ABN 17 090 574 431
Consolidated Financial Report for the Reporting Period
28 June 2015 to 2 July 2016

Snowy Hydro Limited
CONSOLIDATED FINANCIAL REPORT
FOR THE REPORTING PERIOD ENDED 2 JULY 2016

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 2015 to 2 July 2016. 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, FAICD	Mr Cornish was appointed to the Board on 10 August 2012. He is currently Deputy Chairman 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 and President NorthstarBHP LLC in Ohio USA.
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. 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. 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 InvoCare Ltd and is Chair of Thorn Group Limited. She was until recently also a member of the Business School Divisional Board and the Board of

Advice of the University of Sydney. Ms Morton chairs the Salvation Army Red Shield Doorknock Appeal for 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, Eastern Australia at Alcoa Australia

Wallace Richard Sheppard
BEc (Hons)

Non-executive Director

Mr Sheppard was appointed to the Board on 13 May 2015. He is currently Chairman of Dexus Property Group and a director of The Star 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.

Leeanne Kay Bond BEChem MBA FAICD FIEAust RPEQ	Non-Executive Director Appointed 25 November 2015. Ms Bond is currently on the boards of Territory Generation, JKTech Pty Ltd and Liquefied Natural Gas Limited and recently retired from the board of Coffey International Limited. Ms Bond has previously held board positions on a number of water and energy businesses including Tarong Energy and Queensland Bulk Water Supply Authority (Seqwater) and was Chair of Brisbane Water. Ms Bond held a variety of senior positions at Worley Parsons prior to starting Breakthrough Energy Pty Ltd in 2006.

Other than Ms Bond who was appointed to the Board on 25 November 2015, all of the Directors named above held office during and since the end of the reporting period.

Glen Dewing BCom, MBA, FCPA, FCIS, FGIA, MAICD	Company Secretary Glen Dewing has over 32 years' experience in auditing, finance and governance-related roles, 28 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 addition, Snowy Hydro Limited operates the 667 MW Colongra Power Station in New South Wales. Snowy Hydro Limited operates a 320 MW power station at Laverton North and the 300 MW Valley Power power station in Victoria. Further, Snowy Hydro Limited owns and/or operates 161 MW of diesel-fuelled power stations in South Australia and NSW.

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 Limited 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 2 July 2016 ("2016"), net profit after tax was $113.1 million (2015: $213.6 million). This result is after bringing to account the decrease in market values of the consolidated entity's price risk hedging contracts in the amount of $164.8 million (2015: $84.0 million increase) 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 2015 and 2016 were characterised by low NEM volatility, alleviated by a very small number of high-price events. Late in 2016, Snowy Hydro's water storages benefited from a substantial improvement in water inflows.

In 2016, Snowy Hydro generated 4,851 GWh from gas and hydro-electric sources, and released 2,388 GL of water. In the previous reporting period, generation was 2,605 GWh and water releases were 1,251 GL. The primary driver for this difference was that Snowy Hydro is planning to exceed its RECs generation baseline in calendar 2016, using 2016 inflows and water stored in previous years. This accounted for the materially increased generation from 1 January 2016.

In 2016, the Retail business achieved the significant milestone of passing the one million domestic customer mark. The successful integration of the Lumo Energy business with the existing Red Energy business progressed ahead of the integration plan and ahead of budget, allowing the retail business to deliver $131.6 million $2015: $78.7 million) EBITDA to the Group. The extension of the Group's dual fuel offering to New South Wales supported this outcome. Customer growth in South Australia and Queensland was modest, ahead of the expected introduction of the dual-fuel offering in January 2017.

A strategic review of the Direct Connect Australia business model was completed, resulting in a decision to re-characterise the business and to integrate the activity as a channel within the retail arm of the Group.

In generation, an incident at the Colongra Power Station in late 2015 resulted in damage to one generating unit. Repairs have been completed and the unit returned to service. The incident occurred during testing of the change-over of operations between diesel and gas fuel sources.

Snowy Hydro's earnings in 2016 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

	2 July 2016 $M	Restated 27 June 2015 $M
Reported net profit after tax	113.1	213.6
Acquisition costs charged to the Statement of Profit and Loss	0.0	3.7
Expensed stamp duty	0.0	14.8
Non-cash gain on acquisition for Colongra Power Station (Note 26)	(13.9)	(32.8)
Amortisation of intangibles	40.2	40.7
Depreciation of assets	100.4	83.5
Movement in the fair value of derivatives	164.8	(84.0)
Tax effect	(87.5)	(7.8)
Underlying cash Net Profit after Tax from normal operations	317.1	231.7

Significant Matters

There have been no significant matters warranting specific disclosure in this financial report that pertain to the reporting period.

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

Fully franked cash dividends of $90 million ($0.45 per share) were paid on each of 30 October 2015 and 29 April 2016. In the previous year, fully franked cash dividends of $75 million ($0.375 per share) and $80 million were paid on 22 October 2014 and 24 April 2015 respectively.

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, nine board meetings and 23 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	9	9			6	6					4	4
P A Broad	9	9							4	4		
L K Bond	6	5					3	3			2	2
N J Clark	9	9			5	5			4	4	2	2
H L Coonan	9	9							4	4	4	4
M F Ihlein	9	9	4	4	6	6	2	1				
J C Morton	9	9	4	4	1	1	5	5				
W R Sheppard	9	9	4	4			5	5				

Auditor's Independence Declaration

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

Rounding Off of Amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and the financial report have been rounded off, in accordance with that Instrument, to the nearest one hundred thousand dollars, or in certain cases, to the nearest dollar.

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 24 August 2016

Paul A Broad
Chief Executive Officer
Sydney 24 August 2016

Deloitte.

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

24 August 2016

Dear Directors

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 year ended 2 July 2016, 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 2 July 2016, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year 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 company and the entities it controlled at the year's end or from time to time during the financial year, as set out on pages 17 to 61.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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 2 July 2016 and of its performance for the year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jamie Gatt

Jamie C.J. Gatt
Partner
Chartered Accountants
Sydney, 24 August 2016

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 Australian Accounting Standards issued by the Australian 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 24 August 2016

Paul A Broad
Chief Executive Officer
Sydney 24 August 2016

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE REPORTING PERIOD ENDED 2 JULY 2016

	Notes	Consolidated Period ended 2 July 2016 $M	Consolidated Restated Period ended 27 June 2015 $M
Revenue		2,191.7	1,712.9
Other income		21.5	42.1
Direct costs of revenue		(1,312.4)	(1,045.0)
Consumables and supplies		(68.2)	(54.6)
Employee benefits expense		(192.5)	(163.8)
Depreciation expense and amortisation		(140.6)	(124.2)
Borrowing costs		(59.0)	(42.6)
Other expenses from ordinary activities		(130.8)	(112.3)
Movements in fair value of derivatives	1(i)	(164.8)	84.0
Profit before income tax expense		144.9	296.5
Income tax expense	3	(31.8)	(82.9)
Profit attributable to members of the parent entity		113.1	213.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE REPORTING PERIOD ENDED 2 JULY 2016

