



ABN 17 090 574 431

Consolidated Financial Report for the Reporting Period

30 June 2013 to 28 June 2014

Snowy Hydro Limited

CONSOLIDATED FINANCIAL REPORT FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

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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 reporting period 30 June 2013 to 28 June 2014. In order to comply with the provisions of the *Corporations Act 2001* (Cwlth), the directors report as follows:

The names and particulars of the directors of the Company during or since the end of the reporting period are:

Name	Particulars
Bruce Anthony Hogan AM BEc (Hons), FAICD	Chairman – from 20 February 2012 Mr Hogan was appointed to the Board on 15 May 2006. Mr Hogan is Chairman of Primary Ethics Limited and a director of The Stolen Generations' Testimonies Foundation. He is a former Joint Managing Director of Bankers Trust Australia Limited, former Chairman of Adelaide Casino and a former director of NSW Treasury Corporation, Energy Australia, Coles Myer Limited, Metcash Limited, Funds South Australia and GIO Australia Limited. He is also a former Chairman of State Super Financial Services Australia Ltd.
Paul Anthony Broad BCom (Hons), M.Comm (Econ)	Chief Executive Officer Mr Broad was appointed as a non-executive director of the Company on 20 June 2013 and was appointed as Chief Executive Officer from 23 July 2013. Before being appointed as a director, Mr Broad was Chief Executive Officer of Infrastructure NSW, AAPT, PowerTel, EnergyAustralia, Sydney Water and Hunter Water. He is Chairman of the Hunter Development Corporation. Mr Broad was appointed as a director of each of the Company's wholly owned subsidiaries from 23 July 2013.
Peter Scott Lowe MBA, BCom, FCPA, MAICD	Non-executive Director Mr Lowe was appointed to the Board on 15 May 2006. Mr Lowe has over 30 years' experience in various financial roles including CFO of public companies in Australia and the USA. He is currently Chairman of United Energy Distribution Holdings Pty Ltd and Multinet Group Holdings Pty Ltd and a director of Citywide Service Solutions Pty Ltd, and Tasmania Networks Pty Ltd. He is also a board member of Linking Melbourne Authority. He was appointed to the board of Red Energy Pty Ltd in March 2007. He has also held a board role at Southern Hydro Pty Ltd, Clever Communications Limited and GasNet Limited.
Noel Harold Cornish BSc(Met), MEngSc	Non-executive Director Mr Cornish was appointed to the Board on 10 August 2012. He is currently a director of IMB Limited, director of Forestry Corporation NSW, member of the Council of the University of Wollongong and National President of Ai Group. His former roles include Chief Executive of BlueScope Steel Limited's Australian and New Zealand steel manufacturing businesses, President NorthstarBHP LLC in Ohio USA and Group General Manager Whyalla Steelworks in South Australia.
Michael Francis Ihlein BBus (Acc), FCPA, MAICD, F Fin (Finsia)	Non-executive Director Mr Ihlein was appointed to the Board on 10 August 2012. He is a non-executive director and Chair of the Audit & Risk Committee of CSR Limited and a non-executive director and Chair of the Audit and Risk Committee of

Snowy Hydro Limited

DIRECTORS' REPORT

	<p>Scentre Group. He is also a non-executive director and Chair of the Compliance Committee of Murray Goulburn Co-operative Co. Limited. He previously spent six years at Brambles Limited as an executive director with roles as Chief Executive Officer and Chief Financial Officer. Prior to that he had a 26 year career with Coca-Cola Amatil Limited including seven years as Chief Financial Officer and Executive Director and numerous senior operational and financial roles in both Australia and overseas. He is also Chair of the Australian Theatre for Young People.</p>
Joycelyn Cheryl Morton BEc, FCPA, FCA, FIPA, FCIS, FGIA, FAICD	<p>Non-executive Director</p> <p>Ms Morton was appointed to the Board on 10 August 2012. She is a non-executive director of Argo Investments Limited, and Chairperson of Thorn Group Limited and Noni B Limited. She is also a member of the Business School Divisional Board and Board of Advice of the University of Sydney. Her former roles include being a non-executive director of Crane Group Limited and Count Financial Limited and executive positions with Woolworths Limited, The Shell Company of Australia, Shell International BV and with Coopers and Lybrand (now PricewaterhouseCoopers).</p>
The Hon. Helen L Coonan BA, LLB	<p>Non-executive Director</p> <p>Ms Coonan was appointed to the Board on 23 January 2014. As the former Australian Government Cabinet Minister for Communication, Minister for Revenue and Assistant Treasurer, Deputy Leader of the Government in the Senate, Shareholder Minister for the Telstra Corporation and Australia Post, commercial lawyer and trained mediator, Ms Coonan has a proven track record of leading stakeholders through major economic reforms and handling complex policy settings, especially where public policy and regulation intersects with business interests. In addition to her appointment with Snowy Hydro, Ms Coonan serves on the Advisory Council of JP Morgan and the Board of Advice of Aon Risk Services Australia Ltd. She is a Non-Executive Director of Crown Resorts Ltd, Chair of the Crown Resorts Foundation, Chair of GRACosway Pty Ltd (a subsidiary of the Clemenger Group), a Trustee of the Sydney Opera House Trust and a Non-Executive Director of Obesity Australia Ltd.</p>

Directors Who Ceased to Hold Office During the Reporting Period

Terry Vincent Charlton BCom, MSc	Mr Charlton was Chief Executive Officer and Managing Director of Snowy Hydro Limited until 22 July 2013.
David John Klingberg, AO FTSE, BTech, DUniSA FIEAust, FAusIMM, FAICD, KSJ	Mr Klingberg was a non-executive director until 12 November 2013.
Kathy A Hirschfeld BE (Chem) CEng FTSE FIChemE FIEAust GAICD	Ms Hirschfeld was a non-executive director until 22 January 2014.

Snowy Hydro Limited

DIRECTORS' REPORT

Other than the directors who ceased to hold office as noted above, and Ms Coonan who was appointed in January 2014, the above named directors held office during and since the end of the year.

Glen Dewing
BCom, MBA, FCPA,
FCIS, FGIA, MAICD

Company Secretary
Glen Dewing has over 30 years experience in auditing, finance and governance-related roles, 26 years of which have been spent with the Company and its legal predecessor. Glen was admitted as a Chartered Secretary in 1995.

Principal Activities

The consolidated entity comprises Snowy Hydro Limited ("Snowy Hydro" or "the Company") and its active wholly owned controlled entities; Red Energy Pty Ltd ("Red Energy"), Valley Power Pty Ltd ("Valley Power"), and various inactive subsidiaries. A full list of controlled entities is provided in Note 27.

The consolidated entity owns, manages and maintains the Snowy Mountains Hydro-electric Scheme, which consists of nine power stations and sixteen large dams located mainly in the Kosciuszko National Park ("KNP"), and owns and operates two gas-fired power stations in Victoria; a 320 MW power station at Laverton North and Valley Power, a 300 MW power station in the Latrobe Valley. Snowy Hydro's 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. Red Energy retails electricity and gas and operates in the National Electricity Market (NEM).

Review of Operations

For the reporting period ended 28 June 2014, net profit after tax was \$495.5 million. This result is after bringing to account the increase in market values of the consolidated entity's price risk hedging contracts in the amount of \$323.7 million before tax, as prescribed by accounting standards AASB 13 "Fair Value Measurement" and AASB 139 "Financial Instruments: Recognition and Measurement".

For the reporting period ended 29 June 2013, net profit after tax was \$280.2 million. This result is after bringing to account the increase in market values of the consolidated entity's price risk hedging contracts in the amount of \$56.6 million before tax, as prescribed by accounting standards AASB 13 "Fair Value Measurement" and AASB 139 "Financial Instruments: Recognition and Measurement".

The prescriptive nature of the accounting standard AASB 139 precludes the consolidated entity's electricity price risk hedging contracts from being designated and recognised as hedges, despite the fact that these instruments function as economic hedges by dampening the impact of spot price volatility on the value of the consolidated entity's generation output. Consequently, all price risk hedging contracts are deemed to be trading instruments. The valuation of these financial derivative instruments is subject to significant management judgement in the application of appropriate forward price curves and with respect to assumptions that need to be made regarding future counterparty behaviour. The changes in valuations between reporting periods are known as mark-to-market adjustments and are recognised in the income statement as "movements in fair value of derivatives".

Notably, AASB 139 precludes Snowy Hydro from recognising any increase in the future income stream that would be expected to result if the prices implied in these same curves were applied to the expected generation output. This one sided accounting treatment is likely to produce high volatility in reported net profit after tax from one year to the next, which will not necessarily be accompanied by any corresponding change in underlying economic earnings.

Both the 2013 and 2014 reporting periods were characterised by low NEM volatility alleviated by a very small number of high-price events and a further, substantial, improvement in water inflows.

Snowy Hydro Limited

DIRECTORS' REPORT

In the reporting period ended 28 June 2014, Snowy Hydro generated 3,850 GWh from gas and hydro-electric sources, and released 1,835 GL of water. In the previous reporting period, generation was 5,169 GWh and water releases were 2,581 GL.

Changes in State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Subsequent Events

There have not been any matters or circumstances that have arisen since the end of the reporting period that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future reporting periods.

Future Developments

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

Environmental Regulations

The consolidated entity is subject to the full range of Commonwealth, Victorian and New South Wales environmental laws including the *Environmental Protection and Biodiversity Conservation Act 1999* (Cwlth), the *Environmental Planning and Assessment Act 1979* (NSW), the *Protection of the Environment Operations Act 1997* (NSW), the *National Parks and Wildlife Act 1974* (NSW) and the *Contaminated Lands Management Act 1997* (NSW).

Within the Kosciuszko National Park, Snowy Hydro's operations are subject to both the Kosciuszko Plan of Management and the Snowy Management Plan. Both are plans of management made under the *National Parks and Wildlife Act 1974* (NSW). The latter is specifically enforceable against Snowy Hydro through regulation.

