



ABN 17 090 574 431

Consolidated Financial Report for the Financial Year

29 June 2003 to 26 June 2004

Snowy Hydro Limited

Annual Financial Report

for the financial year ended 26 June 2004

	<i>Page Number</i>
<i>Directors' Report</i>	2
<i>Independent Audit Report</i>	7
<i>Directors' Declaration</i>	9
<i>Statement of Financial Performance</i>	10
<i>Statement of Financial Position</i>	11
<i>Statement of Cash Flows</i>	12
<i>Notes to the Financial Statements</i>	13

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 29 June 2003 to 26 June 2004. 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 Resigned 18 December 2003	Chairman (until resignation) 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 a fellow of the Institute of Chartered Accountants in England and Wales.
Robert H Barry BCom, FCPA, FAICD	Appointed Chairman 18 December 2003 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 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.
Terry V Charlton BCom, BSc, MSc	Managing Director Terry Charlton is Chief Executive Officer and Managing Director of Snowy Hydro Limited. Formerly he was the Commissioner of Snowy Mountains Hydro-electric Authority, and Chief Executive Officer of Snowy Hydro Trading Pty Ltd from 1999 to 2002. Previous experience in energy and utilities includes being President of Edison Mission Energy, United Kingdom, Europe, Middle East, Africa, and Group General Manager, Tubemakers of Australia Limited – Water, Oil and Gas Division.
Huw G Davies BSc PhD	Non Executive Director Huw Davies has extensive experience in the electricity industry, electricity reform and manufacturing having formerly been a director of CitiPower Pty Ltd, Victorian Power Exchange and an executive director of BTR Nylex. He is currently a director of Boom Logistics Ltd and Administrator of the SECV.
Arlene M Tansey BBA, MBA, JD(Law) FAICD	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, and is a non executive director of Sydney Ports Corporation.
Bruce M Cohen PhD (PP), MCom, LLB, BCom. Appointed 18 December 2003	Non Executive Director Bruce Cohen was formerly Treasury Director for the Office of the Premier and Treasurer of Victoria and has also been a senior analyst / executive advisor on regulatory affairs with the Australian Bankers Association. Bruce is now a principal in private practice in the area of public policy.

Snowy Hydro Limited

Directors' Report

Robert D Hogg, AO
Appointed 18 December 2003

Non Executive Director
Robert Hogg was formerly national secretary of the Australian Labor Party. Since 1993 he has pursued a career in consulting through his company, Homax Pty Ltd which specialises in issues management. He is also currently a director of Aust Health International, a NSW state-owned company specialising in exporting health services.

David J Klingberg, AM
BTech, FTSE, FIEAust,
FAusIMM, FAICD
Appointed 18 December 2003

Non Executive Director
David Klingberg is currently Chancellor of the University of South Australia and holds a variety of non-executive directorships and appointments with both public and private bodies. He has a strong background in engineering through a long association with Kinhill Limited. He has substantial professional expertise in project evaluation management and systems and the structuring of major infrastructure projects.

Hon Michael Ronaldson
LLB
Appointed 18 December 2003

Non Executive Director
A former member for Ballarat in the federal parliament, Michael Ronaldson established Madison Public Affairs Pty Ltd which provides advice to large public and not-for-profit organisations in Australia in the areas of public policy and issues management. Prior to being elected to parliament, he was a partner in the law firm of Ramsay, Gaunt and Fraser.

All the above named directors held office during and since the end of the year except as indicated above.

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

The consolidated entity comprises Snowy Hydro Limited ("Snowy Hydro") and its wholly owned controlled entity Snowy Hydro Trading Pty Ltd ("SHTPL").

Snowy Hydro owns, manages and maintains the Snowy Mountains Hydro-electric Scheme, which consists of seven power stations and sixteen large dams mainly in the Kosciuszko National Park. Operations consist of 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.

In the year to 26 June 2004, 4,320 GWh were generated and 2,037GL of water for irrigation were released. Net profit after tax was \$158,863,000. In the previous reporting period to 28 June 2003 net profit after tax was \$131,671,000 with a generation of 4,749 GWh and water releases of 2,220 GL.

Snowy Hydro Limited

Directors' Report

Changes in State of Affairs

On 10 March 2004 Snowy Hydro was granted a Financial Services Licence by ASIC. This licence was previously held by SHTPL and represented the only function performed by SHTPL. Therefore at reporting date it is Snowy Hydro's intention to deregister SHTPL as it has ceased operations.

During the financial year there were no other significant changes in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent Events

On 9 July 2004 Snowy Hydro signed an Engineer, Procure and Construction contract for a 320MW open cycle gas turbine power station. This power station is expected to be in production by December 2005.

There has not been any other 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 Commonwealth and New South Wales environmental legislation and regulations. Snowy Hydro is also subject to additional unique regulation with respect to its occupation and 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 ("SMP"), which is a Plan of Management under the National Parks and Wildlife Act 1974 (NSW). The SMP applies to Snowy Hydro activities within the KNP.

The SMP includes an obligation that requires that an Environmental Management Plan ("EMP") be developed by Snowy Hydro within 30 months of the date of corporatisation. The EMP comprises 15 chapters, each dealing with a separate environmental issue. The SMP specifies a completion date for each chapter. Each chapter must be approved by the National Parks & Wildlife Service, and then implemented by Snowy Hydro.

The SMP also includes an obligation, and specifies timing, for the ongoing review of each chapter of the EMP.

