

Matters Relating to the Electronic Presentation of the Audited Financial Statements

The audit report on page 90 relates to the financial statements of the company and group for the year ended 30 June 2004 included on the company's web-site. The company's Board of Directors is responsible for the maintenance and integrity of the company's web site. We have not been engaged to report on the integrity of the company's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to / from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 7 September 2004 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



FINANCIALS

OVERVIEW	60
CORPORATE GOVERNANCE	61
BOARD OF DIRECTORS	64
DIRECTORS' RESPONSIBILITY STATEMENT	65
STATEMENT OF FINANCIAL PERFORMANCE	66
STATEMENT OF MOVEMENTS IN EQUITY	66
STATEMENT OF FINANCIAL POSITION	67
STATEMENT OF CASH FLOWS	68
NOTES TO THE FINANCIAL STATEMENTS	69
REPORT OF THE AUDIT OFFICE	90
STATUTORY INFORMATION	91
APPENDIX	94
SCOPE AND METHODOLOGY	96
DIRECTORY	99

OVERVIEW

Meridian Energy's core business is the generation of electricity (including the management of related assets) and the marketing, trading and retailing of energy and wider complementary products and solutions within and outside New Zealand.

TREND STATEMENT for year ending		2004	2003 ⁶	2002
		\$M	\$M	\$M
Financial Performance				
Gross Revenue		1,308.0	1,366.9	1,126.6
Total Net Revenue ¹		937.9	752.1	602.3
Earnings Before Interest and Tax (EBIT) ⁷		299.2	232.9	167.6
Net Surplus after Tax		132.9	109.3	84.0
Net Surplus after Tax Adjusted for One-Off Items ²		163.5	111.9	101.1
Funds Employed				
Shareholders' Funds ³		2,401.8	2,299.8	1,662.3
Long-Term Debt, Deferred Tax and Lease Liability		1,328.4	798.3	683.5
Current Portion of Long-Term Debt		158.3	723.1	184.7
		3,888.5	3,821.2	2,530.5
Utilisation of Funds				
Non-Current Assets		3,787.7	3,701.8	2,395.0
Customer Acquisition Costs		37.7	45.0	52.4
Net Working Capital ⁵		63.1	74.4	83.1
		3,888.5	3,821.2	2,530.5
RATIOS		%	%	%
Net Surplus after Tax to Average Equity		5.7	6.5	5.1
Net Surplus after Tax Adjusted for One-Off Items to Average Equity		7.0	6.7	6.2
EBIT to Average Total Assets		7.3	7.7	6.3
Weighted Average Cost of Interest		6.8	7.3	7.3
STATEMENT OF CORPORATE INTENT		2004	2004⁴	2003
		Actual	Target	Actual
EBITDA Interest Cover	Times	5.1	4.4	5.3
Return on Equity Including Revaluation	%	5.7	5.3	5.5
Gross Debt to Gross Debt Plus Equity Ratio	%	35.7	36.5	37.4
EBITDA to Total (Net) Revenue	%	47.3	28.5	41.2

¹ Total Net Revenue is gross revenue less direct supply purchases and interest received.

² The 2004 amount includes the impact of the termination of Project Aqua with the write off of costs previously treated as capital work in progress. The 2003 comparative includes major project investigation costs of Project Aqua. The 2002 comparative includes the costs associated with the purchase of the South Island On Energy customer base, the Transpower transmission settlement and major project investigation costs.

³ Shareholders' Funds includes a revaluation of \$600m effective from 30 June 2003.

⁴ Performance targets included in the Statement of Corporate Intent for the year commencing July 2003.

⁵ Net working capital excludes current portion of term debt.

⁶ The Group acquired Southern Hydro Pty Ltd on 30 April 2003. The FY03 comparatives include the results of Southern Hydro for the period 30 April 2003 to 30 June 2003.

⁷ The EBIT calculation for 2004 includes the impact of the termination of Project Aqua.

CORPORATE GOVERNANCE

Governance at Meridian Energy

Meridian Energy is a limited liability company and is New Zealand's largest State-Owned Enterprise (SOE) in terms of shareholder equity.

Under the State-Owned Enterprises Act 1986 the principal objective of an SOE is to operate as a successful business which is:

- As profitable and efficient as comparable businesses not owned by the Crown;
- A good employer;
- An organisation which exhibits a sense of social responsibility having regard to the interests of the communities in which it operates and by endeavouring to accommodate or encourage those interests when able to do so.

The Meridian Energy Board

1. Role

The Board has a responsibility to protect and enhance the value of the Group in the interests of the Group and the Crown as shareholder.

In terms of the State-Owned Enterprises Act 1986 this includes responsibility for:

- The preparation of and compliance with the Group's Statement of Corporate Intent;
- The overall management of the Group through the appointment of the Chief Executive and the monitoring of his or her performance and stakeholder perception.

More generally the Board meets to review and approve:

- Strategic planning and corporate strategies;
- The annual business plan and review of corporate performance;
- Business opportunities and risks;
- Financial and dividend policies;
- Management's performance against established goals and plans.

2. Appointment of Directors and Composition of Board

The Meridian Energy Board of Directors comprises eight non-executive directors appointed by shareholding Ministers under the State-Owned Enterprises Act 1986.

Under the constitution directors may be appointed for a fixed term not exceeding three years and shareholding Ministers may choose to renew any such appointments for further fixed terms of up to three years. The roles of Chairman and Deputy Chairman are allocated by shareholding Ministers.

Profiles of the current members of the Board are set out on page 56 and 57 of this report.

3. Directors' Remuneration

Each year shareholding Ministers advise the Board of the total amount of fees which may be allocated to directors of the Group. The allocation of those fees in respect of the financial year ended 30 June 2004 is detailed on page 92 and is determined by the Board on advice from the Company Secretary.

4. Operations

The Meridian Energy Board meets on a monthly basis and on other occasions as required.

In the year ended 30 June 2004 the full Board met 17 times, occasioned by a number of projects requiring special consideration.

To ensure efficiency the Board has delegated some of its powers to Board committees and other powers to the Chief Executive and management.

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees

The Board has four standing committees and one project committee as detailed below. The membership and terms of reference for the committees are reviewed regularly by the Board. The Chairman is Chair of the Executive Committee and an ex-officio member of all other committees.

Audit & Finance Committee

The Audit & Finance Committee sets the principles and standards for internal controls, accounting policies and the nature, scope, objectives and functions of external and internal audit. It also evaluates post-implementation reviews of investments and major capital expenditure projects. This committee is currently chaired by Susan Sheldon and met seven times during the financial year.

The Risk & Compliance Committee

The Risk & Compliance Committee is responsible for ensuring the efficient and effective management of all business risk and compliance with the relevant legal, market, and Group policy requirements.

The purpose of this committee is to emphasise the priority the Board places on risk management and compliance while maintaining the independence of the wider internal and external audit and control functions of the Audit & Finance Committee. There is no cross membership between this committee and the Audit & Finance Committee. However there are formal protocols to ensure communication between the two committees. This committee is currently chaired by Steven Gentry and met four times during the financial year.

Remuneration & Human Resources Committee

The Remuneration & Human Resources Committee sets the principles and standards for remuneration structure, policy and practice and human resources policy. It approves company wide remuneration policy and reviews the remuneration of senior executives as well as reviewing the remuneration and succession strategy and conditions of employment. This committee is currently chaired by Joan Withers and met four times during the financial year.

Executive Committee

The Executive Committee represents the Board in response to situations requiring immediate resolution of Group issues. It acts as an executive arm of the Board to consider matters and execute documentation within approved Board policy and delegations. It also responds to specific requests from the Chief Executive regarding Group issues or business. The committee is currently chaired by Francis Small and met three times during the financial year.

The Aqua Committee

The Aqua Committee was responsible for considering matters related to Project Aqua on a regular basis and recommending appropriate action to the Board. Until 31 May 2004, the Aqua Committee was chaired by Phil Lough, and from 1 June until the end of the financial year was chaired by Steven Gentry. The committee met ten times during the financial year.

6. Key Policies

The Board is responsible for setting and determining key policies. Approved policies cover matters such as the delegations of authority framework, sustainability, compliance, treasury, risk management and health and safety.

The delegations of authority policy together with the terms of reference for Board committees establish the key standing delegations of authority from the Board to management and Board committees. It also establishes links to more specific policies such as compliance and treasury.

The delegations of authority policy establishes authorities with respect to certain decision-making powers defined by reference to both subject matter and financial limits. These limits are reviewed periodically.

CORPORATE GOVERNANCE (CONTINUED)

The Group has a sustainability policy that reflects the Group's environmental ethic and its commitment to a wider social responsibility in terms of the State-Owned Enterprises Act 1986. Meridian Energy was the first electricity generator and retailer in New Zealand to adopt and report annually on the basis of an established sustainability policy.

From the year ended 30 June 2002 the Group's reporting against its sustainability objectives has been combined into this single integrated annual report, reflecting the Group's commitment to a wider accountability to the communities within which it operates and to its customers.

Compliance with the many legal, regulatory and multilateral industry requirements in the electricity industry is of vital importance and is a priority for the Board. Meridian Energy takes its obligations seriously in this regard and constantly looks for initiatives to improve its standard of compliance.

The compliance policy ensures that effective compliance is primarily a line management responsibility, with executive management required to demonstrate they have effective processes in place.

7. Review of Performance

The Meridian Energy Board of Directors reviews its performance and the performance of each director annually, including formal evaluations which are required to be submitted to shareholding Ministers every year.

8. Auditors

In accordance with Section 15 of the Public Audit Act 2001, the Auditor-General is required to express an opinion on the Group's financial statements. Pursuant to Section 29 of the Public Finance Act 1989 the Auditor-General has appointed Deloitte to undertake this audit on his behalf. The Auditor's Report is set out on page 90 of this report.

