



ABN 17 090 574 431

Consolidated Financial Report for the Financial Year

27 June 2001 to 28 June 2002

Snowy Hydro Limited

Annual Financial Report as at 28 June 2002

	<i>Page Number</i>
<i>Directors' Report</i>	2
<i>Independent Audit Report</i>	6
<i>Directors' Declaration</i>	7
<i>Statement of Financial Performance</i>	8
<i>Statement of Financial Position</i>	9
<i>Statement of Cash Flows</i>	10
<i>Notes to the Financial Statements</i>	11

Snowy Hydro Limited

Directors' Report

The directors of Snowy Hydro Limited submit herewith the annual financial report for Snowy Hydro Limited and its controlled entities (here within referred to as the consolidated entity) for the financial year 27 June 2001 to 28 June 2002. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the company during or since the end of the financial year are:

Name	Particulars
Anthony R Cotton FCA Appointed 27 June 2001	Chairman Anthony Cotton has a wide international business experience over 35 years. This includes; Mining, Building, Materials Manufacturing and Service Industries. He was Chairman of Snowy Hydro Trading Pty Ltd from Incorporation for the 5 years until Corporatisation. His other chairmanships have included RGC Limited and Goldfields. He is currently Chairman Redfern Photonics P/L and a fellow of the Institute of Chartered Accountants in England and Wales.
Terry V Charlton BCom, BSc, MSc Appointed 27 June 2001	Managing Director Terry Charlton is Chief Executive Officer and Managing Director of Snowy Hydro Limited and has been Commissioner of Snowy Mountains Hydro-electric Authority, and Chief Executive Officer of Snowy Hydro Trading Pty Ltd since 1999. Previous experience in energy and utilities includes President of Edison Mission Energy, United Kingdom, Europe, Middle East, Africa, and Group General Manager, Tubemakers of Australia Limited – Water, Oil and Gas Division.
Arlene M Tansey BBus, MBA, JD(Law) FAICD Appointed 27 June 2001	Non Executive Director Arlene Tansey has extensive experience in corporate finance, underwriting, restructuring, bankruptcy and securities including fourteen years of US corporate finance practice. She currently holds the position of Director Corporate Portfolio Management for ANZ.
Robert H Barry BCom, FCPA, FICD Appointed 27 June 2001	Non Executive Director Robert Barry has spent 27 years in the investment banking industry both in Australia and the United Kingdom. He co-founded the Dominguez & Barry Group, a predecessor to UBS Warburg Australia and was head of International Capital Markets for the Midland Bank Group. Robert is currently deputy chairman of AWB Limited, a non executive director of Sugar Australia Pty Limited, New Zealand Sugar Company Limited, Queensland Cotton Ltd and Unisearch Limited.
Huw G Davies BSc PhD Appointed 27 June 2001	Non Executive Director Huw Davies has extensive experience in the electricity industry, electricity reform and manufacturing having been a director of CitiPower Pty Ltd, Victorian Power Exchange and a former Executive Director of BTR Nylex. He is currently Chairman of GasCor, Administrator of the SECV and Chair of its Executive Committee and Chairman of Gale Pacific Limited. He is also involved in catchment management as a board member of Goulburn Broken Catchment Management Authority.

All the above named directors held office during and since the end of the financial year.

Snowy Hydro Limited

Directors' Report

Principal Activities

The consolidated entity's principal activities are the generation and marketing of flexible and renewable electrical energy, ancillary services and related electricity products, and the storage and diversion of bulk water to the Murray and Murrumbidgee Rivers.

Review Of Operations

Snowy Hydro Limited was incorporated on 27 June 2001. The consolidated entity comprises Snowy Hydro Limited ("Snowy Hydro") and Snowy Hydro Trading Pty Ltd ("SHTPL").

Formal operations of Snowy Hydro commenced on 28 June 2002 when the company issued shares and received as consideration all assets and liabilities (and the transfer of all employees) of the Snowy Mountains Hydro-electric Authority ("SMHEA"). This transfer was accomplished under three complementary NSW, Victorian and Commonwealth Acts each known as the Snowy Hydro Corporatisation Act 1997. On 28 June 2002 SHTPL became a wholly owned subsidiary of Snowy Hydro by ministerial transfer order.

Operations of Snowy Hydro for the financial year ending 28 June 2002 were therefore limited to establishment of the company and its opening statement of Financial Position. The consolidated entity was dormant until 28 June 2002.

Changes In State Of Affairs

The state of affairs of Snowy Hydro Limited materially altered during the financial year as described above in the review of operations and notes to the Financial Statements.

Subsequent Events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future Developments

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

Environmental Regulations

The consolidated entity is subject to the New South Wales environmental legislation and regulations.

In addition to environmental laws applying in New South Wales, Snowy Hydro is also subject to unique regulation with respect to its activities within the Kosciuszko National Park ("KNP"). This regulation is effected through Part 6 of the Snowy Hydro Corporatisation Act 1997 ("NSW") ("the Act"). The Act makes provision with respect to the preparation and enforcement of the Snowy Management Plan, which is a special Plan of Management applying only to Snowy Hydro activities within the KNP.