Nine draft chapters were submitted to NPWS during the 2004 financial year.

For completeness it should also be noted that under Part 5 of the Act, Snowy Hydro has been issued with the Snowy Water Licence. The Snowy Water Licence prescribes Snowy Hydro's rights and obligations with respect to the collection, diversion, storage, use and release of water within the Snowy area. The Snowy Water Licence also imposes some obligations on Snowy Hydro 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.

Snowy Hydro Limited

Directors' Report

Dividends

A cash dividend of \$70.0 million (\$0.35 per share) unfranked was paid on 12 September 2003 and another cash dividend of \$70.0 million (\$0.35 per share) fully franked was paid on 2 February 2004. In the year ended 28 June 2003 there were nil dividends paid or declared.

Share Options

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

Indemnification of Officers and Auditors

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

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, 10 board meetings and 8 committee meetings were held.

Directors	Board of Directors		Audit and Compliance Committee		Remuneration Committee		Trading Risk Committee		Operational Risk, Safety & Environment Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
A R Cotton	5	5	1	1			2	2		
T V Charlton	10	10								
A M Tansey	10	10	1	1			3	3		
R H Barry	10	10	2	2	1	1	3	3	2	2
H G Davies	10	9	2	2			3	3		
B M Cohen	6	6	1	1			1	1		
R D Hogg	6	6			1	1			2	2
D J Klingberg	6	6			1	1			2	2
M Ronaldson	6	6	1	1					2	2

T V Charlton is not a member of any subcommittees.

Snowy Hydro Limited

Directors' Report

Rounding Off of Amounts

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



R H Barry
Chairman

Sydney, 24 August 2004



T V Charlton
Managing Director

Sydney, 24 August 2004

INDEPENDENT AUDIT REPORT TO THE MEMBERS
OF SNOWY HYDRO LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements, and the directors' declaration for both Snowy Hydro Limited ("the company") and the consolidated entity, for the financial year ended 26 June 2004 as set out on pages 9 to 37. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

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. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia 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.

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 made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

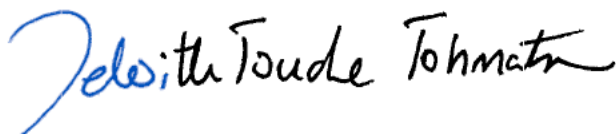
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

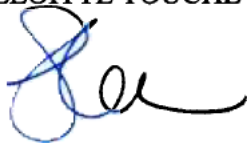
In our opinion, the financial report of Snowy Hydro Limited is in accordance with:

the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 26 June 2004 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
- other mandatory professional reporting requirements in Australia.



DELOITTE TOUCHE TOHMATSU



Samantha Lewis
Partner
Chartered Accountants

Sydney, 24 August 2004

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



R H Barry
Chairman

Sydney, 24 August 2004



T V Charlton
Managing Director

Sydney, 24 August 2004

Snowy Hydro Limited

Statement of Financial Performance for the Financial Year Ended 26 June 2004

	Note	Consolidated		Snowy Hydro	
		Year Ended 26 June 2004 \$000	Year Ended 28 June 2003 \$000	Year Ended 26 June 2004 \$000	Year Ended 28 June 2003 \$000
Revenue from ordinary activities		430,408	385,792	380,357	304,553
Direct costs of revenue		(47,049)	(29,971)	(20,473)	(5,071)
Consumables and suppliers		(37,616)	(44,461)	(37,410)	(44,201)
Employee benefits expense		(43,555)	(39,827)	(43,555)	(39,827)
Depreciation and amortisation expense		(37,720)	(39,931)	(37,720)	(39,931)
Borrowing costs		(36,210)	(38,728)	(36,210)	(38,552)
Other expenses from ordinary activities		(13,714)	(10,328)	(13,714)	(10,324)
Profit from Ordinary Activities Before Income Tax Expense	2	214,544	182,546	191,275	126,647
Income tax expense relating to ordinary activities	4	(55,681)	(50,875)	(31,922)	(51,123)
Profit from Ordinary Activities After Related Income Tax Expense		158,863	131,671	159,353	75,524
Net Profit		158,863	131,671	159,353	75,524
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		158,863	131,671	159,353	75,524

Snowy Hydro Limited

Statement of Financial Position as at 26 June 2004

	Note	Consolidated		Snowy Hydro	
		As at 26 June 2004 \$000	As at 28 June 2003 \$000	As at 26 June 2004 \$000	As at 28 June 2003 \$000
Current Assets					
Cash assets		10,365	3,960	10,365	3,960
Receivables	7	25,331	76,252	25,331	62,351
Inventories	8	4,070	4,012	4,070	4,012
Tax assets	9	2,467	-	-	-
Other	10	42,625	4,197	42,625	4,197
Total Current Assets		84,858	88,421	82,391	74,520
Non Current Assets					
Receivables	11	39,911	2,562	39,911	2,562
Deferred tax assets	12	150,263	152,523	150,263	152,523
Property, plant & equipment	13	1,404,964	1,423,485	1,404,964	1,423,485
Other	14	10,897	12,887	10,897	12,755
Total Non Current Assets		1,606,035	1,591,457	1,606,035	1,591,325
Total Assets		1,690,893	1,679,878	1,688,426	1,665,845
Current Liabilities					
Payables	15	16,441	35,978	16,441	35,978
Provisions	16	17,389	16,277	17,389	16,277
Tax liabilities	17	35,388	28,317	35,388	28,317
Other	18	52,866	53,302	106,056	53,302
Total Current Liabilities		122,084	133,874	175,274	133,874
Non Current Liabilities					
Interest-bearing liabilities	19	508,756	554,586	508,756	554,586
Provisions	20	18,421	23,740	18,421	23,740
Tax liabilities	21	11,583	-	11,583	-
Other	22	63,431	19,923	63,431	62,037
Total Non Current Liabilities		602,191	598,249	602,191	640,363
Total Liabilities		724,275	732,123	777,465	774,237
Net Assets		966,618	947,755	910,961	891,608
Equity					
Contributed equity	25	816,084	816,084	816,084	816,084
Retained profits	26	150,534	131,671	94,877	75,524
Total Equity		966,618	947,755	910,961	891,608

