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Meridian Interim Report *Financial Statements*

For the period to 31 December 2010

Income Statement

For the six months ended 31 December 2010

	NOTE	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUNE 2010 $'000
Operating Revenue				
Energy Sales	17	**1,076,981**	912,057	2,023,136
Energy Related Services Revenue		**9,781**	5,773	16,463
Other Revenue		**7,667**	7,699	22,306
Total Operating Revenue		**1,094,429**	925,529	2,061,905
Operating Expenses				
Energy Related Expenses		**(394,056)**	(289,595)	(743,625)
Energy Transmission and Distribution		**(232,175)**	(213,832)	(425,978)
Employee Expenses		**(42,801)**	(44,573)	(87,258)
Other Operating Expenses		**(72,125)**	(80,085)	(163,364)
Total Operating Expenses		**(741,157)**	(628,085)	(1,420,225)
Earnings Before Interest, Taxation, Depreciation, Amortisation and Financial Instruments (EBITDAF)		**353,272**	297,444	641,680
Net Change in Fair Value of Financial Instruments (Loss)/Gain	10	**(65,846)**	23,423	(14,872)
Foreign Exchange Contracts ('FECs') Reclassified to Profit or Loss[1]		**(1,634)**	-	(33,087)
Depreciation		**(103,388)**	(80,370)	(174,318)
Amortisation of Intangible Assets		**(7,995)**	(6,943)	(13,712)
Impairment of Property, Plant and Equipment		**(256)**	(1,200)	(1,200)
Impairment of Available for Sale Investments		**-**	(142)	-
Impairment of Intangible Assets		**-**	-	(17,136)
Gain on Sale of Property, Plant and Equipment		**330**	2,388	275
Equity Accounted Earnings of Joint Ventures		**(1,336)**	(1,298)	(2,012)
Operating Profit		**173,147**	233,302	385,618
Finance Costs and Other Finance Related Income/(Expenses)				
Finance Costs	3	**(52,383)**	(38,108)	(86,816)
Interest Income		**917**	1,012	1,730
Net Change in Fair Value of Financial Instruments Gain/(Loss)	10	**7,466**	9,465	(23,296)
Profit Before Tax		**129,147**	205,671	277,236
Income Tax Expense	4	**(44,475)**	(63,209)	(93,187)
Profit After Tax		**84,672**	142,462	184,049
Profit After Tax Attributable to:				
Shareholders of the Parent Company		**85,012**	142,898	184,852
Non-Controlling Interest		**(340)**	(436)	(803)
		84,672	142,462	184,049
Earnings Per Share from Operations Attributable to Equity Holders of the Company During the Year:				
Basic Earnings per Share ($)		**0.05**	0.09	0.12
Diluted Earnings per Share ($)		**0.05**	0.09	0.12

[1] *Includes losses on FECs, previously deferred in the cash flow hedge reserve and not expected to be recovered in one or more future periods.*

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

Statement of Comprehensive Income

For the six months ended 31 December 2010

	NOTE	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	GROUP AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
Profit After Tax for the Period		**84,672**	142,462	184,049
Other Comprehensive Income				
Revaluation Gain on Property, Plant and Equipment		**-**	-	1,213,663
Net Loss on Cash Flow Hedges		**(470)**	(21,102)	(24,279)
FECs Reclassified to Profit or Loss[1]		**1,634**	-	33,087
Net (Loss)/Gain on Available for Sale Investments		**(274)**	(43)	8
Exchange Gain/(Loss) Arising from Translation of Foreign Operations		**7,221**	(923)	(3,060)
Effect of Corporate Tax Rate Reduction on Deferred Tax	5	**18**	-	103,299
Deferred Tax Adjustment re Assets Held for Sale	5	**133,419**	-	-
Income Tax Relating to Other Comprehensive Income		**(268)**	6,346	(366,738)
Other Comprehensive Income for the Period		**141,280**	(15,722)	955,980
Total Comprehensive Income for the Period		**225,952**	126,740	1,140,029
Total Comprehensive Income for the Period Attributable to:				
Shareholders of the Parent Company		**226,292**	127,176	1,140,832
Non-Controlling Interest		**(340)**	(436)	(803)
		225,952	126,740	1,140,029

[1] *Includes losses on FECs, previously deferred in the cash flow hedge reserve and not expected to be recovered in one or more future periods.*