The Board has adopted a strict policy to maintain the independence of the external auditors.

BOARD OF DIRECTORS

Group Directors

Dr Francis Small CNZM

Chair
Appointed in 1999

Susan Sheldon

Deputy Chair
Appointed in 1999

Steven Gentry

Director
Appointed in 1999

Joan Withers

Director
Appointed in 1999

Philip Lough

Director
Resigned 31/05/04

Sir Tipene O'Regan

Director
Appointed in 1999

Charles Chauvel

Director
Appointed 1/04/02

Te Kipa Kapa Brian Morgan

Director
Appointed 1/11/02

Anne Blackburn

Director
Appointed 1/06/04

Subsidiary Company Directors

DamWatch Services Ltd

Keith Turner (Chair)
Murray Gillon (Managing Director)
Kenneth Smales
Peter Menzies
Michael Campbell
Timothy James Densem

Meridian Ltd

Keith Turner (Chair)
Helen Bremner
Ari Sargent
Neil Cochrane

Woodville Windfarm Ltd

Keith Turner

Meridian Energy

International Ltd
Keith Turner (Chair)
Neil Cochrane

Meridian Energy Australia

Holdings Ltd
Keith Turner (Chair)
Neil Cochrane

Meridian Energy Australia Investments Pty Ltd

Stanley Brogan
Keith Turner
Kenneth Smales
(appointed 06/08/03)
Neil Cochrane
(appointed 06/08/03)

Meridian Solutions Ltd

Keith Turner
Neil Cochrane

North Otago Irrigation Number 2 Company

Kenneth Smales
James Hay
Andrew Robertson

Meridian (Whisper Tech) Ltd

Keith Turner
Neil Cochrane
James Hay

Meridian Energy Australia Pty Ltd

Keith Turner (Chair)
Stanley Brogan
Graham Ebbett

SHP1 Pty Ltd

Keith Turner
Graham Ebbett
Kenneth Smales
(appointed 06/08/03)
Neil Cochrane
(appointed 06/08/03)

SHP2 Pty Ltd

Keith Turner
Graham Ebbett
Kenneth Smales
(appointed 06/08/03)
Neil Cochrane
(appointed 06/08/03)

SHP3 Pty Ltd

Keith Turner
Graham Ebbett
Kenneth Smales
(appointed 06/08/03)
Neil Cochrane
(appointed 06/08/03)

SHP3 Holdings Pty Ltd

Keith Turner
Graham Ebbett
Kenneth Smales
(appointed 06/08/03)
Neil Cochrane
(appointed 06/08/03)

Southern Hydro Pty Ltd

Keith Turner
Graham Ebbett
(resigned 24/03/04)
Kenneth Smales
(appointed 06/08/03)
Neil Cochrane
(appointed 06/08/03)
Peter Lowe
(appointed 24/03/04)
Mark Snape
(appointed 24/03/04)

Southern Hydro Maintenance Services Ltd

Keith Turner
Graham Ebbett
Kenneth Smales
(appointed 06/08/03)
Neil Cochrane
(appointed 06/08/03)

MEA General Partner Pty Ltd

Keith Turner
Graham Ebbett
Kenneth Smales
(appointed 06/08/03)
Neil Cochrane
(appointed 06/08/03)

MEA Finance Pty Ltd

Keith Turner
Graham Ebbett
Kenneth Smales
(appointed 06/08/03)
Neil Cochrane
(appointed 06/08/03)

Damwatch Pty Ltd

Stanley Brogan
Graham Ebbett
Murray Gillon

Nirranda South Wind Farm Pty Ltd

Darryl Rowell
(appointed 6/08/03)
Brian Hall *(appointed 6/08/03)*
Alistair Wilson
(resigned 6/08/03)
Sheree Wilson *(resigned 6/08/03)*

Dollar Wind Farm Pty Ltd

Keith Turner
(appointed 2/12/03)
Neil Cochrane
(appointed 2/12/03)
Darryl Rowell
(appointed 2/12/03)
Brian Hall *(appointed 2/12/03)*

Southern Hydro Operations Pty Ltd

Keith Turner
Graham Ebbett
Kenneth Smales
(appointed 06/08/03)
Neil Cochrane
(appointed 06/08/03)

Wattle Point Wind Farm Pty Ltd

Keith Turner
(appointed 4/11/03)
Neil Cochrane
(appointed 4/11/03)
Darryl Rowell
Brian Hall
Alistair Wilson
(resigned 6/08/03)
Sheree Wilson
(resigned 6/08/03)

Macarthur Wind Farm Pty Ltd

Keith Turner
(appointed 30/12/03)
Neil Cochrane
(appointed 30/12/03)
Darryl Rowell
(appointed 30/12/03)
Alistair Wilson
(resigned 11/12/03)
Sheree Wilson
(resigned 11/12/03)

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and the Group as at 30 June 2004 and their financial performance and cash flows for the year ended on that date.

The directors consider that the financial statements of the Company and the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors consider that proper accounting records have been kept which enable the determination of the financial position of the Company and the Group and ensure compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The directors have pleasure in presenting the financial statements, set out on pages 66 to 89, of Meridian Energy Ltd and Group for the year ended 30 June 2004.

The annual Financial Statements were authorised for issue by the Board on 7 September 2004.

For and on behalf of the Board.



Francis Small
CHAIRMAN
7 SEPTEMBER 2004



Susan Sheldon
DEPUTY CHAIRMAN
7 SEPTEMBER 2004

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

	NOTE	GROUP		PARENT	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Operating Revenue	2	1,308,012	1,366,892	1,232,531	1,363,994
Operating Expenses	3	(970,182)	(1,134,176)	(926,907)	(1,117,167)
Financing Costs	4	(86,945)	(57,469)	(26,825)	(57,221)
Equity Accounting of Associate		(328)	(3,235)	-	-
Operating Surplus Before Non Recurring Items		250,557	172,012	278,799	189,606
Project Aqua write off		(38,660)	-	(38,660)	-
Net Surplus Before Tax		211,897	172,012	240,139	189,606
Income Tax	5	(78,992)	(62,698)	(80,582)	(65,623)
Net Surplus After Tax		132,905	109,314	159,557	123,983

STATEMENT OF MOVEMENTS IN EQUITY FOR THE YEAR ENDED 30 JUNE 2004

	NOTE	GROUP		PARENT	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Equity at Beginning of Year		2,299,802	1,662,247	2,323,141	1,676,388
Net Surplus After Tax		132,905	109,314	159,557	123,983
Movement in Revaluation Reserve	13	-	600,000	-	600,000
Movement in Foreign Currency Translation Reserve	9	(13,528)	5,471	-	-
Total Recognised Gains and Losses		119,377	714,785	159,557	723,983
Distributions to Owners	8	(17,400)	(77,230)	(17,400)	(77,230)
Equity at End of Year	7	2,401,779	2,299,802	2,465,298	2,323,141

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

	NOTE	GROUP		PARENT	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Equity					
Shareholders' Equity	7	2,401,779	2,299,802	2,465,298	2,323,141
Liabilities					
Non-Current Liabilities					
Term Borrowings	10	1,176,566	653,178	754,649	652,949
Deferred Tax	11	145,260	138,871	111,868	102,765
Lease Liability	14	6,576	6,245	-	-
Total Non-Current Liabilities		1,328,402	798,294	866,517	755,714
Current Liabilities					
Payables and Accruals	12	254,691	205,709	184,040	154,341
Advance from Subsidiary		-	-	3,327	-
Current Portion of Term Borrowings	10	158,310	723,098	26,700	722,869
Current Tax Payable		2,545	-	-	-
Total Current Liabilities		415,546	928,807	214,067	877,210
Total Liabilities		1,743,948	1,727,101	1,080,584	1,632,924
Total Equity and Liabilities		4,145,727	4,026,903	3,545,882	3,956,065
Assets					
Non-Current Assets					
Investments	15	15,754	5,975	62,457	11,557
Advances to Subsidiary		-	-	247,536	796,366
Convertible Notes		1,890	1,162	1,890	1,162
Prepayments		9,282	4,804	9,282	4,804
Intangible Assets	16	179,537	195,489	325	401
Customer Acquisition Costs	17	37,658	45,020	37,658	45,020
Property, Plant and Equipment	13	3,581,302	3,494,369	2,977,560	2,890,144
Total Non-Current Assets		3,825,423	3,746,819	3,336,708	3,749,454
Current Assets					
Cash and Bank Balances	18	104,262	55,337	34,040	5,121
Advance to Subsidiaries		-	-	-	27,022
Accounts Receivable and Prepayments	19	212,902	209,728	168,821	168,095
Current Tax Receivable		-	12,135	3,173	3,489
Inventories	20	3,140	2,884	3,140	2,884
Total Current Assets		320,304	280,084	209,174	206,611
Total Assets		4,145,727	4,026,903	3,545,882	3,956,065

