Meridian Energy Limited

FINANCIAL STATEMENTS *for the year ended 30 June 2013*

Contents

 The Statement of Accounting Policies and Notes to the Financial Statements on pages 10 to 56 form an integral part of these Financial Statements

MERIDIAN ENERGY LIMITED		GROUP		PARENT	
	NOTE	2013 $M	2012 $M	2013 $M	2012 $M
Operating Revenue					
Energy Sales Revenue		**2,681.5**	2,542.9	**2,515.9**	2,398.7
Energy Related Services Revenue		**13.3**	11.1	**2.5**	3.4
Dividends Received		**0.1**	0.2	**0.4**	2.1
Other Revenue		**16.3**	16.0	**15.1**	12.1
Total Operating Revenue		**2,711.2**	2,570.2	**2,533.9**	2,416.3
Operating Expenses					
Energy Related Expenses		**(1,361.5)**	(1,375.5)	**(1,309.5)**	(1,315.2)
Energy Distribution Expenses		**(404.2)**	(404.2)	**(359.3)**	(370.0)
Energy Transmission Expenses		**(115.3)**	(86.7)	**(113.2)**	(84.7)
Employee Expenses	3	**(88.6)**	(79.6)	**(65.7)**	(57.0)
Other Operating Expenses	3	**(156.8)**	(147.6)	**(142.8)**	(133.0)
		(2,126.4)	(2,093.6)	**(1,990.5)**	(1,959.9)
Earnings Before Interest, Tax, Depreciation, Amortisation, Change in Fair Value of Financial Instruments and Other Significant Items (EBITDAF)		**584.8**	476.6	**543.4**	456.4
Impairment of Assets	4	**(24.8)**	(60.1)	**(21.1)**	(93.9)
Gain/(Loss) on Sale of Assets	5	**106.6**	(1.5)	**8.6**	(1.0)
Equity Accounted Earnings of Joint Ventures	19	**0.1**	(2.7)	**-**	-
Amortisation of Intangible Assets	21	**(18.5)**	(22.2)	**(17.3)**	(18.0)
Depreciation	22	**(201.2)**	(202.9)	**(181.6)**	(182.1)
Net Change in Fair Value of Financial Instruments Gain (Operational)	27	**51.1**	121.3	**49.7**	124.4
Operating Profit		**498.1**	308.5	**381.7**	285.8
Finance Costs and Other Finance Related Income/(Expenses)					
Finance Costs	6	**(115.1)**	(90.2)	**(79.8)**	(89.9)
Interest Income	7	**1.6**	7.7	**29.6**	23.9
Net Change in Fair Value of Financial Instruments Gain/(Loss) (Financing)	27	**42.7**	(68.0)	**42.5**	(61.3)
Profit Before Tax		**427.3**	158.0	**374.0**	158.5
Income Tax Expense	8	**(132.2)**	(83.4)	**(120.5)**	(87.7)
Profit After Tax		**295.1**	74.6	**253.5**	70.8
Profit After Tax Attributable to:					
Shareholders of the Parent Company		**295.1**	74.9	**253.5**	70.8
Non Controlling Interest		**-**	(0.3)	**-**	-
		295.1	74.6	**253.5**	70.8
Earnings per Share from operations attributable to equity holders of the Company during the year:					
Basic Earnings per Share ($)	9	**0.18**	0.05		
Diluted Earnings per Share ($)	9	**0.18**	0.05		

The Statement of Accounting Policies and Notes to the Financial Statements on pages 10 to 56 form an integral part of these Financial Statements

Statement of Comprehensive Income *for the year ended 30 June 2013*

MERIDIAN ENERGY LIMITED		GROUP		PARENT	
	NOTE	2013 $M	2012 $M	2013 $M	2012 $M
Profit After Tax for the Year		**295.1**	74.6	**253.5**	70.8
Other Comprehensive Income					
Items that will not be reclassified to Profit or Loss:					
Buy out of Whisper Tech Limited Minority Shareholders		**-**	(1.0)	**-**	-
Reversal of Asset Revaluation	22	**(476.2)**	-	**(476.2)**	-
Tax relating to items that will not be reclassified:					
Deferred Tax on Asset Revaluation Reserve	24	**133.3**	4.3	**133.3**	4.3
		(342.9)	3.3	**(342.9)**	4.3
Items that may be reclassified subsequently to Profit or Loss:					
Net Gain/(Loss) on Available for Sale Investments	20	**2.3**	(0.3)	**2.3**	(0.3)
Net Gain/(Loss) on Cash Flow Hedges		**28.3**	(59.5)	**(2.9)**	3.7
Exchange Differences Arising from Translation of Foreign Operations		**(11.5)**	(1.0)	**-**	-
Income Tax relating to items that may be reclassified	24	**(9.2)**	18.0	**0.1**	(1.0)
		9.9	(42.8)	**(0.5)**	2.4
Other Comprehensive Income for the Year Net of Tax		**(333.0)**	(39.5)	**(343.4)**	6.7
Total Comprehensive Income for the Year Net of Tax		**(37.9)**	35.1	**(89.9)**	77.5
Total Comprehensive Income for the Year Attributable to:					
Shareholders of the Parent Company		**(37.9)**	35.4	**(89.9)**	77.5
Non Controlling Interest		**-**	(0.3)	**-**	-
		(37.9)	35.1	**(89.9)**	77.5

 The Statement of Accounting Policies and Notes to the Financial Statements on pages 10 to 56 form an integral part of these Financial Statements

MERIDIAN ENERGY LIMITED		GROUP		PARENT	
	NOTE	2013 $M	2012 $M	2013 $M	2012 $M
Shareholders' Equity					
Share Capital	10	**1,600.0**	1,600.0	**1,600.0**	1,600.0
Reserves		**3,088.0**	3,225.7	**2,991.4**	3,181.1
Total Equity		**4,688.0**	4,825.7	**4,591.4**	4,781.1
Represented by:					
Current Assets					
Cash and Cash Equivalents	12	**382.8**	214.4	**64.8**	86.4
Accounts Receivable and Prepayments	13	**261.9**	298.1	**181.4**	276.7
Inventories	14	**4.3**	4.5	**4.3**	3.7
Other Assets	15	**0.6**	0.2	**0.1**	0.1
Finance Lease Receivable	16	**0.2**	0.6	**0.2**	0.6
Assets Classified as Held for Sale	17	**64.8**	29.4	**40.8**	1.7
Derivative Financial Instruments	27	**51.5**	23.6	**51.8**	23.7
Total Current Assets		**766.1**	570.8	**343.4**	392.9
Non-Current Assets					
Finance Lease Receivable	16	**0.6**	4.8	**0.6**	4.8
Investments in Subsidiaries	18	**-**	-	**176.4**	207.6
Equity Accounted Joint Ventures	19	**-**	3.8	**-**	-
Available for Sale Investments	20	**-**	3.6	**-**	3.6
Intangible Assets	21	**54.8**	26.8	**48.7**	20.6
Property, Plant and Equipment	22	**6,769.0**	7,963.6	**6,440.7**	7,112.7
Deferred Tax Asset	24	**12.7**	8.4	**-**	-
Derivative Financial Instruments	27	**134.2**	111.0	**132.5**	111.0
Advances to Subsidiaries	29	**-**	-	**412.0**	392.9
Total Non-Current Assets		**6,971.3**	8,122.0	**7,210.9**	7,853.2
Total Assets		**7,737.4**	8,692.8	**7,554.3**	8,246.1
Current Liabilities					
Liabilities Classified as Held for Sale	17	**2.7**	0.8	**0.7**	-
Payables and Accruals	23	**274.7**	286.1	**184.4**	259.5
Provisions		**0.1**	-	**-**	-
Current Tax Payable		**51.3**	6.0	**21.0**	5.8
Current Portion of Term Borrowings	25	**146.7**	247.9	**147.0**	113.2
Derivative Financial Instruments	27	**45.0**	52.6	**53.2**	51.0
Advances from Subsidiaries	29	**-**	-	**229.0**	228.5
Total Current Liabilities		**520.5**	593.4	**635.3**	658.0
Non-Current Liabilities					
Deferred Tax Liability	24	**1,364.2**	1,444.2	**1,354.4**	1,448.3
Term Borrowings	25	**1,033.5**	1,577.7	**843.6**	1,175.1
Term Payables		**6.7**	22.8	**6.7**	22.8
Derivative Financial Instruments	27	**124.5**	229.0	**122.9**	160.8
Total Non-Current Liabilities		**2,528.9**	3,273.7	**2,327.6**	2,807.0
Total Liabilities		**3,049.4**	3,867.1	**2,962.9**	3,465.0
Net Assets		**4,688.0**	4,825.7	**4,591.4**	4,781.1

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

Chris Moller

Chris Moller
Chairman, 11 August 2013

Jan Dawson

Jan Dawson
Chair of Audit and Risk Committee, 11 August 2013

Statement of Changes in Equity *for the year ended 30 June 2013*

MERIDIAN ENERGY LIMITED	GROUP						
	SHARE CAPITAL $M	REVALUATION RESERVE $M	FOREIGN CURRENCY TRANSLATION RESERVE $M	CASH FLOW HEDGE RESERVE $M	AVAILABLE FOR SALE RESERVE $M	RETAINED EARNINGS $M	TOTAL EQUITY $M
Balance at 1 July 2012	**1,600.0**	**3,418.0**	**(1.7)**	**(41.8)**	**-**	**(148.8)**	**4,825.7**
Profit for the Year	-	-	-	-	-	295.1	295.1
Reversal of Asset Revaluation	-	(476.2)	-	-	-	-	(476.2)
Cash Flow Hedges:							
Net Gain Taken to Equity	-	-	-	28.3	-	-	28.3
Available for Sale Reserve:							
Net Gain Taken to Equity	-	-	-	-	2.3	-	2.3
Transfer Cash Flow Hedge Reserve to Retained Earnings on Sale of Subsidiary	-	-	-	44.2	-	(44.2)	-
Exchange Differences Arising from Translation of Foreign Operations	-	-	(11.5)	-	-	-	(11.5)
Asset Revaluation Reserve Transferred to Retained Earnings	-	(1.6)	-	-	-	1.6	-
Deferred Tax on Revaluation Reserve	-	133.7	-	-	-	(0.4)	133.3
Income Tax Relating to Other Comprehensive Income	-	-	-	(21.8)	(0.7)	13.3	(9.2)
Total Comprehensive Income for the Year	**-**	**(344.1)**	**(11.5)**	**50.7**	**1.6**	**265.4**	**(37.9)**
Dividends Paid	-	-	-	-	-	(99.8)	(99.8)
Balance at 30 June 2013	**1,600.0**	**3,073.9**	**(13.2)**	**8.9**	**1.6**	**16.8**	**4,688.0**

MERIDIAN ENERGY LIMITED	GROUP									
	SHARE CAPITAL $M	REVALUATION RESERVE $M	FOREIGN CURRENCY TRANSLATION RESERVE $M	CASH FLOW HEDGE RESERVE $M	AVAILABLE FOR SALE RESERVE $M	RETAINED EARNINGS $M	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT $M	SHARE OPTIONS VESTED $M	NON CONTROLLING INTEREST $M	TOTAL $M
Balance at 1 July 2011	**1,600.0**	**3,392.5**	**(0.7)**	**(0.2)**	**0.2**	**(61.4)**	**4,930.4**	**1.0**	**(0.1)**	**4,931.3**
Profit for the Year	-	-	-	-	-	74.9	74.9	-	(0.3)	74.6
Cash Flow Hedges:										
Net Loss Taken to Equity	-	-	-	(59.5)	-	-	(59.5)	-	-	(59.5)
Available for Sale Reserve:										
Net Loss Taken to Equity	-	-	-	-	(0.3)	-	(0.3)	-	-	(0.3)
Buy out of Whisper Tech Limited Minority Shareholders	-	-	-	-	-	(0.4)	(0.4)	(1.0)	0.4	(1.0)
Exchange Differences Arising from Translation of Foreign Operations	-	-	(1.0)	-	-	-	(1.0)	-	-	(1.0)
Revaluation Reserve Transferred to Retained Earnings	-	21.3	-	-	-	(21.3)	-	-	-	-
Deferred Tax on Revaluation Reserve	-	4.3	-	-	-	-	4.3	-	-	4.3
Income Tax Relating to Other Comprehensive Income	-	(0.1)	-	17.9	0.1	0.1	18.0	-	-	18.0
Total Comprehensive Income for the Year	**-**	**25.5**	**(1.0)**	**(41.6)**	**(0.2)**	**53.3**	**36.0**	**(1.0)**	**0.1**	**35.1**
Dividends Paid	-	-	-	-	-	(140.7)	(140.7)	-	-	(140.7)
Balance at 30 June 2012	**1,600.0**	**3,418.0**	**(1.7)**	**(41.8)**	**-**	**(148.8)**	**4,825.7**	**-**	**-**	**4,825.7**

The Statement of Accounting Policies and Notes to the Financial Statements on pages 10 to 56 form an integral part of these Financial Statements

Statement of Changes in Equity *for the year ended 30 June 2013*

MERIDIAN ENERGY LIMITED	PARENT					
	SHARE CAPITAL $M	REVALUATION RESERVE $M	CASH FLOW HEDGE RESERVE $M	AVAILABLE FOR SALE RESERVE $M	RETAINED EARNINGS $M	TOTAL $M
Balance at 1 July 2012	**1,600.0**	**3,412.8**	**2.4**	**-**	**(234.1)**	**4,781.1**
Profit for the Year	-	-	-	-	253.5	253.5
Reversal of Asset Revaluation	-	(476.2)	-	-	-	(476.2)
Cash Flow Hedges:						
Net Loss Taken to Equity	-	-	(2.9)	-	-	(2.9)
Available for Sale Reserve:						
Net Gain Taken to Equity	-	-	-	2.3	-	2.3
Revaluation Reserve Transferred to Retained Earnings	-	(1.6)	-	-	1.6	-
Deferred Tax on Revaluation Reserve	-	133.7	-	-	(0.4)	133.3
Income Tax Relating to Other Comprehensive Income	-	-	0.8	(0.7)	-	0.1
Total Comprehensive Income for the Year	**-**	**(344.1)**	**(2.1)**	**1.6**	**254.7**	**(89.9)**
Dividends Paid	-	-	-	-	(99.8)	(99.8)
Balance at 30 June 2013	**1,600.0**	**3,068.7**	**0.3**	**1.6**	**(79.2)**	**4,591.4**

MERIDIAN ENERGY LIMITED	PARENT					
	SHARE CAPITAL $M	REVALUATION RESERVE $M	CASH FLOW HEDGE RESERVE $M	AVAILABLE FOR SALE RESERVE $M	RETAINED EARNINGS $M	TOTAL $M
Balance at 1 July 2011	**1,600.0**	**3,387.3**	**(0.2)**	**0.2**	**(143.0)**	**4,844.3**
Profit for the Year	-	-	-	-	70.8	70.8
Cash Flow Hedges:						
Net Gain Taken to Equity	-	-	3.7	-	-	3.7
Available for Sale Reserve:						
Net Loss Taken to Equity	-	-	-	(0.3)	-	(0.3)
Asset Revaluation Reserve Transferred to Retained Earnings	-	21.3	-	-	(21.3)	-
Deferred Tax on Asset Revaluation Reserve	-	4.3	-	-	-	4.3
Income Tax Relating to Other Comprehensive Income	-	(0.1)	(1.1)	0.1	0.1	(1.0)
Total Comprehensive Income for the Year	**-**	**25.5**	**2.6**	**(0.2)**	**49.6**	**77.5**
Dividends Paid	-	-	-	-	(140.7)	(140.7)
Balance at 30 June 2012	**1,600.0**	**3,412.8**	**2.4**	**-**	**(234.1)**	**4,781.1**

Statement of Cash Flows *for the year ended 30 June 2013*

MERIDIAN ENERGY LIMITED	NOTE	GROUP 2013 $M	GROUP 2012 $M	PARENT 2013 $M	PARENT 2012 $M
Operating Activities					
Cash was Provided from:					
Receipts from Customers		2,390.0	2,514.8	2,219.1	2,365.9
Interest Received		2.0	7.7	0.7	1.8
Dividends Received		0.1	0.2	0.3	2.1
		2,392.1	2,522.7	2,220.1	2,369.8
Cash was Applied to:					
Payments to Suppliers and Employees		(1,811.8)	(2,048.9)	(1,686.4)	(1,912.7)
Interest Paid		(106.5)	(91.2)	(77.3)	(87.5)
Income Tax Paid		(57.1)	(60.4)	(56.7)	(60.3)
		(1,975.4)	(2,200.5)	(1,820.4)	(2,060.5)
Net Cash Inflows from Operating Activities		416.7	322.2	399.7	309.3
Investing Activities					
Cash was Provided from:					
Sale of Property, Plant and Equipment		0.6	3.2	0.5	0.8
Finance Lease Receivable		-	0.6	-	0.6
Repayment of Advances to Subsidiaries		-	-	1.7	2.3
Sale of Subsidiaries		151.2	-	56.3	-
Sale of Investments		0.8	-	0.8	-
		152.6	3.8	59.3	3.7
Cash was Applied to:					
Purchase of Property, Plant and Equipment		(244.8)	(510.4)	(44.1)	(59.3)
Capitalised Interest		(5.7)	(6.5)	(1.9)	-
Advances to Subsidiaries		-	-	(2.3)	(106.4)
Investment in Subsidiaries		-	-	(15.3)	(18.8)
Purchase of Intangible Assets		(25.9)	(8.3)	(23.1)	(7.6)
Purchase of Investments		(0.3)	(3.4)	-	-
		(276.7)	(528.6)	(86.7)	(192.1)
Net Cash Outflows from Investing Activities		(124.1)	(524.8)	(27.4)	(188.4)
Financing Activities					
Cash was Provided from:					
Advances from Subsidiaries		-	-	7.1	8.7
Proceeds from Borrowings		1,115.9	943.4	309.5	551.7
		1,115.9	943.4	316.6	560.4
Cash was Applied to:					
Repayment of Advances from Subsidiaries		-	-	(6.9)	(8.8)
Dividends Paid	11	(99.8)	(140.7)	(99.8)	(140.7)
Term Borrowings Paid		(1,117.4)	(753.9)	(603.8)	(702.0)
		(1,217.2)	(894.6)	(710.5)	(851.5)
Net Cash (Outflows)/Inflows from Financing Activities		(101.3)	48.8	(393.9)	(291.1)
Net Increase/(Decrease) in Cash and Cash Equivalents		191.3	(153.8)	(21.6)	(170.2)
Cash and Cash Equivalents at Beginning of Year		214.4	368.2	86.4	256.6
Cash Removed on Sale of Subsidiaries		(14.1)	-	-	-
Effect of Exchange Rate Changes on Net Cash		(8.8)	-	-	-
Cash and Cash Equivalents at End of Year	12	382.8	214.4	64.8	86.4

 The Statement of Accounting Policies and Notes to the Financial Statements on pages 10 to 56 form an integral part of these Financial Statements

MERIDIAN ENERGY LIMITED		GROUP		PARENT	
RECONCILIATION OF PROFIT AFTER TAX FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	2013 $M	2012 $M	2013 $M	2012 $M
Profit after Tax for the Year		**295.1**	74.6	**253.5**	70.8
Adjustments for Operating Activities Non-Cash Items:					
Amortisation of Intangible Assets	21	**18.5**	22.2	**17.3**	18.0
Depreciation	22	**201.2**	202.9	**181.6**	182.1
Movement in Deferred Tax	24	**40.3**	53.7	**39.5**	51.9
Total Net Change in Fair Value of Financial Instruments	27	**(93.8)**	(53.3)	**(92.2)**	(63.1)
Cash Payments of Option Premiums		**(20.4)**	(18.1)	**(20.5)**	(17.9)
Net Non Cash Movement in Fair Value of Financial Instruments		**(114.2)**	(71.4)	**(112.7)**	(81.0)
Transfer of Tax Losses to Parent		**-**	-	**8.7**	6.9
Share Based Payments		**-**	(1.0)	**-**	-
Equity Accounted Earnings of Joint Ventures	19	**(0.1)**	2.7	**-**	-
Finance Costs		**10.5**	(3.7)	**(27.5)**	(22.2)
		156.2	205.4	**106.9**	155.7
Items Classified as Investing Activities:					
Impairment of Other Assets	4	**24.8**	60.1	**21.1**	93.9
Finance Lease Interest		**-**	(0.5)	**-**	(0.5)
Loss/(Gain) on Sale of Property, Plant and Equipment	5	**0.2**	1.1	**(0.3)**	1.0
Gain on Sale of Subsidiaries		**(107.3)**	-	**(8.8)**	-
Loss/(Gain) on Sale of Investments		**-**	0.4	**-**	(0.1)
		(82.3)	61.1	**12.0**	94.3
Items Classified as Financing Activities:					
Amortisation of Prepaid Debt Facility Fees		**(2.3)**	1.8	**0.3**	1.8
		(2.3)	1.8	**0.3**	1.8
Changes in Working Capital Items					
Decrease/(Increase) in Accounts Receivable and Prepayments		**36.2**	(57.2)	**95.3**	(50.6)
Decrease/(Increase) in Inventory		**0.2**	(1.3)	**(0.6)**	(1.4)
Increase in Other Assets		**(0.4)**	-	**-**	-
(Decrease)/Increase in Payables and Accruals		**(29.0)**	68.3	**(83.1)**	69.5
Increase/(Decrease) in Provisions		**0.1**	(0.1)	**-**	-
Increase/(Decrease) in Current Tax Payable		**45.3**	(30.6)	**15.2**	(31.4)
Working Capital Items transferred to Held for Sale		**-**	0.2	**0.4**	-
Working Capital Items transferred to Available for Sale		**(0.2)**	-	**(0.2)**	-
Working Capital Disposed on ARC Innovations Limited Establishment as a Subsidiary		**-**	-	**-**	0.6
Working Capital items on sale of Subsidiaries		**(2.2)**	-	**-**	-
		50.0	(20.7)	**27.0**	(13.3)
Net Cash Flow from Operating Activities		**416.7**	322.2	**399.7**	309.3

Contents

1. Summary of Accounting Policies

Reporting Entity and Statement of Compliance

Meridian Energy Limited 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 registered office of the Company is 33 Customhouse Quay, Wellington. 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 services.