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

Statement of Financial Position

As at 31 December 2010

	NOTE	GROUP UNAUDITED 31 DEC 2010 $'000	GROUP UNAUDITED 31 DEC 2009 $'000	GROUP AUDITED 30 JUNE 2010 $'000
Shareholders' Equity				
Share Capital		**1,600,000**	1,600,000	1,600,000
Reserves		**3,626,776**	2,544,904	3,468,979
Equity Attributable to Shareholders of the Parent		**5,226,776**	4,144,904	5,068,979
Share Options Vested in Whisper Tech Ltd		**1,098**	1,079	1,098
Non-Controlling Interest		**267**	974	607
Total Equity		**5,228,141**	4,146,957	5,070,684
Represented by:				
Current Assets				
Cash and Cash Equivalents		**53,729**	30,588	54,394
Accounts Receivable and Prepayments		**274,463**	201,883	199,114
Inventories		**5,315**	6,041	6,029
Finance Lease Receivable		**-**	-	683
Assets Classified as Held for Sale	13	**643,912**	6,839	350
Derivative Financial Instruments	10	**15,561**	7,472	11,004
Total Current Assets		**992,980**	252,823	271,574
Non-Current Assets				
Finance Lease Receivable		**4,984**	-	4,984
Equity Accounted Joint Ventures		**803**	393	294
Available for Sale Investments		**5,882**	5,876	6,077
Derivative Financial Instruments	10	**47,356**	96,428	171,891
Intangible Assets		**50,517**	50,957	50,053
Deferred Tax Asset	5	**5,678**	547	3,399
Property, Plant and Equipment	12	**7,669,799**	6,781,299	8,207,327
Total Non-Current Assets		**7,785,019**	6,935,500	8,444,025
Total Assets		**8,777,999**	7,188,323	8,715,599
Current Liabilities				
Payables and Accruals		**256,683**	190,781	201,614
Provisions		**514**	1,729	736
Current Tax Payable		**14,574**	19,437	31,633
Current Portion of Term Borrowings	7	**129,110**	333,690	284,417
Liabilities Classified as Held for Sale		**-**	153	15
Derivative Financial Instruments	10	**12,821**	33,857	38,592
Total Current Liabilities		**413,702**	579,647	557,007
Non-Current Liabilities				
Term Borrowings	7	**1,504,060**	1,022,053	1,323,058
Term Payables		**43,354**	60,014	52,954
Derivative Financial Instruments	10	**174,081**	69,484	152,389
Deferred Tax Liability	5	**1,414,661**	1,310,168	1,559,507
Total Non-Current Liabilities		**3,136,156**	2,461,719	3,087,908
Total Liabilities		**3,549,858**	3,041,366	3,644,915
Net Assets		**5,228,141**	4,146,957	5,070,684

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

Chris Moller
Chairman, 22 February 2011

Anne Urlwin
Chair of Audit and Risk Committee, 22 February 2011

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

Statement of Changes in Equity

For the six months ended 31 December 2010

	GROUP – UNAUDITED						
	SHARE CAPITAL $'000	REVALUATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	CASH FLOW HEDGE RESERVE $'000	AVAILABLE FOR SALE RESERVE $'000	RETAINED EARNINGS $'000	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT $'000
Balance at 1 July 2010	**1,600,000**	**3,686,651**	**(2,720)**	**659**	**387**	**(215,998)**	**5,068,979**
Profit for the Period	-	-	-	-	-	85,012	85,012
Cash Flow Hedges:							
Net Gain Taken to Equity	-	-	-	(470)	-	-	(470)
FECs Reclassified to Profit or Loss	-	-	-	1,634	-	-	1,634
Available for Sale Reserve Net Loss Taken to Equity	-	-	-	-	(274)	-	(274)
Exchange Differences Arising from Translation of Foreign Operations	-	-	7,221	-	-	-	7,221
Effect of Corporate Tax Reduction on Deferred Tax	-	-	-	23	(5)	-	18
Income Tax Relating to Other Comprehensive Income	-	253	-	(349)	81	(253)	(268)
Deferred Tax on Assets Held for Sale	-	133,419	-	-	-	-	133,419
Asset Revaluation Reserve Transferred to Retained Earnings	-	(843)	-	-	-	843	-
Total Comprehensive Income for the Period	**-**	**132,829**	**7,221**	**838**	**(198)**	**85,602**	**226,292**
Dividends Paid	-	-	-	-	-	(68,495)	(68,495)
Balance at 31 December 2010	**1,600,000**	**3,819,480**	**4,501**	**1,497**	**189**	**(198,891)**	**5,226,776**

	GROUP – UNAUDITED			
	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT $'000	SHARE OPTIONS VESTED $'000	NON-CONTROLLING INTEREST $'000	TOTAL $'000
Balance at 1 July 2010	**5,068,979**	**1,098**	**607**	**5,070,684**
Profit for the Period	85,012	-	(340)	84,672
Cash Flow Hedges:				
Net Gain Taken to Equity	(470)	-	-	(470)
FECs Reclassified to Profit or Loss	1,634	-	-	1,634
Available for Sale Reserve Net Loss Taken to Equity	(274)	-	-	(274)
Exchange Differences Arising from Translation of Foreign Operations	7,221	-	-	7,221
Effect of Corporate Tax Reduction on Deferred Tax	18	-	-	18
Income Tax Relating to Other Comprehensive Income	(268)	-	-	(268)
Deferred Tax on Assets Held for Sale	133,419	-	-	133,419
Asset Revaluation Reserve Transferred to Retained Earnings	-	-	-	-
Total Comprehensive Income for the Period	**226,292**	**-**	**(340)**	**225,952**
Dividends Paid	(68,495)	-	-	(68,495)
Balance at 31 December 2010	**5,226,776**	**1,098**	**267**	**5,228,141**

Statement of Changes in Equity

For the six months ended 31 December 2010

	GROUP – UNAUDITED						
	SHARE CAPITAL $'000	REVALUATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	CASH FLOW HEDGE RESERVE $'000	AVAILABLE FOR SALE RESERVE $'000	RETAINED EARNINGS $'000	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT $'000
Balance at 1 July 2009	**1,600,000**	**2,737,092**	**340**	**(5,525)**	**380**	**(50,648)**	**4,281,639**
Profit for the Period	-	-	-	-	-	142,898	142,898
Cash Flow Hedges Net Gain Taken to Equity	-	-	-	(21,102)	-	-	(21,102)
Available for Sale Reserve Net Loss Taken to Equity	-	-	-	-	(43)	-	(43)
Exchange Differences Arising from Translation of Foreign Operations	-	-	(923)	-	-	-	(923)
Income Tax Relating to Other Comprehensive Income	-	(41)	-	6,330	16	41	6,346
Asset Revaluation Reserve Transferred to Retained Earnings	-	137	-	-	(14)	(123)	-
Total Comprehensive Income for the Period	**-**	**96**	**(923)**	**(14,772)**	**(41)**	**142,816**	**127,176**
Dividends Paid	-	-	-	-	-	(263,911)	(263,911)
Balance at 31 December 2009	**1,600,000**	**2,737,188**	**(583)**	**(20,297)**	**339**	**(171,743)**	**4,144,904**

