

AUDIT REPORT

TO THE READERS OF MERIDIAN ENERGY LIMITED AND GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

The Auditor-General is the auditor of Meridian Energy Limited (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 2005.

Unqualified Opinion

In our opinion:

- The financial statements of the Company and Group comprising the Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position, Statement of Cash Flows and Notes 1 to 29:
- 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 2005; and
 - the results of their operations and cashflows for the year ended on that date.
- Based on our examination the Company kept proper accounting records.

The audit was completed on 31 August 2005, 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 give 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 2005. They must also give a true and fair view of the results of operations and cashflows 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

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

This audit report relates to the financial statements of the Company and Group for the year ended 30 June 2005 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 31 August 2005 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.

FINANCIAL INFORMATION

OVERVIEW

Meridian Energy Ltd'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 New Zealand and Australia.

TREND STATEMENT for year ended 30 June		2005	2004	2003 ⁶
		\$Million	\$Million	\$Million
Financial Performance				
Gross Revenue		1,656.1	1,308.0	1,366.9
Earnings Before Interest and Tax (EBIT) ¹		424.2	299.2	232.9
Net Surplus After Tax		218.2	132.9	109.3
Net Surplus After Tax Adjusted for One-Off Items ²		218.2	163.5	111.9
Funds Employed				
Shareholders' Equity ³		2,469.1	2,401.8	2,299.8
Term Borrowings, Deferred Tax and Lease Liability		1,208.2	1,328.4	792.0
Current Portion of Term Borrowings		370.1	158.3	723.1
		4,047.4	3,888.5	3,814.9
Utilisation of Funds				
Non-Current Assets		4,014.7	3,825.4	3,740.5
Net Working Capital ⁴		32.7	63.1	74.4
		4,047.4	3,888.5	3,814.9
RATIOS				
		%	%	%
Net Surplus After Tax to Average Shareholders' Equity		9.0	5.7	6.5
Net Surplus After Tax Adjusted for One-Off Items to Average Shareholders' Equity		9.0	7.0	6.7
EBIT to Average Total Assets		10.0	7.3	7.7
Weighted Average Cost of Interest		7.0	6.8	7.3
STATEMENT OF CORPORATE INTENT				
		2005	2005 ⁵	2004
		Actual	Target	Actual
EBITDA Interest Cover	Times	6.1	4.9	5.1
Return on Equity Including Revaluation	%	9.0	7.4	5.7
Gross Debt to Gross Debt Plus Equity Ratio	%	36.1	37.2	35.7
EBITDA to Total Revenue	%	33.4	28.6	33.9
EBITDA per MWh Produced (NZ) ⁷	\$	36.8	32.6	27.0

¹ The EBIT calculation for 2004 includes the impact of the termination of Project Aqua.

² The 2004 amount includes adjustment for 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.

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

⁴ Net Working Capital excludes the current portion of term borrowings.

⁵ Performance targets included in the Statement of Corporate Intent for the year commencing 1 July 2004.

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 This performance measure will be included for the first time in the Statement of Corporate Intent for the year commencing 1 July 2005. The target disclosed for 2005 is based on the 2005 Business Plan.

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 2005 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 42 to 69, of Meridian Energy Ltd and the Group for the year ended 30 June 2005 and in the presenting of their Annual Report as a whole.

The annual financial statements were authorised for issue by the Board on 31 August 2005.

For and on behalf of the Board.



WAYNE BOYD
CHAIRMAN
31 AUGUST 2005



ANNE URLWIN
CHAIR OF AUDIT AND FINANCE COMMITTEE
31 AUGUST 2005

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	GROUP		PARENT	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Operating Revenue	2	1,656,070	1,308,012	1,570,879	1,232,531
Operating Expenses	3	(1,231,867)	(970,182)	(1,169,460)	(926,907)
Financing Costs	4	(92,092)	(86,945)	(32,908)	(26,825)
Equity Accounting of Associate	15	125	(328)	-	-
Operating Surplus Before Non Recurring Items		332,236	250,557	368,511	278,799
Project Aqua Write Off		-	(38,660)	-	(38,660)
Net Surplus Before Tax		332,236	211,897	368,511	240,139
Income Tax	5	(114,008)	(78,992)	(131,797)	(80,582)
Net Surplus After Tax		218,228	132,905	236,714	159,557

STATEMENT OF MOVEMENTS IN EQUITY FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	GROUP		PARENT	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Equity at Beginning of Year		2,401,779	2,299,802	2,465,298	2,323,141
Net Surplus After Tax		218,228	132,905	236,714	159,557
Movement in Foreign Currency Translation Reserve	9	(2,097)	(13,528)	-	-
Total Recognised Gains and Losses		216,131	119,377	236,714	159,557
Distributions to Shareholders	8	(148,830)	(17,400)	(148,830)	(17,400)
Equity at End of Year	7	2,469,080	2,401,779	2,553,182	2,465,298

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 2005

	NOTE	GROUP		PARENT	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Equity					
Shareholders' Equity	7	2,469,080	2,401,779	2,553,182	2,465,298
Liabilities					
Non-Current Liabilities					
Term Borrowings	10	1,021,825	1,176,566	754,649	754,649
Deferred Tax	11	179,168	145,260	131,060	111,868
Lease Liability	14	7,193	6,576	-	-
Total Non-Current Liabilities		1,208,186	1,328,402	885,709	866,517
Current Liabilities					
Payables and Accruals	12	298,961	254,691	194,039	184,040
Advances from Subsidiaries		-	-	32,126	3,327
Current Portion of Term Borrowings	10	370,141	158,310	7,000	26,700
Current Tax Payable		2,257	2,545	805	-
Total Current Liabilities		671,359	415,546	233,970	214,067
Total Liabilities		1,879,545	1,743,948	1,119,679	1,080,584
Total Equity and Liabilities		4,348,625	4,145,727	3,672,861	3,545,882
Assets					
Non-Current Assets					
Investments	15	27,497	15,754	69,147	62,457
Advances to Subsidiaries		-	-	309,833	247,536
Convertible Notes		-	1,890	-	1,890
Prepayments		10,230	9,282	10,230	9,282
Intangible Assets	16	150,711	179,537	248	325
Customer Acquisition Costs	17	30,035	37,658	30,035	37,658
Property, Plant and Equipment	13	3,796,212	3,581,302	3,004,507	2,977,560
Total Non-Current Assets		4,014,685	3,825,423	3,424,000	3,336,708
Current Assets					
Cash and Bank Balances	18	40,827	104,262	11,627	34,040
Accounts Receivable and Prepayments	19	289,735	212,902	234,037	168,821
Current Tax Receivable		-	-	-	3,173
Inventories	20	3,378	3,140	3,197	3,140
Total Current Assets		333,940	320,304	248,861	209,174
Total Assets		4,348,625	4,145,727	3,672,861	3,545,882

