3
Deferred tax asset	0.4
Intercompany loans	0.3
Current Liabilities	
Trade payables	(1.2)
Employee provisions	(0.6)
Non Current Liabilities	
Provisions	(0.4)
	7.7

All receivables acquired are at fair value and there are no unbooked contracted receivables.

Goodwill arising on acquisition	
Consideration transferred	67.8
Less fair value of identifiable net assets acquired	(7.7)
	60.1

The goodwill calculated above arises because Direct Connect Australia has positioned itself with a large market share of the Utility Services Connection Provider market. However it is currently in a start-up business position with future value dependant upon management decisions, further investments and market response. Some goodwill also arises as it is a controllable channel for new gas and electricity customers to the retail brands of Snowy Hydro Limited.

	Period ended 27 June 2015 $M
Net cash outflow arising on acquisition	
Consideration paid in cash	67.8
Less cash and cash equivalent balances acquired	(1.5)
	66.3

Impact of the acquisition on the results of the Group

Included in the consolidated result for the year is $10.3 million in revenue and a loss of $3.5 million in profit or loss.

It is impracticable to calculate or disclose the revenue and profit or loss of the combined entity as though the acquisition date for all business combinations had occurred at the beginning of the reporting period. TFI Partners has variable customer numbers across multiple states. The returns on these customers depends on management's operational strategy, the ability to meet suppliers' quotas and the aggressiveness of the advertising campaigns. Past results of the company are not indicative of the possible result under Snowy Hydro Limited's control.

The fair values on acquisition listed above are expected to be the fair values as 11 months will have elapsed since the acquisition and no further information which would change the values has arisen.

26 (b) Lumo Energy Australia Pty Limited and its wholly owned subsidiaries. Lumo Energy is a retailer with customers in Victoria, Queensland, South Australia and New South Wales, and was acquired to expand Snowy Hydro Limited's retail offerings.

	Period ended 27 June 2015 $M
Consideration transferred	
Cash	540.6
Assets acquired and liabilities assumed at the date of acquisition at fair value	
Current Assets	
Cash & cash equivalents	9.6
Receivables	58.7
Accrued revenue	82.3
Current financial assets	8.7
Inventories	13.1
Other current assets	4.6
Non Current Assets	
Intangibles	238.8
Land	1.1
Plant and equipment	19.6
Non current financial assets	12.8
Deferred tax asset	4.5
Intercompany loans	7.4

	Period ended 27 June 2015 $M
Current Liabilities	
Trade payables	(85.4)
Employee and other provisions	(2.5)
Current financial liabilities	(5.3)
Non Current Liabilities	
Provisions and payables	(2.5)
Deferred tax liability	(71.7)
Non current financial liabilities	(0.6)
	293.2

All receivables acquired are at fair value and there is an amount of $1.1 million in contracted receivables, of which 100% is expected to be received up to December 2017.

Goodwill arising on acquisition

Consideration transferred	540.6
Less fair value of identifiable net assets acquired	(293.2)
	247.4

The goodwill calculated above arises because of the going-concern nature of the business with its embedded processes enabling future customer acquisition and growth and also the synergistic benefits from the combination of these processes and systems with Snowy Hydro Limited's other retail brand Red Energy.

	Period ended 27 June 2015 $M
Net cash outflow arising on acquisition	
Consideration paid in cash	540.6
Less cash and cash equivalent balances acquired	(9.6)
	531.0

Impact of the acquisition on the results of the Group

Included in the consolidated results for the year is $126.1 million in revenue and a profit of $20.1 million in profit or loss.

It is impracticable to calculate or disclose the revenue and profit or loss of the combined entity as though the acquisition date for all business combinations had occurred at the beginning of the reporting period. Lumo Energy has variable customer number and energy load and the returns on these customers depends on management's operational strategy, its ability to hedge against energy prices and the aggressiveness of the advertising campaigns. Past results of Lumo Energy are not indicative of the possible result under Snowy Hydro Limited's control.

The fair values on acquisition listed above are expected to be the fair values as 11 months will have elapsed since the acquisition and no further information which would change the values has arisen.

26 (c) Lumo Generation South Australia Pty Ltd Lumo Generation owns diesel power stations predominately in South Australia, and was acquired to mitigate electricity price risk for retail customers in South Australia.

	Period ended 27 June 2015 $M
Consideration transferred	
Cash	39.5

Assets acquired and liabilities assumed at the date of acquisition at fair value	
Current Assets	
Cash & cash equivalents	0.6
Accrued revenue	0.1
Inventories	0.6
Other current assets	0.4
Non Current Assets	
Land	0.6
Plant and equipment	33.8
Current Liabilities	
Trade payables	(0.1)
Tax provision	(2.2)
Non Current Liabilities	
Intercompany loans	(7.7)
	26.1

All receivables acquired are at fair value and there are no unbooked contracted receivables.

Goodwill arising on acquisition	
Consideration transferred	39.5
Less fair value of identifiable net assets acquired	(26.1)
	13.4

All goodwill calculated above arises from the portfolio effects of these power stations in conjunction with the other assets of Snowy Hydro taken into account the fuel and location diversification. The location of these assets especially leads to value as Snowy Hydro had no physical generation assets and now has over 50,000 retail customers in South Australia.

	Period ended 27 June 2015 $M
Net cash outflow arising on acquisition	
Consideration paid in cash	39.5
Less cash and cash equivalent balances acquired	(0.6)
	38.9

Impact of the acquisition on the results of the Group

Included in the consolidated results for the half-year is $4.7 million in revenue and a profit of $0.4 million in profit or loss.

It is impracticable to calculate or disclose the revenue and profit or loss of the combined entity as though the acquisition date for all business combinations had occurred at the beginning of the reporting period. Lumo Generation hedges the price risk of the South Australian customer load which is highly variable, and the returns on these assets depends on management's operational strategy, the presence of other price risk hedging instruments and the cause of the price risk event.