Other Comprehensive Income	Notes	Consolidated Period ended 2 July 2016 $M	Consolidated Restated Period ended 27 June 2015 $M
Items that may be subsequently reclassified to profit or loss:			
Cash flow hedges			
Gain taken to equity		(39.5)	(28.0)
Income tax effect		11.4	8.4
Other comprehensive income (net of tax)		(28.1)	(19.6)
Profit for the period		113.1	213.6
Total comprehensive income for the period attributable to members of the parent entity		85.0	194.0

Notes to the financial statements are on pages 17 to 61.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 2 JULY 2016

		Consolidated	
			Restated
		As at 2 July 2016	As at 27 June 2015
Current Assets	**Notes**	**$M**	**$M**
Cash and cash equivalents	24	11.8	9.3
Trade and other receivables	6	356.8	417.7
Inventories	7	23.3	16.3
Other financial assets	8	374.9	472.1
Tax Assets	3	5.2	5.5
Other	9	116.3	78.9
Total Current Assets		888.3	999.8
Non Current Assets			
Deferred tax assets	3	62.5	-
Intangibles	10	580.2	622.8
Property, plant & equipment	11	2,058.7	2,112.4
Total Non Current Assets		2,701.4	2,735.2
Total Assets		3,589.77	3,735.0
Current Liabilities			
Trade and other payables	12	262.2	220.1
Provisions	13	31.9	25.9
Interest bearing liabilities	14	172.2	30.9
Other financial liabilities	15	90.2	19.7
Total Current Liabilities		556.5	296.6
Non Current Liabilities			
Deferred tax liability	3	-	10.3
Other financial liabilities	16	42.6	9.9
Interest bearing liabilities	17	966.1	1,299.2
Provisions	18	29.4	28.9
Total Non Current Liabilities		1,038.1	1,348.3
Total Liabilities		1,594.6	1,644.9
Net Assets		1.995.1	2,090.1
Equity			
Issued capital	20	816.1	816.1
Reserves	21	(47.7)	(19.6)
Retained earnings		1,226.7	1,293.6
Total Equity		1,995.1	2,090.1

Notes to the financial statements are included on pages 17 to 61.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE REPORTING PERIOD ENDED 2 JULY 2016

	Consolidated			
	Issued Capital $M	Hedging Reserve $M	Retained Earnings $M	Total $M
Balance as at 29 June 2014	816.1	-	1,225.5	2,041.6
Accounting policy changes taken to Equity	-	-	9.5	9.5
Restated balance as at 29 June 2014	816.1	-	1,235.0	2,051.1
Profit for the period	-	-	213.6	213.6
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)	213.6	194.0
Dividends paid	-	-	(155.0)	(155.0)
Balance as at 27 June 2015	816.1	(19.6)	1,281.1	2,090.1
Balance as at 28 June 2015	816.1	(19.6)	1,281.1	2,077.6
Accounting policy changes taken to Equity	-	-	12.5	12.5
Restated Balance as at 28 June 2015	816.1	(19.6)	1,293.6	2,090.1
Profit for the period	-	-	113.1	113.1
Loss on cash flow hedges	-	(39.5)	-	(39.5)
Income tax relating to components of other comprehensive income	-	11.4	-	11.4
Total comprehensive income for the period	-	(28.1)	113.1	85.0
Dividends paid	-	-	(180.0)	(180.0)
Balance as at 2 July 2016	816.1	(47.7)	1,226.7	1,995.1

Notes to the financial statements are included on pages 17 to 61.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE REPORTING PERIOD ENDED 2 JULY 2016

		Consolidated	
		Period ended 2 July 2016	Restated Period ended 27 June 2015
	Notes	$M	$M
Cash Flows from Operating Activities			
Receipts from customers		2,349.9	1,796.0
Payments to suppliers & employees		(1,791.6)	(1,443.3)
Interest received		0.7	0.8
Interest and other costs of finance paid		(57.2)	(37.8)
Income tax paid		(63.2)	(88.4)
Net Cash provided by Operating Activities	24	438.8	227.3
Cash Flows from Investing Activities			
Investment in subsidiaries		-	(868.2)
Payments for intangible assets		(14.5)	(11.0)
Cash received on acquisition of subsidiaries		-	11.7
Payments for property, plant & equipment		(49.9)	(43.6)
Proceeds from sale of property, plant & equipment		2.6	0.8
Net Cash Used in Investing Activities		(61.8)	(910.3)
Cash Flows from Financing Activities			
(Repayment of)/net proceeds from borrowings		(193.4)	845.2
Payment of debt issue costs		(0.9)	(2.9)
Dividends paid	22	(180.0)	(155.0)
Net Cash Used in Financing Activities		(374.3)	687.3
Net Increase in cash and cash equivalents		2.5	4.3
Cash and cash equivalents at Beginning of Period		9.3	5.0
Cash and cash equivalents at End of the Period	24	11.8	9.3

Notes to the financial statements are included on pages 17 to 61.

Notes to the Financial Report

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 24 August 2016.

Basis of Preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of financial instruments and renewable energy certificates. 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 judgements, 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 31 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 2018	29 June 2019
AASB 16 'Leases'	1 January 2019	27 June 2020
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.

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 Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2018	29 June 2019
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 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	1 July 2017
AASB 2016-1 'Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

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 2016 refers to 28 June 2015 to 2 July 2016. The reporting period 2015 refers to 29 June 2014 to 27 June 2015.

Changes in Accounting Policies

The policy for accounting for costs incurred in acquiring new customers has changed from the policy applied in previous reporting periods.

In previous reporting periods all directly attributable acquisition costs incurred in acquisition of retail electricity customers were expensed as incurred.

This policy has now changed, and the new policy has been applied retrospectively to the previous reporting period (with comparative information restated accordingly). Under the new policy:

Costs incurred in acquiring new customers are recorded as an intangible asset, based on the directly attributable costs of obtaining the customer contract and are amortised on a straight line basis over the period of the expected benefit.

The impact of this change in accounting policy is reflected below.