On corporatisation, the Snowy Scheme was given deemed planning approvals for the purposes of the *Environmental Planning and Assessment Act 1979* (NSW) and the *Local Government Act 1993* (NSW). Any future development by Snowy Hydro is subject to the standard approval processes under relevant legislation.

For completeness it should also be noted that under Part 5 of the *Snowy Hydro Corporatisation Act 1997* (NSW), Snowy Hydro has been issued with the Snowy Water Licence. The Snowy Water Licence prescribes Snowy Hydro's rights and obligations with respect to the collection, diversion, storage, use and release of water within the Snowy area. The Snowy Water Licence also imposes some obligations on Snowy Hydro Limited in terms of releasing environmental flows into the Snowy River and the montane rivers within the Snowy Mountains area. Snowy Hydro has complied with the environmental flow obligations that have come into effect up until the date of this report.

Snowy Hydro and its subsidiaries are subject to the *Renewable Energy (Electricity) Act 2000* (Cwlth) and the *Renewable Energy (Electricity) (Charge) Act 2000* (Cwlth), supported by the *Renewable Energy (Electricity) Regulations 2001* (Cwlth). Under this legislation, renewable energy generators including Snowy Hydro are entitled to create Renewable Energy Certificates. Electricity retailers (including Snowy Hydro's subsidiary Red Energy Pty Limited) and wholesale electricity buyers on liable grids in all States and Territories are required to annually surrender renewable energy certificates to the Regulator equal to the proportion of energy purchased.

Dividends

A fully franked cash dividend of \$125 million (\$0.625 per share) was paid on each of 23 October 2013 and 15 April 2014. In the previous year, a fully franked cash dividend of \$120 million (\$0.60 per share) was paid on each of 10 October 2012 and 17 April 2013. In addition, a further fully franked special dividend of \$220 million (\$1.10 per share) was paid on 28 June 2013.

Snowy Hydro Limited

DIRECTORS' REPORT

Share Options

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

Indemnification of Officers and Auditors

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

Snowy Hydro Limited has not otherwise, during or since the reporting period, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 12 board meetings and 20 committee meetings were held.

Director	Board of Directors		Audit & Compliance		People & Culture		Portfolio Risk		Safety, Operations & Environment Risk		Nominations	
	Held	Present	Held	Present	Held	Present	Held	Present	Held	Present	Held	Present
B A Hogan	12	11			8	8	4	4				
P A Broad	12	11										
H L Coonan	5	5	2	2					1	1		
N H Cornish	12	12			8	8			4	4		
M F Ihlein	12	12	4	4			4	4				
P S Lowe	12	12	4	4					4	3		
J C Morton	12	11	4	4	8	7	4	3				
T V Charlton	1	1										
K A Hirschfeld	6	6			2	2			3	3		
D J Klingberg	4	4	1	1					2	2		

P A Broad is not a member of any subcommittees. T V Charlton was not a member of any subcommittee.

Auditor's Independence Declaration

The Auditor's independence declaration is included on page 7 of the financial 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 one hundred 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



Bruce A Hogan, AM
Chairman
Sydney 27 August 2014



Paul A Broad
Chief Executive Officer
Sydney 27 August 2014

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

27 August 2014

Dear Board Members

Snowy Hydro Limited

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

As lead audit partner for the audit of the financial statements of Snowy Hydro Limited for the financial year ended 28 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Jamie C.J. Gatt
Partner
Chartered Accountants

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

We have audited the accompanying financial report of Snowy Hydro Limited, which comprises the consolidated balance sheet as at 28 June 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the and the entities it controlled at the period's end or from time to time during the financial period as set out on pages 10 to 54.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Snowy Hydro Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Snowy Hydro Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 28 June 2014 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jamie C.J. Gatt

Jamie C.J. Gatt
Partner
Chartered Accountants
Sydney, 27 August 2014

Snowy Hydro Limited

DIRECTORS' DECLARATION

The directors declare that:

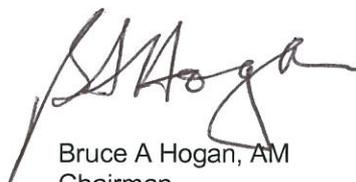
- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the consolidated entity; and
- (c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as detailed in Note 1 to the financial statements.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is a party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 27 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors



Bruce A Hogan, AM
Chairman
Sydney, 27 August 2014



Paul A Broad
Chief Executive Officer
Sydney, 27 August 2014

Snowy Hydro Limited

CONSOLIDATED INCOME STATEMENT FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

	Notes	Consolidated	
		Period ended	Period ended
		28 June 2014	29 June 2013
		\$M	\$M
Revenue		1,285.5	1,201.6
Other income		6.1	4.1
Direct costs of revenue		(593.0)	(441.1)
Consumables and supplies		(51.2)	(47.5)
Employee benefits expense		(126.6)	(127.1)
Depreciation expense		(69.8)	(65.6)
Borrowing costs		(18.6)	(16.4)
Other expenses from ordinary activities		(49.4)	(51.3)
Movements in fair value of derivatives	1 (i)	323.7	(56.6)
Profit before income tax expense		706.7	400.1
Income tax expense	3	(211.2)	(119.9)
Profit attributable to members of the parent entity	2	495.5	280.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

	Notes	Consolidated	
		Period ended	Period ended
		28 June 2014	29 June 2013
		\$M	\$M
Other Comprehensive Income			
Items that may be subsequently reclassified to profit or loss:			
Cash flow hedges			
Gain taken to equity		1.1	0.6
Income tax effect		(0.3)	(0.2)
Other comprehensive income (net of tax)		0.8	0.4
Profit for the period		495.5	280.2
Total comprehensive income for the period attributable to members of the parent entity		496.3	280.6

Notes to the financial statements are on pages 15 to 54.

Snowy Hydro Limited

CONSOLIDATED BALANCE SHEET AS AT 28 JUNE 2014

	Notes	Consolidated	
		As at 28 June 2014	As at 29 June 2013
		\$M	\$M
Current Assets			
Cash and cash equivalents		5.0	11.0
Receivables	6	268.0	159.1
Inventories	7	27.7	12.2
Other financial assets	8	385.2	152.1
Other	9	58.2	64.8
Total Current Assets		744.1	399.2
Non Current Assets			
Deferred tax assets	3	41.3	150.9
Goodwill	10	79.3	79.3
Property, plant & equipment	11	1,757.9	1,795.4
Total Non Current Assets		1,878.5	2,025.6
Total Assets		2,622.6	2,424.8
Current Liabilities			
Payables	12	116.6	108.5
Tax payable	3	14.6	12.0
Provisions	13	22.3	39.5
Interest bearing liabilities	14	34.0	353.7
Other financial liabilities	15	13.8	98.5
Total Current Liabilities		201.3	612.2
Non Current Liabilities			
Interest bearing liabilities	16	363.2	13.5
Provisions	17	16.5	3.8
Total Non Current Liabilities		379.7	17.3
Total Liabilities		581.0	629.5
Net Assets		2,041.6	1,795.3
Equity			
Issued capital	19	816.1	816.1
Reserves	20	-	(0.8)
Retained profits		1,225.5	980.0
Total Equity		2,041.6	1,795.3

Notes to the financial statements are included on pages 15 to 54.

Snowy Hydro Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

	Consolidated			Total
	Issued Capital	Hedging Reserve	Retained Earnings	
	\$M	\$M	\$M	
Balance as at 1 July 2012	816.1	(1.2)	1,159.8	1,974.7
Profit for the period	-	-	280.2	280.2
Gain on cash flow hedges	-	0.6	-	0.6
Income tax relating to components of other comprehensive income	-	(0.2)	-	(0.2)
Total comprehensive income for the period	-	0.4	280.2	280.6
Dividends paid	-	-	(460.0)	(460.0)
Balance as at 29 June 2013	816.1	(0.8)	980.0	1,795.3
Balance as at 30 June 2013	816.1	(0.8)	980.0	1,795.3
Profit for the period	-	-	495.5	495.5
Gain on cash flow hedges	-	1.1	-	1.1
Income tax relating to components of other comprehensive income	-	(0.3)	-	(0.3)
Total comprehensive income for the period	-	0.8	495.5	496.3
Dividends paid	-	-	(250.0)	(250.0)
Balance as at 28 June 2014	816.1	-	1,225.5	2,041.6

Notes to the financial statements are included on pages 15 to 54.

Snowy Hydro Limited

CONSOLIDATED CASH FLOW STATEMENT FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

	Notes	Consolidated	
		Period ended	Period ended
		28 June 2014	29 June 2013
		\$M	\$M
Cash Flows from Operating Activities			
Receipts from customers		1,279.0	1,244.8
Payments to suppliers & employees		(910.5)	(703.6)
Interest received		1.0	1.2
Interest and other costs of finance paid		(20.8)	(21.0)
Income tax paid		(99.4)	(102.9)
Net Cash provided by Operating Activities	23	249.3	418.5
Cash Flows from Investing Activities			
Payments for property, plant & equipment		(35.1)	(76.6)
Proceeds from sale of property, plant & equipment		0.9	1.2
Net Cash Used in Investing Activities		(34.2)	(75.4)
Cash Flows from Financing Activities			
Net proceeds from/(repayment of) borrowings		30.0	118.0
Payment of debt issue costs		(1.1)	(1.3)
Dividends paid	21	(250.0)	(460.0)
Net Cash Used in Financing Activities		(221.1)	(343.3)
Net (Decrease)/Increase in cash and cash equivalents		(6.0)	(0.2)
Cash and cash equivalents at Beginning of Period		11.0	11.2
Cash and cash equivalents at End of the Period		5.0	11.0

Notes to the financial statements are included on pages 15 to 54.

Snowy Hydro Limited

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Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

1 Summary of Accounting Policies

Statement of Compliance

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

The financial report comprises the consolidated financial statements of the group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial statements and notes of the Company and the consolidated entity comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the directors on 27 August 2014.

Basis of Preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

In the application of accounting policies, directors are required to make judgments, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting Judgements and Estimation Uncertainty

Judgments made by management in the application of the accounting policies that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability thereby ensuring that the substance of the underlying transactions or other events is reported.

