meridian

Meridian Energy Limited

Interim Report

FOR THE PERIOD TO 31 DECEMBER 2011

Overview

PERFORMANCE SUMMARY

MERIDIAN GROUP PERFORMANCE IN BRIEF		6 MONTHS ENDED 31 DEC 2011	6 MONTHS ENDED 31 DEC 2010	PERIOD CHANGE	YEAR ENDED 30 JUNE 2011
Net Profit/(Loss) after Tax[1]	$m	9.2	84.7	(75.5)	303.1
Underlying Net Profit after Tax[2]	$m	98.9	123.4	(24.5)	219.0
EBITDAF[3]	$m	294.3	353.3	(59.0)	659.9
EBITDAF per MWh[4]	$ per MWh	46.83	51.25	(4.4)	47.74

NOTES

1 Net profit/(loss) after tax includes unrealised gains (losses) on financial instruments.

2 Underlying net profit/(loss) after tax excludes unrealised fair value movements and other one-off items.

3 EBITDAF – earnings before interest, taxation, depreciation, amortisation, change in fair value of financial instruments and other significant items.

4 EBITDAF per megawatt hour (MWh) generated by our New Zealand and international hydro power stations, wind and solar farms.

EBITDAF

$294.3M

17% decrease from the same period last year

EBITDAF PER MWh

$46.83

Tracking ahead of Statement of Corporate Intent target

LOST-TIME INJURY RATE

1.8

Well below industry average

RETAIL

TOTAL RETAIL ICPs

283,157

Customer installation control points (ICPs)

NORTH ISLAND ICP GROWTH

5%

Increase in North Island ICPs since June 2011

POWERSHOP ICP GROWTH

25%

Growth of Powershop ICPs since June 2011

GENERATION

	TOTAL PLANT CAPACITY (MW*)	TOTAL GWh** GENERATED 6 MONTHS ENDED DEC 2011	TOTAL GWh** GENERATED 6 MONTHS ENDED DEC 2010	TOTAL GWh** GENERATED YEAR ENDED JUNE 2011
NEW ZEALAND	2,808	6,190	6,804	13,652
INTERNATIONAL	75	94	90	172

*Megawatt **Gigawatt hours

Hydro 5,567 GWh GENERATED

Wind 712 GWh GENERATED

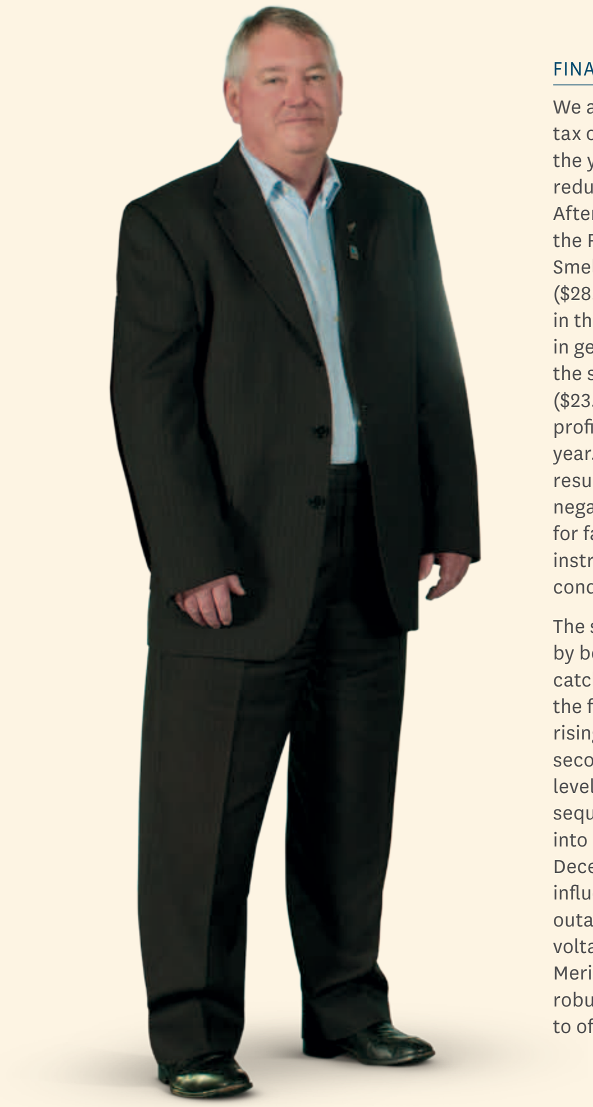
Solar 5 GWh GENERATED

Contents

Messages from the Chairman and

CHAIRMAN'S REPORT

Competitive pressures, sluggish demand growth and difficult hydrology combined to create challenging operating conditions for the first six months of this financial year. Against this background, the integrated nature of Meridian's operations and strong commercial discipline helped to deliver a sound financial result.



FINANCIAL PERFORMANCE

We achieved an underlying net profit after tax of $98.9 million for the first half of the year, which represents a $24.5 million reduction on the same period last year. After adjusting for one-off impacts of the Rio Tinto New Zealand Aluminium Smelter (NZAS) dispute settlement ($28.1 million net of legal costs before tax) in the prior year and the reduction in generation revenue that followed the sale of the Tekapo hydro stations ($23.4 million before tax), underlying net profit after tax increased by 13% on the prior year. This underlying net profit after tax result excludes $119.3 million (before tax) of negative non-cash accounting adjustments for fair value movements on financial instruments. Given the challenging trading conditions, this represents a sound result.

The six-month period was characterised by below average inflows into the Waitaki catchment and conservative use of water in the first quarter of the year, contributing to rising average wholesale prices. During the second quarter, inflows returned to average levels and were followed by a further dry sequence, including record low inflows into Lake Manapouri and Lake Te Anau in December. Wholesale conditions were also influenced by a number of transmission outages supporting Transpower's high-voltage direct-current (HVDC) upgrade. Meridian's integrated business model and robust risk management practices helped to offset these challenges.

OPPORTUNITIES FOR INVESTORS

The outcome of the general election in November means Meridian now looks forward to the prospect of inclusion in the Government's state-owned enterprise mixed ownership model. Once we proceed to an Initial Public Offering (IPO), Meridian is likely to become one of the largest companies listed on the New Zealand Stock Exchange as measured by market capitalisation. In the past six months we have directed considerable resource towards preparing for the possibility of an IPO and this will continue as we work closely with our shareholder on this matter.

A partial stock exchange listing, whereby the Government will retain majority control, is an exciting prospect for Meridian and investors. Meridian is a strong cash generator with high historical yields and excellent dividend prospects. Meridian offers multiple future growth opportunities and will bring a unique and sizeable renewable proposition to potential investors and the market.

Chris Moller

Chris Moller
CHAIRMAN

Chief Executive

DELIVERY AGAINST STRATEGY

Meridian's business model as an integrated generator-retailer proved to be effective in managing the variable hydrology experienced in the first six months of the year. We operated our portfolio prudently, conserving hydro storage use and balancing our generation and sales volumes effectively.

We continued to deliver high performance in asset management, characterised by high levels of asset availability and low instances of forced outages.

The successful management of operating costs and the continuation of strong dividend returns to our shareholder are proof of the commercial focus our strategy brings to the organisation. We also continue to make significant progress against our strategy in retail execution, generation development and subsidiary performance.

CUSTOMER GAINS AND IMPROVED SATISFACTION

The increase in our customer numbers shows that people are choosing Meridian's retail brands in what continues to be a highly competitive retail environment.

We continue to see improvements in our retail profitability when using fixed input prices. Powershop was ranked first in the Deloitte Fast 50 Index for New Zealand, and was ranked sixth in the Deloitte Technology Fast 500 Asia Pacific index.

High customer satisfaction results, as reported by Consumer NZ and Fair Go during the period, are also pleasing with both Meridian and Powershop brands performing well in these surveys. Delivering excellent customer service is paramount. We recognise people have choice and so continue to focus on lifting our customer service, while aiming to reduce our cost to serve.

STRONG DEVELOPMENT PORTFOLIO

We have a strong pipeline of renewable generation development options in wind and hydro. These position Meridian well to meet growth in electricity demand in the coming decade. Only the most economic of our development options will proceed past our investment hurdles to build and only when market conditions are right. We will not pursue options that are unlikely to be at the front of the order of merit, as demonstrated by the decision to stop pursuing consent for Project Hayes.

During the reporting period, we gained consent for Mill Creek wind farm, near Wellington. This project is well placed both in terms of unit cost and in its ability to support our integrated growth.

INTERNATIONAL DEVELOPMENTS

This six-month period saw the execution of Meridian's project finance agreement for the 420MW Macarthur wind farm project and the installation of the first turbines on site 245km west of Melbourne, Australia. This joint venture with AGL Energy, the largest renewable developer in Australia, will result in the Southern Hemisphere's biggest wind farm. The project finance approach we have taken with Macarthur minimises its impact on our ability to continue to invest.

We are extending our expertise in solar technology from the USA to the Pacific with the construction of the Popua Solar Farm in Tonga, funded by the New Zealand Aid Programme.

RATIONALISATION OF SUBSIDIARY INVESTMENTS

Meridian invests in innovative energy technologies and solutions that either complement or hedge against risks in our core business. It continues to be a challenging environment for some of these historical investments. In the past year we have taken a long, hard look at these investments and made some changes.

Residential energy-efficiency business Right House was sold on 1 July 2011. In September, Whisper Tech completed the transition of its remaining Christchurch-based operations to Spain to focus on selling its heat and power product into the European market.

CHANGES IN LEADERSHIP

The Board is very pleased to have secured the services of Mark Binns as our new Chief Executive. Mark enjoyed a 22-year career with Fletcher Building, finishing as Chief Executive of the Infrastructure Division. Mark is a highly experienced and hugely respected executive.

Mark replaced Tim Lusk as Chief Executive. Tim stepped down in December 2011 after leading the company for three and a half years and prior to that serving as a member of Meridian's Board.

The Board and I are very appreciative of Tim's commitment and leadership during his term as Chief Executive. Tim made health and safety Meridian's top priority, which resulted in a dramatic reduction in incidents involving staff and contractors. Tim also instilled strong commercial disciplines within the company, as well as promoting personal development and individual accountability.

The Board believes that Mark is well placed to lead Meridian through the challenges ahead as well as the anticipated partial listing of the company.

CHIEF EXECUTIVE'S REPORT

I am joining one of New Zealand's iconic companies at a very exciting time and relish all the challenges that this will bring.

Meridian is a company I have admired for many years. Its focus on renewable energy and its operational and engineering expertise in hydro management and wind farm development differentiates it from its competitors. I feel privileged to join the senior leadership team to take the company forward at a time when the country, and the world, is looking for sustainable solutions to our energy needs. I do not believe there is a better company or more knowledgeable people to be at the forefront of these developments in Australasia.

The present operating environment is challenging. The performance of the industry largely reflects the state of the New Zealand economy, which is experiencing sluggish growth in demand. Meridian, like other retailers, faces higher transmission and distribution costs as Transpower and some lines companies undertake essential upgrades to improve overall security of supply. Another area of focus for Meridian is its participation in the Government's mixed ownership model programme. Significant work has already been undertaken to ensure the company is well placed to make this transition.