	GROUP – UNAUDITED			
	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT $'000	SHARE OPTIONS VESTED $'000	NON-CONTROLLING INTEREST $'000	TOTAL $'000
Balance at 1 July 2009	**4,281,639**	**1,079**	**1,410**	**4,284,128**
Profit for the Period	142,898	-	(436)	142,462
Cash Flow Hedges Net Gain Taken to Equity	(21,102)	-	-	(21,102)
Available for Sale Reserve Net Loss Taken to Equity	(43)	-	-	(43)
Exchange Differences Arising from Translation of Foreign Operations	(923)	-	-	(923)
Income Tax Relating to Other Comprehensive Income	6,346	-	-	6,346
Total Comprehensive Income for the Period	**127,176**	**-**	**(436)**	**126,740**
Dividends Paid	(263,911)	-	-	(263,911)
Balance at 31 December 2009	**4,144,904**	**1,079**	**974**	**4,146,957**

Cash Flow Statement

For the six months ended 31 December 2010

	NOTE	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	GROUP AUDITED 12 MONTHS ENDED 30 JUNE 2010 $'000
Operating Activities				
Cash was Provided from:				
Receipts from Customers		**1,022,861**	907,331	2,050,950
Net GST Received		**32**	4,191	1,009
Interest Received		**917**	1,012	1,730
		1,023,810	912,534	2,053,689
Cash was Applied to:				
Payments to Suppliers and Employees		**(695,258)**	(621,822)	(1,420,472)
Interest Paid		**(50,863)**	(39,472)	(80,512)
Income Tax Paid		**(75,474)**	(56,807)	(100,881)
		(821,595)	(718,101)	(1,601,865)
Net Cash Inflows from Operating Activities	6	**202,215**	194,433	451,824
Investment Activities				
Cash was Provided from:				
Sale of Property, Plant and Equipment		**954**	6,159	11,092
Sale of Investments		**-**	931	924
Finance Lease Receivable		**683**	-	-
		1,637	7,090	12,016
Cash was Applied to:				
Purchase of Property, Plant and Equipment		**(213,158)**	(114,633)	(196,944)
Capitalised Interest	3	**(5,066)**	(5,850)	(10,082)
Purchase of Subsidiaries		**-**	-	(245,828)
Purchase of Intangible Assets		**(8,206)**	(14,072)	(17,523)
Investment in Associates		**(2,109)**	-	-
Purchase of Investments		**(78)**	-	(8)
		(228,617)	(134,555)	(470,385)
Net Cash Outflows from Investing Activities		**(226,980)**	(127,465)	(458,369)
Financing Activities				
Cash was Provided from:				
Proceeds from Borrowings		**380,036**	470,408	564,281
		380,036	470,408	564,281
Cash was Applied to:				
Term Borrowings Paid		**(287,441)**	(290,754)	(197,727)
Dividends Paid		**(68,495)**	(263,911)	(353,492)
		(355,936)	(554,665)	(551,219)
Net Cash Inflows/(Outflows) from Financing Activities		**24,100**	(84,257)	13,062
Net (Decrease)/Increase in Cash and Cash Equivalents		**(665)**	(17,289)	6,517
Cash and Cash Equivalents at Beginning of Period		**54,394**	47,877	47,877
Cash and Cash Equivalents at End of Period		**53,729**	30,588	54,394

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

Notes to the Condensed Interim Financial Statements

For the six months ended 31 December 2010

Contents

1 Summary of Accounting Policies

Reporting Entity and Statement of Compliance

Meridian Energy Ltd (the 'Company') is domiciled in New Zealand and registered under the Companies Act 1993. The shares in Meridian Energy Ltd are held in equal numbers by the Minister for State-Owned Enterprises and the Minister of Finance, on behalf of Her Majesty the Queen in Right of New Zealand ('the Crown') under the State-Owned Enterprises Act 1986.

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

The condensed interim financial statements comprise those of Meridian Energy Ltd (the 'Parent') and its subsidiaries (together referred to as 'Meridian' or 'Group'). The reporting period for these financial statements is the six months ended 31 December 2010.

The financial statements were authorised for issue by the Directors on 22 February 2011.

Basis of Preparation

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

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

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

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 30 June 2010 except for the additional new Standards, which are now effective as follows:

- *NZ IFRS 2 (Amendment) Share-Based Payments: Group Cash Settled Share Based Payment Transactions* – effective for annual reporting periods beginning on or after 1 January 2010
- *NZ IAS 32 (Amendment) Financial Instruments: Presentation – Classification of Rights Issues* – effective for annual reporting periods beginning on or after 1 February 2010
- *NZ IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments* – effective for annual reporting periods beginning on or after 1 July 2010
- Improvements to New Zealand Equivalents to International Financial Reporting Standards 2009 – effective for annual reporting periods beginning on or after various dates
- Improvements to New Zealand Equivalents to International Financial Reporting Standards 2010 – effective for annual reporting periods beginning on or after various dates
- Improvements to NZ IFRS 3 and NZ IAS 27 – effective 1 July 2010
- Other improvements – effective 1 January 2010

The standards identified above do not have an impact on the reported results or financial position of the Group.

Day 1 Adjustment

Where a valuation technique that incorporates unobservable inputs is used to fair value electricity contracts for differences ('CfDs'), and this fair value results in a fair value at inception that is different from its cost, the valuation model is recalibrated by a fixed percentage to result in the cost value of the CfDs at inception. This recalibration adjustment is then applied to future valuations over the life of the contract.

