Snowy Hydro Limited
and its Controlled Entities

ABN 17 090 574 431

Annual Report

For the financial period ended 1 July 2017

Contents

Corporate Directory

Directors

Noel H Cornish AM, Chair
BSc (Met), MEngSc, FAICD

Paul A Broad, Managing Director
BCom (Hons), MCom (Econ)

Leeanne K Bond
BE (Chem), MBA, FIEAust, RPEQ, HonFIEAust, CPEng Eng Exec, FAICD

Nigel J Clark
BBus (Accounting), FCPA, Grad Dip Bus, GAICD, CFTP (Snr)

The Hon. Helen L Coonan
BA, LLB

Michael F Ihlein
BBus (Accounting), FCPA, FFIN, MFEI, FAICD

Joycelyn C Morton
BEc, FCPA, FCA, FIPA, FCIS, FGIA, FAICD

W Richard Sheppard
BEc (Hons), FAICD

Principal registered office

Monaro Highway
Cooma NSW 2630
Australia

Auditors

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000
Australia

Website address

www.snowyhydro.com.au

Directors' Report

In accordance with the *Corporations Act 2001*, the Directors of Snowy Hydro Limited present their report on the consolidated entity (Snowy Hydro) consisting of Snowy Hydro Limited (the Company) and its controlled entities, for the period ended 1 July 2017.

Principal Activities

Snowy Hydro is a water manager and integrated energy business. Under a stringent water licence, Snowy Hydro captures, stores, diverts water and releases it for the use of irrigators, town water supplies and the environment. In addition, Snowy Hydro is a producer, supplier, trader and retailer of energy in the National Electricity Market (NEM) and a leading provider of risk management financial hedge contracts.

Snowy Hydro has more than 5500 megawatts (MW) of generating capacity across New South Wales, Victoria and South Australia including the iconic 4100MW Snowy Mountains Hydro-electric Scheme, the 300MW Valley Power gas-fired power station, the 320MW Laverton North gas-fired power station in Victoria; the 667MW gas-fired power station at Colongra in NSW and 136MW of diesel generation at Port Stanvac and, Angaston in South Australia. Snowy Hydro has finalised an offtake agreement with renewable developer Equis for 100MW of large-scale solar generation at Tailem Bend in South Australia to commence from 2018.

Snowy Hydro is the fourth largest retailer in the NEM through the award-winning retail energy companies - Red Energy and Lumo Energy and serves more than one million customer accounts in the NEM including households, Small to Medium Enterprises (SMEs) and Commercial and Industrial customers (C&I) across Victoria, New South Wales, South Australia and Queensland. Snowy Hydro also operates the utilities connection business Direct Connect.

Dividends

Dividends paid during the financial year were as follows:

$million	2017	2016
Final dividend		
Final dividend for 2016 of 48.75 cents per share, fully franked at 30%, paid 29 October 2016 (2016: Final dividend for 2015 of 45.00 cents per share, fully franked at 30%, paid 30 October 2015)	**97.5**	90.0
Interim dividend		
Interim dividend for 2017 of 65.00 cents per share, fully franked at 30%, payable on 28 April 2017 (2016: interim dividend for 2016 of 45.00 cents per share, fully franked at 30%, paid 29 April 2016)	**130.0**	90.0

Since the end of the financial year, the Directors have determined a final dividend for 2017 of 65.00 cents per share, fully franked at 30%, payable on 27 October 2017.

Review of operations and future developments

A review of the operations and results of Snowy Hydro during the period is set out in the Operating and Financial Review, which is attached to and forms part of this Directors' Report. Information about likely developments in the operations of Snowy Hydro and the expected results of those operations in the future has been included in this report except to the extent disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of Snowy Hydro that occurred during the financial year other than those included in this Directors' Report.

Events subsequent to balance sheet date

The Directors are not aware of any matters or circumstances that have arisen since 1 July 2017, which have significantly affected, or may significantly affect the operations of Snowy Hydro in future financial years, the results of those operations in future financial years, or the state of affairs of Snowy Hydro in future financial years.

Directors and Company Secretary Information

The names of the Directors of the Company that held office during and since the end of the financial year are:

Noel H Cornish AM
BSc (Met), MEngSc, FAICD

Non-executive Director since August 2012 and Chairman since February 2015.

Other Snowy Hydro Responsibilities
Member of the Safety, Operations & Environment Risk and People and Culture Committees.

Experience and Expertise
Noel was previously the Chief Executive Officer of BlueScope Limited's Australian and New Zealand steel manufacturing businesses, President of NorthstarBHP LLC in Ohio USA and National President of Ai Group. He is currently Deputy Chancellor of the University of Wollongong.
Noel was appointed as a Member of the General Division of the Order of Australia (AM) in 2017 for his outstanding service to the Illawarra and the nation through business leadership and community service.

Other Directorships
Chairman of IMB Limited, Director of Forestry Corporation NSW, Director of Venues NSW and a Director on the UOW Enterprises Board, a subsidiary group of the University of Wollongong.

Paul A Broad
BCom (Hons), MCom (Econ)

Appointed Non-executive Director in June 2013 then Managing Director since July 2013.

Other Snowy Hydro Responsibilities
Member of the Retail Operations Committee.

Experience and Expertise
Prior to joining Snowy Hydro Paul was the Chief Executive Officer of Infrastructure NSW, AAPT, PowerTel, Energy Australia, Sydney Water and Hunter Water. In addition he was formerly Chairman of the Hunter Development Corporation.

Other Directorships
Former Director of iiNet Limited.

The Hon. Helen L Coonan
BA, LLB

Non-executive Director since January 2014.

Other Snowy Hydro Responsibilities
Chair of the Retail Operations Committee and member of the Safety, Operations & Environment Risk Committee.

Experience and Expertise
Helen is a former Senator for New South Wales serving in the Australian Parliament from 1996 to 2011.
In Parliament, Helen served as the Deputy Leader of the Government in the Senate. She was appointed to Cabinet as the former Minister for Communications, Information Technology and the Arts and was shareholder Minister for Telstra Corporation and Australia Post. She also served as the Minister for Revenue and Assistant Treasurer and had portfolio oversight of the Australian Taxation Office and the Australian Prudential Regulation Authority. She is the recipient of a Centenary Medal for service to the Australian Parliament.

Other Directorships
Director of Crown Resorts Limited, Chair Supervised Investments Limited, Chair Place Management NSW, Director of Obesity Australia Limited, Co Chair GRACosway Pty Limited, Advisory Council Member JP Morgan, Trustee Board Member Sydney Opera House.

Leeanne K Bond

BE (Chem), MBA, FIEAust, RPEQ, HonFIEAust, CPEng Eng Exec, FAICD

Non-executive Director since November 2015.

Other Snowy Hydro Responsibilities
Chair of the Safety, Operations & Environment Risk Committee and member of the Portfolio Risk and Retail Operations Committees.

Experience and Expertise
Leeanne has 30 years' experience across a broad range of industrial sectors including energy, minerals, infrastructure and water resources. She is the sole director and owner of Breakthrough Energy Pty Limited, a project and business development consulting firm. Prior to this Leeanne held a number of management roles over a 10 year period with Worley Parsons in Queensland, including General Manager (Qld, NT & PNG), where she negotiated project alliances and supervised contracts and projects with many Australian and international companies.

Other Directorships
Director and Deputy Chair of Territory Generation (Power Generation Corporation owned by the Northern Territory Government), Director of Liquefied Natural Gas Limited and Director of JKTech. Board member of Engineers Australia and Queensland Building and Construction Commission.

Nigel J Clark

BBus (Accounting), FCPA, Grad Dip Bus, GAICD, CFTP (Snr)

Non-executive Director since May 2015.

Other Snowy Hydro Responsibilities
Member of the People & Culture and Retail Operations Committees.

Experience and Expertise
Nigel was appointed the Executive General Manager Customer Operations of Genesis Energy in September 2016. Prior roles include Chief Commercial Officer Carlton Football Club and Managing Director Momentum Energy. Nigel held several roles at Momentum Energy including Chief Financial Officer and General Manager Commercial. He has also held the Head of Strategy and Development role at TRUenergy and the Manager Energy Developments, Eastern Australia at Alcoa Australia.

Other Directorships
Nil

Michael F Ihlein

BBus (Accounting), FCPA, FFIN, MFEI, FAICD

Non-executive Director since August 2012.

Other Snowy Hydro Responsibilities
Chair of the People and Culture Committee and member of the Audit & Compliance Committee.

Experience and Expertise
Mike was formerly Chief Executive Officer and executive director of Brambles Limited until November 2009, prior to which he was Brambles' Chief Financial Officer for four years. Mike also had a long career with Coca-Cola Amatil Limited including seven years as Chief Financial Officer and executive director and a number of senior operational, finance, business development and treasury roles including managing director of Coca-Cola Amatil Poland.

Other Directorships
Director of Scentre Group, Director of Murray Goulburn Co-operative Co. Limited, Director of Spark Software sp. z o.o. and Director of Kilfinan Australia Limited.

Joycelyn C Morton
BEc, FCPA, FCA, FIPA, FCIS, FGIA, FAICD

Non-executive Director since August 2012.

Other Snowy Hydro Responsibilities
Chair of the Audit & Compliance Committee and member of the Portfolio Risk Committee.

Experience and Expertise
Joycelyn has more than 35 years' experience in finance and taxation having begun her career with Coopers & Lybrand (now PwC), followed by senior management roles with Woolworths Limited and global leadership roles in Australia and internationally within the Shell Group of companies. Joycelyn was National president of both CPA Australia and Professionals Australia, she has served on many committees and councils in the private, government and not-for-profit sectors.

Other Directorships
Chair of Thorn Group Limited, Director of InvoCare Limited, Director of Argo Investments Limited and Argo Global Listed Infrastructure Limited. Former directorships include Crane Group Limited, Count Financial Limited and Noni B Limited.

W Richard Sheppard
BEc (Hons), FAICD

Non-executive Director since May 2015.

Other Snowy Hydro Responsibilities
Chair of the Portfolio Risk Committee and a member of the Audit & Compliance Committee.

Experience and Expertise
Richard is a former Managing Director and Chief Executive Officer of Macquarie Bank Limited and chaired the boards of a number of Macquarie's listed entities. Prior to joining Macquarie Group's predecessor, Hill Samuel Australia, Richard spent seven years with the Reserve Bank. He has also served as Chairman of the Commonwealth Government's Financial Sector Advisory Council. Richard was Chairman of Eraring Energy from 2012 to 2014, and Chairman of Green State Power from 2014 to 2015.

Other Directorships
Chairman of Dexus Property Group, Director of Star Entertainment Group and the Bradman Foundation.

Company Secretary

Glen Dewing, BCom, MBA, FCPA, FCIS, FGIA, MAICD
Glen has over 32 years experience in auditing, finance and governance related roles primarily with the Company and its legal predecessor. He was admitted as a Chartered Secretary in 1995.