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 2005

NOTE	GROUP		PARENT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Operating Activities				
Cash was Provided from:				
Receipts from Customers	1,562,516	1,293,813	1,490,756	1,223,144
Net GST Receipts	8,758	-	8,306	-
Interest Received	7,015	6,547	5,654	4,183
	1,578,289	1,300,360	1,504,716	1,227,327
Cash was Applied to:				
Payments to Suppliers and Employees	1,058,610	847,527	1,067,476	839,892
Net GST Paid	-	4,125	-	4,266
Interest Paid	94,155	81,940	35,162	22,343
Income Tax Paid	80,388	57,923	79,828	71,162
	1,233,153	991,515	1,182,466	937,663
Net Cash Inflows from Operating Activities	345,136	308,845	322,250	289,664
Investment Activities				
Cash was Provided from:				
Sale of Property, Plant and Equipment	3,741	172	3,741	117
Sale of Investments	303	-	303	-
Advances from Subsidiaries	-	-	-	525,852
	4,044	172	4,044	525,969
Cash was Applied to:				
Purchase of Fixed Assets	308,181	185,318	110,114	165,105
Capitalised Interest	1,903	2,278	1,903	2,278
Purchase of Intangible Assets	-	2,562	-	-
Advances to Subsidiaries	-	-	62,798	-
Advance to Associate	-	728	-	728
Purchase of Investments	10,791	10,107	5,362	6,435
Customer Acquisition Costs	-	326	-	326
	320,875	201,319	180,177	174,872
Net Cash (Outflows)/Inflows from Investing Activities	(316,831)	(201,147)	(176,133)	351,097
Financing Activities				
Cash was Provided from:				
Term Borrowings	211,831	523,388	-	101,700
	211,831	523,388	-	101,700
Cash was Applied to:				
Term Borrowings	154,741	-	19,700	-
Current Portion of Term Borrowings	-	564,761	-	696,142
Dividends Paid	148,830	17,400	148,830	17,400
	303,571	582,161	168,530	713,542
Net Cash (Outflows) from Financing Activities	(91,740)	(58,773)	(168,530)	(611,842)
Net (Decrease)/Increase in Cash Held				
Cash at Beginning of Year	104,262	55,337	34,040	5,121
Cash at End of Year	40,827	104,262	11,627	34,040
Composition of Cash				
Cash and Bank Balances	40,827	104,262	11,627	34,040
	40,827	104,262	11,627	34,040

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 2005

1.	Statement of Accounting Policies	Page 46
2.	Operating Revenue	Page 50
3.	Operating Expenses	Page 50
4.	Financing Costs	Page 51
5.	Taxation	Page 51
6.	Share Capital	Page 52
7.	Equity	Page 52
8.	Dividends	Page 52
9.	Foreign Currency Translation Reserve	Page 52
10.	Term Borrowings	Page 53
11.	Deferred Tax	Page 53
12.	Payables and Accruals	Page 53
13.	Property, Plant and Equipment	Page 54
14.	Commitments	Page 55
15.	Investments	Page 56
16.	Intangible Assets	Page 59
17.	Customer Acquisition Costs	Page 59
18.	Cash and Bank Balances	Page 60
19.	Accounts Receivable and Prepayments	Page 60
20.	Inventories	Page 60
21.	Borrowings and the Use of Financial Instruments	Page 60
22.	Land	Page 64
23.	Related Party Transactions	Page 65
24.	Net Cash Flow from Operating Activities	Page 66
25.	Segment Information	Page 66
26.	Southern Hydro	Page 67
27.	Contingent Gains and Losses	Page 67
28.	Impact of Adopting New Zealand Equivalents to International Financial Reporting Standards	Page 67

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 Ltd are held in equal numbers 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 financial statements comprise those of Meridian Energy Ltd (the "Parent") and its subsidiaries (together 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 part of operating surplus before tax in the 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Statement of Cash Flows

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Financial Performance.

The following are definitions of the terms used in the Statement of Cash Flows:

Cash includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdrafts, used by the company and the group as part of their day-to-day cash management.

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

Financing activities are those activities relating to changes in the equity and debt capital structure of the company and group and those activities relating to the cost of servicing the company's and the group's equity capital.

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 for impairment where it is considered necessary.

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 hydrology and energy prices.

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

Operating Revenue

Operating revenue reported in the Statement of Financial Performance includes amounts received and receivable for electricity sold into the wholesale market and energy related services supplied to customers.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Non-Current Assets

Property, Plant and Equipment

New Zealand Property, Plant and Equipment assets were initially allocated a fair value at inception of the Parent. New Zealand Hydro Generation Assets were revalued at 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.

Additions to Property, Plant and Equipment assets 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.

Depreciation of Property, Plant and Equipment 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. 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.

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*

*expected useful life ranges from 178 to 19,017GWh

Formal reviews of the carrying value of assets are carried out annually and when deemed appropriate, the Directors will ensure 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 an impairment in value, in which case the lower of cost or fair value is adopted. 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 on a units of generation basis.

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 directly attributable to 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 for impairment when it is considered necessary.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 the Southern Hydro group of companies (together "Southern Hydro"), financial instrument derivatives were recorded in the consolidated Statement of Financial Position as either an asset or a liability measured at fair value. Subsequent changes in the fair value of these instruments are not recognised in the financial statements until the period when the underlying cash flow 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.

Prepaid Premiums/Unearned Income

The prepaid premiums/unearned income are related to caps/swaps/options/swaption contracts. Assets/liabilities are recognised for premiums paid or received in advance under forward derivative contracts. This represents the right to receive or make payment for goods and services in the future. These prepayments are amortised over the period of the relevant contract.

Debt

Establishment Debt was 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

There have been no 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	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trading Revenue				
Energy Related Revenue	1,642,774	1,297,154	1,558,848	1,223,163
Other Revenue				
Interest Income	7,015	6,547	5,654	4,183
Gain on Sale of Fixed Assets	740	22	740	22
Other	5,541	4,289	5,637	5,163
Total Revenue from Continuing Activities	1,656,070	1,308,012	1,570,879	1,232,531

3. Operating Expenses

	GROUP		PARENT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Operating Expenses include the following:				
Amortisation of Fair Value at Acquisition				
- Derivatives	24,978	14,491	-	-
- Land leases	2,748	3,296	-	-
- Licences	1,322	726	76	76
Amortisation of Customer Acquisition Costs	7,623	7,688	7,623	7,688
Auditor's Fees				
- Audit Fees	423	346	198	154
- Fees Paid for Other Assurance Services	92	61	32	41
Bad and Doubtful Debts				
- Bad Debts Written Off	1,862	2,224	1,862	2,224
- Increase in Estimated Doubtful Debts	1,090	337	1,090	337
Depreciation				
- Buildings	407	366	371	333
- Generation Structures and Plant	79,885	66,642	72,548	60,148
- Other Plant and Equipment	8,733	7,383	8,104	6,796
- Resource Consents	175	154	175	154
Directors' Fees	406	333	288	308
Foreign Exchange (Gain)/Loss	(972)	(2,027)	49	(2,027)
Loss on Sale of Fixed Assets	875	425	872	14
Operating Lease Expenses	5,251	3,822	2,326	3,320
Provision Against Carrying Value of Investments	760	400	760	5,935
Provision Against Development Costs in Relation to Australian Wind Programme	2,696	4,685	2,696	4,685

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Financing Costs

	GROUP		PARENT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Interest on Term Borrowings	93,995	89,248	34,811	29,128
Less Capitalised Interest	1,903	2,278	1,903	2,278
Less Debt Repricing Amortisation	-	25	-	25
Total Financing Costs	92,092	86,945	32,908	26,825

5. Taxation

	GROUP		PARENT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(A) INCOME TAX EXPENSE				
Net Surplus Before Tax	332,236	211,897	368,511	240,139
Permanent Differences				
Expenditure not deductible for Tax	8,421	7,962	2,870	4,122
Depreciation/Amortisation of Revaluation	14,426	14,911	11,490	11,193
Other	(9,603)	4,599	16,513	(11,267)
Surplus Subject to Tax	345,480	239,369	399,384	244,187
Tax @ 33%	114,008	78,992	131,797	80,582
Total Income Tax Expense	114,008	78,992	131,797	80,582
Comprising				
Current Period Tax	79,870	70,955	112,605	71,479
Deferred Income Tax Liability	34,138	8,037	19,192	9,103
	11			
	114,008	78,992	131,797	80,582

	GROUP		PARENT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(B) IMPUTATION CREDITS				
Balance at Beginning of Year	57,813	10,494	57,129	10,113
Net Income Tax	79,885	55,889	79,694	55,586
Credits Attached to Dividends Received	10	-	217	-
Credits Attached to Dividends Paid	(73,304)	(8,570)	(73,304)	(8,570)
Balance at End of Year	64,404	57,813	63,736	57,129