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 and income and expenses, and these are consistent with those applied in the preparation of the Group's financial statements for the year ended 30 June 2010. 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. A revision of the accounting estimate is recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are in relation to forecast earnings and multiples used to value the generation structures and plant assets and price path estimates, including electricity, aluminium and estimates for inflation and discount rates, which have been used to fair value the energy derivatives. In addition, accounting judgements are made in respect of the hedge designations of certain financial instruments, assessments of hedge effectiveness and the impacts of tax rate changes on deferred tax balances.

2 Segment Reporting

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

The Chief Executive assesses the performance of the operating segments on a measure of EBITDAF. Segment EBITDAF represents profit earned by each segment without the allocation of central administration costs, Directors' salaries, share of profits of joint ventures, changes in fair value of financial instruments, finance costs and income tax expenses.

With the growth of Meridian's international generation business, the Chief Executive now considers the business from the perspective of three reportable segments, being Wholesale, Retail and International.

Revenues are derived from external customers within New Zealand, Australia and the United States of America. Meridian sells approximately 35% of its generation output to a single customer. The revenues received from this customer are attributable to the Wholesale segment.

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

The accounting policies of the reportable segments are the same as Meridian's accounting policies applied in the preparation of the Group financial statements for the year ended 30 June 2010.

Wholesale Segment

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

Wholesale revenues received from generation reflect the spot prices received from the wholesale electricity market at the relevant grid injection points, and revenue received from large industrial customers.

Since the last reporting date, costs to develop New Zealand renewable generation opportunities are now reported as part of the Wholesale operating segment as it has been determined they have similar long-term economic characteristics. In the previous period these costs were included in Other Segments.

Retail Segment

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

The Retail segment purchases electricity from the wholesale electricity market at spot prices at the relevant grid exit points.

Since the last reporting date, Powershop New Zealand Ltd is reported as part of the Retail segment as it has been determined they have similar long-term economic characteristics. In the previous period Powershop New Zealand Ltd was included in Other Segments.

International Generation Segment

The International Generation segment comprises Meridian's Australian and United States operations.

Since the last reporting date, International Generation subsidiaries is now a separate reportable segment. In the previous period this was included in Other Segments.

Other Segments

Other operations, which are not considered reportable segments, include Meridian's portfolio of subsidiaries that provide micro combined heat and power technologies, home energy efficiency products and services, energy solutions to industry and dam consultancy services. The results of these segments are included in 'Other Segments'.

Since the last reporting date, EFI is reported as part of Other Segments. In the previous period this was included in Wholesale Segment.

Unallocated Corporate

Unallocated Corporate encompasses Meridian's business functions and company-wide costs, such as insurance, that provide support to the Wholesale, Retail, International Generation, Other Segments and Meridian's non-operating subsidiaries.

Comparative figures have been restated to reflect the above changes.

The Segment Information Provided to the Chief Executive for the Reportable Segments for the Six Months Ended 31 December 2010 is as follows:

	WHOLESALE $'000	RETAIL $'000	INTERNATIONAL GENERATION $'000	OTHER SEGMENTS $'000	UNALLOCATED CORPORATE $'000	**TOTAL $'000**
Total Segment Revenue	536,161	532,518	10,837	18,850	191	1,098,557
Inter-Segment Revenue	(2,883)	-	-	(1,245)	-	(4,128)
Revenue from External Customers	533,278	532,518	10,837	17,605	191	1,094,429
EBITDAF	**296,743**	**87,230**	**4,659**	**(1,771)**	**(33,589)**	**353,272**
Equity Accounted Earnings of Joint Ventures	-	-	-	(1,336)	-	(1,336)
Additions to Non-Current Assets	134,012	5,691	67,413	1,272	2,156	210,544
Total Assets	7,847,068	194,776	457,838	75,525	202,792	8,777,999

Notes to the Condensed Interim Financial Statements continued

For the six months ended 31 December 2010

The Segment Information Provided to the Chief Executive for the Reportable Segments for the Six Months Ended 31 December 2009 is as follows:

	WHOLESALE $'000	RETAIL $'000	INTERNATIONAL GENERATION $'000	OTHER SEGMENTS $'000	UNALLOCATED CORPORATE $'000	**TOTAL $'000**
Total Segment Revenue	417,834	493,427	-	15,454	106	926,821
Inter-Segment Revenue	-	-	-	(1,292)	-	(1,292)
Revenue from External Customers	417,834	493,427	-	14,162	106	925,529
EBITDAF	**229,025**	**118,223**	**(2,208)**	**(5,315)**	**(42,281)**	**297,444**
Equity Accounted Earnings of Joint Ventures	-	-	-	(1,298)	-	(1,298)
Additions to Non-Current Assets	74,057	5,777	38,253	940	4,212	123,239
Total Assets	6,629,465	184,278	100,517	45,998	228,065	7,188,323

The Segment Information Provided to the Chief Executive for the Reportable Segments for the Year Ended 30 June 2010 is as follows:

	WHOLESALE $'000	RETAIL $'000	INTERNATIONAL GENERATION $'000	OTHER SEGMENTS $'000	UNALLOCATED CORPORATE $'000	**TOTAL $'000**
Total Segment Revenue	1,033,338	993,656	1,583	38,088	521	2,067,186
Inter-Segment Revenue	(2,037)	-	-	(3,045)	(199)	(5,281)
Revenue from External Customers	1,031,301	993,656	1,583	35,043	322	2,061,905
EBITDAF	**590,770**	**137,688**	**(11,080)**	**(7,889)**	**(67,809)**	**641,680**
Equity Accounted Earnings of Joint Ventures	-	-	-	(2,012)	-	(2,012)
Additions to Non-Current Assets	146,719	267	294,364	1,116	21,382	463,848
Total Assets	7,869,475	178,617	374,072	31,132	262,303	8,715,599