The fair values on acquisition listed above are expected to be the fair values as 11 months will have elapsed since the acquisition and no further information which would change the values has arisen.

26 (d) On 30 January Snowy Hydro acquired 100% interest in Colongra Power station;

	Period ended 27 June 2015 $M
Consideration transferred	
Cash	220.3
Assets acquired and liabilities assumed at the date of acquisition at fair value	
Current Assets	
Inventory	2.0
Other current assets	0.1
Non Current Assets	
Plant and equipment	244.6
Deferred tax asset	27.6
Finance lease asset	89.4
Current Liabilities	
Trade payables	(1.4)
Finance lease liability	(3.3)
Employee provisions	(0.5)
Other provisions	(10.0)
Financial instruments	(6.0)
Non Current Liabilities	
Employee provisions	(3.3)
Finance lease liability	(86.1)
	253.1

All receivables acquired are at fair value and there are no unbooked contracted receivables.

	Period ended 27 June 2015 $M
Gain arising on acquisition	
Consideration transferred	220.3
Less fair value of identifiable net assets acquired	(253.1)
	(32.8)

The gain calculated above arises mainly because Snowy Hydro Limited can take advantage of Division 58 of the Income Tax Act and can claim tax deductions for the tax asset base prior to acquisition which is higher than the accounting value.

	Period ended 27 June 2015 $M
Net cash outflow arising on acquisition	
Consideration paid in cash	220.3
Less cash and cash equivalent balances acquired	-
	220.3

Impact of the acquisition on the results of the Group

Included in the consolidated result for the year expenses of $2.1 million in profit or loss. Revenue derived from the acquisition can not be identified separately as the power station forms part of the total Snowy Hydro portfolio.

It is impracticable to calculate or disclose the revenue and profit or loss of the combined entity as though the acquisition date for all business combinations had occurred at the beginning of the reporting period. The Colongra power station forms part of the consolidated portfolio and can be supporting contract income even when not operating. Trading activity and revenue differs across the year and with different market conditions.

The fair values on acquisition listed above are provisional values, as refinements may be required to the fair values as more information comes to hand.

26 (e) External acquisition related costs of the above four business combinations of $3.7 million have been expensed and included in the profit and loss statement in consumables and supplies. The stamp duty paid on acquisition of Colongra Power station and South Australian diesel power stations of $13.1 million and $1.7 million respectively have been expensed and included in the profit and loss statement in Other expenses of ordinary activities.

27 Defined benefit superannuation plans

Name of Plan	Accrued Benefits $M	Net Market Value of Assets $M	(Deficiency)/ Surplus $M	Vested Benefits $M
Commonwealth Superannuation Scheme ("CSS")	64,500	4,049.1	(60,450.9)	68.7
Public Sector Superannuation Scheme ("PSS")	45,600	16,562.5	(29,037.5)	70.8
Energy Industries Superannuation Scheme Pool B ("EIS")	2,214.4	2,386.1	171.6	2,057.8
State Superannuation Scheme ("SSS")	32,176.8	21,875.5	(10,301.3)	32,159.4

These plans are government and industry-wide schemes, and membership relating to Snowy Hydro's employees represents less than 0.05% of the membership of each scheme.

The difference between the accrued benefits and net market value of plan assets has not been recognised in the financial statements. Any unfunded component in CSS, PSS and SSS would be financed, by the Commonwealth, from the Consolidated Revenue Fund at the time such superannuation benefits are payable. It is to be expected that, to redress the current under-funded balances, the superannuation fund contribution rates of fund members (including Snowy Hydro) will increase in the future. It is not possible to predict at this time when, and to what extent, Snowy Hydro's contribution rate may change.

Net market value of assets and vested benefits were determined with reference to the most recent financial statements and actuarial reviews or estimates, being:

Name of Plan	Date of Financial Statements	Date of Actuarial Review/Estimate
CSS	30 June 2014	30 June 2014
PSS	30 June 2014	30 June 2014
EIS	30 June 2014	30 June 2014
SSS	30 June 2014	30 June 2014

28 Contingent liabilities

Snowy Hydro is involved in various legal proceedings arising out of the normal course of business. The Directors believe that the outcome of these proceedings will not have a material impact on Snowy Hydro's financial position or results of operations. Contingent liabilities of the consolidated entity as at 27 June 2015 are:

(a) Ongoing contingent liabilities are represented by:

- Snowy Hydro has entered into a number of bank guarantees in relation to operating within the national electricity market and for rental properties in Sydney and Melbourne to the value of $58.4 million (2014: $29.9 million).

(b) Liability for Former Scheme Sites has been extinguished except to the extent of any contaminated former sites. These contaminated sites are being rehabilitated as they are identified.

The consolidated entity does not believe that the contingent liability on any sites identified in the future would be material.

29 Controlled entities

Name of Entity	Country of Incorporation	Ownership Interests	
		2015 %	2014 %
Parent Entity			
Snowy Hydro Limited (b)	Australia	-	-
Controlled Entities			
Snowy Hydro Trading Pty Ltd (c)	Australia	100	100
Red Energy Pty Ltd (a) (c)	Australia	100	100
Latrobe Valley BV (c)	Netherlands	100	100
Valley Power Pty Ltd (c)	Australia	100	100
Contact Peaker Australia Pty Ltd (c)	Australia	100	100
Lumo Energy Australia Pty Ltd (a) (c)	Australia	100	-
Lumo Energy (NSW) Pty Ltd (a) (c)	Australia	100	-
Lumo Energy (Qld) Pty Ltd (a) (c)	Australia	100	-
Lumo Energy (SA) Pty Ltd (a) (c)	Australia	100	-
Lumo Energy Telecommunications Pty Ltd (a) (c)	Australia	100	-
Lumo Generation NSW Pty Ltd (a) (c)	Australia	100	-
Lumo Generation SA Pty Ltd (a) (c)	Australia	100	-
Emagy Pty Ltd (a) (c)	Australia	100	-
TFI Partners Pty Ltd (a) (c)	Australia	100	-
Direct Connect Australia Pty Ltd (a) (c)	Australia	100	-
Connection Media Pty Ltd (a) (c)	Australia	100	-

(a) Entities which have entered into a deed of cross guarantee with Snowy Hydro pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge audited financial reports.
(b) SHL is the head entity within the tax consolidated group.
(c) These companies are members of the tax consolidated group.