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2004

NOTE	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Operating Activities				
Cash was Provided from:				
Receipts from Customers	1,293,813	1,304,595	1,223,144	1,341,747
Interest Received	6,547	1,431	4,183	1,431
	1,300,360	1,306,026	1,227,327	1,343,178
Cash was Applied to:				
Payments to Suppliers and Employees	847,527	930,770	839,892	996,791
Net GST Paid	4,125	750	4,266	531
Interest Paid	81,940	57,697	22,343	57,450
Income Tax Paid	57,923	32,811	71,162	31,253
	991,515	1,022,028	937,663	1,086,025
Net Cash Inflows from Operating Activities	308,845	283,998	289,664	257,153
Investment Activities				
Cash was Provided from:				
Sale of Fixed Assets	172	178	117	178
Advances and Loans from Subsidiaries	-	-	525,852	-
	172	178	525,969	178
Cash was Applied to:				
Purchase of Fixed Assets	185,318	563,240	165,105	71,677
Capitalised Interest	2,278	1,310	2,278	1,310
Purchase of Intangible Assets	2,562	195,477	-	471
Advances and Loans to Subsidiaries	-	-	-	702,447
Advance to Associate	728	1,162	728	1,162
Purchase of Investments	10,107	2,648	6,435	2,648
Customer Acquisition Costs	326	247	326	247
	201,319	764,084	174,872	779,962
Net Cash (Outflows)/Inflows from Investing Activities	(201,147)	(763,906)	351,097	(779,784)
Financing Activities				
Cash was Provided from:				
Short Term Debt	-	607,369	-	607,369
Long Term Debt	523,388	95,156	101,700	95,391
	523,388	702,525	101,700	702,760
Cash was Applied to:				
Long Term Debt	-	100,012	-	100,012
Short Term Debt	564,761	-	696,142	-
Dividends Paid	17,400	77,230	17,400	77,230
	582,161	177,242	713,542	177,242
Net Cash (Outflows)/Inflows from Financing Activities	(58,773)	525,283	(611,842)	525,518
Net Increase in Cash Held	48,925	45,375	28,919	2,887
Cash at Beginning of Year	55,337	9,962	5,121	2,234
Cash at End of Year	104,262	55,337	34,040	5,121
Composition of Cash				
Cash and Bank Balances	104,262	55,337	34,040	5,121
	104,262	55,337	34,040	5,121

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1	STATEMENT OF ACCOUNTING POLICIES	page 70
2	OPERATING REVENUE	page 74
3	OPERATING EXPENSES.....	page 74
4	FINANCING COSTS.....	page 75
5	TAXATION	page 75
6	SHARE CAPITAL	page 76
7	EQUITY.....	page 76
8	DIVIDENDS	page 76
9	FOREIGN CURRENCY TRANSLATION RESERVE	page 77
10	TERM BORROWINGS	page 77
11	DEFERRED TAX.....	page 77
12	PAYABLES AND ACCRUALS	page 78
13	PROPERTY, PLANT AND EQUIPMENT	page 78
14	COMMITMENTS	page 79
15	INVESTMENTS	page 80
16	INTANGIBLES	page 83
17	CUSTOMER ACQUISITION COSTS	page 83
18	CASH AND BANK BALANCES	page 84
19	ACCOUNTS RECEIVABLE AND PREPAYMENTS.....	page 84
20	INVENTORIES.....	page 84
21	BORROWINGS AND THE USE OF FINANCIAL INSTRUMENTS	page 84
22	LAND	page 87
23	RELATED PARTY TRANSACTIONS	page 87
24	NET CASH FLOW FROM OPERATING ACTIVITIES	page 88
25	SEGMENT INFORMATION	page 89
26	CONTINGENT GAINS AND LOSSES	page 89

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Statement of Accounting Policies

Meridian Energy Ltd is registered under the Companies Act 1993. The shares in Meridian Energy are held by the Minister for State-Owned Enterprises and the Minister of Finance, on behalf of Her Majesty the Queen in Right of New Zealand ("The Crown") under the State-Owned Enterprises Act 1986. The consolidated statements comprise the Parent and its subsidiaries (the "Group") and the Group's interest in Associates.

The financial statements comply with the Financial Reporting Act 1993 and comprise statements of the following: Significant Accounting Policies, Financial Performance, Movements in Equity, Financial Position, Cash Flows, as well as the notes to these statements.

The financial statements for the Group, including the consolidation of subsidiaries domiciled outside of New Zealand, have been prepared in accordance with generally accepted accounting practice in New Zealand. Where no financial reporting standard or statement of standard accounting practice exists in New Zealand in relation to a particular issue, the accounting policies and disclosures adopted have been determined having regard to authoritative support.

The financial statements are prepared on the basis of historical cost modified to include the revaluation of certain hydro assets, with the exception of certain items for which specific accounting policies are identified.

The Statement of Financial Performance and Statement of Cash Flows are prepared on a GST-exclusive basis. All items in the Statement of Financial Position are stated net of GST, except for receivables and payables, which include GST invoiced.

Basis of Preparing Group Financial Statements

Subsidiaries

Subsidiaries are those entities controlled directly or indirectly by the Group. Subsidiaries are consolidated under the purchase method on a line-by-line basis.

All material intercompany transactions are eliminated on consolidation.

Associates

Associates are entities in which the Group has significant influence, but not control, over the operating and financial policies. Associates are accounted for using the equity method of accounting. The Group recognises its share of the associates' net surplus or deficit for the year as operating revenue in its Statement of Financial Performance. The Group's share of the associates' surplus or deficit is adjusted for the amortisation of goodwill arising on acquisition and differences between the accounting policies of the Group and associates. The Group recognises its share of other post-acquisition movements in reserves in its Statement of Movements in Equity. Dividends received from associates are recognised directly against the carrying value of the investment. In the Statement of Financial Position the investment and the reserves are increased by the Group's share of the post-acquisition retained surplus and other post-acquisition reserves of the associates. In assessing the Group's share of earnings of associates, the Group's share of any unrealised profits between Group companies and associates is eliminated.

Acquisition or Disposal During the Year

Where an entity becomes or ceases to be a Group entity during the year, the results of that entity are included in the net surplus of the Group from the date that control or significant influence commenced or until the date that control or significant influence ceased. Where a Group entity is disposed of, the profit or loss recognised in the Statement of Financial Performance is calculated as the difference between the sale price and the carrying value of the Group entity at the date the entity was sold.

Goodwill Arising on Acquisition

Goodwill, representing the excess of purchase consideration over the fair value of the net assets acquired at the date of acquisition, is shown as an intangible asset. Goodwill is amortised on a straight-line basis over the period of expected benefit. The carrying amount of goodwill is reviewed annually by the directors and adjusted where it is considered necessary.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Differences are accounted for through the Statement of Financial Performance.

The assets and liabilities of overseas operations, being independent foreign operations, are translated at the closing rate at balance date. The revenues and expenses of these operations are translated at rates approximating the exchange rates at the dates of the transactions. Exchange differences arising on the translation of the financial statements of independent foreign operations are recognised directly in the foreign currency translation reserve.

Financial Instruments

The Group uses financial instruments with off-balance sheet risk for the primary purpose of reducing its exposure to fluctuations in interest rates, foreign exchange rates and revenue.

Financial instruments entered into as hedges of an underlying exposure are accounted for on the same basis as the underlying exposure.

Taxation

Income tax expense is recognised on the operating surplus before taxation, adjusted for permanent differences between taxable and accounting income. Deferred tax is calculated using the comprehensive basis under the liability method. This method involves recognising the tax effect of all timing differences between accounting and taxable income as a deferred tax asset or liability in the Statement of Financial Position. The future tax benefit or provision for deferred tax is stated at the income tax rates prevailing at balance date.

Future tax benefits are not recognised unless realisation of the asset is virtually certain.

Non-Current Assets

Property, Plant and Equipment

Fixed assets were initially allocated a fair value at inception of the Company. Subsequent fixed asset additions are recorded at cost including costs directly attributable to bringing the asset to the location and condition necessary for its intended service.

The cost of assets constructed includes all expenditure directly related to specific contracts including financing costs where these meet certain time and materiality limits. Financing costs for major projects are capitalised at the average cost of borrowing. Costs cease to be capitalised as soon as the asset is ready for use.

Meridian has chosen to revalue the generation assets to fair value from 30 June 2003. The underlying valuation will be reviewed by independent third party valuation experts at a minimum of five yearly intervals with the underlying assumptions being reviewed for reasonableness on an annual basis. Any increase in valuation is accounted for as an increase in the revaluation reserve and any decrease in valuation is accounted for as a reduction in the revaluation reserve. Where any reduction is in excess of the carrying value of the revaluation reserve then it is expensed to the Statement of Financial Performance.

Depreciation of fixed assets, other than Australian hydro assets and freehold land, is calculated on a straight line basis to allocate the cost or fair value amount of an asset, less any residual value, over its useful life. For the New Zealand hydro assets, straight line depreciation reflects the base load usage of the underlying assets.

Australian hydro assets are depreciated on a units of production basis which reflects that the underlying assets are used at peak times or are irrigation dependant. The measurement of levels of production refers to the expected gigawatt hours generated over the remaining useful life of the assets depreciated or amortised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The following depreciation and amortisation rates have been applied:

Generation Structures and Plant	Up to 80 years
Other Freehold Buildings	Up to 67 years
Other Plant and Equipment	Up to 20 years
Resource Consents	Up to 50 years
Australian Hydro Assets	Units of production basis

Formal reviews of the carrying value of assets are periodically carried out and where deemed appropriate, the Directors will approve the amendment of the carrying value of the relevant assets in the Statement of Financial Position.

Investments

Investments are stated at cost, except where there is a permanent impairment in value, in which case the lower of cost or fair market value is adopted. Where there is no quoted market value, investments are stated at Directors' valuation. Changes in the value of investments are recognised in the Statement of Financial Performance.

Intangibles

Licences

Power generation licences are recorded at fair value on acquisition. They are amortised over their estimated useful lives either over 70 years or based on the units generated.

Customer Acquisition Costs

Goodwill may be acquired through the acquisition of customers or through an organic marketing campaign (but only in relation to those campaign costs that are highly correlated with the number of customers acquired). This is amortised over a period between 5 and 10 years from the date of acquisition. The carrying value is reviewed annually by the Directors and adjusted where it is considered necessary.