Snowy Hydro Limited

Directors' Report

The Snowy Management Plan requires that a series of activity-based subplans be developed by Snowy Hydro and approved by the National Parks & Wildlife Service in the three years from 28 June 2002. Snowy Hydro's performance is to be evaluated against the requirements of each of those subplans. As none of the subplans have yet been submitted to NPWS for approval, Snowy Hydro's performance cannot yet be assessed.

For completeness it should also be noted that under Part 5 of the Act, Snowy Hydro has been issued with the Snowy Water License. The Snowy Water License prescribes Snowy Hydro's rights and obligations with respect to the collection, diversion, storage, use and release of water within the Snowy area. The Snowy Water License also imposes some obligations on Snowy Hydro in terms of releasing environmental flows into the Snowy River and the montane rivers within the Snowy area. Snowy Hydro has complied with the environmental flow obligations that have come into effect up until the date of this report.

Dividends

No dividends have been declared or paid since the incorporation of the company and the directors do not recommend the payment of a dividend.

Share Options

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

Indemnification Of Officers And Auditors

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

As part of the corporatisation agreements the company entered into a deed of indemnity with the three shareholder governments. Under this deed the company indemnifies those governments in respect of their liability to directors of the company under deed of indemnity between the governments and each of the directors. This liability is limited to the extent permitted by the Corporations Act 2001.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Snowy Hydro Limited

Directors' Report

Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 8 board meetings were held.

Directors	Board of Directors	
	Held	Attended
Anthony R Cotton	8	8
Terry V Charlton	8	8
Arlene M Tansey	8	8
Robert H Barry	8	8
Huw G Davies	8	7

Rounding Off Of Amounts

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

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

On behalf of the Directors

A R Cotton
Chairman

Sydney, 31 October 2002

T V Charlton
Managing Director

Sydney, 31 October 2002

Snowy Hydro Limited

Independent Audit Report

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SNOWY HYDRO LIMITED

Scope

We have audited the financial report of Snowy Hydro Limited for the financial year ended 28 June 2002 as set out on pages 7 to 32. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Snowy Hydro Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 28 June 2002 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

DELOITTE TOUCHE TOHMATSU

D M Irving
Partner
Chartered Accountants

Sydney, 31 October 2002

Snowy Hydro Limited

Directors' Declaration

The directors declare that:

- (a) the attached financial statements and notes thereto comply with Accounting Standards;
- (b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company and the consolidated entity;
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- (d) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

A R Cotton
Chairman

Sydney, 31 October 2002

T V Charlton
Managing Director

Sydney, 31 October 2002

Snowy Hydro Limited

Statement of Financial Performance for the Financial Year Ended 28 June 2002

	Note	Consolidated		Snowy Hydro	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Revenue from ordinary activities		-	-	-	-
Direct costs of revenue		-	-	-	-
Consumables and suppliers		-	-	-	-
Employee benefits expense		-	-	-	-
Depreciation and amortisation expense		-	-	-	-
Borrowing costs		-	-	-	-
Other expenses from ordinary activities		-	-	-	-
Profit From Ordinary Activities Before Income Tax Expense		-	-	-	-
Income tax expense relating to ordinary activities		-	-	-	-
Profit From Ordinary Activities After Related Income Tax Expense		-	-	-	-
Net Profit		-	-	-	-
Increase/(decrease) in asset revaluation reserve arising on revaluation of non-current assets		-	-	-	-
Total Revenue, Expense and Valuation Adjustments Attributable to Members of the Parent Entity Recognised Directly in Equity		-	-	-	-
Total Changes in Equity other than those Resulting from Transactions with Owners as Owners		-	-	-	-

Snowy Hydro Limited

Statement of Financial Position as at 28 June 2002

	Note	Consolidated		Snowy Hydro	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Current Assets					
Cash assets		209,500	-	105,426	-
Receivables	6	62,980	-	34,272	-
Inventories	7	4,273	-	4,273	-
Other	8	3,100	-	3,076	-
Total Current Assets		279,853	-	147,047	-
Non-Current Assets					
Receivables	9	13,920	-	13,920	-
Property, plant and equipment	10	1,449,289	-	1,447,278	-
Deferred tax assets	11	171,479	-	171,286	-
Total Non-Current Assets		1,634,688	-	1,632,484	-
Total Assets		1,914,541	-	1,779,531	-
Current Liabilities					
Payables	12	147,175	-	15,306	-
Interest-bearing liabilities	13	808,678	-	808,678	-
Provisions	14	10,367	-	10,166	-
Current tax liabilities		486	-	-	-
Other	15	49,158	-	49,158	-
Total Current Liabilities		1,015,864	-	883,308	-
Non-Current Liabilities					
Deferred tax liabilities	16	96	-	-	-
Provisions	17	30,019	-	30,019	-
Other	18	52,478	-	50,120	-
Total Non-Current Liabilities		82,593	-	80,139	-
Total Liabilities		1,098,457	-	963,447	-
Net Assets		816,084	-	816,084	-
Equity					
Contributed equity	20	816,084	-	816,084	-
Retained Profits		-	-	-	-
Total Equity		816,084	-	816,084	-

