CONDENSED INTERIM FINANCIAL STATEMENTS

Income Statement

	NOTE	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	GROUP AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Operating Revenue				
Energy Sales		1,179,968	1,214,240	2,542,972
Energy Related Services Revenue		7,058	5,224	11,133
Dividends Received		-	124	174
Other Revenue		6,123	3,607	15,966
Total Operating Revenue		1,193,149	1,223,195	2,570,245
Operating Expenses				
Energy Related Expenses		(534,249)	(559,436)	(1,375,545)
Energy Distribution Expenses		(210,794)	(214,272)	(404,198)
Energy Transmission Expenses		(54,726)	(41,017)	(86,677)
Employee Expenses		(46,516)	(43,159)	(79,589)
Other Operating Expenses		(69,796)	(70,976)	(147,627)
		(916,081)	(928,860)	(2,093,636)
Earnings Before Interest, Tax, Depreciation, Amortisation, Change in Fair Value of Financial Instruments and Other Significant Items (EBITDAF)		277,068	294,335	476,609
Impairment of Assets	3	-	(8,257)	(60,078)
Equity Accounted Earnings of Joint Ventures		80	(456)	(2,724)
Amortisation of Intangible Assets		(7,369)	(11,324)	(22,180)
Depreciation		(100,871)	(101,149)	(202,903)
Gain/(Loss) on Sale of Property, Plant and Equipment		18	455	(1,144)
Gain on Sale of Subsidiary	8	5,945	-	-
Loss on Sale of Investments		(20)	-	(396)
Net Change in Fair Value of Financial Instruments Gain/(Loss) (Operational)	13	102,636	(29,890)	121,322
Operating Profit		277,487	143,714	308,506
Finance Costs and Other Finance Related Income/(Expenses)				
Finance Costs	4	(45,484)	(51,288)	(90,229)
Interest Income		1,712	4,437	7,698
Net Change in Fair Value of Financial Instruments Loss (Financing)	13	(480)	(89,362)	(67,951)
Profit Before Tax		233,235	7,501	158,024
Income Tax (Expense)/Credit	5	(59,885)	1,730	(83,384)
Profit After Tax		173,350	9,231	74,640
Profit After Tax Attributable to:				
Shareholders of the Parent Company		173,350	9,563	74,913
Non Controlling Interest		-	(332)	(273)
		173,350	9,231	74,640
Earnings Per Share from Operations Attributable to Equity Holders of the Company During the Year:				
Basic Earnings per Share ($)		0.11	0.01	0.05
Diluted Earnings per Share ($)		0.11	0.01	0.05

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

Statement of Comprehensive Income

	NOTE	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Profit After Tax for the Period		**173,350**	9,231	74,640
Other Comprehensive Income:				
Items that will not be Reclassified to Profit or Loss:				
Buy out of Whisper Tech Limited Minority Shareholders		**-**	(1,016)	(1,016)
Tax Relating to Items that will not be Reclassified:				
Deferred Tax on Revaluation Reserve	10	**-**	-	4,338
		-	(1,016)	3,322
Items that may be Reclassified Subsequently to Profit or Loss:				
Net Gain/(Loss) on Available for Sale Investments		**2,051**	159	(289)
Net (Loss)/Gain on Cash Flow Hedges		**(7,332)**	7,215	(59,520)
Exchange Differences Arising from Translation of Foreign Operations		**(6,825)**	9,850	(1,062)
Income Tax Relating to Items that may be Reclassified	10	**1,534**	(2,066)	18,013
		(10,572)	15,158	(42,858)
Other Comprehensive Income for the Year, Net of Tax		**(10,572)**	14,142	(39,536)
Total Comprehensive Income for the Period, Net of Tax		**162,778**	23,373	35,104
Total Comprehensive Income for the Period, Net of Tax, Attributable to:				
Shareholders of the Parent Company		**162,778**	24,300	35,377
Non Controlling Interest		**-**	(927)	(273)
		162,778	23,373	35,104

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

Statement of Financial Position

	NOTE	GROUP UNAUDITED 31 DEC 2012 $'000	 UNAUDITED 31 DEC 2011 $'000	 AUDITED 30 JUN 2012 $'000
Shareholders' Equity				
Share Capital		1,600,000	1,600,000	1,600,000
Reserves		3,388,458	3,285,298	3,225,680
Equity Attributable to Shareholders of the Parent		4,988,458	4,885,298	4,825,680
Non Controlling Interest		-	(29)	-
Total Equity		4,988,458	4,885,269	4,825,680
Represented by:				
Current Assets				
Cash and Cash Equivalents		72,625	173,048	214,420
Accounts Receivable and Prepayments		211,303	267,481	298,076
Inventories		3,843	4,111	4,649
Finance Lease Receivable		5,059	365	632
Assets Classified as Held for Sale	7	27,792	-	29,449
Derivative Financial Instruments	13	31,269	21,067	23,597
Total Current Assets		351,891	466,072	570,823
Non-Current Assets				
Finance Lease Receivable		-	4,797	4,797
Equity Accounted Joint Ventures		-	7,589	3,772
Available for Sale Investments		5,721	5,637	3,554
Intangible Assets		50,093	49,501	26,772
Property, Plant and Equipment	9	7,970,312	7,816,832	7,963,652
Deferred Tax Asset	10	8,306	8,031	8,437
Derivative Financial Instruments	13	184,831	68,479	110,968
Total Non-Current Assets		8,219,263	7,960,866	8,121,952
Total Assets		8,571,154	8,426,938	8,692,775
Current Liabilities				
Liabilities Classified as Held for Sale		732	-	752
Payables and Accruals		179,582	201,885	286,096
Provisions		52	52	15
Current Tax Payable		4,948	2,977	6,000
Current Portion of Term Borrowings	11	113,684	366,287	247,919
Derivative Financial Instruments	13	52,054	15,163	52,571
Total Current Liabilities		351,052	586,364	593,353
Non-Current Liabilities				
Deferred Tax Liability	10	1,468,889	1,382,003	1,444,221
Term Borrowings	11	1,511,980	1,218,837	1,577,742
Term Payables		15,313	29,744	22,755
Derivative Financial Instruments	13	235,462	324,721	229,024
Total Non-Current Liabilities		3,231,644	2,955,305	3,273,742
Total Liabilities		3,582,696	3,541,669	3,867,095
Net Assets		4,988,458	4,885,269	4,825,680

The Directors of Meridian Energy Limited authorised these condensed interim financial statements for issue on behalf of the Board.