Directors' Meetings

The number of meetings of the Company's board of directors and of each board committee held during the period ended 1 July 2017, and the numbers of meetings attended by each director were:

Directors	Board meetings		Committee meetings									
			Audit and Compliance		Portfolio Risk		Safety, operations and environment risk		People and Culture		Retail Operations	
	H	A	H	A	H	A	H	A	H	A	H	A
Noel H Cornish AM	10	10					4	4	6	6		
Paul A Broad	10	10									4	3
The Hon. Helen L Coonan	10	9					4	4			4	4
Michael F Ihlein	10	10	4	4					6	6		
Joycelyn C Morton	10	10	4	4	4	4						
W Richard Sheppard	10	10	4	4	4	4						
Nigel J Clark	10	10							6	5	4	4
Leeanne K Bond	10	10			4	4	4	4			3	2

H Number of meetings held during the time the director held office or was a member of the committee during the year
A Number of meetings attended

In addition to scheduled meetings Directors conducted visits of Company operations at various sites and met with operational management during the year.

Indemnities and insurance for Directors and Officers

Under its Constitution, the Company may indemnify current and past Directors and Officers for any liability incurred by them as a Director or Officer of the Company or its related bodies corporate to the extent allowed under law. The Constitution also permits the Company to purchase and maintain a Directors and Officers' insurance policy.

The Company has entered into agreements with current Directors and certain former Directors where they are indemnified from any loss, expense or damage in accordance with the terms and subject to the limits set by the Constitution.

The agreements stipulate that the Company will meet the full amount of any such loss, expense or damage, allowed under the law. The Company is not aware of any liability having arisen, and no claim has been made against the Company during or since the period ended 1 July 2017 under these agreements.

No indemnity has been granted to an auditor of the Company in their capacity as auditor of the Company, or any related body corporate.

During the year, the Company has paid premiums in respect of a contract insuring Directors, Company Secretary and other Officers against liabilities incurred in their capacity as Director or Officer, as the case may be, of the consolidated entity. The contract prohibits disclosure of the nature of the liabilities and the amount of the premium.

Environmental regulation

Snowy Hydro's operations are subject to environmental laws and regulations as well as project and site-specific environmental permits and approvals issued at the Federal, State and Local Government levels. These include the Kosciuszko National Park Plan of Management and the Snowy Management Plan for operations within Kosciuszko National Park; Environmental Protection Licences and Authorisations applicable to each of Snowy Hydro's generation facilities; and the Snowy Water Licence which prescribes rights and obligations with respect to the collection, diversion, storage, use and release of water within the Snowy Scheme and the release of environmental flows.

There were no environmental non-compliances resulting in regulatory action or intervention (such as infringement notices, penalties or official cautions) during the financial year. Snowy Hydro had some minor non-conformances that were not subject to regulatory action, and these were reported to the relevant regulator in line with Snowy Hydro's licence conditions and internal processes.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. Snowy Hydro was not a party to any such proceedings during the year.

Rounding

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the financial report have been rounded off to the nearest one hundred thousand dollars, unless otherwise indicated.

Non-audit services

Snowy Hydro may decide to employ the external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Non-audit services have been provided during the year by the external auditor, Deloitte Touche Tohmatsu. Disclosure of the details of these services can be found in Note 28 of the 2017 Financial Report.

The Board of Directors has considered the position, and in accordance with advice received from the Board Audit & Compliance Committee, is satisfied that the provision of the non-audit services during the year by Deloitte Touche Tohmatsu:

- is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*; and
- did not compromise the auditor independence requirements of the *Corporations Act 2001* in view of the materiality of the amounts, the nature of the services and the processes established to monitor the independence of the auditors.

Auditor's Independence Declaration

A copy of the external auditor's declaration under Section 307C of the Corporations Act in relation to the audit for the financial year is on page 58 of the Financial Report.

Signed in accordance with a resolution of the Directors

Noel H Cornish AM, Chairman
Sydney, 23 August 2017

Paul A Broad, Managing Director
Sydney, 23 August 2017

Snowy Hydro

Operating and Financial Review

For the period ended 1 July 2017

This report is attached to and forms part of the Directors' Report

Contents

Results Overview

The Operating & Financial Review includes a number of non-International Financial Reporting Standards (IFRS) financial measures. Snowy Hydro management uses these non-IFRS financial measures to assess the performance of the business and make decisions on the allocation of resources. Principal among these non-IFRS financial measures is Underlying Profit/(Loss) after tax. This measure is Statutory Profit/(Loss) after tax adjusted for:

- significant items (which are material items of revenue or expense that are unrelated to the underlying performance of the business); and
- changes in the fair value of financial instruments recognised in the consolidated statement of profit or loss (to remove the volatility caused by mismatches in valuing financial instruments and the underlying asset differently).

Snowy Hydro believes that Underlying Profit/(Loss) after tax provides a better understanding of its financial performance than Statutory Profit/(Loss) after tax and allows for a more relevant comparison of financial performance between financial periods.

The consolidated Statutory Profit after tax attributable to the owners of Snow Hydro was $310.7 million (FY16: $113.1 million. The underlying profit after tax was $411.8 (FY16: $214.6 million). The following table reconciles Statutory Profit after tax to Underlying Profit after tax:

$million	**2017**	2016
Statutory Profit after tax	**310.7**	113.1
Adjust for the following after tax items:		
Changes in fair value of financial instruments	**98.9**	115.4
Bargain on acquisition of Colongra	**-**	(13.9)
Snowy 2.0 feasibility study costs	**2.2**	-
Underlying Profit after tax	**411.8**	214.6

For both Snowy Hydro and the National Electricity Market (NEM), the 2017 financial year has been a significant one. Snowy Hydro's financial outcomes reflected the accelerated transition to decarbonisation, tight gas supply and lack of lower cost baseload energy, while scheme water inflow conditions went from being extremely wet in the first four months of the period, to dry from November 2016.

Snowy Hydro's strong 2017 financial performance was based on cohesive management of all of Snowy's assets. The stabilising effect of the retail businesses on net revenue improved earnings certainty and has proved to be an instrumental building block in Snowy's financial outcomes. This earnings certainty was also material in the return to a Stable outlook for Snowy's BBB+ credit rating in the second half of the year.

Two individual outcomes served as markers of strategic and operational success:

- The combination of very high water inflows, a high storage level going into the financial year and very high LGC and energy prices allowed Snowy to respond to the volatile market conditions and LGC demand in the first half of the year; and
- In February 2017, Snowy Hydro responded to a run of temperatures and demand extremes in New South Wales to keep the lights and air conditioners running through multiple periods of system stress. Plant availability and reliability remained exemplary during periods of coincident market stress, outages at thermal coal stations and relatively low generation contributions from renewable sources.

These outcomes were made possible by years of strategic water usage and a perpetual focus on ensuring the reliability and availability of Snowy Hydro's portfolio of generating plant.

In the first half of the year, tight baseload supply drove high average energy prices and coincided with extremely high water inflows, contributing to Snowy Hydro achieving 2017 hydro generation of 5,437GWh (FY16: 4,694GWh), its second highest on record. Consequently, spot generation revenue significantly increased compared to the prior corresponding period.

The hydro-electric generation in Calendar 2016 exceeded the regulatory baseline for Renewable Energy Certificates and led to the creation of 1.9 million certificates, a record for Snowy Hydro.

In the second half of the year, the supply/demand remained delicately poised until the early retirement of the Hazelwood power station in Victoria at the end of March 2017. Adding to the system stress, periods of extreme summer temperatures in New South Wales and Queensland caused significant volatility in both markets. This was particularly evident in New South Wales on 10th February 2017, when extreme weather drove prices to the market cap of $14,000/MWh for an extended period. During this time, Snowy was able to respond with its diversified generation portfolio to provide critical peak energy and security to the market. At the demand peak, all Colongra units were dispatched at maximum capacity, in addition to all Tumut plant (including Tumut 3's short-term dynamic capacity) to avoid residential load shedding.

The competitive forces that were faced by Red and Lumo customer brands continued to put pressure on customer growth rates, churn and margins. Despite the ongoing intense competition customers grew by 4.1%, with the majority of growth coming from the New South Wales market. Pleasing progress was also made in the Victorian market, particularly with growth of 2.2% in gas customer numbers. These outcomes illustrate the benefits of diversifying across states and fuels.

Snowy 2.0

On 16 March 2017, Snowy Hydro announced its plan to carry out a feasibility study into the expansion of the Snowy Scheme by way of a new pumped hydro-electric generation development using the existing storage infrastructure, known as Snowy 2.0.

The Feasibility Study is currently under way and due for completion in December 2017. Once completed, the Board of Snowy Hydro will assess the outcomes of the study, including the technical and economic aspects, and make a decision on next steps.

Snowy 2.0 has the potential to provide least-cost energy storage and large-scale renewable generating capacity to the NEM at a time when energy security, climate change and the cost of energy supply are at the forefront of public policy.

Snowy 2.0 would increase the generation capacity of the iconic Snowy Scheme by approximately 50 per cent, making up to 2,000 megawatts available to the National Electricity Market.

The 300GWh of energy storage capability would be used to ease pressure at times of high demand and provide rapid-response back-up to respond to shortfalls in electricity supply. This is important as the economy reduces its reliance on fossil fuels and increases its use of renewable energy. In the context of a decarbonising NEM, Snowy 2.0 is the least-cost solution to the energy storage problem created by the unpredictable generation profiles of the growing base of wind and solar developments.

Outlook

Snowy Hydro remains well positioned to respond to the increased market volatility, as supply and demand remains tightly balanced. The role played by the Company as the largest provider of peak energy in Victoria and NSW remains critical to contributing to system security and 'keeping the lights on'. Heading into the new financial year:

- the retail business is performing strongly;
- the capacity / hedge book is well balanced between earning current period income and maintaining optionality across the channels of demand in future; and
- water storages are at a comfortable level, while inflow conditions have turned from being extremely wet in the first four months of 2017, to dry from November 2016.

Snowy 2.0 is an important and exciting opportunity to continue Snowy Hydro's key role in the National Energy Market.

Capital Management

The total interest-bearing liability position[1] was $813.9 million at June 2017, a reduction of $324.4 million from the June 2016 level of $1,138.3 million. The debt reduction reflects the strong financial performance.

Snowy Hydro holds a BBB+ Standard & Poor's (S&P) credit rating, with the outlook upgraded from "Negative" to "Stable" in March 2017. This recognised Snowy Hydro's rapidly improving ratings metrics and the return to higher capacity and energy revenue from spot and contract trading activities in the NEM, from the low points of the last several years.

The strength of Snowy Hydro's balance sheet and its focus on earnings and value-accretive investments places the Company on a solid foundation to pursue further growth in all of its business segments, and also implies that a high degree of reliance can be placed on internally generated funding sources to pursue major developments such as Snowy 2.0.

[1] Includes lease liability of Colongra gas pipeline

Snowy Hydro Limited
and its Controlled Entities

Consolidated Financial Report

For the period ended 1 July 2017

Table of contents

Snowy Hydro Limited and its Controlled Entities

Consolidated statement of profit or loss
For the period ended 1 July 2017

$million	Note	2017	2016
Revenue	4	**2,590.6**	2,191.7
Other income	4	**2.4**	20.8
Direct costs of revenue		**(1,414.5)**	(1,312.4)
Consumables and supplies		**(70.5)**	(68.2)
Employee benefits expense		**(212.1)**	(192.5)
Depreciation and amortisation expense		**(139.4)**	(140.6)
Other expenses		**(123.1)**	(130.8)
Loss on the fair value of financial instruments		**(141.3)**	(164.8)
Profit before net finance costs and income tax		**492.1**	203.2
Interest income	5	**0.8**	0.7
Finance costs	5	**(47.8)**	(59.0)
Profit before income tax		**445.1**	144.9
Income tax expense	6	**(134.4)**	(31.8)
Profit for the period attributable to the owners of Snowy Hydro Limited		**310.7**	113.1

The consolidated statement of profit or loss should be read in conjunction with the notes to the consolidated financial statements.