Snowy Hydro Limited
Statement of Cash Flows
for the Financial Year ended 28 June 2002

	<u>Note</u>	<u>Consolidated</u>		<u>Snowy Hydro</u>	
		<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
		<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<i>Cash Flows From Operating Activities</i>					
Receipts from customers		-	-	-	-
Payments to suppliers and employees		-	-	-	-
Net cash provided by operating activities		-	-	-	-
<i>Cash Flows From Investing Activities</i>					
Consideration received from the issue of shares		-	-	-	-
Acquisition of businesses	30	209,500	-	105,426	-
Net cash provided by/(used in) investing activities		209,500	-	105,426	-
<i>Cash Flows From Financing Activities</i>					
Proceeds from the issue of shares		-	-	-	-
Net cash provided by/(used in) financing activities		-	-	-	-
<i>Net Increase In Cash Held</i>		209,500	-	105,426	-
<i>Cash At The Beginning Of The Financial Year</i>		-	-	-	-
<i>Cash At The End Of The Financial Year</i>		209,500	-	105,426	-

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

Note	Contents
1.	Summary of Accounting Policies
2.	Directors' Remuneration
3.	Directors' Retirement Benefits
4.	Executives' Remuneration
5.	Remuneration of Auditors
6.	Current Receivables
7.	Current Inventories
8.	Other Current Assets
9.	Non-Current Receivables
10.	Property, Plant and Equipment
11.	Deferred Tax Assets
12.	Current Payables
13.	Current Interest-Bearing Liabilities
14.	Current Provisions
15.	Other Current Liabilities
16.	Deferred Tax Liabilities
17.	Non-Current Provisions
18.	Other Non-Current Liabilities
19.	Employee Entitlements
20.	Contributed Equity
21.	Retained Profits
22.	Dividends
23.	Defined Benefit Superannuation Plans
24.	Commitments for Expenditure
25.	Contingent Liabilities
26.	Controlled Entities
27.	Acquisition of Businesses
28.	Segment Information
29.	Related Party Disclosures
30.	Notes to the Statement of Cashflows
31.	Financial Instruments
32.	Additional Company Information

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

1. Summary of Accounting Policies

Financial Reporting Framework

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

The financial report has been prepared on the basis of historical cost and except where stated does not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets.

Reporting Period

The consolidated entity was incorporated on 27 June 2001 and this is the first financial report. Snowy Hydro commenced operations on 28 June 2002 therefore the year 2002 refers to 27 June 2001 to 28 June 2002.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

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

(a) *Accounts Payable*

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

(b) *Acquisition of Assets*

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

(c) *Capitalisation*

Expenditure is capitalised when it is in relation to:

- Acquisition and installation of a new unit of plant,
- Replacement of a unit of plant or of a substantial part of a unit of plant,
- An addition or alteration to a unit of plant which results in a significant improvement to its overall design or production capacity.

(d) *Consolidation*

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 1024 "Consolidated Accounts". A list of controlled entities appears in note 26 to the financial

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

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.

(e) *Depreciation*

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

•	<i>Buildings</i>	<i>30 years</i>
•	<i>Leasehold improvement</i>	<i>4 years</i>
•	<i>Infrastructure, Plant and equipment</i>	
	• <i>Electronic Equipment</i>	<i>5 - 15 years</i>
	• <i>Electrical and Mechanical</i>	<i>20 - 70 years</i>
	• <i>Civil works</i>	<i>30 - 100 years</i>
	• <i>Mobile Plant</i>	<i>3 - 10 years</i>
•	<i>Software</i>	<i>2 - 10 years</i>

(f) *Derivative and Hedging activities*

The consolidated entity uses derivative financial instruments (“derivatives”) to manage exposures to variable revenues arising from the sale of electricity. In order to be designated as a hedge, at inception and during the term of the hedging instrument, it must be expected that the hedge will be effective in reducing exposure to the risks being hedged. The hedge items include recognised assets and liabilities, and anticipated transactions that are probable of occurring.

Electricity futures, swaps, options, and combinations thereof are used to hedge anticipated sales of electricity. Gains and losses on derivatives hedging anticipated transactions are deferred and recognised in the measurement of the hedged item when it occurs. If a derivative is terminated, sold, redesignated or is no longer effective and the anticipated transaction is still probable of occurring, gains and losses up to the time of termination, sale, redesignation or loss of effectiveness, continue to be accounted for as stated above. If the anticipated transaction is no longer probable, all deferred gains and losses are recognised immediately in net profit or loss. If a derivative ceases to be designated as a hedge (or does not satisfy the criteria for hedge accounting) further gains and losses are recognised in net profit or loss until the derivative matures or is terminated or sold. Option premiums are deferred and amortised over the term of the option.

Further details of derivative financial instruments are disclosed in Note 31 to the financial statements.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

(g) *Employee Entitlements*

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave. Provision is made for severance benefits for employees where reasonable grounds exist to calculate the entitlement and the employees remain employed at the balance date. Sick leave is non-vesting and therefore the cost is expensed as occurred.