The consolidated Statement of Profit and Loss and Statement of Financial Position of the entities which are party to the deed of cross guarantee are:

STATEMENT OF PROFIT AND LOSS

Parties to the Deed of Cross Guarantee

	Period ended 27 June 2015	Period ended 28 June 2014
	$M	$M
Revenue	1,712.7	1,281.8
Other income	44.2	11.6

	Period ended 27 June 2015	Period ended 28 June 2014
	$M	$M
Direct costs of revenue	(1,044.4)	(591.9)
Consumables and supplies	(54.5)	(51.1)
Employee benefits expense	(163.8)	(126.6)
Depreciation expense	(108.3)	(60.5)
Borrowing costs	(42.6)	(18.6)
Other expenses from ordinary activities	(121.1)	(49.4)
Movements in fair value of derivatives	84.0	323.7
Profit before income tax expense	306.2	718.9
Income tax expense	(85.8)	(214.9)
Profit attributable to members of the parent entity	220.4	504.0

STATEMENT OF FINANCIAL POSITION

Parties to the Deed of Cross Guarantee

	As at 27 June 2015 $M	As at 28 June 2014 $M
Current Assets		
Cash and cash equivalents	9.3	5.0
Trade and other receivables	417.7	268.0
Inventories	16.3	27.7
Other financial assets	472.1	385.2
Tax assets	5.5	
Other	78.9	58.2
Total Current Assets	999.8	744.1
Non Current Assets		
Other financial assets	125.1	124.0
Deferred tax assets	-	41.0
Intangibles	605.0	79.3
Property, plant and equipment	1,994.1	1,630.3
Total Non Current Assets	2,724.2	1,874.6
Total Assets	3,724.0	2,632.7
Current Liabilities		
Trade and other payables	220.1	116.5
Tax payable	-	10.4
Provisions	25.9	22.3
Interest bearing liabilities	30.9	34.0
Other financial liabilities	19.7	13.8
Total Current Liabilities	296.6	197.0
Non Current Liabilities		
Deferred tax liability	5.8	-
Other financial liabilities	9.9	-
Interest bearing liabilities	1,299.2	363.2
Provisions	28.9	16.5
Total Non Current Liabilities	1,343.8	379.7

	As at 27 June 2015 $M	As at 28 June 2014 $M
Total Liabilities	1,640.4	576.7
Net Assets	2,083.6	2,056.0
Equity		
Issued capital	816.1	816.1
Reserves	(19.6)	-
Retained earnings	1,287.1	1,239.9
Total Equity	2,083.6	2,056.0

30 Related party disclosures

The names of Directors of Snowy Hydro Limited at any time during the year were: B A Hogan (until 31 January 2015), P S Lowe (until 13 May 2015), N H Cornish, M F Ihlein, J C Morton, P A Broad, H L Coonan, N J Clark (from 13 May 2015) and W R Sheppard (from 13 May 2015). P A Broad is the sole director of each controlled entity detailed in Note 29.

(a) Equity Interests In Related Parties

Detail of the percentage of ordinary shares held in controlled entities is disclosed in note 29 to the financial statements.

(b) Key Management Remuneration

Detail of key management remuneration is disclosed in note 4 to the financial statements.

(c) Directors' and Specified Executive Loans

No loans were made nor are any outstanding between the consolidated entity and any director or director related entities.

(d) Directors' Equity Holdings

No shares or options of the consolidated entity are held by any director or director related entities.

(e) Other Transactions With Directors

No other transactions, other than that in the ordinary course of business on commercial terms, have been entered into between the consolidated entity and any director or director related entities.

(f) Transactions Within the Wholly-Owned Group

The wholly-owned group includes:

- The ultimate parent entity in the wholly-owned group; and
- Fifteen wholly-owned controlled entities.

The ultimate parent entity in the wholly-owned group is Snowy Hydro Limited.

During the financial year Snowy Hydro provided management, accounting and administrative services to its controlled entities other than Valley Power and Lumo Generation SA on a cost free basis. Snowy Hydro also provides all personnel, operational and management services to Valley Power and Lumo Generation SA on a cost basis. All intercompany balances are at call, but the Directors have declared that they are not expected to be called in the current period. The balance of intercompany loans owed by controlled entities to the parent entity as at 27 June 2015 was $208.2 million (2014: $196.1 million).

31 Financial instruments

The Company's Treasury and Portfolio management functions provide services to the business to monitor and manage risks relating to national electricity market (NEM) outcomes, interest rates, commodity prices, foreign exchange rate movements, credit exposures and liquidity, as they arise in the normal course of operations of the consolidated entity. The Company seeks to manage exposures to these risks while aiming to maximise risk-adjusted financial returns. The Company actively uses derivative financial instruments to hedge these risk exposures. The use of financial derivatives and the level of exposures are governed by the Company's risk management policies and procedures, which are approved by the Board of directors. Compliance with these policies and procedures and with exposure limits is reviewed by both management and Board risk committees on a regular basis.

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, with respect of each class of financial asset and liability and equity, are disclosed in note 1 to these statements.

