ANNUAL REPORT 2015

For the Electricity Generation and Retail Corporation trading as Synergy

Letter to the Minister for Energy

In accordance with the Electricity Corporations Act 2005 (Act), I have pleasure in submitting the annual report of the Electricity Generation and Retail Corporation trading as Synergy.

Consistent with the provisions of the Act, Synergy will publish this document upon advice from the Minister.

Yours sincerely,

LYNDON ROWE
Chairman

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Synergy

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04 about synergy

In a changing world, we strive to be the first choice for energy, trusted to provide homes and businesses with innovative and effective products and services, for today and tomorrow.

As Western Australia's largest provider of electricity and gas, we deliver energy to more than one million residential, business and industrial customers through our extensive power generation and sustainable energy portfolio.

Our future vision is clear. We aspire to be the first choice for energy in Western Australia. Our long-term focus is to optimise our portfolio, understand our customers and create profitable energy management solutions.

We own and operate power stations between Kalbarri in the north, Kalgoorlie in the east and Albany in the south – an electricity network known as the south west interconnected system (SWIS).

We also generate electricity from sustainable energy sources including wind and solar farms and multiple wind-diesel systems across WA.

Synergy produces or purchases about 14,000 gigawatt hours (GWh) of electricity each year, servicing about 60 per cent of all residential and commercial customers in the SWIS and approximately 45 per cent of commercial customers in the contestable gas market.

Our 938 permanent employees are embracing a new cultural direction guided by a clear corporate vision and values, as we transform for the future.

As of 1 January 2014, Synergy is a vertically-integrated energy generation and retail corporation, established under the Electricity Corporations Act 2005, owned by the State Government of WA, reporting to the WA Minister for Energy, the Hon Dr Mike Nahan.

05 our business

Western Australia's most experienced electricity generator and energy retailer.

2,815 megawatt capacity generation portfolio (CAPPED GENERATION CAPACITY 3,000 MW)

74 PER CENT of wholesale MARKET SHARE

8 POWER stations

retail market share of **61 PER CENT** [1]

9 WIND farms

more then **ONE MILLION CUSTOMERS**

2 SOLAR farms

938 PERMANENT EMPLOYEES

[1] Franchise and contestable electricity market segments

06 our business (continued)

Synergy operates and maintains a diverse portfolio of electricity generating units across Western Australia.

Legend

- South West Interconnected System (SWIS)
- Thermal
- Wind
- Gas Turbine
- Gas Solar

07


Western Australia
Coral Bay
Denham
Kalbarri
Geraldton
Mungarra
Greenough
Mumbida
West Kalgoorlie
Pinjar
Kwinana
Cockburn
Collie
Muja
Hopetoun
Esperance
Bremer Bay
Albany

08 chairman's message

LYNDON ROWE
Chairman

In 1942 Austrian-American economist and political-scientist Joseph Schumpeter introduced the concept of 'the perennial gale of creative destruction' in reference to the process of change that continually revolutionises economic structures that incessantly replace old ones with new.

In Western Australia's energy sector, Schumpeter's concept is reflected in the wind speed requiring industry participants to respond to new challenges in ever shorter time frames. For those unable to respond to those challenges, the pace in which they cease to be relevant is quickening.

Today the energy sector has clearly encountered gale force winds and is faced with 'creative destruction' threatening the traditional energy utility model. Synergy is in the middle of the storm; an exciting, threatening and challenging place to be.

Synergy's challenges focus on ensuring the business provides value for both our customers and for our shareholders; the people of WA. Finding a clear view of the future of the state's energy sector is not easy. The full impact of increasing levels of renewable energy, distributed generation and storage technology is having an effect on the traditional utility model. However, what is clear is that new technology is an enabler for both energy providers and customers.

How will Synergy adapt to this new and continually changing environment? Do we have the flexibility and agility needed to respond in a timely way? Confronting the hard issues and answering the questions that need to be answered for Synergy to survive the storm is our number one priority.

Synergy's best starting position is to be as efficient as possible at what we currently do and to create a culture that not only welcomes change, but is responsive to it.

This has been a strong focus of all of us at Synergy in the last year through our business efficiency program (BEP). The program has not just been about taking unnecessary costs out of the business and maximising our revenue opportunities, but about enhancing our organisational health and culture so that we can respond effectively to new challenges.

On behalf of the board I want to congratulate and thank everyone at Synergy for their efforts in delivering outstanding results through our BEP.

This program placed very large demands on all employees as they balanced business as usual requirements and implemented a very resource-intensive program. The results to date have exceeded our expectations and the program will continue into the next reporting cycle.

It is also imperative that the market in which we operate provides appropriate incentives to maximise the long-term interests of consumers. Most readers of this annual report will be aware of the current electricity market review (EMR).

09

In addition, most observers of our electricity market would acknowledge that there are currently some perverse and unsustainable incentives in the market. In my view these incentives are creating higher costs than are necessary – costs which are ultimately borne by consumers and taxpayers.

The market does need reform. Without an appropriate market structure 'creative destruction' might not deliver for consumers.

Synergy is, and will, play a proactive and positive role in contributing to the reform agenda. Personally, and somewhat separately, I look forward to playing a positive role as a member of the EMR steering committee.

At the same time as my appointment to chairman in August 2014, David Hunt was also appointed to the board, joining existing members Mark Chatfield and Michael Goddard.

In October 2014, we were joined by Michele Dolin, Kim Horne and Samantha Tough. I would like to express my appreciation to all board members for their contribution and support in what has been a very busy year.

In July 2015, after the conclusion of the financial year, there were additional changes to the board. Mark Chatfield did not wish to be reappointed and his term finished at the end of July. On behalf of the board I would like to thank Mark for his significant contribution to Synergy. I know he will maintain an active interest in our future and I look forward to receiving his now informal advice.

Rob Bransby has been appointed to replace Mark, and Kim Horne was appointed as deputy chairman.

On behalf of the board, I would like to thank our minister, Hon Dr Mike Nahan, for his support, guidance and generous availability. It is greatly appreciated.

As a government trading enterprise, Synergy relies on the support and co-operation of three key stakeholders – the office of the Minister for Energy, the Public Utilities Office and Treasury. We are grateful for the support and cooperation each has provided.

Finally, I want to again thank the dedicated staff at Synergy, ably led by our talented and committed chief executive officer, Jason Waters. While there are significant challenges ahead, the progress made this year through the combined efforts of all Synergy employees, gives the board the confidence it needs as we respond to 'the perennial gale of creative destruction'.

Yours sincerely,

LYNDON ROWE
Chairman

10 chief executive officer's report

JASON WATERS
Chief executive officer

The 2014-15 financial year has been one of the most significant periods in the history of Synergy, dominated by the most fundamental transformation the business has experienced since its inception.

The 2014-15 financial year has been one of the most significant periods in the history of Synergy, dominated by the most fundamental transformation the business has experienced since its inception.

In November 2014, Synergy launched its new corporate strategy; the foundation of its future direction and survival. Synergy's clear vision is to be the first choice for energy, trusted to provide homes and businesses with innovative and effective products and services.

At the heart of the new strategy is the fundamental need to manage the core of the business, eliminate duplication as a result of the merger process that took place in the previous year, simplify our operations and gain a clear understanding of our cost base. In order to achieve those objectives and build the foundations for future success, Synergy embarked on a business efficiency program (BEP) and commenced a whole-of-business process that has recalibrated the way it operates, provided clear sight of its entire value chain, reduced operating costs and identified new markets and commercial opportunities that will underpin Synergy's future.

The BEP has been, and continues to be, Synergy's single biggest focus that demands the collective input of the entire business. It has challenged everyone within Synergy; encouraged the development of a culture that will be able to meet the significant transformation underway in the energy sector; and, embedded greater levels of commercial awareness and acumen throughout all levels of Synergy.

Synergy has a responsibility to operate as efficiently, responsibly and safely as possible; to ensure value is retained in the business and to reduce the value of the operating subsidies paid by the State Government. The business delivered some excellent results in those areas over the past 12 months.

Synergy has also faced challenges that have impacted its bottom line performance with an overall reduction in net profit after tax (NPAT) of $57.1 million compared to $122.5 million in the previous year. This was as a result of a reduction in revenue of $648.2 million on 2013-14 due to the inclusion of carbon revenue (approximately $292.7 million in 2013-2014); lower energy sales and the decline in average electricity prices; and, resulting reduction in the tariff adjustment payment.

Synergy's generation production decreased 12 per cent on the previous year, due to increased outage rates affected by ageing assets, cooling tower and transformer issues at Muja power station, and the staged retirement of assets. In April 2015, Synergy closed Kwinana Power Station, after 45 years of operation, approximately six months ahead of schedule.

Synergy reduced the operating subsidy paid by the State Government by $124.3 million on the previous year. Gas gross profit was up 5.5 per cent on 2013-14 underpinned by increased sale volume of 0.8 per cent. Gross margin improved to 22.4 per cent up from 20.3 per cent in 2013-14. Cash flow from operations increased 13.9 per cent in 2014-15, underpinned by increased cash receipts from customers up 20.5 per cent; reduced net interest payments down 76.5 per cent; and lower tax equivalent payments down 74.5 per cent. The increased cash from operations allowed for a $316.4 million repayment of corporate borrowings. Synergy's net debt is now $9 million, down from $99.8 million in 2013-14.

Synergy's safety performance in the past 12 months was excellent with the business achieving, for the first time, a target of zero lost time injuries for the reporting year. This target was also reflected in the significant improvement in other safety metrics across the same period including a 68 per cent improvement in recordable injury frequency rate and a 13 per cent reduction in high/extreme risk incident frequency rate.

In the 25 years I have been with Synergy, improving our general safety performance and achieving results of this kind, has been an aspirational but elusive target. These results illustrate a growing cultural maturity and the success of focussing on key guiding principles of safe work and increased field leadership involvement.

At the end of the reporting period, Synergy had more than one million residential, commercial and industrial customers. Customer complaints were down 17 per cent, the lowest level since 2011-12.

Synergy's performance in customer service was recognised nationally and internationally. At the Australian Process Excellence (PEX) Awards, Synergy received the award for the best customer experience improvement initiative of the year 2014. That was followed-up with international recognition in the PEX Network Awards with a win in the category for the best project contributing to customer excellence.

Synergy has increased the online services available to customers. More than 184,000 customers have subscribed to the paperless billing function, while 121,000 customers choose the direct debit payment option for account payments.

The business is future-focussed and established its position in 2014-15 to lead the development of a community-based energy storage trial at Alkimos Beach. Synergy's involvement in the trial, which was announced by the Minister for Energy in March 2014, is in collaboration with development partners LandCorp and Lendlease; and, Synergy has received support and funding from the Australian Renewable Energy Agency.

I am confident the learnings gained from our involvement in the trial project will provide Synergy with important information that will drive future commercial decisions in regard to renewable technology and energy management solutions.

Synergy's future success is dependent on many factors and even through the changes and challenges of the past year, Synergy staff have remained focused and committed. There is a sense of urgency and spirit of collaboration at every level of the organisation; and, a real understanding of what it will take to transform our business. I thank all staff for their efforts.

I also thank my leadership team, Synergy's chairman and board, and the Minister for Energy, for their continued support and contribution.

Synergy will continue its transformation with determination and work towards implementing its strategy and achieving its vision.

Yours sincerely,

JASON WATERS
Chief executive officer

12 our performance

SAFETY

0 lost time injuries

68% improvement in recordable injury frequency rate

13% reduction in high/extreme risk incident frequency rate.

- Achieved corporate target of zero lost time injuries. Our safety vision is for all employees to be leaders in safety, accountable and trusted to manage our risks. Performance improvements due to focus on key guiding principles of safe work and increased field leadership involvement.

ENERGY

8,331 gigawatt hours (GWh) of generation sent-out

83.2% plant availability

Kwinana Power Station closed months ahead of schedule

implemented standardised wholesale energy products.

- We sent-out 8,331 GWh of electricity. Unplanned maintenance incidents impacted plant availability. A new asset management framework will facilitate improved plant maintenance.

ENVIRONMENT

8.3% reduction in reported CO_2e volumes

7 minor reportable environmental incidents

390MW – installed energy capacity through the renewable energy buyback scheme (REBS) – up 20% from 2013-14.

- We reduced our annual air emissions through upgrades to precipitators at Muja Power Station and closure of units at Kwinana Power Station.
- We committed to an extensive study which will deliver an airshed management strategy for sulphur dioxide emissions near Collie.

FINANCE

net profit (after tax) of **$57.1m**

$124.3m reduction in subsidy from 2013-14.

- Pressure on retail sales margins.
- Lower demand – economic and weather related impacts.
- Unplanned asset maintenance costs.
- Positive profit trend over four year budgeting forecasts.

CUSTOMERS

1,000,000 residential, commercial, industrial customers

17% reduction in customer complaints – lowest level since 2011-12

215,000 users of My Account

184,000 customers subscribed to paperless billing

+60 net promoter score.

- We provided customers energy management options through the launch of the improved My Account application and our community service program.
- We achieved customer service excellence and drove down complaints to the lowest level in four years.
- We provided customers with improved convenience through self-service and online options.

TEAM

938 permanent employees

4 key values – innovation, accountability, collaboration and trust

1 vision – to be the first choice for energy

0 breaches of code of conduct

national and international awards for excellence in customer service.

- We are investing in our people. We initiated significant organisational change to create a values-based culture aligned to our corporate goals. We have invested in training and development, leadership development and rewards and recognition.

COMMUNITY

80,000 visitors attend Synergy sponsored Light Up Leederville Carnival

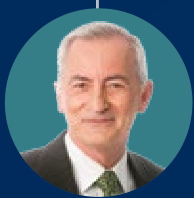
comprehensive referral process for customers experiencing financial hardship

funds raised through Synergy Spirit to help community and voluntary associations.

- We work closely with customers and community organisations to provide assistance and support to those experiencing financial hardship.
- We invested in initiatives and events, corporate partnerships and sponsorships to build community relationships and strategic alliances.

14 executive leadership team

CEO
Jason Waters



CFO
Karl Matacz

GM Wholesale
Kurt Baker

GM Corporate services
Will Baragmann

Acting GM Commercial
Jon D'Sylva

Jason Waters,
chief executive officer – B.Eng (Hons), GradDipBus

Jason was appointed CEO in January 2014 following the merger between Synergy and Verve Energy.

Jason has 25 years experience in WA's energy sector, and prior to leading Synergy he was CEO of Verve Energy.

Karl Matacz,
chief financial officer – MBA, B.Sc (Mathematics), CPA, MAICD

Karl has extensive experience in WA's energy sector with a career spanning more than 10 years at Western Power, Verve Energy and Synergy.

He was appointed CFO in 2014, and is focused on delivering effective financial stewardship through efficient financial control, compliance and analysis.

Kurt Baker,
general manager wholesale – B.Eng (Mech), GradDipBus

Kurt was appointed to the executive team in 2014 from his previous role as general manager trading and fuel at Verve Energy.

Kurt has primary responsibility for optimising Synergy's wholesale portfolio, managing fuel and electricity trading activities, contract management and marketing electricity and wholesale products.

Will Bargmann,
general manager corporate services – BA (Hons), JD

Will has been a practising lawyer for more than 25 years. He was with the former Synergy since its creation in 2006. Will has responsibility for key governance functions of legal, company secretary, regulatory, internal audit and risk and oversight of environmental management.

Jon D'Sylva,
acting general manager commercial – MAppFin, B.Tax

Previously with Verve Energy, Jon has led some significant commercial and business development initiatives including the establishment of the Greenough River solar farm.

Jon is responsible for driving a diverse business unit that undertakes Synergy's strategic and corporate development, business modelling and analytics, and corporate and external affairs functionality.

“Our leaders at Synergy are driving significant organisational change to position WA’s largest electricity generator and energy retailer for future growth and higher levels of customer service.”

– Jason Waters

GM Generation
Bary Ford

GM ICT
Alex Jones

GM Retail
Geoff Roberts

CTO
Stephanie Unwin

GM People & Culture
Angie Young

Barry Ford,
general manager generation – P.Eng, GAICD

Barry has 25 years of international experience working with energy infrastructure businesses in Canada, New Zealand and Australia.

Barry joined Synergy in 2012 and has an unwavering focus on safety, as well as discipline, knowledge capture and innovation. He is passionate about creating an environment which fosters team and individuals’ development and business growth.

Alex Jones,
general manager ICT – MBA, B.Sc (Computer science)

Alex is a senior information technology executive with more than 15 years experience in regional and global corporate IT leadership roles. Alex joined Synergy in 2011 and won the WA CIO of the Year award in 2013. He left the business in June 2015.

Geoff Roberts,
general manager retail

Prior to joining Synergy in 2006, Geoff held senior positions within the Australian retail financial services sector.

His key focus is the customer – ensuring that his team continually seek out new ways to deliver innovative solutions to address the evolving energy needs of all Synergy customers.

Stephanie Unwin,
general manager commercial; chief transformation officer – LLB, B.Econ, GAICD

Stephanie was appointed as general manager commercial in 2014 from her previous role as general manager of strategy and business development at Verve Energy.

Since December 2014, Stephanie has been responsible for the implementation of the single biggest transformation Synergy has undertaken since its inception. Through the business efficiency program (BEP), Synergy is reducing its operating costs, changing its culture and developing the strategy to realise its corporate vision.

Angie Young,
general manager people and culture – MBA, BA

Angie has 20 years experience in human resources. She joined Synergy in 2014 and is focused on motivating people, attracting and retaining talent and maintaining workforce productivity.

16 operating and financial review

This operating and financial review summarises Synergy's key financial and operational statistics. The review and data illustrated in Table 1 should be read in conjunction with the detailed financial statements and related notes.

Table 1: Financial summary

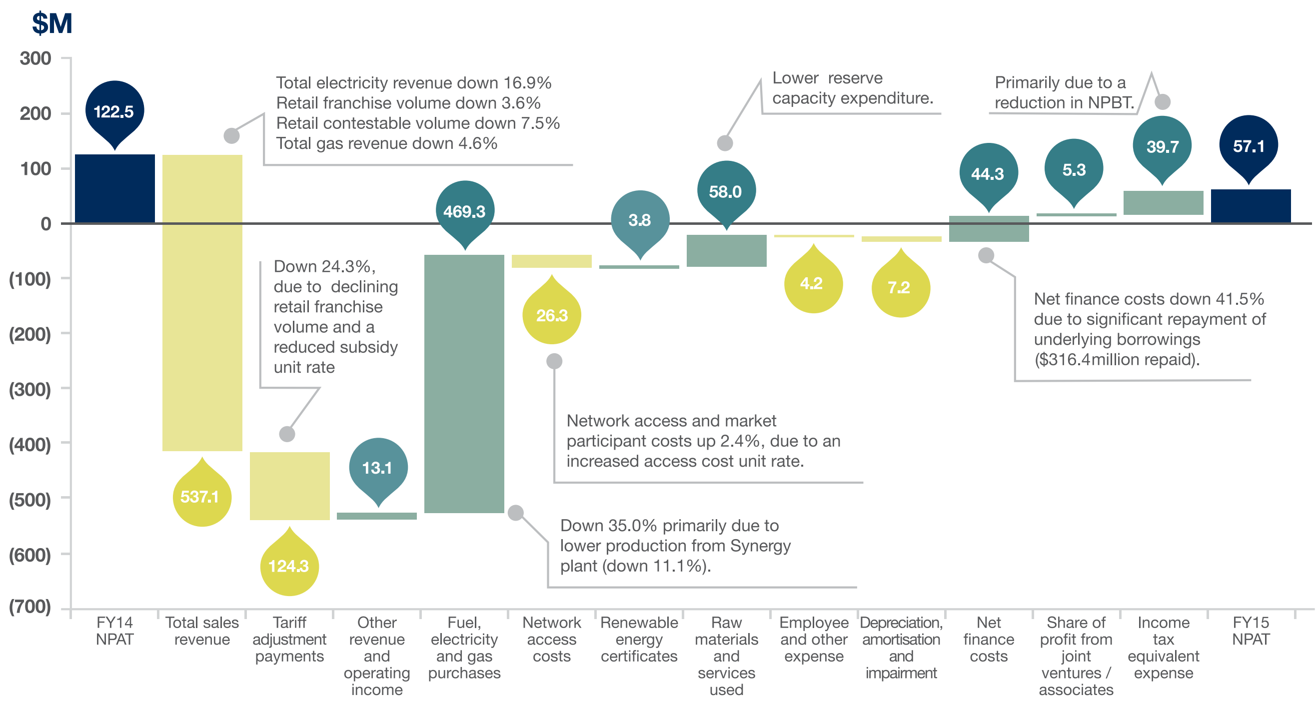
Year ended 30 June		FY15	FY14*
Profitability			
Revenue	$M	3,233.1	3,881.3
Gross margin	%	21.1	21.3
EBITDA	$M	361.0	506.6
NPAT	$M	57.1	122.5
Financial Position and Cash Flow			
Net assests/Equity	$M	1,100.0	1,126.6
Cash from operations	$M	236.2	207.4
Net debt (Total Cash - Borrowing)	$M	9.0	99.8
Dividends**	$M	37.1	83.5
Return on equity (NPAT / Equity)	%	5.2	10.9
Return on total assets (NPAT / Total Assets	%	2.0	3.7
Sale Volumes			
Electricity	GWh	13,451.9	13,654.6
Gas	TJ	32,817.5	32,564.0
Generation			
Production***	GWh	8,360.1	9,404.4
Plant availability	%	83.2	86.6

**Due to the merger of Synergy with Verve Energy effective 1 January 2014, these numbers have been derived from the audited financial statements of the former Synergy for the period 1 July 2013 to 31 December 2013 and former Verve Energy for the period 1 July 2013 to 30 June 2014. These combined results are themselves not audited.*

***Dividends for the year, paid in the subsequent year.*

****Electricity generation sent out (including South West Co-Generation Joint Venture).*

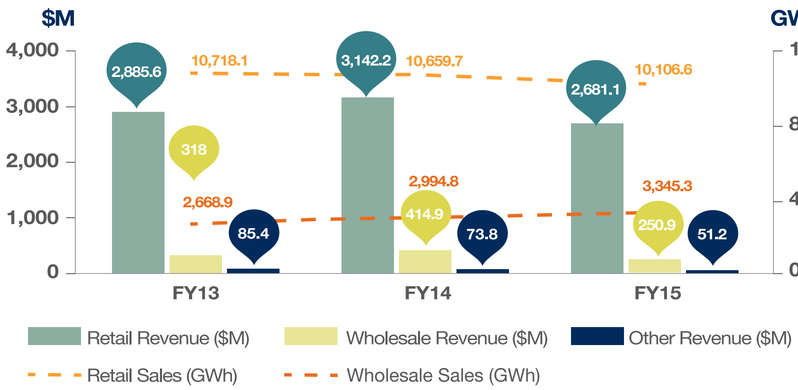
Table 2: Components of profit after tax



Revenue and gross profit

Revenue of $3.23 billion declined 16.7 per cent compared to 2013-14. The decline was due to both; the inclusion of carbon revenue in 2013-14 (approximately $292.7 million); lower energy sales and decline in average electricity prices. Gross margin remains stable at 21.1 per cent, despite disruption to plant production in 2014-15. This stability is due to a proportionate reduction in cost of sales comprising; production costs, energy purchase costs and renewable energy certificates.