Snowy Hydro Limited

Statement of Cash Flows for the Financial Year ended 26 June 2004

	Note	Consolidated		Snowy Hydro	
		Year Ended 26 June 2004 \$000	Year Ended 28 June 2003 \$000	Year Ended 26 June 2004 \$000	Year Ended 28 June 2003 \$000
Cash Flows from Operating Activities					
Receipts from customers		480,128	404,285	416,042	282,052
Payments to suppliers and employees		(181,763)	(158,413)	(154,981)	(123,089)
Interest received		2,056	3,766	2,056	2,756
Interest and other costs of finance paid		(34,504)	(31,501)	(34,504)	(31,326)
Income tax paid		(37,235)	(4,184)	(11,008)	(4,043)
Net Cash provided by Operating Activities	29 (c)	228,682	213,953	217,605	126,350
Cash Flows from Investing Activities					
Payment for property, plant and equipment		(19,933)	(16,570)	(19,933)	(16,570)
Proceeds from sale of property, plant and equipment		881	955	881	955
Net Cash used in Investing Activities		(19,052)	(15,615)	(19,052)	(15,615)
Cash Flows from Financing Activities					
Proceeds from borrowings		487,000	1,312,586	487,000	1,312,586
Repayment of borrowings		(533,000)	(1,566,678)	(533,000)	(1,566,678)
Loans from controlled entity		-	-	11,077	65,373
Repayment of shareholder loans		(17,351)	(12,565)	(17,351)	(10,206)
Borrowing costs - facility fees		126	(13,276)	126	(13,276)
Payment for working capital balances to entitlement holders		-	(123,945)	-	-
Dividends paid	27	(140,000)	-	(140,000)	-
Net Cash used in Financing Activities		(203,225)	(403,878)	(192,148)	(212,201)
Net Increase/(Decrease) in Cash Held		6,405	(205,540)	6,405	(101,466)
Cash at Beginning of Year		3,960	209,500	3,960	105,426
Cash at End of the Year	29 (a)	10,365	3,960	10,365	3,960

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

Note	Contents
1	Summary of Accounting Policies
2	Profit from Ordinary Activities
3	Sales of Assets
4	Income Tax
5	Directors Remuneration
6	Remuneration of Auditors
7	Current Receivables
8	Current Inventories
9	Current Tax Assets
10	Other Current Assets
11	Non Current Receivables
12	Deferred Tax Asset
13	Property, Plant and Equipment
14	Other Non Current Assets
15	Current Payables
16	Current Provisions
17	Current Tax Liabilities
18	Other Current Liabilities
19	Non Current Interest Bearing Liabilities
20	Non Current Provisions
21	Non Current Tax Liabilities
22	Other Non Current Liabilities
23	Employee Benefits
24	Movement in Provisions
25	Contributed Equity
26	Retained Profits
27	Dividends
28	Commitments for Expenditure
29	Notes to the Statement of Cash Flows
30	Defined Benefit Superannuation Plans
31	Contingent Liabilities
32	Controlled Entities
33	Segment Information
34	Related Party Disclosures
35	Financial Instruments
36	Subsequent Events
37	Additional Company Information

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

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 or current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Reporting Period

The financial year 2003 refers to 29 June 2002 to 28 June 2003. The financial year 2004 refers to 29 June 2003 to 26 June 2004.

Adoption of AASB Equivalents to IFR Standards

The Australian Accounting Standards Board have adopted Australian Equivalents to International Financial Reporting Standards ("AIFRS"). These standards are effective for annual reporting periods beginning on or after 1 January 2005. All companies under the Corporations Act 2001 must comply with these standards.

For Snowy Hydro the first reported results are for the December 2005 half year with comparatives to December 2004 required to be restated in accordance with AIFRS. The first published results for June 2006 require comparative statement of financial performance from July 2004.

Snowy Hydro formed a working party to evaluate the impact of the adoption of the Australian equivalent of the International Financial Reporting Standards. This working party has to date only identified two major impacts on the financial statements for the consolidated entity. These two impacts are:

- (a) a restatement of the Deferred Tax Asset to a non discounted value. The restatement of the Deferred Tax Asset is a transitional adjustment which increases opening retained earnings, and
- (b) the fair value treatment of Financial Instruments which requires that all derivatives are recognised at fair value on the balance sheet. If the instrument is held for trading the movements in fair value between reporting periods are taken to net profit. If the instrument is an effective cash flow hedge then the movements in fair value between reporting periods are taken to equity. The designation of financial instruments as hedges has a medium impact due to the ongoing requirement for additional designation documentation and effectiveness measurement placed on the company. Snowy Hydro's portfolio of financial instruments is currently being assessed as to whether the criteria for hedge accounting can be met.