Meridian remains committed to delivering a high-value service to its customers and supporting the communities close to our assets. Having the right to operate in a community brings with it obligations in terms of environmental management and long-term community support. While there will always be debate as to what these obligations involve, we are committed to achieving high standards that meet objective scrutiny. It was pleasing to see that in November, Meridian's Waitaki Community Fund was awarded the Sustainable 60 Community Award for its approach to community engagement.

Over the past six months the company has deferred or cancelled two capital projects, respectively: Central Wind, central North Island, and Project Hayes, in Otago. These decisions demonstrate our disciplined approach to capital management and the need for our Board to be assured projects will meet nominated rates of return on investment.

I want to thank Tim Lusk, my predecessor, for handing over the company in great shape and for the time he took to introduce me to the company and its people. Tim was key in lifting commercial performance across the organisation and developing Meridian's health and safety culture. This focus will continue under my leadership and while Meridian is achieving very low lost time injury rates (1.8 compared with the industry average of 6.3), this is not an indicator of future performance and requires ongoing effort to reduce further.

OUTLOOK FOR THE YEAR

Meridian is starting the second half of the financial year with an overall subdued economic outlook and dry conditions in key storage catchments. HVDC outages and ongoing churn of retail customers also add some uncertainty around our full year financial performance.

At the half year, Meridian is tracking to financial targets in the Statement of Corporate Intent. There is a heightened risk of not achieving the full year targets assuming average inflows into the key South Island storage catchments.

Despite this, Meridian is well positioned for future growth. The medium-term renewable development pipeline has options to help meet future demand growth. Improvement in the performance of our retail business positions Meridian more competitively in the retail electricity market, and there is significant scope for further improvement.

While there are short-term challenges, Meridian is ready to play a significant role in the development of a renewable energy future for New Zealand.

Mark Binns
CHIEF EXECUTIVE

Group Performance Summary

Meridian Group

MERIDIAN GROUP INCOME STATEMENT HIGHLIGHTS ($ MILLIONS)	6 MONTHS ENDED 31 DEC 2011	6 MONTHS ENDED 31 DEC 2010	YEAR ENDED 30 JUNE 2011
Energy and Related Services Revenue	1,219.6	1,086.8	2,032.8
Other Revenue	3.6	7.6	20.2
Total Operating Revenue	**1,223.2**	**1,094.5**	**2,053.0**
Energy Related Expenses	(559.5)	(394.0)	(703.3)
Energy Transmission and Distribution Expenses	(255.3)	(232.2)	(451.7)
Total Energy Related, Transmission and Distribution Expenses	**(814.8)**	**(626.3)**	**(1,155.0)**
Employee Expenses	(43.1)	(42.8)	(89.5)
Other Operating Expenses	(71.0)	(72.1)	(148.6)
Total Employee and Other Operating Expenses	**(114.1)**	**(114.9)**	**(238.1)**
Operating Expenses	**(928.9)**	**(741.2)**	**(1,393.1)**
EBITDAF	**294.3**	**353.3**	**659.9**
Net Change in Fair Value of Electricity, Aluminium and Foreign Exchange Derivatives (Loss)	(29.9)	(67.5)	(89.3)
Depreciation, Amortisation and Impairments	(120.7)	(111.7)	(235.2)
Gain/(Loss) on Sale of Property, Plant and Equipment	0.4	0.3	174.1
Equity Accounted Earnings of Associates	(0.4)	(1.3)	(3.4)
Operating Profit	**143.7**	**173.1**	**506.1**
Net Finance Expenses	(46.8)	(51.5)	(107.6)
Net Change in Fair Value of Treasury Derivatives (Loss)/Gain	(89.4)	7.5	(14.2)
Profit Before Tax	**7.5**	**129.1**	**384.3**
Income Tax	1.7	(44.4)	(81.2)
Net Profit After Tax	**9.2**	**84.7**	**303.1**

MERIDIAN GROUP UNDERLYING PROFIT AFTER TAX ($ MILLIONS)	6 MONTHS ENDED 31 DEC 2011	6 MONTHS ENDED 31 DEC 2010	YEAR ENDED 30 JUNE 2011
Net Profit After Tax	**9.2**	**84.7**	**303.1**
Net Change in Fair Value of Financial Instruments (Loss)	119.3	60.0	103.5
Premiums Paid on Electricity Options (less interest)	(5.8)	(5.9)	(13.9)
Impairment of Property, Plant and Equipment, Investment and Intangibles	8.3	0.3	11.0
Net Gain on Sale of Property, Plant and Equipment	(0.4)	(0.4)	(174.1)
Adjustments Before Tax	**121.4**	**54.0**	**(73.5)**
Income Tax on Adjustments (excluding the adjustment for the Gain on Sale of the Tekapo Power Stations and Dec 2011 Impairments)	(31.7)	(16.2)	(30.4)
Effect of Tax on Gain on Sale of the Tekapo Power Stations	-	-	17.4
Effect of Corporate Tax Rate Reduction on Deferred Tax Liability	-	0.9	2.4
Adjustments After Tax	**89.7**	**38.7**	**(84.1)**
Underlying Profit After Tax	**98.9**	**123.4**	**219.0**

INCOME STATEMENT

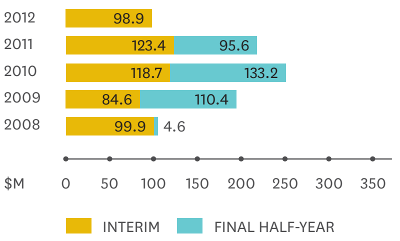
Meridian's Group underlying net profit after tax for the period ended 31 December 2011, removing the effects of non-cash fair value movements and other one-off items, was $98.9 million – a reduction of $24.5 million on the same period last year.

This reduction in underlying net profit after tax relates to lost generation revenue following the sale of the Tekapo hydro stations ($23.4 million net of costs before tax) and proceeds from the NZAS settlement ($28.1 million net of legal costs before tax) that improved last year's result. Excluding these impacts, underlying net profit after tax improved by $11.5 million (13%).

These impacts, along with non-cash fair value movements on financial instruments ($119.3 million before tax) contributed to a net profit after tax result of $9.2 million – a reduction of $75.5 million from the same period last year.

GROUP UNDERLYING NET PROFIT AFTER TAX*

Financial Year Ended 30 June



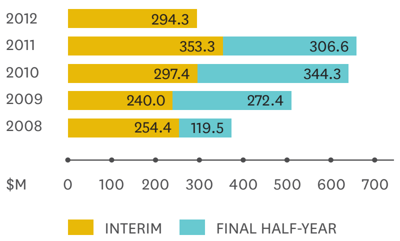
** Group underlying net profit after tax excludes unrealised fair value movements and other one-off items.*

EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION, CHANGE IN FAIR VALUES OF FINANCIAL INSTRUMENTS AND OTHER SIGNIFICANT ITEMS

EBITDAF declined by $59.0 million from the same period last year. Adjusting for the impacts from the sale of the Tekapo hydro stations and the NZAS settlement, EDITDAF fell by $7.5 million (2%). This was a satisfactory outcome considering the challenging trading conditions, which saw extended periods of low inflows, requiring prudent management of storage and reduced generation production; and transmission outages supporting the HVDC upgrade.

GROUP EBITDAF

Financial Year Ended 30 June



Our key productivity measure of EBITDAF per megawatt hour (MWh) generated (including international operations) was $46.83/MWh, which is a reduction of 9%. After adjusting for the one-off impacts of last year, this is a consistent result with last year.

REVENUE IMPACTS

Our highly integrated business model enabled us to manage our portfolio risks effectively during this interim period where generation volumes were 9% below last year's levels.

Our net contract position (the difference between volume generated and volume purchased to support electricity sales) for the half year was 88% (2% higher than in the previous year), reflecting reduced generation.

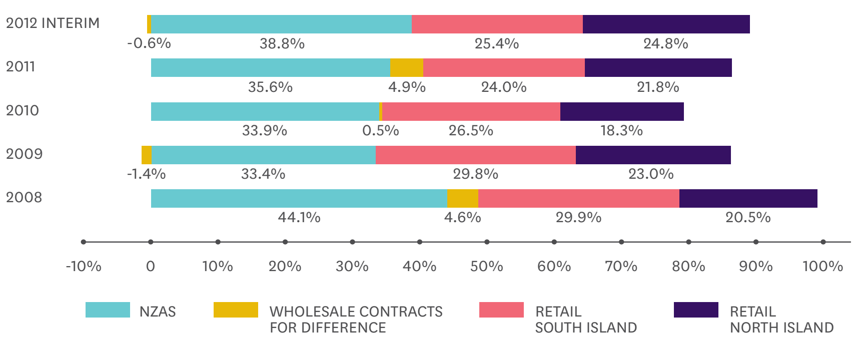
During the first quarter we experienced extended periods of below average inflows into the Waitaki catchment, requiring conservative management of storage by South Island generators and driving an increase in average wholesale prices. Storage in the second quarter initially returned to mean levels after steady inflows; however a dry December in the lower South Island, with record low inflows recorded in the Waiau catchment, resulted in storage levels falling in the Waiau and Waitaki catchments.

Energy and related revenues increased by $132.8 million largely due to a $25.95/MWh increase (52%) in average wholesale prices for generation from last year combined with an increase in the average price for sales made by our Meridian retail brands. These impacts were partially offset by a reduction in generation volume following the sale of the Tekapo stations and lower generation during periods of conservative water use. When excluding one-off impacts last year, our margin on electricity revenue was similar to last year.

Transmission and distribution costs increased $23.1 million on the prior year, primarily due to a 14% increase in distribution costs. This is a combination of increased distribution charges from network companies, the growth of our residential customer numbers, and the changing mix and location of our customers.

NET CONTRACT POSITION

Difference Between Volume Generated and Volume Purchased to Support Electricity Sales

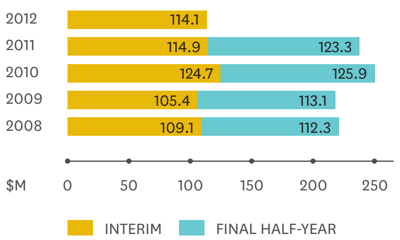


HVDC transmission costs remained consistent with the same period last year. The substantial increase that was expected did not eventuate due to delays in Transpower's upgrade of the HVDC link.

Employee and other operating costs were also consistent with last year, despite cost pressure from a highly competitive retail environment. This reflects our continued focus on cost management.

EMPLOYEE AND OTHER OPERATING COSTS

Financial Year Ended 30 June



IMPACTS BELOW EBITDAF

Non-cash fair value movements of financial instruments are a significant feature of this half-year's result. During the period there were continued downward movements in both the New Zealand and Australian interest rate swap curves. These were the primary contributors to negative non-cash fair value movements of $119.3 million. International Financial Reporting Standards, as they are currently drafted, do not permit interest rate swaps (which are hedging a hedge) to be hedge accounted, despite these instruments being economic hedges. Consequently these movements are required to be recorded in the income statement. Meridian uses interest rate swaps to create certainty in long-term borrowing costs.