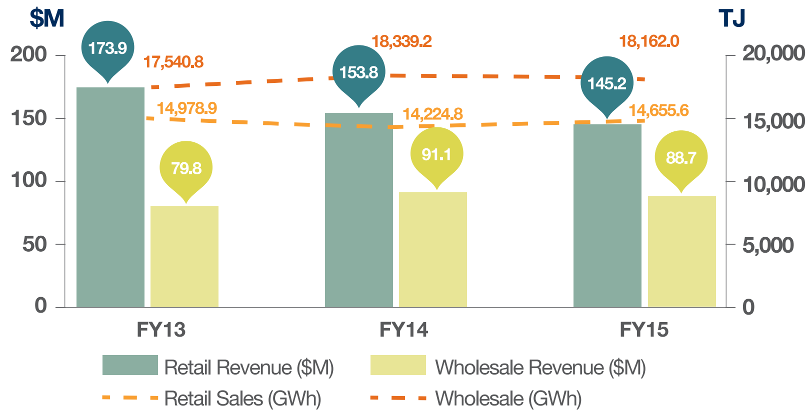
Table 3: Electricity revenue and sales



Electricity gross profit

Electricity gross profit was down by $159.2 million or 20.7 per cent on 2013-14. This was attributable to declining retail franchise and contestable sales (down 553.1 GWh or 5.2 per cent on 2013-14) and reduced tariff adjustment payments (down $124.3 million or 24.3 per cent on 2013-14). Electricity gross margin was 20.5 per cent, down from 21.2 per cent in 2013-14.

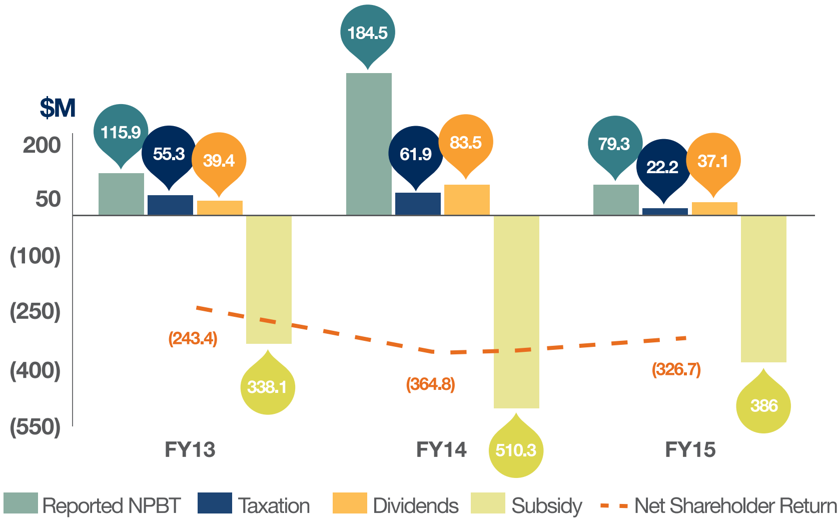
Table 4: Gas revenue and sales



Gas gross profit

Gas gross profit was up 5.5 per cent on 2013-14 underpinned by increased sale volume (up 0.8 per cent on 2013-14). Gross margin improved to 22.4 per cent up from 20.3 per cent in 2013-14.

Table 5: Net shareholder return*

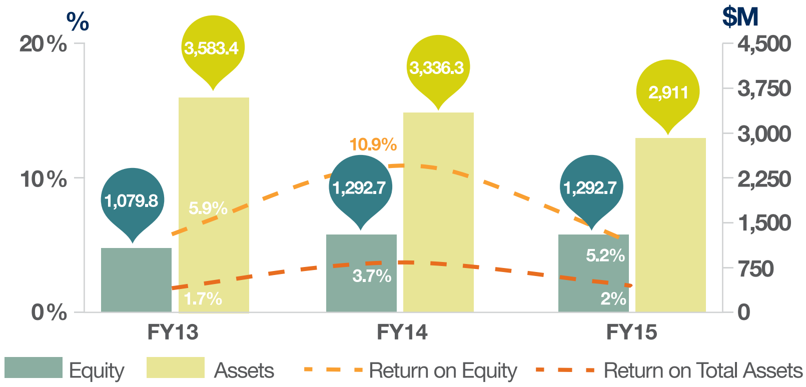


Net shareholder return

NSR has improved due to reduction in the TAP received as a result of lower franchise sales volume.

**Net shareholder return (NSR) is calculated as: tariff adjustment payments (TAP) received from the government, less tax equivalent expense, less dividends.*

Table 6: Return on equity and total assets



Both return on equity and total assets have declined compared to 2013-14 due to the lower NPAT.

Table 7: Cash from operations

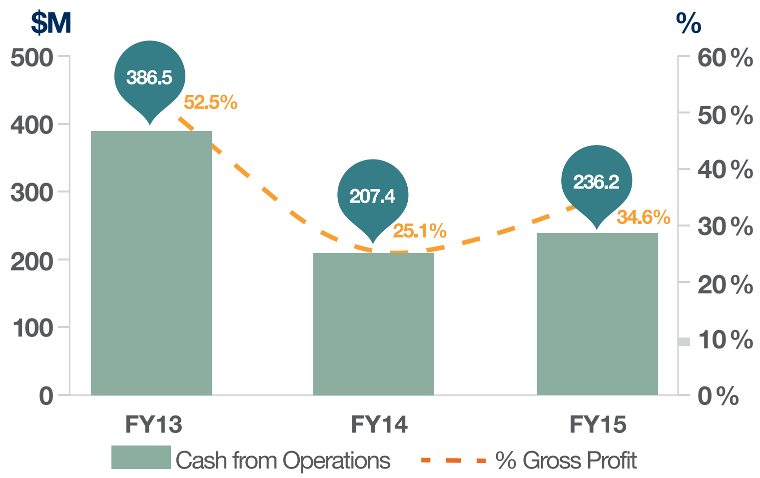
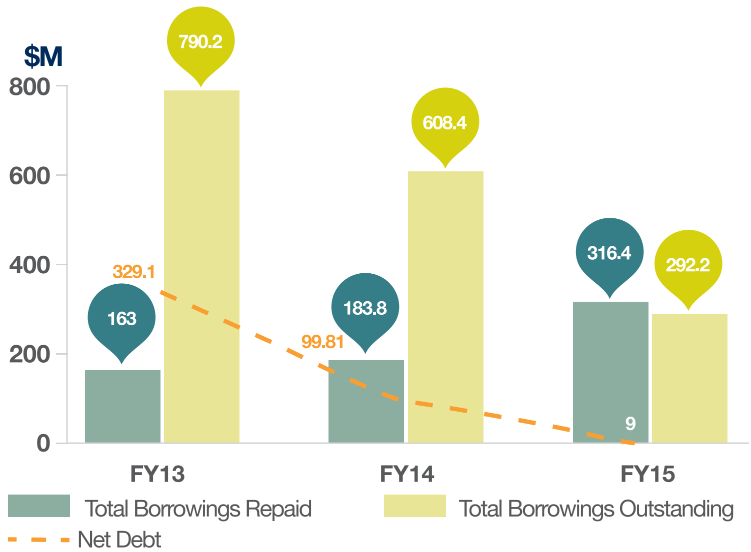


Table 8: Net debt



Earnings before interest, tax and depreciation (EBITDA)

EBITDA of $361.0 million declined 28.7 per cent compared to 2013-14. Total operating costs, whilst remaining consistent with 2013-14, represented a larger percentage of the reduced gross profit. Operating costs in the current year include business transformation costs and redundancy costs - where these costs are removed, operating costs are 1.6 per cent lower than in 2013-14.

Net profit after tax

Synergy's 2014-15 net profit after tax of $57.1 million declined 53.4 per cent in 2014-15.
In addition to the factors affecting EBITDA; depreciation and amortisation costs increased 12.6 per cent in 2014-15 due to accelerated depreciation associated with the retirement of Kwinana Power Station assets; offset by reduction in net finance cost by 41.5 per cent, due to repayment of borrowings and reduction in interest rates; and a decrease in the tax equivalent expense.

Cash flow from operations and net debt position

Synergy's cash flow from operations ($236.2 million) increased 13.9 per cent in 2014-15, underpinned by; increased cash receipts from customers (up 20.5 per cent); reduced net interest payments (down 76.5 per cent); and lower tax equivalent payments (down 74.5 per cent).

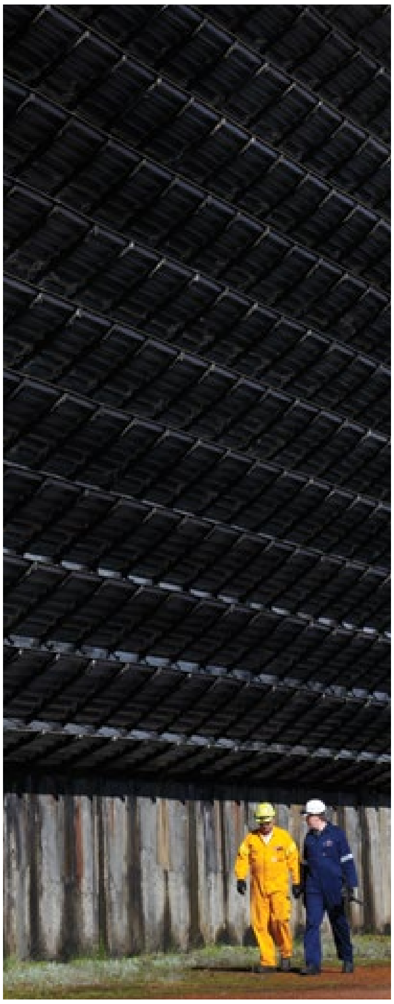
The increased cash from operations allowed for a $316.4 million repayment of corporate borrowings. Synergy's net debt is now $9.0 million, down from $99.8 million in 2013-14.

shaping our future

For any individual or organisation, embracing change is not easy. There is a natural anxiety that comes with facing the realities of having to do things differently.

For Synergy, our need for change is two-fold. It is being driven by the evolution of the energy industry globally as it adapts to the rapid developments of disruptive technologies and economic downturn; and, the WA market that is being redesigned to resolve inherent issues and accommodate an appetite for greater, fairer and more sustainable competition.

We have an obligation to the WA community to offer the very best in energy management solutions and to help our customers take control of their own energy requirements. And, we have made a commitment to our shareholder, the WA State Government, to reduce our reliance on subsidisation and become a truly commercially viable organisation.



As one of WA's most essential organisations, Synergy's corporate strategy is all about strengthening and building on our foundations; to be able to stand out as a top quartile leader in innovation, customer service excellence, asset management and commercial acumen.

Our business efficiency program (BEP) is the core component underpinning our strategy and propelling us towards achieving our vision.

The program utilises a proven methodology that marries a top-down, outside-in investor view of Synergy's potential in order to set direction, and a bottom-up, business-led implementation of key initiatives that will enact lasting change. The employees of Synergy collectively own and shape the BEP and our future success. The BEP is not an imposition – it is an opportunity to take control of the characteristics, culture and composition of Synergy.

Synergy is investing wisely – in its people and operational assets. We are realising financial efficiencies along the way and more importantly, we are creating a remarkable organisation committed to meeting the needs of our customers, shareholder and employees.

22 our customers

Performance highlights

Our mission is all about putting customers first. We aim to reliably, efficiently and sustainably provide them with energy products and services that meet their changing needs, allowing them to confidently manage their energy use.

As Western Australia's largest integrated electricity generator and energy retailer, we are committed to best practise customer service and delivery.

In 2014-15, we responded to more than one million phone enquiries and achieved an 81 per cent grade of service, administered concessions for more than 310,000 residential and business customers, purchased electricity from 165,000 renewable energy buyback (REBS) customers and improved our service delivery to customers, evidenced by the lowest level of customer complaints since 2011.

Over the past year WA's highly competitive energy market was dominated by declining demand for electricity in the south west interconnected system, an oversupply of generation capacity and increased retail competition for commercial customers.

As at 30 June 2015, Synergy had more than one million customers. We also had close to 165,000 REBS customers with a combined installed capacity in excess of 390 MW – a 20 per cent increase on the previous reporting period.

Understanding our customers

Our knowledge and understanding of our customers is integral to delivering the right tools, advice and solutions that help customers manage their energy use.

Consumers have become increasingly aware of energy issues and are taking a more active role in understanding how they use it. Installations of solar photovoltaic units continue to grow and customers are managing their energy consumption by upgrading to energy efficient appliances, lighting and other devices.

Energy – we've never relied on it more

Synergy is on target to deliver a suite of online services to enable customers to take control of their energy use and the program is delivering positive results.

More than 215,000 customers now subscribe to the internet, smart phone and tablet-friendly My Account service, that allows customers to monitor and manage their energy usage, provides historical account and neighbourhood comparison data, tips on how to save energy and options to manage their energy account.

More than 184,000 customers subscribe to paperless billing, while 121,000 customers choose the direct debit payment option for account payments.

A new proactive short messaging service (SMS) advising customers of payment due dates produced encouraging results with a marked increase in on-time payment from targeted customers.

Synergy will continue to focus on delivering new energy services to market, and taking a lead on advanced technologies with a mindset on innovation.

Excellence in customer service

We aim to provide customers with an effective and consistent customer experience that provides them with the confidence to manage their energy needs.

Synergy was publicly recognised for excellence in customer service during the reporting period. At the Australian Process Excellence (PEX) Awards, Synergy received the award for the best customer experience improvement initiative of the year 2014. That was followed with international recognition in the PEX Network Awards, with a win in the category for the best project contributing to customer excellence.

We maintained our excellent customer service levels throughout the year, with key drivers of positive performance being the knowledge and nature of Synergy staff, improvements to the online experience and the delivery of a number of process improvements that have made it easier and quicker for customers to interact with Synergy.

We achieved +60 on our net promoter score, which is a measure of customer satisfaction and loyalty.

In 2014 we upgraded our contact centre processes and systems to provide an enhanced and streamlined customer experience. An improved telephony system now provides better self-serve functionality including a customer call-back option which has reduced call wait times. Our newly created outbound contact centre group is focused on matching customers to the best solutions for their home and business; and proactively assisting customers experiencing financial hardship.

Our customer contact teams who assist distressed callers, received specialised hardship identification training through the Financial Counsellors Association of Western Australia. The training was designed to enhance team members' skills to compassionately and professionally assist hardship customers.

Synergy provides a range of payment initiatives, options and assistance programs to customers experiencing payment difficulties and financial hardship.

These include:

- keeping connected program – specialised one-on-one assistance for customers assessed as experiencing severe hardship;
- power on payment plan – waiving part or all of a customer's outstanding debt to assist in extreme hardship;
- hardship utility grant scheme (HUGs) – referral of hardship customers to an approved financial counsellor; and
- power assist – hardship assistance overseen by the Western Australian Council of Social Services and St Vincent de Paul.

24 our energy

Generation performance

	2014-15	2013-14
Generation sent-out	8,331	9,384
Plant availability	83.2	86.6
Forced outage factor	6.1	1.6
Operating expenditure	$258m	$260m
Maintenance expenditure	$140m	$155m

We are optimising our operations to achieve maximum efficiencies across our generation portfolio.

Synergy delivered several major initiatives across its generation portfolio. We established an asset management framework to ensure consistent delivery of desired plant performance and maximise asset value by balancing cost, risk and performance.

We achieved operational savings through the earlier than scheduled closure of the Kwinana and Geraldton Power Stations and improved asset management practices at our Muja facility.

We implemented changes to our organisational structure to provide the foundation for continued business performance improvement. Our focus on safety resulted in an extraordinary result of 416 days without a lost time injury achieved in June 2015 and improvements in other safety indicators.

Delivering energy

Synergy owns and operates a diverse portfolio of electricity generating assets across WA, including coal-fired thermal plant near Collie, high efficiency gas

Performance highlights

turbines at Kwinana, wind farms including Albany Wind Farm and the joint venture Mumbida Wind Farm near Geraldton, combined wind-diesel plants and a joint venture solar farm at Greenough River near Geraldton.

In 2014-15, Synergy sent-out 8,331 gigawatt hours (GWh) of electricity, down by 11 per cent on the previous year. This energy accounted for approximately 42 per cent of electricity sold to residential and business customers in the SWIS.

While the reinstatement of coal-fired units 1-4 at Muja Power Station continued to positively contribute to production outputs, we experienced significant unplanned interruptions to our supply as a result of two station transformer failures and a partial cooling tower collapse at Muja power station. These events, along with our decision to retire the Geraldton gas turbine, have unfavourably affected our plant availability during the year.

Driving efficiency

In 2014 we reviewed our operations and identified cost and operational efficiencies to shape-up our competitiveness in the dynamic and challenging WA energy market.

Driven by market conditions and uneconomic cost of supply, we retired Kwinana Power Station and the Geraldton gas turbine earlier than planned and delivered operational savings.

Supplying safe, reliable and competitive energy

As the largest generator of electricity in WA, we are committed to safe, reliable and competitive energy supply.

A key element in enhancing our competiveness in the WA market is through strategic investments in maintenance and asset management.

During the year, we invested more than $32.3 million on major maintenance activities. Key projects included major overhauls on two of our most efficient units at Muja Power Station to improve operating performance, and upgrading of the units' precipitators to improve the quality of air emissions.

Wholesale energy activities

Synergy's wholesale business unit (WBU) is responsible for optimising the wholesale electricity and fuel portfolios to create value for Synergy and meet the needs of wholesale customers.

During the reporting period, the WBU successfully:

- moved to a 'one trading team' model to further improve trading processes and systems;
- implemented the prescribed 'standard product regime' including the launch of the standard product website, providing simple, off-the-shelf bilateral electricity products for the benefit of wholesale electricity market participants;
- developed a transfer pricing arrangement with the generation business unit to facilitate a better decision making process; and
- integrated the suite of pre-merger fuel supply and transport arrangements, lowering the overall cost of fuel supply.

safety and health

Performance highlights

0 ZERO lost time injuries

68 PER CENT improvement in the recordable injury frequency rate (RIFR)

13% REDUCTION IN THE high and extreme risk incident frequency rate

SUCCESSFUL implementation of **ONE PERMIT** to work process **ACROSS ALL SITES**

application of **CONTRACTOR** safety management **FRAMEWORK**

Synergy's safety and health vision is that all our people will be leaders in safety - accountable and trusted to manage our risks.

Our safety principles are closely aligned with our corporate values of innovation, accountability, collaboration and trust.

We are all personally committed to continually improve our safety performance (innovation). We are all accountable to assert our expectations for safe work (accountability). We are all committed to each others' safety and wellbeing (collaboration). No business need takes precedence over our commitment to work safely (trust).

Synergy is committed to ensuring the health and wellbeing of its employees across its diverse business with multiple sites.

Building our safety culture

In the past year Synergy developed a health and safety strategy, which at its core, empowers all personnel by equipping them with the resources and skills to be leaders in safety. We are moving from a compliance and systems driven approach to one which is people and practices driven.

Our heightened safety focus delivered outstanding results. There were no lost time injuries in the reporting period and we achieved a 68 per cent improvement in the RIFR across the organisation. We also achieved a 13 per cent reduction in the high and extreme risk incident

frequency rate. Notably, these significant safety improvements were achieved during potentially distracting activities such as the closure of the Kwinana Power Station, the restructuring of the generation business and the implementation of the business efficiency program.

Synergy successfully implemented processes such as the one permit initiative and we have enhanced our relationships with our contractors to further improve contractor safety on site through our contractor safety management framework initiative.

Through our alcohol and other drugs program we educate employees on the health implications of substance misuse, as well as providing support to any person requiring assistance in the area. Synergy provides full access to its employee assistance program (EAP) for any employee who may require professional support. Our EAP offers professional and confidential counselling to employees and their direct family who may need help with problems affecting their wellbeing, both personally and in the workplace.

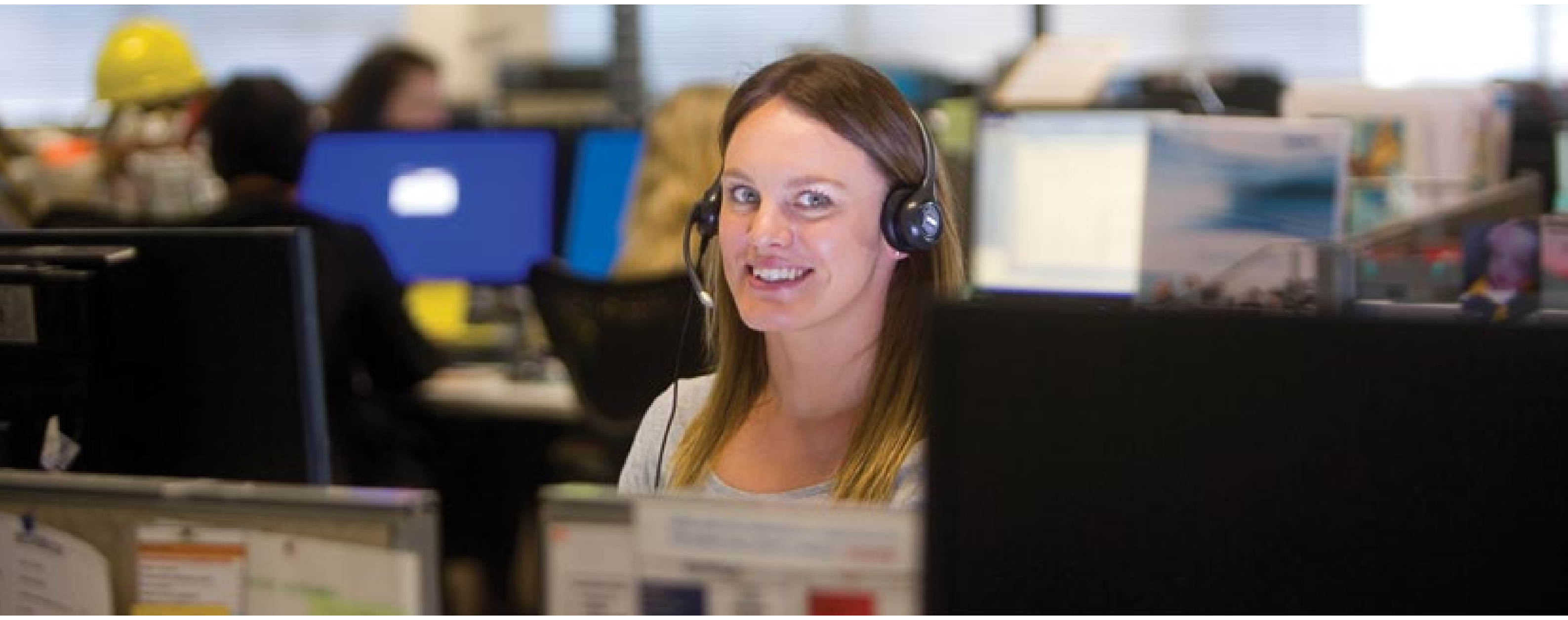
Synergy is committed to compliance with the injury management requirements laid out in the Workers' Compensation and Injury Management Act 1981. Synergy has a team of trained injury management advisors lead by a health and wellbeing specialist, to manage work related injuries including employee support in appropriate and timely case management.

During the past year Synergy offered employees skin cancer screening clinics, work station ergonomic assessments, annual health checks, monthly health promotion topics and complimentary flu vaccine injections. Synergy also worked collaboratively with its site catering providers to ensure promotion and provision of healthy meal options.

Future focus

We will continue to focus on sustainable safety and health improvement, underpinned by strong leadership and appropriate contactor engagement and management. The safety of everyone at Synergy is our highest priority.

28 our people



Performance highlights

- new corporate **VALUES** TO SHAPE Synergy's culture
- alignment to **CORPORATE PERFORMANCE** and value creation
- investment in **LEARNING** management systems and leadership programs
- **IMPROVED DIVERSITY** in our leadership and across our workforce to advance **different thinking**

We are building a high-performing, achievement orientated culture focused on innovation and excellence in safety, productivity and customer service.

Over the past year, Synergy has initiated significant change to position the organisation to meet its strategic goal of being the first choice for energy in Western Australia.

Our reorganisation follows full integration of the two entities, the former Synergy and Verve Energy and is aligned with our corporate strategy, vision and values.

The path ahead is clear. Synergy needs to optimise its operations and costs to become a more competitive, customer-focused and profitable energy supplier.

Our new values seek to motivate and unite our team, and build on our strengths and capabilities.

Engaging and supporting our employees is integral to our business success and our goal of leading and influencing WA's energy industry.

Organisational change

Synergy has 938 permanent employees performing a diverse range of roles and responsibilities.

As an organisation we are focused on optimising value and costs across our portfolio.