For comparative purposes the accounts within the Consolidated Statement of Financial Position have changed by:

	As at 27 June 2015 $M	As at 28 June 2014 $M
Deferred tax assets	(5.3)	(4.0)
Intangibles	17.8	13.5
Net increase in Equity	12.5	9.5

For comparative purposes, the profit after tax has changed by:

	Period ended 27 June 2015 $M
Depreciation expense and amortisation	(6.7)
Other expenses from ordinary activities	11.0
Profit before income tax expense	4.3
Income tax expense	(1.3)
Profit attributable to members of the parent entity	3.0

For comparative purposes the Statement of Cash Flows has changed by:

	Period ended 27 June 2015 $M
Cash flows from Operating Activities	
Payments to suppliers and employees	11.0
Increase in Net Cash provided by Operating Activities	11.0
Cash Flows from Investing Activities	
Payments for Intangibles	(11.0)
Decrease in Net Cash from Investing Activities	(11.0)

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

Costs incurred in acquiring new customers are recorded as an intangible asset, based on the directly attributable costs of obtaining the customer contract and are amortised on a straight line basis over the period of the expected benefit.

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 31 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 2 July 2016	Restated Period ended 27 June 2015
2 Profit from operations	**$M**	**$M**

(a) Revenue / Other income

Revenue and other income from continuing operations includes the following items:

Revenue from the sale of goods	2,170.5	1,704.1
Increase in fair value of non-derivative tradeable assets (RECs & NGACs)	21.2	8.8
Settlement of litigation	-	0.4
Government grants received for staff training	0.1	-
Gain on purchase of business acquisitions	13.9	32.8
Other income	6.8	8.1
Interest income	0.7	0.8
	2,213.2	1,755.0

In 2015 a $0.4 million settlement for an Australian Energy Regulator fine was recognised. There were no settlements for litigation in 2016.

(b) Profit before income tax

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

Loss on disposal of property, plant and equipment	(0.6)	(0.3)
Change in fair value of derivatives classified as trading through profit or loss	(164.8)	84.0
Direct costs of revenue	(1,312.4)	(1,045.0)
Interest on loans	(52.2)	(40.0)
Interest rate hedge costs	(6.8)	(2.6)
Bad and doubtful debts from sales	(27.4)	(21.1)
Amortistion	(40.2)	(40.7)
Depreciation	(100.4)	(83.5)
Stamp duty on business acquisitions	-	(14.8)
Operating lease rental expenses		
Lease payments	(7.6)	(5.6)
Employee benefits expense		
Defined contribution plans	(11.9)	(9.4)
Defined benefit plans	(2.5)	(2.4)
	(14.4)	(11.8)

3 Income taxes	**Period ended 2 July 2016 $M**	**Restated Restated Period ended 27 June 2015 $M**
(a) Income tax recognised in profit or loss		
Current tax expense	(70.1)	(49.9)
Deferred tax expense	38.3	(33.0)
Total tax expense	(31.8)	(82.9)

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:

Profit from operations	144.9	296.5
Tax (expense) calculated at 30%	(43.5)	(89.0)
Prior year adjustments	7.4	1.0
Non-deductible expenses	(0.1)	(5.0)
Tax break research & development concession	0.2	0.3
Non assessable tax gain	4.2	9.8
Income tax expense	(31.8)	(82.9)

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.

(b) Current tax liabilities/(assets)		
Income tax(receivable)/payable	(5.2)	(5.5)
(c) Deferred tax asset / (liability)		
Deferred tax balances comprise of:		
Temporary differences	62.5	(10.3)

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
2015 Restated					
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	4.3	(9.0)	71.7	-	67.0
Balance as at 27 June 2015	146.5	2.3	67.7	2.4	218.9
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
2016					
Deferred tax liabilities					
Derivative financial instruments	151.9	(49.2)	(14.8)	(0.6)	87.3
Non derivative trading instruments	-	14.7	-	-	14.7
Other	67.0	(1.5)	(5.3)	1.4	61.6
Balance as at 2 July 2016	218.9	(36.0)	(20.1)	0.8	163.6
Deferred tax assets					
Property plant and equipment	184.8	0.1	-	14.0	198.9
Provisions	22.9	4.3	-	-	27.2
Other	0.9	(2.3)	-	1.4	-
Balance as at 2 July 2016	208.6	2.1	-	15.4	226.1

		Period ended 2 July 2016	Restated Period ended 27 June 2015
4	**Key management personnel remuneration**	**$**	**$**
	The aggregate compensation of key management personnel of the consolidated entity is set out below:		
	Short-term employee benefits	8,249,175	7,273,583
	Post-employment benefits	592,056	467,444
	Other long-term employee benefits	1,001,065	108,373
		9,842,296	7,849,400
5	**Remuneration of auditors**		
	Auditor of parent entity		
	Audit or review of the financial report	542,000	636,000
	Other non-audit services		
	Taxation services	187,621	111,755
		729,621	747,755

		As at 2 July 2016	Restated As at 27 June 2015
6	**Trade and other receivables**	**$M**	**$M**
	Trade receivables	387.0	445.8
	Other receivables	1.6	0.5
	Allowance for doubtful debts	(31.8)	(28.6)
		356.8	417.7
7	**Inventories**		
	Inventories at cost	23.3	16.3
8	**Other current financial assets**		
	At fair value		
	Option fee contracts	276.5	459.9
	Electricity price risk hedging contracts	86.0	0.8
	Deposits with brokers	12.4	11.4
		374.9	472.1
9	**Other current assets**		
	Advances to other companies	-	2.0
	Prepayments	5.4	5.0
	Tradeable assets	110.9	71.9
		116.3	78.9
10	**Intangibles**		
(a)	**Net book value**		
	Other customers capitalised from external sources	49.7	35.1
	Less amount amortised	(26.1)	(17.3)
	Capitalised customers on business acquisition	238.8	238.8
	Amortisation of capitalised customers on business acquisition	(65.4)	(34.0)
	Goodwill	383.2	400.2
		580.2	622.8
(b)	**Movement in Goodwill**		
	At the beginning of the reporting period	400.2	79.3
	Additional amounts recognised from business combinations occurring during the period 26	(17.0)	320.9
	At the end of the reporting period	383.2	400.2

There have been no impairment losses to goodwill

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 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
Additions	-	-	-	-	-	49.9	-	49.9
Capitalised to asset class	-	1.9	10.8	0.5	41.2	(54.4)	-	0.0
Disposals	(1.1)	-	-	-	(6.8)	-	-	(7.9)
Balance at 2 July 2016	27.0	57.5	95.4	6.3	2,517.0	61.4	89.4	2,854.0
Accumulated Depreciation /Amortisation								
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)
Disposals	-	-	-	-	4.7	-	-	4.7
Depreciation expense	-	(1.7)	(14.8)	(0.9)	(77.0)	-	(6.0)	(100.4)
Balance at 2 July 2016	-	(17.6)	(63.2)	(4.1)	(701.8)	-	(8.6)	(795.3)
Net Book Value								
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 2 July 2016	27.0	39.9	32.2	2.2	1,815.2	61.4	80.8	2,058.7

		As at 2 July 2016 $M	As at 27 June 2015 $M
12	**Current trade and other payables**		
	Trade payables	245.0	205.3
	Other payables	10.0	10.9
	Goods and services tax payable	7.2	3.9
		262.2	220.1
13	**Current provisions**		
	Employee benefits	29.7	25.4
	Workers compensation	0.1	0.3
	Other current provisions	2.1	0.2
		31.9	25.9