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	GROUP	
	2005 \$'000	2004 \$'000
Through		
Shareholding in Parent Company	63,736	57,129
Indirect Interests in Subsidiaries	668	684
	64,404	57,813

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

	NOTE	GROUP		PARENT	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Equity comprises of					
Share Capital		1,600,000	1,600,000	1,600,000	1,600,000
Retained Earnings		209,002	139,604	275,566	187,682
Revaluation Reserve		677,802	677,802	677,616	677,616
Foreign Currency Translation Reserve	9	(17,724)	(15,627)	-	-
Equity at End of Year		2,469,080	2,401,779	2,553,182	2,465,298

8. Dividends

	GROUP		PARENT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Distributions Made				
2005 Interim Dividend Paid	62,442	-	62,442	-
2004 Final Dividend Paid	86,388	-	86,388	-
2003 Final Dividend Paid	-	17,400	-	17,400
Total Dividends	148,830	17,400	148,830	17,400

9. Foreign Currency Translation Reserve

	GROUP	
	2005 \$'000	2004 \$'000
Balance at Beginning of Year	(15,627)	(2,099)
Difference arising from Translation of Foreign Operations	(2,097)	(13,528)
Balance at End of Year	(17,724)	(15,627)

The foreign currency translation reserve results from the translation of the financial statements of independent foreign operations denominated in Australian dollars at the closing rate at balance date. The closing rate at 30 June 2005 was 0.92 (30 June 2004 0.91).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Term Borrowings

	GROUP		PARENT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Borrowings Due within 1 Year	370,141	158,310	7,000	26,700
Borrowings Due between 1-2 Years	-	229,987	-	-
Borrowings Due between 2-7 Years	541,964	241,930	274,789	50,000
Borrowings Due after 7 Years	479,861	704,649	479,860	704,649
Total Borrowings	1,391,966	1,334,876	761,649	781,349

	GROUP		PARENT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current Portion of Borrowings	370,141	158,310	7,000	26,700
Non-Current Portion of Borrowings	1,021,825	1,176,566	754,649	754,649
Total Borrowings	1,391,966	1,334,876	761,649	781,349

Security

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

11. Deferred Tax

	GROUP		PARENT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Balance at Beginning of Year	145,260	138,871	111,868	102,765
Deferred Tax on Surplus for Year	34,138	8,037	19,192	9,103
Foreign Translation of Deferred Tax Balance	(230)	(1,648)	-	-
Balance at End of Year	179,168	145,260	131,060	111,868

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 \$179 million (2004 \$186 million).

12. Payables and Accruals

	GROUP		PARENT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current				
Trade Creditors	37,722	38,973	7,367	27,091
Employee Entitlements	6,609	5,067	6,337	4,798
Unearned Income	57,713	47,167	2,585	1,044
Accrued Expenses	191,539	166,865	172,648	154,389
GST	5,378	(3,381)	5,102	(3,282)
Total Payables and Accruals	298,961	254,691	194,039	184,040

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Property, Plant and Equipment

	GROUP		PARENT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Generation Structures and Plant				
Fair Value	3,592,168	3,186,769	2,986,785	2,778,325
Less: Accumulated Depreciation	148,127	72,988	134,390	61,956
Closing Balance	3,444,041	3,113,781	2,852,395	2,716,369
Other Freehold Land				
Fair value	44,496	46,582	43,605	45,686
Other Leasehold Land				
Fair Value	168,108	169,068	-	-
Less: Accumulated Amortisation	6,732	3,976	-	-
Closing Balance	161,376	165,092	-	-
Other Freehold Buildings				
Fair Value	15,566	14,632	14,010	13,068
Less: Accumulated Depreciation	1,694	1,299	1,615	1,260
Closing Balance	13,872	13,333	12,395	11,808
Other Plant and Equipment				
Fair Value	72,852	53,171	66,352	47,526
Less: Accumulated Depreciation	40,938	32,707	37,490	29,428
Closing Balance	31,914	20,464	28,862	18,098
Resource Consents				
Fair Value	7,851	7,482	7,851	7,482
Less: Accumulated Depreciation	981	806	981	806
Closing Balance	6,870	6,676	6,870	6,676
Total Property, Plant and Equipment				
Fair Value	3,901,041	3,477,704	3,118,603	2,892,087
Less: Accumulated Depreciation and Amortisation	198,472	111,776	174,476	93,450
Work In Progress	93,643	215,374	60,380	178,923
Total Closing Balance	3,796,212	3,581,302	3,004,507	2,977,560

New Zealand based Hydro Generation Structures and Plant assets were revalued 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: *Accounting For Property, Plant and Equipment*. Depreciation resumed as normal from that date and is recorded in the Statement of Financial Performance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Commitments

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

	GROUP		PARENT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Capital Expenditure				
Commitments – Contracts for Capital Expenditure	18,773	317,744	15,001	99,951
Operating Lease Commitments				
Non Cancellable Operating Lease Rentals are payable as follows:				
Due within 1 Year	7,252	3,317	2,252	2,326
Due between 1-2 Years	6,312	3,069	1,436	2,252
Due between 2-5 Years	15,351	4,751	1,912	3,201
Due after 5 Years	8,397	4,183	-	147
Total Operating Lease Commitments	37,312	15,320	5,600	7,926
Finance Lease Commitments				
Non-cancellable Finance Lease Rentals are payable as follows:				
Due after 5 Years	194,547	195,703	-	-
Total minimum lease payments	194,547	195,703	-	-
Future Finance Charges	(187,354)	(189,127)	-	-
Total Lease Liability	7,193	6,576	-	-
Current Liability	-	-	-	-
Non-Current Liability	7,193	6,576	-	-
	7,193	6,576	-	-

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	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Investment in Subsidiaries	-	-	50,875	50,375
Investment in Associates	2,146	-	2,021	-
Other Investments	25,351	15,754	16,251	12,082
Total Investments	27,497	15,754	69,147	62,457

(A) Investments in Subsidiaries and Controlled Entities

Subsidiaries

Investments in subsidiaries comprise shares at cost. Significant subsidiaries as at 30 June 2005 comprise:

Name of Entity	Date	Principal Activity	Interest Held by Parent	
			2005	2004
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%
Energy for Industry Ltd (formerly Meridian Solutions Ltd)		Non-Trading Entity	100%	100%
North Otago Irrigation Number 2 Company Ltd	8/11/04 ¹	Non-Trading Entity	-	100%
Meridian (Whisper Tech) Ltd		Investment Company	100%	100%
Meridian Energy Captive Insurance Ltd	16/03/05 ²	Insurance Company	100%	-
MEA General Partner Pty Ltd*		Investment Company	100%	100%
Nirranda South Wind Farm Pty Ltd*		Non-Trading Entity	100%	100%
Dollar Wind Farm Pty Ltd*	30/06/05 ³	Non-Trading Entity	-	100%
Macarthur Wind Farm Pty Ltd*	30/06/05 ³	Non-Trading Entity	-	100%
Wattle Point Wind Farm Pty Ltd*	29/10/04 ³	Power Generation	-	100%

¹ The date that the subsidiary was deregistered and ceased to be part of the Group during the reporting period.

² The date that the subsidiary became part of the Group during the reporting period.

³ The date that ownership transferred within the Group.

* Incorporated in Australia.