We want to stand out as a leader in energy management solutions and supply.

We are changing our organisational structures and strengthening our skills, knowledge and capabilities to meet that vision. Our priority is to:

- drive a values-based culture aligned to corporate strategic goals; and
- enhance productivity through a competitive remuneration mix of pay linked to performance and a capability program to gain market leader advantage.

The organisation has initiated changes to its internal structures by establishing new business units and teams. We are continuing to review our structures, identify improvements and initiate change.

We are seeking organisational efficiencies to drive significant improvement in business performance in safety, costs, asset portfolio performance, market share, productivity and customer service.

Our values

Synergy's new corporate values of innovation, accountability, collaboration and trust are set to redefine our culture.

Our values will influence the decisions we make and determine how we operate. We are resolute about building a values-based culture and have:

- ensured every employee undertakes an action learning program using our values in the workplace and all new employees and contractors are inducted with the same approach;
- adopted a web-based recognition and reward program, called Amps, that allows any employee to nominate another employee for driving performance through living the values; and
- developed performance plans with values as key components of employee performance discussion and rating.

Synergy's values are an integral part of our new corporate direction, which builds on our past and is expected to steer our future success as an organisation. These values are guiding the behaviours and actions of all employees.

We have revised our code of conduct policy to be consistent with our values-based approach. The code of conduct outlines standards for appropriate ethical and professional behaviour for directors, employees and contractors.

At the end of the reporting period, there were no reported incidents in breach of the code of conduct.

Building capability

Synergy is focused on retaining, enhancing and building our employees' strengths and capabilities. We recognise that diversity and inclusion are key to positioning Synergy to stand out in our industry.

Our diversity focus aims to improve performance, enhance innovative thinking and identify education and employment opportunities. Our plan is targeted at increasing the participation of women in leadership positions, people from culturally diverse backgrounds, including Aboriginal Australians, and people with disabilities.

With an organisational focus on enhancing employee capability and capacity, Synergy launched a new learning and development tool, LearnConnect. Employees use LearnConnect to access a range of online tools including training, personal training history, and potential career and development opportunities.

Our transformation leadership program is also set to build capability by identifying current and future organisational leaders. We have commenced the intensive management leadership training program to guide and support the organisation through its strategy and transformation. Our aim is to extend the program and build leadership capability at all levels of the organisation.

our community

Performance highlights

Synergy fosters valued relationships with key stakeholders including customers, industry and government representatives and the broader community.

With energy costs rising in WA, Synergy recognises its role in working closely with its key stakeholders including customers and community organisations to provide cost-effective energy solutions and energy efficiency programs.

At Synergy, we're connected with our community. We listen and respond to our community and deliver on our social responsibility commitments.

The WA community wants innovative, low-cost energy products, services and solutions. They want a reliable and safe energy supply to support their businesses, their homes and their lifestyles. They want more than one-way communication from their energy supplier of choice. They want to be valued as a customer, as a community and be able to access assistance and support when times are tough.

Over the reporting period, Synergy responded to the needs of its community. We invested in a range of initiatives and events, corporate partnerships and sponsorships to build community relationships and strategic alliances to support our organisational goal, to be the first choice for energy in WA.

Supporting our community

Energy enhances our community's lifestyle and life experiences. Synergy is proud of its contribution to enriching the everyday lives of Western Australians.

Our responsibility doesn't end at the power source. We are committed to building community awareness on safe and cost effective energy consumption and empowering our community to effectively take control and manage their energy usage.

The City of Vincent Light Up Leederville Carnival was a fun and interactive platform in communicating Synergy's enhanced energy services and products.

With a focus on food, fashion, children's entertainment, art, health and sustainability, the carnival attracted 80,000 visitors. Synergy was a proud supporter and participant of the carnival and our aim was to highlight the connection that energy has on everyday lives of Western Australians.

Our community service program, promoting energy efficiency and account management services delivered immediate results, with a spike in customers accessing the online My Account application.

Synergy delivered a range of other initiatives and services to its community over the reporting period including contributions to a range of not-for-profit organisations such as the Jacaranda Community Centre in Belmont, St Vincent de Paul and the Good Samaritans.

Synergy is proud to continue its association with and support for Kings Park and Botanic Gardens through Synergy Parkland.

Building our relationships

To assist customers experiencing financial hardship, Synergy has partnered with several prominent WA organisations to facilitate early and enhanced access to additional support services.

Synergy's long-term partnership with the Financial Counsellors' Association of Western Australia (FCAWA) included sponsorship of the FCAWA annual conference. Our association with FCAWA builds quality relationships with financial counsellors across WA and provides guidance on energy management initiatives including access to online services.

As part of its commitment to reach out to the broader energy community and provide energy solutions, Synergy participated in NAIDOC celebrations in Perth. Synergy representatives connected with more than 200 event participants, sharing information on a range of services designed to reduce energy consumption and ultimately, household costs.

The Western Australian Council of Social Services (WACOSS) is a leading community organisation providing services including crisis assistance. Synergy's sponsorship of the annual WACOSS conference facilitated the attendance of volunteers from many not-for-profit organisations across the state. The volunteers received professional development and training in areas including service delivery improvements through referral networks, information on new client services and enhanced skills for engaging with people in crisis.

Synergy's power assist program, which offers hardship support to eligible customers is overseen by WACOSS and St Vincent de Paul. Other initiatives and assistance programs to customers experiencing payment difficulties and financial hardship included the keeping connected program – special one-on-one assistance for customers assessed as experiencing severe hardship; and, the power on payment plan, that involves waiving part or all of a customer's outstanding debt to assist in extreme hardship.

We remain focused on broadening our engagement with our energy community. We want our community to recognise and understand the value energy brings to our lives and how it enhances our experiences.

32 our environment

Performance highlights

IMPLEMENTATION of Intelex environmental management documentation system

END-POINT CONTAMINATED SITE classification of the South **FREMANTLE** POWER STATION

commitment to **THE COLLIE AIRSHED STUDY**

Synergy's environmental policy is the cornerstone of Synergy's environmental management system (EMS) detailing its ongoing commitment to minimising the impact of its operations on the environment while supporting the current and future needs of the Western Australian community.

We support this commitment by implementing environmental improvement programs that support the three core pillars of EMS, which are the:

- minimisation of waste, emissions and pollution;
- protection of the natural environment and cultural heritage; and
- compliance with relevant environmental legal requirements and corporate commitments.

Environmental Management System (EMS)

Synergy's EMS meets the requirements of the international environmental management standard AS/NZS ISO14001:2004 to ensure we manage our environmental impacts in a responsible manner. The EMS provides a structured process to assess and manage environmental issues within Synergy and is designed to promote a process of continual improvement in environmental performance.

Our environmental policy is the cornerstone of the EMS. The policy also drives Synergy's focus on continual environmental improvement.

Synergy has recently installed and implemented an off-the-shelf, electronic environmental management documentation system known as Intelex to replace the obsolete EMISWeb database system. Intelex supports the implementation of the EMS across operational sites and is maintained by our site environmental officers in collaboration with our corporate environmental coordinators.

Auditing for continuous improvement

Internal auditing is a key component of the continual improvement of Synergy's EMS. The audits focus on legal compliance and the maintenance of the EMS and meet the requirements of ISO14001, the international environmental management standard.

Internal legal and other requirements audits were conducted in November 2014 and December 2014. The objective of each audit was to determine the level of compliance to all relevant environmental legislation, environmental licence conditions and other requirements that apply to Synergy sites that have licences under the Environmental Protection Act 1986. These audits saw a significant improvement when compared to the results of the previous audit with no major non-conformances issued. The audit identified 17 minor non-conformances. Corrective actions are being implemented to address these non-conformances.

Internal EMS audits were conducted in February 2015 for power stations owned and operated by Synergy. The audits were undertaken to determine compliance with ISO14001, and to confirm that an appropriate level of management focus is directed to managing environmental risks at our sites. An external auditor was employed to undertake the audit on behalf of Synergy. No major non-conformances were identified. Two minor non-conformances were issued. The non-conformances are being addressed as required under the EMS.

Emissions reduction

The following developments in the past year have resulted in a reduction to Synergy's air emissions:

- closure of the final operating unit at the coal fired Kwinana Power Station in April 2015. Due to the closure, emissions to air of carbon dioxide (CO_2), sulphur dioxide (SO_2) and oxides of nitrogen (NOx) will reduce across the greater Kwinana site, with only efficient natural gas fired gas turbines remaining in operation; and
- a major program to enhance operational efficiency of precipitators at Muja Power Station to reduce emissions to air of particulates and associated substances.

Emissions to air

In accordance with the National Greenhouse and Energy Reporting Act 2007, Synergy reports its annual greenhouse gas emissions, energy production and energy consumption to the Clean Energy Regulator (CER).

In 2014-15, Synergy emissions were approximately 7.7 million tonnes of CO_2e, compared to approximately 8.4 million tonnes of CO_2e in the previous reporting period.

Details of other emissions, such as SO_2, NOx, particulates and metals are provided annually by Synergy to the National Pollutant Inventory. This inventory is a publicly available dataset that provides data on the emissions for facilities that are required by law to report their emissions.

The recent signing of the Collie airshed study research agreement by industry partners signals the beginning of a study to determine the environmental impact of SO_2 emissions from coal burning industry in the Collie region.

The study partners Synergy, Bluewaters Power and Worsley Alumina, have agreed to work with the Department of Environmental Regulation to undertake a study to establish a reliable scientific foundation on which to base an airshed management strategy for SO_2 emissions in the Collie region.

34 sustainability report

Synergy manages the sustainability of various areas of its business to ensure continued success. The following is a summary of the primary factors that we consider essential, and influence our financial and operational performance. We take a long-term view of these areas and align our activities to promoting growth and achieving our corporate strategy.

Safety and health

The safety of everyone at Synergy is our highest priority. We will continue to focus on sustainable safety and health improvement, underpinned by strong leadership and appropriate contactor engagement and management. Synergy developed a health and safety strategy, which at its core, empowers all personnel by equipping them with the resources and skills to be leaders in safety. Synergy is moving from a compliance and systems driven approach to one which is driven by people and practices. Activities in 2014-15 include the introduction of the one permit initiative and the contractor safety management framework.

Through our alcohol and other drugs program we educate employees on the health implications of substance misuse.

We also provide all employees with access to an employee assistance program (EAP) that offers professional and confidential counselling to employees and their direct family who may need help with problems affecting their wellbeing, both personally and in the workplace.

Organisational health

Monitoring and managing our organisational health is essential to improving and sustaining our performance and achieving our desired outcomes. We are committed to building and improving the skills and capability of our people to equip them with the tools and resources they need to make a difference in our business. To support our business efficiency program and beyond, Synergy commenced a transformational leadership program for senior managers in May 2015. The renowned international program was adapted to suit Synergy and teaches core leadership skills required to sustain a business transformation. Some of the key elements of the program include capability building, steps to problem solving and learning principles of communication. The program promotes inspiring and challenging leadership, a focus on values and an understanding of how behaviour impacts performance.

Community relations

Synergy values engagement opportunities with the WA community. We are developing a new corporate community partnership policy, aligned to our vision and corporate strategy. The policy will incorporate sponsorships that will strengthen and position our retail brand, as well as sponsorships that suit the corporate and community support activities of our business. A survey of community, business and government stakeholders to explore their expectations of Synergy and its partnership priorities, will contribute to the development of the policy which is planned for implementation in 2015.

Environment

Synergy's environmental policy is the cornerstone of Synergy's environmental management system (EMS) detailing our continuous commitment to minimising the impact of our operations on the environment while supporting the current and future needs of the Western Australian community.

The EMS provides a structured process to assess and manage environmental issues and has three core principles:

- minimisation of waste, emissions and pollution;
- protection of the natural environment and cultural heritage; and
- compliance with relevant environmental legal requirements and corporate commitments.

Asset management

The safety, reliability and maintenance of our generating assets is key to Synergy remaining Western Australia's primary generator of electricity. We have established an asset management framework to ensure consistent delivery of desired plant performance and maximise asset value by balancing cost, risk and performance. We have a comprehensive approach to maintenance and investment, efficiently managing assets through their lifecycle.

We also consider our highly recognisable brand to be one of our primary assets. In preparation for increased competition through the evolution of the retail market, we are strengthening and investing in our brand and the commitment that it represents to our customers, stakeholders and community.

board of directors' report

The Electricity Generation and Retail Corporation trading as Synergy is a Western Australian government trading enterprise established under the Electricity Corporations Act 2005, which specifies its powers, functions and operational restrictions.

Synergy must comply with its enabling legislation, as well as other relevant state and commonwealth laws.

Synergy is not an agent of the state, and in accordance with schedule 1 of the Public Sector Management Act 1994 nor is it a public sector organisation.

As a government trading enterprise, Synergy is not listed on the Australian Securities Exchange (ASX) but seeks to comply, to the extent applicable and not inconsistent with the requirements of the Electricity Corporations Act 2005, with the ASX principles of corporate governance principles and recommendations. In March 2014 the ASX corporate governance council released a third edition of its corporate governance principles and recommendations which Synergy has chosen to adopt for the reporting period.

Our vision and strategic objectives, and core values of innovation, accountability, collaboration and trust are important to our organisation. They guide our actions and behaviours.

Board of directors

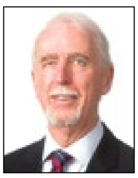
In accordance with the Electricity Corporations Act 2005, the functions, policy determination and control of Synergy are vested in the board of directors.

The board is accountable to the Minister for Energy, the Hon Dr Mike Nahan MLA, for the organisational performance of the organisation.

Synergy's board includes seven members and is chaired by Lyndon Rowe.

The board has three committees:
- audit and compliance committee;
- sustainability and risk committee; and
- human resource and development committee.

The directors of Synergy at any time during or since the end of 2014-15 financial year are as follows:



Lyndon Rowe

Chairman and director since August 2014

Independent: yes

Non-executive: yes

Qualifications: B.Ec (Hons), FAICD

Mr Rowe served as executive chairman of the Western Australian Economic Regulation Authority since March 2004, is a former chief executive officer of the Chamber of Commerce and Industry of Western Australia, a former senator of the University of Western Australia, a former director of Westscheme Pty Ltd and is a current director of Perth Airport Pty Ltd.

Committee membership

Member of the audit and compliance committee, sustainability and risk committee and human resources and development committee.

Rob Bransby

Director since July 2015

Independent: yes

Non-executive: yes

Qualifications: A.Fin, FAIM

Mr Bransby enjoyed a successful career in banking, holding positions including corporate finance manager, corporate banking WA and head of business financial services in New South Wales during twenty-five years at the National Australia Bank (NAB). In 2001, Mr Bransby left NAB to take up the position of chief executive officer of Chantec Group and over the next three years, gained experience as head of a diverse group of companies. He then returned to the NAB Group as chief executive officer of Medfin Aust Pty Ltd. He is the current managing director of WA's largest health insurance provider, HBF Health Limited.

Mark Chatfield

Director since July 2013

Independent: yes

Non-executive: yes

Qualifications: B.Eng, GDipEcon, GDipFin

Mr Chatfield is an executive director of ACIL Allen Consulting Pty Ltd. He has extensive experience in the energy industry in Australia and has also undertaken operations in Asia and Africa. Mr Chatfield is a former chief executive officer of CS Energy and general manager of the generation business unit at the former Western Power Corporation. He currently is a non-executive director of Entrée Gold Inc. (Australia) and PacMag Metals Limited. Mr Chatfield resigned from the board in July 2015.

Committee membership

Member of the sustainability and risk committee.

Michele Dolin

Director since October 2014

Independent: yes

Non-executive: yes

Qualifications: MBA, MA, BA, FCPA, FAICD

Michele Dolin (cont'd)

Ms Dolin is a certified practicing accountant, a fellow of the Australian Institute of Company Directors and has a Master of Business Administration from the University of Melbourne and a Master of Arts from Michigan State University. She is a former chief executive officer of GESB and held senior executive positions in both Bankwest and Westpac. Ms Dolin has held a number of directorships in WA including St John of God Health Care and the Water Corporation, she was also pro-chancellor of Curtin University. Her current board appointments include AMP Superannuation Limited, the St Andrew's Insurance Group, CPA Australia Limited and she is a senate member of the University of Western Australia.

Committee membership

Member of the audit and compliance committee.

Michael Goddard

Director since July 2013

Independent: yes

Non-executive: yes

Qualifications: MBS, MPhil, B.Comm, CPA

Mr Goddard has more than 30 years' experience in financial, taxation and international trade. He is a former director and chief financial officer of Clough Engineering Limited and former director of finance and planning for Bunnings Limited.

Committee membership

Chair of the audit and compliance committee and member of the sustainability and risk committee.

Kim Horne

Director since October 2014

Independent: yes

Non-executive: yes

Qualifications: AM

Mr Horne has extensive experience in the minerals industry working in a number of high level roles at Alcoa in the areas of mine development and management, human resources, corporate affairs, strategy and government relations both in Australia and overseas. He is a graduate of the University of Western Australia's management education program and appointed as a Member of the Order of Australia in January 2014 for his services to the mining industry.

Committee membership

Chair of the human resources and development committee and member of the sustainability and risk committee.

David Hunt

Director since August 2014

Independent: yes

Non-executive: yes

Qualifications: BA (First class honours), BA (Stats)

Mr Hunt is a former director of the former Synergy, has served as chief executive of New Zealand-based Contact Energy and is a current director of Concept Consulting Group Ltd.

Committee membership

Member of the human resources and development committee.

Samantha Tough

Director since October 2014

Independent: yes

Non-executive: yes

Qualifications: LIB, BJuris Western Australia, FAICD

Ms Tough holds a number of directorships including Cape plc, Saracen Mineral Holdings Ltd and Strike Resources Ltd. She is also the chair of Molopo Energy Ltd and Aerison Pty Ltd and deputy chair of the WA Academy of Performing Arts. She has extensive experience in the mining, resource and energy industry holding key positions in Woodside Energy Ltd including general manager North West Shelf and was the director of strategy at Hardman Resources Ltd. She was also project director of the Pilbara Power Project and advisor to the Resources Group at the Commonwealth Bank.

Committee membership

Chair of the sustainability and risk committee.

Michael Smith

Ceased as chairman and director in July 2014

Independent: yes

Non-executive: yes

Qualifications: Hon DLitt (UWA), FAICD

Mr Smith is the principal of Black House, a strategic development consulting firm. In addition to being deputy chairman of Automotive Holdings Group and 7-Eleven Stores, Mr Smith chairs the boards of iiNet, the Lionel Samson Sadleirs Group and Pioneer Credit. He was also the chairman of the former Synergy.

Committee membership

Member of the human resources and development committee.

Eric Hooper

Ceased as deputy chairman and director in July 2014

Independent: yes

Non-executive: yes

Qualifications: MBA, B.Bus, FAICD

Mr Hooper is deputy chairman of Lionel Samson Sadleirs Group a director of Ocean Gardens Inc and a partner of Black House, a strategic development consulting firm. He was also a director and deputy chairman of the former Synergy.

Committee membership

Chair of the audit and compliance committee.

Dr Margaret Seares

Ceased as director in July 2014

Independent: yes

Non-executive: yes

Qualifications: PhD Western Australia, MA

Dr Seares has served as senior deputy vice chancellor of the University of Western Australia, chief executive of the Western Australian Department for the Arts and chairperson of the Australia Council. Dr Seares is the chairperson of the Perth International Arts Festival and is a director of Education Investment Fund and Bond University Council. She was also a director of the former Synergy.

Committee membership

Chair of the human resources and development committee.

Keith Spence

Ceased as director in July 2014

Independent: yes

Non-executive: yes

Qualifications: B.Sc (First class Hons)

Mr Spence is a director of Independence Group NL and Oil Search Limited. He is also the chairman of Kalgoorlie Campus Council, Geodynamics Ltd, National Offshore Petroleum Safety and Environmental Management Authority, Industry Advisory Board for Australian Centre for Energy and Process Training and State Training Board of Western Australia. He was also a director of the former Verve Energy.

Committee membership

Chair of the sustainability and risk committee and member of the human resources and development committee.

Company secretary

Synergy's company secretary and general counsel is Will Bargmann. The appointment and removal of the company secretary is a matter for decision by the board. The company secretary is responsible for ensuring that board procedures are complied with and governance matters are addressed. All directors have access to the company secretary's advice and services.

Corporate governance principles

1. Lay solid foundations for management and oversight

1.1 Roles and responsibilities of board and management

As a statutory corporation, the respective duties and responsibilities of Synergy's board and executive officers are substantially set out in the Electricity Corporation Act 2005 (Act). Its central role is to set Synergy's strategic direction and to oversee its management and commercial activities. In addition to matters required by law to be approved by the board, Synergy's board charter (available on Synergy's website) details its role, power, duties and function. The following matters are reserved for the board:

- providing input into and final approval of management's development of corporate strategy and performance objectives;
- further developing planning processes, including Synergy's strategic plan;
- monitoring and overseeing Synergy's stakeholder relationship strategy and its implementation;
- monitoring the effectiveness of risk management by reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- approving all board level policies in accordance with the policy standard;
- appointing and, where appropriate, removing the company secretary or company secretaries;
- appointing and removing the chief executive officer/managing director, including approving remuneration and conditions of service of the chief executive officer/managing director and remuneration policy and succession plans for the chief executive officer/managing director;

Corporate governance principles (cont'd)

- approving the appointment, removal or any material change to the role of individuals reporting directly to the chief executive officer/managing director;
- reviewing and approving the level of remuneration and conditions of service of the direct reports to the chief executive officer/managing director;
- monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approving and monitoring financial and other reporting and monitoring financial performance against approved budget;
- consulting with the Minister in relation to appointment of any person as a director of Synergy in accordance with section 8(4) of the Act;
- reviewing and assessing the performance of the board;
- ensuring Synergy complies with all requirements under the Act and all other laws; and
- handling any other matters for which the board is responsible under the Synergy committee charters.

Responsibility for the management of Synergy's day-to-day operations is delegated to the chief executive officer, who is accountable to the board. The purpose of Synergy's executive officers is to assist the chief executive officer in the overall leadership and oversight of Synergy's business and operations. In addition to powers set out in the Act, Synergy's executive leadership team charter details its role, power, duties and function. The following matters are the responsibility of management:

- developing a team performance plan;
- developing planning processes including Synergy's strategic plan;
- achieving delivery of Synergy's strategy;
- monitoring and discussing significant risks;
- monitoring and discussing significant issues;
- engaging with the board, employees and stakeholders;
- implementing Synergy's stakeholder relationship strategy;
- ensuring Synergy complies with all requirements under the Act and all other laws; and
- managing the executive leadership team's forward planning agenda and action list.

1.6 (a) Performance evaluation

The board is responsible for determining the process for evaluating the performance of the board, its committees and individual directors. This is done on an annual basis by:

- assessing the extent to which the board and each of its committees has acquitted its responsibilities under their respective charters. A submission is prepared by management and submitted to the respective board and committee to assess its performance against its charter and to discuss any issues that may have emerged from that review;
- assessing the performance of each individual director. A survey is circulated to the chairman and each director and the responses are compiled by an external facilitator. The results are circulated by the external facilitator to the directors for discussion at the next board meeting; and
- assessing the performance of the chairman. A survey is circulated to each director and the responses are compiled by the deputy chairman. The results are provided to the chairman and discussed with the deputy chairman.

Corporate governance principles (cont'd)

2. Structure the board to add value

2.2 Board composition

In accordance with the Act, the board must comprise of not less than four and not more than eight directors appointed by the Governor of Western Australia on the nomination of the Minister for Energy. The skills matrix in Table 1 sets out the areas of competence of Synergy's board of directors.