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

		As at 2 July 2016 $M	As at 27 June 2015 $M
14	**Current interest bearing liabilities**		
	Unsecured		
	Bank loans	168.5	27.5
	Finance lease liability	3.7	3.4
		172.2	30.9
15	**Current financial liabilities**		
	At fair value		
	Foreign currency and interest rate swaps	6.3	5.7
	Option fee contracts	4.5	5.6
	Oil derivative	10.1	2.6
	Electricity price risk hedging contracts	68.2	5.8
	Unearned income	1.1	-
		90.2	19.7

		As at 2 July 2016 $M	As at 27 June 2015 $M
16	**Non Current financial liabilities**		
	At fair value		
	Interest rate swaps	37.7	6.3
	Oil derivative	4.9	3.6
	Electricity price risk hedging contracts	-	-
		42.6	9.9
17	**Non current interest bearing liabilities**		
	Unsecured		
	Bank loans	887.0	1,218.0
	Borrowing costs	(1.8)	(3.4)
	Finance lease liability	80.9	84.6
		966.1	1,299.2
18	**Non current provisions**		
	Employee benefits	17.8	17.9
	Workers compensation	0.6	0.6
	Rehabilitation of sites	10.5	10.0
	Other provisions	0.5	0.4
		29.4	28.9

		2016 Employee Benefits $M
19	**Movement in provisions**	
	Balance at the beginning of the reporting period	43.3
	Additional provisions recognised	15.1
	Reductions from payments	(11.3)
	Unwinding of discount and effect of change in discount rate	0.4
	Balance at the end of the reporting period	47.5
	Current (Note 13)	29.7
	Non Current (Note 18)	17.8
	Balance at the end of the reporting period	47.5

	2016 Workers Compensation $M
Balance at the beginning of the reporting period	0.9
Additional provisions recognised	1.0
Reductions from payments	(0.3)
in discount rate	-

Balance at the end of the reporting period	1.6
Current (Note 13)	0.1
Non Current (Note 18)	0.6
Balance at the end of the reporting period	0.7

20 Issued capital

	As at 2 July 2016 $M	As at 27 June 2015 $M
200,000,000 fully paid ordinary shares	816.1	816.1

	2016 No 'M	2016 $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 2 July 2016 $M	Restated As at 27 June 2015 $M
Hedging reserves		
Balance at the beginning of the reporting period	(19.6)	-
Gains/(loss) recognised:		
Currency swaps	(0.2)	-
Interest rate swaps	(35.2)	(8.6)
Other financial instruments	(4.1)	(19.4)
Deferred tax arising on hedges	11.4	8.4
Balance at the end of the reporting period	(47.7)	(19.6)

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

22 Dividends

	2016 Cents per share	2016 Total $M
Fully paid ordinary shares		
Dividend fully franked	90.0	180.0
Franking account balance at 2 July 2016		45.7

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

		As at 2 July 2016 $M	**As at 27 June 2015 $M**
23	**Commitments for expenditure**		
(a)	Capital expenditure commitments		
	Plant and equipment		
	Not longer than 1 year	15.4	11.2
	Longer than 1 year and not longer than 5 years	1.9	3.2
	Longer than 5 years	-	5.0
		17.3	19.4
(b)	Lease commitments		
	Operating lease commitments		
	Not longer than 1 year	23.1	22.5
	Longer than 1 year and not longer than 5 years	90.8	60.1
	Longer than 5 years	87.1	60.7
		201.0	143.3

The lease committements above are for office premises in Sydney and Melbourne and land leased for various power stations in NSW, Victoria and South Australia with durations from 1 to 30 years. All leases have an annual escalation clause, with most being a relevant consumer price index. In addition the Kosiuzsko National Park lease commenced in 2002 for a perod of 75 years. There are no restrictions imposed by any operating lease.

		As at 2 July 2016 $M	**As at 27 June 2015 $M**
(c)	Other expenditure commitments		
	Not longer than 1 year	62.4	63.7
	Longer than 1 year and not longer than 5 years	29.0	88.6
	Longer than 5 years	-	-
		91.4	152.3

	As at 2 July 2016 $M	As at 27 June 2015 $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:

	2 July 2016 $M	27 June 2015 $M
Cash and cash equivalents	11.8	9.3
Term deposits	-	-
	11.8	9.3

(b) Financing facilities

	2 July 2016 $M	27 June 2015 $M
Unsecured debt facilities with various maturity dates through to 2017		
Amount used	1,052.0	1,242.1
Amount unused	498.0	357.0
	1,550.0	1,599.1
Short term money market funds		
Amount used	3.5	-
Amount unused	41.5	17.5
	45.0	17.5

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

	2 July 2016 $M	27 June 2015 $M
Profit for the period	113.1	213.6
Loss on sale of non current assets	0.6	0.3
Mark to market movements direct to equity	(39.4)	(28.0)
Gain on acquisition	(13.9)	(32.8)
Depreciation and amortisation of current and non current assets	143.2	125.6
Increase/(decrease) in current tax balances	0.3	(21.1)
Decrease in deferred tax balances	(30.6)	15.6
(Increase)/decrease in assets:		
Current receivables	60.9	(7.8)
Current inventories	(7.0)	14.0
Other current assets	(37.4)	(2.2)
Current financial assets	97.2	(78.2)
Other non current assets	-	12.8
Increase/(decrease) in liabilities:		
Current payables	42.0	15.4
Current provisions	6.0	(0.2)
Other current financial liabilities	49.3	(5.5)
Other current debt liabilities	1.0	0.1
Non current provisions	53.3	6.9
Non current payables	-	(1.2)
Net cash from operating activities	438.6	227.3

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 two cash generating units in the consolidated entity comprising 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. Indicators of impairment of this goodwill are assessed against the operating segment. In the prior year, there was to a third cash generating unit which has, as a result of a strategic review, been incorporated into the operations of the gas and electricity retailer.

During the financial year, the consolidated entity assessed the recoverable amount of the cash generating units and determined that no impairment existed. The recoverable amount of the cash generating units 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 nominal WACC of 7.39% (2015: 8.39%). 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 2016 inflows will be average and that future average inflows will thereafter trend back towards, but be lower than, past experience. The starting water storage levels are also reflected in the projections.	Not applicable

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

26 Business Acquisitions

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

(a) TFI Partners Pty Ltd.

TFI Partners Pty Ltd and its wholly owned subsidiaries, including Direct Connect Australia, which is a utilities connection provider, was acquired as a channel to market for Snowy Hydro's retail sections. No changes to the acquisition values have been identified since 27 June 2015.

(b) Lumo Energy Australia Pty Limited

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.