Impairment of Assets

Where the estimated recoverable amount of an asset is less than the carrying value, the asset is written down to its estimated recoverable amount.

Derivatives

On acquisition of Southern Hydro, financial instrument derivatives were recorded in the consolidated Statement of Financial Position as either an asset or liability measured at fair value. To the extent that subsequent gains and losses on the instruments qualifying as hedges relate to the opening fair value, they are brought to account in the Statement of Financial Performance when the underlying event being hedged occurs.

Current Assets

Inventories

Inventories are stated at the lower of cost or net realisable value.

Cost is determined on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

Receivables

Receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash comprises cash balances (net of bank overdrafts) and demand deposits.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Prepaid Premiums/Unearned Income

A current asset is recognised for premiums paid up front by Southern Hydro under forward derivative contracts. This prepaid expense is amortised over the period of the relevant contract.

Unearned income is recognised and recorded as a current liability for payments received by Southern Hydro that are paid up front under forward derivative contracts. This unearned income is amortised in the Statement of Financial Performance over the period of the relevant contract.

Debt

Establishment Debt is initially stated at fair value. Debt incurred subsequent to 1 April 1999 is stated at face value less unamortised discounts, premiums and prepaid interest. Discounts, premiums and prepaid interest and borrowing costs such as origination, commitment and transaction fees are amortised to interest expense over the period of the borrowing.

Operating Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

Finance Leases

Finance leases, which effectively transfer to the lessee substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments.

Changes in Accounting Policies

Effective from 30 June 2003 Meridian adopted fair value accounting for its generation assets. As a result of this change in accounting policy New Zealand fixed assets have been revalued upwards by \$600 million effective from 30 June 2003. From this date the revalued component of fixed assets will be depreciated in line with Meridian's depreciation methodology for the relevant class of assets. This change has given rise to an increased depreciation charge of \$11.3 million during the year ended 30 June 2004 (2003 Nil).

There have been no other changes in accounting policies during the year. All accounting policies have been applied on bases consistent with those applied in Meridian Energy's annual report for the previous year.

Comparatives

Where necessary to facilitate comparison, comparative figures have been adjusted to conform with changes in presentation in the current period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Operating Revenue

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Trading Revenue				
Energy-Related Revenue	1,297,154	1,361,241	1,223,163	1,340,039
Other Revenue				
Interest Income	6,547	1,431	4,183	19,753
Net Gain on Sale of Fixed Assets	22	92	22	92
Other	4,289	4,128	5,163	4,110
Total Revenue from Continuing Activities	1,308,012	1,366,892	1,232,531	1,363,994

3. Operating Expenses

Operating expenses include the following:

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Operating Expenses				
Amortisation of Fair Value at Acquisition				
- Derivatives	14,491	5,858	-	-
- Land leases	3,296	305	-	-
- Licences	726	71	76	71
Amortisation of Customer Acquisition Costs	7,688	7,644	7,688	7,644
Auditor's Fees				
- Audit Fees	346	314	154	140
- Fees paid for Other Assurance Services	61	23	41	23
Bad and Doubtful Debts				
- Bad Debts Written Off	2,224	2,501	2,224	2,501
- Increase in Estimated Doubtful Debts	337	32	337	32
Depreciation				
- Buildings	366	271	333	256
- Generation Structures and Plant	66,642	50,895	60,148	48,517
- Other Plant and Equipment	7,537	8,520	6,950	8,401
Directors' Fees	333	300	308	300
Foreign Exchange (Gain)	(2,027)	(481)	(2,027)	(3,102)
Loss on Sale of Fixed Assets	425	22	14	-
Operating Lease Expenses	3,822	3,307	3,320	2,973
Provision against Carrying Value of Investments	400	-	5,935	-
Provision against Development Costs in Relation to Australian Wind Program	4,685	-	4,685	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Financing Costs

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Finance Costs				
Interest on Borrowings	89,248	59,008	29,128	58,760
Less Capitalised Interest	2,278	1,310	2,278	1,310
Less Debt Repricing Amortisation	25	229	25	229
Total Financing Costs	86,945	57,469	26,825	57,221

5. Taxation

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
(A) INCOME TAX EXPENSE				
Net Surplus Before Tax	211,897	172,012	240,139	189,606
Permanent Differences				
Expenditure Not Deductible for Tax	7,962	3,257	4,122	1,145
Depreciation/Amortisation of Revaluation	14,911	(911)	11,193	4,901
Other	4,599	15,637	(11,267)	3,206
Surplus Subject to Tax	239,369	189,995	244,187	198,858
Tax @ 33%	78,992	62,698	80,582	65,623
Total Income Tax Expense	78,992	62,698	80,582	65,623
Comprising				
Current Period Tax	70,955	37,996	71,479	44,246
Deferred Income Tax Liability	8,037	24,702	9,103	21,377
	78,992	62,698	80,582	65,623

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
(B) IMPUTATION CREDITS				
Balance at Beginning of Year	10,494	17,160	10,113	16,732
Net Income Tax	55,889	31,373	55,586	31,253
Credits Attached to Dividends Received	-	-	-	167
Credits Attached to Dividends Paid	(8,570)	(38,039)	(8,570)	(38,039)
Balance at End of Year	57,813	10,494	57,129	10,113

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At balance date the imputation credits available to shareholders of the Companies of the Group were:

	2004 \$'000	2003 \$'000
Through:		
Shareholding in Parent Company	57,129	10,113
Indirect Interests in Subsidiaries	684	381
	57,813	10,494

6. Share Capital

The share capital is represented by 1,600,000,002 ordinary shares issued and fully paid. These are held in equal numbers by the Minister of Finance and the Minister for State-Owned Enterprises on behalf of the Crown.

7. Equity

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Equity comprises of				
Share Capital	1,600,000	1,600,000	1,600,000	1,600,000
Retained Earnings	139,604	24,099	187,682	45,525
Revaluation Reserve	677,802	677,802	677,616	677,616
Foreign Currency Translation Reserve	(15,627)	(2,099)	-	-
Equity at end of period	2,401,779	2,299,802	2,465,298	2,323,141

8. Dividends

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Distributions Made				
Interim Dividend	-	53,600	-	53,600
2003 Final Dividend Paid	17,400	-	17,400	-
2002 Final Dividend Paid	-	23,630	-	23,630
Total Dividends	17,400	77,230	17,400	77,230

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Foreign Currency Translation Reserve

	GROUP	
	2004 \$'000	2003 \$'000
Balance at Beginning of Year	(2,099)	(7,570)
Difference arising from Translation of Foreign Operations	(13,528)	5,471
Total Foreign Currency Translation Reserve	(15,627)	(2,099)

The foreign currency translation reserve results from the translation of the Australian Subsidiaries Statement of Financial Position at the closing rate at balance date. The closing rate at 30 June 2004 was \$0.91 (30 June 2003 \$0.87).

10. Term Borrowings

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Borrowings Due within 1 Year	158,310	723,098	26,700	722,869
Borrowings Due within 1-2 Years	229,987	26,700	-	26,700
Borrowings Due within 2-7 Years	241,930	626,478	50,000	626,249
Borrowings Due after 7 Years	704,649	-	704,649	-
Total Borrowings	1,334,876	1,376,276	781,349	1,375,818

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current Portion of Borrowings	158,310	723,098	26,700	722,869
Non-Current Portion of Borrowings	1,176,566	653,178	754,649	652,949
Total Borrowings	1,334,876	1,376,276	781,349	1,375,818

Security

The borrowings are unsecured but subject to a negative pledge arrangement.

11. Deferred Tax

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Balance at Beginning of Period	138,871	92,031	102,765	81,387
Deferred Tax Acquired during the year	-	21,576	-	-
Deferred Tax On Surplus for Period	8,037	24,702	9,103	21,378
Foreign Translation	(1,648)	562	-	-
Balance at End of Period	145,260	138,871	111,868	102,765

The income tax effect of timing differences originating from the fair value review of assets and liabilities which has not been recognised as an asset in the deferred tax account is \$186 million (2003 \$247 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Payables and Accruals

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current				
Trade Creditors	38,973	22,807	27,091	6,537
Employee Entitlements	5,067	6,642	4,798	2,987
Unearned Income	47,167	22,334	1,044	171
Accrued Expenses	166,865	153,040	154,389	143,725
GST	(3,381)	886	(3,282)	921
	254,691	205,709	184,040	154,341

13. Property, Plant and Equipment

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Generation Structures and Plant				
Fair Value	3,186,769	3,162,959	2,778,325	2,744,754
Less: Accumulated Depreciation	72,988	8,228	61,956	2,703
Closing Balance - Fair Value	3,113,781	3,154,731	2,716,369	2,742,051
Other Freehold Land				
Fair value	39,908	8,015	39,012	8,015
Other Leasehold Land				
Fair Value	168,699	176,073	-	-
Less: Accumulated Amortisation	3,607	305	-	-
Closing Balance - Fair Value	165,092	175,768	-	-
Other Freehold Buildings				
Fair Value	14,632	6,470	13,068	6,470
Less: Accumulated Depreciation	1,299	926	1,260	926
Closing Balance - Fair Value	13,333	5,544	11,808	5,544
Other Plant and Equipment				
Fair Value	60,651	50,340	55,007	39,715
Less: Accumulated Depreciation	33,513	24,984	30,235	22,718
Closing Balance - Fair Value	27,138	25,356	24,772	16,997
Resource Consents				
Fair Value	7,482	7,482	7,482	7,482
Less: Accumulated Depreciation	806	653	806	653
Closing Balance - Fair Value	6,676	6,829	6,676	6,829
Total Property, Plant and Equipment				
Fair Value	3,478,141	3,411,339	2,892,894	2,806,436
Less: Accumulated Depreciation & Amort	112,213	35,096	94,257	27,000
Cost - WIP	215,374	118,126	178,923	110,708
Total Closing Balance - Fair Value	3,581,302	3,494,369	2,977,560	2,890,144

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

New Zealand fixed assets were revalued as at 30 June 2003. This was a Directors' valuation based on an independent review of future revenue and expense streams forecast for the New Zealand hydro assets. The independent review was completed by PricewaterhouseCoopers who are business valuation experts. The full revaluation was applied to those assets classed as generation structures and plant. As a consequence of the revaluation, accumulated depreciation on these assets has been reset to nil at 1 July 2003 in line with treatment prescribed under FRS 3. Depreciation resumed as normal this year and is recorded in the Statement of Financial Performance.