Meridian's investment disciplines resulted in the decision to withdraw its Project Hayes consent application. This was a significant contributor to Group impairments of $8.3 million.

Depreciation and amortisation costs were largely in line with last year. This reflects the impact of the revaluation of our assets at 30 June 2011 (gross uplift of $129.7 million) and the commissioning of the Te Uku wind farm; offset by a reduction in depreciation following the sale of the Tekapo hydro stations on 1 June 2011.

BALANCE SHEET

We maintained a strong balance sheet, with total assets of $8,427 million and gearing and interest cover remained within target levels. We maintained our BBB+ rating from Standard & Poor's during the period.

Meridian had committed bank facilities of $817 million (excluding project financing), of which $549 million was undrawn at period end. This puts us in a strong position to fund future generation development opportunities.

MERIDIAN GROUP SCI FINANCIAL MEASURES	SCI ANNUAL TARGET	6 MONTHS ENDED 31 DEC 2011	6 MONTHS ENDED 31 DEC 2010	YEAR ENDED 30 JUNE 2011
Equity to Total Assets	58.5%	58.0%	59.6%	58.3%
Return on Average Equity [1]	3.9%	4.6%	2.5%	6.1%
Underlying Return on Average Equity (excl. revaluations)	16.0%	16.2%	21.5%	18.5%
Underlying Return on Average Capital Employed (excl. revaluations)	9.5%	9.3%	11.3%	10.4%
EBITDAF per MWh Generated ($/MWh)	46.56	46.83	51.25	47.74
Net Debt/(Net Debt plus Equity) Gearing	25.6%	21.8%	22.9%	19.3%
Free Funds from Operations Interest Cover (# of times)	4.9	4.7	4.9	4.9
EBITDAF Interest Cover (# of times)	5.6	6.1	6.2	5.9
Solvency	62.6%	79.5%	84.4%	109.8%

1 This includes the gain from the sale of the Tekapo hydro stations on 1 June 2011.

Wholesale Performance

NEW ZEALAND WHOLESALE SEGMENT SUMMARY ($ MILLIONS)	6 MONTHS ENDED 31 DEC 2011	6 MONTHS ENDED 31 DEC 2010	YEAR ENDED 30 JUNE 2011
Energy and Related Services Revenue	612.9	530.9	944.4
Other Revenue	2.0	2.4	7.9
Wholesale Revenue	**614.9**	**533.3**	**952.3**
Energy Related Expenses	(208.4)	(147.6)	(246.9)
Electricity Transmission and Distribution	(55.3)	(56.1)	(102.4)
Employee Expenses	(11.8)	(11.4)	(24.2)
Other Operating Expenses	(20.7)	(21.5)	(43.0)
Wholesale Operating Expenses	(296.2)	(236.6)	(416.5)
Wholesale EBITDAF	**318.7**	**296.7**	**535.8**

KEY STATISTICS			
Hydro Generation	5,567	6,331	12,629
Wind Generation	623	473	1,023
Total Generation (GWh)	**6,190**	**6,804**	**13,652**
NZAS Contracted Electricity Sales (GWh)	**2,599**	2,401	4,861
Wholesale Electricity Contracts for Difference (GWh)	**(237)**	1	668
Total Electricity Sales (GWh)	**2,362**	2,402	5,529
Average Price per MWh Generated ($)	**76.23**	**50.28**	**41.57**
Wholesale EBITDAF per MWh Generated ($)	**51.49**	**43.61**	**39.25**

PLANT PERFORMANCE METRICS	ANNUAL TARGET	6 MONTHS ENDED 31 DEC 2011	6 MONTHS ENDED 31 DEC 2010	YEAR ENDED 30 JUNE 2011
Plant Availability – Hydro	93.3%	93.6%	93.4%	93.1%
Plant Availability – Wind	96.3%	97.3%	97.5%	96.6%
Plant Forced Outage Factor	0.35%	0.17%	0.22%	0.18%

NEW ZEALAND GENERATION	NO. OF GENERATORS/ TURBINES	PLANT CAPACITY MW	TOTAL GWh PRODUCED 6 MONTHS ENDED 31 DEC 2011	6 MONTHS ENDED 31 DEC 2010	YEAR ENDED 30 JUNE 2011
Hydro Generation					
Tekapo A*	1	25	-	82	154
Tekapo B*	2	160	-	488	861
Ohau A	4	264	511	561	1,174
Ohau B	4	212	429	477	992
Ohau C	4	212	428	474	985
Benmore	6	540	1,061	1,148	2,239
Aviemore	4	220	452	481	916
Waitaki	6	90	237	261	533
Manapouri	7	730	2,449	2,359	4,775
Total Hydro Generation		**2,453**	**5,567**	**6,331**	**12,629**
Wind Generation					
Te Āpiti	55	90	148	121	267
White Hill	29	58	105	92	161
West Wind	62	143	250	257	503
Te Uku – Raglan	28	64	120	3	92
Total Wind Generation		**355**	**623**	**473**	**1,023**
Total Generation		**2,808**	**6,190**	**6,804**	**13,652**

* *The Tekapo A and B hydro stations were sold to Genesis Energy on 1 June 2011 as part of the requirements of the Electricity Industry Act 2010.*

Meridian's New Zealand generation production, electricity sales to Meridian's largest customer NZAS and the development and construction of domestic renewable generation options make up the wholesale segment.

Wholesale EBITDAF was $318.7 million – an increase of $22.0 million (7%) compared with the same period last year. This result primarily reflects a 52% increase in average wholesale electricity prices from last year. Partially offsetting this increase in revenue was lost generation, following the sale of the Tekapo hydro stations; the NZAS settlement received last year ($28.1 million net of legal expenses); and the impact on generation volumes of challenging trading conditions due to periods of low storage and HVDC outages.

Employee and other operating expenditure were also consistent with last year, despite the growth of our wind asset portfolio, as we continue to exercise strong commercial discipline.

The New Zealand Aluminium Smelter, near Bluff, is our largest single customer. A new long-term supply contract replaces existing contracts from 1 January 2013. The announcement from Rio Tinto in October 2011 that it plans to streamline its aluminium product group does not change the contractual arrangements or the good working relationship we have with NZAS.

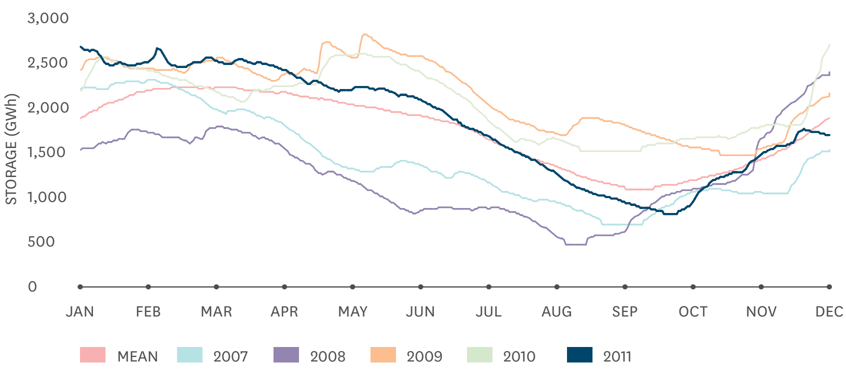
HYDRO STORAGE LEVELS AND PRICE

We entered this financial year with above-average hydro storage levels. However, storage fell away during the first quarter, with 12 weeks of below average inflows into the Waitaki catchment causing storage levels to fall 1,020GWh during the quarter to 876GWh (81% of the historic average). This resulted in the implementation of strategies to manage water storage prudently by South Island hydro generators, contributing to an increase in wholesale prices during this period.

Improved inflows during the second quarter returned the Waitaki storage position to normal levels for the majority of this quarter. However, this position reversed during December 2011, with extended dry conditions over most of the South Island resulting in 86% of average inflows into the Waitaki catchment and inflows of 36% of the historical average into the Waiau catchment.

The average price received for our generation was $76.23/MWh ($25.95/MWh higher than last year), predominantly due to hydrology conditions during the first quarter.

WAITAKI STORAGE CATCHMENT



AVERAGE WHOLESALE ELECTRICITY SALES PRICE (RECEIVED)	2012 $/MWh	2011 $/MWh	2010 $/MWh	2009 $/MWh	2008 $/MWh
Quarter 1 – Sept '10	83.04	46.24	26.80	132.00	55.84
Quarter 2 – Dec '10	69.03	54.54	41.66	33.95	40.84
Half-Year	**76.23**	**50.28**	**34.04**	**79.00**	**48.37**
Quarter 3 – Mar '11		26.22	74.52	22.38	108.04
Quarter 4 – June '11		39.65	50.35	22.97	260.19
Annual		**41.57**	**48.33**	**48.53**	**111.25**

GENERATION VOLUMES AND PERFORMANCE

Generation volumes reduced by 614GWh (9%) compared with last year, largely due to a reduction in hydro generation following the sale of the Tekapo hydro stations (570GWh generated in the same period last year) to Genesis Energy on 1 June 2011. Also, conservative generation strategies implemented during the first six months contributed to the reduction in hydro generation volumes.

The decline in hydro generation volumes (12% down from last year) was partially offset by a 32% increase in wind volumes due to the full-period contribution of the Te Uku wind farm, which was fully commissioned in April 2011.

While the sale of the Tekapo hydro stations reduces our generation volumes, a 'lead-in hedge' with Genesis Energy through to 2014 gives us time to realign our customer portfolio. Existing Virtual Asset Swap agreements (long-term financial contracts to buy and sell electricity) with both Genesis Energy and Mighty River Power provide hedge cover as we continue to grow our customer base in the North Island.

The average availability of our hydro and wind assets continues to track ahead of target along with the low forced outage factor (hydro). This strong asset performance reflects our long-term maintenance strategy and enables us to maximise generation volumes.

TRANSMISSION

Transpower's construction of Pole 3 of the HVDC link between the North and South Islands remains an important step in alleviating current transmission constraints that significantly impact on our business. Work to complete Pole 3 has been delayed, with completion now expected during the first half of 2013.

Work to date in relation to Pole 3 resulted in a number of outages of the HVDC link during the half year requiring the purchase of hedges to manage our North Island portfolio risk. We are actively managing and monitoring our risk as these outages continue.

While HVDC charges are currently paid solely by South Island generators, this charging regime, along with the overall transmission pricing framework, is under review by the Electricity Authority. The existing mechanism for charging for the HVDC link acts as a disincentive to investment in South Island generation, and ultimately increases the national cost of energy. We hope the Electricity Authority takes this opportunity to rectify this imbalance.

MARKET TRADING

The instigation of 'market-making' agreements between the major New Zealand generator-retailers and the Australian Securities Exchange (ASX) has provided a further step to increased liquidity and transparency in the futures market for electricity.

The Electricity Authority's target of 1,000GWh unmatched open interest by 1 December 2011 was met in trading on the New Zealand Electricity Hedge Market platform of the ASX. We anticipate increasing volumes exchanged on the ASX as new entrants (non-New Zealand generators and/or retailers) begin to trade. This increased liquidity is a positive step in enabling all market participants to better manage risk.

