The numbers

Financial Statements

Income Statement *for the year ended 30 June 2014*

MERIDIAN ENERGY LIMITED		GROUP		PARENT	
	NOTE	2014 $M	2013 $M	2014 $M	2013 $M
Operating Revenue					
Energy Sales Revenue		**2,481.5**	2,681.5	**2,333.4**	2,515.9
Energy Related Services Revenue		**15.8**	13.3	**5.1**	2.5
Dividends Received		**-**	0.1	**11.5**	0.4
Other Revenue		**11.5**	16.3	**10.7**	15.1
Total Operating Revenue		**2,508.8**	2,711.2	**2,360.7**	2,533.9
Operating Expenses					
Energy Related Expenses		**(1,130.5)**	(1,361.5)	**(1,081.9)**	(1,309.5)
Energy Distribution Expenses		**(427.6)**	(404.2)	**(375.3)**	(359.3)
Energy Transmission Expenses		**(129.3)**	(115.3)	**(126.6)**	(113.2)
Employee Expenses	3	**(90.5)**	(88.6)	**(66.4)**	(65.7)
Other Operating Expenses	3	**(145.6)**	(156.8)	**(130.2)**	(142.8)
		(1,923.5)	(2,126.4)	**(1,780.4)**	(1,990.5)
Earnings Before Interest, Tax, Depreciation, Amortisation, Change in Fair Value of Financial Instruments and Other Significant Items (EBITDAF)		**585.3**	584.8	**580.3**	543.4
Impairment of Assets	5	**-**	(24.8)	**(5.6)**	(21.1)
Gain on Sale of Assets	6	**6.6**	106.6	**14.0**	8.6
Equity Accounted Earnings of Joint Ventures	18	**(0.4)**	0.1	**(0.4)**	-
Amortisation of Intangible Assets	19	**(21.4)**	(18.5)	**(19.2)**	(17.3)
Depreciation	20	**(198.6)**	(201.2)	**(174.9)**	(181.6)
Net Change in Fair Value of Financial Instruments (Loss)/Gain (Operational)	27	**(8.4)**	51.1	**(13.3)**	49.7
Operating Profit		**363.1**	498.1	**380.9**	381.7
Finance Costs and Other Finance Related Income/(Expenses)					
Finance Costs	7	**(82.2)**	(115.1)	**(67.2)**	(79.8)
Interest Income	8	**8.5**	1.6	**16.2**	29.6
Net Change in Fair Value of Financial Instruments Gain (Financing)	27	**27.0**	42.7	**32.9**	42.5
Profit Before Tax		**316.4**	427.3	**362.8**	374.0
Income Tax Expense	9	**(86.6)**	(132.2)	**(97.8)**	(120.5)
Profit After Tax		**229.8**	295.1	**265.0**	253.5
Profit After Tax Attributable to:					
Shareholders of the Parent Company		**229.8**	295.1	**265.0**	253.5
Earnings per Share from operations attributable to equity holders of the Company during the year:					
Basic Earnings per Share ($)	10	**0.09**	0.12		
Diluted Earnings per Share ($)	10	**0.09**	0.12		

Statement of Comprehensive Income *for the year ended 30 June 2014*

MERIDIAN ENERGY LIMITED		GROUP		PARENT	
	NOTE	2014 $M	2013 $M	2014 $M	2013 $M
Profit After Tax for the Year		**229.8**	295.1	**265.0**	253.5
Other Comprehensive Income					
Items that will not be reclassified to Profit or Loss:					
Reversal of Asset Revaluation	20	**-**	(476.2)	**-**	(476.2)
Tax relating to items that will not be reclassified:					
Deferred Tax on Asset Revaluation Reserve	22	**-**	133.3	**-**	133.3
		-	(342.9)	**-**	(342.9)
Items that may be reclassified subsequently to Profit or Loss:					
Net (Loss)/Gain on Available for Sale Investments		**(1.4)**	2.3	**(1.4)**	2.3
Net (Loss)/Gain on Cash Flow Hedges		**(14.6)**	28.3	**(4.2)**	(2.9)
Reclassify Foreign Currency Translation Reserve to Profit & Loss		**4.9**	13.6	**-**	-
Exchange Differences Arising from Translation of Foreign Operations		**(15.1)**	(25.1)	**-**	-
Income Tax relating to items that may be reclassified	22	**4.7**	(9.2)	**1.6**	0.1
		(21.5)	9.9	**(4.0)**	(0.5)
Other Comprehensive Income for the Year Net of Tax		**(21.5)**	(333.0)	**(4.0)**	(343.4)
Total Comprehensive Income for the Year Net of Tax		**208.3**	(37.9)	**261.0**	(89.9)
Total Comprehensive Income for the Year Attributable to:					
Shareholders of the Parent Company		**208.3**	(37.9)	**261.0**	(89.9)

The Statement of Accounting Policies and Notes to the Financial Statements on pages 8 to 64 form an integral part of these Financial Statements

Statement of Financial Position *as at 30 June 2014*

MERIDIAN ENERGY LIMITED		GROUP		PARENT	
	NOTE	2014 $M	2013 $M	2014 $M	2013 $M
Shareholders' Equity					
Share Capital	11	**1,598.6**	1,600.0	**1,598.6**	1,600.0
Reserves		**3,035.1**	3,088.0	**2,991.2**	2,991.4
Total Equity		**4,633.7**	4,688.0	**4,589.8**	4,591.4
Represented by:					
Current Assets					
Cash and Cash Equivalents	13	**276.4**	382.8	**237.6**	64.8
Accounts Receivable	14	**182.7**	254.5	**161.5**	174.3
Assets Classified as Held for Sale	15	**26.5**	64.8	**43.2**	40.8
Other Assets	16	**17.5**	12.5	**12.4**	11.7
Derivative Financial Instruments	27	**19.5**	51.5	**15.5**	51.8
Total Current Assets		**522.6**	766.1	**470.2**	343.4
Non-Current Assets					
Other Assets	16	**0.4**	0.6	**0.4**	0.6
Investments in Subsidiaries	17	**-**	-	**175.5**	176.4
Equity Accounted Joint Ventures	18	**0.2**	-	**0.2**	-
Intangible Assets	19	**54.0**	54.8	**47.9**	48.7
Property, Plant and Equipment	20	**6,929.0**	6,769.0	**6,420.4**	6,440.7
Deferred Tax Asset	22	**20.4**	12.7	**-**	-
Derivative Financial Instruments	27	**63.2**	134.2	**58.9**	132.5
Advances to Subsidiaries	29	**-**	-	**148.0**	412.0
Total Non-Current Assets		**7,067.2**	6,971.3	**6,851.3**	7,210.9
Total Assets		**7,589.8**	7,737.4	**7,321.5**	7,554.3
Current Liabilities					
Liabilities Classified as Held for Sale	15	**1.3**	2.7	**0.2**	0.7
Payables and Accruals	21	**235.6**	274.8	**160.2**	184.4
Current Tax Payable		**57.1**	51.3	**29.6**	21.0
Current Portion of Term Borrowings	23	**133.4**	146.7	**134.0**	147.0
Finance Lease Payable	25	**0.6**	-	**0.3**	-
Derivative Financial Instruments	27	**37.9**	45.0	**37.4**	53.2
Advances from Subsidiaries	29	**-**	-	**253.0**	229.0
Total Current Liabilities		**465.9**	520.5	**614.7**	635.3
Non-Current Liabilities					
Deferred Tax Liability	22	**1,349.7**	1,364.2	**1,340.6**	1,354.4
Term Borrowings	23	**959.1**	1,033.5	**653.0**	843.6
Term Payables		**0.6**	6.7	**0.6**	6.7
Provisions	24	**7.0**	-	**-**	-
Finance Lease Payable	25	**48.6**	-	**7.6**	-
Derivative Financial Instruments	27	**125.2**	124.5	**115.2**	122.9
Total Non-Current Liabilities		**2,490.2**	2,528.9	**2,117.0**	2,327.6
Total Liabilities		**2,956.1**	3,049.4	**2,731.7**	2,962.9
Net Assets		**4,633.7**	4,688.0	**4,589.8**	4,591.4

For and on behalf of the Board of Directors who authorised the issue of the Financial Statements on 17 August 2014.

Chris Moller, Chairman, 17 August 2014

Jan Dawson, Chair of Audit and Risk Committee, 17 August 2014

The Statement of Accounting Policies and Notes to the Financial Statements on pages 8 to 64 form an integral part of these Financial Statements

Statement of Changes in Equity *for the year ended 30 June 2014*

MERIDIAN ENERGY LIMITED

	NOTE	GROUP 2014 SHARE CAPITAL $M	SHARE OPTION RESERVE $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 2013		**1,600.0**	**-**	**3,073.9**	**(13.2)**	**8.9**	**1.6**	**16.8**	**4,688.0**
Profit for the Year		-	-	-	-	-	-	229.8	229.8
Cash Flow Hedges: Net Loss Taken to Equity		-	-	-	-	(14.6)	-	-	(14.6)
Available for Sale Reserve: Net Loss Taken to Equity		-	-	-	-	-	(1.4)	-	(1.4)
Reclassify Foreign Currency Translation Reserve to Profit and Loss	17	-	-	-	4.9	-	-	-	4.9
Exchange Differences Arising from Translation of Foreign Operations		-	-	-	(15.1)	-	-	-	(15.1)
Asset Revaluation Reserve Transferred to Retained Earnings		-	-	(0.1)	-	-	-	0.1	-
Income Tax Relating to Other Comprehensive Income		-	-	-	-	4.3	0.4	-	4.7
Total Comprehensive Income for the Year		**-**	**-**	**(0.1)**	**(10.2)**	**(10.3)**	**(1.0)**	**229.9**	**208.3**
Movement in Share Options		-	0.2	-	-	-	-	-	0.2
Shares Issued		-	-	-	-	-	-	-	-
Acquisition of Treasury Shares		(1.4)	-	-	-	-	-	-	(1.4)
Dividends Paid	12	-	-	-	-	-	-	(261.4)	(261.4)
Balance at 30 June 2014		**1,598.6**	**0.2**	**3,073.8**	**(23.4)**	**(1.4)**	**0.6**	**(14.7)**	**4,633.7**

	NOTE	GROUP 2013 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)	-
Reclassify Foreign Currency Translation Reserve to Profit and Loss		-	-	13.6	-	-	-	13.6
Exchange Differences Arising from Translation of Foreign Operations		-	-	(25.1)	-	-	-	(25.1)
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	12	-	-	-	-	-	(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**

The Statement of Accounting Policies and Notes to the Financial Statements on pages 8 to 64 form an integral part of these Financial Statements

Statement of Changes in Equity *for the year ended 30 June 2014*

MERIDIAN ENERGY LIMITED

	NOTE	SHARE CAPITAL $M	SHARE OPTION RESERVE $M	REVALUATION RESERVE $M	CASH FLOW HEDGE RESERVE $M	AVAILABLE FOR SALE RESERVE $M	RETAINED EARNINGS $M	TOTAL EQUITY $M
		PARENT 2014						
Balance at 1 July 2013		**1,600.0**	**-**	**3,068.7**	**0.3**	**1.6**	**(79.2)**	**4,591.4**
Profit for the Year		-	-	-	-	-	265.0	265.0
Cash Flow Hedges: Net Loss Taken to Equity		-	-	-	(4.2)	-	-	(4.2)
Available for Sale Reserve: Net Loss Taken to Equity		-	-	-	-	(1.4)	-	(1.4)
Asset Revaluation Reserve Transferred to Retained Earnings		-	-	(0.1)	-	-	0.1	-
Income Tax Relating to Other Comprehensive Income		-	-	-	1.2	0.4	-	1.6
Total Comprehensive Income for the Year		**-**	**-**	**(0.1)**	**(3.0)**	**(1.0)**	**265.1**	**261.0**
Movement in Share Options		-	0.2	-	-	-	-	0.2
Shares Issued		-	-	-	-	-	-	-
Acquisition of Treasury Shares		(1.4)	-	-	-	-	-	(1.4)
Dividends Paid	12	-	-	-	-	-	(261.4)	(261.4)
Balance at 30 June 2014		**1,598.6**	**0.2**	**3,068.6**	**(2.7)**	**0.6**	**(75.5)**	**4,589.8**

	NOTE	SHARE CAPITAL $M	REVALUATION RESERVE $M	CASH FLOW HEDGE RESERVE $M	AVAILABLE FOR SALE RESERVE $M	RETAINED EARNINGS $M	TOTAL EQUITY $M
		PARENT 2013					
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
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		-	-	0.8	(0.7)	-	0.1
Total Comprehensive Income for the Year		**-**	**(344.1)**	**(2.1)**	**1.6**	**254.7**	**(89.9)**
Dividends Paid	12	-	-	-	-	(99.8)	(99.8)
Balance at 30 June 2013		**1,600.0**	**3,068.7**	**0.3**	**1.6**	**(79.2)**	**4,591.4**

Statement of Cash Flows *for the year ended 30 June 2014*

MERIDIAN ENERGY LIMITED		GROUP		PARENT	
	NOTE	2014 $M	2013 $M	2014 $M	2013 $M
Operating Activities					
Cash was Provided from:					
Receipts from Customers		**2,083.4**	2,390.0	**1,937.2**	2,219.1
Interest Received		**8.5**	2.0	**53.0**	0.7
Dividends Received		**-**	0.1	**11.5**	0.3
		2,091.9	2,392.1	**2,001.7**	2,220.1
Cash was Applied to:					
Payments to Suppliers and Employees		**(1,480.5)**	(1,811.8)	**(1,345.2)**	(1,686.4)
Interest Paid		**(80.0)**	(106.5)	**(65.1)**	(77.3)
Income Tax Paid		**(98.6)**	(57.1)	**(98.6)**	(56.7)
		(1,659.1)	(1,975.4)	**(1,508.9)**	(1,820.4)
Net Cash Inflows from Operating Activities		**432.8**	416.7	**492.8**	399.7
Investment Activities					
Cash was Provided from:					
Sale of Property, Plant and Equipment		**41.1**	0.6	**38.3**	0.5
Finance Lease Receivable		**0.2**	-	**0.2**	-
Repayment of Advances to Subsidiaries		**-**	-	**233.2**	1.7
Sale of Subsidiaries		**20.1**	151.2	**-**	56.3
Sale of Investments		**1.0**	0.8	**1.0**	0.8
		62.4	152.6	**272.7**	59.3
Cash was Applied to:					
Purchase of Property, Plant and Equipment		**(283.7)**	(244.8)	**(133.8)**	(44.1)
Capitalised Interest		**(9.3)**	(5.7)	**(6.4)**	(1.9)
Purchase of Intangible Assets		**(21.7)**	(25.9)	**(18.9)**	(23.1)
Purchase of Investments		**(0.6)**	(0.3)	**(0.6)**	-
Finance Lease Payable		**(0.5)**	-	**(0.1)**	-
Advances to Subsidiaries		**-**	-	**(14.7)**	(2.3)
Investment in Subsidiaries		**-**	-	**(28.6)**	(15.3)
		(315.8)	(276.7)	**(203.1)**	(86.7)
Net Cash (Outflows)/Inflows from Investing Activities		**(253.4)**	(124.1)	**69.6**	(27.4)
Financing Activities					
Cash was Provided from:					
Advances from Subsidiaries		**-**	-	**99.9**	7.1
Proceeds from Borrowings		**133.7**	1,115.9	**0.5**	309.5
		133.7	1,115.9	**100.4**	316.6
Cash was Applied to:					
Repayment of Advances from Subsidiaries		**-**	-	**(74.1)**	(6.9)
Shares Purchased for Long Term Incentive		**(1.0)**	-	**(1.0)**	-
Dividends Paid	12	**(261.4)**	(99.8)	**(261.4)**	(99.8)
Term Borrowings Paid		**(153.5)**	(1,117.4)	**(153.5)**	(603.8)
		(415.9)	(1,217.2)	**(490.0)**	(710.5)
Net Cash Outflows from Financing Activities		**(282.2)**	(101.3)	**(389.6)**	(393.9)
Net (Decrease)/Increase in Cash and Cash Equivalents		**(102.8)**	191.3	**172.8**	(21.6)
Cash and Cash Equivalents at Beginning of Year		**382.8**	214.4	**64.8**	86.4
Cash Removed on Sale of Subsidiaries		**(1.8)**	(14.1)	**-**	-
Effect of Exchange Rate Changes on Net Cash		**(1.8)**	(8.8)	**-**	-
Cash and Cash Equivalents at End of Year	13	**276.4**	382.8	**237.6**	64.8

The Statement of Accounting Policies and Notes to the Financial Statements on pages 8 to 64 form an integral part of these Financial Statements

Statement of Cash Flows *for the year ended 30 June 2014*

MERIDIAN ENERGY LIMITED		GROUP		PARENT	
RECONCILIATION OF PROFIT AFTER TAX FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	2014 $M	2013 $M	2014 $M	2013 $M
Profit after Tax for the Year		**229.8**	295.1	**265.0**	253.5
Adjustments for Operating Activities Non-Cash Items:					
Amortisation of Intangible Assets	19	**21.4**	18.5	**19.2**	17.3
Depreciation	20	**198.6**	201.2	**174.9**	181.6
Movement in Deferred Tax		**(17.8)**	40.3	**(12.2)**	39.5
Total Net Change in Fair Value of Financial Instruments Gain	27	**(18.6)**	(93.8)	**(19.6)**	(92.2)
Cash Receipt on Closeout of Aluminium Commodity Swap		**54.6**	-	**54.6**	-
Cash Payments of Option Premiums		**(21.2)**	(20.4)	**(21.1)**	(20.5)
Transfer of Tax Losses to Parent		**-**	-	**2.9**	8.7
Share Based Payments		**0.2**	-	**0.2**	-
Equity Accounted Earnings of Joint Ventures		**0.4**	(0.1)	**0.4**	-
Finance Costs		**-**	10.5	**36.7**	(27.5)
		217.6	156.2	**236.0**	106.9
Items Classified as Investing Activities:					
Impairment of Assets	5	**-**	24.8	**5.6**	21.1
(Gain)/Loss on Sale of Property, Plant and Equipment	6	**(11.3)**	0.2	**(13.8)**	(0.3)
Loss/(Gain) on Sale of Subsidiaries	6	**4.9**	(107.3)	**-**	(8.8)
Gain on Sale of Investments		**(0.2)**	-	**(0.2)**	-
		(6.6)	(82.3)	**(8.4)**	12.0
Items Classified as Financing Activities:					
Amortisation of Prepaid Debt Facility Fees		**1.9**	(2.3)	**2.6**	0.3
		1.9	(2.3)	**2.6**	0.3
Changes in Working Capital Items					
Decrease in Accounts Receivable		**71.8**	36.2	**12.8**	95.3
Increase in Other Assets		**(5.0)**	(0.2)	**(0.7)**	(0.6)
Decrease in Payables and Accruals		**(39.2)**	(11.3)	**(24.2)**	(75.1)
Increase in Current Tax Payable		**5.8**	45.3	**8.6**	15.2
Working Capital Items included in Investing Activities		**(53.2)**	(19.1)	**(8.4)**	(18.1)
Working Capital Items included in Financing Activities and Other Non-cash items		**9.9**	(0.9)	**9.5**	10.3
		(9.9)	50.0	**(2.4)**	27.0
Net Cash Flow from Operating Activities		**432.8**	416.7	**492.8**	399.7

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. Meridian Energy Limited is a mixed ownership model Company, that is majority owned by Her Majesty the Queen in Right of New Zealand (the "Crown") and is dual listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX). The Company is bound by the requirements of the Public Finance Act 1989 but is no longer bound by The State-Owned Enterprises Act 1986.