Chris Moller

Chris Moller
Chairman, 24 February 2013

J A Dawson

Jan Dawson
Chair of Audit and Risk Committee, 24 February 2013

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

Statement of Changes in Equity

	GROUP – UNAUDITED						
	SHARE CAPITAL $'000	REVALUATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	CASH FLOW HEDGE RESERVE $'000	AVAILABLE FOR SALE RESERVE $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
Balance at 1 July 2012	1,600,000	3,418,035	(1,717)	(41,806)	(45)	(148,787)	4,825,680
Profit for the Period	-	-	-	-	-	173,350	173,350
Cash Flow Hedges:							
Net Loss Taken to Equity	-	-	-	(7,332)	-	-	(7,332)
Available for Sale Reserve:							
Net Gain Taken to Equity	-	-	-	-	2,051	-	2,051
Exchange Differences Arising from Translation of Foreign Operations	-	-	(6,825)	-	-	-	(6,825)
Income Tax Relating to Other Comprehensive Income	-	-	-	2,109	(575)	-	1,534
Total Comprehensive Income for the Period	-	-	(6,825)	(5,223)	1,476	173,350	162,778
Dividends Paid	-	-	-	-	-	-	-
Balance at 31 December 2012	1,600,000	3,418,035	(8,542)	(47,029)	1,431	24,563	4,988,458

	GROUP – UNAUDITED									
	SHARE CAPITAL $'000	REVALUATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	CASH FLOW HEDGE RESERVE $'000	AVAILABLE FOR SALE RESERVE $'000	RETAINED EARNINGS $'000	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT $'000	SHARE OPTIONS VESTED $'000	NON CONTROLLING INTEREST $'000	TOTAL $'000
Balance at 1 July 2011	1,600,000	3,392,516	(655)	(217)	162	(61,402)	4,930,404	997	(99)	4,931,302
Profit for the Period	-	-	-	-	-	9,563	9,563	-	(332)	9,231
Cash Flow Hedges:										
Net Gain Taken to Equity	-	-	-	7,215	-	-	7,215	-	-	7,215
Available for Sale Reserve:										
Net Gain Taken to Equity	-	-	-	-	159	-	159	-	-	159
Exchange Differences Arising from Translation of Foreign Operations	-	-	9,850	-	-	-	9,850	-	-	9,850
Buy Out of Whisper Tech Limited Minority Shareholders	-	-	-	-	-	(421)	(421)	(997)	402	(1,016)
Asset Revaluation Reserve Transferred to Retained Earnings	-	(113)	-	-	-	113	-	-	-	-
Deferred tax on asset Revaluation Reserve	-	32	-	-	-	(32)	-	-	-	-
Income Tax Relating to Other Comprehensive Income	-	-	-	(2,021)	(45)	-	(2,066)	-	-	(2,066)
Total Comprehensive Income for the Period	-	(81)	9,850	5,194	114	9,223	24,300	(997)	70	23,373
Dividends Paid	-	-	-	-	-	(69,406)	(69,406)	-	-	(69,406)
Balance at 31 December 2011	1,600,000	3,392,435	9,195	4,977	276	(121,585)	4,885,298	-	(29)	4,885,269

Statement of Changes in Equity

	GROUP – AUDITED									
	SHARE CAPITAL $'000	REVALUATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	CASH FLOW HEDGE RESERVE $'000	AVAILABLE FOR SALE RESERVE $'000	RETAINED EARNINGS $'000	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT $'000	SHARE OPTIONS VESTED $'000	NON CONTROLLING INTEREST $'000	TOTAL $'000
Balance at 1 July 2011	**1,600,000**	**3,392,516**	**(655)**	**(217)**	**162**	**(61,402)**	**4,930,404**	**997**	**(99)**	**4,931,302**
Profit for the Period	-	-	-	-	-	74,913	74,913	-	(273)	74,640
Cash Flow Hedges:										
Net Loss Taken to Equity	-	-	-	(59,520)	-	-	(59,520)	-	-	(59,520)
Available for Sale Reserve:										
Net Loss Taken to Equity	-	-	-	-	(289)	-	(289)	-	-	(289)
Exchange Differences Arising from Translation of Foreign Operations	-	-	(1,062)	-	-	-	(1,062)	-	-	(1,062)
Buy Out of Whisper Tech Limited Minority Shareholders	-	-	-	-	-	(391)	(391)	(997)	372	(1,016)
Asset Revaluation Reserve Transferred to Retained Earnings	-	21,330	-	-	-	(21,330)	-	-	-	-
Deferred Tax on Asset Revaluation Reserve	-	4,338	-	-	-	-	4,338	-	-	4,338
Income Tax Relating to Other Comprehensive Income	-	(149)	-	17,931	82	149	18,013	-	-	18,013
Total Comprehensive Income for the Period	**-**	**25,519**	**(1,062)**	**(41,589)**	**(207)**	**53,341**	**36,002**	**(997)**	**99**	**35,104**
Dividends Paid	-	-	-	-	-	(140,726)	(140,726)	-	-	(140,726)
Balance at 30 June 2012	**1,600,000**	**3,418,035**	**(1,717)**	**(41,806)**	**(45)**	**(148,787)**	**4,825,680**	**-**	**-**	**4,825,680**

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

Statement of Cash Flows

	NOTE	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	GROUP AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Operating Activities				
Cash was Provided from:				
Receipts from Customers		**1,277,886**	1,213,804	2,514,780
Interest Received		**1,449**	4,437	7,698
Dividends Received		**-**	124	174
		1,279,335	1,218,365	2,522,652
Cash was Applied to:				
Payments to Suppliers and Employees		**(1,029,359)**	(968,319)	(2,048,933)
Interest Paid		**(43,992)**	(50,509)	(91,180)
Income Tax Paid		**(33,054)**	(64,070)	(60,337)
		(1,106,405)	(1,082,898)	(2,200,450)
Net Cash Inflows from Operating Activities		**172,930**	135,467	322,202
Investment Activities				
Cash was Provided from:				
Sale of Property, Plant and Equipment		**376**	2,552	3,231
Sale of Subsidiary	8	**56,297**	-	-
Sale of Investments		**810**	-	-
Finance Lease Receivable		**632**	365	632
		58,115	2,917	3,863
Cash was Applied to:				
Purchase of Property, Plant and Equipment		**(166,592)**	(203,258)	(510,367)
Capitalised Interest		**(3,646)**	-	(6,530)
Purchase of Minority Interest		**-**	(19)	-
Purchase of Intangible Assets		**(13,057)**	(1,486)	(8,346)
Purchase of Investments		**-**	(3,659)	(3,381)
		(183,295)	(208,422)	(528,624)
Net Cash Outflows from Investing Activities		**(125,180)**	(205,505)	(524,761)
Financing Activities				
Cash was Provided from:				
Proceeds From Borrowings		**341,076**	365,115	943,358
		341,076	365,115	943,358
Cash was Applied to:				
Term Borrowings Paid		**(523,755)**	(422,284)	(752,397)
Dividends Paid		**-**	(69,406)	(140,726)
		(523,755)	(491,690)	(893,123)
Net Cash (Outflows)/Inflows from Financing Activities		**(182,679)**	(126,575)	50,235
Net Decrease in Cash and Cash Equivalents		**(134,929)**	(196,613)	(152,324)
Cash and Cash Equivalents at Beginning of Period		**214,420**	368,191	368,191
Cash removed on Sale of Subsidiary		**(4,851)**	-	-
Effect of Exchange Rate changes on Net Cash		**(2,015)**	1,470	(1,447)
Cash and Cash Equivalents at End of Period		**72,625**	173,048	214,420