Since 27 June 2015 the tax value of the fixed assets has been finalised and is higher than the accounting book value. A change to the Deferred tax asset has therefore been brought to account. The additional amount is shown below.

	Year ended 2 July 2016 $M	Year 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	4.3	4.5
Intercompany loans	-	7.4

	Year ended 2 July 2016 $M	Year 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)
	4.3	293.2

	Year ended 2 July 2016 $M	Year ended 27 June 2015 $M
Goodwill arising on acquisition		
Consideration transferred	-	540.6
Less fair value of identifiable net assets acquired	(4.3)	(293.2)
	(4.3)	247.4

(c) Lumo Generation South Australia Pty Ltd

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.

Since 27 June 2015 the tax value of the fixed assets has been finalised and is higher than the accounting book value. A Deferred tax asset has therefore been brought to account.

	Year ended 2 July 2016 $M	Year 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
Deferred tax asset	12.7	-
Current Liabilities		
Trade payables	-	(0.1)
Tax provision	-	(2.2)

	Year ended 2 July 2016 $M	Year ended 27 June 2015 $M
Non Current Liabilities		
Intercompany loans	-	(7.7)
	12.7	26.1
Goodwill arising on acquisition		
Consideration transferred	-	39.5
Less fair value of identifiable net assets acquired	(12.7)	(26.1)
	(12.7)	13.4

(d) Colongra Power station

On 30 January 2015 Snowy Hydro acquired 100% interest in Colongra Power station;

Since 27 June 2015 the tax value of the fixed assets has been finalised and is higher than the accounting book value. A change to the Deferred tax asset has therefore been brought to account. The additional amount is shown below.

	Year ended 2 July 2016 $M	Year 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		
Inventories	-	2.0
Other current assets	-	0.1
Non Current Assets		
Plant and equipment	-	244.6
Deferred tax asset	13.9	27.6
Financel Lease asset	-	89.4
Current Liabilities		
Trade payables	-	(1.4)
Finance lease liabiltiy	-	(3.3)
Employee provisions	-	(0.5)
Financial instruments	-	(6.0)
Other provisions	-	(10.0)
Non Current Liabilities		
Employee provisions	-	(3.3)
Finance lease liabiltiy	-	(86.1)
	13.9	253.1
Gain arising on acquisition		
Consideration transferred	-	220.3
Less fair value of identifiable net assets acquired	(13.9)	(253.1)
	(13.9)	(32.8)

As the $32.8 million gain was recognised in the Income statement to 27 June 2015, an additional gain on acquisition of $13.9 million is recognised in the year ended 2 July 2016.

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")	66,900.0	3,768.8	(63,131.2)	67,900.0
Public Sector Superannuation Scheme ("PSS")	63,500.0	17,845.1	(45,654.9)	76,600.0
Energy Industries Superannuation Scheme Pool B ("EIS")	2,214.4	2,386.1	170.2	1,914.9
State Superannuation Scheme ("SSS")	32,618.0	22,686.0	(9,932.0)	32,625.1

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 2015	30 June 2015
PSS	30 June 2015	30 June 2015
EIS	30 June 2015	30 June 2015
SSS	30 June 2015	30 June 2015

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 2 July 2016 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 $81.8 million (2015: $58.4 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	
		2016 %	2015 %
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	100
Lumo Energy (NSW) Pty Ltd (a) (c)	Australia	100	100
Lumo Energy (Qld) Pty Ltd (a) (c)	Australia	100	100
Lumo Energy (SA) Pty Ltd (a) (c)	Australia	100	100
Lumo Energy Telecommunications Pty Ltd (a) (c)	Australia	100	100
Lumo Generation NSW Pty Ltd (a) (c)	Australia	100	100
Lumo Generation SA Pty Ltd (a) (c)	Australia	100	100
Emagy Pty Ltd (a) (c)	Australia	100	100
TFI Partners Pty Ltd (a) (c)	Australia	100	100
Direct Connect Australia Pty Ltd (a) (c)	Australia	100	100
Connection Media Pty Ltd (a) (c)	Australia	100	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 2 July 2016 $M	Restated Period ended 27 June 2015 $M
Revenue	2,188.3	1,712.7
Other income	24.8	44.2
Direct costs of revenue	(1,311.5)	(1,044.4)
Consumables and supplies	(68.2)	(54.5)
Employee benefits expense	(192.5)	(163.8)
Depreciation expense	(131.3)	(115.0)
Borrowing costs	(59.0)	(42.6)
Other expenses from ordinary activities	(130.3)	(110.1)
Movements in fair value of derivatives	(164.8)	84.0
Profit before income tax expense	155.5	307.8
Income tax expense	(35.1)	(87.1)
Profit attributable to members of the parent entity	120.4	223.4

STATEMENT OF FINANCIAL POSITION

Parties to the Deed of Cross Guarantee

	As at 2 July 2016 $M	Restated As at 27 June 2015 $M
Current Assets		
Cash and cash equivalents	11.8	9.3
Trade and other receivables	356.8	417.7
Inventories	23.3	16.3
Other financial assets	374.9	472.1
Tax assets	2.6	5.5
Other	116.2	78.9
Total Current Assets	885.6	999.8
Non Current Assets		
Other financial assets	126.8	125.1
Deferred tax assets	60.6	-
Intangibles	580.2	622.8
Property, plant and equipment	1,949.9	1,994.1
Total Non Current Assets	2,717.6	2,742.0
Total Assets	3,603.3	3,741.8
Current Liabilities		
Trade and other payables	262.2	220.1
Provisions	31.9	25.9
Interest bearing liabilities	172.2	30.9
Other financial liabilities	90.2	19.7
Total Current Liabilities	556.5	296.6
Non Current Liabilities		
Deferred tax liability	-	11.1

Other financial liabilities	42.6	9.9
Interest bearing liabilities	966.1	1,299.2
Provisions	29.4	28.9
Total Non Current Liabilities	1,038.1	1,349.1
Total Liabilities	1,594.6	1,645.7
Net Assets	2,008.7	2,096.1
Equity		
Issued capital	816.1	816.1
Reserves	(47.7)	(19.6)
Retained earnings	1,240.3	1,299.6
Total Equity	2,008.7	2,096.1

30 Related party disclosures

The names of Directors of Snowy Hydro Limited at any time during the year were: N H Cornish, M F Ihlein, J C Morton, P A Broad, H L Coonan, N J Clark, W R Sheppard and L K Bond (from 25 November 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
- Sixteen 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 2 July 2016 was $70.6 million (2015: $208.2 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 Group.

The Group uses derivative instruments to manage these exposures while aiming to optimise risk-adjusted financial returns within policies approved by the Board of Directors.

Compliance with policies is monitored by management and reviewed by the Board on a regular basis.