Meridian Energy Limited's core business is the generation, 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 2014.

The financial statements were authorised for issue by the Directors on 17 August 2014.

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).

The same accounting policies, presentation and methods of computation have been applied consistently to all periods presented in these consolidated financial statements except for the additional relevant new Standards as listed below. The additional new Standards are as follows:

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER
NZ IFRS 10 Consolidated Financial Statements	1 January 2013
NZ IFRS 11 Joint Arrangements	1 January 2013
NZ IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
NZ IFRS 13 Fair Value Measurement	1 January 2013
NZ IAS 19 Employee Benefits (revised 2011)	1 January 2013
NZ IAS 27 Separate Financial Statements (revised 2011)	1 January 2013
NZ IAS 28 Investments in Associates and Joint Ventures	1 January 2013
Amendments to NZ IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Improvements to IFRS:2009-2011 cycle	1 January 2013

Other than additional disclosures, the application of these new standards has not had any material impact on the amounts recognised in the financial statements.

1. Summary of Accounting Policies *(continued)*

Adoption Status of Relevant Financial Reporting Standards

Meridian has elected not to early adopt the following standards 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
Amendments to NZ IFRS 10 *Consolidated Financial Statements*	1 January 2014	30 June 2015
Amendments to NZ IFRS 12 *Disclosure of Interests in Other Entities*	1 January 2014	30 June 2015
Amendments to NZ IAS 19 *Employee Benefits* Defined Benefit Plans: Employee Contributions	1 July 2014	30 June 2015
Amendments to NZ IAS 27 *Separate Financial Statements* – Investment Entities	1 January 2014	30 June 2015
Amendments to NZ IAS 32 *Financial Instruments: Presentation* – Offsetting Financial Assets and Financial Liabilities	1 January 2014	30 June 2015
Amendments to NZ IAS 39 *Financial Instruments: Recognition and Measurement* – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	30 June 2015
Amendments to FRS-42 *Prospective Financial Statements*	1 January 2014	30 June 2015
NZ IFRIC 21 *Levies*	1 January 2014	30 June 2015
Annual Improvements to NZ IFRSs 2010-2012 Cycle	1 July 2014	30 June 2015
Annual Improvements to NZ IFRSs 2011-2013 Cycle	1 July 2014	30 June 2015
Amendments to NZ IFRS 11 *Joint Arrangements* Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	30 June 2017
IAS 16 *Property, Plant and Equipment* Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	30 June 2017
IAS 38 *Intangible Assets* Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	30 June 2017
IFRS 9 *Financial Instruments*	1 January 2018	30 June 2019
NZ IFRS 15 *Revenue from Contracts with Customers*	1 January 2017	30 June 2018

Further to the above, NZ IFRS 9 (once adopted in New Zealand) is 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. NZ IFRS 9 also broadens the eligibility for hedge accounting as it introduces an objectives-based test that focuses on the economic relationship between hedged items and hedging instruments.

The financial statement impact of the adoption of these standards (particularly NZ IFRS 9 and NZ IFRS 15) has not yet been analysed.

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 derivatives. In addition, accounting judgements are made in respect of the hedge designation and valuation of certain financial instruments, assessment of hedge effectiveness and the 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 is based on closing market prices at balance date.

The fair value of instruments that are not traded on an active market is determined using various valuation techniques which include assumptions on both observable data when such data is available and non-observable data in all other instances. Fair values are 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.

More detail is provided in Note 27 – Financial Instruments.

1. Summary of Accounting Policies *(continued)*

In relation to forecast prices used to determine future cash flows for Contracts for Difference (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 consumer price index

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 Interest Rate Swap Rates adjusted for additional risks including credit risk and the remaining term of the CfD.

The fair value of Foreign Exchange Contracts (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. The sensitivity to changes in assumptions for level 3 financial instruments is quantified in Note 26 – Financial Risk Management.

Property, Plant and Equipment

Meridian's generation structures and plant are stated at fair value. The Group applies judgement regarding the methodology and key assumptions to be used. Meridian also uses judgement to determine the estimated remaining useful lives of assets (refer to Note 20 – Property, Plant & Equipment for more detail).

Intangible Assets

Meridian has used judgement to determine the estimated remaining useful lives of intangible assets. The residual value and the useful lives of assets are reviewed, and if appropriate adjusted, at each balance date.

Retail Revenue

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.

Taxation

Tax depreciation deductions for buildings were disallowed effective 1 July 2011. Meridian has used judgement in regard to the tax definition of buildings (refer to Note 9 Income Tax Expense for more details).

Significant Accounting Policies

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

Basis of Consolidation

SUBSIDIARIES

Subsidiaries are those entities controlled directly or indirectly by the Company. Control is achieved where the Company has exposure to variable returns from its involvement in the entity and the ability to use its power over it to affect the amount of the returns.

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.

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 ARRANGEMENTS

Joint Ventures

In a joint venture the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Meridian reports its interest in joint ventures 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 as 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.

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.

1. Summary of Accounting Policies *(continued)*

Fair Value Hierarchy

All assets and liabilities measured or disclosed at fair value are categorised into a three-level hierarchy based on the observability of inputs to the valuation (see Note 27 – Financial Instruments – for details of these levels). Should market liquidity/products alter significantly or the observability of inputs change, consideration will be given to transfers from one level of the hierarchy to another.

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.

The fair value of generation assets is determined using an income approach. In using the income approach, consideration is given to application of either net present value of expected future cash flows or capitalisation of earnings approach, whichever is more appropriate (for further detail, see Note 20 – Property, Plant & Equipment).

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.

The estimated remaining useful lives of assets 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

The residual value and the useful lives of assets are reviewed, and if appropriate adjusted, at each balance date (See Note 20 – Property, Plant & Equipment for further details of the valuation assumptions used).

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 Receivable

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 under finance lease arrangements as a receivable 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 reflects a constant periodic rate of return over the term of the lease. Finance leases receivables 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 (up to 10 years).

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. Additionally, costs directly associated with the production of identifiable and unique software products that will generate economic benefits beyond one year are also recognised as intangible assets. All these costs are amortised over their useful lives (up to 3 years) on a straight-line basis.

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

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 of up to 20 years.

LICENCE AGREEMENTS

Licence Agreements are finite life intangibles recorded at fair value less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over a period of up to 10 years.

1. Summary of Accounting Policies *(continued)*

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 currently categorises its non derivative financial assets as either loans and receivables or assets available for sale depending on the purpose of the financial assets. Meridian establishes the category at initial recognition.

Cash and Cash Equivalents

Cash and cash equivalents 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.

Accounts Receivable

Accounts receivable 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 expected future cash flows.

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.

Assets Classified as Held for Sale

Financial assets are presented 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. Meridian measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

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.

NON DERIVATIVE FINANCIAL LIABILITIES

Meridian currently measures its non derivative financial liabilities at amortised cost based on the purpose for which they were acquired. Meridian establishes the category at initial recognition.

Liabilities Classified as Held for Sale

Financial liabilities are presented 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.

Payables and Accruals

Payables and Accruals are recognised when Meridian becomes obligated to make future payments resulting from the purchase of goods and services.

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 carried at amortised cost plus a fair value adjustment under hedge accounting requirements.

Finance Lease Payable

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 liabilities under finance lease arrangements as a payable at an amount equal to the present value of the minimum lease payments. Finance lease payments are apportioned between principal repayments, relating to the lease payable, and interest expense. The interest reflects a constant periodic rate of return over the term of the lease. Finance lease payables are classified as financial liabilities at amortised cost.

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

1. Summary of Accounting Policies *(continued)*

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 (Financing)" 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 (Operational)" in respect of FECs and "Net Change in Fair Value of Financial Instruments (Financing)" in respect of CCIRSs.

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 classified as being held for trading at fair value through profit or loss. Changes in their fair value (along with the cost of material electricity options) are recognised immediately in the income statement within "Net Change in Fair Value of Financial Instruments (Operational)" in respect of CfDs and FECs and "Net Change in Fair Value of Financial Instruments (Financing)" in respect of IRSs. Cash settlements on such derivatives will adjust the price of the underlying item to which they relate.

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. To account for this difference the derivative valuation model is 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. Where revalued generation structures, plant assets are sold, that portion of the asset revaluation reserve which relates to that asset is transferred directly to retained earnings. Where a revalued 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.

1. Summary of Accounting Policies *(continued)*

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

WAGES, SALARIES AND LEAVE

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.

SHARE BASED PAYMENTS

Employees (including Senior Management) of the Company may receive remuneration in the form of share-based payments, whereby employees render services as consideration for shares (equity settled) or cash (cash settled) based on the Company share price. The cost of equity settled transactions with employees is measured at the fair value of the shares at the date at which they are granted. The cost of cash settled transactions with employees is measured at the fair value of the liability at each reporting date.

The fair value of equity settled options at the grant date is recognised as an expense, together with a corresponding increase to the share option reserve within equity, over the vesting period in which the performance and/or service conditions are fulfilled. The total amount to be expensed is based on the fair value of each option along with the best estimate of the number of equity instruments that will ultimately vest which includes an assessment of the likelihood that service conditions will be met.

The fair value of the liability associated with cash settled transactions is recognised as an expense, together with a corresponding increase in a share based payment liability, over the period in which the performance and/or service conditions are fulfilled. The total amount to be expensed is based on the fair value of the liability along with the best estimate of the number of notional shares that will ultimately vest which includes an assessment of the likelihood that service conditions will be met.

The expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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.

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 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, to retail customers and CfD counterparties; and for energy related goods and services provided.

1. Summary of Accounting Policies *(continued)*

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 from CfD counterparties as well as 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 transacted the equivalent of approximately 38% (2013: 40%) of its generation output to a single counterparty through a CfD. The revenues received from this customer are attributable to the Wholesale segment.

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

The accounting policies of the reportable segments are the same as Meridian's accounting policies 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 wholesale electricity market to sell to large industrial customers and the Retail segment, development of New Zealand renewable energy generation 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 Engineering Limited (previously Damwatch Services Limited) are reported as part of the Wholesale operating segment as it is determined that they have similar long term economic characteristics.

Retail Segment

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

The Retail segment purchases electricity from the Wholesale segment at an average annual fixed price of $80-$85 per MWh for electricity which is sold to customers on fixed price, variable volume agreements and electricity purchased for customers on spot agreements at the prevailing wholesale spot 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 15 May 2014, CalRENEW-1 LLC, a controlled entity involved in the solar generation of electricity, was sold as a going concern.

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.

Unallocated

Unallocated encompasses the activities and centrally based costs that support the Wholesale, Retail, and International segments, and includes non-operating subsidiaries.

Other segments, which were not considered reportable segments, included Meridian's portfolio of subsidiaries that provide insurance services and energy solutions to industry. On 20 December 2012, Energy for Industry Limited, the subsidiary that provided energy solutions to industry, was sold as a going concern. Consequently, "Other segments" has been included in Unallocated as it no longer meets the characteristics of an operating segment. Comparatives have been restated.

Inter-Segment Items

Inter-segment revenue and expenses are sales and purchases between the Wholesale, Retail and International segments.

2. Segment Reporting *(continued)*

The segment information provided to the Chief Executive for the reportable segments for the year ended 30 June 2014 is as follows:

	WHOLESALE $M	RETAIL $M	INTERNATIONAL $M	UNALLOCATED $M	INTER-SEGMENT ITEMS $M	TOTAL $M
Operating Revenue						
Energy Sales Revenue	1,862.9	1,120.6	37.4	-	(539.4)	2,481.5
Energy Related Expenses	(1,063.7)	(603.0)	(3.2)	-	539.4	(1,130.5)
Energy Distribution Expense	-	(425.3)	(2.3)	-	-	(427.6)
Energy Margin	**799.2**	**92.3**	**31.9**	**-**	**-**	**923.4**
Other Revenue	9.8	19.7	-	12.2	(14.4)	27.3
Energy Transmission Expense	(126.6)	-	(2.7)	-	-	(129.3)
Gross Margin	**682.4**	**112.0**	**29.2**	**12.2**	**(14.4)**	**821.4**
Employee Expenses	(28.3)	(32.1)	(8.0)	(23.0)	0.9	(90.5)
Other Operating Expenses	(51.0)	(55.5)	(10.2)	(30.8)	1.9	(145.6)
EBITDAF	**603.1**	**24.4**	**11.0**	**(41.6)**	**(11.6)**	**585.3**
Reconciliation of Operating Revenue						
Energy Sales Revenue	1,862.9	1,120.6	37.4	-	(539.4)	2,481.5
Other Revenue	9.8	19.7	-	12.2	(14.4)	27.3
Inter-Segment Revenue	(539.4)	-	-	(14.4)	553.8	-
Revenue from External Customers	**1,333.3**	**1,140.3**	**37.4**	**(2.2)**	**-**	**2,508.8**

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	UNALLOCATED $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)	(4.1)	607.3	(1,361.5)
Energy Distribution Expense	(1.1)	(403.0)	(0.1)	-	-	(404.2)
Energy Margin	**770.8**	**88.7**	**50.7**	**5.6**	**-**	**915.8**
Dividend and Other Revenue	12.3	15.1	-	3.0	(0.7)	29.7
Energy Transmission Expense	(113.2)	-	(2.1)	-	-	(115.3)
Gross Margin	**669.9**	**103.8**	**48.6**	**8.6**	**(0.7)**	**830.2**
Employee Expenses	(29.3)	(28.2)	(7.1)	(24.0)	-	(88.6)
Other Operating Expenses	(64.2)	(58.0)	(6.9)	(28.2)	0.5	(156.8)
EBITDAF	**576.4**	**17.6**	**34.6**	**(43.6)**	**(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	-	3.0	(0.7)	29.7
Inter-Segment Revenue	(607.5)	-	-	(0.5)	608.0	-
Revenue from External Customers	**1,466.0**	**1,181.6**	**51.4**	**12.2**	**-**	**2,711.2**

2. Segment Reporting *(continued)*

INFORMATION RELATING TO GEOGRAPHICAL AREA OPERATIONS	GROUP 2014 $M	GROUP 2013 $M
Total Revenue in:		
New Zealand	**2,471.4**	2,659.8
Australia	**34.8**	48.3
United States of America	**2.6**	3.1
	2,508.8	2,711.2

Reconciliation of EBITDAF to profit before tax provided as follows:

	GROUP 2014 $M	GROUP 2013 $M
EBITDAF for Reportable Segments	**638.5**	628.6
Unallocated and Inter Segment EBITDAF	**(53.2)**	(43.8)
Total Group EBITDAF	**585.3**	584.8
Impairment of Assets	**-**	(24.8)
Gain on Sale of Assets	**6.6**	106.6
Equity Accounted Earnings of Joint Ventures	**(0.4)**	0.1
Amortisation of Intangible Assets	**(21.4)**	(18.5)
Depreciation	**(198.6)**	(201.2)
Net Change in Fair Value of Financial Instruments Gain	**18.6**	93.8
Finance Costs and Other Finance Related Income/(Expenses)	**(73.7)**	(113.5)
Group Profit before Tax	**316.4**	427.3

3. Operating Expenses

	GROUP		PARENT	
	2014 $M	2013 $M	2014 $M	2013 $M
Employee Expenses include:				
Contributions to Defined Contribution Plans	**3.2**	2.4	**2.6**	2.0
Movement in Share Based Incentives	**0.4**	-	**0.4**	-
Other Operating Expenses include:				
Foreign Exchange Losses	**1.4**	-	**-**	-
Operating Lease Payments	**5.3**	5.2	**3.9**	4.0
Initial Public Offer (IPO) costs[1]	**8.3**	2.9	**8.3**	2.9

1 Includes IPO related services performed by Deloitte.

Auditors Remuneration

The Auditor General has appointed Michael Wilkes of Deloitte as auditor of the company. Michael Wilkes has been auditor of the company since 2012. The amount payable by Meridian and its subsidiaries to Deloitte as audit fees in respect of 2014 was $0.6 million (2013:$0.6 million).