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

Statement of Cash Flows

		GROUP		
RECONCILIATION OF PROFIT AFTER TAX FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Profit after Tax for the Period		173,350	9,231	74,640
Adjustments for Non-Cash Items:				
Depreciation		100,871	101,149	202,903
Amortisation of Intangible Assets		7,369	11,324	22,180
Movement in Deferred Tax		27,808	(32,477)	53,652
Total Net Change in Fair Value of Financial Instruments (Gain)/Loss	13	(102,156)	119,252	(53,371)
Less: Cash Payments of Option Premiums		(8,838)	(7,157)	(17,974)
Net Non-Cash Movement in Fair Value of Financial Instruments		(110,994)	112,095	(71,345)
Share Based Payments		-	(997)	(997)
Equity Accounted Earnings of Joint Venture		(80)	456	2,724
Finance Costs		(991)	-	(3,723)
		23,983	191,550	205,394
Items Classified as Investing Activities:				
Impairment of Assets	3	-	8,257	60,078
Finance Lease Interest		(262)	-	(534)
(Gain)/Loss on Sale of Property, Plant and Equipment		(18)	(455)	1,144
Loss on Sale of Investments		20	-	396
Gain on Sale of Subsidiary	8	(5,945)	-	-
		(6,205)	7,802	61,084
Items Classified as Financing Activities:				
Amortisation of Prepaid Debt Facility Fees		726	1,714	1,836
		726	1,714	1,836
Changes in Working Capital Items				
Decrease/(Increase) in Accounts Receivable and Prepayments		86,773	(26,597)	(57,191)
Decrease/(Increase) in Inventory		806	(778)	(1,316)
(Decrease)/Increase in Payables and Accruals		(104,574)	(13,782)	68,215
Increase/(Decrease) in Provisions		37	(42)	(79)
Decrease in Current Tax Payable		(1,052)	(33,631)	(30,608)
Working Capital Items Transferred to Available for Sale		(184)	-	65
Working Capital Items on Sale of Subsidiary		(730)	-	-
Working Capital Items Transferred to Held for Sale		-	-	162
		(18,924)	(74,830)	(20,752)
Net Cash Flow from Operating Activities		172,930	135,467	322,202

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

Notes to the Condensed Interim Financial Statements

CONTENTS

1. Summary of Accounting Policies

REPORTING ENTITY AND STATEMENT OF COMPLIANCE

Meridian Energy Limited (the “Company”) is a profit-oriented entity domiciled in New Zealand, registered under the Companies Act 1993 and an issuer for the purposes of the Financial Reporting Act 1993. The shares in Meridian Energy Limited 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 liabilities of Meridian Energy Limited are not guaranteed in any way by the Crown.

Meridian Energy Limited’s core business is the generation of electricity (including the management of related assets) and the trading and retailing of electricity and wider complementary products and solutions.

The condensed interim financial statements comprise those of Meridian Energy Limited (the “Parent”) and its subsidiaries (together referred to as “Meridian” or “Group”). The reporting period for these financial statements is the six months ended 31 December 2012.

The financial statements were authorised for issue by the Directors on 24 February 2013.

BASIS OF PREPARATION

These unaudited condensed interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and New Zealand Equivalents to International Financial Reporting Standards (“NZ IFRS”) and in accordance with IAS 34: Interim Financial Reporting and NZ IAS 34: Interim Financial Reporting. For the purposes of financial reporting, Meridian is a profit-oriented entity.

The financial statements have been prepared on the basis of historical cost modified by the revaluation of certain assets and liabilities. The accrual basis of accounting has been used unless otherwise stated.

These financial statements are presented in New Zealand dollars rounded to the nearest thousand.

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparation of the Group’s financial statements for the year ended 30 June 2012.

JUDGEMENTS AND ESTIMATIONS

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses, and these are consistent with those applied in the preparation of the Group’s financial statements for the year ended 30 June 2012. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are in relation to forecast earnings and multiples used to value the generation structures and plant assets and price path estimates, including electricity, aluminium and estimates for inflation and discount rates, which have been used to fair value the energy derivatives. In addition, accounting judgements are made in respect of the hedge designation of certain financial instruments, assessment of hedge effectiveness and the determination of useful lives of Property, Plant and Equipment.

2. Segment Reporting

Management has determined the operating segments based on the reports reviewed by the Chief Executive to assess performance, allocate resources and make strategic decisions.

The Chief Executive assesses the performance of the operating segments on a measure of EBITDAF. Segment EBITDAF represents profit earned by each segment without the allocation of central administration costs, directors fees, equity accounted earnings of joint ventures, change in fair value of financial instruments, finance costs, interest income, gain/loss on sale of property, plant and equipment, subsidiaries and investments, depreciation, amortisation, impairments and income tax expense.

The following balance sheet items are not allocated to operating segments as they are not reported to the Chief Executive at a segmental level:

- Assets
- Liabilities
- Capital Expenditure

The Chief Executive considers the business from the perspective of three reportable segments, being wholesale, retail and international.

Revenues are derived from external customers within New Zealand, Australia and the United States of America. Meridian sells 40% of its generation output to a single customer. The revenues received from this customer are attributable to the wholesale segment.

The revenue from external parties reported to the Chief Executive is measured in a manner consistent with that in the Income Statement.

The accounting policies of the reportable segments are the same as Meridian's accounting policies applied in the preparation of the Group financial statements for the year ended 30 June 2012.

Since the last reporting date, Meridian has implemented a transfer price between the wholesale and retail segments. Wholesale now purchases retail's electricity requirements from the wholesale electricity market at spot prices at the relevant grid exit point and on sells at agreed transfer prices to the retail segment. Prior periods have been restated to reflect this change, resulting in a shift in the previously reported Energy Margin between the wholesale and retail segments of $84 million for the year ended 30 June 2012 and $5 million for the six months ended 31 December 2011.