Class	Consolidated	
	As at 27 June 2015 $M	As at 28 June 2014 $M
Current		
Financial assets		
Cash & cash equivalents	9.3	5.0
Trade receivables	417.2	265.9
Other financial assets	472.1	385.2
Financial liabilities		
Trade payables	205.3	110.7
Other financial liabilities	19.7	13.8
Interest bearing liabilities	30.9	34.0
Non current		
Financial liabilities		
Interest bearing liabilities	1,299.2	363.2
Other financial liabilities	9.9	0.0

1 Capital risk management instruments

Snowy Hydro manages its capital structure to ensure that all entities in the Group will be able to continue operating as a going concern, by targeting the maintenance of a strong BBB+ range credit rating (issued by Standard & Poor's). The capital structure of the Group consists of debt, which includes borrowings disclosed in notes 14 and 17, cash and cash equivalents and equity attributable to the equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity.

The Company's capital structure is reviewed on a regular basis. As part of this review, the Board Audit and Compliance Sub-committee ("the Committee") considers the cost of capital and the risks and structure of the Company's debt on an annual basis. Snowy Hydro has several debt service benchmarks, primary among which is the Net Debt to EBITDA multiple and Funds From Operations ("FFO") to Debt ratio. Other benchmarks include the FFO to Interest ratio and a gearing ratio, determined as the ratio of the consolidated entity's senior debt to debt and shareholders funds.[2]

[2] These are the headline rating parameters used by Standard & Poor's as the basis for considering Snowy Hydro's credit standing and hence its credit rating. The final rating assigned by Standard & Poor's is

Based on the recommendations of the Committee and resolutions of the Board, the Company will balance its capital structure through the payment of dividends, the redemption of existing debt and the drawdown on uncommitted facilities.

The gearing ratio, as defined by Snowy Hydro's negative pledge, at the end of each of the reporting periods was as follows:

Class	Consolidated As at 27 June 2015 $M	Consolidated As at 28 June 2014 $M
Debt[1]	1,330.1	397.2
Add back transaction costs	3.4	1.8
Senior debt	1,333.5	399.0
Equity[2]	2,077.6	2,041.6
Less goodwill	(400.2)	(79.3)
Shareholders' funds	1,677.4	1,962.3
Gearing (debt/(debt+equity))	44%	17%

1 Debt is defined as interest bearing liabilities as detailed in notes 14 and 17.

2 Equity includes all capital and reserves.

Snowy Hydro's operations are funded by floating interest rate debt, consisting of revolving loan facilities of durations up to January 2020, and funds on call. Cash and debt positions are detailed in note 24. The interest rates applicable to the financial assets and liabilities are listed in the interest rate risk section below.

2 *Market risk management instruments*

Snowy Hydro uses financial instruments as an integral part of conducting its revenue generating and financing activities.

Snowy Hydro's strategy is to contract a portion of its generation capacity to limit the wide variations in Revenue and Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") that would arise if all generation was subject to spot market outcomes. This strategy provides a risk management service to NEM participants and is structured to maximise revenue in the medium to long term and provide more certain coverage of Snowy Hydro's fixed costs in any given year. The portfolio is managed to retain both a "net long" generation position and thereby a level of flexibility to capture the benefits of increased electricity market volatility and high electricity prices as they occur.

Given the prescriptive nature of *AASB 139 Financial Instruments: Recognition and Measurement*, the majority of Snowy Hydro's economic hedges to manage electricity price risks, defined below, do not meet the criteria for hedge accounting, with changes in the fair value of price risk hedging contracts recognised in the income statement (under the category "Movements in fair value of derivatives").

Snowy Hydro uses a Revenue-at-Risk approach to manage its business and cash flows. In measuring Revenue-at-Risk, revenue incorporates payments to and from electricity market counterparties that arise from financial contracts settled against the spot market, spot revenue arising from physical generation and Settlement Residue Auction receipts. Snowy Hydro has a highly

determined through the review of numerous business parameters and also with reference to the Company's operating (industry) environment.

structured contract and portfolio risk management framework that ensures that the Revenue-at-Risk remains within Board-approved trading limits. Trading limits may only be changed with Board approval. The portfolio risk management framework is based on defined probability limits applying to defined monetary amounts at risk over defined time periods.

Foreign exchange contracts

It is the policy of the consolidated entity to enter into forward foreign exchange contracts to hedge material foreign currency payments when the consolidated entity has entered a contract to purchase goods or services.

Forward foreign exchange contracts are designated as cash flow hedges at inception and tested for effectiveness at each reporting date. Accounting for cash flow hedges is described in note 1(i).

Where appropriate, a sensitivity analysis is undertaken based on the exposure to exchange rates for each of the derivative instruments.

There were no outstanding foreign exchange contracts as at 27 June 2015 or for the prior corresponding period.

Electricity price risk hedging contracts

(i) Electricity and gas swaps and swap-like instruments

Electricity swap transactions are those transactions where the consolidated entity receives or pays a fixed rate per MWh in exchange for a floating rate referenced to a regional electricity node. Gas swap transactions are those where the consolidated entity receives or pays a fixed rate per GJ in exchange for a floating rate referenced to a regional gas price. There are other types of "swap-like" transactions where the resulting hedging profile materially reflects a swap-type transaction. These transactions are accounted for in the same manner as swaps.

The fair value is the amount that the consolidated entity expects to pay or receive in order to settle or extinguish the financial contract in an orderly transaction with another party.

The fair value of electricity swaps is derived from market quoted forward rates that are incorporated into discounted cash flow models. The market quoted rates are sculpted to take into account any seasonal variations within the duration of the period being quoted. The determination of the extent of seasonal variation within market quoted periods is based on the analysis of historical electricity price movements. Management applies different sculpted forward price curves for determining the fair value depending upon the type of contract. Certain estimates and judgments were required by management to develop the fair value amounts. The fair value at any particular point in time should not be interpreted as an indication of future gains or losses as they are based on a forward price curve at a particular time which may or may not be an accurate representation of future market movements or counterparty behaviour.

Fair values include a credit valuation adjustment (CVA) or debit valuation adjustment (DVA) to recognise counterparty risk in relation to financial assets and own performance risk in relation to financial liabilities.