The Board has adopted a strict policy to maintain the independence of the Company's external auditor, including a review of all other services performed by Deloitte and recommending to the Office of the Auditor General that there be lead partner rotation after a maximum of 5 years.

Other services undertaken by Deloitte during the year totalled $0.6 million (2013:$0.2 million). This related to other assurance activity including investigating accountant services during Meridian's IPO.

3. Operating Expenses *(continued)*

	GROUP		PARENT	
	2014 $M	2013 $M	2014 $M	2013 $M
Auditors Remuneration to Deloitte for:				
Audit of financial statements				
Audit and review of New Zealand-based Companies Financial Statements[1]	**0.5**	0.5	**0.4**	0.3
Audit of Overseas-based Companies Financial Statements	**0.1**	0.1	**-**	-
	0.6	0.6	**0.4**	0.3
Other services				
IPO related services	**0.5**	-	**0.5**	-
Other[2]	**0.1**	0.2	**0.1**	0.1
	0.6	0.2	**0.6**	0.1
Total Auditors Remuneration	**1.2**	0.8	**1.0**	0.4

1 *Includes Office of the Auditor General overhead contribution of $27,000 (2013: $26,500), and includes the fees for both the annual audit of the financial statements and the review of the interim financial statements.*

2 *In addition to the audit of the Financial Statements and IPO related services, Deloitte performed other assurance activities including reviews of carbon emissions, securities registers, solvency return of insurance captive and trustee reporting.*

4. Share Based Payments

Recognised employee share based payment expense

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as below:

	GROUP & PARENT	
	2014 $M	2013 $M
Expense for equity settled share based payment transactions	**0.4**	-

Long Term Incentive

During the period the Group established a long-term equity settled incentive plan for New Zealand based senior executives. It is designed to enhance the alignment between Shareholders and those executives most able to influence the performance of the company.

Under the plan senior executives have the option to purchase shares at market value funded by an interest free loan from the Company, with the shares held on trust by the Trustee of the long term incentive (LTI) plan until the end of the vesting period. Vesting of shares is dependent on continued employment through the vesting period. It is also dependent on: the Company achieving a positive total shareholder return over the period and, the Company's performance relative to the benchmark peer group. If the Company's total shareholder return performance over the vesting period exceeds the 50th percentile total shareholder return of the benchmark peer group, 50% of the shares will vest. 100% of an executive's shares will vest upon meeting the performance of the 75th percentile of the benchmark peer group, with vesting on a straight line basis between these two points. In the event that total shareholder return is negative over the period or less than 50th percentile of the benchmark peer group, no shares will vest. The benchmark peer group comprises a selected number of NZX and ASX listed electricity generators and energy retailers.

Should the relevant total shareholder return performance hurdle not be met, or if the executive ceases to be employed by the Company other than for a qualifying reason, or the executive does not execute the option, the shares or notional shares will be forfeited to the trustee without compensation and the relevant executive will receive no benefits (subject to the Board exercising a discretion to allow some or all of the shares or notional shares to vest).

If the shares vest, executives are entitled to a bonus amount which, after deduction of tax, is equal to the loan balance at grant date for the shares which have vested. That amount must be applied towards repayment of their loan balance and the corresponding shares are released by the trustee to the individual. The initial vesting period for the plan is from January 2014 to June 2016.

The plan represents the grant of in-substance nil-price options to executives. The fair value of the options granted under the plan are estimated as at the date of

4. Share Based Payments *(continued)*

grant using an option pricing model that takes into account the terms and conditions upon which the options were granted. In accordance with the rules of the plans, the model simulates the Company's total shareholder return and compares it against the peer group over the vesting period. The model takes into account the historic dividends, share price volatilities and co-variances of the Company and peer group to produce a predicted distribution of relative share performance. This is applied to the relevant grant to give an expected value of the total shareholder return element for the plan.

The balance of zero-priced share options (due to vest in June 2016) is as follows:

	GROUP & PARENT	
	2014 NO OF OPTIONS	2013 NO OF OPTIONS
Opening Balance	-	-
Granted during the period	**908,166**	-
Closing Balance	**908,166**	-

The weighted average fair value of these options at grant date was $0.825 per option (2013: Nil).

5. Impairment of Assets

	GROUP		PARENT	
	2014 $M	2013 $M	2014 $M	2013 $M
Impairment of Property, Plant and Equipment	-	19.1	-	19.1
Impairment of Held for Sale Assets	-	5.7	-	-
Impairment of Subsidiary Advances	-	-	**5.6**	2.0
	-	24.8	**5.6**	21.1

Impairment of Property, Plant and Equipment

Property, Plant and Equipment has not been impaired in 2014 (2013: $19.1 million).

Prior Financial Year

The 2013 Property, Plant and Equipment impairments of $19.1 million included the North Bank Tunnel Hydro Project ($17.9 million) and other early stage development projects ($1.2 million).

Impairment of Held for Sale Assets

Held for Sale Assets have not been impaired in 2014 (2013:$5.7 million).

Prior Financial Year

In 2013, the Group impaired two proposed solar developments in the USA (Jacobs Creek and San Luis Valley Projects) by $5.7 million.

Impairment of Advances to Subsidiaries

MEL Solar Holdings Limited

Following the Group's sale of CalRENEW-1, the Parent's loan to MEL Solar Holdings Limited was tested for impairment. As a result of restructuring the US business prior to sale and a stronger currency, the Parent has recorded an impairment of $5.6 million on the loan.

Prior Financial Year

In 2013, the Parent recognised an impairment totalling $2.0 million in respect of its loan to MEL Solar Holdings Limited.

6. Gain/(Loss) on Sale of Assets

	NOTE	GROUP 2014 $M	GROUP 2013 $M	PARENT 2014 $M	PARENT 2013 $M
Gain/(Loss) on Sale of Property, Plant and Equipment		**11.3**	(0.2)	**13.8**	0.3
Gain on Sale of Investments Available for Sale		**0.2**	-	**0.2**	-
(Loss)/Gain on Sale of Subsidiaries	17	**(4.9)**	107.3	**-**	8.8
Loss on Sale of Finance Lease Receivable		**-**	(0.5)	**-**	(0.5)
Total Gain on Sale of Assets		**6.6**	106.6	**14.0**	8.6

7. Finance Costs

	GROUP 2014 $M	GROUP 2013 $M	PARENT 2014 $M	PARENT 2013 $M
Interest on Borrowings	**87.9**	123.0	**73.3**	81.6
Interest on Finance Lease Payable	**3.7**	-	**0.3**	-
Less Capitalised Interest	**(9.4)**	(7.9)	**(6.4)**	(1.8)
	82.2	115.1	**67.2**	79.8

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 $33.4 million (2013: $59.6 million).

8. Interest Income

	GROUP 2014 $M	GROUP 2013 $M	PARENT 2014 $M	PARENT 2013 $M
Interest Income on Financial Assets at amortised cost:				
Cash and Cash Equivalents	**8.5**	1.6	**7.0**	0.9
Loans to Subsidiaries	**-**	-	**9.2**	28.7
	8.5	1.6	**16.2**	29.6

9. Income Tax Expense

		GROUP		PARENT	
	NOTE	2014 $M	2013 $M	2014 $M	2013 $M
Income Tax Expense					
Current Tax Expense					
Current Income Tax Charge		**110.6**	100.3	**113.6**	87.2
Adjustments Regarding Current Income Tax of Prior Years		**(6.2)**	(5.7)	**(3.6)**	(5.6)
Total Current Tax Expense		**104.4**	94.6	**110.0**	81.6
Deferred Tax Expense					
Relating to Origination and Reversal of Temporary Differences		**(17.8)**	37.6	**(12.2)**	38.9
Total Deferred Tax Expense	22	**(17.8)**	37.6	**(12.2)**	38.9
Total Income Tax Expense		**86.6**	132.2	**97.8**	120.5
Income Tax Expense can be reconciled to Accounting Profit as follows:					
Profit Before Tax		**316.4**	427.3	**362.8**	374.0
Income Tax at Applicable Tax Rates		**88.0**	120.2	**101.6**	104.7
Tax Effect of Expenditure Not Deductible for Tax		**5.5**	9.8	**4.6**	7.1
Tax Effect of Income Not Subject to Tax		**(4.3)**	(0.9)	**(4.3)**	(2.5)
Income Tax (Over)/Under Provided in Prior Year		**(2.6)**	3.1	**(0.9)**	11.2
Inter-Company Dividend Received Not Subject to Tax		**-**	-	**(3.2)**	(0.1)
Other		**-**	-	**-**	0.1
Income Tax Expense		**86.6**	132.2	**97.8**	120.5

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 maintains 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 returns for the 2012 and 2013 tax years (resulting in a combined increased tax payable of $2.7 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 $4.7 million for the Group (2013: $124.1 million credit) and $1.6 million for the Parent (2013: $133.4 million credit) have been recognised in equity for the year (see Note 22 – Deferred Tax).

At balance date the imputation credits available for use in future periods were Group $73.1 million (2013: $50.8 million) and Parent $73.1 million (2013: $50.6 million).

10. Earnings per Share

BASIC AND DILUTED EARNINGS PER SHARE OF THE GROUP	2014 $M	2013 $M
Profit After Tax Attributable to Shareholders of the Parent Company	**229.8**	295.1
Number of shares on issue at 30 June	**2,562,034,984**	1,600,000,002
Number of shares used as the basis for the calculation of Earnings per Share	**2,562,034,984**	2,562,034,984
Basic Earnings per Share ($)	**0.09**	0.12
Diluted Earnings per Share ($)	**0.09**	0.12

11. Equity

Share Capital

	2014 SHARES	2014 $M	2013 SHARES	2013 $M
Opening Balance of Ordinary Shares issued	1,600,000,002	1,600.0	1,600,000,002	1,600.0
Bonus Shares Issued	962,999,998	-	-	-
Treasury shares acquired[1]	(965,016)	(1.4)	-	-
Closing Balance of Ordinary Shares issued	**2,562,034,984**	**1,598.6**	**1,600,000,002**	**1,600.0**

1 Includes provision for payment of final instalment of $0.50 per share.

On 19 September 2013 Meridian issued 962,999,998 bonus shares for total consideration of $1.

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.

As outlined in Note 4 – Share Based Payments, the Group established a long-term equity settled incentive plan for New Zealand based senior executives during the period. The movement in treasury shares during the period relates to the purchase of shares by a trustee as part of this plan.

12. Dividends

	2014 $M	2014 CENTS PER SHARE[1]	2013 $M	2013 CENTS PER SHARE[1]
2014 Interim Dividend Paid	**108.8**	**4.2**	-	-
2013 Final Dividend Paid	**152.6**	**6.0**	-	-
2013 Interim Dividend Paid	**-**	**-**	99.8	3.9
	261.4	**10.2**	99.8	3.9

1 Based on the number of shares on issue at time of dividend payment.

On the 17 August 2014 the Board declared a partially imputed final ordinary dividend of $174.8 million (6.82 cents per share), before supplementary dividends for international investors. This takes total ordinary dividends declared in respect of the 2014 financial year to $282.2 million (11.01 cents per share). Additionally on the 17 August 2014 the Board declared a partially imputed special dividend of $51.3 million (2.00 cents per share), before supplementary dividends for international investors.

13. Cash and Cash Equivalents

	GROUP		PARENT	
	2014 $M	2013 $M	2014 $M	2013 $M
Current Account	**241.8**	335.9	**203.5**	18.7
Money Market Account	**34.6**	46.9	**34.1**	46.1
Cash and cash equivalents	**276.4**	382.8	**237.6**	64.8

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 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 the market volatility and contracts held. At 30 June 2014, this collateral was $5.8 million for the Parent and $6.6 million for the Group (2013 Parent: $7.8 million and Group: $9.4 million).

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

14. Accounts Receivable

	GROUP		PARENT	
	2014 $M	2013 $M	2014 $M	2013 $M
Current				
Billed and Accrued Receivables	**185.8**	199.3	**164.2**	177.9
Promissory Note	**-**	59.1	**-**	-
Less: Provision for Doubtful Debts	**(3.1)**	(3.9)	**(2.7)**	(3.6)
Total Accounts Receivable	**182.7**	254.5	**161.5**	174.3
Movement in Provision for Doubtful Debts				
Opening Provision for Doubtful Debts	**(3.9)**	(6.6)	**(3.6)**	(6.3)
Provision Created During the Year	**(7.0)**	(5.9)	**(5.8)**	(4.8)
Provision Used During the Year	**7.8**	8.6	**6.7**	7.5
Closing Provision for Doubtful Debts	**(3.1)**	(3.9)	**(2.7)**	(3.6)
Trade Receivables Ageing				
Not Past Due	**175.4**	245.9	**155.8**	170.3
Past Due 1-30 days	**5.2**	7.3	**3.8**	3.1
Past Due 31-60	**1.8**	0.9	**1.5**	0.6
Past Due 61-90	**1.0**	0.9	**0.9**	0.8
Past Due > 90 days	**2.4**	3.4	**2.2**	3.1
	185.8	258.4	**164.2**	177.9

Trade receivables that are less than 90 days past due are generally not considered impaired. As of 30 June 2014 trade receivables of $7.3 million for the Group (2013: $8.6 million) and $5.7 million for the Parent (2013: $4.0 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 $7.8 million for the Group (2013: $8.6 million) and $6.7 million for the Parent (2013: $7.5 million).

15. Assets and Liabilities Classified as Held for Sale

	GROUP		PARENT	
	2014 $M	2013 $M	2014 $M	2013 $M
Arc Innovations Limited	**12.8**	-	**29.5**	-
Meridian Energy USA Incorporated	**-**	24.0	**-**	-
Farm Related Assets	**13.7**	40.8	**13.7**	40.8
Total Assets Held for Sale	**26.5**	64.8	**43.2**	40.8
Meridian Energy USA Incorporated	**-**	2.0	**-**	-
Farm Related Liabilities	**0.2**	0.7	**0.2**	0.7
Arc Innovations Limited	**1.1**	-	**-**	-
Total Liabilities Held For Sale	**1.3**	2.7	**0.2**	0.7
Net Assets Classified as Held for Sale	**25.2**	62.1	**43.0**	40.1

15. Assets and Liabilities Classified as Held for Sale *(continued)*

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

	GROUP		PARENT	
	2014 $M	2013 $M	2014 $M	2013 $M
Accounts Receivable	**0.8**	0.6	**-**	-
Other Assets	**0.1**	-	**-**	-
Available for Sale Investments	**3.7**	5.9	**3.7**	5.9
Intangible Assets	**0.9**	-	**-**	-
Property Plant & Equipment	**21.0**	58.3	**10.0**	34.9
Investment in Subsidiaries	**-**	-	**29.5**	-
Total Assets Classified as Held For Sale	**26.5**	64.8	**43.2**	40.8
Payables and Accruals	**1.3**	2.7	**0.2**	0.7
Total Liabilities Classified as Held For Sale	**1.3**	2.7	**0.2**	0.7
Net Assets Classified as held for sale	**25.2**	62.1	**43.0**	40.1

Arc Innovations Limited

Meridian is actively marketing its interest in Arc Innovations Limited with a view to selling, therefore it is now classified as held for sale at carrying value of $11.7 million (not held for sale in the prior year).

Arc Innovations Limited forms part of Meridian's Retail Segment.

Farm Related Assets

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

Meridian Energy USA Incorporated

In accordance with its decision to market its US assets for sale, Meridian Energy USA Incorporated sold its interest in CalRENEW-1 LLC during the financial year resulting in a loss of $4.9 million (refer Note 17).

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

16. Other Assets

	GROUP		PARENT	
	2014 $M	2013 $M	2014 $M	2013 $M
Prepayments	**6.5**	7.4	**6.0**	7.1
Inventory	**6.6**	4.3	**5.8**	4.3
Finance Lease Receivable – Current	**0.3**	0.2	**0.3**	0.2
New Zealand Carbon Credit Units	**0.3**	0.1	**0.3**	0.1
Australian Renewable Energy Certificates	**3.8**	0.5	**-**	-
Total Other Assets – Current	**17.5**	12.5	**12.4**	11.7
Finance Lease Receivable – Non Current	**0.4**	0.6	**0.4**	0.6
Total Other Assets – Non Current	**0.4**	0.6	**0.4**	0.6
Total Other Assets	**17.9**	13.1	**12.8**	12.3

16. Other Assets *(continued)*

Inventory

Inventory utilised is recognised in the Income Statement as follows:

- other operating expenses (Group $0.6 million (2013: $0.2 million), Parent $0.4 million (2013: Parent Nil))
- energy related costs (Group Nil (2013: $0.5 million), Parent Nil (2013: $0.5 million))

Certain inventory items are subject to retention of title clauses.

Finance Lease Receivables

In 2013 Meridian 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.