WHOLESALE SEGMENT

The wholesale segment encompasses activity associated with Meridian's generation and sale of electricity into the wholesale electricity market, the wholesale sale and purchase of electricity to large industrial customers and the retail segment, development of New Zealand renewable energy opportunities, activities such as energy risk management and dam consultancy services. Costs to develop New Zealand renewable generation opportunities and dam consultancy services offered by Damwatch Services Limited are reported as part of the wholesale operating segment as it is determined that they have similar long term economic characteristics. Damwatch Services Limited was previously included in other segments. Prior periods have been restated to reflect this change.

Wholesale revenues received from generation reflect the spot price received from the wholesale electricity market at the relevant grid injection point, revenue received from large industrial customers and revenue from transfers to the retail segment.

RETAIL SEGMENT

The retail segment encompasses activity associated with the purchase of electricity from wholesale, the retail sale of electricity to customers and metering services.

The retail segment purchased electricity from the wholesale segment at an average fixed price of $85 per MWh for electricity supporting sales made to fixed price variable volume customers and purchased electricity for customers on spot agreements at the prevailing wholesale market rates.

INTERNATIONAL SEGMENT

The international segment comprises Meridian's Australian and United States operations which generate electricity and sell into the relevant markets.

OTHER SEGMENTS

Other operations, which are not considered reportable segments, include Meridian's portfolio of subsidiaries that provide insurance services and energy solutions to industry. The results of these segments are included in 'other segments'.

On 20 December 2012 Energy for Industry Limited, a subsidiary that provided energy solutions to industry, was sold as a going concern.

UNALLOCATED

Unallocated Corporate encompasses Meridian's business functions and company-wide costs, such as insurance, that provide support to the wholesale, retail, international generation and other segments, and Meridian's non-operating subsidiaries.

INTER-SEGMENT ITEMS

Inter-segment revenue and expenses are sales and purchases between the wholesale and retail segments.

2. Segment Reporting (CONTINUED)

The Unaudited Segment Information Provided to the Chief Executive for the Reportable Segments for the Six Months Ended 31 December 2012 is as follows:

	GROUP						
	WHOLESALE $'000	RETAIL $'000	INTERNATIONAL $'000	OTHER SEGMENTS $'000	UNALLOCATED CORPORATE $'000	INTER-SEGMENT ITEMS $'000	TOTAL $'000
Energy Sales Revenue	858,085	580,367	11,634	9,701	-	(279,819)	1,179,968
Energy Related Expenses	(497,244)	(311,893)	(287)	(4,644)	-	279,819	(534,249)
Energy Distribution Expenses	(8,562)	(202,215)	(17)	-	-	-	(210,794)
Energy Margin	**352,279**	**66,259**	**11,330**	**5,057**	**-**	**-**	**434,925**
Dividend and Other Revenue	4,677	7,540	-	325	639	-	13,181
Energy Transmission Expenses	(53,730)	-	(996)	-	-	-	(54,726)
Gross Margin	**303,226**	**73,799**	**10,334**	**5,382**	**639**	**-**	**393,380**
Employee Expenses	(15,313)	(14,255)	(3,344)	(1,452)	(12,152)	-	(46,516)
Other Operating Expenses	(19,979)	(22,878)	(2,232)	(2,124)	(22,583)	-	(69,796)
EBITDAF	**267,934**	**36,666**	**4,758**	**1,806**	**(34,096)**	**-**	**277,068**
Reconciliation of Operating Revenue							
Energy Sales Revenue	858,085	580,367	11,634	9,701	-	(279,819)	1,179,968
Dividend and Other Revenue	4,677	7,540	-	325	639	-	13,181
Inter-Segment Revenue	(279,819)	-	-	-	-	279,819	-
Revenue from External Customers	**582,943**	**587,907**	**11,634**	**10,026**	**639**	**-**	**1,193,149**

The Unaudited Segment Information Provided to the Chief Executive for the Reportable Segments for the Six Months Ended 31 December 2011 is as follows:

	GROUP						
	WHOLESALE $'000	RETAIL $'000	INTERNATIONAL $'000	OTHER SEGMENTS $'000	UNALLOCATED CORPORATE $'000	INTER-SEGMENT ITEMS $'000	TOTAL $'000
Energy Sales Revenue	930,115	579,232	11,862	10,293	-	(317,262)	1,214,240
Energy Related Expenses	(530,469)	(340,802)	(286)	(5,141)	-	317,262	(559,436)
Energy Distribution Expenses	(15,300)	(199,006)	-	34	-	-	(214,272)
Energy Margin	**384,346**	**39,424**	**11,576**	**5,186**	**-**	**-**	**440,532**
Dividend and Other Revenue	3,782	4,493	7	702	1,771	(1,800)	8,955
Energy Transmission Expenses	(40,024)	-	(993)	-	-	-	(41,017)
Gross Margin	**348,104**	**43,917**	**10,590**	**5,888**	**1,771**	**(1,800)**	**408,470**
Employee Expenses	(13,142)	(13,404)	(2,631)	(3,018)	(10,964)	-	(43,159)
Other Operating Expenses	(20,582)	(24,742)	(2,550)	(1,630)	(21,472)	-	(70,976)
EBITDAF	**314,380**	**5,771**	**5,409**	**1,240**	**(30,665)**	**(1,800)**	**294,335**
Reconciliation of Operating Revenue							
Energy Sales Revenue	930,115	579,232	11,862	10,293	-	(317,262)	1,214,240
Dividend and Other Revenue	3,782	4,493	7	702	1,771	(1,800)	8,955
Inter-Segment Revenue	(317,262)	-	-	-	(1,800)	319,062	-
Revenue from External Customers	**616,635**	**583,725**	**11,869**	**10,995**	**(29)**	**-**	**1,223,195**

2. Segment Reporting (CONTINUED)

The Audited Segment Information Provided to the Chief Executive for the Reportable Segments for the Year Ended 30 June 2012 is as follows:

	GROUP						
	WHOLESALE $'000	RETAIL $'000	INTERNATIONAL $'000	OTHER SEGMENTS $'000	UNALLOCATED CORPORATE $'000	INTER-SEGMENT ITEMS $'000	TOTAL $'000
Energy Sales Revenue	1,985,003	1,156,639	23,351	20,930	-	(642,951)	2,542,972
Energy Related Expenses	(1,306,562)	(701,417)	(520)	(9,997)	-	642,951	(1,375,545)
Energy Distribution Expenses	(23,455)	(380,742)	(1)	-	-	-	(404,198)
Energy Margin	**654,986**	**74,480**	**22,830**	**10,933**	**-**	**-**	**763,229**
Dividend and Other Revenue	9,831	11,625	2,554	1,561	3,642	(1,940)	27,273
Energy Transmission Expenses	(84,702)	-	(1,975)	-	-	-	(86,677)
Gross Margin	**580,115**	**86,105**	**23,409**	**12,494**	**3,642**	**(1,940)**	**703,825**
Employee Expenses	(23,484)	(25,566)	(6,164)	(4,745)	(19,630)	-	(79,589)
Other Operating Expenses	(43,420)	(49,593)	(4,943)	(4,511)	(45,160)	-	(147,627)
EBITDAF	**513,211**	**10,946**	**12,302**	**3,238**	**(61,148)**	**(1,940)**	**476,609**
Reconciliation of Operating Revenue							
Energy Sales Revenue	1,985,003	1,156,639	23,351	20,930	-	(642,951)	2,542,972
Dividend and Other Revenue	9,831	11,625	2,554	1,561	3,642	(1,940)	27,273
Inter-Segment Revenue	(642,951)	-	-	-	(1,940)	644,891	-
Revenue from External Customers	**1,351,883**	**1,168,264**	**25,905**	**22,491**	**1,702**	**-**	**2,570,245**

Information Relating to Geographical Area Operations

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Total Revenue in:			
New Zealand	**1,181,515**	1,211,325	2,544,340
Australia	**10,017**	10,193	22,739
United States of America	**1,617**	1,677	3,166
	1,193,149	1,223,195	2,570,245

Reconciliation of EBITDAF to Profit Before Tax provided as follows:

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
EBITDAF for Reportable Segments	**309,358**	325,560	536,459
Other Segments EBITDAF	**1,806**	1,240	3,238
Unallocated EBITDAF	**(34,096)**	(32,465)	(63,088)
Total Group EBITDAF	**277,068**	294,335	476,609
Unrealised Net Gain/(Loss) on Financial Instruments	**102,156**	(119,252)	53,371
Depreciation	**(100,871)**	(101,149)	(202,903)
Amortisation of Intangible Assets	**(7,369)**	(11,324)	(22,180)
Impairment of Assets	**-**	(8,257)	(60,078)
Gain/(Loss) on Sale of Property, Plant and Equipment	**18**	455	(1,144)
Loss on Sale of Investments	**(20)**	-	(396)
Gain on Sale of Subsidiary	**5,945**	-	-
Equity Accounted Earnings of Joint Ventures	**80**	(456)	(2,724)
Finance Costs and Other Finance Expenses	**(43,772)**	(46,851)	(82,531)
Profit Before Tax	**233,235**	7,501	158,024

3. Impairment of Assets

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Impairment of Intangible Assets	**-**	-	22,383
Impairment of Property, Plant and Equipment	**-**	7,655	35,377
Impairment of Investments	**-**	602	1,445
Impairment of Held for Sale Assets	**-**	-	873
	-	8,257	60,078

Property, Plant and Equipment impairment of $7.66 million in the period ended 31 December 2011 included $6.91 million of work in progress assets relating to Project Hayes, a wind farm project in North Otago following a decision not to proceed.

In the period ended 30 June 2012, Intangible Asset impairments of $22.38 million included Whisper Tech Limited ($16.20 million) and Meridian Energy USA Incorporated ($6.18 million) due to the carrying values no longer being supported by expected future cash flows. Property, Plant and Equipment impairments of $35.38 million included Project Hayes ($6.91 million), the discontinuation of the Mokihinui hydro project in Westland ($18.10 million), Arc Innovations Limited metering assets ($5.80 million) and various work in progress assets of the Parent and Meridian Energy USA Inc ($4.57 million).

4. Finance Costs

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Interest on Borrowings	**61,176**	53,002	111,131
Less Capitalised Interest	**(15,692)**	(1,714)	(20,902)
	45,484	51,288	90,229

Interest is capitalised during construction of assets that take a substantial period of time and where borrowing costs are directly attributable to the construction of those assets.

5. Income Tax Expense

	NOTE	GROUP		
		UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Income Tax Expense				
Current Income Tax Charge		**32,077**	30,747	28,540
Adjustments Regarding Current Income Tax of Prior Years		**-**	-	(2,213)
Total Current Tax Expense		**32,077**	30,747	26,327
Deferred Tax Expense				
Relating to Origination and Reversal of Timing Differences		**27,808**	(32,477)	25,215
Deferred Tax Asset Written Off in Relation to Carried Forward Losses		**-**	-	7,648
Effect of Corporate Tax Rate Reduction on Deferred Tax Liability		**-**	-	554
Effect of Change in Building Tax Depreciation on Deferred Tax		**-**	-	23,640
Total Deferred Tax Expense/(Credit)	10	**27,808**	(32,477)	57,057
Total Income Tax Expense/(Credit)		**59,885**	(1,730)	83,384
Income Tax Expense can be reconciled to accounting profit as follows:				
Profit Before Tax		**233,235**	7,501	158,024
Income Tax at Applicable Tax Rates		**65,145**	1,305	43,883
Tax Effect of Expenditure Not Deductible for Tax		**503**	2,893	16,474
Tax Effect of Income Not Subject to Tax		**(5,882)**	(2,829)	(6,947)
Income Tax (Over)/Under Provided in Prior Period		**-**	(3,174)	5,678
Effect of Corporate Tax Rate Reduction on Deferred Tax Liability	10	**-**	-	554
Effect of Change in Building Tax Depreciation on Deferred Tax	10	**-**	-	23,640
Other		**119**	75	102
Income Tax Expense/(Credit)		**59,885**	(1,730)	83,384

Applicable tax rates for the Group are 28% for New Zealand and 30% for Australia.

6. Dividends Paid

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
2012 Interim Dividend Paid	-	-	71,320
2011 Final Dividend Paid	-	69,406	69,406
	-	69,406	140,726

7. Assets Classified as Held For Sale

Assets classified as held for sale as at 31 December 2012 and 30 June 2012 comprised Meridian Energy USA Inc net assets and land no longer required for development projects.

At 30 June 2012 assets classified as held for sale also included the Nth Power Technologies Fund II, L.P. investment which was sold during the current period.

8. Investments in Subsidiaries and Controlled Entities

On 20 December 2012 the Group disposed of its entire interest in Energy for Industry Limited, a wholly owned subsidiary of the Parent, based on 30 November 2012 draft completion accounts, resulting in a gain of $5.945 million to the Group.