The quantification of these changes is currently under assessment.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

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 32 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.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

(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>10 - 50 years</i>
•	<i>Leasehold improvement</i>	<i>4 years</i>
•	<i>Infrastructure, Plant and equipment</i>	
	• <i>Electronic & Mechanical Equipment</i>	<i>5 - 50 years</i>
	• <i>Civil works</i>	<i>30 - 100 years</i>
	• <i>Mobile Plant</i>	<i>3 - 20 years</i>
•	<i>Operations Software</i>	<i>5 - 8 years</i>
•	<i>Commercial Software</i>	<i>3 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 35 to the financial statements.

(g) Employee Benefits

Benefits accruing to employees in respect of salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Severance benefits for employees are recognised where reasonable grounds exist to calculate the entitlement and the employees remain employed at the balance date.

Unpaid salaries are measured as the amount at the reporting date at current pay rates, and disclosed in current trade payables in note 5.

Provisions made in respect of annual leave, long service leave, incentive payments and severance benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement and disclosed in note 16.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

Provisions made in respect of 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 and disclosed in note 20.

Sick leave is non-vesting and therefore the cost is expensed as occurred.

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.

Contributions made to defined benefit superannuation plans are expensed when incurred. The difference between the accrued benefits and net market value of plan assets has not been recognised in the financial statements.

(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 unless they are transactions entered into in order to hedge the purchase of specific goods and services. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date. Exchange differences are recognised in net profit or loss in the period in which they arise except for hedging of specific commitments, as follows:

Hedging specific commitments

In relation to transactions intended to hedge specific purchases or sales:

- Costs or gains arising at the time of entering into the transaction; and
- Exchange differences, to the extent that they arise up to the dates of purchase or sale, are deferred and included in the measurement of the purchases or sales.

(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 26 June 2004

(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 its fair value at corporatisation representing the present value of 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.

The consolidated entity had intended to enter into a tax sharing arrangement with all members of the consolidated group and this was reflected in the 2003 financial report, however this intention changed prior to the Australian Tax Office ("ATO") being notified. As a result all income tax expenses, revenues, assets and liabilities of the members of the consolidated entity are recognised in the financial statements of each 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) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

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

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

(p) *Receivables*

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

(q) *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.

(r) *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.

(s) *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 35.

(t) *Tradeable Assets*

Tradeable assets are instruments that can be traded on an open market. Tradeable assets are recognised at fair value in the statement of financial position when it is probable that the economic benefits embodied in the assets will eventuate and the assets possess a value that can be reliably measured. Tradeable assets are recorded at their fair value based on market prices, with gains and losses realised from the sale of tradeable assets and unrealised fair value adjustments reflected in the statement of financial performance.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

2 Profit from Ordinary Activities

Profit from ordinary activities before income tax includes the following items of revenue and expense:

	Consolidated		Snowy Hydro	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
(a) Operating Revenue				
Sales revenue - sale of goods	388,754	380,839	338,703	299,753
Mark to Market Revenue	37,585	-	37,585	-
Interest revenue - other entities	2,070	2,910	2,070	2,757
Other	1,118	1,088	1,118	1,088
	429,527	384,837	379,476	303,598
(b) Non Operating Revenue				
Proceeds from the sale of property, plant and equipment	881	955	881	955
	430,408	385,792	380,357	304,553
(c) Expenses				
Direct costs of revenue	47,049	29,971	20,473	5,071
Borrowing costs				
Interest - other entities	34,478	38,207	34,478	38,031
Amortisation of deferred borrowing costs	1,732	521	1,732	521
Borrowing costs	36,210	38,728	36,210	38,552
Depreciation of non current assets				
Property, plant and equipment	37,665	39,876	37,665	39,876
Amortisation of non current assets				
Leasehold improvements	55	55	55	55
	37,720	39,931	37,720	39,931
Contributions to defined benefits superannuation plans during the financial year.	3,328	2,639	3,328	2,639
Operating lease expenses				
Sydney office rental	340	325	340	325
Blowering operating lease	120	120	120	120
Kosciuszko National Park	515	500	515	500
	975	945	975	945

3 Sales of Assets

Sales of assets in the ordinary course of business have given rise to the following profits and losses:

(a) Net Profits				
Property, plant and equipment	267	389	267	389
(b) Net Losses				
Property, plant and equipment	119	1,876	119	1,876

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

4 Income Tax

Consolidated		Snowy Hydro	
2004	2003	2004	2003
\$000	\$000	\$000	\$000

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

Profit from Ordinary Activities

Parent entity	126,647	126,647
Controlled entity consolidated to parent	55,899	55,899
Total Profit from Ordinary Activities	214,544	182,546
Income Tax Expense calculated at 30%	64,363	54,764

Permanent Differences

Non-allowable depreciation on buildings	305	307	305	307
Non-deductible expenses	65	75	65	75
Over provision in controlled entity in previous year	-	(248)	-	-
Research and Development	(448)	-	(448)	-
Future income tax benefit not previously recognised now brought to account.	(8,604)	(4,023)	(8,604)	(4,023)
Impact of tax consolidation	-	-	(16,778)	-
Income Tax Expense Relating to Ordinary Activities	55,681	50,875	31,922	51,123

The consolidated entity had intended to enter into the tax consolidations regime, incorporating a tax sharing arrangement with all members of the consolidated group and this was reflected in the 2003 financial report, however this intention changed prior to the ATO being notified. As a result all income tax expenses, revenues, assets and liabilities of the members of the consolidated entity are recognised in the financial statements of each entity.