Snowy Hydro Limited and its Controlled Entities

Consolidated statement of comprehensive income
For the period ended 1 July 2017

$million	Note	2017	2016
Profit for the period		**310.7**	113.1
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligations	2	**(8.9)**	**-**
Income tax relating to items that will not be reclassified subsequently to profit or loss		**2.8**	**-**
		(6.1)	**-**
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of cash flow hedges		**38.1**	(39.5)
Income tax relating to items that may be reclassified subsequently to profit or loss		**(11.0)**	11.4
		27.1	(28.1)
Total other comprehensive income, net of income tax		**21.0**	(28.1)
Total comprehensive income for the period attributable to the owners of Snowy Hydro Limited		**331.7**	85.0

The consolidated statement of comprehensive income should be read in conjunction with the notes to the consolidated financial statements.

Snowy Hydro Limited and its Controlled Entities

Consolidated statement of financial position
As at 1 July 2017

$million	Note	2017	2016
Current assets			
Cash and cash equivalents		**34.0**	11.8
Trade and other receivables	7	**382.8**	356.8
Inventories		**19.7**	23.3
Other financial assets	8	**287.3**	374.9
Income tax receivable		**-**	5.2
Other current assets	9	**109.0**	116.3
Total current assets		**832.8**	888.3
Non-current assets			
Deferred tax assets	12	**72.7**	62.5
Goodwill and other intangible assets	11	**595.4**	620.6
Property, plant & equipment	10	**1,970.4**	2,018.3
Other financial assets		**1.5**	-
Other non-current assets	9	**89.0**	-
Total non-current assets		**2,729.0**	2,701.4
Total assets		**3,561.8**	3,589.7

Snowy Hydro Limited and its Controlled Entities

Consolidated statement of financial position
As at 1 July 2017

$million	Note	2017	2016
Current liabilities			
Trade and other payables	13	**278.0**	262.2
Interest bearing liabilities	15	**215.6**	179.7
Provisions	14	**33.2**	31.9
Other financial liabilities	16	**189.0**	90.2
Income tax payable		**77.2**	-
Total current liabilities		**793.0**	564.0
Non-current liabilities			
Interest bearing liabilities	15	**598.3**	958.6
Provisions	14	**54.0**	29.4
Other financial liabilities	16	**17.2**	42.6
Total non-current liabilities		**669.5**	1030.6
Total liabilities		**1,462.5**	1,594.6
Net Assets		**2,099.3**	1,995.1
Equity			
Issued capital	18	**816.1**	816.1
Reserves	19	**(20.6)**	(47.7)
Retained earnings		**1,303.8**	1,226.7
Total equity attributable to the owners of Snowy Hydro Limited		**2,099.3**	1,995.1

The consolidated statement of financial position should be read in conjunction with the notes to the consolidated financial statements.

Snowy Hydro Limited and its Controlled Entities

Consolidated statement of changes in equity
For the period ended 1 July 2017

$million	Issued capital	Hedging reserve	Retained earnings	Total attributable to the owners of Snowy Hydro Limited
Balance as at 2016	**816.1**	**(47.7)**	**1,226.7**	**1,995.1**
Profit for the period	**-**	**-**	**310.7**	**310.7**
Other comprehensive income/ (loss) for the period, net of tax	**-**	**27.1**	**(6.1)**	**21.0**
Dividends paid	**-**	**-**	**(227.5)**	**(227.5)**
Balance as at 2017	**816.1**	**(20.6)**	**1,303.8**	**2,099.3**
Balance as at 2015	816.1	(19.6)	1,293.6	2,090.1
Profit for the period	-	-	113.1	113.1
Other comprehensive loss for the period, net of tax	-	(28.1)	-	(28.1)
Dividends paid	-	-	(180.0)	(180.0)
Balance as at 2016	816.1	(47.7)	1,226.7	1,995.1

The consolidated statement of changes in equity should be read in conjunction with the notes to the consolidated financial statements.

Snowy Hydro Limited and its Controlled Entities

Consolidated statement of cash flows
For the period ended 1 July 2017

$million	Note	2017	2016
Receipts from customers		**2,722.5**	2,349.9
Payments to suppliers & employees		**(1,965.9)**	(1,791.6)
Interest received		**0.8**	0.7
Interest and other costs of finance paid		**(45.2)**	(57.2)
Income tax paid, net of refunds received		**(70.4)**	(63.2)
Net cash provided by operating activities		**641.8**	438.6
Cash flows from investing activities			
Payments for property, plant & equipment		**(36.6)**	(30.8)
Proceeds from sale of property, plant & equipment		**0.3**	2.6
Payments for intangible assets		**(29.8)**	(33.6)
Net cash used in investing activities		**(66.1)**	(61.8)
Cash flows from financing activities			
Repayment of borrowings		**(325.3)**	(193.4)
Payment for debt issues		**(0.7)**	(0.9)
Dividends paid	20	**(227.5)**	(180.0)
Net cash used in financing activities		**(553.5)**	(374.3)
Net increase in cash		**22.2**	2.5
Cash at beginning of period		**11.8**	9.3
Cash at end of the period		**34.0**	11.8

The consolidated statement of cash flows should be read in conjunction with the notes to the consolidated financial statements.

Snowy Hydro Limited and its Controlled Entities

Reconciliation of profit for the period to net cash flows from operating activities
For the period ended 1 July 2017

$million	2017	2016
Profit for the period	310.7	113.1
Loss on sale of non-current assets	0.5	0.6
Gain on acquisition	-	(13.9)
Depreciation and amortisation of current and non-current assets	141.1	143.2
Changes in fair value of cash flow hedges recognised in equity	38.1	(39.4)
Remeasurement of defined benefit obligations recognised in equity	(8.9)	-
Income tax expense recognised in equity	(8.2)	-
Increase in current tax liabilities	82.4	0.3
Increase in deferred tax assets	(10.2)	(30.6)
(Increase)/decrease in assets:		
Trade and other receivables	(26.0)	60.9
Inventories	3.6	(7.0)
Current other financial assets	87.6	97.2
Other current assets	7.3	(37.4)
Non-current other financial assets	(1.5)	-
Other non-current assets	(89.0)	-
Increase/(decrease) in liabilities		
Trade and other payables	15.8	42.0
Current interest bearing liabilities	-	1.0
Current provisions	1.3	6.0
Current other financial liabilities	98.8	49.3
Non-current provisions	23.8	53.3
Non-current other financial liabilities	(25.4)	-
Net cash flows from operating activities	**641.8**	438.6

Notes to the consolidated financial statements
For the period ended 1 July 2017

1 Basis of preparation

Snowy Hydro Limited (the Company) is a for profit entity limited by shares, incorporated and domiciled in Australia. Its shares are privately held by the New South Wales Government (58 per cent), the Victorian Government (29 per cent) and the Commonwealth Government (13 per cent) and it operates as a Corporations Law company with an independent Board of Directors.

The consolidated financial statements comprise the Company and its controlled entities (together referred to as Snowy Hydro).

The nature of the operations and principal activities of Snowy Hydro are described in the Directors' Report and are consistent with the information disclosed in the Annual Financial Report 2017.

Statement of compliance

The consolidated financial statements are general purpose financial statements and have been prepared in accordance with the Corporations Act 2001, applicable Accounting Standards and Interpretations, and complies with other requirements of the law.

The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Directors on 23 August 2017.

Basis of preparation

These consolidated financial statements have been prepared on the basis of historical cost, except for derivative financial instruments and environmental scheme certificates, which have been measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets.

All amounts are presented in Australian dollars.

Unless otherwise shown in the financial statements, amounts have been rounded to the nearest tenth of a million dollars and are shown by $million. Snowy Hydro is a company of the kind referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, dated 24 March 2016.

Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company and its controlled entities as defined in Accounting Standard AASB 127 "Consolidated and Separate Financial Statements". A list of controlled entities appears in Note 21 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

Where the cost of the acquisition exceeded the fair value of the identifiable assets, liabilities and contingent liabilities, acquired goodwill has been recognised in the consolidated statement of financial position. On the acquisition of a business any excess of the fair value of assets and liabilities acquired over the cost of acquisition has been recognised in the consolidated statement of profit or loss before net finance costs and income tax as a gain on acquisition.

1 Basis of preparation (continued)

Reporting Period

Reporting period has the same meaning as financial year for the purposes of the Corporations Act 2001 (Cwlth). The reporting period 2017 refers to 3 July 2016 to 1 July 2017. The reporting period 2016 refers to 28 June 2015 to 2 July 2016.

Critical accounting judgements and key sources of estimation uncertainty

Critical judgement and key assumptions that management has made that have the most significant effect on the amounts recognised in the financial statements are detailed in the notes below:

Note	Judgement/ Estimation
11	Impairment of goodwill
17	Valuation of financial instruments
7	Provision for doubtful debts
4	Revenue recognition
9	Environmental scheme certificates

Adoption of new and revised accounting standards

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

Notes to the Financial Report

The notes are organised into the following sections:

Financial performance overview
Provides a breakdown of individual line items in the consolidated statement of financial performance, and other information that is considered most relevant to users of the annual report.

Balance sheet items
Provides a breakdown of individual line items in the consolidated statement of financial position that are considered most relevant to users of the annual report.

Capital structure and risk management
Provides information about the capital management practices of Snowy Hydro and shareholder returns for the year. This section also discusses Snowy Hydro's exposure to various financial risks, explains how these affect Snowy Hydro's financial position and performance and what Snowy Hydro does to manage these risks.

Group structure
Explains aspects of the Snowy Hydro structure and the impact of this structure on the financial position and performance of Snowy Hydro.

Other
Provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements; and provides information about items that are not recognised in the financial statements but could potentially have a significant impact on Snowy Hydro's financial position and performance.

Financial Performance Overview

2 Change in accounting estimate

During the period the Directors reassessed the value of a provision relating to a defined benefit superannuation plan in which Snowy Hydro participates, utilising valuation information received from the trustees of the plans to allow reliable ongoing estimation. The principal financial effect of this review was an increase in non-current provisions of $7.5 million, which was recognised within the total of $8.9 million of 'remeasurement of defined benefit obligations' in other comprehensive income for the period.

3 Reclassification of amounts

During the year the Directors reviewed the classification of certain items, and concluded that alternative classification would more appropriately reflect the underlying nature of certain amounts as disclosed within the applicable notes. The impact of these reclassifications on the financial statements is not material.