The net values of financial instruments have been classified as either a current asset or current liability. The details of outstanding electricity and swap-like instruments at fair value as at the reporting date are listed in the balance sheet and in notes 8 and 15.

A market risk sensitivity analysis has been undertaken as at reporting date with the sensitivity movements being determined by analysing the historic movements of forward price curves over the applicable reporting period. This estimate is used as a reasonable approximation of future forward price movements. For swap and swap-like instruments, a movement of 15% for flat and off-peak and 20% for peak contracts was used for the 2015 reporting period based on the price volatilities in the over the counter market over the historical period[3]. The market state has remained relatively stable and hence the volatilities were kept constant relative to 2014.

	Fair value and sensitivity					
Consolidated	**Fair value**		**Upward Price Movement**		**Downward Price Movement**	
Swap Type	**2015 $M**	**2014 $M**	**2015 $M**	**2014 $M**	**2015 $M**	**2014 $M**
Electricity asset	0.8	3.6	6.7	(0.2)	(5.1)	7.6
Electricity liability	(5.8)	(8.2)	(9.6)	2.6	(1.9)	(19.1)
Impact on net profit before tax	5.7	1.1	(2.9)	2.4	(7.0)	(11.5)

Intercompany price risk hedging contracts have not been included in the sensitivity analysis as they do not represent contracts with external parties and movements of fair value have no impact on the consolidated entity.

(ii) Options and related derivative products

Snowy Hydro performs a market-making role in providing complex risk management products with physical and financial linked terms to meet the needs of customers and group entities.

Risk management products include caps and related derivative products with features providing the counterparty with the ability to nominate different strike prices and MW volumes (within limits) for different contract periods that determine the calculation of the payments under the contracts.

Option and related derivative contracts transacted by Snowy Hydro are bilaterally negotiated with valuation techniques required to estimate their fair values.

Cap contracts are valued using market quoted rates (where available), and volatilities that are incorporated into Snowy Hydro's generally applied option pricing algorithms.

Larger, longer term contracts for which no liquid market exists are valued using internally constructed cap valuation curve based on management's assessment of new-entrant pricing which takes into account the economic cost of the providing structure risk management products including capital costs, fixed and variable operating costs, efficiency factors and asset lives, as well as premiums for accepting physical risks.

A combination of market quoted ICAP prices and the cap valuation curve are used to value the payout component of option and related derivative contracts. For the purposes of valuation, ICAP prices are used for financial years 2016 and 2017, and thereafter blended with the cap valuation curve which is escalated for the remaining valuation term.

Fair values include a credit or debit valuation adjustment to recognise counterparty risk in relation to financial assets and the Company's own performance risk in relation to financial liabilities.

The fair values of contracts are recognised on the balance sheet at a zero value at inception as the option fee income is equal to the expected payouts under contracts over their term to expiry.

Subsequently, the unrealized gains or losses inherent in a contract's remaining term to expiry are recorded in the balance sheet at fair value. The change in fair value on option products is recognised in the income statement (under the category "Movements in fair value of derivatives").

The net values of contracts by counterparty are classified as either a current asset or current liability. Details of option and related derivative contracts at the reporting date are listed in notes 8 and 15.

3 The volatility measured was the annualised standard deviation in weekly log returns of ICAP data for quarterly swap terms.

A market risk sensitivity analysis has been undertaken as at reporting date, with sensitivity movements determined by analysing the historic movements of forward price curves over the historical period to provide a reasonable approximation of future forward price movements.

For cap contracts, a 40% (2014: 40%) volatility is applied which is based on the historical price movements[4]. In addition to the caps, there are swaptions and environmental options deals which have a 20% price movement applied[5].

All other valuation parameters are held constant.

	Fair value and sensitivity					
Consolidated	**Fair value**		**Upward Price Movement**		**Downward Price Movement**	
Option Type	**2015 $M**	**2014 $M**	**2015 $M**	**2014 $M**	**2015 $M**	**2014 $M**
Electricity asset	459.9	372.6	126.0	(441.5)	794.9	441.5
Electricity liability	(5.6)	(0.1)	(8.4)	(0.4)	(2.8)	0.4
Impact on NPBT	78.3	322.6	117.6	(441.9)	792.1	441.9

(iii) Other structured products

Snowy Hydro performs a market-making role in the development and tailoring of structured products that have features such as:

- reference to more than one strike price;
- nested options;
- reference to exercise triggers other that the National Electricity Market price (for example, the system demand);
- reference to more than one commodity price (typically gas as well as electricity); and
- sequential call options able to be exercised by both counterparties.

Such products are different to vanilla swap-like or option contracts as they provide the counterparty with the ability to nominate different strike prices and MW volumes (within limits) for different contract periods. In this case, the different volume and strike price nominations determine the calculation of the payments under the contracts.

Due to the variability of nominations and prices which are at a counterparty's discretion, payments under such contracts are not predictable. As these products are tailored to the specific risk management requirements of the individual counterparty, have no active market and have unpredictable patterns of use, fair measurement techniques outlined in (ii) are used with assumptions on non-financial variables consistent with transaction pricing.

3 *Risks*

(i) Credit risk

A credit risk arises from the potential default of a counterparty on its contractual obligations under a hedging contract as they fall due and that this will cause a financial loss to Snowy Hydro.

Snowy Hydro manages its exposure to credit risk via credit risk management policies which allocate credit limits based on the overall financial and competitive strength of the counterparty. Publicly available credit information from recognised providers is utilised for this purpose where available. Credit policies cover exposures generated from the sale of products and the use of derivative instruments.

[4] Volatility is measured as the annualised standard deviation in weekly log returns of ICAP data for annual terms.

[5] Volatility is based on the average implied volatility at day one.

Derivative counterparties are limited to high-credit-quality financial institutions and organisations operating in the National Electricity Market. Snowy Hydro has Board approved policies that limit the amount of credit exposure to each financial institution and derivative counterparty.