14. Commitments

The Group leases premises, motor vehicles and plant and equipment.

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Capital Expenditure				
Commitments for Contracts	317,744	27,095	99,951	11,408
Operating Lease Commitments				
Non-Cancellable operating lease rentals are payable as follows				
Not later than one year	3,195	3,445	2,204	1,998
Later than one year but not later than two years	2,853	2,639	2,036	1,805
Later than two years but not later than five years	7,009	6,705	5,459	5,358
Later than five years	4,036	8,210	-	1,810
Total Operating Lease Commitments	17,093	20,999	9,699	10,971
Finance Lease Commitments				
Non-Cancellable finance lease rentals are payable as follows				
Later than five years	195,703	204,445	-	-
Total minimum lease payments	195,703	204,445	-	-
Future finance charges	(189,127)	(198,200)	-	-
Total Lease Liability	6,576	6,245	-	-
Current Liability	-	-	-	-
Non-Current Liability	6,576	6,245	-	-
	6,576	6,245	-	-

The Group has entered into a number of agreements in relation to the development of wind generation projects in New Zealand and Australia. The capital commitment in relation to these projects has been included above where there is a signed contract and the price is agreed.

Finance leases have been capitalised for land and civil structures relating to the Kiewa and Rubicon schemes in Australia. The finance lease and any improvements to or on the leasehold property are amortised over a period of 60 years. The first 30 years of the lease have been prepaid. The company has a commitment for the future value of payments due under the lease from years 31-60.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Investments

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Investments				
Investment in Subsidiaries	-	-	50,375	375
Investment in Associates	-	328	-	5,535
Other Investments	15,754	5,647	12,082	5,647
	15,754	5,975	62,457	11,557

(A) Investments in Subsidiaries and Controlled Entities

Subsidiaries

Investments in subsidiaries comprise shares at cost. Significant subsidiaries as at 30 June 2004 comprise:

NAME OF ENTITY	DATE ¹	PRINCIPAL ACTIVITY	INTEREST HELD BY GROUP	
			2004	2003
Meridian Ltd		Non-Trading Entity	100%	100%
DamWatch Services Ltd		Professional Services	100%	100%
Woodville Windfarm Ltd		Non-Trading Entity	100%	100%
Meridian Energy International Ltd		Investment Company	100%	100%
Meridian Solutions Ltd		Non-Trading Entity	100%	100%
North Otago Irrigation Number 2 Company Ltd	12/02/04	Non-Trading Entity	100%	-
Meridian (Whisper Tech) Ltd	4/11/03	Investment Company	100%	-
MEA General Partner Pty Ltd*		Investment Company	100%	100%
Wattle Point Wind Farm Pty Ltd*	6/08/03	Power Generation	100%	50%
Nirranda South Wind Farm Pty Ltd*	6/08/03	Non-Trading Entity	100%	50%
Dollar Wind Farm Pty Ltd*	2/12/03	Non-Trading Entity	100%	-
Macarthur Wind Farm Pty Ltd*	11/12/03	Non-Trading Entity	100%	-

¹ The date that the subsidiary became part of the Group during the reporting period.

* Incorporated in Australia.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

All subsidiary entities have a balance date of 30 June

Controlled Entities

NAME OF ENTITY	DATE ²	PRINCIPAL ACTIVITY	INTEREST HELD BY GROUP	
			2004	2003
Meridian Energy Australia Holdings Ltd		Investment Company	100%	100%
Meridian Energy Australia Pty Ltd*		Hydro Power Generation	100%	100%
Hydropower Group Pty Ltd*	21/06/04	Hydro Power Generation	-	100%
Yarrowonga Power Pty Ltd*	21/06/04	Hydro Power Generation	-	100%
N.T. Power Operations Pty Ltd*	21/06/04	Hydro Power Generation	-	100%
Union Reefs Power Pty Ltd*	21/06/04	Hydro Power Generation	-	100%
FES Power Pty Ltd*	21/06/04	Hydro Power Generation	-	100%
MLC Power Pty Ltd*	21/06/04	Hydro Power Generation	-	100%
Hydroco Partnership*	21/06/04	Hydro Power Generation	-	100%
MEA Limited Partnership*		Investment Company	100%	100%
MEA Finance Pty Ltd*		Finance Company	100%	100%
Meridian Energy Australia Investments Pty Ltd*		Investment Company	100%	100%
SHP 1 Pty Ltd*		Hydro Power Generation	100%	100%
SHP 2 Pty Ltd*		Hydro Power Generation	100%	100%
SHP 3 Pty Ltd*		Hydro Power Generation	100%	100%
SHP 3 Holdings Pty Ltd*		Hydro Power Generation	100%	100%
Southern Hydro Pty Ltd*		Hydro Power Generation	100%	100%
Southern Hydro Maintenance Services Pty Ltd*		Hydro Power Generation	100%	100%
Southern Hydro Operations Pty Ltd*		Hydro Power Generation	100%	100%
Damwatch Pty Ltd*		Non-Trading Entity	100%	100%

² The date that the controlled entity was deregistered and ceased to be part of the Group during the reporting period.

* Incorporated in Australia

B) Investments in Associates

At balance date the Company holds a 29.9% investment in Whisper Tech Ltd.

Whisper Tech Ltd, a company incorporated in New Zealand, has a balance date of 31 March. Equity accounted earnings have been aligned to a 30 June balance date for the Group. Whisper Tech Ltd was formed to design, develop, manufacture and distribute co-generation systems for residential and mobile markets. This business has now been transferred to the Whisper Tech joint venture with Whisper Tech Ltd receiving licence fees for the use of intellectual property and the assets of Whisper Tech Ltd. Meridian and the other major shareholder have entered into a Put Option with the existing minority shareholders. Whisper Tech Ltd has no material capital commitments or contingent liabilities as at 30 June 2004.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Goodwill Relating to Investment in Associate

	GROUP	
	2004 \$'000	2003 \$'000
Carrying amount at beginning of year	328	2,314
Share of total recognised revenues and expenses	(328)	(3,235)
Purchase of an additional 1.67% of Whisper Tech Ltd	-	1,249
Carrying amount at end of year	-	328
The carrying value is comprised of:		
Cost	850	850
Share of associate post-acquisition reserves	(3,877)	(4,180)
Goodwill	3,027	3,658
	-	328

Associate Share of Net Surplus

	GROUP	
	2004 \$'000	2003 \$'000
Share of surplus before taxation	303	(2,376)
Share of taxation expense	-	-
Share of net deficit	303	(2,376)
Amortisation of goodwill	(631)	(859)
Share of total recognised revenues and expenses	(328)	(3,235)

Goodwill

	GROUP	
	2004 \$'000	2003 \$'000
Cost at beginning and end of year	4,685	3,355
Goodwill arising on acquisition	-	1,330
	4,685	4,685
Accumulated amortisation:		
At beginning of year	(1,027)	(168)
Amortisation expense for the year	(631)	(859)
At end of year	(1,658)	(1,027)
Goodwill included within the Carrying Amount of the Investment in Associate	3,027	3,658

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(C) Other Investments

At balance date the Company holds investments in Nth Power Technologies Fund II, L.P, Fonterra and Whisper Tech Joint Venture. These investments do not give rise to consolidated or equity accounting treatment.

The investment in Fonterra arose with the purchase of land for Project Aqua. The market value of these investments at 30 June was \$8.57 million.

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Other Investments				
Nth Power Technologies	5,686	5,647	5,686	5,647
Fonterra	6,396	-	6,396	-
Whisper Tech Joint Venture	3,672	-	-	-
	15,754	5,647	12,082	5,647

The Group also has interests in Ceramic Fuel Cells Ltd and in Superlink Developments Ltd. These interests were assigned to the Group from ECNZ at no cost and, as such, the carrying value of the interests is nil.

16. Intangibles

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Licences	133,511	140,164	325	401
Derivatives on acquisition of Southern Hydro	46,026	55,325	-	-
	179,537	195,489	325	401

17. Customer Acquisition Costs

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Customer acquisition costs (at cost)	67,375	67,049	65,174	64,848
Accumulated Amortisation	(29,717)	(22,029)	(27,516)	(19,828)
Total Carrying Value	37,658	45,020	37,658	45,020
Reconciliation				
Balance at beginning of year	45,020	52,417	45,020	52,417
Acquisition costs during year	326	247	326	247
Amortisation during year	(7,688)	(7,644)	(7,688)	(7,644)
Balance at End of Year	37,658	45,020	37,658	45,020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Cash and Bank Balances

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current Account	69,377	9,963	13,163	5,121
Money Market Account	34,885	45,374	20,877	-
	104,262	55,337	34,040	5,121

19. Accounts Receivable and Prepayments

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current				
Billed and Accrued Receivables	180,706	188,812	162,781	158,488
Less: Provision for Doubtful Debts	2,243	1,906	2,243	1,906
Net Trade Receivables	178,463	186,906	160,538	156,582
Prepayments	34,439	22,822	8,283	11,513
Total Accounts Receivable and Prepayments	212,902	209,728	168,821	168,095

20. Inventories

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Inventories Comprise				
Consumable Spares and Stores	3,140	2,884	3,140	2,884

21. Borrowings and the Use of Financial Instruments

Exposure to currency, revenue, interest rate and credit risk arises in the normal course of the Group's business. Within approved policy guidelines and authorisations set by the Board of Directors, derivative financial instruments are used as a means of reducing exposure to fluctuations in foreign exchange rates and interest rates. While these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged.