Information Relating to Geographical Area Operations

	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
Total Revenue in:			
New Zealand	**1,083,592**	925,529	2,060,203
Australia	**9,196**	-	1,060
United States of America	**1,641**	-	642
	1,094,429	925,529	2,061,905

	UNAUDITED 31 DEC 2010 $'000	UNAUDITED 31 DEC 2009 $'000	AUDITED 30 JUN 2010 $'000
Non Current Assets Held:			
New Zealand	**7,381,249**	6,834,983	8,165,800
Australia	**365,001**	64,221	235,512
United States of America	**38,769**	36,296	42,713
	7,785,019	6,935,500	8,444,025

Reconciliation of EBITDAF to Profit Before Tax Provided as follows:

	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
EBITDAF for Reportable Segments	**388,632**	345,040	717,378
Other Segments EBITDAF	**(1,771)**	(5,315)	(7,889)
Unallocated EBITDAF	**(33,589)**	(42,281)	(67,809)
Total Group EBITDAF	**353,272**	297,444	641,680
Unrealised Net (Loss)/Gain on Financial Instruments	**(58,380)**	32,888	(38,168)
FECs Reclassified to Profit or Loss	**(1,634)**	-	(33,087)
Depreciation	**(103,388)**	(80,370)	(174,318)
Amortisation of Intangible Assets	**(7,995)**	(6,943)	(13,712)
Impairment of Property, Plant and Equipment	**(256)**	(1,200)	(1,200)
Impairment of Available for Sale Investments	**-**	(142)	-
Impairment of Intangible Assets	**-**	-	(17,136)
Gain on Sale of Property, Plant and Equipment	**330**	2,388	275
Equity Accounted Earnings of Joint Ventures	**(1,336)**	(1,298)	(2,012)
Finance Costs and Other Finance Expenses	**(51,466)**	(37,096)	(85,086)
Profit Before Tax	**129,147**	205,671	277,236

Reportable Segments' Assets are Reconciled to Total Group Assets as follows:

	UNAUDITED 31 DEC 2010 $'000	UNAUDITED 31 DEC 2009 $'000	AUDITED 30 JUN 2010 $'000
Segment Assets for Reportable Segments	**8,499,682**	6,914,260	8,422,164
Other Segment Assets	**75,525**	45,998	31,132
Unallocated Assets:			
Cash and Cash Equivalents	**25,638**	15,177	33,739
Finance Lease Receivables	**4,984**	-	5,667
Derivative Financial Instruments	**10,884**	25,719	83,387
Available for Sale Investments	**5,874**	5,876	6,069
Intangible Assets	**15,276**	12,576	11,957
Property, Plant and Equipment	**164,313**	191,866	152,932
Other Assets	**12,759**	6,743	6,272
Intercompany Loans Included in Other Segment Assets	**(36,936)**	(29,892)	(37,720)
Total Assets	**8,777,999**	7,188,323	8,715,599

The amounts provided to the Chief Executive with respect to assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

3 Finance Costs

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
Interest on Borrowings	**57,449**	43,958	96,898
Less Capitalised Interest	**(5,066)**	(5,850)	(10,082)
	52,383	38,108	86,816

4 Income Tax Expense

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
Current Tax	**58,431**	48,024	103,913
Deferred Tax	**(13,956)**	15,185	(10,726)
Income Tax Expense	**44,475**	63,209	93,187
Income Tax Expense Can be Reconciled to Accounting Profit as Follows:			
Profit Before Tax	**129,147**	205,671	277,236
Income Tax at 30%	**38,744**	61,701	83,171
Tax Effect of Expenditure Not Deductible for Tax	**2,137**	184	4,292
Tax Effect of Income Not Subject to Tax	**(135)**	-	(34)
Effect of Held For Sale Reclassification on Deferred Tax Liability	**2,914**	-	-
Income Tax Over Provided in Prior Period	**-**	-	(381)
Effect of Corporate Tax Rate Reduction on Deferred Tax Liability	**930**	-	(9,442)
Effect of Change in Building Tax Depreciation	**-**	-	14,748
Other	**(115)**	1,324	833
Income Tax Expense	**44,475**	63,209	93,187

5 Deferred Tax Liability

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

	GROUP		
	UNAUDITED 31 DEC 2010 $'000	UNAUDITED 31 DEC 2009 $'000	AUDITED 30 JUN 2010 $'000
Balance at Beginning of Period	**1,556,108**	1,300,782	1,300,782
Movement in Temporary Differences Recognised in:			
– Income Statement	**(14,886)**	15,185	(16,032)
– Equity	**268**	(6,346)	366,738
– Deferred Tax on Acquisition of Subsidiary	**-**	-	2,613
Effect of Held for Sale Reclassification on Revaluation Reserve[1]	**(133,419)**	-	-
Effect of Corporate Tax Rate Reduction on:			
– Income Tax Expense	**930**	-	(9,442)
– Revaluation Reserve	**-**	-	(103,270)
– Cash Flow Hedge Reserve	**(23)**	-	(18)
– Available for Sale Reserve	**5**	-	(11)
Effect of Building Tax Depreciation Charge	**-**	-	14,748
	1,408,983	1,309,621	1,556,108
Consisting of Temporary Differences on the Following:			
Property, Plant and Equipment	**1,467,858**	1,333,024	1,607,115
Financial Instruments	**(41,085)**	(1,824)	(23,505)
Term Payables	**(22,595)**	(18,004)	(22,595)
Other	**4,805**	(3,575)	(4,907)
	1,408,983	1,309,621	1,556,108

[1] *This represents the reversal of the deferred tax liability previously recorded on the revaluation of Tekapo A and B power stations, which are now expected to be sold during 2011 (refer note 13).*