The consolidated financial statements comprise those of Meridian Energy Limited (the "Parent" or the "Company") and its subsidiaries (together referred to as "Meridian" or the "Group").

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS), as appropriate for a profit-oriented entity and are prepared in accordance with the requirements of the Financial Reporting Act 1993.

The reporting period for these financial statements is the year ended 30 June 2013.

The financial statements were authorised for issue by the Directors on 11 August 2013.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost modified by the revaluation of certain assets and liabilities as identified in the following accounting policies.

These financial statements are presented in New Zealand dollars rounded to the nearest million ($M). Previously, Meridian's financial statements have been rounded to the nearest thousand ($'000). This change in presentation is designed to enhance readability for the users.

The accrual basis of accounting has been used unless otherwise stated.

The same accounting policies, presentation (aside from the rounding) and methods of computation have been applied consistently to all periods presented in these consolidated financial statements except for the additional new Standards as listed below. The additional new Standards and IFRIC (International Financial Reporting Interpretations Committee) interpretations are as follows:

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER
Amendments to NZ IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendments to NZ IAS 1 *Presentation of Financial Statements* – Presentation of Items of Other Comprehensive Income	1 July 2012

The adoption of these standards does not have an impact on the reported results or financial position of Meridian.

Adoption Status of Relevant Financial Reporting Standards

Meridian has elected not to early adopt the following NZ IFRS that have been issued but are not yet effective for application:

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
NZ IFRS 10 Consolidated Financial Statements	1 January 2013	30 June 2014
NZ IFRS 11 Joint Arrangements	1 January 2013	30 June 2014
NZ IFRS 12 Disclosure of Interests in Other Entities	1 January 2013	30 June 2014
NZ IFRS 13 Fair Value Measurement	1 January 2013	30 June 2014
NZ IAS 19 Employee Benefits (revised 2011)	1 January 2013	30 June 2014
NZ IAS 27 Separate Financial Statements (revised 2011)	1 January 2013	30 June 2014
NZ IAS 28 Investments in Associates and Joint Ventures (revised 2011)	1 January 2013	30 June 2014
Amendments to NZ IFRS 7 Financial Instruments :Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013	30 June 2014
Improvements to IFRS: 2009 – 2011 cycle	1 January 2013	30 June 2014
NZ IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	30 June 2014
Amendments to NZ IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014	30 June 2015
NZ IFRIC 21 Levies	1 January 2014	30 June 2015
NZ IFRS 9 Financial Instruments	1 January 2015	30 June 2016
Revised NZ IFRS 9 Financial Instruments (2010)	1 January 2015	30 June 2016
Amendments to NZ IFRS 9 and NZ IFRS 7 Mandatory Effective Date and Transition Disclosures	1 January 2015	30 June 2016

Further to the above, NZ IFRS 9 and NZ IFRS 13 are anticipated to have the most impact on Meridian's financial statements upon adoption.

NZ IFRS 9 requires all financial assets to be measured at fair value, unless the entity's business model is to hold the assets to collect contractual cash flows and contractual terms give rise to cash flows that are solely payments of interest and principal, in which case they are measured at amortised cost. This may impact the measurement of certain available for sale investments in the financial statements.

NZ IFRS 13 establishes a single framework for fair value measurement where required by other Standards. Under the new standard the fair value of a liability should reflect the effect of non-performance risk (including, but not limited to, an entity's own credit risk). It also introduces a number of new disclosures. Prior to review, it is not possible to state the impact, if any, of changes to any measurement techniques currently used by the Group.

The financial statement impact of the adoption of these standards has not yet been analysed but Meridian may early-adopt if it results in a more faithful representation of the parent/group.

Significant Accounting Policies

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

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. 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 the valuation of generation structures, plant assets and energy derivatives. In addition, accounting judgements are made in respect of the hedge designation and valuation of certain financial instruments, assessment of hedge effectiveness and determination of useful lives of Property, Plant and Equipment.

Fair Value Estimation of Financial Assets and Liabilities

The fair value of financial assets and financial liabilities, including derivative instruments, must be estimated for recognition and measurement, or for disclosure purposes.

The fair value of instruments traded in active markets (such as market traded electricity futures) is based on closing market prices at balance date.

The fair value of instruments that are not traded on an active market (Interest Rate Swaps (IRSs), Cross Currency Interest Rate Swaps (CCIRSs), Foreign Exchange Contracts (FECs), Contracts for Difference (CfDs)) is determined using various valuation techniques which include assumptions on both observable data when such data is available (IRSs, CCIRSs, FECs, some CfDs) and non-observable data (some CfDs) in all other instances. The fair value of IRSs, CCIRSs, FECs and CfDs is based on the discounted value of future cashflows. Assumptions on the determination of future cash flows are based on the publicly available forecast prices where available and internal models when a forecast price is not available.

In relation to forecast prices used to determine future cash flows for CfDs for non-observable periods, the following significant assumptions are used where relevant:

- Forecast of the forward wholesale electricity price for the non-observable period based on a fundamental analysis of expected demand and cost of new supply

- Forecast of the aluminium price (based on the London Metal Exchange (LME)) for the non-observable period using a historical trend analysis to form future price expectations
- Forecast consumer price index or proxy for price inflation

Future electricity price estimates are used to determine expected cash flows to be settled on CfDs. The expected cash flows are then discounted to determine a fair value of the CfD. The discount rates used are based on Government Bond Rates adjusted for additional risks including credit risk and the remaining term of the CfD. In relation to the NZAS Pricing Agreement, the discount rate used is Meridian's weighted average cost of capital (WACC).

The fair value of FECs is determined using forward exchange market rates at balance date discounted to present value. The fair value of currency options is determined using appropriate binomial models or the Black-Scholes model.

The fair value of financial liabilities in a fair value hedge relationship and for the purpose of disclosure is estimated by discounting the future designated cash flows at current market interest rates applicable to the risks being hedged.

The valuations determined for instruments not traded on an active market, particularly in respect to CfDs can vary significantly based on assumptions in relation to the forecast electricity price and interest rates. In addition, the fair value of the NZAS Pricing Agreement, can also vary based on the price of aluminium published on the LME. The sensitivity to changes in assumptions for level 3 financial instruments is quantified in Note 26 – Financial Risk Management.

Property, Plant and Equipment

In determining the fair value of generation structures and plant, Meridian applies judgement regarding the methodology and key assumptions to be used. Meridian also uses judgement to determine the estimated remaining useful lives of assets. They are as follows:

- Generation Structures and Plant – Up to 80 years
- Freehold Buildings – Up to 67 years
- Other Plant and Equipment – Up to 20 years
- Resource Consents – Up to 50 years

The residual value and the useful lives of assets are reviewed, and if appropriate adjusted, at each balance date. See Note 22 for further details of the valuation assumptions used.

Intangible Assets

Meridian has used judgement to determine the estimated remaining useful lives of intangible assets. They are as follows:

- Customer Acquisition Costs – Up to 10 years
- Computer Software – Up to 3 years
- Patents and Trademarks – Up to 20 years
- Licence Agreement – Up to 10 years
- Other Licences – Up to 6 years

The residual value and the useful lives of assets are reviewed, and if appropriate adjusted, at each balance date.

The recoverable amount of goodwill is calculated using value in use (the net present value of expected future cash flows) of the cash generating units or fair value less costs to sell. Key assumptions used in the value in use model that require Meridian's estimation and judgement include sales forecasts (including volumes and pricing), costs and discount rates.

Revenue Recognition

Meridian has exercised judgement in determining estimated retail sales for unread electricity meters at balance date. Specifically this involves an estimate of consumption for each unread meter, based on the customer's past consumption history.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are those entities controlled directly or indirectly by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The acquisition method is used to account for the purchase of subsidiaries by the Company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All material intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented in the equity section of the consolidated statement of financial position, separately from the equity of the owners of the parent.

Common Control Amalgamation Transactions

Under a business combination where entities under common control are amalgamated, the carrying values of the assets and liabilities of the entities are combined, with any gain or loss on amalgamation recognised in equity.

Joint Ventures

- **Jointly Controlled Entities**
  Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest where it has entitlement to a share of the outcome (profit/loss) of the activities of the joint venture and which are subject to joint control (unanimous decision making) by the venturers are referred to as jointly controlled entities. Meridian reports its interest in jointly controlled entities using the equity method of accounting.

  Under the equity method, investments in joint ventures are carried in the consolidated Statement of Financial Position at cost and adjusted for post-acquisition changes in the Company's share of the net assets of the joint venture, less any impairment in the value of individual investments. Losses of a joint venture in excess of the Company's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the joint venture) are not recognised unless there is a legal or constructive obligation incurred by Meridian on behalf of the joint venture.

- **Jointly Controlled Assets**
  Where Meridian has an interest in a jointly controlled asset Meridian recognises its share using the proportionate consolidation method. Under this method Meridian recognises its share of the jointly controlled asset according to the nature of the asset, any liabilities incurred in respect of the joint venture and any income or expenses from its share of the joint venture or incurred in respect of the joint venture.

OPERATING SEGMENTS

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive.

FOREIGN CURRENCY

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency monetary assets and liabilities at reporting date are translated at the exchange rate prevailing at reporting date.

Assets and liabilities of overseas entities, whose functional currency is other than NZD, are translated at the closing rate at balance date. The revenues and expenses of these entities 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 these entities are recorded in the foreign currency translation reserve. Such translation differences are recognised in the income statement in the period in which the foreign operation is disposed of.

PROPERTY, PLANT AND EQUIPMENT

Meridian's generation structures and plant assets (including land and buildings) are stated in the Statement of Financial Position at their fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the balance date.

As disclosed in Note 22, the fair value of generation assets was determined using an income approach. In using the income approach, consideration was given to application of either net present value of expected future cash flows or capitalisation of earnings approach, whichever was more appropriate.

Any increase arising on revaluation is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation is charged to the income statement to the extent it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount.

Subsequent additions to generation structures and plant assets are recorded at cost, which is considered fair value, 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 appropriate.

Financing costs for qualifying assets are capitalised based on either the actual borrowing costs incurred or Meridian's weighted average borrowing cost applicable to the general borrowings (excluding specific borrowings) that were outstanding during the period. Costs cease to be capitalised as soon as the asset is ready for use.

All other property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

Depreciation of property, plant and equipment assets, other than 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 estimated remaining useful life.

ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale.

Immediately before classification as held for sale, the assets (or disposal group) are re-measured in accordance with Meridian's accounting policies. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount or fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

FINANCE LEASE

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Meridian recognises assets held under finance lease arrangements as a receivable or payable at an amount equal to the present value of the minimum lease payments. Finance lease receipts are apportioned between principal repayments, relating to the lease receivable, and interest revenue. The interest revenue reflects a constant periodic rate of return on Meridian's net investment over the term of the lease. Finance leases are classified as loans and receivables.

INTANGIBLE ASSETS

Customer Acquisition Costs

Customer acquisition costs are finite life intangibles and represent the capitalisation of costs incurred to acquire retail customers from other parties. Amortisation is calculated using the straight-line method to allocate the cost over its useful life.

Computer Software

Acquired computer software licences, that are not considered an integral part of related hardware, are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their useful lives on a straight-line basis.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Costs directly associated with the production of identifiable and unique software products that will generate economic benefits beyond one year are recognised as intangible assets and amortised over their estimated useful lives on a straight-line basis.

Patents and Trademarks

Patents and Trademarks are finite life intangibles and are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives.

Licence Agreement

The value of a Licence Agreement has been recognised on acquisition of controlled entities. The Agreement is a finite life intangible and is recorded at fair value less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over a period of ten years.

Other licences are also amortised on a straight-line basis over their useful lives.

Impairment of Non-Financial Assets other than Goodwill

At each balance date or when events/circumstance indicate, Meridian reviews the recoverability of the carrying amounts of its tangible and intangible assets to determine whether they have suffered an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). An impairment loss is recognised immediately in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised in the income statement and is not subsequently reversed. For the purpose of assessing impairment goodwill is allocated to cash generating units.

NON DERIVATIVE FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on Meridian's Statement of Financial Position when the Parent or Group becomes a party to the contractual provisions of the instrument (trade date).

Non Derivative Financial Assets

Meridian classifies its financial assets as either loans and receivables, or assets available for sale. The classification depends on the purpose for which the financial assets were acquired. Meridian determines the classification of its financial assets at initial recognition.

- **Available for Sale Investments**
  Certain shares held by Meridian are classified as being available for sale and stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in the income statement for the period. Dividend income is recognised in the Income Statement separately from other changes in fair value.

  Investments in shares that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost, less any impairment loss to reflect irrecoverable amounts.

- **Investments in Subsidiaries and Joint Ventures**
  In the financial statements of the Parent the cost method is used to account for investments in subsidiaries and jointly controlled entities.

- **Trade Receivables**
  Trade receivables are measured on initial recognition at fair value, and are subsequently carried at amortised cost. Appropriate allowances for estimated unrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

- **Cash and Cash Equivalents**
  Cash and cash equivalents used in the Statement of Cash Flows comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Non Derivative Financial Liabilities

Meridian classifies its financial liabilities as either borrowings and payables, or liabilities held for sale. Financial liabilities are classified as held for sale if the sale of the asset or disposal group to which they relate is highly probable and is available for immediate sale in its present condition subject only to normal sale terms.

The classification of other financial liabilities depends on the purpose for which the financial liabilities were acquired. Meridian determines the classification of its financial liabilities at initial recognition.

- **Borrowings**
  Borrowings are recognised initially at fair value, net of transaction costs. Borrowings not designated as hedged items are subsequently stated at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings designated as hedged items are subject to measurement under hedge accounting requirements.

- **Payables and Accruals**
  Trade and other accounts payable are recognised when Meridian becomes obligated to make future payments resulting from the purchase of goods and services, and are subsequently carried at amortised cost which approximates fair value.

- **Deferred Income on Environmental Products**
  Meridian receives carbon credits and other tradable environmental products from specific energy production levels of certain renewable generation facilities. The future revenue arising from the sale of these units is a key matter in deciding whether to proceed with construction of the generation facility and is considered to be part of the value of the generation assets recorded in the Statement of Financial Position. Proceeds received on the sale of environmental products are recorded as deferred income in the Statement of Financial Position until the committed energy production level pertaining to the unit sold has been generated.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives include cross currency interest rate swaps (CCIRSs), interest rate swaps (IRSs) (including forward rate agreements and interest rate options), foreign exchange contracts (FECs) (including currency options) and electricity contracts for differences (CfDs) (including electricity options).

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured on a periodic basis at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Meridian designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

For derivatives designated in a hedge relationship Meridian documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. Meridian also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Some derivatives (within risk management policy) are not in a designated hedging relationship.

Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement in net change in fair value of financial instruments within other finance related expenses in respect of CCIRSs, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Interest expense on the loans designated as hedged items in fair value hedges is recognised in finance costs.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to the income statement over the period to maturity.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement in net change in fair value of financial instruments within operating profit in respect of FECs and net change in fair value of financial instruments within other finance related expenses in respect of CCIRSs and certain IRSs.

Amounts accumulated in other comprehensive income are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast transaction that is hedged takes place). The realised gain or loss relating to the effective portion of derivatives is recognised in the income statement on the same line as the hedged item.

When the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability as a "basis adjustment".

However, if Meridian expects that all or a portion of a loss previously deferred in equity will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified into profit or loss immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Derivatives not Designated as Hedges

Derivative instruments that do not qualify for hedge accounting or for which hedge accounting is not actively sought are at fair value through profit or loss and classified as being held for trading. Changes in their fair value, therefore, are recognised immediately in the income statement within operating profit in respect of CfDs and FECs or within finance costs in respect of IRSs. Cash settlements on such derivatives will adjust the price of the underlying item to which they relate. The cost of certain electricity options is recognised within "Net Change in Fair Value of Financial Instruments (Operational)".

Day 1 Adjustment

A Day 1 adjustment arises when an electricity derivative is entered into at a fair value determined to be different to the transaction price. This difference can then be accounted for in one of two ways. The first option is to amortise the Day 1 adjustment to the Income Statement as contracted electricity volumes expire in the derivative. Alternatively the valuation model can be recalibrated by a fixed percentage to result in a value at inception equal to the transaction price (fair value). This recalibration adjustment is then applied to future valuations over the life of the contract.

RESERVES

The revaluation reserve arises on the revaluation of generation structures and plant and from the revaluation of certain intangible assets. Where revalued generation structures, plant assets or intangible assets are sold, that portion of the asset revaluation reserve which relates to that asset, is effectively realised and is transferred directly to retained earnings. Where a revalued intangible asset is impaired, the impairment is recognised in the reserve to the extent of any surplus for that asset otherwise the impairment is recognised in the income statement.

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred. The cumulative deferred gain or loss on the hedge is recognised in the income statement when the transaction impacts the profit and loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

The available-for-sale revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued asset is sold, that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in the income statement. Where a revalued financial asset is impaired, the impairment is recognised in the reserve to the extent of any surplus for that asset, otherwise the impairment is recognised in the income statement.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where Meridian is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Meridian intends to settle its current tax assets and liabilities on a net basis.