Summary of the effect of the disposal of the subsidiary:

	GROUP
	DEC 2012 $'000
Assets and Liabilities Disposed of:	
Cash and Cash Equivalents	4,851
Accounts Receivable and Prepayments	2,921
Inventories	1,083
Tax Receivable	63
Intangible Assets	5,719
Property, Plant and Equipment	39,694
Payables and Accruals	(3,337)
Derivative Financial Instruments	(106)
Deferred Tax	(1,465)
Assets and Liabilities Disposed	**49,423**
Proceeds Received	
Cash Proceeds	56,297
Working Capital Adjustment	92
Disposal Costs	(1,021)
Net Proceeds	**55,368**
Gain on Disposal	**5,945**

The Working Capital adjustment is an amendment to the purchase price based on the finalised completion accounts.

9. Property, Plant and Equipment

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Additions at cost	**171,524**	213,050	533,789
Carrying value of disposals (including those classified as Held for Sale, excluding disposal of Subsidiaries)	**358**	**2,097**	2,627
Proceeds of disposals (including those classified as Held for Sale, excluding disposal of Subsidiaries)	**376**	**2,552**	3,231

10. Deferred Tax Liability

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods.

		GROUP		
	NOTE	UNAUDITED 31 DEC 2012 $'000	UNAUDITED 31 DEC 2011 $'000	AUDITED 30 JUN 2012 $'000
Balance at Beginning of Period		**1,435,784**	1,404,383	1,404,383
Recognised in the Income Statement:				
Movement in Temporary Differences		**27,808**	(32,477)	25,215
Corporate Tax Rate Reduction		**-**	-	554
Deferred Tax Written Off in Relation to Carried Forward Losses		**-**	-	7,648
Building Tax Depreciation Change		**-**	-	23,640
	5	**27,808**	(32,477)	57,057
Recognised in Other Comprehensive Income:				
Deferred Tax on Revaluation Reserve		**-**	-	(4,338)
Movement in Temporary Differences (Equity)		**(1,534)**	2,066	(18,013)
		(1,534)	2,066	(22,351)
Effect of Exchange Rate Changes on Opening Balance		**(10)**	-	100
Effect of Sale of Subsidiary		**(1,465)**	-	-
Adjustments Regarding Deferred Tax of Prior Years		**-**	-	(3,405)
		1,460,583	1,373,972	1,435,784
The movement in temporary differences recognised in the Income Statement consist of the following:				
Property, Plant and Equipment		**49**	1,679	16,244
Financial Instruments		**28,589**	(26,346)	14,994
Carried Forward Losses to be Utilised Against Future Taxable Income		**-**	-	(8,256)
Other		**(830)**	(7,810)	2,233
		27,808	(32,477)	25,215

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for Statement of Financial Position purposes:

	GROUP		
	UNAUDITED 31 DEC 2012 $'000	UNAUDITED 31 DEC 2011 $'000	AUDITED 30 JUN 2012 $'000
Fair Valued Generation Assets	**1,076,473**	1,231,228	1,076,473
Property, Plant and Equipment	**437,844**	252,553	439,433
Term Payables	**(18,903)**	(41,814)	(41,814)
Financial Instruments	**(30,562)**	(53,890)	(34,194)
Other	**4,037**	(6,074)	4,323
Deferred Tax Liability	**1,468,889**	1,382,003	1,444,221
Carried Forward Losses to be Utilised Against Future Taxable Income	**(8,114)**	(7,871)	(8,256)
Other	**(192)**	(160)	(181)
Deferred Tax Asset	**(8,306)**	(8,031)	(8,437)
	1,460,583	1,373,972	1,435,784

11. Borrowings

		GROUP – CARRYING VALUE			GROUP – FACE VALUE		
		UNAUDITED 31 DEC 2012 $'000	UNAUDITED 31 DEC 2011 $'000	AUDITED 30 JUN 2012 $'000	UNAUDITED 31 DEC 2012 $'000	UNAUDITED 31 DEC 2011 $'000	AUDITED 30 JUN 2012 $'000
Bank Funding	NZD	-	128,919	369,072	-	130,000	370,000
Bank Funding	AUD	160,688	138,622	134,721	161,268	138,622	134,721
Renewable Energy Bonds	NZD	198,103	197,504	197,804	200,000	200,000	200,000
Renewable Energy Notes	NZD	23,333	87,921	44,859	23,333	87,921	44,859
EKF Facility	NZD	131,717	143,360	138,422	135,000	145,000	140,000
Floating Rate Note	NZD	99,803	-	49,853	100,000	-	50,000
Floating Rate Note	AUD	-	131,216	-	-	123,000	-
Fixed Rate Bond Issue	USD	469,061	590,990	488,297	479,860	581,649	479,860
Project Financing	AUD	458,833	166,592	402,633	458,833	166,592	402,633
Commercial Papers	NZD	84,126	-	-	85,000	-	-
		1,625,664	1,585,124	1,825,661	1,643,294	1,572,784	1,822,073

Meridian has total committed bank facilities of $1,077 million (excluding project financing) of which $831 million were undrawn at 31 December 2012. The expiry of these facilities range from December 2014 to November 2017.

Certain USD and AUD denominated borrowings are reported in the financial statements at fair value with movements in fair value largely offset by related cross currency interest rate swaps ('CCIRSs'). Other borrowings are reported at amortised cost.

12. Financial Risk Management

Meridian's activities expose it to a variety of financial risks: liquidity risk, market risk (including currency risk, cash flow risk, interest rate risk, electricity and other price risk) and credit risk. Meridian's overall risk management programme focuses on the unpredictability of financial markets and the electricity spot price and seeks to minimise potential adverse effects on the financial performance and economic value of the Group. In order to hedge certain risk exposures, Meridian uses derivative financial instruments such as: foreign exchange contracts and options ('FECs'); cross currency interest rate swaps ('CCIRSs'); interest rate swaps ('IRSs') including forward rate agreements and interest rate options; electricity contracts for differences ('CfDs') and options; and aluminium CfDs.

Risk management is carried out under policies approved by the Board.

LIQUIDITY RISK

Meridian maintains sufficient cash and marketable securities, the availability of funding through an adequate amount of committed funding facilities and the ability to close out market positions as part of its management of liquidity risk. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by keeping committed surplus funding lines available.

MARKET RISK

Foreign Exchange Risk

Where Meridian raises funding denominated in a foreign currency, its policy is to hedge all foreign currency and interest rate exposures back into the currency of the funds ultimate utilisation. The resulting local currency floating interest rate risk is managed as part of the interest rate risk management as described in the following section.