All subsidiary entities have a balance date of 30 June.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Controlled Entities

Name of Entity	Date	Principal Activity	Interest Held by Group	
			2005	2004
Meridian Energy Australian Holdings Ltd		Investment Company	100%	100%
Meridian Energy Australia Pty Ltd*		Hydro Power Generation	100%	100%
MEA Limited Partnership*		Investment Entity	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*	8/4/05 ¹	Hydro Power Generation	-	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%
Wattle Point Wind Farm Pty Ltd*		Power Generation	100%	100%
Dollar Wind Farm Pty Ltd*		Non-Trading Entity	100%	100%
Macarthur Wind Farm Pty Ltd*		Non-Trading Entity	100%	100%
Damwatch Pty Ltd*		Non-Trading Entity	100%	100%

¹ 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 31.3% investment in Whisper Tech Ltd. During the year convertible notes held in Whisper Tech Ltd converted to shares increasing Meridian Energy Ltd's holding by 1.4%.

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 Energy Ltd 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 2005.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Carrying Amount of Investment in Associate

	GROUP	
	2005 \$'000	2004 \$'000
Carrying Amount at Beginning of Year	-	328
Share of Total Recognised Revenues and Expenses	125	(328)
Purchase of an Additional 1.40% of Whisper Tech Ltd	2,021	-
Carrying Amount at End of Year	2,146	-
The Carrying Value is comprised of:		
Cost	982	850
Share of Associate Post-Acquisition Reserves	(2,260)	(3,877)
Goodwill	3,424	3,027
	2,146	-

Associate Share of Net Surplus

	GROUP	
	2005 \$'000	2004 \$'000
Share of Surplus before Taxation	1,617	303
Share of Taxation Expense	-	-
Share of Net Surplus	1,617	303
Amortisation of Goodwill	(1,492)	(631)
Share of Total Recognised Revenues and Expenses	125	(328)

Goodwill

	GROUP	
	2005 \$'000	2004 \$'000
Cost at Beginning of Year	4,685	4,685
Goodwill Arising on Acquisition	1,889	-
	6,574	4,685
Accumulated Amortisation:		
At Beginning of Year	(1,658)	(1,027)
Amortisation Expense for the Year	(1,492)	(631)
At End of Year	(3,150)	(1,658)
Goodwill included within the Carrying Amount of the Investment in Associate	3,424	3,027

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(C) Other Investments

	GROUP		PARENT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Nth Power Technologies	5,380	5,686	5,380	5,686
Fonterra	6,092	6,396	6,092	6,396
Whisper Tech Joint Venture	9,100	3,672	-	-
North Otago Irrigation Company Ltd	4,292	-	4,292	-
Canterbury TX	487	-	487	-
Total Other Investments	25,351	15,754	16,251	12,082

These investments do not give rise to consolidated or equity accounting treatment.

The ownership interest in Whisper Tech Joint Venture was 40% at 30 June 2005. Significant influence does not exist due to the control by the other joint venturer and the right existing for that joint venturer to terminate the agreement.

The ownership interest in North Otago Irrigation Company Ltd was 23% at 30 June 2005. Significant influence does not exist due to the voting interest being limited to 5% and there being no representation on the governing body or participation in policy making decisions.

The investment in Fonterra arises from ownership of land. The market value of this investment at 30 June 2005 was \$8.27 million (2004 \$8.57million).

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. Ceramic Fuel Cells Ltd was listed on the Australian Stock Exchange during the year. The market value of this investment at 30 June 2005 was \$0.42 million.

16. Intangible Assets

	GROUP		PARENT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Licences	131,419	133,511	248	325
Derivatives on acquisition of Southern Hydro	19,292	46,026	-	-
Total Intangible Assets	150,711	179,537	248	325

17. Customer Acquisition Costs

	GROUP		PARENT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Customer Acquisition Costs (at cost)	67,375	67,375	65,174	65,174
Accumulated Amortisation	(37,340)	(29,717)	(35,139)	(27,516)
Total Carrying Value	30,035	37,658	30,035	37,658
Reconciliation				
Balance at Beginning of Year	37,658	45,020	37,658	45,020
Acquisition Costs During Year	-	326	-	326
Amortisation During Year	(7,623)	(7,688)	(7,623)	(7,688)
Balance at End of Year	30,035	37,658	30,035	37,658

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Cash and Bank Balances

	GROUP		PARENT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current Account	17,364	69,377	1,027	13,163
Money Market Account	23,463	34,885	10,600	20,877
Total Cash and Bank Balances	40,827	104,262	11,627	34,040

19. Accounts Receivable and Prepayments

	GROUP		PARENT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current				
Billed and Accrued Receivables	257,346	180,706	228,016	162,781
Less: Provision for Doubtful Debts	3,333	2,243	3,333	2,243
Net Trade Receivables	254,013	178,463	224,683	160,538
Prepayments	35,722	34,439	9,354	8,283
Total Accounts Receivable and Prepayments	289,735	212,902	234,037	168,821

20. Inventories

	GROUP		PARENT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Inventories Comprise				
Consumable Spares and Stores	3,378	3,140	3,197	3,140

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	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cross Currency Interest Rate Swaps	704,649	704,649	704,649	704,649
Forward Exchange Contracts	113,037	206,609	113,037	206,609
Interest Rate Swaps	1,325,282	1,298,709	1,325,282	1,298,709
Interest Rate Options	10,000	85,000	10,000	85,000

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 currency 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 (denominated in Australian dollars) for external financial reporting purposes. Current Group policy is not to hedge foreign currency denominated assets on the consolidated Statement of Financial Position.

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

(b) Interest Rate Risk

It is Group policy to manage exposure to interest rate 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 Group Treasury Policy.

(c) Repricing Analysis

The following tables 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 2005 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)	6.36%	40,827	40,827	-	-	-	-
Receivables		289,735	-	-	-	-	289,735
Investments		27,497	-	-	-	-	27,497
Total Financial Assets		358,059	40,827	-	-	-	317,232
Financial Liabilities							
Total Borrowings*	6.98%	1,391,966	132,955	237,186	-	1,021,825	-
Creditors		298,961	-	-	-	-	298,961
Total Financial Liabilities		1,690,927	132,955	237,186	-	1,021,825	298,961
Off Balance Sheet							
Cross Currency Interest Rate Swaps		704,649	-	-	-	704,649	-
Interest Rate Swaps		1,325,282	25,000	203,577	125,000	971,705	-
Interest Rate Options		10,000	10,000	-	-	-	-
Total Off Balance Sheet		2,039,931	35,000	203,577	125,000	1,676,354	-

*The debt is floating debt, but the repricing is shown in line with the facility maturity dates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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
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	-

Repricing 2005 Parent

\$'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)	6.36%	11,627	11,627	-	-	-	-
Receivables		234,037	-	-	-	-	234,037
Advances to Subsidiary	11.00%	309,883	-	242,552	-	-	67,331
Investments		69,147	-	-	-	-	69,147
Total Financial Assets		624,694	11,627	242,552	-	-	370,515
Financial Liabilities							
Total Borrowings*	6.67%	761,649	7,000	-	-	754,649	-
Creditors		194,039	-	-	-	-	194,039
Advances from Subsidiary		32,126	-	-	-	-	32,126
Total Financial Liabilities		987,814	7,000	-	-	754,649	226,165
Off Balance Sheet							
Cross Currency Interest Rate Swaps		704,649	-	-	-	704,649	-
Interest Rate Swaps		1,325,282	25,000	203,577	125,000	971,705	-
Interest Rate Options		10,000	10,000	-	-	-	-
Total Off Balance Sheet		2,039,931	35,000	203,577	125,000	1,676,354	-

*The debt is floating debt, but the repricing is shown in line with the facility maturity dates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Repricing 2004 Parent

\$'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%	34,040	34,040	-	-	-	-
Receivables		168,821	-	-	-	-	168,821
Advances to Subsidiary	11.00%	247,536	-	242,552	-	-	4,984
Investments		62,457	-	-	-	-	62,457
Total Financial Assets		512,854	34,040	242,552	-	-	236,262
Financial Liabilities							
Total Borrowings*	6.55%	781,349	26,700	-	-	754,649	-
Creditors		184,040	-	-	-	-	184,040
Advances from Subsidiary		3,327	-	-	-	-	3,327
Total Financial Liabilities		968,716	26,700	-	-	754,649	187,367
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 facility maturity dates.