EMPLOYEE BENEFITS

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and employee incentives when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits are measured using the remuneration rate expected to apply at the time of settlement.

GOODS AND SERVICES TAX (GST)

The income statement 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.

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. Net realisable value represents the estimated selling price less estimated selling expenses.

ENVIRONMENTAL PRODUCTS

Australian Renewable Energy Certificates (RECs) are created monthly and validated shortly thereafter on the Australian REC registry based on the amount of eligible renewable electricity generated by certain Australian-based facilities. New Zealand emission units are allocated by the New Zealand government to renewable electricity generators on an annual basis. Both types of units are readily tradable.

If the units can be measured reliably and it is probable that expected future benefits will flow to the Group, they are recognised in the Statement of Financial Position. After initial recognition at cost, which is a proxy for market value, the units are reviewed regularly for impairment with any movements taken to the Income Statement. Initial market value is determined with reference to quoted prices.

PROVISIONS

Provisions are recognised when Meridian has a present obligation as a result of a past event, and it is probable that Meridian will be required to settle that obligation and the amount has been reliably estimated.

Warranties

A provision for warranties is recognised as a liability when the underlying products or services are sold.

RESTRUCTURING

Restructuring is a programme planned and controlled by Meridian that materially changes the scope of a business undertaken by Meridian or the manner in which that business is conducted by Meridian. Meridian recognises a provision for restructuring when the Directors have approved a detailed formal plan, and restructuring has commenced or a public announcement regarding the restructuring has been made. Costs and expenditures related to ongoing operations are not included in the provision for restructuring.

OPERATING LEASES

Operating leases are leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the lease.

REVENUE RECOGNITION

Sale of Energy and Other Related Services

Revenue comprises amounts received or receivable in the ordinary course of business for the sale of electricity sold into the wholesale electricity market and to retail customers and for energy related goods and services provided.

Revenue from a contract to provide dam related maintenance services is recognised by reference to the stage of completion of the contract. The stage of completion is assessed by reference to surveys of work performed.

Dividend Income

Dividend income is recognised when the right to receive payment is established.

Interest Income

Interest income is recognised on a time proportionate basis using the effective interest method.

ENERGY RELATED EXPENSES

Energy related expenses reported in the income statement include amounts payable for electricity purchased from the wholesale market and energy related services purchased from suppliers.

STATEMENT OF CASH FLOWS

The statement of cash flows is prepared exclusive of GST, which is consistent with the method used in the income statement. The GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to, the taxation authority is classified as an operating cash flow.

2. Segment Reporting

Meridian 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 before the allocation of central administration costs, Directors' fees, equity accounted earnings of joint ventures, change in fair value of financial instruments, finance costs, 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 Energy Ltd sold the equivalent of approximately 40% (2012: 46%) 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.

From 1 July 2012, Meridian introduced a transfer pricing mechanism between the Wholesale and Retail segments. Wholesale purchases Retail's electricity requirements from the wholesale electricity market at spot prices at the relevant grid exit point and on-sells it to them at agreed transfer prices, enabling Wholesale to manage market risk. 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.

In the year ended 30 June 2013, Meridian has commenced allocating directly attributable ICT, Insurance, Property and Brand costs to segments in order to better assess performance. As the allocation methodology is based on current costs, it was not considered appropriate to restate prior periods to reflect this change since the data is unavailable and the cost to develop it would be excessive.

The accounting policies of the reportable segments are the same as Meridian's accounting policies described in Note 1.

Wholesale Segment

The Wholesale segment encompasses activity associated with Meridian's generation of electricity and the sale into the wholesale electricity market, the purchase of electricity from the spot market to sell to large industrial customers and the retail segment, development of New Zealand renewable energy opportunities and activities such as 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.

Retail Segment

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

The Retail segment purchase electricity from the Wholesale segment at an average annual fixed price of $80-$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 of America operations which generate, sell and retail electricity into the relevant markets.

On 28 June 2013, Meridian Wind Macarthur Holdings Pty Ltd, a controlled entity involved in the construction of the Macarthur Windfarm, was sold as a going concern.

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 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.

The Segment Information Provided to the Chief Executive for the Reportable Segments for the year ended 30 June 2013 is as follows:

	WHOLESALE $M	RETAIL $M	INTERNATIONAL $M	OTHER SEGMENTS $M	UNALLOCATED CORPORATE $M	INTER-SEGMENT ITEMS $M	TOTAL $M
Operating Revenue							
Energy Sales Revenue	2,061.2	1,166.5	51.4	9.7	-	(607.3)	**2,681.5**
Energy Related Expenses	(1,289.3)	(674.8)	(0.6)	(4.6)	0.5	607.3	**(1,361.5)**
Energy Distribution Expense	(1.1)	(403.0)	(0.1)	-	-	-	**(404.2)**
Energy Margin	**770.8**	**88.7**	**50.7**	**5.1**	**0.5**	**-**	**915.8**
Dividend and Other Revenue	12.3	15.1	-	0.4	2.6	(0.7)	**29.7**
Energy Transmission Expense	(113.2)	-	(2.1)	-	-	-	**(115.3)**
Gross Margin	**669.9**	**103.8**	**48.6**	**5.5**	**3.1**	**(0.7)**	**830.2**
Employee Expenses	(29.3)	(28.2)	(7.1)	(1.5)	(22.5)	-	**(88.6)**
Other Operating Expenses	(64.2)	(58.0)	(6.9)	(2.2)	(26.0)	0.5	**(156.8)**
EBITDAF	**576.4**	**17.6**	**34.6**	**1.8**	**(45.4)**	**(0.2)**	**584.8**
Reconciliation of Operating Revenue							
Energy Sales Revenue	2,061.2	1,166.5	51.4	9.7	-	(607.3)	**2,681.5**
Dividend and Other Revenue	12.3	15.1	-	0.4	2.6	(0.7)	**29.7**
Inter-Segment Revenue	(607.5)	-	-	(0.3)	(0.2)	608.0	**-**
Revenue from External Customers	**1,466.0**	**1,181.6**	**51.4**	**9.8**	**2.4**	**-**	**2,711.2**

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

	WHOLESALE $M	RETAIL $M	INTERNATIONAL $M	OTHER SEGMENTS $M	UNALLOCATED CORPORATE $M	INTER-SEGMENT ITEMS $M	TOTAL $M
Operating Revenue							
Energy Sales Revenue	1,985.1	1,156.6	23.3	20.9	-	(643.0)	**2,542.9**
Energy Related Expenses	(1,306.6)	(701.4)	(0.5)	(10.0)	-	643.0	**(1,375.5)**
Energy Distribution Expense	(23.5)	(380.7)	-	-	-	-	**(404.2)**
Energy Margin	**655.0**	**74.5**	**22.8**	**10.9**	**-**	**-**	**763.2**
Dividend and Other Revenue	9.8	11.6	2.6	1.6	3.6	(1.9)	**27.3**
Energy Transmission Expense	(84.7)	-	(2.0)	-	-	-	**(86.7)**
Gross Margin	**580.1**	**86.1**	**23.4**	**12.5**	**3.6**	**(1.9)**	**703.8**
Employee Expenses	(23.5)	(25.6)	(6.2)	(4.7)	(19.6)	-	**(79.6)**
Other Operating Expenses	(43.4)	(49.6)	(4.9)	(4.5)	(45.2)	-	**(147.6)**
EBITDAF	**513.2**	**10.9**	**12.3**	**3.3**	**(61.2)**	**(1.9)**	**476.6**
Reconciliation of Operating Revenue							
Energy Sales Revenue	1,985.1	1,156.6	23.3	20.9	-	(643.0)	**2,542.9**
Dividend and Other Revenue	9.8	11.6	2.6	1.6	3.6	(1.9)	**27.3**
Inter-Segment Revenue	(643.0)	-	-	-	(1.9)	644.9	**-**
Revenue from External Customers	**1,351.9**	**1,168.2**	**25.9**	**22.5**	**1.7**	**-**	**2,570.2**

	GROUP 2013 $M	GROUP 2012 $M
Total Revenue in:		
New Zealand	2,659.8	2,544.3
Australia	48.3	22.7
United States of America	3.1	3.2
	2,711.2	2,570.2

Reconciliation of EBITDAF to Profit before tax provided as follows:

	GROUP 2013 $M	GROUP 2012 $M
EBITDAF for Reportable Segments	628.6	535.7
Other Segments EBITDAF	1.8	4.0
Unallocated EBITDAF	(45.6)	(63.1)
Total Group EBITDAF	584.8	476.6
Impairment of Assets	(24.8)	(60.1)
Gain/(Loss) on Sale of Assets	106.6	(1.5)
Equity Accounted Earnings of Joint Ventures	0.1	(2.7)
Amortisation	(18.5)	(22.2)
Depreciation	(201.2)	(202.9)
Net Change in Fair Value of Financial Instruments	93.8	53.3
Finance Costs and Other Finance Related Income/(Expenses)	(113.5)	(82.5)
Group Profit before Tax	427.3	158.0

3. Operating Expenses

	GROUP 2013 $M	GROUP 2012 $M	PARENT 2013 $M	PARENT 2012 $M
Employee Expenses include:				
Contributions to Defined Contribution Plans	2.4	2.5	2.0	2.1
Movement in Share Based Incentives	-	(0.9)	-	-
Other Operating Expenses include:				
Auditors Remuneration to Deloitte for:				
Audit of New Zealand-based Companies Financial Statements[1]	0.5	0.5	0.3	0.4
Audit of Overseas-based Companies Financial Statements	0.1	0.1	-	-
Other Services[2]	0.2	0.2	0.1	0.2
Operating Lease Payments	5.2	4.6	4.0	3.7
Foreign Exchange Losses	-	0.5	-	-
Donations	-	-	-	-

1 *Includes Office of the Auditor General overhead contribution of $26,500 (2012: $29,600)*
2 *In addition to the audit of the Financial Statements, Deloitte performed Other Services as follows:*
- *Review of Interim financial statements*
- *Audit of carbon emissions*
- *Audit of Securities registers*
- *Audit report for Prospectus*
- *Investigating accountant for Initial Public Offer*

4. *Impairment of Assets*

	GROUP		PARENT	
	2013 $M	2012 $M	2013 $M	2012 $M
Impairment of Intangible Assets	-	22.3	-	-
Impairment of Property, Plant and Equipment	**19.1**	35.4	**19.1**	25.8
Impairment of Held for Sale Assets	**5.7**	0.9	-	0.9
Impairment of Investments	-	1.5	-	12.8
Impairment of Subsidiary Advances	-	-	**2.0**	54.4
	24.8	60.1	**21.1**	93.9

Impairment of Intangible Assets

PRIOR FINANCIAL YEAR

The 2012 intangible asset impairments included Whisper Tech Limited ($16.1 million) and Meridian Energy USA Incorporated ($6.2 million) due to the carrying values no longer being supported by expected cash flows.

Impairment of Property, Plant and Equipment

Group Property, Plant and Equipment has been impaired by $19.1 million in 2013 (2012: $35.4 million).

NORTH BANK TUNNEL DEVELOPMENT PROJECT

Following an economic assessment of the North Bank Tunnel Hydro Project on the lower reaches of the Waitaki River, a decision was made to suspend the project indefinitely due to low electricity demand growth resulting in an impairment of $17.9 million.

OTHER DEVELOPMENT PROJECTS

Other early stage development projects were impaired by $1.2 million following economic assessment.

PRIOR FINANCIAL YEAR

The 2012 Property, Plant and Equipment impairments of $35.4 million included Project Hayes ($6.9 million), the discontinuation of the Mokihinui hydro project in Westland ($18.1 million), Arc Innovations Limited metering assets ($5.8 million) and various work in progress assets of the Parent and Meridian Energy USA Incorporated ($4.6 million).

Impairment of Held for Sale Assets

MERIDIAN ENERGY USA INCORPORATED

Two proposed solar developments in USA (Jacobs Creek and San Luis Valley Projects) have been impaired by $5.7 million following economic assessment and the resulting decision to not proceed with these projects.

PRIOR FINANCIAL YEAR

In 2012, the Group reclassified its investment in Nth Power Technologies Fund II, L.P. as they were being actively marketed for sale. An impairment of $0.9 million was recorded based on market prices. The shares were subsequently sold during the current period resulting in a loss of $0.1 million.

Impairment of Investments and Advances to Subsidiaries

MEL SOLAR HOLDINGS LIMITED

Meridian has an investment in MEL Solar Holdings Limited, which operates as the investment entity for its interest in Meridian Energy USA Inc. Meridian has tested for impairment assessing the recoverable amount of the investment, based on the fair value of Meridian Energy USA Inc business assets, which include Cal RENEW – 1- an operational solar power station in California. As a result of this assessment the parent has recorded an impairment of $2.0 million on its loan to MEL Solar Holdings Limited.

PRIOR FINANCIAL YEAR

Where there are indications of impairment of investments and advances to subsidiaries, an impairment test has been performed. In 2012, the Parent recognised an impairment totalling $66.7 million in respect of its investment and advances to its subsidiaries, Whisper Tech Limited (investment $4.4 million, loans $27.1 million), MEL Solar Holdings Limited (loan $27.4 million) and Arc Innovations Limited (investment $7.8 million).

Available for Sale Investments, Carbon Flow Inc. and EnergyHedge Limited were impaired $0.6 million in 2012 due to the companies being liquidated or in process of liquidation.

5. *Gain/(Loss) on Sale of Assets*

		GROUP		PARENT	
	NOTE	2013 $M	2012 $M	2013 $M	2012 $M
Loss on Sale of Finance Lease Receivable	16	**(0.5)**	-	**(0.5)**	-
Gain on Sale of Subsidiaries	18	**107.3**	-	**8.8**	-
Loss on Sale of Property, Plant and Equipment		**(0.2)**	(1.1)	**0.3**	(1.0)
Loss on Sale of Investments Held for Sale		-	-	-	-
Loss on Sale of Investments Available for Sale		-	(0.4)	-	-
Total Gain/(Loss) on Sale of Assets		**106.6**	(1.5)	**8.6**	(1.0)

6. Finance Costs

	GROUP		PARENT	
	2013 $M	2012 $M	2013 $M	2012 $M
Interest on Borrowings	123.0	111.1	81.6	89.9
Less Capitalised Interest	(7.9)	(20.9)	(1.8)	-
	115.1	90.2	79.8	89.9

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.

Total interest expense for financial liabilities at amortised cost is $59.6 million (2012: $52.9 million).

7. Interest Income

	GROUP		PARENT	
	2013 $M	2012 $M	2013 $M	2012 $M
Interest Income on Financial Assets at amortised cost:				
Cash and Cash Equivalents	1.6	7.7	0.9	1.9
Loans to Subsidiaries	-	-	28.7	22.0
	1.6	7.7	29.6	23.9

8. Income Tax Expense

		GROUP		PARENT	
	NOTE	2013 $M	2012 $M	2013 $M	2012 $M
Income Tax Expense					
Current Tax Expense					
Current Income Tax Charge		100.3	28.5	87.2	33.3
Adjustments Regarding Current Income Tax of Prior Years		(5.7)	(2.2)	(5.6)	(0.9)
Total Current Tax Expense		94.6	26.3	81.6	32.4
Deferred Tax Expense					
Relating to Origination and Reversal of Temporary Differences		37.6	25.2	38.9	31.1
Deferred Tax Asset written off in relation to carried forward losses		-	7.7	-	-
Effect of Corporate Tax Rate Reduction on Deferred Tax Liability		-	0.6	-	0.6
Effect of Change in Building Tax Depreciation on Deferred Tax		-	23.6	-	23.6
Total Deferred Tax Expense	24	37.6	57.1	38.9	55.3
Total Income Tax Expense		132.2	83.4	120.5	87.7
Income Tax Expense can be reconciled to Accounting Profit as follows:					
Profit Before Tax		427.3	158.0	374.0	158.5
Income Tax at Applicable Tax Rates		120.2	43.9	104.7	44.4
Tax Effect of Expenditure Not Deductible for Tax		9.8	16.5	7.1	27.1
Tax Effect of Income Not Subject to Tax		(0.9)	(7.0)	(2.5)	(5.0)
Income Tax Under/(Over) Provided in Prior Year		3.1	5.7	11.2	(0.9)
Tax Credits Transferred from Subsidiary		-	-	-	(1.6)
Inter-Company Dividend Received Not Subject to Tax		-	-	(0.1)	(0.5)
Effect of Corporate Tax Rate Reduction on Deferred Tax Liability	24	-	0.6	-	0.6
Effect of Change in Building Tax Depreciation on Deferred Tax	24	-	23.6	-	23.6
Other		-	0.1	0.1	-
Income Tax Expense		132.2	83.4	120.5	87.7

Applicable group tax rates for the current and prior financial years are 28% for New Zealand and 30% for Australia.

The discontinuation of tax depreciation on buildings with a useful life of greater than 50 years was effective for the Group on 1 July 2011. The effect of this change was reflected in the Income Statement in 2010 ($14.7 million). At the time Meridian used judgement in regard to the tax definition of buildings with the above ground structure of Generation Structures and Plant being treated as buildings. Meridian maintain this view but took a further provision in 2012 due to the Inland Revenue Department's current interpretation of the definition of buildings that in relation to generation assets includes the structures below ground. The effect included in the Income Statement in 2012 was $23.6 million. This approach has been reflected in the tax return for the 2012 tax year (resulting in an increased tax payable of $1.4 million) however the Group is still disputing the interpretation.

In addition to the income tax charge to the income statement, deferred tax credits (representing temporary differences) of $124.1 million for the Group (2012: $22.3 million credit) and $133.4 million for the Parent (2012: $3.4 million credit) have been recognised in equity for the year (see Note 24 – Deferred Tax).

At balance date the imputation credits available for use in future periods were Group $50.8 million (2012: $15.9 million) and Parent $50.6 million (2012: $14.9 million).

9. Earnings per Share

BASIC AND DILUTED EARNINGS PER SHARE

	GROUP 2013	GROUP 2012
Profit After Tax Attributable to Shareholders of the Parent Company ($M)	**295.1**	74.9
Weighted Average number of ordinary shares in issue (units)	**1,600,000,002**	1,600,000,002
Basic Earnings per Share ($)	**0.18**	0.05
Diluted Earnings per Share ($)	**0.18**	0.05

10. Equity

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. There have been no movements in share capital during the year.

All shares are fully paid and have equal voting rights. All shares participate equally in any dividend distribution or any surplus on the winding up of the Company.

Changes to the Companies Act in 1993 abolished the authorised capital and par value concept in relation to share capital from 1 July 1994. Therefore the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

11. Dividends

	GROUP AND PARENT			
	2013 $M	2013 CENTS PER SHARE	2012 $M	2012 CENTS PER SHARE
2013 Interim Dividend Paid	**99.8**	6.24	**-**	-
2012 Final Dividend Paid	**-**	-	**-**	-
2012 Interim Dividend Paid	**-**	-	**71.3**	4.46
2011 Final Dividend Paid	**-**	-	**69.4**	4.34
	99.8	6.24	**140.7**	8.80

12. Cash and Cash Equivalents

	GROUP		PARENT	
	2013 $M	2012 $M	2013 $M	2012 $M
Current Account	**335.9**	155.0	**18.7**	28.1
Money Market Account	**46.9**	59.4	**46.1**	58.3
Cash and Cash Equivalents	**382.8**	214.4	**64.8**	86.4

There are no cash and cash equivalent balances that are not available for use by the Group with the exception of funds held on deposit with JP Morgan. The Group trades on the ASX (Australian Securities Exchange) using JP Morgan as a broker. As a result, a proportion of the funds it holds on deposit are pledged as margin which varies depending on market volatility and contracts held. At 30 June 2013, this collateral was $7.8 million for the Parent and $9.2 million for the Group (2012 Group and Parent: $7.4 million).