An adjustment for the 2003 financial year has been brought to account in the 2004 financial year resulting in an additional tax expense of \$16.8 million in SHTPL and a corresponding reduction in Snowy Hydro.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

5 Directors' Remuneration

The Directors of Snowy Hydro during the year were:

Robert H Barry

Terry V Charlton

Arlene M Tansey

Huw G Davies

Bruce M Cohen

Robert D Hogg

David J Klingberg

Hon Michael Ronaldson

Anthony R Cotton

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

The number of directors of the company whose aggregate income paid or payable, or otherwise made available falls within each successive \$10,000 band of income (*commencing at \$0*):

\$20,000 -	\$29,999
\$50,000 -	\$59,999
\$60,000 -	\$69,999
\$90,000 -	\$99,999
\$130,000 -	\$139,999
\$830,000 -	\$839,999
\$1,120,000 -	\$1,129,999

Consolidated	
2004	2003
\$	\$

1,518,718	1,136,798
-----------	-----------

Snowy Hydro	
2004	2003
\$	\$

1,518,718	1,136,798
-----------	-----------

No.	No.
4	-
2	3
1	-
1	-
-	1
-	1
1	-

6 Remuneration of Auditors

Auditor of the Parent Entity

Auditing the financial report

Tax services

Other services

Consolidated	
2004	2003
\$	\$
142,000	135,000
223,236	369,958
27,830	24,516
393,066	529,474

Snowy Hydro	
2004	2003
\$	\$
142,000	135,000
223,236	369,958
27,830	24,516
393,066	529,474

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

	Consolidated		Snowy Hydro	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
7 Current Receivables				
Trade receivables	17,461	50,997	17,461	37,096
Option fees receivable	7,084	25,182	7,084	25,182
Other receivables	791	78	791	78
Allowance for doubtful debts	(5)	(5)	(5)	(5)
	<u>25,331</u>	<u>76,252</u>	<u>25,331</u>	<u>62,351</u>
8 Current Inventories				
Inventories - at cost	<u>4,070</u>	<u>4,012</u>	<u>4,070</u>	<u>4,012</u>
9 Current Tax Assets				
Tax refund receivable	<u>2,467</u>	<u>-</u>	<u>-</u>	<u>-</u>
10 Other Current Assets				
Prepayments	5,039	4,161	5,039	4,161
Tradeable Assets	37,586	10	37,586	10
Other	-	26	-	26
	<u>42,625</u>	<u>4,197</u>	<u>42,625</u>	<u>4,197</u>
11 Non Current Receivables				
Option fees receivable	<u>39,911</u>	<u>2,562</u>	<u>39,911</u>	<u>2,562</u>
12 Deferred Tax Asset				
Timing differences	<u>150,263</u>	<u>152,523</u>	<u>150,263</u>	<u>152,523</u>

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

13 Property, Plant and Equipment

Consolidated

	Freehold Land at Cost \$'000	Buildings at Cost \$'000	Software at Cost \$'000	Leasehold Improvements at Cost \$'000	Plant and Equipment at Cost \$'000	Work in Progress \$'000	Total
Gross Carrying Amount							
Balance as at 28 June 2003	22,735	31,189	12,020	166	1,381,869	15,175	1,463,154
Transfer	124	125	3,237	-	10,245	(13,731)	-
Additions	-	-	-	-	-	19,933	19,933
Disposals	(219)	(360)	(818)	-	(1,058)	-	(2,455)
Balance as at 26 June 2004	22,640	30,954	14,439	166	1,391,056	21,377	1,480,632
Accumulated Depreciation/Amortisation							
Balance as at 28 June 2003	-	(983)	(3,720)	(55)	(34,911)	-	(39,669)
Disposals	-	13	818	-	890	-	1,721
Depreciation expense	-	(967)	(3,207)	(55)	(33,491)	-	(37,720)
Balance at 26 June 2004	-	(1,937)	(6,109)	(110)	(67,512)	-	(75,668)
Net Book Value							
As at 28 June 2003	22,735	30,206	8,300	111	1,346,958	15,175	1,423,485
As at 26 June 2004	22,640	29,017	8,330	56	1,323,544	21,377	1,404,964

Snowy Hydro

	Freehold Land at Cost \$'000	Buildings at Cost \$'000	Software at Cost \$'000	Leasehold Improvements at Cost \$'000	Plant and Equipment at Cost \$'000	Work in Progress \$'000	Total
Gross Carrying Amount							
Balance as at 28 June 2003	22,735	31,189	12,020	166	1,381,869	15,175	1,463,154
Transfer	124	125	3,237	-	10,245	(13,731)	-
Additions	-	-	-	-	-	19,933	19,933
Disposals	(219)	(360)	(818)	-	(1,058)	-	(2,455)
Balance as at 26 June 2004	22,640	30,954	14,439	166	1,391,056	21,377	1,480,632
Accumulated Depreciation/Amortisation							
Balance as at 28 June 2003	-	(983)	(3,720)	(55)	(34,911)	-	(39,669)
Disposals	-	13	818	-	890	-	1,721
Depreciation expense	-	(967)	(3,207)	(55)	(33,491)	-	(37,720)
Balance at 26 June 2004	-	(1,937)	(6,109)	(110)	(67,512)	-	(75,668)
Net Book Value							
As at 28 June 2003	22,735	30,206	8,300	111	1,346,958	15,175	1,423,485
As at 26 June 2004	22,640	29,017	8,330	56	1,323,544	21,377	1,404,964

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

13 Property, Plant and Equipment (cont)

Aggregate depreciation allocated is recognised as an expense during the year:

	Consolidated		Snowy Hydro	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
Land	-	-	-	-
Buildings	967	990	967	990
Software	3,207	3,720	3,207	3,720
Leasehold improvements	55	55	55	55
Plant and equipment	33,491	35,166	33,491	35,166
	37,720	39,931	37,720	39,931
Current Value of Land and Buildings	51,657	52,941	51,657	52,941

The value disclosed above for land and buildings was determined on the basis of current market value as at June 2002 for those assets where a market value exists, and an 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.