Meridian establishes a combination of both cash flow and fair value hedges for the CCIRSs and the foreign denominated borrowings.

Meridian incurs capital and operating expenditure denominated in foreign currencies which creates an exposure to foreign exchange risk primarily in respect of US dollars and the Euro. Meridian does not enter into FECs for speculative purposes.

Foreign currency expenditure, once approved is hedged 100% whilst anticipated foreign currency expenditure but not approved may be hedged up to 50% based on criteria set out in the Group Treasury Policy.

All committed foreign currency exposures below $1 million NZD equivalent may be hedged at the discretion of the Group Treasurer. Foreign currency exposures of $1 million NZD equivalent or greater are hedged.

For any FECs that are individually, or part of a series of exposures that is in excess of $5 million NZD equivalent, Meridian establishes cash flow hedges for accounting purposes.

Cash Flow and Interest Rate Risk

Meridian's primary interest rate risk arises from long-term borrowings which are sourced at both fixed interest rates and floating interest rates. In addition, as described in the section above, the combination of foreign denominated borrowings and the CCIRSs result in an exposure to floating interest rates in the currency of the funding's ultimate destination. Borrowings in floating New Zealand or Australian interest rates expose Meridian to cash flow risks whilst borrowings issued at fixed interest rates expose Meridian to risk of changes in the fair value of the debt issued. Meridian does not enter into interest rate hedges for speculative purposes.

Interest rate risk is managed on a dynamic basis and various scenarios are simulated taking consideration of existing and forecast debt requirements, existing hedge positions, forecast interest rates and in accordance with the Board approved policies.

In accordance with the Board policy Meridian manages its exposure to interest rate risk by identifying a core level of debt and using IRSs that apply minimum and maximum bands of interest rate (hedge) cover to fix interest rates.

The majority of Meridian IRSs are not designated as hedges for accounting purposes and are therefore classified as held for trading. In the case of Macarthur Wind Farm Project Financing, Meridian has established cash flow hedges for the IRSs and related debt.

Price Risk

Meridian is exposed to movements in the spot price of electricity arising through the sale and purchase of electricity to and from the market. Meridian manages this exposure by entering into CfDs to manage the net risk. Meridian does not enter into CfDs for speculative purposes.

In the case of one CfD (NZAS contract), Meridian is also exposed to the price of aluminium but has sought to mitigate this through the use of Aluminium Commodity Swaps (ACSs) as economic hedges against the aluminium price component of the contract.

CREDIT RISK

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including derivatives which have a positive value, outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted and where wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Credit Management Unit assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits by wholesale customers is regularly monitored by line management. Credit risk surrounding the sales to retail customers is predominantly mitigated by the accounts being settled on a monthly basis. Retail credit management continually monitors the size and nature of the exposure and acts to mitigate the risk deemed to be over acceptable levels.

13. Financial Instruments

	GROUP		
	UNAUDITED 31 DEC 2012 $'000	UNAUDITED 31 DEC 2011 $'000	AUDITED 30 JUN 2012 $'000
Current Assets			
Interest Rate Swaps/Options	2,673	-	-
Cross Currency Interest Rate Swaps	3,712	8,397	-
Foreign Exchange Contracts	1,215	18	36
Contracts for Difference	23,669	12,652	23,561
	31,269	21,067	23,597
Non-Current Assets			
Interest Rate Swaps/Options	11,340	12,347	15,081
Cross Currency Interest Rate Swaps	5,509	27,065	14,468
Foreign Exchange Contracts	1,140	-	-
Contracts for Difference	166,842	29,067	81,419
	184,831	68,479	110,968
Current Liabilities			
Interest Rate Swaps/Options	41,885	1,050	2,308
Cross Currency Interest Rate Swaps	-	10,953	-
Foreign Exchange Contracts	396	279	260
Contracts for Difference	9,773	2,881	50,003
	52,054	15,163	52,571
Non-Current Liabilities			
Interest Rate Swaps/Options	164,070	156,398	199,187
Cross Currency Interest Rate Swaps	17,352	1,106	-
Foreign Exchange Contracts	3,765	12	2,749
Contracts for Difference	50,275	167,205	27,088
	235,462	324,721	229,024

13. Financial Instruments (CONTINUED)

The table below shows the changes in the fair value of financial instruments recognised in the Income Statement. This represents where management has not sought hedge accounting or where ineffectiveness is recognised for accounting purposes in the Income Statement.

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Cross Currency Interest Rate Swaps	**(10,129)**	61,054	(9,289)
Borrowings	**10,129**	(61,089)	9,263
	-	(35)	(26)
Interest Rate Swaps	**(480)**	(89,327)	(67,925)
Cross Currency Interest Rate Swaps (margin)	**-**	-	-
Net Change in Fair Value of Financial Instruments Loss (Financing)	**(480)**	(89,362)	(67,951)
Foreign Exchange Contracts	**35**	(132)	(223)
Contracts for Difference – NZAS Contract	**136,217**	(89,102)	29,619
Contracts for Difference – Aluminium	**(11,469)**	57,399	87,072
Contracts for Difference – Other	**(22,147)**	1,945	4,854
Net Change in Fair Value of Financial Instruments Gain /(Loss) (Operational)	**102,636**	(29,890)	121,322
Total Unrealised Net Gain/(Loss) on Financial Instruments	**102,156**	(119,252)	53,371

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Total Amount of Change in Fair Values of Level 3 Financial Instruments Recognised in the Income Statement [1]	**116,153**	(84,079)	39,567

1 *Level 3 – valuation data inputs for the asset or liability that are not based on observable market data (unobservable inputs).*

Cash Flow Hedge Reserve

The effective portion of changes in the fair values of derivatives that are designated and qualify as cashflow hedges are recognised in the cash flow hedge reserve. The movement in the cash flow hedge reserve for the six months ended 31 December 2012 of ($5.2) million is net of tax (December 2011 $5.2 million, June 2012 ($41.6) million).

This movement comprises the realised and unrealised changes in the fair value of electricity derivatives of ($0.1) million (December 2011 $1.3 million, June 2012 $0.5 million), and the realised and unrealised changes in fair value of treasury derivatives (FECs, IRSs and CCIRSs) of ($5.1) million (December 2011 $3.9 million, June 2012 ($42.1) million).

NZAS CONTRACT

On 1 October 2007, Meridian and New Zealand Aluminium Smelters ("NZAS") entered into an electricity price agreement (which includes a CfD) based on 572MW of continuous consumption at the smelter. The agreement is for a period of up to eighteen years and took effect on 1 January 2013.