(d) Credit Risk

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

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 securities are held 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). Differences between the hedge price and the spot price are settled between the parties, irrespective of the supply of electricity.

For the 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 2005 at hedge prices is \$215.3 million (30 June 2004 \$284.5 million).

For Southern Hydro, the fair value of electricity hedge contracts has been calculated on a mark to market basis against the forward price curve and is \$24.9 million at 30 June 2005 (30 June 2004 \$38.3 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At the end of the financial year Southern Hydro had two weather derivatives. The purpose of these derivatives is to hedge extreme hydrology conditions. These derivatives are carried at amortised cost on the balance sheet. There is currently no specific guidance regarding the accounting treatment for weather derivatives in Australia or New Zealand. It is not possible to accurately assess a fair value of these derivative transactions. The essential characteristics of the two contracts are as follows:

- Contract terms 3 and 5 years
- Annual premiums payable
- If annual rainfall is in excess of the established cap Southern Hydro pays
- If annual rainfall is below the established floor the counterparty pays

Termination Payment: At the end of one contract a calculation is performed to ascertain the value of 64% of the net amount of annual premiums paid plus any cap payments made by Southern Hydro less any floor payments received by Southern Hydro. If this amount exceeds zero then the full amount will be returned to Southern Hydro. If the amount is less than zero then no amount is payable or receivable by either party.

(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, receivables, weather derivatives and trade creditors the fair values are equivalent to their carrying values and therefore have been excluded from the table below.

	GROUP			
	2005 \$'000		2004 \$'000	
	FAIR VALUE	CARRYING VALUE	FAIR VALUE	CARRYING VALUE
Assets				
Investments in unlisted shares*	27,497	27,497	15,754	15,754
Liabilities				
Term Borrowings**	1,021,825	1,021,825	1,176,566	1,176,566
Off Balance Sheet Financial Instruments				
Forward Exchange Contracts	(6,144)	-	(1,659)	-
Interest Rate Swaps	(6,579)	-	9,851	-
Interest Rate Options	-	-	(25)	-

* It is not practical to estimate the fair value of the investments in unlisted shares.

** For term borrowings, including bonds with associated cross currency interest rate swaps, the fair values are equivalent to their carrying values and have been included in the above table.

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 land title processes have been completed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Related Party Transactions

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

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

Entity	Transaction	\$'000	Relationship
Royal NZ Ballet	Sponsorship grant	250	Joan Withers, a Director of Meridian Energy Ltd during the year, is a trustee of the Royal New Zealand Ballet in her own personal capacity.
Christchurch International Airport	Sales of electricity to Christchurch International Airport	1,456	Susan Sheldon, a Director of Meridian Energy Ltd during the year, is also a director of Christchurch International Airport.
Fairfax NZ	Sales of electricity to Fairfax NZ	117	Joan Withers and Wayne Boyd, Directors of Meridian Energy Ltd during the year, are also members of the Fairfax NZ Advisory Board.
Feltex Ltd	Sales of electricity to Feltex Ltd	1,293	Joan Withers, a Director of Meridian Energy Ltd during the year, is also a director of Feltex Ltd.
AgResearch	Sales of electricity to AgResearch	238	Anne Blackburn, a Director of Meridian Energy Ltd, is also a director of AgResearch.
Airways Corporation of New Zealand Ltd	Sales of electricity to Airways Corporation New Zealand Ltd	111	Anne Urlwin, a Director of Meridian Energy Ltd, is also a director of Airways Corporation of New Zealand Ltd.
CanWest Media Works (NZ) Ltd	Sales of electricity to CanWest Media Works (NZ) Ltd	324	Susan Sheldon, a Director of Meridian Energy Ltd during the year, is also a director of CanWest Media Works (NZ) Ltd.

Other Transactions involving a Related Party

During the financial year the following transactions occurred between the parent entity, Meridian Energy Ltd and its subsidiaries. All transactions are carried out on a commercial and arm's length basis.

Entity	Transaction	\$'000	Relationship
Meridian Energy International Ltd	Interest paid to parent	26,801	Meridian Energy Ltd received interest income in relation to an intercompany loan to Meridian Energy International Ltd.
Meridian Energy Captive Insurance Ltd	Insurance premium	731	Meridian Energy Captive Insurance Ltd (MECIL) received payment for insurance premiums from Meridian Energy Ltd. MECIL has this policy underwritten by third parties.

In addition DamWatch Services Ltd provided consultancy services to Meridian Energy Ltd. Such transactions were all carried out independently on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Net Cash Flow from Operating Activities

	GROUP		PARENT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Reconciliation with Net Surplus After Tax				
Net Surplus After Tax	218,228	132,905	236,714	159,557
Items Not Involving Cash Flows				
Depreciation Expense	89,200	74,120	81,198	67,417
Amortisation	36,671	26,201	7,699	7,764
Amortisation of Debt Revaluation	-	(25)	-	(25)
Deferred Tax	33,908	6,388	19,192	9,103
Transfer of Tax Losses to Parent	-	-	28,799	-
Net Loss on Sale of Fixed Assets	135	425	132	14
Write-off of Aqua prior year Capital Expenditure	-	12,419	-	12,419
Write-down of Investments	635	328	760	5,535
Other Non-Cash items	(221)	-	-	-
	160,328	119,856	137,780	102,227
Changes in Working Capital Items				
Accounts Receivable and Prepayments	(77,781)	(7,653)	(66,164)	(5,204)
Inventory	(238)	(256)	(57)	(256)
Trade Creditors and Accruals	44,887	49,313	9,999	33,024
Tax Provision	(288)	14,680	3,978	316
	(33,420)	56,084	(52,244)	27,880
Net Cash Flow from Operating Activities	345,136	308,845	322,250	289,664

25. Segment Information

Industry Segments

The Group 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 2005

	New Zealand	Australia	Eliminations	Consolidation
	2005 \$'000	2005 \$'000	2005 \$'000	2005 \$'000
Revenue Derived from Outside Group	1,571,542	84,665	(137)	1,656,070
Total Revenue	1,571,542	84,665	(137)	1,656,070
Segment Net Surplus Before Tax and Finance Costs	403,756	29,667	(9,095)	424,328
Segment Total Assets	3,567,720	1,021,915	(241,010)	4,348,625

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE YEAR ENDED 30 JUNE 2004

	New Zealand	Australia	Eliminations	Consolidation
	2004	2004	2004	2004
	\$'000	\$'000	\$'000	\$'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

26. Southern Hydro

Credit Suisse First Boston and First NZ Capital have been appointed to test the market for a possible trade sale of Southern Hydro. There is a range of possible outcomes from this process, ranging from outright sale through partial sale to continuing ownership within the Group.

27. 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 2005 are as follows:

- The Parent is currently under Inland Revenue audit and it is possible that some positions will be disputed by Inland Revenue. However, the Board and Management are of the opinion that the approach taken in calculating the Parent's tax liability is acceptable and will defend against any adjustments the Inland Revenue may propose.

28. Impact of adopting New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS")

The Group will adopt NZ IFRS for the year ending 30 June 2008. Transition from existing NZ GAAP to NZ IFRS will be made in accordance with NZ IFRS 1 *"First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards"*. Upon adoption of NZ IFRS, comparative information will be restated to conform to the requirements of NZ IFRS and the impact that adoption of NZ IFRS has had on the Group's financial statements will be disclosed.

The Group has implemented a governance structure to progress the transition from NZ GAAP to NZ IFRS, with a Steering Committee established to oversee the transition.