Snowy Hydro also utilises International Swaps and Derivative Association (ISDA) agreements with all derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and amounts payable to individual counterparties.

The measurement of the risk can include both a current and potential future exposure. The contract's fair value is used to quantify the current credit risk if any exists to which Snowy Hydro is exposed with respect to an entity. The fair values of electricity, interest rate and oil price risk hedging contracts are presented on the balance sheet. The credit risk for non-derivative financial assets is also the amount carried on the balance sheet.

Generally, Snowy Hydro's electricity market spot, contract, inter-regional and ancillary services transactions have four week cash settlement terms. As a result, Snowy Hydro's generation business is not exposed to large receivable collection costs, nor does it provide for any significant doubtful debts.

In the longer term, a natural credit risk mitigant exists in that the circumstances that would typically give rise to a default by a counterparty (e.g. a retailer being unable to pay a contract premium) would generally be expected to be favourable for Snowy Hydro. Specifically, if high and volatile electricity prices led to a retailer's default on a premium payment, the value of that exposure on the market would be likely to exceed the future payment receipts under the original contract. Therefore, and unless the contract specified a fair value adjustment at termination (which would negate any upside), such an event would be beneficial to the Company.

Red Energy and Lumo Energy mass-market customers are billed based on actual and estimated meter readings, generally every three months. A dedicated credit management team actively pursues all outstanding accounts while ensuring compliance with all regulatory obligations.

(ii) Interest Rate Risk

The consolidated entity's exposure to interest rate risk and the effective interest rate on financial instruments at the reporting date are detailed in the following table.

			Interest Rate Reset				
Consolidated	**Average Interest Rate %**	**Variable Interest Rate $M**	**Less Than 1 year $M**	**1 to 5 Years $M**	**More Than 5 Years $M**	**Non Interest Bearing $M**	**Total $M**
2015							
Financial Assets							
Cash	2.3	9.3	-	-	-	-	9.3
Other Financial Assets	1.6	11.4	-	-	-	-	11.4
Financial Liabilities							
Trade payables		-	-	-	-	205.3	205.3
Interest rate swaps	3.5	(526.0)	175.0	25.0	326.0	-	-
Unsecured bank loans	3.2	(1,245.0)	-	-	-	-	(1,245.0)

			Interest Rate Reset				
Consolidated	**Average Interest Rate %**	**Variable Interest Rate $M**	**Less Than 1 year $M**	**1 to 5 Years $M**	**More Than 5 Years $M**	**Non Interest Bearing $M**	**Total $M**
2014							
Financial Assets							
Cash	2.4	5.0	-	-	-	-	5.0
Other Financial Assets	1.9	9.0	-	-	-	-	9.0
Financial Liabilities							
Trade payables		-	-	-	-	110.7	110.7
Interest rate swaps	5.7	(100.0)		100.0			-
Unsecured bank loans	3.8	399.0	-	-	-	-	399.0

Interest rate swaps

Snowy Hydro has entered into an interest rate swap to manage its exposure to floating interest rates through to October 2024 on a $526 million portion of its debt. The proportion of the debt portfolio that is required to be economically hedged is subject to periodic review.

The following table details the effective and forward starting interest rate swaps at reporting date.

	Weighted Average Interest Rate		Notional Principal Amount	
	2015	**2014**	**2015**	**2014**
Consolidated	**%**	**%**	**$M**	**$M**
Interest rate swaps	3.50	5.66	526.0	100.0

The fair value of interest rate swaps is calculated using third party derivative pricing tools and market data. Fair values are compared to counterparty valuation statements. The fair value of interest rate swaps as at 27 June 2015 was a liability of $11.9 million (2014: a liability of $5.5 million).

Cash flow sensitivity for variable rate instruments

A sensitivity analysis is based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date, with the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period. As at reporting date, if interest rates had been 150 basis points higher or lower and all other variables were held constant, the effect on the income statement and cash flow hedge reserve would be:

	Profit or loss, pre-tax		Equity, net of tax	
	150 bp Increase $M	150bp Decrease $M	150 bp Increase $M	150 bp Decrease $M
27 June 2015				
Variable-rate instruments	(13.1)	15.0	-	-
Interest rate swaps	3.7	(4.2)	23.6	(21.7)
Cash flow sensitivity (net)	(9.4)	10.8	23.6	(21.7)
28 June 2014				
Variable-rate instruments	(2.9)	2.9	-	-
Interest rate swaps	2.3	(2.3)	-	-
Cash flow sensitivity (net)	(0.6)	0.6	-	-

Fair value sensitivity for fixed rate instruments

Snowy Hydro is exposed to fair value interest rate risk on an interest rate swap measured at fair value through profit and loss.

As at reporting date, if interest rates had been 150 basis points higher or lower and all other variables were held constant, the effect on the income statement would be $1.1 M (2014 – $3.2M).

(iii) Liquidity Risk

Liquidity risk arises from Snowy Hydro's inability to meet its obligations when they become due or by its inability to enter into future contracts as and when it deems it necessary in the normal course of business. Short term liquidity risk is predominantly created through two sources: the potential for large margin calls to be made against Snowy Hydro's futures portfolio in the event of large movements in forward prices, and the risk of being required to make large payouts on the contract portfolio in the event that Snowy Hydro's generation fails to cover the contract positions.

Snowy Hydro manages its liquidity risk by maintaining adequate financial reserves, banking facilities and reserves in uncommitted stand-by facilities, maintaining diverse funding sources and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At the reporting date, the Group had committed undrawn borrowing reserves of $357 million (2014: $455 million), as detailed in note 24. Snowy Hydro manages its market related liquidity risk by maintaining adequate reserves of generation capacity and high levels of plant reliability and availability which allow spot price generation income at times of contracted outgoing commitments.

Snowy Hydro holds an Australian Financial Services Licence under which it must continuously monitor its forward liquidity ratios and the amount of surplus liquid funds. Any un-remedied breach of these conditions would trigger a cessation of trade.