Table 1: Areas of competence

Area	Competence
Leadership	Business administration, leadership and management, ASX listed and government organisations experience
Operations and performance	Economics, finance, accounting, commerce, business strategy, legal, regulatory compliance
Sustainability and governance	Corporate governance, human resources, industrial relations, community relations, environment, safety and health
Technical	Engineering, electricity generation and retail activities, gas operations activities
Stakeholder relations and engagement	Government affairs, communications

2.3 Director independence, conflicts of interest and length of service

The board charter outlines the criteria to be considered in assessing director independence. These criteria are based on the premise that a director must be independent of management and free of any business or other relationship that could materially interfere, or could reasonably be perceived to interfere, with the exercise of the director's unfettered and independent judgement.

David Hunt, in his capacity as a director of Concept Consulting Group Limited (Concept), provided advisory services to Synergy on a range of retail business matters between 2012 and 2014. After undertaking a quantitative and qualitative assessment of the advisory services provided, the board determined that they were not material in nature and deemed Mr Hunt to be an independent director. Concept ceased providing advisory services to Synergy in August 2014 and, since his appointment to the board of directors, Mr Hunt has had no material relationship with Synergy other than as a director.

Directors must keep the board advised of any interest that could potentially conflict with Synergy's interests. The board has developed procedures to assist directors on disclosing potential conflicts of interest. A director with an actual or potential conflict of interest in relation to a matter before the board is required to withdraw from the meeting while the matter is considered.

In accordance with the Act, a director may be appointed for up to three years and is eligible for re-appointment.

Table 2 sets out the details of each director including their length of service, and independent status.

Corporate governance principles (cont'd)

2.3 Director independence, conflicts of interest and length of service (cont'd)

Table 2: Details of directors

Name of director	Length of service	Independent
Lyndon Rowe (chairman)	Chairman and director since August 2014	Yes
Rob Bransby	Director since July 2015	Yes
Mark Chatfield	Director since July 2013	Yes
Michele Dolin	Director since October 2014	Yes
Michael Goddard	Director since July 2013	Yes
Kim Horne	Director since October 2014 and deputy chairman since July 2015	Yes
David Hunt	Director since August 2014	Yes
Samantha Tough	Director since October 2014	Yes
Michael Smith	Ceased as chairman and director on 14 July 2014	Yes
Eric Hooper	Ceased as deputy chairman and director on 10 July 2014	Yes
Professor Margaret Seares	Ceased as director on 10 July 2014	Yes
Keith Spence	Ceased as director on 10 July 2014	Yes

3. Act ethically and responsibly

Synergy's board of directors, executive leadership team and employees are expected to comply with all relevant laws and act with a high level of integrity at all times.

Synergy's code of conduct policy outlines the minimum requirements for ethical and legal related actions and behaviours of all employees.

As at 30 June 2015, there were no reported breaches of Synergy's code of conduct.

4. Safeguard integrity in corporate reporting

4.1 Audit and compliance committee

The purpose of the audit and compliance committee is to assist the board to fulfil its corporate governance oversight responsibilities relating to financial reporting, internal control, compliance and audit. The committee's charter is available on Synergy's website.

The members of the audit and compliance committee and individual attendances at these meetings during the reporting period are set out in Table 3.

5. Make timely and balanced disclosure

Synergy is not required to comply as it is not a publicly listed company.

6. Respect the rights of security holders

Synergy is not required to comply as it is not a publicly listed company.

Corporate governance principles (cont'd)

7. Recognise and manage risk

Risk management is a fundamental activity at Synergy, with risk management integrated into our major business processes. There is engagement at all levels within the organisation to minimise risks in all our activities.

7.1 Sustainability and risk committee

The purpose of the sustainability and risk committee is to assist the board to fulfil its corporate governance and oversight responsibilities relating to:

- health, environment, safety, process safety, technical issues, emergency management, culture and community relations;
- set the components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout Synergy; and
- other matters as the board may refer to the committee.

The committee's charter is available on Synergy's website. The members of the sustainability and risk committee and individual attendances at these meetings during the reporting period are set out in Table 12.

7.2 Risk management framework

Synergy's risk management framework directs the management of strategic, operational, regulatory and reporting risks, while the risk management policy sets out a methodology and process for identification of risks; outlines the accountabilities of management; and, contains procedures for reporting on risk issues throughout Synergy. We use a corporate risk register to identify specific risks across organisation units and to monitor the status of risk management activities across the business. These documents are consistent with AS/NZS ISO 31000:2009 risk management principles and guidelines.

Synergy's executive and management are responsible for identifying risks and implementing strategies to mitigate them. The sustainability and risk committee oversees the risk management framework and reviews the effectiveness of key mitigation strategies. In the reporting period, the board and sustainability and risk committee reviewed Synergy's risk management framework and confirmed that the framework is sound.

8. Remunerate fairly and responsibly

8.1 Human resources and development committee

The purpose of the human resources and development committee is to assist the board to fulfil its corporate governance responsibilities in regard to:

- remuneration and other terms and conditions of service of Synergy staff including superannuation and incentive schemes;
- general human resources policies and practices;
- staff development and training;
- talent management and succession planning for leadership positions;
- the establishment and oversight of a policy concerning diversity and the assessment of diversity within Synergy;
- remuneration of non-executive directors; and
- appointment, performance, remuneration and removal of the chief executive officer.

The committee's charter is available on Synergy's website. The members of the human resources and development committee and individual attendances at these meetings during the reporting period are set out in Table 3.

8.2 Remuneration

The Minister for Energy determines total compensation for all non-executive directors. Non-executive directors do not receive performance-related compensation. Details of the nature and emolument of each director of the corporation is set out in Table 4.

Corporate governance principles (cont'd)

8.2 Remuneration (cont'd)

Table 3: Committee membership and directors' attendance at meetings during the reporting period.

	Board meetings		Human resources and development committee meetings		Audit and compliance committee meetings		Sustainability and risk committee meetings	
	A	B	A	B	A	B	A	B
Lyndon Rowe	12	12	3	3	4	4	1	1
Kim Horne	8	9	3	3	N/A	N/A	1	1
Mark Chatfield	10	12	N/A	N/A	N/A	N/A	1	1
Michele Dolin	7	9	N/A	N/A	4	4	N/A	N/A
Michael Goddard	11	12	N/A	N/A	4	4	1	1
David Hunt	12	12	3	3	N/A	N/A	N/A	N/A
Samantha Tough	9	9	N/A	N/A	N/A	N/A	1	1
Michael Smith	0	0	0	0	0	0	0	0
Eric Hooper	0	0	0	0	0	0	0	0
Dr Margaret Seares	0	0	0	0	0	0	0	0
Keith Spence	0	0	0	0	0	0	0	0

– Ceased as a director during the reporting period.

A – number of meetings attended

B – number of meetings eligible to attend at the time the director held office during the year.

Directors' remuneration

Details of the nature and amount of each major element of remuneration of each director of the corporation and each of the executives who receive the highest remuneration are listed in Table 4.

Table 4: Remuneration of directors and key management personnel 2014-15

30 JUNE 2015	Note	Salary & fees	Short-term benefits Other benefits*	Post employment benefits Super/retirement	Termination benefits	Total remuneration
Current directors						
Lyndon Rowe (chairman)		485,211	-	46,095	-	531,307
Samantha Tough (director)		50,951	-	4,840	-	55,791
Kim Horne (director)		50,591	-	4,840	-	55,431
Michelle Dolin (director)		44,256	-	4,200	-	48,456
Mark Chatfield (director)		59,863	-	5,867	-	65,730
Michael Goddard (director)		66,607	-	6,328	-	72,935
David Hunt (director)		54,625	-	-	-	54,625
Former directors						
Michael Smith (former chair)		6,754	-	642	-	7,395
Eric Hooper (former director & deputy chair)		3,837	-	365	-	4,202
Margaret Sears (former director)		2,302	-	219	-	2,521
Keith Spence (former director)		2,302	-	219	-	2,521
Other key management personnel (current)						
Jason Waters (chief excecutive officer)		540,262	16,714	30,000	-	586,976
Karl Matacz (chief financial officer)		382,889	5,342	36,374	-	424,604
Stephanie Unwin (chief transformation officer)	1	382,479	19,572	23,193	-	425,244
Angie Young (general manager people and culture)		361,890	23,615	30,000	-	415,505
Geoffrey Roberts (general manager retail)		376,041	12,045	35,353	-	423,439
Kurt Baker (general manager wholesale)		373,983	(5,193)	30,000	-	398,790
William Bargmann (general manager corporate services)		350,254	11,619	33,274	-	395,147
Barry Ford (general manager generation)		407,598	16,028	35,000	-	458,626
Jon D'Sylva (general manager commercial)	2	160,147	41,261	15,214	-	216,622
Former key management personnel						
Alex Jones (former chief information officer)	3	352,043	(23,221)	33,718	-	358,540

* Other benefits include net movement in annual leave and long service liabilities which were recorded in profit or loss.

1. Stephanie Unwin was general manager commercial up to 14 December 2014. From 15 December 2014 to present she holds the position of chief transformation officer.
2. Jon D'Sylva was appointed as acting general manager commercial on 1 January 2015. Prior to that he was part of the senior leadership team.
3. Resigned from position on 27 June 2015.

Directors' remuneration (cont'd)

Table 5: Remuneration of directors and key management personnel 2013-14.

30 JUNE 2014	Note	Salary & fees	Short-term benefits Other benefits *	Post employment benefits Super/retirement	Termination benefits	Total remuneration
Current directors						
Mark Chatfield (director)	1	44,134	-	4,147	-	48,281
Michael Goddard (director)	1	43,610	-	4,040	-	47,650
Former directors						
Michael Smith (former chair)	1,2	119,370	-	11,087	-	130,457
Eric Hooper (former director and deputy chair)	1,2	72,683	-	6,733	-	79,416
Margaret Seares (former director)	1,2	44,764	-	4,147	-	48,911
Keith Spence (former director)	2	44,764	-	4,147	-	48,911
Other key management personnel (current)						
Jason Waters (chief executive officer) ^		475,951	17,163	26,154	-	519,268
Karl Matacz (general manager finance/ chief financial officer) ^^	10	172,297	22,201	15,972	-	210,470
Stephanie Unwin (general manager commercial) ^	5	350,806	2,058	24,920	-	377,784
Will Bargmann (general manager corporate services) ^^	10	162,773	12,391	15,089	-	190,253
Barry Ford (general manager generation) ^	8	401,833	5,703	25,385	-	432,921
Angie Young (general manager people and culture)	7	98,361	7,611	8,999	-	114,971
Geoff Roberts (general manager retail) ^^	9	183,608	21,967	17,041		222,615
Kurt Baker (general manager wholesale) ^	4	339,087	4,382	28,077	-	371,546
Alex Jones (chief information officer) ^^	10	164,578	3,686	15,257	-	183,521
Former key management personnel						
Vojislav Borovac (former chief financial officer) ^	3	288,324	113,474	19,231	348,977	770,006
Rebecca Kardos (former general manager retail) ^^	11	27,861	-	2,463	-	30,324
Derek Noakes (former general manager corporate services) ^	6	279,021	-	19,950	-	298,971
Blair Stratton (former general manager strategy and corporate affairs) ^^	3	76,534	-	12,974	112,788	202,296

1. Non-executive directors commenced 1 July 2013
2. Non-executive directors resigned 21 July 2014
3. Redundant effective 29 March 2014
4. General Manager Wholesale effective from 13 March 2014, former general manager trading and fuel
5. General Manager Commercial effective from 13 March 2014, former general manager strategy and business development.
6. Resigned from position 19 March 2013
7. Commenced 19 March 2014
8. General Manager Generation effective 13 March 2014, former chief operating officer
9. General Manager Retail effective 13 March 2014, former general manager energy markets and retail
10. General manager positions effective 13 March 2014
11. Resigned from position 31 January 2014

* Other benefits include net movement in annual leave and long service leave liabilities which were recorded in the profit or loss.

^ Benefits paid are for the period 1 July 2013 to 30 June 2014 for former Verve Energy employees.

^^ Benefits paid are for the period 1 January to 30 June 2014 for former Synergy employees.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis, including accrued annual leave and long service leave entitlements, and fringe benefit taxation charges related to employee benefits) as well as the corporation's contribution to superannuation funds.

Service contracts

Contracts of employment for executive officers, are unlimited in term but generally these contracts are capable of termination by the executive officers on four weeks' notice, and the corporation retains the right to terminate the contract immediately by making payment equal to a maximum of 52 weeks' pay-in-lieu of notice. The executive officers are also entitled to receive, on termination of employment, their statutory entitlements of accrued annual and long service leave together with any superannuation benefits.

The chief executive officer has a contract of employment with the corporation that commenced on 1 January 2014. The contract specifies the duties and obligations to be fulfilled by the chief executive officer and provides that the board and chief executive officer will, early in each financial year, consult and agree on the objectives for achievement during that year. The contract can be terminated either by the corporation providing 12 months' notice, or the chief executive officer providing six months' notice. All contracts provide for no entitlement to termination payments in the event of termination for serious misconduct.

Principal activities

The principal activities of the corporation during the course of the year are listed below:

- electricity and gas retailing
- generate, purchase or otherwise acquire, and supply electricity from various sources of energy including renewable sources
- acquire, transport and supply gas and steam
- acquire, develop, operate and supply energy-efficient technologies
- provide ancillary services
- provide the Regional Power Corporation with consultative and advisory services in relation to electricity generation and on their behalf operate and maintain electricity generation plant or equipment
- undertake, maintain and operate any works, system, facilities, apparatus or equipment required for the above.

Events after the reporting period

Effective from 21 July 2015 the Minister for Energy appointed non-executive director Kim Horne as deputy chairman, and a new board member, Rob Bransby.

Effective on 31 July 2015 non-executive director, Mark Chatfield, resigned from the corporation's board.

Other than those disclosed above, there were no significant events after the reporting period.

Non-audit services

During the reporting period, the contractor to the corporation's external auditor did not perform any other services for the corporation in addition to their statutory duties.

Indemnification of directors and officers

During the reporting period, a directors' and officers' Liability Insurance Policy was maintained at a premium cost of $71,978 (2013: $64,630) to ensure that the directors and officers had adequate coverage. The policy indemnifies directors and officers of the corporation from losses arising from a claim or claims made against them, jointly or severally during the period of insurance by reason of any wrongful act (as defined in the policy) in their capacity as a director or officer of the corporations.

corporate governance checklist

While Synergy is not a listed company on the ASX and is not subject to ASX listing rules, we seek to comply with the principles and recommendations of the ASX Corporate Governance Principles and Recommendations (ASX principles), where relevant and appropriate.

Table 6 : Compliance to ASX principles

	ASX principle & recommendation	Compliance
Principle 1	Lay solid foundations for management and oversight	
Recommendation 1.1	Disclose the board and management respective roles and responsibilities, matters reserved to the board and delegated to management.	Y
1.2	Undertake appropriate checks before appointing a person or a candidate to security holders for election as a director and provide relevant information.	N
1.3	A listed entity should have a written agreement with directors and senior executives regarding their appointment terms.	Y
1.4	The company secretary should be accountable directly to the board on matters regarding the proper functioning of the board.	Y
1.5	A listed entity should have a diversity policy with measurable objectives, assess it annually and disclose the policy and progress towards objectives.	Y
1.6 (a)	A listed entity should have a process for periodically evaluating the performance of the board, its committee and individual directors.	Y
1.6 (b)	A listed entity should disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	N
1.7	A listed entity should have a process for evaluating senior executive performance and disclose its performance evaluation.	Y
Principle 2	Structure the board to add value	
Recommendation 2.1	A board should have a nomination committee of at least three members, mostly independent and chaired by an independent director, and disclose the charter, members' names and committee meetings.	N
2.2	A listed entity should have and disclose a boards' skills matrix.	Y
2.3	A listed entity should disclose the names of independent directors, interests, position, association or relationship and length of service.	Y
2.4	A majority of the board of a listed entity should be independent directors.	Y
2.5	The chair of the board should be an independent director and not the same person as the CEO.	Y
2.6	A listed entity should provide an induction program for new directors which addresses professional development opportunities and skills and knowledge.	Y
Principle 3	Act ethically and responsibly	
Recommendation 3.1	A listed entity should have a code of conduct for its directors, senior executives and employees and disclose it.	Y
Principle 4	Safeguard integrity in corporate reporting	
Recommendation 4.1	A listed entity should have an audit committee and disclose its charter and members qualifications and experience, as well as meeting attendances.	Y
4.2	Prior to board approval, the CEO and CFO should declare financial statements have been properly maintained and comply with appropriate accounting standards.	Y
4.3	An external auditor should attend a listed entity's AGM and be available to answer security holders' questions relevant to the audit.	N

corporate governance checklist (continued)

Table 6 : Compliance to ASX principles (cont'd)

	ASX principle & recommendation	Compliance
Principle 5	Make timely and balanced disclosure	
Recommendation 5.1	A listed entity should have an audit committee and disclose its charter and members qualifications and experience, as well as meeting attendances.	N
Principle 6	Respect the rights of security holders	
Recommendation 6.1	A listed entity should provide information about itself and its governance to investors via its website.	Y
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	N
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	N
6.4	A listed entity should give security holders the option to electronically receive communications from, and send communication to, the entity and its security registry.	N
Principle 7	Recognise and manage risk	
Recommendation 7.1	A listed entity should have a committee which overseas risk, and the charter, members and meetings held by the committee should be disclosed.	Y
7.2	The board or a committee of the board should review its risk management framework at least annually and disclose whether such a review has occurred.	Y
7.3	A listed entity should disclose its internal audit function, how the function is structured and what role it performs.	Y
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if it does, how it manages or intends to manage those risks.	Y
Principle 8	Remunerate fairly and responsibly	
Recommendation 8.1	A listed entity should have a remuneration committee and disclose the charter, members and number of meetings held.	Y
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive and executive directors and senior executives.	Y
8.3	A listed entity which has an equity-based remuneration scheme should have a policy on whether participants are permitted to enter into transactions and disclose that policy or a summary.	Y

Notes

Disclosure under the corporate governance principles is consistent with Synergy's obligations under the Electricity Corporations Act 2005.

The following notes are relevant to Synergy's decision not to comply with the ASX Corporate Governance Principles and Recommendations as outlined in Table 6.

1.2 ASX Principle 1.2 has no relevance to Synergy as the corporation does not have security holders.

1.6 (b) The corporation has not conducted a performance evaluation due to significant changes in the directorship of the board during the reporting period. This process will be undertaken by 31 December 2015.

2.1 The corporation has not established a nomination committee. As required by the Act, persons are appointed to the board of Synergy by the Governor on the nomination of the Minister. Where a vacancy occurs in the membership of the board, the board may recommend a candidate to the Minister. The board ensures that any candidate nominated to the Minister has an appropriate balance of skills, knowledge, experience, independence and diversity to enable the board to discharge its duties and responsibilities effectively. The board charter also provides that, in nominating candidates for directorship to the Minister, the board will have regard to the independence of prospective directors.

4.3 ASX Principle 4.3 has no relevance to Synergy as the corporation is not a publicly listed company nor does it hold annual general meetings.

5.1 ASX Principle 5.1 has no relevance to Synergy as the corporation is not a publicly listed company and therefore not bound by the ASX listing rules.

6.2 ASX Principle 6.2 has no relevance to Synergy as it does not have investors.

6.3 ASX Principle 6.3 has no relevance to Synergy as the corporation does not have security holders.

6.4 ASX Principle 6.4 has no relevance to Synergy as the corporation does not have security holders.

7.4 Refer to separate sustainability report.

FINANCIAL REPORT 2015

Contents

Statement of comprehensive income

for the year ended 30 June 2015

	Note	Group		Corporation	
		2015 $'000	2014 $'000	2015 $'000	2014 $'000
Sales revenue	1	2,828,544	2,529,680	2,761,726	2,433,920
Other revenue	2	388,462	247,989	388,037	247,989
Total revenue		**3,217,006**	**2,777,669**	**3,149,763**	**2,681,909**
Fuel, networks and other direct costs	4	(2,083,746)	(1,554,072)	(2,074,256)	(1,520,636)
Raw materials and services used		(467,013)	(524,976)	(450,042)	(489,359)
Employee expenses	5	(176,929)	(150,329)	(176,259)	(149,790)
Other expenses	6	(146,315)	(109,450)	(144,057)	(106,354)
Depreciation and amortisation	15/16	(206,853)	(176,021)	(190,165)	(163,927)
Impairment (losses) / reversal	7	(17,559)	(29,094)	59,406	(29,094)
Total expenses		**(3,098,415)**	**(2,543,942)**	**(2,975,373)**	**(2,459,160)**
Other operating income		16,049	2,169	16,049	2,169
Dividends from joint venture entities		-	-	7,100	1,800
Finance income		11,833	17,098	10,734	16,468
Finance costs		(74,455)	(126,213)	(64,822)	(119,977)
Net finance costs	8	**(62,622)**	**(109,115)**	**(54,088)**	**(103,509)**
Share of profit from joint ventures	27	7,511	2,043	-	-
Share of loss from an associate	28	(179)	-	-	-
Profit before tax		**79,350**	**128,824**	**143,451**	**123,209**
Income tax equivalent expense	9	(22,203)	(45,454)	(44,420)	(43,397)
Profit for the year		**57,147**	**83,370**	**99,031**	**79,812**
Other comprehensive income (OCI)					
Items that may be reclassified subsequently to profit or loss					
Changes in fair value of cash flow hedges		845	(1,092)	362	(1,496)
Tax equivalent effect		(109)	449	(109)	449
Net change in fair value of cash flow hedges transferred to profit and loss		1,537	1,189	1,537	1,189
Tax equivalent effect		(461)	(357)	(461)	(357)
Share of joint venture entities other comprehensive income	27	377	302	-	-
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax equivalent		2,189	491	1,329	(215)
Items that will not be reclassified subsequently to profit or loss					
Re-measurement gains on defined benefit plans		(3,439)	432	(3,439)	432
Tax equivalent effect		1,032	(130)	1,032	(130)
Other comprehensive ncome/(loss) not to be reclassified to profit or loss in subsequent periods, net of tax equivalent expense		(2,407)	302	(2,407)	302
Other comprehensive (loss)/income for the year, net of tax equivalent expense		(218)	793	(1,078)	87
Total comprehensive income for the year, net of tax equivalent expense		**56,929**	**84,163**	**97,953**	**79,899**

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

Statement of financial posotion

for the year ended 30 June 2015

	Note	Group 2015 $'000	Group 2014 $'000	Corporation 2015 $'000	Corporation 2014 $'000
Current assets					
Cash and short-term deposits	11	283,149	508,612	258,971	471,865
Trade and other receivables	12	368,196	436,368	515,710	517,411
Inventories	13	172,781	164,763	169,356	161,545
Derivative financial instruments	19	1,599	10,069	1,599	10,069
Lease receivable		1,802	2,953	1,802	2,953
Current tax receivable		67,902	31,591	67,902	31,591
Intangible assets	16	44,143	49,436	44,143	49,436
Total current assets		**939,572**	**1,203,792**	**1,059,483**	**1,244,870**
Non-current assets					
Property, plant and equipment	15	1,853,450	2,020,762	1,708,965	1,864,745
Intangible assets	16	84,623	78,842	46,112	35,186
Lease receivable		-	1,829	-	1,829
Investment in joint ventures	27	33,340	32,952	37,994	38,394
Investment in associate	28	-	-	179	-
Deferred tax assets	10	-	7,348	-	32,495
Total non-current assets		**1,971,413**	**2,141,733**	**1,793,250**	**1,972,649**
Total assets		**2,910,985**	**3,345,525**	**2,852,733**	**3,217,519**
Current liabilities					
Trade and other payables	14	468,798	558,065	469,961	545,125
Derivative financial instruments	20a	12,013	23,247	4,126	14,877
Interest bearing loans and borrowings	20b	43,907	490,585	27,294	461,594
Finance lease liabilities	20c	5,761	5,053	5,761	5,053
Employee benefits	17	35,899	43,715	35,834	43,671
Provisions	18	30,819	17,570	30,819	17,570
Total current liabilities		**597,197**	**1,138,235**	**573,795**	**1,087,890**
Non-current liabilities					
Trade and other payables	14	296,162	281,738	296,162	281,738
Derivative financial instruments	20a	-	1,534	-	1,534
Interest bearing loans and borrowings	20b	248,276	117,839	154,469	20,000
Finance lease liabilities	20c	232,034	237,795	232,034	237,795
Employee benefits	17	34,974	34,423	35,659	34,423
Provisions	18	394,264	407,330	394,264	407,330
Deferred tax liabilities	10	8,085	-	5,155	-
Total non-current liabilities		**1,213,795**	**1,080,659**	**1,117,743**	**982,820**
Total liabilities		**1,810,992**	**2,218,894**	**1,691,538**	**2,070,710**
Net assets		**1,099,993**	**1,126,631**	**1,161,195**	**1,146,809**
Equity					
Contributed equity	25	1,292,744	1,292,744	1,292,744	1,292,744
Accumulated losses		(189,785)	(160,958)	(132,296)	(145,353)
Reserves		(2,966)	(5,155)	747	(582)
Total equity		**1,099,993**	**1,126,631**	**1,161,195**	**1,146,809**