New Zealand Carbon Credit Units

NZ carbon credit units are a consequence of the Parent's acquisition of Rototuna Forest, Pouto Peninsula to secure land and access for a development project.

Australian Renewable Energy Certificates (RECs)

Australian RECs are earnt through renewable energy generation at Australian windfarms.

17. Investments in Subsidiaries

Investments in subsidiaries comprise shares at cost less impairments

NAME OF ENTITY	INCORPORATED	PRINCIPAL ACTIVITY	INTEREST HELD BY PARENT			
			2014 %	2014 $M	2013 %	2013 $M
Damwatch Engineering Limited		Professional Services	**100%**	**-**	100%	-
Three River Holdings (No.1) Limited[1]		Non-Trading Entity	**100%**	**107.1**	100%	82.5
Meridian Limited		Non-Trading Entity	**100%**	**-**	100%	-
ARC Innovations Limited		Metering Services	**-**	**-**	100%	29.5
Meridian Energy Captive Insurance Limited		Insurance Company	**100%**	**2.5**	100%	2.5
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%**	**15.9**	100%	11.9
MEL Solar Holdings Limited		Holding Company	**100%**	**-**	100%	-
Whisper Tech Limited[2]		Non-Trading Entity	**30%**	**-**	30%	-
Meridian LTI Trustee Limited	13/09/2013	Trustee Company	**100%**	**-**	-	-
				175.5		176.4
Held for Sale						
ARC Innovations Limited		Metering Services	**100%**	**29.5**	-	-

1 *Member of Guaranteeing Group.*
2 *The Parent holds 29.77% of Whisper Tech Limited with WhisperGen Limited (Controlled Entity) holding 70.23%.*

17. Investments in Subsidiaries *(continued)*

Controlled Entities (Other Subsidiaries)

NAME OF ENTITY	SOLD/DISSOLVED	PRINCIPAL ACTIVITY	INTEREST HELD BY GROUP 2014	INTEREST HELD BY GROUP 2013
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 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]		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, 3]	12/05/14	Financing Entity	-	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%
Incorporated in United Kingdom				
Whisper Tech (UK) Limited[2]		Non-Trading Entity	100%	100%
Incorporated in United States of America				
Meridian Energy USA Incorporated		Development	100%	100%
CalRENEW-1 LLC	15/05/14	Electricity Generation	-	100%
Jacob Canal Solar Farm LLC[3]	18/06/14	Non-Trading Entity	-	100%
Laurel West Solar Farm LLC[3]	15/05/14	Non-Trading Entity	-	100%
Laural East Solar Farm LLC[3]	15/05/14	Non-Trading Entity	-	100%
Hatteson Solar Farm LLC[3]	8/05/14	Non-Trading Entity	-	100%
San Luis Valley Solar Farm LLC[3]	8/05/14	Non-Trading Entity	-	100%
Desert Butte LLC[3]	8/05/14	Non-Trading Entity	-	100%

1 Members of Guaranteeing Group.
2 Liquidation complete and will be struck off the UK Companies Register on 11 September 2014.
3 Dissolved.

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. The results to 30 June 2014 have been incorporated in these financial statements.

As noted below, Meridian exited its US assets with the sale of CalRENEW-1 LLC during the financial year. As a result 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 were dissolved.

Financial Support

Meridian Energy Limited provides support to its subsidiaries where necessary in order to ensure they meet their obligations as they fall due.

17. Investments in Subsidiaries *(continued)*

Disposal of Controlled Entities

CalRENEW-1 LLC

On 15 May 2014 the Group disposed of its entire interest in CalRENEW-1 LLC, a controlled entity of the Parent. Based on draft completion accounts as at the same date, a loss of $4.9 million is recognised in the Group Income Statement.

	2014 $M
Assets and Liabilities disposed of:	
Cash and Cash Equivalents	1.8
Accounts Receivable	0.4
Property, Plant and Equipment	16.0
Other Long Term Assets	0.6
Term Payables	(0.3)
Assets and Liabilities Disposed	18.5
Cash Proceeds	(18.5)
Reclassification of Foreign Currency Translation Reserve	4.9
Loss on Disposal	4.9

18. 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	VOTING RIGHTS HELD BY GROUP		INTEREST HELD BY GROUP	
				2014	2013	2014	2013
EDDI Project JV	New Zealand	1/05/12	Dam Management Systems	50%	50%	50%	50%
Hunter Downs JV	New Zealand	1/07/13	Irrigation Development	50%	-	100%	-

On 1 May 2012 Damwatch Projects Limited entered into an unincorporated joint venture with GNS Science International Limited to provide dam consultancy in Vietnam. The carrying value of the investment at 30 June 2014 is $20,900 (2013: $11,100).

On 1 July 2013 Meridian Energy Limited entered into an agreement with Hunter Downs Irrigation Limited to investigate irrigation options in the South Island. During the period, Meridian changed the accounting treatment of Hunter Downs Development Company to recognise the entity as a joint venture as it was determined that despite holding 100% of the shares, the Group did not have control (the venture was previously recognised by the Group as a subsidiary). The carrying value of the investment at 30 June 2014 is $0.2 million (2013: $Nil).

19. Intangible Assets

	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 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**
Balance at 1 July 2013	133.7	15.7	22.4	1.6	66.9	240.3
Acquisitions	20.3	-	-	-	-	20.3
Foreign Currency Exchange Rate Movements	0.1	(0.2)	-	-	-	(0.1)
Transfer from Property, Plant and Equipment	1.4	-	-	-	-	1.4
Transfer to Assets Classified as Held for Sale	(1.6)	-	-	(1.6)	-	(3.2)
Disposals	(0.3)	-	-	-	-	(0.3)
Balance at 30 June 2014	**153.6**	**15.5**	**22.4**	**-**	**66.9**	**258.4**
Accumulated Amortisation and Impairment						
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)**
Balance at 1 July 2013	(81.4)	(13.2)	(22.4)	(1.6)	(66.9)	(185.5)
Amortisation during Year	(21.4)	-	-	-		(21.4)
Transfer to Assets Classified as Held for Sale	0.7	-	-	1.6	-	2.3
Disposals	0.2	-	-	-	-	0.2
Balance at 30 June 2014	**(101.9)**	**(13.2)**	**(22.4)**	**-**	**(66.9)**	**(204.4)**
Net Book Value						
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
Net Book Value 30 June 2014	**51.7**	**2.3**	**-**	**-**	**-**	**54.0**

Goodwill

The goodwill balance represents $2.3 million (2013:$2.5 million) in relation to the acquisition of Mt Millar Windfarm Pty Ltd.

19. Intangible Assets *(continued)*

	PARENT		
	SOFTWARE $M	CUSTOMER ACQUISITION COSTS $M	TOTAL $M
Cost or Fair Value			
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**
Balance at 1 July 2013	126.4	65.2	191.6
Acquisitions	17.5	-	17.5
Transfer from Property, Plant and Equipment	1.0	-	1.0
Disposals	(0.3)	-	(0.3)
Balance at 30 June 2014	**144.6**	**65.2**	**209.8**
Accumulated Amortisation and Impairment			
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)**
Balance at 1 July 2013	(77.7)	(65.2)	(142.9)
Amortisation During Year	(19.2)	-	(19.2)
Disposals	0.2	-	0.2
Balance at 30 June 2014	**(96.7)**	**(65.2)**	**(161.9)**
Net Book Value			
Net Book Value 30 June 2012	20.6	-	20.6
Net Book Value 30 June 2013	48.7	-	48.7
Net Book Value 30 June 2014	**47.9**	**-**	**47.9**

20. Property, Plant & Equipment

	GROUP					
	GENERATION STRUCTURES AND PLANT AT FAIR VALUE $M	FREEHOLD LAND AT COST $M	FREEHOLD BUILDINGS 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 2012	7,329.8	40.1	13.0	177.1	726.9	8,286.9
Additions	-	-	-	0.1	276.6	276.7
Foreign Currency Exchange Rate Movements[1]	(18.5)	-	-	(0.1)	(40.7)	(59.3)
Reversal of revaluation gains[2]	(849.0)	-	-	-	-	(849.0)
Transfers from Capital Work in Progress	3.3	2.9	1.0	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	**6,467.2**	**13.6**	**9.6**	**138.4**	**295.5**	**6,924.3**
Balance at 1 July 2013	6,467.2	13.6	9.6	138.4	295.5	6,924.3
Additions	6.7	-	-	-	339.6	346.3
Additions through Finance Lease Payable	-	-	-	-	48.8	48.8
Foreign Currency Exchange Rate Movements[1]	(17.1)	-	-	(0.1)	(14.6)	(31.8)
Transfers from Capital Work in Progress	310.5	4.4	0.1	59.2	(374.2)	-
Transfers from/(to) Assets Held For Sale	-	9.7	-	(32.9)	(0.4)	(23.6)
Transfer to Intangible Assets	-	-	-	-	(1.4)	(1.4)
Disposals	(1.4)	(0.4)	-	(6.6)	-	(8.4)
Balance at 30 June 2014	**6,765.9**	**27.3**	**9.7**	**158.0**	**293.3**	**7,254.2**

1 Through the Foreign Currency Translation Reserve in Other Comprehensive Income.
2 Through the Revaluation Reserve in Other Comprehensive Income.

In 2013, 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.

Other Plant and Equipment include Plant and Equipment subject to Finance leases that have a net book value of $48.3 million.

20. Property, Plant & Equipment *(continued)*

	GROUP					
	GENERATION STRUCTURES AND PLANT AT FAIR VALUE $M	FREEHOLD LAND AT COST $M	FREEHOLD BUILDINGS 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 2012	(195.6)	-	(2.8)	(93.5)	(31.4)	(323.3)
Depreciation Expense	(183.1)	-	(0.3)	(17.8)	-	(201.2)
Foreign Currency Exchange Rate Movements[1]	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[2]	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	**(4.1)**	**-**	**(2.5)**	**(98.3)**	**(50.4)**	**(155.3)**
Balance at 1 July 2013	(4.1)	-	(2.5)	(98.3)	(50.4)	(155.3)
Depreciation Expense	(179.9)	-	(0.3)	(18.4)	-	(198.6)
Foreign Currency Exchange Rate Movements[1]	0.2	-	-	-	-	0.2
Disposals	0.2	-	-	6.0	-	6.2
Transfer to Assets Held For Sale	-	-	-	22.3	-	22.3
Balance at 30 June 2014	**(183.6)**	**-**	**(2.8)**	**(88.4)**	**(50.4)**	**(325.2)**
Net Book Value						
Net Book Value 30 June 2012	7,134.2	40.1	10.2	83.6	695.5	7,963.6
Net Book Value 30 June 2013	6,463.1	13.6	7.1	40.1	245.1	6,769.0
Net Book Value 30 June 2014	**6,582.3**	**27.3**	**6.9**	**69.6**	**242.9**	**6,929.0**

1 Through the Foreign Currency Translation Reserve in Other Comprehensive Income.
2 Through the Revaluation Reserve in Other Comprehensive Income.

20. Property, Plant & Equipment *(continued)*

	PARENT					
	GENERATION STRUCTURES AND PLANT AT FAIR VALUE $M	FREEHOLD LAND AT COST $M	FREEHOLD BUILDINGS 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 2012	7,084.5	39.6	12.1	100.5	154.4	7,391.1
Additions	-	-	-	0.1	59.0	59.1
Reversal of revaluation gains[1]	(817.9)	-	-	-	-	(817.9)
Transfers from Capital Work in Progress	3.2	2.9	1.0	7.0	(14.1)	-
Transfer to Finance Lease Receivable	-	-	-	-	(0.3)	(0.3)
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)
Disposals	(0.4)	-	-	(5.1)	-	(5.5)
Reclassification	1.7	-	(0.3)	(1.4)	-	-
Balance at 30 June 2013	**6,271.1**	**13.6**	**9.6**	**97.6**	**179.2**	**6,571.1**
Balance at 1 July 2013	6,271.1	13.6	9.6	97.6	179.2	6,571.1
Additions	-	-	-	-	141.2	141.2
Addition of Finance Lease Payable	-	-	-	-	6.3	6.3
Transfers from Capital Work in Progress	17.0	4.4	0.1	15.3	(36.8)	-
Transfers to Assets Held for Sale	-	9.7	-	-	(0.4)	9.3
Transfers to Intangible Assets	-	-	-	-	(1.0)	(1.0)
Disposals	(1.0)	(0.4)	-	(5.8)	-	(7.2)
Balance at 30 June 2014	**6,287.1**	**27.3**	**9.7**	**107.1**	**288.5**	**6,719.7**

1 Through the Revaluation Reserve in Other Comprehensive Income.

Other Plant and Equipment include Plant and Equipment subject to Finance leases that have a net book value of $7.6 million.

20. Property, Plant & Equipment *(continued)*

	PARENT					
	GENERATION STRUCTURES AND PLANT AT FAIR VALUE $M	FREEHOLD LAND AT COST $M	FREEHOLD BUILDINGS 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 2012	(172.9)	-	(2.7)	(75.1)	(27.7)	(278.4)
Depreciation Expense	(172.5)	-	(0.3)	(8.8)	-	(181.6)
Disposals	-	-	-	5.0	-	5.0
Transfer to Assets Classified as Held For Sale	-	-	0.5	1.5	-	2.0
Offset of Accumulated Depreciation on Revaluation Reversal[1]	341.7	-	-	-	-	341.7
Reclassification	(0.4)	-	-	0.4	-	-
Impairment of Property, Plant and Equipment	-	-	-	(0.1)	(19.0)	(19.1)
Balance at 30 June 2013	**(4.1)**	**-**	**(2.5)**	**(77.1)**	**(46.7)**	**(130.4)**
Balance at 1 July 2013	(4.1)	-	(2.5)	(77.1)	(46.7)	(130.4)
Depreciation Expense	(166.7)	-	(0.3)	(7.9)	-	(174.9)
Disposals	0.2	-	-	5.8	-	6.0
Balance at 30 June 2014	**(170.6)**	**-**	**(2.8)**	**(79.2)**	**(46.7)**	**(299.3)**
Net Book Value						
Net Book Value 30 June 2012	6,911.6	39.6	9.4	25.4	126.7	7,112.7
Net Book Value 30 June 2013	6,267.0	13.6	7.1	20.5	132.5	6,440.7
Net Book Value 30 June 2014	**6,116.5**	**27.3**	**6.9**	**27.9**	**241.8**	**6,420.4**

1 Through the Revaluation Reserve in Other Comprehensive Income.

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).

A review of the carrying value of Meridian's generation structures and plant assets has been undertaken, indicating the carrying value is a fair representation of fair value. For this reason Meridian has not completed a full revaluation of this asset class.
The review of carrying value identified several potential impacts on value including the possible implications of a change of New Zealand Government electricity industry policy settings and outcomes of the review of the Renewable Energy Target (RET) scheme in Australia. It is considered that at the time of issue of these financial statements, these potential impacts are not sufficiently certain nor precise enough to alter the underlying assumptions for current generation asset valuation.

The Audit and Risk Committee of the Company determines the overall appropriateness of key valuation techniques and inputs for fair value measurement.

20. Property, Plant & Equipment *(continued)*

NON FINANCIAL ASSETS	FAIR VALUE HIERARCHY	VALUATION TECHNIQUE(S) AND KEY INPUT(S)	SIGNIFICANT UNOBSERVABLE INPUTS	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Generation structures and plant assets (including land and buildings)	Level 3	Fair values were calculated for Meridian's generation structures and plant assets as at 30 June 2013 by an independent valuer using an income approach assessing both the capitalisation of earnings and the discounted cash flows (DCFs). 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. 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 calculates value based on the present value of the cash flows that the asset or entity can be expected to earn in the future. The independent valuer established a valuation range with reference to these two methodologies on which the Board's ultimate valuation decision was based.	Future NZ electricity price estimates Generation Volume Operating Expenditure	The higher the future prices/volume, the higher the valuation. The higher the operating expenditure, the lower the valuation.

There have been no transfers between levels in respect of these assets.

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 was no depreciation impact of this revaluation in the Income Statement for 30 June 2013.

At 30 June 2014, 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 $2.8 billion (2013: $2.6 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 $9.4 million (2013: $7.9 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 6.80% p.a. was used during the year (2013: 6.50%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 5.

21. Payables and Accruals

	GROUP		PARENT	
	2014 $M	2013 $M	2014 $M	2013 $M
Trade Creditors	**10.9**	10.6	**5.8**	6.0
Accruals	**192.1**	230.3	**132.1**	154.1
GST	**10.7**	10.6	**10.9**	12.2
Employee Entitlements	**14.4**	14.9	**11.4**	12.1
Unearned Income	**7.5**	8.3	**-**	-
Provisions	**-**	0.1	**-**	-
	235.6	274.8	**160.2**	184.4

Payables and accruals are carried at amortised cost which approximates fair value.