RENEWABLE GENERATION GROWTH

We have a strong pipeline of renewable generation options at various stages of development. In particular we maintain a strong position in wind and hydro. In the past year demand has been relatively flat but that is expected to change, and we have options well placed in merit order that can be built and begin generating relatively quickly to meet demand growth.

Only the most economic of our investment options will proceed to build phase and only when market conditions are right. The decision to defer construction of Central Wind, which was granted consents in January 2010, demonstrates our disciplined approach to new investment.

We currently hold consents for Central Wind, Mill Creek wind farm, Maungaharuru wind farm, the Pukaki Hydro project and the Hunter Downs Irrigation (HDI) scheme.

The Mill Creek project, in Ohariu Valley near Wellington, was granted resource consent in August 2011 for 26 of the 31 turbines applied for. The business case for the 60MW Mill Creek project is in development, and we continue to consult the local community.

Work continues on the site optimisation and design for the Maungaharuru wind farm in Hawke's Bay.

In June 2011 we received consent for the Pukaki Hydro project to generate up to 35MW by utilising the head between Lake Pukaki and the Pukaki-Ohau canal. The project is now in pre-construction design and being tendered to find an economic solution for build.

The HDI scheme is a community irrigation proposal developed by Meridian and the South Canterbury Irrigation Trust to divert, take, use and discharge water from the Lower Waitaki catchment. This project received consent from the Environment Court on 17 November 2011. Work to commercialise the scheme continues.

Hurunui, a 76MW wind farm project proposed for an area between Omihi and Greta Valley in North Canterbury, was granted direct referral to the Environment Court in June 2011. Meridian filed evidence to the Environment Court in late December for a court hearing scheduled for early 2012.

The appeal against resource consent for the 100MW Mokihinui Hydro project is currently in the Environment Court process. The hearing is expected to begin in September 2012. The Mokihinui project would make a significant contribution to a more secure electricity supply for the West Coast and upper South Island.

In October 2011, Meridian applied for consents to build the 38MW Amuri hydro station on the Waiau River in the Hurunui District of North Canterbury. The Waiau River has been identified by Meridian and Ngāi Tahu Property as having the potential to provide for a hydro scheme integrating power generation and irrigation in North Canterbury.

In 2007, local authorities granted resource consent for Project Hayes, a wind farm in Otago. Since then the project has been appealed and, although a high priority project for Meridian at the time, Meridian has developed a range of renewable development options of higher commercial priority. Following a review of the project, Meridian has concluded that it would be commercially prudent to withdraw the consent application, also avoiding prolonged uncertainty about the project for its supporters.

NEW ZEALAND DEVELOPMENT PROJECTS	LOCATION	PROJECT TYPE	PLANT CAPACITY (MW)	STATUS AS AT 31 DEC 2011
Central Wind	Waiouru	Wind	120	Investment ready
Mill Creek	Ohariu Valley, North of Wellington	Wind	60	Consents held
Maungaharuru	Hawke's Bay	Wind	94	Consents held
Hurunui	North Canterbury	Wind	76	Referral to Environment Court
Mt Munro	South of Eketahuna	Wind	60	Consent application lodged
Mokihinui Hydro	Mokihinui River, near Seddonville	Hydro	100	Consent granted – appealed to Environment Court
Pukaki Hydro	Upper Waitaki, South Canterbury	Hydro	35	Consents held
North Bank Hydro	Lower Waitaki River, South Canterbury	Hydro	260	Water consent held. Land use consent under preparation
Amuri Project	Waiau River, North Canterbury	Hydro	38	Consent application lodged
Hunter Downs Irrigation	North of Lower Waitaki River, South Canterbury	Irrigation	N/A	Consent held

Retail Performance

RETAIL SEGMENT SUMMARY ($ MILLIONS)	6 MONTHS ENDED 31 DEC 2011	6 MONTHS ENDED 31 DEC 2010	YEAR ENDED 30 JUNE 2011
Energy and Related Services Revenue	582.6	529.9	1,033.7
Other Revenue	1.1	2.6	4.8
Retail Revenue	**583.7**	**532.5**	**1,038.5**
Energy Related Expenses	(344.4)	(238.0)	(438.8)
Electricity Transmission, Distribution and Levies	(199.0)	(175.2)	(347.5)
Employee Expenses	(13.4)	(12.1)	(25.0)
Other Operating Expenses	(24.7)	(20.0)	(41.8)
Retail Operating Expenses	**(581.5)**	**(445.3)**	**(853.1)**
Retail EBITDAF	**2.2**	**87.2**	**185.4**
KEY STATISTICS			
Powershop Contracted Electricity Sales (GWh)	221	125	267
Meridian Retail Non-half-hourly Sales (GWh)	1,508	1,568	2,925
Meridian Retail Half-hourly Sales (GWh)	1,250	1,225	2,448
Meridian Retail Contracts for Difference (GWh)	166	194	434
Meridian Retail Spot Electricity Sales (GWh)	862	880	1,796
Total Electricity Sales (GWh)	**4,007**	**3,991**	**7,870**
Average Retail Electricity Purchase Price ($/MWh)	**80.93**	**55.48**	**51.65**

CUSTOMER SATISFACTION	ANNUAL TARGET	6 MONTHS ENDED 31 DEC 2011	6 MONTHS ENDED 31 DEC 2010	YEAR ENDED 30 JUNE 2011
Meridian Retail				
Residential Customer Satisfaction[1]	6.9	6.7	N/A	N/A
Small and Medium Enterprises Customer Satisfaction[1]	6.7	6.3	N/A	N/A
Corporate Large Customer Satisfaction[1]	6.2	5.6	N/A	N/A
Agricultural Business[1]	6.6	6.4	N/A	N/A
Powershop – Residential[2]	92.0%	96.0%	88.1%	92.0%

1 From 1 July 2011 Meridian Retail changed its customer satisfaction metric to an Index of Customer Experience, which not only measures customer satisfaction but also measures 'intent to remain a customer', 'likelihood to recommend' and 'pride in being a customer'.
2 Based on score as to how likely customers are to recommend Powershop to friends or colleagues (internal measure).

AVERAGE RETAIL ELECTRICITY PURCHASE PRICE ($/MWh)	2012 $/MWh	2011 $/MWh	2010 $/MWh	2009 $/MWh	2008 $/MWh
Quarter 1 – Sept '10	86.98	49.79	35.31	122.84	56.95
Quarter 2 – Dec '10	74.72	61.18	52.25	41.84	45.90
Half-Year	**80.93**	**55.48**	**43.20**	**82.62**	**51.54**
Quarter 3 – Mar '11		50.47	84.14	34.16	116.54
Quarter 4 – June '11		44.77	57.85	44.24	256.20
Annual		**51.65**	**58.05**	**62.13**	**121.42**

Meridian's two retail electricity brands, Meridian and Powershop, and its electricity metering service business, Arc Innovations, make up our retail segment.

Retail EBITDAF was $2.2 million – a reduction of $85.0 million from the same period last year. Retail's performance is significantly influenced by the average retail electricity purchase price, which increased by $25.45/MWh (46%) compared with last year.

When removing the price volatility of spot wholesale market movements and substituting this with a fixed input price of $80/MWh, retail's EBITDAF improved by 13% from the previous half-year result.

This improvement in underlying profitability reflects the continuing growth of our Powershop brand and further optimisation of our overall portfolio through targeted acquisition and retention programmes. This result was achieved despite the highly competitive retail market and consequent growth in our retail cost base.

Energy and related services revenue increased by $52.7 million through growth in our residential customer portfolio and an increase in both sales volumes and the average sales price from last year. The increase in sales price reflects the changing mix of customer location and segment and price rises following extended periods of price freezes.

Electricity transmission, distribution and levies costs increased by $23.8 million (14%) due to a combination of increases in distribution charges from network companies, our changing customer base and load shifting between networks and segments.

Additionally, employee and other operating costs increased by $6.0 million, reflecting increased customer support costs due to the competitive retail environment, portfolio growth and increases in metering charges.

RETAIL MARKET

While remaining high compared with overseas markets, customer churn eased slightly during the first half of the year.

Meridian continued to see strong growth in customer installation control point (ICP) connections across its retail brands, which have increased in total by 10,381 (4%) since 30 June 2011. Powershop continues to grow at a fast rate, with its customer ICPs reaching 41,999 in December 2011 (a 25% increase since June 2011). The Meridian brand also grew by 1,942 ICPs, with continued growth in our North Island presence (a 5% increase in ICPs), while reducing our South Island base (3%).

This change in customer location rebalances our customer portfolio to better fit our generation profile following the sale of the Tekapo hydro stations, the Virtual Asset Swaps with Mighty River Power and Genesis Energy, and the commissioning of the Te Uku wind farm in April 2011.

PRICING

In November, Meridian raised prices in Christchurch after a two-and-a-half-year freeze. This followed a price increase in some of our other networks during the 2011 financial year. The price rises reflect the rising costs of supplying electricity as reflected by increased distribution network charges, transmission costs and the increased cost of energy, all of which had been absorbed for a long time.

Our prices remain competitive overall within the market, and it is pleasing that our increased prices did not lead to significant customer losses. We believe this is a reflection of the increasing customer satisfaction ratings that were independently reported during the period.

CUSTOMER SATISFACTION

Powershop came out top in the Consumer NZ survey published in August 2011, with a 96% customer satisfaction rating, and Meridian improved 6% on last year with 81% (the best rating of the large generator-retailers). In a Fair Go survey of 1,800 electricity consumers in October, Powershop and Meridian ranked first and second, receiving the highest percentage of customers reporting a 'good experience'.

We aspire to increase our customer satisfaction results further as we work to better understand our customers. Customer profiling is enabling us to design and deliver more customised services, including a new loyalty programme that we plan to launch later in the year.

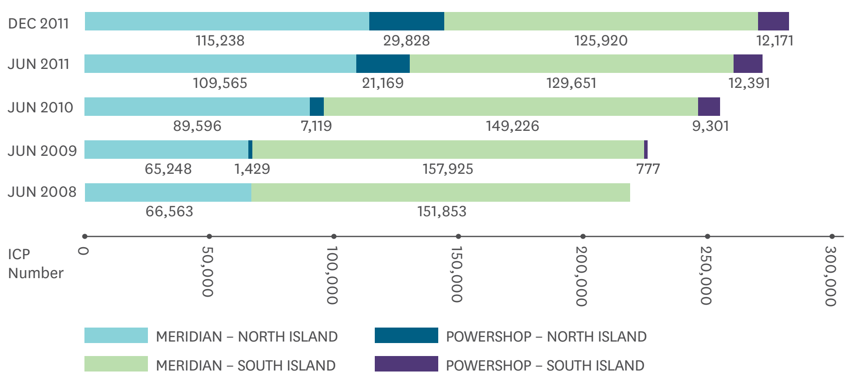
INNOVATION

Meridian's multi-year programme to replace legacy support systems continues. Following the installation of Gentrack's Velocity billing system for non-half-hourly customers in December 2010, the initial teething problems have been resolved and it is delivering the expected benefits of improved billing accuracy and easier payment processing. In the near future the billing of half-hourly customers will be moved to the new billing system.