Provisions made in respect of wages and salaries are measured as the amount unpaid at the reporting date at current pay rates. Severance entitlements have been adjusted for known remuneration increases.

Provisions made in respect of wages and salaries, annual leave, sick leave, and long service leave expected to be settled within 12 months, are measured at their nominal values.

Provisions made in respect of other employee entitlements annual leave and long service leave which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Employees of the company are members of a variety of superannuation funds covering both accumulation and defined benefit arrangements including:

- Commonwealth Superannuation Scheme
- Public Sector Superannuation Scheme
- Energy Industries Superannuation Scheme
- Australian Government Employee Superannuation Trust

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

(h) *Foreign Currency*

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

(i) *Goods and Services Tax*

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

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

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

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

(j) Income Tax

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in the deferred tax assets and deferred tax liabilities, as applicable.

The consolidated entity has recognised a deferred tax asset on property, plant and equipment and certain liabilities at corporatisation representing the difference between amounts allowable for tax purposes and the accounting value of the underlying assets. This amount will reduce over the useful lives of the underlying assets and liabilities as the accounting and tax depreciation amounts are recognised by the consolidated entity.

(k) Interest-Bearing Liabilities

Loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis. Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

(l) Inventories

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

(m) Investments

Investments are recorded at cost. Interest revenue is recognised on an accrual basis.

(n) Leased Assets

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

(o) Receivables

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

(p) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have been discounted to their present value.

(q) Restoration Costs

A provision has been recognised for the rehabilitation of former scheme sites. This provision is calculated as the net present value of future cash flows required to settle the liability.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

(r) *Revenue Recognition*

Sale of Goods and Disposal of Assets

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

Electricity and related products.

Revenue from sales of electricity on the spot market is recognised when control has passed to the buyer. Net revenue from the purchase and sale of electricity derivative contracts are recognised in accordance with the methodologies disclosed in Note 31.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

	Consolidated		Snowy Hydro	
	2002	2001	2002	2001
	\$	\$	\$	\$
2. Directors' Remuneration				
The directors of Snowy Hydro Limited during the year were:				
Anthony R Cotton	-	-	-	-
Terry V Charlton	-	-	-	-
Arlene M Tansey	-	-	-	-
Robert H Barry	-	-	-	-
Huw G Davies	-	-	-	-
The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all directors of the company, directly or indirectly, by the company or by any related party			-	-
The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities in which they are directors or by any related party	-	-		
3. Directors' Retirement Benefits				
Aggregate retirement benefits paid to all directors of the company, by the company or by any related party			-	-
Aggregate retirement benefits paid to all directors of each entity in the consolidated entity, by the entities in which they are directors or by any related party	-	-		
4. Executives' Remuneration				
Aggregate remuneration of executive officers of the company (including executive directors) working mainly in Australia and receiving \$100,000 or more from the company or from any related party			-	-
Aggregate remuneration of executive officers of each entity in the consolidated entity (including executive directors) working mainly in Australia and receiving \$100,000 or more from the entity for which they are executive officers or from any related party	-	-		

The consolidated entity did not have any employees until 28 June 2002. Remuneration of directors and executives was paid by SHTPL and SMHEA.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

	Consolidated		Snowy Hydro	
	2002	2001	2002	2001
	\$	\$	\$	\$
5. Remuneration Of Auditors				
(a) Auditor of the Parent Entity				
Auditing the financial report	-	-	-	-
Other services	-	-	-	-
	-	-	-	-
(b) Other Auditors				
Auditing the financial report	-	-	-	-
(c) Related Practice of the Parent Entity Auditor				
Other services	-	-	-	-
	-	-	-	-

The remuneration of auditors was an expense of SHTPL in this financial year.

	Consolidated		Snowy Hydro	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
6. Current Receivables				
Trade receivables	55,180	-	-	-
Option fees receivable	7,683	-	7,683	-
Other receivables	122	-	122	-
Non trade receivables from controlled entity	-	-	26,472	-
Allowance for Doubtful Debts	(5)	-	(5)	-
	62,980	-	34,272	-
7. Current Inventories				
Materials at cost	289	-	289	-
Spares at cost	3,984	-	3,984	-
	4,273	-	4,273	-
8. Other Current Assets				
Prepayments	3,075	-	3,051	-
Other	25	-	25	-
	3,100	-	3,076	-
9. Non-Current Receivables				
Option fees receivable	13,920	-	13,920	-

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

10. Property, Plant and Equipment

Consolidated

	Freehold Land At cost \$'000	Buildings At cost \$'000	Leasehold Improve- ments At cost \$'000	Software At cost \$'000	Plant and Equipment At cost \$'000	Work in progress At cost \$'000	TOTAL \$'000
Gross Carrying Amount							
Balance at 27 June 2001	-	-	-	-	-	-	-
Acquisitions	22,946	31,001	166	11,825	1,379,215	4,136	1,449,289
Balance at 28 June 2002	22,946	31,001	166	11,825	1,379,215	4,136	1,449,289
Accumulated Depreciation/ Amortisation							
Balance at 27 June 2001	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
Balance at 28 June 2002	-	-	-	-	-	-	-
Net Book Value							
As at 27 June 2001	-	-	-	-	-	-	-
As at 28 June 2002	22,946	31,001	166	11,825	1,379,215	4,136	1,449,289