All cash and cash equivalents are held with money market dealers, JP Morgan and banks.

13. Accounts Receivable and Prepayments

	GROUP		PARENT	
CURRENT	2013 $M	2012 $M	2013 $M	2012 $M
Billed and Accrued Receivables	**199.3**	298.7	**177.9**	278.6
Promissory Note	**59.1**	-	**-**	-
Less: Provision for Doubtful Debts	**(3.9)**	(6.6)	**(3.6)**	(6.3)
Net Trade Receivables	**254.5**	292.1	**174.3**	272.3
Prepayments	**7.4**	6.0	**7.1**	4.4
Total Accounts Receivable and Prepayments	**261.9**	298.1	**181.4**	276.7

	GROUP		PARENT	
MOVEMENT IN PROVISION FOR DOUBTFUL DEBTS	2013 $M	2012 $M	2013 $M	2012 $M
Opening Provision for Doubtful Debts	**(6.6)**	(6.5)	**(6.3)**	(6.5)
Provision Created During the Year	**(5.9)**	(7.7)	**(4.8)**	(6.9)
Provision Released During the Year	**-**	-	**-**	-
Provision Used During the Year	**8.6**	7.6	**7.5**	7.1
Closing Provision for Doubtful Debts	**(3.9)**	(6.6)	**(3.6)**	(6.3)

	GROUP		PARENT	
TRADE RECEIVABLES AGEING	2013 $M	2012 $M	2013 $M	2012 $M
Not Past Due	**245.9**	277.5	**170.3**	257.9
Past Due 1-30 days	**7.3**	10.4	**3.1**	11.1
Past Due 31-60 days	**0.9**	1.8	**0.6**	1.3
Past Due 61-90 days	**0.9**	2.3	**0.8**	2.0
Past Due > 90 days	**3.4**	6.7	**3.1**	6.3
	258.4	298.7	**177.9**	278.6

Trade receivables that are less than 90 days past due are generally not considered impaired. As of 30 June 2013 trade receivables of $8.6 million (2012: $14.6 million) were past due but not impaired. These relate to energy sales to a number of independent customers for whom there is no recent history of default.

Receivables more than 90 days overdue relate mainly to retail electricity customers of which some of the balance is disputed. It is assessed that a portion of these receivables is likely to be recovered.

Meridian maintains a doubtful debt provision that reflects the limited likelihood of payment defaults.

Meridian considers that the carrying amount of accounts receivable approximates their fair values. Trade receivables written off during the year were $8.6 million for the Group (2012: $7.6 million) and $7.5 million for the Parent (2012: $7.1 million).

14. Inventories

	GROUP		PARENT	
	2013 $M	2012 $M	2013 $M	2012 $M
Inventories				
Consumable Spares and Stores	**4.3**	4.5	**4.3**	3.7

In 2013, consumables recognised as other operating expenses in the Group were $0.2 million (2012: $1.0 million) and in the Parent were $Nil (2012: Parent $0.7 million). Consumables and changes in finished goods and work in progress recognised as energy related costs in the Group were $0.5 million (2012: $0.3 million) and in the Parent $0.5 million (2012: $Nil).

Certain inventory items are subject to retention of title clauses.

15. Other Assets

	GROUP		PARENT	
	2013 $M	2012 $M	2013 $M	2012 $M
New Zealand Carbon Credit Units	**0.1**	0.2	**0.1**	0.1
Australian Renewable Energy Certificates	**0.5**	-	**-**	-
Total Other Assets	**0.6**	0.2	**0.1**	0.1

On 7 May 2013, Meridian purchased part of Rototuna Forest, Pouto Peninsula to secure land and access for a development project. This purchase included 51,982 carbon credit units.

From 1 January 2013, Meridian Finco Pty Ltd commenced receiving Renewable Energy Certificates regarding the Mt Millar Windfarm following the expiry of an all inclusive swap with Energy Australia.

16. Finance Lease Receivable

In 2013 Meridian has entered into an arrangement with Tonga Power Limited to provide lease finance for Popua Solar Farm. The lease is for a period of 5 years.

In the prior year Meridian had an arrangement with New Zealand Antarctic Institute to provide lease finance for Ross Island Wind Farm. The lease was originally for a period of 20 years but was sold to the Ministry of Foreign Affairs and Trade on 10 May 2013 resulting in a loss on sale of $0.5m (see Note 5 for details).

	GROUP AND PARENT	
	2013 $M	2012 $M
Minimum Lease Payments:		
Not Later than One Year	**0.3**	0.6
Later than One Year and Not Later than Three Years	**0.7**	1.3
Later than Three Years and Not Later than Five Years	**0.3**	1.3
Later than Five Years	**-**	8.2
Gross Investment in Finance Lease	**1.3**	11.4
Less: Unearned Finance Income	**(0.5)**	(6.0)
Present Value of Minimum Lease Payments	**0.8**	5.4
Analysed as:		
Not Later than One Year	**0.2**	0.6
Later than One Year and Not Later than Three Years	**0.4**	0.2
Later than Three Years and Not Later than Five Years	**0.2**	0.3
Later than Five Years	**-**	4.3
Total Finance Lease Receivable	**0.8**	5.4
Comprising		
Current	**0.2**	0.6
Non-current	**0.6**	4.8
	0.8	5.4

As a result of the above finance lease, the Group and Parent have reported income of $0.7 million (2012: $0.5 million) which is included in Other Revenue in the Income Statement.

17. Assets and Liabilities Classified as Held for Sale

	GROUP		PARENT	
	2013 $M	2012 $M	2013 $M	2012 $M
Meridian Energy USA Incorporated	24.0	27.7	-	-
Nth Power Technologies Fund II, L.P. investment	-	0.8	-	0.8
Freehold Land	30.2	0.9	30.2	0.9
Buildings	2.6	-	2.6	-
Farm Asset	2.1	-	2.1	-
Fonterra Co-Operative Group Limited Shares	5.9	-	5.9	-
Total Assets Held for Sale	64.8	29.4	40.8	1.7
Meridian Energy USA Incorporated	2.0	0.8	-	-
Farm Asset Costs	0.7	-	0.7	-
Total Liabilities Held For Sale	2.7	0.8	0.7	-
Net Assets Classified as Held for Sale	62.1	28.6	40.1	1.7

The major classes of assets and liabilities at the end of the reporting period are as follows:

	GROUP		PARENT	
	2013 $M	2012 $M	2013 $M	2012 $M
Accounts Receivable and Prepayments	0.6	0.6	-	-
Available for Sale Investments	5.9	0.8	5.9	0.8
Intangible Assets	-	0.1	-	-
Property Plant & Equipment	58.3	27.9	34.9	0.9
Total Assets Classified as Held For Sale	64.8	29.4	40.8	1.7
Payables and Accruals	2.7	0.8	0.7	-
Total Liabilities Classified as Held For Sale	2.7	0.8	0.7	-
Net Assets Classified as Held For Sale	62.1	28.6	40.1	1.7

Meridian Energy USA Incorporated

Meridian continues to actively market its interest in Meridian Energy USA Incorporated's business with a view to selling it. Refer to Note 4 for impairments recognised in the investment in Meridian Energy USA.

Meridian Energy USA Incorporated forms part of Meridian's International Segment.

Other Assets

Meridian is committed to an active programme to sell land, buildings and other farm assets that are no longer required for development projects.

Nth Power Technologies Fund II, L.P.

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 realising a loss of $0.1 million.

18. Investments in Subsidiaries

Investments in subsidiaries comprise shares at cost less impairments

NAME OF ENTITY	INCORPORATED	PRINCIPAL ACTIVITY	INTEREST HELD BY PARENT			
			2013 %	2013 $M	2012 %	2012 $M
Damwatch Services Limited		Professional Services	100%	-	100%	-
Energy for Industry Limited		Energy Solutions	0%	-	100%	46.5
Three River Holdings (No.1) Limited[2]		Non-Trading Entity	100%	82.5	100%	69.2
Meridian Limited		Non-Trading Entity	100%	-	100%	-
ARC Innovations Limited		Metering Services	100%	29.5	100%	29.5
Meridian Energy Captive Insurance Limited		Insurance Company	100%	2.5	100%	0.5
Meridian Energy International Limited		Non-Trading Entity	100%	50.0	100%	50.0
Meridian (Whisper Tech) Limited		Non-Trading Entity	100%	-	100%	-
Meridian (Whisper Tech No.2) Limited		Non-Trading Entity	100%	-	100%	-
Powershop New Zealand Limited		Electricity Retailer	100%	11.9	100%	11.9
MEL Solar Holdings Limited		Holding Company	100%	-	100%	-
Whisper Tech Limited[1]		Non-Trading Entity	30%	-	30%	-
Hunter Downs Development Company Limited[3]	21/6/2013	Irrigation Development	100%	-	-	-
				176.4		207.6

1 The Parent holds 29.77% of Whisper Tech Limited with WhisperGen Limited (Controlled Entity) holding 70.23%.
2 Members of Guaranteeing Group
3 The Parent holds 50,000 shares with Hunter Downs Irrigation Limited holding 1 share

ARC INNOVATIONS LIMITED

On 1 October 2011, the Parent transferred assets and liabilities in return for share capital to Arc Innovations Limited. The assets and liabilities were transferred at fair value and share capital of $37.3 million was exchanged.

The transaction details are outlined in the table below:

	2012 $M
Cash	2.0
Property, Plant and Equipment	36.5
Intangible Assets	0.2
Receivables and Prepayments	0.1
Payables and Provisions	(0.8)
Deferred Tax	(0.7)
	37.3

Controlled Entities (Other Subsidiaries)

NAME OF ENTITY	SOLD	PRINCIPAL ACTIVITY	INTEREST HELD BY GROUP 2013 %	INTEREST HELD BY GROUP 2012 %
Three River Holdings (No.2) Limited[1]		Non-Trading Entity	100%	100%
WhisperGen Limited		Non-Trading Entity	100%	100%
Whisper Tech Limited		Non-Trading Entity	100%	100%
Damwatch Projects Limited		Professional Services	100%	100%
Incorporated in Australia				
Damwatch Pty Limited		Professional Services	100%	100%
Meridian Wind Macarthur Holdings Pty Limited	28/6/2013	Non-Trading Entity	-	100%
Meridian Wind Macarthur Pty Limited	28/6/2013	Electricity Generation	-	100%
Meridian Australia Holdings Pty Limited[1]		Non-Trading Entity	100%	100%
Meridian Wind Australia Holdings Pty Limited[1]		Non-Trading Entity	100%	100%
Meridian Energy Markets Pty Limited[1,2]		Non-Trading Entity	100%	100%
Meridian Wind Monaro Range Holdings Pty Limited[1]		Non-Trading Entity	100%	100%
Meridian Wind Monaro Range Pty Limited[1]		Non-Trading Entity	100%	100%
Mt Mercer Windfarm Pty Limited[1]		Electricity Generation	100%	100%
Meridian Energy Australia Pty Limited[1]		Management Services	100%	100%
MEL Meridian Australia Partnership[1]		Financing Entity	100%	100%
Meridian Finco Pty Limited[1]		Financing Company	100%	100%
Mt Millar Wind Farm Pty Limited[1]		Electricity Generation	100%	100%
Powershop Australia Pty Limited		Electricity Retailer	100%	100%
Wind Macarthur Holdings Trust[3]	28/6/2013	Non-Trading Entity	-	-
Wind Macarthur Holdings (T) Pty Limited[3]	28/6/2013	Non-Trading Entity	-	-
Wind Macarthur Trust[3]	28/6/2013	Non-Trading Entity	-	-
Wind Macarthur (T) Pty Limited[3]	28/6/2013	Non-Trading Entity	-	-
Wind Macarthur Finco Pty Limited[3]	28/6/2013	Financing Entity	-	-
Incorporated in United Kingdom				
Whisper Tech (UK) Limited		Non-Trading Entity	100%	100%
Incorporated in United States of America				
Meridian Energy USA Incorporated		Development	100%	100%
CalRENEW-1 LLC		Electricity Generation	100%	100%
Jacob Canal Solar Farm LLC		Non-Trading Entity	100%	100%
Laurel West Solar Farm LLC		Non-Trading Entity	100%	100%
Laurel East Solar Farm LLC		Non-Trading Entity	100%	100%
Hatteson Solar Farm LLC		Non-Trading Entity	100%	100%
San Luis Valley Solar Farm LLC		Non-Trading Entity	100%	100%
Desert Butte LLC		Non-Trading Entity	100%	100%

1 Members of Guaranteeing Group
2 During the 2012 year Meridian Wind Australia Pty Limited had its name changed to Meridian Energy Markets Pty Limited, and was sold by Meridian Wind Australia Holdings Pty Limited to Meridian Energy Australia Pty Limited
3 Incorporated in Australia on 5 June 2013 and sold with Meridian Wind Macarthur Holdings Pty Limited

BALANCE DATES

All subsidiaries have a balance date of 30 June except for Meridian Energy USA Incorporated, CalRENEW-1 LLC, Jacob Canal Solar Farm LLC, Laurel West Solar Farm LLC, Laurel East Solar Farm LLC, Hatteson Solar Farm LLC, San Luis Valley Solar Farm LLC and Desert Butte LLC that have balance dates of 31 December. These results have been incorporated to 30 June 2013.

Disposal of Subsidiaries

ENERGY FOR INDUSTRY LIMITED

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 $5.9 million to the Group.

	2013 $M
Assets and Liabilities disposed of:	
Cash and Cash Equivalents	4.9
Accounts Receivable and Prepayments	2.9
Inventories	1.1
Tax Receivable	0.1
Intangible Assets	5.7
Property, Plant and Equipment	39.7
Payables and Accruals	(3.3)
Derivative Financial Instruments	(0.1)
Deferred Tax	(1.5)
Assets and Liabilities Disposed	49.5
Proceeds Received:	
Cash Proceeds	56.3
Working Capital Adjustment	0.1
Disposal Costs	(1.0)
Net Proceeds	55.4
Gain on Disposal	5.9

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

RIGHT HOUSE LIMITED

Right House Limited was sold as a going concern to Mark Group Holdings Pty Limited on 1 July 2011.

Disposal of Controlled Entities

MERIDIAN WIND MACARTHUR HOLDINGS PTY LTD

On 28 June 2013, the Group disposed of its entire interest in Meridian Wind Macarthur Holdings Pty Ltd, a controlled entity of the Parent, resulting in a gain of $101.4 million to the Group.

	2013 $M
Assets and Liabilities disposed of:	
Cash and Cash Equivalents	9.3
Deferred Tax	1.0
Finance Lease Receivable	627.7
Taxation Receivable	10.6
Foreign Currency Translation Reserve	13.6
Payables and Accruals	(9.2)
Derivative Financial Instruments	(44.2)
Borrowings	(614.2)
Assets and Liabilities Disposed	(5.4)
Proceeds Received:	
Cash Proceeds	95.0
Promissory Note	59.1
Transaction Costs	(58.1)
Net Proceeds	96.0
Gain on Disposal	101.4

19. Joint Ventures

Equity Accounted Joint Ventures

DETAILS OF THE GROUP'S EQUITY ACCOUNTED JOINT VENTURES ARE AS FOLLOWS:

NAME OF ENTITY	COUNTRY OF INCORPORATION	DATE	PRINCIPAL ACTIVITY	INTEREST HELD BY GROUP 2013 %	2012 %
Silverstream LFG Utilisation	New Zealand	30/06/11	Electricity Generation	-	93%
EDDI Project JV	New Zealand	01/05/12	Dam Management Systems	**50%**	50%

On 1 November 2012, Energy for Industry Limited purchased the remaining 7% of the Silverstream LFG Utilisation Joint Venture for $0.2m.
On 20 December 2012, Energy for Industry Limited was sold along with its interest in the joint venture (refer note 18).

On 1 May 2012 Damwatch Projects Limited entered into an unincorporated joint venture with GNS Science International Limited to provide a prototype system for dam management in Vietnam. The carrying value of the investment at 30 June 2013 is $11,100 (2012: $Nil).

SUMMARISED FINANCIAL INFORMATION IN RESPECT OF THE GROUP'S INVESTMENTS IN JOINT VENTURES IS SET OUT BELOW:

	GROUP 2013 $M	2012 $M
Current Assets	-	0.2
Non-Current Assets	-	0.5
Total Assets	-	0.7
Current Liabilities	-	(0.2)
Non-Current Liabilities	-	-
Total Liabilities	-	(0.2)
Net Assets	-	0.5
Group's Share of Net Assets of Joint Ventures	-	0.5
Foreign Exchange Translation effect	-	-
Goodwill	-	3.3
Group's Equity Accounted Joint Ventures	-	3.8
Total Revenue	**0.2**	1.6
Total Expenses	**(0.1)**	(8.1)
Total Profit/(Loss) for the Period	**0.1**	(6.5)
Group's Share of Profits/(Losses) of Joint Ventures	**0.1**	(2.7)

	GROUP 2013 $M	2012 $M
Balance at Beginning of Year	**3.8**	4.4
New Investments	-	3.4
Share of Profit/(Losses) of Joint Ventures	**0.1**	(2.7)
Transfer to Fully Consolidated Subsidiary	**(3.9)**	-
Loss on Sale	-	(0.5)
Loan Impaired	-	(0.8)
Balance at End of Year	-	3.8

The Group has no share of any capital commitments or contingent liabilities from these Joint Ventures.

Jointly Controlled Assets

Meridian Wind Macarthur Pty Limited held a 50% controlling interest in Macarthur Wind Farm unincorporated joint venture with AGL Energy Limited (AGL) which was proportionately consolidated.

On 28 June 2013, the Group disposed of its entire interest in Meridian Wind Macarthur Holdings Pty Ltd including the 50% controlling interest in the Macarthur Wind Farm unincorporated joint venture.

The following amounts are included in the Group financial statements:

	GROUP	
	2013 $M	2012 $M
Statement of Financial Position		
Current Assets	-	81.7
Non-Current Assets	-	494.1
Current Liabilities	-	(0.5)
Income Statement	-	-
Interest Income	-	5.0
Groups Share of Jointly Controlled Profit and Loss	-	3.5

The Groups share of prior year capital commitments from this joint venture is disclosed in Note 28. The Group had no share of any contingent assets or liabilities from this joint venture.

20. Available for Sale Investments

		GROUP AND PARENT	
	CURRENCY	2013 $M	2012 $M
Listed Securities			
Ceramic Fuel Cells Limited	AUD	-	0.1
Unlisted Securities			
Fonterra Co- Operative Group Limited	NZD	-	3.5
		-	3.6

	GROUP AND PARENT	
	2013 $M	2012 $M
Opening Balance	**3.6**	6.1
Impairments	-	(0.6)
Movement in Fair Value through Available for Sale Reserve	**2.3**	(0.3)
Transfers out to Held for Sale	**(5.9)**	(1.6)
Closing Balance	-	3.6

Available-for-Sale Investments are carried at fair value.