14 Other Non Current Assets

Borrowing costs				
Cost	13,150	13,276	13,150	13,276
Accumulated amortisation	(2,253)	(521)	(2,253)	(521)
Other	-	132	-	-
	10,897	12,887	10,897	12,755

15 Current Payables

Trade creditors & accruals	8,346	9,287	8,346	9,287
Other creditors	8,095	8,773	8,095	8,773
Loans from shareholders	-	17,351	-	17,351
Goods & services tax payable	-	567	-	567
	16,441	35,978	16,441	35,978

Creditors

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

16 Current Provisions

Annual leave	5,566	5,176	5,566	5,176
Long service leave	909	965	909	965
Rehabilitation of former scheme sites	5,275	5,172	5,275	5,172
Workers compensation	205	261	205	261
Other employee benefits	5,434	4,703	5,434	4,703
	17,389	16,277	17,389	16,277

A description of the provisions is disclosed in Note 20.

17 Current Tax Liabilities

Income tax payable	35,388	28,317	35,388	28,317
--------------------	--------	--------	--------	--------

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

18 Other Current Liabilities

	Consolidated		Snowy Hydro	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
Electricity derivatives	2,082	16,046	2,082	16,046
Loans from controlled entities	-	-	53,190	-
Unearned income	50,784	37,256	50,784	37,256
	52,866	53,302	106,056	53,302

Unearned Income represents the net unamortised option fee premiums on current contracts. Option receipts or payments are amortised over the life of the option.

19 Non Current Interest-Bearing Liabilities

Unsecured:

Bonds	498,756	498,586	498,756	498,586
Bank loans	10,000	56,000	10,000	56,000
	508,756	554,586	508,756	554,586

20 Non Current Provisions

Workers compensation	907	764	907	764
Long service leave	6,963	7,460	6,963	7,460
Rehabilitation of former scheme sites	10,551	15,516	10,551	15,516
	18,421	23,740	18,421	23,740

Workers compensation provision covers the liability in respect of workers compensation claims arising before 1988. An assessment of the provision is undertaken yearly with the balance adjusted to maintain adequacy.

Provision for rehabilitation of former scheme sites has been made in line with the Major Former Scheme Sites Management Deed. Under this deed, in return for consideration given over a period of 5 years, commencing in June 2002, National Parks and Wildlife Service has accepted environmental liabilities with respect to "Former Scheme Sites" within the Kosciuszko National Park. This liability excludes any that are deemed contaminated sites.

21 Non Current Tax Liabilities

Timing Differences	11,583	-	11,583	-
--------------------	--------	---	--------	---

22 Other Non Current Liabilities

Unrealised income electricity derivatives	-	2,082	-	2,082
Loans from controlled entities	-	-	-	42,114
Unearned income	63,431	17,841	63,431	17,841
	63,431	19,923	63,431	62,037

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

23 Employee Benefits

The aggregate employee entitlement liability recognised and included in the financial statements is as follows:

Current (note 16)	11,909	10,844	11,909	10,844
Non Current (note 20)	6,963	7,460	6,963	7,460
	18,872	18,304	18,872	18,304
Number of employees at reporting date.	403	423	403	423

Accrued salaries are included in the current trade payables balance as disclosed in note 15.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

24 Movement in Provisions

Movement in each class of provision during the financial year, other than employee benefits are set out below:

	Workers Compensation	Rehabilitation	Total
	\$000	\$000	\$000
Consolidated			
Balance at 28 June 2003	1,025	20,688	21,713
Additional provisions recognised	383	310	693
Payments / other sacrifices of economic benefits	(296)	(5,172)	(5,468)
Balance at 26 June 2004	1,112	15,826	16,938
Snowy Hydro			
Balance at 28 June 2003	1,025	20,688	21,713
Additional provisions recognised	383	310	693
Payments / other sacrifices of economic benefits	(296)	(5,172)	(5,468)
Balance at 26 June 2004	1,112	15,826	16,938

25 Contributed Equity

	Consolidated		Snowy Hydro	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
200,000,000 fully paid ordinary shares	816,084	816,084	816,084	816,084

	2004		2003	
	No. '000	\$000	No. '000	\$000
<i>Fully Paid Ordinary Shares</i>				
Balance at beginning of financial year	200,000	816,084	200,000	816,084
Issue of shares	-	-	-	-
Balance at end of financial year	200,000	816,084	200,000	816,084

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

26 Retained Profits

	Consolidated		Snowy Hydro	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
Balance at beginning of financial year	131,671	-	75,524	-
Dividends declared or paid	(140,000)	-	(140,000)	-
Net profit attributable to members of the parent entity	158,863	131,671	159,353	75,524
Balance at end of financial year	150,534	131,671	94,877	75,524

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

27 Dividends	2004		2003	
	Cents per share	Total \$000	Cents per share	Total \$000
Fully paid ordinary shares				
September dividend:	35.0	70,000	-	-
Unfranked				
February dividend:	35.0	70,000	-	-
Fully franked				
		140,000		-
Franking Account Balance Consolidated		44,114		32,501
Franking Account Balance Snowy Hydro		16,396		28,317

Franking accounts are maintained on a 'tax paid' rather than an 'after tax distributable profits' basis.