Snowy Hydro

	Freehold Land At cost \$'000	Buildings At cost \$'000	Leasehold Improve- ments At cost \$'000	Software At cost \$'000	Plant and Equipment At cost \$'000	Work in progress At cost \$'000	TOTAL \$'000
Gross Carrying Amount							
Balance at 27 June 2001	-	-	-	-	-	-	-
Acquisitions	22,946	31,001	-	10,664	1,378,531	4,136	1,447,278
Balance at 28 June 2002	22,946	31,001	-	10,664	1,378,531	4,136	1,447,278
Accumulated Depreciation/ Amortisation							
Balance at 27 June 2001	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
Balance at 28 June 2002	-	-	-	-	-	-	-
Net Book Value							
As at 27 June 2001	-	-	-	-	-	-	-
As at 28 June 2002	22,946	31,001	-	10,664	1,378,531	4,136	1,447,278

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

	Consolidated		Snowy Hydro	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Depreciation				
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
Buildings	-	-	-	-
Leasehold improvements	-	-	-	-
Plant and equipment	-	-	-	-
	-	-	-	-
Current Value of Freehold Land and Buildings	53,947	-	53,947	-

The value disclosed above for land and buildings has been determined on the basis of current market value for those assets where a market value exists and at in-use valuation for the remainder as at the date of this report. No capital gains tax effect has been disclosed as the consolidated entity does not intend to sell these assets.

	Consolidated		Snowy Hydro	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
11. Deferred Tax Assets				
Timing differences	171,479	-	171,286	-
12. Current Payables				
Trade Creditors and Accruals	7,356	-	6,680	-
Payments to Entitlement Holders	123,087	-	-	-
Other creditors	55	-	55	-
Non trade payables to controlled entity	-	-	1,201	-
Goods and services tax payable	16,677	-	7,370	-
	147,175	-	15,306	-

Creditors

Creditors are generally settled with 30 days of recognition and are unsecured.

Payments to Entitlement Holders

SHTPL traded as agent for Pacific Power, State Electricity Corporation of Victoria and Commonwealth of Australia (the "Entitlement Holders") up to 28 June 2002 when SHTPL became a wholly owned subsidiary of Snowy Hydro. The amount payable has been calculated on the basis of an agreed payment formula of entitlements amongst the three entitlement holders up to 28 June 2002. The agency trading arrangement between SHTPL and the three Entitlement Holders ceased effective 28 June 2002, and no further accumulation other than interest earned on funds up to payment date is expected. Payment has been completed by date of signing of this financial report.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

	Consolidated		Snowy Hydro	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
13. Current Interest-Bearing Liabilities				
<i>Unsecured:</i>				
Loan from Commonwealth	808,678	-	808,678	-

The loan consists of a single arrangement with the Commonwealth of Australia. Under the loan terms and conditions if the loan is not repaid within 12 months from 28 June 2002 certain penalties and additional conditions apply.

	Consolidated		Snowy Hydro	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
14. Current Provisions				
Annual Leave	4,582	-	4,454	-
Long Service Leave	417	-	417	-
Rehabilitation of Former Scheme Sites	5,000	-	5,000	-
Workers Compensation	295	-	295	-
Other	73	-	-	-
	10,367	-	10,166	-

A description of the provisions is disclosed in Note 17.

	Consolidated		Snowy Hydro	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
15. Other Current Liabilities				
Electricity Derivatives	29,063	-	29,063	-
Unearned Income	20,095	-	20,095	-
	49,158	-	49,158	-

Unearned Income represents the net unamortised option fee premiums on current contracts. Option receipts or payments are amortised over the life of the option. Callable option fees exercisable on the reaching of certain criteria are not recognised until such a call has been effected.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

	Consolidated		Snowy Hydro	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
16. Deferred Tax Liabilities				
Deferred income tax	96	-	-	-
17. Non-Current Provisions				
Long Service Leave	7,718	-	7,718	-
Workers Compensation	1,168	-	1,168	-
Severance Benefits	1,133	-	1,133	-
Rehabilitation of Former Scheme Sites	20,000	-	20,000	-
	<u>30,019</u>	<u>-</u>	<u>30,019</u>	<u>-</u>

Workers compensation provision covers the liability in respect of workers compensation claims arising before 1988. An actuarial assessment of the provision was undertaken during 1996-97 by Coopers and Lybrand Actuarial and Superannuation Services Pty Ltd. The balance of the provision is increased annually in line with the recommendations to ensure current values are maintained.

Severance Benefits have been provided for on the basis of known plans for reductions.

Provision has been made in line with the Major Former Scheme Sites management deed. Under this deed in consideration given over a period of 5 years, National Parks and Wildlife Service has accepted environmental liabilities with respect to "Former Scheme Sites" within the park. This liability excludes any that are deemed contaminated sites.