The principal or contract amounts of derivative financial instruments outstanding at balance date were:

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cross Currency Interest Rate Swaps	704,649	123,000	704,649	123,000
Forward Exchange Contracts	206,609	33,057	206,609	33,057
Interest Rate Swaps	1,298,709	1,350,655	1,298,709	1,350,655
Interest Rate Options	85,000	100,000	85,000	100,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(a) Foreign currency risk

The Group incurs foreign currency risk as a result of purchases that are denominated in a currency other than the respective Group entity's functional currency. The currencies giving rise to currency risk in which the Group primarily deals, are the Australian Dollar, Euro, and US Dollar.

The Group also incurs foreign currency risk from the revaluation of the net assets of overseas subsidiaries for external financial reporting purposes. Currently Meridian's policy is not to hedge foreign currency denominated assets on the consolidated balance sheet.

The Group has accessed foreign capital markets to secure long dated financing and uses cross currency interest rate swaps to eliminate risk in relation to these borrowings.

(b) Interest rate risk

It is Group policy to manage exposure to interest risk via the use of interest rate swaps, forward rate agreements and interest rate options and to maintain a fixed/floating profile within parameters prescribed by the Treasury Policy.

(c) Repricing analysis

The tables below and on the following page identify the repricing period for financial instruments that are interest rate risk sensitive. The interest rate applicable to derivative financial instruments is incorporated into the effective interest rate of the underlying hedged items.

Repricing 2004 Group

\$'000	EFFECTIVE INTEREST RATE	TOTAL	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2 OR MORE YEARS	NON-INTEREST BEARING
Financial Assets							
Cash Balances (net)	4.92%	104,262	104,262	-	-	-	-
Receivables		212,902	-	-	-	-	212,902
Investments		15,754	-	-	-	-	15,754
Total Financial Assets		332,918	104,262	-	-	-	228,656
Financial Liabilities							
Total Borrowings*	6.78%	1,334,876	131,610	26,700	229,987	946,579	-
Creditors		254,691	-	-	-	-	254,691
Dividends Payable		-	-	-	-	-	-
Total Financial Liabilities		1,589,567	131,610	26,700	229,987	946,579	254,691
Off Balance Sheet							
Cross Currency Interest Rate Swaps		704,649	-	-	-	704,649	-
Interest Rate Swaps		1,298,709	25,000	15,000	229,512	1,029,197	-
Interest Rate Options		85,000	50,000	25,000	10,000	-	-
Total Off Balance Sheet		2,088,358	75,000	40,000	239,512	1,733,846	-

*The debt is floating debt, but the repricing is shown in line with the maturity dates because the majority is hedged to fixed rates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Repricing 2003 Group

\$'000	EFFECTIVE INTEREST RATE	TOTAL	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2 OR MORE YEARS	NON-INTEREST BEARING
Financial Assets							
Cash Balances (net)	4.69%	55,337	55,337	-	-	-	-
Receivables		209,728	-	-	-	-	209,728
Investments		5,975	-	-	-	-	5,975
Total Financial Assets		271,040	55,337	-	-	-	215,703
Financial Liabilities							
Total Borrowings	7.28%	1,376,276	1,249,320	49,987	26,969	50,000	-
Creditors		205,708	-	-	-	-	205,708
Dividends Payable		-	-	-	-	-	-
Total Financial Liabilities		1,581,984	1,249,320	49,987	26,969	50,000	205,708
Off Balance Sheet							
Cross Currency Interest Rate Swaps		123,000	-	-	-	123,000	-
Interest Rate Swaps		1,350,655	25,000	-	112,286	1,213,369	-
Interest Rate Options		100,000	15,000	-	75,000	10,000	-
Total Off Balance Sheet		1,573,655	40,000	-	187,286	1,346,369	-

Note: The repricing analysis for the Parent has not been presented, as there is no significant difference between the Group and the Parent pricing profile.

(d) Credit risk

The Group incurs credit risk from transactions with financial institutions and in relation to its trade receivables.

Apart from one major direct supply customer, the Group does not have any significant concentrations of credit risk. Amounts owed by trade receivables are unsecured but evaluations are performed for significant levels of credit. In limited cases bonds are withheld where credit risks are perceived to be above normal.

There is no requirement to hold collateral or security to support financial instruments, owing to the high credit rating of the financial institutions dealt with. The Group further limits its credit exposure by limiting the amount of funds placed with any one financial institution at any one time. The Group does not anticipate the non-performance of any obligations that existed at balance date.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position and the fair value of financial instruments as shown in the table at part (f).

(e) Revenue risk

As part of its portfolio contracts and as part of its wholesale risk management activities, the Group has electricity price hedges with customers and counterparties for various periods out to 2011. Under these contracts, the Group sells and buys electricity forward at a fixed price (hedge price). Any difference, during the period to which the invoice relates, between the hedge price and the spot price is settled between the parties, irrespective of the supply of electricity. If the spot price is greater than the hedge price, the Group must settle with the counterparty. Conversely, if the spot price is less than the hedged price, the counterparty must settle with Meridian Energy.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the New Zealand parent it is not practicable to estimate the fair value of electricity hedge contracts as the secondary market for electricity price hedge products, namely seasonal hedge, monthly hedge and call options, is not sufficiently active. The face value of outstanding electricity hedge contracts in New Zealand at 30 June 2004 at hedge prices is \$284.5 million (30 June 2003 \$336.6 million). For the Australian subsidiaries, the fair value of electricity hedge contracts has been calculated on a mark to market basis against the forward price curve and is \$38.3 million at 30 June 2004 (30 June 2003 \$77.6m).

In addition to electricity hedge contracts, Southern Hydro has weather derivative contracts that mitigate the risks around hydrology expectations. These are carried at cost on the balance sheet.

(f) Fair values

Fair values are estimated using the mark to market value methodology except for short-term and other investments where the carrying value of these items is equivalent to their fair value. The valuations were provided by the Group's bankers and/or other independent advisors. For cash at bank, bank overdraft, receivables, weather derivatives and trade creditors the fair values are equivalent to their carrying values and therefore have been excluded from the table below. For term debt, including bonds with associated cross currency interest rate swaps, the fair values are equivalent to their carrying values and have been included in the table below.

	2004 \$'000		2003 \$'000	
	FAIR VALUE	CARRYING VALUE	FAIR VALUE	CARRYING VALUE
Assets				
Investment in Unlisted Shares	15,754	15,754	5,975	5,975
Liabilities				
Term Debt	1,176,566	1,176,566	653,151	653,178
Off Balance Sheet Financial Instruments				
Group				
Forward Exchange Contracts	(1,659)	-	(1,240)	-
Interest Rate Swaps	9,851	-	(59,961)	-
Interest Rate Options	(25)	-	(356)	-

22. Land

The Group is not yet formally registered as proprietor under the Land Transfer Act of significant portions of its land assets. However the Group has full beneficial ownership rights and the benefit of an obligation from the Crown to create titles under the Land Transfer Act and transfer them to the Group. This is also the basis on which ECNZ owned these assets prior to transfer to the Group. Titles will be issued once the surveying and land title processes have been completed.

23. Related Party Transactions

The shareholder of the Company is the Crown. The Group undertakes many transactions with the Crown, state-owned companies and Government entities and with its subsidiary DamWatch Services Ltd, all of which are carried out on a commercial and arm's-length basis.

Non Government Party Related Transactions

Some Directors of the Group may be directors or officers of other companies or organisations with whom Meridian may transact. Such transactions are all carried out independently on an arm's-length basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Entity	Transaction	\$'000	Relationship
Minter Ellison Rudd Watts	Payments to Minter Ellison Rudd Watts for legal services	331	Charles Chauvel, Meridian Energy director, is a partner of Minter Ellison Rudd Watts
Royal NZ Ballet	Sponsorship grant.	250	Joan Withers, Meridian Energy director, is a trustee of the Royal New Zealand Ballet in her own personal capacity
Christchurch International Airport	Sales of electricity to Christchurch International Airport	900	Sue Sheldon, Meridian Energy director, is a director of Christchurch International Airport

24. Net Cash Flow from Operating Activities

	GROUP		PARENT	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Reconciliation with Net Surplus after Tax				
Net Surplus after Tax	132,905	109,314	159,557	123,983
Items Not Involving Cash Flows				
Depreciation Expense	74,120	59,686	67,417	57,174
Amortisation	26,201	13,878	7,764	7,715
Amortisation of Debt Revaluation	(25)	(229)	(25)	(229)
Deferred Tax	6,388	46,840	9,103	21,378
Loss on Sale of Fixed Assets	425	22	14	-
Write off of Aqua Prior Year Capital Expenditure	12,419	-	12,419	-
Write Down of Investments	328	5,235	5,535	2,000
Other Non-Cash Items	-	2	-	-
	119,856	125,434	102,227	88,038
Changes in Working Capital Items				
Accounts Receivable	(7,653)	(60,866)	(5,204)	(20,816)
Inventory	(256)	24	(256)	24
Trade Creditors and Accruals	49,313	103,721	33,024	53,178
Tax Provision	14,680	6,371	316	12,746
	56,084	49,250	27,880	45,132
Net Cash Flow from Operating Activities	308,845	283,998	289,664	257,153

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Segment Information

Industry Segments

Meridian Energy operates predominantly in one industry, the generation, wholesale marketing and retailing of electricity and complementary products and services. Its operations are carried out in New Zealand and Australia.