(a) Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Further information is contained in Note 24.

(b) Valuation of Financial Instruments

The Company uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 29 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

(c) Provision for Doubtful Debts

The consolidated entity has recognised an allowance for doubtful debts based on a percentage of revenue that in the opinion of the Company reflects expected write-offs of uncollectible revenue. Recovery action is taken where it is appropriate to the circumstances of the particular debt.

(d) Revenue recognition

A proportion of revenue recognised represents an estimate of unbilled sales for energy consumption for all customers from their previous bill to balance date. This is derived based on an analysis of historical consumption practices and individual customer tariffs. This estimate is subject to variation because of changes in consumer behaviour.

Adoption of new and Revised Accounting Standards

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

Accounting standards not yet effective

At the date of authorisation of the financial report the following Standards and Interpretations were in issue but not yet effective:

	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the reporting period ending
AASB 9 'Financial Instruments', and the relevant amending standards ¹	1 January 2015	2 July 2016
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 January 2014	27 June 2015

The potential effect of the revised Standards and Interpretations on the consolidated entity's financial statements has not yet been determined.

Reporting Period

Reporting period has the same meaning as financial year for the purposes of the *Corporations Act 2001* (Cwlth). The reporting period 2014 refers to 30 June 2013 to 28 June 2014. The reporting period 2013 refers to 1 July 2012 to 29 June 2013.

¹ The AASB has issued the following versions of AASB 9 and the relevant amending standards;

- AASB 9 'Financial Instruments' (December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'
- AASB 9 'Financial Instruments' (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure'.

For annual reporting periods beginning before 1 January 2015, an entity may early adopt either AASB 9 (December 2009) or AASB 9 (December 2010) and the relevant accounting standards.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

Changes in Accounting Policies

During the 2014 reporting period, the consolidated entity adopted changed accounting policies in the following areas:

(a) *Environmental Certificates*

Renewable energy certificates held by a subsidiary company which were previously disclosed as Other Financial Assets have been reclassified as inventory.

(b) *Internal Labour in Respect of Capital Works*

In prior years, the value of all internal labour and associated on-costs has been expensed. From 1 January 2014, the value of labour and on-costs attributable to capital works is being recorded against the value of the particular project or works and will now be expensed over future years consistent with the depreciable life of the resulting asset. In the six months from January to June 2014, this change has resulted in \$3.1 million of labour and on-costs which would previously have been charged to the Profit and Loss Statement being capitalised.

(c) *Employee Incentives*

The consolidated entity has adopted a new approach to employee incentives for a number of employees who previously had certain components of their employee benefits dependant on future results. As a result of this change, certain benefits that were attributable to past performance but the payment of which was dependent on future performance have now vested with the individual and have been brought to account. This has resulted in a one-off charge to the Profit and Loss Statement for the 2014 reporting period of \$6,862,730 to provide for the payments of these benefits which will occur during the 2016 and 2017 reporting periods.

Significant Accounting Policies

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

(a) *Accounts Payable*

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

(b) *Acquisition of Assets*

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

(c) *Borrowings*

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in income statement over the period of the borrowing using the effective interest rate method. Borrowing costs directly attributable to assets under construction are capitalised as part of those assets.

(d) *Capitalisation*

Expenditure, including the value of internal labour and oncosts, is capitalised when it relates to:

- Acquisition and installation of a new unit of plant,
- Replacement of a unit of plant or of a substantial part of a unit of plant,

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

- An addition or alteration to a unit of plant which results in a significant improvement to its overall design or production capacity.

(e) *Comparative amounts*

Where necessary to facilitate comparison, prior year figures have been adjusted to conform with changes in presentation in the current financial year. No change to comparative amounts was made in respect of the changes in accounting policy for the capitalisation of internal labour nor employee incentives.

(f) *Consolidation*

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 127 "Consolidated and Separate Financial Statements". A list of controlled entities appears in Note 27 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

Where the cost of the acquisition exceeded the fair value of the identifiable assets, liabilities and contingent liabilities, acquired goodwill has been recognised in the consolidated entity's balance sheet. On the acquisition of a business any excess of the fair value of assets and liabilities acquired over the cost of acquisition has been recognised in the consolidated entity's income statement before interest and tax as a profit on acquisition.

(g) *Customer Acquisition Costs*

Acquisition costs of retail electricity customers are expensed as incurred unless details of customers and/or customer lists are purchased from a third party.

(h) *Depreciation*

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation and amortisation rates and methods are reviewed at each 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 improvements</i>	<i>4 years</i>
•	<i>Infrastructure, plant and equipment</i>	
	• <i>Electronic & mechanical equipment</i>	<i>5 - 60 years</i>
	• <i>Civil works</i>	<i>30 - 75 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>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

(i) *Derivative Financial Instruments*

Snowy Hydro enters into a variety of electricity price risk hedging contracts with participants in the national electricity market, and gas price risk hedging contracts with participants in the gas market. Derivative financial instruments are also entered into to manage exposure to interest rate and foreign exchange risk, including forward foreign exchange contracts and interest rate swaps.

Derivative financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently adjusted to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately unless the contract is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship. Snowy Hydro designates certain derivative financial instruments as cash flow hedges (highly probable forecast transactions).

Cash flow hedges entered into to manage interest rate and foreign exchange risk

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion of changes in the fair value of derivatives is recognised immediately in the income statement.

Amounts deferred in equity are recognised in the income statement in the periods when the hedged item is recognised in the income statement. However, when the underlying forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the cost of the asset or liability recognised on the balance sheet.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity on the instrument at that time remains in equity and is recognised in the income statement when the underlying forecast transaction is ultimately recognised in the income statement. When an underlying forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity on the instrument is recognised immediately in the income statement.

Electricity and gas price risk hedging contracts

The prescriptive nature of AASB 139 precludes Snowy Hydro's price risk hedging contracts from being able to be designated and recognised as hedges. Consequently, all price risk hedging contracts are deemed to be trading instruments. As such all movements in the fair value of the price risk hedging contracts between reporting periods are recognised in the income statement as "Movements in fair value of derivatives". Financial assets or liabilities held for trading are classified as a current asset or a current liability.

Further details of derivative financial instruments are disclosed in note 29 to the financial statements.

(j) *Employee Benefits*

Benefits accruing to employees in respect of salaries, annual leave and long service leave are recognised when it is probable that settlement will be required and they are capable of being measured reliably. Severance benefits for employees are recognised where the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. Unpaid salaries are measured as the amount at the reporting date at current pay rates.

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

Provisions made in respect of annual leave, long service leave, incentive payments and severance benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of long service leave, annual leave and incentives which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Employee entitlements that have vested including annual leave and long service leave (where the employee has passed the required years of service) are presented as a current provision. Sick leave is non-vesting and therefore the cost is expensed as incurred.

Snowy Hydro's incentive payment schemes include certain components that are dependant upon future results. Only those components of incentive payments that can be considered probable of being settled, relate to past services and can be reliably measured are included in the provision amount.

Employees of the Company are members of a variety of superannuation funds covering both accumulation and defined benefit arrangements. The defined benefit funds are:

- Commonwealth Superannuation Scheme
- Public Sector Superannuation Scheme
- Energy Industries Superannuation Scheme

These plans are considered to be multi employer state plans under AASB 119 "Employee Benefits" and therefore contributions made to these plans are expensed when incurred.

Contributions to defined contribution superannuation funds are expensed when incurred.

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

(k) *Foreign Currency*

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction unless they are transactions entered into in order to hedge the purchase of specific goods and services. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date. Exchange differences are recognised in the income statement in the period in which they arise except as follows:

In relation to highly probable forecast transactions (cash flow hedges):

- The effective portion of changes in fair value of derivatives are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.
- Amounts deferred in equity are recognised in profit or loss in the periods when the hedged items are recognised in profit or loss or if the forecast transaction is in relation to the purchase of property plant and equipment will be recognised in work-in-progress and capitalised when the asset commences production.

Hedge accounting is discontinued when the hedging instrument expires or is sold or no longer qualifies for hedge accounting. Financial assets or liabilities relating to foreign currency hedges are classified as current assets or current liabilities.

(l) *Going Concern*

These financial statements have been prepared on a going concern basis. The Directors have reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

Having considered the expected future cashflows from operating activities, and the ability of the consolidated entity to draw upon existing financing facilities, the directors believe that preparation of this financial report on a going concern basis is appropriate in the current business environment.

(m) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. It is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

(n) Goods and Services Tax

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

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

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

(o) Government Grants

Government grants are assistance by the government in the form of transfers of resources to the consolidated entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants are not recognised until there is reasonable assurance that the consolidated entity will comply with the conditions attaching to them and the grants will be received. The grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate.

No government grants were brought to account in either reporting period.

(p) Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately.

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the income statement immediately.

(q) *Income Tax*

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where Snowy Hydro is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Tax consolidation

The Company and all of its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. Snowy Hydro is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand alone taxpayer' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

consolidated group). Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

(r) *Inventories*

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

(s) *Investments*

Investments in controlled entities are recorded at cost in the parent entity financial statements.

(t) *Leased Assets*

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

(u) *Non Derivative Tradeable Assets*

Non derivative tradeable assets, including Renewable Energy Certificates ("RECs"), NSW Greenhouse Gas Abatement Certificates ("NGACs") and GreenPower are instruments that can be traded on an open market. Non derivative tradeable assets are recognised at fair value in the balance sheet when it is probable that the economic benefits embodied in the assets will eventuate and the assets possess a value that can be reliably measured. Non derivative tradeable assets are recorded at their fair value based on market prices, with gains and losses realised from the sale of non derivative tradeable assets and unrealised fair value adjustments reflected in the income statement.

(v) *Provisions*

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

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

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

(w) *Receivables*

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

(x) *Revenue Recognition*

Sale of Goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership.

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

Electricity and related products

Revenue from sales of electricity generation on the spot market is recognised when the generation is dispatched to the Australian Energy Market Operator Ltd (i.e. when control has passed to the buyer).