	Consolidated		Snowy Hydro	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
18. Other Non-Current Liabilities				
Unearned Income	22,563	-	22,563	-
Loans from Shareholders	29,915	-	27,557	-
	<u>52,478</u>	<u>-</u>	<u>50,120</u>	<u>-</u>

Loans from Shareholders are interest free and have no fixed maturity date.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

	Consolidated		Snowy Hydro	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
19. Employee Entitlements				
The aggregate employee entitlement liability recognised and included in the financial statements is as follows:				
Provision for employee entitlements:				
Current (note 14)	4,999	-	4,871	-
Non-current (note 17)	7,718	-	7,718	-
	12,717	-	12,589	-

Number of employees at end of financial year

	431	-	431	-
--	-----	---	-----	---

20. Contributed Equity

200,000,000 fully paid ordinary shares

	816,084	-	816,084	-
--	---------	---	---------	---

	2002		2001	
	No. '000	\$'000	No. '000	\$'000
<i>Fully Paid Ordinary Shares</i>				
Balance at beginning of financial year	-	-	-	-
Issue of shares	200,000	816,084	-	-
Balance at end of financial year	200,000	816,084	-	-

Fully paid ordinary shares carry the right to dividends and voting in proportion to the number of shares held.

	Consolidated		Snowy Hydro	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
21. Retained Profits				
Balance at beginning of financial year	-	-	-	-
Balance at end of financial year	-	-	-	-
22. Dividends				
<i>Adjusted Franking Account Balance</i>	1,134	-	-	-

No dividends have been declared or paid during the financial year nor have the directors recommended any dividends be paid.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

23. Defined Benefit Superannuation Plans

Name of Plan	Accrued Benefits \$'000	Net Market Value of Assets \$'000	Deficiency/ Surplus \$'000	Vested Benefits \$'000
Commonwealth Superannuation Scheme ("CSS")	45,838,000	5,963,823	(39,874,177)	51,066,000
Public Sector Superannuation Scheme ("PSS")	9,189,000	4,410,259	(4,778,741)	11,638,000
Energy Industries Superannuation Scheme Pool B ("EIS")	993,138	1,286,834	293,696	827,107

These plans are government and industry wide schemes, and membership by Snowy Hydro employees represents less than 0.002% of the membership of each scheme.

The difference between the accrued benefits and net market value of plan assets have not been recognised in the financial statements. The unfunded component in CSS and PSS is to be financed, by the Commonwealth, from the Consolidated Revenue Fund at the time the superannuation benefits become payable.

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

Scheme	Date of Financial Statements	Date of Actuarial Review
CSS	30 June 2001	30 June 1999
PSS	30 June 2001	30 June 1999
EIS	30 June 2001	1 July 2000

24. Commitments For Expenditure

(a) Capital Expenditure Commitments

Plant and equipment

	<u>Consolidated</u>		<u>Snowy Hydro</u>	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Not longer than 1 year	2,161	-	2,161	-
Longer than 1 year and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	<u>2,161</u>	<u>-</u>	<u>2,161</u>	<u>-</u>

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

	Consolidated		Snowy Hydro	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
(b) Other Expenditure Commitments				
Not longer than 1 year	6,533	-	6,533	-
Longer than 1 year and not longer than 5 years	1,321	-	1,321	-
Longer than 5 years	-	-	-	-
	<u>7,854</u>	<u>-</u>	<u>7,854</u>	<u>-</u>

(c) Lease Commitments

The entity does not have any material finance or operating leases as lessor nor any material finance leases as lessee.

A number of operating leases are held which relate to rights held by the consolidated entity to continue operations as determined in a number of agreements as part of the corporatisation. They generally have a lease period of 75 years of which 75 years remain. Whilst they are not non-cancellable it is not anticipated that the consolidated entity would ever seek to cancel them.

	Consolidated		Snowy Hydro	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Operating Lease Commitments				
Not longer than 1 year	945	-	620	-
Longer than 1 year and not longer than 5 years	3,780	-	2,480	-
Longer than 5 years	43,400	-	43,400	-
	<u>48,125</u>	<u>-</u>	<u>46,500</u>	<u>-</u>

25. Contingent Liabilities

Contingent liabilities of the consolidated entity as at 28 June 2002 are represented by claims lodged with the Dust Diseases Tribunal which were unresolved as at that date. Snowy Hydro has not accepted liability on those claims and an assessment of the maximum amount for which the entity may have become liable should the claimants succeed was impractical.

Liability for Former Scheme Sites has been provided for or 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 future sites would be material.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

26. Controlled Entities

Name of Entity	Country of Incorporation	Ownership Interest	
		2002 %	2001 %
Parent Entity			
Snowy Hydro Limited	Australia		
Controlled Entities			
Snowy Hydro Trading Pty Ltd	Australia	100	N/A

27. Acquisition of Businesses

Names of Businesses Acquired	Principal Activity	Date of Acquisition	Proportion of Shares Acquired %	Cost of Acquisition \$'000
Controlled Entities				
Snowy Hydro Trading Pty Ltd	Electricity Derivative Trading	28 June 2002	100	0
Businesses				
Snowy Mountains Hydro-electric Authority	Electricity Generation	28 June 2002	100	816,084

Snowy Hydro Limited became the parent entity of Snowy Hydro Trading Pty Ltd by ministerial order transferring the shares from NSW, Victoria and the Commonwealth of Australia on 28 June 2002. Further information relating to acquisition of businesses is in note 30.