28 Commitments for Expenditure

	Consolidated		Snowy Hydro	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
(a) Capital Expenditure commitments				
Plant and Equipment				
Not longer than 1 year	50,539	4,537	50,539	4,537
Longer than 1 year and not longer than 5 years	20,331	2,969	20,331	2,969
Longer than 5 years	-	-	-	-
	70,870	7,506	70,870	7,506
(b) 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 corporatisation. They generally have a lease period of 75 years of which 73 years remain. Whilst they are not non-cancellable it is not anticipated that the consolidated entity would ever seek to cancel them.				
Operating Lease Commitments				
Not longer than 1 year	1,041	960	1,041	960
Longer than 1 year and not longer than 5 years	3,379	3,516	3,379	3,516
Longer than 5 years	44,073	43,832	44,073	43,832
	48,493	48,308	48,493	48,308
(c) Other Expenditure Commitments				
Not longer than 1 year	468	5,214	468	5,214
Longer than 1 year and not longer than 5 years	100	356	100	356
Longer than 5 years	-	-	-	-
	568	5,570	568	5,570

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

29 Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand, in banks and investments with brokers. Cash at the end of the financial year, as shown in the statement of cash flows, is reconciled to the related items in the statement of financial position as follows:

	Consolidated		Snowy Hydro	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
Cash	10,365	3,960	10,365	3,960
Investments	-	-	-	-
	<u>10,365</u>	<u>3,960</u>	<u>10,365</u>	<u>3,960</u>

(b) Financing Facilities

Unsecured bank overdraft facility.

Amount Used	-	-	-	-
Amount Unused	1,390	1,390	1,390	1,390
	<u>1,390</u>	<u>1,390</u>	<u>1,390</u>	<u>1,390</u>

Unsecured debt facilities with various maturity dates through to 2013.

Amount Used	508,756	554,586	508,756	554,586
Amount Unused	290,000	244,000	290,000	244,000
	<u>798,756</u>	<u>798,586</u>	<u>798,756</u>	<u>798,586</u>

(c) Reconciliation of Profit from Ordinary Activities after Related Income Tax to Net Cash Flows from Operating Activities

Profit from ordinary activities after related income tax

	158,863	131,671	159,353	75,524
(Profit)/loss on sale of non current assets	(148)	1,487	(148)	1,487
Depreciation and amortisation of non current assets	39,452	40,452	39,452	40,452
Increase/(decrease) in current tax balances	4,605	27,831	7,071	28,317
(Increase)/decrease in deferred tax balances	13,843	18,860	13,843	18,763
Interest received and paid to Entitlement Holders	-	860	-	-

Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:

(Increase)/decrease in assets:

Current receivables	50,921	(13,404)	37,020	(54,551)
Current inventories	(58)	261	(58)	261
Other current assets	(38,428)	(1,098)	(38,428)	(1,121)
Other non current assets	132	-	-	-
Non current receivables	(37,349)	11,358	(37,349)	11,358

Increase/(decrease) in liabilities:

Current payables	(2,186)	(5,461)	(2,186)	4,524
Other current liabilities	(436)	22,273	(436)	22,273
Current provisions	1,112	5,911	1,112	6,111
Non current provisions	(5,319)	(6,279)	(5,319)	(6,279)
Other non current liabilities	43,678	(20,769)	43,678	(20,769)

Net cash from operating activities	<u>228,682</u>	<u>213,953</u>	<u>217,605</u>	<u>126,350</u>
------------------------------------	----------------	----------------	----------------	----------------

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

30 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")	55,000,000	5,188,592	(49,811,408)	56,600,000
Public Sector Superannuation Scheme ("PSS")	13,800,000	5,004,227	(8,795,773)	17,400,000
Energy Industries Superannuation Scheme Pool B ("EIS")	993,138	1,208,377	215,239	885,790

These plans are government and industry wide schemes, and membership by Snowy Hydro employees represents less than 0.18% 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 2003	30 June 2002
PSS	30 June 2003	30 June 2002
EIS	30 June 2003	01 July 2000

31 Contingent Liabilities

Contingent liabilities of the consolidated entity as at 26 June 2004 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, and
- a bank guarantee for all obligations under the lease for level 25 6 O'Connell Street Sydney. The amount of the bank guarantee is \$177,000.

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 sites identified in the future would be material.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

32 Controlled Entities

Name of Entity	Country of Incorporation	Ownership Interest	
		2004 %	2003 %
Parent Entity			
Snowy Hydro Limited	Australia	-	-
Controlled Entities			
Snowy Hydro Trading Pty Ltd	Australia	100	100

33 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.

34 Related Party Disclosures

The names of directors of Snowy Hydro Limited at any time during the year were: A R Cotton, T V Charlton, A M Tansey, R H Barry, H G Davies, B M Cohen, R D Hogg, D J Klingberg, and M Ronaldson. T V Charlton was 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 32 to the financial statements.