Details of significant accounting policies and methods related to the recognition of financial assets and financial liabilities and associated revenues, expenses, gains and losses are disclosed in note 1.

	Consolidated	
	As at 2 July 2016	Restated As at 27 June 2015
Class	**$M**	**$M**
Current		
Financial assets		
Cash & cash equivalents	11.8	9.3
Trade receivables	355.2	417.2
Other financial assets	374.9	472.1
Financial liabilities		
Trade payables	245.0	205.3
Other financial liabilities	90.2	19.7
Interest bearing liabilities	172.2	30.9
Non current		
Financial liabilities		
Interest bearing liabilities	966.1	1,299.2
Other financial liabilities	42.6	9.9

1 Capital management

The Group's objectives in managing capital are to safeguard its ability to operate as a going concern so that it can continue to provide returns for shareholders, and to maintain an optimum capital structure targeting an investment grade corporate credit rating (Standard & Poor's) to reduce the cost of capital.

The Group's capital structure is reviewed annually by the Board Audit and Compliance Sub-committee which consider the Group's expected operating cash flows, capital expenditure plans, maturity profile of debt facilities, dividend policy and the ability to access funding from banks and other sources.

The Group monitors its capital requirements through several debt service benchmarks comprising Net Debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) multiple and Funds from Operations (FFO) to Debt ratio.

Other reference 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]

The gearing ratio, defined by the Group's negative pledge, at the end of the reporting period was as follows:

	Consolidated	
	As at 2 July 2016	**Restated as at 27 June 2015**
Class	**$M**	**$M**
Debt[1]	1,138.3	1,330.1
Add back transaction costs	1.8	3.4
Senior debt	1,140.1	1,333.5
Equity[2]	1,995.1	2,090.1
Less goodwill	(383.2)	(400.2)
Shareholders' funds	1,611.9	1,689.9
Gearing (debt/(debt+equity))	42%	44%

1 Debt is defined as interest bearing liabilities as detailed in Notes 14 and 17.
2 Equity includes all capital and reserves.

2 *Risk management*

The Group holds or issues financial instruments as an integral part of conducting its revenue generating and financing activities including:

- *Funding*: to finance the Group's operating activities. The principal types of instruments include syndicated bank loans and bank guarantees;
- *Operating*: the Group's day to day business activities generate financial instruments such as cash, trade and other receivables and payables; and
- *Risk management*: to reduce the risks to EBITDA that would arise if all generation was subject to spot market outcomes. The Group transacts electricity cap, swap and futures instruments to

[2] Headline rating parameters used by Standard & Poor's in assessing Snowy Hydro's credit standing. The final rating takes into account numerous business parameters and the Group's operating (industry) environment.

notionally contract a portion of its generation capacity. Interest rate and commodity swaps are transacted to manage cash flow risks associated with financing and energy procurement activities.

Derivative instruments are recorded at fair value which reflects current market conditions. The Group's methodology for calculating fair value is set out in Section 4 of this note.

The prescriptive nature of *AASB 139 Financial Instruments: Recognition and Measurement*, precludes the majority of the Group's economic hedges to manage electricity price risks satisfying the criteria for hedge accounting. Changes in the fair value of non-designated derivatives are recognised as *Movements in fair value of derivatives* in the Consolidated Statement of Profit or Loss.

Key financial risks managed by the Group are explained in the following sections:

- market risk (including electricity, commodity and foreign exchange price risk)
- interest rate risk
- liquidity risk
- credit risk.

(i) Market risk

Electricity and commodity

Market risk is the risk that fluctuations in electricity and commodity prices will impact the Group's result and cash flows. The Group is exposed to changes in wholesale prices of electricity, oil and environmental scheme certificates.

To manage its electricity price risk the Group utilizes a range of derivative instruments including vanilla and structured caps, swaps, and futures contracts. Over the counter cap and related derivative products include features providing the counterparty with the ability to nominate different strike prices and notional megawatt (MW) volumes (within limits) for different contract periods that affect the calculation of cash flows settled under the contracts.

The Group has a highly structured contract and portfolio risk management framework to manage its business and cash flows which incorporates a Revenue-at-Risk approach trading risk limits.

Revenue-at-Risk is measured based on defined probability limits applied to defined monetary amounts at-risk over defined time periods. Revenue incorporates settlements with NEM counterparties arising from financial contracts settled against the spot market, spot revenue arising from physical generation and Settlement Residue Auction receipts. Trading limits may only be changed with Board approval.

The Group is also exposed to cash flow effects from fluctuations in commodity prices through gas supply contracts that are in some instances, indexed to Brent oil prices denominated in USD. Commodity forwards contracts are used to manage the oil price risk. The Group's policy is to hedge up to 100% of its forecast oil-linked gas purchases by way of Australian dollar denominated oil contracts for a period out to 3 years. At 2 July 2016, the Group had hedged monthly volumes ranging from 16,875 to 65,100 bbl out to October 2017 at an average fixed price of $98.99 / bbl (2015 $98.66 / bbl).

The net values of electricity and commodity derivatives instruments have been classified as either current or non-current financial assets or current or non-current financial liability at the reporting date are listed in notes 8 and 15.

The table below sets out the impact of changes in prices on profit and equity based solely on the Group's exposures existing at the reporting date (holding all other variables constant and without any mitigation actions that management might take if the price changed occurred).

		Profit or loss (post tax)		Equity, net of tax	
	Sensitivity Measure	Increase $M	Decrease $M	Increase $M	Decrease $M
2 July 2016					
Electricity caps	Note 1	(250.8)	250.2	-	-
Electricity swaps	Note 2	11.3	(11.3)	-	-
27 June 2015					
Electricity caps	Note 1	(235.1)	237.7	-	-
Electricity swaps	Note 2	1.3	(1.3)	-	-
2 July 2016					
Oil derivative [3]	$30/bbl	-	-	11.3	(11.3)
27 June 2015					
Oil derivative	$30/bbl	-	-	16.8	(16.8)

Note 1 For cap contracts, a 40% (2015: 40%) volatility is applied which is based on the historical price movements[3]. In addition to the caps, there are swaptions which have a 20% price movement applied[4].

Note 2 For swap and swap-like instruments, a movement of 15% flat and off-peak and 20% for peak contracts was used in 2016 based on the price volatilities in the OTC market over the historical period[5], similar to the movement applied in 2015.

Note 3 For oil derivative, a movement of $30/bbl is applied to the sensitivity which is deemed appropriate given recent volatility in USD denominated global oil markets and the AUD/USD cross rate.

Foreign exchange contracts

Foreign exchange contracts

The Group is exposed to foreign exchange risk on payments for goods or services denominated in foreign currencies. The policy of the Group is to enter into forward foreign exchange contracts to hedge material foreign currency payments.

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).

The table below details the forward currency contracts that existed as at 2 July 2016.