22. 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	2014 $M	2013 $M	2014 $M	2013 $M
Balance at Beginning of Year		**1,351.5**	1,435.8	**1,354.4**	1,448.3
Recognised in the Income Statement:					
Movement in Temporary Differences	9	**(17.8)**	37.6	**(12.2)**	38.9
		(17.8)	37.6	**(12.2)**	38.9
Recognised in Other Comprehensive Income:					
Deferred Tax on Asset Revaluation Reserve Movements (Revaluation Reserve)		**-**	(133.3)	**-**	(133.3)
Movement in Temporary Differences (Equity)		**(4.7)**	9.2	**(1.6)**	(0.1)
		(4.7)	(124.1)	**(1.6)**	(133.4)
Effect of Retranslating Foreign Opening Balances		**0.3**	(0.1)	**-**	-
Adjustments Regarding Deferred Tax of Prior Years		**-**	2.7	**-**	0.6
Effect of Sale of Subsidiaries		**-**	(0.4)	**-**	-
Balance at End of Year		**1,329.3**	1,351.5	**1,340.6**	1,354.4

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

	GROUP		PARENT	
	2014 $M	2013 $M	2014 $M	2013 $M
Property, Plant and Equipment	**(4.8)**	4.6	**(7.8)**	0.1
Term and Finance Lease Payables	**5.7**	14.4	**5.7**	14.4
Financial Instruments	**(10.0)**	26.5	**(9.7)**	26.0
Carried Forward Losses to be Utilised against Future Taxable Income	**(8.9)**	(6.4)	**-**	-
Other	**0.2**	(1.5)	**(0.4)**	(1.6)
	(17.8)	37.6	**(12.2)**	38.9

22. Deferred Tax *(continued)*

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	
	2014 $M	2013 $M	2014 $M	2013 $M
Property, Plant and Equipment – Revaluation	**941.9**	942.0	**941.9**	942.0
Property, Plant and Equipment – Accelerated Depreciation	**434.1**	428.9	**410.3**	418.2
Term Payables	**(0.4)**	(8.6)	**11.9**	(8.6)
Financial Instruments	**(19.6)**	0.9	**(18.5)**	(1.4)
Other	**(6.3)**	1.0	**(5.0)**	4.2
Deferred Tax Liability	**1,349.7**	1,364.2	**1,340.6**	1,354.4
Carried Forward Losses to be Utilised Against Future Taxable Income	**(20.3)**	(12.5)	**-**	-
Other	**(0.1)**	(0.2)	**-**	-
Deferred Tax Asset	**(20.4)**	(12.7)	**-**	-
	1,329.3	1,351.5	**1,340.6**	1,354.4

Carried forward losses relate to Australian operations and will be utilised against future taxable income from retail and generation activities.

23. Borrowings

		GROUP				PARENT			
	CURRENCY	FACE VALUE 2014 $M	CARRYING VALUE 2014 $M	FACE VALUE 2013 $M	CARRYING VALUE 2013 $M	FACE VALUE 2014 $M	CARRYING VALUE 2014 $M	FACE VALUE 2013 $M	CARRYING VALUE 2013 $M
Borrowings – Current									
Unsecured Borrowings	NZD	**135.0**	**133.4**	92.5	90.9	**135.0**	**134.0**	92.5	91.2
Unsecured Borrowings	USD	**-**	**-**	61.1	55.8	**-**	**-**	61.1	55.8
Total Current Borrowings		**135.0**	**133.4**	153.6	146.7	**135.0**	**134.0**	153.6	147.0
Borrowings – Non Current									
Unsecured Borrowings	NZD	**285.0**	**283.2**	420.0	416.3	**285.0**	**283.2**	420.0	416.1
Unsecured Borrowings	AUD	**306.9**	**306.1**	190.3	189.7	**-**	**-**	-	-
Unsecured Borrowings	USD	**418.8**	**369.8**	418.8	427.5	**418.8**	**369.8**	418.8	427.5
Total Non Current Borrowings		**1,010.7**	**959.1**	1,029.1	1,033.5	**703.8**	**653.0**	838.8	843.6
Total Borrowings		**1,145.7**	**1,092.5**	1,182.7	1,180.2	**838.8**	**787.0**	992.4	990.6

Borrowings are carried at amortised cost with the exception of USD borrowings which are in a designated hedge relationship (and are classified as Level 3 in the Fair Value Hierarchy). 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 the carrying value of these borrowings including the effect of foreign exchange hedging is $369.8 million (30 June 2013: $483.3 million).

In June 2014 Meridian Finco Pty Ltd, an entity within the Group, committed to issue $USD 140 million senior unsecured notes in September 2014. As at 30 June 2014 Meridian Finco Pty Ltd has entered into CCIRSs to hedge this exposure.

Meridian's (net) cost of funds for the year ended 30 June 2014 was 6.74% (2013: 7.21%).

Meridian has committed bank facilities of $850.8 million ($1,277.8 million at 30 June 2013) of which $423.9 million were undrawn at 30 June 2014 ($957.5 million at 30 June 2013).

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

23. Borrowings *(continued)*

Funding Facilities

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

		2014			2013		
	CURRENCY	FACILITY LIMIT $M	DRAWN DEBT $M	AVAILABLE $M	FACILITY LIMIT $M	DRAWN DEBT $M	AVAILABLE $M
Bank Funding[1]	NZD	**300.0**	**-**	**300.0**	675.0	-	675.0
Renewable Energy Bonds[2]	NZD	**200.0**	**200.0**	**-**	200.0	200.0	-
Renewable Energy Notes[3]	NZD	**-**	**-**	**-**	12.5	12.5	-
EKF Facility[4]	NZD	**120.0**	**120.0**	**-**	130.0	130.0	-
Floating Rate Notes[5]	NZD	**100.0**	**100.0**	**-**	100.0	100.0	-
Fixed Rate Bond Issue[6]	USD	**418.8**	**418.8**	**-**	479.9	479.9	-
Commercial Paper[7]	NZD	**-**	**-**	**-**	70.0	70.0	-
Total Parent		**1,138.8**	**838.8**	**300.0**	1,667.4	992.4	675.0
Bank Funding[8]	AUD	**430.8**	**306.9**	**123.9**	472.8	190.3	282.5
Total Group		**1,569.6**	**1,145.7**	**423.9**	2,140.2	1,182.7	957.5

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. These were repaid during 2014.
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. These were repaid during 2014.
8 Australian Dollar unsecured bank funding bears interest at the relevant Australian market rate plus a margin. All facility limits and drawn debt are shown in NZD.

24. Provisions

Asset retirement obligations have been recognised for Mt Millar and Mt Mercer windfarms. Estimated costs for bringing the sites back to their original states are estimated at future cost using current annual CPI% change on current costs. Timing of obligations have been based on the expiry of the current landowner agreements, currently 25 years with an option to renew. The provision will be reassessed when there is certainty that any of the renewal options will be taken up.

	GROUP	
	2014 $M	2013 $M
Asset Retirement Obligation		
Opening Balance	**-**	-
Increase in Provision	**7.1**	-
Provisions used during the year	**-**	-
Provisions reversed during the year	**-**	-
Movement in effect of discounting	**(0.1)**	-
Closing balance	**7.0**	-
Current	**-**	-
Non-Current	**7.0**	-
	7.0	-

25. Finance Lease Payable

During the year Meridian entered into a finance lease for the Mill Creek transmission line with Wellington Electricity. The lease is for a period of 25 years.

In addition Mt Mercer Windfarm Pty Limited entered into finance leases with SP Ausnet and Transmission Operations Australia (TOA) for transmission connection assets at the Elaine Terminal Station for the Mt Mercer Wind Farm. SP Ausnet constructed the Interface to provide transmission services, while TOA was engaged to construct the Elaine Terminal Station. The term of the lease agreements is 25 years from the Connection Commencement Date, being 10 November 2014.

	GROUP		PARENT	
	2014 $M	2013 $M	2014 $M	2013 $M
Minimum Lease Payments:				
Not Later than One Year	6.9	-	1.4	-
Later than One Year and Not Later than Three Years	13.6	-	2.7	-
Later than Three Years and Not Later than Five Years	13.5	-	2.5	-
Later than Five Years	120.8	-	15.0	-
Gross Investment in Finance Lease	154.8	-	21.6	-
Less: Future Finance Cost	(105.6)	-	(13.7)	-
Present Value of Minimum Lease Payments	49.2	-	7.9	-
Analysed as:				
Not Later than One Year	0.6	-	0.3	-
Later than One Year and Not Later than Three Years	1.3	-	0.6	-
Later than Three Years and Not Later than Five Years	1.5	-	0.6	-
Later than Five Years	45.8	-	6.4	-
Total Finance Lease Payable	49.2	-	7.9	-
Comprising				
Current	0.6	-	0.3	-
Non-current	48.6	-	7.6	-
	49.2	-	7.9	-

As a result of the above finance lease, the Group has reported an expense of $3.7 million (2013: $Nil) which is included in Finance Costs in the Income Statement.

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 hedging 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.

26. Financial Risk Management *(continued)*

	GROUP	
	2014 $M	2013 $M
Borrowings – NZD Equivalent Net of Foreign Exchange Hedging	**1,145.7**	1,182.7
Finance Lease Payables	**49.2**	-
Less: Cash and Cash Equivalents	**276.4**	382.8
Net Debt	**918.5**	799.9
Adjusted Shareholders' Equity	**4,826.3**	4,780.6
Net Debt plus Equity	**5,744.8**	5,580.5

Meridian's debt facilities have financial covenants that relate to the Guaranteeing Group (which it is in full compliance with) – refer to Note 17 for members. The two key financial covenants are as follows:

	GROUP	
	2014 $M	2013 $M
Net Debt to Net Debt Plus Equity (Gearing) < 55%[1]	**15.99%**	14.33%
EBITDAF Interest Cover (# of times) > 2.5 times[1]	**6.81**	5.04

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 EBITDAF 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.

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

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) and options; and financial transmission rights (FTRs) and options.

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 funding through adequate committed funding facilities and the ability to close out market positions as part of its management of liquidity risk. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by keeping committed surplus credit lines available of at least $250 million to ensure it has sufficient headroom under normal and abnormal conditions.

In addition to its borrowings, Meridian has entered into a number of letters of credit and performance guarantee arrangements which provide credit support of $103.0 million for the collateral requirements of Meridian's trading business (2013: $96.1 million). 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 2014, this collateral was $5.8 million for the Parent and $6.6 million for the Group (2013 Parent: $7.8 million, 2013 Group: $9.4m).

26. Financial Risk Management *(continued)*

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.

	GROUP 2014							
	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 CASH FLOWS $M	IMPACT OF OTHER NON-CASH ITEMS $M	IMPACT OF INTEREST/FX DISCOUNTING $M	30 JUNE 2014 CARRYING VALUE $M
Non-derivative Financial Liabilities								
Payables and Accruals and Term Payables	235.6	0.6	-	-	**236.2**	-	-	**236.2**
Provisions	-	-	-	7.0	**7.0**	-	-	**7.0**
Finance Lease Payable	6.9	13.6	13.5	120.8	**154.8**	-	(105.6)	**49.2**
Borrowings	189.2	238.1	647.2	199.2	**1,273.7**	(4.3)	(176.9)	**1,092.5**
	431.7	252.3	660.7	327.0	**1,671.7**	(4.3)	(282.5)	**1,384.9**
Derivative Financial Liabilities – Net Settled								
Interest Rate Swaps/Options	22.8	13.6	20.4	12.2	**69.0**	-	(11.6)	**57.4**
Electricity Derivatives	72.6	71.4	55.4	1,144.7	**1,344.1**	(876.1)	(417.8)	**50.2**
	95.4	85.0	75.8	1,156.9	**1,413.1**	(876.1)	(429.4)	**107.6**
Derivative Financial Liabilities – Gross Settled								
Foreign Exchange Contracts								
Inflows	23.7	-	-	-	**23.7**			
Outflows	27.0	-	-	-	**27.0**			
Net Outflows	3.3	-	-	-	**3.3**	-	(0.1)	**3.2**
Cross Currency Interest Rate Swaps								
Inflows	17.7	139.0	266.6	197.3	**620.6**			
Outflows	18.7	175.7	342.9	217.4	**754.7**			
Net Outflows	1.0	36.7	76.3	20.1	**134.1**	-	(81.8)	**52.3**
Total Financial Liabilities	**531.4**	**374.0**	**812.8**	**1,504.0**	**3,222.2**	**(880.4)**	**(793.8)**	**1,548.0**

	PARENT 2014							
	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 CASH FLOWS $M	IMPACT OF OTHER NON-CASH ITEMS $M	IMPACT OF INTEREST/FX DISCOUNTING $M	30 JUNE 2014 CARRYING VALUE $M
Non-derivative Financial Liabilities								
Payables and Accruals and Term Payables	160.2	0.6	-	-	**160.8**	-	-	**160.8**
Borrowings	178.8	161.3	395.7	199.2	**935.0**	(2.8)	(145.2)	**787.0**
Finance Lease Payable	1.4	2.7	2.5	15.0	**21.6**		(13.7)	**7.9**
	340.4	164.6	398.2	214.2	**1,117.4**	(2.8)	(158.9)	**955.7**
Derivative Financial Liabilities – Net Settled								
Interest Rate Swaps/Options	19.2	10.2	16.6	11.8	**57.8**	-	(11.2)	**46.6**
Electricity Derivatives	72.6	71.4	55.4	1,144.7	**1,344.1**	(876.1)	(417.8)	**50.2**
	91.8	81.6	72.0	1,156.5	**1,401.9**	(876.1)	(429.0)	**96.8**
Derivative Financial Liabilities – Gross Settled								
Foreign Exchange Contracts								
Inflows	49.3	-	-	-	**49.3**			
Outflows	55.3	-	-	-	**55.3**			
Net Outflows	6.0	-	-	-	**6.0**	-	0.2	**6.2**
Cross Currency Interest Rate Swaps								
Inflows	17.7	133.0	248.6	-	**399.3**			
Outflows	18.7	168.7	317.7	-	**505.1**			
Net Outflows	1.0	35.7	69.1	-	**105.8**	-	(56.2)	**49.6**
Total Financial Liabilities	**439.2**	**281.9**	**539.3**	**1,370.7**	**2,631.1**	**(878.9)**	**(643.9)**	**1,108.3**

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)*

	GROUP 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 CASH FLOWS $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 and Term Payables	274.8	7.2	-	-	**282.0**	-	(0.5)	**281.5**
Borrowings	386.9	181.1	330.3	478.3	**1,376.6**	(6.1)	(190.3)	**1,180.2**
	661.7	188.3	330.3	478.3	**1,658.6**	(6.1)	(190.8)	**1,461.7**
Derivative Financial Liabilities – Net Settled								
Interest Rate Swaps/Options	32.7	24.2	32.0	13.3	**102.2**	-	(12.6)	**89.6**
Electricity Derivatives	15.0	133.4	54.4	79.5	**282.3**	(157.1)	(54.7)	**70.5**
	47.7	157.6	86.4	92.8	**384.5**	(157.1)	(67.3)	**160.1**
Derivative Financial Liabilities – Gross Settled								
Foreign Exchange Contracts								
Inflows	64.2	8.8	-	-	**73.0**			
Outflows	66.0	9.1	-	-	**75.1**			
Net Outflows	1.8	0.3	-	-	**2.1**	-	(1.4)	**0.7**
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	**715.7**	**345.5**	**433.2**	**571.1**	**2,065.5**	**(163.2)**	**(271.1)**	**1,631.2**

	PARENT 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 CASH FLOWS $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 and Term Payables	184.4	7.2	-	-	**191.6**	-	(0.5)	**191.1**
Borrowings	194.9	181.1	330.3	478.3	**1,184.6**	(5.3)	(188.7)	**990.6**
	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	**439.4**	**345.6**	**430.6**	**571.2**	**1,786.8**	**(161.9)**	**(267.1)**	**1,357.8**

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.