Under the prior contract which expired in December 2012, Meridian was responsible for delivered energy supply to the smelter. This meant Meridian was responsible for the electricity, its quality, and its transmission to the smelter.

The new agreement is a pricing agreement rather than a supply agreement. NZAS will be responsible for purchasing electricity from the national market itself, and Meridian will provide NZAS with price certainty for that electricity.

The agreed base price under the new agreement is subject to escalation with reference to a multi-year average market price for electricity in New Zealand, the world price for aluminium (as determined by an independent benchmark), and a component as a proxy for price inflation.

Meridian Energy Limited has been approached by Pacific Aluminium Pty Limited, a business unit of Rio Tinto Limited, the majority shareholder of New Zealand Aluminium Smelters Limited, to discuss potential changes to the electricity price agreement with the smelter. Discussions are ongoing and remain confidential. The outcome of negotiations is unknown at this stage, therefore Meridian is unable to quantify the financial impacts.

Accounting Treatment of NZAS Contract

The contract with NZAS includes a CfD which is accounted for at fair value in accordance with NZ IAS 39 *Financial Instruments: Recognition and Measurement*. Subsequent fair value changes are recognised in the Income Statement.

The application of NZ IAS 39 only considers the CfD part of the agreement and does not consider the value of the agreement to Meridian as a whole.

13. Financial Instruments (CONTINUED)

At 31 December 2012, the carrying value of the CfD is as follows:

	GROUP		
	UNAUDITED 31 DEC 2012 $'000	UNAUDITED 31 DEC 2011 $'000	AUDITED 30 JUN 2012 $'000
Present Value of Estimated Cash Flows	**(423,659)**	(678,597)	(559,876)
Less: Day 1 adjustment[1]	**514,970**	514,970	514,970
	91,311	(163,627)	(44,906)

The present value of estimated cash flows represents the discount implied within the CfD against Meridian's forecast wholesale electricity market forward price curve.

[1] Day 1 Adjustment – NZAS Pricing Agreement

A Day 1 adjustment, arising when an electricity derivative is entered into at a fair value determined to be different to the transaction price, is amortised to the Income Statement as electricity volumes contracted in the derivative expire. The carrying value of the derivative is disclosed net of the Day 1 adjustment.

There has been no movement in the aggregate day 1 adjustment since inception with the contract. From 1 January 2013 the day 1 adjustment will be amortised over the remaining life of the contract.

14. Commitments

	GROUP		
	UNAUDITED 31 DEC 2012 $'000	UNAUDITED 31 DEC 2011 $'000	AUDITED 30 JUN 2012 $'000
Capital Expenditure Commitments			
Property, Plant and Equipment	**316,891**	308,808	78,251
Software	**2,829**	133	703
	319,720	308,941	78,954

GUARANTEES

Meridian Wind Macarthur Pty Limited has various obligations arising from the joint venture with AGL Energy Limited. These include performance and funding obligations under the joint venture deed, obligations to contractors in relation to the construction of the wind farm, and obligations under various landowner agreements. Meridian Energy Limited has provided various guarantees and letters of comfort to the relevant parties that effectively guarantee the obligations of Meridian Wind Macarthur Pty Limited.

15. Subsequent Events

On 24 February 2013 the Board declared a fully imputed dividend of $99.8 million payable on the 30th of April 2013. The dividend has not been included as a liability in these financial statements. The payment of the dividend will not have tax consequences for the Group other than reducing the imputation credit balance.

There have been no other material events subsequent to 31 December 2012.

16. Contingent Assets and Liabilities

There were no contingent assets (31 December 2011 Nil, 30 June 2012 Nil) or contingent liabilities at 31 December 2012 (31 December 2011 $14 million, 30 June 2012 $14 million).

The contingent liability of $14 million reported at 31 December 2011 and 30 June 2012 was in regard to a group of market participants appeal to the High Court on prices in excess of $19,000/MWh bid into the wholesale electricity market. The appeal was subsequently withdrawn resulting in no liability to the Group.

Review Report of the Auditor-General

Deloitte.

TO THE SHAREHOLDERS OF MERIDIAN ENERGY LIMITED

We have reviewed the condensed consolidated interim financial statements on pages 2 to 22. The condensed consolidated interim financial statements provide information about the past financial performance of Meridian Energy Limited ("the Company") and its subsidiaries ("the Group") and its financial position as at 31 December 2012. This information is stated in accordance with the accounting policies referred to on page 9.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of condensed consolidated interim financial statements which present fairly the financial position of the Group as at 31 December 2012 and the results of its operations and cash flows for the six months ended on that date.

Reviewer's Responsibilities

The Auditor-General is the auditor of the Group pursuant to section 5(1)(f) of the Public Audit Act 2001. Pursuant to section 32 of the Public Audit Act 2001, the Auditor-General has appointed me, Michael Wilkes, using the staff and resources of Deloitte to undertake the annual audit of the Group.

We are responsible for reviewing the condensed consolidated interim financial statements presented by the Board of Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the condensed consolidated interim financial statements do not present fairly the matters to which they relate.

Basis of Opinion

A review is limited primarily to enquiries of Group personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

We have reviewed the condensed consolidated interim financial statements of the Group for the six months ended 31 December 2012 in accordance with the Review Engagement Standards issued by the External Reporting Board.

Our firm carries out other assignments for the company and Group in the areas of carbon emissions audit, audit of the securities registers and in connection with the prospectus. In addition to this, principals and employees of our firm deal with the Company and Group on normal terms within the ordinary course of trading activities of the business of the Company and Group. The firm has no other relationships with, or interests in, the Company or Group.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements on pages 2 to 22 do not present fairly the financial position of the Group as at 31 December 2012 and the results of its operations and cash flows for the six months ended on that date in accordance with NZ IAS 34: Interim Financial Reporting and IAS 34: Interim Financial Reporting.

Our review was completed on 24 February 2013 and our review opinion is expressed as at that date.

Michael Wilkes
Deloitte
On behalf of the Auditor-General
CHRISTCHURCH, New Zealand

This review report relates to the unaudited condensed consolidated interim financial statements of Meridian Energy Limited and its subsidiaries ('the Group') for the six months ended 31 December 2012 included on Meridian Energy Limited's website. The Board of Directors is responsible for the maintenance and integrity of Meridian Energy Limited's website. We have not been engaged to report on the integrity of Meridian Energy Limited's website. We accept no responsibility for any changes that may have occurred to the unaudited condensed consolidated interim financial statements since they were initially presented on the website. The review report refers only to the unaudited condensed consolidated interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements and related review report dated 24 February 2013 to confirm the information included in the unaudited condensed consolidated interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.