The table below details the remaining contractual maturity of the financial liabilities of the Group. The table has been prepared based on the undiscounted cash outflows of financial liabilities based on the earliest date on which the Group can be required to pay.

Consolidated	Less than 1 year $M	1 to 2 years $M	2 to 5 years $M	Greater than 5 years $M
2015				
Trade payables	(205.3)	-	-	-
Debt	(27.5)	(165.0)	(1,053.0)	-
Interest	(40.0)	-	-	-
Swap liability	(5.8)	(3.1)	-	-
Option liability	(5.7)	(0.1)	-	-
Interest rate swaps	(5.8)	(4.4)	(6.2)	3.8
Financial lease liability	(11.2)	(11.2)	(33.6)	(97.1)
Oil derivative	(2.6)	(2.7)	(1.1)	-
2014				
Trade payables	(110.7)	-	-	-
Debt	-	(74.0)	(325.0)	-
Interest	(1.0)	-	-	-
Swap liability	(0.3)	(3.89)	(0.4)	-
Option liability	(0.2)	-	-	-
Interest rate swaps	-	-	-	-

Net cash outflows have been measured for each liability as follows:

(a) Debt is measured as the amount payable at the expiration of the facility period.
(b) Interest includes interest payments on fixed and floating debt at current interest rates for the draw down period.
(c) Swap instruments have been measured at the expected gross payout of estimated future contract for difference payments and
(d) Sold option type contracts have been measured at the net of option fees receivable and the gross payout of estimated future contracts for difference payments.

Intercompany swaps are not included in the liquidity risk table as they do not represent cash outflows external to the Group.

(iv) Commodity risk

The consolidated entity is exposed to commodity price fluctuations through gas supply contracts that are in some instances, subject to Brent benchmark oil pricing measured in USD.

Commodity forwards contracts are used by the consolidated entity to manage its forward commodity risk exposure.

The consolidated entity's policy is to hedge up to 100% of forecast oil-linked gas purchases by way of Australian dollar denominated oil contracts for up to 3 years.

Changes in fair value of these derivatives are recognised in the statement of profit or loss when the hedged exposure is recognised.

Commodity Hedges outstanding at 27 June 2015

Brent Crude oil monthly average fixed price for $89.75 / bbl on monthly volumes ranging from 4,725 to 65,100 bbl through to October 2017.

Cash flow sensitivity analysis for commodity hedges

A reasonably possible change of $30/bbl in the underlying oil price at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss		Equity, net of tax	
	$30/bbl Increase $M	$30/bbl Decrease $M	$30/bbl Increase $M	$30/bbl Decrease $M
27 June 2015				
Oil derivative	-	-	12.5	(21.2)
28 June 2014				
Oil derivative	-	-	-	-

4 Derivative assets and liabilities designated as cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedges *are expected to occur* and *impact profit and loss*, and the carrying amounts of the related hedging instruments.

		2015 Expected cash flows				2014 Expected cash flows		
	Carrying amount $M	Total $M	12 months or less $M	More than one year $M	Carrying amount $M	Total $M	12 months or less $M	More than one year $M
Interest rate swaps								
Liabilities	(8.6)	(9.0)	(2.2)	(6.8)	-	-	-	-
Oil derivative								
Liabilities	(6.2)	(6.4)	(2.6)	(3.8)	-	-	-	-
	(14.8)	(15.4)	(4.8)	(10.6)	-	-	-	-

5 Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For floating rate financial assets and liabilities with interest rate resets of six months' duration or less, and short term non-interest bearing financial assets and liabilities, the fair value is considered to approximate the carrying value.

The fair values of financial assets and financial liabilities with fixed interest rates or commodity prices are derived from market quoted prices that are incorporated into generally applied discounted cash flow models.

The carrying value of other financial assets or liabilities approximates their fair value.

Description	Fair value measurement at end of the reporting period using: Level 1 $M	Level 2 $M	Level 3 $M	As at 27 June 2015 $M
Financial assets/(liabilities) at fair value				
Trading derivatives	(4.1)	(4.4)	457.8	449.3
Interest rate swaps	-	(11.9)	-	(11.9)
Oil derivative	-	(6.2)	-	(6.2)
Total	(4.1)	(22.5)	457.8	(431.2)

Description	Level 1 $M	Level 2 $M	Level 3 $M	As at 28 June 2014 $M
Financial assets/(liabilities) at fair value				
Trading derivatives	(2.9)	(1.7)	372.6	368.0
Interest rate swaps	-	(5.5)	-	(5.5)
Total	(2.9)	(7.2)	372.6	362.5

The fair value of floating rate financial liabilities approximates their carrying amount on balance sheet.

Reconciliation of Level 3 fair value measurements of financial assets and liabilities

	Trading derivatives at fair value through profit or loss	
	Period Ended 27 June 2015 $M	Period Ended 28 June 2014 $M
Description		
Opening balance	372.6	49.9
Total gains or losses realised in profit or loss*	311.5	263.0
Total gains or losses mark to market movement*	82.8	323.3
Purchases	(0.7)	-
Settlements	(308.0)	(265.6)
Transfers into Level 3	(0.4)	-
Transfers out of Level 3	-	2.0
Closing balance	457.8	372.6
Total gains or losses for the period included in profit or loss for derivatives held at the end of the reporting period	394.3	586.3

* Gains or loss included in the above table are included in the Consolidated Income Statement for the reporting period ended 27 June 2015 (and previous corresponding period) presented as follows:

	Period Ended 27 June 2015 $M	Period Ended 28 June 2014 $M
Revenue	311.5	263.0
Movements in fair value of derivatives	82.8	323.3
Total gains or losses included in profit or loss for the period	394.3	586.3

Sensitivity Analysis of Level 3 Instruments

A market risk sensitivity analysis has been undertaken as at reporting date for Level 3 option instruments, with the sensitivity movements determined by analysing the historical movements of annual ICAP cap prices over the historical period[6]. For the 2015 reporting period, a movement of 40% for the cap valuation curve for NSW and Victoria denominated contracts has been used. This volatility represents the short term broker market, which is typically for small volume (less than 100MW) and short duration (usually quarters but up to 2 years), standard contracts. This is not a suitable representation of non-standard, long term large volume contracts that fall within Snowy Hydro's Level 3 instruments. However, in the absence of other available information or market data, this estimate is used as an extreme scenario to approximation sensitivity in cap valuation curve.