Geographical Segments

AS AT AND FOR THE YEAR ENDED 30 JUNE 2004

	New Zealand	Australia	Eliminations	Consolidation
	2004 \$'000	2004 \$'000	2004 \$'000	2004 \$'000
Revenue Derived				
From Outside Group	1,236,018	72,682	(688)	1,308,012
Total Revenue	1,236,018	72,682	(688)	1,308,012
Segment Net Surplus Before Tax and Finance Costs	268,649	17,776	12,417	298,842
Segment Total Assets	3,540,494	892,140	(286,907)	4,145,727

AS AT AND FOR THE YEAR ENDED 30 JUNE 2003

	New Zealand	Australia	Eliminations	Consolidation
	2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000
Revenue Derived				
From Outside Group	1,345,868	21,506	(482)	1,366,892
Total Revenue	1,345,868	21,506	(482)	1,366,892
Segment Net Surplus Before Tax and Finance Costs	227,585	4,041	(2,145)	229,481
Segment Total Assets	3,357,689	859,533	(196,564)	4,020,658

The Group acquired Southern Hydro Pty Ltd on 30 April 2003. The FY03 comparatives include the results of Southern Hydro for the period 30 April 2003 to 30 June 2003.

26. Contingent Gains and Losses

Other than contingent liabilities arising in the normal course of business, the contingent gains and losses of the Group arising in the financial year to 30 June 2004 are as follows:

- The Company has agreed to underwrite 25% of the proposed issue of shares for the North Otago Downlands irrigation scheme pursuant to a Subscription Agreement.

REPORT OF THE AUDIT OFFICE

TO THE READERS OF MERIDIAN ENERGY LTD AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

The Auditor-General is the auditor of Meridian Energy Ltd (the company) and group. The Auditor-General has appointed me, Ian C Marshall, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the company and group, on his behalf, for the year ended 30 June 2004.

Unqualified Opinion

In our opinion:

The financial statements of the company and group on pages 66 to 89:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of:
 - the company and group's financial position as at 30 June 2004; and
 - the results of operations and cash flows for the year ended on that date.

Based on our examination the company and group kept proper accounting records.

The audit was completed on 7 September 2004, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support the opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the company and group as at 30 June 2004. They must also give a true and fair view of the results of operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the State-Owned Enterprises Act 1986 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 19(1) of the State-Owned Enterprises Act 1986.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries.



Deloitte.

Ian C Marshall
DELOITTE
On behalf of the Auditor-General
WELLINGTON, New Zealand

STATUTORY INFORMATION

General Disclosures

Disclosure of Directors' Interests

Declaration of general interest by directors for the year ended 30 June 2004 in accordance with Section 140 (2) of the Companies Act 1993:

(Arthur) Francis Small

Meteorological Service of NZ Ltd, Director/Chairman
Metra Information Ltd, Director
Standards New Zealand, Council Member
Antarctica NZ, Director
Centre Advanced Engineering, Chairman
Murray King & Francis Small Consulting Ltd, Shareholder/Director
Francis Small Consulting Ltd, Shareholder/Director
Anglican Diocese of Wellington, Trustee

Susan Sheldon

Asure New Zealand Ltd, Director
Christchurch International Airport Ltd, Director/Deputy Chairman
National Provident Fund Board of Trustees, Chairman
Ngai Tahu Holdings Corporation Ltd, Director
Freightways Ltd, Director
Canwest Media Works (NZ) Ltd, Director
FibreTech New Zealand Ltd (previously Woolfill Corporation (NZ) Ltd), Director
FibreTech Holdings Ltd (previously Woolknop Holdings Ltd), Director/Shareholder
Nimbus Bedware Ltd, Director/Shareholder
Advanced Business Education Ltd, Director (resigned 17/5/04)
Accounting Standards Review Board, Member (resigned 20/7/04)

Joan Withers

Auckland International Airport Ltd, Director
The Warehouse Group Ltd, Director
Counties Manukau Pacific Trust, Trustee
Clinical Research & Effective Practice Foundation, Chairman
Tourism Holdings Ltd, Director
Royal New Zealand Ballet, Trustee
Fairfax NZ Advisory Board, Director
Feltex Carpets Ltd, Director

Steven Gentry

Sinclair Knight Merz Group, Senior Consultant
Whisper Tech Limited, Director
BRANZ Inc, Director
Red Cross Foundation, Trustee
IPENZ Foundation, Trustee
Chartered Professional Engineers' Council, Member
Katherine Mansfield Memorial Fellowship, Trustee
Contact Energy Ltd, Shareholder
Whispergen Limited, Director

Sir Tipene O'Regan

Whale Watch Kaikoura Ltd, Director
Te Tapuae o Rehua Ltd, Director/Chairman
Kutai Investments Ltd, Director/Shareholder
Clifford Bay Marine Farms Ltd, Director/Shareholder
The Escorial Company Limited, Director/Chairman (resigned 16/6/04)
Transit New Zealand, Director/Deputy Chairman
Stehr Group Pty Ltd (Australia), Director
Marine Stewardship Council (UK), Director
University of Canterbury, Senior Research Fellow
School of Business, Board of Advisors, University of Otago, Member
National Centre for Advanced Bio-Protection Technologies, Director
Syft Technologies Ltd, Shareholder
Jade Software Ltd, Shareholder
Hanover Financial Services Ltd, Director (from 1/7/04)

Charles Chauvel

Minter Ellison Rudd Watts, Partner
Minter Ellison Rudd Watts Ltd, Director
Minter Ellison Rudd Watts Pty Ltd, Chair
Minter Ellison Rudd Watts Solicitors Nominee Company Limited, Director
New Zealand Lotteries Commission, Deputy Chair
Contact Energy, Shareholder

Te Kipa Kepa Morgan

University of Auckland, School of Engineering, Employee
Mahi Maioro Professionals, Managing Director
Engineering Associates Registration Board (Ministerial Appointee)
Haumingi 10A 2B Papakainga Trust, Chairman

Margaret Anne Blackburn

Ag Research Limited, Director
Celentis Limited, Director
Wellington Regional Council Holdings Limited, Director
Pringle House Limited, Director
Port Investments Limited, Director
Technical Advisory Board to the Export Credit Office, Director
Bank of New Zealand, Employee
Contact Energy Limited, Shareholder

STATUTORY INFORMATION (CONTINUED)

There were no specific disclosures of interest under Section 140 (1) of the Companies Act 1993.

Information Used by Directors

No member of the Board of Meridian Energy Ltd, or any subsidiary, issued a notice requesting the use of information received in their capacity as director which would not otherwise have been available to them.

Indemnification and Insurance of Officers and Directors

The Parent indemnifies its directors and current executive officers of the Group against all liabilities (other than to the Parent or member of the Group) which arise out of the performance of their normal duties as director or executive officer, unless the liability relates to conduct involving lack of good faith. To manage this risk, the Group has indemnity insurance.

Directors' Remuneration

	GROUP 2004 DIRECTORS' FEES \$'000	SUBSIDIARIES 2004 \$'000
Dr Francis Small (Chairman)	61.0	-
Susan Sheldon (Deputy Chairman)	44.0	-
Steven Gentry	39.0	-
Philip Lough (resigned 31 May 2004)	35.9	-
Sir Tipene O'Regan	30.0	-
Joan Withers	33.0	-
Charles Chauvel	30.0	-
Te Kipa Kepa Morgan	33.0	-
Margaret Anne Blackburn	2.3	-
Peter Lowe	-	5.8
Mark Snape	-	5.8
Stanley Brogan	-	13.0
TOTAL	308.2	24.6

Shareholders

Shareholder Information

All the issued ordinary shares in Meridian Energy Ltd are held equally by the Minister of Finance and the Minister for State-Owned Enterprises on behalf of Her Majesty the Queen in Right of New Zealand (the Crown).

Employees

The Meridian Energy Group's employment philosophy is to attract and retain high-calibre staff. The key staff attributes that the Company seeks to develop and reinforce across the Group are expected to reflect in the quality of service levels experienced by customers and stakeholders. The Company has streamlined, innovative HR policies and practices to support the delivery of excellent people performance.

STATUTORY INFORMATION (CONTINUED)

Executive Remuneration

The number of employees within the Group receiving remuneration and benefits above \$100,000 during the year are indicated in the following table.

	2004	
	PARENT	SUBSIDIARIES
\$100,000 - 109,999	22	1
\$110,000 - 119,999	15	4
\$120,000 - 129,999	15	3
\$130,000 - 139,999	3	3
\$140,000 - 149,999	5	3
\$150,000 - 159,999	6	-
\$160,000 - 169,999	3	1
\$170,000 - 179,999	4	-
\$180,000 - 189,999	6	2
\$200,000 - 210,000	2	1
\$220,000 - 229,999	2	-
\$230,000 - 239,999	1	-
\$240,000 - 249,999	2	-
\$250,000 - 259,999	1	-
\$270,000 - 279,999	1	-
\$280,000 - 289,999	1	-
\$290,000 - 299,999	-	1
\$300,000 - 309,999	1	-
\$310,000 - 319,999	2	1
\$330,000 - 339,999	1	-
\$340,000 - 349,999	-	1
\$410,000 - 419,999	-	1
\$490,000 - 499,999	-	1
\$780,000 - 789,999	1	-

APPENDIX

This appendix reports progress on Meridian Energy's resource consumption, using the figures produced in last year's report as a benchmark. Although overall consumption has increased, the per FTE figure has only increased marginally from last year. This section covers resources consumed in Meridian Energy's New Zealand operations. Overall, travel has increased due to increased FTE numbers, Southern Hydro and Project Aqua activity.