28. Segment Information

The consolidated entity derives all of its revenue from electricity and related products, operates wholly within New South Wales and therefore neither business nor geographical segmentation is necessary.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

29. Related Party Disclosures

The names of directors of Snowy Hydro Limited at any time during the year are: A R Cotton, T V Charlton, A M Tansey, R H Barry and H G Davies. Up until 28 June 2002 Directors of Snowy Hydro Trading Pty Ltd were A R Cotton, A M Tansy, R H Barry and H G Davies. On that date when SHTPL became a wholly owned subsidiary of Snowy Hydro these directors ceased being directors of SHTPL and T V Charlton was appointed as the sole director of SHTPL.

(a) *Equity Interests In Related Parties*

Equity Interests in Controlled Entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 26 to the financial statements.

(b) *Directors' Remuneration and Retirement Benefits*

Details of directors' remuneration and retirement benefits are disclosed in note 2 and 3 to the financial statements.

(c) *Directors' Loans*

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

(d) *Directors' Equity Holdings*

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

(e) *Other Transactions With Directors*

No transactions have been made between the consolidated entity and any director or director related entities.

(f) *Transactions Within the Wholly-Owned Group*

The wholly-owned group includes:

- The ultimate parent entity in the wholly-owned group;
- And one wholly-owned controlled entity.

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

Amounts receivable from and payable to entities in the wholly-owned group are disclosed in notes 6 and 12 to the financial statements. During the financial year Snowy Hydro Limited provided no services to SHTPL. No transactions occurred except for the establishment of the opening financial position of the consolidated entity.

Snowy Hydro Limited
Notes to the Financial Statements
for the Financial Year Ended 28 June 2002

30. Notes To The Statement Of Cash Flows

(a) *Reconciliation of Cash*

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows equals the related items in the statement of financial position.

	Consolidated		Snowy Hydro	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
(b) <i>Businesses Acquired</i>				
During the financial year, a business and a controlled entity was acquired. Details of the acquisitions are as follows:				
Consideration				
Cash	-	-	-	-
Ordinary shares	816,084	-	816,084	-
	816,084	-	816,084	-
Fair Value of Net Assets Acquired				
Current assets:				
Cash	209,500	-	105,426	-
Receivables	62,980	-	34,272	-
Inventory	4,273	-	4,273	-
Other Current Assets	3,100	-	3,076	-
Non-current assets:				
Receivables	13,920	-	13,920	-
Property, plant and equipment	1,449,289	-	1,447,278	-
Deferred Tax Asset	171,479	-	171,286	-
Current liabilities:				
Interest Bearing Liabilities	808,678	-	808,678	-
Payables & Other Liabilities	207,186	-	74,630	-
Non-current liabilities:				
Payables & Other Liabilities	82,593	-	80,139	-
Net assets acquired	816,084	-	816,084	-
Goodwill on acquisition	-	-	-	-
Net Cash Inflow on Acquisition				
Cash consideration	-	-	-	-
Cash balances acquired	209,500	-	105,426	-
	209,500	-	105,426	-

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

(c) *Non-Cash Financing and Investing Activities*

During the financial year, the consolidated entity issued shares and received in consideration the assets and liabilities of Snowy Mountains Hydro-electric Authority. This acquisition is not reflected in the statement of cash flows.

31. Financial Instruments

Significant Accounting Policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and liability and equity are disclosed in Note 1 to the financial statements. In respect of derivative financial instruments the following accounting policies are applied.

(a) ***Corporatisation***

The consolidated entity has recognised all derivative financial instruments on the Statement of Financial Position at the corporatisation date at their fair value. The fair value recognised at corporatisation date is amortised and recognised in the Statement of Financial Performance in the accounting period in which the unrealised gain or loss is scheduled to be realised. The Accounting treatment for the change in fair value from the corporatisation date onwards is dependent upon whether the derivative financial instrument is designated and qualifies as a hedge transaction.

(b) ***Hedge Transactions***

Gains and losses on hedge transactions are recognised on a cash basis in the Statement of Financial Performance. Unrealised gains and losses arising on the hedge transactions are deferred in order to align the income or expense recognition with the underlying item being hedged. Gains and losses on hedge transactions recognised at their fair value at the corporatisation date are amortised over the accounting period in which those gains and losses are scheduled to be realised. Any changes in unrealised gains or losses for those hedging transactions in existence at the date of corporatisation are deferred in order to align the income or expense recognition with the underlying item being hedged.

(c) ***Other Transactions***

Unrealised gains or losses on transactions that are not designated as hedge transactions or do not qualify as hedge transactions are carried on the Statement of Financial Position at fair value. The change in fair value on these transactions is recognised in the Statement of Financial Performance in the accounting period in which the change in fair value occurs. Derivative financial instruments that were outstanding at corporatisation date and are not hedges will be accounted for on this basis from corporatisation date onwards.

The consolidated entity accounts for sold options on this basis and has also elected to account for bought options on this basis.