	GROUP 2014							
	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 CASH FLOWS $M	IMPACT OF OTHER NON-CASH ITEMS $M	IMPACT OF INTEREST/FX DISCOUNTING $M	30 JUNE 2014 CARRYING VALUE $M
Non-derivative Financial Assets								
Cash and Cash Equivalents	276.4	-	-	-	**276.4**	-	-	**276.4**
Trade and Other Receivables	182.7	-	-	-	**182.7**	-	-	**182.7**
Finance Lease Receivables	0.3	0.3	0.3	-	**0.9**	-	(0.2)	**0.7**
	459.4	0.3	0.3	-	**460.0**	-	(0.2)	**459.8**
Derivative Financial Assets – Net Settled								
Interest Rate Swaps/Options	4.7	0.9	2.8	-	**8.4**	-	(3.1)	**5.3**
Electricity Derivatives	9.7	4.9	10.1	25.4	**50.1**	34.7	(11.7)	**73.1**
	14.4	5.8	12.9	25.4	**58.5**	34.7	(14.8)	**78.4**
Derivative Financial Assets – Gross Settled								
Foreign Exchange Contracts								
Inflows	28.3	-	-	-	**28.3**			
Outflows	25.6	-	-	-	**25.6**			
Net Inflows	2.7	-	-	-	**2.7**	-	0.2	**2.9**
Cross Currency Interest Rate								
Inflows	167.2	-	-	-	**167.2**			
Outflows	164.9	-	-	-	**164.9**			
Net Inflows/(Outflows)	2.3	-	-	-	**2.3**	-	(0.9)	**1.4**
Total Financial Assets	**478.8**	**6.1**	**13.2**	**25.4**	**523.5**	**34.7**	**(15.7)**	**542.5**

	PARENT 2014							
	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 CASH FLOWS $M	IMPACT OF OTHER NON-CASH ITEMS $M	IMPACT OF INTEREST/FX DISCOUNTING $M	30 JUNE 2014 CARRYING VALUE $M
Non-derivative Financial Assets								
Cash and Cash Equivalents	237.6	-	-	-	**237.6**	-	-	**237.6**
Trade and Other Receivables	161.5	-	-	-	**161.5**	-	-	**161.5**
Finance Lease Receivables	0.3	0.3	0.3	-	**0.9**	-	(0.2)	**0.7**
	399.4	0.3	0.3	-	**400.0**	-	(0.2)	**399.8**
Derivative Financial Assets – Net Settled								
Interest Rate Swaps/Options	4.7	0.9	2.8	-	**8.4**	-	(3.1)	**5.3**
Electricity Derivatives	6.9	2.2	8.3	25.4	**42.8**	35.0	(11.6)	**66.2**
	11.6	3.1	11.1	25.4	**51.2**	35.0	(14.7)	**71.5**
Derivative Financial Assets – Gross Settled								
Foreign Exchange Contracts								
Inflows	28.3	-	-	-	**28.3**			
Outflows	25.6	-	-	-	**25.6**			
Net Inflows	2.7	-	-	-	**2.7**	-	0.2	**2.9**
Total Financial Assets	**413.7**	**3.4**	**11.4**	**25.4**	**453.9**	**35.0**	**(14.7)**	**474.2**

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

26. Financial Risk Management *(continued)*

	GROUP 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 CASH FLOWS $M	IMPACT OF OTHER NON-CASH ITEMS $M	IMPACT OF INTEREST/FX DISCOUNTING $M	30 JUNE 2014 CARRYING VALUE $M
Non-derivative Financial Assets								
Cash and Cash Equivalents	382.8	-	-	-	**382.8**	-	-	**382.8**
Trade and Other Receivables	254.5	-	-	-	**254.5**	-	-	**254.5**
Finance Lease Receivables	0.3	0.7	0.3	-	**1.3**	-	(0.5)	**0.8**
	637.6	0.7	0.3	-	**638.6**	-	(0.5)	**638.1**
Derivative Financial Assets – Net Settled								
Interest Rate Swaps/Options	5.1	4.2	3.4	0.4	**13.1**	-	(3.2)	**9.9**
Electricity Derivatives	(10.2)	38.7	32.5	28.1	**89.1**	77.5	(17.3)	**149.3**
	(5.1)	42.9	35.9	28.5	**102.2**	77.5	(20.5)	**159.2**
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	**645.1**	**47.1**	**34.1**	**(3.8)**	**722.5**	**77.5**	**23.8**	**823.8**

	PARENT 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 CASH FLOWS $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	174.3	-	-	-	**174.3**	-	-	**174.3**
Finance Lease Receivables	0.3	0.7	0.3	-	**1.3**	-	(0.5)	**0.8**
	239.4	0.7	0.3	-	**240.4**	-	(0.5)	**239.9**
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	**246.7**	**46.3**	**33.5**	**(4.0)**	**322.5**	**78.0**	**23.7**	**424.2**

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

26. Financial Risk Management *(continued)*

Meridian has substantial committed borrowing facilities available as described in note 23 preceding, of which $423.9 million was undrawn at 30 June 2014 (30 June 2013: $957.5 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 2014 was $742.8 million (30 June 2013: $479.9 million).

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 2014 was $52.6 million (30 June 2013: $174.6 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 2014. These monetary assets and liabilities have been converted to New Zealand dollars at closing exchange rates of AUD 0.9286 and USD 0.8758 (30 June 2013: AUD 0.8460, USD 0.7738).

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 U.S. 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 movement in currency does not materially impact NPAT or Equity.

Sensitivity Analysis – Foreign Currency

		IMPACT ON AFTER TAX PROFIT		IMPACT ON EQUITY	
		2014 $M	2013 $M	2014 $M	2013 $M
Group and Parent					
NZ Dollar/US Dollar	-20%	-	0.7	1.1	3.1
	+20%	-	(0.5)	(0.7)	(2.1)
NZ Dollar/Euro	-20%	-	0.1	3.1	10.8
	+20%	-	(0.1)	(2.1)	(7.2)
Group only					
AUD/Euro	-20%	-	-	5.1	19.0
	+20%	-	-	(3.4)	(12.6)

26. Financial Risk Management *(continued)*

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 cash flow and the the fair value of the debt issued. Meridian does not enter into interest rate swaps for speculative purposes.

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

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

The majority of Meridian IRSs are not designated as hedges for accounting purposes and are therefore classified as held for trading. In the case of the prior year Macarthur Wind Farm Project Financing, Meridian 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 2014 is $2,433 million (30 June 2013: $1,866.4 million). This covers multiple legs and maturities out to 2024.

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

Sensitivity Analysis – Interest rates

		GROUP AND PARENT			
		IMPACT ON AFTER TAX PROFIT		IMPACT ON EQUITY	
		2014 $M	2013 $M	2014 $M	2013 $M
New Zealand BKBM	-100 bps	**(24.0)**	(34.7)	**(24.0)**	(34.7)
	+100 bps	**22.4**	32.3	**22.4**	32.3
Australian BBSY	-100 bps	**(9.0)**	(6.6)	**(9.0)**	(6.6)
	+100 bps	**8.5**	6.2	**8.5**	6.2

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 the net exposure to this risk by estimating both expected generation and electricity purchases required to support 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. The derivative contracts include forward electricity CfDs traded on the ASX, FTRs under the NZX auction process and bi-lateral derivative contracts (including options) with other electricity generators and major customers. Meridian does not enter into derivative contracts for speculative purposes.

In addition, as Meridian's Australian windfarms earn RECs (in the form of Large Scale Generation Certificates (LGCs)), LGC options are used to hedge this associated price risk.

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

The values of all the derivative contracts are sensitive to changes in the forward prices for electricity and interest rates.

In terms of overall exposure, the aggregate notional volume of the outstanding electricity derivatives at 30 June 2014 is 93,003GWh (Group, 2013: 52,016GWh) and 91,704GWh (Parent, 2013: 50,838GWh). One contract makes up 61,645GWh of these totals in both the Group and the Parent (2013: 17,059GWh).

The aggregate notional LGC options at 30 June 2014 is 1,115,000 for the Group (2013: Nil).

In prior years, Meridian was also required to hedge aluminium prices thus at 30 June 2013 the aggregate notional principal amount of outstanding Aluminium Commodity Swaps (ACSs) was $436.0 million for the Group and Parent. Due to a risk profile change during the year, these swaps were no longer required therefore the balance at 30 June 2014 is nil.

26. Financial Risk Management *(continued)*

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.

Sensitivity Analysis – Electricity price risk

		GROUP				PARENT			
		IMPACT ON AFTER TAX PROFIT		IMPACT ON EQUITY		IMPACT ON AFTER TAX PROFIT		IMPACT ON EQUITY	
		2014 $M	2013 $M	2014 $M	2013 $M	2014 $M	2013 $M	2014 $M	2013 $M
CfDs held for trading									
Electricity Prices	-10%	**138.2**	16.9	**138.2**	16.9	**137.0**	15.0	**137.0**	15.0
	10%	**(133.9)**	(13.7)	**(133.9)**	(13.7)	**(132.7)**	(12.0)	**(132.7)**	(12.0)
Interest Rates (discount rate)	-100 bps	**0.7**	0.1	**0.7**	0.1	**0.7**	0.1	**0.7**	0.1
	+100 bps	**(0.7)**	(0.1)	**(0.7)**	(0.1)	**(0.7)**	(0.1)	**(0.7)**	(0.1)
Level 3 CfDs only									
Electricity Prices	-10%	**138.3**	18.3	**138.3**	18.3	**138.2**	18.0	**138.2**	18.0
	10%	**(134.0)**	(15.2)	**(134.0)**	(15.2)	**(133.9)**	(15.0)	**(133.9)**	(15.0)
Interest Rates (discount rate)	-100 bps	**0.7**	(1.0)	**0.7**	(1.0)	**0.7**	(1.0)	**0.7**	(1.0)
	+100 bps	**(0.7)**	1.0	**(0.7)**	1.0	**(0.7)**	1.0	**(0.7)**	1.0

Credit Risk

Credit risk is managed on net exposures at Group level. 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 guarantees. 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 13 provides for a three-level fair value hierarchy that requires inputs to valuation techniques used to measure fair value to be categorised as follows:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- 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

27. Financial Instruments *(continued)*

The following table gives information about how the fair values of financial assets and financial liabilities are determined (in particular, the valuation technique(s) and input(s) used).

FINANCIAL ASSETS/ FINANCIAL LIABILITIES	FAIR VALUE HIERARCHY	VALUATION TECHNIQUE(S) AND KEY INPUT(S)	SIGNIFICANT UNOBSERVABLE INPUTS	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Electricity related CfDs	Level 3	Valuation technique: Discounted cash flows. Future cash flows have been calculated with reference to: **Price** Quoted market data (Australian Securities Exchange (ASX)) where available and relevant. Where quoted prices are not available or not relevant (ie. for long dated and large volume contracts such as the NZAS CfD), Meridian's best estimate of long-term forward wholesale electricity price is used. Meridian's best estimate is based on a fundamental analysis of expected demand and the cost of new supply **Discount Rate** Rates based on the forward interest rate swap curve adjusted for additional risks including counterparty credit risk **Term and volumes** All contracts are assumed to run for the full duration of the contract (adjusted for any potential early termination or discontinuation) and for the volume stated in the contracts	Estimate of forward wholesale electricity price ranging from $55 per MWh to $98 per MWh (in real terms) – excludes observable ASX pricing	For a buy contract, the higher the forward wholesale electricity price, the lower the fair value loss or the higher the gain, and for a sell contract, the higher the fair value loss or lower the fair value gain
		Forecast CPI An internal forecast of expected inflation rates	2.25%	The higher the forecast rate, the lower the gain/loss on a contract
		Other factors London Metal Exchange (LME) quoted prices of primary aluminium **Calibration factor** Factor applied to forward price curve as a consequence of initial recognition differences		
Electricity related CfD's	Level 2	Valuation technique: Discounted cash flows. Quoted market data for similar assets and liabilities in an active market (ASX) and discount rates based on the forward interest rate swap curve adjusted for counterparty credit risk	N/A	N/A
Electricity related CfD's	Level 1	Quoted market data (Australian Securities Exchange (ASX))	N/A	N/A
Interest rate Swaps and Cross Currency Interest Rate Swaps	Level 2	Valuation technique: Discounted cash flows. Published market interest rates as applicable to the remaining life of the instrument and discount rates based on the forward interest rate swap curve adjusted for counterparty credit risk	N/A	N/A
Foreign Exchange Contracts	Level 2	Valuation technique: Discounted cash flows. Published forward exchange market rates and discount rates based on the forward interest rate swap curve adjusted for counterparty credit risk	N/A	N/A
Held for Sale Financial Assets – Listed Securities	Level 1	Quoted bid prices in an active market	N/A	N/A

27. Financial Instruments *(continued)*

In estimating the fair value of an asset or liability, the Group uses market-observable data to the extent it is available. Where observable inputs are not available, the Group engages third party experts to support the establishment of appropriate valuation techniques and inputs to valuation models.

There have been no transfers between levels in respect of these assets and liabilities.

The Audit and Risk Committee of the Company determines the overall appropriateness of key valuation techniques and inputs for fair value measurement.

The Chief Financial Officer, in his report to the Board, includes explanation of fair value movements.

The Group is subject to International Swaps and Derivatives Association (ISDA) master agreements with its counterparties thus, where relevant, settlements of financial instruments are netted.

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

	GROUP							
DERIVATIVE FINANCIAL INSTRUMENTS	LEVEL 1 $M	LEVEL 2 $M	LEVEL 3 $M	30 JUNE 2014 $M	LEVEL 1 $M	LEVEL 2 $M	LEVEL 3 $M	30 JUNE 2013 $M
Assets:								
Held for Trading								
CfDs	6.5	(0.1)	66.7	**73.1**	3.7	62.6	83.0	**149.3**
Interest Rate Swaps	-	5.3	-	**5.3**	-	9.9	-	**9.9**
Foreign Exchange Contracts	-	-	-	**-**	-	0.1	-	**0.1**
Cash Flow Hedges								
CfDs	-	-	-	**-**	-	-	-	**-**
Foreign Exchange Contracts	-	2.9	-	**2.9**	-	12.1	-	**12.1**
Cross Currency Interest Rate Swaps	-	1.4	-	**1.4**	-	-	-	**-**
Fair Value Hedges								
Cross Currency Interest Rate Swaps	-	-	-	**-**	-	14.3	-	**14.3**
Total	6.5	9.5	66.7	**82.7**	3.7	99.0	83.0	**185.7**
Current				**19.5**				**51.5**
Non Current				**63.2**				**134.2**
Liabilities:								
Held for Trading								
CfDs	10.2	0.1	39.9	**50.2**	7.3	0.3	62.9	**70.5**
Interest Rate Swaps	-	57.4	-	**57.4**	-	89.6	-	**89.6**
Foreign Exchange Contracts	-	-	-	**-**	-	-	-	**-**
Cash Flow Hedges								
CfDs	-	-	-	**-**	-	-	-	**-**
Interest Rate Swaps	-		-	**-**	-	-	-	**-**
Foreign Exchange Contracts	-	3.2	-	**3.2**	-	0.7	-	**0.7**
Cross Currency Interest Rate Swaps	-	3.0	-	**3.0**	-	1.4	-	**1.4**
Fair Value Hedges								
Cross Currency Interest Rate Swaps	-	49.3	-	**49.3**	-	7.3	-	**7.3**
Total	10.2	113.0	39.9	**163.1**	7.3	99.3	62.9	**169.5**
Current				**37.9**				**45.0**
Non Current				**125.2**				**124.5**
Held for Sale Financial Assets:								
Listed Securities	3.7	-	-	**3.7**	5.9	-	-	**5.9**
Total	3.7	-	-	**3.7**	5.9	-	-	**5.9**

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

27. Financial Instruments *(continued)*

The following table outlines financial assets and liabilities offset within the Group financial statements:

	GROUP 2014					
	GROSS $M	SET OFF $M	NET[1] $M	NOT SET OFF[2] $M	COLLATERAL $M	NET $M
Financial Assets						
Offsettable CfDs	274.9	(206.8)	**68.1**	-	-	**68.1**
CfDs – stand alone (not offset)	5.0	-	**5.0**	-	-	**5.0**
Total CfDs	279.9	(206.8)	**73.1**	-	-	**73.1**
Treasury Derivatives	9.6	-	**9.6**	(6.7)	-	**2.9**
Total Derivative Financial Instrument Assets	289.5	(206.8)	**82.7**	(6.7)	-	**76.0**
Financial Liabilities						
Offsettable CfDs	256.8	(206.8)	**50.0**	-	(6.6)	**43.4**
CfDs – stand alone (not offsettable)	0.2	-	**0.2**	-	-	**0.2**
Total CfDs	257.0	(206.8)	**50.2**	-	(6.6)	**43.6**
Treasury Derivatives	112.9	-	**112.9**	(6.7)	-	**106.2**
Total Derivative Financial Instrument Liabilities	369.9	(206.8)	**163.1**	(6.7)	(6.6)	**149.8**

	GROUP 2013					
	GROSS $M	SET OFF $M	NET[1] $M	NOT SET OFF[2] $M	COLLATERAL $M	NET $M
Financial Assets						
Offsettable CfDs	298.9	(232.5)	**66.4**	-	-	**66.4**
CfDs – stand alone (not offset)	82.9	-	**82.9**	-	-	**82.9**
Total CfDs	381.8	(232.5)	**149.3**	-	-	**149.3**
Treasury Derivatives	36.4	-	**36.4**	(7.9)	-	**28.5**
Total Derivative Financial Instrument Assets	418.2	(232.5)	**185.7**	(7.9)	-	**177.8**
Financial Liabilities						
Offsettable CfDs	295.8	(232.5)	**63.3**	-	(9.4)	**53.9**
CfDs – stand alone (not offsettable)	7.2	-	**7.2**	-	-	**7.2**
Total CfDs	303.0	(232.5)	**70.5**	-	(9.4)	**61.1**
Treasury Derivatives	99.0	-	**99.0**	(7.9)	-	**91.1**
Total Derivative Financial Instrument Liabilities	402.0	(232.5)	**169.5**	(7.9)	(9.4)	**152.2**

1 *Per Statement of Financial Position.*
2 *Legally offsettable but not intended to be settled on a net basis.*

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							
DERIVATIVE FINANCIAL INSTRUMENTS	LEVEL 1 $M	LEVEL 2 $M	LEVEL 3 $M	30 JUNE 2014 $M	LEVEL 1 $M	LEVEL 2 $M	LEVEL 3 $M	30 JUNE 2013 $M
Assets:								
Held for Trading								
CfDs	3.5	(0.1)	62.8	**66.2**	3.3	62.6	82.5	**148.4**
Interest Rate Swaps	-	5.3	-	**5.3**	-	9.4	-	**9.4**
Foreign Exchange Contracts	-	2.9	-	**2.9**	-	12.2	-	**12.2**
Cash Flow Hedges								
CfDs	-	-	-	**-**	-	-	-	**-**
Fair Value Hedges								
Cross Currency Interest Rate Swaps	-	-	-	**-**	-	14.3	-	**14.3**
Total	3.5	8.1	62.8	**74.4**	3.3	98.5	82.5	**184.3**
Current				**15.5**				**51.8**
Non Current				**58.9**				**132.5**
Liabilities:								
Held for Trading								
CfDs	10.2	0.1	39.9	**50.2**	7.2	0.3	62.9	**70.4**
Interest Rate Swaps	-	46.6	-	**46.6**	-	84.2	-	**84.2**
Foreign Exchange Contracts	-	3.0	-	**3.0**	-	12.1	-	**12.1**
Cash Flow Hedges								
CfDs	-	-	-	**-**	-	-	-	**-**
Cross Currency Interest Rate Swaps	-	0.3	-	**0.3**	-	1.4	-	**1.4**
Foreign Exchange Contracts	-	3.2	-	**3.2**	-	0.7	-	**0.7**
Fair Value Hedges								
Cross Currency Interest Rate Swaps	-	49.3	-	**49.3**	-	7.3	-	**7.3**
Total	10.2	102.5	39.9	**152.6**	7.2	106.0	62.9	**176.1**
Current				**37.4**				**53.2**
Non Current				**115.2**				**122.9**
Held for Sale Financial Assets:								
Listed Securities	3.7	-	-	**3.7**	5.9	-	-	**5.9**
Total	3.7	-	-	**3.7**	5.9	-	-	**5.9**