Electricity consumption

Our electricity consumption has only increased by 1.2%, which is very pleasing given that our staff numbers continue to increase, as has the size of our Wellington office. This has seen the consumption per FTE figure decrease to 5,393 kWh, indicating that the energy saving behaviours encouraged last year have become standard practice. We have included the Manapouri office this year and estimated consumption in previous years to give an accurate percentage change figure. The table below does not report on generation facilities as they predominantly self-supply.

Meridian Energy – Electricity Consumption in Non-Operational Facilities

Totals for Year to 30 June 2004		2004 kWh	2003 kWh
Christchurch Office	Note 1	897,160	914,640
Wellington Office(s) (TOTAL)		655,051	570,050
Twizel Offices	Note 2	1,056,039	1,085,900
Manapouri Stores, Offices & Hostels	Note 3	66,541	72,600
Totals for Year to 30 June		2,674,791	2,643,190
Increase in Usage from 2003		1%	
Consumption per FTE (kWh)		5,393	6,443

Notes

- # 1 - Sir William Pickering Office electricity consumption includes approx 110,000 kWh generation from emergency generator during the 2003 hydro shortage. SWP office was closed in early 2003.
- #2 - Twizel office electricity includes the operations control centre.
- #3 - Electricity consumption at Manapouri only covers 'non-operational' facilities. Manapouri offices & hostel usage were not included in the 2001, 2002 or 2003 annual reports but have been included for the 2004 report. (Data for 2001 & 2002 is estimates only).

Paper consumption

The figures below show the volume of paper that was purchased by Meridian's New Zealand operations. It does not include the paper used for offset and digital printing completed off site.

We have not met our target of reducing paper consumption and overall usage per FTE has actually increased. While disappointing, this can most probably be explained by the large amount of activity in which the company has been involved during the year, including the industry reforms and project consultation. Our printers have been set to default to double-sided printing, which we hope will encourage paper use to decrease.

Year	reams of A4 equivalent	total kg (1 ream = 2.6 kg)	number of reams/FTE	kg/FTE
2001/02	4,974	12,932.4	13	35
2002/03	5,951	15,472.6	15	39
2003/04	8,333	21,665.8	17	44

Waste and Recycling

The following figures are based upon the findings of the recent Waste Audit performed during the month of July 2004. Each Meridian site was audited separately by removing one week's waste, which was extrapolated to an annual basis.

For the purpose of showing volume all figures are measured in cubic metres. We believe this is a more meaningful measure of waste as it is relevant to landfills.

Office	Total waste m ³	Total recycled m ³	% of waste that could have been recycled m ³	Recycling calculated per m ³ per person (Based upon 496 staff) m ³
Wellington	91.572	86.4	40.04	0.174 per person
Christchurch	175.5	365.76	93.49	0.737 per person
Twizel	95.68	49.22	35.88	0.099 per person
Total	362.75	501.38	169.41	1.010m³ per person

The total volume of recycled material over the year, which would have otherwise been sent to a landfill, is 501.38 cubic metres. That's the same size as ten large commercial school buses.

We are pleased at our recycling efforts but there is still a long way to go, particularly in the Christchurch office.

We aim to reduce the amount of recyclable material in the waste stream by a further 40% (67.76m³) next year. To do this, each Meridian Energy staff member and contractor on site will need to recycle 0.1366m³ per person, or approximately half the volume of a green 240 litre wheelie bin, over the coming year.

Travel

Our operations are now located across New Zealand and Australia and staff frequently travel between the two countries. For our South Island operations we have a fleet of 31 pool vehicles based in Twizel, Manapouri and Christchurch. We also use rental vehicles in conjunction with air travel.

Vehicle Use

The figures below cover the kilometres travelled by all Meridian pool vehicles, and rental vehicles in New Zealand and internationally. We have separated trans-Tasman travel from international travel to take Australian activity into account. Our total per FTE crept up this year, but is likely to be the result of the increased activity in Australia, the lower Waitaki (for Project Aqua) and Manawatu (for Project Te Āpiti).

	2004	2003	2002
Meridian Vehicles (km)	1,088,512	917,006	855,000
Rental Vehicles (NZ)	292,249	-	-
Rental Vehicles (international)	19,524	-	-
Rental Vehicles total	311,773	199,182	145,000
Total	1,400,285	1,116,188	1,000,000
km/FTE	2,823	2,797	2,617

Air Travel

Air travel is again up on last year, and can be attributed to the increased need to travel for growth projects and to Australia, as a result of the purchase of Southern Hydro in 2003. We have separated trans-Tasman travel from international travel to take Australian activity into account. We continue to encourage the use of video-conferencing as an alternative way of bringing staff together.

Air Travel (km)	2004	2003
International	1,212,581	1,739,896
Trans-Tasman	1,415,473	-
Domestic	3,170,449	2,294,737
Total Air Travel	5,798,503	4,034,633
km/FTE	11,691	10,112

VERIFICATION STATEMENT

Scope and Methodology

URS New Zealand has carried out an independent audit of the Meridian Energy Report for the Year Ending June 2004 – to provide assurance to readers on the accuracy of the report content and to provide guidance on appropriateness and completeness of reporting.

The audit methodology was drawn from the AA1000 Assurance Standard (March 2003) – an international standard developed to ensure the credibility of an organisation's public reporting on social, economic and environmental performance. Specifically, the audit was designed to investigate the "Evidence" – whether Meridian Energy has provided adequate evidence to support the information contained in the report. The AA1000 principles of Completeness, Materiality and Responsiveness guided feedback on enhancements to the current and future reports.

The audit methodology was to:

- Review the draft Report – to identify statements of fact/claims and data requiring verification.
- Conduct interviews with key personnel at Wellington and Christchurch offices.
- Sight specific documented information, computer and hard-copy files, data sources and data.
- Identify errors or weakness in the data, provide feedback to Meridian Energy and verify the Final Report.

The complete contents of the Report were investigated with the exception of financial reporting.

Independence

There is no aspect of the relationship between URS New Zealand and Meridian Energy that has influenced the independent nature of these verification findings. URS New Zealand worked on a number of environmental projects for Meridian Energy during the period covered by the Report.

Findings

On the basis of the described audit methodology, URS New Zealand Limited verifies that the content of the Meridian Energy Report for the Year Ending June 2004 provides an accurate description of the company's environmental, social and economic performance.

Comment/Recommendations

In our opinion the Report covers key performance areas that are of significance to stakeholders. It provides an open and transparent account of Meridian's achievements with the inclusion of stakeholders' voices adding significant value to the Report. There is still room for expansion in areas such as staff survey results, training, and health and safety.

There was also a clear focus on key issues and challenges facing Meridian, including water allocation, Project Aqua, renewable energy and energy efficiency. This focus reflected the high level at which Meridian is currently committed to participating in the national energy debate.

Inclusion of opposing voices would help to provide a more balanced view on issues such as Project Aqua and water allocation. Similarly, clearly delineating where Meridian is stating an opinion as opposed to a fact, would help achieve a balanced outcome.

Targeting systems for the compilation of data is also an area where improvements could be made. This would facilitate future report writing and the verification process itself.

Reorganisation at Meridian has seen a significant amount of change over the past year. It was evident throughout the verification process that this had not significantly impacted Meridian staff commitment to their stated challenge – "to be the best performing sustainable energy company in Australasia".

We commend Meridian Energy on their impressive social and environmental performance as evidenced in this Report and look forward to future reports reflecting the sustainable development of all aspects of performance of Meridian Energy's activities.

URS New Zealand Limited
20th September 2004

URS



Kerry Griffiths
Senior Sustainability Consultant

FEEDBACK FORM

We value your feedback

We would like to hear what you think of our report so that we can continue to make improvements for next year. Please share your views by ticking the boxes, or by adding further comments.

	Excellent	Good	Poor
Report presentation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Range of issues covered	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Level of information provided	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clarity of information provided	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clarity of diagrams/graphs/tables	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Mailing List

If you would prefer not to receive a copy of this report next year, please tick the box and write your name below

If you would like to be added to our Annual Report mailing list, please tick the box and complete your details below

If you would prefer to receive an electronic copy of the report next year, please tick the box and complete your email address below

If your details have changed, please tick the box and complete your details below (indicating old details as well)

NAME

ADDRESS

POSITION

COMPANY

POSTCODE

TELEPHONE

EMAIL

Please either fax this sheet to: +64 4 381 1244 or fold and send it back via freepost.

PLEASE FOLD ALONG LINES, SEAL AND POST

FreePost Authority Number 172572



Communications and External Relations
Meridian Energy
PO Box 10840
WELLINGTON

DIRECTORY

Registered Office

15 Allen Street, Level 2
Wellington

Auditors

Deloitte
PO Box 1990
Wellington

Bankers

Westpac
Wellington

Directors

Dr Francis Small (Chairman)
Susan Sheldon (Deputy Chairman)
Charles Chauvel
Steven Gentry
Te Kipa Kipa Morgan
Sir Tipene O'Regan
Joan Withers
Margaret Anne Blackburn

Senior Management Group

Dr Keith Turner (Chief Executive)
Ari Sargent
Chris Jones
Grenville Gaskell
James Hay
Jason McDonald
Ken Smales
Matthew Jansen
Paul Smart

Offices

PO Box 10840
Wellington
Telephone: 04 381 1200
Facsimile: 04 381 1201

PO Box 2454
Christchurch
Telephone: 03 357 9700
Facsimile: 03 357 9701

Private Bag 950
Twizel
Telephone: 03 435 0818
Facsimile: 03 435 0939

Level 22
600 Bourke Street
Melbourne, Victoria 3000
Australia