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

for the year ended 30 June 2015

	Note	Contributed equity $'000	Accumulated losses $'000	Hedging reserve $'000	Total $'000
Group					
Balance at 1 July 2013		**943,227**	**(207,030)**	**(5,646)**	**730,551**
Profit for the year		-	83,370	-	83,370
Other comprehensive income	25		302	491	793
Total comprehensive income for the year, net of tax equivalent		-	83,672	491	84,163
Contribution by the owner		349,517	-	-	349,517
Dividend paid		-	(37,600)	-	(37,600)
Balance at 30 June 2014		**1,292,744**	**(160,958)**	**(5,155)**	**1,126,631**
Balance at 1 July 2014		**1,292,744**	**(160,958)**	**(5,155)**	**1,126,631**
Profit for the year		-	57,147	-	57,147
Other comprehensive income/(loss)	25	-	(2,407)	2,189	(218)
Total comprehensive income for the year, net of tax equivalent		-	54,740	2,189	56,929
Dividend paid		-	(83,567)	-	(83,567)
Balance at 30 June 2015		**1,292,744**	**(189,785)**	**(2,966)**	**1,099,993**
Corporation					
Balance at 1 July 2013		**943,227**	**(187,867)**	**(367)**	**754,993**
Profit for the year		-	79,812	-	79,812
Other comprehensive income/(loss)	25	-	302	(215)	87
Total comprehensive income for the year, net of tax equivalent		-	80,114	(215)	79,899
Contribution by the owner		349,517	-	-	349,517
Dividend paid		-	(37,600)	-	(37,600)
Balance at 30 June 2014		**1,292,744**	**(145,353)**	**(582)**	**1,146,809**
Balance at 1 July 2014		**1,292,744**	**(145,353)**	**(582)**	**1,146,809**
Profit for the year		-	99,031	-	99,031
Other comprehensive income/(loss)	25	-	(2,407)	1,329	(1,078)
Total comprehensive income for the year, net of tax equivalent		-	96,624	1,329	97,953
Dividend paid		-	(83,567)	-	(83,567)
Balance at 30 June 2015		**1,292,744**	**(132,296)**	**747**	**1,161,195**

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

Statement of cash flows

for the year ended 30 June 2015

	Note	Group		Corporation	
		2015 $'000	2014 $'000	2015 $'000	2014 $'000
Operating activities					
Cash receipts from customers		3,896,011	3,233,893	3,832,194	2,970,737
Energy purchase and network access costs		(2,805,096)	(2,224,956)	(2,778,338)	(2,066,241)
Payments to suppliers and employees		(788,697)	(535,167)	(771,315)	(497,884)
Interest received		14,160	14,814	13,061	14,184
Interest paid		(36,082)	(107,984)	(19,538)	(111,122)
Income tax paid		(44,111)	(173,192)	(44,112)	(173,192)
Net cash flows from operating activities	11	**236,185**	**207,408**	**231,952**	**136,482**
Investing activities					
Investments in joint ventures		6,522	3,945	6,900	1,600
Investment in deposits		(86,000)	-	(86,000)	-
Payment for property, plant and equipment		(42,212)	(98,365)	(42,199)	(64,828)
Payment for intangible assets		(26,350)	(1,456)	(26,350)	(1,456)
Proceeds from disposal of assets		370	76	370	76
Net cash flows used in investing activities		**(147,670)**	**(95,800)**	**(147,279)**	**(64,608)**
Financing activities					
Repayment of borrowings		(316,411)	(183,786)	(300,000)	(170,174)
Dividend paid		(83,567)	(37,600)	(83,567)	(37,600)
Net cash flows used in financing activities		**(399,978)**	**(221,386)**	**(383,567)**	**(207,774)**
Net increase/(decrease) in cash and cash equivalents		(311,463)	(109,778)	(298,894)	(135,900)
Contribution of cash and cash equivalents on merger		-	374,203	-	374,203
Cash and cash equivalents at 1 July	11	508,612	244,187	471,865	233,562
Cash and cash equivalents at 30 June	11	**197,149**	**508,612**	**172,971**	**471,865**

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

Notes to the financial statements: About this report

for the year ended 30 June 2015

Corporate information

The consolidated financial statements of the Electricity Generation and Retail Corporation, trading as Synergy (the Corporation) and its subsidiaries (collectively, the Group), for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on 24 August 2015.

The Corporation is a not-for-profit entity, incorporated under the Electricity Corporations Act 2005 (WA).

The Group is primarily involved in generation and supply of electricity, retailing of electricity and gas, trading of energy, wholesale supply of gas and steam and provision of ancillary services.

Basis of preparation

This financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the disclosure requirements of Schedule 4 of the *Electricity Corporations Act 2005 (WA)* and the *Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013*. The Corporation has applied the not-for-profit elections available in the Australian Accounting Standards where applicable.

The accounting policies adopted in the preparation of this financial report have been consistently applied throughout all periods presented unless otherwise stated.

This financial report utilises both an accruals and historical cost basis, except for derivative financial instruments and defined benefit obligations, which are measured at fair value.

The Group presents assets and liabilities, in the statement of financial position, based on a current/non-current classification. An asset or liability is current when it is either; expected to be realised, or intended to be consumed, within the normal operating cycle, or 12 months after the reporting period; held primarily for the purpose of trading; or where there is no unconditional right to defer the settlement of a liability for at least 12 months after the reporting period.

All other assets and liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

This financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

Foreign currency

The Group's consolidated financial statements are presented in Australian dollars, which is also the Corporation's functional currency. Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

Comparatives

The 2014 financial comparison information, in totality, comprises two distinct six month periods for the Corporation and Group, as follows and explained below:

- 1 July 2013 – 31 December 2013; the Corporation was incorporated as the Electricity Generation Corporation (EGC) trading as Verve Energy; and
- 1 January 2014 – 30 June 2014; Corporation reincorporated as the Electricity Generation and Retail Corporation (EGRC) trading as Synergy.

On 10 April 2013 the Premier of Western Australia announced the merger of Electricity Retail Corporation (ERC), trading as Synergy, with the EGC (trading as Verve Energy), effective 1 January 2014.

ERC ceased to exist on 1 January 2014 in accordance with the Electricity Corporations Amendment Act 2013 (the Amendment Act), which was passed by Parliament on 12 December 2013 and received Royal Assent on 18 December 2013. The Amendment Act vested all assets, liabilities, rights and obligations of ERC and EGC in a single merged entity, called Electricity Generation and Retail Corporation, trading as Synergy.

The net assets and liabilities of the former ERC were accounted for as a contribution by the State Government of Western Australia in its capacity as owner at their carrying values in equity. This is in accordance with the restructure of administrative arrangements under AASB 1004 *Contributions.*

Comparatives (cont'd)

Contributions from the owner, the State Government of Western Australia, on 1 January 2014 comprised the following:

	$'000
Cash and cash equivalents	374,203
Trade and other receivables	404,399
Inventories	10,941
Intangible assets	152,406
Property, plant and equipment	63,004
Total assets	**1,035,258**
Trade and other payables	(573,995)
Provisions (14,171)	(14,171)
Finance lease liabilities	(59,038)
Current tax liabilities	(15,487)
Deferred tax liabilities	(23,050)
Total liabilities	**(685,517)**
Net assets at 1 January 2014	**349,517**

Total revenue and expenses attributable to the transferred activities of ERC for the period 1 July 2013 to 31 December 2013 (being the date before transfer) are tabled below. Subsequent to the merger, the activities were integrated, and it is not practical to measure and disclose the activities of the former ERC separately.

	$'000
Revenue	1,674,691
Expenses	(1,619,033)
Profit before tax	55,658

Key judgements and estimates

In the process of applying the Group's accounting policies, management has made a number of judgements and calculated and applied estimates of future events. Judgements and estimates are based on inputs available when the consolidated financial statements are prepared and may change due to market changes or other circumstances arising that are beyond management's control.

Key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are detailed, where applicable, in the following notes to the financial statements.

- Revenue recognition – retail sales of energy: Notes 1 & 2
- Classification of lease commitments: Notes: 6, 20c & 32
- Impairment allowance for receivables: Note 12
- Defined benefit plans (pension benefits): Note 17
- Employee entitlements: Note 17
- Provision for decommissioning: Note 18
- Fair value of financial instruments: Note 21

Other accounting policies

Significant and other accounting policies that summarise the recognition and measurement basis used and that are relevant to an understanding of the financial statements are provided, where appropriate, throughout the notes to the financial statements.

The notes to the financial statements

The notes to the financial statements are grouped together into sections and include, where applicable, a summary of the accounting policies, judgements and estimates relevant to understanding them.

Segment information

Segment reporting for the Group is required under Part 2 of *The Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013.*

For management purposes, the Group is organised into business units based on functions and activities. The Group has four reportable operating segments detailed as follows:

- **Generation business unit (GBU):** This manages operations involving the construction or operation of generating works (as defined in the *Electricity Industry Act 2004* section 3), and the operations of a controlled entity, Vinalco.
- **Wholesale business unit (WBU):** This manages operations involving the wholesale acquisition or supply of electricity (including pricing in respect of such acquisition or supply), or the acquisition or supply of wholesale products (including pricing in respect of such acquisition or supply).
- **Retail business unit (RBU):** This manages operations involving the pricing, sale and marketing of electricity to customers served by the South West interconnected system.
- **Corporate shared services (CSS):** This manages operations relating to the following activities: corporate planning and strategy; organisational development; accounting, financial and legal matters; human resources; information technology support; regulatory and compliance matters; communications; billing; record keeping, and any other operations (excluding generation operations, wholesale operations and retail operations) undertaken in connection with two or more business units.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

There are varying levels of integration between the WBU, the GBU and the RBU. This integration includes transfers of energy and related products and shared distribution services. Where appropriate, any inter-segment pricing is determined on an arm's length basis.

The Group's CEO and executive management team review internal management reporting of each business unit on a monthly basis for the purpose of making decisions.

The accounting policies of the reportable segments are the same as the Group's accounting policies described elsewhere in this financial statement. Segment profit/ (loss) represent the profit/ (loss) before tax earned by each segment without allocation of central administration costs and directors' salaries, depreciation, investment income and finance costs and income tax.

Inter-segment revenues are eliminated upon consolidation and reflected in the eliminations column. Currently, there exist formal arrangements between WBU and RBU whereby WBU sells energy to RBU on an arms-length basis. No transfer pricing arrangements exist between GBU and WBU or between CSS and other business units.

Segment information (cont'd)

Year ended 30 June 2015	GBU	WBU	RBU	CSS	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
External customers	100,064	290,647	2,812,490	13,805	-	3,217,006
Inter-segment	-	1,544,212	-	-	(1,544,212)	-
Total Revenue	**100,064**	**1,834,859**	**2,812,490**	**13,805**	**(1,544,212)**	**3,217,006**
Results						
EBITDA	(613,715)	1,049,053	4,875	(98,720)	-	341,493
Depreciation and amortisation	(173,721)	(11,917)	(11,738)	(9,477)	-	(206,853)
Segment profit (loss)	**(787,436)**	**1,037,136**	**(6,863)**	**(108,197)**	**-**	**134,640**
Unallocated items						
Finance income						11,833
Finance expense						(74,455)
Share of profit of joint ventures and an associate						7,332
Tax equivalent expense						(22,203)
Profit for the year						**57,147**

Year ended 30 June 2014	GBU	WBU	RBU	CSS	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
External customers	117,611	1,025,108	1,634,801	149	-	2,777,669
Inter-segment	-	905,943	-	-	(905,943)	-
Total Revenue	**117,611**	**1,931,051**	**1,634,801**	**149**	**(905,943)**	**2,777,669**
Results						
EBITDA	(756,623)	1,230,879	42,592	(104,931)	-	411,917
Depreciation and amortisation	(160,625)	(9,752)	(5,322)	(322)	-	(176,021)
Segment profit (loss)	**(917,248)**	**1,221,127**	**37,270**	**(105,253)**	-	**235,896**
Unallocated items						
Finance income						17,098
Finance expense						(126,213)
Share of profit of joint ventures						2,043
Tax equivalent expense						(45,454)
Profit for the year						**83,370**

Notes to the financial statements: Gross profit

for the year ended 30 June 2015

1. Sales revenue

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Sale of energy- retail customers	2,433,634	1,373,994	2,433,634	1,373,994
Sale of energy- wholesale customers	316,770	1,073,518	259,825	980,271
Sale of energy- other	58,756	72,702	48,883	70,189
Account fees and charges	19,384	9,466	19,384	9,466
Total sales revenue	**2,828,544**	**2,529,680**	**2,761,726**	**2,433,920**

2. Other revenue

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Tarriff adjustment payments	386,008	244,746	386,008	244,746
Contract works and grants	2,434	3,243	2,009	3,238
Government grants	20	-	20	5
Total other revenue	**388,462**	**247,989**	**388,037**	**247,989**

Recognition, measurement and accounting estimates

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of energy

Sale of energy comprise revenue earned from the provision of electricity, gas and related products to wholesale and retail customers.

Revenue recognised represents the sum of invoices raised and the movement in the estimated unread energy consumption. A portion of the Corporation's retail energy revenue is based on estimated unread energy consumption. Unread energy consumption represents the estimated value of metered electricity and gas provided to customers but not invoiced. This assessment is based on historical data, adjusted for changes in consumption patterns, if any.

Other sales

Other sales comprise revenue earned from; fuel sales; steam sales; renewable energy certificates; spinning reserve and other related goods and services incidental to the Group's core activities and are recognised when the significant risks and rewards of ownership have been transferred to customers.

Contract works

Revenue is recognised by reference to the stage of completion. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

2. Other revenue (cont'd)

Recognition, measurement and accounting estimates (cont'd)

Dividends

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Government grants

An unconditional government grant is recognised as revenue when the grant becomes receivable.

3. Economic dependency

The Corporation, at the direction of the State Government, is not permitted to charge its retail customers cost reflective tariffs. To subsidise the Corporation for the difference between cost reflective tariffs and the gazetted retail tariffs charged to customers, the Corporation receives tariff adjustment payments (TAP) from the State Government. The Corporation has a significant economic dependency on the TAP it receives.

4. Fuel, networks and other direct costs

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Fuel, electricity and gas purchases	(871,253)	(951,272)	(863,661)	(920,938)
Network access and market participant costs	(1,121,489)	(576,309)	(1,119,591)	(573,207)
Renewable energy certificates	(91,004)	(26,491)	(91,004)	(26,491)
Total fuel, networks and other direct costs	**(2,083,746)**	**(1,554,072)**	**(2,074,256)**	**(1,520,636)**

Community service obligations

Community Service Obligations (CSOs) are obligations to perform functions, on behalf of the State Government, that are not in the commercial interests of the Corporation to perform. Where the Government agrees to reimburse the Corporation for the cost of CSOs, the entitlement to reimbursement is recognised in the statement of comprehensive income on a basis consistent with the associated CSO expenses and when the right to receive the payment is established. The cost of CSOs if not fully reimbursed is reflected under direct costs above.

The Corporation is reimbursed for the following CSOs:

- Feed in tariff (FiT) rebates and renewable energy buyback scheme (REBS);
- Supply charge and Cost of Living Allowance (COLA) rebates;
- Dependent child rebates;
- Caravan park subsidy; and
- Air conditioning subsidy for seniors.

5. Employee expenses

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Wages and salaries	(140,052)	(123,407)	(139,428)	(122,918)
Termination benefits	(21,595)	(14,385)	(21,595)	(14,385)
Post employment benefits	(15,282)	(12,537)	(15,236)	(12,487)
Total employee expenses	**(176,929)**	**(150,329)**	**(176,259)**	**(149,790)**

Remuneration detail of directors and key management personnel has been disclosed in the directors' report.

6. Other expenses

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Metering	(9,089)	(3,606)	(9,089)	(3,606)
Communications	(5,727)	(3,018)	(5,723)	(3,012)
Contractors and consultants	(74,132)	(47,871)	(73,621)	(47,222)
Commissions	(7,561)	(4,017)	(7,561)	(4,017)
Insurance	(9,404)	(10,929)	(7,910)	(9,137)
Legal fees	(4,595)	(11,600)	(4,595)	(11,600)
Promotions and advertising	(6,157)	(2,824)	(6,157)	(2,824)
Operating lease rentals	(8,617)	(6,634)	(8,516)	(6,528)
Training and recruitment	(3,249)	(3,314)	(3,249)	(3,314)
Audit services - Office of Auditor General	(419)	(465)	(389)	(412)
Audit services - other	(53)	(42)	(35)	(42)
Foreign exchange loss	(1,977)	(954)	(1,977)	(954)
Other	(15,335)	(14,176)	(15,235)	(13,686)
Total other expenses	**(146,315)**	**(109,450)**	**(144,057)**	**(106,354)**

Recognition, measurement and accounting estimates

Operating leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

7. Impairment (losses)/reversal

		Group		Corporation	
	Note	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Impairment allowance/(reversal) for receivables	12	(5,118)	(7,524)	71,847	(7,524)
Impairment of intangible assets / work in progress write-off	15/16	(12,441)	(21,570)	(12,441)	(21,570)
Balance at 30 June		**(17,559)**	**(29,094)**	**59,406**	**(29,094)**

8. Net finance costs

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Interest income	11,833	17,098	10,734	16,468
Interest on loans and borrowings	(20,197)	(77,931)	(10,564)	(66,569)
Interest on loans and borrowings, capitalised	-	3,682	-	-
Net interest expense	(20,197)	(74,249)	(10,564)	(66,569)
Finance lease interest expense	(31,390)	(29,894)	(31,390)	(29,894)
Unwinding of discount on provisions	(23,308)	(23,279)	(23,308)	(23,279)
Gain/ (loss) on interest rate swaps	440	1,209	440	(235)
Total finance costs	(74,455)	(126,213)	(64,822)	(119,977)
Net finance costs	**(62,622)**	**(109,115)**	**(54,088)**	**(103,509)**

Recognition, measurement and accounting estimates

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset.

All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Interest Income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate. Interest income is included as finance income in the statement of comprehensive income.

Notes to the financial statements: Net profit

for the year ended 30 June 2015

9. Income tax equivalent expense

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Profit before income tax equivalent expense	**79,350**	**128,824**	**143,451**	**123,209**
Income tax equivalent using the domestic corporation tax rate of 30%	(23,805)	(38,647)	(43,032)	(36,963)
Effect of:				
Exempt / (non-deductible) items	(75)	(80)	(75)	(80)
Over provided tax benefit in respect of prior year	6	(532)	6	(532)
Recognition of previously unrecognised deductible/ (taxable) temporary differences	287	(2,057)	-	-
Derecognition of previous recognised deductible temporary difference	(236)	(6,000)	(236)	(6,000)
Recognition of taxable temporary differences	(1,159)	-	-	-
Deductible temporary differences not recognised	(1,245)	-	(1,246)	-
Taxable temporary differences not recognised	4,024	1,862	163	178
Income tax equivalent expense	**(22,203)**	**(45,454)**	**(44,420)**	**(43,397)**

The tax rate used for the 2015 and 2014 reconciliation above is the corporate tax rate of 30 per cent payable by Australian corporate entities on taxable profits under Australian tax law.

The major components of income tax equivalent expense for the years ended 30 June 2015 and 30 June 2014 are:

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Current tax equivalent expense	**(6,308)**	**(88,095)**	**(6,308)**	**(88,095)**
Deferred tax (expense)/benefit				
Origination and reversal of temporary differences	**(15,895)**	**42,641**	**(38,112)**	**44,697**
Income tax equivalent expense in profit or loss	**(22,203)**	**(45,454)**	**(44,420)**	**(43,398)**
Deferred tax related to items recognised in OCI during the year				
Net gain/(loss) on revaluation of cash flow hedges	(570)	92	(570)	92
Net gain/(loss) on defined benefit re-measurment, restated	1,032	(130)	1,032	(130)
Income tax equivalent charged to OCI	**462**	**(38)**	**462**	**(38)**

10. Deferred tax

	Group		Corporation		Movement	
					Group	Corporation
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Deferred tax relating to:						
Trade and other receivables	3,041	5,014	3,041	28,104	(1,973)	(25,063)
Lease receivables	11	62	11	62	(51)	(51)
Derivative financial instruments	758	1,920	758	1,920	(1,162)	(1,162)
Investments	-	-	-	236	-	(236)
Intangibles	2,218	926	2,218	926	1,292	1,292
Trade and other payables	4,470	23,529	4,470	23,529	(19,059)	(19,059)
Finance lease liability	71,339	72,854	71,339	72,854	(1,515)	(1,515)
Employee benefits	21,852	27,832	21,852	27,832	(5,980)	(5,980)
Provisions	87,254	77,399	87,254	77,399	9,855	9,855
Business related costs	1,443	1,926	1,444	1,926	(483)	(482)
Total deferred tax asset	**192,386**	**211,462**	**192,387**	**234,788**	**(19,076)**	**(42,401)**
Inventories	(35,867)	(27,991)	(35,867)	(27,991)	(7,876)	(7,876)
Investments	(2,929)	(1,821)	-	-	(1,108)	-
Property, plant and equipment	(161,390)	(174,017)	(161,390)	(174,017)	12,627	12,627
Reserves	(285)	(285)	(285)	(285)	-	-
Total deferred tax liability	**(200,471)**	**(204,114)**	**(197,542)**	**(202,293)**	**3,643**	**4,751**
Net deferred tax asset/(liability)	**(8,085)**	**7,348**	**(5,155)**	**32,495**	**(15,433)**	**(37,650)**

10. Deferred tax (cont'd)

	Group		Corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
The increase/(decrease) in deferred tax balance relates to:				
Amounts recognised in profit or loss				
Trade and other receivables	(1,973)	797	(25,063)	797
Lease receivables	(51)	(113)	(51)	(113)
Derivative financial instruments	(592)	(1,790)	(592)	(1,790)
Investments	(1,108)	(8,057)	(236)	(6,000)
Intangibles	1,292	5,808	1,292	5,808
Trade and other payables	(19,059)	20,321	(19,059)	20,321
Finance lease liability	(1,516)	(902)	(1,516)	(902)
Employee benefits	(7,012)	3,204	(7,012)	3,204
Provisions	9,855	12,076	9,855	12,076
Business related costs	(482)	1,020	(481)	1,020
Inventories	(7,876)	(779)	(7,876)	(779)
Property, plant and equipment	12,627	11,055	12,627	11,055
	(15,895)	**42,640**	**(38,112)**	**44,697**
Amounts recognised in OCI				
Derivative finanical instruments	(570)	92	(570)	92
Defined benefit re-measurement	1,032	(130)	1,032	(130)
	462	**(38)**	**462**	**(38)**
Amounts recognised on business combination				
Trade and other receivables	-	3,771	-	3,771
Intangibles	-	(6,164)	-	(6,164)
Trade and other payables	-	3,132	-	3,132
Finance lease liability	-	17,711	-	17,711
Employee benefits	-	4,251	-	4,251
Property, plant and equipment	-	(16,069)	-	(16,069)
Business related costs	-	906	-	906
Reserves	-	(285)	-	(285)
	-	7,253	-	7,253

As at 30 June 2015, deferred tax assets have not been recognised in respect of tax losses and deductible temporary differences of $11.8 million for the Group and deductible temporary differences of $7.5 million for the Corporation (2014: $43.3 million for the Group and $13.1 million for the Corporation) as it was not probable that in the foreseeable future sufficient income of that category would be generated for such temporary differences to be reversed.