Revenue from the sales of retail electricity is recognised with respect to any customer when the customer has been assigned to the Company by the Australian Energy Market Operator Ltd. The revenue recognised is based on estimated metered usage or actual metered usage.

Interest

Interest revenue is recognised on an accrual basis.

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

	Period ended 28 June 2014 \$M	Period ended 29 June 2013 \$M
2 Profit from operations		
(a) Revenue / Other income		
Revenue and other income from continuing operations includes the following items:		
Revenue from the sale of goods	1,264.0	1,182.5
Increase in non-derivative tradeable assets (RECs & NGACs)	21.5	19.1
Settlement of litigation	-	-
Government grants received for staff training	0.1	-
Other	5.0	2.9
Interest income	1.0	1.2
	1,291.6	1,205.7
 (b) Profit before income tax		
Profit before income tax has been arrived at after crediting/(charging) the following gains and losses from operations:		
Loss on disposal of property, plant and equipment	(0.4)	(0.7)
Change in fair value of derivatives classified as trading through profit or loss	323.7	(56.6)
Direct costs of revenue	(593.0)	(441.1)
Interest on loans	(18.6)	(16.4)
Interest rate hedge costs	(3.0)	(2.5)
Bad and doubtful debts from sales	(2.1)	(7.8)
Depreciation	(69.8)	(65.6)
Operating lease rental expenses		
Lease payments	(4.3)	(4.3)
Employee benefits expense		
Defined contribution plans	(6.4)	(6.0)
Defined benefit plans	(2.5)	(2.3)
	(8.9)	(8.3)

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

		Period ended 28 June 2014 \$M	Period ended 29 June 2013 \$M
3	Income taxes		
	(a) Income tax recognised in profit or loss		
	Current tax expense	(101.0)	(108.7)
	Deferred tax expense relating to the origination and reversal of temporary differences	(110.2)	(11.2)
	Total tax expense	(211.2)	(119.9)
	The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
	Profit from operations	706.7	400.1
	Tax (expense)/income calculated at 30%	(212.0)	(120.0)
	Prior year adjustments	0.9	(0.1)
	Non-deductible expenses	(0.4)	(0.1)
	Tax break research & development concession	0.3	0.3
		(211.2)	(119.9)
	The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.		
	(b) Current tax liabilities		
	Income tax payable	14.6	12.0
	(c) Deferred tax balances		
	Deferred tax balances comprise of:		
	Tax losses	-	-
	Temporary differences	41.3	150.9
		41.3	150.9

Snowy Hydro and its wholly-owned Australian resident entities are eligible to consolidate for tax purposes and elected to be taxed as a single entity from 1 July 2003. The head entity in the tax consolidated group for the purposes of the tax consolidation system is Snowy Hydro Ltd. Entities within the tax consolidated group are listed in note 27.

Entities in the group have entered into a tax funding arrangement with the head entity.

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

3 (d) Income taxes (continued)	Opening Balance \$M	Charged to Income \$M	Charged to equity \$M	Other / Transfer \$M	Closing Balance \$M
2013					
Gross deferred tax liabilities					
Derivative financial instruments	34.6	(5.9)	(0.1)	-	28.6
Non derivative trading instruments	10.1	3.5	-	-	13.6
Other	0.7	4.2	-	-	4.9
Balance as at 29 June 2013	45.4	1.8	(0.1)	-	47.1
Gross deferred tax assets					
Property plant and equipment	198.2	(15.0)	-	-	183.2
Provisions	9.0	5.3	-	-	14.3
Other	0.3	0.2	-	-	0.5
Balance as at 29 June 2013	207.5	(9.5)	-	-	198.0
2014					
Gross deferred tax liabilities					
Derivative financial instruments	28.6	97.5	(0.1)	-	126.0
Non derivative trading instruments	13.6	2.6	-	-	16.2
Other	4.9	(4.6)	-	-	0.3
Balance as at 28 June 2014	47.1	95.5	(0.1)	-	142.5
Gross deferred tax assets					
Property plant and equipment	183.2	(12.7)	-	-	170.5
Provisions	14.3	(2.2)	-	-	12.1
Other	0.5	0.1	-	0.6	1.2
Balance as at 28 June 2014	198.0	(14.8)	-	0.6	183.8

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

	Period ended 28 June 2014	Period ended 29 June 2013
	\$	\$
4 Key management personnel remuneration		
The aggregate compensation of key management personnel of the consolidated entity is set out below:		
Short-term employee benefits	9,235,319	11,045,510
Post-employment benefits	476,079	3,381,658
Termination benefits	2,286,260	-
Other long-term employee benefits	(994,875)	79,789
	11,002,783	14,506,957
5 Remuneration of auditors		
Auditor of parent entity		
Audit and review of the financial report	381,000	335,350
Assurance Services		
Carbon Reporting	5,000	32,500
Other non-audit services		
Taxation services	131,426	110,250
Other non-audit services	9,000	60,750
	526,426	538,850
	As at	As at
	28 June 2014	29 June 2013
	\$M	\$M
6 Current trade and other receivables		
Trade receivables	271.1	167.2
Other receivables	2.1	0.4
Allowance for doubtful debts	(5.2)	(8.5)
	268.0	159.1
7 Inventories		
Inventories at cost	27.7	12.2
8 Other current financial assets		
At fair value		
Option fee contracts	372.6	126.2
Electricity price risk hedging contracts	3.6	12.2
Deposits with brokers	9.0	13.7
	385.2	152.1
9 Other current assets		
Advances to other companies	0.6	-
Prepayments	3.6	19.5
Tradeable assets	54.0	45.3
	58.2	64.8
10 Goodwill		
Net book value		
At the beginning of the reporting period	79.3	79.3
Additional amounts recognised	-	-
At the end of the reporting period	79.3	79.3

Further information about goodwill is provided in note 24.

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

11 Property, plant and equipment

	Freehold Land at Cost \$M	Buildings at Cost \$M	Software at Cost \$M	Leasehold Improvements at Cost \$M	Plant and Equipment at Cost \$M	Construction in Progress \$M	Total \$M
Gross carrying amount							
Balance at 30 June 2012	25.8	45.5	36.3	3.2	2,096.7	64.3	2,271.8
Additions	-	-	-	-	-	76.6	76.6
Capitalised to asset class	0.2	5.1	3.1	0.8	75.2	(84.4)	-
Disposals	-	-	-	-	(4.4)	-	(4.4)
Balance at 29 June 2013	26.0	50.6	39.4	4.0	2,167.5	56.5	2,344.0
Additions	-	-	-	-	-	33.6	33.6
Capitalised to asset class	-	1.1	7.4	-	24.6	(33.1)	-
Disposals	-	-	-	-	(2.6)	-	(2.6)
Balance at 28 June 2014	26.0	51.7	46.8	4.0	2,189.5	57.0	2,375.0
Accumulated Depreciation /Amortisation							
Balance at 30 June 2012	-	(10.9)	(29.5)	(2.0)	(443.1)	-	(485.5)
Disposals	-	-	-	-	2.5	-	2.5
Depreciation expense	-	(1.5)	(3.6)	(0.3)	(60.2)	-	(65.6)
Balance at 29 June 2013	-	(12.4)	(33.1)	(2.3)	(500.8)	-	(548.6)
Disposals	-	-	-	-	1.3	-	1.3
Depreciation expense	-	(1.7)	(4.7)	(0.3)	(63.1)	-	(69.8)
Balance at 28 June 2014	-	(14.1)	(37.8)	(2.6)	(562.6)	-	(617.1)
Net Book Value							
As at 29 June 2013	26.0	38.2	6.3	1.7	1,666.7	56.5	1,795.4
As at 28 June 2014	26.0	37.6	9.0	1.4	1,626.9	57.0	1,757.9

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

	Period ended 28 June 2014 \$M	Period ended 29 June 2013 \$M
11 Property plant and equipment (cont'd)		
Aggregate depreciation charged as an expense:		
Buildings	(1.7)	(1.5)
Leasehold improvements	(0.3)	(0.3)
Plant and Equipment	(67.8)	(63.8)
	(69.8)	(65.6)
12 Current trade and other payables		
Trade payables	110.7	97.0
Other payables	5.5	5.7
Goods and services tax payable	0.3	5.8
	116.5	108.5
13 Current provisions		
Employee benefits	22.0	38.7
Workers compensation	0.3	0.2
Other current provisions	-	0.6
	22.3	39.5
Employee benefits provisions are for employee leave, and terminations and that portion of incentive scheme provisions which is due and payable.		
14 Current interest bearing liabilities		
Unsecured		
Bank loans	34.0	353.7
	34.0	353.7
15 Current financial liabilities		
At fair value		
Foreign currency and interest rate contracts	5.5	8.6
Option fee contracts	0.1	74.0
Electricity price risk hedging contracts	8.2	15.9
	13.8	98.5

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

	As at 28 June 2014	As at 29 June 2013
	\$M	\$M
16 Non current interest bearing liabilities		
Unsecured		
Bank loans	363.2	13.5
17 Non current provisions		
Employee benefits	15.8	3.1
Workers compensation	0.7	0.7
	16.5	3.8
	2014	
18 Movement in provisions	Workers Compensation	
	\$M	
Balance at the beginning of the reporting period	0.9	
Additional provisions recognised	0.1	
Reductions from payments	-	
Unwinding of discount and effect of change in discount rate	-	
	-	
Balance at the end of the reporting period	1.0	
Current (Note 13)	0.3	
Non Current (Note 17)	0.7	
	0.7	
Balance at the end of the reporting period	1.0	
	As at	As at
	28 June 2014	29 June 2013
	\$M	\$M
19 Issued capital		
200,000,000 fully paid ordinary shares	816.1	816.1
	2014	
	No 'M	\$M
Fully paid ordinary shares		
Balance at the beginning of the reporting period	200.0	816.1
Issue of shares	-	-
	-	-
Balance at the end of the reporting period	200.0	816.1

Fully paid ordinary shares carry one vote per share and are eligible for dividends if declared.