We continue to pilot a daily smart meter email service in Christchurch, with positive results. The service provides customers with smart meters with information about their previous day's electricity usage and its associated cost. As smart meters are deployed to customers in other networks, we will be able to extend the service to these regions.

MERIDIAN ICP NUMBERS

Financial Year Ended 30 June



International Performance

INTERNATIONAL SEGMENT SUMMARY ($ MILLIONS)	6 MONTHS ENDED 31 DEC 2011	6 MONTHS ENDED 31 DEC 2010	YEAR ENDED 30 JUNE 2011
Electricity Revenue	11.9	10.8	21.8
Other Revenue	-	-	-
International Revenue	**11.9**	**10.8**	**21.8**
Energy Related Expenses	(0.3)	(0.2)	(0.5)
Electricity Transmission and Distribution	(1.0)	(1.0)	(1.9)
Employee Expenses	(2.6)	(1.9)	(4.6)
Operating Expenses	(2.6)	(3.0)	(6.8)
International Operating Expenses	**(6.5)**	**(6.1)**	**(13.8)**
International EBITDAF	**5.4**	**4.7**	**8.0**

INTERNATIONAL GENERATION	NO. OF GENERATORS/ TURBINES	PLANT CAPACITY MW	TOTAL GWh PRODUCED: 6 MONTHS ENDED 31 DEC 2011	TOTAL GWh PRODUCED: 6 MONTHS ENDED 31 DEC 2010	TOTAL GWh PRODUCED: YEAR ENDED 30 JUNE 2011
Wind Generation					
Mt Millar	35	70	89	85	162
Solar Generation					
CalRENEW-1	(PV Panels) 50,000	5	5	5	10
Total Generation		**75**	**94**	**90**	**172**

INTERNATIONAL DEVELOPMENT PROJECTS	LOCATION	PROJECT TYPE	PLANT CAPACITY MW	STATUS AS AT 31 DEC 2011
Macarthur*	Victoria, Australia	Wind	420	Construction
Mt Mercer	Victoria, Australia	Wind	130	Pre-construction design
Popua	Tongatapu, Tonga	Solar	1	Construction
Jacobs Corner	California, United States	Solar	20-60	Feasibility
San Luis	Colorado, United States	Solar	40-120	Investigations

* *50/50 unincorporated joint venture with AGL Energy*

This segment includes Meridian's international generation and development businesses in Australia and the USA.

EBITDAF for the period was $5.4 million, which represents an improvement of $0.7 million on the same period last year.

Our Australian business continues to progress and pursue development options within its generation pipeline, and build its organisational capabilities. We have now taken over the operations and maintenance for Mt Millar, leveraging our capability within New Zealand, which is driving further efficiency gains.

The development of the 420MW Macarthur wind farm in Victoria, a joint venture between Meridian and AGL Energy, is progressing well with six wind turbines installed at the end of December 2011. First power is expected towards the end of the current financial year, with full commissioning due in early 2013. Once finished Macarthur will be the Southern Hemisphere's biggest wind farm with a final build cost of around A$1 billion.

In September 2011 we successfully closed out the Syndicated Facility Agreement for the project financing of Meridian's debt portion (A$386 million) into the Macarthur wind farm development. In December 2011 the Macarthur project was awarded Project Finance International's Renewable Deal of the Year in Asia-Pacific.

Meridian Energy USA's CalRENEW-1 solar facility in Mendota continues to perform in line with expectations. Work is also progressing on development plans for solar projects in both California and Colorado.

Construction commenced on the Popua Solar Farm in Tonga during November 2011. This will be a 1MW photovoltaic solar farm and the first grid-connected renewable energy generation facility in Tonga. The project involves an alliance between Meridian, Tonga Power Ltd and the Government of Tonga, with funding from the New Zealand Ministry of Foreign Affairs & Trade's New Zealand Aid Programme. It is expected that the development will be completed in mid-2012.

Other Segment Performance

OTHER SEGMENT SUMMARY ($ MILLIONS)	6 MONTHS ENDED 31 DEC 2011	6 MONTHS ENDED 31 DEC 2010	YEAR ENDED 30 JUNE 2011
Energy and Related Services Revenue	12.2	15.1	32.9
Other Revenue	0.5	2.5	3.6
Other Segment Revenue	**12.7**	**17.6**	**36.5**
Energy Related Expenses	(6.3)	(8.3)	(17.1)
Electricity Transmission and Distribution	-		0.2
Employee Expenses	(4.3)	(6.4)	(13.0)
Other Operating Expenses	(1.5)	(4.7)	(8.7)
Other Segment Operating Expenses	**(12.1)**	**(19.4)**	**(38.6)**
Other Segment EBITDAF	**0.6**	**(1.8)**	**(2.1)**

This segment includes Meridian's portfolio of energy related businesses, Energy for Industry, Damwatch and Whisper Tech, along with Meridian's Captive Insurance Company.

EBITDAF for this segment was $0.6 million – an improvement of $2.4 million against the same period last year.

Energy for Industry continues to grow, through its industry energy solutions.

Now that the manufacturing and distribution of Whisper Tech's heat and power product is being carried out in Europe, we have scaled back Whisper Tech's New Zealand operations.

Following a review of our investments, the residential energy efficiency business Right House was sold to UK-based company Mark Group on 1 July 2011.

MERIDIAN CONDENSED INTERIM

Financial Statements

FOR THE SIX MONTHS ENDED
31 DECEMBER 2011

Income Statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	NOTE	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	GROUP AUDITED 12 MONTHS ENDED 30 JUNE 2011 $'000
Operating Revenue				
Energy Sales	17	**1,214,240**	1,076,981	2,010,432
Energy Related Services Revenue		**5,224**	9,781	22,284
Dividends Received		**124**	-	33
Other Revenue		**3,607**	7,667	20,238
Total Operating Revenue		**1,223,195**	**1,094,429**	**2,052,987**
Operating Expenses				
Energy Related Expenses		**(559,436)**	(394,056)	(703,302)
Energy Transmission and Distribution		**(255,289)**	(232,175)	(451,637)
Employee Expenses		**(43,159)**	(42,801)	(89,493)
Other Operating Expenses		**(70,976)**	(72,125)	(148,628)
		(928,860)	**(741,157)**	**(1,393,060)**
Earnings Before Interest, Tax, Depreciation, Amortisation, Change in Fair Value of Financial Instruments and Other Significant Items (EBITDAF)		**294,335**	353,272	659,927
Equity Accounted Earnings of Joint Ventures		**(456)**	(1,336)	(3,382)
Amortisation of Intangible Assets		**(11,324)**	(7,995)	(15,041)
Impairment of Assets	4	**(8,257)**	(256)	(10,956)
Depreciation		**(101,149)**	(103,388)	(209,283)
Gain on Sale of Property, Plant and Equipment		**455**	330	174,125
Foreign Exchange Contracts ('FECs') Reclassified to Profit or Loss[1]		**-**	(1,634)	-
Net Change in Fair Value of Financial Instruments Loss	10	**(29,890)**	(65,846)	(89,270)
Operating Profit		**143,714**	**173,147**	**506,120**
Finance Costs and Other Finance Related Income/(Expenses)				
Finance Costs	3	**(51,288)**	(52,383)	(110,460)
Interest Income		**4,437**	917	2,786
Net Change in Fair Value of Financial Instruments (Loss)/Gain	10	**(89,362)**	7,466	(14,157)
Profit Before Tax		**7,501**	**129,147**	**384,289**
Income Tax Credit/(Expense)	5	**1,730**	(44,475)	(81,178)
Profit After Tax		**9,231**	**84,672**	**303,111**
Profit After Tax Attributable to:				
Shareholders of the Parent Company		**9,563**	85,012	303,817
Non Controlling Interest		**(332)**	(340)	(706)
		9,231	**84,672**	**303,111**
Earnings Per Share from Operations Attributable to Equity Holders of the Company During the Year:				
Basic Earnings per Share ($)		**0.01**	0.05	0.19
Diluted Earnings per Share ($)		**0.01**	0.05	0.19

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 2011

	NOTE	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	GROUP AUDITED 12 MONTHS ENDED 30 JUNE 2011 $'000
Profit After Tax for the Period		**9,231**	84,672	303,111
Other Comprehensive Income				
Revaluation Gain on Property, Plant and Equipment		**-**	-	129,673
Net Gain/(Loss) on Cash Flow Hedges		**7,215**	(470)	(1,217)
FECs Reclassified to Profit or Loss[1]		**-**	1,634	-
Net Gain/(Loss) on Available for Sale Investments		**159**	(274)	(311)
Exchange Gain Arising from Translation of Foreign Operations		**9,850**	7,221	2,065
Buy out of Whisper Tech Limited Minority Shareholders		**(1,016)**	-	-
Tax items:				
Effect of Corporate Tax Rate Reduction on Deferred Tax	6	**-**	18	2,580
Deferred Tax Arising from Sale of Tekapo A and B	6	**-**	133,419	147,153
Income Tax Relating to Other Comprehensive Income		**(2,066)**	(268)	(38,691)
Other Comprehensive Income for the Period, Net of Tax		**14,142**	141,280	241,252
Total Comprehensive Income for the Period, Net of Tax		**23,373**	**225,952**	**544,363**
Total Comprehensive Income for the Period, Net of Tax, Attributable to:				
Shareholders of the Parent Company		**24,300**	226,292	545,069
Non Controlling Interest		**(927)**	(340)	(706)
		23,373	**225,952**	**544,363**

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.

Statement of Financial Position

AS AT 31 DECEMBER 2011

		GROUP		
	NOTE	UNAUDITED 31 DEC 2011 $'000	UNAUDITED 31 DEC 2010 $'000	AUDITED 30 JUNE 2011 $'000
Shareholders' Equity				
Share Capital		1,600,000	1,600,000	1,600,000
Reserves		3,285,298	3,626,776	3,330,404
Equity Attributable to Shareholders of the Parent		4,885,298	5,226,776	4,930,404
Share Options Vested in Whisper Tech Ltd		-	1,098	997
Non Controlling Interest		(29)	267	(99)
Total Equity		4,885,269	5,228,141	4,931,302
Represented by:				
Current Assets				
Cash and Cash Equivalents		173,048	53,729	368,191
Accounts Receivable and Prepayments		267,481	274,463	240,885
Inventories		4,111	5,315	3,333
Finance Lease Receivable		365	-	632
Assets Classified as Held for Sale	13	-	643,912	1,888
Derivative Financial Instruments	10	21,067	15,561	12,256
Total Current Assets		466,072	992,980	627,185
Non-Current Assets				
Finance Lease Receivable		4,797	4,984	4,895
Equity Accounted Joint Ventures		7,589	803	4,402
Available for Sale Investments		5,637	5,882	6,065
Intangible Assets		49,501	50,517	46,930
Property, Plant and Equipment	12	7,816,832	7,669,799	7,720,807
Deferred Tax Asset	6	8,031	5,678	7,947
Derivative Financial Instruments	10	68,479	47,356	41,742
Total Non-Current Assets		7,960,866	7,785,019	7,832,788
Total Assets		8,426,938	8,777,999	8,459,973
Current Liabilities				
Payables and Accruals		201,885	256,683	217,004
Provisions		52	514	94
Current Tax Payable		2,977	14,574	36,608
Current Portion of Term Borrowings	8	366,287	129,110	298,167
Derivative Financial Instruments	10	15,163	12,821	17,779
Total Current Liabilities		586,364	413,702	569,652
Non-Current Liabilities				
Term Borrowings	8	1,218,837	1,504,060	1,275,379
Term Payables		29,744	43,354	35,564
Deferred Tax Liability	6	1,382,003	1,414,661	1,412,330
Derivative Financial Instruments	10	324,721	174,081	235,746
Total Non-Current Liabilities		2,955,305	3,136,156	2,959,019
Total Liabilities		3,541,669	3,549,858	3,528,671
Net Assets		4,885,269	5,228,141	4,931,302