4 Revenue and expenses

$million	2017	2016
Revenue/ Other income		
Revenue from the sale of goods	**2,453.6**	2,170.5
Increase in fair value of environmental scheme certificates	**137.0**	21.2
Gain on business acquisition	**-**	13.9
Other income	**2.4**	6.9
Expenses		
Loss on disposal of property, plant and equipment	**(0.5)**	(0.6)
Direct costs of revenue	**(1,414.5)**	(1,312.4)
Bad and doubtful debts	**(23.1)**	(27.4)
Amortisation	**(55.1)**	(55.0)
Depreciation	**(84.3)**	(85.6)
Lease payments	**(7.6)**	(7.6)
Defined contribution plans	**(11.8)**	(11.9)

4 Revenue and expenses (continued)

Recognition and measurement

- **Revenue:** is recognised and measured at fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to Snowy Hydro and the revenue can be reliably measured.
  Revenue from sale of electricity and gas is recognised on delivery of the product. At the end of each reporting period, electricity and gas revenue includes an accrual for energy delivered to customers but not yet billed (unbilled revenue).
  Changes in the fair value of environmental certificates are recognised in revenue.
- **Operating lease expense:** payments made under operating leases (net of any incentives received from the lessor) are expensed on a straight-line basis over the period of the lease.
- **Finance lease expense:** Assets held under finance lease are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Critical accounting estimate - Unbilled revenue
At the end of each reporting period, the volume of energy supplied since a customer's last bill is estimated in determining unbilled revenue. This estimation requires judgement and is based on historical customer consumption patterns. Related to this are unbilled network expenses of unread electricity and gas meters which are estimated based on historical customer consumption patterns.

5 Net finance costs

$million	**2017**	2016
Interest expense and funding cost	**(39.6)**	(52.2)
Interest rate hedge costs	**(8.2)**	(6.8)
Finance costs	**(47.8)**	(59.0)
Interest income	**0.8**	0.7
Net Finance costs	**(47.0)**	(58.3)

Recognition and measurement

Interest income and expense are accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rates. Interest costs directly attributable to the acquisition or construction of qualifying assets, are added to the cost of those assets.

Notes to the consolidated financial statements
For the period ended 1 July 2017

6 Income tax expense

Reconciliation of income tax expense charged to the consolidated statement of profit or loss:

$million	2017	2016
Profit from operations	**445.1**	144.9
Tax expense calculated at 30%	**(133.5)**	(43.5)
Prior year adjustments	**(0.9)**	7.4
Non-deductible expenses	**(0.4)**	(0.1)
Research and development concession	**0.4**	0.2
Non assessable tax gain	**-**	4.2
Total income tax expense on profit	**(134.4)**	(31.8)
Comprising of:		
Current tax expense	**(152.8)**	(70.1)
Deferred tax income	**18.4**	38.3
Total income tax expense on profit	**(134.4)**	(31.8)

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

Snowy Hydro and its wholly-owned Australian resident entities are eligible to consolidate for tax purposes and elected to be taxed as a single entity from 1 July 2003. The head entity in the tax consolidated group is Snowy Hydro Ltd. Entities within the tax consolidated group are listed in note 21.

Recognition and measurement
Current and deferred tax is recognised as an expense in the consolidated statement of profit or loss except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from an initial accounting for a business acquisition, in which case it is taken into account in the determination of goodwill.

Balance Sheet Items

7. Trade and other receivables

$million	2017	2016
Trade receivables	**409.8**	387.0
Other receivables	**-**	1.6
Allowance for doubtful debts	**(27.0)**	(31.8)
Total trade and other receivables	**382.8**	356.8

7. Trade and other receivables (continued)

The ageing analysis of trade receivables and allowance for doubtful debts is as follows:

	2017		2016	
	Total	**Allowance**	Total	Allowance
Not past due	**354.1**	**6.2**	322.6	6.1
Past due 0-30 days	**22.1**	**1.8**	20.8	2.3
Past due 31-90 days	**13.3**	**3.0**	14.9	4.3
Greater than 90 days	**20.3**	**16.0**	28.7	19.1
	409.8	**27.0**	387.0	31.8

Movement in the allowance for doubtful debts is as follows:

Balance at beginning of period	**31.8**	28.6
Impairment loss recognised	**23.1**	27.4
Amounts written off as uncollectible	**(27.9)**	(24.2)
Balance at end of period	**27.0**	31.8

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

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

8 Other current financial assets

$million	**2017**	2016
Financial assets carried at fair value		
Energy derivatives - economic hedge	**314.4**	362.5
Loans and receivables		
Deposits with brokers	**(27.1)**	12.4
Total other current financial assets	**287.3**	374.9

Snowy Hydro Limited and its Controlled Entities

Notes to the consolidated financial statements
For the period ended 1 July 2017

9 Other assets

$million	2017	2016
Current		
Advances to other companies	**2.8**	-
Prepayments	**13.4**	13.1
Environmental scheme certificates	**92.8**	103.2
Total current other assets	**109.0**	116.3
Non-current		
Environmental scheme certificates	**89.0**	**-**
Total non-current other assets	**89.0**	-

Recognition and measurement
Environmental scheme certificates are recognised at fair value in the consolidated statement of financial position when it is probable that the economic benefits embodied in the assets will eventuate and the assets possess a value that can be reliably measured. Environmental scheme certificates are recorded at their fair value based on market prices, with gains and losses realised from the sale of environmental scheme certificates and unrealised fair value adjustments reflected in the consolidated statement of profit or loss.

Reclassification of amounts
Gas purchase prepayments of $8.0 million (2 Jul 2016 $7.7 million) were reclassified from tradeable assets to prepayments.

10 Property, plant and equipment

$million	Land and Buildings	Leasehold Improvements at Cost	Plant and Equipment at Cost	Construction in Progress	Total
Gross carrying amount					
2016	84.5	6.3	2,606.4	53.2	2,750.4
Additions	-	0.7	0.2	36.4	37.3
Capitalised to asset class	1.0	0.2	31.0	(32.2)	-
Disposals	-	(0.5)	(1.7)	-	(2.2)
2017	**85.5**	**6.7**	**2,635.9**	**57.4**	**2,785.5**
2015	83.7	5.8	2,572.0	61.2	2,722.7
Additions	-	-	-	35.6	35.6
Capitalised to asset class	1.9	0.5	41.2	(43.6)	-
Disposals	(1.1)	-	(6.8)	-	(7.9)
2016	84.5	6.3	2,606.4	53.2	2,750.4

10 Property, plant and equipment (continued)

$million	Land and Buildings	Leasehold Improvements at Cost	Plant and Equipment at Cost	Construction in Progress	Total
Accumulated depreciation					
2016	(17.6)	(4.1)	(710.4)	-	(732.1)
Disposals	-	0.1	1.2	-	1.3
Depreciation expense	(1.9)	(1.4)	(81.0)	-	(84.3)
2017	**(19.5)**	**(5.4)**	**(790.2)**	**-**	**(815.1)**
2015	(15.9)	(3.2)	(632.1)	-	(651.2)
Disposals	-	-	4.7	-	4.7
Depreciation expense	(1.7)	(0.9)	(83.0)	-	(85.6)
2016	(17.6)	(4.1)	(710.4)	-	(732.1)
Net book value					
2017	**66.0**	**1.3**	**1,845.7**	**57.4**	**1,970.4**
2016	66.9	2.2	1,896.0	53.2	2,018.3

Recognition and measurement

- **Property, plant and equipment:** assets are acquired at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset. Finance costs directly related to the acquisition or construction of qualifying assets are capitalised. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss as incurred. The gain or loss arising on disposal or retirement is recognised in profit or loss. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if an asset's carrying amount is greater than its estimated recoverable amount.
- **Depreciation:** assets are depreciated at rates based upon their expected economic life using the straight-line method. Leasehold improvements are amortised over the period of the relevant lease or estimated useful life, whichever is the shorter. Land is not depreciated.
  The following estimated useful lives are used in the calculation of depreciation:
  Buildings: 10-50 years
  Electronic & mechanical equipment: 5-60 years
  Civil works: 30-75 years
  Mobile plant: 3-20 years
  Control systems: 5-8 years

Reclassification of amounts

- Computer software of $28.3 million (2 Jul 2016: $32.2 million) was reclassified from Property, plant and equipment to Goodwill and other intangible assets.
- Computer software of $8.6 million (2 Jul 2016: $8.2 million) was reclassified from Construction in progress to Goodwill and other intangible assets.

11 Goodwill and other intangible assets

$million	Goodwill	Cost of customer acquisition	Computer software	Total
Cost				
2016	383.2	288.5	103.6	775.3
Additions	-	18.6	11.2	29.8
2017	**383.2**	**307.1**	**114.8**	**805.1**
2015	400.2	273.9	84.6	758.7
Additions	(17.0)	14.6	19.0	16.6
2016	383.2	288.5	103.6	775.3
Amortisation				
2016	-	(91.5)	(63.2)	(154.7)
Amortisation	-	(40.3)	(14.8)	(55.1)
Disposals	-	-	0.1	0.1
2017	**-**	**(131.8)**	**(77.9)**	**(209.7)**
2015	-	(51.3)	(48.4)	(99.7)
Amortisation	-	(40.2)	(14.8)	(55.0)
2016	-	(91.5)	(63.2)	(154.7)
Net book value				
2017	**383.2**	**175.3**	**36.9**	**595.4**
2016	383.2	197.0	40.4	620.6

Recognition and measurement

- **Goodwill:** represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired. Goodwill is not amortised but tested for impairment annually and whenever there is an indicator of impairment.
- **Customer Acquisition Costs:** customer contracts acquired in a business combination are carried at cost less accumulated amortisation. The costs incurred in acquiring new customers are recognised based on the directly attributable costs of obtaining the customer contract. Amortisation is recognised as an expense on a straight line basis over the period of the expected benefit.

Critical accounting estimate - carrying value assessment

Snowy Hydro tests goodwill for impairment at least annually to ensure it is not carried at above its recoverable amount. Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

There are two cash generating units (CGU's) in the consolidated entity comprising a gas and electricity retailer and an electricity generator. Notwithstanding this the gas and electricity retailer and the electricity generator operate in unison and therefore form one operating segment. Indicators of impairment of this goodwill are assessed against this operating segment.

11 Goodwill and other intangible assets (continued)

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

In accordance with the accounting standard, the recoverable amount test discounts pre-tax nominal asset cash flows (including routine maintenance and refurbishment capital expenditure), at a pre-tax nominal WACC of 6.95% (2016: 7.39%). These cash flows do not include any planned development capital expenditure or the revenues that may relate to such expenditure. The valuation includes a terminal value calculated by assuming the final year's cash flow is maintained in perpetuity (in real terms) and discounted to the valuation date using the same pre-tax real WACC noted above. The recoverable amount is most sensitive to the changes in the following assumptions:

Sensitivity	Management's approach to determining the value	Growth rate
Forward market price projects for spot, contract and option premium revenue	Spot and contract revenue projections are consistent with Snowy Hydro's recent performance and are based on forward market curves from ICAP. Capacity pricing (i.e. option premium income and difference payments made under the contracts) is based on a blended combination of ICAP and Snowy Hydro's assessment of long-term pricing based on new-entrant modelling.	Zero real growth in prices
Water inflows	The water inflow sequence underlying the projections reflects the expectation that 2018 inflows will be below average and that future average inflows will thereafter trend back towards past experience. The starting water storage levels are also reflected in the projections.	Not applicable
Capital expenditure	Capital expenditure is derived from Snowy Hydro's long-term capital asset planning model and includes all expenditure relating to existing assets.	Zero real growth in prices
Retail tariffs	The retail operating cost model is sufficiently flexible to respond to customer growth and is modelled as such; customer growth targets drive cost to acquire and cost to serve. The most sensitive valuation assumption is what tariffs the retail businesses charge mass-market customers. This valuation sensitivity exercise is performed in isolation of a corporate response that might ensue (such as reducing customer targets).	+/ 10% (real) mass-market tariffs for all fuels and regions

11 Goodwill and other intangible assets (continued)

Reclassification of amounts

- Computer software of $28.3 million (2 Jul 2016: $32.2 million) was reclassified from Property, plant and equipment to Goodwill and other intangible assets.
- Computer software of $8.6 million (2 Jul 2016: $8.2 million) was reclassified from Construction in progress to Goodwill and other intangible assets.