(b) Directors' Remuneration

Details of directors' remuneration is disclosed in note 5 to the financial statements.

(c) Directors' Loans

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

(d) Directors' Equity Holdings

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

(e) Other Transactions With Directors

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

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

(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 payable to entities in the wholly-owned group are disclosed in note 18 and 22 to the financial statements. During the financial year Snowy Hydro Limited provided management services to SHTPL on a cost free basis.

35 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, 28 June 2002, 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) Forward Foreign Exchange Contracts

It is the policy of the consolidated entity to enter into forward foreign exchange contracts to hedge material foreign currency payments when the consolidated entity has entered a contract to purchase goods or services. Unrealised gains or losses are not recognised on forward foreign exchange contracts. Rather, the underlying price of the good or service is recorded at the foreign exchange agreed in the forward foreign exchange contract (or series of forward foreign exchange contracts) at the time of recognising the good or service.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

(d) 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.

Significant Terms and Conditions

(a) Swaps

(i) Electricity Swaps

Electricity swap transactions are those transactions where the consolidated entity receives or pays a fixed rate per MWh in exchange for a floating rate referenced to a regional electricity node 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	
	2004	2003	2004	2003
Receive Fixed	260,794	154,895	763,460	57,616
Pay Fixed	77,229	39,654	66,843	40,589

(ii) Interest Rate Swaps

Interest rate swap transactions are those transactions where the consolidated entity pays a fixed interest rate in exchange for a floating interest rate. The table below summarises the outstanding interest rate swaps

	Average Interest Rate %		Notional Principal Amount	
	2004 %	2003 %	2004 \$000	2003 \$000
Greater than 5 years	6.17	-	100,000	-

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

(b) Electricity 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	
	2004	2003	2004	2003
Bought	16,599	35,058	-	49,325
Sold	1,782,966	441,403	2,848,155	1,202,129

(c) Forward foreign exchange contracts

The following table details the forward currency contracts outstanding as at reporting date:

Outstanding contracts	Average exchange rate		Principal amount JPY'000	
	2004	2003	2004	2003
Buy Japanese Yen				
Less than 3 months	80.19	-	50,839	-
3 to 6 months	-	-	-	-
Longer than 6 months	70.29	-	848,267	-

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.

To a lesser extent the consolidated entity also enters derivative transactions to hedge interest rate and foreign exchange exposures.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

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.

2004	Average Interest Rate %	Variable Interest Rate \$'000	Interest Rate Reset			Non- Interest Bearing '000	Total
			Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
Financial Assets							
Cash	4.85	10,365	-	-	-	-	10,365
Receivables	-	-	-	-	-	65,242	65,242
Other	-	-	-	-	-	42,625	42,625
Financial Liabilities							
Trade Payables	-	-	-	-	-	8,346	8,346
Bank loans	5.82	-	10,000	-	-	-	10,000
Provisions	-	-	-	-	-	16,938	16,938
Employee Benefits	-	-	-	-	-	18,872	18,872
Bonds	6.04	-	246,000	-	252,756	-	498,756

2003	Average Interest Rate %	Variable Interest Rate \$'000	Interest Rate Reset			Non- Interest Bearing '000	Total
			Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
Financial Assets							
Cash	4.15	3,960	-	-	-	-	3,960
Receivables	-	-	-	-	-	78,814	78,814
Other	-	-	-	-	-	4,197	4,197
Financial Liabilities							
Trade Payables	-	-	-	-	-	9,287	9,287
Bank loans	5.56	-	56,000	-	-	-	56,000
Provisions	-	-	-	-	-	21,713	21,713
Employee Benefits	-	-	-	-	-	18,304	18,304
Shareholder Loans	-	-	-	-	-	17,351	17,351
Bonds	5.79	-	246,000	-	252,586	-	498,586

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 \$87.2 million including those derivatives recognised on the Statement of Financial Position upon corporatisation. This method does not measure the potential credit risk that exists over the remaining maturity of the derivative contract. The credit risk for non derivative financial assets is that carried on the Statement of Financial Position.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

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

(i) Electricity swaps and 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. The fair value for these instruments, including those recognised on the Statement of Financial Position upon corporatisation, as at 26 June 2004 was a loss of \$16.8 million.

(ii) Interest rate swaps

The fair value is obtained from the counterparty to the transaction provided the counterparty is a recognised market maker in interest rate swaps. The fair value of interest rate swaps as at 26 June 2004 was a profit of \$0.7 million.

(b) Options

The option premium is the fair value of the option on the dealt 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. All options are recognised on the Statement of Financial Position at fair value as at 26 June 2004.

A reasonableness check of the above is made against a fair value model utilising 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.

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) Forward foreign Exchange Contracts

The fair value of the contracts as at 26 June 2004 was a profit of \$ 0.7 million.

(d) Financial Assets and Liabilities

The fair value of floating rate financial assets and liabilities with interest rate resets of six months duration or less and non interest-bearing financial assets and liabilities, is considered to approximate the carrying value. 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 fair value of fixed rate debt, greater than one year, as at the reporting date was a profit of \$2.1 million.

Snowy Hydro Limited

Notes to the Financial Statements for the Financial Year Ended 26 June 2004

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.

36 Subsequent Events

On 9 July 2004 Snowy Hydro signed an Engineer, Procure and Construction contract for a 320MW open cycle gas turbine power station. This power station is expected to be in production by December 2005.

There has not been any other 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.

37 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