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

	GROUP		
	UNAUDITED 31 DEC 2010 $'000	UNAUDITED 31 DEC 2009 $'000	AUDITED 30 JUN 2009 $'000
Deferred Tax Liability	**1,414,661**	1,310,168	1,559,507
Deferred Tax Asset	**(5,678)**	(547)	(3,399)
	1,408,983	1,309,621	1,556,108

6 Reconciliation of Profit for the Period to Net Cash Flows from Operating Activities

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
Profit After Tax for the Period	**84,672**	142,462	184,049
Adjustments for Non-Cash Items:			
Depreciation	**103,388**	80,370	174,318
Amortisation of Intangible Assets	**7,995**	6,943	13,712
Total Net Change in Fair Values of Financial Instruments Loss/(Gain)	**60,014**	(32,888)	71,255
Less: Cash Payments of Option Premiums	**(8,014)**	-	(10,686)
Net Non-Cash Movement in Fair Values of Financial Instruments	**52,000**	(32,888)	60,569
Movement in Deferred Tax	**(13,956)**	15,185	(10,726)
Share-Based Payments	**-**	-	19
Equity Accounted Earnings of Joint Venture	**1,336**	1,298	2,012
Other Non-Cash Items	**310**	(280)	-
	151,073	70,628	239,904
Items Classified as Investing Activities:			
Net Gain on Sale of Property, Plant and Equipment	**(330)**	(2,388)	(275)
Impairment of Property, Plant and Equipment	**256**	1,200	1,200
Impairment of Intangibles	**-**	-	17,136
Impairment of Investments	**-**	142	-
	(74)	(1,046)	18,061
Items Classified as Financing Activities:			
Amortisation of Prepaid Debt Facility Fees	**48**	638	(593)
	48	638	(593)
Changes in Working Capital Items			
Increase in Trade and Other Receivables	**(75,349)**	(13,727)	(10,958)
Decrease in Inventory	**714**	1,258	1,270
Increase in Payables and Accruals	**58,412**	2,467	17,135
(Decrease)/Increase in Provisions	**(222)**	357	(636)
(Decrease)/Increase in Current Tax Payable	**(17,059)**	(8,604)	3,592
	(33,504)	(18,249)	10,403
Net Cash Flow from Operating Activities	**202,215**	194,433	451,824

7 Borrowings

During the six months ended 31 December 2010 additional debt was sourced by drawing down a further net $10.0 million from committed bank facilities and $100 million from the Danish Export Credit Facility. There was also a $12.8 million increase in the Australian Term Debt during the period due to foreign exchange movements upon translation to NZD.

The fair value of the $704.6 million US private placement loan has decreased $79.7 million owing to movements in the foreign exchange rates affecting the fair value of the loan (offset by the fair value movements of the related cross-currency interest rate swaps ('CCIRSs')) for the six months ended 31 December 2010.

Renewable Energy Notes ('RENs') are short-term debt obligations issued for terms of 18 months or less and are issued under the Prospectus, of which the current version was registered on 1 October 2010. $23.0 million in RENs was issued during the period of six months ending 31 December 2010, and $40.4 million was repaid.

Meridian had $300.0 million of bank facilities maturing in December 2010. These have been replaced with $150.0 million four-year and $150.0 million five-year committed bank facilities. As at 31 December 2010 Meridian had undrawn committed bank facilities of $575.9 million. The expiries of these facilities range from May 2011 to October 2026.

8 Financial Risk Management

Meridian's activities expose it to a variety of financial risks: market risk (including electricity price risk, currency risk and interest rate risk), credit risk and liquidity 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. Meridian uses derivative financial instruments including FECs, CCIRSs, currency options, interest rate swaps ('IRSs') and CfDs to hedge certain risk exposures.

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

Foreign Exchange Risk

Meridian borrows in foreign currencies and is exposed to foreign exchange risks, primarily in respect of the US and Australian dollars. Meridian's policy is to hedge 100% of the foreign currency exposures of both interest and principal repayments. This is achieved through CCIRSs that swap all foreign currency denominated interest and principal repayments with New Zealand denominated floating exposures over the lives of the borrowings.

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

In addition, Meridian incurs capital expenditure denominated in foreign currencies, which exposes Meridian to foreign exchange risk primarily in respect of US dollars, Japanese yen, Australian dollars and the Euro. Capital projects that are approved by the Board are hedged 100% whilst capital projects that are anticipated but not approved are hedged up to 50% based on treasury limits. All committed foreign currency exposures of greater than $100,000 NZD equivalent are hedged. Meridian hedges the foreign exchange risk through a combination of foreign exchange forward contracts and options, and where appropriate has designated these as cash flow hedges.

Interest Rate Risk

Meridian's main interest rate risk arises from long-term borrowings, which are issued at both fixed interest rates and floating interest rates. In addition, as described in the section above, the combination of foreign denominated borrowings and CCIRSs results in an exposure to floating New Zealand interest rates.

Meridian manages its interest rate exposure on a net grouped basis by first entering into a number of 'fixed to floating' IRSs to reflect a floating interest rate exposure for all borrowings, then fixing interest rates on portions of the borrowings (in relation to both face amounts and tenor) by entering into a number of 'floating to fixed' IRSs.

Meridian has not hedge accounted the IRSs.

Electricity Price Risk

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

Although Meridian considers itself economically hedged in relation to electricity price risk, prior to 1 January 2009 it decided to meet the requirements to enable it to adopt hedge accounting for a portion of its CfDs. Effective 1 January 2009, Meridian no longer met the requirements to enable it to adopt hedge accounting for any of its CfDs. Consequently 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.