If the above unobservable inputs to the valuation model were 40% higher/lower while all the other variables remaining constant, the carrying net asset amount of Level 3 instruments would decrease by $335.8 million or increase by $336.7 million respectively.

The table below provides detailed information about the valuation techniques and key inputs used in the determination of the fair value of financial instruments. Valuation techniques for AASB 13 Level 3 categorised contracts include inputs not based on observable market data to estimate fair values. A detailed sensitivity analysis of significant unobservable inputs for Level 3 categorised contracts has also been provided.

Valuation procedures and changes in fair value measurements including instruments categorised as Level 3 of the fair value hierarchy, from period to period, are governed by the fair valuation procedure document that is reviewed and approved by management either at a time when significant change occurs or at the end of the financial year when the document is reviewed.

It is Snowy Hydro's policy to transfer financial instruments between Level 1, 2 and 3 based on the quality of the inputs used in the valuation. Transfers between levels of the fair value hierarchy occur at the end of the reporting period. There were no transfers between Level 1 and 2 in the period. There were two transfers into Level 3 which are the load following swaps, previously classified as level 2. The only contracts that are considered long level 3 are the options (cap, environmental and swaptions) and non-standard swap instruments.

[4] The volatility measured was the annualised standard deviation in weekly log returns of ICAP data for annual terms.

Financial Assets / (Financial Liabilities)	Fair value $M as at 27 June 2015	Fair value Level	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Interest rate Swaps	(11.9)	Level 2	Future cash flows are estimated based on forward prices (from observable price curves at the end of the reporting period) and contract fixed rates and prices. Cash flows discounted at a rate that reflects the credit risk of various counterparties.	Not applicable	Not applicable
2) Oil derivative	(6.2)				
3)Trading derivatives (Options - Caps)	458.6	Level 3	For long dated options, some future cash flows are estimated based on new entrant price for $300 caps, or if applicable the payoff relationship between standard $300 cap and the non-standard cap. Market quoted rates and volatilities are incorporated into Snowy Hydro's generally applied option pricing algorithms for short and medium term maturities. Larger, longer term contracts (for which no liquid market exists) have been priced using a cap valuation curve which incorporates various observable inputs & non-observable management's assumptions. The absence of an active and liquid market for options means resulting fair values of options are to some extent subjective. Cash flows discounted at a rate that reflects the credit risk of various counterparties.	Cap valuation curve. Where applicable payoff relationship between standard $300 cap and the non-standard cap.	Higher valuation curve (or implied) cap price, the lower the fair value of the derivative asset.
4) Trading derivative (Options)	(0.4)	Level 3	Future cash flows determined by the difference between market quoted forward rates and the contract strike price which is then applied to the Black-76 model	Implied volatility	Higher implied volatility will increase the value of the options.
5)Trading derivatives (Swap)	(4.4)	Level 2	Future cash flows determined by the difference between markets quoted forward rates for corresponding quarter and the contract strike price and volume. The market quoted rates are sculpted to reflect	Not applicable	Not applicable

Financial Assets / (Financial Liabilities)	Fair value $M as at	Fair value Level	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to
			any seasonal variations within the duration of the period being quoted. The determination of the extent of seasonal variation is based on the analysis of historical electricity price movements. Management applies different sculpted forward price curves for determining the fair value depending upon the type of contract. Cash flows discounted at a rate that reflects the credit risk of various counterparties.		
6) Trading derivatives (Load Following Swaps)	(0.4)	Level 3	Future cash flows determined by the difference between current ICAP price for corresponding quarter and the contract strike price and volume. ICAP prices are adjusted with a calibration factor to value contracts without corresponding ICAP price. Cash flows discounted at a rate that reflects the credit risk of various counterparties.	Not applicable	Not applicable
7) Trading derivatives (Futures)	(4.1)	Level 1	Active & liquid futures market. Asset includes broker deposits.	Not applicable	Not applicable

Financial assets total $472.1 million and financial liabilities total $29.6 million

32 Parent entity disclosures

The parent entity is Snowy Hydro Limited.

	As at 27 June 2015 $M	As at 28 June 2014 $M
(a) Financial Position		
Assets		
Current Assets	700.2	576.9
Total Assets	3,481.3	2,514.0
Liabilities		
Current Liabilities	96.4	106.3
Total Liabilities	1,401.3	485.2
Equity		
Issued capital	816.1	816.1
Hedging Reserves	(6.0)	-

(b) Financial Performance

	Period ended 27 June 2015 $M	Period ended 28 June 2014 $M
Profit attributable to the parent entity	212.2	484.6
Total Comprehensive Income	192.6	485.4

(c) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Guarantees provided under the deed of cross guarantee referred to in Note 30	13.8	29.9

(d) Contingent liabilities of the parent entity

Contingent liabilities detailed in Note 28 all relate to the parent entity

(e) Commitments for the acquisition of property plant and equipment

Not longer than 1 year	11.2	4.4
Longer than 1 year but not longer than 5 years	3.2	6.1
Longer than 5 years	5.0	-

33 Subsequent events

There have been no events subsequent to reporting date warranting disclosure in this financial report.

34 Additional company information

Snowy Hydro Limited is a public company, incorporated and operating in Australia.

Registered Office
Monaro Highway
Cooma NSW 2630

Principal Place of Business
Monaro Highway
Cooma NSW 2630