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

		As at 28 June 2014	As at 29 June 2013
		\$M	\$M
20 Reserves			
	Hedging reserves		
	Balance at the beginning of the reporting period	(0.8)	(1.2)
	Gains/(loss) recognised:		
	Currency swaps	1.1	0.6
	Deferred tax arising on hedges	(0.3)	(0.2)
	Balance at the end of the reporting period	-	(0.8)

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

	2014	
	Cents per share	Total \$M
Fully paid ordinary shares		
Dividend fully franked	125.0	250.0
Franking account balance at 28 June 2014		40.5
	2013	
Fully paid ordinary shares		
Dividend fully franked	230.0	460.0
Franking account balance at 29 June 2013		48.2

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

		As at 28 June 2014	As at 29 June 2013
		\$M	\$M
22	Commitments for expenditure		
(a)	Capital expenditure commitments		
	Plant and equipment		
	Not longer than 1 year	4.4	8.3
	Longer than 1 year and not longer than 5 years	6.1	18.2
		10.5	26.5
(b)	Lease commitments		
	Operating lease commitments		
	Not longer than 1 year	4.4	4.3
	Longer than 1 year and not longer than 5 years	8.4	10.8
	Longer than 5 years	56.1	55.9
		68.9	71.0

The lease of office premises in Melbourne was renewed in 2011 for a period of 5 years with a rent escalation of 3.5% per annum. Land leased in Melbourne for the site of the Laverton North Power Station commenced in 2005 for a period of 30 years with a rent escalation based on the consumer price index. Both the Blowering land lease and the Kosiuzsko National Park lease commenced in 2002 for a period of 75 years. Rent is escalated by the consumer price index subject to five yearly rent reset reviews. The lease of office premises in Sydney commenced in 2006 and expires in 2016. Rent is escalated at the rate of 4.25% per annum. There are no restrictions imposed by any operating lease.

		As at 28 June 2014	As at 29 June 2013
		\$M	\$M
(c)	Other expenditure commitments		
	Not longer than 1 year	4.3	8.4
	Longer than 1 year and not longer than 5 years	5.5	7.9
		9.8	16.3

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

	Period ended 28 June 2014 \$M	Period ended 29 June 2013 \$M
23 Notes to the cash flow statement		
(a) Reconciliation of cash		
For the purposes of the statement of cash flows, cash includes cash on hand, in banks and term deposits. Cash at the end of the financial year, as shown in the statement of cash flows, is reconciled to the related items in the balance sheet as follows:		
Cash and cash equivalents	5.0	11.0
Term deposits	-	-
	5.0	11.0
(b) Financing facilities		
Unsecured debt facilities with various maturity dates through to 2017		
Amount used	363.2	363.2
Amount unused	455.0	685.0
	818.2	1,048.2
Short term money market funds		
Amount used	34.0	4.0
Amount unused	11.0	41.0
	45.0	45.0
(c) Reconciliation of profit for the period to net cash flows from operating activities		
Profit for the period	495.5	280.2
Loss on sale of non current assets	0.4	0.7
Mark to market movements direct to equity	1.1	0.6
Depreciation and amortisation of current and non current assets	70.9	66.7
Increase/(decrease) in current tax balances	2.6	5.9
Decrease in deferred tax balances	109.2	11.2
(Increase)/decrease in assets:		
Current receivables	(108.8)	(21.2)
Current inventories	(15.5)	0.6
Other current assets	6.6	(20.6)
Current financial assets	(233.1)	130.5
Non current receivables	-	-
Other non current assets	-	-
Increase/(decrease) in liabilities:		
Current payables	9.7	32.4
Current provisions	(17.3)	15.6
Other current financial liabilities	(84.7)	(85.2)
Other current debt liabilities	-	-
Non current provisions	12.7	1.1
Non current payables	-	-
Net cash from operating activities	249.3	418.5

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

24 Goodwill

The consolidated entity recognised goodwill from the acquisition of Valley Power and associated companies in October 2005. All assets in the consolidated entity comprise one single cash generating unit. All goodwill arises from the portfolio effects of Valley Power in conjunction with the other assets in the Snowy scheme.

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

In accordance with the accounting standard, the recoverable amount test discounts un-gearred, pre-tax real asset cash flows (including routine maintenance and refurbishment capital expenditure), at a pre-tax real WACC of 6.42% (2013: 6.79%). These cash flows do not include any planned development capital expenditure or the revenues that may relate to such expenditure. The valuation includes a terminal value calculated by assuming that the final year's cash flow is maintained in perpetuity (in real terms) and discounted to the valuation date using the same pre-tax real WACC noted above.

The recoverable amount is most sensitive to changes in the following assumptions:

Sensitivity	Management's approach to determining the value	Growth rate
Forward market price projections for spot, contract and option premium revenue	Spot and contract revenue projections are consistent with Snowy Hydro's recent performance and are based on forward market curves from ICAP. Capacity pricing (i.e. option premium income and difference payments made under the contracts) is based on a blended combination of ICAP and Snowy Hydro's assessment of long-term pricing based on new-entrant modelling.	Zero real growth in prices
Water inflows	The water inflow sequence underlying the projections reflects the expectation that 2015 inflows will be average and that future average inflows will thereafter trend back towards, but be lower than, past experience. The starting water storage levels are also reflected in the projections.	Not applicable
Capital expenditure	Capital expenditure is derived from Snowy Hydro's long-term capital asset planning model and includes all expenditure relating to existing assets.	Zero real growth in prices

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

25 Defined benefit superannuation plans

Name of Plan	Accrued Benefits \$M	Net Market Value of Assets \$M	(Deficiency)/ Surplus \$M	Vested Benefits \$M
Commonwealth Superannuation Scheme ("CSS")	64,500	4,208.5	(60,291.5)	67,900
Public Sector Superannuation Scheme ("PSS")	45,600	14,939	(30,661)	61,100
Energy Industries Superannuation Scheme Pool B ("EIS")	2,214.4	2,198.6	(15.8)	1,656.5

These plans are government and industry-wide schemes, and membership relating to Snowy Hydro's employees represents less than 0.05% of the membership of each scheme.

The difference between the accrued benefits and net market value of plan assets has not been recognised in the financial statements. Any unfunded component in CSS and PSS would be financed, by the Commonwealth, from the Consolidated Revenue Fund at the time such superannuation benefits are payable. It is to be expected that, to redress the current under-funded balances, the superannuation fund contribution rates of fund members (including Snowy Hydro) will increase in the future. It is not possible to predict at this time when, and to what extent, Snowy Hydro's contribution rate may change.

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

Name of Plan	Date of Financial Statements	Date of Actuarial Review/Estimate
CSS	30 June 2013	30 June 2013
PSS	30 June 2013	30 June 2013
EIS	30 June 2013	30 June 2012

26 Contingent liabilities

Snowy Hydro is involved in various legal proceedings arising out of the normal course of business. The Directors believe that the outcome of these proceedings will not have a material impact on Snowy Hydro's financial position or results of operations. Contingent liabilities of the consolidated entity as at 28 June 2014 are:

- (a) Ongoing contingent liabilities are represented by:
- Snowy Hydro has entered into a number of bank guarantees in relation to operating within the national electricity market and for rental properties in Sydney and Melbourne to the value of \$29.9 million (2013: \$23.9 million).
- (b) Liability for Former Scheme Sites has been extinguished except to the extent of any contaminated former sites. These contaminated sites are being rehabilitated as they are identified.

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

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

27 Controlled entities

Name of Entity	Country of Incorporation	Ownership Interests	
		2014 %	2013 %
Parent Entity			
Snowy Hydro Limited (b)	Australia	-	-
Controlled Entities			
Snowy Hydro Trading Pty Ltd (c)	Australia	100	100
Red Energy Pty Ltd (a) (c)	Australia	100	100
Latrobe Valley BV (c)	Netherlands	100	100
Valley Power Pty Ltd (c)	Australia	100	100
Contact Peaker Australia Pty Ltd (c)	Australia	100	100

(a) Red Energy has entered into a deed of cross guarantee with Snowy Hydro pursuant to ASIC Class Order 98/1418 and is relieved from the requirement to prepare and lodge an audited financial report.

(b) SHL is the head entity within the tax consolidated group.

(c) These companies are members of the tax consolidated group.

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

The consolidated income statement and balance sheet of the entities which are party to the deed of cross guarantee are:

INCOME STATEMENT

Parties to the Deed of Cross Guarantee

	Period ended 28 June 2014	Period ended 29 June 2013
	\$M	\$M
Revenue	1,281.8	1,197.9
Other income	11.6	8.7
Direct costs of revenue	(591.9)	(439.7)
Consumables and supplies	(51.1)	(47.3)
Employee benefits expense	(126.6)	(127.1)
Depreciation expense	(60.5)	(56.7)
Borrowing costs	(18.6)	(16.4)
Other expenses from ordinary activities	(49.4)	(51.3)
Movements in fair value of derivatives	323.7	(56.6)
Profit before income tax expense	718.9	411.5
Income tax expense	(214.9)	(122.7)
Profit attributable to members of the parent entity	504.0	288.8

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

BALANCE SHEET

Parties to the Deed of Cross Guarantee

	As at 28 June 2014 \$M	As at 29 June 2013 \$M
Current Assets		
Cash and cash equivalents	5.0	11.0
Receivables	268.0	159.1
Inventories	27.7	12.2
Other financial assets	385.2	152.1
Other	58.2	64.8
Total Current Assets	744.1	399.2
Non Current Assets		
Other financial assets	214.8	215.4
Deferred tax assets	41.0	150.9
Property, plant and equipment	1,632.8	1,664.7
Total Non Current Assets	1,888.6	2,031.0
Total Assets	2,632.7	2,430.2
Current Liabilities		
Payables	116.5	108.0
Tax payable	10.4	12.0
Provisions	22.3	39.5
Interest bearing liabilities	34.0	353.7
Other financial liabilities	13.8	98.5
Total Current Liabilities	197.0	611.7
Non Current Liabilities		
Interest bearing liabilities	363.2	13.5
Provisions	16.5	3.8
Total Non Current Liabilities	379.7	17.3
Total Liabilities	576.7	629.0
Net Assets	2,056.0	1,801.2
Equity		
Issued capital	816.1	816.1
Reserves	-	(0.8)
Retained profits	1,239.9	985.9
Total Equity	2,056.0	1,801.2

28 Related party disclosures

The names of directors of Snowy Hydro Limited at any time during the year were: T V Charlton (until 22 July 2013), D J Klingberg (until 12 November 2013), B A Hogan, P S Lowe, K A Hirschfeld (until 22 January 2014), N H Cornish, M F Ihlein, J C Morton, P A Broad and H L Coonan (from 23 January 2014). T V Charlton was the sole director of Snowy Hydro Trading Pty Limited, Latrobe Valley BV, Contact Peaker Australia Pty Limited, and Valley Power Pty Limited until 22 July 2013. P A Broad was appointed as the sole director of Snowy Hydro Trading Pty Limited, Latrobe Valley BV, Contact Peaker Australia Pty Limited, and Valley Power Pty Limited from 23 July 2013. P A Broad (from 23 July 2013), I Graham, N Tufegdzcic,

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

P S Lowe, and G O Wymer are directors of Red Energy Pty Limited. T V Charlton ceased as a director of Red Energy Pty Ltd on 22 July 2013.