Internal resources have been allocated to the NZ IFRS Transition Project along with expert consultants engaged to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to NZ IFRS. As a result of these procedures key areas have been identified and graded according to their impact as high, medium or low.

The key areas that may have an impact on the financial statements of the Group are listed below. At this stage the Group has not been able to reliably quantify the impacts of NZ IFRS on the financial statements.

First Time Adoption

NZ IFRS1: *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* requires that an opening Statement of Financial Position be created at the start of the earliest period for which full NZ IFRS comparative information is presented in an entity's first NZ IFRS compliant financial statements (i.e. date of transition).

NZ IFRS generally requires full retrospective application, i.e. the opening Statement of Financial Position should be developed as if NZ IFRS had always been applied. However, there are certain elective exemptions from the requirement for full retrospective application.

The two most significant exemptions relevant to the Group and currently under consideration are the re-opening of previous business combinations and recording Property, Plant and Equipment at deemed cost on adoption.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Financial Instruments

Under NZ IFRS the Group will record derivatives on the Statement of Financial Position at their fair value. These derivatives will be revalued at each accounting period, with changes in fair value reflected in the Statement of Financial Performance, unless hedge accounting criteria under IAS 39: *Financial Instruments Recognition and Measurement* can be met. To the extent that hedge accounting does not apply, there is potential for profit volatility resulting from the application of NZ IFRS.

The Group enters into derivatives primarily for hedging purposes. It is expected that the majority of these derivatives will qualify as effective hedges under NZ IFRS. The Group is working closely with its accounting advisors to determine the optimal approach to successfully applying IAS 39 across the hedge book reducing profit volatility, while continuing to maximise economic outcomes.

NZ IFRS will also have an impact on other financial instruments such as receivables and investments.

Deferred Tax

NZ IFRS requires a "balance sheet" approach to deferred tax, recognising virtually all differences between tax and accounting values. This is conceptually very different to the current NZ GAAP "income statement" approach. Many items, previously considered permanent differences under NZ GAAP, now become temporary differences and result in the recognition of a deferred tax liability.

The criteria for recognising a deferred tax asset also differ from NZ GAAP which requires "virtual certainty" while NZ IFRS requires that realisation is "probable".

The impacts of applying NZ IFRS include:

- Additional temporary differences and deferred tax positions arising on initial recognition of assets/liabilities acquired in a business combination (excluding land and goodwill)
- Additional deferred tax liabilities arise if assets are revalued
- The effective tax rate in the Statement of Financial Performance will be closer to the actual tax rate (33%)

The most significant impact for the Group will be the recognition of a deferred tax liability in relation to the asset revaluation reserve, and the recognition of the difference between the accounting and tax base of the leases and licences held by Southern Hydro, which under NZ GAAP were treated as permanent differences but under NZ IFRS will be treated as a temporary difference. It is not expected that there will be any further material impact as a result of adopting this standard.

Revaluation of Property, Plant and Equipment

The NZ IFRS requirements are consistent with NZ GAAP with the exception that revalued items are accounted for on an individual basis as opposed to an asset class. This requirement means that deficit revaluations for individual assets are recognised as losses in the Statement of Financial Performance and cannot be offset against positive revaluations of other assets in the same class. This could potentially cause volatility of earnings.

As an alternative, the Group could, on adoption of NZ IFRS, deem the carrying value of Property, Plant and Equipment as cost and account for the assets on a cost basis going forward.

The Group is carefully considering its options in this area.

Segmental Reporting

The Group is required to comply with NZ IFRS segmental reporting disclosures as it has publicly tradable debt. NZ IFRS requires the choice of segments to be based on the Group's organisational and internal reporting structures.

The segmental disclosure requirements under NZ IFRS are more detailed than is currently required under NZ GAAP. Under NZ IFRS detailed disclosure is required of results, liabilities, capital additions, depreciation, non-cash expenses and share of net surplus or deficit by segment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Presentation of Financial Statements

NZ IFRS requires some minor changes to the components of the financial statements, for example changing the names of the statements to Balance Sheet, Income Statement, Statement of Changes in Equity and Cash Flow Statement.

There are also some significant changes to the structure and content of the financial statements, which will give rise to additional disclosure requirements.

Actual Impact of Adopting NZ IFRS

NZ IFRS may change before the Group adopts. The Group will be required to comply with the version of NZ IFRS applicable at the first NZ IFRS reporting date.

It is important to note that while every effort has been made to identify and disclose the potential impacts of adopting NZ IFRS, the actual impact of adopting NZ IFRS may vary from the information presented above, and the variation may be material.

STATUTORY INFORMATION

Group Directors

Dr Francis Small CNZM

Chairman (to 30/06/05)

Resigned 30/06/05

Wayne Boyd

Chairman (from 01/07/05)

Appointed 05/04/05

Susan Sheldon

Deputy Chairman (to

31/12/04)

Resigned 31/12/04

Steven Gentry

Director

Resigned 30/04/05

Joan Withers

Director

Resigned 30/06/05

Sir Tipene O'Regan

Director

Resigned 31/03/05

Charles Chauvel

Director

Deputy Chairman (to

28/02/05)

Resigned 28/02/05

Kepa Morgan

Director

Appointed 01/11/02

Anne Blackburn

Director

Appointed 01/06/04

Anne Urlwin

Director

Appointed 01/01/05

Timothy Lusk

Director

Appointed 01/06/05

Raymond Watson

Director

Appointed 22/06/05

Subsidiary Company Directors

DamWatch Services Ltd

Keith Turner (Chairman)

Murray Gillon (Managing

Director)

Kenneth Smales

Peter Menzies

Michael Campbell

Timothy Densem

Meridian Ltd

Keith Turner (Chairman)

Helen Bremner

Ari Sargent

Neil Cochrane

(resigned 20/07/04)

Paul Smart

(appointed 13/08/04)

Woodville Windfarm Ltd

Keith Turner

Meridian Energy**International Ltd**

Keith Turner (Chairman)

Neil Cochrane

(resigned 20/07/04)

Paul Smart

(appointed 13/08/04)

Meridian Energy Australian**Holdings Ltd**

Keith Turner (Chairman)

Neil Cochrane

(resigned 20/07/04)

Paul Smart

(appointed 13/08/04)

Energy for Industry Ltd**(formerly Meridian Solutions Ltd)**

Keith Turner

Neil Cochrane

(resigned 20/07/04)

Paul Smart

(appointed 13/08/04)

North Otago Irrigation**Number 2 Company Ltd**

(removed from register

08/11/04)

Kenneth Smales

James Hay

Andrew Robertson

Meridian Energy Captive**Insurance Ltd**

Keith Turner

(appointed 16/03/05)

Paul Smart

(appointed 16/03/05)

Meridian (Whisper Tech) Ltd

Keith Turner

Neil Cochrane

(resigned 20/07/04)

Paul Smart

(appointed 13/08/04)

James Hay

STATUTORY INFORMATION (CONTINUED)

Australian Subsidiaries

Meridian Energy Australia Investments Pty Ltd

Stanley Brogan
Keith Turner
Kenneth Smales
Neil Cochrane
(resigned 20/07/04)
Paul Smart
(appointed 21/09/04)

Southern Hydro Pty Ltd

Keith Turner
Kenneth Smales
Neil Cochrane
(resigned 20/07/04)
Peter Lowe
Mark Snape
Paul Smart
(appointed 21/09/04)

SHP1 Pty Ltd

Keith Turner
Graham Ebbett
Kenneth Smales
Neil Cochrane
(resigned 20/07/04)
Paul Smart
(appointed 21/09/04)

SHP2 Pty Ltd

Keith Turner
Graham Ebbett
Kenneth Smales
Neil Cochrane
(resigned 20/07/04)
Paul Smart
(appointed 21/09/04)