21. Intangible Assets

	NOTE	GROUP SOFTWARE $M	GOODWILL $M	LICENCE AGREEMENT $M	PATENTS AND TRADEMARKS $M	CUSTOMER ACQUISITION COSTS $M	TOTAL $M
Cost or Fair Value							
Balance at 1 July 2011		71.5	15.9	22.4	1.5	66.9	178.2
Acquisitions		8.7	-	-	0.1	-	8.8
Transfer to Assets Classified as Held for Sale		(0.1)	-	-	-	-	(0.1)
Transfer from Property, Plant and Equipment		17.7	-	-	-	-	17.7
Disposals		(10.8)	-	-	-	-	(10.8)
Balance at 30 June 2012		**87.0**	**15.9**	**22.4**	**1.6**	**66.9**	**193.8**
Balance at 1 July 2012		87.0	15.9	22.4	1.6	66.9	193.8
Acquisitions		32.0	-	-	-	-	32.0
Foreign Currency Exchange Rate Movements		(0.1)	(0.2)	-	-	-	(0.3)
Transfer from Property, Plant and Equipment		20.6	-	-	-	-	20.6
Sale of Subsidiary		(4.5)	-	-	-	-	(4.5)
Disposals		(1.3)	-	-	-	-	(1.3)
Balance at 30 June 2013		**133.7**	**15.7**	**22.4**	**1.6**	**66.9**	**240.3**
Accumulated Amortisation and Impairment							
Balance at 1 July 2011		(54.1)	(0.2)	(11.2)	(0.6)	(65.2)	(131.3)
Amortisation during Year		(19.2)	-	(1.9)	(0.9)	(0.2)	(22.2)
Impairment	4	-	(13.0)	(9.3)	-	-	(22.3)
Transfer from Property, Plant and Equipment		(1.6)	-	-	-	-	(1.6)
Disposals		10.4	-	-	-	-	10.4
Balance at 30 June 2012		**(64.5)**	**(13.2)**	**(22.4)**	**(1.5)**	**(65.4)**	**(167.0)**
Balance at 1 July 2012		(64.5)	(13.2)	(22.4)	(1.5)	(65.4)	(167.0)
Amortisation during Year		(18.4)	-	-	(0.1)	-	(18.5)
Sale of Subsidiary		0.2	-	-	-	(1.5)	(1.3)
Disposals		1.3	-	-	-	-	1.3
Balance at 30 June 2013		**(81.4)**	**(13.2)**	**(22.4)**	**(1.6)**	**(66.9)**	**(185.5)**
Net Book Value							
Net Book Value 30 June 2011		17.4	15.7	11.2	0.9	1.7	46.9
Net Book Value 30 June 2012		22.5	2.7	-	0.1	1.5	26.8
Net Book Value 30 June 2013		**52.3**	**2.5**	**-**	**-**	**-**	**54.8**

Goodwill

The goodwill balance represents $2.5 million (2012: $2.7 million) in relation to the acquisition of Mt Millar Windfarm Pty Ltd.

In 2012 the goodwill on Whisper Tech Limited ($6.9 million) and Meridian Energy USA Inc ($6.2 million) was fully impaired.

21. Intangible Assets *(continued)*

	PARENT		
	SOFTWARE $M	CUSTOMER ACQUISITION COSTS $M	TOTAL $M
Cost or Fair Value			
Balance at 1 July 2011	70.4	65.2	135.6
Acquisitions	7.6	-	7.6
Transfer from Property, Plant and Equipment	15.2	-	15.2
Effect of Business Unit Becoming a Subsidiary	(0.8)	-	(0.8)
Disposals	(10.2)	-	(10.2)
Balance at 30 June 2012	**82.2**	**65.2**	**147.4**
Balance at 1 July 2012	82.2	65.2	147.4
Acquisitions	25.6	-	25.6
Transfer from Property, Plant and Equipment	19.8	-	19.8
Disposals	(1.2)	-	(1.2)
Balance at 30 June 2013	**126.4**	**65.2**	**191.6**
Accumulated Amortisation and Impairment			
Balance at 1 July 2011	(54.0)	(65.2)	(119.2)
Amortisation During Year	(18.0)	-	(18.0)
Effect of Business Unit Becoming a Subsidiary	0.5	-	0.5
Disposals	9.9	-	9.9
Balance at 30 June 2012	**(61.6)**	**(65.2)**	**(126.8)**
Balance at 1 July 2012	(61.6)	(65.2)	(126.8)
Amortisation During Year	(17.3)	-	(17.3)
Disposals	1.2	-	1.2
Balance at 30 June 2013	**(77.7)**	**(65.2)**	**(142.9)**
Net Book Value			
Net Book Value 30 June 2011	16.4	-	16.4
Net Book Value 30 June 2012	20.6	-	20.6
Net Book Value 30 June 2013	**48.7**	**-**	**48.7**

22. Property, Plant and Equipment

	GROUP						
	GENERATION STRUCTURES AND PLANT AT FAIR VALUE $M	FREEHOLD LAND AT COST $M	FREEHOLD BUILDINGS AT COST $M	RESOURCE CONSENTS AT COST $M	OTHER PLANT AND EQUIPMENT AT COST $M	CAPITAL WORK IN PROGRESS AT COST $M	TOTAL $M
Cost or Fair Value							
Balance at 1 July 2011	7,297.0	40.4	12.3	14.7	202.4	276.3	7,843.1
Additions	0.1	-	0.2	-	0.5	533.0	533.8
Foreign Currency Exchange Rate Movements	(2.8)	-	-	-	0.2	(3.5)	(6.1)
Transfers from Capital Work in Progress	35.8	0.6	0.9	10.2	15.8	(63.3)	-
Transfers to Assets Held For Sale	(23.0)	(0.9)	-	-	(5.8)	-	(29.7)
Transfer to Intangible Assets	-	-	-	-	(2.1)	(15.6)	(17.7)
Disposals	(2.2)	-	(0.2)	-	(34.1)	-	(36.5)
Reclassification	-	-	(0.2)	-	0.2	-	-
Balance at 30 June 2012	**7,304.9**	**40.1**	**13.0**	**24.9**	**177.1**	**726.9**	**8,286.9**
Balance at 1 July 2012	7,304.9	40.1	13.0	24.9	177.1	726.9	8,286.9
Additions	-	-	-	-	0.1	276.6	276.7
Foreign Currency Exchange Rate Movements	(18.5)	-	-	-	(0.1)	(40.7)	(59.3)
Reversal of Revaluation Gains	(849.0)	-	-	-	-	-	(849.0)
Transfers from Capital Work in Progress	3.0	2.9	1.0	0.3	10.4	(17.6)	-
Transfers to Finance Lease Receivable	-	-	-	-	-	(623.3)	(623.3)
Transfers to Assets Held For Sale	-	(29.2)	(3.2)	-	(3.5)	-	(35.9)
Transfers to Liabilities Held for Sale	-	0.3	-	-	-	-	0.3
Transfer to Intangible Assets	-	-	-	-	0.1	(20.7)	(20.6)
Disposals	(0.1)	(0.5)	(0.9)	-	(44.3)	(5.7)	(51.5)
Reclassification	1.7	-	(0.3)	-	(1.4)	-	-
Balance at 30 June 2013	**6,442.0**	**13.6**	**9.6**	**25.2**	**138.4**	**295.5**	**6,924.3**

The $623.3 million transfer to Finance Lease Receivable represents the conversion of previously capitalised construction costs associated with the Macarthur Wind Farm to a finance lease based on the terms of the Joint Venture.

22. Property, Plant and Equipment *(continued)*

	GROUP						
	GENERATION STRUCTURES AND PLANT AT FAIR VALUE $M	FREEHOLD LAND AT COST $M	FREEHOLD BUILDINGS AT COST $M	RESOURCE CONSENTS AT COST $M	OTHER PLANT AND EQUIPMENT AT COST $M	CAPITAL WORK IN PROGRESS AT COST $M	TOTAL $M
Accumulated Depreciation and Impairment							
Balance at 1 July 2011	(13.0)	-	(2.4)	(2.1)	(102.5)	(2.3)	(122.3)
Depreciation Expense	(182.0)	-	(0.4)	(0.6)	(19.9)	-	(202.9)
Exchange Rate Movements	0.2	-	-	-	-	-	0.2
Disposals	0.3	-	-	-	33.5	-	33.8
Transfer to Assets Held For Sale	1.6	-	-	-	0.1	-	1.7
Transfer to Intangible Assets	-	-	-	-	1.6	-	1.6
Impairment of Property, Plant and Equipment	-	-	-	-	(6.3)	(29.1)	(35.4)
Balance at 30 June 2012	**(192.9)**	**-**	**(2.8)**	**(2.7)**	**(93.5)**	**(31.4)**	**(323.3)**
Balance at 1 July 2012	(192.9)	-	(2.8)	(2.7)	(93.5)	(31.4)	(323.3)
Depreciation Expense	(181.7)	-	(0.3)	(1.4)	(17.8)	-	(201.2)
Exchange Rate Movements	2.2	-	-	-	-	-	2.2
Disposals	-	-	0.1	-	11.2	-	11.3
Transfer to Assets Held For Sale	-	-	0.5		1.5	-	2.0
Offset of Accumulated Depreciation on							
Revaluation Reversal	372.8	-	-	-	-	-	372.8
Reclassification	(0.4)	-	-	-	0.4	-	-
Impairment of Property, Plant and Equipment	-	-	-	-	(0.1)	(19.0)	(19.1)
Balance at 30 June 2013	**-**	**-**	**(2.5)**	**(4.1)**	**(98.3)**	**(50.4)**	**(155.3)**
Net Book Value							
Net Book Value 30 June 2011	7,284.0	40.4	9.9	12.6	99.9	274.0	7,720.8
Net Book Value 30 June 2012	7,112.0	40.1	10.2	22.2	83.6	695.5	7,963.6
Net Book Value 30 June 2013	**6,442.0**	**13.6**	**7.1**	**21.1**	**40.1**	**245.1**	**6,769.0**

22. Property, Plant and Equipment *(continued)*

	PARENT						
	GENERATION STRUCTURES AND PLANT AT FAIR VALUE $M	FREEHOLD LAND AT COST $M	FREEHOLD BUILDINGS AT COST $M	RESOURCE CONSENTS AT COST $M	OTHER PLANT AND EQUIPMENT AT COST $M	CAPITAL WORK IN PROGRESS AT COST $M	TOTAL $M
Cost or Fair Value							
Balance at 1 July 2011	7,025.0	40.5	11.5	14.7	163.3	163.8	7,418.8
Additions	-	-	0.2	-	-	59.1	59.3
Transfers from Capital Work in Progress	35.8	-	0.6	10.2	5.6	(52.2)	-
Transfers to Assets Held for Sale	-	(0.9)	-	-	-	-	(0.9)
Transfers to Intangible Assets	-	-	-	-	-	(15.2)	(15.2)
Effect of Business Unit Becoming a Subsidiary	-	-	-	-	(65.7)	(1.1)	(66.8)
Disposals	(1.2)	-	(0.2)	-	(2.7)	-	(4.1)
Balance at 30 June 2012	**7,059.6**	**39.6**	**12.1**	**24.9**	**100.5**	**154.4**	**7,391.1**
Balance at 1 July 2012	7,059.6	39.6	12.1	24.9	100.5	154.4	7,391.1
Additions	-	-	-	-	0.1	59.0	59.1
Reversal of Revaluation Gains	(817.9)	-	-	-	-	-	(817.9)
Transfers from Capital Work in Progress	2.9	2.9	1.0	0.3	7.0	(14.1)	-
Transfers to Assets Held for Sale	-	(29.2)	(3.2)	-	(3.5)	-	(35.9)
Transfer to Liabilities Held for Sale	-	0.3	-	-	-	-	0.3
Transfers to Intangible Assets	-	-	-	-	-	(19.8)	(19.8)
Transfer to Finance Lease Receivable	-	-	-	-	-	(0.3)	(0.3)
Reclassification	1.7	-	(0.3)	-	(1.4)	-	-
Disposals	(0.4)	-	-	-	(5.1)	-	(5.5)
Balance at 30 June 2013	**6,245.9**	**13.6**	**9.6**	**25.2**	**97.6**	**179.2**	**6,571.1**

22. Property, Plant and Equipment *(continued)*

	PARENT						
	GENERATION STRUCTURES AND PLANT AT FAIR VALUE $M	FREEHOLD LAND AT COST $M	FREEHOLD BUILDINGS AT COST $M	RESOURCE CONSENTS AT COST $M	OTHER PLANT AND EQUIPMENT AT COST $M	CAPITAL WORK IN PROGRESS AT COST $M	TOTAL $M
Accumulated Depreciation and Impairment							
Balance at 1 July 2011	-	-	(2.4)	(2.1)	(96.6)	(2.3)	(103.4)
Depreciation Expense	(170.5)	-	(0.3)	(0.6)	(10.7)	-	(182.1)
Disposals	0.3	-	-	-	2.4	-	2.7
Effect of Business Unit Becoming a Subsidiary	-	-	-	-	30.3	-	30.3
Impairment of Property, Plant and Equipment	-	-	-	-	(0.5)	(25.4)	(25.9)
Balance at 30 June 2012	**(170.2)**	**-**	**(2.7)**	**(2.7)**	**(75.1)**	**(27.7)**	**(278.4)**
Balance at 1 July 2012	(170.2)	-	(2.7)	(2.7)	(75.1)	(27.7)	(278.4)
Depreciation Expense	(171.1)	-	(0.3)	(1.4)	(8.8)	-	(181.6)
Disposals	-	-	-	-	5.0	-	5.0
Transfer to Assets Classified as Held For Sale	-	-	0.5	-	1.5	-	2.0
Reclassification	(0.4)	-	-	-	0.4	-	-
Offset of Accumulated Depreciation on Revaluation Reversal	341.7	-	-	-	-	-	341.7
Impairment of Property, Plant and Equipment	-	-	-	-	(0.1)	(19.0)	(19.1)
Balance at 30 June 2013	**-**	**-**	**(2.5)**	**(4.1)**	**(77.1)**	**(46.7)**	**(130.4)**
Net Book Value							
Net Book Value 30 June 2011	7,025.0	40.5	9.1	12.6	66.7	161.5	7,315.4
Net Book Value 30 June 2012	6,889.4	39.6	9.4	22.2	25.4	126.7	7,112.7
Net Book Value 30 June 2013	**6,245.9**	**13.6**	**7.1**	**21.1**	**20.5**	**132.5**	**6,440.7**

Generation Structures and Plant Valuation

Generation structures and plant assets (including land and buildings) are stated at fair value. They were revalued at 30 June 2013 by an independent valuer. The revaluation resulted in previous revaluations held in the revaluation reserve decreasing by $476.2 million (gross of deferred tax).

Values were calculated for Meridian's business operations, generation structures and plant assets as at 30 June 2013 by an independent valuer using both the capitalisation of earnings and the discounted cash flow (DCF) methodology, applied to Meridian as a whole.

The capitalisation of earnings methodology calculates value by reference to an assessment of future maintainable earnings and capitalisation multiples as observed from market prices of listed companies with broadly comparable operations to Meridian and the potential performance of the New Zealand economy in the near term. In preparing the capitalisation of earnings valuation an EBITDAF multiple range at which to capitalise Meridian's historical and forecast earnings was determined.

The DCF methodology calculates value based on the present value of the cash flows that the asset or entity can be expected to generate in the future.

As a consequence of the 2013 revaluation, accumulated depreciation on these assets was reset to $Nil in line with treatment prescribed under *NZ IAS 16: Property, Plant and Equipment*.

There is no depreciation impact of this revaluation in the Income Statement.

At 30 June 2013 had the generation structures and plant been carried at historical cost less accumulated depreciation and accumulated impairment losses their carrying amount would have been approximately $2.6 billion (2012: $2.7 billion).

Valuation sensitivities:

The following table outlines the key assumptions used in preparing the valuation of generation structures and plant assets. In all cases there is an element of judgement required. The table shows the movement in fair value as a result of the change in assumption and keeping all other valuation inputs constant.

ASSUMPTION	BASE CASE	SENSITIVITY	VALUATION IMPACT
Future NZ electricity price estimates*	$69/MWh to $98/MWh by 2033 (in real terms)	+/- $3/MWh	$365 million / ($365 million)
Generation Volume	13,052 GWh	+/- 250 GWh	$261 million / ($261 million)
Operating Expenditure	$258 million p.a.	+ / - $10 million p.a.	($127 million) / $127 million

* *The future NZ electricity prices reflect an approximation of the future prices implicit in the EBITDAF capitalisation of earnings valuation.*

Capitalised Interest

Finance costs totalling $7.9 million (2012: $20.9 million) have been capitalised in relation to new builds and refurbishment of certain generation structures and plant assets. For non-specific financing, a capitalisation rate of 6.50% p.a. was used during the year (2012: 6.77%p.a.).

Land

The Group is formally registered as proprietor under the Land Transfer Act in relation to the majority of its land assets. In relation to the small portion for which it is not registered as proprietor, 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. Titles will be issued once land title processes have been completed.

Impairments

For details of property, plant and equipment impairments refer to Note 4.

23. Payables and Accruals

	GROUP		PARENT	
	2013 $M	2012 $M	2013 $M	2012 $M
Trade Creditors	**10.6**	12.5	**6.0**	11.9
Accruals	**230.3**	250.4	**154.1**	231.8
GST	**10.6**	11.0	**12.2**	10.7
Employee Entitlements	**14.9**	7.1	**12.1**	4.3
Unearned Income	**8.3**	5.1	**-**	0.8
	274.7	286.1	**184.4**	259.5

24. Deferred Tax

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		PARENT	
	NOTE	2013 $M	2012 $M	2013 $M	2012 $M
Balance at Beginning of Year		**1,435.8**	1,404.4	**1,448.3**	1,400.5
Recognised in the Income Statement:					
Movement in Temporary Differences	8	**37.6**	25.2	**38.9**	31.1
Corporate Tax Rate Reduction	8	**-**	0.6	**-**	0.6
Deferred Tax Asset written off in relation to carried forward losses	8	**-**	7.7	**-**	-
Building tax depreciation change	8	**-**	23.6	**-**	23.6
		37.6	57.1	**38.9**	55.3
Recognised in Other Comprehensive Income:					
Deferred Tax on Asset Revaluation Reserve Movements (Revaluation Reserve)		**(133.3)**	(4.3)	**(133.3)**	(4.3)
Movement in Temporary Differences (Equity)		**9.2**	(18.0)	**(0.1)**	1.0
		(124.1)	(22.3)	**(133.4)**	(3.3)
Effect of Retranslating Foreign Opening Balances		**(0.1)**	-	**-**	-
Adjustments Regarding Deferred Tax of Prior Years		**2.7**	(3.4)	**0.6**	(3.4)
Effect of Sale of Subsidiaries		**(0.4)**	-	**-**	-
Effect of Business Unit becoming Subsidiary	18	**-**	-	**-**	(0.8)
Balance at End of Year		**1,351.5**	1,435.8	**1,354.4**	1,448.3

24. Deferred Tax *(continued)*

The movement in temporary differences recognised in the income statement consists of the following:

	GROUP		PARENT	
	2013 $M	2012 $M	2013 $M	2012 $M
Property, Plant and Equipment	**4.6**	16.2	**0.1**	9.6
Term Payables	**14.4**	-	**14.4**	-
Financial Instruments	**26.5**	15.0	**26.0**	17.8
Carried Forward Losses to be Utilised against Future Taxable Income	**(6.4)**	(8.2)	**-**	-
Other	**(1.5)**	2.2	**(1.6)**	3.7
	37.6	25.2	**38.9**	31.1

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		PARENT	
	2013 $M	2012 $M	2013 $M	2012 $M
Property, Plant and Equipment	**942.0**	1,076.5	**942.0**	1,077.0
Accelerated Depreciation	**428.9**	439.4	**418.2**	426.2
Term Payables	**(8.6)**	(41.8)	**(8.6)**	(21.1)
Financial Instruments	**0.9**	(34.2)	**(1.4)**	(33.3)
Other	**1.0**	4.3	**4.2**	(0.5)
Deferred Tax Liability	**1,364.2**	1,444.2	**1,354.4**	1,448.3
Carried Forward Losses to be Utilised Against Future Taxable Income	**(12.5)**	(8.2)	**-**	-
Other	**(0.2)**	(0.2)	**-**	-
Deferred Tax Asset	**(12.7)**	(8.4)	**-**	-
	1,351.5	1,435.8	**1,354.4**	1,448.3

Some Group carried forward tax losses have not been recognised as deferred tax assets as Meridian has assessed that it is not probable that future taxable profits will be available against which the benefit of the losses can be utilised. These total $16.6 million (2012: $20.9 million). For tax purposes these losses begin to expire in 2029 subject to shareholder continuity.