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

Chris Moller
Chairman, 15 February 2012

Anne Urlwin
Chair of Audit and Risk Committee, 15 February 2012

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 2011

	GROUP – UNAUDITED									
	SHARE CAPITAL $'000	REVALUATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	CASH FLOW HEDGE RESERVE $'000	AVAILABLE FOR SALE RESERVE $'000	RETAINED EARNINGS $'000	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT $'000	SHARE OPTIONS VESTED $'000	NON-CONTROLLING INTEREST $'000	TOTAL $'000
Balance at 1 July 2011	**1,600,000**	**3,392,516**	**(655)**	**(217)**	**162**	**(61,402)**	**4,930,404**	**997**	**(99)**	**4,931,302**
Profit for the Period	-	-	-	-	-	9,563	9,563	-	(332)	9,231
Revaluation Gain on Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-
Cash Flow Hedges:										
Net Gain Taken to Equity	-	-	-	7,215	-	-	7,215	-	-	7,215
Available for Sale Reserve:										
Net Gain Taken to Equity	-	-	-	-	159	-	159	-	-	159
Exchange Differences Arising from Translation of Foreign Operations	-	-	9,850	-	-	-	9,850	-	-	9,850
Buy out of Whisper Tech Limited Minority Shareholders	-	-	-	-	-	(421)	(421)	(997)	402	(1,016)
Asset Revaluation Reserve Transferred to Retained Earnings	-	(113)	-	-	-	113	-	-	-	-
Income Tax Relating to Other Comprehensive Income	-	32	-	(2,021)	(45)	(32)	(2,066)	-	-	(2,066)
Total Comprehensive Income for the Period	**-**	**(81)**	**9,850**	**5,194**	**114**	**9,223**	**24,300**	**(997)**	**70**	**23,373**
Dividends Paid	-	-	-	-	-	(69,406)	(69,406)	-	-	(69,406)
Balance at 31 December 2011	**1,600,000**	**3,392,435**	**9,195**	**4,977**	**276**	**(121,585)**	**4,885,298**	**-**	**(29)**	**4,885,269**
Balance at 1 July 2010	**1,600,000**	**3,686,651**	**(2,720)**	**659**	**387**	**(215,998)**	**5,068,979**	**1,098**	**607**	**5,070,684**
Profit for the Period	-	-	-	-	-	85,012	85,012	-	(340)	84,672
Cash Flow Hedges:										
Net Loss Taken to Equity	-	-	-	(470)	-	-	(470)	-	-	(470)
FECs Reclassified to Profit or loss	-	-	-	1,634	-	-	1,634	-	-	1,634
Available for Sale Reserve:										
Net Loss Taken to Equity	-	-	-	-	(274)	-	(274)	-	-	(274)
Exchange Differences Arising from Translation of Foreign Operations	-	-	7,221	-	-	-	7,221	-	-	7,221
Asset Revaluation Reserve Transferred to Retained Earnings	-	(843)	-	-	-	843	-	-	-	-
Deferred Tax Transferred to Retained Earnings on Tekapo A and B Sale	-	133,419	-	-	-	-	133,419	-	-	133,419
Effect of Corporate Tax Rate Reduction on Deferred Tax	-	-	-	23	(5)	-	18	-	-	18
Income Tax Relating to Other Comprehensive Income	-	253	-	(349)	81	(253)	(268)	-	-	(268)
Total Comprehensive Income for the Period	**-**	**132,829**	**7,221**	**838**	**(198)**	**85,602**	**226,292**	**-**	**(340)**	**225,952**
Dividends Paid	-	-	-	-	-	(68,495)	(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**	**1,098**	**267**	**5,228,141**

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 YEAR ENDED 30 JUNE 2011

	GROUP – AUDITED									
	SHARE CAPITAL $'000	REVALUATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	CASH FLOW HEDGE RESERVE $'000	AVAILABLE FOR SALE RESERVE $'000	RETAINED EARNINGS $'000	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT $'000	SHARE OPTIONS VESTED $'000	NON-CONTROLLING INTEREST $'000	TOTAL $'000
Balance at 1 July 2010	**1,600,000**	**3,686,651**	**(2,720)**	**659**	**387**	**(215,998)**	**5,068,979**	**1,098**	**607**	**5,070,684**
Profit for the Period	-	-	-	-	-	303,817	303,817	-	(706)	303,111
Revaluation Gain on Property, Plant and Equipment	-	129,673	-	-	-	-	129,673	-	-	129,673
Cash Flow Hedges:										
Net Loss Taken to Equity	-	-	-	(1,217)	-	-	(1,217)	-	-	(1,217)
Available for Sale Reserve:										
Net Loss Taken to Equity	-	-	-	-	(311)	-	(311)	-	-	(311)
Exchange Differences Arising from Translation of Foreign Operations	-	-	2,065	-	-	-	2,065	-	-	2,065
Asset Revaluation Reserve Transferred to Retained Earnings	-	(538,194)	-	-	-	538,194	-	-	-	-
Deferred Tax Transferred to Retained Earnings on Tekapo A and B Sale	-	150,415	-	-	-	(3,262)	147,153	-	-	147,153
Effect of Corporate Tax Rate Reduction on Deferred Tax	-	2,610	-	(24)	(6)	-	2,580	-	-	2,580
Income Tax Relating to Other Comprehensive Income	-	(38,639)	-	365	92	(509)	(38.691)	-	-	(38,691)
Total Comprehensive Income for the Period	**-**	**(294,135)**	**2,065**	**(876)**	**(225)**	**838,240**	**545,069**	**-**	**(706)**	**544,363**
Share Options Vested	-	-	-	-	-	-	-	(101)	-	(101)
Dividends Paid	-	-	-	-	-	(683,644)	(683,644)	-	-	(683,644)
Balance at 30 June 2011	**1,600,000**	**3,392,516**	**(655)**	**(217)**	**162**	**(61,402)**	**4,930,404**	**997**	**(99)**	**4,931,302**

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

Cash Flow Statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	NOTE	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	GROUP AUDITED 12 MONTHS ENDED 30 JUNE 2011 $'000
Operating Activities				
Cash was Provided from:				
Receipts from Customers		**1,213,804**	1,022,861	2,006,326
Net GST Received		**-**	32	2,562
Interest Received		**4,437**	917	2,787
Dividends Received		**124**	-	33
		1,218,365	**1,023,810**	**2,011,708**
Cash was Applied to:				
Payments to Suppliers and Employees		**(966,958)**	(695,258)	(1,421,788)
Net GST Paid		**(1,361)**	-	-
Interest Paid		**(50,509)**	(50,863)	(105,034)
Income Tax Paid		**(64,070)**	(75,474)	(116,178)
		(1,082,898)	**(821,595)**	**(1,643,000)**
Net Cash Inflows from Operating Activities	7	**135,467**	**202,215**	**368,708**
Investment Activities				
Cash was Provided from:				
Sale of Property, Plant and Equipment	12	**2,552**	954	821,735
Finance Lease Receivable		**365**	683	140
Government Grant		**-**	-	8,398
		2,917	**1,637**	**830,273**
Cash was Applied to:				
Purchase of Property, Plant and Equipment		**(203,258)**	(213,158)	(248,122)
Capitalised Interest	3	**-**	(5,066)	(4,253)
Purchase of Minority Interest		**(19)**	-	-
Purchase of Intangible Assets		**(1,486)**	(8,206)	(12,457)
Purchase of Investments		**(3,659)**	(2,187)	(7,789)
		(208,422)	**(228,617)**	**(272,621)**
Net Cash Outflows from Investing Activities		**(205,505)**	**(226,980)**	**557,652**
Financing Activities				
Cash was Provided from:				
Proceeds From Borrowings		**365,115**	380,036	537,123
		365,115	**380,036**	**537,123**
Cash was Applied to:				
Term Borrowings Paid		**(420,814)**	(287,441)	(465,488)
Dividends Paid		**(69,406)**	(68,495)	(683,644)
		(490,220)	**(355,936)**	**(1,149,132)**
Net Cash (Outflows)/Inflows from Financing Activities		**(125,105)**	**24,100**	**(612,009)**
Net (Decrease)/Increase in Cash and Cash Equivalents		**(195,143)**	**(665)**	**314,351**
Cash and Cash Equivalents at Beginning of Period		**368,191**	54,394	54,394
Cash Transferred to Assets Held for Sale		**-**	-	(554)
Cash and Cash Equivalents at End of Period		**173,048**	**53,729**	**368,191**

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 2011

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 2011.

The financial statements were authorised for issue by the Directors on 15 February 2012.

BASIS OF PREPARATION

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

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

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

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 30 June 2011.

JUDGEMENTS AND ESTIMATIONS

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses, and these are consistent with those applied in the preparation of the Group's financial statements for the year ended 30 June 2011. 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 an 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 designation of certain financial instruments, assessment of hedge effectiveness, determination of useful lives of Property, Plant and Equipment and the impact 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 equity accounted earnings of joint ventures, amortisation, impairments, depreciation, change in fair value of financial instruments, gain on sale of Property, Plant and Equipment, finance costs, interest income and tax expense.

The Chief Executive considers the business from the perspective of three reportable segments, being Wholesale, Retail and International.

Revenues are derived from external customers within New Zealand, Australia and the United States of America. Meridian sells 39% of its New Zealand generation output to a single customer. These revenues 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 2011.

Wholesale Segment

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

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

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 point.

International Segment

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

Other Segments

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

On 1 July 2011, Right House Limited, a subsidiary that provided home energy efficiency products and services, was sold as a going concern.

Unallocated

Unallocated Corporate encompasses Meridian's business functions and centrally administered costs, that provide support to the Wholesale, Retail, International Generation and Other Segments, and Meridian's non-operating subsidiaries.