12 Net deferred income tax assets

$million	Opening balance	Charged to income	Charged to equity	Other/ transfer	Closing balance
2017					
Deferred tax assets					
Property plant and equipment	198.9	(9.8)	-	-	189.1
Provisions	27.2	4.5	2.8	-	34.5
Total deferred tax assets	**226.1**	**(5.3)**	**2.8**	**-**	**223.6**
Deferred tax liabilities					
Derivative financial instruments	87.3	(41.0)	11.0	-	57.3
Non derivative trading instruments	14.7	26.1	-	-	40.8
Other	61.6	(8.8)	-	-	52.8
Total deferred tax liabilities	**163.6**	**(23.7)**	**11.0**	**-**	**150.9**
Net deferred tax asset					**72.7**
2016					
Deferred tax assets					
Property plant and equipment	184.8	0.1	-	14.0	198.9
Provisions	22.9	4.3	-	-	27.2
Other	0.9	(2.3)	-	1.4	-
Total deferred tax asset	**208.6**	**2.1**	**-**	**15.4**	**226.1**
Deferred tax liabilities					
Derivative financial instruments	151.9	(49.2)	(14.8)	(0.6)	87.3
Non derivative trading instruments	-	14.7	-	-	14.7
Other	67.0	(1.5)	(5.3)	1.4	61.6
Total deferred tax liabilities	**218.9**	**(36.0)**	**(20.1)**	**0.8**	**163.6**
Net deferred tax asset					**62.5**

Recognition and measurement

Current tax: The Income Tax Payable/Income Tax Receivable in the Statement of Financial Position represents the amount expected to be paid (or refunded) in relation to taxable income for the financial year measured using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

12 Net deferred income tax assets (continued)

Recognition and measurement

Deferred income tax: is provided in full, using the balance sheet liability method, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting and tax purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. Deferred tax assets and liabilities are not recognised between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the difference will reverse in the foreseeable future. A deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

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

13 Current trade and other payables

$million	2017	2016
Trade payables	**258.1**	245.0
Other payables	**10.2**	10.0
Goods and services tax payable	**9.7**	7.2
Total current trade and other payables	**278.0**	262.2

Recognition and measurement

Trade and other payables are recognised when Snowy Hydro becomes obliged to make future payments resulting from the purchase of goods and services. Payables are stated at their amortised cost.

14 Provisions

$million	2016	Recognised/ remeasured	Settled/ transferred	2017
Current				
Employee benefits	29.8	19.3	(18.0)	31.1
Other provisions	2.1	0.7	(0.7)	2.1
Total current provisions	**31.9**	**20.0**	**(18.7)**	**33.2**
Non-current				
Employee benefits	18.4	24.2	-	42.6
Site rehabilitation	10.5	0.5	-	11.0
Other provisions	0.5	(0.1)	-	0.4
Total non-current provisions	**29.4**	**24.6**	**-**	**54.0**

Recognition and measurement
Provisions are recognised when Snowy Hydro has a present obligation (legal or constructive) as a result of a past event, it is probable that settlement will be required and the obligation can be reliably estimated. Provisions which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by Snowy Hydro.

- **Employee benefits:** provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and other employee obligations when it is probable that settlement will be required and they are capable of being reliably measured. Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the current remuneration rate.
- **Site rehabilitation:** are initially recognised at the best estimate of the costs to be incurred in settling the obligation. Where restoration activities are expected to occur more than 12 months from the reporting period the provision is discounted using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised in each period as interest expense.

15 Interest bearing liabilities and credit facilities

i) Interest bearing liabilities - unsecured

$million	2017	2016
Current		
Bank loans	**205.0**	168.5
Borrowing costs	**(0.6)**	-
Finance lease liability	**11.2**	11.2
Total current interest bearing liabilities	**215.6**	179.7

Snowy Hydro Limited and its Controlled Entities

Notes to the consolidated financial statements
For the period ended 1 July 2017

15 Interest bearing liabilities and credit facilities (continued)

i) Interest bearing liabilities - unsecured (continued)

$million	2017	2016
Bank loans	**529.0**	887.0
Borrowing costs	**(0.3)**	(1.8)
Finance lease liability	**69.6**	73.4
Total non-current interest bearing liabilities	**598.3**	958.6

ii) Credit facilities - unsecured

Financing facilities		
Amounts used	**734.0**	1,052.0
Amounts unused	**566.0**	498.0
Total financing facilities	**1,300.0**	1,550.0

These facilities have fixed maturity dates as follows: $450.0 million in 2018, $450.0 million in 2019, with the balance of $400.0 million in 2020.

Uncommitted short term money market facilities		
Amounts used	**-**	3.5
Amounts unused	**45.0**	41.5
Total short term money market facilities	**45.0**	45.0

Recognition and measurement

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the consolidated statement of profit or loss over the period of the borrowing, using the effective interest rate method.

16 Other financial liabilities

$million	2017	2016
Current		
Financial liabilities carried at fair value		
Foreign exchange contracts and interest rate swaps - cash flow hedge	**7.0**	6.3
Commodity forwards - cash flow hedge	**4.9**	10.1
Energy derivatives - economic hedge	**177.1**	73.8
Total current other financial liabilities	**189.0**	90.2
Non-current		
Financial liabilities carried at fair value		
Interest rate swaps - cash flow hedge	**17.2**	37.7
Commodity forwards - cash flow hedge	**-**	4.9
Total non-current other financial liabilities	**17.2**	42.6

Capital Structure and Risk Management

17 Financial Instruments

1. Capital management

The Group's objectives in managing capital are to safeguard its ability to operate as a going concern by maintaining sufficient liquidity so that it can continue to provide returns for shareholders, and to maintain a capital structure commensurate to targeting a strong investment grade corporate credit rating (Standard & Poor's), to minimise the cost of capital and to provide credit transparency to trading and lending counterparties. The Group's overall capital management strategy remains unchanged from 2016.

The capital structure of the Group consists of net debt (borrowings as detailed in Note 15 offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, and retained earnings). The Group's capital structure is reviewed annually by the Board Audit and Compliance Sub-committee which considers the Group's expected operating cash flows, capital expenditure plans, maturity profile of debt facilities, dividend policy and the ability to access funding from banks and other sources.

The Group monitors its capital management objectives by continuously assessing several benchmarks related to debt, cash flows and financial performance.

17 Financial Instruments (continued)

2. Financial Risk Management

$million	2017	2016
Financial assets		
Cash and cash equivalents	34.0	11.8
Fair value through profit or loss (FVPL)	314.4	362.5
Derivatives designated and effective as hedging instruments	1.5	-
Loans and receivable	355.7	369.2
Financial liabilities		
Amortised cost	1,072.0	1,383.3
Fair value through profit or loss (FVPL)	177.1	73.8
Derivatives designated and effective as hedging instruments	29.1	59.0

The Group's Treasury and Portfolio management functions provide services to the business to monitor and manage risks relating to National Electricity Market (NEM) outcomes, commodity prices, foreign exchange and interest rates movement, liquidity and credit exposure as they arise in the normal course of operations of the Group.

Risk exposures are assessed and monitored using a variety of methods including stress modelling and ongoing surveillance, with regular risk reporting to both Management and Board risk committees. The Group uses derivative instruments, physical hedges such as generation capacity, and strict liquidity management to mitigate the exposures while aiming to optimise risk-adjusted financial returns within policies approved by the Board of Directors.

Policy compliance is monitored by a segregated compliance management process and reviewed by the Board on a regular basis.

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

- Funding: to finance the Group's operating activities. The principal types of instruments include revolving bank loans and bank guarantees;
- Operating: the Group's day to day business activities generate financial instruments such as cash, trade and other receivables and payables; and
- Risk management: to reduce the risks to financial performance that would arise if all generation was subject to spot market outcomes. The Group transacts electricity swaps and options to notionally contract a portion of its generation capacity. Interest rate and commodity derivative instruments are transacted to manage cash flow risks associated with financing with floating rate debt instruments, purchasing in foreign currencies, and energy procurement activities.

Key financial risks from utilising the aforementioned financial instruments are explained further in the following sections:

(i) market risk (including electricity and commodity price risk, foreign exchange and interest rate risk)
(ii) liquidity risk
(iii) credit risk

The Group's overall financial risk management strategy remains unchanged from 2016.

17 Financial Instruments (continued)

(i) Market risk

Electricity and commodity price risk

Fluctuations in electricity and commodity prices will impact the Group's results and cash flows. To manage price risks associated with electricity generation, and sales of electricity and gas to retail customers the Group has established a risk framework that consists of policies on the overall limits of exposure across spot and derivatives energy markets, delegations and transaction limits for trading activity.

The Group utilises a range of energy derivative instruments to manage electricity price risk, both in futures and over-the-counter markets. These derivative instruments are classified into swaps (vanilla swaps, load-following swaps and capped swaps) and options (caps, standard options and average rate options). Some over-the-counter caps and related derivative products include features providing the counterparty with the ability to nominate different strike prices and notional megawatt (MW) volumes (within limits) for different contract periods. Snowy Hydro manages the risk associated with variably nominated contracts by utilising standby, fast-start generation capacity.

The Group is also exposed to cash flow effects from fluctuations in commodity prices as certain gas supply contracts are indexed to Brent oil prices denominated in USD. Commodity forwards are used to manage oil price and AUD/USD exchange rate fluctuation risk.

The table below sets out the fair value of energy and commodity derivatives at reporting date.

$million	**2017**	2016
Energy and commodity derivatives asset - current	314.4	362.5
Energy and commodity derivatives asset - non-current	-	-
Energy and commodity derivatives liability - current	(182.0)	(83.98)
Energy and commodity derivatives liability - non-current	-	(4.9)
Total energy and commodity derivatives	**132.4**	273.7

Energy derivatives - economic hedge

The Group uses energy derivative instruments to economically hedge electricity price risks within the risk management framework. The economic hedges do not meet the requirements of hedge accounting set out in AASB 139 *Financial Instruments: Recognition and Measurement*. Therefore these instruments are categorised as held for trading and changes in fair valuation are recognised immediately as Profit/Loss on the fair value of financial instruments in the consolidated statement of profit or loss.

Commodity derivatives – cash flow hedge

The Group has entered into commodity forwards to hedge price and exchange rate risk arising from a gas purchase agreement. The pricing formula of the gas supply contract is linked to the oil index that is denominated in USD. The commodity forward is designated as a cash flow hedge at inception under AASB 139 with changes in fair value recognised directly in equity, and reclassified to profit and loss when the underlying transaction affects profit and loss. It is tested for effectiveness at each reporting date and the nomination amount of the commodity forward was aligned with the gas purchase agreement at the inception of the contract. During the period there was a permanent volume reduction in the gas purchase agreement which was reflected in the effectiveness testing.