25. Borrowings

		GROUP				PARENT			
	CURRENCY	FACE VALUE 2013 $M	CARRYING VALUE* 2013 $M	FACE VALUE 2012 $M	CARRYING VALUE* 2012 $M	FACE VALUE 2013 $M	CARRYING VALUE* 2013 $M	FACE VALUE 2012 $M	CARRYING VALUE* 2012 $M
Borrowings – Current									
Unsecured Borrowings	NZD	**92.5**	**90.9**	114.6	113.2	**92.5**	**91.2**	114.6	113.2
Unsecured Borrowings	AUD	**-**	**-**	134.7	134.7	**-**	**-**	-	-
Unsecured Borrowings	USD	**61.1**	**55.8**	-	-	**61.1**	**55.8**	-	-
Total Current Borrowings		**153.6**	**146.7**	249.3	247.9	**153.6**	**147.0**	114.6	113.2
Borrowings – Non Current									
Unsecured Borrowings	NZD	**420.0**	**416.3**	690.3	686.8	**420.0**	**416.1**	690.3	686.8
Unsecured Borrowings	AUD	**190.3**	**189.7**	402.6	402.6	**-**	**-**	-	-
Unsecured Borrowings	USD	**418.8**	**427.5**	479.9	488.3	**418.8**	**427.5**	479.9	488.3
Total Non Current Borrowings		**1,029.1**	**1,033.5**	1,572.8	1,577.7	**838.8**	**843.6**	1,170.2	1,175.1
Total Borrowings		**1,182.7**	**1,180.2**	1,822.1	1,825.6	**992.4**	**990.6**	1,284.8	1,288.3

* *Carrying value is considered to approximate fair value.*

25. Borrowings *(continued)*

Borrowings are carried at amortised cost, with the exception of USD borrowings which are in a designated hedge relationship. The total carrying value of all borrowings is considered to approximate fair value.

Meridian borrows under a negative pledge arrangement, which does not permit it to grant any security interest over its assets, unless it is an exception permitted within the negative pledge.

Meridian has entered into hedge contracts to manage its exposure to interest rates and borrowings sourced in foreign currencies. The foreign currency denominated term borrowings reported in the financial statements at fair value for the hedge risk are hedged by Cross Currency Interest Rate Swaps (CCIRSs). The NZD equivalent of these borrowings after the effect of foreign exchange hedging of the borrowings is $479.9 million (30 June 2012: $479.9 million).

Meridian's (net) cost of funds for the year ended 30 June 2013 was 7.21% (2012: 6.75%).

Meridian has committed bank facilities of $1,277.8 million ($1,444.5 million at 30 June 2012) of which $957.5 million were undrawn at 30 June 2013 ($397.1 million at 30 June 2012).

For more information about Meridian's management of interest rate, foreign currency and liquidity risk, see Note 26 – Financial Risk Management.

26. Financial Risk Management

Capital Risk Management Objectives

Meridian's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Meridian may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Meridian monitors capital on the basis of the gearing ratio (calculated as net debt divided by total capital) and interest cover (calculated as EBITDAF divided by interest cost).

Net debt is calculated as total borrowings net of foreign exchange less cash and cash equivalents.

Total capital is calculated as 'equity attributable to shareholders of the Parent' as shown in the Statement of Financial Position, adjusted for the effect of the fair value of financial instruments, plus net debt.

	GROUP	
	2013 $M	2012 $M
Borrowings – NZD Equivalent Net of Foreign Exchange Hedging	1,177.5	1,822.1
Less: Cash and Cash Equivalents	382.8	214.4
Net Debt	794.7	1,607.7
Adjusted Shareholders' Equity	4,780.6	5,077.2
Net Debt plus Equity	5,575.3	6,684.9

Meridian's debt facilities have financial covenants that relate to the Group. The two key financial covenants are as follows:

	GROUP	
	2013	2012
Net Debt to Net Debt Plus Equity (Gearing) < 55%[1]	14.25%	24.05%
EBITDAF Interest Cover (# of times) > 2.5 times[1]	5.04	4.46

1 The Net Debt to Net Debt Plus Equity ratio is calculated using Total Capital and Net Debt as shown in the table above, and the EBITDAF Interest Cover ratio is calculated using EBITDA and Interest and Financing Costs, with the components of both of these ratios meeting the definitions in the trust deed covering the Guaranteeing Group externally imposed capital requirements

Meridian debt facilities have externally imposed capital requirements that relate to the Guaranteeing Group. Refer to Note 18 for members of the Guaranteeing Group.

The Guaranteeing Group is in compliance with all debt facility covenants.

During the year all capital requirements relating to Meridian's debt facilities have been complied with and a BBB+ (stable) credit rating retained.

26. Financial Risk Management *(continued)*

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 (FECs) and options; cross currency interest rate swaps (CCIRSs); interest rate swaps (IRSs) including forward rate agreements and interest rate options; electricity contracts for differences (CfDs), financial transmission rights (FTRs) and options; and aluminium CfDs.

Meridian uses sensitivity analysis to measure the amount of risk it is exposed to for: foreign exchange risk; interest rate risk; price risk; and ageing analysis for credit risk.

Risk management for currency risk and interest rate risk is carried out by the Group Treasury function under policies approved by the Board. Electricity price risk management is carried out by a centralised electricity risk management group, also under Board approved polices. These groups identify, evaluate and economically hedge financial risks in close co-operation with the Group's operating units. Hedges are undertaken on an economic basis based on net exposures and cash flows. The Board provides written principles for overall risk management, as well as policies covering specific areas such as electricity price risk, interest rate risk, foreign exchange risk, and credit risk.

LIQUIDITY RISK

Meridian maintains sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit 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 credit lines available of at least $250 million to ensure it has sufficient headroom under normal and abnormal conditions.

Funding Facilities

The table below analyses the Parent and Group's funding facilities:

		2013			2012		
	CURRENCY	FACILITY LIMIT $M	DRAWN DEBT $M	AVAILABLE $M	FACILITY LIMIT $M	DRAWN DEBT $M	AVAILABLE $M
Bank Funding[1]	NZD	**675.0**	**-**	**675.0**	620.0	370.0	250.0
Renewable Energy Bonds[2]	NZD	**200.0**	**200.0**	**-**	200.0	200.0	-
Renewable Energy Notes[3]	NZD	**12.5**	**12.5**	**-**	44.9	44.9	-
EKF Facility[4]	NZD	**130.0**	**130.0**	**-**	140.0	140.0	-
Floating Rate Notes[5]	NZD	**100.0**	**100.0**	**-**	50.0	50.0	-
Fixed Rate Bond Issue[6]	USD	**479.9**	**479.9**	**-**	479.9	479.9	-
Commercial Paper[7]	NZD	**70.0**	**70.0**	**-**	-	-	-
Total Parent		**1,667.4**	**992.4**	**675.0**	1,534.8	1,284.8	250.0
Bank Funding[8]	AUD	**472.8**	**190.3**	**282.5**	191.5	134.7	56.8
Project Financing[9]	AUD	**-**	**-**	**-**	492.9	402.6	90.3
Total Group		**2,140.2**	**1,182.7**	**957.5**	2,219.2	1,822.1	397.1

1 New Zealand Dollar unsecured bank funding bears interest at the relevant NZ market rate plus a margin.
2 Renewable Energy Bonds are senior unsecured retail bonds bearing interest rates of 7.15% to 7.55%.
3 Renewable Energy Notes are senior unsecured debt obligations paying a fixed rate of return over a set period of time.
4 EKF facility is an unsecured 15 year amortising term loan, provided by the official export credit agency of Denmark, for the construction of Te Uku Wind Farm.
5 New Zealand Dollar unsecured floating rate note bears interest at the relevant NZ market rate plus a margin.
6 US Dollar fixed rate bond issue are unsecured fixed rate bonds issued in the US Private Placement Market.
7 New Zealand Dollar commercial paper are senior unsecured short term debt obligations paying a fixed rate of return over a set period of time.
8 Australian Dollar unsecured bank funding bears interest at the relevant Australian market rate plus a margin.
9 Project Financing was a committed syndicated finance facility related to the Macarthur Wind Farm development, bearing interest at the relevant Australian market rate plus a margin.

All facility limits and drawn debt are shown in NZD.

In addition to its borrowings, Meridian has entered into a number of letters of credit and performance guarantee arrangements which provide credit support of $96.1 million for the collateral requirements of Meridian's trading business (2012: $141.9 million). Of the $96.1 million, $9.8 million expires in the 2014 financial year with the balance having no expiry date. Meridian indemnifies the obligations of the bank in respect of the letters of credit and performance guarantees issued by the bank to counterparties of Meridian.

The Group trades electricity CfDs on the ASX (Australian Securities Exchange) using JP Morgan as a broker. As a result, a proportion of the funds it holds on deposit are pledged as margin which varies depending on market volatility and contracts held. At 30 June 2013, this collateral was $7.8 million for the Parent and $9.2 million for the Group (2012 Group and Parent: $7.4 million).

Contractual Maturities

The following table is an analysis of the contractual undiscounted cash flows relating to financial liabilities at the end of the reporting period and reconciliation from total undiscounted cash flows to carrying amounts:

The amounts disclosed in the table are the contractual undiscounted cash flows, except for IRSs, CCIRSs, forward exchange contracts and CfDs which are the undiscounted settlements expected under the contracts.

26. Financial Risk Management *(continued)*

	2013							
	DUE WITHIN 1 YEAR $M	DUE BETWEEN 1 AND 2 YEARS $M	DUE BETWEEN 3 AND 5 YEARS $M	DUE AFTER 5 YEARS $M	TOTAL UNDISCOUNTED CASHFLOWS $M	IMPACT OF OTHER NON-CASH ITEMS $M	IMPACT OF INTEREST/FX DISCOUNTING $M	30 JUNE 2013 CARRYING VALUE $M
Non-derivative Financial Liabilities								
Payables and Accruals	184.4	-	-	-	**184.4**	-	-	**184.4**
Borrowings	194.9	181.1	330.3	478.3	**1,184.6**	(5.3)	(188.7)	**990.6**
Term Payables	-	7.2	-	-	**7.2**	-	(0.5)	**6.7**
	379.3	188.3	330.3	478.3	**1,376.2**	(5.3)	(189.2)	**1,181.7**
Derivative Financial Liabilities – Net Settled								
Interest Rate Swaps/Options	30.5	22.7	29.4	13.4	**96.0**	-	(11.8)	**84.2**
Electricity Derivatives	14.5	133.3	54.4	79.5	**281.7**	(156.6)	(54.7)	**70.4**
	45.0	156.0	83.8	92.9	**377.7**	(156.6)	(66.5)	**154.6**
Derivative Financial Liabilities – Gross Settled								
Foreign Exchange Contracts								
Inflows	139.3	28.8	-	-	**168.1**			
Outflows	149.9	30.8	-	-	**180.7**			
Net Outflows	10.6	2.0	-	-	**12.6**	-	0.2	**12.8**
Cross Currency Interest Rate Swaps								
Inflows	63.8	6.8	137.3	-	**207.9**			
Outflows	68.3	6.1	153.8	-	**228.2**			
Net Outflows/(Inflows)	4.5	(0.7)	16.5	-	**20.3**	-	(11.6)	**8.7**
Total Financial Liabilities Parent	**439.4**	**345.6**	**430.6**	**571.2**	**1,786.8**	**(161.9)**	**(267.1)**	**1,357.8**
Non-derivative Financial Liabilities								
Payables and Accruals	90.3	-	-	-	**90.3**	-	-	**90.3**
Provisions	0.1	-	-	-	**0.1**	-	-	**0.1**
Borrowings	192.0	-	-	-	**192.0**	(0.8)	(1.6)	**189.6**
	282.4	-	-	-	**282.4**	(0.8)	(1.6)	**280.0**
Derivative Financial Liabilities – Net Settled								
Interest Rate Swaps/Options	2.2	1.5	2.6	(0.1)	**6.2**	-	(0.8)	**5.4**
Electricity Derivatives	0.5	0.1	-	-	**0.6**	(0.5)	-	**0.1**
	2.7	1.6	2.6	(0.1)	**6.8**	(0.5)	(0.8)	**5.5**
Derivative Financial Liabilities – Gross Settled								
Foreign Exchange Contracts								
Inflows	(75.1)	(20.0)	-	-	**(95.1)**			
Outflows	(83.9)	(21.7)	-	-	**(105.6)**			
Net Outflows	(8.8)	(1.7)	-	-	**(10.5)**	-	(1.6)	**(12.1)**
Total Financial Liabilities Group	**715.7**	**345.5**	**433.2**	**571.1**	**2,065.5**	**(163.2)**	**(271.1)**	**1,631.2**

Except for borrowings, the carrying value of financial liabilities equals the fair value. Financial Guarantees are disclosed in Note 28.

26. Financial Risk Management *(continued)*

	2012							
	DUE WITHIN 1 YEAR $M	DUE BETWEEN 1 AND 2 YEARS $M	DUE BETWEEN 3 AND 5 YEARS $M	DUE AFTER 5 YEARS $M	TOTAL UNDISCOUNTED CASHFLOWS $M	IMPACT OF OTHER NON-CASH ITEMS $M	IMPACT OF INTEREST/FX DISCOUNTING $M	30 JUNE 2012 CARRYING VALUE $M
Non-derivative Financial Liabilities								
Payables and Accruals	260.1	-	-	-	**260.1**	-	(0.6)	**259.5**
Borrowings	464.1	117.9	459.0	442.5	**1,483.5**	(5.6)	(189.6)	**1,288.3**
Term Payables	-	18.0	7.2	-	**25.2**	-	(2.4)	**22.8**
	724.2	135.9	466.2	442.5	**1,768.8**	(5.6)	(192.6)	**1,570.6**
Derivative Financial Liabilities – Net Settled								
Interest Rate Swaps/Options	31.6	31.2	57.9	28.9	**149.6**	-	(17.3)	**132.3**
Electricity Derivatives	71.9	37.6	(93.8)	(671.1)	**(655.4)**	232.9	499.0	**76.5**
	103.5	68.8	(35.9)	(642.2)	**(505.8)**	232.9	481.7	**208.8**
Derivative Financial Liabilities – Gross Settled								
Foreign Exchange Contracts								
Inflows	0.7	65.4	8.5	-	**74.6**			
Outflows	1.0	71.3	9.4	-	**81.7**			
Net Outflows/(Inflows)	0.3	5.9	0.9	-	**7.1**	-	(4.1)	**3.0**
Total Financial Liabilities Parent	**828.0**	**210.6**	**431.2**	**(199.7)**	**1,270.1**	**227.3**	**285.0**	**1,782.4**
Non-derivative Financial Liabilities								
Payables and Accruals	26.6	-	-	-	**26.6**	-	-	**26.6**
Borrowings	539.6	-	-	-	**539.6**	-	(2.3)	**537.3**
	566.2	-	-	-	**566.2**	-	(2.3)	**563.9**
Derivative Financial Liabilities – Net Settled								
Interest Rate Swaps/Options	8.6	13.0	25.2	37.8	**84.6**	-	(15.4)	**69.2**
Electricity Derivatives	(0.4)	-	-	-	**(0.4)**	1.1	(0.1)	**0.6**
	8.2	13.0	25.2	37.8	**84.2**	1.1	(15.5)	**69.8**
Total Financial Liabilities Group	**1,402.4**	**223.6**	**456.4**	**(161.9)**	**1,920.5**	**228.4**	**267.2**	**2,416.1**

Except for borrowings, the carrying value of financial liabilities equals the fair value. Financial Guarantees are disclosed in Note 28.

26. Financial Risk Management *(continued)*

The following tables are an analysis of the contractual undiscounted cash flows relating to financial assets at the end of the reporting period and reconciliation from total undiscounted cash flows to carrying amounts:

The amounts disclosed in the table are the contractual undiscounted cash flows, except for IRSs, CCIRSs, forward exchange contracts and CfDs which are the undiscounted settlements expected under the contracts.

The inclusion of information on derivative and non-derivative financial assets is necessary in order to understand Meridian's liquidity risk management, as liquidity is managed on a net asset and liability basis.

	2013							
	DUE WITHIN 1 YEAR $M	DUE BETWEEN 1 AND 2 YEARS $M	DUE BETWEEN 3 AND 5 YEARS $M	DUE AFTER 5 YEARS $M	TOTAL UNDISCOUNTED CASHFLOWS $M	IMPACT OF OTHER NON-CASH ITEMS $M	IMPACT OF INTEREST/FX DISCOUNTING $M	30 JUNE 2013 CARRYING VALUE $M
Non-derivative Financial Assets								
Cash and Cash Equivalents	64.8	-	-	-	**64.8**	-	-	**64.8**
Trade and Other Receivables	181.4	-	-	-	**181.4**	-	-	**181.4**
Finance Lease Receivables	0.3	0.7	0.3	-	**1.3**	-	(0.5)	**0.8**
	246.5	0.7	0.3	-	**247.5**	-	(0.5)	**247.0**
Derivative Financial Assets – Net Settled								
Interest Rate Swaps/Options	5.1	4.6	2.8	0.2	**12.7**	-	(3.3)	**9.4**
Electricity Derivatives	(10.4)	37.5	32.5	28.1	**87.7**	78.0	(17.3)	**148.4**
	(5.3)	42.1	35.3	28.3	**100.4**	78.0	(20.6)	**157.8**
Derivative Financial Assets – Gross Settled								
Foreign Exchange Contracts								
Inflows	88.6	21.7	-	-	**110.3**			
Outflows	79.6	20.1	-	-	**99.7**			
Net Inflows	9.0	1.6	-	-	**10.6**	-	1.6	**12.2**
Cross Currency Interest Rate								
Inflows	13.2	13.2	39.7	254.9	**321.0**			
Outflows	9.6	11.3	41.8	287.2	**349.9**			
Net Inflows/(Outflows)	3.6	1.9	(2.1)	(32.3)	**(28.9)**	-	43.2	**14.3**
Total Financial Assets Parent	**253.8**	**46.3**	**33.5**	**(4.0)**	**329.6**	**78.0**	**23.7**	**431.3**
Non-derivative Financial Assets								
Cash and Cash Equivalents	318.0	-	-	-	**318.0**	-	-	**318.0**
Trade and Other Receivables	80.5	-	-	-	**80.5**	-	-	**80.5**
	398.5	-	-	-	**398.5**	-	-	**398.5**
Derivative Financial Assets – Net Settled								
Interest Rate Swaps/Options	-	(0.4)	0.6	0.2	**0.4**	-	0.1	**0.5**
Electricity Derivatives	0.2	1.2	-	-	**1.4**	(0.5)	-	**0.9**
Total Financial Assets Group	**652.5**	**47.1**	**34.1**	**(3.8)**	**729.9**	**77.5**	**23.8**	**831.2**

The carrying value of all financial assets equals the fair value.