The basis for measuring fair value is described below.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

Significant Terms and Conditions

(a) **Swaps**

Swap transactions are those transactions where the consolidated entity receives or pays a fixed rate per MWh in exchange for a floating rate referenced to a regional electricity node on a notional volume. There are other types of transactions where the resulting hedging profile materially reflects a swap type transaction. These transactions are accounted for in the same manner as swaps and are included in the table below. The consolidated entity is overall a net receiver of a fixed rate and a net payer of a floating rate.

Swap Type	Face Value	
	0 – 12 months \$'000	Greater than 12 months \$'000
Receive Fixed	82,224	176,333
Pay Fixed	55,195	45,266

(b) **Options**

Bought option transactions give the consolidated entity the right of exercise and are ordinarily or automatically exercised when the exercise of the option results in a net cash receipt to the consolidated entity. Sold option transactions give the counterparty to the consolidated entity the right of exercise and are ordinarily or automatically exercised by the counterparty when the exercise of the options results in a net cash payment to the counterparty.

Option Type	Face Value	
	0 – 12 months \$'000	Greater than 12 months \$'000
Bought	164,725	78,233
Sold	445,311	1,134,148

Objectives of Derivative Financial Instruments

The consolidated entity enters into a variety of derivative financial instruments to manage the variable revenues arising from the sale of electricity.

The variability in revenue is both a function of price measured on a megawatt per hour basis (MWh) and volume despatched (MW). The consolidated entity enters into derivative transactions to manage these risks by structuring the terms and conditions of the derivative financial instruments to match the underlying price and volume related risks described. The types of derivative financial instruments include swaps, options and combinations thereof including the sale of options to derive premium income. All derivative financial instruments are transacted within prescribed market and credit risk limits.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

Interest Rate Risk

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

2002	Interest Rate Risk				Total
	0- 6 months	6 mths - 1 Year	1 to 3 Years	More than 3 Years	
Cash Assets					
%	4.13	7.33	7.29	5.23	5.08
\$'000	144,115	11,923	49,566	3,896	209,500
Interest bearing Liabilities					
%	5.53				5.53
\$'000	808,678				808,678

Credit Risk

A credit risk arises from the potential that the counterparty to the derivative financial instrument will not be able to meet its contractual obligations as they fall due. The measurement of the risk can include both a current and potential exposure. The derivative financial instrument's fair value is used to quantify the entity's current credit risk. The quantification of the current credit risk includes only those derivative financial instruments contracts that have a positive fair value and does not take into account any netting arrangements that the consolidated entity has executed. Using this gross method the credit risk for the consolidated entity is \$42.8 million. This method does not measure the potential credit risk that exists over the remaining maturity of the derivative contract. The credit risk for all other financial assets is that carried on the Statement of Financial Position.

Net Fair Value

The fair value is the amount that the consolidated entity expects to pay or receive in order to settle or extinguish the financial contract. The entity uses different methodologies for determining the fair value. The methodology is dependent upon the characteristics of the financial instrument, including the financial market in which it operates. Certain estimates and judgements were required to develop the fair value amounts. The fair value at any particular point in time does not provide an indication of any future gains or losses.

(a) Swaps & Swap like Instruments

The fair value is derived from market quoted forward rates that are incorporated into generally applied discounted cash flow models. The market quoted rates are modified to take into account any seasonal variations within the duration of the period being quoted. The determination of the extent of seasonal variation within market quoted periods is based on the analysis of historical electricity price movements.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 28 June 2002

(b) *Options*

The fair value is derived from the analysis and application of fair value models and actual option premiums.

The fair value model utilises market quoted rates (as described above under swaps) and volatilities that are incorporated into generally applied option pricing algorithms. The absence of an active and liquid market for options means that the volatilities and the resulting fair values of options are to some extent subjective.

Given that the option premium or market value is the fair value of the option on the dealt date, then the option premium is also used as a basis for determining the fair value at the reporting date. In order to determine the fair value of the option at the reporting date, the option premium is adjusted to take into account pro-rata utilisation, if any, of the option from the effective date to the reporting date.

The consolidated entity utilises the option premium method to determine the fair value to the extent that the fair value model does not result in any significant divergence.

(c) *Fixed Interest and Variable Interest*

The fair value of financial assets and liabilities with fixed interest rates are derived from market quoted interest rates that are incorporated into generally applied discounted cash flow models. The carrying amount of financial assets and liabilities that have interest rate resets of six months duration or less is considered to approximate the fair value.

The carrying amount of financial assets and liabilities recorded in the Statement of Financial Position represents their respective fair value.

Hedges of Anticipated Future Transactions

The consolidated entity has entered into derivative financial instruments to swap floating revenues to fixed revenues. These swaps have been dealt to match the period of the underlying exposure being hedged and as such the timing of the anticipated underlying exposure is as per the maturity of the swap contracts disclosed under Significant Terms and Conditions.

At balance date there is no deferred gain or loss as all contracts were recorded at their fair value on corporatisation.

32. Additional Company Information

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

Registered Office

Monaro Highway
Cooma NSW 2630

Principal Place of Business

Monaro Highway
Cooma NSW 2630