17 Financial Instruments (continued)

Energy and Commodity Price Sensitivity Analysis

The table below sets out the impact of changes of prices on profit and loss and equity based solely on the Group's exposures at the reporting date (holding all other variables constant and without any mitigating actions that management might take if the price changes occurred). A 20% price change has been applied to flat and off-peak electricity swaps, a 25% price change has been applied to peak electricity swaps, a 40% price change has been to electricity options and $30/bbl price movement has been applied to commodity forwards. These changes are based on the volatility of historical prices of the relevant instruments.

	Profit/ (loss) before tax Increase/ (decrease) in fair value		**Other comprehensive income Increase/ (decrease) in fair value**	
$million	**2017**	2016	**2017**	2016
Electricity swap - price increase	115.1	11.3	-	-
Electricity swap - price decrease	(115.1)	(11.3)	-	-
Electricity options - price increase	(432.5)	(250.8)	-	-
Electricity options - price decrease	432.4	250.2	-	-
Commodity forwards - price increase	-	-	3.8	11.3
Commodity forward - price decrease	-	-	(3.8)	(11.3)

Foreign exchange risk

The Group operates wholly within Australia and New Zealand and usually contracts with suppliers in Australian or New Zealand dollars. Historically the New Zealand dollar has maintained a proportional relationship with the Australian dollar and accordingly purchase and contract exposures in New Zealand dollars, which are also generally immaterial in volume, are not hedged.

Where a purchase or contract is payable in another currency, the Group is exposed to the fluctuation of exchange rates. The Group's Treasury policy is to hedge any aggregate (per contract) foreign exchange exposure which exceeds AUD $250,000 equivalent value.

Foreign exchange contracts - cash flow hedge

The Group has entered into foreign exchange contracts to hedge the exchange rate risk arising from purchases or contracts that are denominated in foreign currencies, which are designated as cash flow hedges at inception and tested for effectiveness at each reporting date. The maturity of the foreign exchange contracts are matched with the underlying transaction. As at year end, the underlying purchases are assessed to remain highly probable and the amount accumulated in equity will be reclassified to profit and loss when the underlying transaction affects profit and loss. As the fair value and notional amount of the foreign exchange contracts are immaterial, quantitative disclosure is not presented.

Interest rate risk

The Group is exposed to interest rate risk from floating rate borrowings (excluding finance lease liabilities). The Group manages interest rate risk by fixing the interest rate for a portion of the borrowings with interest rate swaps. The proportion of debt targeted to be hedged is based on forecast debt positions, on a scale which varies in proportion to absolute debt levels.

17 Financial Instruments (continued)

The Group had the following financial assets and liabilities exposed to floating interest rate risk as at 1 July 2017:

$million	2017	2016
Floating rate instruments		
Financial assets		
Cash and cash equivalents	34.0	11.8
	34.0	11.8
Financial liabilities		
Bank loans	734.0	1,055.5
Interest rate swap notional principal	(727.2)	(527.1)
	6.8	528.4

Interest rate swaps - cash flow hedge

Interest rate swaps exchange floating interest rates for a fixed rate resulting in fixed interest rate payment on floating rate borrowings, reducing the Group's exposure to the fluctuation of interest rates. The swaps are designated as cash flow hedges at inception and are tested for effectiveness at each reporting date. The interest rate swaps and bank loan interest payments are settled quarterly at the same time. The amount accumulated in equity is reclassified to profit and loss over the period that the floating rate interest payments on the bank loan affect profit and loss.

The following table summarises the interest rate hedges in place for the reporting period, detailing the notional principal hedge amounts, the average fixed rate, and the current fair value:

	Average swap fixed interest rate		Notional principal amount		Fair value	
	2017	2016	**2017**	2016	**2017**	2016
	%	%	**$million**	$million	**$million**	$million
Less than 1 year	-	-	-	-	-	-
1 to 2 years	3.45	-	75.9	-	(2.3)	-
2 to 3 years	3.23	3.45	51.1	75.9	(1.4)	(4.0)
3 to 4 years	-	3.23	-	51.1	-	(2.0)
4 to 5 years	2.05	-	200.1	-	1.1	-
5 years or more	3.27	3.27	400.1	600.2	(20.1)	(38.0)
	2.95	3.29	**727.2**	727.2*	**(22.7)**	(44.0)

*As at 2 July 2016, the aggregated notional principal of interest rate swaps included $200.1 million of forward starting contracts, which commenced in July 2016.

Interest rate sensitivity analysis

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

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

17 Financial Instruments (continued)

	Profit/ (loss) before tax		Other comprehensive income	
	2017	2016	**2017**	2016
Interest rate + 150 basis points				
Interest on bank loan	(11.0)	(15.8)	-	-
Interest on interest rate swap	10.9	7.9	-	-
Fair valuation of interest rate swap	-	-	47.4	(31.7)
Interest rate - 150 basis points				
Interest on bank loan	11.0	15.8	-	-
Interest on interest rate swap	(10.9)	(7.9)	-	-
Fair valuation of interest rate swap	-	-	(51.3)	35.1

(ii) Liquidity risk

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

Short term liquidity risk predominantly arises through three sources: the potential for large margin calls on electricity futures contracts in the event of adverse movements in forward electricity prices; prudential calls from the electricity market operator (AEMO); and lastly the risk of settling large payouts on a contract or contracts where the Group's generation fails to cover those contract positions.

The Group manages its liquidity risk by continuously monitoring forecast and actual cash flows and prudential exposures, matching the maturity profiles of financial assets and liabilities and maintaining committed stand-by facilities. The Group holds an Australian Financial Services Licence under which it must continuously monitor its forward liquidity ratios and the amount of surplus liquid funds. Any unremedied breach of these conditions would trigger a cessation of trading.

At the reporting date, the Group had committed, undrawn facilities of $566.0 million (2 July 2016: $498.0 million), as detailed in Note 15 Interest bearing liabilities and credit facilities.

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

The table below details the contractual maturity of the financial liabilities of the Group at the end of reporting period. The amounts are based on the undiscounted cash flows of financial liabilities on the earliest date on which the Group could be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curves at the end of reporting period. For derivative instruments that are required to be net settled, the amounts are based on the undiscounted net cash inflows and outflows; for the derivative instruments that are required to be gross settled, the amounts are based on undiscounted gross cash inflows and outflows.

17 Financial Instruments (continued)

$million	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
2017					
Financial liabilities					
Non derivative instruments					
Trade payables	258.1	-	-	-	258.1
Bank loan	209.0	329.0	200.0	-	738.0
Financial lease liability	11.2	11.2	33.6	74.7	130.7
	478.3	**340.2**	**233.6**	**74.7**	**1126.8**
Derivative instruments					
Energy and commodity derivatives	97.8	14.0	23.2	10.0	145.0
Interest rate swaps	8.7	6.8	7.0	3.2	25.7
	106.5	**20.8**	**30.2**	**13.2**	**170.7**
2016					
Financial liabilities					
Non derivative instruments					
Trade payables	245.0	-	-	-	245.0
Bank loan	173.8	215.0	672.0	-	1,060.8
Financial lease liability	11.2	11.2	33.6	85.9	141.9
	430.0	**226.2**	**705.6**	**85.9**	**1,447.7**
Derivative instruments					
Energy and commodity derivatives	71.3	12.6	-	-	83.9
Interest rate swaps	7.4	9.0	20.1	12.0	48.5
	78.7	**21.6**	**20.1**	**12.0**	**132.4**

(iii) Credit risk

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

Credit risk is managed under a Board approved policy which includes the use of credit limits allocated based on the overall financial and competitive strength of the counterparty.

Derivative contract counterparties are generally limited to high-credit-quality financial institutions and organisations operating in the NEM and financial markets. Credit assessment of the counterparty is carried out when the Group deals with it for the first time and reviewed when necessary, at least annually.

The concentration of credit risk arising from energy derivative trading is significant within a few counterparties at the end of reporting period. The Group manages the concentration risk by continuously monitoring the credit exposure against the individual assigned credit limit and the Group's aggregated limit. The Group also utilises International Swap and Derivative Association (ISDA) agreements to limit its exposure to credit risk through the netting of amounts receivable from and payable to its counterparties.

Trade and other receivables consist of over 1.0 million residential, small and large commercial and industrial customers, in New South Wales, Victoria, South Australia and Queensland. The Retail Group has adopted a policy of only dealing with creditworthy customers as a means of mitigating the risk of financial loss from defaults, with the use of an external credit scoring system to assess the potential customer's receivables through the adoption of standard payment terms.

17 Financial Instruments (continued)

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, an allowance for doubtful debts is raised.

3. Fair value of financial assets and financial liabilities

The following table presents the financial instruments that are measured and recognised at fair value on a recurring basis. Snowy Hydro classifies its financial instruments into the three levels prescribed under the accounting standards. The three levels in the hierarchy reflect the level of independent observable market data used in determining the fair values and are defined as follows:

Level 1	Quoted prices (unadjusted) in active markets for identical financial instruments.
Level 2	Other valuation methods for which all inputs that have a significant impact on fair value are observable, either directly (as prices) or indirectly (derived from prices).
Level 3	One or more key inputs for the instrument are not based on observable market data (unobservable inputs).

There were no material transfers between levels during the period.

$million	Level 1	Level 2	Level 3	Total fair value
2017				
Financial assets				
Derivative financial instruments				
- Energy derivatives	150.1	45.2	119.1	314.4
- Interest rate swaps	-	1.5	-	1.5
Total financial assets	150.1	46.7	119.1	315.9
Financial liabilities				
Derivative financial instruments				
- Energy and commodity derivatives	83.7	18.8	79.5	182.0
- Interest rate swaps	-	24.2	-	24.2
Total financial liabilities	83.7	43.0	79.5	206.2
2016				
Financial assets				
Derivative financial instruments				
- Energy derivatives	55.7	27.8	279.0	362.5
Total financial assets	55.7	27.8	279.0	362.5
Financial liabilities				
Derivative financial instruments				
- Energy derivatives	50.0	25.2	13.6	88.8
- Foreign exchange contracts	-	0.2	-	0.2
- Interest rate swaps	-	43.8	-	43.8
Total financial liabilities	50.0	69.2	13.6	132.8

17 Financial Instruments (continued)

Management have assessed the carrying value of financial assets (excluding derivative financial assets) and financial liabilities (excluding derivative financial liabilities) to be comparable to fair value.