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

	WHOLESALE $'000	RETAIL $'000	INTERNATIONAL $'000	OTHER SEGMENTS $'000	UNALLOCATED CORPORATE $'000	TOTAL $'000
Total Segment Revenue	610,133	583,729	11,870	13,918	1,771	1,221,421
Inter-Segment Revenue	4,783	-	-	(1,209)	(1,800)	1,774
Revenue from External Customers	614,916	583,729	11,870	12,709	(29)	1,223,195
EBITDAF	**318,657**	**2,168**	**5,410**	**566**	**(32,466)**	**294,335**
Equity Accounted Earnings of Joint Ventures	-	-	-	(456)	-	(456)
Additions to Non-Current Assets	18,503	2,014	175,169	7,606	10,926	214,218
Total Assets	7,159,952	200,915	704,108	75,459	286,504	8,426,938

The Unaudited 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 $'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

2. Segment Reporting (continued)

The Audited Segment Information Provided to the Chief Executive for the Reportable Segments for the Year Ended 30 June 2011 is as follows:

	WHOLESALE $'000	RETAIL $'000	INTERNATIONAL $'000	OTHER SEGMENTS $'000	UNALLOCATED CORPORATE $'000	TOTAL $'000
Total Segment Revenue	962,530	1,038,455	21,797	38,481	7,984	2,069,247
Inter-Segment Revenue	(10,203)	-	-	(1,949)	(4,108)	(16,260)
Revenue from External Customers	952,327	1,038,455	21,797	36,532	3,876	2,052,987
EBITDAF	**535,819**	**185,390**	**7,987**	**(2,071)**	**(67,198)**	**659,927**
Equity Accounted Earnings of Joint Ventures	-	-	-	(3,382)	-	(3,382)
Additions to Non-Current Assets	171,067	7,979	65,350	10,180	11,797	266,373
Total Assets	7,231,901	211,097	575,985	80,247	360,743	8,459,973

Information Relating to Geographical Area Operations

	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	AUDITED 12 MONTHS ENDED 30 JUNE 2011 $'000
Total Revenue in:			
New Zealand	**1,211,325**	1,083,592	2,031,190
Australia	**10,193**	9,196	18,902
United States of America	**1,677**	1,641	2,895
	1,223,195	1,094,429	2,052,987

	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	AUDITED 12 MONTHS ENDED 30 JUNE 2011 $'000
Non-Current Assets Held:			
New Zealand	**7,401,750**	7,381,249	7,444,938
Australia	**521,669**	365,001	352,321
United States of America	**37,447**	38,769	35,529
	7,960,866	7,785,019	7,832,788

2. Segment Reporting (continued)

Reconciliation of EBITDAF to Profit Before Tax provided as follows:

	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	AUDITED 12 MONTHS ENDED 30 JUNE 2011 $'000
EBITDAF for Reportable Segments	**326,235**	388,632	729,196
Other Segments EBITDAF	**566**	(1,771)	(2,071)
Unallocated EBITDAF	**(32,466)**	(33,589)	(67,198)
Total Group EBITDAF	**294,335**	353,272	659,927
Unrealised Net (Loss)/Gain on Financial Instruments	**(119,252)**	(58,380)	(103,427)
FECs Reclassified to Profit or Loss	**-**	(1,634)	-
Depreciation	**(101,149)**	(103,388)	(209,283)
Amortisation of Intangible Assets	**(11,324)**	(7,995)	(15,041)
Impairment of Assets	**(8,257)**	(256)	(10,956)
Gain on Sale of Property, Plant and Equipment	**455**	330	174,125
Equity Accounted Earnings of Joint Ventures	**(456)**	(1,336)	(3,382)
Finance Costs and Interest Income	**(46,851)**	(51,466)	(107,674)
Profit before Tax	**7,501**	129,147	384,289

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

	UNAUDITED 31 DEC 2011 $'000	UNAUDITED 31 DEC 2010 $'000	AUDITED 30 JUNE 2011 $'000
Segment Assets for Reportable Segments	**8,064,975**	8,499,682	8,018,983
Other Segment Assets	**75,459**	75,525	80,247
Total Segment Assets	**8,140,434**	8,575,207	8,099,230
Unallocated Assets:			
Cash and Cash Equivalents	**29,716**	25,638	244,451
Finance Lease Receivables	**5,162**	4,984	5,528
Derivative Financial Instruments	**50,248**	10,884	11,630
Available for Sale Investments	**5,637**	5,874	6,057
Intangible Assets	**8,052**	15,276	8,801
Property, Plant and Equipment	**178,455**	164,313	177,599
Other Assets	**8,540**	12,759	10,413
Intercompany Loans Included in Other Segment Assets	**694**	(36,936)	(103,736)
Total Assets	**8,426,938**	8,777,999	8,459,973

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.

Notes to the Condensed Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

3. Finance Costs

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	AUDITED 12 MONTHS ENDED 30 JUNE 2011 $'000
Interest on Borrowings	**53,002**	57,449	114,713
Less Capitalised Interest	**(1,714)**	(5,066)	(4,253)
	51,288	52,383	110,460

4. Impairments

	GROUP		
	UNAUDITED 31 DEC 2011 $'000	UNAUDITED 31 DEC 2010 $'000	AUDITED 30 JUNE 2011 $'000
Impairment of Property, Plant and Equipment	**7,655**	256	6,068
Impairment of Investments	**602**	-	-
Impairment of Inventories	**-**	-	1,110
Impairment of Held for Sale Assets	**-**	-	3,778
	8,257	256	10,956

Property, Plant and Equipment impairment of $7.65 million in the period ending 31 December 2011 includes $6.91 million of work in progress assets relating to Project Hayes, a wind farm project in North Otago, following a decision not to proceed any further with the appeal of the Environment Court's ruling declining Meridian's resource consent application.

5. Income Tax Expense

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	AUDITED 12 MONTHS ENDED 30 JUNE 2011 $'000
Current Tax	**30,747**	58,431	98,962
Deferred Tax	**(32,477)**	(13,956)	(17,784)
Income Tax (Credit)/Expense	**(1,730)**	44,475	81,178
Income Tax Expense can be reconciled to accounting profit as follows:			
Profit Before Tax	**7,501**	129,147	384,289
Income Tax at 28%	**2,100**	-	-
Income Tax at 30%	**-**	38,744	115,287
Tax Effect of Foreign Entities Taxed at Non New Zealand Rates	**(795)**	-	-
Tax Effect of Expenditure Not Deductible for Tax	**2,893**	2,137	6,941
Tax Effect of Income Not Subject to Tax	**(2,829)**	(135)	(8,192)
Income Tax Over Provided in Prior Period	**(3,174)**	-	(3,995)
Intercompany Dividend Subject to Tax	**-**	-	3,731
Effect of Held For Sale Reclassification on Deferred Tax Liability	**-**	2,914	-
Tax Effect of Gain on Sale of Tekapo A and B Not Subject to Tax	**-**	-	(52,452)
Tax Effect of Gain on Sale of Tekapo A and B	**-**	-	17,410
Effect of Corporate Tax Rate Reduction on			
Deferred Tax Liability	**-**	930	2,410
Other	**75**	(115)	38
Income Tax (Credit)/Expense	**(1,730)**	44,475	81,178

6. 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 2011 $'000	UNAUDITED 31 DEC 2010 $'000	AUDITED 30 JUNE 2011 $'000
Balance at Beginning of Period	**1,404,383**	1,556,108	1,556,108
Movement in Temporary Differences Recognised in:			
- Income Statement	**(32,477)**	(14,886)	(37,604)
- Equity	**2,066**	268	38,691
Effect of Tekapo A and B Sale on:			
- Income Tax Expense	**-**	-	17,410
- Equity[1]	**-**	(133,419)	(147,153)
- Transfer to Current Tax Payable	**-**	-	(22,899)
Effect of Corporate Tax Rate Reduction on:			
- Income Tax Expense	**-**	930	2,410
- Revaluation Reserve	**-**	-	(2,610)
- Cash Flow Hedge Reserve	**-**	(23)	24
- Available for Sale reserve	**-**	5	6
	1,373,972	1,408,983	1,404,383
Consisting of Temporary Differences on the following:			
Property, Plant and Equipment	**1,477,556**	1,467,858	1,479,036
Financial Instruments	**(73,964)**	(41,085)	(51,370)
Term Payables	**(19,497)**	(22,595)	(19,497)
Other	**(10,123)**	4,805	(3,786)
	1,373,972	1,408,983	1,404,383

1 This represents the reversal of the deferred tax liability previously recorded on the revaluation of Tekapo A and B power stations which were sold on 1 June 2011 (refer to 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 2011 $'000	UNAUDITED 31 DEC 2010 $'000	AUDITED 30 JUNE 2011 $'000
Deferred Tax Liability	**1,382,003**	1,414,661	1,412,330
Deferred Tax Asset	**(8,031)**	(5,678)	(7,947)
	1,373,972	1,408,983	1,404,383

The 2010 Government Budget announced the discontinuation of tax depreciation on buildings with a useful life of greater than 50 years effective for the Group on 1 July 2011. Management has used judgement in regard to the tax definition of a building whereby only the above ground structure of Generation Assets being treated as buildings. This has resulted in the Group continuing to recognise a $28.1 million deferred tax asset in respect of the below ground infrastructure of the Generation Assets.

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

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	AUDITED 12 MONTHS ENDED 30 JUNE 2011 $'000
Profit after Tax for the Period	**9,231**	84,672	303,111
Adjustments for Non-Cash Items:			
Depreciation	**101,149**	103,388	209,283
Amortisation of Intangible Assets	**11,324**	7,995	15,041
Total Net Change in Fair Value of Financial Instruments Loss/(Gain)	**119,252**	60,014	103,427
Less: Cash Payments of Option Premiums	**(7,157)**	(8,014)	(17,557)
Net Non-Cash Movement in Fair Value of Financial Instruments	**112,095**	52,000	85,870
Movement in Deferred Tax	**(32,477)**	(13,956)	(17,784)
Share Options Vested in Whisper Tech Ltd	**(997)**	-	(101)
Impairment of Inventories	**-**	-	1,110
Equity Accounted Earnings of Joint Venture	**456**	1,336	3,382
Other Non-Cash Items	**-**	310	-
	191,550	151,073	296,801
Items Classified as Investing Activities:			
Net Gain on Sale of Property, Plant and Equipment	**(455)**	(330)	(174,125)
Impairment of Property, Plant and Equipment	**7,655**	256	6,068
Impairment of Intangibles	**602**	-	-
Impairment of Held for Sale Assets	**-**	-	3,778
	7,802	(74)	(164,279)
Items Classified as Financing Activities:			
Debt Facility Fees	**1,714**	48	(231)
	1,714	48	(231)
Changes in Working Capital Items			
Increase in Accounts Receivable and Prepayments	**(26,597)**	(75,349)	(41,771)
(Increase)/Decrease in Inventory	**(778)**	714	1,586
(Decrease)/Increase in Payables and Accruals	**(13,782)**	58,412	(6,833)
Decrease in Provisions	**(42)**	(222)	(642)
(Decrease)/Increase in Current Tax Payable	**(33,631)**	(17,059)	4,975
Deferred Tax Transferred to Current Tax Payable on Sale of Tekapo A and B	**-**	-	(22,899)
Working Capital Items Transferred to Held for Sale	**-**	-	(1,110)
	(74,830)	(33,504)	(66,694)
Net Cash Flow from Operating Activities	**135,467**	202,215	368,708

8. Borrowings

At 31 December 2011 Meridian had total borrowings with a face value of $1,573 million outstanding.

Meridian has total committed bank facilities of $817 million (excluding project financing) of which $549 million were undrawn at 31 December 2011. The expiry of these facilities range from December 2012 to June 2017.

In September 2011 Meridian secured A$386 million in bank project financing, to fund a portion of Meridian's investment in the Macarthur wind farm development located in Southwest Victoria, of which A$259 million was undrawn at 31 December 2011.