Credit Risk

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

Liquidity Risk

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

9 NZAS Agreement

On 1 October 2007, Meridian and New Zealand Aluminium Smelters ('NZAS') entered into an electricity price agreement (which includes a CfD) based on 572MW of continuous consumption at the smelter. The agreement is for a period of up to 18 years and will take effect from 1 January 2013.

Under an existing contract that expires in 2012, Meridian is responsible for delivered energy supply to the smelter. This means Meridian is responsible for the electricity, its quality, and its transmission to the smelter.

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

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

Meridian considers this formula will best ensure that the electricity price NZAS pays remains competitive for electricity demand of the unique type created by the smelter, while recognising both the commodity-price-driven cycles of NZAS's business environment and the wholesale electricity price cycles to which Meridian is exposed.

The increase in price and reduction in transmission risk under the new agreement result in a substantial improvement in the core pricing and risk profile when compared with the existing supply contract.

Accounting Treatment of NZAS Contract

Under the new agreement, the arrangement with NZAS includes a CfD, which is accounted for at fair value in accordance with NZ IAS 39: *Financial Instruments: Recognition and Measurement*. Subsequent fair value changes are recognised in the income statement.

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

Whilst there are projected negative cash flows on the CfD against Meridian's forecast forward price curve, it is expected that the entire arrangement with NZAS will have a positive impact on Meridian's cash flows that will more than offset the settlements expected under the CfD.

At 31 December 2010, the Carrying Value of the CfD is as Follows:

	GROUP		
	UNAUDITED 31 DEC 2010 $'000	UNAUDITED 31 DEC 2009 $'000	AUDITED 30 JUN 2010 $'000
Present Value of Estimated Cash Flows	(584,353)	(517,482)	(602,175)
Less: Day 1 Adjustment[1]	514,970	514,970	514,970
	(69,383)	(2,512)	(87,205)

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

10 Derivative Financial Instruments

	GROUP		
	UNAUDITED 31 DEC 2010 $'000	UNAUDITED 31 DEC 2009 $'000	AUDITED 30 JUN 2010 $'000
Current Assets			
Foreign Exchange Contracts	**4,771**	213	252
Electricity Derivatives	**10,790**	7,259	10,752
	15,561	7,472	11,004
Non-Current Assets			
Interest Rate Swaps/Options	**12,695**	18,893	9,178
Cross-Currency Interest Rate Swaps	**-**	6,613	74,209
Electricity Derivatives	**34,661**	70,922	88,504
	47,356	96,428	171,891
Current Liabilities			
Interest Rate Swaps/Options	**-**	3,442	36
Foreign Exchange Contracts	**8,360**	24,921	33,935
Electricity Derivatives	**4,461**	5,494	4,621
	12,821	33,857	38,592
Non-Current Liabilities			
Interest Rate Swaps/Options	**46,575**	24,140	50,696
Cross-Currency Interest Rate Swaps	**8,936**	-	-
Foreign Exchange Contracts	**48**	3,401	85
Electricity Derivatives	**118,522**	41,943	101,608
	174,081	69,484	152,389

Notes to the Condensed Interim Financial Statements continued

For the six months ended 31 December 2010

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

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
Cross-Currency Interest Rate Swaps	**(79,922)**	(76,046)	(9,942)
Borrowings	**79,744**	76,410	10,349
	(178)	364	407
Interest Rate Swaps	**7,644**	9,466	(23,399)
Cross-Currency Interest Rate Swaps (Margin)	**-**	(365)	(304)
Net Change in Fair Values of Financial Instruments Gain/(Loss) Included in Other Finance Related Expenses	**7,466**	9,465	(23,296)
Foreign Exchange Contracts	**(109)**	(485)	(198)
CfDs – NZAS Contract	**17,822**	65,532	(19,162)
CfDs – Aluminium	**(34,796)**	(32,995)	(4,097)
CfDs – Electricity	**(48,763)**	(8,629)	8,585
Net Change in Fair Value of Financial Instruments (Loss)/Gain on Financial Instruments Included in Operating Profit	**(65,846)**	23,423	(14,872)
Total Net Change in Fair Value of Financial Instruments (Loss)/Gain	**(58,380)**	32,888	(38,168)

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
Total Amount of Change in Fair Values of Level 3 Financial Instruments Recognised in the Income Statement[1]	**(33,594)**	65,532	(7,497)

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

Cash Flow Hedge Reserve

The effective portion of changes in the fair values of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve. The movement in the cash flow hedge reserve for the six months ended 31 December 2010 of ($0.8) million is net of tax (December 2009 ($14.8) million, June 2010 $6.2 million).

This movement comprises the realised and unrealised changes in the fair values of electricity derivatives of ($0.3) million (December 2009 $0.2 million, June 2010 $1.2 million), the reclassification of FECs to profit or loss of $1.6 million (December 2009 nil, June 2010 $33.1 million) and the realised and unrealised changes in fair values of treasury derivatives (foreign exchange contracts and CCIRSs) of ($0.5) million (December 2009 ($15.0) million, June 2010 $5.0 million).

11 Dividends Paid

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
2009 Final Dividend Paid	**-**	263,911	263,912
2010 Interim Dividend Paid	**-**	-	89,580
2010 Final Dividend Paid	**68,495**	-	-
	68,495	263,911	353,492

12 Property, Plant and Equipment

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
Additions at Cost	**202,339**	120,483	443,712
Carrying Value of Disposals (Including Those Classified as Held for Sale)	**624**	3,771	10,797
Proceeds of Disposals (Including Those Classified as Held for Sale)	**954**	6,159	11,092

13 Assets Classified as Held For Sale

As at 31 December 2010 the Tekapo A and B power stations, which will be sold to Genesis Energy during 2011 (refer to note 18), have been classified as held for sale at their current book value, as determined by independent valuers Pricewaterhousecoopers at 30 June 2010. The value of the Tekapo assets represents a stand-alone valuation excluding any allocation of corporate overheads.