The following is a summary of the methods that are used to estimate the fair value of Snowy Hydro's financial instruments:

Instrument	Hierarchy	Fair Value Methodology
Electricity swaps and options regularly traded in active markets	Level 2	Present value of estimated future cash flows relating to the difference between the contract rates and the market forward rate. Cash flows are discounted at a rate that reflects the credit risk of the relevant counterparty or own credit risk, when applicable.
Electricity swaps and options not regularly traded in active markets, with no observable inputs.	Level 3	Generally accepted valuation models which reflect the difference between the contract rates and an internal cap curve based on management's assessment of new-entrant pricing which takes into account capital costs, fixed and variable operating costs, efficiency factors and asset lives, as well as premiums for accepting physical risks or a long-term market forward curve provided by external consultants. Cash flows are discounted at a rate that reflects the credit risk of the relevant counterparty or own credit risk, when applicable, or the Group's weighted average cost of capital.
Electricity Load Following Swaps	Level 3	Present value of estimated future cash flows relating to the difference between the contract rates and the market forward rate based on forecast energy usage profiles. Market prices are adjusted with a half hourly calibration factor to price the usage profile.
Financial instruments traded in active futures markets	Level 1	Quoted market prices at the end of reporting period.
Foreign exchange contracts	Level 2	Present value of estimated future cash flows relating to the difference between the contract rates and the quoted forward exchange rates. Cash flows are discounted at a rate that reflects the credit risk of the relevant counterparty or own credit risk, when applicable.
Interest rate swaps	Level 2	Present value of estimated future cash flows. Key variables include market pricing data, discount rates and credit risk of Snowy Hydro or counterparty where relevant. Variables reflect those which would be used by market participants to execute and value the instruments.
Commodity forwards	Level 2	Present value of estimated future cash flows relating to the contract price and observable market oil forward prices. Cash flows are discounted at a rate that reflects the credit risk of the relevant counterparty or own credit risk, when applicable.

Notes to the consolidated financial statements
For the period ended 1 July 2017

17 Financial Instruments (continued)

4. Level 3 fair value measurement instruments

The following table presents the changes in level 3 instruments for the period ended 1 July 2017:

$million	2017	2016
Opening balance	**265.4**	457.8
Option premium received in cash during the period	**(234.8)**	(301.6)
Total gains and losses in profit or loss		
- Settlements during the period	**173.8**	199.5
- Changes in fair value of financial instrument	**(164.8)**	(90.3)
Closing balance	**39.6**	265.4

Gains and losses in profit or loss due to changes in fair value are included within 'Loss on the fair value of financial instruments'. All other gains and losses in profit or loss are shown in revenue.

Sensitivity analysis of level 3 instruments

The use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, the sensitivity of the valuation to a 40% movement in the price curve for cap instruments, 25% movement in the price curve for peak sap capped instruments and 20% movement in the price curve for flat and off-peak swap capped and load following swap instruments would have the following effects:

2017

		Profit/ (loss) before tax	
$million	**Fair value**	**Increase movement**	**Decrease movement**
Energy Derivative assets	119.1	(164.4)	164.1
Energy Derivative liabilities	(79.5)	(213.5)	213.4

2016

		Profit/ (loss) before tax	
$million	**Fair value**	**Increase movement**	**Decrease movement**
Energy Derivative assets	279.0	(58.1)	615.1
Energy Derivative liabilities	(13.6)	(36.6)	9.3

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

18 Issued capital

$million	2017	2016
200,000,000 fully paid ordinary shares	**816.1**	816.1

19 Reserves

$million	2017	2016
Hedging reserves		
Balance at the beginning of the reporting period	**(47.7)**	(19.6)
Gains / (losses) recognised:		
Currency swaps	**0.2**	(0.2)
Interest rate swaps	**21.3**	(35.2)
Commodity forwards	**16.6**	(4.1)
Deferred tax arising on hedges	**(11.0)**	11.4
Balance at the end of the reporting period	**(20.6)**	(47.7)

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

20 Dividends

$million	2017	2016
Recognised amounts		
Final dividend Final dividend for 2016 of 48.75 cents per share, fully franked at 30%, paid 29 October 2016 (2016: Final dividend for 2015 of 45.00 cents per share, fully franked at 30%, paid 30 October 2015)	**97.5**	90.0
Interim dividend Interim dividend for 2017 of 65.00 cents per share, fully franked at 30%, paid on 28 April 2017 (2016: interim dividend for 2016 of 45.00 cents per share, fully franked at 30%, paid 29 April 2016)	**130.0**	90.0
Total recognised amounts	**227.5**	180.0
Unrecognised amounts Since the end of the financial period, the Directors have determined a final dividend for 2017 of 65.00 cents per share, fully franked at 30%, payable on 27 October 2017	**130.0**	97.5
Dividend franking account balance	**18.6**	45.7

The financial effect of the final dividend has not been recognised as a liability in these financial statements as it will be brought to account in subsequent financial reports.

Group Structure

21 Subsidiaries

Name of Entity	Country of Incorporation	% Ownership 2017	2016
Parent Entity			
Snowy Hydro Limited (b)	Australia	-	-
Controlled Entities			
Snowy Hydro Trading Pty Ltd (c)	Australia	100	100
Red Energy Pty Ltd (a) (c)	Australia	100	100
Latrobe Valley BV (c)	Netherlands	100	100
Valley Power Pty Ltd (c)	Australia	100	100
Contact Peaker Australia Pty Ltd (c)	Australia	100	100
Lumo Energy Australia Pty Ltd (a) (c)	Australia	100	100
Lumo Energy (NSW) Pty Ltd (a) (c)	Australia	100	100
Lumo Energy (Qld) Pty Ltd (a) (c)	Australia	100	100
Lumo Energy (SA) Pty Ltd (a) (c)	Australia	100	100
Lumo Energy Telecommunications Pty Ltd (a) (c)	Australia	100	100
Lumo Generation NSW Pty Ltd (a) (c)	Australia	100	100
Lumo Generation SA Pty Ltd (a) (c)	Australia	100	100
Emagy Pty Ltd (a) (c)	Australia	100	100
TFI Partners Pty Ltd (a) (c)	Australia	100	100
Direct Connect Australia Pty Ltd (a) (c)	Australia	100	100
Connection Media Pty Ltd (a) (c)	Australia	100	100

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

The consolidated statement of profit or loss and consolidated statement of financial position of the entities which are party to the deed of cross guarantee are:

21 Subsidiaries (continued)

Statement of profit or loss

$million	2017	2016
Revenue	**2,590.1**	2,188.3
Interest income	**0.8**	0.7
Other income	**7.1**	24.1
Direct costs of revenue	**(1,413.7)**	(1,311.5)
Consumables and supplies	**(70.5)**	(68.2)
Employee benefits expense	**(212.1)**	(192.5)
Depreciation and amortisation expense	**(130.3)**	(131.3)
Finance costs	**(47.8)**	(59.0)
Other expenses from ordinary activities	**(123.1)**	(130.3)
Loss on the fair value of financial instruments	**(141.3)**	(164.8)
Profit before income tax expense	**459.2**	155.5
Income tax expense	**(138.6)**	(35.1)
Profit attributable to the owners of the parent entity	**320.6**	120.4

Statement of financial position

$million	2017	2016
Current assets		
Cash and cash equivalents	**34.0**	11.8
Trade and other receivables	**382.8**	356.8
Inventories	**19.7**	23.3
Other financial assets	**287.3**	374.9
Income tax receivable	**-**	2.6
Other current assets	**109.0**	116.4
Total current assets	**832.8**	885.8
Non-current assets		
Other financial assets	**127.3**	126.8
Deferred tax assets	**70.2**	60.6
Goodwill and other intangible assets	**595.4**	580.2
Property, plant and equipment	**1,870.9**	1,949.9
Other non-current assets	**89.0**	-
Total non-current assets	**2,752.8**	2,717.5
Total assets	**3,585.6**	3,603.3

Snowy Hydro Limited and its Controlled Entities

Notes to the consolidated financial statements
For the period ended 1 July 2017

21 Subsidiaries (continued)

Statement of financial position (continued)

$million	2017	2016
Current liabilities		
Trade and other payables	**277.9**	262.2
Provisions	**33.2**	31.9
Interest bearing liabilities	**215.6**	172.2
Income tax payable	**77.2**	-
Other financial liabilities	**189.0**	90.2
Total current liabilities	**792.9**	556.5
Non-current liabilities		
Other financial liabilities	**17.2**	42.6
Interest bearing liabilities	**598.3**	966.1
Provisions	**54.0**	29.4
Total non-current liabilities	**669.5**	1,038.1
Total liabilities	**1,462.4**	1,594.6
Net assets	**2,123.2**	2,008.7
Equity		
Issued capital	**816.1**	816.1
Reserves	**(20.6)**	(47.7)
Retained profits	**1,327.7**	1,240.3
Total equity	**2,123.2**	2,008.7

22 Parent entity disclosures

(a) Summary financial information (Parent)

$million	2017	2016
Assets		
Current assets	**567.5**	568.2
Total assets	**3,186.6**	3,267.4
Liabilities		
Current liabilities	**634.8**	339.4
Total liabilities	**1,305.8**	1,368.1
Equity		
Issued capital	**816.1**	816.1
Reserve	**(28.1)**	(30.8)
Retained earnings	**1,092.8**	1,114.0
Profit for the period	**200.2**	24.0
Total comprehensive income	**215.2**	(0.7)

Snowy Hydro Limited and its Controlled Entities

Notes to the consolidated financial statements
For the period ended 1 July 2017

22 Parent entity disclosures (continued)

(b) Guarantees entered into by the parent entity in relation to its subsidiaries

$million	2017	2016
Guarantees provided under the deed of cross guarantee as referred to in note 21	**67.9**	76.7

(c) Contingent liabilities of the parent entity

Contingent liabilities detailed in note 26 relate to the parent entity.

(d) Capital commitments

$million	2017	2016
Not longer than 1 year	**19.6**	15.4
Longer than 1 year and not longer than 5 years	**2.7**	1.9
	22.3	17.3

23 Related party disclosures

(a) Equity Interests In Related Parties

Detail of the percentage of ordinary shares held in controlled entities is disclosed in Note 21 to the financial statements.

(b) Key Management Remuneration

The total remuneration paid or payable to Directors and key management personnel of the consolidated entity is set out below:

$	2017	2016
Short-term employee benefits	**5,065,655**	4,264,386
Post-employment benefits	**202,159**	205,645
Other long-term employee benefits	**3,987,081**	1,001,753
Total remuneration	**9,254,895**	5,471,784

During the year Key Management Personnel (KMP) for Snowy Hydro have been reassessed and revised. KMP are those people who have authority and responsibility for planning, directing and controlling the activities of Snowy Hydro. The KMP are the Managing Director, certain Snowy Hydro executives (together, the Executives) and each of the non-executive Directors.

(c) Directors' and Specified Executive Loans

No loans were made nor are any outstanding between Snowy Hydro and any director or director related entities.

23 Related party disclosure (continued)

(d) Directors' Equity Holdings

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

(e) Other Transactions With Directors

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

(f) Transactions Within the Wholly-Owned Group

The wholly-owned group includes the ultimate parent entity and sixteen wholly-owned controlled entities.

The ultimate parent entity in the wholly-owned group is Snowy Hydro Limited. During the financial year Snowy Hydro provided management, accounting and administrative services to its controlled entities other than Valley Power and Lumo Generation SA on a cost free basis. Snowy Hydro also provides all personnel, operational and management services to Valley Power and Lumo Generation SA on a cost basis. All intercompany balances are at call, but the Directors have declared that they are not expected to be called in the current period. The balance of intercompany loans owed by the parent entity to the controlled entities to as at 1 July 2017 was $10.4 million (2 July 2016: $70.6 million owed to the parent entity).