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

27. Financial Instruments *(continued)*

The following table outlines financial assets and liabilities offset within the Parent financial statements:

	PARENT 2014					
	GROSS $M	SET OFF $M	NET[1] $M	NOT SET OFF[2] $M	COLLATERAL $M	NET $M
Financial Assets						
Offsettable CfDs	267.7	(205.0)	**62.7**	-	-	**62.7**
CfDs – stand alone (not offset)	3.5	-	**3.5**	-	-	**3.5**
Total CfDs	271.2	(205.0)	**66.2**	-	-	**66.2**
Treasury Derivatives	8.2	-	**8.2**	(5.3)	-	**2.9**
Total Derivative Financial Instrument Assets	279.4	(205.0)	**74.4**	(5.3)	-	**69.1**
Financial Liabilities						
Offsettable CfDs	255.0	(205.0)	**50.0**	-	(5.8)	**44.2**
CfDs – stand alone (not offsettable)	0.2	-	**0.2**	-	-	**0.2**
Total CfDs	255.2	(205.0)	**50.2**	-	(5.8)	**44.4**
Treasury Derivatives	102.4	-	**102.4**	(5.3)	-	**97.1**
Total Derivative Financial Instrument Liabilities	357.6	(205.0)	**152.6**	(5.3)	(5.8)	**141.5**

	PARENT 2013					
	GROSS $M	SET OFF $M	NET[1] $M	NOT SET OFF[2] $M	COLLATERAL $M	NET $M
Financial Assets						
Offsettable CfDs	297.4	(231.5)	**65.9**	-	-	**65.9**
CfDs – stand alone (not offset)	82.5	-	**82.5**	-	-	**82.5**
Total CfDs	379.9	(231.5)	**148.4**	-	-	**148.4**
Treasury Derivatives	35.9	-	**35.9**	(8.2)	-	**27.7**
Total Derivative Financial Instrument Assets	415.8	(231.5)	**184.3**	(8.2)	-	**176.1**
Financial Liabilities						
Offsettable CfDs	294.7	(231.5)	**63.2**	-	(7.8)	**55.4**
CfDs – stand alone (not offsettable)	7.2	-	**7.2**	-	-	**7.2**
Total CfDs	301.9	(231.5)	**70.4**	-	(7.8)	**62.6**
Treasury Derivatives	105.7	-	**105.7**	(8.2)	-	**97.5**
Total Derivative Financial Instrument Liabilities	407.6	(231.5)	**176.1**	(8.2)	(7.8)	**160.1**

1 Per Statement of Financial Position.
2 Legally offsettable but not intended to be settled on a net basis.

27. Financial Instruments *(continued)*

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

	GROUP		PARENT	
	2014 $M	2013 $M	2014 $M	2013 $M
Fair value hedge				
Cross Currency Interest Rate Swaps	**(8.5)**	57.5	**(8.5)**	57.5
Borrowings – Fair Value of Hedged Risk	**8.0**	(57.4)	**8.0**	(57.4)
	(0.5)	0.1	**(0.5)**	0.1
Cash flow hedge				
Interest Rate Swaps	**27.5**	42.6	**33.4**	42.4
Net Change in Fair Value of Financial Instruments Gain/(Loss) – Financing	**27.0**	42.7	**32.9**	42.5
Held for trading				
Foreign Exchange Contracts	**(0.1)**	0.3	**(0.1)**	0.3
Other	**(0.1)**	(0.8)	**-**	(0.8)
CfDs – NZAS Contract	**(11.3)**	56.2	**(11.3)**	56.2
CfDs – Aluminium	**(7.7)**	27.6	**(7.7)**	27.6
CfDs – Other	**10.8**	(32.2)	**5.8**	(33.6)
Net Change in Fair Value of Financial Instruments Gain/(Loss) – Operational	**(8.4)**	51.1	**(13.3)**	49.7
Total Net Change in Fair Value Gain/(Loss) on Financial Instruments	**18.6**	93.8	**19.6**	92.2

Included in the above is $5.8 million Group (2013: $22.7 million) and $3.1 million Parent (2013:$22.3 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	
	2014 $M	2013 $M	2014 $M	2013 $M
Energy Derivatives(CfDs)				
Opening Balance	**20.1**	(1.9)	**19.6**	(1.2)
Total gains/(losses) recognised in the Income Statement				
Included in Energy Sales Revenue	**(44.3)**	(56.7)	**(36.9)**	(53.7)
Net Change in Fair Value of CfDs	**2.8**	22.9	**0.2**	21.9
Total gains/(losses) recognised in the Cash Flow Hedge Reserve	**-**	(1.1)	**-**	(1.1)
Total gains/(losses) recognised in the FX Translation Reserve	**(0.2)**	-	**-**	-
CfDs settled during the year	**44.3**	56.7	**36.9**	53.7
CfDs entered into during the year	**4.1**	0.2	**3.1**	-
Closing Balance	**26.8**	20.1	**22.9**	19.6

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)*

Material CfD Agreements

On 7 August 2013, Meridian and New Zealand Aluminium Smelters (NZAS) entered into an electricity price agreement (2013 Agreement). This replaced the previous agreement negotiated in 2007 which took effect on 1 January 2013 (2007 Agreement).

The 2013 Agreement is for a period of up to eighteen years and is based on 400 to 572MW of continuous consumption at the Tiwai smelter, thereby providing NZAS price certainty for this consumption volume which NZAS purchases from the New Zealand wholesale market. The agreed energy price is subject to escalation with reference to the Consumers Price Index (All Groups) and world aluminium prices.

Meridian considers that the 2013 Agreement will best ensure that the electricity price NZAS pays will remain competitive for the scale of electricity consumption at the Tiwai 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.

The 2007 and 2013 agreements have been accounted for at fair value as required by NZ IAS 39 Financial Instruments: Recognition and Measurement. Fair value changes subsequent to initial recognition are recognised in the Income Statement. The 2013 Agreement has been measured using the fair value guidelines under NZ IFRS 13 Fair Value Measurement.

Initial Recognition Difference

An initial recognition difference (also referred to as 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 be accounted for by recalibrating the valuation model 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. Alternatively, as was done previously with the difference on the 2007 NZAS contract, it can be amortised over the life of the contract.

The table below shows the aggregate Day 1 adjustment yet to be recognised in the Income Statement over the term of the contracts:

	GROUP		PARENT	
	2014 $M	2013 $M	2014 $M	2013 $M
Opening Difference	**186.0**	634.4	**186.0**	639.7
Initial Difference on New Hedges				
NZAS 2013 Agreement	**853.2**	-	**853.2**	-
Electricity Related CfDs	**(0.2)**	0.1	**(0.2)**	0.1
Volumes Expired and differences amortised during the Period				
NZAS 2007 Agreement	**(116.1)**	(398.9)	**(116.1)**	(398.9)
NZAS 2013 Agreement	**(35.7)**	-	**(35.7)**	-
Electricity Related CfDs	**(6.8)**	(26.3)	**(6.8)**	(31.5)
Recalibration of Model for Future Price Estimates and Time				
NZAS 2013 Agreement	**31.3**	-	**31.3**	-
Electricity Related CfDs	**(0.2)**	(23.3)	**(0.5)**	(23.4)
Closing Difference	**911.5**	186.0	**911.2**	186.0

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, from 1 January 2009 all of the CfDs are classified as held for trading with movements in fair value recognised in the income statement. Upon 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 were settled monthly. Income was affected by these settlements on an accrual basis.

27. Financial Instruments *(continued)*

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 2013	-	11.3	1.4	-	(3.8)	8.9
Amount Recognised in Equity	-	(121.6)	(3.5)	-	36.4	(88.7)
Amount Removed from Equity:						
Included in Initial Cost of Assets	-	110.0	-	-	(32.0)	78.0
Recycled through the Income Statement	-	-	0.5	-	(0.1)	0.4
Closing Balance at 30 June 2014	**-**	**(0.3)**	**(1.6)**	**-**	**0.5**	**(1.4)**
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 2013	(0.9)	1.4	-	(0.2)	0.3
Amount Recognised in Equity	(51.2)	(2.2)	-	14.9	(38.5)
Amount Removed from Equity:					
Included in Initial Cost of Assets	48.7	-	-	(13.6)	35.1
Recycled through the Income Statement	-	0.5	-	(0.1)	0.4
Closing Balance at 30 June 2014	**(3.4)**	**(0.3)**	**-**	**1.0**	**(2.7)**
Ineffectiveness Recognised in the Income Statement from Cash Flow Hedges	**-**	**-**	**-**	**-**	**-**

	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)	(3.7)	-	(1.2)	2.9
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
Recycled through the Income Statement	-	-	(0.1)	-	-	(0.1)
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)*

	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)	(3.7)	-	2.8	(7.0)
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
Recycled through the Income Statement	-	(0.1)	-	-	(0.1)
Closing Balance at 30 June 2013	**(0.9)**	**1.4**	**-**	**(0.2)**	**0.3**
Ineffectiveness Recognised in the Income Statement from Cash Flow Hedges	-	-	-	-	-

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

	2014			
	LESS THAN 1 YEAR $M	1-2 YEARS $M	2-5 YEARS $M	GREATER THAN 5 YEARS $M
CCIRSs	-	(0.1)	(0.2)	-
FECs	(3.4)	-	-	-
Total Parent	(3.4)	(0.1)	(0.2)	-
FECs	3.1	-	-	-
CCIRSs	1.4	(0.3)	(0.9)	(1.5)
Total Group	**1.1**	**(0.4)**	**(1.1)**	**(1.5)**

	2013			
	LESS THAN 1 YEAR $M	1-2 YEARS $M	2-5 YEARS $M	GREATER THAN 5 YEARS $M
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**

28. Commitments

	GROUP		PARENT	
	2014 $M	2013 $M	2014 $M	2013 $M
Operating Lease Commitments				
Non Cancellable Operating Lease Payments are as follows:				
Less than One Year	**5.8**	4.6	**4.1**	3.7
Later than One Year and Not Later than Three Years	**11.5**	8.6	**8.0**	7.2
Later than Three Years and Not Later than Five Years	**8.5**	6.9	**5.9**	6.0
More than Five Years	**16.1**	3.5	**1.1**	3.3
	41.9	23.6	**19.1**	20.2

In Australia, Meridian enters into lease agreements for land when developing windfarms. These leases range up to 25 years with options to renew.

Meridian also 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.

	GROUP		PARENT	
	2014 $M	2013 $M	2014 $M	2013 $M
Capital Expenditure Commitments				
Property, Plant and Equipment	**29.9**	230.1	**25.0**	15.4
Software	**3.6**	3.9	**1.2**	3.9
	33.5	234.0	**26.2**	19.3
Less than One Year	**28.7**	182.5	**24.5**	18.3
Later than One Year and Not Later than Three Years	**4.8**	51.5	**1.7**	1.0
Later than Three Years and Not Later than Five Years	**-**	-	**-**	-
More than Five Years	**-**	-	**-**	-
	33.5	234.0	**26.2**	19.3

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.

However, Meridian Energy 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 2014).

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 $192.6 million (2013: $221.9 million).

Meridian Energy Limited signed a Parent Company Guarantee (PCG) on 30 April 2014 for the benefit of CalRENEW-1 Holdings LLC (holding company of SunEdison Inc.) The PCG related to Meridian Energy USA Inc's (MEUSA) sale of CalRENEW-1 LLC pursuant to a Unit Purchase Agreement (UPA). Under the PCG, the Parent guarantees MEUSA's obligations in the UPA, which include payment obligations and some representations and warranties. The PCG stands for three years.

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, transmission, 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 (and their related outstanding balances) occurred between the Parent and its subsidiaries. These transactions are carried out on a commercial and arm's length basis.

ENTITY	TRANSACTION	TRANSACTIONS $M	BALANCE $M	DETAILS OF TRANSACTION
Damwatch Services Limited	Consultancy Services	2.1	(0.1)	Damwatch Services Limited provided consultancy services to Meridian Energy Limited during the year (2013: $1.6 million).
Meridian Energy Captive Insurance Limited	Insurance Services	5.1	0.1	Meridian Energy Captive Insurance Limited (MECIL) received payment for insurance premiums from Meridian Energy Limited. MECIL has this policy underwritten by third parties (2013: $5.9 million).
Arc Innovations Limited	Meter Management Services	26.5	(0.1)	Arc Innovations Limited provided advanced meter management services to Meridian Energy Limited during the year (2013: $21.9 million)
Powershop New Zealand Limited	Online Electricity Retailer	7.9	(6.5)	Powershop New Zealand Limited entered into energy contracts with Meridian Energy Limited during the year (2013: $2.8 million)
Mt Mercer Windfarm Pty Limited	Foreign Exchange Contracts	2.9	-	Mt Mercer Windfarm Pty Limited entered into foreign exchange contracts with Meridian Energy Limited during the year (2013: $12.1 million)

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 available and undrawn loan facilities to Subsidiaries total $33.9 million (2013: $72.0 million).

29. Related Party Transactions *(continued))*

	PARENT	
	2014 $M	2013 $M
Loans and Advances to Subsidiaries		
Loan to Three Rivers No 1 Limited	**124.7**	380.3
Loan to Three Rivers No 2 Limited	**-**	0.8
Loan to Meridian Energy Captive Insurance Limited	**0.1**	1.9
Loan to MEL Solar Holdings Limited	**23.2**	27.0
Loan to Powershop New Zealand Limited	**-**	0.5
Other Advances to Subsidiaries	**-**	1.5
Total Loans and Advances to Subsidiaries	**148.0**	412.0
Advances from Subsidiaries		
Meridian Energy International Limited	**219.2**	219.2
Three Rivers No 2 Limited	**26.8**	-
Arc Innovations Limited	**0.1**	9.3
Damwatch Services Limited	**-**	0.3
Whisper Tech Limited	**0.2**	0.2
Powershop New Zealand Limited	**6.5**	-
Other Advances from Subsidiaries	**0.2**	-
Total Advances from Subsidiaries	**253.0**	229.0

Impairment

Loan Facilities and Advances to Subsidiaries have been impaired by a total of $5.6 million in 2014 (2013: $2.0 million), in respect of MEL Solar Holdings Limited (refer to Note 5 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	
	2014 $M	2013 $M	2014 $M	2013 $M
Directors Fees	**1.2**	0.6	**1.0**	0.5
Chief Executive Officer, Senior Management Team and Subsidiary Chief Executives:				
Salaries and Short Term Benefits	**8.6**	8.9	**6.6**	6.2
Post-Employment Benefits	**0.4**	-	**0.4**	-
Redundancy Benefits	**0.1**	-	**-**	-
Share Based Payments[1]	**0.4**	-	**0.4**	-
	9.5	8.9	**7.4**	6.2

1 Share Based Payments reflect the accrual of expected benefits for Senior Executives under the Long Term Incentive Plan outlined in Note 4.

30. Comparison to Prospective Financial Information (PFI)

Consolidated Income Statement

	GROUP	
	ACTUAL 2014 $M	FORECAST 2014 $M
Operating Revenue		
Energy Sales Revenue	**2,481.5**	2,416.8
Energy Related Services Revenue	**15.8**	13.9
Other Revenue	**11.5**	9.1
Total Operating Revenue	**2,508.8**	2,439.8
Operating Expenses		
Energy Related Expenses	**(1,130.5)**	(1,091.2)
Energy Distribution Expenses	**(427.6)**	(410.5)
Energy Transmission Expenses	**(129.3)**	(135.6)
Employee and Other Operating Expenses	**(236.1)**	(254.1)
	(1,923.5)	(1,891.4)
Earnings Before Interest, Tax, Depreciation, Amortisation, Change in Fair Value of Financial Instruments and Other Significant Items (EBITDAF)	**585.3**	548.4
Depreciation and Amortisation	**(220.0)**	(222.0)
Gain/(Loss) on Sale of Assets	**6.6**	(0.3)
Equity Accounted Earnings of Joint Ventures	**(0.4)**	-
Net Change in Fair Value of Financial Instruments Gain/(Loss) (Operational)	**(8.4)**	(15.3)
Operating Profit	**363.1**	310.8
Finance Costs and Other Finance Related Income/(Expenses)		
Net Finance Expenses	**(73.7)**	(78.1)
Net Change in Fair Value of Financial Instruments Gain/(Loss) (Financing)	**27.0**	28.3
Profit Before Tax	**316.4**	261.0
Income Tax Expense	**(86.6)**	(73.1)
Profit After Tax	**229.8**	187.9

Variance Analysis Income Statement

Profit after tax is ahead of PFI by $41.9 million (22.3%), core influences on this result include:

- Contracted sales revenue (net of distribution expenses) from retail and wholesale customers was positively impacted by additional volumes sold and better pricing to corporate and industrial customers;
- New Zealand generation production was in-line with PFI, however revenues benefited from higher than forecast average wholesale prices;
- The higher than forecast average New Zealand wholesale prices combined with a higher volume of electricity purchased from the wholesale market to support contracted customer sales negatively impacted energy related expenses;
- Employee and other operating expenses benefited from efficiency measures implemented;
- Gains made from the sale of farm land, partially offset by a loss realised on the sale of CalRENEW-1 in the USA; and
- Lower net finance costs reflecting a lower than forecast net debt position.