(a) *Equity Interests In Related Parties*

Detail of the percentage of ordinary shares held in controlled entities is disclosed in note 27 to the financial statements.

(b) *Key Management Remuneration*

Detail of key management remuneration is disclosed in note 4 to the financial statements.

(c) *Directors' and Specified Executive Loans*

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

(d) *Directors' Equity Holdings*

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

(e) *Other Transactions With Directors*

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

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

The wholly-owned group includes:

- The ultimate parent entity in the wholly-owned group; and
- Five wholly-owned controlled entities.

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

During the financial year Snowy Hydro provided management, accounting and administrative services to its controlled entities other than Valley Power on a cost free basis. Snowy Hydro also provides all personnel, operational and management services to Valley Power on a cost basis. All intercompany balances are at call, but the directors have declared that they are not expected to be called in the current period. The balance of intercompany loans owed by controlled entities to the parent entity as at 28 June 2014 was \$196.1 million (2013: \$172.2 million).

29 Financial instruments

The Company's Treasury and Portfolio management functions provide services to the business to monitor and manage risks relating to national electricity market outcomes, interest rates, foreign exchange movements, credit exposures and liquidity, as they arise in the normal course of operations of the consolidated entity. The Company seeks to manage exposures to these risks while aiming to maximise the business's returns. The Company is active in the use of derivative financial instruments to hedge these risk exposures. The use of financial derivatives and the level of exposures are governed by the Company's risk management policies and procedures, which are approved by the Board of directors. Compliance with these policies and procedures and with exposure limits is reviewed by both management and Board risk committees on a regular basis.

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

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

recognised, with respect of each class of financial asset and liability and equity, are disclosed in note 1 to these statements.

Category	Consolidated	
	Period ended 28 June 2014	Period ended 29 June 2013
	\$M	\$M
Current		
Financial assets		
Cash & cash equivalents	5.0	11.0
Trade receivables	265.9	158.7
Other financial assets	385.2	152.1
Financial liabilities		
Trade payables	110.7	97.0
Other financial liabilities	13.8	98.5
Interest bearing liabilities	34.0	353.7
Non current		
Financial liabilities		
Interest bearing liabilities	363.2	13.5

1 Capital risk management instruments

Categories of financial assets and liabilities

Snowy Hydro manages its capital to ensure that all entities in the Group will be able to continue operating as a going concern, by targeting the maintenance of a strong BBB+ range credit rating (issued by Standard & Poor's). The capital structure of the Group consists of debt, which includes borrowings disclosed in notes 14 and 16, cash and cash equivalents and equity attributable to the equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity.

The Company's capital structure is reviewed on a regular basis. As part of this review, the Board Audit and Compliance Sub-committee ("the Committee") considers the cost of capital and the risks and structure of the Company's debt on an annual basis. Snowy Hydro has several debt service benchmarks, primary among which is the Funds Flow from Operations ("FFO") to Debt ratio. Other benchmarks include the FFO to Interest ratio and a gearing ratio, determined as the ratio of the consolidated entity's senior debt to debt and shareholders funds.² Based on the recommendations of the Committee and resolutions of the Board, the Company will balance its capital structure through the payment of dividends, the redemption of existing debt and the drawdown on uncommitted facilities.

The gearing ratio, as defined by Snowy Hydro's negative pledge, at the end of each of the reporting periods was as follows:

² These are the headline rating parameters used by Standard & Poor's as the basis for considering Snowy Hydro's credit standing and hence its credit rating. The final rating assigned by Standard & Poor's is determined through the review of numerous business parameters and also with reference to the Company's operating (industry) environment.

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

Category	Consolidated	
	Period ended 28 June 2014	Period ended 29 June 2013
	\$M	\$M
Debt ¹	397.2	367.2
Add back transaction costs	1.8	1.8
Senior debt	399.0	369.0
Equity ²	2041.6	1795.3
Less goodwill	(79.3)	(79.3)
Shareholders' funds	1962.3	1716.0
Gearing (debt/(debt+equity))	17%	18%

¹ Debt is defined as interest bearing borrowings as detailed in notes 14 and 16.

² Equity includes all capital and reserves.

Snowy Hydro's operations are funded by floating interest rate debt, consisting of revolving loan facilities of durations up to December 2017, and funds on call. Cash and debt positions are detailed in note 23. The interest rates applicable to the financial assets and liabilities are listed in the interest rate risk section below.

For floating rate financial assets and liabilities with interest rate resets of six months' duration or less, and short term non interest-bearing financial assets and liabilities, the fair value is considered to approximate the carrying value.

The fair values 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. There are no financial assets or liabilities whose carrying value do not approximate fair value.

2 Market risk management instruments

Snowy Hydro uses financial instruments as an integral part of conducting its revenue generating activities.

Snowy Hydro's strategy is to contract a portion of its generation capacity to limit the wide variations in Revenue and Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") that would arise if all generation was subject to spot market outcomes. This strategy provides a risk management service to national electricity market participants and is structured to maximise revenue in the medium to long term and provide more certain coverage of Snowy Hydro's fixed costs in any given year. The portfolio is managed to retain both a "net long" generation position and thereby a level of flexibility to capture the benefits of increased electricity market volatility and high electricity prices as they occur.

Given the prescriptive nature of *AASB 139 Financial Instruments: Recognition and Measurement*, Snowy Hydro's price risk hedging contracts, defined below, do not meet the criteria for hedge accounting, and changes in the fair value of price risk hedging contracts must be recognised in the income statement (under the category "Movements in fair value of derivatives").

Snowy Hydro uses a Revenue-at-Risk approach when managing its business. In measuring Revenue-at-Risk, revenue incorporates payments to and from electricity market counterparties that arise from financial contracts settled against the spot market, spot revenue arising from physical generation and Settlement Residue Auction receipts. Snowy Hydro has a highly

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

structured contract and portfolio risk management framework that ensures that the Revenue-at-Risk remains within Board-approved trading limits. Trading limits may only be changed with Board approval. The portfolio risk management framework is based on defined probability limits applying to defined monetary amounts at risk over defined time periods.

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. Forward foreign exchange contracts are designated as cash flow hedges at inception and tested for effectiveness at each reporting date. Accounting for cash flow hedges is described in note 1(i).

The table below details the forward currency contracts that existed as at 28 June 2014.

	Average Exchange Rate	Principal Amount	Average Exchange Rate	Principal Amount
Consolidated	2014	2014 \$M	2013	2013 \$M
Buy Japanese Yen				JPY
6 to 12 months	-	-	65.01	256.1
1 to 2 years	-	-	-	-
2 to 5 years	-	-	-	-

The fair value was obtained from the counterparty to the transaction as the counterparty was a recognised market maker in foreign exchange contracts. There were no outstanding foreign exchange contracts as at 28 June 2014. The fair value of these instruments as at 29 June 2013 was a liability of \$1.1 million.

Where appropriate, a sensitivity analysis is undertaken based on the exposure to exchange rates for each of the derivative instruments. Exchange rate movements that refer to the historical volatility experienced by the particular currencies are used as the basis for the sensitivity analysis.

Price risk hedging contracts

(i) Electricity and gas swaps and swap-like instruments

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. Gas swap transactions are those where the consolidated entity receives or pays a fixed rate per GJ in exchange for a floating rate referenced to a regional gas price. There are other types of "swap-like" transactions where the resulting hedging profile materially reflects a swap-type transaction. These transactions are accounted for in the same manner as swaps.

The fair value is the amount that the consolidated entity expects to pay or receive in order to settle or extinguish the financial contract over the remaining life of the contract.

The fair value of electricity swaps is derived from market quoted forward rates that are incorporated into discounted cash flow models. The market quoted rates are sculpted 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. Management applies different sculpted forward price curves for determining the fair value depending upon the type of contract. Certain estimates and judgments were required by management to develop the fair value amounts. The fair value at any particular point in time should not be interpreted as an indication of future gains or losses as they are based on a forward price curve at a particular time which may or may not be an accurate representation of future market movements or counterparty behaviour.

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

In the absence of reliable and observable market data (that is no quoted forward gas price curves) the gas swap has not been fair valued.

The net values of the various instruments by counterparty have been classified as either a current asset or current liability. The details of outstanding electricity and swap-like instruments at fair value as at the reporting date are listed in the balance sheet and in notes 8 and 15. A market risk sensitivity analysis has been undertaken as at reporting date with the sensitivity movements being determined by analysing the historic movements of forward price curves over the applicable reporting period. This estimate is used as a reasonable approximation of future forward price movements. For swap and swap-like instruments, a movement of 15% for flat and off-peak and 20% for peak contracts was used for the 2014 reporting period based on the price volatilities in the over the counter market over the historical period³. For 2013, the volatilities were slightly higher at 20% for swaps and off-peak and 30% for peak contracts. The reduction in volatility is mainly driven by reduction in demand and lower volatility in the spot market.