26. *Financial Risk Management* *(continued)*

	2012							
	DUE WITHIN 1 YEAR $M	DUE BETWEEN 1 AND 2 YEARS $M	DUE BETWEEN 3 AND 5 YEARS $M	DUE AFTER 5 YEARS $M	TOTAL UNDISCOUNTED CASHFLOWS $M	IMPACT OF OTHER NON-CASH ITEMS $M	IMPACT OF INTEREST/FX DISCOUNTING $M	30 JUNE 2012 CARRYING VALUE $M
Non-derivative Financial Assets								
Cash and Cash Equivalents	86.4	-	-	-	**86.4**	-	-	**86.4**
Trade and Other Receivables	276.7	-	-	-	**276.7**	-	-	**276.7**
Finance Lease Receivables	0.6	1.3	1.9	7.6	**11.4**	-	(6.0)	**5.4**
Available for Sale Investments	0.1	-	-	3.5	**3.6**	-	-	**3.6**
	363.8	1.3	1.9	11.1	**378.1**	-	(6.0)	**372.1**
Derivative Financial Assets – Net Settled								
Interest Rate Swaps/Options	5.3	5.0	8.5	-	**18.8**	-	(3.7)	**15.1**
Electricity Derivatives	4.7	8.6	16.7	(67.5)	**(37.5)**	120.8	21.8	**105.1**
	10.0	13.6	25.2	(67.5)	**(18.7)**	120.8	18.1	**120.2**
Derivative Financial Assets – Gross Settled								
Foreign Exchange Contracts								
Inflows	2.7	-	-	-	**2.7**			
Outflows	2.7	-	-	-	**2.7**			
Net Inflows	-	-	-	-	**-**	-	-	**-**
Cross Currency Interest Rate								
Inflows	22.0	74.4	177.5	258.9	**532.8**			
Outflows	16.3	78.2	193.6	299.8	**587.9**			
Net Inflows/(Outflows)	5.7	(3.8)	(16.1)	(40.9)	**(55.1)**	-	69.6	**14.5**
Total Financial Assets Parent	**379.5**	**11.1**	**11.0**	**(97.3)**	**304.3**	**120.8**	**81.7**	**506.8**
Non-derivative Financial Assets								
Cash and Cash Equivalents	128.0	-	-	-	**128.0**	-	-	**128.0**
Trade and Other Receivables	21.4	-	-	-	**21.4**	-	-	**21.4**
	149.4	-	-	-	**149.4**	-	-	**149.4**
Derivative Financial Assets – Net Settled								
Electricity Derivatives	4.2	-	-	-	**4.2**	(4.2)	(0.1)	**(0.1)**
Total Financial Assets Group	**533.1**	**11.1**	**11.0**	**(97.3)**	**457.9**	**116.6**	**81.6**	**656.1**

The carrying value of all financial assets equals the fair value.

In both the asset and liability tables the Parent amounts are materially the same as the Group reported amounts except for AUD bank funding of $189.4 million (2012: $537.4 million), AUD interest rate swaps of $5.4 million (2012: ($69.2) million) and cash and cash equivalents of $318.0 million (2012: $128.0 million).

Meridian has substantial committed borrowing facilities available as described in note 25 preceding, of which $957.5 million was undrawn at 30 June 2013 (30 June 2012: $397.1 million). Meridian expects to meet its other obligations from operating cash flows and maturing financial assets.

MARKET RISK

Foreign Exchange Risk

Meridian borrows in foreign currencies and is exposed to foreign exchange risks, primarily in respect of the US and Australian dollar. In addition, the Group incurs capital and operating expenditure denominated in foreign currencies which exposes the Group to foreign exchange risk primarily in respect of US dollars, Australian dollars and the Euro. Meridian does not enter into FECs for speculative purposes.

In respect of overseas borrowings, the Group's policy is to hedge the foreign currency exposure of both interest and principal repayments. This is achieved through CCIRSs which swap all foreign currency denominated interest and principal repayments with New Zealand denominated payments over the life of the borrowings. The combination of the foreign denominated debt and the CCIRSs result in a Group exposure to New Zealand floating interest rates and a fixed New Zealand denominated principal repayment. The New Zealand floating interest rate risk is managed as part of the New Zealand interest rate risk 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 (refer to Note 27 – Financial Instruments). The aggregate notional principal amount of the outstanding CCIRSs at 30 June 2013 was $479.9 million (30 June 2012: $479.9 million).

26. Financial Risk Management *(continued)*

In respect of foreign exchange exposures on capital and operating expenditures denominated in foreign currencies, Meridian hedges the foreign exchange risk through a combination of FECs and options. Capital projects which are approved by the Board are hedged. All committed foreign currency exposures of greater than $0.1 million NZD equivalent are hedged. The aggregate notional principal amount of the outstanding FECs at 30 June 2013 was $174.6 million (30 June 2012: $84.5 million).

In cases where the capital expenditure qualifies as a highly probable transaction or a firm commitment, Meridian establishes a combination of both cash flow and fair value hedges. To the extent these hedges are effective, gains and losses on the derivatives are included as a component of the cost of the capital expenditure. In instances where the forecast capital expenditure does not meet the highly probable requirements, hedge accounting is not sought and the derivatives are classified as held for trading (refer to Note 27 – Financial Instruments).

The Group has monetary assets and liabilities denominated in Australian and US dollars as at 30 June 2013. These monetary assets and liabilities have been converted to New Zealand dollars at closing exchange rates of AUD 0.8460 and USD 0.7738 (30 June 2012: AUD 0.7831, USD 0.8015).

The values of foreign currency derivatives are sensitive to changes in the forward prices for currencies. The table below summarises the impact of a 20% increase / decrease in the New Zealand dollar against the forward price of the US dollar and the Euro as at 30 June, on the Group's profit and equity on the assumption that all other variables are held constant.

As previously noted, Meridian's CCIRSs and foreign denominated borrowings are in a combination of a fair value hedge and cash flow hedge relationship. A 20% increase/decrease in movement in currency does not materially impact NPAT or Equity.

Sensitivity Analysis – Foreign Currency

	IMPACT ON AFTER TAX PROFIT				IMPACT ON EQUITY			
	2013 %	2013 $M	2012 %	2012 $M	2013 %	2013 $M	2012 %	2012 $M
NZ Dollar / US Dollar	**-20%**	**0.7**	-20%	0.7	**-20%**	**3.1**	-20%	3.2
	+20%	**(0.5)**	+20%	(0.5)	**+20%**	**(2.1)**	+20%	(2.2)
NZ Dollar / Australian Dollar	**-20%**	**-**	-20%	0.1	**-20%**	**-**	-20%	-
	+20%	**-**	+20%	(0.1)	**+20%**	**-**	+20%	-
NZ Dollar / Euro	**-20%**	**0.1**	-20%	-	**-20%**	**10.8**	-20%	12.2
	+20%	**(0.1)**	+20%	-	**+20%**	**(7.2)**	+20%	(12.2)
AUD / Euro	**-20%**	**-**	-20%	-	**-20%**	**19.0**	-20%	-
	+20%	**-**	+20%	-	**+20%**	**(12.6)**	+20%	-

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 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.

Interest rate sensitivity of borrowings is considered to be minimal due to a significant portion of total borrowings being hedged.

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 (see Note 27 for further detail). The aggregate notional principal amount of the outstanding IRSs at 30 June 2013 was $1,866.4 million (30 June 2012: $2,460.8 million).

The table below summarises the impact of increases / decreases in the forward price of interest, using the benchmark bank bill rate (BKBM), as at 30 June, on Meridian's profit and equity on the assumption that all other variables are held constant.

26. Financial Risk Management *(continued)*

Sensitivity Analysis – Interest rates

		GROUP AND PARENT			
		IMPACT ON AFTER TAX PROFIT		IMPACT ON EQUITY	
		2013 $M	2012 $M	2013 $M	2012 $M
New Zealand BKBM	-100 bps	**(34.7)**	(66.5)	**(34.7)**	(66.5)
	+100 bps	**32.3**	61.9	**32.3**	61.9
Australian BBSY	-100 bps	**(6.6)**	(4.1)	**(6.6)**	(7.5)
	+100 bps	**6.2**	3.8	**6.2**	7.0

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 electricity derivative contracts to manage the net risk. Meridian does not enter into derivative contracts for speculative purposes.

The derivative contracts include both forward electricity CfDs traded on the ASX (Australian Securities Exchange), FTRs under the NZX auction process and bi-lateral derivative contracts (including options) with other electricity generators and major customers. Meridian estimates both expected generation and electricity purchase requirements and determines its net position of generation less sales. Based on this net position, Meridian enters into derivative contracts to protect against price volatility within trading parameters set and monitored by the Board.

Although Meridian considers itself economically hedged in relation to electricity price risk, for accounting purposes, all of the CfDs are classified as held for trading, with movements in fair value recognised in the income statement.

Due to cessation of hedge accounting the balance held in the cash flow hedge reserve is amortised as contract volumes expire over the remaining life of the respective contracts.

The values of the derivative contracts are sensitive to changes in the forward prices for electricity, interest rates and, in the case of one CfD (NZAS contract), the aluminium price published on the London Metal Exchange (LME). Meridian is progressively mitigating some of this exposure through the use of Aluminium Commodity Swaps (ACSs) as economic hedges against the aluminium price component of the NZAS contract. The ACSs are not designated as hedging instruments and are therefore classified as held for trading.

The aggregate notional volume of the outstanding electricity derivatives at 30 June 2013 is 52,016GWh (Group, 2012: 113,673GWh) and 50,838GWh (Parent, 2012: 114,173GWh). One contract makes up 17,059GWh of these totals in both the Group and the Parent (2012: 75,224GWh).

The aggregate notional principal amount of the outstanding ACSs at 30 June 2013 was $436.0 million (30 June 2012: $494.2 million).

The table below summarises the impact of increases / (decreases) in changes to certain assumptions as at 30 June on Meridian's profit and equity, on the assumption that all other variables are held constant and Meridian's current accounting policies are followed as stated. Post tax profit and equity would increase / (decrease) as shown in the table below due to unrealised gains/losses on CfDs and ACSs held for trading.

Sensitivity Analysis – Electricity and Aluminium price risk

		GROUP				PARENT			
		IMPACT ON AFTER TAX PROFIT		IMPACT ON EQUITY		IMPACT ON AFTER TAX PROFIT		IMPACT ON EQUITY	
ACSs AND ALL CFDs HELD FOR TRADING		2013 $M	2012 $M	2013 $M	2012 $M	2013 $M	2012 $M	2013 $M	2012 $M
Electricity Prices	-10%	**16.9**	93.9	**16.9**	93.9	**15.0**	96.6	**15.0**	96.6
	+10%	**(13.7)**	(93.5)	**(13.7)**	(93.5)	**(12.0)**	(96.0)	**(12.0)**	(96.0)
Interest Rates (discount rate)	-100 bps	**0.1**	(23.5)	**0.1**	(23.5)	**0.1**	(23.4)	**0.1**	(23.4)
	+100 bps	**(0.1)**	21.0	**(0.1)**	21.0	**(0.1)**	21.1	**(0.1)**	21.1
Aluminium LME	-10%	**23.1**	(11.2)	**23.1**	(11.2)	**23.1**	(11.2)	**23.1**	(11.2)
	+10%	**(23.1)**	11.2	**(23.1)**	11.2	**(23.1)**	11.2	**(23.1)**	11.2
Level 3 CfDs only									
Electricity Prices	-10%	**18.3**	97.9	**18.3**	97.9	**18.0**	100.6	**18.0**	100.6
	+10%	**(15.2)**	(97.5)	**(15.2)**	(97.5)	**(15.0)**	(100.0)	**(15.0)**	(100.0)
Interest Rates (discount rate)	-100 bps	**(1.0)**	(24.3)	**(1.0)**	(24.3)	**(1.0)**	(24.2)	**(1.0)**	(24.2)
	+100 bps	**1.0**	21.8	**1.0**	21.8	**1.0**	21.8	**1.0**	21.8
Aluminium LME	-10%	**(5.9)**	(43.5)	**(5.9)**	(43.5)	**(5.9)**	(43.5)	**(5.9)**	(43.5)
	+10%	**5.9**	43.5	**5.9**	43.5	**5.9**	43.5	**5.9**	43.5

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 and provision of prudential security 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.

The carrying amounts of financial assets recognised in the Statement of Financial Position best represents Meridian's maximum likely exposure to credit risk at the date of this report. Meridian does not have any significant concentrations of credit risk with any one financial institution.

27. Financial Instruments

Fair Value of Financial Instruments

NZ IFRS 7 provides for a three-level fair value hierarchy of valuation data inputs that requires financial instrument's inputs to be categorised as follows:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Inputs – Either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable inputs other than quoted prices included in Level 1
- Level 3 Inputs – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Where the fair value of a financial instrument is calculated as the present value of the estimated future cash flows of the instrument, two key types of variables are used by the valuation technique. These are:

- forward price curve; and
- discount rates

Where possible observable market data is used when selecting variables and developing assumptions for valuation techniques.

VALUATION INPUT	SOURCE
Forward wholesale electricity price	Market (Australian Securities Exchange (ASX)) quoted prices where available and Meridian's best estimate based on a fundamental analysis of expected demand and cost of new supply
Financial Transmission Right price	Market (NZX) quoted prices
Forward aluminium price	Market (London Metal Exchange (LME)) quoted prices where available and Meridian's best estimate of non-observable period using a historical trend analysis to form future price expectations
Interest rate forward price curve	Published market swap rates
Foreign exchange forward prices	Published forward exchange market rates
Discount rates for valuing contracts	Government Bond Rates adjusted for additional risks including credit risk and duration of contract
Discount rate for valuing NZAS pricing arrangement	Meridian's weighted average cost of capital
Discount rate for valuing interest rate contracts	Published market interest rates as applicable to the remaining life of the instrument
Discount rate for valuing foreign exchange contracts	Published market interest rates as applicable to the remaining life of the instrument

27. Financial Instruments *(continued)*

The table below shows the fair value hierarchy of the financial assets and financial liabilities measured at fair value by the Group:

	GROUP 2013				GROUP 2012			
DERIVATIVE FINANCIAL INSTRUMENTS	LEVEL 1 $M	LEVEL 2 $M	LEVEL 3 $M	30 JUNE 2013 $M	LEVEL 1 $M	LEVEL2 $M	LEVEL3 $M	30 JUNE 2012 $M
Assets:								
Held for Trading								
CfDs	3.7	62.6	83.0	**149.3**	-	36.6	68.4	105.0
Interest Rate Swaps	-	9.9	-	**9.9**	-	15.1	-	15.1
Foreign Exchange Contracts	-	0.1	-	**0.1**	-	-	-	-
Cash Flow Hedges								
CfDs	-	-	-	**-**	-	-	-	-
Foreign Exchange Contracts	-	12.1	-	**12.1**	-	-	-	-
Fair Value Hedges								
Cross Currency Interest Rate Swaps	-	14.3	-	**14.3**	-	14.5	-	14.5
Total	3.7	99.0	83.0	**185.7**	-	66.2	68.4	134.6
Liabilities:								
Held for Trading								
CfDs	7.3	0.3	62.9	**70.5**	6.5	0.3	71.4	78.2
Interest Rate Swaps	-	89.6	-	**89.6**	-	138.2	-	138.2
Foreign Exchange Contracts	-	-	-	**-**	-	0.1	-	0.1
Cash Flow Hedges								
CfDs	-	-	-	**-**	-	-	(1.1)	(1.1)
Interest Rate Swaps	-	-	-	**-**	-	63.3	-	63.3
Foreign Exchange Contracts	-	0.7	-	**0.7**	-	2.9	-	2.9
Cross Currency Interest Rate Swaps	-	1.4	-	**1.4**	-	-	-	-
Fair Value Hedges								
Cross Currency Interest Rate Swaps	-	7.3	-	**7.3**	-	-	-	-
Total	7.3	99.3	62.9	**169.5**	6.5	204.8	70.3	281.6
Available for Sale Financial Assets:								
Listed Securities	-	-	-	**-**	0.1	-	-	0.1
Unlisted Securities	-	-	-	**-**	-	3.5	-	3.5
Total	-	-	-	**-**	0.1	3.5	-	3.6

The fair value element of borrowings which are subject to fair value hedge accounting are a level 2 valuation.

27. Financial Instruments *(continued)*

The table below shows the fair value hierarchy of the financial assets and financial liabilities measured at fair value by the Parent:

	PARENT 2013				PARENT 2012			
DERIVATIVE FINANCIAL INSTRUMENTS	LEVEL 1 $M	LEVEL 2 $M	LEVEL 3 $M	30 JUNE 2013 $M	LEVEL 1 $M	LEVEL2 $M	LEVEL3 $M	30 JUNE 2012 $M
Assets:								
Held for Trading								
CfDs	3.3	62.6	82.5	**148.4**	-	36.6	68.5	105.1
Interest Rate Swaps	-	9.4	-	**9.4**	-	15.1	-	15.1
Foreign Exchange Contracts	-	12.2	-	**12.2**	-	-	-	-
Cash Flow Hedges								
CfDs	-	-	-	**-**	-	-	-	-
Fair Value Hedges								
Cross Currency Interest Rate Swaps	-	14.3	-	**14.3**		14.5		14.5
Total	3.3	98.5	82.5	**184.3**	-	66.2	68.5	134.7
Liabilities:								
Held for Trading								
CfDs	7.2	0.3	62.9	**70.4**	6.5	0.3	70.8	77.6
Interest Rate Swaps	-	84.2	-	**84.2**	-	132.3	-	132.3
Foreign Exchange Contracts	-	12.1	-	**12.1**	-	0.1	-	0.1
Cash Flow Hedges								
CfDs	-	-	-	**-**	-	-	(1.1)	(1.1)
Cross Currency Interest Rate Swaps	-	1.4	-	**1.4**	-	-	-	-
Foreign Exchange Contracts	-	0.7	-	**0.7**	-	2.9	-	2.9
Fair Value Hedges								
Cross Currency Interest Rate Swaps	-	7.3	-	**7.3**	-	-	-	-
Total	7.2	106.0	62.9	**176.1**	6.5	135.6	69.7	211.8
Available for Sale Financial Assets:								
Listed Securities	-	-	-	**-**	0.1	-	-	0.1
Unlisted Securities	-	-	-	**-**	-	3.5	-	3.5
Total	-	-	-	**-**	0.1	3.5	-	3.6

The fair value element of borrowings which are subject to fair value hedge accounting are a level 2 valuation.

27. Financial Instruments *(continued)*

The table below shows the changes in the fair value of financial instruments recognised in the Income Statement.

	GROUP		PARENT	
	2013 $M	2012 $M	2013 $M	2012 $M
Fair value hedge				
Cross Currency Interest Rate Swaps	57.5	(9.3)	57.5	(9.3)
Borrowings – Fair Value of Hedged Risk	(57.4)	9.3	(57.4)	9.3
	0.1	-	0.1	-
Cash flow hedge				
Cross Currency Interest Rate Swaps (margin)	-	-	-	-
Held for trading				
Interest Rate Swaps	42.6	(68.0)	42.4	(61.3)
Net Change in Fair Value of Financial Instruments Gain/(Loss) – Financing	42.7	(68.0)	42.5	(61.3)
Held for trading				
Foreign Exchange Contracts	0.3	(0.2)	0.3	(0.2)
Other	(0.8)	-	(0.8)	-
CfDs – NZAS Contract	56.2	29.6	56.2	29.6
CfDs – Aluminium	27.6	87.1	27.6	87.1
CfDs – Other	(32.2)	4.8	(33.6)	7.9
Net Change in Fair Value of Financial Instruments Gain/(Loss) – Operational	51.1	121.3	49.7	124.4
Total Unrealised Net Gain/(Loss) on Financial Instruments	93.8	53.3	92.2	63.1

Included in the above is $22.7 million Group (2012: $39.8 million) and $22.3 million Parent (2012:$41.1 million) related to Level 3 financial instruments held at year end.