30. Comparison to Prospective Financial Information (PFI) *(continued)*

Consolidated Statement of Comprehensive Income

	GROUP	
	ACTUAL 2014 $M	FORECAST 2014 $M
Profit After Tax for the Year	**229.8**	187.9
Other Comprehensive Income		
Items that may be reclassified subsequently to Profit or Loss:		
Net Loss on Available for Sale Investments	**(1.4)**	-
Net Loss on Cash Flow Hedges	**(14.6)**	(13.3)
Reclassify Foreign Currency Translation Reserve to Profit & Loss	**4.9**	-
Exchange Differences Arising from Translation of Foreign Operations	**(15.1)**	-
Income Tax relating to items that may be reclassified	**4.7**	3.7
Other Comprehensive Income for the Year Net of Tax	**(21.5)**	(9.6)
Total Comprehensive Income for the Year Net of Tax	**208.3**	178.3
Total Comprehensive Income for the Year Attributable to:		
Shareholders of the Parent Company	**208.3**	178.3

Variance Analysis Consolidated Statement of Comprehensive Income

Total comprehensive income benefited from higher than forecast profit after tax (see Consolidated Income Statement variance analysis).

Exchange differences arising from translation of foreign operations reflects exchange rate movements in the year. The PFI assumed no foreign exchange movements.

30. Comparison to Prospective Financial Information (PFI) *(continued)*

Consolidated Statement of Financial Position

	GROUP	
	ACTUAL 2014 $M	FORECAST 2014 $M
Shareholders' Equity		
Share Capital	**1,598.6**	1,600.0
Reserves	**3,035.1**	3,006.3
Total Equity	**4,633.7**	4,606.3
Represented by:		
Current Assets		
Cash and Cash Equivalents	**276.4**	73.3
Accounts Receivable and Prepayments	**182.7**	266.0
Other Assets	**17.5**	69.7
Assets Classified as Held for Sale	**26.5**	-
Derivative Financial Instruments	**19.5**	33.6
Total Current Assets	**522.6**	442.6
Non-Current Assets		
Other Assets	**0.4**	0.6
Equity Accounted Joint Ventures	**0.2**	-
Intangible Assets	**54.0**	47.3
Property, Plant and Equipment	**6,929.0**	6,954.4
Deferred Tax Asset	**20.4**	12.6
Derivative Financial Instruments	**63.2**	107.9
Total Non-Current Assets	**7,067.2**	7,122.8
Total Assets	**7,589.8**	7,565.4
Current Liabilities		
Liabilities Classified as Held for Sale	**1.3**	2.6
Payables and Accruals	**235.6**	259.3
Current Tax Payable	**57.1**	21.3
Current Portion of Term Borrowings	**133.4**	133.4
Finance Lease Payable	**0.6**	-
Derivative Financial Instruments	**37.9**	29.4
Total Current Liabilities	**465.9**	446.0
Non-Current Liabilities		
Deferred Tax Liability	**1,349.7**	1,359.3
Term Borrowings	**959.1**	1,060.6
Term Payables	**0.6**	-
Provisions	**7.0**	-
Finance Lease Payable	**48.6**	5.2
Derivative Financial Instruments	**125.2**	88.0
Total Non-Current Liabilities	**2,490.2**	2,513.1
Total Liabilities	**2,956.1**	2,959.1
Net Assets	**4,633.7**	4,606.3

Variance Analysis Balance Sheet

Meridian's net assets are $27.4 million (0.6%) higher than forecast.

Movements in working capital are discussed in the Consolidated Statement of Cash Flows variance analysis.

Lower than forecast term borrowings reflects higher levels of cash which have been utilised to repay term borrowings.

30. Comparison to Prospective Financial Information (PFI) *(continued)*

Consolidated Statement of Changes in Equity

2014 ACTUAL	SHARE CAPITAL $M	SHARE OPTION RESERVE $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 2013	1,600.0	-	3,073.9	(13.2)	8.9	1.6	16.8	4,688.0
Profit for the Year	-	-	-	-	-	-	229.8	229.8
Cash Flow Hedges:								
Net Loss Taken to Equity	-	-	-	-	(14.6)	-	-	(14.6)
Available for Sale Reserve:								
Net Loss Taken to Equity	-	-	-	-	-	(1.4)	-	(1.4)
Reclassify Foreign Currency Translation Reserve to Profit and Loss	-	-	-	4.9	-	-	-	4.9
Exchange Differences Arising from Translation of Foreign Operations	-	-	-	(15.1)	-	-	-	(15.1)
Asset Revaluation Reserve Transferred to Retained Earnings	-	-	(0.1)	-	-	-	0.1	-
Income Tax Relating to Other Comprehensive Income	-	-	-	-	4.3	0.4	-	4.7
Total Comprehensive Income for the Year	**-**	**-**	**(0.1)**	**(10.2)**	**(10.3)**	**(1.0)**	**229.9**	**208.3**
Movement in Share Options	-	0.2	-	-	-	-	-	0.2
Acquisition of Treasury Shares	(1.4)	-	-	-	-	-	-	(1.4)
Dividends Paid	-	-	-	-	-	-	(261.4)	(261.4)
Balance at 30 June 2014	**1,598.6**	**0.2**	**3,073.8**	**(23.4)**	**(1.4)**	**0.6**	**(14.7)**	**4,633.7**

2014 FORECAST	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 2013	1,600.0	3,073.9	(13.2)	8.9	1.6	16.8	4,688.0
Profit for the Year	-	-	-	-	-	187.9	187.9
Cash Flow Hedges:							
Net Loss Taken to Equity	-	-	-	(13.3)	-	-	(13.3)
Available for Sale Reserve:							
Net Gain Taken to Equity	-	-	-	-	-	-	-
Transfer Cash Flow Hedge Reserve to Retained Earnings on Sale of Subsidiary	-	-	-	-	-	-	-
Exchange Differences Arising from Translation of Foreign Operations	-	-	-	-	-	-	-
Asset Revaluation Reserve Transferred to Retained Earnings	-	-	-	-	-	-	-
Deferred Tax on Revaluation Reserve	-	-	-	-	-	-	-
Income Tax Relating to Other Comprehensive Income	-	-	-	3.7	-	-	3.7
Total Comprehensive Income for the Year	**-**	**-**	**-**	**(9.6)**	**-**	**187.9**	**178.3**
Movement is Share Options	-	-	-	-	-	-	-
Acquisition of Treasury Shares	-	-	-	-	-	-	-
Dividends Paid	-	-	-	-	-	(260.0)	(260.0)
Balance at 30 June 2014	**1,600.0**	**3,073.9**	**(13.2)**	**(0.7)**	**1.6**	**(55.3)**	**4,606.3**

30. Comparison to Prospective Financial Information (PFI) *(continued)*

Consolidated Statement of Cash Flows

	GROUP	
	ACTUAL 2014 $M	FORECAST 2014 $M
Operating Activities		
Cash was Provided from:		
Receipts from Customers	**2,083.4**	2,439.6
Interest Received	**8.5**	3.9
	2,091.9	2,443.5
Cash was Applied to:		
Payments to Suppliers and Employees	**(1,480.5)**	(1,914.4)
Interest Paid	**(80.0)**	(82.7)
Income Tax Paid	**(98.6)**	(107.9)
	(1,659.1)	(2,105.0)
Net Cash Inflows from Operating Activities	**432.8**	338.5
Investment Activities		
Cash was Provided from:		
Sale of Property, Plant and Equipment	**41.1**	-
Finance Lease Receivable	**0.2**	0.2
Sale of Subsidiaries	**20.1**	-
Sale of Investments	**1.0**	-
	62.4	0.2
Cash was Applied to:		
Purchase of Property, Plant and Equipment	**(283.7)**	(381.2)
Capitalised Interest	**(9.3)**	-
Finance Lease Payable	**(0.5)**	-
Purchase of Intangible Assets	**(21.7)**	(20.8)
Purchase of Investments	**(0.6)**	-
	(315.8)	(402.0)
Net Cash Outflows from Investing Activities	**(253.4)**	(401.8)
Financing Activities		
Cash was Provided from:		
Proceeds from Borrowings	**133.7**	13.8
	133.7	13.8
Cash was Applied to:		
Shares Purchased for Long Term Incentive	**(1.0)**	-
Dividends Paid	**(261.4)**	(260.0)
Term Borrowings Paid	**(153.5)**	-
	(415.9)	(260.0)
Net Cash Outflows from Financing Activities	**(282.2)**	(246.2)
Net Decrease in Cash and Cash Equivalents	**(102.8)**	(309.5)
Cash and Cash Equivalents at Beginning of Year	**382.8**	382.8
Cash Removed on Sale of Subsidiaries	**(1.8)**	-
Effect of Exchange Rate Changes on Net Cash	**(1.8)**	-
Cash and Cash Equivalents at End of Year	**276.4**	73.3

30. Comparison to Prospective Financial Information (PFI) *(continued)*

Variance Analysis Cash Flow

Net cash generated from operating activities is $94.3 million (27.9%) higher than forecast. Core influences include:

- Stronger than forecast financial performance (see Consolidated Income Statement variance analysis);
- Closing out an aluminium swap, which was used to hedge exposures which arose in the 2007 NZAS agreement;
- Lower net finance costs; and
- Lower level of income tax paid. The PFI assumed a higher level of tax would be paid as a result of the Macarthur sale.

Net cash outflows from investing activities are $148.4 million (36.9%) lower than forecast. During the year Meridian generated cash from the sale of farm land and Meridian's USA investment. These were not included within the PFI. Additionally, the level of cash applied to capital investment is lower than forecast. This is mainly a timing difference which will reverse in the following year.

Net cash outflows from financing activities are $36.0 million (14.6%) higher than forecast, reflecting a higher than forecast level of term borrowings being repaid.

31. Subsequent Events

Dividends

On 17 August 2014 the Board declared a partially imputed final ordinary dividend of $174.8 million (6.8 cents per share), before supplementary dividends for international investors. Additionally on 17 August 2014 the Board declared a partially imputed special dividend of $51.3 million (2.0 cents per share), before supplementary dividends for international investors.

The payment of the final ordinary dividend and special dividend will not have tax consequences for the Group other than reducing the imputation credit account balance.

There have been no other material events subsequent to 30 June 2014.

32. Contingent Assets and Liabilities

Contingent Assets

There were no contingent assets at 30 June 2014 (2013: nil).

Contingent Liabilities

There were no contingent liabilities at 30 June 2014 (2013: nil).

Deloitte.

Independent Auditor's Report

To the Shareholders of Meridian Energy Limited and Group

Report on the Financial Statements for the year ended 30 June 2014

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 1 to 64, that comprise the statement of financial position as at 30 June 2014, 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 1 to 64:

- 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 2014; 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 17 August 2014. 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 did 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 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.

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 and were appointed as the investigating accountant in respect of the public offer, which are services compatible with those independence requirements which incorporate the independence requirements of the External Reporting Board. 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, these assignments and transactions within the ordinary course of trading activities of the Company and Group, we have no other relationships with, or interests in, the Company or Group.

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

Non GAAP Financial Information *for the year ended 30 June 2014*

Non GAAP Measures

In order to assist readers of Meridian's financial statements to better understand Meridian's financial performance, Meridian uses a number of non-GAAP financial measures. These measures are described below, together with reconciliations showing how these items (other than EBITDAF) are calculated from the financial statements.

Because they are not defined by NZ GAAP, IFRS, or any other body of accounting standards, Meridian's calculation may differ from similarly titled measures presented by other companies. These measures are intended to supplement the NZ GAAP measures presented in Meridian's financial statements and not as a substitute for those measures.

EBITDAF

EBITDAF is earnings before interest, tax, depreciation, amortisation, change in fair value of financial instruments, impairments, gain/(loss) on sale of assets and joint venture equity accounted earnings.

EBITDAF is reported in the income statement allowing the evaluation of Meridian's operating performance without the non-cash impact of depreciation, amortisation, fair value movements of financial instruments and other one off and/or infrequently occurring events and the effects of Meridian's capital structure and tax position. This allows better comparison of operating performance to other electricity industry companies than NZ GAAP measures that include these items.

	GROUP		
	ACTUAL 2014 $M	FORECAST 2014 $M	ACTUAL 2013 $M
EBITDAF	**585.3**	548.4	584.8

Energy Margin

Energy Margin consists of:

- revenues from sales to customers net of distribution costs, sales to large industrial customers and fixed price revenues from sell-side derivatives (contracted sales revenue);
- the net margin from the buy-side and the sell-side of the virtual asset swaps with Genesis Energy and Mighty River Power;
- the fixed cost of buy-side derivatives acquired to supplement generation and spot price risks, net of spot revenue for generation acquired from these derivatives (Net cost of acquired generation)
- revenues from the volume of electricity that Meridian generates that is in excess of volumes required to cover contracted customer sales (Spot exposed revenues)
- other associated market revenues and costs including electricity authority levies and ancillary generation revenues including frequency keeping

Energy Margin provides a measure of financial performance that, unlike total revenue, accounts for the variability of the wholesale electricity market and the broadly offsetting impact of the wholesale prices on the cost of Meridian's retail electricity purchases and revenues from generation. Meridian uses a the measure of Energy Margin within segment reporting in the notes to Meridian's financial statements.

The following tables set out the calculation of New Zealand and International Energy Margin.

	GROUP		
	ACTUAL 2014 $M	FORECAST 2014 $M	ACTUAL 2013 $M
Energy Sales Revenue	**2,481.5**	2,416.8	2,681.5
Energy Related Expenses	**(1,130.5)**	(1,091.2)	(1,361.5)
Energy Distribution Expenses	**(427.6)**	(410.5)	(404.2)
Energy Margin	**923.4**	915.1	915.8

Non GAAP Financial Information *for the year ended 30 June 2014 (continued)*

The components of Energy Margin are set out in the table below:

	GROUP		
	ACTUAL 2014 $M	FORECAST 2014 $M	ACTUAL 2013 $M
New Zealand Energy Margin			
Retail contracted sales revenue	**596.7**	575.7	597.8
Wholesale contracted sales revenue	**304.3**	280.5	372.0
Total Contracted Sales Revenue	**901.0**	856.2	969.8
VAS Margin	**16.6**	7.8	10.0
Net Cost of Acquired Generation	**(35.4)**	(22.2)	(48.3)
Meridian generation spot revenue	**790.4**	735.0	783.4
Cost to supply contracted sales	**(776.8)**	(688.3)	(852.0)
Net Spot Exposed Revenue	**13.6**	46.7	(68.6)
Other Market Revenue/(Costs)	**(4.3)**	(7.9)	2.2
New Zealand Energy Margin	**891.5**	880.6	865.1
International Energy Margin			
Contracted sales revenue	**4.3**	4.0	0.2
Generation sales revenue	**30.6**	33.1	50.6
Electricity purchase expenses	**(3.0)**	(2.6)	(0.1)
International Energy Margin	**31.9**	34.5	50.7
Energy Margin	**923.4**	915.1	915.8

Underlying Net Profit After Tax (Underlying NPAT)

Underlying NPAT is presented to enable an assessment and comparison of net profit after tax (NPAT) after removing from NPAT one-off and/or infrequently occurring events, impairments and changes in the fair value of financial instruments. In contrast to NPAT, the exclusion of these items enables a comparison of the underlying performance of Meridian across time periods.

	GROUP		
	ACTUAL 2014 $M	FORECAST 2014 $M	ACTUAL 2013 $M
NPAT	**229.8**	**187.9**	**295.1**
Net change in fair value of financial instruments – operational	**8.4**	15.3	(51.1)
Net change in fair value of financial instruments – financial	**(27.0)**	(28.3)	(42.7)
Premiums paid on electricity options (less interest)	**(20.1)**	(17.0)	(18.5)
Impairment of property, plant and equipment, investments and intangibles	**-**	-	24.8
Net (gain)/loss on sale of assets	**(6.6)**	-	(106.6)
Adjustments before tax	**(45.3)**	(30.0)	(194.1)
Net income tax adjustment	**10.1**	3.6	61.7
Underlying NPAT	**194.6**	161.5	162.7
Underlying NPAT per Share	**0.08**	0.06	0.06

Net Debt

Net debt is defined as the value of current and non current borrowings net of foreign exchange hedging, plus the value of finance lease payables, less cash and cash equivalents. Net debt is a metric commonly used by investors as a measure of Meridian's indebtedness that takes account of liquid financial assets.

	GROUP		
	ACTUAL 2014 $M	FORECAST 2014 $M	ACTUAL 2013 $M
Total borrowings net of foreign exchange hedging	**(1,145.7)**	(1,194.0)	(1,182.7)
Finance lease payables	**(49.2)**	-	-
Less cash and cash equivalents	**276.4**	73.3	382.8
Net Debt	**(918.5)**	(1,120.7)	(799.9)