Consolidated Swap Type	Fair value and sensitivity					
	Fair value		Upward Price Movement		Downward Price Movement	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Electricity asset	3.6	12.2	(0.2)	30.5	7.6	(6.0)
Electricity liability	(8.2)	(15.9)	2.6	(42.3)	(19.1)	10.4
Impact on net profit before tax	(4.6)	(5.1)	7.0	8.1	(7.0)	(8.1)

Intercompany price risk hedging contracts have not been included in the sensitivity analysis as they do not represent contracts with external parties and movements of fair value have no impact on the consolidated entity.

(ii) Options

The fair value of option contracts is recognised on the balance sheet as being equal to zero at inception (implying a zero differential between future option fee income and payouts under the contracts for their remaining durations). Subsequently, the unrealized gains or losses inherent in the transactions' remaining life to expiration are recorded in the balance sheet at fair value. The change in fair value on these transactions between reporting periods is recognised in the income statement in the accounting period in which the change in fair value occurs (under the category "Movements in fair value of derivatives").

Bought option transactions give the consolidated entity the right of exercise and are ordinarily automatically exercised when the exercise of the option results in a net cash receipt to the consolidated entity (i.e. difference payments are paid automatically to the Company). Sold option transactions give the counterparty to the consolidated entity the right of exercise and are ordinarily automatically exercised by the counterparty when the exercise of the options results in a net cash payment to the counterparty (i.e. difference payments are made automatically by the Company).

Option contracts are valued using a fair value model based on market quoted rates and volatilities that are incorporated into Snowy Hydro's generally applied option pricing algorithms. Larger, longer term contracts for which no liquid market exists have been priced using management's assessment of new-entrant pricing, blended with credible longer-term market evidence where this exists. The absence of an active and liquid market for options means that

³ The volatility measured was the annualised standard deviation in weekly log returns of ICAP data for quarterly swap terms.

Snowy Hydro Limited

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the volatilities and the resulting fair values of options are to some extent subject to management assumptions. A combination of market quoted ICAP prices and new entrant price (NEP) is used to value the payout component of the option. ICAP prices are used for financial years 2015 and 2016, and thereafter new entrant price is applied to the valuation.

Adoption of AASB13 for the reporting period ended 28 June 2014 means fair values for the reporting also include a credit valuation adjustment (CVA) or debit valuation adjustment (DVA) to recognise counterparty risk to financial assets & financial liabilities. The netting of counterparty credit risk is in accordance with risk management policy of managing credit risk to specific counterparties net position and active management of credit risk information including the provision of information to key management personnel. The net values of the instruments by counterparty have been classified as either a current asset or current liability. Snowy Hydro's financial assets and financial liabilities are measured at fair value on a recurring basis and for this reporting period are the same as carrying values shown in the balance sheet. The details of outstanding option type instruments at fair value as at the reporting date are listed in the balance sheet in notes 8 and 15.

A market risk sensitivity analysis has been undertaken as at reporting date, with the sensitivity movements being determined by analysing the historic movements of forward price curves over the historical period. This estimate is used as a reasonable approximation of future forward price movements. For option type instruments, a movement of 40% for standard caps based on the volatilities in the quarterly SFE futures price movements over the historical period⁴, and 40% for New Entrant prices based on volatilities in the annual ICAP price movements over the historical period³ for NSW and Victoria denominated contracts have been used for the 2014 reporting period. For 2013, 40% for Caps and 10% for New Entrant prices for NSW and Victoria denominated contracts was used.

Consolidated Option Type	Fair value and sensitivity					
	Fair value		Upward Price Movement		Downward Price Movement	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Electricity asset	372.6	126.2	(68.9)	22.8	814.2	229.7
Electricity liability	(0.1)	(74.0)	(0.5)	(156.6)	0.3	8.6
Impact on net profit before tax	372.5	(52.8)	(442)	(186.1)	442	186.1

(iii) Other structured products

Snowy Hydro performs a market-making role in the development and tailoring of structured products that have features such as:

- reference to more than one strike price;
- nested options;
- reference to exercise triggers other than the National Electricity Market price (for example, the system demand);
- reference to more than one commodity price (typically gas as well as electricity); and
- sequential call options able to be exercised by both counterparties.

Such products are generally not able to be classified as either swap-like or simple option contracts. These products also have features such as providing the counterparty with the ability to nominate different strike prices and MW volumes (within limits) for different contract

⁴ The volatility measured was the annualised standard deviation in weekly log returns of ICAP data for annual terms. For option-type contracts, this volatility varied from 10% and 25% in 2011 for NSW and Victoria respectively, and increased to 30% for NSW and Victorian denominated contracts in 2012, and 40% in 2013 and 2014.

Snowy Hydro Limited

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periods. In this case, the different volume and strike price nominations determine the calculation of the payments under the contracts. Due to the variability of nominations and prices which are at a counter-party's discretion, payments under such contracts are not predictable.

As these structured products are tailored to the specific hedging requirements of the individual counterparty, have no active market and have unpredictable patterns of use, there is no technique that would provide a reliable and accurate valuation of these instruments. As such, the initial transaction price is taken to be the best measurement of fair value. The objective in holding these customized structured instruments is for the contracts to run their course to maturity (i.e. the Company does not usually engage in adjusting the effective exposures by buying or selling offsetting exposures in the contracts market).

3 Fair Value of Financial Instruments

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Description	Fair value measurement at end of the reporting period using:			As at 28 June 2014
	Level 1 \$M	Level 2 \$M	Level 3 \$M	
Financial assets/(liabilities) at fair value				
Trading derivatives	(2.9)	(1.7)	372.6	368.0
Interest rate swaps	-	(5.5)		(5.5)
Total	(2.9)	(7.2)	372.6	362.5

Description	Fair value measurement at end of the reporting period using:			As at 29 June 2013
	Level 1 \$M	Level 2 \$M	Level 3 \$M	
Financial assets/(liabilities) at fair value				
Trading derivatives	(1.4)	-	49.9	48.5
Interest rate swaps	-	(7.5)	-	(7.5)
Foreign currency forward contracts	-	(1.1)	-	(1.1)
Total	(1.4)	(8.6)	49.9	39.9

The debts held by Snowy Hydro are floating rate debts and the carrying amount on balance sheet approximates fair value.

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Reconciliation of Level 3 fair value measurements of financial assets and liabilities

Description	Trading derivatives at fair value through profit or loss	
	Period Ended 28 June 2014	Period Ended 29 June 2013
	\$M	\$M
Opening balance	49.9	76.2
Total gains or losses realised in profit or loss*	263.0	272.6
Total gains or losses mark to market movement*	323.3	(48.3)
Purchases	-	1.3
Settlements	(265.6)	(251.9)
Transfers into Level 3	-	-
Transfers out of Level 3	2.0	-
Closing balance	372.6	49.9
Total gains or losses for the period included in profit or loss for derivatives held at the end of the reporting period	586.3	224.3

* Gains or loss included in the above table are included in the Consolidated Income Statement for the reporting period ended 28 June 2014 presented as follows:

	Period Ended 28 June 2014	Period Ended 29 June 2013
	\$M	\$M
	Revenue	263.0
Movements in fair value of derivatives	323.3	(48.3)
Total gains or losses included in profit or loss for the period	586.3	224.3

Sensitivity Analysis of Level 3 Instruments

A market risk sensitivity analysis has been undertaken as at reporting date for Level 3 option instruments, with the sensitivity movements determined by analysing the historical movements of annual ICAP cap prices over the historical period⁵. For the 2014 reporting period, a movement of 40% for New Entrant prices for NSW and Victoria denominated contracts has been used. This volatility represents the short term broker market, which is typically for small volume (less than 100MW) and short duration (usually quarters but up to 2 years), standard contracts. This is not a suitable representation of non-standard, long term large volume contracts that fall within Snowy Hydro's Level 3 instruments. However, in the absence of other available information or market data, this estimate is used as an extreme scenario to approximation sensitivity in NEP.

If the above unobservable inputs to the valuation model were 40% higher/lower for contracts with NEP and higher/lower by the standard deviation for non-NEP contracts while all the other

⁴ The volatility measured was the annualised standard deviation in weekly log returns of ICAP data for annual terms.

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variables remaining constant, the carrying net asset amount of Level 3 instruments would decrease by \$441.5 million or increase by \$441.5 million respectively.

The table below provides detailed information about the valuation techniques and key inputs used in the determination of the fair value of financial instruments. Valuation techniques for AASB 13 Level 3 categorised contracts include inputs not based on observable market data to estimate fair values. A detailed sensitivity analysis of significant unobservable inputs for Level 3 categorised contracts has also been provided.

Valuation procedures and changes in fair value measurements including instruments categorised as Level 3 of the fair value hierarchy, from period to period, are governed by the fair valuation procedure document that is reviewed and approved by management either at time when significant change occurs or at the end of the financial year when the document is reviewed.

It is Snowy Hydro's policy to transfer financial instruments between Level 1, 2 and 3 based on the quality of the inputs used in the valuation. Transfers between levels of the fair value hierarchy occur at the end of the reporting period. There were no transfers between Level 1 and 2 in the period. There were no transfers into Level 3. Two contracts were transferred out of Level 3 into Level 2 as unobservable inputs have now become observable. All swap-like Level 3 contracts have matured and all current swap-like contracts fall within the observable market. Hence only the long term option contracts are considered Level 3.

Financial Assets / (Financial Liabilities)	Fair value \$M as at 28 June 2014	Fair value Level	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Interest rate Swaps	(5.5)	Level 2	Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates. Cash flows discounted at a rate that reflects the credit risk of various counterparties.	Not applicable	Not applicable
2) Trading derivatives (Options)	372.6	Level 3	For long dated options, some future cash flows are estimated based on new entrant price for \$300 caps, or if applicable the payoff relationship between standard \$300 cap and the non-standard cap. Market quoted rates and volatilities are incorporated into Snowy Hydro's generally applied option pricing algorithms for short and medium term maturities. Larger, longer term contracts (for which no liquid market exists) have been priced using a new-entrant pricing model which	New entrant price. Where applicable payoff relationship between standard \$300 cap and the non-standard cap.	Higher new entrant price, the lower the fair value. A higher implied price decreases fair value.