SHP3 Pty Ltd

Keith Turner
Graham Ebbett
Kenneth Smales
Neil Cochrane
(resigned 20/07/04)
Paul Smart
(appointed 21/09/04)

SHP3 Holdings Pty Ltd

(removed from register 08/04/05)
Keith Turner
Graham Ebbett
Kenneth Smales
Neil Cochrane
(resigned 20/07/04)
Paul Smart
(appointed 21/09/04)

Southern Hydro

Maintenance

Services Pty Ltd
Keith Turner
Graham Ebbett
Kenneth Smales
Neil Cochrane
(resigned 20/07/04)

Southern Hydro Operations Pty Ltd

Keith Turner
Graham Ebbett
Kenneth Smales
Neil Cochrane
(resigned 20/07/04)

Wattle Point Wind Farm Pty Ltd

Keith Turner
Neil Cochrane
(resigned 20/07/04)
Darryl Rowell
(resigned 02/07/04)
Brian Hall
Paul Smart
(appointed 27/09/04)
Simon Maher
(appointed 27/09/04)

Macarthur Wind Farm Pty Ltd

Keith Turner
Neil Cochrane
(resigned 20/07/04)
Darryl Rowell
(resigned 02/07/04)
Paul Smart
(appointed 27/09/04)
Simon Maher
(appointed 27/09/04)

Dollar Wind Farm Pty Ltd

Keith Turner
Neil Cochrane
(resigned 20/07/04)
Darryl Rowell
(resigned 02/07/04)
Brian Hall
Paul Smart
(appointed 27/09/04)
Simon Maher
(appointed 27/09/04)

Meridian Energy Australia Pty Ltd

Keith Turner (Chairman)
Stanley Brogan
Graham Ebbett
Paul Smart
(appointed 21/09/04)

Nirranda South Wind Farm Pty Ltd

Darryl Rowell
(resigned 02/07/04)
Brian Hall

Damwatch Pty Ltd

Stanley Brogan
Graham Ebbett
Murray Gillon

MEA General Partner Pty Ltd

Keith Turner
Graham Ebbett
Kenneth Smales
Neil Cochrane
(resigned 20/07/04)
Paul Smart
(appointed 21/09/04)
Simon Maher
(appointed 27/09/04)
Paul Maguire
(appointed 27/09/04)

MEA Finance Pty Ltd

Keith Turner
Graham Ebbett
Kenneth Smales
Neil Cochrane
(resigned 20/07/04)
Paul Smart
(appointed 21/09/04)
Simon Maher
(appointed 27/09/04)
Paul Maguire
(appointed 27/09/04)

STATUTORY INFORMATION (CONTINUED)

General Disclosures

Disclosure of Directors' Interests

Declaration of general interest by directors for the Year Ended 30 June 2005 in accordance with Section 140(2) of the Companies Act 1993:

Francis Small (resigned 30 June 2005)

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 (resigned 31 December 2004)

ASURE New Zealand Ltd, Director
Christchurch International Airport Ltd, Director/Deputy
Chairman
National Provident Fund Board of Trustees, Chairman
Ngāi 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
Annuitas Management Ltd, Director
Pi³ Ltd, Director

Joan Withers (resigned 30 June 2005)

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 Member
Feltex Ltd, Director
John Fairfax Holdings Ltd, Director

Steven Gentry (resigned 30 April 2005)

Sinclair Knight Merz Group, Senior Consultant
Whisper Tech Ltd, Director (Meridian appointee)
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 Ltd, Director (Meridian appointee)

Sir Tipene O'Regan (resigned 31 March 2005)

Whale Watch Kaikoura Ltd, Director
Te Tapuae o Rehua Ltd, Director/Chairman
Kutai Investments Ltd, Director/Shareholder
Awarua Tio Development Co. Ltd, Director
Clifford Bay Marine Farms Ltd, Director/Chairman/Shareholder
Transit New Zealand, Director/Deputy Chairman
Aoraki Salmon Ltd, Director/Shareholder
Stehr Group Pty Ltd, Director
School of Business, Board of Advisors, University of Otago,
Member
Faculty of Law, University of Melbourne, Visitor
Kaikoura Point Ltd, Director
Marine Stewardship Council (UK), Director
National Centre for Advanced Bio-Protection Technologies,
Director
Aoraki Consultant Services Ltd, Director/Shareholder
University of Canterbury, Senior Research Fellow
Hanover Financial Services Ltd, Director
Jade Software Ltd, Shareholder
Syft Technologies Ltd, Shareholder

Kepa Morgan

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

STATUTORY INFORMATION (CONTINUED)

Charles Chauvel (resigned 28 February 2005)

Minter Ellison Rudd Watts, Partner
Minter Ellison Rudd Watts Ltd, Director
Minter Ellison Rudd Watts Pty Ltd, Chair
New Zealand Lotteries Commission, Deputy Chair
(resigned 24 December 2004)
Minter Ellison Rudd Watts Solicitors Nominee Company Ltd,
Director
Contact Energy Ltd, Joint Shareholder

Anne Blackburn

AgResearch, Director/Deputy Chair
Wellington Regional Council Holdings Ltd and subsidiaries
Pringle House Ltd and Port Investments Ltd, Director
Technical Advisory Board of the Export Credit Office, Director
Contact Energy Ltd, Shareholder
Bank of New Zealand, Employee
Footnote Dance Company, Trustee
Chinese Language Foundation, Advisory Trustee
Ten Gracie Square Ltd, Director/Shareholder

Anne Urlwin

Airways Corporation of New Zealand Ltd, Director
Landcare Research New Zealand Ltd, Director/Deputy Chair
New Zealand Domain Name Registry Ltd, Director
Christchurch College of Education, Councillor
New Zealand Racing Board, Member
New Zealand Cricket, Director
Urlwin Associates Ltd, Director/Shareholder
Maigold Holdings Ltd, Director/Shareholder
Clifton Creek Ltd, Director/Shareholder
New Zealand Blood Service, Board Member
Babcock & Brown Infrastructure Group, Shareholder
(through Maigold Holdings Ltd)
Trustpower Ltd, Bondholder (through Maigold Holdings Ltd)

Wayne Boyd

Telecom Corporation of New Zealand Ltd, Director
Auckland International Airport Ltd, Director/Chairman
Freightways Ltd, Director/Chairman
Forsyth Barr Ltd, Director
Vulcan Steel Ltd, Director/Chairman
Fairfax NZ Ltd, Advisory Board Member
Tru-Test Corporation Ltd, Director (resigned 13 May 2005)

Timothy Lusk

Telecom New Zealand Ltd, General Manager Wholesale
Services/Shareholder

Raymond Watson

Ngāi Tahu Communications Ltd, Director
Ngāi Tahu Publications Ltd, Director
Ngāi Tahu Associates Ltd, Director/Shareholder
Ray Watson Associated Ltd, Director/Shareholder
He Oranga Pounamu Trust, Director/Chairman
Te Runanga o Arowhenua, Director/Chairman

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

	PARENT	SUBSIDIARIES
	2005 DIRECTORS' FEES \$'000	2005 DIRECTORS' FEES \$'000
Dr Francis Small (<i>resigned 30 June 2005</i>)	61.0	-
Susan Sheldon (<i>resigned 31 December 2004</i>)	21.3	-
Steven Gentry (<i>resigned 30 April 2005</i>)	34.5	-
Sir Tipene O'Regan (<i>resigned 31 March 2005</i>)	22.0	-
Joan Withers (<i>resigned 30 June 2005</i>)	33.2	-
Charles Chauvel (<i>resigned 28 February 2005</i>)	21.2	-
Kepa Morgan	31.9	-
Anne Blackburn	33.4	-
Anne Urlwin	18.8	-
Wayne Boyd	8.8	-
Timothy Lusk	2.3	-
Raymond Watson	-	-
Peter Lowe	-	53.4
Mark Snape	-	43.6
Stanley Brogan	-	12.0
Peter Menzies	-	9.0
TOTAL	288.4	118.0