The table below shows a reconciliation of fair value movements in Level 3 financial instruments.

	GROUP		PARENT	
	2013 $M	2012 $M	2013 $M	2012 $M
Energy Derivatives (CfDs)				
Opening Balance	(1.9)	(48.2)	(1.2)	(50.7)
Total Gains/(Losses) recognised in the Income Statement				
Included in Energy Sales Revenue	(56.7)	(54.7)	(53.7)	(79.1)
Net Change in Fair Value of CfDs	22.9	39.6	21.9	42.7
Total Gains/(Losses) recognised in the Cash Flow Hedge Reserve	(1.1)	0.8	(1.1)	0.8
Total Gains/(Losses) recognised in the FX Translation Reserve	-	(0.1)	-	-
CfDs settled during the year	56.7	54.7	53.7	79.1
CfDs entered into during the year	0.2	6.0	-	6.0
Closing Balance	20.1	(1.9)	19.6	(1.2)

Refer to previous Electricity price risk sensitivity analysis (in Note 26 - Financial Risk Management) for sensitivity to changes in valuation assumptions of Level 3 financial instruments (CfDs).

27. Financial Instruments *(continued)*

The table below shows the aggregate valuation difference arising on initial recognition of financial instruments (under the recalibration method), yet to be recognised in the Income Statement:

	GROUP		PARENT	
	2013 $M	2012 $M	2013 $M	2012 $M
Opening Difference	**119.4**	69.6	**124.7**	73.7
Initial Difference on New Hedges	**0.1**	8.7	**0.1**	19.5
Volumes Expired during the Period	**(26.3)**	(14.5)	**(31.5)**	(18.7)
Recalibration of Model for Future Price Estimates and Time	**(23.3)**	55.6	**(23.4)**	50.2
Closing Difference	**69.9**	119.4	**69.9**	124.7

NZAS Agreement

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, therefore providing NZAS price certainty for this consumption volume which NZAS is responsible for purchasing from the national wholesale market. The agreement is for a period of up to eighteen years and took effect on 1 January 2013.

Under the previous contract which expired on 31 December 2012, Meridian was responsible for delivered energy supply to the smelter. This means Meridian was responsible for the electricity, its quality, and its transmission to the smelter.

This contract was still in force at 30 June 2013 and is therefore valued in the Statement of Financial Position, in accordance with NZ IAS 39 Financial Instruments: Recognition and Measurement. Subsequent to 30 June, a new contract has been agreed with NZAS (see note 30).

The agreed base price of the 1 October 2007 contract was 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 considered this formula would best ensure that the electricity price NZAS pays will remain competitive for electricity demand of the unique type created by the smelter, while recognising both the commodity-price driven cycles of NZAS's business environment and the wholesale electricity price cycles to which Meridian is exposed.

ACCOUNTING TREATMENT OF NZAS CONTRACT

The 2007 agreement with NZAS includes a CfD which has been accounted for at fair value in accordance with NZ IAS 39. Fair value changes subsequent to initial recognition 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.

At 30 June 2013, the carrying value of the CfD is as follows:

	30 JUNE 2013 $M	30 JUNE 2012 $M	1 OCTOBER 2007 $M
Present Value of Estimated Cash Flows	**(104.8)**	(559.9)	(515.0)
Less: Day 1 adjustment	**116.1**	515.0	515.0
Carrying Value	**11.3**	(44.9)	-

Whilst there are projected negative cash flows on the CfD against Meridian's forecast forward price curve, the contract with NZAS will have a positive impact on Meridian's cash flows which will more than offset the settlements expected under the CfD. The present value of estimated cash flows and amortisation of the Day 1 adjustment for the year ended 30 June 2013 were reviewed in light of the current contract negotiations noted above.

The outcome is a reduction in the present value of the estimated cash flows and acceleration in the amortisation of the Day 1 adjustment to reflect a change in the assumption of contract duration and consequently the total expected electricity volume consumption compared to when the adjustment was originally recognised at contract inception.

DAY 1 ADJUSTMENT – NZAS PRICING AGREEMENT

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

27. Financial Instruments *(continued)*

The aggregate Day 1 adjustment and movement for the year are disclosed below.

	GROUP AND PARENT	
	2013 $M	2012 $M
Opening Balance	**515.0**	515.0
Additions During the Year	**-**	-
Amortised During the Year	**(398.9)**	-
Closing Balance	**116.1**	515.0

Cash Flow Hedging

CASH FLOW HEDGES – CFDs

Meridian currently sells and purchases electricity at spot prices from the market exposing it to changes in the price of electricity. As described in Note 26 – Financial Risk Management, it is Group policy to manage this risk on a net basis by entering into CfDs which swap receipt (payment) of spot electricity prices based on a specified volume of electricity with fixed electricity payments (receipts) for an equivalent volume. Cash settlements are made on these instruments on a monthly basis and impact income on an accrual basis. As discussed in Note 26 – Financial Risk Management, for accounting purposes, all of the CfDs are classified as held for trading with movements in fair value recognised in the income statement. Due to cessation of hedge accounting the balance in the cash flow hedge reserve is amortised as contract volumes expire over the remaining life of the respective contracts.

CASH FLOW HEDGES – FECs

Meridian hedges highly probable forecast capital expenditures through a combination of forward exchange contracts and foreign currency options. The cash flows associated with these contracts are timed to mature when payment for the capital expenditure is made. The contracts range in maturity from 0 to 36 months. For contracts designated as hedges for accounting purposes, when the cash flows occur Meridian adjusts the carrying value of the asset acquired.

CASH FLOW HEDGES – CCIRSs

Meridian hedges its foreign currency exposure on foreign currency denominated debt using CCIRSs in a combination of cash flow and fair value hedges. The cash flow hedge component represents the expected foreign currency cash flows on the debt relating to the credit margin paid by Meridian on the borrowings. Cash flows relating to the debt and the CCIRSs are settled quarterly for the NZ cash flows and semi-annually for the foreign currency (US and Australian dollars). Income is affected by these settlements on an accrual basis.

CASH FLOW HEDGES – IRSs

Meridian hedges its interest rate exposure on debt using IRSs. Cash flow hedges were established in relation to the Macarthur Wind Farm Project Financing, construction and term facilities and related IRS. Cash flows relating to the debt and the IRSs are settled monthly. Income is affected by these settlements on an accrual basis.

The table below shows the movements in the cash flow hedge (CFH) reserve for the period.

	GROUP					
	IRSs $M	FECs $M	DEBT – CFH OF MARGIN $M	CFDs $M	TAX $M	TOTAL $M
Opening Balance at 1 July 2012	(63.2)	(2.9)	5.2	1.1	18.0	(41.8)
Amount Recognised in Equity	19.0	(11.2)	(3.8)	-	(1.2)	2.8
Amount Removed from Equity:						
– Amortised to Income Statement	-	-	-	(1.1)	0.3	(0.8)
– Included in Initial Cost of Assets	-	25.4	-	-	(7.7)	17.7
Transfer Cash Flow Hedge Reserve to Retained Earnings on Sale of Subsidiary	44.2	-	-	-	(13.2)	31.0
Closing Balance at 30 June 2013	**-**	**11.3**	**1.4**	**-**	**(3.8)**	**8.9**
Ineffectiveness Recognised in the Income Statement from Cash Flow Hedges	-	-	-	-	-	-

27. Financial Instruments *(continued)*

	GROUP					
	IRSs $M	FECs $M	DEBT – CFH OF MARGIN $M	CFDs $M	TAX $M	TOTAL $M
Opening Balance at 1 July 2011	-	1.3	(1.9)	0.3	0.1	(0.2)
Amount Recognised in Equity	(63.2)	(5.0)	7.1	-	18.4	(42.7)
Amount Removed from Equity:						
– Amortised to Income Statement	-	-	-	0.8	(0.2)	0.6
– Included in Initial Cost of Assets	-	0.8	-	-	(0.3)	0.5
Closing Balance at 30 June 2012	**(63.2)**	**(2.9)**	**5.2**	**1.1**	**18.0**	**(41.8)**
Ineffectiveness Recognised in the Income Statement from Cash Flow Hedges	-	-	-	-	-	-

	PARENT				
	FECs $M	DEBT – CFH OF MARGIN $M	CFDs $M	TAX $M	TOTAL $M
Opening Balance at 1 July 2012	(2.9)	5.2	1.1	(1.0)	2.4
Amount Recognised in Equity	(6.1)	(3.8)	-	2.8	(7.1)
Amount Removed from Equity:					
– Amortised to Income Statement	-	-	(1.1)	0.3	(0.8)
– Included in Initial Cost of Assets	8.1	-	-	(2.3)	5.8
Closing Balance at 30 June 2013	**(0.9)**	**1.4**	**-**	**(0.2)**	**0.3**
Ineffectiveness Recognised in the Income Statement from Cash Flow Hedges	-	-	-	-	-

	PARENT				
	FECs $M	DEBT – CFH OF MARGIN $M	CFDs $M	TAX $M	TOTAL $M
Opening Balance at 1 July 2011	1.3	(1.9)	0.3	0.1	(0.2)
Amount Recognised in Equity	(5.0)	7.1	-	(0.6)	1.5
Amount Removed from Equity:					
– Amortised to Income Statement	-	-	0.8	(0.2)	0.6
– Included in Initial Cost of Assets	0.8	-	-	(0.3)	0.5
Closing Balance at 30 June 2012	**(2.9)**	**5.2**	**1.1**	**(1.0)**	**2.4**
Ineffectiveness Recognised in the Income Statement from Cash Flow Hedges	-	-	-	-	-

27. Financial Instruments *(continued)*

The table below shows when the gross amounts held in the cash flow hedge reserve are expected to impact the income statement (CfDs and CCIRSs) or the Statement of Financial Position (FECs and IRSs).

	2013			
	LESS THAN 1 YEAR $M	1-2 YEARS $M	2-5 YEARS $M	GREATER THAN 5 YEARS $M
CfDs	-	-	-	-
CCIRSs	0.2	-	0.4	0.8
FECs	(0.6)	(0.1)	-	-
Total Parent	(0.4)	(0.1)	0.4	0.8
FECs	9.7	2.3	-	-
Total Group	**9.3**	**2.2**	**0.4**	**0.8**

	2012			
	LESS THAN 1 YEAR $M	1-2 YEARS $M	2-5 YEARS $M	GREATER THAN 5 YEARS $M
CfDs	1.1	-	-	-
CCIRSs	-	0.3	1.2	3.8
FECs	(0.3)	(1.8)	(0.8)	-
Total Parent	0.8	(1.5)	0.4	3.8
IRS	(1.8)	-	-	(61.5)
Total Group	**(1.0)**	**(1.5)**	**0.4**	**(57.7)**

28. Commitments

	GROUP		PARENT	
	2013 $M	2012 $M	2013 $M	2012 $M
Operating Lease Commitments				
Non Cancellable Operating Lease Payments are as follows:				
Less than One Year	**4.6**	4.8	**3.7**	3.9
Later than One Year and Not Later than Three Years	**8.6**	7.2	**7.2**	6.0
Later than Three Years and Not Later than Five Years	**6.9**	5.5	**6.0**	5.2
More than Five Years	**3.5**	6.7	**3.3**	5.9
	23.6	24.2	**20.2**	21.0

Meridian leases office buildings with terms of the leases ranging from one to twelve years, with options to extend up to twelve years. Lease contracts contain rent review clauses including consumer price index increases and market rental reviews in the event Meridian exercises its options to renew.

28. Commitments *(continued)*

	GROUP		PARENT	
	2013 $M	2012 $M	2013 $M	2012 $M
Capital Expenditure Commitments				
Property, Plant and Equipment	**230.1**	78.3	**15.4**	14.9
Software	**3.9**	0.7	**3.9**	0.7
	234.0	79.0	**19.3**	15.6
Less than One Year	**182.5**	68.8	**18.3**	15.4
Later than One Year and Not Later than Three Years	**51.5**	10.2	**1.0**	0.2
Later than Three Years and Not Later than Five Years	**-**	-	**-**	-
More than Five Years	**-**	-	**-**	-
	234.0	79.0	**19.3**	15.6

Guarantees

Meridian Wind Macarthur Pty Limited had various obligations arising from the joint venture with AGL Energy Limited (disclosed above). These included 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 had provided various guarantees and letters of comfort to the relevant parties that effectively guarantee the obligations of Meridian Wind Macarthur Pty Limited. These obligations ceased when Three Rivers Holdings No 2 Limited sold Meridian Wind Macarthur Holdings Pty Limited.

Meridian Energy Limited has provided parent guarantees for various construction and grid connection obligations of Mt Mercer Wind Farm Pty Limited. The maximum liability under these guarantees is $221.9 million (2012: $Nil).

Three River Holdings No 2 Limited has provided a bank guarantee (A$37.9 million) to the financiers of the Macarthur Wind Farm, guaranteeing that it will comply with its various obligations under the Refinancing Coordination Deed (with that guarantee expected to be released in Q4 2013).

29. Related Party Transactions

Transactions with Related Parties

Meridian transacts with other Government owned or related entities independently and on an arm's length basis. Transactions cover a variety of services including trading energy, postal, travel and tax.

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.

Other Transactions involving a Related Party

During the financial year the transactions outlined in the table below occurred between the Parent and its subsidiaries. These transactions are carried out on a commercial and arm's length basis.

ENTITY	TRANSACTION	$M	DETAILS OF TRANSACTION
Damwatch Services Limited	Consultancy Services	$1.6	Damwatch Services Limited provided consultancy services to Meridian Energy Limited during the year totalling $1.6 million (2012: $2.2 million).
Meridian Energy Captive Insurance Limited	Insurance Services	$5.9	Meridian Energy Captive Insurance Limited (MECIL) received payment for insurance premiums from Meridian Energy Limited. MECIL has this policy underwritten by third parties (2012: $5.0 million).
Arc Innovations Limited	Meter management Services	$21.9	Arc Innovations Limited provided advanced meter management services to Meridian Energy Limited during the year totalling $21.9 million (2012: $7.8 million)
Powershop New Zealand Limited	Online Electricity Retailer	$2.8	Powershop New Zealand Limited entered into energy contracts with Meridian Energy Limited during the year totalling $2.8 million (2012: $12.8 million)
Mt Mercer Windfarm Pty Limited	Foreign Exchange Contracts	$12.1	Mt Mercer Windfarm Pty Limited entered into foreign exchange contracts with Meridian Energy Limited during the year totalling $12.1 million (2012: nil)

Subsidiaries Loan Facilities and Advances

Advances to Subsidiaries are repayable on demand and are unsecured. Interest is charged at an annually set base rate plus a margin and is payable on demand. Advances from Subsidiaries are repayable on demand, are unsecured and attract a market rate of return. Interest is paid on demand.

Total undrawn loan facilities to Subsidiaries total $72.0 million (2012: $99.3 million).

	PARENT	
	2013 $M	2012 $M
Loans and Advances to Subsidiaries		
Loan to Three Rivers No 1 Limited	**380.3**	351.5
Loan to Three Rivers No 2 Limited	**0.8**	0.7
Loan to Meridian Energy Captive Insurance Limited	**1.9**	-
Loan to MEL Solar Holdings Limited	**27.0**	29.1
Loan to Powershop New Zealand Limited	**0.5**	-
Other Advances to Subsidiaries	**1.5**	11.6
Total Loans and Advances to Subsidiaries	**412.0**	392.9
Advances from Subsidiaries		
Meridian Energy International Limited	**219.2**	219.2
Meridian Energy Captive Insurance Limited	**-**	2.9
Arc Innovations Limited	**9.3**	2.6
Damwatch Services Limited	**0.3**	-
Whisper Tech Limited	**0.2**	0.2
Powershop New Zealand Limited	**-**	2.5
Energy for Industry Limited	**-**	0.5
Other Advances from Subsidiaries	**-**	0.6
Total Advances from Subsidiaries	**229.0**	228.5

Impairment

Loans and Advances to Subsidiaries have been impaired by a total of $2.0 million in 2013 (2012: $54.4 million), in respect of MEL Solar Holdings Limited (2012: $27.4 million). In 2012 WhisperGen Limited was impaired $12.2 million and Whisper Tech Limited $14.8 million. Refer to Note 4 for further details of these impairments.

Compensation of Key Management Personnel

The remuneration of directors and other members of key management during the year were as follows:

	GROUP		PARENT	
	2013 $M	2012 $M	2013 $M	2012 $M
Directors Fees	**0.6**	0.8	**0.5**	0.4
Chief Executive Officer, Senior Management Team and Subsidiary Chief Executives:				
Salaries and Short Term Benefits	**8.9**	7.8	**6.2**	5.4
Redundancy Benefits	**-**	0.4	**-**	0.2
Other Long Term Benefits	**-**	0.2	**-**	0.2
	8.9	8.4	**6.2**	5.8

30. Subsequent Events

NZAS

In July 2012, Meridian Energy Limited was approached by Pacific Aluminium Pty Limited, a business unit of Rio Tinto Limited, the majority shareholder of New Zealand Aluminium Smelters Limited (NZAS), to discuss potential changes to the electricity price agreement held with the smelter. The outcome of negotiations is that a new electricity price agreement was agreed between the parties on 7 August 2013, replacing the previous agreement which took effect on 1 January 2013.

As at 30 June 2013, the agreement which took effect on 1 January 2013 was still in place. Under NZ IAS39 this contract has been recognised in the Statement of Financial Position (see note 27). The new agreement of 7 August 2013 only became effective on 1 July 2013 and has not been recognised in the Statement of Financial Position.

Dividends

On 11 August the Board declared a dividend of $152.6 million payable on 30 September 2013. 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 30 June 2013.

31. Contingent Assets and Liabilities

Contingent Assets

There were no contingent assets at 30 June 2013 (2012: nil).

Contingent Liabilities

There were no contingent liabilities at 30 June 2013 (2012: $14 million).

The contingent liability of $14 million reported at 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.

Independent Auditor's Report

TO THE SHAREHOLDERS OF MERIDIAN ENERGY LIMITED
REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The Auditor-General is the auditor of Meridian Energy Limited (the "Company") and Group. The Auditor-General has appointed me, Michael Wilkes, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the Company and Group, on her behalf.

We have audited the financial statements of the Company and Group on pages 3 to 56, that comprise the statement of financial position as at 30 June 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

FINANCIAL STATEMENTS

In our opinion the financial statements of the Company and Group on pages 3 to 56:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the Company and Group's:
  - financial position as at 30 June 2013; and
  - financial performance and cash flows for the year ended on that date.

OTHER LEGAL REQUIREMENTS

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company and group as far as appears from an examination of those records.

Our audit was completed on 11 August 2013. This is the date at which our opinion is expressed.

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

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence shareholders' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Company and Group's financial statements that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also we do not evaluate the security and controls over the electronic publication of the financial statements.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the Company and Group's financial position, financial performance and cash flows.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the State-Owned Enterprises Act 1986 and the Financial Reporting Act 1993.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our 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 External Reporting Board.

In addition to the audit, our firm carries out other assurance assignments for the Company and Group in the areas of carbon emissions audit, review of the interim financial statements, audit of the securities registers, in connection with the prospectus and has been appointed as the investigating accountant in respect of the proposed public offer, which are services compatible with those independence requirements. 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.

Other than the audit and these assignments, the firm has no other relationship with or interests in the Company or Group.

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

meridian

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