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			incorporates various observable inputs & non-observable management's assumptions. The absence of an active and liquid market for options means resulting fair values of options are to some extent subjective. Cash flows discounted at a rate that reflects the credit risk of various counterparties.		
3)Trading derivatives (Swaps)	2.9 (2.7)	Level 2	Future cash flows determined by the difference between markets quoted forward rates for corresponding quarter and the contract strike price and volume. The market quoted rates are sculpted to reflect any seasonal variations within the duration of the period being quoted. The determination of the extent of seasonal variation is based on the analysis of historical electricity price movements. Management applies different sculpted forward price curves for determining the fair value depending upon the type of contract. Cash flows discounted at a rate that reflects the credit risk of various counterparties.	Not applicable	Not applicable
	(1.9)	Level 2 (Swap and Load Following SWAPS)	Future cash flows determined by the difference between current ICAP price for corresponding quarter and the contract strike price and volume. ICAP prices are adjusted with a calibration factor to value contracts without corresponding ICAP price. Cash flows discounted at a rate that reflects the credit risk of various counterparties.	Not applicable	Not applicable
	9.7 (3.7)	Level 1	Active & liquid futures market. Asset includes broker deposits.	Not applicable	Not applicable

From the table above, financial assets total \$385.2 million and financial liabilities total \$13.8 million.

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4 Risks

(i) Credit risk

A credit risk arises from the potential default of a counterparty on its obligations under an electricity price risk hedging contract that gives rise to a loss to Snowy Hydro; i.e. credit risk arises from the eventuality that this party will not be able to meet its contractual obligations as they fall due and that this will cause a loss to Snowy Hydro.

The measurement of the risk can include both a current and potential future exposure. The contract's fair value is used to quantify the current credit risk if any exists to which Snowy Hydro is exposed with respect to an entity. The fair values of electricity and gas price risk hedging contracts are presented on the balance sheet. The credit risk for non-derivative financial assets is also the amount carried on the balance sheet.

Generally, Snowy Hydro's spot, contract, inter-regional and ancillary services transactions have four week cash settlement terms. As a result, Snowy Hydro's generation business is not exposed to large receivable collection costs, nor does it provide for any significant doubtful debts.

In the longer term, a natural credit risk mitigant exists in that the circumstances that would typically give rise to a default by a counterparty (e.g. a retailer being unable to pay a contract premium) would generally be expected to be favourable for Snowy Hydro. Specifically, if high and volatile electricity prices led to a retailer's default on a premium payment, the value of that exposure on the market would be likely to exceed the future payment receipts under the original contract. Therefore, and unless the contract specified a fair value adjustment at termination (which would negate any upside), such an event would be beneficial to the Company.

Red Energy customers are billed as their meters are read, generally every three months. A dedicated credit management team actively pursues all outstanding accounts while ensuring compliance with all regulatory obligations.

(ii) Interest Rate Risk

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

	Average Interest Rate %	Variable Interest Rate \$M	Interest Rate Reset			Non Interest Bearing \$M	Total
			Less Than 1 year \$M	1 to 5 Years \$M	More Than 5 Years \$M		
Consolidated 2014 Financial Assets							
Cash	2.43	5.0	-	-	-	-	5.0
Other Financial Assets	1.89	9.0	-	-	-	-	9.0
Financial Liabilities							
Trade payables						110.7	110.7
Interest rate swaps	5.66	(100.0)		100.0			-
Unsecured bank loans	3.75	399.0					399.0

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	Average Interest Rate %	Variable Interest Rate \$M	Interest Rate Reset			Non Interest Bearing \$M	Total
			Less Than 1 year \$M	1 to 5 Years \$M	More Than 5 Years \$M		
Consolidated 2013 Financial Assets							
Cash	3.25	11.0	-	-	-	-	11.0
Other Financial Assets	2.91	13.7	-	-	-	-	13.7
Financial Liabilities							
Trade payables	-	-	-	-	-	97.0	97.0
Interest rate swaps	5.66	(100.0)		100.0			-
Unsecured bank loans	3.41	369.0					369.0

Interest rate swaps

Snowy Hydro has entered into an interest rate swap to manage its exposure to floating interest rates between 2010 and 2016 on a \$100 million portion of its debt. The proportion of the debt portfolio that is required to be hedged is subject to periodic review. This interest rate swap was designated as cash flow hedges at inception. In 2010, this interest rate swap was de-designated as a trading contract as floating rate debt levels had fallen to a level lower than the volume of the hedging contracts held.

The following table details the outstanding interest rate swaps at reporting date.

	Average Interest Rate		Notional Principal Amount	
	2014 %	2013 %	2014 \$M	2013 \$M
Consolidated				
Interest rate swaps	5.66	5.66	100.0	100.0

The fair value of interest rate swap is obtained from the counterparty to the transaction, provided the counterparty is a recognised market maker in interest rate swap. The fair value of this instrument as at 28 June 2014 was a liability of \$5.5 million (2013: a liability of \$7.5 million). No new contracts were entered during current reporting period.

A sensitivity analysis has been undertaken and is based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date, with the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period. As at reporting date, if interest rates had been 150 basis points higher or lower and all other variables were held constant, Snowy Hydro's:

- (a) Net profit before tax would decrease, at interest rates 150 bps higher, or increase, at 150 bps lower, by \$4.1 million (2013: \$2.6 million). This is attributable to Snowy Hydro's exposure on its variable rate borrowing.
- (b) Net profit before tax would increase, at interest rates 150 bps higher, or decrease, at 150 bps lower, by \$3.2 million (2013: \$4.0 million). This is attributable to changes in the fair value of Snowy Hydro's interest rate swap contracts.

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(iii) Liquidity Risk

Liquidity risk arises from Snowy Hydro's inability to meet its obligations when they become due or by its inability to enter into future contracts as and when it deems it necessary in the normal course of business. Short term liquidity risk is predominantly created through two sources: the potential for large margin calls to be made against Snowy Hydro's futures portfolio in the event of large movements in forward prices, and the risk of being required to make large payouts on the contract portfolio in the event that Snowy Hydro's generation fails to cover the contract positions.

Snowy Hydro manages its liquidity risk by maintaining adequate financial reserves, banking facilities and reserves in uncommitted stand-by facilities, maintaining diverse funding sources and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At the reporting date, the Group had committed borrowing reserves of \$455.0 million (2013: \$685.0 million), as detailed in note 23. Snowy Hydro manages its market related liquidity risk by maintaining adequate reserves of generation capacity and high levels of plant reliability and availability which allow spot price generation income at times of contracted outgoing commitments.

Snowy Hydro holds an Australian Financial Services Licence under which it must continuously monitor its forward liquidity ratios and the amount of surplus liquid funds. Any un-remedied breach of these conditions would trigger a cessation of trade.

The table below details the remaining contractual maturity of the financial liabilities of the Group. The table has been prepared based on the undiscounted cash outflows of financial liabilities based on the earliest date on which the Group can be required to pay.

Consolidated	Less than	1 to 2 years	2 to 5 years	Greater than	
	1 year			5 years	\$M
2014	\$M	\$M	\$M	\$M	\$M
Trade payables	(110.7)				
Debt	-	(74.0)	(325.0)		
Interest	(1.0)				
Swap liability	(0.3)	(3.89)	(0.4)		
Option liability	(0.2)	-	-		-
Interest rate swaps	-	-	-		-
2013					
Trade payables	(97.0)				
Debt	(354.0)	(15.0)			
Interest	(1.0)				
Swap liability	(16.0)	(0.1)	-		-
Option liability	-	-	-		(12.5)
Interest rate swaps	(2.9)	(2.9)	(2.9)		

Net cash outflows have been measured for each liability as follows:

- (c) Debt is measured as the amount payable at the expiration of the contracted period.
- (d) Interest includes interest payments on all currently held fixed and floating debt at current interest rates.
- (e) Swap instruments have been measured at the expected gross payout of estimated future contract for difference payments and
- (f) Sold option type contracts have been measured at the net of option fees receivable and the gross payout of estimated future contracts for difference payments.

Snowy Hydro Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 28 JUNE 2014

Intercompany swaps are not included in the liquidity risk table as they do not represent cash outflows external to the Group.

30 Parent entity disclosures

The parent entity is Snowy Hydro Limited.

	As at 28 June 2014	As at 29 June 2013
	\$M	\$M
(a) Financial Position		
Assets		
Current Assets	576.9	280.0
Total Assets	2,514.0	2,346.2
Liabilities		
Current Liabilities	106.3	536.0
Total Liabilities	485.2	552.8
Equity		
Issued capital	816.1	816.1
Hedging Reserves	-	(0.8)
(b) Financial Performance		
	Period ended 28 June 2014	Period ended 29 June 2013
	\$M	\$M
Profit attributable to the parent entity	484.6	264.9
Total Comprehensive Income	485.4	265.3
(c) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries		
Guarantees provided under the deed of cross guarantee referred to in Note 27	14.5	14.5
(d) Contingent liabilities of the parent entity		
Contingent liabilities detailed in Note 26 all relate to the parent entity		
(e) Commitments for the acquisition of property plant and equipment		
Not longer than 1 year	4.4	8.3
Longer than 1 year but not longer than 5 years	6.1	18.2

31 Subsequent events

On 2 July 2014, the Australian Energy Regulator (AER) filed proceedings in the Federal Court in Melbourne alleging Snowy Hydro breached clause 4.9.8(a) of the National Electricity Rules (which requires generators in the National Electricity Market to comply with the relevant dispatch instruction) on a total of nine occasions on 29 November 2012, 18 February 2013 and 21 June 2013. Snowy Hydro is currently reviewing the allegations contained in the AER's Statement of Claim. Following a directions hearing in early August 2014, the matter will return to court in September 2014.

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