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

Executive Remuneration

In accordance with Section 211(1)(g) of the Companies Act 1993, the number of employees or former employees, not being directors of the company, who during the year received remuneration and any other benefits, the value of which exceeded \$100,000 is as follows:

	2005	
	PARENT	SUBSIDIARIES
\$100,000 - 109,999	36	6
\$110,000 - 119,999	18	11
\$120,000 - 129,999	18	8
\$130,000 - 139,999	5	1
\$140,000 - 149,999	11	3
\$150,000 - 159,999	5	3
\$160,000 - 169,999	4	-
\$170,000 - 179,999	2	2
\$180,000 - 189,999	2	1
\$190,000 - 199,999	2	-
\$200,000 - 209,999	3	2
\$210,000 - 219,999	3	1
\$230,000 - 239,999	3	1
\$240,000 - 249,999	1	-
\$250,000 - 259,999	-	1
\$260,000 - 269,999	1	-
\$270,000 - 279,999	-	1
\$280,000 - 289,999	2	-
\$320,000 - 329,999	1	-
\$350,000 - 359,999	1	-
\$370,000 - 379,999	1	-
\$420,000 - 429,999	1	-
\$440,000 - 449,999	1	-
\$470,000 - 479,999	-	1
\$1,710,000 - 1,719,999*	1	-

*This amount includes a retention payment of \$811,082 in respect of the three year period 1 July 2002 to 30 June 2005.

VERIFICATION STATEMENT

Scope and Methodology

URS New Zealand (URS) has carried out an independent audit of the Meridian Energy Report for the Year Ending June 2005, to provide to readers assurance on the accuracy of the report content and feedback on the appropriateness and completeness of reporting.

The audit methodology draws on the AA1000 Assurance Standard (March 2003) – an international standard developed to guide the assurance of public reporting on social, economic and environmental performance. The audit was designed to investigate whether Meridian has provided adequate evidence to support the information contained in the report and to assess how well the AA1000 principles of Completeness, Materiality and Responsiveness are applied.

The audit methodology was to:

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

The scope of assurance covered sections on Strategy and Performance in the hard copy, as well as the Energy and Resource Use section on the CD. The remaining contents of the CD were not verified.

Independence

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

Findings

On the basis of the described audit methodology, URS verifies that the content of the Meridian Energy Report for the Year Ending June 2005 provides an accurate description of the company's sustainability performance.

Information Quality

Meridian's Report provides a high level of exactness and maintains a relatively consistent boundary and scope. Data collection systems have improved especially in regards to Energy and Resource Use. Further improvements are planned in regards to management of stakeholder data.

Materiality

Meridian's Report is a fair representation of the organisation's activities. Sustainability has become an integral part of the Meridian's business strategy through its commitment to renewable generation. The discussions on renewable energy, water allocation and transmission reflect Meridian's understanding of the significant issues.

Completeness

All material information and data are included in the Report (hard copy and CD), nonetheless the completeness of the Report could be enhanced by references to international benchmarks, and other reporting activities carried out by Meridian e.g. resource consent related reporting. More specific reporting back on previous year's targets would also enhance the Report's value.

Responsiveness

Meridian works very closely with its stakeholders through industry forums and environmental programmes. Concepts of Owner & Developer of Choice facilitate relationship with the communities. The extent of the communication could be better reflected in the Report by reference to the specific concerns expressed during the consultation programmes and customer research as well as positive feedback.

We commend Meridian on its strong commitment to continuous improvement of their sustainability performance that was evident to us throughout the assurance process.

URS New Zealand Limited

26 September 2005



Kerry Griffiths
Principal, Sustainability Consultant
URS New Zealand Limited
Lambton House, Level 4
160 Lambton Quay,
P.O. Box 3367, Wellington, New Zealand
Direct: 64 4 496 3750 Fax: 64 4 496 3755

DISCLAIMER: The veracity of the information summarised in the Report is dependant upon the uniformity, consistency and thoroughness of site/operational staff reporting all relevant matters. While the report Verification Process allowed URS to develop a good appreciation of Meridian's sustainability issues and site specific initiatives, URS did not and can not determine precisely the uniformity, consistency and thoroughness of reporting. URS has prepared this Statement for the use of Meridian in accordance with the usual care and thoroughness of the consulting profession. The opinions provided are based on generally accepted practices and standards at the time they were prepared. No other warranty, expressed or implied, is made as to the professional advice included in this Statement. To the extent permitted by law, URS excludes all liability that may arise from professional advice contained in this Statement. This Statement must be read in conjunction with the supporting documents prepared by URS. No responsibility is accepted for use of any part or all of this Statement in any other context or for any other purpose or by third parties. No third party is entitled to rely on any matter contained in this Statement without URS's prior consent in writing. Neither URS's name nor the material submitted in this Statement may be included in any prospectus or use in offering or representations in connection with the sale of securities or participation interest without URS's prior consent in writing. URS owes no duty of performance to any party other than our contracted client.

DIRECTORY

Registered Office

Level 2, 15 Allen Street
Wellington

Auditors

Deloitte
PO Box 1990
Wellington

Bankers

Westpac
Wellington

Directors

Wayne Boyd (Chairman)
Timothy Lusk
Raymond Watson
Kepa Morgan
Anne Blackburn
Anne Urlwin

Senior Management

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

Offices

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

322 Manchester Street
PO Box 2454
Christchurch
Telephone: 03 357 9700
Facsimile: 03 357 9701

State Highway 8
Private Bag 950
Twizel
Telephone: 03 435 0818
Facsimile: 03 435 0939

Level 22
600 Bourke Street
Melbourne
Victoria 3000
Australia

Suite 5, Level 12
37 Bligh Street
Sydney
NSW 2000
Australia

GLOBAL REPORTING INITIATIVE INDEX Meridian Energy has incorporated some of the indicators recommended in the Global Reporting Initiative (GRI) sustainability reporting guidelines 2002 in this report. They are listed below with references to specific pages.

GRI ELEMENT	TOPIC	PAGE
VISION AND STRATEGY		
	Organisational vision and strategy, and contribution to sustainable development	7-12
	CEO statement	1-3
PROFILE		
	Name of organisation and period reported	Cover
	Major products and services	7
	Operational structure	13
	Nature of ownership; legal form	19
	Financial overview	40
	Customers, products and services	24-26
	Employees	27-29
	Capitalisation	5
	Environmental stakeholders	32
	Directory	79
	Report verification statement	77
GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS		
	Governance	19-20
	Board of directors	17-18
	Management team	15-16
	Stakeholder engagement	38
PERFORMANCE INDICATORS		
EC2	Geographic breakdown of operations	13
EC4	Payments to suppliers	44
EC5	Salaries paid	44
EC6	Dividends/retained earnings	52
EN3	Electricity consumed	CD
EN8	CO ₂ footprint	34
EN11	Solid waste and recycling	CD
EN17	Energy efficiency initiatives	25, CD
EN19	Energy use for travel etc	34, CD
EN25	Impacts of activities and operations on protected and sensitive areas	30-31
EN26	Changes in natural habitats resulting from activities and operations	30-31
EN27	Programme for protecting and restoring native ecosystems	30-31
LA1	Geographical breakdown of workforce	28
LA6	Health and safety committee	28
LA7	Safety statistics	29
LA17	Training and education	27-28
SO1	Monitoring systems and procedures for engaging in dialogue	31, 38
SO4	Awards received	37



CD SEARCH >

11

GO TO THE CD TO READ MORE ABOUT:

- ENERGY AND RESOURCE USE AT MERIDIAN ENERGY DURING THE YEAR