[3] Volatility is measured as the annualised standard deviation in weekly log returns of ICAP data for annual terms.
[4] Volatility is based on the average implied volatility at day one.
[5] The volatility measured was the annualised standard deviation in weekly log returns of ICAP data for quarterly swap terms.

	Average exchange rate 2 July 2016	Principal amount 2 July 2016	Average exchange rate 27 June 2015	Principal amount 27 June 2015
Consolidated		**$M**		**$M**
Buy USD		**USD**		**USD**
0 to 12 months	0.697	2.0	0.704	3.5
1 to 2 years	0.724	0.2	0.701	0.8
2 to 5 years	0.714	0.3	0.714	0.3

The fair value was obtained from the counterparty to the transaction as the counterparty was a recognised market maker in foreign exchange contracts. The fair value of these instruments as at 2 July 2016 was a liability of $0.2 million. The fair value of these instruments as at 27 June 2015 was $Nil.

A sensitivity analysis is undertaken based on the exposure to exchange rates for each of the derivative instruments. Exchange rate movements that refer to the historical volatility experienced by the particular currencies are used as the basis for the sensitivity analysis. Due to the size of the underlying foreign exchange contracts, the sensitivity results are immaterial for the current year.

(ii) Interest rate risk

Interest rate risk is the risk that fluctuations in interest rates affects the Group's results. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group has entered into a number of interest rate swaps to manage its exposure to floating interest rates through to October 2024. The proportion of debt that is required to be economically hedged under the Group's hedging policy is subject to periodic review.

The exposure of the Group to changes in interest rates on borrowings (excluding lease liabilities) and related interest rate swaps and the contractual repricing periods at the reporting date are set out below.

			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
2016							
Financial Assets							
Cash	1.7	11.8	-	-	-	-	11.8
Other financial assets	1.6	12.4	-	-	-	-	12.4
Financial Liabilities							
Trade payables		-	-	-	-	245.0	245.0
Interest rate swaps	3.3	527.1	-	(127.0)	(400.1)	-	527.1

Consolidated	Average Interest Rate %	Variable Interest Rate $M	Interest Rate Reset: Less Than 1 year $M	1 to 5 Years $M	More Than 5 Years $M	Non Interest Bearing $M	Total $M
Unsecured bank loans	3.2	(1,055.0)	-	-	-	-	(1,055.0)
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)	-	526.0
Unsecured bank loans	3.2	(1,245.0)	-	-	-	-	(1,245.0)

Fair value sensitivity for variable rate instruments

The table below shows the effect on profit and equity if interest rates had been 150 basis points higher or lower based on the interest rate yield curve applicable to the Group's interest bearing assets and liabilities at the reporting date. All other variables have been held constant.

The impact of any mitigating actions that management might take if the interest rate change had occurred has not been taken into account.

	Profit or loss, post-tax		**Equity, net of tax**	
	150 bp Increase $M	**150 bp Decrease $M**	**150 bp Increase $M**	**150 bp Decrease $M**
2 July 2016				
Variable-rate instruments	(11.0)	11.0	-	-
Interest rate swaps	-	-	31.7	(35.1)
Fair value sensitivity (net)	(11.0)	11.0	31.7	(35.1)
27 June 2015				
Variable-rate instruments	(13.1)	15.0	-	-
Interest rate swaps	3.7	(4.2)	23.6	(21.7)
Fair value sensitivity (net)	(9.4)	10.8	23.6	(21.7)

(iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as they become due.

Short term liquidity risk predominantly arises through two sources: the potential for large margin calls on electricity futures contracts in the event of adverse movements in forward electricity prices, and the risk of settling large payouts on a contract or contracts where the Group's generation fails to cover those contract positions.

The Group manages its liquidity risk by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and liabilities and maintaining committed stand-by facilities. The Group 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 trading.

At the reporting date, the Group had committed, undrawn facilities of $498 million (27 June 2015: $357 million), as detailed in note 24.

The Group manages its market related liquidity risk by maintaining adequate reserves of generation capacity and high levels of plant reliability and availability which allows for the generation of spot income to match contracted outgoing commitments to various NEM counterparties.

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.

	Less than 1 year $M	1 to 2 years $M	2 to 5 years $M	Greater than 5 years $M
Consolidated				
2016				
Trade payables	(245.0)	-	-	-
Debt	(168.5)	(215.0)	(672.0)	-
Interest	(5.3)	-	-	-
Swap liability	(61.1)	(7.2)	-	-
Option liability	(0.1)	(0.3)	-	-
Interest rate swaps	(7.4)	(9.0)	(20.1)	(12.0)
Financial lease liability	(11.2)	(11.2)	(33.6)	(85.9)
Oil derivative	(10.1)	(5.1)	-	-
Restated 2015				
Trade payables	(205.3)	-	-	-
Debt	(27.5)	(165.0)	(1,053.0)	-

	Less than 1 year $M	1 to 2 years $M	2 to 5 years $M	Greater than 5 years $M
Consolidated				
Swap liability	(5.8)	(3.1)	-	-
Option liability	(5.7)	(0.1)	-	-
Interest rate swaps	(5.8)	(4.4)	(6.2)	(3.8)
Interest	(9.0)	-	-	-
Financial lease liability	(11.2)	(11.2)	(33.6)	(97.1)
Oil derivative	(2.6)	(2.7)	(1.1)	-

Net undiscounted 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 pay-out of estimated future contract for difference payments based on the interest rate curve at the reporting date.
(d) sold (written) option type contracts have been measured at the net of option fees receivable and the gross payout of estimated future contracts for difference payments.

(iv) Credit risk

Credit risk is the risk that a financial and energy market counterparty will not fulfil its financial obligations under a contract or other arrangement that may cause a financial loss to the Group.

Credit risk is managed under a Board approved policy which includes the use of credit limits allocated based on the overall financial and competitive strength of the counterparty. Publicly available credit information and corporate credit ratings are utilised for this purpose, where available.

The credit policy cover exposures arising from the sale of products and use of derivative instruments.

Derivative counterparties are limited to high-credit-quality financial institutions and organisations operating in the NEM and financial markets.

The Group utilises International Swaps and Derivative Association (ISDA) agreements to limit its exposure to credit risk through the netting of amounts receivable from and payable to counterparty.

The measurement of the credit risk can include a contract's current and potential future exposure. The contract's fair value is used to quantify the Group's current exposure to a counterparty, if any exists.

The fair values of derivative related 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, the Group's electricity market spot, contract, inter-regional and ancillary services transactions have four week cash settlement terms. As a result, the Group's generation business is not exposed to large receivable collection costs, nor does it provide for any significant doubtful debts.

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.