During the period $180 million of drawings under NZ bank facilities and A$40 million of drawings under Australian bank facilities were repaid.

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

9. Financial Risk Management

Meridian's activities expose it to a variety of financial risks: market risk (including electricity price risk, currency risk, 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 electricity and aluminium contracts for differences ('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 dollar. Meridian's policy is to hedge 100% of 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 floating exposure over the life 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. Investments 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 the CCIRSs result 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 and then by 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.

The IRSs are not in designated hedge relationships for accounting purposes, resulting in Income Statement volatility. Meridian is analysing and will consider the early adoption of NZ IFRS 9 Financial Instruments when issued. Current analysis of the exposure draft indicates there may be opportunities to improve the ability to hedge account.

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.

CREDIT RISK

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including derivatives which have a positive value, outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted and where wholesale customers are independently rated, those ratings are used. 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 the risk 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.

10. Financial Instruments

	GROUP		
	UNAUDITED 31 DEC 2011 $'000	UNAUDITED 31 DEC 2010 $'000	AUDITED 30 JUNE 2011 $'000
Current Assets			
Foreign Exchange Contracts	**18**	4,771	2,248
CfDs	**12,652**	10,790	10,008
Cross Currency Intrest Rate Swaps	**8,397**	-	-
	21,067	15,561	12,256
Non-Current Assets			
Interest Rate Swaps/Options	**12,347**	12,695	9,653
Cross Currency Interest Rate Swaps	**27,065**	-	-
Foreign Exchange Contracts	**-**	-	40
CfDs	**29,067**	34,661	32,049
	68,479	47,356	41,742
Current Liabilities			
Interest Rate Swaps/Options	**1,050**	-	756
Cross Currency Interest Rate Swaps	**10,953**	-	8,653
Foreign Exchange Contracts	**279**	8,360	1,190
CfDs	**2,881**	4,461	7,180
	15,163	12,821	17,779
Non-Current Liabilities			
Interest Rate Swaps/Options	**156,398**	46,575	64,461
Cross Currency Interest Rate Swaps	**1,106**	8,936	35,942
Foreign Exchange Contracts	**12**	48	74
CfDs	**167,205**	118,522	135,269
	324,721	174,081	235,746

10. Financial Instruments (continued)

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

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	**UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000**	**AUDITED 12 MONTHS ENDED 30 JUNE 2011 $'000**
Cross Currency Interest Rate Swaps	**61,054**	(79,922)	(114,247)
Borrowings	**(61,089)**	79,744	114,127
	(35)	(178)	(120)
Interest Rate Swaps	**(89,327)**	7,644	(14,037)
Cross Currency Interest Rate Swaps (margin)	**-**	-	-
Net Change in Fair Value of Financial Instruments (Loss)/Gain	**(89,362)**	7,466	(14,157)
Foreign Exchange Contracts	**(132)**	(109)	274
CfDs – NZAS Contract	**(89,102)**	17,822	12,681
CfDs – Aluminium	**57,399**	(34,796)	(45,912)
CfDs - Electricity	**1,945**	(48,763)	(56,313)
Net Change in Fair Value of Financial Instruments Loss	**(29,890)**	(65,846)	(89,270)
Total Unrealised Net Loss on Financial Instruments	**(119,252)**	(58,380)	(103,427)

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	**UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000**	**AUDITED 12 MONTHS ENDED 30 JUNE 2011 $'000**
Total Amount of Change in Fair Values of Level 3 Financial Instruments Recognised in the Income Statement [1]	**(84,079)**	(33,594)	(44,681)

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 are recognised in the cash flow hedge reserve. The movement in the cash flow hedge reserve for the six months ended 31 December 2011 of $5.2 million is net of tax (December 2010 $0.8 million, June 2011 ($0.9) million).

This movement comprises the realised and unrealised changes in the fair value of electricity derivatives of $1.3 million (December 2010 ($0.3) million, June 2011 $1.1 million), the reclassification of FECs to profit or loss of nil (December 2010 1.6 million, June 2011 nil) and the realised and unrealised changes in fair value of treasury derivatives (FECs and CCIRSs) of $3.9 million (December 2010 ($0.5) million, June 2011 ($2.0) million).

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 eighteen years and will take effect from 1 January 2013.

Under an existing contract which 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 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 will remain competitive for electricity demand of the unique type created by the smelter, while recognising both the commodity-price driven cycles of NZAS's business environment and the wholesale electricity price cycles to which Meridian is exposed.

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

ACCOUNTING TREATMENT OF NZAS CONTRACT

The new agreement 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.

10. Financial Instruments (continued)

At 31 December 2011, the carrying value of the CfD is as follows:

	GROUP		
	UNAUDITED 31 DEC 2011 $'000	UNAUDITED 31 DEC 2010 $'000	AUDITED 30 JUNE 2011 $'000
Present Value of Estimated Cash Flows	**(678,597)**	(584,353)	(589,495)
Less: Day 1 adjustment[1]	**514,970**	514,970	514,970
	(163,627)	(69,383)	(74,525)

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 which will more than offset the settlements expected under the CfD.

[1]DAY 1 ADJUSTMENT – NZAS PRICING AGREEMENT

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

There has been no movement in the aggregate day 1 adjustment since inception with the contract not coming into effect until 1 January 2013.

11. Dividends Paid

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	AUDITED 12 MONTHS ENDED 30 JUNE 2011 $'000
2011 Final Dividend Paid	**69,406**	-	-
2011 Interim Dividend Paid	**-**	-	615,150
2010 Final Dividend Paid	**-**	68,495	68,494
	69,406	68,495	683,644

12. Property, Plant and Equipment

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	AUDITED 12 MONTHS ENDED 30 JUNE 2011 $'000
Additions at cost	**213,050**	202,339	251,776
Carrying value of disposals (including those classified as Held for Sale)	**2,097**	624	646,733
Proceeds of disposals (including those classified as Held for Sale)	**2,552**	954	821,735

Notes to the Condensed Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

13. Assets Classified as Held For Sale

Prior period assets classified as held for sale as at 31 December 2010 relate to the Tekapo A & B power stations that were sold to Genesis Energy during 2011. Right House Ltd and Interruptible Load flow meters used in a specific contract agreement were classified as held for sale as at 30 June 2011 and have been subsequently sold.

14. Investments in Subsidiaries and Controlled Entities

Right House Limited, a wholly owned subsidiary of the parent, was sold as a going concern to Mark Group Holdings Pty Limited on 1 July 2011.

Arc Innovations Limited was incorporated in New Zealand as a wholly owned subsidiary of the parent on 1 September 2011.

Damwatch Projects Limited was incorporated in New Zealand as a wholly owned subsidiary of Damwatch Services Limited (a wholly owned subsidiary of the parent) on 16 December 2011.

Powershop Australia Pty Limited was incorporated in Australia as a wholly owned subsidiary of Three River Holdings No 2 Limited (a wholly owned subsidiary of Three River Holdings No 1 Limited, which is a wholly owned subsidiary of the parent) on 22 December 2011.

There was no material affect on the Group financial statements of these changes during the period.

15. Commitments

	GROUP		
	UNAUDITED 31 DEC 2011 $'000	UNAUDITED 31 DEC 2010 $'000	AUDITED 30 JUNE 2011 $'000
Capital Expenditure Commitments			
Property, Plant and Equipment	**308,808**	616,353	532,944
Software	**133**	350	10,823
	308,941	616,703	543,767

GUARANTEES

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

16. Subsequent Events

There have been no material events subsequent to 31 December 2011.

17 Contingent Assets and Liabilities

CONTINGENT ASSETS

There were no contingent assets at 31 December 2011.

CONTINGENT LIABILITIES

During a scheduled Transpower transmission outage on 26 March 2011, prices in excess of $19,000 MWh were bid into the wholesale electricity market. The Electricity Authority ruled this constituted an undesirable trading situation and reset the clearing prices in the upper North Island for periods 22 to 35. A group of market participants have appealed this ruling to the High Court.

It is estimated that the Groups liability, should the appeal be successful, is $14 million. The High Court sat in November 2011 and we are awaiting a decision, but it is not practicable to state the time of any possible payment. The Group believes that no provision for any liability needs be recognised in these financial statements (2010 Nil).

Review Report of the Auditor-General to the Shareholders of Meridian Energy Limited

We have reviewed the condensed consolidated interim financial statements on pages 16 to 35. The condensed consolidated interim financial statements provide information about the past financial performance of Meridian Energy Limited (the 'Company') and its subsidiaries ('the Group') and its financial position as at 31 December 2011. This information is stated in accordance with the accounting policies referred to on page 22.

This report is made solely to the Company's shareholders, as a body. Our review has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our engagement, for this report, or for the opinions we have formed.

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 the condensed consolidated interim financial statements which present fairly the financial position of the Group as at 31 December 2011 and the results of its operations and cash flows for the six months ended on that date.

Independent Reviewer's Responsibilities

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

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

Basis of Opinion

A review is limited primarily to enquiries of 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 consolidated interim financial statements of the Group for the six months ended 31 December 2011 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

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

Opinion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements on pages 16 to 35 do not present fairly the financial position of the Group as at 31 December 2011 and the results of its operations and cash flows for the six months ended on that date in accordance with NZ IAS 34: *Interim Financial Reporting* and IAS 34: *Interim Financial Reporting*.

Our review was completed on 15 February 2012 and our review opinion is expressed as at that date.

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

This review report relates to the unaudited condensed consolidated interim financial statements of Meridian Energy Limited and its subsidiaries ('the Group') for the six months ended 31 December 2011 included on Meridian Energy Limited's website. The Board of Directors is responsible for the maintenance and integrity of Meridian Energy Limited's website. We have not been engaged to report on the integrity of Meridian Energy Limited's website. We accept no responsibility for any changes that may have occurred to the unaudited condensed consolidated interim financial statements since they were initially presented on the website. The review report refers only to the unaudited condensed consolidated interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited condensed consolidated interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the reviewed unaudited condensed consolidated interim financial statements and related review report dated 15 February 2011 to confirm the information included in the reviewed unaudited condensed consolidated interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directory

REGISTERED OFFICE

Level 1
33 Customhouse Quay
Wellington 6011
New Zealand

OFFICES

33 Customhouse Quay
PO Box 10840
Wellington 6143
New Zealand

Telephone +64 4 381 1200
Facsimile +64 4 381 1201

104 Moorhouse Avenue
PO Box 2146
Christchurch 8011
New Zealand

Telephone +64 3 357 9700

State Highway 8
Private Bag 950
Twizel 7944
New Zealand

Telephone +64 3 435 0818
Facsimile +64 3 435 0939

AUDITOR

Michael Wilkes
On behalf of the Office
of the Auditor-General
Deloitte
PO Box 248
Christchurch 8140
New Zealand

BANKER

Westpac
Wellington
New Zealand

DIRECTORS

Chris Moller, *Chairman*
Peter Wilson, *Deputy Chairman*
John Bongard
Mary Devine
Catherine Drayton
Anake Goodall
Steve Reindler
Anne Urlwin

SENIOR MANAGEMENT GROUP

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

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