10. Deferred tax (cont'd)

Recognition, measurement and accounting estimates

Tax equivalent expense

The Corporation operates under the National Taxation Equivalent Regime (NTER). While tax equivalent payments are remitted to WA Treasury, the Corporation's tax is subject to Australian Taxation Office (ATO) administration. The calculation of the liability in respect of income tax is governed by the Income Tax Administration Acts and the NTER guidelines as agreed by the State Government.

Income tax equivalent expense comprises current and deferred tax. Income tax equivalent expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current equivalent income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities and tax assets are recognised for all temporary differences except when the deferred tax liabilities and assets arise from the following: the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled, it is probable that the temporary differences will not reverse in the foreseeable future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax equivalent liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

11. Cash and short-term deposits

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cash at bank and on hand	27,386	46,808	3,208	10,061
Short-term deposits	255,763	461,804	255,763	461,804
Total cash and short-term deposits	**283,149**	**508,612**	**258,971**	**471,865**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and six months (2014: one day and three months), depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Recognition, measurement and accounting estimates

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 June 2015:

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cash at bank and on hand	27,386	46,808	3,208	10,061
Short-term deposits with maturity of three months or less	169,763	461,804	169,763	461,804
Total cash and cash equivalents	**197,149**	**508,612**	**172,971**	**471,865**
Reconciliation of cash flows from operating activities				
Profit for the year	57,147	83,370	99,031	79,812
Adjustments for:				
Loss on disposal of property, plant and equipment	115	19	115	19
Derecognition of decommissioning liability	-	(640)	-	(640)
Depreciation and amortisation	206,852	176,021	190,165	163,927
Impairment loss on trade receivables	5,118	10,023	(71,848)	9,678
Impairment loss on inventory	7,049	-	7,049	-
Impairment losses	12,432	21,957	14,727	21,957
Dividend recieved	-	-	(7,100)	(1,800)
Unwinding of discount on long-term provisions	23,308	23,279	23,308	23,279
Share of (profit)/loss of joint venture entities and an associate	(7,332)	(2,043)	-	-
	304,689	311,986	255,447	296,232
Changes in trade and other receivables	63,054	374,484	73,547	207,255
Changes in inventories	(15,067)	(7,198)	(14,860)	(8,368)
Changes in intangible assets	(7,139)	38,334	(9,434)	38,334
Changes in derivative financial instruments and investment	(2,109)	2,650	(2,485)	(6,320)
Changes in tax assets and liabilities	(21,909)	(127,738)	309	(129,795)
Changes in trade and other payables	(59,673)	(438,105)	(45,575)	(313,807)
Changes in provisions and others	(25,661)	52,995	(24,997)	52,951
Net cash from operating activities	**236,185**	**207,408**	**231,952**	**136,482**

12. Trade and other receivables

Current

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade receivables, net impairment allowance	156,023	193,766	146,951	185,182
Unbilled receivables	193,314	221,390	193,314	221,390
Inter-group receivables, net impairment allowance	-	-	158,066	93,496
Other receivables	5,564	700	10,552	698
Prepayments	8,307	17,575	6,827	16,645
Deposits	4,988	2,937	-	-
Total current trade and other receivables	**368,196**	**436,368**	**515,710**	**517,411**

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

As at 30 June 2015, trade receivables of an initial value of $10.1 million Group and $10.1 million Corporation (2014: $16.8 million Group and $93.8 million Corporation) were impaired and fully provided for. See below for the movements in the allowance for impairment of receivables.

Cash at bank includes an amount of $4.987 million (2014: $2.937 million) for the Group which can be utilised only towards major maintenance of certain plant financed through bank loans.

At the end of the reporting period the Group and the Corporation held collateral of $13.0 million (2014: $11.07 million) in the form of bank guarantees and cash deposits.

	Group		Corporation	
Allowance for impairment of receivables	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at 1 July	(16,797)	(1,584)	(93,763)	(78,550)
Transfer from merger	-	(12,724)	-	(12,724)
Charge for the year, net recoveries	(5,118)	(7,524)	(5,118)	(7,524)
Reversal during the year	-	-	76,965	-
Amount written-off during the year	11,779	5,035	11,780	5,035
Balance at 30 June	**(10,136)**	**(16,797)**	**(10,136)**	**(93,763)**

As at 30 June, the ageing analysis of trade and inter-group receivables is as follows:

		Neither past due or impaired ^	Past due but not impaired			
Group	Total $'000	$'000	< 30 days * $'000	30-90 days * $'000	>91 days * $'000	Impaired $'000
2015	160,915	83,197	29,998	14,571	23,013	10,136
2014	211,217	124,869	19,954	33,036	16,561	16,797
Corporation						
2015	314,897	82,092	32,180	16,515	173,974	10,136
2014	372,438	109,179	29,023	62,432	78,041	93,763

^ Corporation balance includes inter-group amounts of $161.2 million (2014: $181.3 million) for which payment has been deferred until the subsidiary is in a position to pay. An impairment loss of $Nil (2014: $77.0 million) was provided against this balance.

*Out of these balances, $3.5 million (2014: $4.87 million) were covered by collateral in the form of bank guarantees and cash deposits held by the Corporation.

12. Trade and other receivables (cont'd)

Recognition, measurement and accounting estimates

Impairment allowance for receivables

The Group has recognised an allowance for the impairment of receivables. Other than those items that have been individually impaired, the Group recognises a collective impairment allowance on retail trade receivables. This assessment is based on historical bad debts written off as a percentage of total retail trade receivables.

13. Inventories

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Fuel	125,610	113,287	124,572	112,311
Spares and consumables	47,171	51,476	44,784	49,234
Total inventories	**172,781**	**164,763**	**169,356**	**161,545**

Recognition, measurement and accounting estimates

Inventories

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

Costs incurred in purchasing and bringing each product to its present location and condition are accounted for using the weighted average cost method. Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect of the purchases of raw materials.

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

14. Trade and other payables

Current

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade payables and accruals	431,932	526,426	430,363	494,385
Financial guarantee liability	-	-	3,000	3,600
Other payables	25,037	12,244	24,769	27,745
Commodity swaps	5,247	6,383	5,247	6,383
Accrued salaries	721	3,779	721	3,779
Deferred income	2,916	2,531	2,916	2,531
Interest accrued	2,945	6,702	2,945	6,702
Total current trade and other payables	**468,798**	**558,065**	**469,961**	**545,125**

The financial guarantee liability relates to borrowings by one of the Corporation's subsidiaries whereby the Corporation has undertaken to repay any outstanding amounts of such borrowings in an event of default by the subsidiary borrower. In the consolidated financial statements of the Group, the underlying secured borrowings were fully recognised on the balance sheet and disclosed at note 20b and as a result, this guarantee liability was derecognised in the Group.

14. Trade and other payables (cont'd)

Non-Current

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Commodity swaps	287,703	272,682	287,703	272,682
Deferred income	6,359	6,769	6,359	6,769
Deferred costs	2,100	2,287	2,100	2,287
Total non-current trade and other payables	**296,162**	**281,738**	**296,162**	**281,738**

Under a long term gas swap agreement entered into in 2012, the Corporation has been receiving gas from various counterparties and is obliged to return such gas in the future. The ending balance represents the value of the obligation of returning such gas. The gas agreement was entered into for the purpose of providing flexibility in managing the Corporation's fuel requirements, thereby enhancing energy security.

15. Property, plant and equipment

Group	Land	Buildings	Plant and equipment	Work in progress	Leased assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At Cost						
Balance at 1 July 2013	6,488	148,638	2,456,471	132,293	186,535	2,930,425
Additions	-	-	-	99,727	-	99,727
Transfer from merger	-	-	14,191	11,157	67,095	92,443
Transfers (i)	-	1,377	101,450	(107,259)	-	(4,432)
Disposals	-	-	(3,877)	-	-	(3,877)
Decommissioning adjustment (note 18)	-	-	6,499	-	-	6,499
Balance at 30 June 2014	**6,488**	**150,015**	**2,574,734**	**135,918**	**253,630**	**3,120,785**
Balance at 1 July 2014	6,488	150,015	2,574,734	135,918	253,630	3,120,785
Additions	-	-	13	70,334	-	70,347
Transfers (i)	-	2,228	120,833	(150,982)	-	(27,921)
Disposals/write-off	(122)	-	(24,510)	(12,441)	-	(37,073)
Decommissioning adjustment (note 18)	-	-	(8,456)	-	-	(8,456)
Balance at 30 June 2015	**6,366**	**152,243**	**2,662,614**	**42,829**	**253,630**	**3,117,682**
Depreciation and impairment						
Balance at 1 July 2013	-	(52,469)	(805,267)	-	(55,012)	(912,748)
Annual depreciation charge	-	(6,122)	(158,892)	-	(541)	(165,555)
Transfer from merger	-	-	(1,829)	-	(20,033)	(21,862)
Disposals	-	-	142	-	-	142
Balance at 30 June 2014	**-**	**(58,591)**	**(965,846)**	**-**	**(75,586)**	**(1,100,023)**
Balance at 1 July 2014	-	(58,591)	(965,846)	-	(75,586)	(1,100,023)
Annual depreciation charge	-	(6,429)	(169,868)	-	(11,917)	(188,214)
Disposals	-	-	24,005	-	-	24,005
Balance at 30 June 2015	**-**	**(65,020)**	**(1,111,709)**	**-**	**(87,503)**	**(1,264,232)**
Carrying amount						
At 30 June 2014	6,488	91,424	1,608,888	135,918	178,044	2,020,762
At 30 June 2015	6,366	87,223	1,550,905	42,829	166,127	1,853,450

(i) Transfers- There are $27.9 million in transfers (2014: $1.3 million) from works under construction to intangible assets in 2015 (note 16), and $Nil transfer of capital spares into inventory (2014: $3.1 million).

15. Property, plant and equipment (cont'd)

Corporation	Land	Buildings	Plant and equipment	Work in progress	Leased assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At Cost						
Balance at 1 July 2013	6,488	148,638	2,385,671	73,470	186,535	2,800,802
Additions	-	-	-	66,172	-	66,172
Transfer from merger	-	-	14,191	11,157	67,095	92,443
Transfers (i)	-	1,377	9,072	(14,881)	-	(4,432)
Disposals/write-off	-	-	(3,836)	-	-	(3,836)
Decommissioning adjustment (note 18)	-	-	6,499	-	-	6,499
Balance at 30 June 2014	**6,488**	**150,015**	**2,411,597**	**135,918**	**253,630**	**2,957,648**
Balance at 1 July 2014	6,488	150,015	2,411,597	135,918	253,630	2,957,648
Additions	-	-	-	70,334	-	70,334
Transfers (i)	-	2,228	120,833	(150,982)	-	(27,921)
Disposals/write-off	(122)	-	(24,510)	(12,441)	-	(37,073)
Decommissioning adjustment (note 18)	-	-	(8,456)	-	-	(8,456)
Balance at 30 June 2015	**6,366**	**152,243**	**2,499,464**	**42,829**	**253,630**	**2,954,532**
Depreciation and impairment						
Balance at 1 July 2013	-	(52,469)	(805,073)	-	(55,012)	(912,554)
Annual depreciation charge	-	(6,122)	(151,942)	-	(541)	(158,605)
Transfer from merger	-	-	(1,829)	-	(20,033)	(21,862)
Disposals	-	-	118	-	-	118
Balance at 30 June 2014	**-**	**(58,591)**	**(958,726)**	**-**	**(75,586)**	**(1,092,903)**
Balance at 1 July 2014	-	(58,591)	(958,726)	-	(75,586)	(1,092,903)
Annual depreciation charge	-	(6,429)	(158,324)	-	(11,917)	(176,670)
Disposals	-	-	24,006	-	-	24,006
Balance at 30 June 2015	**-**	**(65,020)**	**(1,093,044)**	**-**	**(87,503)**	**(1,245,567)**
Carrying amount						
At 30 June 2014	6,488	91,424	1,452,871	135,918	178,044	1,864,745
At 30 June 2015	6,366	87,223	1,406,420	42,829	166,127	1,708,965

(i) The Corporation has applied Interpretation 4 Determining whether an Arrangement contains a Lease and has determined that a power purchase agreement the Corporation has with its supplier contains a lease arrangement. The lease has been recognised as a finance lease in accordance with AASB 117 Leases.

15. Property, plant and equipment (cont'd)

Recognition, measurement and accounting estimates

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to provisions (note 18) for further information about the recorded decommissioning provision.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Leased assets and leasehold improvements are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives for the current and comparative periods are as follows:

- Buildings 10 – 40 years
- Plant and equipment 2 – 45 years
- Leasehold improvements 2 – 10 years
- Lease assets 15 – 25 years

Land is not depreciated.

Work-in-progress is not amortised until the assets are completed and ready for use.

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

16. Intangibles

Group	Computer software	Environment certificates	Exclusive rights	Sales and purchases agreements	Total
	$'000	$'000	$'000	$'000	$'000
At Cost					
Balance at 1 July 2013	10,360	-	537	48,800	59,697
Additions	-	14,191	-	-	14,191
Transfer from merger	63,305	112,788	-	-	176,093
Transfers from WIP (note 15)	1,300	-	-	-	1,300
Disposals/surrenders	-	(52,856)	-	-	(52,856)
Balance at 30 June 2014	**74,965**	**74,123**	**537**	**48,800**	**198,425**
Balance at 1 July 2014	74,965	74,123	537	48,800	198,425
Additions	19	81,487	-	-	81,506
Transfers from WIP (note 15)	27,920	-	-	-	27,920
Disposals/surrenders	(402)	(89,897)	-	-	(90,299)
Balance at 30 June 2015	**102,502**	**65,713**	**537**	**48,800**	**217,552**
Amortisation and impairment					
Balance at 1 July 2013	(6,444)	-	(403)	-	(6,847)
Annual amortisation charge	(5,267)	-	(55)	(5,144)	(10,466)
Transfer from merger	(31,264)	-	-	-	(31,264)
Impairment	-	(21,570)	-	-	(21,570)
Balance at 30 June 2014	**(42,975)**	**(21,570)**	**(458)**	**(5,144)**	**(70,147)**
Balance at 1 July 2014	(42,975)	(21,570)	(458)	(5,144)	(70,147)
Annual amortisation charge	(13,440)	-	(55)	(5,144)	(18,639)
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Balance at 30 June 2015	**(56,415)**	**(21,570)**	**(513)**	**(10,288)**	**(88,786)**
Carrying amount- current					
At 30 June 2014	-	49,436	-	-	49,436
At 30 June 2015	-	44,143	-	-	44,143
Carrying amount- non-current					
At 30 June 2014	31,990	3,117	79	43,656	78,842
At 30 June 2015	46,087	-	24	38,512	84,623

16. Intangibles (cont'd)

Corporation	Computer software	Environment certificates	Exclusive rights	Sales and purchases agreements	Total
	$'000	$'000	$'000	$'000	$'000
At Cost					
Balance at 1 July 2013	10,360	-	537	-	10,897
Additions	-	14,191	-	-	14,191
Transfer from merger	63,305	112,788	-	-	176,093
Transfers from WIP (note 15)	1,300	-	-	-	1,300
Disposals/surrenders	-	(52,856)	-	-	(52,856)
Balance at 30 June 2014	**74,965**	**74,123**	**537**	**-**	**149,625**
Balance at 1 July 2014	74,965	74,123	537	-	149,625
Additions	19	81,487	-	-	81,506
Transfers from WIP (note 15)	27,920	-	-	-	27,920
Disposals/surrenders	(401)	(89,897)	-	-	(90,298)
Balance at 30 June 2015	**102,503**	**65,713**	**537**	**-**	**168,753**
Amortisation and impairment					
Balance at 1 July 2013	(6,444)	-	(403)	-	(6,847)
Annual amortisation charge	(5,267)	-	(55)	-	(5,322)
Transfer from merger	(31,264)	-	-	-	(31,264)
Impairment	-	(21,570)	-	-	(21,570)
Balance at 30 June 2014	**(42,975)**	**(21,570)**	**(458)**	**-**	**(65,003)**
Balance at 1 July 2014	(42,975)	(21,570)	(458)	-	(65,003)
Annual amortisation charge	(13,440)	-	(55)	-	(13,495)
Balance at 30 June 2015	**(56,415)**	**(21,570)**	**(513)**	**-**	**(78,498)**
Carrying amount- current					
At 30 June 2014	-	49,436	-	-	49,436
At 30 June 2015	-	44,143	-	-	44,143
Carrying amount- non-current					
At 30 June 2014	31,990	3,117	79	-	35,186
At 30 June 2015	46,088	-	24	-	46,112

Environmental certificates

The *Renewable Energy (Electricity) Act 2000* requires electricity wholesale purchasers to source specified amounts of electricity from renewable energy sources. The Act imposes an annual liability on relevant wholesale acquisitions, which is extinguished by the surrender of an equivalent number of large-scale generation certificates (LGCs) and small-scale technology certificates (STCs).

The *Clean Energy Future Act2011* requires natural gas retailers to assume the direct liability for the natural gas that they sell to the market where the consumption of the customer is less than the 25,000t of CO2-e emissions threshold. The Act imposes an annual liability based on annual CO2-e emissions, which is extinguished by surrender of an equivalent number of Australian carbon credit units (ACCUs).

The Group purchases both LGCs and STCs and ACCUs from external sources. The Group is not entitled to any free environmental certificates.

16. Intangibles (cont'd)

Environmental certificates (cont'd)

The Group liabilities under both the *Renewable Energy (Electricity) Act 2000* and the *Clean Energy Future Act 2011* are measured at the cost of settling the respective obligations, being the weighted average cost of; LGCs and STCs (in the case of renewable energy); and ACCUs (in the case of clean energy) held at the date of surrender. At period end any shortfall in permits is measured at market value. The liability is expensed as cost of sales. Any excess permits are held as an intangible asset.

Due to the subsequent repeal of the carbon tax legislation there is no readily available future market price for the ACCUs in Australia. Accordingly, the ACCUs have been impaired.

Sales and purchase agreements

Sales and purchase agreements pertain to long-term agreements of a subsidiary to sell electricity to its customers and purchase fuel from its suppliers.

Exclusive rights

Under a contractual arrangement, the Corporation is entitled to receive a scheduled number of ACCUs generated under a carbon sequestration project.

Recognition, measurement and accounting estimates

Intangible assets acquired separately are measured, on initial recognition, at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is expensed to the statement of comprehensive income in the period in which the expenditure is incurred.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Environmental certificates purchased from external sources are recognised at the weighted average cost of purchase. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is de-recognised.

Internally generated intangible assets include costs related to research and development. Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use;
- its intention to complete and its ability to use the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the development; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit, and is recorded in profit or loss. Amortisation of the Group's intangible assets is calculated using the straight-line method as follows:

Software	2 – 10 years
Exclusive rights	2 – 14 years
Sales and purchase agreements	10 – 15 years

The Group's environmental certificates are not amortised.

16. Intangibles (cont'd)

Recognition, measurement and accounting estimates (cont'd)

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Corporation uses the depreciated replacement costs as value in use for the purpose of assessing for impairment when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits. Otherwise, the net present value of future cash flows is used, whereby 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. The other entities of the Group use the discounted cash flow method to assess the impairment to their non-current assets.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets' or CGUs' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

17. Employee benefits

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Annual leave	18,662	23,245	18,597	23,201
Long service leave	17,237	20,470	17,237	20,470
Total current liability	**35,899**	**43,715**	**35,834**	**43,671**
Long service leave	2,022	2,444	2,022	2,444
Defined benefit plan obligation	32,952	31,979	33,637	31,979
Total non-current liability	**34,974**	**34,423**	**35,659**	**34,423**

17. Employee benefits (cont'd)

Amounts not expected to be settled within the next 12 months

The annual and long service leave benefits reported as current because Synergy does not have an unconditional right to defer settlement, but that based on past experience are not expected to be taken or paid within the next 12 months are presented below:

	Group		Corporation	
	2015	2014	2015	2014
Annual leave (current):	$'000	$'000	$'000	$'000
Annual leave expected to be settled within 12 months	9,239	15,501	9,174	15,501
Annual leave expected to be settled after 12 months	9,423	7,744	9,423	7,700
	18,662	23,245	18,597	23,201
Long service leave (current):				
Long service leave expected to be settled within 12 months	2,672	6,297	2,672	6,297
Long service leave expected to be settled after 12 months	14,565	14,173	14,565	14,173
	17,237	20,470	17,237	20,470

Recognition, measurement and accounting estimates

The present value of employee benefits, including long service leave, are determined using various assumptions, such as; the determination of a discount rate; future salary increases; leave utilisation rates; and employment term probabilities. All assumptions are reviewed at each reporting date.

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Defined benefit plan obligation

The Corporation participates in two defined benefit plans consisting of the Pension Scheme and the prior service component of the Gold State Scheme. The schemes, which are now closed to new members, are wholly unfunded. The schemes have no assets.

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Pension Scheme members receive pension benefits on retirement, death or invalidity. The Pension Scheme's share of the pension benefit, which is based on the member's contributions plus investment earnings, may be commuted to a lump sum benefit. Some former members have transferred to Gold State Super. In respect of their transferred benefit the members receive a lump sum benefit on retirement, death or invalidity which is related to their salary during employment, indexed during any deferral period after leaving public sector employment.

The employers do not bear the cost associated with the indexation of any pension arising from the fund share. The Western Australian Government's share of the pension benefit, which is fully employer-financed, cannot be commuted to a lump sum benefit.

An actuarial review was conducted for the year ended 30 June 2015 using the membership data as at 30 April 2015 as it is not expected that the membership data will be materially different as at 30 June 2015.

17. Employee benefits (cont'd)

Description of the regulatory framework

The schemes operate under the *State Superannuation Act 2000 (Western Australia)* and the *State Superannuation Regulations 2001 (Western Australia)*.

Although the schemes are not formally subject to the Superannuation Industry (Supervision) (SIS) legislation, the Western Australian government has undertaken (in a Heads of Government Agreement) to operate the schemes in accordance with the spirit of the SIS legislation. As an exempt public sector superannuation scheme (as defined in the SIS legislation), the schemes are not subject to any minimum funding requirements. As a constitutionally protected scheme, the schemes are not required to pay tax.

Description of other entities' responsibilities for the governance of the Scheme

The Government Employees Superannuation Board (GESB) is the schemes' trustee and is responsible for the governance of the schemes. As trustee, GESB has a legal obligation to act solely in the best interests of the scheme beneficiaries, to comply with the Heads of Government Agreement referred above, and administration of the schemes and payment to the beneficiaries when required in accordance with the scheme rules.

Descriptions of risks

There are a number of risks to which the schemes exposes the Corporation. The more significant risks relating to the defined benefits are:

- legislative risk- the risk that legislative changes could be made which increase the cost of providing the defined benefits;
- pensioner mortality risk- the risk that pensioner mortality will be lighter than expected, resulting in pensions being paid for longer;
- inflation risk- the risk that inflation is higher than anticipated, increasing pension payments, and the associated employer contributions; and
- salary growth risk- the risk that wages or salaries (on which future benefits amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and the associated employer contributions.