3. Derivative assets and liabilities designated as cash flow hedges

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

	2016 Expected cash flows				2015 Expected cash flows			
	Carrying Amount $M	Total $M	12 months Or less $M	More than 1 year $M	Carrying Amount $M	Total $M	12 months Or less $M	More than 1 year $M
Interest rate swaps								
Liabilities	(43.8)	(45.10	(6.3)	(38.7)	(8.6)	(9.0)	(2.2)	(6.8)
Oil derivatives								
Liabilities	(15.0)	(15.2)	(10.1)	(5.1)	(6.2)	(6.4)	(2.6)	(3.8)
	(58.8)	(60.2)	(16.4)	(43.8)	(14.8)	(15.4)	(4.8)	(10.6)

Note: Carrying Amount is measured as the discounted fair value of the liabilities, including CDS and Total is calculated as the undiscounted value.

4 Fair value of financial assets and financial liabilities

The following is a summary of the methods used to estimate the fair value of financial instruments.

Instrument	Fair Value Methodology
Financial instruments traded in active futures markets	Quoted market prices at reporting date
Interest rate swaps	Present value of estimated future cash flows. Key variables include market pricing data, discount rates and credit risk of the Group and counterparty likely to be used by market participants to execute and value the instruments. Cash flows are discounted at a rate that reflects the credit risk of the relevant counterparty.
Oil derivative	Present value of estimated future cash flows using market forward curve. Cash flows are discounted at a rate that reflects the credit risk of the relevant counterparty.
Electricity swaps regularly	Future cash flows are determined based on the difference

traded in active markets	between the market's quoted forward rates for corresponding quarter and the contract strike price and volume. The market quoted rates are sculpted to reflect any seasonal variations for the relevant period. Management applies different sculpted forward price profiles in determining the fair value for each type of contract. Cash flows of load following swaps are based on forecast energy usage profiles. GFI group's market prices are adjusted with a half hourly calibration factor to value contracts without corresponding GFI group market prices. All cash flows are discounted at a rate that reflects the credit risk of various counterparties.
Electricity caps, swap capped and swap capped options not regularly traded in active markets with no observable inputs	For the swap capped contracts, future cash flows are determined by the difference between an adjusted forward curve and the contract strike price which together with market implied volatilities are then input into generally accepted pricing models. Larger, longer term contracts for which no liquid market exists are valued using an internal cap valuation curve based on management's assessment of new-entrant pricing approach which takes into account capital costs, fixed and variable operating costs, efficiency factors and asset lives, as well as premiums for accepting physical risks. For the purposes of valuation, GFI prices are used for financial years 2017 and Q3/Q4 2017, and thereafter blended with the cap valuation curve which is escalated for the remaining valuation term. Cash flows are discounted at a rate that reflects the credit risk of the cash flows exchanged between the counterparties.

Key estimate: fair values

In order to estimate the fair value of financial assets and financial liabilities, the Group uses a variety of methods outlined above and makes assumptions based on market conditions which exist at the reporting date.

The following table provides information on the reliability of inputs using a 3-level hierarchy reflecting the degree to which the fair values of financial assets and financial liabilities carried at fair value are based on independent observable market data:

- *Level 1*: quoted prices (unadjusted) in active markets for identical instruments
- *Level 2*: other valuation methods for which inputs that have a significant impact on the fair value are observable either directly (as prices) or indirectly (derived from prices)
- *Level 3*: one or more key inputs for the instruments are not based on observable market data (unobservable inputs).

There have been no transfers between levels during 2016 (2015: There were two load following swap contract transfers into level 3).

	Fair value measurement at end of the reporting period using:			
Financial assets/(liabilities) at fair value;	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**As at 2 July 2016**
Electricity trading derivatives	6.9	17.6	265.4	289.9
Foreign exchange	-	(0.2)	-	(0.2)
Interest rate swaps	-	(43.8)	-	(43.8)
Oil derivative	-	(15.0)	-	(15.0)
Total financial instruments carried at fair value	6.9	(41.4)	265.4	230.9

	Level 1 $M	**Level 2 $M**	**Level 3 $M**	**As at 27 June 2015 $M**
Electricity trading derivatives	(4.1)	(4.4)	457.8	449.3
Interest rate swaps	-	(11.9)	-	(11.9)
Oil derivative	-	(6.2)	-	(6.2)
Total financial instruments carried at fair value	(4.1)	(22.5)	457.8	431.2

Instruments classified as Level 3 are options (cap, environmental and swaptions) and non-standard swap instruments.

The following table shows a reconciliation of movements in the value of Level 3 instruments.

Description	**Period ended 2 July 2016 $M**	**Period ended 27 June 2015 $M**
Opening balance	457.8	372.6
Total gains or losses realised in profit and loss*	226.3	311.5
Total gains or losses mark to market movement*	(117.1)	82.8
Purchases	-	(0.7)
Settlements	(301.6)	(308.0)
Transfers into Level 3	-	(0.4)
Closing balance	265.4	457.8

* Gains or losses realised are the amortisation of option premiums. Gains and losses mark to market are unrealised changes in the fair value of the instruments. The total included in the Consolidated Statement of Profit or Loss for the reporting period ended 2 July 2016 (and previous corresponding period) presented as follows:

	Period ended 2 July 2016 $M	Period ended 27 June 2015 $M
Revenue	226.3	311.5
Movements in fair value of derivatives	(117.1)	82.8
Total gains or losses included in profit or loss for the period	109.2	394.3

Sensitivity Analysis of Level 3 Instruments

The use of different assumptions or methodologies could lead to different measurements of fair value. The following effects are calculated to show the result on post tax profit or loss for level 3 instruments based on the following movements in underlying prices: 40% movement in the price curve for cap instruments, and 20% for swaptions, load-following swaps and capped swaps.

The sensitivity measure is based on the historical analysis of movements in the annual GFI cap prices over the historical period for short term broker market (less than 100MW and short duration up to 2 years) and applied to non-standard, long term large volume contracts.

Impact of change in price curve on post-tax profit

Consolidated	**Fair Value**		**Increase**		**Decrease**	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Level 3 Instruments	265.4	457.8	(252.0)	(235.1)	251.3	235.7

32 Parent entity disclosures

The parent entity is Snowy Hydro Limited.

	As at 2 July 2016 $M	As at 27 June 2015 $M
(a) Financial Position		
Assets		
Current Assets	568.2	700.2
Total Assets	3,267.4	3,481.3
Liabilities		
Current Liabilities	339.4	96.4
Total Liabilities	1,368.1	1,401.3
Equity		
Issued capital	816.1	816.1
Hedging Reserves	(30.8)	(6.0)

(b) Financial Performance

	Period ended 2 July 2016 $M	Period ended 27 June 2015 $M
Profit attributable to the parent entity	24.0	212.2
Total Comprehensive Income	(0.7)	206.2

(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 29	76.7	13.8

(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	57.8	11.2
Longer than 1 year but not longer than 5 years	23.4	3.2
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
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Cooma NSW 2630