Other

24 Defined benefit superannuation plan

Employees of the Snowy Hydro are members of a variety of superannuation funds covering both defined contribution and defined benefit plans. Payments to defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Snowy Hydro's defined benefit plans include:

- Commonwealth Superannuation Scheme ("CSS");
- Public Sector Superannuation Scheme ("PSSS");
- Energy Industries Superannuation Scheme ("EISS");
- State Superannuation Scheme ("SSS"); and
- State Authorities Non-contributory Superannuation Scheme ("SANCS")

CSS and PSSS are accounted for as defined contribution plans on the basis that these are multi-employee plans and insufficient information is available to apply defined benefit accounting.

The SSS and SANCS schemes are part of the same pooled funds and are therefore treated together for the defined benefit scheme financial statement disclosures below.

For the EISS, SSS and SANCS defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out triennially. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur.

24 Defined benefit superannuation plan (continued)

Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Service cost (including current service cost, past service cost and gains an losses on curtailments and settlements are recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the deficit in Snowy Hydro's defined benefit plans, calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of the plan assets.

The defined benefit plans are administered by a separate Fund that is legally separated from the entity.

The defined benefit plans requires contributions from employees. Contributions are in the following two forms; one is based on the number of years of service and the other one is based on a fixed percentage of salary of the employees. Employees can also make discretionary contributions to the plans.

The Energy Industries Superannuation Scheme Pool B ("EISS"), the State Authorities Superannuation Scheme ("SSS") and the State Authorities Non-contributory Superannuation Scheme ("SANCS") provide defined benefits in the form of lump sum or pension benefits on retirement, death, disablement and withdrawal. These schemes are here forth referred to as the 'Schemes'. The Schemes are closed to new members.

Description of the regulatory framework

The Schemes are primarily regulated by the Superannuation Industry (Supervision) Act 1993 (Cth) ("the SIS legislation").

The Schemes have received an exemption from annual actuarial valuations and therefore actuarial valuations are only required triennially. The last actuarial valuation of the Schemes was performed as at 30 June 2015. The next actuarial investigation is due as at 30 June 2018.

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

The Schemes' Trustees are responsible for the governance of the Scheme according to the Scheme rules and regulations.

Description of the risks

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

- **Investment risk:** The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- **Longevity risk:** The risk that pensioners live longer than assumed, increasing future pensions.
- **Pension indexation risk:** The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- **Salary growth risk:** The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- **Legislative risk:** The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

Snowy Hydro Limited and its Controlled Entities

Notes to the consolidated financial statements
For the period ended 1 July 2017

24 Defined benefit superannuation plan (continued)

Description of significant events

The schemes had no amendments, curtailments or settlements during the year due to exits.

Reconciliation of the Net Defined Benefit Liability/(Asset)

$million	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Net amount
2016 [1]	5.4	(2.2)	3.2	-	3.2
Current service cost	0.2	-	0.2	-	0.2
Interest expense/ (income)	0.6	(0.3)	0.3	-	0.3
Total amount recognised in profit or loss	0.8	(0.3)	0.5	-	0.5
Remeasurements:					
Remeasurement of defined benefit obligation [2]	21.3	(10.8)	10.5	-	10.5
Return on plan assets, excluding amounts included in interest expense/ (income)	-	(0.7)	(0.7)	-	(0.7)
Gain from change in financial assumptions	(3.2)	-	(3.2)	-	(3.2)
Experience loss	2.7	-	2.7	-	2.7
Change in asset ceiling, excluding amounts included in interest expense	(0.4)	-	(0.4)	-	(0.4)
Total amount recognised in other comprehensive income	20.4	(11.5)	8.9	-	8.9
Contributions:					
Employers	-	(0.8)	(0.8)	-	(0.8)
Plan participants	0.1	(0.1)	-	-	-
Payments from plan:					
Benefit payments	(0.5)	0.5	-	-	-
2017	**26.2**	**(14.4)**	**11.8**	**-**	**11.8**

[1] A defined benefit liability for SSS/SANCS was recognised at fair value upon acquisition of the Colongra power station during the period ended 2 July 2016. Subsequent to 2 July 2016, updated valuation information was received relating to the period ended 2 July 2016 which resulted in an increase in the defined benefit liability of $1.5 million. This movement is accounted for through the Statement of Comprehensive Income in the period ended 1 July 2017.

[2] EISS was previously accounted for as a defined contribution plan on the basis that it is a multi-employer plan and insufficient information was available to apply defined benefit accounting. Subsequent to 2 July 2016, Snowy Hydro received sufficient information to apply ongoing defined benefit accounting, leading to the remeasurement of the related provision under AASB 119 as a defined benefit liability. This revision is a change to an accounting estimate under AASB 108 Changes in Accounting Policy and Estimates.

Snowy Hydro Limited and its Controlled Entities

Notes to the consolidated financial statements
For the period ended 1 July 2017

24 Defined benefit superannuation plan (continued)

Fair value of Fund assets

The major categories of plan assets as a percentage of the fair value of total plan assets at the end of the reporting period are as follows:

As at 30 June 2017	EISS	SSS/SANCS
Australian equities	16%	23%
International equities	26%	30%
Property	4%	9%
Private equity	1%	-
Infrastructure	11%	-
Alternatives	10%	23%
Fixed income	27%	7%
Cash	5%	8%
Total	**100%**	**100%**

All plan assets are held within investment funds which do not have a quoted market price in an active market.

Significant actuarial assumptions at the reporting date

As at 30 June 2017	EISS	SSS/SANCS
Discount rate	2.62%	2.62%
Salary increase rate (excluding promotional increases)	2.5% pa	2.5% - 3.5%
Rate of CPI increase	2.2% pa	2.0% - 2.5%
Pensioner mortality	As per the triennial valuation of the Scheme as at 30 June 2015	

The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher/(lower), the defined benefit obligation would decrease by $3.5 million (increase by $4.4 million); and
- If the rate of 'CPI increase' increases/(decreases) by 0.5%, the defined benefit obligation would increase by $1.9 million (decrease by $1.7 million).

Asset-Liability matching strategies

The asset-liability risk is monitored in setting the investment strategy however no explicit asset-liability matching strategy is used. There has been no change in the process used to manage its risks from prior periods.

24 Defined benefit superannuation plan (continued)

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2015. Contribution rates are set after discussions between the employer and relevant parties such as the Trustee and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

Expected contributions

Expected employer contributions for the financial year ending 30 June 2018 are $0.6 million and $0.2 million for EISS and SANCS/ SSS respectively.

Maturity profile of defined benefit obligation

The weighted average duration of Snowy Hydro's defined benefit obligation is 13.5 years and 16.6 years for EISS and SANCS/ SSS respectively.

25 Commitments

$million	2017	2016
Capital expenditure commitments - property, plant & equipment		
Not later than 1 year	30.7	15.4
Later than 1 year but not later than 5 years	1.9	1.9
Total capital expenditure commitments - property, plant and equipment	**32.6**	**17.3**
Operating lease commitments		
Not longer than 1 year	11.8	8.3
Later than 1 year but not later than 5 years	34.5	33.0
Later than 5 years	94.2	87.1
Total operating lease commitments	**140.5**	**128.4**
Other commitments		
Not later than 1 year	46.3	77.2
Later than 1 year but not later than 5 years	46.9	86.8
Total other commitments	**93.2**	**164.0**

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

25 Commitments (continued)

Finance lease commitments

$million	Minimum lease payments 2017	Minimum lease payments 2016	Present value of minimum lease payments 2017	Present value of minimum lease payments 2016
Not later than 1 year	**11.2**	11.2	**4.1**	3.7
Later than 1 year and not later than 5 years	**44.9**	44.9	**20.7**	19.0
Later than 5 years	**74.6**	85.8	**56.0**	61.9
Minimum future lease payments	**130.7**	141.9	**80.8**	84.6
Less future finance charges	**(49.9)**	(57.3)	**-**	-
Present value of minimum lease payments	**80.8**	84.6	**80.8**	84.6

The present value of minimum lease payments is included in the financial statements as disclosed in Note 15. Finance lease relates to a gas pipeline at the Colongra Power Station. The lease has a term of 20 years.

Reclassification of amounts
Gas transport and storage commitments of $62.8 million (2 Jul 2016: $72.6 million) were reclassified from operating lease commitments to other commitments.

26 Contingent liabilities

Snowy Hydro is involved in various legal proceedings arising out of the normal course of business. The Directors believe that the outcome of these proceedings will not have a material impact on Snowy Hydro's financial position or results of operations. Contingent liabilities of the consolidated entity as at 1 July 2017 are:

(a) Ongoing contingent liabilities are represented by:

Snowy Hydro has entered into a number of bank guarantees in relation to operating within the national electricity and gas markets, and for rental properties in Sydney and Melbourne, to the value of $81.8 million (2016: $81.8 million).

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

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

27 Subsequent events

Except as otherwise disclosed in this report, no item, transaction or event of a material nature has arisen since 1 July 2017 that would significantly affect the operations of Snowy Hydro, the results of those operations, or the state of affairs, in future financial periods.

28 Remuneration of auditors

$	2017	2016
Audit services		
Audit or review of the financial report	547,000	532,000
Other audit services	10,000	10,000
Other non-audit services		
Taxation services	97,060	187,621
Technology services	294,745	-
Total remuneration of auditors	948,805	729,621

29 New standards not yet applicable

1. AASB 16 Leases (AASB 16): issued in February 2016, must be applied for financial years commencing on or after 1 January 2019. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. Until Snowy Hydro undertakes a detailed review, it is not practicable to provide a reasonable estimate of the effect of this standard.

2. AASB 15 Revenue from contracts with customers (AASB 15): issued in December 2014, must be applied for financial years commencing on or after 1 January 2018. AASB 15 will replace AASB 118 Revenue, which covers contracts for goods and services, and AASB 111 Construction Contracts, which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, that is, the 'notion of control' replaces the existing 'notion of risks and rewards'. Until Snowy Hydro undertakes a detailed review, it is not practicable to provide a reasonable estimate of the effect of this standard.

3. AASB 9 Financial instruments (AASB 9): issued in December 2013, must be applied for financial years commencing on or after 1 January 2018. AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. Until Snowy Hydro undertakes a detailed review, it is not practicable to provide a reasonable estimate of the effect of this standard.

Directors' Declaration

The Directors of Snowy Hydro Limited (the Company) declare that, in their opinion:

(a) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001,* including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  (ii) giving a true and fair view of the financial position as at 1 July 2017 and of the performance for the period ended on that date of Snowy Hydro; and

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

(c) there are reasonable grounds to believe that the Parent Entity and the subsidiaries identified in Note 21 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee between the Parent Entity and those subsidiaries pursuant to ASIC Class Order 98/1418.

Signed in accordance with a resolution of the Directors

Noel H Cornish AM, Chairman	Paul A Broad, Managing Director
Sydney, 23 August 2017	Sydney, 23 August 2017

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

The Board of Directors
Snowy Hydro Limited
Lot 3, Pier 8/9
23 Hickson Road
Walsh Bay NSW 2000

23 August 2017

Dear Directors

Snowy Hydro Limited

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

As lead audit partner for the audit of the financial statements of Snowy Hydro Limited for the financial year ended 1 July 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jamie Gatt

Jamie Gatt
Partner, Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

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

Opinion

We have audited the financial report of Snowy Hydro Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 1 July 2017, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group financial position as at 1 July 2017 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 1 July 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jamie Gatt
Partner, Chartered Accountants
Sydney, 23 August 2017