Description of significant events

There were no plan amendments, curtailments or settlements during the period.
Amounts recognised in the statement of comprehensive income:

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Amounts recognised in profit or loss:				
Interest cost	1,143	1,007	1,143	1,007
Amounts recognised in OCI:				
Actuarial gains/ (losses)	3,439	(432)	3,439	(432)
	4,582	**575**	**4,582**	**575**

Reconciliation of movement in present value of obligation recognised in statement of financial position:

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at 1 July	31,979	27,315	31,979	27,315
Transfer of benefits from merger	-	5,795	-	5,795
Interest cost	1,143	1,007	1,143	1,007
Benefits paid	(3,609)	(1,706)	(3,609)	(1,706)
Actuarial gains arising from changes in financial assumptions	3,439	(432)	3,439	(432)
Balance at 30 June	**32,952**	**31,979**	**32,952**	**31,979**

17. Employee benefits (cont'd)

Significant actuarial assumptions:

	Defined benefit obligation at valuation date	
	2015	2014
Discount rate	2.74%	3.69%
Expected future salary increase	4.00%	5.00%
Expected future pension increase	2.50%	2.50%

The discount rate is based on the Government bond maturing in 2025. The decrement rates used (e.g. mortality and retirement rates) are based on those used at the last actuarial valuation for the schemes.

Sensitivity analysis:

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other obligations.

		-0.5 %		+0.5%	
	Base case	Discount rate	Pension increase rate	Discount rate	Pension increase rate
Pension Scheme					
Discount rate	2.74%	2.24%	2.74%	3.24%	2.74%
Pension increase rate	2.50%	2.50%	2.00%	2.50%	3.00%
Defined benefit obligation	30,762	32,969	28,773	28,798	32,920

		-0.5 %		+0.5%	
	Base case	Discount rate	Salary inflation rate	Discount rate	Salary inflation rate
Gold State Super					
Discount rate	2.74%	2.24%	2.74%	3.24%	2.74%
Salary inflation rate	4.00%	4.00%	3.50%	4.00%	4.50%
Defined benefit obligation	2,190	2,234	2,148	2,159	2,222

Maturity profile

The weighted average duration of the defined benefit obligation for the whole of the pension scheme is 16.5 years, and for the gold state super scheme is 4.4 years.

Expected contributions

Expected employer contributions for the financial year ending 30 June 2016 is $1.6 million.

Recognition, measurement and accounting estimates

Pensions and other post-employment benefits

The Group's employees are members of either a defined contribution or a defined benefit pension plan (outlined above) in Australia, which requires contributions to be made to a separately administered fund.

The cost of providing benefits under the defined contribution plan is recognised in the statement of comprehensive income as incurred. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

With respect to the defined benefit plan, re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the statement of comprehensive income in subsequent periods.

Past service costs are recognised in the statement of comprehensive income on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under employee expenses in the statement of comprehensive income: service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and net interest expense or income.

17. Employee benefits (cont'd)

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for redundancies are recognised once a position that has become redundant has been identified and the associated costs can be reliably estimated.

18. Provisions

	Decommissioning provision	Other provisions	Total
Group and Corporation	$'000	$'000	$'000
Balance at 1 July 2013	393,234	-	393,234
Change in assumptions recognised in profit or loss		11,250	11,250
Change in assumptions recognised in PPE (note 15)	6,499	-	6,499
Discount rate adjustment and imputed interest	13,917	-	13,917
Balance at 30 June 2014	**413,650**	**11,250**	**424,900**
Balance at 1 July 2014	413,650	11,250	424,900
Recognised in profit or loss	-	(5,779)	(5,779)
Change in assumptions recognised in PPE (note 15)	(8,456)	-	(8,456)
Discount rate adjustment and imputed interest	14,418	-	14,418
Balance at 30 June 2015	**419,612**	**5,471**	**425,083**
2015			
Current	25,348	5,471	30,819
Non-current	394,264	-	394,264
	419,612	**5,471**	**425,083**
2014			
Current	6,320	11,250	17,570
Non-current	407,330	-	407,330
	413,650	**11,250**	**424,900**

Decommissioning provision

The Group has recognised a provision for decommissioning obligations associated with the facilities owned by the Group over a period from 2015 to 2037. Recognition of a provision is consistent with both; the Group's published environmental policy; and applicable legal requirements.

In determining the fair value of the provision, assumptions and estimates are made in relation to; discount rates; the expected cost to dismantle and remove the plant from the site; and the expected timing of those costs. Judgement extends to include the; anticipated removal date; impact of future environmental legislation; extent of reclamation activities required; engineering methodology for estimating costs; future removal technologies in determining removal cost; and asset specific discount rates to determine the present value of these cash flows.

In the 2015, the Corporation engaged an independent expert to estimate the future decommissioning costs. The mid-point of the estimate range, which represents the probability weighted average of the possible scenarios, estimated by the expert, was adopted as the basis for calculating the provision. Because of the long-term nature of the liability, there is significant estimation risk around the estimated decommissioning costs that will be incurred. The Corporation has assumed the sites will be restored using the technology and materials that are available currently.

The carrying amount of the provision as at 30 June 2015 was $419.61 million (2014: $413.65 million). Fair value for the Group's decommissioning provision is determined using discounted cash flow (DCF) method at the Commonwealth bond rate for fixed long-term borrowings of similar durations. Such assumptions are reviewed and updated at least once a year at the end of each reporting period.

18. Provisions (cont'd)

Recognition, measurement and accounting estimates (cont'd)

Decommissioning provision (cont'd)

Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The unwinding of the discount is expensed as incurred and recognised in the statement of comprehensive income as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

19. Financial assets

a) Financial assets at fair value

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Financial instruments at fair value through OCI				
Forward exchange contracts- cash flow hedge	893	739	893	739
Total current financial instruments through OCI	**893**	**739**	**893**	**739**
Financial instruments at fair value through profit or loss				
Electricity derivatives- embedded	706	9,330	706	9,330
Total current financial instruments through profit or loss	**706**	**9,330**	**706**	**9,330**
Total financial instruments at fair value	**1,599**	**10,069**	**1,599**	**10,069**

Financial assets at fair value through OCI reflect the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable forecast purchases in foreign currencies.

Financial assets through profit or loss reflect the positive change in fair value of embedded electricity derivatives that are not designated in hedge relationships, but are nevertheless, intended to reduce the level of commodity price risk for expected sales.

b) Other financial assets

	Note	Group		Corporation	
		2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cash and short-term deposits	11	283,149	508,612	258,971	471,865
Trade receivables and prepayments	12	368,196	436,368	515,710	517,411
Lease receivables		1,802	2,953	1,802	2,953
Total current other financial assets		**653,147**	**947,933**	**776,483**	**992,229**
Lease receivables		-	1,829	-	1,829
Total non-current other financial assets		**-**	**1,829**	**-**	**1,829**
Total other financial assets		**653,147**	**949,762**	**776,483**	**994,058**

19. Financial assets (cont'd)

Recognition, measurement and accounting estimates

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by AASB 139.

The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs or finance income in the statement of comprehensive income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. Embedded electricity derivatives are the contract-for-difference component of some electricity trading contracts which the Group has entered into.

These embedded derivatives are measured at fair value with changes in fair value recognised in profit and loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income as finance costs.

Available-for-sale (AFS) financial investments

AFS financial investments include equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised as OCI and credited in the AFS reserve until the investment is de-recognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of comprehensive income in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

19. Financial assets (cont'd)

Recognition, measurement and accounting estimates (cont'd)

Available-for-sale (AFS) financial investments (cont'd)

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to the statement of comprehensive income over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of comprehensive income.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of comprehensive income. Interest income (recorded as finance income in the statement of comprehensive income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

19. Financial assets (cont'd)

Recognition, measurement and accounting estimates (cont'd)

Available-for-sale (AFS) financial investments (cont'd)

Impairment of financial assets (cont'd)

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income – is removed from OCI and recognised in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income; increases in their fair value after impairment are recognised directly in OCI.

20. Financial liabilities

a) Financial liabilities at fair value

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Financial liabilities at fair value through OCI				
Forward exchange contracts- cash flow hedge	22	232	22	232
Interest rate swaps- cash flow hedge	7,887	8,370	-	-
Total current financial liabilities through OCI	**7,909**	**8,602**	**22**	**232**
Forward exchange contracts- cash flow hedge	-	267	-	267
Interest rate swaps- cash flow hedge	-	1,267	-	1,267
Total non-current financial liabilities through OCI	**-**	**1,534**	**-**	**1,534**
Financial liabilities at fair value through profit or loss				
Forward exchange contracts- cash flow hedge	-	11	-	11
Electricity derivatives- embedded	4,104	14,634	4,104	14,634
Total current financial liabilities through profit or loss	**4,104**	**14,645**	**4,104**	**14,645**
Total financial liabilities at fair value	**12,013**	**24,781**	**4,126**	**16,411**
Current	12,013	23,247	4,126	14,877
Non-current	-	1,534	-	1,534
Total financial liabilities at fair value	**12,013**	**24,781**	**4,126**	**16,411**

Financial liabilities at fair value through OCI reflect the change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable future purchases in foreign currencies. Financial liabilities at fair value through OCI reflect the change in fair value of interest rate swaps as cash flow hedges to hedge future floating interest payments.

Financial liabilities through profit or loss reflect the change in fair value of those foreign exchange forward contracts that are not designated in hedge relationships, and the change in fair value of electricity derivatives.

20. Financial liabilities (cont'd)

b) Interest bearing loans and borrowings

	Interest rate	Maturity	Group 2015 $'000	Group 2014 $'000	Corporation 2015 $'000	Corporation 2014 $'000
Unsecured borrowings	2.18%	24-Jul-15	27,294	461,594	27,294	461,594
Secured borrowings	4.70%	22-Sep-15 to 22-Jun-16	16,613	28,991	-	-
Total current interest bearing loans and borrowings			**43,907**	**490,585**	**27,294**	**461,594**
Unsecured borrowings	2.35% to 2.66%	14-Apr-17 to 15-Apr-19	154,300	20,000	154,469	20,000
Secured borrowings	4.70%	22-Sep-20	93,976	97,839	-	-
Total non-current interest bearing loans and borrowings			**248,276**	**117,839**	**154,469**	**20,000**
Total interest bearing loans and borrowings			**292,183**	**608,424**	**181,763**	**481,594**

Unsecured borrowings

This loan has been drawn down under a Master Lending Agreement with the Western Australian Treasury Corporation. There is no fixed term on this facility. The loans drawn under the facility are repayable at fixed terms and are classified as short-term or long term based on each loan's maturity as at the reporting date.

At 30 June 2015, the Group had available $1,218 million (2014: $918 million) of undrawn committed borrowing facilities.

Secured Borrowings

The loan has been drawn down under the Syndicated Facility Agreement (SFA) with the Australia and New Zealand Banking Group Limited (ANZ). The drawdowns under this facility are repayable at fixed terms and are classified as short-term or long term based on the schedule of repayments as at the reporting date. The facility is guaranteed by the Corporation. It is a requirement of the SFA that a portion of the loan must only be utilised towards major maintenance of certain plant.

c) Other financial liabilities

	Note	Group 2015 $'000	Group 2014 $'000	Corporation 2015 $'000	Corporation 2014 $'000
Trade and other payables	14	468,798	558,065	466,961	541,525
Financial guarantee liability	14	-	-	3,000	3,600
Finance lease liabilities		5,761	5,053	5,761	5,053
Total current other financial liabilities at amortised cost		**474,559**	**563,118**	**475,722**	**550,178**
Finance lease liabilities		232,034	237,795	232,034	237,795
Trade and other payables	14	296,162	281,738	296,162	281,738
Total non-current other financial liabilities at amortised cost		**528,196**	**519,533**	**528,196**	**519,533**
Total other financial liabilities at amortised cost		**1,002,755**	**1,082,651**	**1,003,918**	**1,069,711**

20. Financial liabilities (cont'd)

c) Other financial liabilities (cont'd)

Financial guarantee liabilities

For financial guarantee liability, the fair value at initial recognition is the higher of following:

- The present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee; and
- The estimated exposure under the guarantee which is based on outstanding exposure of the debt instrument and the historical default rates of comparable companies rated by Standard & Poor's.

Finance leases

The Group has entered into the following lease arrangements:

- Kemerton power purchase arrangement- at the inception of the lease, an asset and a liability was recognised at an amount equal to the estimated fair value of the equipment. The imputed finance expense on the liability was determined based on the effective interest rate of the lease liability.
- Emu Downs Wind Farm off-take agreement- at the inception of the lease, the Corporation recognised a corresponding asset and liability, representing the present value of minimum lease payments under the contract.

Recognition, measurement and accounting estimates

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings, including bank overdrafts, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired or incurred for the purpose of selling or repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 139 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

21. Fair value of financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

The Group measures financial instruments, such as, derivatives, at fair value at each balance sheet date (see note 22).

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's and the Corporation's financial instruments, other than those where carrying amounts are reasonable approximations of fair values:

		2015		2014	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Lease receivables	19b	1,802	1,802	4,782	5,725
Financial liabilities					
Finance lease liabilities	20c	(237,795)	(437,621)	(242,848)	(419,658)

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- *Fair values of the Group's interest-bearing borrowings and loans* are determined by using DCF method. The own non-performance risk as at 30 June 2015 was assessed to be insignificant. The interest rates used to discount estimated cash flows, where applicable, are based on the WATC yield curve at the end of the reporting period.
- *Fair values of the Group's foreign exchange forward contracts* are determined by using the DCF method. The difference between the deal rate and the forward curve rate to maturity is discounted using the base currencies discount curve. Curves used are those published by financial institutions at the end of the reporting period.
- *Fair value of the Group's interest rate swaps* is determined by using the DCF method. A combination of short and long term market observed inputs (including BBSW and other rates published by financial institutions) are used to calculate yield curves for valuation purposes. These are discounted using the interest rates for swaps of similar durations.
- *Fair value of the Group's electricity derivatives* is determined using the DCF method. Internally projected forward electricity price is used to calculate the forward price curve. These are discounted using the Corporation's weighted average cost of capital.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

21. Fair value of financial instruments (cont'd)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 30 June 2015:

		Fair value measurement using		
		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
	Total	(Level 1)	(Level 2)	(Level 3)
	$'000	$'000	$'000	$'000
Assets measured at fair value				
Foreign exchange forward contracts	893	-	893	-
Electricity derivatives- embedded	706	-	-	706
Liabilities measured at fair value				
Forward exchange contracts- cash flow hedge	(22)	-	(22)	-
Interest rate swaps- cash flow hedge	(7,887)	-	(7,887)	-
Electricity derivatives- embedded	(4,104)	-	-	(4,104)

Fair value hierarchy for financial instruments measured at fair value as at 30 June 2014:

	Total	(Level 1)	(Level 2)	(Level 3)
	$'000	$'000	$'000	$'000
Assets measured at fair value				
Foreign exchange forward contracts	739	-	739	-
Available for sale financial investments	166	166	-	-
Electricity derviatives- embedded	9,330	-	-	9,330
Liabilities measured at fair value				
Forward exchange contracts- cash flow hedge	(510)	-	(510)	-
Interest rate swaps- cash flow hedge	(9,637)	-	(9,637)	-
Electricity derivatives- embedded	(14,634)	-	-	(14,634)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There have been no transfers between Level 1 and Level 2 during these periods.

	2015	2014
Reconciliation of Level 3 financial instruments	$'000	$'000
Opening balance	(5,304)	(11,656)
Additions during the year	-	8,754
Gain/(loss) recognised in profit or loss	1,906	(2,402)
Closing balance	(3,398)	(5,304)

21. Fair value of financial instruments (cont'd)

Description of significant unobservable inputs in valuation:

Asset/liability	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Electricity derivatives- embedded	DCF method	Internally projected forward electricity price	10% increase (decrease) would result in a decrease (increase) in fair value by $9.368 million
		Corporation WACC	1% increase (decrease) would result in a decrease (increase) in fair value by $0.071 million.

Recognition, measurement and accounting estimates

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques consistent with established valuation methodology and general market practice applicable to each instrument/market. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is the Corporation's weighted average cost of capital. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

22. Hedging activities and derivatives

Derivatives not designated as hedging instruments

The Group uses foreign exchange forward contracts to manage its transaction exposures. Where the period of the underlying transaction is less than 12 months, foreign exchange forward contracts are not generally designated as cash flow hedges.

Cash flow hedges

Foreign currency risk

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast purchases in foreign currencies. These forecast transactions are highly probable, and they comprise 100 per cent of the Group's total expected purchases in foreign currencies.

While the Group also enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss. The foreign exchange forward contract balances vary with the level of expected foreign currency purchases and changes in foreign exchange forward rates.

The average hedge deal rates as at 30 June 2015 for foreign currency purchases were USD 0.83 (2014: 0.85), EUR 0.63 (2014: 0.69) and JPY 92.3 (2014: 94.4).

	2015		2014	
	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000
Foreign currency forward contracts designated as hedging instruments				
Fair value	893	22	739	510

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises requiring recognition through the statement of comprehensive income.

The cash flow hedges of the expected future purchases in 2015 were assessed to be effective, and as at 30 June 2015, a net unrealised loss of $0.845 million, with a related deferred tax asset of $0.109 million was included in OCI in respect of these contracts. The amounts retained in OCI at 30 June 2015 are expected to mature and affect the statement of comprehensive income in 2016.

Interest rate risk

The Group has entered into interest rate swap contracts to hedge against interest rate movements. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income. Where the Group considers an interest rate swap to be an ineffective hedge, the gain or loss from remeasuring the derivative at fair value is recognised in the statement of comprehensive income.

At 30 June 2015, the Group had two interest rate swap agreements in place with a notional amount of $82.4 million (2014: $94.8 million). The Group pays a fixed rate of interest of 5.8 per cent and receives interest at a variable rate equal to three months BBSWon the notional amount. The swap is used to hedge the exposure to floating rates on fixed term borrowings under a syndicated facility with a term ending in 2020.

At 30 June 2014, the Corporation had two interest rate swap agreements in place with a notional amount totalling $20.0 million. The Group paid an average fixed rate of 6.05 per cent and received interest at a variable rate (BBSW) on the notional amount. The swaps were being used to hedge the exposure to floating rates on fixed term borrowings under the Master Lending Agreement with the Western Australian Treasury Corporation. These swaps were closed out during the year.

22. Hedging activities and derivatives (cont'd)

Embedded derivatives

Embedded electricity derivatives are the contract-for-difference component of some electricity trading contracts the Corporation has entered into. Embedded interest rate swaps are the component of a power purchase agreement which is exposed to interest rate movements. These embedded electricity derivatives have been separated and are carried at fair value through profit or loss. The carrying values of the embedded derivatives at 30 June 2015 amounted to a net liability of $3.4 million (2014: net liability $5.3 million). The effects on the statement of comprehensive income are reflected in finance costs.

Recognition, measurement and accounting estimates

Financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under AASB 139 are recognised in the statement of comprehensive income as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of comprehensive income, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to the statement of comprehensive income when the hedge item affects the statement of comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; and
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the statement of comprehensive income as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of comprehensive income as finance costs.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through the statement of comprehensive income over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is de-recognised, the unamortised fair value is recognised immediately in the statement of comprehensive income.

22. Hedging activities and derivatives (cont'd)

Fair value hedges

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the profit and loss.

The Group has an interest rate swap that is used as a hedge for the exposure of changes in the fair value of its fixed rate secured loan.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of comprehensive income as other operating expenses.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

Amounts recognised as OCI are transferred to the statement of comprehensive income when the hedged transaction affects the statement of comprehensive income, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity income until the forecast transaction occurs or the foreign currency firm commitment is met.

23. Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise of loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds available-for-sale investments and enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The board of directors oversees the management of these risks, supported by an audit and compliance committee (ACC) and a treasury management committee (TMC) that advise on financial risks and the appropriate financial risk governance framework for the Group. The ACC and TMC provide assurance to the Board that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The ACC is assisted in its governance oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the ACC.

All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as commodity risk. Financial instruments affected by market risk include loans and borrowings, available-for-sale investments and derivative financial instruments. The Group enters into derivatives in order to manage market risks. All such transactions are carried out within the guidelines set by the TMC. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

23. Financial risk management objectives and policies (cont'd)

Market risk (cont'd)

The sensitivity analysis in the following sections relate to the position as at 30 June 2015 and 2014. The sensitivity analysis have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 30 June 2015. The analysis excludes the impact of movements in market variables on: the carrying values of pension and other post-retirement obligations, and provisions.

The following assumptions have been made in calculating the sensitivity analysis:

- The statement of financial position sensitivity relates to derivatives.
- The sensitivity of the relevant statement of comprehensive income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 30 June 2015 and 2014 including the effect of hedge accounting.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by largely borrowing at fixed or variable rates, based on management's best estimates of future market conditions. The Group's policy is to limit its exposure to changes in interest rates on borrowings to certain percentages in accordance with the duration of the borrowing. To manage this, the Group enters into interest rate swaps.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Financial assets	137,802	463,278	137,802	463,278
Financial liabilities	(502,515)	(839,642)	(392,095)	(704,442)
Total fixed rate instruments	**(364,713)**	**(376,364)**	**(254,293)**	**(241,164)**
Financial assets	147,149	50,116	122,971	16,850
Financial liabilities	(30,178)	(21,267)	(30,178)	(21,267)
Total variable rate instruments	**116,971**	**28,849**	**92,793**	**(4,417)**

Interest rate sensitivity

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rate at the reporting date will not affect the statement of comprehensive income.

23. Financial risk management objectives and policies (cont'd)

For variable rate instruments, a change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit or loss and other comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

		- 100 basis points		+ 100 basis points	
	Carrying amount	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
Group - 2015	$'000	$'000	$'000	$'000	$'000
Cash and short-term deposits	283,149	(2,831)	-	2,831	-
Interest rate swaps	(7,887)	-	(2,353)	-	2,255
Unsecured loans and borrowings*	(181,764)	302	-	(302)	-
2014					
Cash and short-term deposits	508,612	(5,086)	-	5,086	-
Interest rate swaps	(9,637)	-	(3,496)	-	3,496
Unsecured loans and borrowings	(481,594)	4,816	-	(4,816)	-
Corporation - 2015					
Cash and short-term deposits	258,971	(2,590)	-	2,590	-
Interest rate swaps	-	-	-	-	-
Unsecured loans and borrowings*	(181,764)	302	-	(302)	-
2014					
Cash and short-term deposits	471,865	(4,719)	-	4,719	-
Interest rate swaps	(1,267)	-	(402)	-	402
Unsecured loans and borrowings	(481,594)	4,816	-	(4,816)	-

*At 30 June 2015 unsecured borrowings of $154 million were placed at fixed interest rates and not subject to interest rate risk

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when expenses are denominated in a different currency from the Group's presentation currency). The currencies giving rise to this risk are primarily Euro, US Dollar and Japanese Yen. The exposure of other Group entities to currency risk is immaterial.

The Group manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 24-month period. When the nature of the hedge relationship is not an economic hedge, it is the Group's policy to negotiate the terms of the hedging derivatives to match the terms of the underlying hedge items to maximise hedge effectiveness. The Group hedges its exposure to fluctuations by using foreign currency swaps and forwards. At 30 June 2015 and 2014, the Group hedged 100 per cent of its foreign currency purchases for which highly probable forecasted transactions existed at the reporting date. The Group's exposure to foreign currency risk at end of the reporting period was as follows, based on notional amounts:

	USD		EURO		JPY	
Group and Corporation	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Estimated forecast purchases	(10,868)	(13,378)	(147)	(7,956)	(9,500)	(5,818)
Forward exchange contracts	10,868	13,378	147	7,956	9,500	5,818
Net exposure	-	-	-	-	-	-

23. Financial risk management objectives and policies (cont'd)

Foreign currency sensitivity

A 10 per cent strengthening/weakening of the Australian dollar against the following currencies at 30 June 2015 would have increased / (decreased) profit or loss and other comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	-10%		+10%	
	Effect on profit before tax $'000	Effect on equity $'000	Effect on profit before tax $'000	Effect on equity $'000
Group and Corporation				
2015				
USD	-	2,461	-	(391)
EURO	-	3	-	(40)
JPY	-	10	-	(10)
2014				
USD	32	1,073	(50)	(1,675)
EURO	-	1,950	-	(378)
JPY	-	6	-	(6)

Commodity price risk
The Group enters into commodity swap contracts to economically hedge its exposure on commodity price risk arising from its expected purchases of fuel. Commodity price risk arises from an embedded commodity derivative.