Prior period assets classified as held for sale relate to land, buildings and land improvements originally purchased for anticipated hydro projects.

Prior period liabilities classified as held for sale represent the estimated disposal costs of the assets classified as held for sale.

14 Investments in Subsidiaries and Controlled Entities

During the six months ended 31 December 2010, the Energy for Industry business that was previously operated within Meridian Energy Limited was transferred into the subsidiary Energy for Industry Limited.

During the six months ended 31 December 2010, Meridian entered into a 50/50 joint venture arrangement with AGL Energy Limited for the construction of the 420MW Macarthur wind farm in south-west Victoria. The project is expected to cost AUD$1 billion (Meridian's 50% share being AUD$0.5 billion) with construction expected to take three years. During the six months ended 31 December 2010, AUD$50 million was spent in respect of the joint venture arrangement and it is capitalised as capital work in progress, which forms part of Property, Plant and Equipment in the statement of financial position.

During the six months ended 31 December 2010, Meridian Energy Australia Pty Limited changed its name to Meridian Wind Macarthur Holdings Pty Limited and Meridian Renewables Pty Limited changed its name to Meridian Energy Australia Pty Limited.

Notes to the Condensed Interim Financial Statements continued

For the six months ended 31 December 2010

15 Commitments

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
Capital Expenditure Commitments			
Property, Plant and Equipment	**616,353**	99,209	107,375
Software	**350**	26	11,485
	616,703	99,235	118,860

Guarantees

Meridian Wind Macarthur Holdings Pty Limited has various obligations arising from the joint venture with AGL Energy Limited (discussed in note 14 and disclosed above). These include performance and funding obligations under the joint venture deed, obligations to contractors in relation to the construction of the wind farm, and obligations under various landowner agreements. Meridian Energy Limited has provided various guarantees and letters of comfort to the relevant parties that effectively guarantee the obligations of Meridian Wind Macarthur Holdings Pty Limited.

16 Subsequent Events

On 22 February 2011 the Board declared a fully imputed dividend of $94.2 million payable on 29 April 2011. The dividend has not been included as a liability in these financial statements. The payment of the dividend will not have tax consequences for the Group other than reducing the imputation credit balance.

There have been no other material events subsequent to 31 December 2010.

17 Contingent Assets and Liabilities

There were no contingent assets or liabilities at 31 December 2010.

The arbitration between Meridian and RTA Power (NZ) Limited was settled in October 2010 for a sum of $28.1 million (net of legal costs) and this is included in Energy Sales in the income statement.

18 Ministerial Review

The Government announced the initial outcomes of the Electricity Market Ministerial Review in early December 2009. The recommendations included the sale of Tekapo A and B power stations to Genesis Energy and the establishment of Virtual Asset Swap (VAS) agreements (long-term swaps of electricity) between Meridian in the South Island and Genesis Energy and Mighty River Power in the North Island. During December 2010 Meridian was issued a Ministerial Direction to sign the VAS agreements taking effect from January 2011. The sale of Tekapo A and B power stations is expected to occur in the second half of this financial year.

Review Report of the Auditor-General to the Readers of the Condensed Group Interim Financial Statements of Meridian Energy Limited

We have reviewed the condensed consolidated interim financial statements on pages 1 to 19. The condensed consolidated interim financial statements provide information about the past financial performance of Meridian Energy Limited and its subsidiaries (the 'Group') and its financial position as at 31 December 2010. This information is stated in accordance with the Group's NZ IFRS accounting policies.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of condensed interim financial statements which present fairly the financial position of the Group as at 31 December 2010 and the results of its operations and cash flows for the six months ended on that date.

Reviewers' Responsibilities

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

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

Basis of Opinion

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

We have reviewed the condensed interim financial statements of the Group for the six months ended 31 December 2010 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants. These standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement.

Our firm carries out other assignments for the Group in the area of other assurance services on behalf of the Auditor-General. In addition to this, principals and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. The firm has no other relationship with, or interest in, the Group.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements on pages 1 to 19 do not present fairly the financial position of the Group as at 31 December 2010 and the results of its operations and cash flows for the six months ended on that date in accordance with both IAS 34: *Interim Financial Reporting* and NZ IAS 34, *Interim Financial Reporting*.

Our review was completed on 22 February 2011 and our review opinion is expressed as at that date.

Yours sincerely

J Schmidt

Jamie Schmidt
DELOITTE
ON BEHALF OF THE AUDITOR-GENERAL
WELLINGTON, NEW ZEALAND

This review report relates to the unaudited condensed group interim financial statements of Meridian Energy Limited for the six months ended 31 December 2010 included on Meridian Energy Limited's website. The Board of Directors is responsible for the maintenance and integrity of Meridian Energy Limited's website. We have not been engaged to report on the integrity of Meridian Energy Limited's website. We accept no responsibility for any changes that may have occurred to the unaudited condensed group interim financial statements since they were initially presented on the website. The review report refers only to the unaudited condensed group interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited condensed group interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the reviewed unaudited group consolidated interim financial statements and related review report dated 22 February 2011 to confirm the information included in the reviewed unaudited condensed group interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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Directors

Chris Moller *Chairman*
Raymond Watson *Deputy Chairman*
Mary Devine
Catherine Drayton
Stephen Reindler
Brett Shepherd
Anne Urlwin

Senior Management Group

Tim Lusk *Chief Executive*
Neal Barclay
Paul Chambers
Bill Highet
Glen McLatchie
Kate Peterson
Andrew Robertson
Ken Smales
Jason Stein
Guy Waipara

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