Commodity price sensitivity
A change of 10 per cent in the market price of commodity would have increased / (decreased) profit or loss and other comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular interest rates and foreign exchange rates, remain constant.

		-10%		+10%	
	Carrying amount	Effect on profit before tax $'000	Effect on equity $'000	Effect on profit before tax $'000	Effect on equity $'000
Group and Corporation					
2015					
Embedded electricity derivative	(3,398)	9,368	-	(9,368)	-
2014					
Embedded electricity derivative	(5,304)	25,356	-	(25,356)	-

Credit risk
Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management.

23. Financial risk management objectives and policies (cont'd)

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, where available. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the Board; these limits are reviewed annually. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis or with a security in an acceptable form. The Group regularly reviews the credit worthiness of its counterparties.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 19. The Group does not hold collateral as security.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's TMC in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to the counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's TMC. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments.

The Group's maximum exposure to credit risk for the components of the statement of financial position at 30 June 2015 and 2014 is the carrying amounts as illustrated elsewhere in this note except for financial guarantees and derivative financial instruments. The Group's maximum exposure for financial guarantees and financial derivative instruments is noted in the liquidity table below.

In addition to the above, the Corporation also has credit exposure arising from the financial guarantee granted in relation to a subsidiary (note 14). The maximum credit exposure in relation to the financial guarantee is equal to the outstanding borrowings by the subsidiary which amounted to $110.6 million as at the reporting date (2014: $126.8 million).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its risk to a shortage of funds using a liquidity planning tool. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Western Australian Treasury Corporation (WATC) loan facility. Based on management forecasts, it is expected that the Group will remain cash positive whilst repaying WATC debt. 15 per cent of the Group's debt will mature in less than one year at 30 June 2015 (2014: 80 per cent) based on the carrying value of borrowings reflected in the financial statements.

Notes to the financial statements: Risk

for the year ended 30 June 2015

23. Financial risk management objectives and policies (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Group	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2015						
Interest-bearing loans and borrowings	-	(33,343)	(19,464)	(266,279)	(5,350)	(324,436)
Trade and other payables	-	(463,551)	(5,657)	(94,709)	(201,044)	(781,761)
Finance lease liability	-	-	(36,613)	(148,185)	(370,433)	(555,231)
Derivatives	-	(694)	(1,230)	(4,876)	(19)	(6,819)
Embedded derivatives	-	731	2,183	3,311	(23,335)	(17,110)
	-	(513,657)	(60,781)	(510,738)	(600,181)	(1,668,557)
Year ended 30 June 2014						
Interest-bearing loans and borrowings	-	(464,926)	(29,512)	(118,912)	-	(613,350)
Trade and other payables	-	(269,944)	(6,383)	(272,682)	(9,056)	(558,065)
Finance lease liability	-	-	(36,443)	(147,491)	(407,741)	(591,675)
Derivatives	-	(999)	(2,055)	(6,069)	(226)	(9,349)
Embedded derivatives	-	(130)	(398)	9,543	(33,645)	(24,630)
	-	(735,999)	(74,791)	(535,611)	(450,668)	(1,797,069)

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Corporation	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2015						
Interest-bearing loans and borrowings	-	(27,359)	(4,004)	(166,337)	-	(197,700)
Trade and other payables	-	(478,514)	(5,657)	(94,709)	(204,044)	(766,124)
Finance lease liability	-	-	(36,613)	(148,185)	(370,433)	(555,231)
Derivatives	-	51	835	-	-	886
Embedded derivatives	-	731	2,183	3,311	(23,335)	(17,110)
	-	(505,091)	(43,256)	(405,920)	(597,812)	(1,535,279)
Year ended 30 June 2014						
Interest-bearing loans and borrowings	-	(464,926)	(521)	(21,073)	-	(486,520)
Trade and other payables	-	(257,183)	(6,383)	(272,682)	(9,056)	(545,304)
Finance lease liability	-	-	(36,443)	(147,491)	(407,741)	(591,675)
Derivatives	-	(283)	(8)	(706)	-	(997)
Embedded derivatives	-	(130)	(398)	9,543	(33,645)	(24,630)
	-	(722,522)	(43,753)	(432,409)	(450,442)	(1,649,126)

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, these amounts may be settled gross or net.

23. Financial risk management objectives and policies (cont'd)

The following table shows the corresponding reconciliation of those amounts to their carrying amounts.

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Group and Corporation	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2015						
Inflows	-	896	13,790	-	-	14,686
Outflows	-	(1,590)	(15,020)	(4,876)	(19)	(21,505)
Net	-	(694)	(1,230)	(4,876)	(19)	(6,819)
Year ended 30 June 2014						
Inflows	-	1,680	10,969	13,893	-	26,542
Outflows	-	(2,679)	(13,024)	(19,962)	(226)	(35,891)
Net	-	(999)	(2,055)	(6,069)	(226)	(9,349)

24. Operational risk

The Group is exposed to single sources of supply in relation to both its coal and gas supplies and networks access. As such these suppliers represent a single source of failure and management seeks to protect itself by endeavouring to include protective rights under its supply contracts. Despite these contractual rights, the Group cannot entirely ensure that the supplier will continue to supply. Many contractual remedies require the Group to incur additional costs, some of which may not be recoverable, which may in turn impact the Group's future profitability and cash flows. From time to time, the Group enters into discussions with its suppliers to address any potential interruptions to supply.

25. Contributed equity and reserves

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
As at 1 July	1,292,744	943,227	1,292,744	943,227
Contribution by owner	-	349,517	-	349,517
As at 30 June	**1,292,744**	**1,292,744**	**1,292,744**	**1,292,744**

Contributions

Contributed equity comprises contributions by the owner, the State Government of Western Australia.

The initial contribution by the owner was made up of Western Power Corporation's assets, after deducting the liabilities that were transferred from Western Power Corporation to the Corporation on 1 April 2006.

In 2014, additional contribution was received from the State Government of Western Australia, in the form of transfer of the assets and liabilities from the former Electricity Retail Corporation on 1 January 2014.

Contributions from owners under a restructure of administrative arrangements

Contributions of assets and liabilities from the State Government of Western Australia, under a restructure of administrative arrangements, are recognised at their carrying values through equity as capital contribution by owner.

Capital management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in financial covenants in the current period.

Dividend

In December 2014, the Corporation paid final dividends totalling $83.6 million in relation to the year ended 30 June 2014 (2014: $37.6 million paid in relation to the year ended 30 June 2013). $54.2 million of this total relate to the financial performance of the Corporation, whilst the balance payment ($29.4 million) related to the performance of the former Electricity Retail Corporation for the same period.

Other reserves

The hedging reserve represents the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

25. Contributed equity and reserves (cont'd)

Other comprehensive income, net of tax

The disaggregation of changes of OCI by each type of reserve in equity is shown below:

	Accumulated losses	Hedging reserve	Total
	$'000	$'000	$'000
Group			
As at 30 June 2015			
Changes in fair value of cash flow hedges	-	845	845
Net change in fair value of cash flow hedges	-	1,537	1,537
Share of joint venture entities	-	377	377
Re-measurement gains on defined benefit plans	(3,439)	-	(3,439)
Tax effect	1,032	(570)	462
	(2,407)	**2,189**	**(218)**
As at 30 June 2014			
Changes in fair value of cash flow hedges	-	(1,092)	(1,092)
Net change in fair value of cash flow hedges	-	1,189	1,189
Share of joint venture entities	-	302	302
Re-measurement gains on defined benefit plans	432	-	432
Tax effect	(130)	92	(38)
	302	**491**	**793**
Corporation			
As at 30 June 2015			
Changes in fair value of cash flow hedges	-	362	362
Net change in fair value of cash flow hedges	-	1,537	1,537
Re-measurement gains on defined benefit plans	(3,439)	-	(3,439)
Tax effect	1,032	(570)	462
	(2,407)	**1,329**	**(1,078)**
As at 30 June 2014			
Changes in fair value of cash flow hedges	-	(1,496)	(1,496)
Net change in fair value of cash flow hedges	-	1,189	1,189
Re-measurement gains on defined benefit plans	432	-	432
Tax effect	(130)	92	(38)
	302	**(215)**	**87**

26. Information relating to subsidiaries

The consolidated financial statements of the Group include:

	Principal activity	Country of incorporation	% Equity Interest	
			2015	2014
Vinalco Energy Pty Ltd	Muja AB plant operators	Australia	100%	100%
South West Hub Pty Ltd	Carbon storage research	Australia	100%	100%

26. Information relating to subsidiaries (cont'd)

Recognition, measurement and accounting estimates

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2015. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Control is achieved when the Group has; power over the investee; is exposed, or has rights, to variable returns from the investee; and has the ability to affect those returns through use of its power over the investee. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has sufficient power over an investee to control it. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control outlined above.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

27. Interest in joint ventures and operations

	Report Date	Date of incorporation	Country of incorporation	% Equity Interest	
				2015	2014
Mumbida Wind Farm Holdings Pty Ltd	30 June	Nov 2010	Australia	50%	50%
South West Solar Development Holdings Pty Ltd	30 June	Aug 2011	Australia	50%	50%
South West Hub Joint Venture	30 June	N/A	N/A	100%	100%

South West Hub Joint Venture is an unincorporated joint venture funded by State Government and Federal Government to investigate the feasibility of carbon storage in the lower Lesueur geological formation north of Harvey in the South West of Western Australia.

Summarised financial information of the joint ventures, based on Australian Accounting Standards financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2015	2014
	$'000	$'000
Current assets	28,823	39,063
Non-current assets	193,146	189,626
Current liabilities	(1,452)	(13,053)
Non-current liabilities	(171,127)	(168,537)
Equity	**49,390**	**47,099**
Proportion of group's ownership	26,243	25,123
Carrying amount of the investment	**33,340**	**32,952**
Revenue	50,796	42,063
Expenses	(35,761)	(37,738)
Profit before tax	**15,035**	**4,325**
Income tax expense	(4,639)	(1,309)
Profit for the year	**10,396**	**3,016**
Group's share of the profit for the year	**7,511**	**2,043**

27. Interest in joint ventures and operations (cont'd)

Other than disclosed in note 32, the joint venture entities had no contingent liabilities as at 30 June 2015 (2014: Nil). The joint ventures entities cannot distribute profits until obtaining the consent from the two venture partners. Reconciliation of investment in joint venture entities:

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cost of investment	58,594	58,394	58,594	58,394
Accumulated losses recognised	(25,253)	(25,442)	(20,600)	(20,000)
Net carrying value	**33,341**	**32,952**	**37,994**	**38,394**
Balance at 1 July	32,952	32,207	38,394	38,194
Capital contributions	200	200	200	200
Share of gain recognised in profit or loss in year	7,511	2,043	-	-
Share of gain recognised in OCI in year	377	302	-	-
Dividends paid	(7,100)	(1,800)	-	-
Impairment in investment	(600)	-	(600)	-
Balance 30 June	**33,340**	**32,952**	**37,994**	**38,394**

The Group has an interest in the following joint operation

	Report Date	% Equity Interest	
		2015	2014
South West Cogeneration Joint Venture	30 June	50%	50%

The Corporation has a 50 per cent interest in an unincorporated joint venture operation, South West Cogeneration Joint Venture. This is a 120 MW cogeneration facility on the site of Worsley Alumina Refinery in the South West of Western Australia. The output of the facility, thermal energy and electricity, is sold to Worsley Alumina Refinery and other energy customers. Within the terms of the joint venture agreement pre-emptive rights exist in regard to the disposal of either party's interest.

Recognition, measurement and accounting estimates

Investment in joint ventures

A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of comprehensive income reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

27. Interest in joint ventures and operations (cont'd)

Recognition, measurement and accounting estimates (cont'd)

Investment in joint ventures (cont'd)

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the statement of comprehensive income.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the statement of comprehensive income.

Investment in joint operations

The interest of the Corporation in jointly controlled operations and assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

28. Investment in an associate

The Group has an interest in the following associate:

	Principal activity	Report Date	Country of incorporation	% Equity Interest	
				2015	2014
Premier Coal Limited	Coal mine operator	30-Jun	Australia	-	N/A

Under the Amended Coal Supply Agreement (CSA) and the Convertible Loan Agreement with Premier Coal Limited (PCL), Synergy has a right to convert the loan into a 25 per cent equity stake in PCL, anytime or mandatorily at the end of term of the loan agreement. Synergy has the right to appoint one member to the board of PCL and PCL cannot distribute any profits until obtaining consent from Synergy.

Summarised financial information of the associate, based on Australian Accounting Standards financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2015
	$'000
Current assets	68,573
Non-current assets	215,195
Current liabilities	(47,632)
Non-current liabilities	(33,148)
Equity	**202,988**
Carrying amount of the investment	**-**
Revenue	219,060
Expenses	(234,969)
Loss before tax	**(15,909)**
Income tax (benefit) expense	344
Loss for the year	**(15,565)**
Group's share of the loss for the year	(3,891)
Group's share of loss restricted to carrying value of investment	**(179)**

28. Investment in an associate (cont'd)

Reconciliation of investment in associate:

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cost of investment	179	-	179	-
Accumulated losses recognised	(179)	-	-	-
Net carrying value	**-**	**-**	**179**	**-**
Balance at 1 July	-	-	-	-
Investment at valuation	179	-	179	-
Share of loss recognised in profit or loss in year	(179)	-	-	-
Balance 30 June	**-**	**-**	**179**	**-**

Other than disclosed in notes 33 and 34, the associate had no contingent liability as at 30 June 2015.

Recognition, measurement and accounting estimates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transactions costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases. Equity accounting in associates ceases when the equity accounting value goes below zero (i.e. where the associate incurs cumulative losses in excess of the carrying value) and does not restart equity accounting until, on a cumulative basis, the equity accounting value moves above zero.

29. New and amended accounting standards and interpretations

For the Group, the following standards became effective during the year:

AASB 10 Consolidated Financial Statements/ AASB 127 Separate Financial Statements

AASB 10 introduces a single control model to determine whether an investee should be consolidated. The adoption of AASB 10 has not had any material impact on the Group.

AASB 11 Joint Arrangements/ AASB 128 Investments in Associates and Joint Ventures

Under AASB 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

The Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities. The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity accounted. The Group has made an assessment for the one joint operation in which it has an interest and has determined that there is no change to the way the joint operation is being accounted for.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. All appropriate disclosures have made in the financial statements.

30. Accounting Standards and Interpretations issued but not yet effective

At the date of this financial report the following standards and interpretations, which may impact the entity in the period of initial application, have been issued but are not yet effective:

Reference	Title	Summary	Application date (financial year beginning)	Application date for Synergy (financial year beginning)
AASB 2015-3	*Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015	1 July 2015
AASB 2014-4	*Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*	This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset, and to clarify that revenue is generally presumed to be an inappropriate basis for that purpose.	1 January 2016	1 July 2016
AASB 2014-9	*Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*	This amending standard allows entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 January 2016	1 July 2016
AASB 2015-1	*Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*	The Standard makes amendments to various Australian Accounting Standards arising from the IASB's Annual Improvements process, and editorial corrections.	1 January 2016	1 July 2016

30. Accounting Standards and Interpretations issued but not yet effective (cont'd)

Reference	Title	Summary	Application date (financial year beginning)	Application date for Synergy(financial year beginning)
AASB 2015-2	*Amendments to Australian Accounting Standards– Disclosure Initiative: Amendments to AASB 101*	The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project.	1 January 2016	1 July 2016
AASB 2015-6	*Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities*	The amendments specify consistent related party disclosure requirements for the Australian Government, State Governments, local councils and other not-for-profit public sector entities.	1 July 2016	1 July 2016
AASB 15	*Revenue from Contracts with Customers*	This Standard establishes principles (including disclosure requirements) for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.	1 January 2017	1 July 2017
AASB 2014-5	*Amendments to Australian Accounting Standards arising from AASB 15*	Consequential amendments arising from the issuance of AASB 15.	1 January 2017*	1 July 2017*
AASB 9	*Financial Instruments*	This Standard supersedes both AASB 9 (December 2010) and AASB 9 (December 2009) when applied. It introduces a "fair value through other comprehensive income" category for debt instruments, contains requirements for impairment of financial assets, etc.	1 January 2018	1 July 2018
AASB 2014-7	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*	Consequential amendments arising from the issuance of AASB 9	1 January 2018	1 July 2018

* The effective date of this standard may be deferred

31. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except when the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a net basis and 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 part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

32. Commitments

Operating lease commitments

The Group has lease contracts that relate to the following:

(i) Commercial leases on certain motor vehicles and items of machinery. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases. The Group also leases office buildings under an operating lease for an initial lease term of 10 years with two options to extend for a further 5 years each.

(ii) Leases relate to the purchase of energy, capacity and renewable energy certificates with lease terms ranging between 10 to 25 years with various suppliers.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Group		Corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Less than one year	117,185	119,552	117,185	119,552
Between one and five years	486,198	484,257	486,198	484,257
More than five years	991,773	1,129,739	991,773	1,129,739
Total non-cancellable operating lease payments	**1,595,156**	**1,733,548**	**1,595,156**	**1,733,548**

Finance lease commitments

The Group has entered into a number of contractual wholesale electricity purchase arrangements with generation facilities. Based on an evaluation of the terms and conditions of these arrangements, it has determined that these third party arrangements constitute finance leases, as the term is for the majority of the electricity generation facilities economic life and the Group receives the benefit of all of the facilities output.

The Group has finance leases contracts for various items of plant and equipment. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2015			2014		
	$'000	$'000	$'000	$'000	$'000	$'000
Group and Corporation	Minimum payments	Interest	Present value of payments	Minimum payments	Interest	Present value of payments
Within one year	36,613	30,852	5,761	36,443	31,390	5,053
Between one and five years	148,185	115,914	32,271	147,491	119,165	28,326
More than five years	370,433	170,670	199,763	407,741	198,272	209,469
	555,231	**317,436**	**237,795**	**591,675**	**348,827**	**242,848**

Lease liabilities relate to the following:

(i) Kemerton power purchase arrangement- a corresponding asset and liability of $189.7 million was recognised in the statement of financial position at the commencement of the lease term, representing the fair value of the equipment. Arrangement extends to 2030 and removes the right for any further extension.

(ii) Emu Downs Wind Farm (EDWF) off-take agreement- a corresponding asset and liability of $65.7m was recognised in the statement of financial position at the commencement of the lease term, representing the present value of the minimum lease payments under the contract. The EDWF off-take agreement extends to 2026 (with minimum obligations) and to 2030 (without any minimum obligations) and removes the right for any further extension.

The total finance lease expense recognised in the statement of comprehensive income for the year ended 30 June 2015 is $5.05 million (2014: $4.4 million).

32. Commitments (cont'd)

Finance lease receivable

The lease receivable is to be received as follows:

	2015			2014		
	$'000	$'000	$'000	$'000	$'000	$'000
Group and Corporation	Gross Investment	Unearned interest income	Principal	Gross investments	Unearned interest income	Principal
Within one year	1,878	76	1,802	3,381	428	2,953
Between one and five years	-	-	-	1,905	76	1,829
	1,878	**76**	**1,802**	**5,286**	**504**	**4,782**

The lease relates to a licensing arrangement entered into for a period of five years starting from 1 March 2011 whereby the Corporation grants a licence to a customer to operate one of its electricity generating plants. The Corporation concluded that this licensing arrangement contains a lease which was classified as a finance lease. The Corporation's exposure to credit risks and impairment losses related to the lease receivable is disclosed in note 23.

Capital and other commitments

As at the 30 June 2015 the Group had commitments relating to the following:

- future purchase of renewable energy certificates;
- energy purchase agreements;
- information technology and contact centre support services; and
- committed capital expenditure.

	Group		Corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Less than one year	19,601	5,798	19,601	5,798
Between one and five years	12,773	11,569	12,773	11,569
More than five years	2,556	5,200	2,556	5,200
Total intangible asset commitments	**34,930**	**22,567**	**34,930**	**22,567**
Less than one year	765,206	616,791	757,848	609,117
Between one and five years	3,559,293	3,465,711	3,529,863	3,435,015
More than five years	4,928,917	12,440,670	4,882,933	12,385,033
Total energy procurement commitments	**9,253,416**	**16,523,172**	**9,170,644**	**16,429,165**
Less than one year	82,594	53,739	82,594	53,739
Between one and five years	49,836	39,200	49,836	39,200
More than five years	196	-	196	-
Total other operating commitments	**132,626**	**92,939**	**132,626**	**92,939**
Less than one year	40,429	17,817	40,429	17,817
Between one and five years	601	11,541	601	11,541
More than five years	-	-	-	-
Total capital commitments	**41,030**	**29,358**	**41,030**	**29,358**

33. Contingencies

The Group has the following contingent liabilities as at 30 June 2015:

Site restoration

The Corporation provides for the restoration of its power station sites including any environmental rehabilitation as required by various environmental regulations (and as disclosed in note 18). Based on management's best estimates and assumptions, the Corporation has made adequate provision to cover these anticipated restoration costs. However many of these costs will be incurred at some time in the future and as such, the provisions will be subject to changes due to significant estimation risk surrounding such estimates and assumptions. In addition there may be residual environmental obligations on sites which have been declared rehabilitated, and to the extent that these may arise, represent contingent liabilities to the Corporation. Management does not have any means of quantifying this residual exposure.

Asbestos management

The Corporation operates a portfolio of thermal power stations of varying ages. Many of these power stations utilised asbestos for its insulation and fire resistant qualities prior to the market becoming aware of the dangers of asbestos. The Corporation has a current asbestos management process in place and addresses these risks on an ongoing basis. However, diseases which emanate from asbestos, such as asbestosis may take many years to develop. As such the Corporation may have a liability to those workers and other contractors who came in contact with asbestos at one of its power stations in the past. Whilst there is workers' compensation insurance and in some cases public liability insurance which covers the workers and contractors, not all of this liability is insured. As such the Corporation has a contingent liability for undiagnosed illnesses which may arise from exposure to asbestos at one of its sites. The quantum of this contingent liability is extremely uncertain and cannot be quantified with any accuracy.

Joint venture disputes

One of the joint venture entities, in which the Corporation holds a 50 per cent equity interest, had received a claim in prior years for additional costs from its engineering procurement and construction (EPC) provider for the amount of $9.3 million. A provision, at a significantly reduced amount, was provided for in prior years. This amount was in dispute and the joint venture and the EPC provider finalised an out of court settlement during the year.

34. Events after the reporting date

There are no significant events after reporting date.

Directors' declaration

In accordance with a resolution of the directors of Electricity Generation and Retail Corporation (the Corporation), I declare that:

In the opinion of the directors:

(a) the financial statements of the Corporation are in accordance with Schedule 4, Division 3 of the *Electricity Corporations Act 2005* and the *Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013* including;

(i) giving a true and fair view of the financial position of the Group and the Corporation as at 30 June 2015 and of the performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), and the *Electricity Corporations Act 2005*;

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

(c) the directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2015 pursuant to the Electricity Corporations Act 2005.

On behalf of the board

LYNDON ROWE
CHAIRMAN

Date: 24 August 2015

Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

ELECTRICITY GENERATION AND RETAIL CORPORATION

I have audited the financial report of Electricity Generation and Retail Corporation. The financial report comprises the Statement of Financial Position as at 30 June 2015, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, Notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

The financial report includes the consolidated financial statements of the consolidated entity, comprising the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report
The directors of Electricity Generation and Retail Corporation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Electricity Corporations Act 2005, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
As required by the Electricity Corporations Act 2005, my responsibility is to express an opinion on the financial report based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation'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 Corporation's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence
In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing Standards, and other relevant ethical requirements.

Opinion

In my opinion, the financial report of Electricity Generation and Retail Corporation is in accordance with schedule 4 of the Electricity Corporations Act 2005, including:

(a) giving a true and fair view of the Corporation's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Electricity Generation and Retail Corporation for the year ended 30 June 2015 included on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
31 August 2015

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